

# Financial Plan

The **Financial Plan** is perhaps one of the most important components of your Business Plan (see Business Plan Handout). Not only is it essential if you are seeking external financing – it is vital to the success of your business. Poor financial planning is one of the essential factors in business failure.

As you work through the financial plan for your business, you will need to consider all costs associated with the operation of your business; potential revenue through sale of your product or service and the cost of selling that product or service. By carefully working through this process and using all of the research data that you have collected, the creation of the financial plan along with the cash flow forecasts (see Cash flow Handout) will give you a more realistic idea about the financial side of your business. You will understand when you might begin to see a positive cash flow and when you might expect to breakeven.

The first step in the planning process is to determine your start-up requirements.

## Part One

### A) Estimated One-Time Financial Requirements

Indicate your estimate of the start-up financial requirements of your business if it is a new venture.

Item	Estimated Cash Required
1. Business Registration	\$
2. Licenses and/or permits	
3. Starting inventory	
4. Start-up loan and interest payments	
5. Professional start-up fees (lawyer, accountant, etc.)	
6. Furniture, fixtures and office equipment	
7. Machinery and equipment	
8. Installation of equipment	
9. Tools and supplies	
10. Signage	
11. Security	
12. Down payment on purchase of or deposit on the lease	
<b>For business premises</b>	
13. Building improvements	
14. Utility hook-up and installation fees	
15. Pre-opening advertising and promotion	
16. Cash Reserve	
17. Other	
18. Other	
<b>Total Estimated One Time Requirements</b>	\$

## B) Estimated Start-up Operating Expenses

Item	Estimate of Monthly Expense	X # of Months Before Breakeven (2-3)	Total Cash Required
1. Rent/Lease	\$		\$
2. Utilities			
3. Line of Credit			
4. Insurance			
5. Ongoing professional fees (Accountant, lawyer, etc.)			
6. Depreciation			
7. Business taxes			
8. Operating loan if needed			
9. Interest on operating loan			
10. Inventory			
11. Owner's salaries			
12. Employees payroll, benefits and remittance			
13. Phone (including long distance)			
14. Postage and supplies			
15. Promotion and advertising			
16. Credit sales to customers			
17. Cash discounts to customers (2%)			
18. Maintenance and repairs			
19. Travel and vehicle			
20. Other			
21. Other			
Total Cash Requirements for Operating Expenses			
Plus Total One Time Cash Requirements			
<b>Total Cash Required For Start Up</b>			

Estimate your source of funds by providing an overview of the current finances contributed to the start-up of the business to date.

## C) Source of Funds

Source	Amount	Debt or equity	Repayment Schedule
1. Self	\$	\$	\$
2. Friends, neighbours, relatives			
3. Other private investors			
4. Banks, credit unions, other			
5. Mortgage and insurance company			
6. Credit from suppliers			
7. Government loans			
8. Other sources			
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

### Part Two

Once you have determined your start-up financial requirements, you will need to develop your short-term financial projections.

Estimate your total expected revenue and expenses by completing a month-by-month cash flow forecast for two years. These projections will show your sales, costs of production or purchase of products (or service), fixed and variable monthly operating expenses and your expected net operating profit or loss for each of those two years.

## D) Pro Forma Income Statement

**Business Name** **Pro Forma Income Statement**  
**for the year ending (date)**

Net Sales		
Less: Cost of goods sold		
Beginning inventory		
Plus: net purchases		
Goods available for sale		
Less: ending inventory		
Cost of goods sold		
Gross margin		
Less Operating Expenses:		
Employee wages		
Supplies		
Advertising & promotion		
Delivery, freight		
Travel & entertainment		
Professional fees		
Rent		
Phone and utilities		
Property taxes		
Business taxes		
Repairs & maintenance		
Depreciation		
Interest		
Insurance		
Other		
<b>Total Expenses</b>		
Net Profit (loss) Before Tax		

## E) Pro Forma Balance Sheet

**Business Name**  
**Opening Balance Sheet**  
**As of (date)**

ASSETS		
Current Assets		
Cash		
Accounts receivable		
Inventory		
Other		
Total Current Assets		
Fixed Assets		
Buildings		
Furniture and fixtures		
Equipment		
Trucks and vehicles		
Other		
Total Fixed Assets		
<b>TOTAL Assets</b>		
Liabilities		
Current Liabilities (due within 12 months)		
Accounts payable		
Bank loans/other loans		
Taxes owed		
Total Current Liabilities		
Long-Term Liabilities		
Mortgages payable		
Loans from partners/shareholders		
Other		
Total Fixed Liabilities		
<b>Total Liabilities</b>		
Net Worth (Capital)		
<b>Total Net Worth (Assets – Liabilities)</b>		
Total Liabilities plus Net Worth		

## EXAMPLES

### Example – Proforma Income Statement for the year ending December 31, 20XX

Sales Revenue	\$65,000
Less:	
Cost of Goods Sold	<u>\$15,000</u>
<b>(a) Net Income Before Expenses</b>	<b>\$50,000</b>
<b>Less:</b>	
Expenses	
Insurance	\$ 1,200
Salaries & Benefits	\$43,000
Office Supplies	\$ 350
Telephone	\$ 600
Advertising	\$ 1,200
Automobile	\$ 1,100
Depreciation	<u>\$ 750</u>
<b>(b) Total Expenses</b>	<b>\$48,200</b>
<b>Net Income (Loss) Before Taxes (a) – (b)</b>	<b>\$ 1,800</b>
<b>Net Income</b>	<b><u>\$ 1,550</u></b>

### Example – Proforma Balance sheet for the year ending December 31, 20XX

<b>Current Assets</b>	
Cash	\$ 3,000
Accounts Receivable	\$ 2,500
Inventory	\$ 4,000
<b>Fixed Assets</b>	
Vehicles	\$ 20,000
Equipment	\$ 20,000
Less Depreciation	<u>(\$ 10,000)</u>
<b>Total Assets</b>	<b><u>\$39,500</u></b>
<b>Liabilities</b>	
Current (Due within 12 months)	
Bank Loans	\$ 4,000
Accounts payable	\$ 2,500
Taxes payable	\$ 1,200
Long Term	
Equipment	\$ 10,000
Long Term Loans	<u>\$ 10,000</u>
Total Liabilities	<u>\$ 27,700</u>
<b>Equity</b>	
Retained earnings	\$11,800
<b>Total Liabilities and Equity</b>	<b><u>\$39,500</u></b>

Alternate formats and accommodations are available upon request.