

Innovation Process Management Financial Planner

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This Help file complements the on line information. Please take time to read it.

Financial Modelling

The IPM **Financial Planner** is a ready to use business application module for the Microsoft® Excel spreadsheet. This versatile product is a member of IPM's Business Solution Series and is designed to satisfy a wide range of financial planning needs. IPM have harnessed the powerful features available in Microsoft® Excel to give you one of the most comprehensive business products available today.

Potential users who would benefit from this application include:

- Financial Managers
- Product / Project Managers
- Development Managers
- Small Business Operators
- Departmental Managers
- Consultants

It is particularly relevant to those working in:

- Small Business Ventures
- Business Units
- Project Management
- Departmental Management
- Financial Management
- General Management
- Consultancy

The **Financial Planner** can be used on its own or as part of an integrated suite. Information generated using the **Financial Planner** can be consolidated* with that from **Product Viability Models*** to provide a comprehensive financial overview.

* using other IPM Products.

Overview

The **Financial Planner** is a professional business tool that can be used by businesses in many market sectors. In large establishments for example, it makes an ideal planner for departmental budgeting and Financial Project Management. Small independent businesses will find this product an essential tool for monitoring performance and managing cash flow. Comprehensive financial plans can be created quickly and efficiently without the need for in depth specialist knowledge.

The **Financial Planner** is both functional and easy to use. Colour coded templates and navigational maps provide the user with a modern, ergonomic interface. On line help is provided in the form of cell notes that can be viewed automatically in Excel 7 (when the mouse cursor is placed above that cell note indicator) or viewed manually in Excel 5 (accessed from tool bar).

The financial plan framework can be created entirely from scratch or, to save valuable time, copied from existing plans. Powerful editing facilities allow you to add or delete account codes as required. Once you are happy with the framework, actual results can be entered on a month by month basis, the effects of which can be analysed and printed out to form the basis of a financial report.

Features

- 12 month in view financial planner
- Profit and Loss accounting
- Actual against Budget tracking
- User defined account names
- Optional VAT status on accounts
- Capital expenditure accounts
- Depreciation
- Variance analysis
- Cash flow forecasting

Creating a Financial Plan

In common with many professional planning tools you must first decide upon how to structure the financial elements of your plan. When you are ready to begin, follow the steps below.

Account Codes

The majority of the numerical data you enter into the plan will relate to income received and expenses incurred. For ease of input and later analysis, each entry you make should be assigned to an account code.

You can either create the account codes from scratch or copy them from an existing plan (you may, if you wish, copy the codes from the examples).

Start the Financial Planner. On the Financial Planner menu bar several sub menu items become available.

Create a new plan by selecting New Plan on the Financial Planner menu bar.

On the first sheet you are presented with a navigational map which will help guide you around the Workbook. You will be able to return to this sheet by simply clicking on the HOME button (a HOME button is available on the top left hand corner of each sheet in the workbook).

The template will provide you an with empty plan to which you must add your own account codes. To do this use the Edit Account CodesM_EDIT_ACCOUNTS or Copy Account CodesM_EDIT_ACCOUNTS commands on the Financial Planner menu bar.

Plan Settings

Once you are happy with the account codes you will need to configure the parameters relating to Capital Expenditure, Depreciation, Credit Terms and VAT. Each of these are configured using the Settings item on the Financial Planner menu bar.

Do not worry if you have not entered all of the details. You can go back and modify any of these items at any time during the creation of the plan.

Entering Budgets and Creating A Forecast

You can now enter financial data. Start with the Current Budget and Capital Budget.

The Budget will be the benchmark against which future performance is monitored. Once created, this will normally only be changed if you need to produce a revised budget for your operation.

Once you are happy with the budget, you must create a Working Forecast. The initial forecast is created by making a direct Copy of the Current Budget.

You can now review the overall profitability and cash flow for your operation. If you need to revise your estimates in the light of this review, return to the Current Budget, adjust the data as necessary and re-create the Working Forecast using the Copy facility. You can repeat this process any number of times, until you are happy with the plan.

Having created your Financial Plan. Over the next 12 months, you can use it to monitor the performance and forecast the result of your operation.

Using a Financial Plan to Monitor Performance

At the end of each month, you should update your Working Forecast by entering actual results and if necessary re-forecasting the remaining income and expenses.

Having entered the actual results for the period, you should review the remainder of the forecast to ensure that the overall forecast remains accurate. For example if a predicted expense did not occur in the period just closed but you know that it will still be incurred, then you should re-enter it in a later period.

When you are happy with your revisions you may view or print the updated Working Forecast, Summary and Cash Flow Forecast as required.

Platform Requirements

In order that you achieve best results from the application, the MINIMUM hardware requirement is an IBM or Compatible PC 486DX66 (Pentium recommended); 8 Mbytes of RAM, VGA or better (SVGA recommended).

The Financial Planner requires that your machine is running **either**

Windows 3.1 and Microsoft® Office with Excel Version 5

or

Windows 95 and Microsoft® Office Version 7 or Excel Version 5 or 7.

Starting the Financial Planner

If you are running Windows 95, the install Add In will add an Innovation Process Management folder to your Programs group. To create a new or open an existing Financial Plan click Start - Programs - Innovation Process Management - Financial Planner from the Task Bar.

If you are running Windows 3.1, the install Add In will create a new Program Manager group containing the application icons. To create a new or open an existing Financial Plan double-click the Financial Planner icon in the Innovation Process Management program group.

Example Plans

Two example files are included to help you get started. These files are loaded into your IPM directory during the installation process.

fplanex1.xls - A small business venture developing and manufacturing water level indicators,

fplanex2.xls - A product division within a large company developing and manufacturing widgets.

Data included in the example files are totally fictitious and intended for example use only.

By exploring the two examples the principles behind the Financial planner can be easily seen. Financial data and parameter settings can both be modified as required by the user.

If you wish, you may copy the account codes used in the examples. This will enable you to create a new template for your own plans. *Please do not try and use the example sheets directly for your own purposes. Both plans have actual results posted and once a financial year is underway, it cannot be reset.*

Installing and De-Installing the Financial Planner

Installation Disk Contents

The installation disk comprises the following key elements :

1. Installation program
2. Financial Planner program files. (Excel Add In and Excel template).
3. Help file (installation and user help)
4. Financial Planner example plans

Installing Financial Planner

To install the files on your hard disk, first close all applications, including Excel, and run the install Add In 'setup.xla' from the release disk. You can do this by:

1. Opening Excel and choosing File Open a:\setup.xla
2. In Windows 3.1 from either **Program Manager** or **File Manager** choose File Run and type a:\setup.xla in the Command Line box.
3. In Windows 95 click **Start** and select **Run**, then type a:\setup.xla in the Open box.

Note: Replace a:\ with b:\ as appropriate for your machine.

Microsoft Excel must be installed on your computer before you install the Financial Planner.

The installation program will automatically guide you through the installation process prompting you for information as required.

De-Installing Financial Planner

The Financial Planner application comprises of a spreadsheet template and Add-In module for Microsoft® Excel. There are no executable programs or libraries and the installation process makes no changes to the Windows registration database.

All IPM Financial Planner program files are located in the directory selected during the installation process (by default this was C:\IPM).

To de-install the application:

1. If you have placed any of your own data files in the IPM directory, move them to another location.
2. Using either **File Manager** or **Explorer** simply delete, from the installation directory, all files with names beginning with the initial letter F.
3. If you do not have any other IPM applications installed, delete the installation directory using either **File Manager** or **Explorer**.
4. In Windows 3.1 using **Program Manager**, delete the Financial Planner application icons from the Innovation Process Management group box. If you do not have any other IPM applications installed, delete the Innovation Process Management group box.
5. In Windows 95 click Start - Settings - Task Bar. On the Task Bar Properties dialog box, Click Start Menu Programs - Remove. In the directory list window click + next to Innovation Process Management then highlight and remove the Financial Planner shortcuts.

Trial Users

Trial Users should follow the instructions regarding the program installation and when prompted for a Disk Key should leave the box blank.

The Financial Planner will be installed and remain fully operational for a period of 30 days.

Please note: Financial plans created by the trial version can not be opened after the 30 day time period and any data entered can not be transferred to the full version.

For further information regarding price and availability please open the Order workbook (order.xls) located in the IPM directory.

Financial Plan Architecture

Each plan created by the Financial Planner is a self contained Microsoft® Excel Workbook.

The first sheet in the book is a navigation map which provides an easy method for entering and accessing data.

Once you have loaded a plan, you may go to a particular area of interest or initiate an update process by simply clicking on the coloured boxes on the map.



Business Solution Series

IPM has created a comprehensive range of business tools. Other products in the series include:

- Product Viability Model
- Bid Management
- Marketing Communications
- Visual Mapping
- Marketing Audit

For further information regarding price and availability of these modules please open the Order Form workbook (order.xls) located in the IPM directory.

Current Budget

The Current Budget is a 12 month in view sheet. The new financial budget to be monitored is entered into this sheet.

The Current Budget is the benchmark against which performance is measured. The expected revenue and expenditure for a 12 month period should be entered into this sheet.

The Current Budget sheet includes consolidated Capital Budget accounts which are automatically linked from entries in the Capital Budget sheet.

Current Budget entry categories include:

- Income
- Direct Costs
- Indirect Costs
- Depreciation (Capital)
- Assets (fixed and other)
- Liabilities
- Number of personnel

The summary (including ratios) of the data entered in this sheet can be viewed at any time.

Once you are satisfied with the Current Budget you may copy this into the Working Forecast.

Working Forecast

The Working Forecast is a 12 month in view sheet.

Initially this will be a direct copy of the Current Budget. During the period of the Financial Plan, this sheet is progressively updated (on a month by month basis) with the **forecast** data being replaced by **actual** result. At the end of the 12 month period the Working Forecast will represent the **actual** result for the entire period of the plan.

The Working Forecast entry categories include:

- Income
- Direct Costs
- Indirect Costs
- Depreciation (Capital)
- Assets (fixed and other)
- Liabilities
- Number of personnel

A summary (including ratios) of the data entered in this sheet can be viewed at any time.

A graphical representation of the period of the plan provides an instant comparison between Budget and Actual performance.

Capital Budget

The Capital Budget is a 12 month in view sheet. You can enter scheduled capital purchases that you plan to make.

The details for each of the Capital Accounts may be configured using the Settings item on the Financial Planner menu bar. These details include:

Capital Account names

Depreciation Method

Depreciation Period

Entries made in this sheet are automatically linked to accounts in the Current Budget.

Copy Budget to Forecast

Once you are satisfied with the Current Budget, the Copy facility transfers this data into the Working Forecast.

To Copy current budget to working forecast simply click on the Copy button on the navigation map.

Transferring budget to forecast does not restrict you from revising the Current Budget at any time.

This process can only be performed before Actual results are posted in the plan.

Enter Actual Results

Once monthly results for your operation become available, you should enter them into the Working Forecast.

To enter results into working forecast simply click on the Enter Actual Results button on the navigation map.

On clicking the Enter Actual Results button the Current Period is closed, the period number is incremented and the Working Forecast data for that period is cleared. You will be guided to the newly cleared column and prompted to enter your actual results.

Take care when entering actual results. Once the period number has been incremented there is no way of decrementing it again.

Cash Flow Forecast

The Cash Flow Forecast is a 12 month in view sheet. The cash flow is calculated automatically from the data entries and parameters collated from the other sheets.

Initially the whole period is a Forecast. During the period of the Financial Plan, this sheet is automatically updated (on a month by month basis) with the **forecast** data being replaced by **actual** result. At the end of the 12 month period the Cash Flow Forecast will represent the **actual** result for the entire period.

A graphical representation of 'cash change' and 'cumulative cash position' is included on this sheet. By entering your overdraft limit you can easily identify any cash flow problems.

Cash Flow categories:

- Actual / Forecast
- Cash / Credit payments
- Other receipts / payments
- Cash Flow
- Overdraft limit
- Credit transactions
- VAT summary
- Graph (Cash Flow)

Summary

The Summary provides an overview of the financial plan showing Actual, Budget and Variance against Current Period, Year to Date and Full Year.

Key financial ratios provide an indication of business performance.

Summary information in view:

- Income
- Direct Costs
- Indirect Costs
- Depreciation
- Balance sheet changes (Assets and Liabilities)
- Personnel
- Key financial ratios (Gross Profit, Profit / Loss, Margin, Break even, Profit / employee, Turnover / employee)

Menu Command Summary

All of the functions required to generate financial plans and adjust their settings are accessible from the Microsoft® Excel menu bar.

If there are no workbooks open, the **Financial Planner** menu will be at the bottom of the **File** menu, if a worksheet is displayed, it will be at or near the bottom of the **Tools** menu.

The cascaded menu on the **Financial Planner** menu contains the following items:

New plan

Open existing plan

Consolidate

Details

Settings

Edit account codes

Copy account codes

About

New Plan Command

The **New Plan** menu command creates a new financial plan.

Each time you create a new plan, you will be prompted to enter the basic details of the plan. These include:

Product / Division

Plan Author

Year end date

If you wish, you may change these entries later by clicking Settings on the Financial Planner menu.

Every plan you create is a self contained Excel Workbook.

Open Existing Plan Command

The Open Existing Plan menu command opens a previously created financial plan.

You can open several plans simultaneously. One or more windows on each plan can be viewed and data compared or transferred as required. Use the Window menu to switch between plans.

Consolidate Command

This option is available as an upgrade. When installed it enables the information in many individual financial plans to be consolidated into a single summary.

Financial plans may be consolidated together in either series or parallel modes.

Details Command

This option allows you to change the basic details of the plan. These details would normally have been entered at the time the plan was created. They include:

Product/Division

Plan Author

Year end date

Settings Command

The Financial Planner provides a number of global settings which may be changed to suit individual organisational requirements. These include specific parameters concerning:

Capital Expenditure Account names

Depreciation Method

Depreciation Period

Credit Terms for all accounts

VAT details for the plan

These settings may be changed at any time. The effects on the plan are immediately observable.

Edit and Copy Account Code Commands

The **Edit Account Code** command enables you to add, delete or change the account codes in the financial plan. Account name, or sub-group coding changes can be made at any time.

If you wish, you may save an account code set from an existing plan into the master template. By doing this, any new plans created will automatically include this default set.

The **Copy Account Code** command provides a powerful facility enabling a complete account code set to be copied from an existing plan. You can optionally append to, or replace the codes in your plan with those from the selected plan. Using this method provides an easy way of generating follow on years, based on an existing plan.

Any changes to the Account Code Database must be applied to the existing worksheets in the plan. The program will automatically do this for you when exit the **Edit** or **Copy** screens. You will be warned that the codes in the database do not correspond to those in the worksheets. If you wish, you may delay this process until later - simply answer No to the warning message and return to the **Edit Account Code** command and click OK at a convenient time.

Note

The rebuild process will not delete an account row from the Current Budget or Working Forecast sheets if either of them contains data. You will need to delete or move the data before the row is removed.

Similarly, if you move an account code between sub-groups (for example changing an account from Direct to Indirect) the old code is deleted and a new code added. Any existing data in either the Current Budget or Working Forecast must be moved before the rebuild process will remove the row. **The rebuild process does not move data entries.**

About

This command allows you to view the version and build number of the program and workbooks. It must be quoted in the event of any technical or user queries.

You may specify the Depreciation Period for each of the asset groups. It is the time over which the asset will have a book value of Zero.

You may configure assets to be **depreciated** using either the Reducing Balance or Straight Line methods.

The first sheet in each Financial Planner workbook is a navigation **map**. This provides an easy method for entering and accessing data. To go to a particular area of interest, simply click on the appropriate coloured box on the map.

Series Consolidation enables plans spanning several years to be summarised into a single result. For example if a design project takes three years to complete, three detailed financial plans representing each of the three years can be summarised to give a budget, cost to date and forecast to complete for the entire development.

Parallel Consolidation enables several plans for the same year to be summarised into a single result. For example if an organisation is split into different departments or divisions, individual financial plans for each of these departments or divisions can be summarised to give an overall view of budget, cost to date and forecast for the whole organisation.

The **Current Period** for a plan is the first month for which there is no actual data available. For a new plan the Current Period is month one. As the plan progresses and actual data is entered, the Current Period is incremented until period 12 when all data in the Working Forecast is actual data.

When you installed the application, you entered your Company Name. The **Product / Division** entry may be used to describe a sub-category of the Company Name. For example, if the plan is for a division or department within the company, use this field to identify the name of the division or department; if the plan is for a Project, use this field to identify the Project Name.

The **Plan Author** is individual responsible for compiling and maintaining the plan.

The **Year End Date** of each plan is normally the same as the accounting year end for the company. If you intend to consolidate plans, it is important that the Year End Date be entered correctly.

Credit Terms are specified as the number of months of credit given to you by your Suppliers and the number of months taken from you by your Customers. These entries are used in the generation of the Cash Flow forecast.

If you wish to account for **VAT** you should enter the month when VAT payments start, the VAT interval and the VAT rate. Only one rate of VAT is allowed. You should enter the most appropriate rate for your business.

Adjustment to allow for variations in VAT may be entered in the Other Receipts / (Payments) section of the Cash Flow Forecast.

An **Account Code** comprises of a unique Name (against which entries are stored) and a code which defines the Credit Terms, VAT status and Category (income, direct expense or indirect expense) for the data.

