



# FreshWorks Selection Test

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BY ERIKA SIGNAL

# April Invoice Amounts – Time & Material Projects

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## A Place for Mom

- \$59,666.58 USD (\$79,133.4 CAD)
  - US Client taxed at 0%

## BC Mines

- \$79,747.29 CAD after tax
  - \$75,494.80 CAD before tax

To fill in April invoice amounts, I first needed to determine the correct rate to be applied for each employee's hours in the 'client activities tab'. Looking at the role each employee held and the corresponding hourly rate given in the "rate card" tab. I then multiplied the applicable rate by total April hours for each project that that employee worked on. Then, I summed the total amount of money to be invoiced for each project. For USD client A Place for Mom, I converted CAD dollar amount to USD using the exchange rate on Tuesday, Aug 27 (\$1 CAD - \$0.754 USD). Finally, I applied GST (5%) to the invoice totals for Canadian clients.

# Gross Profit

When performing gross profit calculations, I used pre-tax figures in CAD. I calculated an hourly salary expense based on a **2080 hour year** for each employee based on their respective salaries in the 'employee salaries' tab. I then applied this expense by the hours that that employee worked on a project. Sorting the data based on project, I was able to easily calculate a sum salary expense for each project.

Based on solely dollar values for each project, it was apparent that the two fixed price projects were smaller in scale. So, I went further to look at gross profit as a percentage of that respective project's revenue. The formula I used for gross profit was revenue (based on the projects fee structure) minus the salary expense Freshworks incurred. With this, I could see that not only were the Time and Materials projects larger in dollar value, but also corresponded to significantly higher gross profit margins. Further, I calculated each project's gross profit as a percentage of total revenue from all projects. This calculation confirmed both my previous observations on the smaller scale and profitability of the two fixed-price projects, Hootsuite GMB and Sailing.

	A Place for Mom	BC Mines	Hootsuite GMB	Sailing	Total
Revenue	79,133.40	75,949.80	16,711.43	23,152.50	194,151.35
Salary Expense	<b>25,554.3</b>	<b>21,001.89</b>	<b>12,737.17</b>	<b>12,551.22</b>	69,844.58
Gross Profit for Project \$ CAD	<b>53,579.1</b>	<b>54,479.91</b>	<b>3,974.26</b>	<b>10,601.28</b>	124,306.77
Gross Profit % of Project	70%	72%	24%	46%	64%
Gross Profit % of Total Revenue	29%	28%	2%	5%	

# Invoice

## Time & Materials

### Project

#### Information included on invoice

- FreshWorks business name and address
- Invoice date (sent)
- Invoice number
- Total amount payable and currency
- Total amount of GST charged
- Business number (1112)
- Client business name
- Description of services provided
- Terms of payment (payment due date)



FreshWorks Studio  
101 - 736 Broughton Street  
Victoria BC  
(250) 412-3470  
GST Registration # 1112

## INVOICE

Date: 30-Apr-19  
Invoice 456

#### BILL TO

Mines Inc.  
123 Miners Rd  
Thunder Bay ON L9P1S7  
(905) 852 8766  
[john.smith@minesinc.com](mailto:john.smith@minesinc.com)

Client #: M71

Contact	Project	Due Date
Erika Signal	BC Mines	15-May-19

Description	Hours	Rate (Exc. Tax)	Price (Exc. Tax)	GST (5%)	Price (Inc. Tax)
Intermediate Developer	456.71	\$ 100.00	\$ 45,671.00	\$2,283.55	\$ 47,954.55
Designer	166.42	\$ 100.00	\$ 16,642.00	\$ 832.10	\$ 17,474.10
QA	151.52	\$ 90.00	\$ 13,636.80	\$ 681.84	\$ 14,318.64

SUBTOTAL	\$ 75,949.80
GST	\$ 3,797.49
TOTAL CAD	\$ 79,747.29

Direct withdrawal from Xero account

Electronic Funds Transfer Information

Cheques payable to FreshWorks Studio

You Need A Partner, Not Just A Developer

# Request Payment – Time & Materials

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Information needed to Create and Send Invoice, Request Payment

- Method of Invoicing used with client (mail, email, xero)
- Contact information and who is responsible for making payment
  - Address this representative in all communications
- FreshWorks account payable terms (period to make payment)
- Fee terms (fixed, time & materials)
  - If Time and Material, total hours for billing period recorded

**Invoice Due**



April 30, 2019

John Smith  
Mines Inc.  
123 Miners Rd  
Thunder Bay ON L9P 1S7

Dear John,

Please find attached our invoice 456 for our services rendered April 2019. Payment is due May 15, 2019.

If you have any questions, I will be happy to answer.

Sincerely,

Erika Signal  
(250) 412 3470  
101 – 736 Broughton Street  
Victoria BC

# Follow Up – Time & Materials

## Information needed to Follow Up with Client

- Record of whether invoice has been paid
- Date invoice was originally sent and correct corresponding invoice number
- What communication, if any has occurred regarding payment
  - Whether they have followed up with questions or concerns, requested a longer period to make payment, etc.

## Invoice Due Reminder



May 7, 2019

John Smith  
Mines Inc.  
123 Miners Rd  
Thunder Bay ON L9P 1S7

Dear John,

I hope all is well.

We have not yet received payment on invoice sent to you April 30.  
I just wanted to drop a quick note to remind you that \$79,747.29 CAD in respect to our invoice 456 is due for payment on May 15, 2019.

**A copy of the invoice is attached.**

I would be grateful if you could confirm that everything is on track for payment. If you have any questions, I will be happy to answer.

Sincerely,  
Erika Signal  
(250) 412 3470  
101 – 736 Broughton Street  
Victoria BC

# Receive Payment – Time & Materials

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## Information needed to Receive Payment

- Invoice number and amount paid
- Financial accounting information
  - Invoice payment tracking method
  - How payments are processed, where this information is updated
  - Clients banking details in order to match payment received with correct corresponding client and invoice

**Invoice Paid**



May 15, 2019

John Smith  
Mines Inc.  
123 Miners Rd  
Thunder Bay ON L9P 1S7

Dear John,

I just wanted to let you know that we have received your payment in respect to invoice 456. Thank you very much. We really appreciate it.

Sincerely,

Erika Signal  
(250) 412 3470  
101 – 736 Broughton Street  
Victoria BC

# Invoice

## Fixed Price Project

- I opted to include the hours spent on this project despite it being Fixed Price to provide the client with a more detailed view of what work had been done on that project during the invoice period
- The following pages; Request Payment, Follow Up, and Receive Payment would contain the same information as detailed in Time and Materials example



### INVOICE

FreshWorks Studio  
101 - 736 Broughton Street  
Victoria BC  
(250) 412-3470  
GST Registration # 1112

Date: 30-Apr-19  
Invoice 101

#### BILL TO

Hootsuite GMB Corp.  
789 Hootway Rd  
Vancouver BC V9B 0T7  
(250) 416 1862  
[jane.doe@hootsuite.com](mailto:jane.doe@hootsuite.com)

Client #: H118

Contact	Project	Due Date
Erika Signal	Hootsuite GMB	15-May-19

Description	Hours	Rate (Exc. Tax)	Price (Exc. Tax)	GST (0%)	Price (Inc. Tax)
Junior Developer	143.62	N/A	\$ -	\$ -	\$ -
Intermediate Developer	260.27	N/A	\$ -	\$ -	\$ -
Designer	6.94	N/A	\$ -	\$ -	\$ -
Business Analyst	1.62	N/A	\$ -	\$ -	\$ -
QA	23.45	N/A	\$ -	\$ -	\$ -
Fixed Price Contract Fee April			\$ 12,600.42	\$ -	\$ 12,600.42

SUBTOTAL	\$ 12,600.42
GST (0%)	\$ -
TOTAL USD	\$ 12,600.42

Direct withdrawal from Xero account

Electronic Funds Transfer Information

Cheques payable to FreshWorks Studio

You Need A Partner, Not Just A Developer



# Request Payment – Fixed Price Project

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**Invoice Due**



April 30, 2019

Jane Doe  
Hootsuite (GMB) Corp.  
789 Hootway Rd  
Vancouver BC V9B 0T7

Dear Jane,

Please find attached our invoice 101 for our services rendered April 2019. Payment is due May 15, 2019.

If you have any questions, I will be happy to answer.

Sincerely,  
Erika Signal  
(250) 412 3470  
101 – 736 Broughton Street  
Victoria BC

# Follow Up – Fixed Price Project

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## Invoice Due Reminder



May 7, 2019

Jane Doe  
Hootsuite (GMB) Corp.  
789 Hootway Rd  
Vancouver BC V9B 0T7

Dear Jane,

I hope all is well.

We have not yet received payment on invoice sent to you April 30.  
I just wanted to drop a quick note to remind you that \$12,600.42 USD in respect to our invoice 101 is due for payment on May 15, 2019.

A copy of the invoice is attached.

I would be grateful if you could confirm that everything is on track for payment. If you have any questions, I will be happy to answer.

Sincerely,  
Erika Signal  
(250) 412 3470  
101 – 736 Broughton Street  
Victoria BC

# Receive Payment – Fixed Price Project

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**Invoice Paid**



May 15, 2019

Jane Doe  
Hootsuite (GMB) Corp.  
789 Hootway Rd  
Vancouver BC V9B 0T7

Dear Jane,

I just wanted to let you know that we have received your payment in respect to invoice 101. Thank you very much. We really appreciate it.

Sincerely,  
Erika Signal  
(250) 412 3470  
101 – 736 Broughton Street  
Victoria BC

# Internal Activity April Salary Expense

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## Total April Internal Activity Expense

- \$17,891.22 CAD

In order to reach this figure, I first needed an hourly salary expense for each employee. My calculations were based on an assumption of a 2080 hour year. Using this hourly figure for each employee based on the 'employee salaries' tab, I had now reached a rate that could be applied to the total hours for the month of April for each internal activity that an employee had performed. I simply multiplied the employees hourly rate by total hours that that employee spends on each internal activity in April.

To find total internal salary expenses for each activity, I sorted the data to display each activity together, with the expense totals based on employee salaries I had previously calculated. Then, simply calculated the subtotal expense for that activity.

## April Internal Activity Expense (CAD)

Activity	Expense
Administrative Meetings	\$402.33
Android General	\$1,087.39
BA General	\$1,370.29
Backend General	\$79.98
Frontend General	\$784.14
HR & Recruitment	\$689.83
iOS General	\$639.08
Learning & Development	\$5,128.71
Marketing General	\$843.26
Operations	\$1,124.92
Project Management	\$4,790.87
RFP General	\$842.54
Sales	\$170.88

# Recommendations

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Looking at four projects – two Time and Material based and two Fixed fee-based – there was a fair gross profit correlation. Both Time and Material project A Place for Mom and BC Mines showed gross profits (70% and 72% respectively) significantly larger than the two Fixed fee projects Hootsuite GMB and Sailing (24% and 46% respectively).

My initial observation was that the difference between the two contract structures was simply the scale (ie. Cost being charged to the client). The dollar values for the April invoices for both Fixed price projects was less. This made my initial comparison difficult using only dollar values. However, after further calculations, it did not seem as though smaller invoices translated into a relative smaller time spent on client activities. This can be seen through smaller gross profit margins.

Pursuing Time and Materials contracts would provide FreshWorks with more gross profit, which could, in turn, be reinvested into further internal activities such as Learning and Development, HR and Recruitment and Marketing. Investments into areas like these could strengthen the capabilities, knowledge and visibility of FreshWorks; thus creating a competitive edge and ability to attract the very best talent and clientele.

With small and medium sized projects, I will make the assumption that the Time and Material required may be more predictable. So providing a client with a quote within a reasonable margin may be possible. Clients like this may prefer the transparency in a Time and Materials billing structure. They might also have more autonomy to adjust their own budget as well as some aspects of the scope of work throughout the life as they work closely with the project team and are updated on the associated time required. With projects like these, FreshWorks should take advantage of larger gross profit margins.

Conversely, the scale may be a factor for very large, lengthy projects. In these cases, a Time and Materials structure may result in the quoted pricing being prohibitive or unpredictable for a client to pursue. Despite smaller gross profit margins, the revenue dollars with a Fixed fee structure could be significant enough. In addition, a project may provide the opportunity to enter an area FreshWorks has not been exposed to yet. Or, in lieu of Time and Material fee structure and larger margins, a client may be able to provide the promise of future projects and consistent long term business. For example, if FreshWorks were to win a partnership with the Government of BC for a current project as well as all future projects in all divisions. For very large projects with a larger scope of work, a client may be considering multiple bids, or even performing the project internally. Large clients may also be given a relatively strict budget for the project that must be adhered to. In order to win the project, FreshWorks should accept slightly smaller gross profit margins since the dollar value would be so large on these projects.

In conclusion, it is my recommendation that FreshWorks pursue neither contract form exclusively. Rather, assess each project in the initial consultation stage and evaluate the scope of work, scale, length, and future opportunities. Pursuing both forms of contract; gross profit above average can be invested into bettering the studio, while ambitious projects can be pursued that will challenge and create subsequent long term business opportunities. FreshWorks can achieve the best of both worlds!

# Thank You For Listening!

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Questions?

# Time Input, Steps & Thought Process

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- Research GAAP and CRA invoice requirements - 1hr
- Generate sample invoice and client request, reminder and receipt - 1hr
  - Word and PowerPoint
  - I made an assumption that a client would have 15 days to pay an invoice
- Review data and making necessary calculations – 4hr
  - Excel
- Comparing fixed price vs time & material projects to reach recommendation conclusion – 2hr
  - Excel

Thank you for your consideration. I thoroughly enjoyed completing this assignment and hope it demonstrates some of my skills and thought processes.