

Financial Unit

(Part of the Standard Question and Answer Business Plan)

Financial Strategy

SWOT Analysis:

- Did you wait until you completed the entire Financing section before doing SWOT?
- What are the Strengths of your financial position?
- What are the Weaknesses in your financial position?
- What are the Opportunities resulting from your particular financial position?
- What are the possible Threats to your financial position?

Scenarios:

- What are the Best Possible outcomes at the end of three or five years?
- What are the Most Probable outcomes at the end of three or five years?
- What is the Worst Possible situation?
- What contingency plans do you have if things become the worst?

Opportunities Foregone:

- What other activities or ventures could benefit from your financial investment?
- What is the relative merit of these opportunities?
- What would be the relative profit from these opportunities?
- What would be the relative Return On Investment (ROI) on these opportunities?

Startup Financing

- What are your startup costs?
- What period of time is considered startup time?
- What items will need to be purchased?
- What items are being transferred from your (or partner's) assets?
- What items can be rented or leased?
- What are the carrying costs of the leases?

Operating Financing

- Will you require operating funds before operating costs will be provided from operating revenue?
- How long before operating revenue will cover all operating costs?
- How much revenue will be produced by your assets?
- Will you be including a Breakeven analysis or chart later?

Capital Financing

Short Term

- What is the need for long term financing?
- What is the period of time called short term?
- What sources are contemplated?
- What amount will be required?
- What amortization schedules are anticipated.

Long Term

- What is the need for long term financing?
- Will these funds be required now or later?
- What is the period of time called long term?
- What sources are contemplated?
- What amount will be required?
- What amortization schedules are anticipated?

Budget

- Will you have a cashflow budget or a financial accrual budget or both?
- Will your budget indicate when cash deficits are likely to arise requiring additional financing?
- Will your expected cash inflows reflect the projections of sales revenue stated elsewhere in your plan?
- Will your expected cash outflows reflect statements in Startup and Operating and other units of your plan?

Breakeven Analysis

- Will your projections of cost and revenues be sufficient to calculate when revenues will exceed costs?
- Will you be able to discern between fixed and variable costs?

Projected Revenue

- Will you have a separate display of projected revenues?
- Will it combine or summarize data from other units in your plan?
- Will it include a cashflow forecast?
- Will it match data in other units?
- How, when and by whom will the projections be revised?
- What periods of time will be indicated?

Pro Forma Cashflow Statement

- Will your venture follow cashflow accounting (CFA; cash accounting) where records show only the cash payments and receipts relating to transactions?
- Will your venture record when the money is earned or when expenses are incurred, as in accrual accounting?
- If you follow accrual accounting, will you have additional or dual cashflow statements?
- Will the cashflow match with data stated in Sales Forecasts in your Marketing unit?

Steps in Preparing Forecasts and Projections

- Prepare a Sales Forecast that recognizes the peaks and valleys.
- Estimate the cashflow from these sales if you are granting credit to your customers.
- Begin to plug in the cash outflow figures that are easiest to estimate.
- Adjust individual amounts to bring into line with sales or expense estimates.
- Provide for any shortfall with financing (loans or additional investment) and the subsequent payments.

PRO FORMA BALANCE SHEET
as at Startup

ASSETS

ITEM / CATEGORY	ITEM AMOUNT	Category AMT.	%
Current Assets			
Cash - On hand, Operating Account			
- Reserve			
Prepaid - Expenses, Insurance, "Deposits"			
Inventory - Operations			
Inventory - Office & Facilities Supplies			
Total Current Assets			
Fixed Assets			
Furniture			
Fixtures & Equipment			
Computers			
Total Fixed Assets			
Total Assets			

LIABILITIES & EQUITY

Short Term Liabilities			
Operating Line of Credit			
Accounts Payable			
Long Term Liabilities			
Bank Term Loan (Leasehold Improvements)			
Equipment Leases			
Shareholders' Loans			
Shareholders' Equity			
Total Liabilities & Equity			

[name of company or venture]
PRO-FORMA INCOME and EXPENSE STATEMENT
for the year ending December 31, XXXX

REVENUE

OPERATING REVENUE

Tuition Fees	\$ xxx,xxx.xx	
Less: Tuition Refunds	x,xxx.xx	
Net Tuition Funds	\$ xxx,xxx.xx	
Rent	xx,xxx.xx	
Other	xxx.xx	
TOTAL REVENUE		<u><u>\$ xxx,xxx.xx</u></u>

[Your venture or company name]
INCOME and EXPENSE STATEMENT
for the year ending December 31, xxxx

EXPENSE

OPERATING

Supplies Expense	\$ x,xxx.xx	
Equipment Rentals	x,xxx.xx	
Wages - Casual	x,xxx.xx	
Wages - Salaries	xxx,xxx.xx	
Employer Expense	x,xxx.xx	
Sub-contractors (Homestay)	<u>xxx,xxx.xx</u>	
TOTAL OPERATING COSTS		\$ xxx,xxx.xx

MARKETING

Advertising	\$ x,xxx.xx	
Selling Expense	xx,xxx.xx	
TOTAL MARKETING COSTS		xx,xxx.xx

ADMINISTRATION AND FINANCIAL

Accounting and Legal Fees	\$ x,xxx.xx	
Licences, Dues and Fees	x,xxx.xx	
Municipal Taxes	xx,xxx.xx	
Office Supplies Expense	x,xxx.xx	
Repairs and Maintenance	x,xxx.xx	
Vehicle Operating	x,xxx.xx	
Bank Charges	x,xxx.xx	
Insurance Expense	x,xxx.xx	
Rent Expense	xx,xxx.xx	
Telephone	x,xxx.xx	
Utilities Expense	x,xxx.xx	
Miscellaneous	<u>xxx.xx</u>	
TOTAL ADMINISTRATION AND FINANCIAL COSTS		xxx,xxx.xx

DEPRECIATION / CAPITAL LOSS ALLOWANCE

Furniture, Fixtures and Equipment Depreciation Exp.	x,xxx.xx	
Leasehold Improvements Depreciation	<u>x,xxx.xx</u>	
TOTAL DEPRECIATION EXPENSE		<u>xx,xxx.xx</u>

TOTAL EXPENSE **\$ xxx,xxx.xx**

INCOME \$ x,xxx.xx

Ratio Analyses of Financial Statements

- Do you know how to calculate the various ratios?
- Do you know how to relate the results to your financial statements?
- Do you know the ranges acceptable to the targeted readers of your business plan?
- Do you understand the relationship between ratios?
- Can you get assistance from a financial advisor or accountant?
- Do these advisors have knowledge or access to the ratios for your type of business?
- Can you obtain the acceptable ranges from a lender or banker?
- Are you aware that your financial statements will be assessed by a lender's database system?
- Don't you think you should seek some assistance with ratios?

Profitability Ratios

- Will you include one or more of the Profitability or "bottom-line" ratios designed to measure the earning power and profitability record of your venture?
- Will you use the ratio for Return on Sales (ROS) = $\text{Earnings after tax} / \text{Net sales}$?
- Will you use the ratio for Return on Investment (ROI) = $\text{Earnings after tax} / \text{Total assets}$?
- Will you use the ratio for Return on Equity (ROE) = $\text{Earnings after tax} / \text{Stockholders' equity}$?

Liquidity Ratios

- Will you include one or more of the Liquidity Ratios designed to measure the ability of the firm to meet its short-term liabilities as they come due?
- Will you use the Current ratio = $\text{Current assets} / \text{Current liabilities}$?
- Will you use the Quick ratio ["Acid Test"] = $\text{Cash} + \text{Marketable securities} + \text{Accounts receivable} / \text{Current liabilities}$?
- Will you use the Average daily sales = $\text{Net sales} / 365 \text{ days}$?

- Will you use the Average collection period = Accounts receivable / Average daily sales ?
- Will you use the Days sales in inventory = Inventory / Average daily sales ?

Operating Efficiency Ratios

- Will you include one or more of the Operating Efficiency ratios to measure the efficiency your venture's resources are employed to earn a profit?
- Will you use the ratio of Cost of Sales to Inventory = Cost of Goods Sold / Inventory ?
- Will you use the ratio of Sales to Total Assets = Net sales / Total assets ?
- Will you use the ratio of Sales to Working Capital = Net sales / Working capital ?

Capital Structure (Leverage) Ratios

- Will you include one or more of the Capital Structure (leverage) Ratio to measure the extent to which debt financing is employed by your venture?
- Will you use the Debt ratio = Total debt / Total assets ?
- Will you use the ratio of Long-term debt/Total assets ratio = Long-term debt / Total assets ?
- Will you use the Debt equity ratio = Total debt / Equity ?
- Will you use the ratio of Times interest earned = Earnings before interest and taxes / Interest expense ?

Bookkeeping and Accounting Systems

- What type of system will you employ?
- Who will input the data?
- Who will prepare the reports and statements?
- What reports will produced daily, weekly or monthly?
- Who will monitor and act upon these reports?
- Will you engage an independent accountant and/or auditor?

Proposed Lenders

- Will you seek and compare prospective lenders?
- What will be your selection criteria?
- Who will make the final selection?
- Will you disclose to each that there is a competition for your business?

Need Help With Your Business Plan?

Whatever your situation or budget - let's discuss it!

For a FREE consultation with NO obligations, send a brief request to:

BPCoach@UncleMaxSays.com

or visit

<http://www.unclemaxsays.com/businessplancoaching/bpcoaching.php>