Sensitivity analysis in practice: a guide to assessing scientific models
Sensitivity analysis is a variation on scenario analysis that is useful in pinpointing the areas where forecasting risk is especially severe. The basic idea with a sensitivity analysis is to freeze all of the variables except one and then see how sensitive our estimate of NPV is to changes in that one variable. If our NPV estimate turns out to be very sensitive to relatively small changes in the projected value of some component of project cash flow, then the forecasting risk associated with that variable is high (Saltelli, 2007). ISBN 978-0-471-99892-1. Saltelli, A. (2004) Sensitivity Analysis in Practice: A guide to assessing scientific models. Wiley, Chichester. ISBN 0-470-87093-1. Sensitivity Analysis is a tool used in financial modeling to analyze how the different values for a set of independent variables affect a dependent variable under certain specific conditions. Sensitivity Analysis is performed in Excel to assess risks, measure potential outcomes, and plan for an uncertain future. A guide to sensitivity analysis. Resources › Knowledge › Financial Modeling › What is Sensitivity Analysis? Overview of sensitivity analysis. What is sensitivity analysis? Sensitivity Analysis is a tool used in financial modeling. What is Financial Modeling? Financial modeling is performed in Excel to forecast a company's financial performance. Overview of what is financial modeling, how & why to build a model.