

*All business proceeds on beliefs, or judgments of probabilities,
and not on certainties.*

~ Charles Eliot

Making Your Financial Assumptions

This section walks you through the BizPlanBuilder Comprehensive Financial Model financial assumptions worksheets and provides definitions of key accounting terms and the factors to take into consideration when making your assumptions that form the foundation of your financial projections.

➤ *A WORD TO THE WISE: PROJECT YOUR BUDGET FIRST - The best place to begin preparing your projected financial statements is with your start-up Capital Requirements. Start with fixed operating expenses. Research your monthly expenses: electricity, telephone, water and sewer, rent, insurance, and other basic expenses. These are called fixed, not because they do not change, but because they do not change based on sales volume. Variable expenses such as material and labor are frequently estimated as a percentage of sales.*

Operating expenses are commonly grouped into Sales & Marketing, Research & Development, and General & Administrative categories. These categories represent all of the expenses involved in the day-to-day operations of a company other than what is included in the Cost of Goods Sold section.

Your financial assumptions provide the foundation for projecting all of your financial statements. Your assumption numbers entered into each assumptions worksheet page flow via links and formulas throughout the entire financial model financial statements. The following pages define the terms found in the assumptions worksheets and offer suggestions for making your assumptions. You may also want to refer to the on-line help.

A unique aspect of BizPlanBuilder is your ability to project your numbers from both the “Top-Down” as well as “Bottom-Up” perspectives.

Top-Down Projection

Most of the Assumptions pages include a table at the top of each one enabling you to enter a cost assumption based upon a percentage of your overall revenue. This way, except for the HR Assumptions (because you want to manage your staffing a little more personally than other expenses), all of your expenses can ‘float’ depending upon your revenue projections. If you are a start-up, you will likely not yet have revenue and must enter your numbers from the bottom-up – those numbers will override the numbers generated from the percentages tables.

Bottom-Up Projection

While you will want to start with the top-down approach, you can then make adjustments from the bottom-up—enter actual numbers for expenses you will need to achieve certain objectives. These can be certain investments in product development, inventory, marketing, etc. which may not be included in the Capital Requirements page. Simply click on a cell in the assumptions worksheet and enter the number. For example you may want to budget a key-word ad campaign in Google starting in Jan, click cell B46 on the “Assumptions – Marketing” page and enter \$1,000.

What if I overwrite a formula and want to get it back?

No problem. If you type over or modify a cell formula and wish to return the cell to its original state, simply copy the formula from an adjacent cell and paste it into the cell you want to return to its original state.

*The demand for certainty is one which is natural to man,
but is nevertheless an intellectual vice.*

~ Bertrand Russell

Basic Assumptions

This is where you set-up your financial model. As with all BizPlanBuilder financial models, we include many onscreen instructions as well as useful comments embedded in cells (with the little red triangles).

The screenshot shows the 'Basic Assumptions' section of a Microsoft Excel spreadsheet. The window title is 'Microsoft Excel - Financials--Comprehensive'. The spreadsheet has columns A through G and rows 1 through 30. The 'Basic Assumptions' section is located in rows 1 through 14. It includes the following fields and values:

- Projections Updated on: 04/20/05
- Company Name: Your Company Name Here
- Beginning Month: 1 (First Month of your Fiscal Year (1=January, 12 = December))
- Beginning Year: 2005 (First Fiscal Year (remember a Fiscal Year is designated by the year in which it ends))
- Amounts entered as: T (V = whole numbers, T = thousands, M = millions)
- Current Shares Outstanding: 10,000 (in thousands)
- Type of Company: New Startup (radio button selected)

Below these fields, there is a section for 'Enter the names of your products / services / marketing channels here:'. This section includes a list of 'Profit Centers' and 'Ideas' for selection. The 'Profit Centers' list includes: Intro Offer, Start-Ups, Small Businesses USA, Businesses Non-USA, Associations, Affiliates, Resellers, Schools, Corporations, and Consultants. The 'Ideas' list includes: Intro Offer, Product A, Product B, Product C, Product D, Service A, Service B, Service C, Product Line A, and Product Line B. There are also columns for 'Food Service', 'Retail Store', and 'Technical Services' with various sub-items.

We recommend thinking in terms of “profit centers” that are appropriate for the management of your business because you can project sales and costs tied to each one. Keep in mind that, while you want detail, you also want to keep this simple enough for an investor or lender to immediately understand.

For example, if your company sells and services pumps, you may want to show sales separately for pumps, spare and replacement parts, and service. If you have two basic types of pumps, it may be helpful to show two product lines for pump sales. Having pump sales itemized for each pump type does not necessarily mean that parts and service should also be itemized by the pump type they relate to. In this scenario, you would probably want to show four product lines: two for pump sales, one for parts, and one for service. On-screen you will see several examples and suggestions – you can start and change it later!

Amounts entered as:

To make your financials easier to read, we recommend entering your numbers in thousands (1=1,000). It makes it much easier for you to mentally check your numbers for accuracy and reality (you should, your investors and lenders sure will!). Also, we highly recommend eliminating pennies and just use round dollar numbers. (\$1,500.32 = \$1.5 or 1,500.) When you see a page full of numbers, we believe that you will appreciate this advice.

Human history becomes more and more a race between education and catastrophe.

~ H.G. Wells

Historical Financials

If you have financial information from the recent past (last 1-3 years) enter it on this page. As you can see, there are not many numbers to enter. Please feel free to edit the heading to match your business requirements.

(We researched having these automatically entered from some of the popular accounting programs, but the programming complexities – mostly to do with the unlimited number of ways people can set up their charts of accounts – would likely generate more problems for you than just typing in these few figures.)

		Pre-Audit 2002	Pre-Audit 2003	Pre-Audit 2004	Average Prior 3 Years
Historical Financials					
(in thousands)					
Profit (Loss)					
Revenue	\$	-	-	-	-
Cost of Sales		-	-	-	-
Gross Profit	\$	-	-	-	-
Gross Profit %		0%	0%	0%	0%
Operating Expenses					
R&D / Tech Support	\$	-	-	-	-
Sales & Marketing		-	-	-	-
G&A		-	-	-	-
Depreciation		-	-	-	-
Amortization of Capitalized R&D		-	-	-	-
Total Operating Expenses	\$	-	-	-	-
Operating Income	\$	-	-	-	-
Interest Income	\$	-	-	-	-
Interest Expense		-	-	-	-
Net Income Before Tax	\$	-	-	-	-
Income Tax	\$	-	-	-	-
Net Income	\$	-	-	-	-
% of Total Revenue		0%	0%	0%	0%
EBITDA		\$0	\$0	\$0	\$-

EBITDA stands for Earnings Before deducting for Interest, Taxes, Depreciation and Allowances. This is a more true measure of a company's performance in terms of generating profits and provides any would-be financier or acquirer with a more accurate picture of the business as a "money-making machine." It removes the effects of any financing structures (schemes...) and the resulting interest the company may be saddled with, it takes out taxes which an acquirer may be able to restructure, God knows what assets you own and how you are writing them off (depreciating them), and what else are you making allowances for? EBITDA is 'just the facts' ma'am.

The rest of your Historical Financials can easily be taken from your accounting system in just a few minutes.

	A	B	C	D
		2002	2003	2004
Balance Sheet				
Cash	\$	-	\$	-
Investments		-	-	-
Accounts Receivable		-	-	-
Notes Receivable		-	-	-
Inventory		-	-	-
Other Current Assets		-	-	-
Total Current Assets	\$	-	\$	-
Fixed Assets				
Land	\$	-	\$	-
Buildings		-	-	-
Accumulated Depreciation		-	-	-
Building Leasehold Improvements		-	-	-
Accumulated Depreciation		-	-	-
Machinery & Equipment		-	-	-
Accumulated Depreciation		-	-	-
Office Equipment		-	-	-
Accumulated Depreciation		-	-	-
Computers & Software		-	-	-
Accumulated Depreciation		-	-	-
Total Fixed Assets	\$	-	\$	-
Other Assets	\$	-	\$	-
Total Assets	\$	-	\$	-
Current Liabilities				
Short Term Debt	\$	-	\$	-
Accounts Payable		-	-	-
Other Payables		-	-	-
Accrued Liabilities		-	-	-
Total Current Liabilities	\$	-	\$	-
Long Term Debt	\$	-	\$	-
Total Liabilities	\$	-	\$	-
Shareholder Equity				
Common Stock	\$	-	\$	-
Retained Earnings		-	-	-
Dividends Payable		-	-	-
Total Shareholders' Equity	\$	-	\$	-
Total Liabilities & Equity	\$	-	\$	-

*OK! In Balance *OK! In Balance *OK! In Balance

Notice: At the bottom of the page, we include a quick check to make sure that your balance sheet is indeed balanced. It compares your Total Assets with your Total Liabilities + Equity. Taken from your financial statements, they should already be in balance. If they're not in balance, it's likely a mistake was made when they were entered into this page. (This line won't print.)

Smart boss + smart employee = profit
Smart boss + dumb employee = production
Dumb boss + smart employee = promotion
Dumb boss + dumb employee = overtime

Assumptions HR

How much space should you lease and for how long? How will your requirements change? Among other things, this worksheet helps you answer these questions.

Use this worksheet to account for your present and future employees and contractors and to calculate the office space you will need to accommodate your entire operation. While most of the assumptions pages can be driven by a percentage of sales (and overwritten in the case of start-ups), this page enables you to plan ahead for the number of people you will need in each position.

Each section is divided into two parts—one for people paid from the ongoing operation of your business and one for people paid from the proceeds of an investment or loan. An employee may be paid initially from financing proceeds, then shift to being paid from operations. This enables you to show an investor or lender that you plan to hire your initial team with their money, then shift to begin paying them through the business.

You can change any/all of the labels to suit your business.

The HR budget numbers are automatically filled into the subsequent expense assumptions pages – Use only this page to plan all of your hiring and staffing.

The screenshot shows an Excel spreadsheet titled 'People / Space Requirements Worksheet'. The data is organized as follows:

Assumptions	2004	Jan-05	Feb-05	Mar-05	Apr-05	May-05
Projected Sales (from Revenue Assumptions)	\$	\$ 408	\$ 466	\$ 524	\$ 466	\$ 408
Square Feet / Employee	200					
Avg. Monthly Cost Square Foot						
- Office Space	\$3.00					
- Manufacturing Warehouse	\$2.00					
Minimum Rentable Office Space	700					
When to Start Renting	Mar-05					

Executive	Job Title	Salary (000)	2004	Jan-05	Feb-05	Mar-05	Apr-05	May-05
Staff Funded by Operations								
Executive	CEO	\$ 175	0	1	1	1	1	1
xxx	COO	125						
Joe CFO	CFO	150						
xxx	Admin Assistant	60						
Total Staff Funded by Operations			0	1	1	1	1	1
Staff Funded by Financing Proceeds								
Joe CFO	CFO	150	1	1	1	1	1	1
xxx	Admin Assistant							
xxx	Editor Assistant							
xxx	xxx							
Total Staff Funded by Financing Proceeds			1	1	1	1	1	1
Total Executives			1	2	2	2	2	2
% of All Employees			100%	100%	100%	100%	100%	100%

1. Input your estimated square footage required per employee. Usually this is from 140 to 250 square feet per employee. (Your commercial real estate representative can help you here.)
2. Enter your area's typical cost per square foot and the minimum rentable office space for your area, again checking with your commercial real estate representative for assistance.
3. Enter the month-year during the first fiscal year of your plan when you expect to start paying rent on

office space.

4. Enter your staffing needs by individual or job title as appropriate.

You can add more rows, click where you want to add a row (click/hold and pull-down to highlight as many rows as you want...) Pull-down under **I**nsert and click **R**ows. You will need to add rows in the same places on the next worksheet as well—more later.

- Use the sections titled "Staff Funded by Operations" for employees whose costs (salaries & benefits) are funded from operations.

- Use the sections titled "Staff Funded by Financing Proceeds" for employees whose costs (salaries & benefits) are funded from financing proceeds (i.e., venture capital, business loans, sale of stock, etc.)

- As in the examples, enter the number of individuals for each job title and salary combination for each period that those individuals will work for you.

- When an employee originally designated as being Funded by Financing Proceeds begins to be funded from operations, stop showing the employee in the "Staff Funded by Financing Proceeds" section and begin showing the employee in the "Staff Funded by Operations" section. For example, take a look at the "CFO" in the "Executive" section - rows 30 and 34 - note what happens in the middle of year 1.

4. Enter manufacturing, product or warehouse space requirements at the bottom.

	2004	Jan-05	Feb-05	Mar-05	Apr-05	May-05
Staff Funded by Operations						
Financial Manager						
Office Manager						
Accountant						
Staff Funded by Financing Proceeds						
Office Manager						
Accountant						
Contractor						
Total Finance Operations						
Total Headcount	1	2	2	2	2	2
Total Office Space Required (sq ft)	0	0	0	700	700	700
Manufacturing / Production / Warehouse Space (sq ft)	1,000	1,000	1,000	1,000	1,000	1,000
Total Space Required	1,000	1,000	1,000	1,700	1,700	1,700
Expected Rent per Month (in thousands)	\$ 2.0	\$ 2.0	\$ 2.0	\$ 4.1	\$ 4.1	\$ 4.1

The very bottom of this worksheet shows the total amount of office as well as warehouse space you will require. (You can change any/all of the labels to suit your business.)

The 'Expected Rent per Month' will be automatically included in the "Assumptions – General & Administrative" page.

On the next page (HR-Plan), the Salary entered below is multiplied by the number of people for each time period to produce an HR budget

*Hard work spotlights the character of people:
some turn up their sleeves, some turn up their noses, and some don't turn up at all.*

~ Sam Ewing

HR Plan

This page multiplies the number of people in each position by the salary input on the previous page then adds the costs of benefits.

Enter your employee benefits percent this includes all employer taxes and benefits costs and is calculated as a percent of salaries.

If you add more categories/people on the previous (Assumptions-HR) page, you will need to add the corresponding lines on this page. (We added, then hid, extra lines at the top of this page to make the row numbers align with the Assumptions-HR page to help you check your work.)

Human Resources		(in thousands)							
Assumptions		2004	Jan-05	Feb-05	Mar-05	Apr-05	Mag-05	Jun-05	Jul-05
Employee Benefits:	10%								
Annual Salary Increase:	3.5%								
Executive Job Title									
Staff Funded by Operations									
Executive	CEO		\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16
xxxx	COO		-	-	-	-	-	-	-
Joe	CFO		-	-	-	-	-	14	14
xxxx	Admin Assistant		-	-	-	-	-	-	-
Total Staff Funded by Operations			\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 30	\$ 30
Staff Funded by Financing Proceeds									
Joe	CFO		14	14	14	14	14	-	-
xxxx	Admin Assistant		-	-	-	-	-	-	-
xxxx	Editor Assistant		-	-	-	-	-	-	-
xxxx	xxxx		-	-	-	-	-	-	-
Total Staff Funded by Financing Proceeds			\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ -	\$ -
Total Executives			\$ 30	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30
% of All Employees			100%	100%	100%	100%	100%	100%	100%

While you get your company off the ground, you may want to offer reduced benefits.

Typical benefits seem to average about 35%.

To enter additional/increased benefits for subsequent years, scroll to the right and update the percentages under the appropriate year.

Using just one percentage number for everyone for an entire year may seem simplistic, but it does enable you estimate salary increases without getting too complicated on this issue.

To enter additional increases for subsequent years, scroll to the right and update the increase percentages under the appropriate year.

Several studies indicate that 87% of employees in the United States should receive an increase in their base pay in 2005, which is up from 83% who received a raise in 2003. In 2005, employers planned to grant average pay increases of 3.3% which is comparable to 2004's increase. 2005 (and likely 2006) budgets call for an average increase in base pay of approximately 3.5%.

Money is better than poverty, if only for financial reasons.

~ Woody Allen

Capital Requirements

How will you apply the proceeds of debt or equity financing? Use this sheet to determine your financing needs. While many investors or lenders may be satisfied with a summary listing of what you will do with the (their) money (See “Use of Funds Summary” (next worksheet)), often they will want a detailed list of what you intend to purchase. You will also likely want to list everything you will need.

The amounts entered here will automatically flow into the appropriate assumption pages and will be included on your financial statements.

All of the screens in this section belong to one spreadsheet page.

Note: Removing Rows

If any of these sections or rows are unnecessary, please **HIDE** them (First highlight the row(s) you don't want, then pull-down under **Format** to **Row**, then click **Hide**. Deleting them may cause formula problems elsewhere in the model.)

Start-Up Costs

This section can easily be changed to **Expansion Costs** for a growing company.

You may add line item by simply inserting rows (Pull-down under **Insert** (above) and let go on Rows).

Just be sure that the **Total** at the bottom of the section includes all rows in the section. (The **Total** numbers are the ones carried throughout the model.)

Capital Requirements (in thousands)		2005							
		Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05
Start-Up Costs									
Accounting		0							
Brochures									
Business Plan									
Insurance									
Insurance									
Legal Fees - Agreements									
Legal Fees - Patent Application									
Licenses & Permits									
Logo/Brand Development									
Office Supplies									
Postage									
Printed Materials									
Property Inspection									
Rent - Office									
Rent - Warehouse									
Telephone									
Web Hosting									
Website									
xxxx									
xxxx									
xxxx									
Total Start-Up Costs		-	-	-	-	-	-	-	-

	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05
Product Development								
R&D								
XXX	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
XXX								
XXX								
XXX								
XXX								
Total R&D								
New Products & Services								
XXX								
XXX								
XXX								
XXX								
XXX								
XXX								
Total New Products & Services								
Acquisitions								
XXX								
XXX								
XXX								
Total Acquisitions								
New Hires - R&D								
Total Additional R&D Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

You can change this entire section – add or remove sub-sections. (For example, change “Product Development” to “Services Development” or anything else that will work for your business.)

Just make sure that the Total at the bottom of this section includes everything in this section.

The “New Hires” at the bottom will automatically roll-up from the HR pages and continue to carry forward. Always manage your HR planning from the “Assumptions – HR” page.

On the “Use of Proceeds” summarizes everything from this page -- the table will be picked up by your Financing Requirements page in the text of BizPlanBuilder.

Sales & Marketing

Sales & Marketing costs can add up quickly. Smart investors realize that you will need to spend money on marketing in order to be successful. Use this page to itemize your launch costs—we recommend listing at least 9 months worth of sales and marketing budget items to get your “pump primed.”

	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05
Marketing & Sales									
Advertising									
*** Magazine									

Total Advertising									
Direct Mail									
Direct Mail - List Test									
Direct Mail - Roll-Out									
Total Direct Mail									
Internet									
Internet Search Engines - Google									
Internet Search Engines - Overture									
Internet Advertising - Web Links									
Total Internet									
Packaging									
Packaging/Launch									

Total Packaging									
Public Relations									
PR Firm									
PR Materials									
Total PR									
Search Engines									
Internet Search Engines - Google									
Internet Search Engines - Overture									
Total Search Engines									
New Hires - Marketing									
Total Marketing Requirements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Sales & Marketing costs will be carried to the “Use of Proceeds - Summary” page by sub-total of the bold-heading sections. *If you change a bold heading here, it will automatically change on the Use of Proceeds page.* You can add sub-sections... just make sure you add matching sub-sections on the “Use of Proceeds – Summary page.”

The “New Hires” at the bottom will automatically roll-up from the HR pages and continue to carry forward. Always manage your HR planning from the “Assumptions – HR” page.

Inventory

	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05
Inventory							
Intro Offer	\$ -						
Start-Ups							
Small Businesses USA							
Businesses Non-USA							
Associations							
Affiliates							
Resellers							
Schools							
Corporations							
Consultants							
Other							
Total Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Inventory will be carried to the “Use of Proceeds – Summary” page as a single line item.

Capital Equipment

The bold headings are common accounting terminology—we recommend using them as they are. Go ahead and change the blue headings to suit yourself.

You can add as many rows as you like (remember to HIDE the rows that you don’t want).

Also, remember to make sure that the total in each section include all of the rows you have added.

	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05
Capital Equipment								
Land (Non-Depreciable Asset)								
Property A	\$ -							
Property B								
Property C								
Total Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings & Leasehold Improvements								
XXX								
XXX								
XXX								
XXX								
Total Buildings & Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Furniture & Fixtures								
XXX								
XXX								
XXX								
XXX								
Total Furniture & Fixtures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Machinery & Equipment								
XXX								
XXX								
XXX								
XXX								
Total Machinery & Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

*The highest use of capital is not to make more money,
but to make money do more for the betterment of life.*

~ Henry Ford

Use of Proceeds - Summary

This is a page for investors and lenders will want to see. This page rolls up and summarizes everything you entered on the previous “Capital Requirements” page. The only things you may need to customize are the addition of any matching sections to incorporate what you added on the previous page.

Use of Proceeds - Summary		2005									
	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05
Start-Up / Expansion Costs											
Start-Up Costs											
Total Start-Up / Expansion Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Product / Service Development											
R&D	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New Products & Services											
Acquisitions											
New Hires - R&D											
Total Additional R&D Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Production & Inventory											
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New Hires - Production	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Additional Production	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Marketing & Sales											
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Mail											
Internet											
Packaging											
Public Relations											
Search Engines											
New Hires - Marketing & Sales											
Total Additional Marketing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional G & A											
New Hires	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other											
Total Additional G&A	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Equipment											
Land (Non-Depreciable Asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings & Leasehold Improvements											
Furniture & Fixtures											
Machinery & Equipment											
Office Equipment											
Computers & Software											
Total Capital Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Additional Investment	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Often, investors will ask if you can “sharpen your pencil” to see if you can do more with less. Ugh! Nevertheless, be mindful of trying to buy your way out of problems. Investors and lenders are usually astute business people and want to see money spent only on things that really require money. We have a customer who needed jet aircraft. Plan A was to raise capital and buy them. Plan B was to find a person who owned jets who liked our customer’s proposition to lease them when he needed them. With that deal in place, a lot of capital was saved and any investment money could be applied to other things (instead of buying jets, many other things!). Also, this kind of financial creativity sends a very positive message to investors and lenders—you will be careful, creative and conscious with their money.

*Extraordinary claims demand extraordinary proof.
There are many examples of outsiders who eventually overthrew entrenched scientific
orthodoxies, but they prevailed with irrefutable data.*

~ Barry L. Beyerstein

Revenue/Demand Model

How Big Can Your Company Become?

One of the first things you must demonstrate to your investors is the overall potential for your company. How big can it get? Completing this section and revising your assumptions, if necessary, will help to justify and defend your sales assumptions to a potential lender or investor. This worksheet will help you do this as well as explain / prove it.

The Revenue/Demand Model is unique to BizPlanBuilder. Remember, if you are seeking financing, you are creating a brochure, of sorts, to sell your business concept to investors and lenders – let's make sure that you prove your point, yet keep this simple enough for any investor or lender to follow.

If you are reorganizing your company, hopefully we have added enough sections to provide the detail you need. This Revenue/Demand Model page enables you to demonstrate the growth your business can achieve given a set of reasonable assumptions. (It is more believable when you build from a set of smaller, believable numbers...)

- First, enter your market segments
- Project the response by category
- Calculate the number of customers
- Enter your planned prices
- Project response to additional products & services
- Calculate total revenue (this feeds the entire model)

Demand/Revenue Model		Your Company Name Here					
(in thousands unless otherwise noted)		Annual Growth	2005	2006	2007	2008	2009
Market Size							
A	New Start-Up Businesses USA	5.0%	800	840	882	926	972
B	Sailboat Owners Worldwide	5.0%	800	840	882	926	972
C	People Over 50	5.0%	800	840	882	926	972
	Market 4	5.0%	800	840	882	926	972
	Market 5	5.0%	800	840	882	926	972
	Market 6	5.0%	800	840	882	926	972
	Market 7	5.0%	800	840	882	926	972
	Market 8	5.0%	800	840	882	926	972
	Market 9	5.0%	800	840	882	926	972
	Market 10	5.0%	800	840	882	926	972
Total Projected World Market			9,000	9,450	9,923	10,419	10,940
Market Share (%)							
	New Start-Up Businesses USA	5.00%	0.10%	0.10%	0.20%	0.30%	0.40%
	Sailboat Owners Worldwide	1.00%	0.10%	0.10%	0.20%	0.30%	0.40%
	People Over 50	0.50%	0.10%	0.10%	0.20%	0.30%	0.40%
	Market 4	0.05%	0.10%	0.10%	0.20%	0.30%	0.40%
	Market 5	0.05%	0.10%	0.10%	0.20%	0.30%	0.40%
	Market 6	0.05%	0.10%	0.10%	0.20%	0.30%	0.40%
	Market 7	0.05%	0.10%	0.10%	0.20%	0.30%	0.40%
	Market 9	0.05%	0.10%	0.10%	0.20%	0.30%	0.40%
	Market 10	0.05%	0.10%	0.10%	0.20%	0.30%	0.40%

Setting up the sections.

Edit the blue headings to suit yourself. They will automatically update calculations elsewhere throughout the model.

1) The first thing to research and show is how many people exist in a particular market segment. Who experiences the pain for which you provide relief and how many of them are there? (You will need some qualified market/research reports. For example, the US Small Business Administration recently released figures estimating the number of small businesses in the USA to be approximately 24.7 million.) A good place to look, for example, would be with industry trade associations.

Annual Growth is your assumption as to how fast this market segment is growing. The market segment growth will be a part of the overall compounding effect of your own growth.

Projected New Customers		2005	2006	2007	2008	2009
New Start-Up Businesses USA		40	1	2	3	4
Sailboat Owners Worldwide		8	1	2	3	4
People Over 50		4	1	2	3	4
Market 4		0	1	2	3	4
Market 5		0	1	2	3	4
Market 6		0	1	2	3	4
Market 7		0	1	2	3	4
Market 9		0	1	2	3	4
Market 10		0	1	2	3	4
Total Projected New Customers		52	9	18	27	36
Total Projected Customer Base		62	71	89	116	152
Projected World Market Share (%)		0.7%	0.8%	0.9%	1.1%	1.4%

2) Next, building upon the projected percentages of market-share for each segment, you can reasonably establish how many actual customers you will have.

	B	C	D	E	F	G	H
52	Projected World Market Share (%)		0.7%	0.8%	0.9%	1.2%	1.5%
53							
54	Products/Services Pricing (\$)						
55	F	Intro Offer	5%	\$ 10.00	11	11	12
56		Start-Ups	5%	\$ 100.00	105	110	116
57	G	Small Businesses USA	5%	\$ 100.00	105	110	116
58		Businesses Non-USA	5%	\$ 100.00	105	110	116
59		Associations	5%	\$ 100.00	105	110	116
60		Affiliates	5%	\$ 100.00	105	110	116
61		Resellers	5%	\$ 100.00	105	110	116
62		Schools	5%	\$ 100.00	105	110	116
63		Corporations	5%	\$ 100.00	105	110	116
64		Consultants	5%	\$ 100.00	105	110	116
66							
67	Probability of Purchase (%)						
68	H	Intro Offer		100.0%	100.0%	100.0%	100.0%
69		Start-Ups		10.0%	5.0%	7.0%	9.0%
70		Small Businesses USA		0.0%	5.0%	7.0%	9.0%
71		Businesses Non-USA		0.0%	5.0%	7.0%	9.0%
72		Associations		0.0%	5.0%	7.0%	9.0%
73		Affiliates		0.0%	5.0%	7.0%	9.0%
74		Resellers		0.0%	5.0%	7.0%	9.0%
75		Schools		0.0%	5.0%	7.0%	9.0%
76		Corporations		0.0%	5.0%	7.0%	9.0%
77		Consultants		0.0%	5.0%	7.0%	9.0%
78							
79	I	Units Sold					

3) List your profit centers (which may be individual products, services, product lines or marketing channels) and enter their respective selling prices. If it is an annual subscription/membership, then use an annualized number – whatever the likely quantity per year would calculate to be. You can automatically increase or decrease the selling prices by changing the growth percentage. (If you will add value or if you must drive prices and costs down.)

4) Next, estimate the probability of customers purchasing additional follow-on products/services at given prices. We presume that the initial product/service is at 100% because by definition this is what makes them a paying customer. (It takes about 1/6th the cost to sell an existing customer another product.)

Microsoft Excel - Financials--Comprehensive.xls							
File Edit Save As... View Insert Format Tools Data Window Help Save As... Type a question for help							
B13 New Start-Up Businesses USA							
A	B	C	D	E	F	G	H
79	I	Units Sold					
80		Intro Offer	52	10	20	30	40
81		Start-Ups	6	4	6	11	19
82		Small Businesses USA	0	4	6	11	19
83		Businesses Non-USA	0	4	6	11	19
84		Associations	0	4	6	11	19
85		Affiliates	0	4	6	11	19
86		Resellers	0	4	6	11	19
87		Schools	0	4	6	11	19
88		Corporations	0	4	6	11	19
89		Consultants	0	4	6	11	19
90							
91		Projected Product/Services Revenue					
92		Intro Offer	\$ 520	\$ 105	\$ 221	\$ 347	\$ 486
93		Start-Ups	\$ 600	\$ 420	\$ 662	\$ 1,273	\$ 2,309
94		Small Businesses USA	\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
95		Businesses Non-USA	\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
96		Associations	\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
97		Affiliates	\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
98		Resellers	\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
99		Schools	\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
100		Corporations	\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
101		Consultants	\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
102							
103		Total Projected Product/Services Revenue (119% average growth)	\$ 1,120	\$ 3,885	\$ 6,174	\$ 11,808	\$ 21,271
104	J	Other	Annual Growth				
105		Service / Other Revenue A	100%	\$ 10	\$ 20	\$ 40	\$ 80
106		Service / Other Revenue B	100%	\$ 10	\$ 20	\$ 40	\$ 80
107		Service / Other Revenue C	100%	\$ 20	\$ 40	\$ 80	\$ 160
108		Service / Other Revenue D	50%	\$ 10	\$ 15	\$ 23	\$ 34
109		Total Projected Services Revenue (93% average growth)	\$ 50	\$ 95	\$ 183	\$ 354	\$ 691
110	K	Total Revenue (118% average growth)	\$ 1,170	\$ 3,980	\$ 6,357	\$ 12,162	\$ 21,962
111							
112		Annual Total Revenue Growth Rate		240%	60%	91%	81%
113		Average Product Revenue per Customer (\$)	\$ 18	\$ 54	\$ 67	\$ 97	\$ 131
114		Average Total Revenue per Customer (\$)	\$ 19	\$ 55	\$ 69	\$ 100	\$ 136
115							

At the bottom of the page, it all adds up. Reviewing these assumptions in a logical, orderly format enables you to double check and revise your sales projections, if necessary, and to provide your investors with a financial justification for your assumptions that is based on a logical progression of believable assumptions.

The Total Gross Revenue is carried over to the next page (Assumptions – Sales); however, this page can be used as a One-Page Trial Feasibility Analysis for your business. (You will need to change the 'Set Print Area' (pull-down under File) to include the lower portion of the page in a printed document.)

The assumptions that you enter into this Revenue/Demand Model are absolutely critical. These are also the assumptions most likely to be questioned by your investors!

Art is making something out of nothing and selling it.

~ Frank Zappa

Assumptions - Sales

Sales are the revenues you generate from selling your products or services, and are generally recorded when your product is shipped or your service is provided.

This section of the Assumptions Worksheet allows you to estimate revenues for up to ten product/service sales items.

Use this method if you want to enter specific revenue values for sales for each month of the budget year. This is the best method if you are a start-up business, where your sales may be zero for the first few months and then grow rapidly, or if your business has seasonal sales cycles, where certain months of the year generate more revenue than others.

Your Company Name Here												
Profit Center	Sales Mix					Revenue Allocation					Average F	
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010		
Intro Offer	46%	3%	4%	3%	2%	\$ 520	\$ 105	\$ 221	\$ 347	\$ 486		
Start-Ups	54%	11%	11%	11%	11%	\$ 600	\$ 420	\$ 662	\$ 1,273	\$ 2,309		
Small Businesses USA	0%	11%	11%	11%	11%	-	420	662	1,273	2,309		
Businesses Non-USA	0%	11%	11%	11%	11%	-	420	662	1,273	2,309		
Associations	0%	11%	11%	11%	11%	-	420	662	1,273	2,309		
Affiliates	0%	11%	11%	11%	11%	-	420	662	1,273	2,309		
Resellers	0%	11%	11%	11%	11%	-	420	662	1,273	2,309		
Schools	0%	11%	11%	11%	11%	-	420	662	1,273	2,309		
Corporations	0%	11%	11%	11%	11%	-	420	662	1,273	2,309		
Consultants	0%	11%	11%	11%	11%	-	420	662	1,273	2,309		
Total Product/Services Revenue	100%	100%	100%	100%	100%	\$ 1,120	\$ 3,885	\$ 6,174	\$ 11,808	\$ 21,271		
Other	0%	0%	0%	0%	0%	\$ 50	\$ 95	\$ 183	\$ 354	\$ 691		
Total Revenue	100%	100%	100%	100%	100%	\$ 1,170	\$ 3,980	\$ 6,357	\$ 12,162	\$ 21,962		
Monthly Break-Out / Seasonal Adjustment (% of Total Revenue)												
Monthly Growth/Seasonal Adjustm	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
Intro Offer	7%	8%	9%	8%	8%	9%	8%	8%	9%	9%	9%	8%
Start-Ups	7%	8%	9%	8%	8%	9%	8%	8%	9%	9%	9%	8%
Small Businesses USA	7%	8%	9%	8%	8%	9%	8%	8%	9%	9%	9%	8%
Businesses Non-USA	7%	8%	9%	8%	8%	9%	8%	8%	9%	9%	9%	8%
Associations	7%	8%	9%	8%	8%	9%	8%	8%	9%	9%	9%	8%
Affiliates	7%	8%	9%	8%	8%	9%	8%	8%	9%	9%	9%	8%
Resellers	7%	8%	9%	8%	8%	9%	8%	8%	9%	9%	9%	8%
Schools	7%	8%	9%	8%	8%	9%	8%	8%	9%	9%	9%	8%
Corporations	7%	8%	9%	8%	8%	9%	8%	8%	9%	9%	9%	8%
Consultants	7%	8%	9%	8%	8%	9%	8%	8%	9%	9%	9%	8%
Other	7%	8%	9%	8%	8%	9%	8%	8%	9%	9%	9%	8%
Projected Sales												
	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
Intro Offer	\$ 36	\$ 42	\$ 47	\$ 42	\$ 42	\$ 47	\$ 42	\$ 42	\$ 47	\$ 47	\$ 47	\$ 42
Start-Ups	\$ 42	\$ 48	\$ 54	\$ 48	\$ 48	\$ 54	\$ 48	\$ 48	\$ 54	\$ 54	\$ 54	\$ 48
Small Businesses USA	-	-	-	-	-	-	-	-	-	-	-	-

Cheat me in the price, but not in the goods.

~ Thomas Fuller

Assumptions - Cost of Goods Sold (COGs)

The costs of goods sold are recorded in the same time period (monthly or annually) as the sales revenue. In other words, you always record the sale and the costs associated with the products sold together. Cost of Goods Sold consists of Material, Labor and Fixed Cost of Goods Sold expenses.

- MATERIAL -						- LABOR -					2006 2007																							
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010	2006	2007																						
	% Sales	% Sales	% Sales	% Sales	% Sales	% Sales	% Sales	% Sales	% Sales	% Sales	% Total	%																						
Intro Offer	18%	18%	18%	18%	18%	2%	2%	2%	2%	2%	50%	2																						
Start-Ups	18%	18%	18%	18%	18%	2%	2%	2%	2%	2%	50%																							
Small Businesses USA	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%																							
Businesses Non-USA	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%																							
Associations	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%																							
Affiliates	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%																							
Resellers	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%																							
Schools	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%																							
Corporations	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%																							
Consultants	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%																							
Other	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%																							
Fixed COGS																																		
Production Management Salaries	Linked from "HR-Plan"																																	
Production Facility Expense	0.0%	0.0%	0.0%	0.0%	0.0%																													
Production Equipment Rental	0.0%	0.0%	0.0%	0.0%	0.0%																													
Small Tools / Supplies	0.2%	0.2%	0.2%	0.2%	0.2%																													
Packaging Supplies	0.5%	0.5%	0.5%	0.5%	0.5%																													
Other Production Expenses	0.0%	0.0%	0.0%	0.0%	0.0%																													
Other Production Expenses	0.0%	0.0%	0.0%	0.0%	0.0%																													
Other Production Expenses	0.0%	0.0%	0.0%	0.0%	0.0%																													
Revenue from "Assumptions-Sales"													\$	82	\$	94	\$	106	\$	94	\$	94	\$	106	\$	94	\$	106	\$	106	\$	94	\$	1,177
Variable COGS													Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	2006	%								
Intro Offer	\$	7	\$	8	\$	9	\$	8	\$	8	\$	9	\$	8	\$	9	\$	9	\$	9	\$	8	\$	104	8									
Start-Ups	\$	8	\$	10	\$	11	\$	10	\$	10	\$	11	\$	10	\$	11	\$	11	\$	11	\$	10	\$	120	10									
Small Businesses USA	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	0									
Businesses Non-USA	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	0									
Associations	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	0									
Affiliates	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	0									

Cost of Goods Sold: - Material -

This expense category is for materials purchased from other companies that are assembled or processed to become part of your product. Frequently, a percentage such as 2% to 5% is added to the material costs to allocate "freight in," the charges for shipping the material to your factory.

Cost of Goods Sold: - Labor -

This expense category is for the cost of the salaries for people directly involved with the assembly and manufacture of your products or the providing of your services. Frequently, a percentage such as 40% to 100% is added to the labor costs to allocate the employee benefit expenses for these people.

Labor and material are considered variable costs, meaning that they vary directly with the volume of sales or production.

Cost of Goods Sold: - Fixed -

Fixed costs of goods sold are the costs associated with producing your products that tend to remain the same

whether your sales volume increases or decreases. This additional table enables you to allocate, by percentages, your Fixed COGS amongst your Products/Services/Product Lines/Marketing Channels – some products/services may have no fixed COGs, therefore you would enter zero here. While overall Variable COGS and Fixed COGs are listed as separate line items on your Income Statement as expected, this allocation of Fixed COGs by Products / Services / Product Lines / Marketing Channels distinction is picked up in the Gross Profit analysis pages – more accurately reflecting your true costs involved with each Product / Service / Product Line / Marketing Channel.

The following are common fixed cost of goods sold expenses:

Fixed COGS: Production Management Salaries

These are salaries of personnel who hold “permanent” production management positions. These positions exist independent of sales volume, unlike positions that are regularly added or eliminated as sales volume fluctuates. This includes most supervisor and foreman positions and may include functions such as shipping or receiving, that remain fairly constant regardless of sales volume.

Fixed COGS: Production Facility Expense

These are the costs to operate production related facilities, including warehouse space and distribution centers. If you have a single facility where both your production and business office staffs operate, you may want to estimate the portion of your facility expenses that apply to your production operations, and allocate that portion here as a fixed cost of goods sold.

Fixed COGS: Production Equipment Rental

These are the costs for production equipment that you rent or lease rather than purchase.

Fixed COGS: Small Tools/Supplies

These are the costs of small tools and production supplies that are consumed in the production process or are inexpensive, and therefore are not capitalized as fixed assets.

Fixed COGS: Packaging Supplies

These are the costs of the supplies used to prepare and/or box your product for shipment to your customers.

Fixed COGS: Other Production Expenses

Any other production related expenses that were not covered by the previous categories could be summarized in a general category such as this.

➤ *NOTE ON COST OF GOODS SOLD: All costs associated with producing your products or providing your services should be included in the “Cost of Good Sold” section of your Assumptions. Any significant cost that is variable in nature should be allocated on a percent-age basis to material, labor or both. Costs that are not significant may be easier to include in the Fixed COGS section, even if they are variable in nature.*

Nothing happens until somebody sells something.
 ~ (not sure)

Assumptions - Marketing

Here you can estimate your marketing budget and see the entire projection over the next 5 years.

Enter your projected Sales & Marketing Expense as a % of sales. Each monthly budget number below (Including years 2-3 quarterly and 4, 5 annually) is calculated by multiplying the appropriate annual "% of Sales" by 'Projected Revenue' from the "Assumptions-Sales" page.

The "From Capital Requirements" line includes the marketing line items you listed in that previous section. You may want to reduce the additional marketing expenses on this page to avoid duplication.

Even though the text in the Sales & Marketing Expense sections are black, you can overwrite the formulas without unprotecting the sheet. This was done to allow you to account for start-up/extraordinary/seasonal costs that may occur from time to time.

The Prior Years' Marketing Investment section can be used to refine your future budget projections. The Average percentage of sales will be a good guideline for future marketing investments.

Assumptions - Sales & Marketing					Your Company Name Here							
	Prior Years' Marketing Investment (000)				% of Sales							
	2003	2004	2005	Average	2006	2007	2008	2009	2010			
Advertising	\$ -	\$ -	\$ -	\$ -	0%	5%	5%	5%	5%			
Direct Mail	-	-	-	-	0%	5%	5%	5%	5%			
Literature	-	-	-	-	0%	1%	1%	1%	1%			
PR	-	-	-	-	0%	2%	2%	2%	2%			
Internet Advertising	-	-	-	-	0%	5%	5%	5%	5%			
Website Development & Maintenance	-	-	-	-	0%	2%	2%	2%	2%			
Reseller Co-op & Product Trade	-	-	-	-	0%	2%	2%	2%	2%			
Travel & Trade Shows	-	-	-	-	0%	2%	2%	2%	2%			
Payroll	Linked From "HR-Plan"				Linked From "HR-Plan"							
Commissions & Bonuses	-	-	-	-	0%	9%	9%	9%	9%			
[Add your own category] One	-	-	-	-	0%	0%	0%	0%	0%			
[Add your own category] Two	-	-	-	-	0%	0%	0%	0%	0%			
[Add your own category] Three	-	-	-	-	0%	0%	0%	0%	0%			
Misc. Department Expenses	-	-	-	-	0%	1%	1%	1%	1%			
Total	\$ -	\$ -	\$ -	\$ -	0%	34%	34%	34%	34%			
Total from the 'Start Page'												
% of Sales												
Projected Revenue from "Assumptions-Sal"	\$ 82	\$ 94	\$ 106	\$ 94	\$ 94	\$ 106	\$ 94	\$ 94	\$ 106	\$ 106	\$ 106	\$ 94
From "Capital Requirements"	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Mail	-	-	-	-	-	-	-	-	-	-	-	-
Literature	-	-	-	-	-	-	-	-	-	-	-	-
PR	-	-	-	-	-	-	-	-	-	-	-	-
Internet Advertising	-	-	-	-	-	-	-	-	-	-	-	-
Website Development & Maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Reseller Co-op & Product Trade	-	-	-	-	-	-	-	-	-	-	-	-
Travel & Trade Shows	-	-	-	-	-	-	-	-	-	-	-	-
Payroll	-	-	-	-	-	-	-	-	-	-	-	-
Commissions & Bonuses	-	-	-	-	-	-	-	-	-	-	-	-
[Add your own category] One	-	-	-	-	-	-	-	-	-	-	-	-

"That the automobile has practically reached the limit of its development is suggested by the fact that during the past year no improvements of a radical nature have been introduced."

~ Scientific American, January 2, 1909

Assumptions – Product/Service Development

This expense category includes all the costs associated with the research, development, prototyping and maintenance of your products or services.

Assumptions - Product/Service Development		Your Company Name Here															
	2006	2007	2008	2009	2010												
	% of Sales	% of Sales	% of Sales	% of Sales	% of Sales												
Contract Development Services	0.0%	2.0%	2.0%	0.0%	0.0%												
Equipment (Expensed Purchases)	0.0%	0.0%	1.0%	0.0%	0.0%												
R & D Materials	0.0%	0.0%	0.0%	0.0%	0.0%												
R & D Salaries	Linked From "HR-Plan"																
Product Support	2.0%	2.0%	2.0%	2.0%	2.0%												
Misc. R & D Department Expenses	1.0%	1.0%	1.0%	1.0%	1.0%												
Total % of Sales	3.0%	5.0%	6.0%	3.0%	3.0%												
Projected Revenue from "Assumptions-Sal"	\$ 82	\$ 94	\$ 106	\$ 94	\$ 94	\$ 106	\$ 94	\$ 94	\$ 106	\$ 106	\$ 106	\$ 106	\$ 94				
	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06					
From "Capital Requirements"	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Contract Development Services	-	-	-	-	-	-	-	-	-	-	-	-	-				
Equipment (Expensed Purchases)	-	-	-	-	-	-	-	-	-	-	-	-	-				
R & D Materials	-	-	-	-	-	-	-	-	-	-	-	-	-				
R & D Salaries	-	-	-	-	-	-	-	-	-	-	-	-	-				
Product Support	2	2	2	2	2	2	2	2	2	2	2	2	2				
Misc. R & D Department Expenses	1	1	1	1	1	1	1	1	1	1	1	1	1				
Total R & D Expenses	\$ 2	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3				
R & D as a % of Total Sales	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%				
Projected Revenue from "Assumptions-Sal"	\$ 969	\$ 969	\$ 969	\$ 969	\$ 3,877	\$ 1,549	\$ 1,549	\$ 1,549	\$ 1,549	\$ 1,549	\$ 1,549	\$ 6,194					
	Q1-Yr2	Q2-Yr2	Q3-Yr2	Q4-Yr2	2007 Budget	Q1-Yr3	Q2-Yr3	Q3-Yr3	Q4-Yr3	2008 Budget							
From "Capital Requirements"	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -					
Contract Development Services	19	19	19	19	78	31	31	31	31	124	30%	30%					
Equipment (Expensed Purchases)	-	-	-	-	-	15	15	15	15	62	15%	15%					
R & D Materials	-	-	-	-	-	-	-	-	-	-	-	-					
R & D Salaries	-	-	-	-	-	-	-	-	-	-	-	-					
Product Support	19	19	19	19	78	31	31	31	31	124	30%	30%					
Misc. R & D Department Expenses	10	10	10	10	39	15	15	15	15	62	15%	15%					

➤ **NOTE ON CAPITALIZING DEVELOPMENT COSTS:** In some cases, a portion of your development costs can be capitalized rather than expensed on your budget. This means that they are added to the balance sheet as an asset and amortized over the expected useful life of the feature or product. For a new or growing company, this tends to decrease expenses, increase profitability, and increase the total assets owned by the company—all good things. However, it also tends to increase income taxes, decrease cash, and make outsiders question your projections—all bad things. There is also additional accounting that must be done to properly calculate and defend the amount capitalized and then the amount amortized. If you are considering capitalizing a portion of your development costs, we suggest you consult your tax and financial advisors for assistance.

*The trouble with doing something right the first time
is that nobody appreciates how difficult it was.*

~ Anonymous

Assumptions - General & Administrative

This expense category includes all the costs associated with the general management and administration of your company, including human relations and finance. Salaries should be increased by a percentage, typically 30% to 50%, to allocate the cost of employee benefits for general and administrative personnel.

Assumptions - General & Administrative Expense						Your Company Name Here												
	2006	2007	2008	2009	2010													
	% of Sales	% of Sales	% of Sales	% of Sales	% of Sales													
Accounting	1.0%	1.0%	1.0%	1.0%	1.0%													
Administrative Salaries	Linked From "HR-Plan"																	
Executive Salaries	Linked From "HR-Plan"																	
Customer Service	1.0%	1.0%	1.0%	1.0%	1.0%													
Equipment Rental / Small Purchases	1.0%	1.0%	1.0%	1.0%	1.0%													
Insurance	1.0%	1.0%	1.0%	1.0%	1.0%													
Legal Fees	1.0%	1.0%	1.0%	1.0%	1.0%													
Office Expenses (Supplies, etc.)	1.0%	1.0%	1.0%	1.0%	1.0%													
Occupancy (Rent)	Linked From "HR-Plan"																	
Postage	1.0%	1.0%	1.0%	1.0%	1.0%													
Telephone	1.0%	1.0%	1.0%	1.0%	1.0%													
Information Systems	1.0%	1.0%	1.0%	1.0%	1.0%													
Outside Services	1.0%	1.0%	1.0%	1.0%	1.0%													
Miscellaneous G & A Expenses	1.0%	1.0%	1.0%	1.0%	1.0%													
Total	11.00%	11.00%	11.00%	11.00%	11.00%													
Projected Revenue from "Assumptions-Sale:						\$ 82	\$ 94	\$ 106	\$ 94	\$ 94	\$ 106	\$ 94	\$ 94	\$ 106	\$ 106	\$ 106	\$ 106	\$ 94
General & Administrative Expense																		
	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06						
Start-Up Costs from "Use of Proceeds"	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
G&A from "Use of Proceeds"	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Accounting	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
Administrative Salaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Executive Salaries	16	16	16	16	16	16	30	30	30	30	30	30	30	30	30	30	30	
Customer Service	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
Equipment Rental / Small Purchases	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
Insurance	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
Legal Fees	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
Office Expenses (Supplies, etc.)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
Occupancy (Rent)	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	

➤ **NOTE ON DEPRECIATION:** Though depreciation ordinarily appears as a General and Administrative Expense, because BizPlanBuilder automatically calculates depreciation from your assumptions, it does not appear as a line item in your Assumptions Worksheet. It will appear on your Income Statement and all other appropriate financial statements. In ordinary usage, depreciation means a decline in value. For accountants, depreciation is the application of the cost of fixed assets like buildings, equipment, furniture and fixtures, and cars and trucks to the sales they help generate. Unlike inventory, which is sold fairly quickly, these assets usually last for a number of years. Depreciation, therefore, is a method for expensing (prorating) the cost of the asset over its expected lifetime.

On the other hand, you have different fingers.
 ~ Stephen Wright

Assumptions - Other

This section of your budget includes non-operating costs such as interest income and interest expense. These items relate to the financing of a business and not to the operations of a business. Separating these costs makes it easier to evaluate the fundamental profitability of your business without regard to whether the company is financed with debt or equity or both.

Assumptions - Other Income & Expense Your Company Name Here

(in thousands unless otherwise noted)

2006	Starts In:	Interest	First Month	Annual	Monthly \$	Estimated Annual Growth Rates:			
	(mm/yyyy)	Rate	Starting \$	Growth %	Increase	2007	2008	2009	2010
Interest Income		2.00%							
Interest Expense	Jan-06		\$ -	0.00%	\$0	0%	0%	0%	0%

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
Interest Income												
Cash Balance for Interest Calculation	\$ (14)	\$ 4	\$ 29	\$ 42	\$ 70	\$ 95	\$ 108	\$ 136	\$ 161	\$ 173	\$ 208	\$ 246
Interest Income	-	0	0	0	0	0	0	0	0	0	0	0
xxx	-	-	-	-	-	-	-	-	-	-	-	-
xxx	-	-	-	-	-	-	-	-	-	-	-	-
Total Interest Income	\$ -	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

	Q1-Yr2	Q2-Yr2	Q3-Yr2	Q4-Yr2	2007	Q1-Yr3	Q2-Yr3	Q3-Yr3	Q4-Yr3	2008	2009	2010
Interest Income												
Cash Balance for Interest Calculation	\$ 491	\$ 746	\$ 1,002	\$ 1,260	\$ 1,260	\$ 1,682	\$ 2,125	\$ 2,571	\$ 3,018	\$ 3,018	\$ 6,856	\$ 14,076
Interest Income	2	4	5	6	17	8	11	13	15	47	34	70
xxx	-	-	-	-	-	-	-	-	-	-	-	-
xxx	-	-	-	-	-	-	-	-	-	-	-	-
Total Interest Income	\$ 2	\$ 4	\$ 5	\$ 6	\$ 17	\$ 8	\$ 11	\$ 13	\$ 15	\$ 47	\$ 34	\$ 70

	Q1-Yr2	Q2-Yr2	Q3-Yr2	Q4-Yr2	2007	Q1-Yr3	Q2-Yr3	Q3-Yr3	Q4-Yr3	2008	2009	2010
Interest Expense												
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
xxx company (\$800K @ 10%, 3 yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Other Vendors (1,000K @0%, 3yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Total Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Enter any existing and/or planned interest income or expenses.

You can also enter how much the initial interest expense will be and if it will grow, by what percentage, what dollar amount, both or neither. You choose.

This expanded choice only exists for Year 1, subsequent years allow adjustment only by percentage growth.

Warning! This field must be properly filled in for the interest expense calculations to work. Make sure that the starting date for your Interest Expense starts AFTER the date of your plan. If you do not expect to pay interest expense enter the first month of your first fiscal year. If you get a #VALUE! error, verify that

this date falls within your first fiscal year. This is an easy oversight, but an easy fix.

Debt Restructuring

We also include a couple of lines enabling you to calculate and enter possible vendor or other debt restructuring. At the bottom is space for footnotes briefly explaining the nature of your payment plan(s).

Taxes

Death and taxes... taxes are actually a “high-class problem.” You must be making a profit in order to pay taxes! BizPlanBuilder calculates your business income taxes based on the percent. In the income statement and elsewhere taxes are concerned, they will be automatically calculated. Fill in the Tax-Rate Look-up Table (at the bottom of the page), including the income break points between brackets and the appropriate percentages. These will depend on the state you pay taxes in, whether you have a local income tax on business and the latest federal business tax rates. You'll probably need to check with your financial advisor to get current information.

Corporate Income Tax Rates

(Taxable Years Beginning After Dec. 31, 1992)

If taxable income is:

- Not over \$50,000
- Over \$50,000 but not over \$75,000
- Over \$75,000 but not over \$100,000
- Over \$100,000 but not over \$335,000
- Over \$335,000 but not over \$10,000,000

- Over \$10,000,000 but not over \$15,000,000
- Over \$15,000,000 but not over \$18,333,333
- Over \$18,333,333

The **tax** is:

15% of taxable income
 \$7,500 plus 25% of the amount over \$50,000
 \$13,750 plus 34% of the amount over \$75,000
 \$22,250 plus 39% of the amount over \$100,000
 \$113,900 plus 34% of the amount over \$335,000
 \$3,400,000 plus 35% of the amount over \$10,000,000
 \$5,150,000 plus 38% of the amount over \$15,000,000
 35% of taxable income

 Qualified personal service corporations are taxed at a flat 35% **tax rate**.

NOL Carry-forward

In fact, we even include the Net Operating Loss (NOL) carry-forward calculation to provide an even more accurate picture of your true tax expense into the future. Here's something for your attorney and CPA... what if you were to possibly sell your NOL for much needed cash today? (In Hawaii, they encourage it for small companies, and by their law, you must be paid at least 75% of the tax value of the NOL!) Hmmm.

Obstacles are things a person sees when he takes his eyes off his goal.

~ E. Joseph Cossman

Assumptions - Balance Sheet

The Balance Sheet, also known as a Statement of Financial Position, reflects everything your company owns (assets), owes (liabilities) and the equity of the owner(s). The Balance Statement functions as a “snapshot” because it shows your financial position on a specific day, not what has occurred over a period of time.

The balance sheet is divided into two parts which must always equal each other: Assets = Liabilities + Equity.

	2003	2004	2005	2006
Assets				Beginning
Current Assets				\$0
Cash	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-
Accounts Receivable	-	-	-	-
Notes Receivable	-	-	-	-
Inventory	-	-	-	-
Other Current Assets	-	-	-	-
Total Current Assets	\$ -	\$ -	\$ -	\$ -
Property, Plant & Equipment				
Land (Non-Depreciable Asset)	\$ -	\$ -	\$ -	\$ -
Buildings & Leasehold Improvements	-	-	-	-
Accumulated Depreciation	-	-	-	-
Furniture & Fixtures	-	-	-	-
Accumulated Depreciation	-	-	-	-
Machinery & Equipment	-	-	-	-
Accumulated Depreciation	-	-	-	-
Office Equipment	-	-	-	-
Accumulated Depreciation	-	-	-	-
Computers & Software	-	-	-	-
Accumulated Depreciation	-	-	-	-
Total Net Property, Plant & Equipment	\$ -	\$ -	\$ -	\$ -
Other Assets	\$ -	\$ -	\$ -	\$ -
Total Assets	\$ -	\$ -	\$ -	\$ -
Liabilities				
Current Liabilities				
Short Term Debt	\$ -	\$ -	\$ -	\$ -

Depreciation Schedule	
Existing Assets	New Assets
Remaining Life	Useful Life
<input checked="" type="checkbox"/> Months?	<input type="checkbox"/> Months?
6	40
5	5
5	5
10	10
3	3

Balance Sheet: Assets

Assets are those items your company owns. On a balance sheet, assets are commonly grouped into Current Assets, Fixed Assets, and Other Assets categories.

Balance Sheet: Current Assets

These are cash and other assets that you expect will turn into cash or be consumed within one year. These include investments; accounts receivable and notes receivable; inventory (including raw materials, work in process and finished goods); and other current assets. Other current assets include prepaid expenses, such as insurance premiums or advertising costs that must be paid in advance but are “used up” over a period of time.

Balance Sheet: Fixed Assets

Also called Plant and Equipment, these are assets which are of a durable nature and are expected to help generate revenue over a period of a year or longer. Fixed assets can include equipment, automobiles, furniture and fixtures, land, and buildings. They are listed at cost on the balance sheet and are depreciated over a period of years. Accumulated depreciation here is the total amount of depreciation that has already been recognized in periods prior to the business plan.

Balance Sheet: Other Assets

This asset category may include such accounts as patents, copyrights or goodwill.

On the other side of the balance sheet are liabilities and equity. **Balance Sheet: Liabilities**

Liabilities are those accounts or debts that your business owes others, and they are commonly grouped into Current Liabilities and Long Term Debt.

Balance Sheet: Current Liabilities

These are debts that are expected to be repaid within a year, including short term debt payable to the bank (including the portion of long term debt due within one year); accounts payable to suppliers for materials, supplies, etc.; other payables for items like payroll taxes or sales taxes; and accrued liabilities (such as bonuses or pension plans that are paid in the future but relate to performance over the current or prior fiscal period).

Balance Sheet: Long-Term Debt

These are those loans from a bank or other lenders that are due to be repaid over a period of a year or longer. Usually these loans are mortgages or were used to purchase fixed assets.

Balance Sheet: Equity

The final category on the balance sheet is equity. Although the exact listing of accounts is determined by what type of business you own (that is, a proprietorship, partnership, or corporation), the equity category summarizes the accumulated wealth of your company. This includes capital, which is the amount that has been invested in your company, retained earnings, which is the accumulated profits (or losses) the company has earned from operations less dividends declared, and dividends payable, which are dividends that have been declared but not yet paid to the shareholders. Equity is the value that is left after you've subtracted your total liabilities from your total assets.

Balance Sheet: Beginning Balances

As soon as you spend or invest your first dollar, you have a financial position that can be presented on a balance sheet. The equity section should reflect your personal investment, as well as any money invested from other sources. Assets may have been purchased, liabilities may have been incurred, and expenses have probably been incurred, such as purchasing BizPlanBuilder.

Since a balance sheet reflects your cumulative financial position through a certain day, all activity that occurs prior to your first budget month must be added to the new activity for that month to accurately project your balance sheet as of the end of the first budget month.

Because of this, you will need to calculate what your beginning balance sheet balances are (what your balance sheet would show on the day before you start your budget period), so that these beginning balance sheet amounts can be incorporated into your projections.

If you have an established business, you may already have a balance sheet as of the day before your new budget period begins. If so, you may need to identify the best match between the balance sheet accounts used by your accountant and the accounts used in your projected balance sheet statement, then incorporate

your beginning balances into the appropriate accounts.

If you are a start-up, you will need to identify and summarize all of the financial transactions associated with your business to create a balance sheet as of the day before your budget begins. Review your business activities and calculate or estimate the amounts for each balance sheet item that applies to your business (refer to the sections above for discussions of the balance sheet categories and accounts). Remember, the total of all your assets must equal your total liabilities plus owners' equity. When these do not match, you should review all of the accounts for errors or omissions. If there is still a difference and you think that there have been some unrecorded expenses, retained earnings should probably be reduced to resolve the difference.

	A	B	C	D	E
35	Liabilities				
36	Current Liabilities				
37	Short Term Debt	\$ -	\$ -	\$ -	\$ -
38	Accounts Payable	-	-	-	-
39	Other Payables	-	-	-	-
40	Accrued Liabilities	-	-	-	-
41	Total Current Liabilities	\$ -	\$ -	\$ -	\$ -
42					
43	Long Term Debt	\$ -	\$ -	\$ -	\$ -
44	Total Liabilities	\$ -	\$ -	\$ -	\$ -
45					
46	Stockholder Equity				
47	Common Stock	\$ -	\$ -	\$ -	\$ -
48	Retained Earnings	-	-	-	-
49	Dividends Payable	-	-	-	-
50	Total Stockholders' Equity	\$ -	\$ -	\$ -	\$ -
51					
52	Total Liabilities & Equity	\$ -	\$ -	\$ -	\$ -
53					
54		*OK! In Balance	*OK! In Balance	*OK! In Balance	*OK! In Balance
55					
56	*Remaining useful life will not correspond to the useful life for fixed assets, unless fixed assets entered above were				
57	not put in service until year-end, in which case the useful lives will correspond. Generally accepted useful lives are noted below:				

At the bottom, we include an automatic check to make sure your Balance Sheet is indeed balanced.

I believe in Spinoza's God who reveals himself in the orderly harmony of what exists, not in a God who concerns himself with fates and actions of human beings.

~ Albert Einstein (1879-1955)

Assumptions - Cash Flow

The Cash Flow Statement, also known as a Statement of Changes in Financial Position, summarizes your cash-related activities over a period of time and shows where your cash came from and where it went. One resulting figure is your net cash balance.

No matter how profitable your business, it is critical that you manage cash effectively. Profit does not pay the bills or the bankers—only cash does. The “burn rate” of cash is the net amount of cash you go through every month. Potential lenders and investors want to see positive cash flow that indicates your business can generate enough money to repay their investment.

The Cash Flow Assumptions section allows you to estimate non-operational cash transactions on a monthly basis for a year, as well as provide monthly Working Capital timing estimates for Accounts Receivable, Inventory, and Accounts Payable.

Assumptions - Cash Flow											Your Co
	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	
Inventory Assumptions											
Days Inventory On-Hand	30	30	30	30	30	30	30	30	30	30	
Inventory On-Hand	15	16	18	16	16	18	16	16	18		
Accounts Receivable Assumptions											
Days A/R Outstanding	30	30	30	30	30	30	30	30	30	30	
Accounts Receivable Outstanding	80	92	103	92	92	103	92	92	103		
Fixed Asset Purchases (000)											
(From Capital Requirements)											
Land (Non-Depreciable Asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Buildings & Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	
Furniture & Fixtures	-	-	-	-	-	-	-	-	-	-	
Machinery & Equipment	-	-	-	-	-	-	-	-	-	-	
Office Equipment	-	-	-	-	-	-	-	-	-	-	
Computers & Software	-	-	-	-	-	-	-	-	-	-	
Total Fixed Asset Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Financing Proceeds (000)											
Sale of Stock	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Cash Dividends Declared - Common	-	-	-	-	-	-	-	-	-	-	
Cash Dividends Declared - Preferred	-	-	-	-	-	-	-	-	-	-	
Cash Dividends Paid	-	-	-	-	-	-	-	-	-	-	
Proceeds from Short Term Loans	-	-	-	-	-	-	-	-	-	-	
Repayment of Short Term Loans	-	-	-	-	-	-	-	-	-	-	
Proceeds from Long Term Loans	-	-	-	-	-	-	-	-	-	-	
Repayment of Long Term Loans	-	-	-	-	-	-	-	-	-	-	
Interest Expense	-	-	-	-	-	-	-	-	-	-	
xxx company (\$800K @ 10%, 3 yrs)	-	-	-	-	-	-	-	-	-	-	
Other Vendors (1,000K @ 0%, 3yrs)	-	-	-	-	-	-	-	-	-	-	
Total Interest Payments on Long Term Loan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Other Balance Sheet Accounts (000)											
Purchase of Investments	\$ -	-	-	-	-	-	-	-	-	-	
Sale of Investments	-	-	-	-	-	-	-	-	-	-	
Increase in Notes Receivable	-	-	-	-	-	-	-	-	-	-	
Collection of Notes Receivable	-	-	-	-	-	-	-	-	-	-	

The Cash Balance from the Cashflow Statement runs through this page so you can immediately see the

effects of any additions and changes made on this page. Here is where you will see when your cashflow may go negative, and is one of the best places to calculate how much money you will need to start, build and run your business. Enter amounts representing inflows and outflows of cash by category and period. You will also see many small “red triangles” on this page representing on-screen prompts that will give you ideas and tell what to do.

Inventory Assumption: Enter the total number of days of Inventory expected to be on-hand each month. If no inventory is to be maintained, type '0' (zero).

Accounts Receivable Assumption: Enter the total number of days of Accounts Receivable expected to be outstanding (e.g. days to turn).

Enter **Financing Proceeds** (sale of stock to Venture Capitalists, Angel Investors, etc.; SBA / Bank loans) below. (In which month will you deposit that \$10 million investment?)

All values should be entered as positive numbers.

Working Capital Assumptions (In Days)

These values represent timing estimates (number of days) for cash flow purposes of the three Working Capital items described below.

Accounts Receivable

This is money owed to you by your customers for sales on account (when a sale has been made but payment has not been received).

Accounts Receivable Days are the number of days, on average, that it takes to collect payment for your sales. It is also referred to as Days of Sales Outstanding. One method to estimate this is to take your accounts receivable balance at the end of the year divided by your total sales for the year, and then multiply by 365 days.

If you are starting a new business and have no sales from a prior period, your Accounts Receivable number of days for the first month should not be greater than 30. (In this scenario, a number of days greater than 30 will project more money owed to you for the first month than the total sales you've projected for the first month, which is illogical for a new business.)

Inventory

This represents the value of materials, work in process and finished goods you have on hand ready for sale to your customers.

Inventory Days are the average number of days of cost of goods sold you have in inventory. One method to estimate this is to take your inventory dollar value at the end of the year divided by your total cost of goods sold for the year, and then multiply by 365 days. Another method is to calculate how many days your current inventory would last before you sold all of it, if you didn't add any more inventory.

Cash Flow: Accounts Payable

This is money you owe to your suppliers for purchases on credit (when you purchase items but have not yet paid for them).

Accounts Payable Days are the number of days, on average, that you take to pay your suppliers. One method to estimate this is to take your accounts payable balance at the end of the year divided by your total cost of goods sold for the year, and then multiply by 365 days.

Break-Even Analysis Assumptions

The Break-Even Analysis section calls for you to estimate the average monthly portion of fixed costs that are to be reclassified to variable costs for the purposes of break-even analysis for the first year.

For simplicity sake, most categories are treated as fixed. However, think what would happen to your “fixed” production management salary expense or “fixed” telephone expense if your sales doubled. Salaries and the telephone bill might be higher but they would not double. Since sales rise and fall, it follows that a lot of “fixed” expenses are variable in nature.