Step-by-Step Guide to the Spreadsheet-Based Financial Schedules for Building a Dream

This supplement is a spreadsheet-based tool to help you analyze the financial aspects of your new business idea. It will facilitate preparation of the financial statements contained in Stage Seven to assess the feasibility of your idea or those in Stage Eleven that you will require for your comprehensive business plan.

The schedules contained in the spreadsheet model are based on the comparable figures in the book. However, they have been incorporated into a computer framework to simplify their completion for you. You do not have to be an accountant or understand much financial accounting to use these schedules. In fact, just the opposite is true. The principal idea behind the development of the model is to enable you to fill in some of the simple financial information and prepare a professional-looking set of statements to incorporate into your feasibility study or business plan.

Setting Up the Program

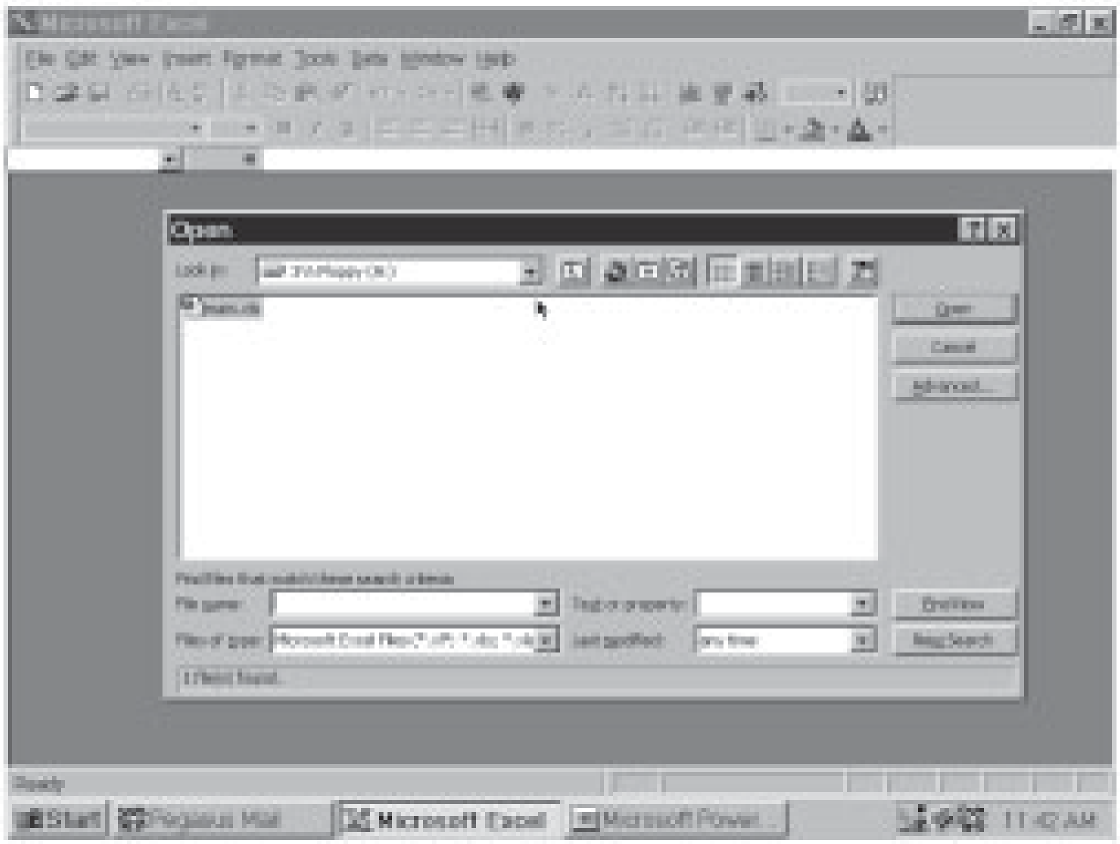
While many parts of the model have been automated to save you time, a basic knowledge of the spreadsheets will be assumed. When commands are given for a spreadsheet operation the Microsoft® Excel® command sequence will be indicated.

Loading, Starting, and Running the Program

The following list can be followed when opening, starting, and running this program:

1. Open Microsoft® Excel® for Windows®.
2. Go to the **File Menu** and Choose **Open**.
3. A "Dialog Box" will appear. First, select the appropriate drive to access the model. When you have completed this, on the left hand side of the dialog box a list of all of the .xls files on that drive will appear. Click on **Main.xls** and then click on **OK**.

4. It will take a few seconds for the file to open, but you will notice at the bottom of the screen the words “opening Main.xls” and the blue squares moving to the right indicating how much longer it will take the file to open.
5. When the file is open, the main screen of the model will appear, with a list of all of the schedules available to you.



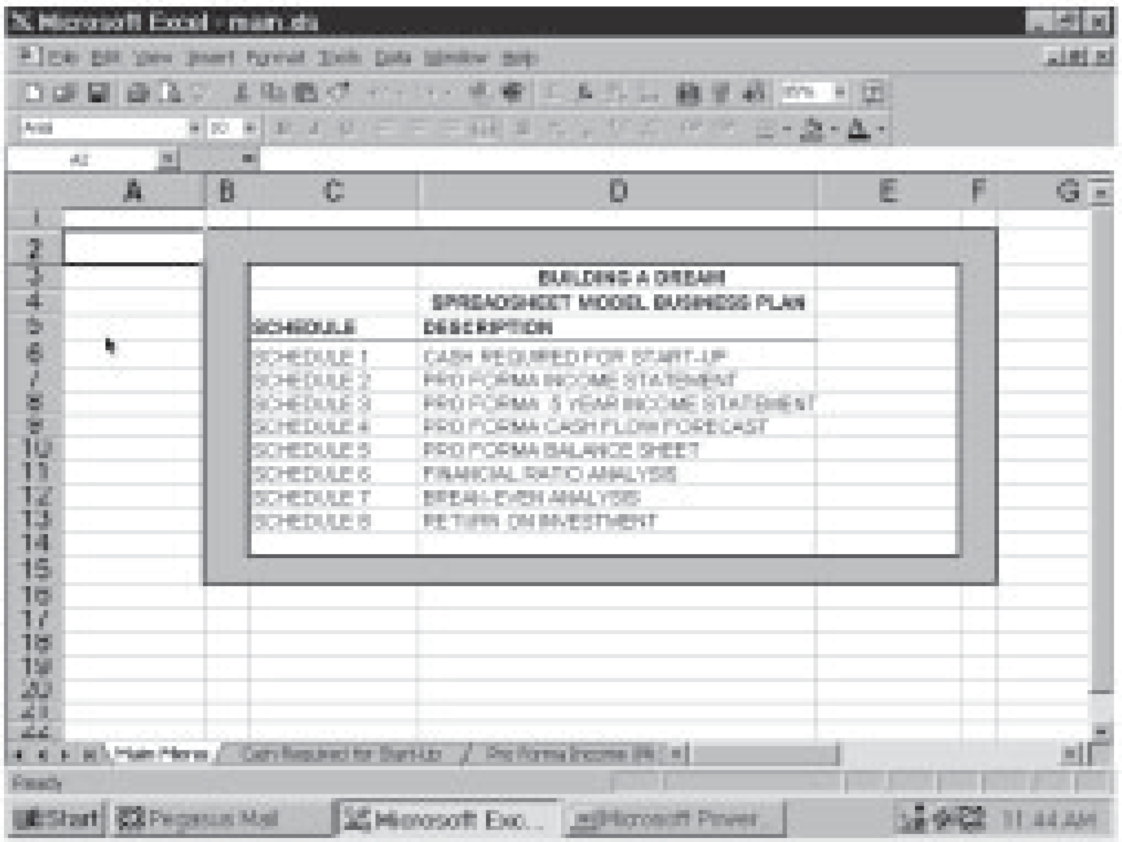
Screen shot reprinted by permission of Microsoft Corporation.

Using the Program

The following schedules are included in your spreadsheet model business plan:

- Required Start-up Funds
- Pro-Forma Income Statements
  - Most Likely
  - Optimistic
  - Pessimistic
- Pro-Forma 5-Year Income Statement
- Pro-Forma Cash Flow Forecast
- Pro-Forma Balance Sheet
- Financial Ratio Analysis
- Break-Even Analysis
- Return On Investment

It is probably best if you familiarize yourself with how this program operates before you begin filling in any information on the various schedules. At the bottom of the screen you will notice various tables with different file names, such as Main Menu and Cash Required for Start-Up. By clicking on any of these file names you can switch to that schedule and enter the necessary information. To view more of the files observe the arrows to the left of the file names. By clicking on these arrows you can scroll through the names of the various schedules (right or left depending on which arrow you press) and easily access any schedule you require.



At any time it is possible to print any of the schedules individually or all of the schedules at once. Microsoft® Excel® utilizes the print to fit capability, which makes for an appealing presentation. To print any one schedule, first, go to that schedule. Second, press the icon which looks like a printer **OR** go to the **File** menu and choose **Print**. You will be presented with a dialog box asking if you wish to print the current sheet (which is one schedule) or the entire Workbook (which is all of the schedules and the main menu). Pick the circle of your choice by clicking on it, then click on **OK**.

If you are preparing the financial information for a complete business plan it is suggested that you start with Schedule 1. You should always complete one schedule before proceeding to the next, as some of the information needed in later schedules must be transferred from a previous one.

When preparing your business plan you may want to use a number of different forecasts, such as an optimistic, most likely, and pessimistic forecast. To do this, after entering any data and leaving the model, save the file under a different name. It is good practice to save the file under a different name anyway even if you only plan on creating one business plan, so that you always have one “clear” set of templates to come back to if you have made any mistakes.

To save the file simply

1. Go to the **File** menu and select the **Save As** option.
2. A dialog box similar to the one used to open the model will appear. Click on the box containing the current model name in the top left corner and type in whatever you want the new model to be called (i.e., Main2.xls).
3. Select the drive to which you want to save your model. This is done the same way as when you opened your original model.
4. Click on **OK**.

In this way you can make several different business plans and observe how differences in forecasts can affect the performance outcome of your business. If you forget to save the model before you exit the file you will receive a prompt upon exiting asking "Save Changes to Main.xls?". Click on **Cancel**, and go back and follow steps 1 through 4. When you have saved your model under a different name, and want to use it again, instead of opening Main.xls open the new file name, Main2.xls. To exit the model, simply go to the **File** menu and choose the **Close** option.

There are blue zeros on the schedules indicating where to input data. Some cells containing zeros will automatically be calculated for you, or carried over from other schedules. For the spreadsheet to calculate the appropriate information for you correctly, it is important to enter data only in those cells which contain zeros. Some cells have been protected to prevent you from accidentally inputting data in an inappropriate location. If you receive a prompt from Excel saying "Cannot override protected cell," simply click on **OK**.

Schedule 1: Cash Required for Start-Up

In Stage Seven you completed Figure 7.1 indicating the estimated one-time start-up funds required for launching your business. This data can be transferred directly to this spreadsheet.

Keep in mind that all categories may not necessarily apply to your particular situation. This is a generic model. You may have very general cost categories or you may have developed very specific requirements. You will have to do your best to assign your expected costs to the categories provided on the spreadsheet.

This schedule determines the funds that will be necessary to start your business. The first section of this schedule calculates the necessary cash you will need to have on hand to cover the monthly cash outflows of your business over the first few months of operations. The second section of this schedule calculates the one-time cash requirements that are necessary to begin operations.

Section 1

The cash outflows in section one are monthly expenses that will occur naturally as a result of operating your business. Over the first few months of operation the inflow of cash into your business will likely be insufficient to cover these expenses. Therefore, it will be necessary to ensure that you have enough funds on hand to cover these expenses over the first few months of operations. Some of these expenses will be the same from month to month and are known as fixed expenses. Fixed expenses do not vary with the level of sales or production of your business. Other expenses are variable, and may

Schedule 1 — Required Start-Up Funds

Estimated Monthly Expenses

Item	Column 1 Your Estimate of Monthly Expenses Based on Sales of $________ Per Year	Column 2 Number of Months of Cash Required to Cover Expenses	Column 3 Cash Required To Start Business (Column 1 X Column 2)*
Salary of Owner-Manager			
All Other Salaries and Wages			
Rent			
Advertising			
Delivery Expense/Transportation			
Supplies			
Telephone, Fax, Internet Service			
Other Utilities			
Insurance			
Taxes Including Employment Insurance			
Interest			
Maintenance			
Legal and Other Professional Fees			
Miscellaneous - Travel			
Total Cash Requirements for Monthly Recurring Expenses: (A)			________

Starting Costs You Only Have to Pay Once

Item	Cash Required to Start Business
Capital Costs	
Fixtures and Equipment	
Decorating and Remodelling	
Installation of Fixtures and Equipment	
Starting Inventory	
Soft Costs	
Deposits with Public Utility	
Legal and Other Professional Fees	
Licenses and Permits	
Advertising and Promotion for Opening	
Accounts Receivable	
Cash	
Miscellaneous	
Total One-Time Cash Requirements: (B)	________
Total Estimated Cash Required to Start Business: (A) + (B)	________

* You Will Have to Decide For Your Particular Business How Many Months You Expect Your Expenses to Exceed Your Revenue So That You Will Have a Shortfall of Cash. This Should Somewhat Overestimate Your Overall Cash Requirements and Provide You with a Safety Cushion in Case Sales Don't Materialize As Rapidly As You Expected.

change from month to month depending on your projection of sales or production. Other expenses may actually be annual expenses, such as insurance, and will have to be divided by 12 before being entered into the sheet.

You should indicate your estimate of each monthly expense and enter it in column 1 of this schedule. For items such as "owner's salary" be sure to calculate a personal expense budget on the basis of the absolute minimum amount you will require to get by as the business will likely not be in a position to provide much cash to cover your own personal expenses. In estimating expenses it is always better to over-estimate and be pleasantly surprised at year-end than to underestimate and run the possibility of not having enough funds to continue operating your business. You may want to look at a few scenarios (pessimistic, most-likely, optimistic) to see how sensitive your need for start-up funds is to changes in the assumptions you have used to calculate your expenses.

In column 2 you can enter the number of months of cash you believe you will require to cover these monthly expenses. You should consider how soon cash will flow into your business (cash flows are developed further in schedule 4) and the type of payment arrangements you can negotiate. The schedule will multiply column 1 by column 2 for you to calculate the total funds you will require to cover initial monthly expenses.

Section 2

The second section of this schedule calculates the one-time cash requirements you will need to begin operations. These may be down payments that are required on furniture or fixtures or investments in accounts-receivables that will be necessary until collections from sales begin to flow in. Keep in mind that all categories may not apply to your specific business.

The sum of the requirements from section 1 and section 2 will give you a good approximation of the total funds that you will require to start up your business. These funds may be in the form of your own invested capital, long-term debt financing such as a bank loan, or short-term debt financing such as a line of credit. Some combination of the above financial instruments will likely be the most appropriate; the exact mixture again depends upon the specific requirements of your business.

Schedules 2 and 3: Pro Forma Income Statements

In your spreadsheet package there are three types of monthly income statements provided — Most likely, optimistic, and pessimistic. While it is not necessary to complete all three statements it is recommended and very useful. The most likely monthly income statement is provided in the model as Schedule 3. The optimistic and pessimistic monthly income statements can be found at the end of the model following the Return on Investment calculation. When completing the pessimistic forecast it may be useful to overestimate expenses or underestimate revenues or both. A pessimistic income statement will provide you with an understanding of the type of risk involved with your new venture. It is necessary to complete the most-likely monthly income statement to continue with future schedules.

The first row reflects your expected level of gross sales. Using the information generated from Figure 6.4 in Stage Six you will have to estimate your total market size and determine what you feel is an accurate estimate of your expected annual gross sales. You must also schedule when those sales will be realized throughout your initial year of operation.

- Your estimate of **Gross Sales** is an important figure since a number of other decisions are based on it. Your sales may fluctuate during the course of the year. You must decide when sales will rise and fall and reflect this seasonality in your monthly sales forecasts. Your forecasted sales from months 1 through 12 must add up to what you estimated as your total expected annual sales.
- Total expected **Cash Discounts** should be estimated.
- **Beginning Inventory** can be found on Schedule 1 as “Starting Inventory.”

- **Purchases** can be a difficult figure for you to estimate. You should enter what you feel is an appropriate and reasonable amount. One method you can use is to purchase enough stock so that you can cover one-half or more of your next month's expected sales. An alternative method that can be employed is to schedule purchases to replace the stock you have sold. That is, if your sales equal 100%, and the expected Cost of Goods Sold in your retail business is 60%, then purchases equivalent to 60% of your sales would be required to maintain your inventory at a constant level. This method is simple and also allows you to readily determine the value of your Ending Inventory; it must always be the same as your starting inventory. This method, however, does not take into account expected seasonal sales fluctuations. Your estimated purchases are based on previous sales, not what you expect to sell in subsequent months. This may leave you short of inventory if sales are projected to increase dramatically.
- **Total** is the total of your Beginning Inventory plus Purchases. This calculation is performed for you.
- **Ending Inventory:** However you determine your expected purchases, you will need to know what is left in ending inventory.
- **Cost of Goods Sold** is simply the difference between the total available stock less your ending inventory. This calculation is performed for you automatically.
- **Gross Profit Margin:** Again this calculation is performed automatically for you.
- **Monthly Expenses** fall largely into two broad categories, "**Fixed**" and "**Variable**." It is suggested that you first fill in the initial month of the fixed expenses such as rent, telephone, and insurance. These expenses will automatically be transferred to the following months; however, you can change the expenses in the following months if you wish to do so.

Owner's Salary is an estimate of the monthly salary you feel you need to withdraw from the business in order to live.

Employees' Wages and Salaries vary, based in part on sales. In determining your expected employee costs, keep in mind minimum wage laws, holiday pay requirements, and deductions such as CPP and Employment Insurance, to which the employer must also contribute.

Delivery Expense is an expense that is dependent on your volume of purchases, and the number of times you order from your suppliers. If you order once a month, the delivery charge will likely remain reasonably constant from month to month. However, if you order more than once a month, or from different suppliers at different times, this will be constantly changing and needs to be projected.

Bad Debt Allowance will depend on your volume of credit sales and how liberal you are with your credit policies. The larger your credit sales, typically, the higher the required allowance for bad debts.

Legal and Accounting Fees are usually incurred at the beginning or the end of the year. These expenses must be entered at the appropriate time of the year. Taxes and Licences are also a once-a-year expense which must be accounted for at the appropriate time.

Telephone: You can usually expect your telephone expense to be fairly constant from month to month. However, there is one thing worth mentioning. Most utilities require an initial deposit. After some period this deposit is refunded to you, not all at once but as a reduction in your bill until the deposit is used up.

SCHEDULE 2

Pro Forma Income Statement for (Company) for the Year Ending (Date)

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	TOTAL
1. Gross Sales	0	0	0	0	0	0	0	0	0	0	0	0	0
2. Less: Cash Discounts	0	0	0	0	0	0	0	0	0	0	0	0	0
A. NET SALES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Cost of Goods Sold:													
3. Beginning Inventory	0	0	0	0	0	0	0	0	0	0	0	0	0
4. Plus: Net Purchases	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Total Available for Sale	0	0	0	0	0	0	0	0	0	0	0	0	0
6. Less: Ending Inventory	0	0	0	0	0	0	0	0	0	0	0	0	0
B. COST OF GOODS SOLD	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
C. GROSS MARGIN	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Less: Variable Expenses													
7. Owner's Salary	0	0	0	0	0	0	0	0	0	0	0	0	0
8. Employee's Wages and Salaries	0	0	0	0	0	0	0	0	0	0	0	0	0
9. Supplies and Postage	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Advertising and Promotion	0	0	0	0	0	0	0	0	0	0	0	0	0
11. Delivery Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
12. Bad Debt Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
13. Travel	0	0	0	0	0	0	0	0	0	0	0	0	0
14. Legal and Accounting Fees	0	0	0	0	0	0	0	0	0	0	0	0	0
15. Vehicle Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
16. Maintenance Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
17. Miscellaneous Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
D. TOTAL VARIABLE EXPENSES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Less: Fixed Expenses													
18. Rent	0	0	0	0	0	0	0	0	0	0	0	0	0
19. Utilities (Heat, Light, Power)	0	0	0	0	0	0	0	0	0	0	0	0	0
20. Telephone	0	0	0	0	0	0	0	0	0	0	0	0	0
21. Taxes and Licenses	0	0	0	0	0	0	0	0	0	0	0	0	0
22. Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0
23. Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
24. Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0
25. Other Fixed Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
E. TOTAL FIXED EXPENSES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
F. TOTAL OPERATING EXPENSES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
G. NET OPERATING PROFIT (LOSS)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
H. INCOME TAXES (estimated)													$0
I. NET PROFIT (LOSS) AFTER INCOME TAX													$0

SCHEDULE 2
OPTIMISTIC

Pro Forma Income Statement for (Company) for the Year Ending (Date)

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	TOTAL
1. Gross Sales	0	0	0	0	0	0	0	0	0	0	0	0	0
2. Less: Cash Discounts	0	0	0	0	0	0	0	0	0	0	0	0	0
A. NET SALES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Cost of Goods Sold:													
3. Beginning Inventory	0	0	0	0	0	0	0	0	0	0	0	0	0
4. Plus: Net Purchases	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Total Available for Sale	0	0	0	0	0	0	0	0	0	0	0	0	0
6. Less: Ending Inventory	0	0	0	0	0	0	0	0	0	0	0	0	0
B. COST OF GOODS SOLD	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
C. GROSS MARGIN	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Less: Variable Expenses													
7. Owner's Salary	0	0	0	0	0	0	0	0	0	0	0	0	0
8. Employee's Wages and Salaries	0	0	0	0	0	0	0	0	0	0	0	0	0
9. Supplies and Postage	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Advertising and Promotion	0	0	0	0	0	0	0	0	0	0	0	0	0
11. Delivery Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
12. Bad Debt Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
13. Travel	0	0	0	0	0	0	0	0	0	0	0	0	0
14. Legal and Accounting Fees	0	0	0	0	0	0	0	0	0	0	0	0	0
15. Vehicle Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
16. Maintenance Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
17. Miscellaneous Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
D. TOTAL VARIABLE EXPENSES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Less: Fixed Expenses													
18. Rent	0	0	0	0	0	0	0	0	0	0	0	0	0
19. Utilities (Heat, Light, Power)	0	0	0	0	0	0	0	0	0	0	0	0	0
20. Telephone	0	0	0	0	0	0	0	0	0	0	0	0	0
21. Taxes and Licenses	0	0	0	0	0	0	0	0	0	0	0	0	0
22. Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0
23. Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
24. Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0
25. Other Fixed Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
E. TOTAL FIXED EXPENSES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
F. TOTAL OPERATING EXPENSES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
G. NET OPERATING PROFIT (LOSS)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
H. INCOME TAXES (estimated)													$0
I. NET PROFIT (LOSS) AFTER INCOME TAX													$0

SCHEDULE 2
PESSIMISTIC

Pro Forma Income Statement for (Company) for the Year Ending (Date)

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	TOTAL
1. Gross Sales	0	0	0	0	0	0	0	0	0	0	0	0	0
2. Less: Cash Discounts	0	0	0	0	0	0	0	0	0	0	0	0	0
A. NET SALES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Cost of Goods Sold:													
3. Beginning Inventory	0	0	0	0	0	0	0	0	0	0	0	0	0
4. Plus: Net Purchases	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Total Available for Sale	0	0	0	0	0	0	0	0	0	0	0	0	0
6. Less: Ending Inventory	0	0	0	0	0	0	0	0	0	0	0	0	0
B. COST OF GOODS SOLD	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
C. GROSS MARGIN	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Less: Variable Expenses													
7. Owner's Salary	0	0	0	0	0	0	0	0	0	0	0	0	0
8. Employee's Wages and Salaries	0	0	0	0	0	0	0	0	0	0	0	0	0
9. Supplies and Postage	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Advertising and Promotion	0	0	0	0	0	0	0	0	0	0	0	0	0
11. Delivery Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
12. Bad Debt Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
13. Travel	0	0	0	0	0	0	0	0	0	0	0	0	0
14. Legal and Accounting Fees	0	0	0	0	0	0	0	0	0	0	0	0	0
15. Vehicle Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
16. Maintenance Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
17. Miscellaneous Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
D. TOTAL VARIABLE EXPENSES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Less: Fixed Expenses													
18. Rent	0	0	0	0	0	0	0	0	0	0	0	0	0
19. Utilities (Heat, Light, Power)	0	0	0	0	0	0	0	0	0	0	0	0	0
20. Telephone	0	0	0	0	0	0	0	0	0	0	0	0	0
21. Taxes and Licenses	0	0	0	0	0	0	0	0	0	0	0	0	0
22. Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0
23. Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
24. Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0
25. Other Fixed Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
E. TOTAL FIXED EXPENSES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
F. TOTAL OPERATING EXPENSES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
G. NET OPERATING PROFIT (LOSS)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
H. INCOME TAXES (estimated)													$0
I. NET PROFIT (LOSS) AFTER INCOME TAX													$0

SCHEDULE 3

Pro Forma Income Statement for (Company) for the Year Ending (Date)

	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5
1. Gross Sales	0	0	0	0	0
2. Less: Cash Discounts	0	0	0	0	0
A. NET SALES	$0	$0	$0	$0	$0
Cost of Goods Sold:					
3. Beginning Inventory	0	0	0	0	0
4. Plus: Net Purchases	0	0	0	0	0
5. Total Available for Sale	0	0	0	0	0
6. Less: Ending Inventory	0	0	0	0	0
B. COST OF GOODS SOLD	$0	$0	$0	$0	$0
C. GROSS MARGIN	$0	$0	$0	$0	$0
Less: Variable Expenses					
7. Owner's Salary	0	0	0	0	0
8. Employee's Wages and Salaries	0	0	0	0	0
9. Supplies and Postage	0	0	0	0	0
10. Advertising and Promotion	0	0	0	0	0
11. Delivery Expense	0	0	0	0	0
12. Bad Debt Expense	0	0	0	0	0
13. Travel	0	0	0	0	0
14. Legal and Accounting Fees	0	0	0	0	0
15. Vehicle Expense	0	0	0	0	0
16. Maintenance Expense	0	0	0	0	0
17. Miscellaneous Expenses	0	0	0	0	0
D. TOTAL VARIABLE EXPENSES	$0	$0	$0	$0	$0
Less: Fixed Expenses					
18. Rent	0	0	0	0	0
19. Utilities (Heat, Light, Power)	0	0	0	0	0
20. Telephone	0	0	0	0	0
21. Taxes and Licenses	0	0	0	0	0
22. Depreciation	0	0	0	0	0
23. Interest	0	0	0	0	0
24. Insurance	0	0	0	0	0
25. Other Fixed Expeses	0	0	0	0	0
E. TOTAL FIXED EXPENSES	$0	$0	$0	$0	$0
F. TOTAL OPERATING EXPENSES	$0	$0	$0	$0	$0
G. NET OPERATING PROFIT (LOSS) (G = C - F)	$0	$0	$0	$0	$0
H. INCOME TAXES (estimated)	$0	$0	$0	$0	$0
I. NET PROFIT (LOSS) AFTER INCOME TAX	**$0**	**$0**	**$0**	**$0**	**$0**

Depreciation is the notion of expending an asset over time. The equipment to be depreciated should have been reflected on Schedule 1. Depreciation is not an allowed expense under Canada Customs and Revenue Agency regulations. It commonly must be added back to Net Income and the Capital Cost Allowance (CCA) taken. To save time and simplify the calculations we suggest that CCA be taken in lieu of Depreciation right from the start. For this purpose examples of the CCA allowance for different types of common assets are included at the back of this guide.

- **Total Fixed Expenses** are totalled for you.
- **Total Operating Expenses** is the sum of Total Variable Expenses and Total Fixed Expenses.
- **Net Operating Profit (Loss)** will be the difference between your Gross Profit Margin and Total Operating Expenses.
- **Income Taxes** have been automatically calculated at 22% of Net Income. This is the general tax rate which applies to most small businesses in Canada. The formula also takes into account whether your expected Net Income is positive or negative. What the formula does not consider is that losses can be carried forward for a number of years and deducted from your future income. If this is the case, remember to deduct prior losses from future years' profits before determining Income Tax. If your Net Income is over $200,000 for one fiscal year the corporate tax rate is calculated at 48%.

The totals for year 1 financial projections should be carried over to Schedule 3, which is the Income statement for the first 5 years of operation of your business. You will need to go through these same steps for the subsequent years 2 through 5.

Supplement: Cash Budget Input Table

In order to schedule when Payments will come into your business and when you will have to make payments you need to estimate your collection and disbursement patterns. This will assist you in projecting the flow of cash through your business.

Your desired *Minimum Cash Balance* should be indicated and maintained constant throughout the planning period either from cash generated by the business or through borrowing. Your *Beginning Cash Balance* can be found on Schedule 1 as "Cash" under your Soft Costs."

The *Collection Pattern* is an estimate of what percentage of your sales will be for cash, what percentage will be credit sales paid within 30 days, and the percentage which will be paid between 30 and 60 days.

The terms of credit that you extend will be an issue between you and your customers. In general, failure to extend credit can cost you sales that otherwise could have been realized. It is also true that the credit you extend becomes a risk to your business. Should you extend credit to your customers, your collection pattern may reflect this risk by not adding up to 100%. The percentage of your credit sales that may be uncollectible is referred to as a "bad debt allowance."

For your *Payment Pattern* the total of all percentages should add up to 100% and reflect the credit terms you are able to obtain from your suppliers. Your cash payments and payments within 30 days should be made to take advantage of any discounts your suppliers may offer. Any remaining payments are typically made within 30 to 60 days.

CASH BUDGET INPUT TABLE

Minimum Required Balance ____________

Beginning Cash Balance ____________

Collection Pattern		Payment Pattern	
% Cash Sales		% Cash Payment	
% Within 30 Days		% Within 30 days	
% 30-60 Days		% 30-60 Days	

Schedule 4: Cash Flow Forecast

The purpose of this statement is to help keep your business solvent. The business cycle depends on cash coming in from your customers and going out to pay your bad debts.

Your opening cash balance can be found on the above Cash Budget Input Table. For subsequent months after the first, your opening Cash Balance should be the greater of: the minimum required cash balance you indicated in the above table, or the balance remaining at the end of the previous month. Any deficiency should be made up by borrowing. Your minimum required cash balance should also be indicated at the top of Schedule 4.

Investment income and other cash income you expect to receive should be filled in as well.[1] One suggestion to keep in mind is, if your actual cash balance at the end of each month is greater than your minimum cash balance, the difference should either be used to pay down your outstanding debt or invested.

Expenses paid must be inputted manually. The remaining rows will be automatically calculated for you. At the bottom of this schedule is a line which reads "Meet Minimum Cash Balance." If the projections which you have made meet your indicated minimum cash balance the word "Acceptable" will appear. However, if your projections have left you with an ending period cash balance below your indicated minimum cash balance the word "Finance" will appear. In this scenario it is necessary to further finance your venture or find other sources of cash inflows.

[1] Cash received should be entered on the Schedule as a (+) number. Cash disbursments should be entered as a (–) number.

SCHEDULE 4

Pro Forma Cash Flow Forecast for (Company)
12 - Month Cash Flow Projections

Minimum Cash Balance Required = 0

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	YEAR 1 TOTAL	YEAR 2 TOTAL	YEAR 3 TOTAL
Cash Flow From Operations (during month)*															
1. Cash Sales	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2. Payments for Credit Sales	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3. Investment Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4. Other Cash Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
A. TOTAL CASH FLOW ON HAND	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Less Expenses Paid (during month)															
5. Inventory or New Material	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6. Owner's Salary	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7. Employee's Wages and Salaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8. Supplies and Postage	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9. Advertising and Promotion	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Delivery Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11. Travel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12. Legal and Accounting Fees	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13. Vehicle Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14. Maintenance Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15. Rent	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16. Utilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17. Telephone	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18. Taxes and Licenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19. Interest Payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20. Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21. Other Cash Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
B. TOTAL EXPENDITURES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Capital															
Purchase of Fixed Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale of Fixed Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
C. CHANGE IN CASH FROM PURCHASE OR SALE OF ASSETS	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Financing															
Payment of Principal of Loan	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inflow of Cash From Bank Loan	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Issuance of Equity Positions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Repurchase of Outstanding Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
D. CHANGE IN CASH FROM FINANCING	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
E. INCREASE (DECREASE) IN CASH	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
F. CASH AT BEGINNING OF PERIOD	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
G. CASH AT END OF PERIOD	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MEET MINIMUM CASH BALANCE	ACCEPTABLE	ACCEPTABLE	ACCEPTABLE	ACCEPTABLE	ACCEPTABLE	ACCEPTABLE	ACCEPTABLE	ACCEPTABLE	ACCEPTABLE	ACCEPTABLE	ACCEPTABLE	ACCEPTABLE	ACCEPTABLE	ACCEPTABLE	ACCEPTABLE

* Cash received should be entered on the Schedule as a (+) number. Cash disbursements should be entered as a (-) number

Schedule 5: Pro Forma Balance Sheet

A number of sections of the Opening Balance Sheet can be filled in based on decisions you have made in completing earlier schedules. There is no depreciation taken on assets for the first year. In subsequent years, all Fixed Assets except land should be depreciated by the appropriate Capital Cost Allowance. No depreciation should be taken on land.

Other Current Assets includes either marketable securities, bonds, term deposits, or guaranteed income certificates that are held in the company's name. You must fill in these values, if any.

Bank loans, notes payable, and long term liabilities will also be filled in by you. Keep in mind the portion of all outstanding loans to be repaid within the next 12 months is a current liability, and the portion that is to be repaid after 12 months is long term.

Capital structure will also have to be completed by you, reflecting the manner in which your business is legally organized.

Many of the figures involved in compiling the balance sheet for subsequent years will depend on your actions and the performance of your business. You will need to consolidate your statements at the end of each time period to develop the proper numbers that are needed to complete your Pro Forma Balance Sheet for years 1, 2, and 3.

Schedule 6: Financial Ratio Analysis

In ratio analysis there are no right or wrong ratios. There are some ratios that serve as caution flags, and trends that can be analyzed. Many bankers will look at these numbers in assessing your financial capacity, so it is a good idea to know what goes into each of the formulas and how it may be affected by a change in your income statement or balance sheet.

The value of each ratio will be automatically calculated for each of your first three years of operation. Observe what happens to each ratio over time. This is more important than determining the absolute level of any one single ratio.

Schedule 7: Break-Even Analysis

This break-even spreadsheet will carry forward many of the expenses from your income statement in order to perform the break-even calculation. Break-even is a determination of the approximate dollar sales volume you will have to achieve in your first year of operation before you can start to make any money. If this figure is too high you may never make a profit. On the other hand, a low break-even point may indicate your business idea represents a significant profit opportunity.

Schedule 8: Return on Investment

This last schedule calculates your first year return on the capital you have invested in your business. This computation is performed for you automatically. ROI measures the earning power of your firm. Initially, you might expect this percentage to be low until your business gets established and off the ground. If, however, when you compute the expected ROI for subsequent years and the trend continues to be low, you need to ask yourself whether the expected return is sufficient to make the investment worthwhile.

SCHEDULE 5

Pro Forma Balance Sheet for (Company)

		Opening			End of Year 1			End of Year 2			End of Year 3	
	ASSETS											
Current Assets:												
1. Cash		0			0			0			0	
2. Accounts Receivable		0			0			0			0	
3. Inventory		0			0			0			0	
4. Other Current Assets		0			0			0			0	
A. TOTAL CURRENT ASSETS			$0			$0			$0			$0
Fixed Assets:												
5. Land and Buildings	0			0			0			0		
less depreciation		0		0	0		0	0		0	0	
6. Furniture and Fixtures	0			0			0			0		
less depreciation		0		0	0		0	0		0	0	
7. Equipment	0			0			0			0		
less depreciation		0		0	0		0	0		0	0	
8. Trucks and Automobiles	0			0			0			0		
less depreciation		0		0	0		0	0		0	0	
9. Other Fixed Assets	0			0			0			0		
less depreciation		0		0	0		0	0		0	0	
B. TOTAL FIXED ASSETS			$0			$0			$0			$0
C. TOTAL ASSETS			$0			$0			$0			$0
	LIABILITIES											
Current Liabilities (due within 12 months)												
10. Accounts Payable		0			0			0			0	
11. Bank Loans / Other Loans		0			0			0			0	
12. Taxes Owed					0			0			0	
D. TOTAL CURRENT LIABILITIES			$0			$0			$0			$0
Long-term Liabilities												
13. Notes Payable (due after one year)		0			0			0			0	
14. Other Long-term Liabilities		0			0			0			0	
E. TOTAL LONG-TERM LIABILITIES			$0			$0			$0			$0
F. TOTAL LIABILITIES			$0			$0			$0			$0
	NET WORTH (Capital)											
SHARE CAPITAL												
Common Shares			0			0			0			0
Preferred Shares			0			0			0			0
RETAINED EARNINGS			0			0			0			0
G. TOTAL NET WORTH			$0			$0			0			0
H. TOTAL LIABILITIES AND NET WORTH			$0			$0			$0			$0
			BALANCED			BALANCED			BALANCED			BALANCED

SCHEDULE 6

Financial Ratios for (Company)

					End of Year 1		End of Year 2		End of Year 3
1. Gross Margin/Sales	=	Gross Profit	=	$0	#DIV/0!	$0	#DIV/0!	$0	#DIV/0!
		Net Sales		$0		$0		$0	
2. Current Ratio	=	Current Assets	=	$0	#DIV/0!	$0	#DIV/0!	$0	#DIV/0!
		Current Liabilities		$0		$0		$0	
3. Quick Ratio	=	Current Assets - Inventories	=	$0	#DIV/0!	$0	#DIV/0!	$0	#DIV/0!
		Current Liabilities		$0		$0		$0	
4. Net Profit/Sales	=	Net Income (After Tax)	=	$0	#DIV/0!	$0	#DIV/0!	$0	#DIV/0!
		Net Sales		$0		$0		$0	
5. Net Profit/Net Worth	=	Net Profit	=	$0	#DIV/0!	$0	#DIV/0!	$0	#DIV/0!
		Net worth		$0		$0		$0	
6. Sales/Net worth	=	Net Sales	=	$0	#DIV/0!	$0	#DIV/0!	$0	#DIV/0!
		Net Worth		$0		$0		$0	
7. Fixed Assets/Net Worth	=	Fixed Assets	=	$0	#DIV/0!	$0	#DIV/0!	$0	#DIV/0!
		Net Worth		$0		$0		$0	
8. Current Liabilities/ Net Worth	=	Current Liabilities	=	$0	#DIV/0!	$0	#DIV/0!	$0	#DIV/0!
		Net Worth		$0		$0		$0	
9. Total Liabilities/Net Worth	=	Total Liabilities	=	$0	#DIV/0!	$0	#DIV/0!	$0	#DIV/0!
		Net Worth		$0		$0		$0	
10. Debt/Net Worth	=	Total Outstanding Debt	=	$0	#DIV/0!	$0	#DIV/0!	$0	#DIV/0!
		Net Worth		$0		$0		$0	
11. Return On Assets	=	Net Income (After Tax)	=	$0	#DIV/0!	$0	#DIV/0!	$0	#DIV/0!
		Total Assets		$0		$0		$0	

SCHEDULE 7 Break-even Point for First Year

Operating Expenses		
Owner's Salary	0	
Employee's Wages	0	
Supplies and Postage	0	
Advert. and Promotion	0	
Delivery Expense	0	
Bad Debt Allowance	0	
Travel	0	
Professional Fees	0	
Vehicle Expense	0	
Maintenance Expense	0	
Other Variable Expenses	0	
Rent	0	
Utilities	0	
Telephone	0	
Taxes & Licenses	0	
Depreciation	0	
Interest	0	
Insurance	0	
Other Fixed Expenses	0	
TOTAL OPERATING EXPENSES	$0	
CONTRIBUTION MARGIN =	Gross Margin / Net Sales	#DIV/0!
BREAKEVEN POINT ($Sales) =	Total Operating Expenses / Contribution Margin	
	#DIV/0!	

SCHEDULE 8 Return on Investment

Net Income (before Taxes)	[from Schedule 3]	=	$0
Net Worth	[from Schedule 5]	=	$0
R.O.I. =	Net Income (before taxes) / Net Worth		
=	#DIV/0!	%	

Capital Cost Allowance Rates

Capital Cost Allowance (CCA) for a number of the more common types of business assets are listed below. These are only a few examples of the classes of asset to which CCA applies for tax purposes. For a more comprehensive listing of CCA classes, consult Chapter IV of the *Canadian Master Tax Guide*, published by CCH Canadian Ltd., or contact your local office of the Canada Customs and Revenue Agency.

ALPHABETICAL TABLE OF RATES

Item	*Rate*	*Class*
Aircraft	25%	9
Automobiles	30%	10
Buildings:		
Brick, stone, cement, etc.	4%	1
Frame, log, stucco on frame, galvanized, or corrugated iron	10%	6
Computer hardware and systems software	30%	10
Computer software	100%	12
Contractors' movable equipment:		
Normal	30%	10
Heavy	30%	38
Display fixtures (window)	20%	8
Electrical advertising signs	20%	8
Furniture	20%	8
Manufacturing and processing machinery and equipment	25%	39
Parking area	8%	17
Photocopy machines	20%	8
Telephone system	20%	8
Tools (under $200)	100%	12
Tools (over $200)	20%	8

Note: If using CCA rates, only 1/2 may be claimed in the first year.