

# Making Your Financial Assumptions

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

~ Charles Eliot

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.

# Basic Assumptions

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

~ Bertrand Russell

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).

Microsoft Excel - Financials--Comprehensive.xls

File Edit View Insert Format Tools Data Window Help SpreadsheetConverter v5 Adobe PDF

Times New Roman 18 B I U

Co Your Company Name Here

**Basic Assumptions**

Update Completed on May 1, 2013

Projections Updated on: 05/01/13

Company Name: Your Company Name Here

Beginning Month: 1 First Month of your Fiscal Year (1=January, 12 = December)

Beginning Year: 2013 Starting Year to appear with your monthly heading labels

Fiscal Year End: 2013 First Fiscal Year End

Amounts entered as: t Enter W if you want to use Whole numbers, T = Thousands, M = Millions

Current Shares Outstanding: 10,000 in thousands

Enter the names of your products / services / marketing channels here: Come here for tips.

Profit Centers	Intro Offer	Ideas...	Food Service	Retail Store	Technical Services
Type in your various sources of revenue here.	Product 1	Intro Offer	Intro Offer	Intro Offer	Intro Offer
We've provided a few ideas... You are free to input whatever makes sense for your business.	Product 2	Direct	Bar	Walk-in	Internet - Direct
Keep in mind that too many may be overwhelming / confusing to a potential investor or lender.	Product 3	Retail	Breakfast	Telephone	Internet - Indirect
	Product 4	Wholesale	Lunch	Tradeshaw	Resellers
	Product 5	Custom Mfg	Dinner	Special Event	Associations
	Product 6	Export	Catering	Mail Order	Software Sales
	Product 7	Service A	Delivery	Internet	Technical Support
	Product 8	Service B		Account	Fulfillment
	Product 9	Product Line A		Training	Advertising
	Other	Product Line B			Subscriptions

Use this field to identify your Other/Miscellaneous Revenue

Instructions Map Basic Assumptions Cover Page Table of Contents Historical Financials Summary Re

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.

# Historical Financials

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

~ H.G. Wells

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 2010	Pre-Audit 2011	Pre-Audit 2012	Average Prior 3 Years
<b>Historical Financials</b>				
(in thousands)				
<b>Profit (Loss)</b>				
Intro Offer	\$ -	\$ -	\$ -	\$ -
Product 1	-	-	-	-
Product 2	-	-	-	-
Product 3	-	-	-	-
Product 4	-	-	-	-
Product 5	-	-	-	-
Product 6	-	-	-	-
Product 7	-	-	-	-
Product 8	-	-	-	-
Product 9	-	-	-	-
Other	-	-	-	-
<b>Total Revenue</b>	\$ -	\$ -	\$ -	\$ -
<b>Less: Returns &amp; Allowances</b>	\$ -	\$ -	\$ -	\$ -
<b>Net Revenue</b>	\$ -	\$ -	\$ -	\$ -
Cost of Sales	\$ -	\$ -	\$ -	\$ -
<b>Gross Profit</b>	\$ -	\$ -	\$ -	\$ -
<b>Gross Profit %</b>	0%	0%	0%	0%
<b>Operating Expenses</b>				
R&D / Tech Support	\$ -	\$ -	\$ -	\$ -
Sales & Marketing	-	-	-	-
G&A	-	-	-	-
Depreciation	-	-	-	-
Amortization of Capitalized R&D	-	-	-	-
<b>Total Operating Expenses</b>	\$ -	\$ -	\$ -	\$ -
<b>Operating Income</b>	\$ -	\$ -	\$ -	\$ -
Interest Income	\$ -	\$ -	\$ -	\$ -
Interest Expense	-	-	-	-
<b>Net Income Before Tax</b>	\$ -	\$ -	\$ -	\$ -
Income Tax	\$ -	\$ -	\$ -	\$ -
<b>Net Income</b>	\$ -	\$ -	\$ -	\$ -
% of Total Revenue	0%	0%	0%	0%
<b>EBITDA</b>	\$0	\$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	E
		2010	2011	2012	
<b>Balance Sheet</b>					
Cash	\$	-	\$ -	\$ -	-
Investments		-	-	-	-
Accounts Receivable		-	-	-	-
Notes Receivable		-	-	-	-
Inventory		-	-	-	-
Other Current Assets		-	-	-	-
<b>Total Current Assets</b>	\$	-	\$ -	\$ -	-
<b>Fixed Assets</b>					
Land	\$	-	\$ -	\$ -	-
Buildings		-	-	-	-
Accumulated Depreciation		-	-	-	-
Building/Leasehold Improvements		-	-	-	-
Accumulated Depreciation		-	-	-	-
Machinery & Equipment		-	-	-	-
Accumulated Depreciation		-	-	-	-
Office Equipment		-	-	-	-
Accumulated Depreciation		-	-	-	-
Computers & Software		-	-	-	-
Accumulated Depreciation		-	-	-	-
<b>Total Fixed Assets</b>	\$	-	\$ -	\$ -	-
Other Assets	\$	-	\$ -	\$ -	-
<b>Total Assets</b>	\$	-	\$ -	\$ -	-
<b>Current Liabilities</b>					
Short Term Debt	\$	-	\$ -	\$ -	-
Accounts Payable		-	-	-	-
Other Payables		-	-	-	-
Accrued Liabilities		-	-	-	-
<b>Total Current Liabilities</b>	\$	-	\$ -	\$ -	-
Long Term Debt		\$0	\$0	\$0	-
<b>Total Liabilities</b>	\$	-	\$ -	\$ -	-
<b>Shareholder Equity</b>					
Common Stock	\$	-	\$ -	\$ -	-
Preferred Stock		-	-	-	-
Retained Earnings		-	-	-	-
Dividends Payable		-	-	-	-
<b>Total Shareholders' Equity</b>	\$	-	\$ -	\$ -	-
<b>Total Liabilities &amp; Equity</b>	\$	-	\$ -	\$ -	-

\*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.)



# Assumptions HR

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

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 initially 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 a Microsoft Excel spreadsheet titled "People / Space Requirements Worksheet". The spreadsheet is organized into columns for years (2012, Jan-13, Feb-13, Mar-13, Apr-13, May-13, Jun-13) and rows for different categories of requirements.

Assumptions	2012	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
Projected Sales (from Assumptions-Sales)	\$ -	\$ 1,501	\$ 1,716	\$ 1,930	\$ 1,716	\$ 1,716	\$ 1,930
Square Feet / Employee	200						
Average Monthly Cost / Square Foot							
- Office Space	\$3.00						
- Manufacturing/Warehouse	\$2.00						
Minimum Rentable Office Space	700						
When to Start Renting	Jan-13						
<b>Executive</b>	<b>Job Title</b>	<b>Salary (000)</b>					
<b>Staff Funded by Operations</b>							
[Owner/Founder]	CEO	100					
xxx	COO	90					
xxx	EVP	80					
xxx	Admin Assistant	50					
Total Staff Funded by Operations			0	0	0	0	0
<b>Staff Funded by Financing Proceeds</b>							
[Owner/Founder]	CEO	100	1	1	1	1	1
xxx	COO	90					
xxx	EVP	80	1	1	1	1	1
xxx	Admin Assistant	50					
Total Staff Funded by Financing Proceeds			2	2	2	2	2
<b>Total Executives</b>			2	2	2	2	2
<b>% of All Employees</b>			25%	17%	17%	17%	17%

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 Insert and click Rows. 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.

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.

	A	B	C	D	E	F	G	H	I	J
			Salary (000)	2012	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
118	<b>Finance / Operations</b>									
119	<b>Staff Funded by Operations</b>									
120	Joe CFO	CFO	\$ 75	1	1	1	1	1	1	1
121	xxx	VP Business Development	65							
122	xxx	Office Manager	50							
123	xxx	Accountant	40							
124	Total Staff Funded by Operations			1	1	1	1	1	1	1
125	<b>Staff Funded by Financing Proceeds</b>									
126	Joe CFO	CFO	75							
127	xxx	VP Business Development	65							
128	xxx	Office Manager	50	1	1	1	1	1	1	1
129	xxx	Accountant	40							
130	Total Staff Funded by Financing Proceeds			1	1	1	1	1	1	1
131	<b>Total Finance/Operations</b>			2	2	2	2	2	2	2
132	% of All Employees			25%	17%	17%	17%	17%	17%	17%
133										
134	<b>Total Headcount</b>			8	12	12	12	12	12	12
135	Sales / Employee (000)			\$ -	\$ 125	\$ 143	\$ 161	\$ 143	\$ 143	\$ 161
136										
137	<b>Total Office Space Required (sq ft)</b>			-	2,400	2,400	2,400	2,400	2,400	2,400
138	<b>Manufacturing / Production / Warehouse Space (sq ft)</b>			1,000	1,000	1,000	1,000	1,000	1,000	1,000
139	<b>Total Space Required</b>			1,000	3,400	3,400	3,400	3,400	3,400	3,400
140	Expected Rent per Period (in thousands)			\$ 2	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9

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

# HR Plan

*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

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.)

The screenshot shows an Excel spreadsheet with the following data:

	A	B	C	D	E	F	G	H	I
21	<b>Human Resources</b>			(000)					
22									
23	<b>Assumptions</b>								
24	Employee Benefits:	4%							
25	Payroll Taxes:	10%							
26	Annual Salary Increase:	3.5%							
27									
28	<b>Executive</b>	<b>Job Title</b>	<b>2012</b>	<b>Jan-13</b>	<b>Feb-13</b>	<b>Mar-13</b>	<b>Apr-13</b>	<b>May-13</b>	<b>Jun-13</b>
29	<b>Staff Funded by Operations</b>								
30	[Owner/Founder]	CEO	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
31	xxx	COO	-	-	-	-	-	-	-
32	xxx	EVP	-	-	-	-	-	-	-
33	xxx	Admin Assistant	-	-	-	-	-	-	-
34	<b>Total Staff Funded by Operations</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
35	<b>Staff Funded by Financing Proceeds</b>								
36	[Owner/Founder]	CEO	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500
37	xxx	COO	-	-	-	-	-	-	-
38	xxx	EVP	7,600	7,600	7,600	7,600	7,600	7,600	7,600
39	xxx	Admin Assistant	-	-	-	-	-	-	-
40	<b>Total Staff Funded by Financing Proceeds</b>		\$17,100	\$17,100	\$17,100	\$17,100	\$17,100	\$17,100	\$17,100
41	<b>Total Executives</b>		\$17,100	\$17,100	\$17,100	\$17,100	\$17,100	\$17,100	\$17,100
42	<b>% of All Employees</b>		23%	23%	23%	23%	23%	23%	23%

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 to 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. 2013 budgets call for an average increase in base pay of approximately 3.5%.



# Capital Requirements

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

~ Woody Allen

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.)

		2013							
		Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13
8	<b>Capital Requirements</b>								
9	(in thousands)								
10									
11	<b>Start-Up / Expansion Costs</b>								
12	Accounting								
13	Brochures								
14	Business Plan								
15	Insurance								
16	Information Systems								
17	Legal Fees - Agreements								
18	Legal Fees - Patent Filings								
19	Licenses & Permits								
20	Logo/Brand Development								
21	Office Supplies								
22	Postage								
23	Printed Materials								
24	Property Inspection								
25	Rent - Office								
26	Rent - Warehouse								
27	Telephone								
28	Web Hosting								
29	Website								
30	xxx								
31	xxx								
32	xxx								
33	<b>Total Start-Up/Expansion Costs</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## Product / Service Development Costs

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.

	A	B	C	D	E	F	G	H	I
		Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13
35	<b>Product/Service Development</b>								
36	<b>R&amp;D</b>								
37	xxx								
38	xxx								
39	xxx								
40	xxx								
41	xxx								
42	Total R&D	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
43	<b>New Products &amp; Services</b>								
44	xxx								
45	xxx								
46	xxx								
47	xxx								
48	xxx								
49	xxx								
50	Total New Products & Services	-	-	-	-	-	-	-	-
51	<b>Acquisitions</b>								
52	xxx								
53	xxx								
54	xxx								
55	Total Acquisitions	-	-	-	-	-	-	-	-
56									
57	New Hires - R&D	12,825	12,825	12,825	12,825	12,825	12,825	12,825	12,825
58	<b>Total Additional R&amp;D Investment</b>	\$ 12,825	\$ 12,825	\$ 12,825	\$ 12,825	\$ 12,825	\$ 12,825	\$ 12,825	\$ 12,825

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.*

The “Use of Proceeds” page (next tab) 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.”

	A	B	C	D	E	F	G	H	I
	Marketing & Sales	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13
75	<b>Marketing &amp; Sales</b>								
76	<b>Advertising</b>								
77	xxx Magazine								
78	xxx								
79	xxx								
80	xxx								
81									
82	Total Advertising	-	-	-	-	-	-	-	-
83	<b>Direct Mail</b>								
84	Direct Mail - List Test								
85	Direct Mail - Roll-Out								
86									
87	Total Direct Mail	-	-	-	-	-	-	-	-
88	<b>Internet</b>								
89	Internet Search Engines - Google								
90	Internet Search Engines - Yahoo! / Bing								
91	Internet Advertising - Web Links								
92									
93	Total Internet	-	-	-	-	-	-	-	-
94	<b>Packaging</b>								
95	Packaging/Launch								
96	xxx								
97									
98	Total Packaging	-	-	-	-	-	-	-	-
99	<b>Public Relations</b>								
100	PR Firm								
101	PR Materials								
102									
103	Total PR	-	-	-	-	-	-	-	-
104	<b>Conferences &amp; Events</b>								
105	xxx								
106	xxx								
107									
108	Total Seminars	-	-	-	-	-	-	-	-
109	<b>Social Media</b>								
110	Facebook								
111	Google+								
112									
113	Total Social Media	-	-	-	-	-	-	-	-
114	New Hires - Marketing & Sales	\$ 4,750	\$ 4,750	\$ 4,750	\$ 4,750	\$ 4,750	\$ 4,750	\$ 11,400	\$ 11,400
115	<b>Total Marketing Requirements</b>	\$ 4,750	\$ 4,750	\$ 4,750	\$ 4,750	\$ 4,750	\$ 4,750	\$ 11,400	\$ 11,400

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.”

## Inventory

Product names are automatically inserted from the “Basic Assumptions” page.

	A	B	C	D	E	F	G	H	I
		Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13
60	<b>Production &amp; Inventory</b>								
61	Intro Offer								
62	Product 1								
63	Product 2								
64	Product 3								
65	Product 4								
66	Product 5								
67	Product 6								
68	Product 7								
69	Product 8								
70	Product 9								
71	Other								
72	New Hires - Production	-	-	-	-	-	-	-	-
73	<b>Total Production &amp; Inventory</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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.

	A	B	C	D	E	F	G	H	I
		Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13
124	<b>Capital Equipment</b>								
125	<b>Land (Non-Depreciable Asset)</b>								
126	Property A								
127	Property B								
128	Property C								
129	<b>Total Land</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
130									
131	<b>Buildings &amp; Leasehold Improvements</b>								
132	xxx								
133	xxx								
134	xxx								
135	xxx								
136	<b>Total Buildings &amp; Improvements</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
137									
138	<b>Furniture &amp; Fixtures</b>								
139	xxx								
140	xxx								
141	xxx								
142	xxx								
143	<b>Total Furniture &amp; Fixtures</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
144									
145	<b>Machinery &amp; Equipment</b>								
146	Truck								
147	Kitchen Equipment								



# Use of Proceeds - Summary

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

~ Henry Ford

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													Your Company Name Here	
(in thousands)														
2013														
	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Total	
<b>Start-Up / Expansion Costs</b>														
Start-Up / Expansion Costs														\$ -
<b>Total Start-Up/Expansion Costs</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Product/Service Development</b>														
R&D	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New Products & Services														\$ -
Acquisitions														\$ -
New Hires - R&D	12,825	12,825	12,825	12,825	12,825	12,825	12,825	12,825	12,825	12,825	12,825	12,825	12,825	\$153,900
<b>Total Additional R&amp;D Investment</b>	\$ 12,825	\$ 12,825	\$ 12,825	\$ 12,825	\$ 12,825	\$ 12,825	\$ 12,825	\$ 12,825	\$ 12,825	\$ 12,825	\$ 12,825	\$ 12,825	\$ 12,825	\$153,900
<b>Production &amp; Inventory</b>														
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New Hires - Production														\$ -
<b>Total Production &amp; Inventory</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Marketing &amp; Sales</b>														
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Mail														\$ -
Internet														\$ -
Packaging														\$ -
Public Relations														\$ -
Conferences & Events														\$ -
Social Media														\$ -
New Hires - Marketing & Sales	4,750	4,750	4,750	4,750	4,750	4,750	11,400	11,400	11,400	11,400	11,400	11,400	11,400	96,900
<b>Total Marketing Requirements</b>	\$ 4,750	\$ 4,750	\$ 4,750	\$ 4,750	\$ 4,750	\$ 4,750	\$ 11,400	\$ 11,400	\$ 11,400	\$ 11,400	\$ 11,400	\$ 11,400	\$ 11,400	\$ 96,900
<b>Additional G &amp; A</b>														
Other G&A														\$ -
New Hires Executive/Finance/Operations	21,850	21,850	21,850	21,850	21,850	21,850	21,850	21,850	4,750	4,750	4,750	4,750	4,750	\$193,800
<b>Total Additional G&amp;A</b>	\$ 21,850	\$ 21,850	\$ 21,850	\$ 21,850	\$ 21,850	\$ 21,850	\$ 21,850	\$ 21,850	\$ 4,750	\$ 4,750	\$ 4,750	\$ 4,750	\$ 4,750	\$193,800
<b>Capital Equipment</b>														
Land (Non-Depreciable Asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings & Leasehold Improvements														\$ -
Furniture & Fixtures														\$ -
Machinery & Equipment														\$ -
Office Equipment														\$ -
Computers & Software														\$ -
<b>Total Capital Equipment</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Additional Investment</b>	\$ 39,425	\$ 39,425	\$ 39,425	\$ 39,425	\$ 39,425	\$ 39,425	\$ 46,075	\$ 46,075	\$ 28,975	\$ 28,975	\$ 28,975	\$ 28,975	\$ 28,975	\$444,600
<b>Cumulative Total</b>	\$ 39,425	\$ 78,850	\$ 118,275	\$ 157,700	\$ 197,125	\$ 236,550	\$ 282,625	\$ 328,700	\$ 357,675	\$ 386,650	\$ 415,625	\$ 444,600		

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.

### Another way of thinking about your investment requirements

At the very bottom of the “Use of Proceeds – Summary” page is this unique table. It summarizes this screen ever further. (The actual table will make more sense with your numbers filled in.)

What if you were to adjust what you want to do with what money you have for a 9 month, 12 month, 18 month, etc. intervals? If investors were to put more in, they would finance the further depth and breadth of development.

They should be set at stages / milestones of evolution / development (prototype, complete construction, roll-out, expansion) – each milestone brings the company a higher valuation. This concept also serves to focus your priorities for using the financing to build your business. The farther you go, the more value you will build – where is the optimum investment point for you and your investor(s)? “Fund our operation for X months. This is what we can do...”

You can copy & paste [part of] this table into your business plan text in the Capital Requirements section. That way, when you change your numbers here, they will automatically update in your plan narrative.

Use of Investment Proceeds	9 months	12 months	18 months	24 months	36 months	48 months	60 months
Start-Up / Expansion Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Product/Service Development	-	-	-	-	-	-	-
Production & Inventory	-	-	-	-	-	-	-
Marketing & Sales	-	-	-	-	-	-	-
Additional G & A	843	843	843	843	843	843	843
Capital Equipment	-	-	-	-	-	-	-
Working Capital	250	300	500	500	750	750	750
<b>Total</b>	<b>\$ 1,093</b>	<b>\$ 1,143</b>	<b>\$ 1,343</b>	<b>\$ ,343</b>	<b>\$ 593</b>	<b>\$ 1,593</b>	<b>\$ 1,593</b>

# Revenue/Demand Model

*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

## 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)

Microsoft Excel - Financials--Comprehensive.xls

File Edit View Insert Format Tools Data Window Help SpreadsheetConverter v5 Adobe PDF

Times New Roman 11 B I U \$ % € 75%

B13 =IF(EnteredAs="W","(in whole dollars",IF(EnteredAs="T","(in thousands","(in millions)")&" unless otherwise noted)"

**Demand / Revenue Model** **Your Company Name Here**

(in thousands unless otherwise noted) Thursday, May, 02, 2013 10:49 AM

Market Segments / Size	Annual Growth	2013	2014	2015	2016	2017
A Sailboat Owners	5.0%	150	158	165	174	182
B Power Boat Owners	5.0%	100	105	110	116	122
C Fishing Boat Owners	5.0%	50	53	55	58	61
Houseboat Owners	5.0%	20	21	22	23	24
xxx	5.0%	-	-	-	-	-
xxx	5.0%	-	-	-	-	-
xxx	5.0%	-	-	-	-	-
xxx	5.0%	-	-	-	-	-
xxx	5.0%	-	-	-	-	-
xxx	5.0%	-	-	-	-	-
<b>Total Projected World Market</b>		<b>320</b>	<b>336</b>	<b>353</b>	<b>370</b>	<b>389</b>
Market Share (%)						
Sailboat Owners		0.500%	0.800%	1.000%	1.500%	2.500%
Power Boat Owners		0.500%	0.800%	1.000%	1.500%	2.500%
Fishing Boat Owners		0.500%	0.800%	1.000%	1.500%	2.500%
Houseboat Owners		0.500%	0.800%	1.000%	1.500%	2.500%
xxx		0.000%	0.000%	0.000%	0.000%	0.000%
xxx		0.000%	0.000%	0.000%	0.000%	0.000%
xxx		0.000%	0.000%	0.000%	0.000%	0.000%
xxx		0.000%	0.000%	0.000%	0.000%	0.000%
xxx		0.000%	0.000%	0.000%	0.000%	0.000%
xxx		0.000%	0.000%	0.000%	0.000%	0.000%
xxx		0.000%	0.000%	0.000%	0.000%	0.000%

Summary Revenue Model Charts~Demand Capital Requirements Use of Pr

## 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. You might even use key-word search counts from the Google Adwords tool

**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.



	A	B	C	D	E	F	G	H
40		<b>Projected New Customers</b>						
41		Sailboat Owners		0.750	1.260	1.654	2.605	4.558
42		Power Boat Owners		0.500	0.840	1.103	1.736	3.039
43		Fishing Boat Owners		0.250	0.420	0.551	0.868	1.519
44		Houseboat Owners		0.100	0.168	0.221	0.347	0.608
45		xxx		0.000	0.000	0.000	0.000	0.000
46		xxx		0.000	0.000	0.000	0.000	0.000
47		xxx		0.000	0.000	0.000	0.000	0.000
48		xxx		0.000	0.000	0.000	0.000	0.000
49		xxx		0.000	0.000	0.000	0.000	0.000
50		xxx		0.000	0.000	0.000	0.000	0.000
52		<b>Total Projected New Customers</b>		<b>2</b>	<b>3</b>	<b>4</b>	<b>6</b>	<b>10</b>
53		<b>Total Projected Customer Base</b>	<b>10</b>	<b>12</b>	<b>14</b>	<b>18</b>	<b>23</b>	<b>33</b>
54		<b>Projected World Market Share (%)</b>		<b>3.6%</b>	<b>4.3%</b>	<b>5.0%</b>	<b>6.3%</b>	<b>8.5%</b>

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



A presumption we make is that you will initially sell something (the “Intro Offer”) to gain a new customer, then you will offer additional products and services. *(It has been said that it costs just 20% of the customer acquisition cost to sell an existing customer another product or service.)* If you don't want to do this, you can either edit the formula or you can enter '0' in every cell and then HIDE the entire row.

	A	B	C	D	E	F	G	H
52		<b>Projected World Market Share (%)</b>		<b>0.7%</b>	<b>0.8%</b>	<b>0.9%</b>	<b>1.2%</b>	<b>1.5%</b>
54		<b>Products/Services Pricing (\$)</b>						
55	F	Intro Offer	5%	\$ 10.00	11	11	12	12
56		Start-Ups	5%	\$ 100.00	105	110	116	122
57	G	Small Businesses USA	5%	\$ 100.00	105	110	116	122
58		Businesses Non-USA	5%	\$ 100.00	105	110	116	122
59		Associations	5%	\$ 100.00	105	110	116	122
60		Affiliates	5%	\$ 100.00	105	110	116	122
61		Resellers	5%	\$ 100.00	105	110	116	122
62		Schools	5%	\$ 100.00	105	110	116	122
63		Corporations	5%	\$ 100.00	105	110	116	122
64		Consultants	5%	\$ 100.00	105	110	116	122
67		<b>Probability of Purchase (%)</b>						
68	H	Intro Offer		100.0%	100.0%	100.0%	100.0%	100.0%
69		Start-Ups		10.0%	5.0%	7.0%	9.0%	12.0%
70		Small Businesses USA		0.0%	5.0%	7.0%	9.0%	12.0%
71		Businesses Non-USA		0.0%	5.0%	7.0%	9.0%	12.0%
72		Associations		0.0%	5.0%	7.0%	9.0%	12.0%
73		Affiliates		0.0%	5.0%	7.0%	9.0%	12.0%
74		Resellers		0.0%	5.0%	7.0%	9.0%	12.0%
75		Schools		0.0%	5.0%	7.0%	9.0%	12.0%
76		Corporations		0.0%	5.0%	7.0%	9.0%	12.0%
77		Consultants		0.0%	5.0%	7.0%	9.0%	12.0%
79	I	<b>Units Sold</b>						

- 3) From the “Basic Assumptions” page, we 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 1/6<sup>th</sup> the cost to sell an existing customer another product.)

	B	C	D	E	F	G	H
<b>Units Sold</b>							
Intro Offer			52	10	20	30	40
Start-Ups			6	4	6	11	19
Small Businesses USA			0	4	6	11	19
Businesses Non-USA			0	4	6	11	19
Associations			0	4	6	11	19
Affiliates			0	4	6	11	19
Resellers			0	4	6	11	19
Schools			0	4	6	11	19
Corporations			0	4	6	11	19
Consultants			0	4	6	11	19
<b>Projected Product/Services Revenue</b>							
Intro Offer			\$ 520	\$ 105	\$ 221	\$ 347	\$ 486
Start-Ups			\$ 600	\$ 420	\$ 662	\$ 1,273	\$ 2,309
Small Businesses USA			\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
Businesses Non-USA			\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
Associations			\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
Affiliates			\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
Resellers			\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
Schools			\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
Corporations			\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
Consultants			\$ -	\$ 420	\$ 662	\$ 1,273	\$ 2,309
<b>Total Projected Product/Services Revenue (119% average growth)</b>			\$ 1,120	\$ 3,885	\$ 6,174	\$ 11,808	\$ 21,271
<b>Other</b>							
Service / Other Revenue A	100%		\$ 10	\$ 20	\$ 40	\$ 80	\$ 160
Service / Other Revenue B	100%		\$ 10	\$ 20	\$ 40	\$ 80	\$ 160
Service / Other Revenue C	100%		\$ 20	\$ 40	\$ 80	\$ 160	\$ 320
Service / Other Revenue D	50%		\$ 10	\$ 15	\$ 23	\$ 34	\$ 51
<b>Total Projected Services Revenue (93% average growth)</b>			\$ 50	\$ 95	\$ 183	\$ 354	\$ 691
<b>Total Revenue (118% average growth)</b>			\$ 1,170	\$ 3,980	\$ 6,357	\$ 12,162	\$ 21,962
<b>Annual Total Revenue Growth Rate</b>				240%	60%	91%	81%
<b>Average Product Revenue per Customer (\$)</b>			\$ 18	\$ 54	\$ 67	\$ 97	\$ 131
<b>Average Total Revenue per Customer (\$)</b>			\$ 19	\$ 55	\$ 69	\$ 100	\$ 136

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!

# Assumptions - Sales

*Art is making something out of nothing and selling it.*  
 ~ Frank Zappa

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.

## Seasonal Sales?

Your revenue may be seasonal or will vary/grow from month to month. (Investors/lenders are often curious, so including this section is useful.) This section allows you to distribute your annual revenue by month by spreading the revenue for each Product/Product Line/Sales Channel over the year on a percentage basis. The sample data shows revenues fairly evenly distributed throughout the year.

For example, sales in the first month for this line will be 7% of the year's total sales. (It may be useful to leave this section showing just to demonstrate to investors/lenders that revenue is evenly distributed throughout the year, otherwise, you can simply hide rows 34 -47.)

If your sales are seasonal, you can easily adjust the percentages to calculate when most of your revenue will come in. If your sales start small and grow, then enter a smaller percentage in the month when sales will start, then increase your percentage as sales for that product/service grow. Just make sure the entire year for each line totals to 100%.

Sales Mix						Revenue Allocation					
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	
Profit Center											
Intro Offer	10%	13%	12%	11%	10%	\$ 200	\$ 315	\$ 441	\$ 695	\$ 1,216	
Product 1	30%	23%	27%	26%	24%	\$ 600	\$ 735	\$ 992	\$ 1,621	\$ 2,796	
Product 2	10%	13%	15%	17%	18%	200	315	551	1,042	2,066	
Product 3	30%	23%	15%	17%	18%	600	735	551	1,042	2,066	
Product 4	5%	4%	12%	13%	13%	100	105	441	810	1,580	
Product 5	5%	4%	12%	13%	13%	100	105	441	810	1,580	
Product 6	5%	4%	3%	2%	2%	100	105	110	116	243	
Product 7	0%	0%	0%	0%	0%	-	-	-	-	-	
Product 8	5%	4%	3%	2%	2%	100	105	110	116	243	
Product 9	0%	0%	0%	0%	0%	-	-	-	-	-	
Total Product/Services Revenue	100%	100%	100%	100%	100%	\$ 2,000	\$ 2,520	\$ 3,638	\$ 6,251	\$ 11,790	
Other	2%	2%	1%	1%	1%	\$ 50	\$ 55	\$ 61	\$ 67	\$ 73	
Total Revenue	100%	100%	100%	100%	100%	\$ 2,050	\$ 2,575	\$ 3,699	\$ 6,318	\$ 11,864	

Monthly Break-Out / Seasonal Adjustment (% of Total Revenue)												
	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
Intro Offer	7%	8%	9%	8%	8%	9%	8%	9%	9%	9%	9%	8%
Product 1	7%	8%	9%	8%	8%	9%	8%	9%	9%	9%	9%	8%
Product 2	7%	8%	9%	8%	8%	9%	8%	9%	9%	9%	9%	8%
Product 3	7%	8%	9%	8%	8%	9%	8%	9%	9%	9%	9%	8%
Product 4	7%	8%	9%	8%	8%	9%	8%	9%	9%	9%	9%	8%
Product 5	7%	8%	9%	8%	8%	9%	8%	9%	9%	9%	9%	8%
Product 6	7%	8%	9%	8%	8%	9%	8%	9%	9%	9%	9%	8%
Product 7	7%	8%	9%	8%	8%	9%	8%	9%	9%	9%	9%	8%
Product 8	7%	8%	9%	8%	8%	9%	8%	9%	9%	9%	9%	8%
Product 9	7%	8%	9%	8%	8%	9%	8%	9%	9%	9%	9%	8%
Other	7%	8%	9%	8%	8%	9%	8%	9%	9%	9%	9%	8%

Projected Sales												
	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
Intro Offer	\$ 14	\$ 16	\$ 18	\$ 16	\$ 16	\$ 18	\$ 16	\$ 16	\$ 18	\$ 18	\$ 18	\$ 16
Product 1	\$ 42	\$ 48	\$ 54	\$ 48	\$ 48	\$ 54	\$ 48	\$ 48	\$ 54	\$ 54	\$ 54	\$ 48
Product 2	14	16	18	16	16	18	16	16	18	18	18	16
Product 3	42	48	54	48	48	54	48	48	54	54	54	48



Assumptions - Cost of Goods Sold (COGs)

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

~ Thomas Fuller

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.

**Assumptions - Cost of Goods Sold**

*These percentages allocate the Fixed COGS among our Products/Marketing Channels*

Variable COGS Allocation	- MATERIAL -					- LABOR -					- FIXED -				
	2013 % Sales	2014 % Sales	2015 % Sales	2016 % Sales	2017 % Sales	2013 % Sales	2014 % Sales	2015 % Sales	2016 % Sales	2017 % Sales	2013 % Total	2014 % Total	2015 % Total	2016 % Total	2017 % Total
Intro Offer	18%	18%	18%	18%	18%	2%	2%	2%	2%	2%	50%	50%	50%	50%	50%
Product 1	18%	18%	18%	18%	18%	2%	2%	2%	2%	2%	50%	50%	50%	50%	50%
Product 2	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Product 3	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Product 4	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Product 5	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Product 6	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Product 7	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Product 8	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Product 9	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Fixed COGS	2013 % Sales	2014 % Sales	2015 % Sales	2016 % Sales	2017 % Sales
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"	2013	2014	2015	2016	2017
	\$ 143	\$ 164	\$ 184	\$ 164	\$ 164

Variable COGS	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	2013	% of Total
Intro Offer	\$ 3	\$ 3	\$ 4	\$ 3	\$ 3	\$ 4	\$ 3	\$ 4	\$ 4	\$ 3	\$ 3	\$ 3	\$ 40	2.0%
Product 1	\$ 8	\$ 10	\$ 11	\$ 10	\$ 10	\$ 11	\$ 10	\$ 10	\$ 11	\$ 11	\$ 10	\$ 10	\$ 120	5.9%
Product 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Product 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Product 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%

**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 percentage 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.*

# Assumptions - Marketing

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

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 un-protecting 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)				Average % of Sales	% of Sales								
	2010	2011	2012			2013	2014	2015	2016	2017				
Advertising	\$ -	\$ -	\$ -	\$ -	0%	0%	5%	5%	5%	5%				
Direct Mail	-	-	-	-	0%	0%	5%	5%	5%	5%				
Literature	-	-	-	-	0%	0%	1%	1%	1%	1%				
PR	-	-	-	-	0%	0%	2%	2%	2%	2%				
Internet Advertising	-	-	-	-	0%	0%	5%	5%	5%	5%				
Website Development & Maintenance	-	-	-	-	0%	0%	2%	2%	2%	2%				
Reseller Co-op & Product Trade	-	-	-	-	0%	0%	2%	2%	2%	2%				
Travel & Trade Shows	-	-	-	-	0%	0%	2%	2%	2%	2%				
Payroll	Linked From "HR-Plan"					Linked From "HR-Plan"								
Commissions & Bonuses	-	-	-	-	0%	0%	9%	9%	9%	9%				
[Add your own category] One	-	-	-	-	0%	0%	0%	0%	0%	0%				
[Add your own category] Two	-	-	-	-	0%	0%	0%	0%	0%	0%				
[Add your own category] Three	-	-	-	-	0%	0%	0%	0%	0%	0%				
Misc. Department Expenses	-	-	-	-	0%	0%	1%	1%	1%	1%				
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0%</b>	<b>0%</b>	<b>34%</b>	<b>34%</b>	<b>34%</b>	<b>34%</b>				
Total from the 'Start Page'														
% of Sales														
Projected Revenue from "Assumptions-Sa	\$ 143	\$ 164	\$ 184	\$ 164	\$ 164	\$ 184	\$ 164	\$ 164	\$ 184	\$ 184	\$ 184	\$ 164	\$ 2,048	
<b>Sales &amp; Marketing Expense</b>	<b>Jan-13</b>	<b>Feb-13</b>	<b>Mar-13</b>	<b>Apr-13</b>	<b>May-13</b>	<b>Jun-13</b>	<b>Jul-13</b>	<b>Aug-13</b>	<b>Sep-13</b>	<b>Oct-13</b>	<b>Nov-13</b>	<b>Dec-13</b>	<b>2013</b>	<b>% of Total Budget</b>
From "Capital Requirements"	\$ 4,750	\$ 4,750	\$ 4,750	\$ 4,750	\$ 4,750	\$ 4,750	\$ 11,400	\$ 11,400	\$ 11,400	\$ 11,400	\$ 11,400	\$ 11,400	\$ 96,900	37.8%
Advertising	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Direct Mail	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Literature	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
PR	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Internet Advertising	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Website Development & Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Reseller Co-op & Product Trade	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Travel & Trade Shows	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Payroll	13,300	13,300	13,300	13,300	13,300	13,300	13,300	13,300	13,300	13,300	13,300	13,300	159,600	62.2%
Commissions & Bonuses	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
[Add your own category] One	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
[Add your own category] Two	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
[Add your own category] Three	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Misc. Department Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
<b>Total Sales &amp; Marketing Expenses</b>	<b>\$ 18,050</b>	<b>\$ 18,050</b>	<b>\$ 18,050</b>	<b>\$ 18,050</b>	<b>\$ 18,050</b>	<b>\$ 18,050</b>	<b>\$ 24,700</b>	<b>\$ 24,700</b>	<b>\$ 24,700</b>	<b>\$ 24,700</b>	<b>\$ 24,700</b>	<b>\$ 24,700</b>	<b>\$ 256,500</b>	<b>100.0%</b>

# Assumptions – Product/Service Development

*"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

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

The screenshot displays an Excel spreadsheet titled "Assumptions - Product/Service Development" for "Your Company Name Here". The spreadsheet is organized into several sections:

- Summary Table (Rows 17-30):** Lists categories like Contract Development Services, Equipment, R & D Materials, R & D Salaries, Product Support, and Misc. R & D Department Expenses, with columns for years 2013-2016 and % of Sales.
- Projected Revenue (Row 31):** A row of values for years 2013-2016, totaling \$2,048.
- R&D Expense Breakdown (Rows 33-44):** A detailed table with columns for months (Jan-13 to Dec-13) and 2013 Budget. It includes sub-categories like Contract Development Services, Equipment, R & D Materials, R & D Salaries, Product Support, and Misc. R & D Department Expenses.
- Quarterly Projections (Rows 48-61):** A table with columns for quarters (Q1-Yr2 to Q4-Yr3) and years 2014, 2015, and 2017. It includes sub-categories similar to the R&D Expense breakdown.
- Summary Rows (62-63):** Total R & D Expenses and R & D as a % of Total Sales for 2014-2017.



**➤ 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.

# Assumptions – G & A

(General & Administrative)

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

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											
	2013	2014	2015	2016	2017												
	% 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%												
<b>Total</b>	11.00%	11.00%	11.00%	11.00%	11.00%												

General & Administrative Expense	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	2013
Start-Up Costs from "Use of Proceeds"	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
G&A from "Use of Proceeds"	\$ 21,850	\$ 21,850	\$ 21,850	\$ 21,850	\$ 21,850	\$ 21,850	\$ 21,850	\$ 4,750	\$ 4,750	\$ 4,750	\$ 4,750	\$ 4,750	\$ 193,800
Accounting	1	2	2	2	2	2	2	2	2	2	2	2	20
Administrative Salaries	7,125	7,125	7,125	7,125	7,125	7,125	7,125	7,125	7,125	7,125	7,125	7,125	85,500
Executive Salaries	-	-	-	-	-	-	-	-	17,100	17,100	17,100	17,100	68,400
Customer Service	1	2	2	2	2	2	2	2	2	2	2	2	20
Equipment Rental / Small Purchases	1	2	2	2	2	2	2	2	2	2	2	2	20
Insurance	1	2	2	2	2	2	2	2	2	2	2	2	20
Legal Fees	1	2	2	2	2	2	2	2	2	2	2	2	20
Office Expenses (Supplies, etc.)	1	2	2	2	2	2	2	2	2	2	2	2	20
Occupancy (Rent)	9	9	9	9	9	9	10	10	10	10	10	10	114
Postage	1	2	2	2	2	2	2	2	2	2	2	2	20
Telephone	1	2	2	2	2	2	2	2	2	2	2	2	20
Information Systems	1	2	2	2	2	2	2	2	2	2	2	2	20
Outside Services	1	2	2	2	2	2	2	2	2	2	2	2	20
Miscellaneous G & A Expenses	1	2	2	2	2	2	2	2	2	2	2	2	20
<b>Total G &amp; A Expenses</b>	<b>\$ 29,000</b>	<b>\$ 29,002</b>	<b>\$ 29,004</b>	<b>\$ 29,002</b>	<b>\$ 29,002</b>	<b>\$ 29,004</b>	<b>\$ 29,003</b>	<b>\$ 29,003</b>	<b>\$ 29,005</b>	<b>\$ 29,005</b>	<b>\$ 29,005</b>	<b>\$ 29,003</b>	<b>\$ 348,039</b>
G & A as a % of Total Sales	20225%	17702%	15736%	17702%	17702%	15736%	17702%	17702%	15736%	15736%	15736%	17702%	15394%



**➤ NOTE ON DEPRECIATION:** Though depreciation ordinarily appears as a G&A 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, etc. to the sales they help generate. Unlike inventory, these assets usually last for a number of years. Depreciation, here, is a method for expensing the cost of the asset over its expected lifetime.



# Assumptions - Financing

*On the other hand, you have different fingers.*

~ Stephen Wright

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.

## Loan Wizard

	A	B
8	<b>Financing</b>	
9	<b>Short-Term Loan</b>	(000)
10	Date of Loan (mm/yy)	Jan-2013
11	Term of Loan (Months)	60
12	Loan Amount	\$ 50,000
13	Interest Rate	8.00%
14	Monthly Payment	\$1,014
15		
16	<b>Long Term Loans</b>	
17	<b>Office Building</b>	(000)
18	Date of Loan (mm/yy)	Jan-2013
19	Term of Loan (Months)	360
20	Loan Amount	\$ 0
21	Interest Rate	0.00%
22	Monthly Payment	\$0
23		
24	<b>Machinery &amp; Equipment</b>	(000)
25	Date of Loan (mm/yy)	Apr-2013
26	Term of Loan (Months)	84
27	Loan Amount	\$ 0
28	Interest Rate	0.00%
29	Monthly Payment	\$0
30		
31	<b>Vendor Note</b>	(000)
32	Date of Loan (mm/yy)	Mar-2013
33	Term of Loan (Months)	60
34	Loan Amount	\$ 0
35	Interest Rate	0.00%
36	Monthly Payment	\$0
37		
38	<b>Inventory</b>	(000)
39	Date of Loan (mm/yy)	Apr-2013
40	Term of Loan (Months)	36
41	Loan Amount	\$ 0
42	Interest Rate	0.00%
43	Monthly Payment	\$0
44		

Enter the loan start date, amount, and interest rate.

Interest expenses, cash flow and balance sheet line items are all automatically calculated — showing on separate line listings for each one on each statement for added clarity.

The blue text is variable so you can also label each loan with the title of your choice. These headings will also automatically copy to the Income Statement, Balance Sheet and Cash Flow statements where needed to identify their respective line-item calculations.

This helps dramatically to enable you to make adjustments where necessary and for investors and lenders to intuitively understand your plan.

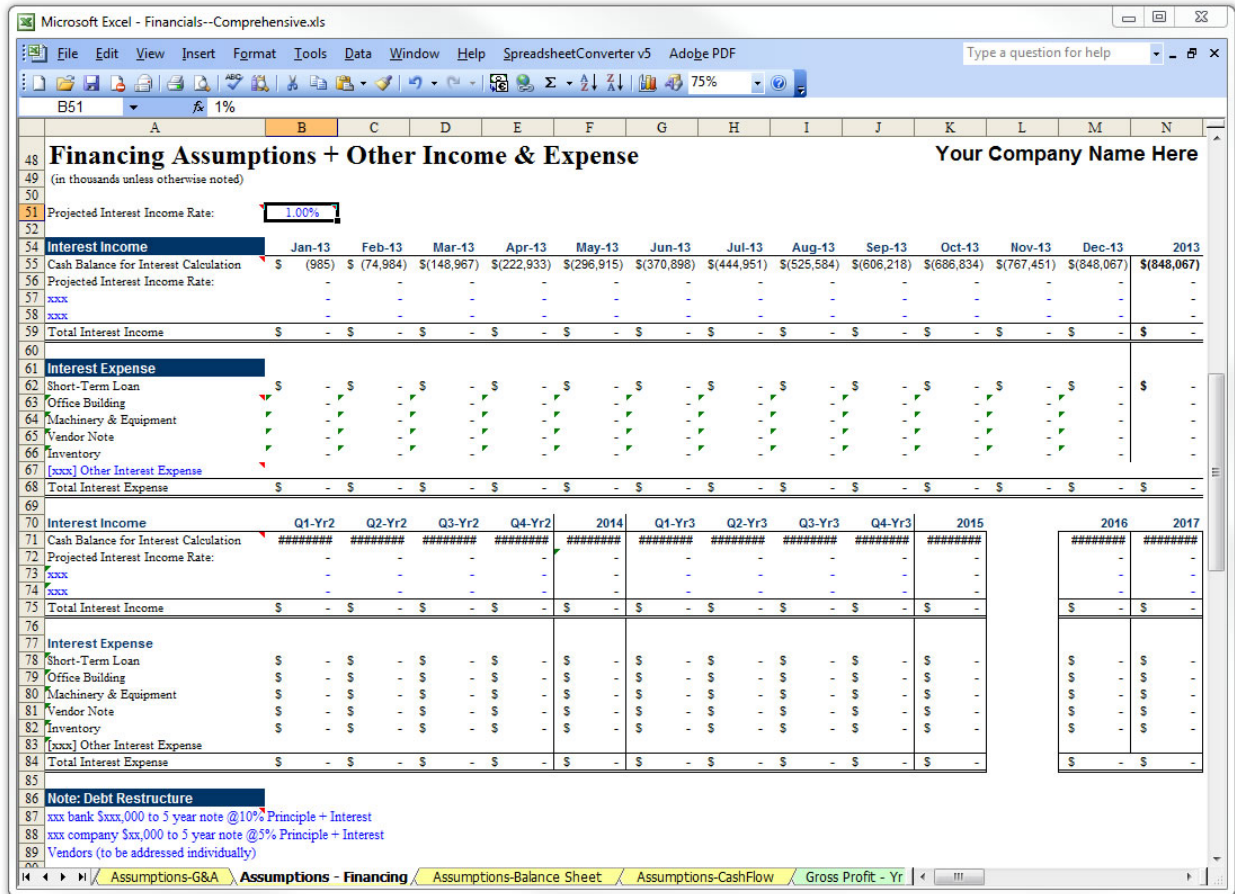
Use this section to...

- Restructure debt to vendors.
- Purchase vehicles
- Borrow working capital
- Build up inventory

All loans are independently calculated so you can start them on any date from the beginning of your plan to any time in the future.

The Financing Assumptions screen below this “Loan Wizard” automatically summarizes all of your financing calculations here.

If / when you want to make a change, just update this page and everything else will recalculate and all changes will automatically appear in their proper places.



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

(2012)

If taxable income is:

The **tax** is:

▪ Not over \$50,000	15%
▪ Over \$50,000, but not over \$75,000	25%
▪ Over \$75,000 but not over \$100,000	34%
▪ Over \$100,000 but not over \$335,000	39%
▪ Over \$335,000 but not over \$10,000,000	34%
▪ Over \$10,000,000 but not over \$15,000,000	35%
▪ Over \$15,000,000 but not over \$18,333,333	38%
▪ Over \$18,333,333	35%

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.

# Assumptions - Balance Sheet

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

~ E. Joseph Cossman

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.

	2010	2011	2012	2013
<b>Assets</b>				Beginning \$0
<b>Current Assets</b>				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-
Accounts Receivable	-	-	-	-
Notes Receivable	-	-	-	-
Inventory	-	-	-	-
Other Current Assets	-	-	-	-
<b>Total Current Assets</b>	\$ -	\$ -	\$ -	\$ -
<b>Property, Plant &amp; Equipment</b>				
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	-	-	-	-
<b>Total Net Property, Plant &amp; Equipment</b>	\$ -	\$ -	\$ -	\$ -
Other Assets	\$ -	\$ -	\$ -	\$ -
<b>Total Assets</b>	\$ -	\$ -	\$ -	\$ -

	Existing Assets Remaining Life	New Assets Useful Life
<input checked="" type="checkbox"/> Months?	6	40
<input type="checkbox"/> Months?	5	5
<input type="checkbox"/> Months?	10	10
<input type="checkbox"/> Months?	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 pay-able 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	<b>Liabilities</b>				
36	<b>Current Liabilities</b>				
37	Short Term Debt	\$ -	\$ -	\$ -	\$ -
38	Accounts Payable	-	-	-	-
39	Other Payables	-	-	-	-
40	Accrued Liabilities	-	-	-	-
41	<b>Total Current Liabilities</b>	\$ -	\$ -	\$ -	\$ -
42					
43	Long Term Debt	\$ -	\$ -	\$ -	\$ -
44	<b>Total Liabilities</b>	\$ -	\$ -	\$ -	\$ -
45					
46	<b>Stockholder Equity</b>				
47	Common Stock	\$ -	\$ -	\$ -	\$ -
48	Preferred Stock	\$ -	\$ -	\$ -	\$ -
49	Retained Earnings	-	-	-	-
50	Dividends Payable	-	-	-	-
51	<b>Total Stockholders' Equity</b>	\$ -	\$ -	\$ -	\$ -
52					
53	<b>Total Liabilities &amp; Equity</b>	\$ -	\$ -	\$ -	\$ -
54					
55					
56					
57	*Remaining useful life will not correspond to the useful life for fixed assets, unless fixed assets entered above were				
58	not put in service until year-end, in which case the useful lives will correspond. Generally accepted useful lives are noted below:				
59					

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

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

# Assumptions - Cash Flow

*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)

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.

The screenshot shows a Microsoft Excel spreadsheet titled "Assumptions - Cash Flow" for "Your Company Name". The spreadsheet is organized into several sections with monthly columns from Jan-13 to Nov-13. The sections include:

- Inventory Assumptions:** Days Inventory On-Hand (values: 30, 30, 30, 30, 30, 30, 30, 30, 30, 30, 30), Inventory On-Hand (values: 11, 12, 13, 12, 12, 13, 12, 12, 13, 13, 13).
- Accounts Payable Assumptions:** Days A/P Outstanding (values: 30, 30, 30, 30, 30, 30, 30, 30, 30, 30, 30), Accounts Payable Outstanding (values: 73,167, 73,171, 73,175, 73,171, 73,171, 73,175, 73,734, 73,734, 73,738, 73,738).
- Accounts Receivable Assumptions:** Days A/R Outstanding (values: 30, 30, 30, 30, 30, 30, 30, 30, 30, 30, 30), Accounts Receivable Outstanding (values: 141, 162, 162, 162, 162, 162, 162, 162, 162, 162, 162).
- Fixed Asset Purchases (000):** Land (Non-Depreciable Asset), Buildings & Leasehold Improvements, Furniture & Fixtures, Machinery & Equipment, Office Equipment, Computers & Software. All values are \$-.
- Financing Proceeds (000):** Equity Investment / Sale of Common Stock, Equity Investment / Sale of Preferred Stock, Cash Dividends Declared - Common, Cash Dividends Declared - Preferred, Cash Dividends Paid, Proceeds from Short Term Loans, Repayment of Short Term Loans, Total Proceeds from Long-Term Loans, Repayment of Long Term Loans, Total Interest on Long-Term Loans. Values are \$-.
- Other Balance Sheet Accounts (000):** Purchase of Investments, Sale of Investments, Increase in Notes Receivable, Collection of Notes Receivable. Values are \$-.

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.

The break-even analysis allows you to compensate for this characteristic. There is no set formula to apply. BizPlanBuilder recommends taking a percentage of overall fixed costs from 15% to 20% to convert to variable costs. Unlike the rest of accounting, this is a situation where your “gut feel” counts. The amount you choose depends upon the nature of your business, and your experience of what percent of your fixed costs might be considered variable in nature.

