

Sensitivity & Scenarios

Accounting & Finance

Testing which assumptions actually drive the answer.

Sensitivity analysis

- Vary one input at a time
- Shows which input matters most
- Presented as a data table
- Ignores correlation between inputs

Scenario analysis

- Vary a coherent set together
- Base, upside and downside cases
- Each scenario internally consistent
- Better reflects how the world moves

THE DIFFERENCE THAT MATTERS

Sensitivity finds the sensitive input. Scenarios test whether the story holds together. Use both.

Monte Carlo goes further, sampling distributions to give a probability range rather than three discrete cases.