EZQ™

BUSINESS SOLUTION TOOLS

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USER GUIDE

EZQ V4.08

CONTENTS

TIPS FOR USING THE SOFTWARE

- The software works under MAC OS Mavericks and Excel for Mac 2007. It works also under Windows XP, Vista, 7 and 8 with Microsoft Excel 2007, 2010 and 2013.

- Lower the level of your Excel's macro commands-related protection (Tools-Macros-Security-Medium or Low).

- If desired, **you can permanenty lower the security level for any Excel file with macro commands**. To do so, go to: Office button > Excel Options > Privacy Management Centre > Privacy Management Centre Settings > Macro Settings > Enable all macros without notification.

- **Any file in the V4.00 release and above must be registered as a .xlsm mode (Excel workbook that supports macros).**

- **Any file of the V3.16 version and under must be registered in a .xlsm mode (Excel workbook that supports macros). When Excel asks if you want to save this workbook without these features, press OK and OK to all.**

- The **white cells** are the **only** cells the software will let you edit.

- ◀ To move back to the previous step.

- FRANÇAIS To use the French version of the software.

- ENGLISH To use the English version of the software.

- ▶ To go to the next step.

- MENU To go back to the sections' menu.

- Ability to choose the sections to be printed in the MENU.

- Ability to share a file with someone who does not have EZQ. Under Section MENU button has been added. A file will be saved exactly where you saved the file function. The file will share the same name, with a date extension.

- You can not use the cut / paste or copy / paste even if it is a white box to avoid breaking ties with them.Never perform a type cut / paste even in a white box. This will cause crash important formulas related to the cases in question.

- You must select a version language **before any modification** is made. (Time translation of a few seconds).

- Ability to hide the lines to zero and display (time of a few seconds). It is impossible to add lines because of the relationship with the other sections of the software.

- Add comments to explain data entry (they can be displayed).

- Highlight in <mark>yellow</mark> all cells containing special calculations modified from the original version.

- Highlight in <mark>red</mark> all issues and questions to be solved later.

- Ensure your data can be traced: enter summations instead of totals.

- Validate entries as you go, don't wait until you're done.

- **Be careful** when printing multiple tabs at once! Unfortunately for **Mac users** to print multiple Excel sheets in PDF format proves a gap from Apple. If you need a file in PDF format, you need to print to the printer and scan it later. If Apple addresses this problem, it will work with EZQ.

- **A red question mark** in the upper left cell of each section indicates an unbalanced balance sheet.

- **Green** tabs represent a complete conventional folder.

- **Gray** tabs are related to monthly financial statements or tax forecasts.

- **Plum** tabs are related to your actual business data.

- **Blue** tabs are related to a folder's optional data.

- The Taxes tab only serves to change the tax rate by province and add the amount of cumulative losses deductible against future profits. The sum of the amounts in retained earnings and those of current earnings is included by default in the event that it is negative. It is also used to record profits in the last three years to calculate tax refunds in future losses. The calculation software 1/3 year cumulative benefits.

- The software works for seasonal businesses. It is based on data from the same period last year to compile the data for years 2, 3 and 4 of forecasts. Only the "Salary" exception to this rule.

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USING SECTIONS IN THE RIGHT ORDER

1. LANGUAGES

- This section is used to translate the software. To change a term, edit it here. **You can also add a third language:** simply complete the third column.

2. HYPOTHESIS

- Language: Automatically translates the software according to the language you have selected.
- Business name, Explain the project, Project Start Date (based on the financial statements you have in hand).
- Inc., Reg., GP, NPO – Indicates that tax payments will be made six months after the end of fiscal year for incorporated companies, and four months for other types of organizations. NPOs do not pay taxes. Tax payments are automatically added to cash budget in project years 2 and 4. Since the software cannot know if there will be taxes owed on the self-made opening balance sheet of the company, you wil have to manually add tax payments to the opening balance sheet.
- Province: Used as a basis for tax calculations.
- Fiscal Year End Date (cannot precede the start date of the project more than 364 days).
- Credit margin slice and applicable rate.
- Annual inflation rate. You will be able to enter different inflation rates for different expenditures.
- Tax rate used in forecasts – Default is 0% for NPOs, 19% otherwise, but you can change it manually.
- Tax Refund Frequency: Monthly or Quarterly.
- The date of the next installment of taxes is calculated automatically based on the end date of the fiscal year, the date of the project as well as the frequency of tax returns.
- Next reimbursement of R & D: Enter the period of cashing the check estimated.
- Tax calculation: Calculation depends on percentages of sales, purchases, acquisitions and operating costs by provice or outside Canada. In very rare cases, you may have to customize this. Non-refundable taxes should be at 0% – include them in the targeted cost.

3. OPENING BALANCE SHEET

- Create asset accounts to be added and enter $ amounts (account names will be automatically added to the other sections).
- For investments, enter "investments" as the account name – and don't forget to enter 0% degressive scale under "Amortization".
- Current liabilities are developed over 12 months and related to cash budget.
- Check that each current liability is fully reimbursed. You can also reimburse liabilities in part (Ex. Vacation to pay).
- The calculation of the CPLTD (Current portion of long term debt) is done automatically based loans on their long-term liabilities.
- Long-term liabilities: enter the end date of the loan; the number of **payments** to be made will be calculated based on project commencement date. Complete the "Opening Balance Sheet Loans" section to have the number of moratorium **payments** automatically deducted. Make sure that the loan end date in the opening balance sheet is not earlier than the period where you would start withdrawals in your repayment schedule.
- To produce adequate fiscal financial statements, enter cumulated retained earnings at the beginning of the new fiscal year and cumulated current earnings since the beginning of the new fiscal year. The software will warn you if there is a discrepancy between current earnings in Opening Balance Sheet and cumulated earnings in Cumulated Opening Results. You should enter the opening balance sheet under "Taxes payable" amount from the "Opening results" and deduct the same amount of current earnings opening balance sheet.
- If your opening and statement results represent 12 periods, you should not have amounts on current earnings. Everything should be included in the retained earnings.

4. OPENING RESULTS (CUMULATED)

- Account names are repeated in other sections.
- Break down costs (cost of goods sold, operating costs, sales costs, administrative costs, financial costs, amortization and other income).
- This section will be used to automatically populate the Cash Funds section based on fixed and variable costs.
- Opening inventory is the inventory at beginning of fiscal year.
- Sales and purchases will be reflected based on opening results data.
- A warning is added when reported profits do not match current earnings under Opening Balance Sheet. Tax calculations would be distorted. You should enter the opening balance sheet under "Taxes payable" amount from the "Opening results" and deduct the same amount of retained earnings opening balance sheet.
- If you have changed your fiscal year end-date — for example, when acquiring an existing business — you can edit the number of actual periods representative of cumulated opening results. This way, your forecast calculations will be accurate and your fiscal financial statements will be representative, according to the date entered in the "Hypothesis" section.

5. OPENING BALANCE SHEET LOANS

- Enter the loan end date in the "Opening Balance Sheet" section, and the software will automatically calculate the number of **payments** remaining.
- You can make a principal moratorium, a full-debt moratorium, or a full payment (final payment).
- It is possible to enter manually unusual refunds. However, the rest of the schedule must also be entered manually.
- At the end of this section, there is a schedule including the sum of the opening balance sheet loans.

6. COST & FINANCING PROJECT

- Create new accounts if needed. Ideally, create them in the "opening balance sheet" section.
- Working capital is calculated automatically based on inflows and outflows of funds entered in the software.
- If you wish to finance changes in inventory, specify it here. Otherwise, you can make adjustments in the "Buying" section.
- Funds inflow and outflow projects over 48 months.
- Equity subsection (equity share capital, contributions, subsidies and preferred shares or due to shareholders).
- The "Land" accounts and "Immo - R & D" can not be renamed.
- The number of **payments** entered here must exclude moratoriums. If making annual payments over five years, enter "5".
- The number of payments entered must exceed the difference between the first and last disbursement period of a loan.
- Any asset contribution made by the client will not be considered in the calculation of taxes owed. Make sure that the contribution and addition of the asset in question will be made in the same month so as not to distort the cash funds.

7. TOTAL COST & FINANCING

- Sums up on a single page the total cost of the project (over 48 months maximum).
- You can cumulate 12, 24, 36 or 48 months of total project cost & financing.
- A second page was created in case you would like to change your cost and project financing based on requests made by various financial stakeholders. This second page will be the one printed.

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8. PROJECT LOANS

- Make sure to check moratorium periods when inflows are moved in the "Cost & Financing Project" section.
- It is possible to enter manually unusual refunds. However, the rest of the schedule must also be entered manually.
- At the end of this section, there is a schedule representing the sum of loans related to the project and a second containing all the loans including the opening balance sheet as well as those related to the project.

9. AMORTIZATION

- Check comment on the use of linear and degressive scale amortization in addition to ratios used.
- Ability to use the rule of the half rate or not.
- Linear amortization used here does not account for depreciation already taken over the years. The balance will be amortized over the period entered.

10. SALES

- Sales recorded in this section come from the sales ratios entered in the "Opening Results" section.
- Separate products or groups of products.
- View customer payment terms by product.
- You can enter sales in $ or iunits with a set sales price for each product according to any unit of measure.
- Enter product quantities you expect to sell. If sales progress each month (start-up or new product), check Year 2 sales in your first months of operation.
- You can increase sales by units sold and by sales price per product (programmed based on the inflation rate indicated).
- You can close sales terms before printing so it can be read in letter format.

11. BUYING

- The buying ratio comes from the "Opening Results" section.
- You can enter a % of raw materials per product or group of products.
- You can enter provider payment terms by product bought.
- Raw material ratios will adjust according to % increase of sales prices and inflation rate entered in the "Hypothesis" section, but you can change the inflation rate applied to purchases independently.
- Inventory adjustments can be made in the "Cost & Financing Project" section if you wish to finance changes to inventory. If your inventory decreases, the adjustment will consider usual

usage based on reported monthly sales. The adjustment will use the ratio of usual purchases per product. You can always change it manually if the ratio does not apply in this case.

- Do not forget to include variations in inventory for four years looking.
- You can close purchasing terms before printing so it can be read in letter format.

12. DIRECT LABOR

- The direct labor ratio and fringe benefits ratio per product are taken from the results found in the Opening Results section. If the company is a startup, you will see a Direct Labor ratio of 25% and a fringe benefits ratio of 17.50%.
- Spending on R & D on the DL will be deducted in calculating the average% of DL based on sales
- This data is automatically pasted in the SPC (Sales Product Costs) section and Cash Funds section.

13. SPC (Sales Product Costs)

- This section gives you an idea of your gross profit margin on items sold. The cost of direct labor and fringe benefits come from the Direct Labor section, while raw materials-related costs come from the Buying section.
- Other SPC variables come from opening results, as percentages of sales. Results will be automatically sent to the Cash Funds section.

14. SALARIES

- In this section, where you can detail your resources in sales and administration as well as the % time will be dedicated to R&D.

15. R&D

- Record the time claimed in % of your DL on R&D. Also, include your other R&D expenditures.
- The calculation of tax credits received will be made at the rates admissible to the company that are modifiable.

16. CASH FUNDS

- Separate your costs (sales product costs, operating costs, sales costs, administrative costs, financial costs, amortization and other revenues) for analysis.
- "Other revenues" allow us to have operating profits separated for analysis.
- Opening accounts payable come from your opening balance sheet.
- Cost of raw materials comes from the information entered in the Buying section.

- The % of production wages and fringe benefits come from the Direct Labor section history. The Hypothesis section must show the right <u>last</u> fiscal year end date for calculations to be accurate.
- Taxes, interests on line of credit, interests and capital remittances, and disbursements related to the project are performed automatically.
- The "Personal Deductions" account could be used for owner withdrawals from a registered business or dividends in the case of an incorporated company.
- Check if there are any extraordinary costs in Year 1 that would carry over to Year 2 (ex.: professional fees, financial fees, etc.). If so, make manual adjustments to Year 2.

17. MARGINABLE

- Indicate whether your credit margin is margined or not.
- Specify the maximum credit margin authorized, the % and maximum $ amount authorized on inventory, and the % admissible from accounts payable.
- A portion of the work in progress as well as priority claims will reduce the margin cover the financial institution.
- Enter the average tax% of all employees so that the software calculating withholding taxes that the company retains before returning to governments.
- Check if the margin is exceeded. If so, analyze if your limit could be raised based on the amount achievable in margination, otherwise increase loans under "Cost & Financing Project" as your working capital.

18. BALANCE SHEET/YEAR PROJECT

- The only data that could be changed here is the tax rate, based on revenues and the type of company (reg. or inc.) indicated in the Hypothesis section.
- You can indicate what part of each account represents fixed costs for breakeven point analysis.
- It is highly recommended to always use fiscal year results

19. BALANCE SHEET

- Simply make sure it balances out.
- It is highly recommended to always use fiscal year balance sheet

20. RATIOS

- Most of the most-often used ratios are there. You can customize this section based on the ratios your organization uses.

- You can add in the profits amount or funds generated amount requested by the promoters to give them a sales target that will help them reach their goals.

21. IC PROJECT - INVEST.COMMITTEE

- Complete the financial information for the past 2 fiscal years of the business. This information will be carried over to the IC FISCAL-INVEST.COMMITTEE section.
- Data recorded before and after the project are added automatically, based on opening results and balance sheet. The only data that comes from the previous fiscal year is the reprofiling of a debt, based on the number of months into the new fiscal year. If known, this data can be changed. The data in this section gives the information 12 months post-project.

22. RESULTS/MONTH (F)

- This section gives you forecasted monthly results.

23. BALANCE SHEET/MONTH (F)

- This section gives you forecasted monthly balance sheets.

24. RESULTS/FISCAL YEAR (F)

- This section shows forecasted annual results at the fiscal year end date entered in the Hypothesis section. During Year 1, you will have a few months worth of real data coming from the Opening Results section.
- Note: If the business is not entering its monthly amortization in its home-made financial statements, this will distort the data.

25. BALANCE SHEET/FISCAL YEAR (F)

- This section shows forecasted annual balance sheets at the fiscal year end date entered in the Hypothesis section. During Year 1, you will have a few months worth of real data coming from the Opening Balance Sheet section.
- Note: If the business is not entering its monthly amortization in its home-made financial statements, this will distort the data.

26. IC FISCAL-INVEST.COMMITTEE

- The financial information on the last two fiscal years of the business come from the IC section.
- Data recorded before and after the project are added automatically, based on opening results and balance sheet. The only data that comes from the previous fiscal year is the reprofiling of a debt, based on the number of months into the new fiscal year. If known, this data can be changed. The data in this section give information based on the fiscal year of the business.

27. COMPARED RESULTS (FORECASTS VS. REAL)

- This section provides a comparison between two periods of forecasts and real results. It is available from project commencement date and for the next four years. The second chart also features cumulative results included in your opening results.
- Very useful to validate data entry for the current month. Also useful for paperless management committees.

28. COMPARED BALANCE SHEET (FORECASTS VS. REAL)

- This section provides a comparison between forecasts and real balance sheets for a given period. It is available from project commencement date and for the next four years.
- Very useful to validate data entry for the current month. Also useful for paperless management committees.

29. RESULTS/MONTH (R)

- This section is used to enter your business's real results. It can also be tied to a new tab called "Real Cust. Results/Month" that you can create using the results you get from your accounting system (exported in Excel format). You can also enter cumulative results for a given period if you don't want to input them month by month. Make sure to include these months in your queries under "Compared Results" or else your analysis will be distorted.

30. BALANCE SHEET/MONTH (R)

- This section is used to enter your business's real balance sheets. It can also be tied to a "Real Cust. Bal. Sheet/Month" tab you can create using the results you get from your accounting system (exported in Excel format).

NOTE: To tie as many accounts as possible when receiving your business's first financial statements, make sure to ask to include $0 accounts in the Excel export file. Otherwise, every time an account is populated in a future month, you will have to tie it again.

Clients who have completed the EZQ training can send their questions about the software's functionalities to support@ezq.ca. Please include a telephone number where I can reach you (only if a verbal explanation would be simpler). Your email will be answered as quickly as possible.

I would like to thank everyone who has given me feedback to improve this tool. I still welcome any form of constructive feedback. Thank you for your help!

IMBALANCEMENT TROUBLESHOOTING

- Unbalanced opening balance sheet.
- Sales payment terms don't add upp to 100%.
- Purchase payment terms don't add upp to 100%.
- Opening balance sheet loan-end date exceeded after many moratoriums added to "Opening Balance Sheet Loans" section.
- In the hypothesis tab, the difference between the fiscal year end date and the project start date exceeds 364 days. If your forecast starts at the beginning of your fiscal year, you will only have one day between these two dates. If so, your current earnings from the opening results tab should be at $ 0. All after-tax profits should be in the retained earnings.