

## **Believe in Ohio – Instructions for Preparing a Three Year Financial Projection (Projection helps confirm the feasibility of bringing a venture to market on a sustainable basis)**

Use the Financial Projection Schedule (<http://www.believeinohio.org/s/FinancialTemplate.xlsx>) to help you calculate your costs using the instructions below.

While we aren't trying to turn you into accountants, we do want you to at least put together a basic financial projection in support of the development of your business plan. Your projections should bear in mind all the points that you have discussed on the preceding pages. They should also reflect the reality that it usually takes some time for someone to build up their business. Consequently, at a minimum we are asking you to develop sales and revenue and expense projections for the first four quarters of year one, as well as your second and third year after your business is started. While you may provide revenue and expense projections in more detail or for a longer period of time, we ask you to provide at least the basic information requested on the financial template that we have provided. (Although from an accounting perspective there is a difference between this financial projection and a profit and loss statement, for purposes of your business plan we will assume that they are essentially the same.) (See following additional instructions for completing the financial projection for your business plan.)

### **Additional Instructions:**

**Sales and revenues** - Provide an estimate of your projected revenues from product sales and/or service income for the first four three-month periods after you begin your business (the first four quarters make up the first year of your operations) as well as your estimate for at least the second and third year of business.

**Cost of sales** – This category of expense includes the cost of any products that you sell and/or the direct labor and materials costs of the people who are directly performing the work for which you are receiving revenues in return. For a product sales business, this would include either the costs of another company making for you the products that you are selling, or the material, labor and other costs for your company to make the products. For a service business, this would include the costs of staff and any other direct expenses of performing the services for which you are receiving revenues.

**Selling, marketing and advertising costs** - This category includes all the costs that you expect to incur to market, promote, advertise and sell your product to your target market and customers. Include in this category any staffing costs, marketing programs, advertising costs, product distribution costs, etc. related to these types of costs.

**Space and occupancy cost projections** – This category of costs includes the cost of renting building/space for your business as well as the cost of utilities and other occupancy costs. Should one propose to buy or build their own building or office, the actual cost to build or buy should be shown as part of the proposed investment needed to get your business started and not be included in this expense line.

**Management and administrative cost projections** - This category of costs includes all the costs of managing and controlling your business, including costs such as: the staffing costs of business managers (including yourself), accountants, information technology staff, legal and auditor costs, and any other costs not otherwise included elsewhere. (Note: While income taxes are also an expense, for simplicity sake, we will exclude those costs from our financial projections.)

**Investments required to start up your business** – In addition to the business operations costs that are discussed above, there may be many initial or one-time costs to start a business. These may include: an initial amount of working capital to get a business started, the cost of buying a building or equipment, the cumulative amount of first year losses while your business ramps up, the cost of buying a franchise, the legal costs of establishing a company, etc. List and summarize these investment costs on the template provided. Then, if your plan is for a commercial business as opposed to a philanthropic enterprise, compute the annual return on investment (profit divided by investment) for your business for its first three years of operation.

Business Plan Name  
 Financial Projections  
 For the First Four Quarters and First Three Years

Revised August 2013

	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>	Totals For <u>First Year</u>	<u>Year 2</u>	<u>Year 3</u>
Sales and revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Costs and expenses:</u>							
Cost of sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Selling, marketing and advertising costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Space and occupancy costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Management and administrative costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other costs	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total costs and expenses	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Pre-tax cash profit (loss)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Investment required to start your business:</u>					<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Working capital: Operating cash					\$0		
Accounts receivable					\$0		
Inventory					\$0		
Other current assets					\$0		
Office equipment					\$0		
Warehouse & manufacturing equipment					\$0		
Building or leasehold improvement costs					\$0		
Cost of developing prototype products					\$0		
Legal, patent or other organizational costs					\$0		
Initial start-up losses that must be funded					\$0		
Other investment costs					<u>\$0</u>		
Projected total investment					\$0	\$0	\$0
Projected return on investment (Profit/Investment)					#DIV/0!	#DIV/0!	#DIV/0!

**Note:** You may add or delete income, expense or start-up investment categories as appropriate for your business plan.