



# Financial Projections Guide

---

Simple Steps for Starting Your Business®



This guide was created to accompany the SCORE Financial Projections Template, which is part of the Simple Steps for Starting Your Business<sup>®</sup> program.

More information about the program can be found here:

[http://www.score.org/Simple\\_Steps\\_for\\_Starting](http://www.score.org/Simple_Steps_for_Starting)

You can find PDFs of all of the presentations and handouts, including this guide and the Financial Projections Template, on the participant page:

<http://www.score.org/startyourbusiness>

Email [education@score.org](mailto:education@score.org) with questions or comments.

*This guide is based on a similar document created by Bill McCabe of the Port Charlotte SCORE chapter. Thank you to Mr. McCabe and all volunteers who spend their time educating SCORE clients.*

# Contents

- Welcome..... 5
- Important Notes..... 6
- Tabs..... 7
  - Directions..... 8
  - Starting Point ..... 9
  - Payroll..... 15
  - Sales Forecast ..... 18
  - Additional Inputs ..... 22
  - Monthly Operating Expenses ..... 26
  - Cash Flow ..... 30
  - Income Statement..... 32
  - Balance Sheet..... 34
- Other Helpful Tabs..... 35
- Glossary..... 36

# Welcome

Financial forecasting can be one of the most intimidating parts of starting a business. If you are dreading this part of the process – RELAX! We’ve developed this guide with you in mind. And the best part is: you can meet with a SCORE mentor for one-on-one guidance.

Here are some tips for low-stress completion of this financial projections template:

1. Write the numbers into this guide first (in pencil!), before copying them into the Excel spreadsheet.
2. Take some MS Excel training before using the spreadsheet:  
<http://office.microsoft.com/en-us/training/microsoft-excel-training-curriculum-guide-FX102828216.aspx>
3. Save a blank “master” version of the Financial Projections Template, just in case.
4. When you don’t know a word, refer to the glossary. If there is something that’s not in there, ask your mentor or the instructor. There is space for you to add additional definitions.
5. Remember that it’s normal to create multiple versions. Don’t worry about getting it “wrong.” Initially, you should strive to learn how to use the Template, rather than worrying about the detailed accuracy of your assumptions. Your SCORE mentor can advise you on how to determine the standard assumptions for the type of business you want to open.

## Tip:

When you receive your copy of the SCORE Financial Projections Template, save a copy under your business name and label it as version 1 (e.g. WidgetsCo-V1.xls), before you enter your data. This will enable you to go back to a clean original in case something goes wrong.

As you make changes, “save as” different versions so you can go back to the latest version if you need to.

## Important Notes

**Accept the fact that you cannot predict the results of future events accurately, so just make your best estimates.** Fill in the requested information after researching each item. The numbers should be based on the plan you have developed so far. You may be able to come up with accurate numbers for some items. Others will be best guesses.

**The forecast you will generate from the data in this workbook will be for the first 36 months of the existence of your business, which may not correspond to a calendar year.** For example, if your business were to open its doors on July 1<sup>st</sup>, the forecast for months 1-12 would be for July through June of the following calendar year.

**With adjustment, this template can be used by an ongoing business making plans for the future.** If this is your situation, bring that fact to the attention of your instructor or mentor.

**Once you have transferred data you collected in this guide to the Excel spreadsheet, the spreadsheet will calculate an initial set of income statements, balance sheets and cash flow statements for the three years of the forecast, together with some other reports.** Immediately save a copy of the template as version 2 (e.g. WidgetsCo-V2.xls). You can then make whatever changes you need in version 2 and still have version 1 to go back to in case something goes wrong. Do the same thing for each additional iteration. Changes will be required until you arrive at a forecast that you think best represents the financial outcomes of your plan.



---

## Tabs

The following pages discuss each of the main tabs in the Financial Projections Template. For all tabs where you will need to input some information, we've provided spaces for you to write the information down in this guide first. That way, you can simply transfer the information over the Template. We've found that, for many people, this method is easier than immediately filling out the Template. However, if you feel comfortable doing so, feel free to jump right in to using the Template instead.

It's important to note that the tabs are all "locked." This means that you won't be able to accidentally alter any of the formulas. You will be able to change the width of columns, row height, and the size and location of text boxes. If you see "###" in a column, that means the column is too narrow for the numbers to display.

You can "unlock" the Template by using the code found on the Directions tab. We do not recommend doing this unless you have another copy saved and you have some understanding of how Excel formulas work.

**Directions**

Here you can read some directions for completing the template. You'll also be asked to input your name, business name, and the month and year that you are starting on. This will determine how the months are displayed on the rest of the template. If you leave it blank, the months will be displayed as Month 1, Month 2, and so on. If you enter May 2015 as your starting month and year, the months will display as May, June, July, etc.

**Prepared by:** \_\_\_\_\_

**Company Name:** \_\_\_\_\_

**Starting Month:** \_\_\_\_\_

**Starting Year:** \_\_\_\_\_



## Starting Point

In this tab, you will be developing the financial Balance Sheet for your business at the time it opens its doors for making the first sales. If you have an existing business, you will record the actual Balance Sheet numbers at the point in time from which you are projecting financial forecasts for future months.

### Fixed Assets

These are items that you will purchase which will have value in the long-term (more than 1 year). Read the descriptions below, and enter an estimate for each amount. Remember, you can always make changes later when you've done more research.

#### Real Estate

When you purchase real estate, the cost of any buildings can be depreciated, but the cost of the land cannot be. Therefore, for accounting purposes, you will need to break down the cost of the real estate into land and buildings. A good rule of thumb is 20% of the real estate cost is land, and 80% buildings, but you should consult a tax professional for an exact breakdown.

**Land (A) \$** \_\_\_\_\_

**Buildings (B) \$** \_\_\_\_\_

**Leasehold Improvements** are updates or changes you need to make in your rental space before you can begin. These may include painting, installing new walls or partitions, new flooring, light fixtures, etc. **(C) \$** \_\_\_\_\_

**Equipment** includes machinery, computers, ovens, printing presses, etc. Any type machine or device you'll need to produce your product or service.

**(D) \$** \_\_\_\_\_

**Furniture and Fixtures** are items like desks, chairs, tables, lamps, clothing racks, display cases, etc. **(E) \$** \_\_\_\_\_

**Vehicles** include any car, truck, van etc. that will be used for the business.

**(F)** \$ \_\_\_\_\_

**Other** will include anything you will need to purchase as a Fixed Asset which doesn't quite match up with the previous categories, if needed.

**(G)** \$ \_\_\_\_\_

### Operating Capital

These are shorter-term assets, things you will likely use within one year. Read the descriptions below, and enter an estimate for each amount. Remember, you can always make changes later when you've done more research.

**Pre-Opening Salaries and Wages** include any payment to employees or contractors who help you get things ready before you have officially opened your business. **(H)** \$ \_\_\_\_\_

**Prepaid Insurance Premiums** will need to be paid on any insurance you plan to get. See page 11 of the Simple Steps for Starting Your Business workbook for more information about different kinds of insurance. **(I)** \$ \_\_\_\_\_

**Inventory** means the goods and materials that you will sell, or that you'll use to produce your product or service. **(J)** \$ \_\_\_\_\_

**Legal and Accounting Fees** may need to be paid if you hire a lawyer and/or an accountant to help you get your business set up. **(K)** \$ \_\_\_\_\_

**Rent Deposits** are fairly typical with any rental space, and you'll usually get the deposit back if you leave the space in good condition. **(L)** \$ \_\_\_\_\_

**Utility Deposits** are charged by most utility companies prior to activating service. In some areas, this can be waived with a letter of reference.

**(M)** \$ \_\_\_\_\_

**Supplies** may include things like paper, pens, notepads, tissues, etc.

**(N)** \$ \_\_\_\_\_

**Advertising and Promotion** include fees paid to a marketing consultant, ad space purchased, website creation, etc. **(O)** \$ \_\_\_\_\_

**Licenses** may be required locally, on the state level, or nationally in order for you to operate your business. **(P)** \$ \_\_\_\_\_

**Other** initial start-up costs include anything you'll need to purchase, which doesn't fit into these categories. **(Q)** \$ \_\_\_\_\_

### Fixed Assets

Enter your answers from pages 9 & 10 here and calculate the total. Depreciation expense represents writing off the value of a fixed asset over its estimated useful life, rather than expensing the entire cost in one year. Read more about depreciation in the glossary. The Financial Projections Template will calculate depreciation of assets automatically using the time periods shown. If your research shows that you should use a different time period, cross out the number used below and write in the new one. You will be able to make changes in the Template as well.

Item		Amount	Depreciation (Years)
A	Real Estate – Land	\$	n/a
B	Buildings	\$	20
C	Leasehold Improvements	\$	3
D	Equipment	\$	7
E	Furniture and Fixtures	\$	5
F	Vehicles	\$	5
G	Other	\$	5
<b>(1)TOTAL FIXED ASSETS</b>			

### Operating Capital

Enter your answers from pages 10 & 11 here.

	Item	Amount
H	Pre-Opening Salaries and Wages	\$
I	Prepaid Insurance Premiums	\$
J	Inventory	\$
K	Legal and Accounting Fees	\$
L	Rent Deposits	\$
M	Utility Deposits	\$
N	Supplies	\$
O	Advertising and Promotion	\$
P	Licenses	\$
Q	Other Initial Start-Up Costs	\$
<b>(2)TOTAL OPERATING CAPITAL</b>		

### Sources of Funding

Refer to Page 12 totals to complete this chart. Add the (1)Total Fixed Assets to the (2)Total Operating Capital to get the (3)Total Funding Needed.

(1)Total Fixed Assets	\$
(2)Total Operating Capital	\$
<b>(3)Total Funding Needed</b>	\$

Now that you've added up your Total Funding Needed, you have to figure out how to pay for everything! The Financial Projections Template will calculate what percentage of your funding is coming from each of the following categories. It will also calculate the monthly payments for your loans, if you have any.

### Equity

First, you should think about how much funding you can raise before going into debt. Most banks or other financial institutions would expect 25% to 30% of your total funding needed to be covered by equity capital.

**How much money will you (and any other owners) be putting into this business?**

**(A) \$** \_\_\_\_\_

**Do you have any outside investors (friends, family, or anyone who is providing funding in exchange for ownership of part of your business)?**

If yes, how much funding will you receive in total from all investors?

**(B) \$** \_\_\_\_\_

If no, leave blank.

<b>EQUITY SUBTOTAL (A+B)</b>	\$
------------------------------	----

<b>Remaining Balance Needed (FUNDING NEEDED – EQUITY SUBTOTAL)</b>	\$
--	----

**Debt**

Now that you know how much you will have in equity, you may need to supplement that with debt-based funding.

**Will you have a mortgage (are you planning to purchase a building and/or land?)**

If yes, what is the estimated loan amount? **(F)** \$ \_\_\_\_\_

If no, leave it blank.

**Will you have a vehicle loan (will you need to purchase a vehicle for your business?)**

If yes, what is the estimated loan amount? **(G)** \$ \_\_\_\_\_

If no, leave blank.

**SUBTOTAL (F+G)\*: \$** \_\_\_\_\_

\*If this subtotal doesn't equal the Remaining Balance Needed amount, you'll have to divide the rest between a Commercial Loan (C), Credit Card Debt (E) and Other Bank Debt (G). The total below needs to equal (3)Total Funding Needed or you will not be fully funded.

	<b>Sources of Funding</b>	<b>Totals</b>
A	Owner's Equity	\$
B	Outside Investors	\$
C	Commercial Loan	\$
D	Commercial Mortgage	\$
E	Credit Card Debt	\$
F	Vehicle Loans	\$
G	Other Bank Debt	\$
<b>TOTAL</b>		\$

## Payroll

### Employee Types

Fill in your estimate of the compensation for each employee or independent contractor that your plan calls for. Owner's compensation, for this purpose, does not include profit or cash distributions.

To convert a salary to average hourly pay, use the following formula:

$$\text{Salary} \div 52 \text{ (weeks/year)} \div 40 \text{ (hours/week)} = \text{hourly pay}$$

If you have multiple owners, find the hourly salary for each owner, add them together and then divide by the number of owners.

### Example from Ann:

$$\text{Owner 1: } \$54,000 \div 52 \div 40 = \$25.96$$

$$\text{Owner 2: } \$42,000 \div 52 \div 40 = \$20.19$$

$$\text{Average: } (\$25.96 + \$20.19) \div 2 = \$23.08$$

To find the average hourly rate for hourly employees, add up the different hourly wages and then divide by the number of hourly employees. You will be able to add temporary employees at certain times of the year in the Financial Projections Model. Here, just include employees you'll have most of the year.

$$(\text{hourly wage 1} + \text{hourly wage 2}) \div 2$$

Employee Types	Number of Owners/ Employees	Average Hourly Pay	Estimated Hours/Week (per person)
Owners		\$	
Full-Time Employees		\$	
Part-Time Employees		\$	
Independent Contractors		\$	

## Payroll Taxes and Benefits

This part is tricky, so we've included the percentages for you (based on 2013). If you need to make changes, you can cross out the listed percentage and write in the correct one. The SCORE Financial Projections Template will automatically calculate the monthly amounts due for Social Security, Medicare, Federal Unemployment and State Unemployment taxes.

<b>Payroll Taxes and Benefits</b>	<b>Wage Base Limit*</b>	<b>Percentage of Salary/Wage</b>
Social Security	\$110,111	6.20%
Medicare		1.45%
Federal Unemployment Tax (FUTA)	\$7,000	0.80%
State Unemployment Tax (SUTA)**	\$7,000	3.45%
Worker's Compensation	n/a	2.85%
Employee Health Insurance	n/a	0.00%
Other Employee Benefit Programs	n/a	0.00%

\*The wage base limit is the maximum earned gross income on which a given tax may be imposed. So you pay taxes on everything up to that amount.

\*\*This varies by state. Ask your SCORE mentor or instructor for advice on finding your state's information.



This tab of the Template will show you the totals for year 1, plus estimates for years 2 and 3. You can adjust those estimates by changing the growth rates. For example, if you think you're going to double the number of employees you have in year 2, you can make the growth rate 100%.

This may seem too abstract right now, but once the numbers for Year 1 have been entered and you are viewing the Financial Projections Template, it will make more sense.

## Sales Forecast

### Product Lines and Units

Some businesses may be able to use an actual unit, while others may have to invent a unit. For example, a shoe store could use pairs of shoes sold as its unit, and an average price and cost per pair for the value factors. A service business might use number of service calls made and an average price and cost. Or, you could use dollar units, such as sales in units of \$100 and cost of sales in units of \$50.

Wages and salaries are included in the salaries and wages tables 2a and 2b. If you own (or are starting) a manufacturing or contracting business and you want to include labor cost in the COGS per Unit, consult your instructor or mentor to determine that calculation.

The product/service	What the customer pays	What it costs to produce the product/service	Your net profit!	
Product Lines	Units (ex. Dresses, Boxes, Hours)	Sales Price Per Unit	COGS Per Unit	Margin Per Unit (sales price per unit - COGS per unit)
Plant Mix	Bags	\$2,000	\$1,100	\$900

### Projected Sales Per Month

Use the tables below to record how many units of each product/service you think you will sell in a given month. For most businesses, sales will increase or decrease at different times during the year. This forecast will help you plan for when you're not bringing in as much profit.

Example from Ann: <i>Bags of Plant Mix</i>							
Month 1	5	Month 4	10	Month 7	5	Month 10	10
Month 2	5	Month 5	20	Month 8	20	Month 11	5
Month 3	5	Month 6	20	Month 9	15	Month 12	5

Product 1:							
Month 1		Month 4		Month 7		Month 10	
Month 2		Month 5		Month 8		Month 11	
Month 3		Month 6		Month 9		Month 12	

Product 2:							
Month 1		Month 4		Month 7		Month 10	
Month 2		Month 5		Month 8		Month 11	
Month 3		Month 6		Month 9		Month 12	

Product 3:							
Month 1		Month 4		Month 7		Month 10	
Month 2		Month 5		Month 8		Month 11	
Month 3		Month 6		Month 9		Month 12	

Product 4:							
Month 1		Month 4		Month 7		Month 10	
Month 2		Month 5		Month 8		Month 11	
Month 3		Month 6		Month 9		Month 12	

Product 5:							
Month 1		Month 4		Month 7		Month 10	
Month 2		Month 5		Month 8		Month 11	
Month 3		Month 6		Month 9		Month 12	

Product 6:							
Month 1		Month 4		Month 7		Month 10	
Month 2		Month 5		Month 8		Month 11	
Month 3		Month 6		Month 9		Month 12	

### **Sales Growth Rate**

Enter a percentage for the rate of sales growth you anticipate year over year. You can adjust individual months and make other edits on the Financial Projections Template.

Again, though this may seem abstract, once the numbers for Year I have been entered and you are viewing the calculations within the Financial Projections Template, it will make more sense.

## Additional Inputs

This section is where you will enter some parameters that are necessary for calculations in later tabs.

### Accounts Receivable

If your business will be retail (where people pay at the time they purchase the goods/services), put 100% next to “Paid within 30 days”. If you will be contracting work and payments will be made on different intervals, you will need to find out what the industry standard is. If you’re not sure, put 100% next to “Paid between 30 and 60 days.” If you have a mix of retail and contract work, divide up the percentage. You can always update this when you have more information.

<b>Accounts Receivable (A/R) Days Sales Outstanding</b>			
Percent of Collections	Year 1	Year 2	Year 3
Paid within 30 days	%	%	%
Paid between 30 and 60 days	%	%	%
Paid in more than 60 days	%	%	%
Allowance for bad debt	%	%	%
This should equal 100% ---->	100%	100%	100%

## Accounts Payable

This will vary depending on the vendor, your business's credit history, and how you set up the contract. If you're not yet sure, put 100% next to "Paid within 30 days," and update this when you have more information.

You will notice here that some people may pay you between 30 and 60 days, but you may have to pay people within 30 days. This impacts cash flow, which you will learn more about in the next section.

<b>Accounts Payable (A/P)</b>			
Percent of Disbursements	Year 1	Year 2	Year 3
Paid within 30 days	%	%	%
Paid between 30 and 60 days	%	%	%
Paid in more than 60 days	%	%	%
This should equal 100% ---->	100%	100%	100%

## Line of Credit

As you saw above, sometimes you may have to pay for things before you receive payment yourself. In order to ensure that you have enough cash each month, you may need to set up a line of credit. This is usually done with a bank. Below, you will need to enter the minimum amount you would feel comfortable seeing in your bank account. If you go below this amount, you can draw from your line of credit. You will have to pay this money back with interest, so also enter an interest rate. The interest rate will likely be some percentage points higher than the prime rate, but this will vary by lender.

<b>Line of Credit Assumptions</b>	
Desired Minimum Cash Balance	\$
Line of Credit Interest Rate	%





### Other

Below we've included the default amounts for the Income Tax Rate and Amortization Period for your startup-costs. If these numbers are not correct, cross them out and enter the correct amount. Speak with your instructor or SCORE mentor for guidance.

Effective Income Tax Rate – Year 1	20%
Effective Income Tax Rate – Year 2	20%
Effective Income Tax Rate – Year 3	20%

Amortization Period in Years	3
------------------------------	---

## Monthly Operating Expenses

Operating Expenses are the costs associated with running the business. Based on any research you have done, put in monthly estimates below. If you haven't yet researched all of these expenses, enter your best guess and update that amount later. Usually, you can get a basic idea of cost by doing an online search for each product or service that you will need. Enter "0" for anything you won't use.

The expenses listed here are common ones found on the Schedule C IRS form, which business owners need to complete. For more information, visit:

[http://www.irs.gov/uac/Schedule-C-\(Form-1040\),-Profit-or-Loss-From-Business](http://www.irs.gov/uac/Schedule-C-(Form-1040),-Profit-or-Loss-From-Business).

**Advertising** includes print or media ads, business cards, mailers/brochures, signs, give-away items, samples, sponsorships (ex. sponsoring a pet adoption day for your local shelter). **(A)** \$ \_\_\_\_\_

**Car and Truck Expenses** can EITHER include mileage costs (the amount per mile varies year to year) OR direct costs for your gas, oil, repairs, insurance, depreciation and registration. **(B)** \$ \_\_\_\_\_

**Commissions and Fees** may include, for example, a finder's fee for someone who helped you find a business to buy, or an employment agency who helps staff your business. It doesn't include commission paid as part of a salary to an employee. **(C)** \$ \_\_\_\_\_

**Contract Labor (not included in payroll)** might include hiring a cleaning company, landscaper or any other outside business which performs a task for you. **(D)** \$ \_\_\_\_\_

**Insurance (other than health)** will include things like liability insurance. See page 11 of the Simple Steps for Starting Your Business workbook for more information about different kinds of insurance. **(E)** \$ \_\_\_\_\_

**Legal and Professional Services** would include tax preparation, payroll/accounting, legal advice, and the like. **(F)** \$ \_\_\_\_\_

**Licenses** would include any ongoing licenses that were not already accounted for in the Start-Up Expenses section. **(G)** \$ \_\_\_\_\_

**Office Expenses** are costs that relate directly to the operation of your business. These might include: computer software, postage, cell phone, internet, office equipment costs. You must have receipts for all items. **(H)** \$ \_\_\_\_\_

**Rent or Lease – Vehicles, Machinery, Equipment** includes anything that you rent/lease for your business. **(I)** \$ \_\_\_\_\_

**Rent or Lease – Other Business Property** is rented/leased office or storage space, or anything else which doesn't fit into the above category. **(J)** \$ \_\_\_\_\_

**Repairs and Maintenance** are expenses associated with fixing something that broke, or performing routine maintenance. If you fix/maintain the item yourself, you cannot deduct labor costs. **(K)** \$ \_\_\_\_\_

**Supplies** are items you need to purchase to produce your product or service. For example, if you sell custom stationary the cost of the paper would be a supply. If you just re-sell paper that would be inventory, not supplies. **(L)** \$ \_\_\_\_\_

**Travel, Meals and Entertainment** is a bit more complex, and you will want to consult a tax professional to see what exactly can be deducted and how it should be documented. For the purposes of this workbook, put together an estimate of how often you'll travel out of town, overnight each month and then the average cost per trip. **(M)** \$ \_\_\_\_\_

**Utilities** are services like electricity, gas, telephone, etc. that are directly related to your business. If you work from home, figure out the percentage of square footage in the home that is dedicated work space. Then apply that percentage to the utilities – for example, if your office takes up 15%, you can deduct 15% of your electricity, **(N)** \$ \_\_\_\_\_

**Miscellaneous** is the category for anything that doesn't fall into one of the categories already mentioned. **(O)** \$ \_\_\_\_\_

	<b>Expenses</b>	<b>Monthly Cost</b>
A	Advertising	\$
B	Car and Truck Expenses	\$
C	Commissions and Fees	\$
D	Contract Labor (Not included in payroll)	\$
E	Insurance (other than health)	\$
F	Legal and Professional Services	\$
G	Licenses	\$
H	Office Expense	\$
I	Rent or Lease – Vehicles, Machinery, Equipment	\$
J	Rent or Lease – Other Business Property	\$
K	Repairs and Maintenance	\$
L	Supplies	\$
M	Travel, Meals and Entertainment	\$
N	Utilities	\$
O	Miscellaneous	\$

This tab of the Template will show you the totals for year one, plus estimates for years two and three. You can adjust those estimates by changing the growth rates. For example, if you think you're going to expand office space in year three, you can demonstrate that by increasing the percentage.

One method companies use to make expense and sales projections is to use their best judgment of what actual expenses are going to be in year one and then multiply them by a growth factor in subsequent years.

This would not work for expenses that are likely to remain fixed or close to constant like rent, utilities, and other expenses that may not grow as fast as revenues.

However, for expenses like advertising, trade show and others that are more directly related to sales, this methodology works.

<b>Expenses</b>	<b>Growth Rate Year 1-2</b>	<b>Growth Rate Year 2-3</b>
Advertising	%	%
Car and Truck Expenses	%	%
Commissions and Fees	%	%
Contract Labor (Not included in payroll)	%	%
Insurance (other than health)	%	%
Legal and Professional Services	%	%
Licenses	%	%
Office Expense	%	%
Rent or Lease – Vehicles, Machinery, Equipment	%	%
Rent or Lease – Other Business Property	%	%
Repairs and Maintenance	%	%
Supplies	%	%
Travel, Meals and Entertainment	%	%
Utilities	%	%
Miscellaneous	%	%

## Cash Flow

Most items here will automatically pull from other areas of the Financial Projections Template. However, there are four items in the Cash Outflows section that you will need to input for year 1, as well as years 2 and 3. Those items are listed below. It may be easier to complete this section once you've started to fill out the Template. That way, you will know what your monthly Line of Credit balance is, and you'll have an idea of what your profits will be to determine Owner's Distribution and Dividends Paid. In many cases, these will both be zero for the first year.

<b>Item</b>	<b>Estimated Amount Per Month</b>
Additional Inventory	
Owner's Distribution	
Line of Credit Repayments	
Dividends Paid	

This tab is the same as tab 6a, but it allows you to make cash flow projections by month for years 2 and 3.

<b>Item</b>	<b>Estimated Amount Per Month</b>	
	Year 2	Year 3
Additional Inventory		
Owner's Distribution		
Line of Credit Repayments		
Dividends Paid		







**Balance Sheet**

Like the Income Statement, the Template will automatically calculate all of the information on this tab. You can refer to page 48 in the Simple Steps for Starting Your Business workbook for more information about Balance Sheets. There is also a blank one on page 49, if you'd like to complete one independently.

Remember to set up a time to speak with a SCORE mentor to ensure that you understand what the numbers mean for your business.

**NOTES:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## Other Helpful Tabs

### **Breakeven Analysis**

This tab will auto-populate based on information you've entered in previous tabs. Here, you can determine the number of units you will need to sell each month to breakeven. This means that revenues are equal to expenses. Any units you sell above the breakeven point are profit.

### **Financial Ratios**

This tab generates some standard ratios that you might find useful. There is space for you to enter the norms for your industry so that you can see a side-by-side comparison with your ratios.

### **Diagnostic Tools**

Many start-up entrepreneurs are unsure whether their financial information is within reasonable ranges. This tab will give you very general guidelines as to whether your numbers are too high, too low, or just right. You should speak with your SCORE mentor for more tailored information regarding your financials.

### **COGS Calculator**

This tab isn't meant to "store" data. It's a calculator and, like a calculator that you'd use at your desk, you can enter data into it to get an idea of your Cost of Goods Sold (COGS) for different items. You will largely use this when you are working on your Sales Forecast.

### **Amortization & Depreciation**

This tab is helpful in a variety of ways. It not only shows what you will owe month-by-month for the first three years of any loans or credit card debt you take out, but it also shows depreciation for our fixed assets for 3 years and how your start-up costs can be amortized over the first 3 years.

## Glossary

accounts payable	Money owed to others for goods and services received
accounts receivable	Money owed from customers for goods and services sold
additional inventory	Raw materials or finished goods that are ready or will be ready for sale, which are purchased to replenish existing inventory
amortization	The paying off of debt in regular installments over a period of time
assets	All resources owned by the business
balance sheet	A financial statement that shows the company's financial position at a moment in time—all assets, all liabilities, and all equity
benchmarking	Comparing company's results to the experiences of others of similar size and within the same industry
benefits	Costs paid by company for employee-related items, such as Social Security, worker comp, health insurance, vacations, sick days, etc.
book value	Sum of all assets, minus all liabilities = equity. The intrinsic value of the business owned by the stockholders
breakeven point	Point at which total sales for a period of time = total expenses for that period of time (in other words, there is neither a profit nor a loss)
business concept	An idea which can be used for commercial purposes
capital	Long term money held in the business that is used to create profit
cash flow statement	An analytical tool that demonstrates the short-term viability of a company, particularly its ability to pay bills

C-corp.	A limited liability legal structure in which the company is taxed separately from its shareholders
collateral	Property and goods used to secure repayment of a loan
cost of goods sold (COGS)	Also called cost of sales or variable costs. The costs associated with a specific product, not including overhead costs, such as payroll or office supplies.
current	Will occur within 12 months of the financial statement date
debt capital	Debt raised by the business by taking out a loan
depreciation	Cost of expensing a fixed asset over its estimated useful life; Many people use "Straight Line" depreciation, equal amounts over the life of the asset, for management planning and reporting purposes. "Accelerated" depreciation might be used for tax reporting purposes. Consult your accountant for advice.
direct cost	Cost that can be directly traced to producing specific goods or services
disbursements	Money paid out
dividends paid	Money paid to shareholders
equity	<i>(see book value)</i>
expense	Operating costs the business incurs through its efforts to earn revenue
financial projection	Estimate of future financial outcomes <i>(see forecast)</i>
fixed expense	Business expenses which must be paid every month, even if you have no customers (for example: rent, utilities, telephone, loan payments)
forecast	Making statements about events which have not yet been observed
fringe benefits	<i>(see benefits)</i>
funds management	Management of cash flow

gross profit	Revenue minus the cost of making a product or providing a service, but before deducting overhead, payroll, taxes and interest payments
gross profit margin %	Gross profit divided by total sales
income	Revenue produced through sales of goods and services
income statement	Analysis of financial performance over a period of time (also called the Profit and Loss statement, or 'P&L')
indirect cost	Costs that are not directly accountable to a unit of production, also called overhead (such as taxes, administration, personnel, and security)
industry comparison	<i>(see benchmarking)</i>
liabilities	What the business owes to others
line of credit	The maximum credit a customer is allowed; This is usually arranged with a bank, and the borrower is allowed to borrow up to a pre-defined amount. This is generally used to maintain a certain minimum cash balance for the business.
long term	Occurs later than 12 months from the financial statement date
model	Computer program that uses facts and assumptions to simulate financial operations of a business
net profit	Sum of total revenue and gains, less all expenses (including taxes) for a reporting period
net profit before taxes	Sum of total revenue and gains, less all expenses except for income taxes for the reporting period
net profit margin %	Net profit divided by total sales
operating expense	Expenditures incurred in the normal course of business
overhead	<i>(see indirect cost)</i>
owners distribution	A payment of earnings to owners of a business

payment terms	Conditions under which a seller completes a sale, including the time the customer has to pay off the amount due
profit & loss statement	<i>(see income statement)</i>
profitable	Excess of purchase price over the costs of bringing product or service to market
projected	Estimated or forecast
ratios	Calculations used to make numerical comparisons
receipts	<i>(see income)</i>
revenue	<i>(see income)</i>
sales	<i>(see income)</i>
sales forecast	Estimated sales for a time period
sales unit	As used in the SCORE model, it is a product or service, or a group of products or services, regarded as a single line-item entry in the sales forecast
S-corp.	A limited liability legal structure in which the corporation's income or losses are divided among and passed through to its shareholders who then report the income or loss on their own individual income tax returns
short term	Occurs within 12 months of the financial statement date
sole proprietorship	A business entity that is owned and run by one individual in which there is no legal distinction between the owner and the business
sources of funds	Typical sources include profit from operations, debt from money borrowed, and sale of equity interest to shareholders
spreadsheets	An interactive computer application use for analysis of information in a tabular form. These are frequently used for financial information because of their ability to recalculate the entire sheet automatically after a change to a single cell is made.

subcontract	Individual or business who signs a contract to perform part or all of the obligations of another's contract