

5. Financial plan

5.1 Pre-operational costs

List your expected pre-operational costs. State the amounts to be incurred.

<u>Item</u>	<u>amount</u>
Equipment and installations costs	
Trading licence	
Water deposit	
Electricity deposit	
Telephone deposit	
Renovations/ remodelling	
Project research on	
Starting inventory	
Professional fees	
Advertising and information for opening	
Miscellaneous	
Total	

5.2 Working Capital Requirement

Indicate your capital requirements for the first three years of operation. State any assumptions you made in arriving at your figures.

Working capital			
Item	year: -	year: -	year:-
Stock of raw materials	-----	-----	-----
Work in progress	-----	-----	-----
Stock of finished goods	-----	-----	-----
Debtors	-----	-----	-----
Cash	-----	-----	-----
Total	-----	-----	-----

5.3 Pro-forma income statement

Prepare your pro-forma income statements for the first three years using the format below.

Pro-forma Income Statement for years ending

Item:	Year: - -----	Year: -----	Year: -----
Sales			
Cost of goods Sold			
Gross profit			
Expenses:			
Wages and salaries			
Rent			
Water			
Telephone			
Electricity			
Advertising			
Stationery			
Postage			
Transport			
Depreciatio			
n Interest			
Repairs and maintenance			
Total expenses before tax			
Net profit before tax			
Less provision tax 16%			
Net profit after tax			

5.4 Pro-forma balance sheet

Item	As at year1	As at year2	As at year 3
Assets:			
Current Assets			
Cash			
Debtors			
Stock of finished goods			
Stock of raw materials			
Total current assets			
Fixed Assets			
Machinery and Equipment(cost)			
Accumulated depreciation			
Vehicles (cost)			
Accumulated depreciation			
Furniture and fittings (cost)			
Accumulated depreciation			
Other (specify) fixed Assets			
(cost)			
Accumulated depreciation			
Total fixed assets			
Total assets			
Liabilities			
Current Liabilities			
Creditors			
Other (Specify) liabilities			
Total current liabilities			
Long-term liabilities Bank			
loan			
Other (specify)			
Owner's Equity			
Total liabilities and equity			

5.5 Projected cash flow statement

[illegible]

5.6 BREAK EVEN CALCULATION

Calculate the break-even level for your business

- (i) Determine the sales and total variable costs. Calculate the total contribution

margin Total contribution margin = sales – total variable costs = Shs. _____

- (ii) Calculate the contribution margin in percentage
Contribution margin % = $\frac{\text{contribution margin}}{\text{Sales}} \times 100$

- (iii) Determine the total fixed costs i.e. operating expenses, for year 1.
Total fixed costs = Shs. _____

- (iv) Calculate the break-even level of sales in shilling.

Break- even level (in shillings) = $\frac{\text{Fixed costs}}{\text{Contribution margin \%}}$
= Shs. _____

5.7 DESIRED FINANCING

Indicate the total amount of money required to start off your business.

Item	Amount
Pre-operational costs	Shs. _____
Working capital	Shs. _____
Fixed assets (specify)	Shs. _____
Other (specify)	Shs. _____
Total Desired Financing	Shs. _____

5.8 PROPOSED CAPITALIZATION

Provide a brief description of your proposed

capitalization. Total Investment = Shs. _____

Your own contribution = Shs. _____

Funds from borrowing = Shs. _____

5.9 EXPECTED PROFITABILITY RATIOS

Calculate the expected profitability ratios of your business.

- (i) Gross profit percentage = $\frac{\text{Gross profit}}{\text{Sales}} \times 100$

- (ii) Return on Equity = $\frac{\text{Net profit after tax}}{\text{Owner's Equity}} \times 100$

Return on investment = $\frac{\text{Net profit after tax} + \text{interest}}{\text{Total investment}}$