

## 7.0 Financial Plan

The following sections contain the financial information for Your Business. Tables show annual projections for three years. Charts show first year monthly figures. First year monthly tables are included in the appendix.

### Financial Overview

The table below shows the financial overview of the business, showing the profitability of the business as the sales increases with little change in the cost. The profit is seen to increase with sales.

Financial Overview			
	Year 1	Year 2	Year 3
<b>Total Revenue</b>	\$ 1,105,000	\$ 1,326,000	\$ 1,591,200
<b>Total Expenses</b>	\$ 667,440	\$ 802,440	\$ 961,560
<b>Net Profit</b>	\$ 437,560	\$ 523,560	\$ 629,640



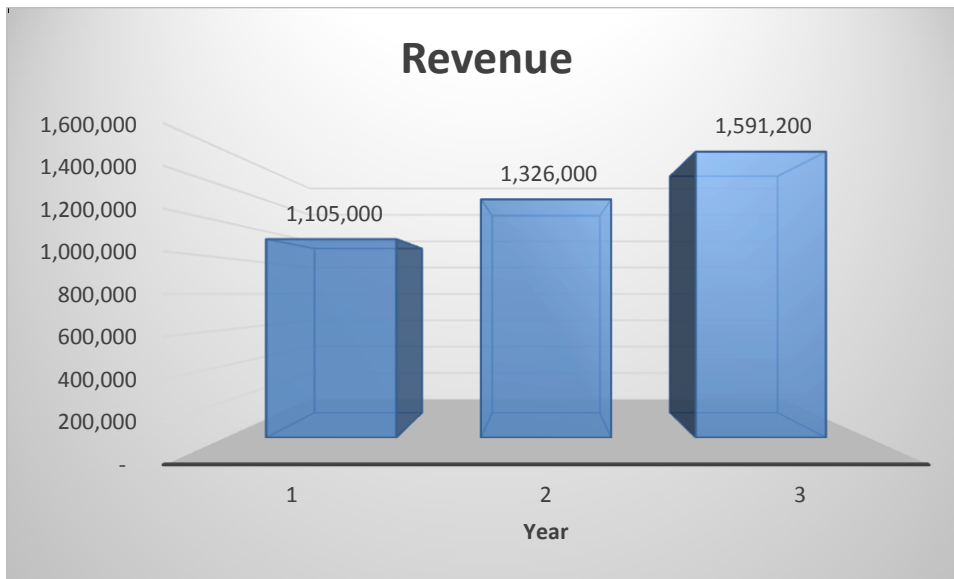
## Profit and Loss

The below table is the profit and loss projection for three business years. It is assumed that all expenses will remain unchanged. Inflation and other factors are assumed to be zero. It is also assumed that the owner incurs an average of 60% of the sales as the cost of sales. The sales increases each year causing considerable increase in the net profit too.

Profit and Loss			
	Year 1	Year 2	Year 3
	\$	\$	\$
<b>Total Sales</b>	<b>1,105,000</b>	<b>1,326,000</b>	<b>1,591,200</b>
<b>Cost of Sales</b>	<b>663,000</b>	<b>795,600</b>	<b>954,720</b>
<b>Gross Margin</b>	442,000	530,400	636,480
<b>Gross Margin %</b>	40%	40%	40%
<b>Operating Expenses</b>			
<b>Rent</b>	2,400	4,800	4,800
<b>Electricity</b>	1,200	1,200	1,200
<b>Internet</b>	840	840	840
<b>Total Operating Expenses</b>	<b>4,440</b>	<b>6,840</b>	<b>6,840</b>
<b>Operating Income</b>	437,560	523,560	629,640
<b>Operating Margin</b>	0.40	0.39	0.40
<b>EBITDA</b>	437,560	523,560	629,640
<b>Interest Expense</b>	0	0	0
<b>Tax Incurred</b>	0	0	0

<b>Net Profit</b>	<b>\$ 437,560</b>	<b>\$ 523,560</b>	<b>\$ 629,640</b>
<b>Net Profit/Sales %</b>	39.60	39.48	39.57

From the above analysis, the business is assumed to make \$1,105,000 worth of sales in the first year of business activities. Every business always aspire to increase their sales. With the marketing strategy adopted, it is assumed that this will yield an increase in sales in the second and third years of business activities.



The volume of sales influences the profit that will be made during the year, therefore sales revenue generated in the course of running the business results in increase in profit made by the business after taking care of all expenses.



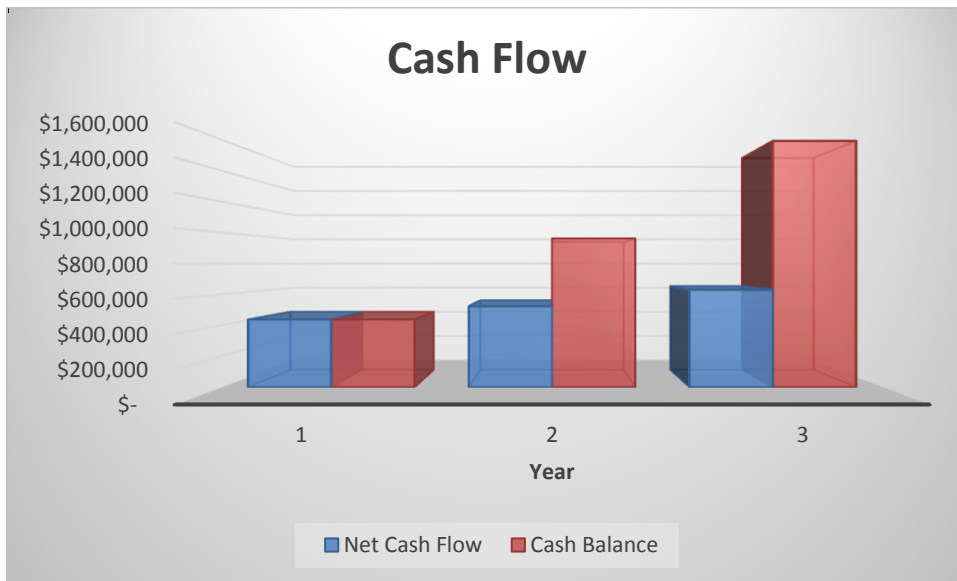
## Cash Flow Statement

Below is cash flow statement projection for three years showing the movement of cash within the business. No Loan is obtained for the business funding, hence no loan repayment or interest expense incurred in the business.

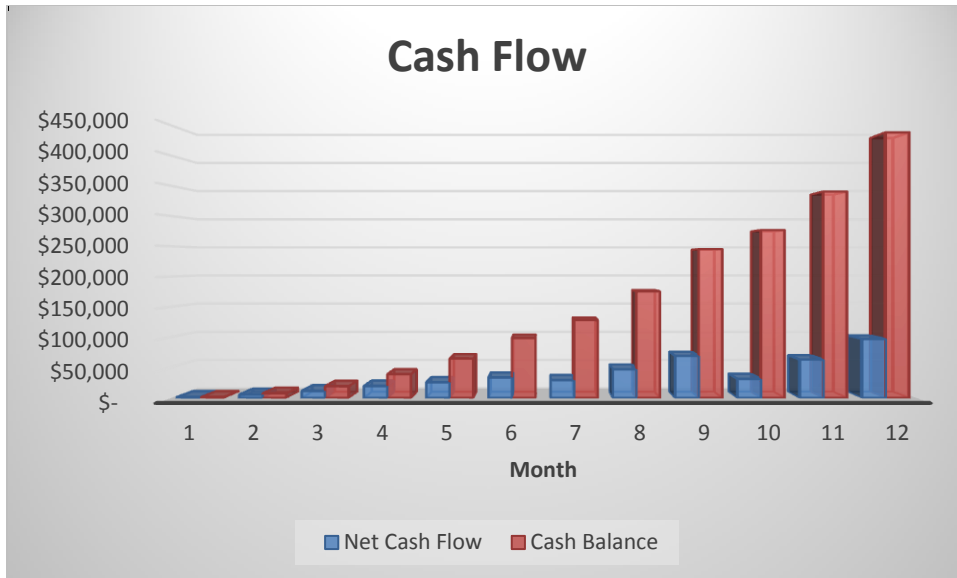
Cash Flow			
	Year 1	Year 2	Year 3
	\$	\$	\$
<b><i>Cash From Operations</i></b>			
Cash Sales	1,105,000	1,326,000	1,591,200
<b>Subtotal Cash From Operations</b>	<b>1,105,000</b>	<b>1,326,000</b>	<b>1,591,200</b>
<b><i>Additional Cash Received</i></b>			
New Other Liabilities (interest-free)	0	0	0
New Long-term Liabilities	0	0	0
Sales of Other Current Assets	0	0	0
Sales of Long-term Assets	0	0	0
New Investment Received	0	0	0
<b>Subtotal Cash Received</b>	<b>1,105,000</b>	<b>1,326,000</b>	<b>1,591,200</b>
<b><i>Expenditures</i></b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b><i>Expenditures from Operations</i></b>			
Total Cost of Sales	663,000	795,600	954,720
Total Operating Expenses	4,440	6,840	6,840
Interest Expense	0	0	0
Tax Incurred	0	0	0
<b>Subtotal Spent on Operations</b>	<b>667,440</b>	<b>802,440</b>	<b>961,560</b>
<b>Additional Cash Spent</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Principal Repayment of Current Borrowing</b>	0	0	0
<b>Other Liabilities Principal Repayment</b>	0	0	0
<b>Mortgage Repayment</b>	9	9	9
<b>Purchase Other Current Assets</b>	0	0	0
<b>Purchase Long-term Assets</b>	0	0	0
<b>Subtotal Cash Spent</b>	<b>667,449</b>	<b>802,449</b>	<b>961,569</b>
<b>Net Cash Flow</b>	\$ 437,551	\$ 523,551	\$ 629,631
<b>Cash Balance</b>	\$ 437,551	\$ 961,101	\$ 1,590,732

Chart: Cash Flow



The graph above shows upward movement of closing cash balance which indicate that there is an increase in cash balance at the end of every period.



## Balance Sheet

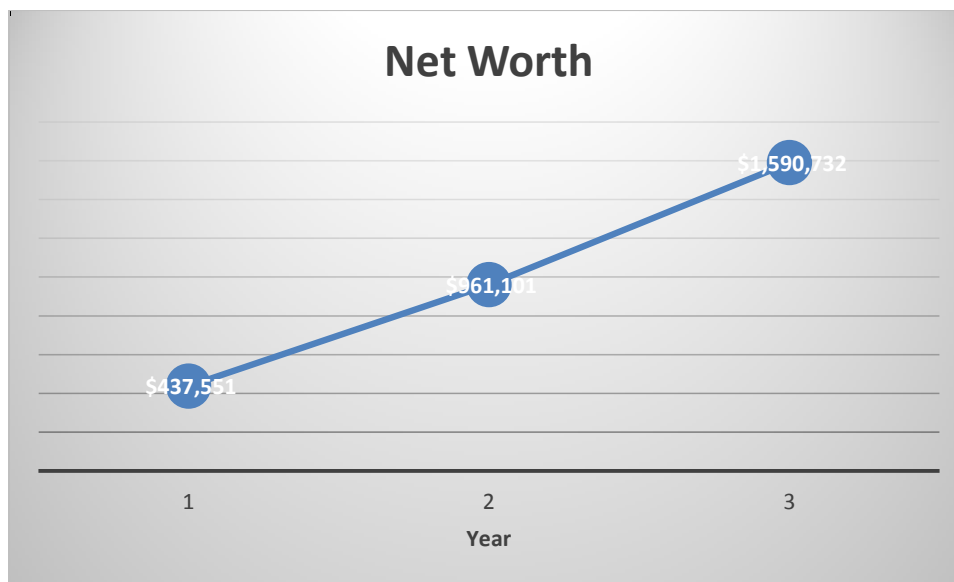
Below is three-year financial forecast of the balance sheet for the business. The below table show the steady growth in the net worth of the business, this show that the business is a very profitable one.

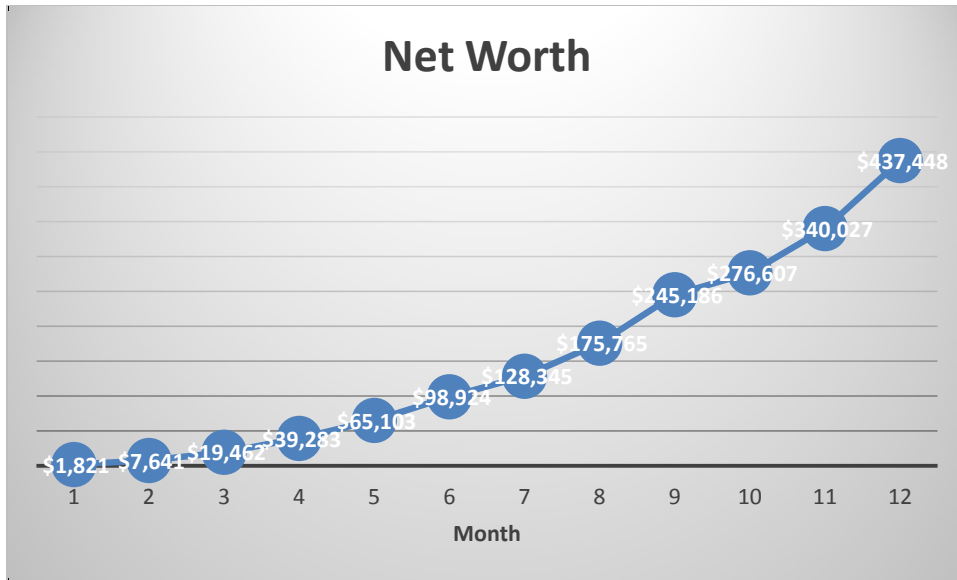
Balance Sheet				
	Starting Bal.	Year 1	Year 2	Year 3
	\$	\$	\$	\$
<b>Assets</b>				
<i>Current Assets</i>				
Cash	0	437,551	961,101	1,590,732
Other Current Assets	0	0	0	0
<b>Total Current Assets</b>	0	437,551	961,101	1,590,732
<i>Long-term Assets</i>				
Long-term Assets	0	0	0	0
Accumulated Depreciation	0	0	0	0
<b>Total Long-term Assets</b>	0	0	0	0
<b>Total Assets</b>	0	437,551	961,101	1,590,732
<i>Liabilities and Capital</i>				
<i>Current Liabilities</i>				
Accounts Payable	0	0	0	0
Current Borrowing	0	0	0	0
Other Current Liabilities	0	0	0	0
<b>Subtotal Current Liabilities</b>	0	0	0	0



<b>Long-term Liabilities</b>	0	0	0	0
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Paid-in Capital</b>	0	0	0	0
<b>Retained Earnings</b>	0	437,560	961,120	1,590,760
<b>Earning</b>	0	437,560	523,560	629,640
<b>Total Capital</b>	0	437,551	961,101	1,590,732
<b>Total Liabilities and Capital</b>	<b>0</b>	<b>437,551</b>	<b>961,101</b>	<b>1,590,732</b>
<b>Net Worth</b>	<b>0</b>	<b>\$ 437,551</b>	<b>\$ 961,101</b>	<b>\$ 1,590,732</b>

**Chart: Net Worth**





## Break Even Analysis

Break-even is the point where the business neither make profit nor loss. This mean that at break even, the business is only able to pay up its expenses both fixed and variable cost without any excess. The essence of break-even is to determine the amount of sales that could lead to profitability. Below is the formula for break even

Sales = total cost

Sales = fixed cost + variable cost

Sales = \$4,440 + sales (0.60)

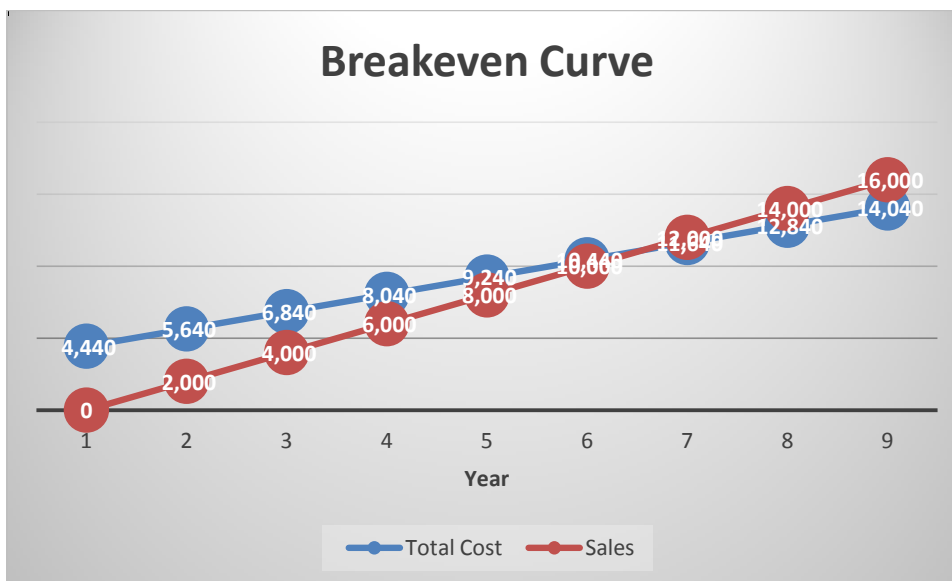
Sales (1-0.60) = \$4,440

Sales (0.40) = \$4,440

Sales =  $\frac{4,440}{0.4}$  = \$11,100

0.4

This means that there must be more than \$11,100 worth of sales yearly before any profit can be recorded. The above analysis can be seen in the below graph showing the curve of sales and total cost. Different sales are assumed to show the possibility of an intersection which represents the breakeven point, beyond which the company starts to make profit.



Breakeven Analysis							
	Fixed cost	4,440					
	variable cost	60%					
	contribution	40%					
	Break Even	11,100					
			<b>Fixed cost</b>	<b>Variable cost</b>	<b>Total cost</b>	<b>Sales</b>	<b>Profit</b>
			4,440	-	4,440	0	(4,440)
			4,440	1,200	5,640	2,000	(3,640)
			4,440	2,400	6,840	4,000	(2,840)
			4,440	3,600	8,040	6,000	(2,040)
			4,440	4,800	9,240	8,000	(1,240)
			4,440	6,000	10,440	10,000	(440)
			4,440	7,200	11,640	12,000	360
			4,440	8,400	12,840	14,000	1,160
			4,440	9,600	14,040	16,000	1,960

Profit and Loss										
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Total Sales</b>	5,000	15,000	30,000	50,000	65,000	85,000	75,000	120,000	175,000	80,000
<b>Cost of Sales</b>	3,000	9,000	18,000	30,000	39,000	51,000	45,000	72,000	105,000	48,000
<b>Gross Margin</b>	2,000	6,000	12,000	20,000	26,000	34,000	30,000	48,000	70,000	32,000
<b>Gross Margin %</b>	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
<b>Operating Expenses</b>										
<b>Rent</b>	0	0	0	0	0	0	400	400	400	400
<b>Electricity</b>	100	100	100	100	100	100	100	100	100	100
<b>Internet</b>	70	70	70	70	70	70	70	70	70	70
<b>Total Operating Expenses</b>	170	170	170	170	170	170	570	570	570	570
<b>Operating Income</b>	1,830	5,830	11,830	19,830	25,830	33,830	29,430	47,430	69,430	31,430
<b>Operating Margin</b>	0.37	0.39	0.39	0.40	0.40	0.40	0.39	0.40	0.40	0.39
<b>EBITDA</b>	1,830	5,830	11,830	19,830	25,830	33,830	29,430	47,430	69,430	31,430
<b>Interest Expense</b>	0	0	0	0	0	0	0	0	0	0
<b>Tax Incurred</b>	0	0	0	0	0	0	0	0	0	0
<b>Net Profit</b>	\$ 1,830	\$ 5,830	\$ 11,830	\$ 19,830	\$ 25,830	\$ 33,830	\$ 29,430	\$ 47,430	\$ 69,430	\$ 31,430
<b>Net Profit/Sales %</b>	36.60	38.87	39.43	39.66	39.74	39.80	39.24	39.53	39.67	39.16

## Monthly Pro Forma Cash Flow

Cash Flow									
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b><i>Cash From Operations</i></b>									
Cash Sales	5,000	15,000	30,000	50,000	65,000	85,000	75,000	120,000	175,000
<b>Subtotal Cash From Operations</b>	<b>5,000</b>	<b>15,000</b>	<b>30,000</b>	<b>50,000</b>	<b>65,000</b>	<b>85,000</b>	<b>75,000</b>	<b>120,000</b>	<b>175,000</b>
<b><i>Additional Cash Received</i></b>									
New Other Liabilities (interest-free)	0	0	0	0	0	0	0	0	0
New Long-term Liabilities	0	0	0	0	0	0	0	0	0
Sales of Other Current Assets	0	0	0	0	0	0	0	0	0
Sales of Long-term Assets	0	0	0	0	0	0	0	0	0
New Investment Received	0	0	0	0	0	0	0	0	0
<b>Subtotal Cash Received</b>	<b>5,000</b>	<b>15,000</b>	<b>30,000</b>	<b>50,000</b>	<b>65,000</b>	<b>85,000</b>	<b>75,000</b>	<b>120,000</b>	<b>175,000</b>
<b><i>Expenditures</i></b>									
<b><i>Expenditures from Operations</i></b>									
Total Cost of Sales	3,000	9,000	18,000	30,000	39,000	51,000	45,000	72,000	105,000
Total Operating Expenses	170	170	170	170	170	170	570	570	570
Interest Expense	0	0	0	0	0	0	0	0	0
Tax Incurred	0	0	0	0	0	0	0	0	0
<b>Subtotal Spent on Operations</b>	<b>3,170</b>	<b>9,170</b>	<b>18,170</b>	<b>30,170</b>	<b>39,170</b>	<b>51,170</b>	<b>45,570</b>	<b>72,570</b>	<b>105,570</b>
<b><i>Additional Cash Spent</i></b>									
Principal Repayment of Current Borrowing	0	0	0	0	0	0	0	0	0
Other Liabilities Principal Repayment	0	0	0	0	0	0	0	0	0
Mortgage Repayment	9	9	9	9	9	9	9	9	9
Purchase Other Current Assets	0	0	0	0	0	0	0	0	0

<b>Purchase Long-term Assets</b>	0	0	0	0	0	0	0	0	0
<b>Subtotal Cash Spent</b>	<b>3,179</b>	<b>9,179</b>	<b>18,179</b>	<b>30,179</b>	<b>39,179</b>	<b>51,179</b>	<b>45,579</b>	<b>72,579</b>	<b>105,579</b>
<b>Net Cash Flow</b>	\$ 1,821	\$ 5,821	\$ 11,821	\$ 19,821	\$ 25,821	\$ 33,821	\$ 29,421	\$ 47,421	\$ 69,421
<b>Cash Balance</b>	\$ 1,821	\$ 7,641	\$ 19,462	\$ 39,283	\$ 65,103	\$ 98,924	\$ 128,345	\$ 175,765	\$ 245,186

## Balance Sheet

Cash Flow												
	Mon th 1	Mon th 2	Mont h 3	Mont h 4	Mont h 5	Mont h 6	Mont h 7	Mont h 8	Mont h 9	Mont h 10	Mont h 11	Mont h 12
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cash From Operations</b>												
Cash Sales	5,000	15,000	30,000	50,000	65,000	85,000	75,000	120,000	175,000	80,000	160,000	245,000
<b>Subtotal Cash From Operations</b>	<b>5,000</b>	<b>15,000</b>	<b>30,000</b>	<b>50,000</b>	<b>65,000</b>	<b>85,000</b>	<b>75,000</b>	<b>120,000</b>	<b>175,000</b>	<b>80,000</b>	<b>160,000</b>	<b>245,000</b>
<b>Additional Cash Received</b>												
New Other Liabilities (interest-free)	0	0	0	0	0	0	0	0	0	0	0	0
New Long-term Liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Sales of Other Current Assets	0	0	0	0	0	0	0	0	0	0	0	0
Sales of Long-term Assets	0	0	0	0	0	0	0	0	0	0	0	0
New Investment Received	0	0	0	0	0	0	0	0	0	0	0	0
<b>Subtotal Cash Received</b>	<b>5,000</b>	<b>15,000</b>	<b>30,000</b>	<b>50,000</b>	<b>65,000</b>	<b>85,000</b>	<b>75,000</b>	<b>120,000</b>	<b>175,000</b>	<b>80,000</b>	<b>160,000</b>	<b>245,000</b>
<b>Expenditures</b>	<b>Mon th 1</b>	<b>Mon th 2</b>	<b>Mont h 3</b>	<b>Mont h 4</b>	<b>Mont h 5</b>	<b>Mont h 6</b>	<b>Mont h 7</b>	<b>Mont h 8</b>	<b>Mont h 9</b>	<b>Mont h 10</b>	<b>Mont h 11</b>	<b>Mont h 12</b>
<b>Expenditures from Operations</b>												
Total Cost of Sales	3,000	9,000	18,000	30,000	39,000	51,000	45,000	72,000	105,000	48,000	96,000	147,000
<b>Total Operating</b>												



<b>Expenses</b>	170	170	170	170	170	170	570	570	570	570	570	570
<b>Interest Expense</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Tax Incurred</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Subtotal Spent on Operations</b>	3,170	9,170	18,170	30,170	39,170	51,170	45,570	72,570	105,570	48,570	96,570	147,570
<b>Additional Cash Spent</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Principal Repayment of Current Borrowing</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Other Liabilities Principal Repayment</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Mortgage Repayment</b>	9	9	9	9	9	9	9	9	9	9	9	9
<b>Purchase Other Current Assets</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Purchase Long-term Assets</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Subtotal Cash Spent</b>	3,179	9,179	18,179	30,179	39,179	51,179	45,579	72,579	105,579	48,579	96,579	147,579
<b>Net Cash Flow</b>	\$ 1,821	\$ 5,821	\$ 11,821	\$ 19,821	\$ 25,821	\$ 33,821	\$ 29,421	\$ 47,421	\$ 69,421	\$ 31,421	\$ 63,421	\$ 97,421
<b>Cash Balance</b>	\$ 1,821	\$ 7,641	\$ 19,462	\$ 39,283	\$ 65,103	\$ 98,924	\$ 128,345	\$ 175,765	\$ 245,186	\$ 276,607	\$ 340,027	\$ 437,448