

A Closer Look

Using the Financial Template

A Microsoft Excel template is provided with this program to save hours of time in creating a budget for your Business Plan. When you initially access the file from www.fasttrac.org/resource-center, Excel may prompt you to “Enable Macros.” You must enable macros to use the full features of the template.

*****If you are using a Mac with OS 10.0 or higher and Office 2008, you will need to download the Financial Template on a PC, enable the macros, complete the Company Info worksheet, save it to a thumb drive and then you can perform your work on a Mac, but will need to return to a PC to utilize the print buttons.**

*****If you are using Office 2011, you will not need to worry about the issue above, as VBA macros are supported in this release of Office for the Mac.**

The template consists of worksheets (where you enter data) and forecasted financial statements and ratio analysis (both automatically generated by the template). You may choose to include the worksheets in the Appendix of your plan. The financial statements and ratio analysis are part of the financial section of the Business Plan.

NOTE: The Financial Template is not designed for columns or rows to be added or deleted. By doing so, you run the risk of losing or corrupting the preset calculations, which have been established in other sections of the Financial Template. Throughout the template only enter positive numbers (without commas). The only exception is if you have an established company with a loss in your Retained Earnings account. That number must be entered as a negative on the Historical Balance Sheet on the Existing Company Set-Up Worksheet.

Features of the Financial Template

Many features have been built into the template to make it easy to use:

1. Worksheets are presented in a logical sequence for projecting financial information. You should step through the worksheets in the order they are presented. You can always go back and make adjustments or change assumptions as you see how the plan works out.
2. Tips/comments are included throughout the template to provide additional information on the template or the budgeting process. Placing your cursor on any cell that has a red triangle will access these tips/comments.
3. Printing your instructions, worksheets, and financial information is easy with the print buttons provided on each worksheet. The Print Options Worksheet lists all printing options included within the template. Be sure to “Enable Macros” upon entering the template to use the print buttons.
4. Additional functions are provided on the Financial Template for your convenience:
 - **Amortization Schedule** – This function figures your principal and interest payments on your loans.
 - **Print Options** – With one click, print out your choice of instructions, worksheets, or financial statements.

Steps in Using the Financial Template

The following steps for using the Financial Template are detailed below:

- Step 1 Download and save the template.
- Step 2 Set up the template.
- Step 3 Enter your budget information.
- Step 4 Print the financial statements.

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Step 1 Download and save the template. When you first open the Financial Template at www.fasttrac.org/toolkits, we recommend you enable macros and save the file to your hard drive. Then save the file again using another name. Renaming the file will allow you to keep a fresh version of the template if you want to create another plan.

- Open the Financial Template.
- From the File menu, select Save As
- Save the document as MyFinancials.xls or MyFinancials.xlsm on your own disk or hard drive.
- Continue to save the document as you make changes to it. Store a backup copy in a safe place.

Step 2 Set up the template. After reading the Introduction Worksheet, complete the following worksheets to set up the template prior to entering your budget information.

Company Information Worksheet

The Company Information Worksheet sets up your template by asking five questions about your business. Be sure to answer every question because the answers will help tailor the template to your specific business operations. For example, if you answer *yes* to the question in Step 4, “Is your business solely a service provider? (Yes or No),” the Inventory Worksheet will not become part of your template, since service providers generally do not need to budget for inventory.

In response to your answer to the question in Step 3, “Is your company a start-up (no historical financial data to enter)? (Yes or No),” the template will prompt you to use one of the following set-up worksheets. If you enter *no* the Existing Company Set-Up Worksheet will be available on the Financial Template. If you enter *yes* the Start-Up Company Set-Up Worksheet will be available. Until you answer this question, neither worksheet is available on the Financial Template.

Existing Company Set-Up Worksheet

In the Existing Company Set-Up Worksheet, you will enter your most recent Balance Sheet figures in the Historical Balance Sheet. These figures will be used as a basis to project ongoing financial reports. To build reliable financial projections, start with numbers you trust are correct.

The Balance Sheet

The Balance Sheet requests information in the following categories:

Cash – Enter the dollar amount for cash and other equivalents from your current Balance Sheet. Other equivalents may include savings accounts, money market accounts, petty cash fund, or various checking accounts.

Accounts Receivable – Enter the dollar amount owed to the company for previously sold products and services.

Inventory – Enter the dollar amount of inventory that reflects previous purchases of products and raw materials. If you are a manufacturing business, enter the dollar amount of inventory that reflects previously incurred expenses for Cost of Goods Sold (labor) and Cost of Goods Sold (overhead).

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Security Deposits – Enter the dollar amount paid out for security deposits. Security deposits are not typical costs; they are considered assets because they retain value.

Other Current Assets – Enter the dollar amount of any other current assets. A current asset is something of value that you expect to turn into cash within one year.

Property, Plant, & Equipment – Enter the amount of each asset category in the related account and enter the amount of total accumulated depreciation in the corresponding depreciation account.

Non-Current Assets – Enter the amount of non-current assets that are not reported in Property, Plant, & Equipment. A non-current asset is something of value that you do not expect to turn into cash within one year.

Accounts Payable (Suppliers) – Enter the amount of money owed to suppliers.

Line of Credit – Enter the principal balance due on an existing line of credit. Do not enter the available balance.

Other Current Liabilities – Enter the dollar amount owed for current liabilities. A current liability is an obligation that is expected to be paid within one year.

Loans – Enter the principal balance of loans outstanding.

Real Estate Loans – Enter the principal balance owed on real estate loans.

Other Non-Current Liabilities – Enter the dollar amount owed for non-current liabilities. A non-current liability is an obligation that is expected to be paid more than one year from now.

Owner's Equity – If the company is a sole proprietorship or partnership, enter the amount of equity previously invested in the company. If the company is an LLC, LLP, S Corp, or C Corp, enter the amount of equity invested.

Retained Earnings – Enter the amount of profits that have been retained in the business. Enter a negative number for a loss.

Owner's & Investor's Draws – Enter the amount of equity that has been withdrawn from the company for owner's or investor's withdrawals. This account is not to be used by C corporations.

Payoff Schedule

Existing businesses may need to complete a payoff schedule located at the bottom of the Existing Company Set-Up Worksheet. The purpose of the payoff schedule is to record the collection or payment of cash that changes a balance in assets or liabilities. Identify the situations that apply to the following accounts on your Balance Sheet:

Other Current Assets or Non-Current Assets – If you will be receiving cash payments to reduce a balance in Other Current Assets or Other Non-Current Assets, record those payments in the appropriate months. If the balance is a prepayment amount that you expect to remain consistent from year to year, such as insurance, you do not need to enter anything. The balance will be carried forward to future years in the Year-End Balance Sheet.

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Accounts Payable – If you have a balance in your Accounts Payable account, enter your payments towards these obligations in the appropriate months. For future periods, it is assumed that Operating Expenses are paid with cash and Inventory Purchases may be cash or credit. If you do not enter a payment schedule for existing Accounts Payable, the balance will be carried forward indefinitely.

Other Current Liabilities or Non-Current Liabilities – If you will be making payments toward Other Current Liabilities or Non-Current Liabilities, enter those payments in the appropriate months. If the balance is an accrual that you expect to remain from year to year, (such as Accrued Payroll) you do not need to enter anything.

Note: Payments on your Line of Credit, Long-Term, or Real Estate Loans should NOT be entered in the payoff schedule. Use the Equity & Debt Worksheet to record payment of principal and interest relating to these loans.

Start-Up Company Set-Up Worksheet

If you enter *yes* to the question in Step 3 on the Company Information Worksheet, the Start-Up Company Set-Up Worksheet will become part of your personalized Financial Template. Detailed instructions in the worksheet will direct you through the process of entering start-up estimates.

If you are starting a business, complete the Start-Up Company Set-Up Worksheet based on the financial information you have collected through research. You will be asked how much money you and your investors will initially put into the company, as well as the amount you plan to borrow and the expenditures you expect to make before you open the doors.

Step 3 Enter your budget information. The next five worksheets—Sales, Inventory, Operating Expenses, Capital Budget, Equity & Debt—ask you to record budget decisions for the next three years. The Financial Template utilizes the information you enter on these worksheets to automatically generate the financial statements you need to include in the Business Plan. The following detailed instructions for each budgeting worksheet should guide you.

Sales Worksheet

On this worksheet you will record the monthly sales you expect to receive for the first three years in the planning period. To get an accurate picture of your sales forecasts and how your sales affect your cash flow, you will be asked these questions:

1. What percentage of sales is made to customers paying cash (credit cards included)?
2. How long on average does it take to collect credit sales?
3. What percentage of credit sales is considered bad debts (invoices that are uncollectible)?
4. What percentage of credit sales is estimated for returns and allowances (products returned for one reason or another)?

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Start entering sales amounts in the first month you expect to receive sales. You can customize the worksheet by entering product/service names in the areas provided. If you sell many products or services, group them into categories for your sales estimates.

In addition to monthly sales, you may receive money from activities unrelated to your primary business activity. The template provides a category called Other Income for you to enter these amounts.

An important part of this worksheet is the section for your assumptions. Base each sales assumption on researched facts or historical information and be as clear and thorough as possible. This information will help you remember the details supporting the numbers and will help readers of your plan understand the basis for your estimates. For example, an assumption for Returns and Allowances might read, “Estimated at .25% based on industry averages for boutique operations.” The source of the industry statistic should be included directly after the assumption. The space to enter these assumptions is limited, so be concise. You may choose to provide additional worksheets in the Appendix of the plan to further explain your assumptions.

Tip Be careful to avoid duplication when entering expenses. For example, expenses for production employees should only be entered on the Inventory Worksheet. All other payroll expenses should be entered on the Operating Expenses Worksheet.

Inventory Worksheet (if applicable)

If you answer *no* to the question in Step 4 on the Company Information Worksheet, “Is your business solely a service provider? (Yes or No),” this worksheet will become part of your personalized Financial Template. All product-based businesses, such as retailers and manufacturers, should complete this worksheet to build an inventory budget. Service businesses that sell products should also complete it.

To accurately budget for inventory needs, you will be asked these questions:

1. What percentage of sales comes from products?
2. What percentage of sales is the average Cost of Goods Sold for your products?
3. How much inventory or raw materials will you be purchasing? Will you be buying some of this on credit? What is the average number of months you are allowed before payment is due?
4. Do you produce inventory in your own plant? What are your production expenses? The categories on the Inventory Worksheet cover common expenses. Use the Other Production Expenses category if your expenses do not fit into those listed.

For each inventory or raw material amount, you will write an assumption about how that estimate was determined. Base each assumption on facts researched and be as clear and thorough as possible. For example, the inventory/raw material purchases of \$15,000 for a winery may include the assumption, “15 tons of grapes at \$800 per ton and \$3,000 inventory to stock gift shop.”

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□ Operating Expenses Worksheet

On this worksheet you will enter the monthly amount you expect to pay for operating expenses, such as non-production payroll, marketing, and rent expenses. Your historical financial data and additional information researched will be helpful in completing this worksheet. Because it is easy to overlook some expenses, you will be reminded throughout this program to evaluate the expenses for each functional area of business. If you have expenses that do not fit the listed categories, you can rename the “Other” categories at the end of the list.

Write an assumption about how each estimate was determined. For example, a company that publishes a small magazine included this assumption for salaries, “Designer @ \$1750/mo beg. in Aug; Editor @ \$60K/yr beg. Sept; Promotions Mgr @ \$30K, Ad Director @ \$1K/mo + 15% comm., Publisher @ \$60K/yr.”

□ Capital Budget Worksheet

On the Capital Budget Worksheet you will enter all cash expenditures that are not considered expenses and are not deducted from revenue to determine profitability. These non-expense cash expenditures, which have a significant impact on your cash flow, include the following:

- | Capital Expenditures | Other Expenditures |
|--------------------------|-----------------------------------|
| • Computer Equipment | • Prepaid Expenses |
| • Equipment & Machinery | • Security Deposits |
| • Furniture & Fixtures | • Payouts to Owners and Investors |
| • Leasehold Improvements | |
| • Vehicles | |
| • Building | |
| • Land | |

The different sections of the Capital Budget Worksheet will guide you through the process of recording the cash you expect to spend for non-expense cash expenditures. The instructions for each section in the template will help you determine which sections pertain to your business. Through this process you will identify:

- Depreciation on existing capital assets (for example, equipment, furniture, vehicles)
- Depreciation on future capital purchases
- Other capital expenditures (for example, owner’s draws, dividend payments)

Payouts to Owners and Investors

Equity distributions, or payouts to owners and investors, are called by different names, depending on the legal structure of the business. In sole proprietorships, the owner can receive a check at any time for compensation, called an *owner’s draw*. Corporations call payouts to owners a *dividend*. Limited liability companies call it a *distribution*. It can also be called a *payout* or *draw*. No matter what it is called, it amounts to a reduction in equity.

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Equity & Debt Worksheet

On the Equity & Debt Worksheet enter the cash you receive for items other than revenue, including equity investments and loan proceeds. This worksheet is divided into several sections that represent the type of funding—equity or debt—you will likely seek. Evaluate the questions in each section of the worksheet to determine if you will seek that form of funding. If they apply, you will record the equity investment, new loans received, and loan payments on existing and new loans. You will be asked these questions:

1. How much of your own cash and/or other investors' cash will be sought as equity?
2. Do you have an existing loan on real estate (building, land) or are you planning to seek a real estate loan during the planning period?
3. Do you have an existing business loan or are you going to acquire a business loan for start-up, operations or growth of the business?
4. Do you have an existing line of credit (a short-term loan used to cover cash shortfalls as they occur) or are you planning to get a line of credit?

An analysis tool—Section E Cash Position—is provided that shows the current cash balances based on all the spending and sales forecasts as well as borrowing and equity investments you have budgeted to this point in the process. You will be prompted to evaluate the cash balance to determine if it is sufficient to support the start-up, daily operations, and growth of your company. Several options are provided for you to consider if you still find the business needs additional cash to support operations.

Step 4 Print the financial statements. Use the Print Options Worksheet to print the Financial Statements to include in the Business Plan:

- Monthly Income Statement
- Monthly Cash Flow Report
- Year-End Income Statement
- Year-End Balance Sheet
- Financial Analysis/Ratios

The worksheets you used to forecast the information are also a useful resource for your Business Plan. Use the Print Options Worksheet to print the following worksheets that apply. These worksheets should be included in the Appendix of your Business Plan.

- Existing Company Set-Up Worksheet's Historical Balance Sheet or Start-Up Company Set-Up Worksheet's Start-Up Funding & Expenditures Worksheet
- Sales Worksheet
- Inventory Worksheet
- Operating Expenses Worksheet
- Capital Budget Worksheet
- Equity & Debt Worksheet
- Amortization Schedule