IR-Win Software Limited

IR-Win Quick Start Guide

Table of Contents

1 What is IR-Win? 5
2 Online Help 6
3 Sample Business Case 7
4 Steps to create your first Business Case 8
4.1 Select an analysis template 8
4.2 Validating the business case parameters 9
5 Entering transactions 11
5.1 Opening Balance Sheet 11
5.1.1 Cash balance 12
5.1.2 Accounts receivables 12
5.1.3 Accounts payable 12
5.1.4 Assets 12
5.2 Projects tab 13
5.2.1 Project List 13
5.2.2 Project transactions 14
5.2.3 Asset acquisitions 14
5.3 Sales and Cost of sales tab 15
5.3.1 Materials 15
5.3.2 Production payroll 16
5.3.3 Sales 16
5.4 Operating costs tab 16
5.4.1 Operating costs 16
5.4.2 Non-production payroll 16
5.5 Financing tab 17
5.5.1 Investments 17
5.5.2 Loans 17
5.5.3 Credit lines 17
5.5.4 Advances 17
6 Financial reports 17

6.1 Running the financial reports 18
6.2 The IR-Win Financial statements 18
6.2.1 Profit and Loss statement (P/L) 19
6.2.2 Statement of change in financial position 19
6.2.3 Balance sheet 20
6.3 Assess the results 20

1 What is IR-Win?

IR-Win is a free, online service that provides users with the means of performing financial analysis in an easy, efficient way. It helps users determine if a project makes financial sense through simple analysis.

2 Online Help

IR-Win features online help files to help users understand how to complete the information in the various screens. To access the help files, simply click the black question mark icon, as shown on the right, which is located at the bottom right hand side of each screen.

A Help screen will then appear. The help screens provide field-by-field explanations on how to complete the information required for each screen. The Help screens are on a separate tab in most browsers, so if you have two monitors (or a large one) you can view the Help file and the application side-by-side. This will make completing the screens easier.

SUPPORTED BROWSERS: IR-Win is best suited to the following browsers: Google Chrome, Mozilla Firefox, and Safari.

3 Sample Business Case

If you would like to see what a completed business case looks like, there is a sample available in the Public Template area (templates are explained in the next section). **Irwin's Bike Shop** business case provides a high-level overview of what a simple business case might looks like. Feel free to download and play with it - you can change whatever you like, once downloaded it's yours to do as you please. If you are a beginner at preparing financial analyses, it might be a good idea to give you a feel for the application.

4 Steps to create your first Business Case

The steps to perform an analysis in IR-Win are the following:

1. Select an analysis template
2. Validate the analysis parameters
3. Enter the transactions
4. Run a report

4.1 Select an analysis template

After you login you will see two tabs – **Business Case Templates** and **Business Cases**. Click on the **Business Case Templates** tab. You will then see a screen with two tables – **Public Templates** and **Private Templates** (see Figure 1).

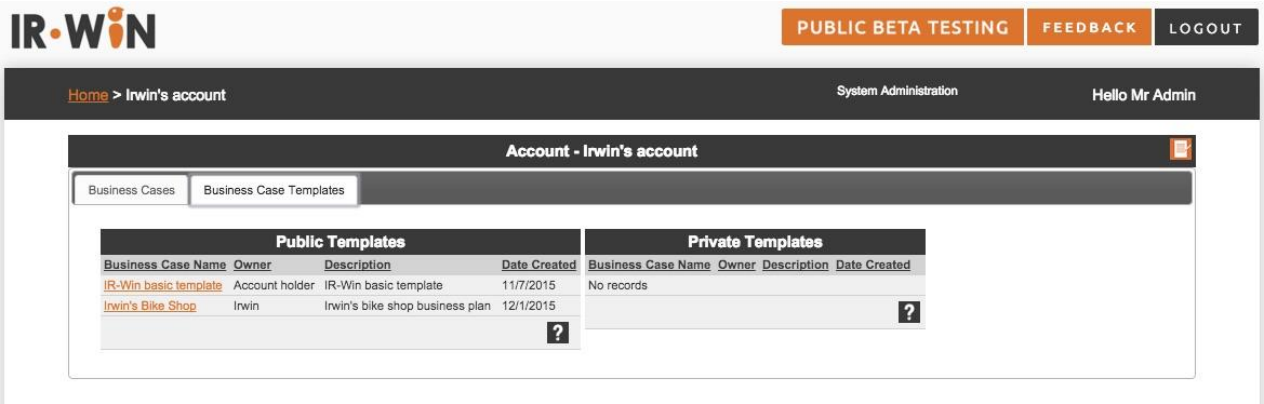

Figure 1 - IR-Win Template tab

IR-Win business cases are usually created from templates. There are public templates, which can be used by anyone with an IR-Win account, and there are private templates, which users can create by modifying an existing template and saving it as a private template. You can also create a new business case from scratch by clicking the icon shown in Figure 2, but you must ensure that you follow all the instructions and enter appropriate data in the various fields. For a first business case we will use a public template.

Figure 2 - Business Case tab

To start a new business case, click on one of the orange highlighted IR-Win template shown in Figure 1. There are currently two choices: **IR-Win Generic Template,** and **Irwin's Bike Shop**, which is a completed sample business case. More will be gradually be added. We will start this first business case with the generic template. After you click on the template name (see Figure 1), a new screen will appear asking you to name the new business case, as well as provide a description. Pick a name that is representative, enter a short description, and click SAVE. The new business case will be saved under the **Business Cases** tab. For this guide we will use as an example Irwin's Bike Shop's business case.

You must then open your new Business Case before you can work on it. Click on the **Business Case** tab. Your new Business Case will be shown on the table in this tab. You can click on the name of your Business Case to access it.

4.2 Validating the business case parameters

The next step involves validating the business case parameters – the basic assumptions of your business case. These parameters can be found in the **Business Case Parameters** screen, accessed by clicking the orange icon in the top right corner of the screen, as indicated by the arrow in figure 3.

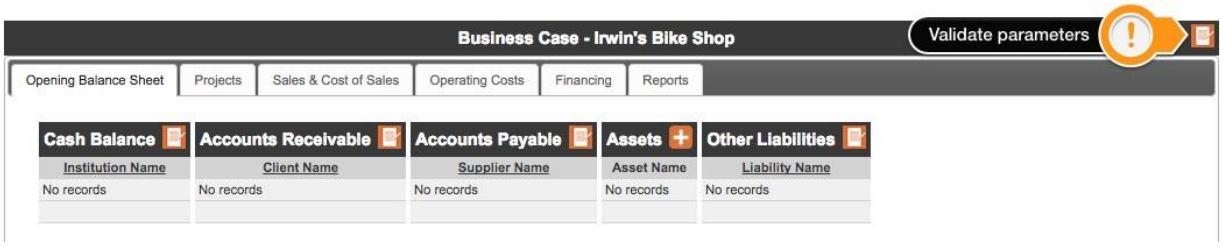

Figure 3 - Validating business case parameters

The **Business Case Parameters** screen (see Figure 4) is sub-divided in two parts: The top of the screen contains fields used to:

- Identify the people responsible for the Business Case,
- The starting year and month,
- Its duration,
- Whether this is a Private template or a regular Business Case.

For help on completing this information, please click to the **Help** button (question mark).

The second section contains a number of tabs used to define specific sets of assumptions. They are:

- **Accounts Receivables (collections)**: This is to indicate the timing of the A/R collections. You need to validate that the timing fits with your business model.
- **Accounts Payable (payments)**: This is to indicate the timing of the A/P payments. Validate that the timing fits with your business model.
- **Cash Flow Discount Rate**: This rate is used by the system to calculate the net present value (NPV) of your business case (what the project is worth in "today's" dollars).

The information on these tabs can be edited by clicking on the icon indicated in Figure 4. The instructions on how to complete each tab are available by clicking the **Help** icon on individual tabs.

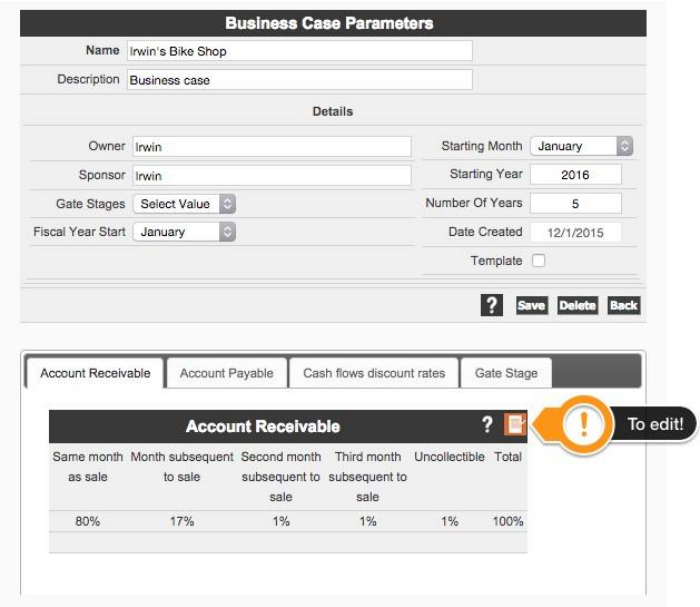

Figure 4 - Business Case parameters

5 Entering transactions

IR-Win performs the business case analysis in much the same way an accounting system computes financial statements – through the processing of individual transactions. Entering transactions in IR-Win is in fact similar to entering transactions in a regular accounting system. There are five (5) types of transactions in IR-Win, each of them with it's own tab in the system, as shown in Figure 5.

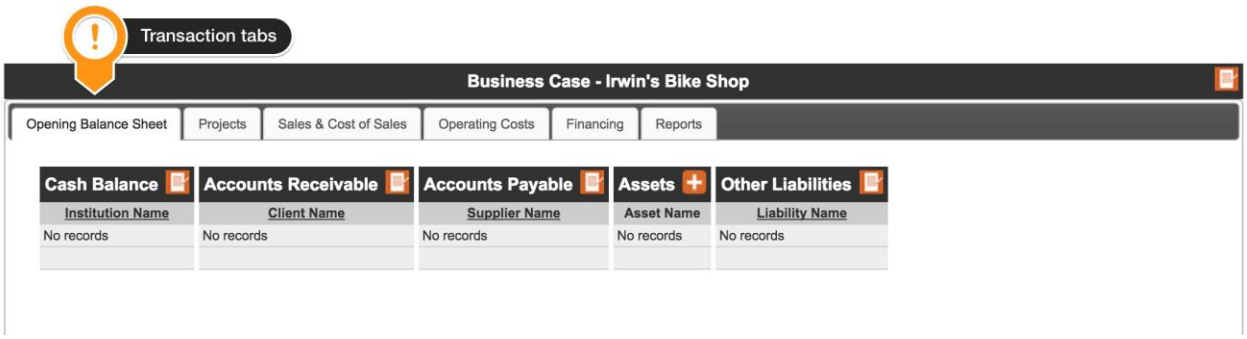

Figure 5 - Transaction tabs

The transaction tabs are:

1) **Opening Balance Sheet**: This tab is used to access transaction screens required to enter opening amounts for the opening Balance Sheet, when a going concern is the object of the business case (a business started before the beginning of the business case).
2) **Projects**: This tab is used to access transaction screens when a projects is a component of the business case (such as, in this business case, renovating a store before opening it). These transactions include general project costs and the purchase of equipment and other assets.
3) **Sales and Cost of sales**: This tab is used to access transaction screens related to the sales and the cost of the goods or services sold.
4) **Operating Costs**: This tab is used to access transaction screens for operating costs, such as non-production payroll, rent, heat/light/power, etc.
5) **Financing**: This tab is used to access transaction screens related to investments, loans, and other forms of financing.

5.1 Opening Balance Sheet

The **Opening Balance Sheet** tab is only used when preparing a business case for a going concern – that is, a legal entity already in existence at the beginning of the business case, whose balance sheet must be the starting point of the analysis. By clicking on the **Opening Balance Sheet** tab, users can access the various transaction menus. New transactions can be created by clicking the orange icon on

the top right of the individual transaction menu, or existing transactions modified by clicking the transaction name on the main body of the panel – as shown by the arrows in Figure 6.

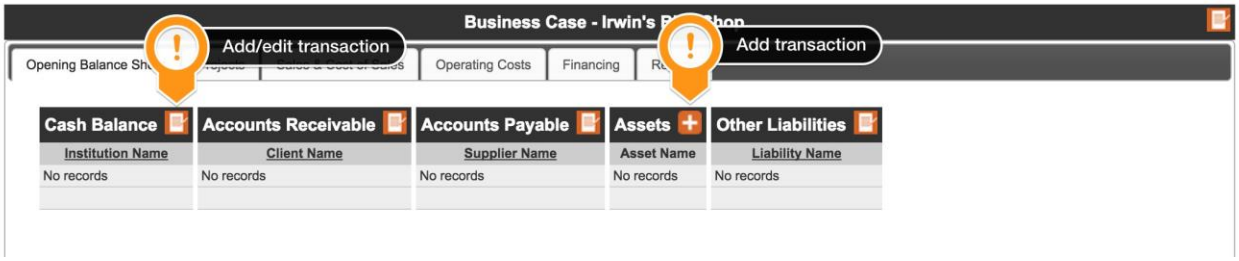

Figure 6 - Transaction creation and editing

The transaction menus included under this tab are the following:

5.1.1 Cash balance

This screen is used to enter the cash balances (money in your bank accounts). Any number of financial institutions account can be entered. However, the cash balance is treated as an aggregate for cash flow and analysis purposes (meaning all cash balances are added up and essentially treated as one bank account).

5.1.2 Accounts receivables

This screen is used to enter the receivables on record (money that is owed to you) as of the start of the business case. These receivables will be considered collected as per the assumptions outlined in the **Business Case Parameter** section explained previously. Receivables can be entered individually, or in the aggregate on a single line.

5.1.3 Accounts payable

This screen is used to enter the payables on record (money you owe) as of the start of the business case. These payables will be considered paid as per the assumptions outlined in the **Business Case Parameter** section explained previously. Payables can be entered individually, or in the aggregate on a single line.

5.1.4 Assets

This screen is used to enter the assets (furniture, equipment etc. that you own) on record as of the start of the business case. These assets will be depreciated (written-off over time) in the manner required by the information entered in the screen.

For Irwin's Bike Shop business case this tab isn't relevant, as the business case is for a brand new venture.

5.2 Projects tab

By clicking on the **Projects** tab, users can access the various project transaction menus. An example of project might be the initial set-up of a bicycle store. This might include activities such as renovating the space, buying and installing the counters and racks, buying the equipment etc. You may also have a business case that is entirely about a project (with no incremental revenues), such as estimating the costs of renovating a space, or upgrading old equipment. There are three types of expenditures that can be added to a project:

1. Expenditures related to purchases and services (such as construction or renovations);
2. The acquisition of fixtures and equipment (and other similar assets, such as bicycle racks, workbenches etc.);
3. Expenditures related to the costs of your own employees (payroll expenditures). These types of expenditures are addressed on the **Operating costs** section.

The **Projects** tab provides access to three transaction menus – **Project List**, **Project Transactions** and **Asset Acquisitions**.

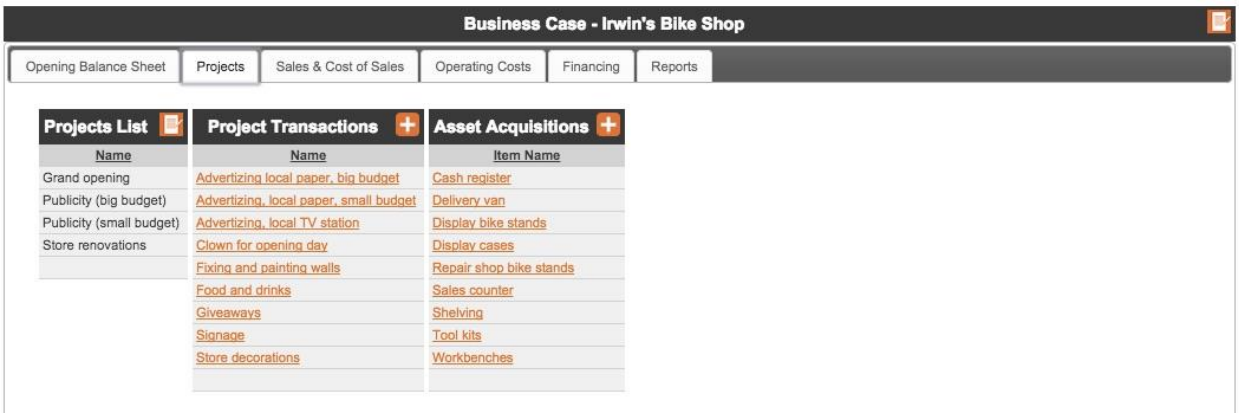

Figure 7 - Projects tab

5.2.1 Project List

IR-Win allows you to create any number of projects for your business case. As an example, returning to our bicycle store business case, you may wish to separate the renovation of the space from the Grand Opening. You would then create two projects.

IR-Win also allows you to have up to four separate business case scenarios. These are alternatives for your business case. For example, you may have a choice of two locations for your store. You could then define both sets of projects individually

(projects 1 & 2 for the renovations and setting-up of the equipment in the first location, and 3 & 4 for the second location). Simply click the appropriate checkbox in the Project List screen to indicate the correct scenario to which each project belongs.

5.2.2 Project transactions

The **Project Transactions** screen is used to enter transactions for purchases and services. To enter these transaction simply click the icon next to the name of the transaction, and complete the information on the screens.

You will note that this may be a multiple-screen process – the initial (main) screen is used to define the transaction parameters, and the subsidiary screen is used to manually enter the transaction volume if necessary.

Also note that the screen contains a number of system-calculated fields, which you can update by pressing the **Recalculate** button at the bottom right of the screen. To find out more about the requirements of each field, you can access the help file for the screen by clicking the black question mark at the bottom right of the screen.

5.2.3 Asset acquisitions

The **Asset acquisitions** screen is used when fixtures and equipment are purchased (depreciable assets, such as bicycle racks, which will last for many years). In addition to recording the transaction, this screen provides users with the ability to select modes of financing, such as leases or cash purchase.

5.3 Sales and Cost of sales tab

The **Sales and Cost of sales** tab provides access to the screens that define the sales transactions and their related costs. The transaction menus in this tab are the following:

1. Materials
2. Production payroll
3. Sales

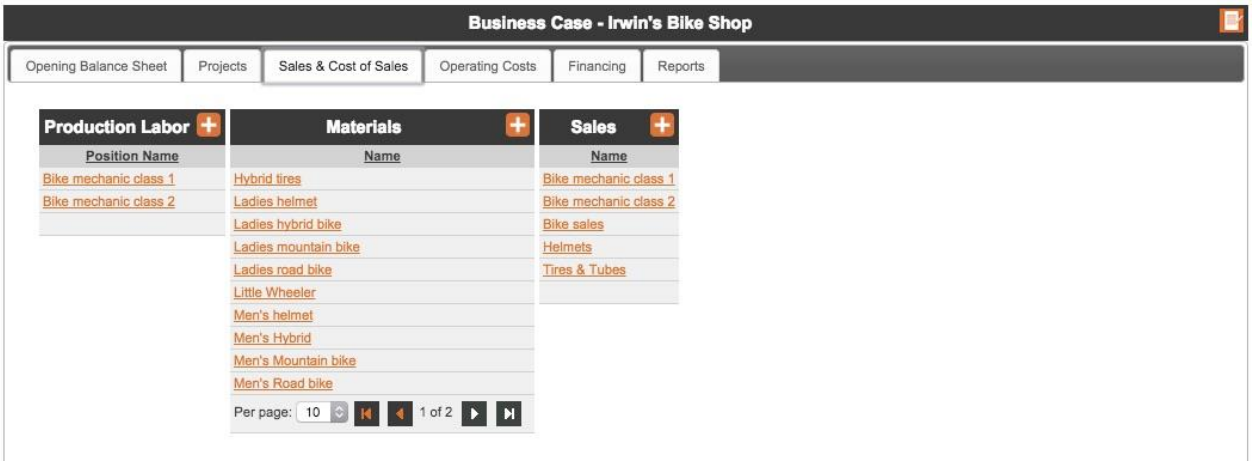

Figure 8 - Sales & Cost of sales tab

Some consideration must be given to how the product or service are configured in IR-Win, as this will impact the way in which cost of sales will be applied to sales transactions. In our example, as we are preparing a business case for a retail store, the goods for sale are entered in the system as individual items, as your customers would be buying them on that basis (one customer might buy one bicycle – not 150 of them).

If however you are selling bicycles as a distributor, and your minimum shipping is a crate of 10 units, you might want to configure your unit as 10 bicycles (or one crate), as this would allow you to appropriately allocate costs such as shipping (for a crate, as opposed to a single unit).

5.3.1 Materials

The **Materials** screen is used to define either goods offered for sale (for example bicycles in our bicycle shop). You would also include in **Materials** parts or components of bicycles if you assemble them yourself, or other items for sale (like bicycle clothes, baskets, etc.). If you were preparing a business case for a rental property, you might define the monthly rent as one 'material', setting the other parameters to zero (no cost of sales or inventory).

5.3.2 Production payroll

The **Production payroll** screen is used to define the labour rates for billed or sold services (the hourly/minute cost of a specific type of labour – bicycle repairperson for example). This screen is only for revenue-producing positions. Non-revenue producing positions (such as store manager or sales person) are defined in a subsequent section.

5.3.3 Sales

The **Sales** screen is used to input sales. A **Sales** screen can be used to enter several individual transactions, which all share the same parameters. The main **Sales** screen is used to define the parameters of the transaction, and sub-screens are used to add sales volume and transaction-specific information. The sales items that can be selected for sale are those that were defined in the **Materials** and **Production Labour** screens.

5.4 Operating costs tab

The **Operating costs** tab contains two transaction menus: **Operating costs** and **Non-production payroll**. These transactions are used to define general or "overhead" type of expenditures.

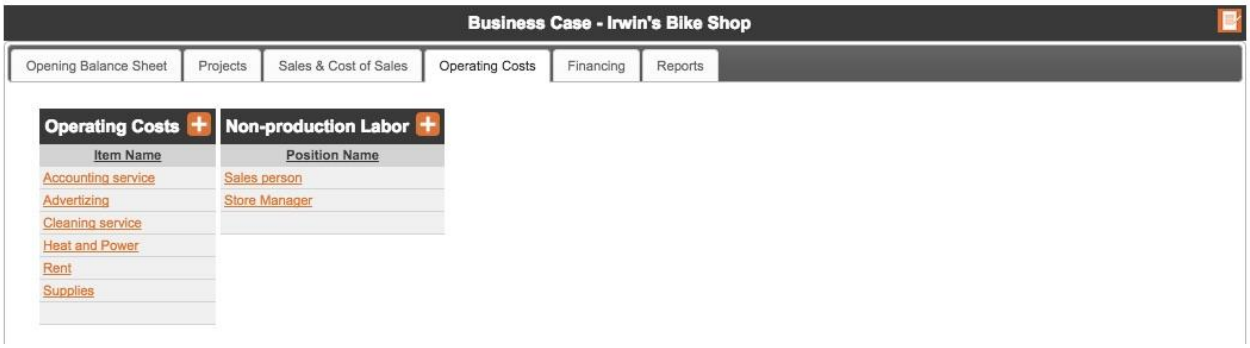

Figure 9 - Operating costs

5.4.1 Operating costs

The **Operating costs** screen is used to input transactions such as rent, electricity and other "overhead" type of expenditures (anything that does not constitute part of the direct cost of the products/services, and isn't payroll related).

5.4.2 Non-production payroll

The **Non-production payroll** screen is used to define the payroll positions that are not part of the cost of production. In other words, only the positions that do not form part of the cost of sales are defined here. Non-production payroll would include such positions as store manager, sales person etc. Also note that any payroll cost needing to be charged to a project can be defined in this screen.

5.5 Financing tab

The **Financing** tab is used to define the financing of the business case (where the funding comes from). This can take the form of investments, loans, credit lines or advances. There is a separate transaction menu for each of these items. Complete the ones you need, and ignore the ones you don't.

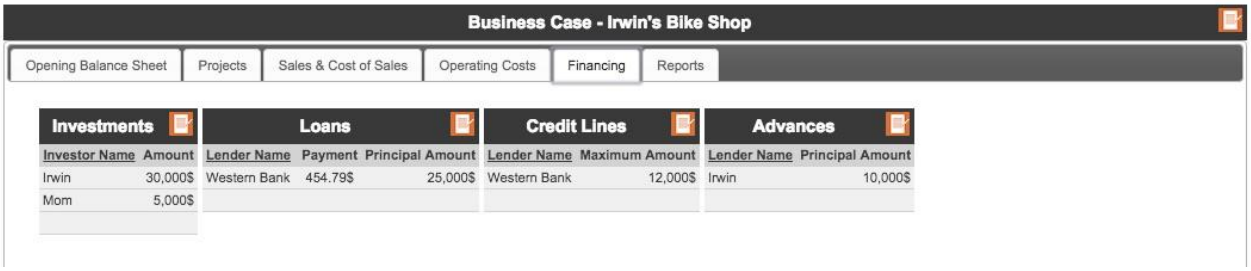

Figure 10 - Financing tab

5.5.1 Investments

You can enter as many investors/investments as you wish. An investment is money provided by an investor with no repayment date and no interest payments.

5.5.2 Loans

A loan is an amount that will be repaid with interest, based on a monthly repayment schedule. IR-Win will calculate the monthly payments based on the information input on this screen.

5.5.3 Credit lines

A credit line is a loan (usually from a financial institution) that will fluctuate with your needs. It is interest bearing, but does not have a fixed repayment schedule. Although IR-Win allows you to input several credit lines, they are processed in the aggregate (all together) in the cash flow statement (Statement of change in financial position).

5.5.4 Advances

Advances are loans that must be repaid in a lump sum payment at a set date, with interest.

This completes the transaction entries.

6 Financial reports

The last tab is labelled **Reports**. For IR-Win it features only one menu – in this case the **Report Instances** menu. The **Report** screen allows you to configure and run a financial report.

Figure 11 - Report tab

In IR-Win, financial reports are output as Microsoft Excel spreadsheets, and downloaded automatically to your computer once processed (processing time depends on the current report requests queue, and the report complexity, but normally processing should only take a few seconds). This is so they can be modified or formatted for a user's specific requirements. If you do not own the Microsoft Excel software, you can go to the **Links** page of the IR-Win web site, and either download the free Microsoft Excel viewer (which will allow you to view the reports, but not to modify them), or download one of the free alternatives that are offered on the **Links** page.

6.1 Running the financial reports

A new report can be configured by clicking the **+** icon, and completing the information on the screen. Once you have configured the report you need, you can run it simply by clicking **Process**, and then download it by clicking **Download**. Note that you can re-process a report (if you made changes to the business case), and download it again as often as you wish. Also note that when you process a report again the previous version is over-written.

In IR-Win the financial reports includes a **Profit and Loss Statement (P&L)**, a **Statement of Change in Financial Position** (cash flow), and a **Balance Sheet**. They are all included in the same Microsoft Excel file. These statements can be produced using several options for each line item, so be sure to understand what these statements say about your business case before moving to the next step. Basic information on financial reports can be viewed here: Wikipedia - Financial statements. If you lack basic knowledge of financial statements you may need to talk to a professional.

6.2 The IR-Win Financial statements

It is obviously beyond the scope of this guide to provide a tutorial on the interpretation of financial statements, so the information below is merely intended to help users understand the reports produced by IR-Win.

6.2.1 Profit and Loss statement (P/L)

The Profit & Loss statement (P&L) provides the information on the revenues, expenditures and profit or loss of the business case. It essentially shows if the project is profitable or not. The P&L produced by IR-Win is on a monthly basis, and is for the time period indicated in the **Business Case Parameter** screen. In IR-Win it can be considered to feature four sections:

1. The **Sales** section is a single line item that represents the combined monthly sales for the business case.
2. The **Cost of sales** section includes several line items that are used to calculate the cost of sales. The calculation is Opening inventory + Purchases + Labour – Ending inventory = Cost of sales. The **Gross Margin** is obtained by subtracting the Cost of sales from the Sales.
3. The **Expenditures** section includes the Operating costs and Non-production payroll discussed previously, as well as Project and Asset Acquisition transactions (Project and Asset Acquisitions transactions not capitalized (those not deferred over time) and Uncollectible Accounts (as defined in the Business Case Parameters). There is a subtotal for expenditures, and subtracting total expenditures from the Gross Margin yields the EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization), a commons financial measure of profitability.
4. The Last section is for Interest, Amortization and Write-downs (the portion of the capitalization expensed during the period), and Income Taxes. Subtracting these items from the EBITDA provides the Net Earnings for each month.

6.2.2 Statement of change in financial position

While the P&L provides information on the profitability of the business case, it does not indicate if there is enough cash flowing through the system for the business to meet all of it's obligations. This information is provided by the **Statement of change in financial position** (SCFP) – commonly referred to as the Cash Flow statement.

The SCFP features six sections:

1. The **Opening Cash Balance** is, as the name implies, the opening cash balance for the month.
2. The **Operating Activities** section details the cash provided-by or used-in operations (in the normal course of business).
3. The **Investing Activities** section details the cash used in investing activities (projects, purchase of assets and such).

4. The **Financing Activities** section details the cash provided-by on used-in financing activities, such as investments in the business, loans and advances (proceeds and/or payments) and leases (proceeds and/or payments, purchase of assets and such).
5. **Closing Cash Balance** is the ending cash balance for the month. Note that the closing cash balance is always the opening cash balance of the next month. The **Financial Shortfall** line indicates the amount by which the Credit Line arrangements are exceeded.
6. The **Investment analysis** section provides a view as to the Net Present Value of the project. The Net Present Value is essentially the net cash generated by the business case, adjusted for the time-value of money (think of it as negative interest on the money. The longer it takes to generate excess cash over the investment, the less the cash is worth). This is calculated using the discount rate provided in the **Business Case Parameters** screen.

6.2.3 Balance sheet

The **Balance Sheet** provides a point-in-time view of the financial status of the entity. It tells what a business is worth (from an accounting perspective, not from a what-the-market-will pay perspective). There are three major sections in a **Balance Sheet**:

1. **Assets** are the things that the entity owns – cash on hand, receivables (money owed to it), inventory, fixed assets (equipment, buildings, etc.), as well investments. These are totalled in the **Total Asset** line.
2. **Liabilities** represent what is owed by the entity – Accounts payable, loans, income taxes etc.
3. **Equity** is what is left when what is owed to other people is subtracted from what is owned by the entity. In essence if you take everything that the entity owns, minus what it owes on this to other people, and what you're left is what the owners of the entity have for themselves. When equity is positive, it means the entity is solvent – and when it is negative it means the entity is insolvent (again, from an accounting perspective).

6.3 Assess the results

After you have reviewed the financial statements, you may decide to change some of the information in your business case. Do so as often as needed to get to a result that is credible and achievable.