

Experiment No. 4

Date: _____

Aim: Develop a Financial Plan & Break-even Analysis.

Hardware Requirements:

- Internal memory: Minimum 2GB RAM
- Processor: Intel Core i3 and above / ARM-based processors (for tablets)

Software Requirements:

- Online: Canva (to present visuals), Google Sheets
- Offline: MS Excel

Operating System:

- Windows 10 and above / Linux / macOS / Android / iOS (browser-based or app-based tools)

Theory:

What is a Financial Plan?

A financial plan is an estimate of revenue, expenses, capital requirements, and profitability for a business over time. It includes:

- (i) Fixed and Variable Costs
- (ii) Revenue Projections
- (iii) Profit & Loss Forecast
- (iv) Break-even Point

What is Break-even Analysis?

Break-even analysis helps determine the minimum sales volume required to cover all costs (i.e., when profit = 0).

It is calculated using the formula:

$$\text{Break-even Point (Units)} = \frac{\text{Fixed Costs}}{(\text{Selling Price per Unit} - \text{Variable Cost per Unit})}$$

Procedure:

Step 1: Define the Setup

Product/Service: Subscription-based platform connecting brands with micro & macro influencers.

Selling Price (per client/month): ₹10,000

Variable Cost (per client/month): ₹1,000 (processing, support, misc.)

Net Fixed Costs (platform, staff, marketing, admin, utilities): ₹1,70,000 per month

Step 2: Identify Cost Components

Fixed Costs:

- Platform Development & Maintenance: ₹50,000
 - Staff Salaries (2–3 members): ₹70,000
 - Marketing & Advertising: ₹30,000
 - Office & Admin Expenses: ₹20,000
 - Electricity & Utilities: ₹5,000
- Total Fixed Cost = ₹1,70,000**

Variable Costs (per client):

- Payment Processing: ₹500
 - Customer Support: ₹300
 - Miscellaneous: ₹200
- Total Variable Cost = ₹1,000**

Step 3: Perform Break-even Analysis

Contribution Margin per Client = ₹10,000 – ₹1,000 = ₹9,000

Break-even Clients (Units) = ₹1,70,000 ÷ ₹9,000 ≈ 19 clients/month

So, InfluenceConnect needs 19 paying clients per month to break even.

Month	Clients Acquired	Revenue (₹)	Total Cost (₹)	Profit (₹)
1	15	1,50,000	1,85,000	–35,000
2	20	2,00,000	1,90,000	+10,000
3	25	2,50,000	1,95,000	+55,000
...

Prepare chart using Excel to visualize growth and break-even timeline.

Output:

- Revenue Forecast Table in Excel/Google Sheets
- Chart showing Break-even Point
- Short financial summary of costs and profitability
- Screenshots or printout of the financial plan

Conclusion:

Students successfully developed a basic financial plan and performed break-even analysis, gaining practical insight into cost management and profitability forecasting for startups.