**5. Financial plan**

**5.1 Pre-operational costs**

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

**Item amount**

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 Depreciation 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** |  |  |  |
| **Liabilties**  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**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Item** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** | **12** | **Total** |
| **Cash/inflow**  Cash sales  Collections from debtors Other (specify) |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Total cash inflows (1)** |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Cash outflows:**  Cash purchases Payments to creditors Rent  Wages & salaries Telephone electricity Water  Advertising Taxes  Other (specify) |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total cash outflows (2) |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Net cash for month** |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Accumulative cash (1-2)** |  |  |  |  |  |  |  |  |  |  |  |  |  |

**5.6 BREAK EVEN CALCULATION**

Calculate the break-even level for your business

1. Determine the sales and total variable costs. Calculate the total contribution margin Total contribution margin = sales – total variable costs = Shs.
2. Calculate the contribution margin in percentage Contribution margin % = contribution margin X 100

Sales

1. Determine the total fixed costs i.e. operating expenses, for year 1.

Total fixed costs = Shs.

1. Calculate the break-even level of sales in shilling.

Break- even level (in shillings) = Fixed costs

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.

1. Gross profit percentage = Gross profit x 100

Sales

1. Return on Equity = Net profit after tax x 100

Owner’s Equity

Return on investment **=** Net profit after tax + interest

Total investment