

Savvy Stock Plan Spreadsheets

Every equity compensation software vendor strives to ensure that their product provides clients with the information they need in the format they require; and experts will tell you that, from a SOX perspective, you should minimize the calculations you do in spreadsheets. However, the reality is that often there are calculations that, for whatever reason, need to be done in a spreadsheet. As a result, working with spreadsheets is a required skill set for almost every equity compensation professional.

We've been amazed and impressed at the complexity of some of the spreadsheets that clients, or their consultants, have created. However, while the information being manipulated may by necessity be complex, that doesn't mean how the information is being presented has to be.

Don't be afraid to use tabs:

It can be tempting to have all of the information on one worksheet so you can see everything "at a glance." That philosophy may work well when the spreadsheet is new; however, that may not be the case two to five years down the line. If you are calculating data such as peer group volatility in a spreadsheet, use a separate tab for each peer company and then create a summary worksheet to consolidate and display current period information. This will make life easier for you and for the people who inherit your spreadsheet when you move on to the greener pastures.

Whenever possible, leave a breadcrumb trail:

Have you ever worked in a spreadsheet someone else created and clicked into a calculated cell to see how they got that number only to find that the value is a hard-coded number, and now you have to search for the source (and you may not find it)? Obviously, raw data will be hard-coded values; but, if you want to make it easier for subsequent users (e.g., auditors, other departments, etc.) to understand how you arrived at your numerical conclusions, try to retain the formulas in cells. When bringing in the values from another worksheet, it's just as easy (and less prone to error) to reference a specific cell than it is to type in the actual value. If you need to hard code the data (i.e., Copy | Paste Special the Values) in order to do roll forward calculations the next quarter, simply keep an archived version of the spreadsheet that does retain the formulas/references. Your co-workers will thank you for it.

Feel free to show your work:

We've all seen those formulas that are so complicated it takes you 10 minutes just to figure out what the person is trying to calculate. Many formulas can, and should, be broken down into their individual components in separate columns. Doing so will not only make it easier for you to arrive at the logic for the entire calculation; it will make it much easier to trouble-shoot if that calculation isn't accurate. Columns containing interim calculations can always be hidden until such time as an auditor, whom you may be paying by the hour, comes in to double-check your work.

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