**Week 2: Lecture 5 Case Study**

**Slide 1: Financials for a New Venture**

|  |  |
| --- | --- |
| **Startup Costs** |  |
| Building |  |
| Coffee Machines |  |
| Training |  |
| Construction |  |
| Website |  |
| Marketing |  |
| Legal Expenses |  |
| Cash |  |

**Slide 2: Fixed and Variable Costs**

|  |  |
| --- | --- |
| **Fixed Costs** | **Variable Costs** |
| Rent | Coffee |
| Internet | Milk |
|  | Cups |
|  | Straws |
|  | Chocolate |
|  | Labor |

**Costs**

* Rent and build-out costs for your chosen location. As a rule, rent should be no more than 15 percent of projected sales.
* Equipment, including a top-of-the-line espresso machine, espresso and coffee grinders, blenders, gourmet drip coffee brewers, refrigerator, etc.
* Coffee, milk, chocolate, syrups and other drink ingredients as well as pastries, muffins and other baked goods, which should be no more than 40 percent of projected sales.
* Professional fees for architects, attorneys, accountants and business consultants.
* Payroll costs, including wages, benefits, payroll taxes, worker’s compensation and costs of payroll processing. As a rule of thumb, payroll costs should be 35 percent or less of sales.
* Principal and interest costs (if you plan to borrow money).
* Income taxes (usually about 35 percent of operating profit).
* Other expenses, including business insurance, supplies (napkins, stir sticks, porcelain cups, etc.), licenses and permits, office supplies, utilities, advertising, and repairs and maintenance.

**Slide 3: Sales Forecasts**

**Slide 4: Break Even Analysis   
Monthly**

|  |
| --- |
| **Break Even** |
| Average Per Unit Revenue |
| Average per unit Variable Cost |
| **Estimated monthly fixed cost** |

Breakeven point = fixed costs/ (unit selling price – variable costs)

**Recoup Investment**

**Slide 5: Projected Profit and Loss**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Projected Profit and Loss** | |  |
|  | **Year 1** | **Year 2** | **Year 3** |
| **Total Revenue** |  |  |  |
| Cost of Revenue |  |  |  |
| Gross Profit |  |  |  |
| Operating Expenses |  |  |  |
|  |  |  |  |
| Operating Income or Loss |  |  |  |
| Interest Expense |  |  |  |
| Income Tax Expense |  |  |  |
|  |  |  |  |
| Net Income |  |  |  |

**Slide 6: Profit Margins**