Contents

1 Introduction to Spreadsheet Modeling 1
1.1 Introduction 1
1.2 What's an MBA to do? 2
1.3 Why Model Problems? 3
1.4 Why Model Decision Problems with Excel? 3
1.5 The Feng Shui of Spreadsheets 5
1.6 A Spreadsheet Makeover 8
1.6.1 Julia's Business Problem–A Very Uncertain Outcome 8
1.6.2 Ram's Critique 11
1.6.3 Julia's New and Improved Workbook 11
1.7 Summary 17
Key Terms 18
Problems and Exercises 18

2 Presentation of Quantitative Data: Data Visualization 21
2.1 Introduction 21
2.2 Data Classification 22
2.3 Data Context and Data Orientation 23
2.3.1 Data Preparation Advice 26
2.4 Types of Charts and Graphs 29
2.4.1 Ribbons and the Excel Menu System 29
2.4.2 Some Frequently Used Charts 31
2.4.3 Specific Steps for Creating a Chart 35
2.5 An Example of Graphical Data Analysis and Presentation 38
2.5.1 Example—Tere's Budget for the 2nd Semester of College 39
2.5.2 Collecting Data 40
2.5.3 Summarizing Data 40
2.5.4 Analyzing Data 43
2.5.5 Presenting Data 48
2.6 Some Final Practical Graphical Presentation Advice 51

2.7 Summary . . . 55
Key Terms . . . 56
Problems and Exercises . . . 56

3 Analysis of Quantitative Data . . . 59
3.1 Introduction . . . 59
3.2 What Is Data Analysis? . . . 60
3.3 Data Analysis Tools . . . 61
3.4 Data Analysis for Two Data Sets . . . 64
3.4.1 Time Series Data: Visual Analysis . . . 66
3.4.2 Cross-Sectional Data: Visual Analysis . . . 68
3.4.3 Analysis of Time Series Data: Descriptive Statistics . . . 71
3.4.4 Analysis of Cross-Sectional Data: Descriptive Statistics . . . 72
3.5 Analysis of Time Series Data: Forecasting/Data Relationship Tools . . . 75
3.5.1 Graphical Analysis . . . 76
3.5.2 Linear Regression . . . 80
3.5.3 Covariance and Correlation . . . 86
3.5.4 Other Forecasting Models . . . 87
3.5.5 Findings . . . 88
3.6 Analysis of Cross-Sectional Data: Forecasting/Data Relationship Tools . . . 89
3.6.1 Findings . . . 96
3.7 Summary . . . 97
Key Terms . . . 98
Problems and Exercises . . . 99

4 Presentation of Qualitative Data—Data Visualization . . . 103
4.1 Introduction–What Is Qualitative Data? . . . 103
4.2 Essentials of Effective Qualitative Data Presentation . . . 104
4.2.1 Planning for Data Presentation and Preparation . . . 104
4.3 Data Entry and Manipulation . . . 107
4.3.1 Tools for Data Entry and Accuracy . . . 108
4.3.2 Data Transposition to Fit Excel . . . 112
4.3.3 Data Conversion with the Logical IF . . . 115
4.3.4 Data Conversion of Text from Non–Excel Sources . . . 118
4.4 Data Queries with Sort, Filter, and Advanced Filter . . . 121
4.4.1 Sorting Data . . . 122
4.4.2 Filtering Data . . . 124
4.4.3 Filter . . . 125
4.4.4 Advanced Filter . . . 129
4.5 An Example . . . 133
4.6 Summary . . . 139
Key Terms . . . 140
Problems and Exercises . . . 141

5 Analysis of Qualitative Data 145
5.1 Introduction 145
5.2 Essentials of Qualitative Data Analysis 147
5.2.1 Dealing with Data Errors 147
5.3 PivotChart or PivotTable Reports 151
5.3.1 An Example 151
5.3.2 PivotTables 153
5.3.3 PivotCharts 164
5.4 TiendaMía.com Example: Question 1 168
5.5 TiendaMía.com Example: Question 2 169
5.6 Summary 175
Key Terms 175
Problems and Exercises 176

6 Inferential Statistical Analysis of Data 179
6.1 Introduction 180
6.2 Let the Statistical Technique Fit the Data 181
6.3 $\chi 2$—Chi-Square Test of Independence for Categorical Data 181
6.3.1 Tests of Hypothesis—Null and Alternative 182
6.4 z-Test and t-Test of Categorical and Interval Data 186
6.5 An Example 186
6.5.1 z-Test: 2 Sample Means 189
6.5.2 Is There a Difference in Scores for SC Non-prisoners and EB Trained SC Prisoners? 190
6.5.3 t-Test: Two Samples Unequal Variances 193
6.5.4 Do Texas Prisoners Score Higher than Texas Non-prisoners? 193
6.5.5 Do Prisoners Score Higher Than Non-prisoners Regardless of the State? 195
6.5.6 How Do Scores Differ Among Prisoners of SC and Texas Before Special Training? 196
6.5.7 Does the EB Training Program Improve Prisoner Scores? 198
6.5.8 What If the Observations Means Are the Same, But We Do Not See Consistent Movement of Scores? 199
6.5.9 Summary Comments 199
6.6 Confidence Intervals for Sample Statistics 201
6.6.1 What Are the Ingredients of a Confidence Interval? 202
6.6.2 A Confidence Interval Example 203
6.6.3 Single Sample Hypothesis Tests Are Similar to Confidence Intervals 204
6.7 ANOVA 207
6.7.1 ANOVA: Single Factor Example 207
6.7.2 Do the Mean Monthly Losses of Reefers Suggest That the Means Are Different for the Three Ports? 209

6.8 Experimental Design 210
6.8.1 Randomized Complete Block Design Example 213
6.8.2 Factorial Experimental Design Example 216
6.9 Summary 219
Key Terms 221
Problems and Exercises 221

7 Modeling and Simulation: Part 1 225
7.1 Introduction 225
7.1.1 What Is a Model? 227
7.2 How Do We Classify Models? 229
7.3 An Example of Deterministic Modeling 231
7.3.1 A Preliminary Analysis of the Event 232
7.4 Understanding the Important Elements of a Model 235
7.4.1 Pre-modeling or Design Phase 236
7.4.2 Modeling Phase 236
7.4.3 Resolution of Weather and Related Attendance 240
7.4.4 Attendees Play Games of Chance 241
7.4.5 Fr. Efia's What-if Questions 243
7.4.6 Summary of OLPS Modeling Effort 244
7.5 Model Building with Excel 245
7.5.1 Basic Model 246
7.5.2 Sensitivity Analysis 248
7.5.3 Controls from the Forms Control Tools 255
7.5.4 Option Buttons 256
7.5.5 Scroll Bars 259
7.6 Summary 261
Key Terms 261
Problems and Exercises 262

8 Modeling and Simulation: Part 2 265
8.1 Introduction 265
8.2 Types of Simulation and Uncertainty 267
8.2.1 Incorporating Uncertain Processes in Models 267
8.3 The Monte Carlo Sampling Methodology 268
8.3.1 Implementing Monte Carlo Simulation Methods 269
8.3.2 A Word About Probability Distributions 274
8.3.3 Modeling Arrivals with the Poisson Distribution 278
8.3.4 VLOOKUP and HLOOKUP Functions 280
8.4 A Financial Example–Income Statement 282
8.5 An Operations Example–Autohaus 286
8.5.1 Status of Autohaus Model 291
8.5.2 Building the Brain Worksheet 292
8.5.3 Building the Calculation Worksheet 294

8.5.4 Variation in Approaches to Poisson Arrivals: Consideration of Modeling Accuracy . . . 296
8.5.5 Sufficient Sample Size . . . 297
8.5.6 Building the Data Collection Worksheet . . . 298
8.5.7 Results . . . 303
8.6 Summary . . . 307
Key Terms . . . 307
Problems and Exercises . . . 308

9 Solver, Scenarios, and Goal Seek Tools . . . 311
9.1 Introduction . . . 311
9.2 Solver–Constrained Optimization . . . 313
9.3 Example–York River Archaeology Budgeting . . . 314
9.3.1 Formulation . . . 316
9.3.2 Formulation of YRA Problem . . . 318
9.3.3 Preparing a Solver Worksheet . . . 318
9.3.4 Using Solver . . . 322
9.3.5 Solver Reports . . . 323
9.3.6 Some Questions for YRA . . . 328
9.4 Scenarios . . . 334
9.4.1 Example 1—Mortgage Interest Calculations . . . 334
9.4.2 Example 2—An Income Statement Analysis . . . 337
9.5 Goal Seek . . . 338
9.5.1 Example 1—Goal Seek Applied to the PMT Cell . . . 339
9.5.2 Example 2—Goal Seek Applied to the CUMIPMT Cell . . . 341
9.6 Summary . . . 342
Key Terms . . . 343
Problems and Exercises . . . 344