Business Plans Made Simple
A Step-by-Step Guide to Writing a Business Plan

Why write a business plan?

- Gets you organized!
- Helps you get a loan!
- Helps you not be in the 80% of small businesses that fail within the first five years of operation!

How long will it take me to write a business plan?

- Writing a business plan is often a long process. It depends on a lot of different factors, but writing a business plan can take dozens of revisions. Each revision can take a lot of time. Do not put yourself in the position to rush yourself through the business plan creation process because this plan is what you are going to depend on once your business is up and running, as well as to get your business up and running.
- There are business plans from a few pages in length to hundreds of pages (including appendices). Take the time to thoroughly explain every aspect of your business. If your business plan tells all there is to know about your business then it is long enough. If it does not, keep writing. The person reading your business plan needs to know that you thought about everything from the legal structure to who is going to vacuum. Every detail is important.

How do I get started?

Gather all of your information pertaining to your business including:

- Legal documents
- Starch pieces of paper with ideas written on them
- Prototypes, mockups
- Pictures
- Plans
- ANYTHING ELSE YOU CAN THINK OF!!

The Business Plan Outline

The first thing a person should do is learn about the different sections of a business plan. Here is a generic outline. All sections may or may not pertain to you and your business.

- Look at this outline
- Understand what each section is about.
- Figure out what sections pertain to you (It is recommended that you try to find information for every section if possible).
- See of there are any additional sections that you need to add.
Business Plan Outline

- Statement of Purpose (Executive Summary)
- Mission, Goals, and Objectives:
  - General Description
  - Mission Statement
  - Goals and Objectives
- Background Information
  - The Industry
  - Current and Future Trends
  - Business Fit In the Industry
- Organizational Matters
  - Business Structure
    - Management
    - Personnel
    - Outside Services and Advisors
- The Market Plan
  - Services Description
  - Features/Benefits
  - Life Cycle/Seasonality
  - Products/Services Growth Description
  - Risks
- The Market Analysis
  - Customer Analysis
  - Competitor Analysis
- Market Potential
  - Current Trade Area
  - Market Size and Trends
  - Sales Volume Potential
- Marketing Strategies
  - Location/Distribution
  - Promotional Strategies
  - Financial Plan
- Appendix (Include Documents)
  - Financial Statements
  - Sources and Uses of Cash
  - Resumes
  - Designs/Sketches
  - Pictures
  - Business License Application
  - Patent Information
  - Tax Information from last three years, etc.

The Outline: Defined
The following is an explanation of each section and questions that you need to make sure that you answer:

**Statement of Purpose (Executive Summary)**

The statement of purpose, or what is better known as the executive summary, is a one page summarization of the business as a whole, with an explanation of how much money you are looking for (funding) and what you need it for. Think about this section as a summary that a person can read, get interrupted while in the middle of reading it, and be inclined to go back and pick it up to finish reading it. The people who read business plans to grant funding are busy and see hundreds of business plans a week. The executive summary needs to make your business stand out. It is like a cover letter that you send with a resumé to a potential employer. If it isn’t good, the actual plan may never get looked at.

This section is sometimes better left to be written last. It will then be easier to sum up the main points and aspects of your business.

This section answers the following questions:

- **Who?** (Who is the business owned by? What is the legal structure (i.e. sole proprietorship, corporation, partnership)? Etc.)
- **What?** (What is the business? What products or services does the business sell? Etc.)
- **When?** (Is this an existing (already in business) business or a start-up? When is the planned opening date? How long has the business been in operation? Etc.)
- **Where?** (Where is the business located or going to be located? How long has it been there? Etc.)
- **Why?** (What needs or wants does this business fulfill? Why do people need the products or services offered by this business? Etc.)
- **How?** (How are your products or services distributed? One location? Many locations? Internet? Catalogs? Sales people? Etc.)
- **How much?** (How much money are you looking for? What are you going to spend the money on, specifically?)

**Mission, Goals and Objectives**

This section is where you will state your general business description, mission statement, short-term and long-term goals, and your business objectives.

- **Business Description**

  This is a general description of your business. State your business name, when you plan to open, or if you are an existing business, where you are (or will be) located, what your products and services are, what your target market is, etc. This is not detailed. It is just a brief overview.
• **Mission Statement**

  This is a one to two sentence statement that sums up what you are. The mission statement should define the purpose, the business, and the values of your organization. It should be short and to the point. A mission statement is used as a short reminder to your employees and your customers of what your organization is and strives to be. Some businesses in the community have their mission statements posted on the wall or in their brochures.

  Examples:

  The following is the Red Cross Mission Statement:

  *The American Red Cross is a humanitarian organization, led by volunteers, that provides relief to victims of disasters and helps people prevent, prepare for, and respond to emergencies. It does this through services that are consistent with its Congressional Charter and the principles of the International Red Cross Movement.*

  The following is the Boeing Mission Statement:

  *To push the leading edge of aviation, taking huge challenges doing what others cannot do.*

• **Goals and Objectives**

  This section is where you state the short-term and long-term goals and objectives of your organization. It is important to set goals. These goals, both short-term and long-term, will help the potential lender know that you have thought about the future of your business. Often entrepreneurs want to open a business but do not think about anything past getting the doors open. You need to set goals in order to keep the doors open and to improve and grow your business.

  An important thing to remember about a goal is that it needs to be measurable. If you set a goal of simply increasing your customer base, how are you going to measure the growth? Will you keep a database of customer information and how many customers are new customers? You need to figure out your method of measuring the goal and include the method and the goal in the business plan.

  Short-term goals are goals that your wish to reach in the next year. Long-term goals are goals that you wish to reach in the next two to five years and beyond.
The following questions should help you figure out what your short-term goals are:

- How much sales revenue do you wish to make in the first year? Over the next few years? Maybe you think of this as a percent. If so, set a percentage goal. “The XYZ Company plans to achieve 20% annual growth rate by…”
- Have you thought about your sales volume? What are your goals concerning this?
- Do you have any goals set as far as your marketing strategy is concerned?
- Is there anything innovative (new or exciting) that you plan on doing?
- Any goals related to potential growth and profit?

The following questions should help you figure out what your long-term goals are:

- Where do you expect to be in 5 to seven years (figuratively speaking, financially speaking, etc.)?
- Will you relocate to another location? Expand?
- Where would you like to be and how do you expect to get there?
- Anything specific you can cite that substantiates your growth projections, i.e., trade publications, journals, etc.?
- If you have factual statistics, proposals and/or numbers that back up you goals, the more weight they will carry.
- Any goals related to potential growth and profit?

**Background Information**

This section will state the industry trends, current and future trends and the business fit in the industry.

**The Industry**

It is important to understand the industry in which you plan to own a business. This section should be an explanation of the industry as a whole, backed up by statistics, quotes taken from articles, etc.

- Give a history of the industry
- Look up articles and find statistics that state “good news” in this industry.
- Are there any big things happening in this industry that lead you to believe that you will find success in this industry?

**Current and Future Trends**

Trends are important to look out for in the particular industry you will be doing business in. This section needs to include the following:

- What are the current trends? Are these stores (or products) opening up at a fast rate? What is the rate?
- What are the future trends?
- Where is this business or product in the product lifecycle?
- Is there anything you should look out for? How have you prepared for this?

**Business Fit In The Industry**

It is important for you to understand and make your reader understand how your business, or product, will fit into the industry. Consider the following questions:

- Why do we need another XYZ store?
- What will you provide that is different than what is being provided by the existing businesses in this industry?
- How do you plan to compete and stay alive in this industry?

**Organizational Matters**

This section will explain exactly how your business will be run, from the legal structure to who is going to answer the phone. You need to make sure every last detail is considered. You may think that it will all fall into place, and it will if you plan it. Make this a well thought-out plan of action. It will include a complete analysis of the business structure including: management, personnel, and outside business services and advisors.

**Business Structure: Management**

- Who is going to work for you in a management position? If you are the only person in a management position state this and list all of your duties in detail. Do you have another person that will work with you in a management position? If so, state his or her duties in detail.
- List all duties.
- Mention hours and potential schedule.
- Projected Salary or Wage? Specify.
- Include a resume for each person (including yourself) that will be in a management position.
- Do you plan on having additional managers in the future? Do you have a projected timeline for this?

**Business Structure: Personnel**

- Who will be the receptionist?
- Are there any other personnel positions? Clerical Staff? Waitresses? Sales people? Anyone else working for you?
- List specific duties, hours, wages, etc. for each of these employees.
- Include a resume for each person.
• **Business Structure: Outside Services and Advisors**
  - Do you have any outside services and/or advisors?
  - Examples of outside services or advisors: accountant, lawyer, lawn maintenance, cleaning services, etc.
  - Explain what these people do, salary/wage, location, etc.

**The Market Plan**

This section needs to include a thorough explanation of the services/products offered, features/benefits, lifecycles/seasonality, and product/service growth description.

• **Services/Products Offered**

  You need to give a detailed description of all the products and services you are going to offer. If you have any pictures, drawings, etc., put a reference to them and include them in your appendix.

  - Here is an example: Are you a business that sells flowers? If so, include a description of your vendors, what flowers you will have in your stores, what flowers you will not have on hand (but can be ordered), any arrangement service you offer, any delivery services you offer, etc.
  - Mention the pricing. Does it change? Are the prices set for a period of time? How do you set the price (mark-up on cost, mark-up in price, etc.)?
  - Where can people buy your products? Web site? Catalog? Other stores?

• **Features/Benefits**

  This is an explanation of the features and benefits that a customer receives by doing business with you. You need to sell yourself in this section. It is important to think about the benefits that you offer to your customer because that is why they are coming to you instead of your competitor.

  - What are the features of your products?
  - What are the *unique* features of your products?
  - What are the benefits offered by your company to the consumer?
  - What are the *unique* benefits offered by your company to the consumer?

• **Lifecycle and Seasonality**

  Every product has a lifecycle. The stages of introduction, growth, maturity, and decline are all part of the lifecycle. It is important to recognize these stages and be prepared to innovate in order to stay in business.

  - What stage is your product/service in?
- How do you plan to innovate and remain in the growth stage?

In addition to recognizing the lifecycle, you need to recognize seasonality of many products and services. There are some products and services that we all know are definitely seasonal. One example is a tax preparation service. Taxes are due the same date every year. This service is seasonal, with the busy times being March and April. An example of a seasonal product is a snow plow. The busy selling season is during the winter months. Most likely, there is some seasonality to any product or service you are going to offer. Mention that you recognize this fact. State the details of the seasonality and do not forget to write your plan to combat this seasonality. What will you do in the off-season?

- Discuss the seasonality of your product.
- What are the busy months, weeks, etc. for this product/service?
- What are you going to do to make money in the off-season (slow time)?
- Make sure you have a plan.

• **Product and Service Growth Description**

This section needs to include your growth plan.

- Will you introduce new products or services?
- Do you have an estimated timeline?
- How do you plan on keeping up in a fast-paced industry where growth is inevitable?
- Do you foresee any new products or services that will be offered by your competitors? What are you going to do about them? Are you going to offer these products or services too?

• **Risks**

There are always risks when opening a business. Use this section to detail what you believe are the risks involved with opening this business, entering this industry, etc. It is important for you to let your potential lender, as well as yourself, know that you have thought about the risks you face.

**The Market Analysis**

This section is a complete analysis of the market in which you plan on operating in. You will need to do a thorough analysis of your customers and your competitors.

• **Customers**

Your customers are the most important thing to consider when opening a business. Without them you do not have a business.
- Describe your typical customer.
- Define your target market. You may have more than one. If so, give a description of each target market. Example: Young adults, age 16-22, and elderly, age 75+. Include a detailed description with each of these stated segments.
- Include a demographic analysis. Age, gender, income, education, race, etc.
- Where do your customers currently shop? Why will they shop at your store or business?
- Make sure you do not say, “EVERYONE will come to my business.” No matter how much you think your store will be for all age groups, genders, income levels, etc. there is a target market for every business. Figure it out and define it.

**Competitor Analysis**

You need to recognize, understand, and analyze your competitors. Every entrepreneur at one point in time thinks he or she has no competitors, or that he or she in “one of a kind.” That is a great thought, but it is never true. When you do a competitor analysis you need to think of any other alternative a potential customer has than going to your business. For example, a restaurant that is very unique may think there are no restaurants that are a competitor. Wrong! This restaurant owner needs to think about the ability to cook dinner at home, fast food restaurants, casual sit-down restaurants, formal restaurants, etc. All of these are, in some way, a competitor. Your lender will not believe you if you say you have absolutely no competition.

- Who are your closest competitors?
- Who do you consider to be your distant competitors?
- Think about all of the products or services that are offered that could be substitutes.
- Briefly describe each competitor. How are they the same? How are they different?

**Market Potential**

This section is a complete analysis of the potential you have in your market. Now that you have defined who your customers and competitors are, it is time to look at the reality of how much you can actually sell. To do this, it is important to look at your current trade area, the current market and trends, and you current sales potential.
• **Current Trade Area**

You need to analyze the specifics of the area in which you are going to sell your product or service. You need to be reasonable in your estimation. If you have a convenience store on the corner, people are not going to drive across town or across the state to stop by and pick up some milk. You will be dealing with something more like a 3 to 5 mile radius of housing around your store, as well as drive-by (drive-thru) traffic. This is a simple example. Each case is different, but you need to think of your case is a similar way.

- Who are your customers?
- Where are they coming from?
- Are you doing business locally because you have one location in one town, or are you doing business on the Internet where you reach a lot of people?
- Do you have a population count for the area in which you will be selling your products or services?

• **Market Size and Trends**

This is where you need to state the size of your market.

- How many people are in the area you wish to sell your product or service?
- Of that total, how many are in your target market?
- Figure out a mathematical equation that will help you determine possible sales numbers.
- What are the trends in the area? Are businesses like yours on every street corner or are there X number of this type of business in the area?
- Is there a large growth in population going on in the area or has there been a steady growth rate in the area for X number of years? Please be specific.

• **Sales Volume Potential**

- How much do you project that you will sell?
- Give numerical data that will support your projections.

**Marketing Strategies**

This section will outline your entire marketing strategy. Please be specific and do not forget to mention the costs involved and how you will analyze the effectiveness of your advertising.

• **Location and Distribution**
How and where you are going to get your business known by potential customers is the emphasis of this section. You need to specify where you are going to advertise and how.

- Where are you going to advertise? What city, state, region?
- What methods of advertisement have you considered?

**Promotional Strategy**

Outline the specifics about your promotional strategy.

- What methods of advertisement are you going to use? List and describe each.
- How much is it going to cost?
- Describe each method of advertisement in detail. If you are placing an ad in a magazine, for example, make sure you list your reasoning. Why advertise in this magazine? What is the demographic profile of the people who read this magazine (this can usually be obtained from the publisher)? Does the demographic profile match your target market? How frequently will you run the ad? Be very specific.
- Brainstorm about all of the options that you might use in the future to advertise.

**Financial Plan**

- Do you have a total marketing budget? What is it?
- Will this budget increase in the future? Estimated increase?
- Give a distribution. How much will you spend on each advertising medium? (Basically, you need to allocate your funds.)

**Appendix**

This is where you need to include all of the supporting materials of your business plan. You should include all of the things that you feel will help your business plan. The following is a list of items typically included in an appendix:

- Financial Statements
- Sources and Uses of Cash
- Resumes
- Designs/Sketches
- Pictures
- Business License Application
- Patent Information
- Tax Information from last three years
- Etc.
Financial Statements

**PLEASE NOTE** that the financial worksheets, following this outline, will allow you to compile a rough outline of your financial information for your business.

If you are a **start-up** enterprise, the basic financial statements you will deal with include:

- Twelve-Month Income Statement Projections
- Three-year Projected Income Statement Projections
- Three-year Cash Flow Projection.
- Balance Sheet, Current and Projected.
- Sources and Uses of Funds.

If you are an **existing** business, you will also need:

- Income statements for the past three years.
- Balance sheets for the past three years.

**Twelve-Month Income Statement Pro-forma**

This is a monthly financial sheet showing *projections* of income and expenses, broken down into categories. It can also be viewed as a budget, since it shows what you expect to take in versus what you expect to spend.

You need to make the following estimates:

- Sales for the first month.
- Monthly growth rate in percentage or dollars for the first six months.
- Monthly growth rate in percentage or dollars for the second six months.
- Other sales estimates. If your business will have a secondary income (e.g., a beauty salon that also sells shampoo), then you would want to include that in other sales.
- Cost of Goods Sold (this category applies only if you sell an inventory or product).
- Cost of Goods Sold Percentage. You calculate this by using industry averages, past experience, or your own calculations. An example would be an auto dealership that buys a car for $8,000 and sells it for $10,000. They would have a Cost of Goods Sold percentage of 80% (8,000/10,000).
- Monthly Expenses by categories, using either a dollar amount or a percentage figure tied to sales or another figure.
- Interest Expense from your existing loan or the loan that you are applying for (see directly below for details).

For Interest Expense on the Income Statement and Principal Expense on the Statement of Cash Flows, you need to answer three questions as a basis for your calculations:

- What is the amount of your loan?
- At what interest rate?
- For how long (in years)?
Three-Year Projected Income Statement Pro-forma

This is the twelve-month Pro-forma projected in annual figures over three years, with plans for expansion or growth factored in.

For years two and three you will need the following estimates:
- Percentage of Sales Growth.
- Percentage of Other Sales Growth.
- Change in Cost of Goods Sold percentage (if any).
- Percentage increase of Selling and Operating Expenses that you will have to absorb (if any).

To calculate the expenses during the two and three year pro-forma, simply take the percentage of sales amount for each expense and multiply it by the projected growth of your sales.

Example:
If in year 1 you project to have $10,000 in sales and your telephone bill is estimated to be 1% of sales, then your phone bill for year one would be $100 = [10,000 X .01].
In year two you are expecting 10% growth over Year 1, so your new sales forecast would be $11,000 = [(10,000 X .1) + 10,000]. If you project your telephone bill to be 1% of sales for year 2, then your projected bill would be $110 = [110,000 X .01].

Balance Sheet

A balance sheet is a form reflecting your business’ condition as of a particular date. A Balance Sheet is a form listing:
- assets (anything that will give future value to your business)
- liabilities (anything that will cause future costs to your business), and
- owner’s equity (the difference between assets and liabilities, or what you have less what you owe).

To give an example, if your business purchased a new automobile costing $10,000 with $2,000 down and financed the rest, you would create:

Assets of $10,000 (the automobile)
Liability of $8,000 (the loan)
Owner’s Equity of $2,000 (the difference).

Notice how everything stays in "Balance" (i.e., Assets = Liabilities + Owners Equity). Hence the term "Balance Sheet." If you are currently in business, you will want to include a copy of your current balance sheet. Individuals will need to include a personal balance sheet.

(Budget enough working capital to ensure your business maintains a positive cash flow and does not run out of funds.)

A balance sheet is a form reflecting the condition as of a particular date. Fill out this balance sheet projected for the day you open your business (pro forma). Your particular business may require additional categories, and some of those listed below may not apply to you. Adjust your Balance Sheet accordingly.
### Balance Sheet

**Date:**

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td><strong>Current Liabilities</strong></td>
</tr>
<tr>
<td>Cash</td>
<td>Notes Payable</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>Accounts Payable</td>
</tr>
<tr>
<td>Supplies</td>
<td>Accrued Expenses</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td><strong>Total Current Liabilities</strong></td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>Long-Term Liabilities</strong></td>
</tr>
<tr>
<td>$</td>
<td>Installment Debt Payable</td>
</tr>
<tr>
<td><strong>Property, Plant &amp; Equipment</strong></td>
<td><strong>Total Liabilities</strong></td>
</tr>
<tr>
<td>Land</td>
<td><strong>Owner's Equity</strong></td>
</tr>
<tr>
<td>Buildings</td>
<td>paid-in Capital $</td>
</tr>
<tr>
<td>Equipment</td>
<td>Retained Earnings</td>
</tr>
<tr>
<td>Vehicles and Boats</td>
<td><strong>Total Owner's Equity</strong></td>
</tr>
<tr>
<td>Depreciation</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total Net Fixed Assets</strong></td>
<td><strong>Total Liabilities and Equity</strong></td>
</tr>
<tr>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>Total Liabilities and Equity</strong></td>
</tr>
<tr>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

- These two totals must equal.
- Insert book values for all Assets
- This is a contra-Asset: meaning its value is subtracted from the Assets
**Sources and Uses**

This addresses how much money you need and exactly what you are going to do with it. **Sources** include venture capital, loans, mortgages, and equity. **Uses** include purchase of property, construction, equipment, inventory and operating capital. Uses usually include:

- initial purchases of equipment and inventory,
- advertising,
- working capital, and
- deposits.

On this worksheet, you must list all individual sources of funds used to start your business and the Specific uses of this money. Sources must always equal uses.

**Sources & Uses of Cash**

<table>
<thead>
<tr>
<th>Sources</th>
<th>$   Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan from bank</td>
<td>100,000</td>
</tr>
<tr>
<td>Personal Investment</td>
<td>30,000</td>
</tr>
<tr>
<td><strong>Total Sources:</strong></td>
<td>$130,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses</th>
<th>$   Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>50,000</td>
</tr>
<tr>
<td>Initial Inventory</td>
<td>50,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>10,000</td>
</tr>
<tr>
<td>Working Capital:</td>
<td>20,000</td>
</tr>
<tr>
<td><strong>Total Uses:</strong></td>
<td>$130,000</td>
</tr>
</tbody>
</table>

THE NUMBERS BELOW ARE JUST EXAMPLES

Enter all contributed capital (money) from owners, loans, shareholders, whom ever contributes money to the company to fund the

Working capital is the excess money that is left over when all of the Uses are subtracted from the Sources. This cash should be used to fund the company’s cash flow.

**Total Uses equals total sources (Add all Uses plus Working capital.)**
Projected Income Statement & Cash Flows

The best way to start your projection is to enter the per-month Gross Sales amount and then enter in applicable expenses.

<table>
<thead>
<tr>
<th>-Your Company's Name-</th>
<th>Projected Income Statement</th>
<th>Month</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Sales</strong></td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Sales</td>
<td>10,000</td>
<td>20,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Sales</strong></td>
<td>10,000</td>
<td>20,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cost of Sales</strong></td>
<td></td>
<td>1</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>6,000</td>
<td>12,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Cost of Sales</strong></td>
<td>6,000</td>
<td>12,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>4,000</td>
<td>8,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Expenses              |                           | 1    | 2 | | |
| Advertising           | 1,000                     | 1,000  | | | |
| Bank Service Charges  | 100                       | 100   | | | |
| Depreciation Exp.**   | 200                       | 200   | | | |
| Insurance             | 50                        | 50    | | | |
| Interest Expense-     | 100                       | 98    | | | |
| Loan                  |                           | 1,500 | 1,500 | | |
| Rent – Property       |                           | 1,500 | 1,500 | | |
| Repairs and Maint.    | 100                       | 100   | | | |
| Supplies-Office       | 100                       | 100   | | | |
| Telephone             | 250                       | 300   | | | |
| Utilities             | 600                       | 600   | | | |
| Wages                 | 1,000                     | 1,000  | | | |
| Wage Expense          | 170                       | 170   | | | |
| Misc                  | 100                       | 100   | | | |
| **Total Expenses**    | 4,370                     | 4,418 | | | |

| Other Income          |                           | 3,582 | | | |
| Other Expense         |                           |       | | | |

| Net Income (Loss)     | (370)                     | 3,582  | | | |

| -Your Company's Name- | Statement of Cash Flows | | | |
|-----------------------|--------------------------|---|---|---|---|
| Net Income            | (370)                    | 3,582 | | | |
| Depreciation          | + 200                    | 200   | | | |
| Principal on Loan     | - (900)                  | (902) | | | |
| Owner’s Draw          | - (2,000)                | (2,000) | | | |
| Net Cash Position     | = (3,070)                | 880   | | | |
| Previous Cash Position| 20,000                   | 16,930| | | |

| Cumulative Cash Position | 16,930 | 17,810 | | | |

Expenses are everyday costs that you will incur throughout the life of the business *Note: Startup Expenses should NOT be included.

Notice how the Costs of Goods Sold changes with Sales

Gross Sales = Total Sales (minus) Cost of Goods Sold

Net Income = Gross Margin (minus) Total Expenses

Depreciation is NOT a cash outflow. Therefore, add it back to the Cash Flow

Not applicable to corporations
Add months 1-12 to get annual Totals.

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<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>Total</th>
<th>%</th>
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</table>

The percentages are calculated by dividing each item by the Total Sales (i.e. 12,000/30,000= 0.4 or 40%).

Percentages are not applicable in the Statement of Cash Flows.

Because this is the total year’s cash flow, you must use the starting amount as the Previous Cash Position.

(1,802) (2,990)
(4,000) 20,000

3,212 17,010
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