



## Jolly's Java and Bakery January, 2001

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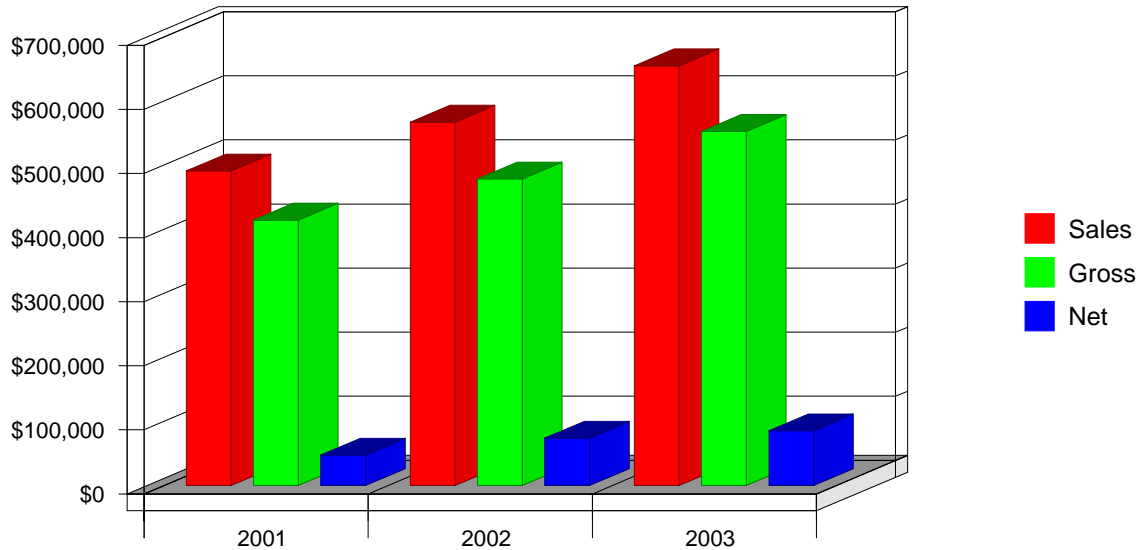
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## 1.0 Executive Summary

Jolly's Java and Bakery (JJB) is a start-up coffee and bakery retail establishment located in southwest Washington. JJB expects to catch the interest of a regular loyal customer base with its broad variety of coffee and pastry products. JJB will be operating in a town with very little coffee shop competition.

### Highlights



## 1.1 Mission

JJB aims to offer high quality coffee, espresso, and pastry products at a competitive price to meet the demand of the middle- to higher-income local market area residents and tourists.

## 1.2 Keys To Success

Keys to success for JJB will include:

1. Providing the highest quality product with personal customer service.
2. Competitive pricing.

## 2.0 Company Summary

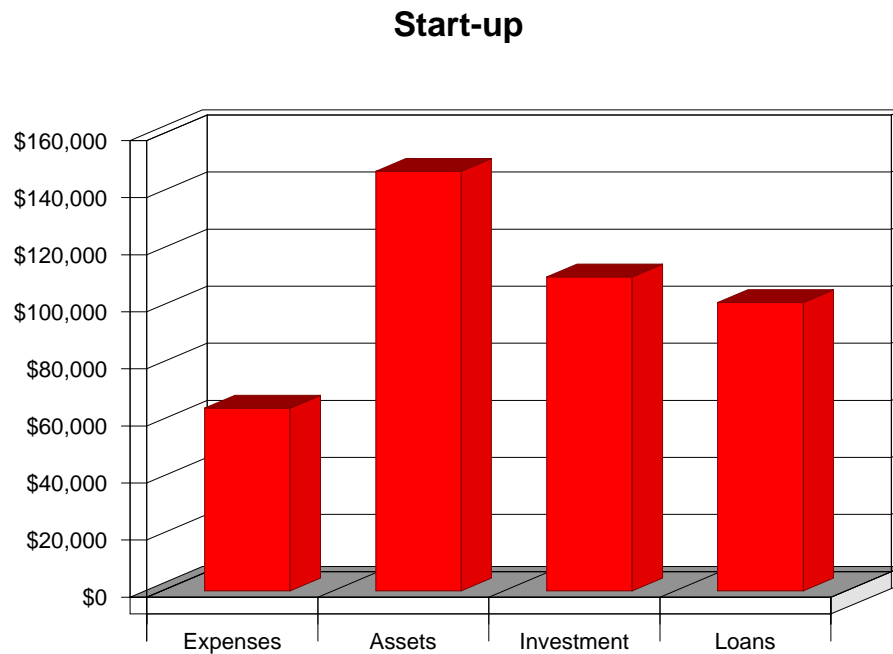
JJB is a bakery and coffee shop managed by two partners. These partners represent sales/management and finance/administration areas, respectively. The partners will provide funding from their own savings, which will cover start-up expenses and provide a financial cushion for the first months of operation. A ten-year Small Business Administration (SBA) loan will cover the rest of the required financing. The company plans to build a strong market position in the town, due to the partners' industry experience and mild competitive climate in the area.

## 2.1 Company ownership

JJB is incorporated in the state of Washington. It is equally owned by its two partners.

## 2.2 Company History

JJB is a start-up company. Financing will come from the partners' capital and a ten-year SBA loan. The following chart and table illustrate the company's projected initial start-up costs.



**Table 2.2: Start-up**

Start-up Plan	
Start-up Expenses	
Legal	\$3,000
Premise renovation	\$20,000
Expensed equipment	\$40,000
Other	\$1,000
Total Start-up Expense	\$64,000
Start-up Assets Needed	
Cash Requirements	\$70,000
Other Short-term Assets	\$12,000
Total Short-term Assets	\$82,000
Long-term Assets	\$65,000
Total Assets	\$147,000
Total Start-up Requirements:	\$211,000
Left to finance:	\$0
Start-up Funding Plan	
Investment	
Patterson	\$55,000
Fields	\$55,000
Other	\$0
Total investment	\$110,000
Short-term Liabilities	
Unpaid Expenses	\$1,000
Short-term Loans	\$0
Interest-free Short-term Loans	\$0
Subtotal Short-term Liabilities	\$1,000
Long-term Liabilities	\$100,000
Total Liabilities	\$101,000
Loss at Start-up	(\$64,000)
Total Capital	\$46,000
Total Capital and Liabilities	\$147,000
Checkline	\$0

### 3.0 Product/Service Description

JJB offers a broad range of coffee and espresso products, all from high quality Columbian grown imported coffee beans. JJB caters to all of its customers by providing each customer coffee and espresso products made to suit the customer, down to the smallest detail.

The bakery provides freshly prepared bakery and pastry products at all times during business operations. Six to eight moderate batches of bakery and pastry products are prepared during the day to assure fresh baked goods are always available.

## 4.0 Market Analysis

JJB's focus is on meeting the demand of a regular local resident customer base, as well as a significant level of tourist traffic from nearby highways.

### 4.1 Market Segmentation

JJB focuses on the middle- and upper-income markets. These market segments consume the majority of coffee and espresso products.

#### Local Residents

JJB wants to establish a large regular customer base. This will establish a healthy, consistent revenue base to ensure stability of the business.

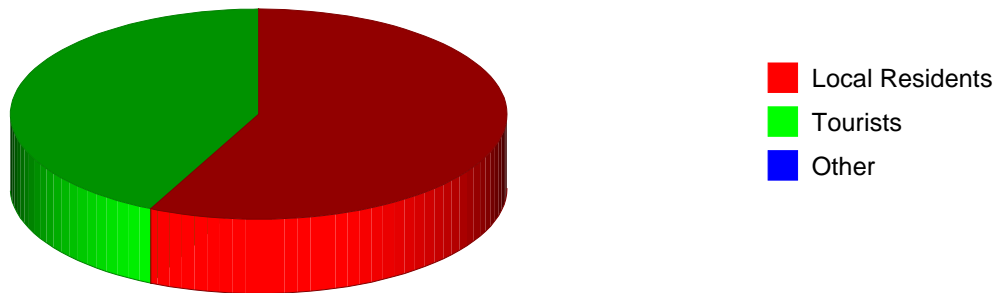
#### Tourists

Tourist traffic comprises approximately 35% of the revenues. High visibility and competitive products and service are critical to capture this segment of the market.

### 4.1.1 Market Analysis

The chart and table below outline the total market potential of the above described customer segments.

**Market Analysis (Pie)**



**Table 4.1.1: Market Analysis**

Market Analysis	Growth	2001	2002	2003	2004	2005	CAGR
Potential Customers							
Local Residents	20%	200,000	240,000	288,000	345,600	414,720	20.00%
Tourists	15%	150,000	172,500	198,375	228,131	262,351	15.00%
Other	0%	0	0	0	0	0	0.00%
Total	17.93%	350,000	412,500	486,375	573,731	677,071	17.93%

### 4.2 Target Market Segment Strategy

The dominant target market for JJB is a regular stream of local residents. Personal and expedient customer service at a competitive price is key to maintaining the local market share of this target market.



## 4.2.1 Market Needs

Because Washington has a cool climate for eight months out of the year, hot coffee products are very much in demand. During the remaining warmer four months of the year, iced coffee products are in significantly high demand, along with a slower but consistent demand for hot coffee products. Much of the day's activity occurs in the morning hours before ten a.m., with a relatively steady flow for the remainder of the day.

## 4.3 Service Business Analysis

The retail coffee industry in the U.S. has recently experienced rapid growth. The cool marine climate in southwest Washington stimulates consumption of hot beverages throughout the year. Coffee drinkers in the Pacific Northwest are finicky about the quality of beverages offered at the numerous coffee bars across the region. Despite low competition in the immediate area, JJB will position itself as a place where customers can enjoy a cup of delicious coffee with a fresh pastry in a relaxing environment.

### 4.3.1 Competition and Buying Patterns

Competition in the local area is somewhat sparse and does not provide nearly the level of product quality and customer service as JJB. Local customers are looking for a high quality product in a relaxing atmosphere. They desire a unique, classy experience.

Leading competitors purchase and roast high quality, whole-bean coffees and, along with Italian-style espresso beverages, cold-blended beverages, a variety of pastries and confections, coffee-related accessories and equipment, and a line of premium teas, sell these items primarily through company-operated retail stores. In addition to sales through company-operated retail stores, leading competitors sell coffee and tea products through other channels of distribution (specialty operations).

Larger chains vary their product mix depending upon the size of each store and its location. Larger stores carry a broad selection of whole bean coffees in various sizes and types of packaging, as well as an assortment of coffee- and espresso-making equipment and accessories such as coffee grinders, coffee makers, espresso machines, coffee filters, storage containers, travel tumblers and mugs. Smaller stores and kiosks typically sell a full line of coffee beverages, a more limited selection of whole-bean coffees, and a few accessories such as travel tumblers and logo mugs. During fiscal year 2000, industry retail sales mix by product type was approximately 73% beverages, 14% food items, eight percent whole-bean coffees, and five percent coffee-making equipment and accessories.

Technologically savvy competitors make fresh coffee and coffee-related products conveniently available via mail order and online. Additionally, mail order catalogs offering coffees, certain food items, and select coffee-making equipment and accessories, have been made available by a few larger competitors. Websites offering online stores that allow customers to browse for and purchase coffee, gifts, and other items via the Internet have become more commonplace as well.

## 5.0 Strategy and Implementation

JJB will succeed by offering consumers high quality coffee, espresso, and bakery products with personal service at a competitive price.

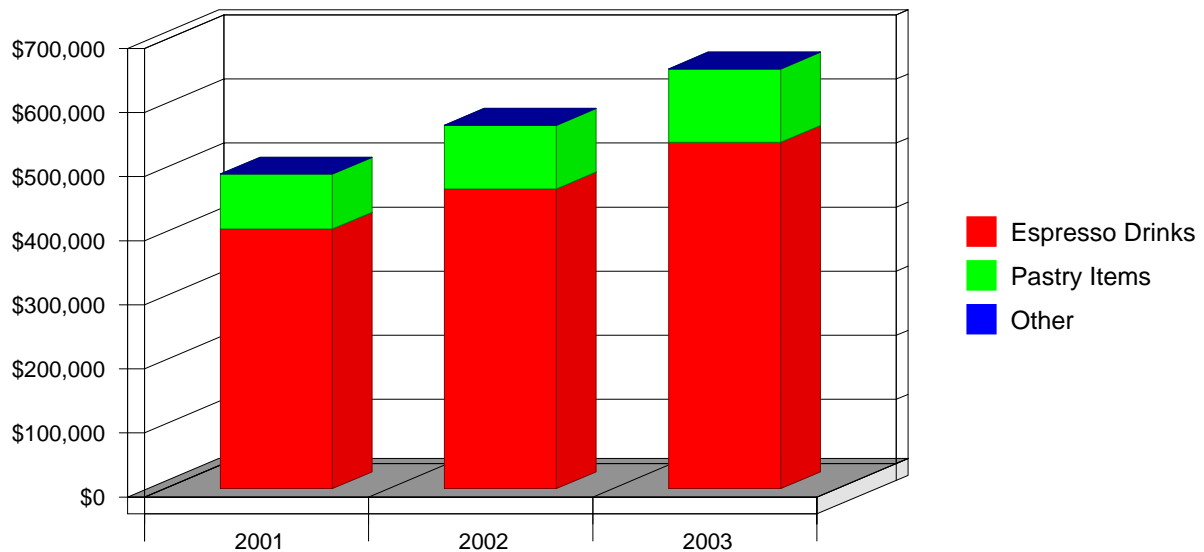
## 5.1 Competitive Edge

JJB's competitive edge is the relatively low level of competition in the local area in this particular niche.

## 5.2 Marketing Strategy

As the chart and table show, JJB anticipates sales of about \$491,000 in the first year, \$567,000 in the second year, and \$655,000 in the third year of the plan.

**Sales by Year**



**Table 5.2: Sales Forecast**

Sales Forecast			
Unit Sales	2001	2002	2003
Espresso Drinks	135,000	148,500	163,350
Pastry Items	86,000	94,600	104,060
Other	0	0	0
Total Unit Sales	221,000	243,100	267,410
Unit Prices	2001	2002	2003
Espresso Drinks	\$3.00	\$3.15	\$3.31
Pastry Items	\$1.00	\$1.05	\$1.10
Other	\$0.00	\$0.00	\$0.00
Sales			
Espresso Drinks	\$405,000	\$467,775	\$540,280
Pastry Items	\$86,000	\$99,330	\$114,726
Other	\$0	\$0	\$0
Total Sales	\$491,000	\$567,105	\$655,006
Direct Unit Costs	2001	2002	2003
Espresso Drinks	\$0.25	\$0.26	\$0.28
Pastry Items	\$0.50	\$0.53	\$0.55
Other	\$0.00	\$0.00	\$0.00
Direct Cost of Sales	2001	2002	2003
Espresso Drinks	\$33,750	\$38,981	\$45,023
Pastry Items	\$43,000	\$49,665	\$57,363
Other	\$0	\$0	\$0
Subtotal Direct Cost of Sales	\$76,750	\$88,646	\$102,386

## 6.0 Management Team

Austin Patterson has extensive experience in sales, marketing, and management, and was vice president of marketing with both Jansonne & Jansonne and Burper Foods. David Fields brings experience in the area of finance and administration, including a stint as chief financial officer with both Flaxfield Roasters and the national coffee store chain, BuzzCups.

## 6.1 Personnel Plan

As the personnel plan shows, JJB expects to make significant investments in sales, sales support, and product development personnel.

**Table 6.1: Personnel**

Personnel Plan	2001	2002	2003
Personnel			
Managers	\$100,000	\$105,000	\$110,250
Baristas	\$120,000	\$126,000	\$132,300
Other	\$0	\$0	\$0
Total Payroll	\$220,000	\$231,000	\$242,550
Total Headcount	8	8	8
Payroll Burden	\$33,000	\$34,650	\$36,383
Total Payroll Expenditures	\$253,000	\$265,650	\$278,933

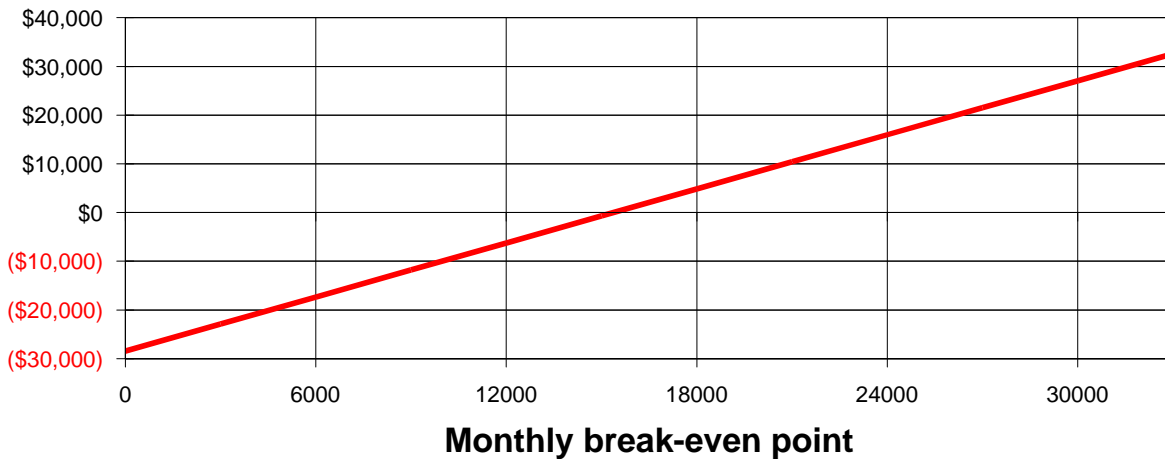
## 7.0 Financial Plan

JJB expects to raise \$110,000 of its own capital, and to borrow \$100,000 guaranteed by the SBA as a ten-year loan. This provides the bulk of the current financing required.

### 7.1 Break-even Analysis

JJB's Break-even Analysis is based on the average of the first-year figures for total sales by units, and by operating expenses. These are presented as per-unit revenue, per-unit cost, and fixed costs. These conservative assumptions make for a more accurate estimate of real risk. JJB should break even by the third month of its operation as it steadily increases its sales.

#### Break-even Analysis



Break-even point = where line intersects with 0

**Table 7.1: Break-even Analysis**

Break-even Analysis:	
Monthly Units Break-even	15,369
Monthly Sales Break-even	\$33,812
Assumptions:	
Average Per-Unit Revenue	\$2.20
Average Per-Unit Variable Cost	\$0.35
Estimated Monthly Fixed Cost	\$28,433

## 7.2 Projected Profit and Loss

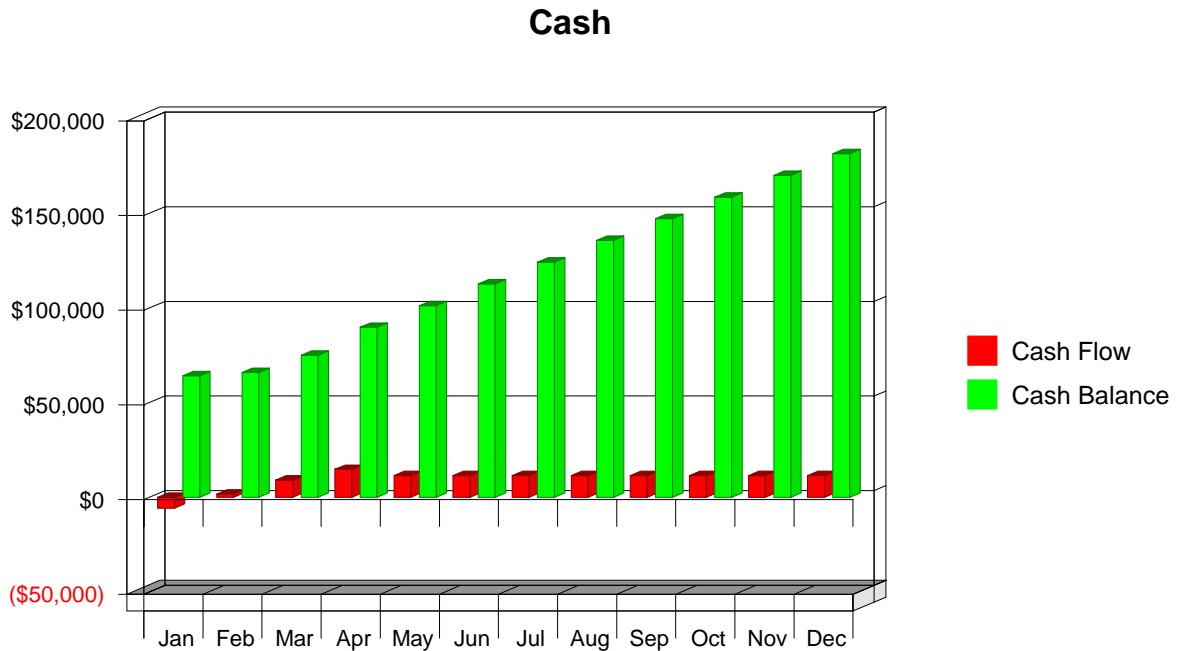
As the Profit and Loss table shows, JJB expects to continue its steady growth in profitability over the next three years of operations.

**Table 7.2: Profit and Loss**

Profit and Loss (Income Statement)	2001	2002	2003
Sales	\$491,000	\$567,105	\$655,006
Direct Cost of Sales	\$76,750	\$88,646	\$102,386
Other	\$0	\$0	\$0
	-----	-----	-----
Total Cost of Sales	\$76,750	\$88,646	\$102,386
Gross Margin	\$414,250	\$478,459	\$552,620
Gross Margin %	84.37%	84.37%	84.37%
Operating expenses:			
Advertising/Promotion	\$2,400	\$10,000	\$45,000
Rent	\$24,000	\$25,200	\$26,460
Payroll Expense	\$220,000	\$231,000	\$242,550
Payroll Burden	\$33,000	\$34,650	\$36,383
Depreciation	\$60,000	\$69,000	\$79,350
Utilities	\$1,200	\$1,260	\$1,323
Other	\$600	\$0	\$0
	-----	-----	-----
Total Operating Expenses	\$341,200	\$371,110	\$431,066
Profit Before Interest and Taxes	\$73,050	\$107,349	\$121,554
Interest Expense Short-term	\$0	\$0	\$0
Interest Expense Long-term	\$9,673	\$8,887	\$7,637
Taxes Incurred	\$15,844	\$24,616	\$28,479
Extraordinary Items	\$0	\$0	\$0
Net Profit	\$47,533	\$73,847	\$85,438
Net Profit/Sales	9.68%	13.02%	13.04%

### 7.3 Projected Cash Flow

The cash flow projection shows that provisions for ongoing expenses are adequate to meet JJB's needs as the business generates cash flow sufficient to support operations.



**Table 7.3: Cash Flow**

Pro-Forma Cash Flow			
	2001	2002	2003
Net Profit	\$47,533	\$73,847	\$85,438
Plus:			
Depreciation	\$60,000	\$69,000	\$79,350
Change in Accounts Payable	\$10,131	\$1,904	\$4,276
Current Borrowing (repayment)	\$0	\$0	\$0
Increase (decrease) Other Liabilities	\$0	\$0	\$0
Long-term Borrowing (repayment)	(\$6,134)	(\$10,000)	(\$15,000)
Capital Input	\$0	\$0	\$0
Subtotal	\$111,529	\$134,751	\$154,064
Less:	2001	2002	2003
Change in Other Short-term Assets	\$0	\$0	\$0
Capital Expenditure	\$0	\$20,000	\$20,000
Dividends	\$0	\$0	\$0
Subtotal	\$0	\$20,000	\$20,000
Net Cash Flow	\$111,529	\$114,751	\$134,064
Cash Balance	\$181,529	\$296,280	\$430,344

## 7.4 Balance Sheet

The following is a projected Balance Sheet for JJB.

**Table 7.4: Balance Sheet**

Pro-forma Balance Sheet

Assets	2001	2002	2003
Short-term Assets			
Cash	\$181,529	\$296,280	\$430,344
Other Short-term Assets	\$12,000	\$12,000	\$12,000
Total Short-term Assets	\$193,529	\$308,280	\$442,344
Long-term Assets			
Capital Assets	\$65,000	\$85,000	\$105,000
Accumulated Depreciation	\$60,000	\$129,000	\$208,350
Total Long-term Assets	\$5,000	(\$44,000)	(\$103,350)
Total Assets	\$198,529	\$264,280	\$338,994
Liabilities and Capital			
	2001	2002	2003
Accounts Payable	\$11,131	\$13,035	\$17,311
Short-term Notes	\$0	\$0	\$0
Other Short-term Liabilities	\$0	\$0	\$0
Subtotal Short-term Liabilities	\$11,131	\$13,035	\$17,311
Long-term Liabilities	\$93,866	\$83,866	\$68,866
Total Liabilities	\$104,996	\$96,901	\$86,177
Paid in Capital	\$110,000	\$110,000	\$110,000
Retained Earnings	(\$64,000)	(\$16,467)	\$57,380
Earnings	\$47,533	\$73,847	\$85,438
Total Capital	\$93,533	\$167,380	\$252,818
Total Liabilities and Capital	\$198,529	\$264,280	\$338,994
Net Worth	\$93,533	\$167,380	\$252,818



## 7.5 Business Ratios

The following table represents key ratios for the retail bakery and coffee shop industry. These ratios are determined by the Standard Industry Classification (SIC) Index.

**Table 7.5: Ratios**

Ratio Analysis	2001	2002	2003	Industry Profile
Sales Growth	0.00%	115.50%	115.50%	7.60%
Percent of Total Assets	2001	2002	2003	Industry Profile
Accounts Receivable	0.00%	0.00%	0.00%	4.50%
Inventory	0.00%	0.00%	0.00%	3.60%
Other Short-term Assets	6.04%	4.54%	3.54%	35.60%
Total Short-term Assets	97.48%	116.65%	130.49%	43.70%
Long-term Assets	2.52%	-16.65%	-30.49%	56.30%
Total Assets	100.00%	100.00%	100.00%	100.00%
Other Short-term Liabilities	0.00%	0.00%	0.00%	32.70%
Subtotal Short-term Liabilities	5.61%	4.93%	5.11%	23.10%
Long-term Liabilities	47.28%	31.73%	20.31%	28.50%
Total Liabilities	52.89%	36.67%	25.42%	61.20%
Net Worth	47.11%	63.33%	74.58%	38.80%
Percent of Sales	2001	2002	2003	Industry Profile
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	84.37%	84.37%	84.37%	60.50%
Selling, General & Administrative Expenses	74.69%	71.35%	71.32%	39.80%
Advertising Expenses	0.49%	1.76%	6.87%	3.20%
Profit Before Interest and Taxes	14.88%	18.93%	18.56%	0.70%
Ratios	2001	2002	2003	Industry Profile
Current	17.39	23.65	25.55	0.98
Quick	17.39	23.65	25.55	0.65
Total Debt to Total Assets	52.89%	36.67%	25.42%	61.20%
Pre-Tax Return on Net Worth	88.44%	69.44%	51.10%	1.70%
Pre-Tax Return on Assets	41.67%	43.98%	38.11%	4.30%

## Appendix: Jolly's Java and Bakery

**Table 5.2 Sales Forecast**

Sales Forecast												
Unit Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Espresso Drinks	5,000	7,500	10,000	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Pastry Items	2,000	3,000	6,000	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333
Other	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Unit Sales</b>	<b>7,000</b>	<b>10,500</b>	<b>16,000</b>	<b>20,833</b>	<b>20,833</b>	<b>20,833</b>	<b>20,833</b>	<b>20,833</b>	<b>20,833</b>	<b>20,833</b>	<b>20,833</b>	<b>20,833</b>
Unit Prices	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Espresso Drinks	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Pastry Items	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Espresso Drinks	\$15,000	\$22,500	\$30,000	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500
Pastry Items	\$2,000	\$3,000	\$6,000	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Sales</b>	<b>\$17,000</b>	<b>\$25,500</b>	<b>\$36,000</b>	<b>\$45,833</b>	<b>\$45,833</b>	<b>\$45,833</b>	<b>\$45,833</b>	<b>\$45,833</b>	<b>\$45,833</b>	<b>\$45,833</b>	<b>\$45,833</b>	<b>\$45,833</b>
Direct Unit Costs	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Espresso Drinks	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25
Pastry Items	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Direct Cost of Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Espresso Drinks	\$1,250	\$1,875	\$2,500	\$3,125	\$3,125	\$3,125	\$3,125	\$3,125	\$3,125	\$3,125	\$3,125	\$3,125
Pastry Items	\$1,000	\$1,500	\$3,000	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Direct Cost of Sales</b>	<b>\$2,250</b>	<b>\$3,375</b>	<b>\$5,500</b>	<b>\$7,292</b>	<b>\$7,292</b>	<b>\$7,292</b>	<b>\$7,292</b>	<b>\$7,292</b>	<b>\$7,292</b>	<b>\$7,292</b>	<b>\$7,292</b>	<b>\$7,292</b>

## Appendix: Jolly's Java and Bakery

**Table 6.1 Personnel**

Personnel Plan Personnel	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Managers	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333
Baristas	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Payroll</b>	<b>\$18,333</b>	<b>\$18,333</b>	<b>\$18,333</b>	<b>\$18,333</b>	<b>\$18,333</b>	<b>\$18,333</b>	<b>\$18,333</b>	<b>\$18,333</b>	<b>\$18,333</b>	<b>\$18,333</b>	<b>\$18,333</b>	<b>\$18,333</b>
<b>Total Headcount</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
Payroll Burden	\$2,750	\$2,750	\$2,750	\$2,750	\$2,750	\$2,750	\$2,750	\$2,750	\$2,750	\$2,750	\$2,750	\$2,750
<b>Total Payroll Expenditures</b>	<b>\$21,083</b>	<b>\$21,083</b>	<b>\$21,083</b>	<b>\$21,083</b>	<b>\$21,083</b>	<b>\$21,083</b>	<b>\$21,083</b>	<b>\$21,083</b>	<b>\$21,083</b>	<b>\$21,083</b>	<b>\$21,083</b>	<b>\$21,083</b>

## Appendix: Jolly's Java and Bakery

**Table 7.2 Profit and Loss**

Profit and Loss (Income Statement)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$17,000	\$25,500	\$36,000	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833
Direct Cost of Sales	\$2,250	\$3,375	\$5,500	\$7,292	\$7,292	\$7,292	\$7,292	\$7,292	\$7,292	\$7,292	\$7,292	\$7,292
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total Cost of Sales	\$2,250	\$3,375	\$5,500	\$7,292	\$7,292	\$7,292	\$7,292	\$7,292	\$7,292	\$7,292	\$7,292	\$7,292
Gross Margin	\$14,750	\$22,125	\$30,500	\$38,542	\$38,542	\$38,542	\$38,542	\$38,542	\$38,542	\$38,542	\$38,542	\$38,542
Gross Margin %	86.76%	86.76%	84.72%	84.09%	84.09%	84.09%	84.09%	84.09%	84.09%	84.09%	84.09%	84.09%
Operating expenses:												
Advertising/Promotion	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
Rent	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Payroll Expense	\$18,333	\$18,333	\$18,333	\$18,333	\$18,333	\$18,333	\$18,333	\$18,333	\$18,333	\$18,333	\$18,333	\$18,333
Payroll Burden	\$2,750	\$2,750	\$2,750	\$2,750	\$2,750	\$2,750	\$2,750	\$2,750	\$2,750	\$2,750	\$2,750	\$2,750
Depreciation	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Utilities	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Other	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total Operating Expenses	\$28,433	\$28,433	\$28,433	\$28,433	\$28,433	\$28,433	\$28,433	\$28,433	\$28,433	\$28,433	\$28,433	\$28,433
Profit Before Interest and Taxes	(\$13,683)	(\$6,308)	\$2,067	\$10,108	\$10,108	\$10,108	\$10,108	\$10,108	\$10,108	\$10,108	\$10,108	\$10,108
Interest Expense Short-term	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Expense Long-term	\$829	\$825	\$821	\$817	\$813	\$808	\$804	\$800	\$795	\$791	\$787	\$782
Taxes Incurred	(\$3,628)	(\$1,783)	\$311	\$2,323	\$2,324	\$2,325	\$2,326	\$2,327	\$2,328	\$2,329	\$2,330	\$2,332
Extraordinary Items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Profit	(\$10,884)	(\$5,350)	\$934	\$6,969	\$6,972	\$6,975	\$6,978	\$6,981	\$6,985	\$6,988	\$6,991	\$6,995
Net Profit/Sales	-64.03%	-20.98%	2.60%	15.20%	15.21%	15.22%	15.23%	15.23%	15.24%	15.25%	15.25%	15.26%

## Appendix: Jolly's Java and Bakery

**Table 7.3 Cash Flow**

Pro-Forma Cash Flow												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Net Profit	(\$10,884)	(\$5,350)	\$934	\$6,969	\$6,972	\$6,975	\$6,978	\$6,981	\$6,985	\$6,988	\$6,991	\$6,995
Plus:												
Depreciation	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Change in Accounts Payable	\$600	\$2,580	\$3,668	\$3,305	(\$3)	(\$3)	(\$3)	(\$3)	(\$3)	(\$3)	(\$3)	(\$3)
Current Borrowing (repayment)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Increase (decrease) Other Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Borrowing (repayment)	(\$488)	(\$492)	(\$496)	(\$500)	(\$505)	(\$509)	(\$513)	(\$517)	(\$522)	(\$526)	(\$530)	(\$535)
Capital Input	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	(\$5,772)	\$1,738	\$9,105	\$14,773	\$11,464	\$11,463	\$11,462	\$11,461	\$11,460	\$11,459	\$11,458	\$11,457
Less:	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Change in Other Short-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Expenditure	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow	(\$5,772)	\$1,738	\$9,105	\$14,773	\$11,464	\$11,463	\$11,462	\$11,461	\$11,460	\$11,459	\$11,458	\$11,457
Cash Balance	\$64,228	\$65,965	\$75,071	\$89,844	\$101,309	\$112,772	\$124,234	\$135,695	\$147,155	\$158,614	\$170,072	\$181,529

## Appendix: Jolly's Java and Bakery

**Table 7.4 Balance Sheet**

Pro-forma Balance Sheet

Assets	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Short-term Assets</b>												
Cash	\$64,228	\$65,965	\$75,071	\$89,844	\$101,309	\$112,772	\$124,234	\$135,695	\$147,155	\$158,614	\$170,072	\$181,529
Other Short-term Assets	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
<b>Total Short-term Assets</b>	<b>\$76,228</b>	<b>\$77,965</b>	<b>\$87,071</b>	<b>\$101,844</b>	<b>\$113,309</b>	<b>\$124,772</b>	<b>\$136,234</b>	<b>\$147,695</b>	<b>\$159,155</b>	<b>\$170,614</b>	<b>\$182,072</b>	<b>\$193,529</b>
<b>Long-term Assets</b>												
Capital Assets	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000
Accumulated Depreciation	\$5,000	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$35,000	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000
<b>Total Long-term Assets</b>	<b>\$60,000</b>	<b>\$55,000</b>	<b>\$50,000</b>	<b>\$45,000</b>	<b>\$40,000</b>	<b>\$35,000</b>	<b>\$30,000</b>	<b>\$25,000</b>	<b>\$20,000</b>	<b>\$15,000</b>	<b>\$10,000</b>	<b>\$5,000</b>
<b>Total Assets</b>	<b>\$136,228</b>	<b>\$132,965</b>	<b>\$137,071</b>	<b>\$146,844</b>	<b>\$153,309</b>	<b>\$159,772</b>	<b>\$166,234</b>	<b>\$172,695</b>	<b>\$179,155</b>	<b>\$185,614</b>	<b>\$192,072</b>	<b>\$198,529</b>
<b>Liabilities and Capital</b>												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Accounts Payable	\$1,600	\$4,180	\$7,848	\$11,153	\$11,150	\$11,148	\$11,145	\$11,142	\$11,139	\$11,136	\$11,133	\$11,131
Short-term Notes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Short-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Short-term Liabilities</b>	<b>\$1,600</b>	<b>\$4,180</b>	<b>\$7,848</b>	<b>\$11,153</b>	<b>\$11,150</b>	<b>\$11,148</b>	<b>\$11,145</b>	<b>\$11,142</b>	<b>\$11,139</b>	<b>\$11,136</b>	<b>\$11,133</b>	<b>\$11,131</b>
<b>Long-term Liabilities</b>	<b>\$99,512</b>	<b>\$99,020</b>	<b>\$98,523</b>	<b>\$98,023</b>	<b>\$97,518</b>	<b>\$97,009</b>	<b>\$96,496</b>	<b>\$95,979</b>	<b>\$95,457</b>	<b>\$94,931</b>	<b>\$94,401</b>	<b>\$93,866</b>
<b>Total Liabilities</b>	<b>\$101,112</b>	<b>\$103,200</b>	<b>\$106,371</b>	<b>\$109,176</b>	<b>\$108,669</b>	<b>\$108,157</b>	<b>\$107,641</b>	<b>\$107,121</b>	<b>\$106,596</b>	<b>\$106,067</b>	<b>\$105,534</b>	<b>\$104,996</b>
<b>Paid in Capital</b>	<b>\$110,000</b>	<b>\$110,000</b>	<b>\$110,000</b>	<b>\$110,000</b>	<b>\$110,000</b>	<b>\$110,000</b>	<b>\$110,000</b>	<b>\$110,000</b>	<b>\$110,000</b>	<b>\$110,000</b>	<b>\$110,000</b>	<b>\$110,000</b>
Retained Earnings	(\$64,000)	(\$64,000)	(\$64,000)	(\$64,000)	(\$64,000)	(\$64,000)	(\$64,000)	(\$64,000)	(\$64,000)	(\$64,000)	(\$64,000)	(\$64,000)
Earnings	(\$10,884)	(\$16,235)	(\$15,300)	(\$8,332)	(\$1,360)	\$5,615	\$12,593	\$19,575	\$26,559	\$33,547	\$40,538	\$47,533
<b>Total Capital</b>	<b>\$35,116</b>	<b>\$29,765</b>	<b>\$30,700</b>	<b>\$37,668</b>	<b>\$44,640</b>	<b>\$51,615</b>	<b>\$58,593</b>	<b>\$65,575</b>	<b>\$72,559</b>	<b>\$79,547</b>	<b>\$86,538</b>	<b>\$93,533</b>
<b>Total Liabilities and Capital</b>	<b>\$136,228</b>	<b>\$132,965</b>	<b>\$137,071</b>	<b>\$146,844</b>	<b>\$153,309</b>	<b>\$159,772</b>	<b>\$166,234</b>	<b>\$172,695</b>	<b>\$179,155</b>	<b>\$185,614</b>	<b>\$192,072</b>	<b>\$198,529</b>
<b>Net Worth</b>	<b>\$35,116</b>	<b>\$29,765</b>	<b>\$30,700</b>	<b>\$37,668</b>	<b>\$44,640</b>	<b>\$51,615</b>	<b>\$58,593</b>	<b>\$65,575</b>	<b>\$72,559</b>	<b>\$79,547</b>	<b>\$86,538</b>	<b>\$93,533</b>