WORKSHEET 2:

START-UP COSTS

Start-up costs are those expenses that you will incur before your business opens. They vary according to the type of business, but this worksheet will help you begin the process of assessing your financial needs so that your venture is not undercapitalized at the outset.

Land		$ ________
Building (Facility/location expense and/or Deposit, office or building lease)		$ ________
Renovations (Decorating/remodeling/build-out) (Changes in facility required for business operation)		$ ________
Furniture/fixtures		
Cost of Furniture/fixtures	$ ________	
Installation of furniture/fixtures	$ ________	
Total Furniture/fixtures		$ ________
Equipment (Production, office machines, security, etc.)		
Cost of Equipment	$ ________	
Installation of Equipment	$ ________	
Total Equipment Expense		$ ________
Initial inventory (Stock, supplies for manufacturing)		$ ________
Advertising and promotion (Business cards, stationery, brochures, grand opening)		
Advertising Expense	$ ________	
Signs (Vehicle, interior and exterior for facility)	$ ________	
Total Advertising and promotion		$ ________
Organizational Expense:		
Licenses, permits and fees	$ ________	
Legal/professional services	$ ________	
Training/Certification	$ ________	
Franchise Fees	$ ________	
Total Organization Expense		$ ________
Miscellaneous Start-up Expense:		
Utilities/Telephone (Installation and deposits)	$ ________	
Websites/ISP Account	$ ________	
Office Supplies	$ ________	
Insurance	$ ________	
Total Miscellaneous Start-up Expense		$ ________
Working capital (Cash reserve for early months of business before sales are sufficient to pay bills)		$ ________
Other ______________________		$ ________
Total Start-up Costs		$ ________

Worksheet 3:

Monthly Operating Expenses

Some of your start-up expenses will also become ongoing monthly costs once your firm is in operation. It is necessary to estimate all of your monthly costs so that you are realistic about the income your firm will need. This worksheet includes some basic considerations. Completing it will help you and your Longwood SBDC counselor develop cash flow projections. In the column adjacent to the monthly expenses, make notes to those that increase or decrease in particular months.

	Monthly Expense	**Additional Notes**
Rent/Mortgage Payment	$ ____________	________________
Equipment Lease	$ ____________	________________
Maintenance and Repairs	$ ____________	________________
Advertising	$ ____________	________________
Office Supplies	$ ____________	________________
Delivery	$ ____________	________________
Postage	$ ____________	________________
Vehicle Expenses	$ ____________	________________
Legal/Professional Fees	$ ____________	________________
Insurance(s)	$ ____________	________________
Telephone	$ ____________	________________
Utilities	$ ____________	________________
Website/ISP Account	$ ____________	________________
Travel	$ ____________	________________
Dues/Memberships	$ ____________	________________
Inventory/Materials	$ ____________	________________
Payroll	$ ____________	________________
Payroll Taxes	$ ____________	________________
Taxes/Licenses	$ ____________	________________
Franchise Fees/Royalties	$ ____________	________________
Other ____________	$ ____________	________________
Other ____________	$ ____________	________________
Total Monthly Expenses	**$** ____________	

WORKSHEETS

INSTRUCTIONS FOR CONSTRUCTING THE INCOME AND CASH FLOW STATEMENTS

- Assign Months to the columns based on when you anticipate opening. For example, if you plan on opening in July, the projections will run from July to June.
- Research the seasonality of your business month-by-month. (Some retailers do nearly half of their business in November and December.)
- Provide a separate sheet detailing the assumptions used to calculate each line item.

WORKSHEET 4

INCOME STATEMENT INSTRUCTIONS

1	Sales - Actual *cash* sales receipts
2	Net Sales/Revenue – Insert Total Sales. The Income Statement portion is done on the accrual method of accounting. This means that sales and expenses are recorded when the transaction occurs regardless of whether you received or paid the actual cash at the same time.
3	Subtract Cost of Goods Sold (COGS). For now, estimate the percentage your inventory costs you in relation to the amount you sell it for. A typical retailer "keystones" the inventory or doubles the cost which means that COGS is 50 percent. Some restaurants can expect COGS to be 25 percent to 35 percent. It is important to distinguish COGS from actual inventory purchases because it is a more accurate determination of profitability during a period of time. You will record the actual *cash* payment you made for those goods on the Cash Flow pro forma. COGS matches the *cost* of inventory that goes out the door with the sales that came in. Most service businesses will not have a COGS and will simply skip this line.
4	Gross Profit = Total Sales minus COGS
5	Operating Expenses – From Worksheet #3 – Monthly Operating Expenses in the "Getting Started" section of this workbook.
6	Total Expenses – Add all operating expenses.
7	Net Profit = Gross Profit minus Total Operating Expenses (Line 4 – Line 6) This is the projected operating profit for your business prior to any withdrawals or owner's salary and income taxes.

For assistance in developing the Income Statement, please contact your local Longwood Small Business Development Center.

WORKSHEET 4

PROFORMA INCOME STATEMENT	*Month 1*	*Month 2*	*Month 3*	*Month 4*	*Month 5*	*Month 6*	*Month 7*	*Month 8*	*Month 9*	*Month 10*	*Month 11*	*Month 12*	*Totals*
(1) Sales **Sales/Receipts** **Other Sales**													
(2) Net Sales/Revenue													
Less: Cost of Sales: **(3) Inventory**													
Total Cost of Sales													
(4) Gross Profit													
(5) Operating Expenses: **Rent/Mortgage Payment**													
Equipment Lease													
Maintenance & Repairs													
Advertising													
Office Supplies													
Delivery													
Postage													
Vehicle Expense													
Legal/Professional Fees													
Insurance(s)													
Utilities													
Telephone													
Dues/Memberships													
Payroll													
Payroll Taxes													
Taxes/Licenses													
Franchise Fees/Royalties													
Other													
(6) Total Operating Expenses													
(7) Net Income Before Taxes													

Worksheet 5

Cash Flow Statement Instructions

8	Beginning Cash Balance – If you are starting a business start with zero. If you have an existing business, enter your present cash balance.
9a	Sales and Receipts - Enter the same figure from line 1, worksheet #4.
9b	Accounts Receivable Collections – Enter the amount of cash you anticipate receiving from customers for sales made on Accounts Receivable.
9c	Cash in From Owner's Injection – Enter your investment.
9d	Loan Proceeds – Enter the amount of the business loan you are requesting.
10	Available Cash Balance – Add lines 8 through 9d.
11	Inventory Purchases – Enter the anticipated payments for merchandise received. If you cannot obtain trade credit, then C.O.D. payments will be made when you receive the inventory rather than in 30 to 60 days.
12	Total Cash Operating Expenses – From line 6, worksheet #4.
13	Debt Repayment – Principle and Interest Payments from amortization table. Use a separate line for different loans if you have more than one.
14	Initial Loan Uses – These items should come from the Start-Up Costs (Worksheet #2).
15	Total Cash Paid Out – Add all lines from 11 through 14 (Add all expenses (Cash Paid Out))
16	Ending Cash Balance – Subtract line 15 from line 10. This is the approximate amount of cash you will have on hand at the end of the month. Enter this same figure as the beginning cash balance for the following month (month 1).

For assistance in developing the Cash Flow Statement, please contact your local Longwood Small Business Development Center.

WORKSHEET 5

PROFORMA CASH FLOW STATEMENT	Start-Up	Month 1	Mont h 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Totals
(8) Beginning Cash Balance														
Cash Receipts: (9a) Sales/(9b) Accts. Rec.														
(9c) Cash Injected														
(9d) Loan Proceeds														
(10) Total Cash Available														
Cash Paid Out: (11) Cost of Goods Sold/Inventory - Expenses														
(12) Total Cash Operating Expenses														
(13) Debt Repayment														
(14) Initial Loan Uses/Start-up Costs:														
Land														
Building														
Renovations														
Furniture/fixtures														
Equipment														
Initial Inventory														
Advertising and promotion														
Organizational Expense														
Miscellaneous Expense														
Other Expense														
(15) Total Cash Paid Out														
(16) Cash Position (Ending)														

WORKSHEET 6

BREAK-EVEN ANALYSIS

You can use simple break-even analysis to determine the minimum amount of volume you need to do to pay all the bills. This can be the first step in a personal feasibility study. If you determine that you can at least break even, you can use the formula to estimate sales goals and formulate marketing efforts to achieve these goals.

1. Add up fixed expenses.

This includes every expense you must pay to open your doors for business regardless of whether you have any sales or not. Fixed costs remain relatively constant as the quantity produced or sold varies. This would include rent, electricity, indirect labor (base salaries), loan payments, phone, etc.

2. Calculate your variable costs percentage.

This includes expenses that vary directly with sales and would include cost-of-goods-sold (COGS), sales commissions, credit card fees, direct labor (e.g., manufacturers), etc.

Some expenses are fixed up to a certain point and then become variable. For example, a store could require a minimum payroll to simply open the doors and then as the sales level fluctuates part-time help could be called in or sent home. The part-time flexible payroll could be categorized as variable. For example:

Cost of Goods Sold	38%
Commissions	7%
Direct Labor	8%
Total Variable Cost Percentage	**53%**

3. Simple Calculation

If your fixed costs are $3,000 per month and your variable costs are 53%, break-even is calculated as follows:

Contribution margin = 1 - variable cost %
1 - .53 = .47

Break-even $ volume = Fixed costs / Contribution margin
$3,000 / .47 = $6,382.98

If your goal is to make a $1,000 profit, add that amount to fixed costs:

($3,000 + $1,000) / .47
$4,000 / .47 = $8,510.63

Seemingly minor changes in expenses or prices can have a significant impact on the dollar volume a small business must achieve.