Waterfall Chart Reporting Guidelines

This document provides guidelines for the design, preparation, and interpretation of waterfall charts used in business and analytical reporting.

1. Purpose of Waterfall Charts

Waterfall charts are used to visually demonstrate how an initial value is affected by a series of positive and negative values, leading to a final result. They are commonly used for financial reporting, explaining profit bridges, cost breakdowns, or changes over time.

2. Basic Structure

1. **Starting Point:** Initial value (e.g., opening balance, starting profit).
2. **Intermediate Changes:** Series of incremental increases or decreases (e.g., revenue, expenses, adjustments).
3. **Ending Point:** Final value after all changes are applied.

3. Standard Elements

Element	Description
Bars	Represent the magnitudes and direction (positive/negative) of changes.
XAxis Labels	Indicate each step or factor (e.g., revenue, costs, taxes).
Totals	Highlight starting and ending points distinctly.

4. Best Practices

- Order intermediate steps logically (chronologically or by impact).
- Use consistent bar sizing to indicate accurate values.
- Clearly differentiate totals from incremental changes.
- Label all data points for clarity.
- Provide a concise chart title and legend if needed.

5. Example Layout

Example categories in a profit waterfall chart:

- Starting Profit
- Revenue Increase
- Cost of Goods Sold
- Operating Expenses
- Taxes
- Net Profit (Final Bar)

Important Notes:
- Ensure all calculations shown in the chart are accurate and can be reconciled to source data.
- Label positive and negative values clearly to avoid misinterpretation.
- Avoid overloading the chart with too many stepsâ€"limit to main drivers.
- Maintain consistency if using waterfall charts in periodic reporting for comparability.
- Supplement the chart with brief explanatory notes if necessary.