

Writing a Business Plan - One Step at a Time

A step-by-step system for new entrepreneurs.

Booklet 7 - Three Year Financial Statements



The next step is to do your projections for year two and three.

There are several different ways to estimate years two or three.

- 1) Increase or decrease all income and expenses by a percentage each year.
- 2) Increase or decrease each individual item.
- 3) Combine both methods above. On your worksheets, place a checkmark beside the items that will go up the average percentage stated at the beginning of each section. Explain and justify the unchecked items in the lines provided.

Worksheets

- 7-1 Notes to Projected Sales - Years 2 & 3
- 7-2 Notes to Expense Summary - Year 2 & 3
- 7-3 Notes to Financial Summary - Year 2 & 3

7-1 John's Notes to Projected Sales Year 2 & 3

Average Increase Year 2 - 50 % unless otherwise stated

Average Increase Year 3 - 5 % cost of living increase unless other wise stated

Average

Above

CATEGORY 1 - Labor

Year 2 Based on: or 6 billable hours per day due to increased customer awareness and time management.

Year 3 Based on: or

CATEGORY 2 - Parts

Year 2 Based on: or 6 billable hours or \$120 per day due to increased customer awareness and time management.

Year 3 Based on: or

CATEGORY 3 - Towing

Year 2 Based on: or 10% increase due to increased customer awareness plus 5% cost of living = 15%

Year 3 Based on: or

CATEGORY 4 - Other

Year 2 Based on: or 5% cost of living increase

Year 3 Based on: or

7-1 Notes to Projected Sales Year 2 & 3

Average Increase Year 2 -

Average Increase Year 3 -

Average

Above

CATEGORY 1 -

Year 2 Based on: or

Year 2 Based on: or

CATEGORY 2 -

Year 2 Based on: or

Year 2 Based on: or

CATEGORY 3 -

Year 2 Based on: or

Year 2 Based on: or

CATEGORY 4 -

Year 2 Based on: or

Year 2 Based on: or

CATEGORY 5 -

Year 2 Based on: or

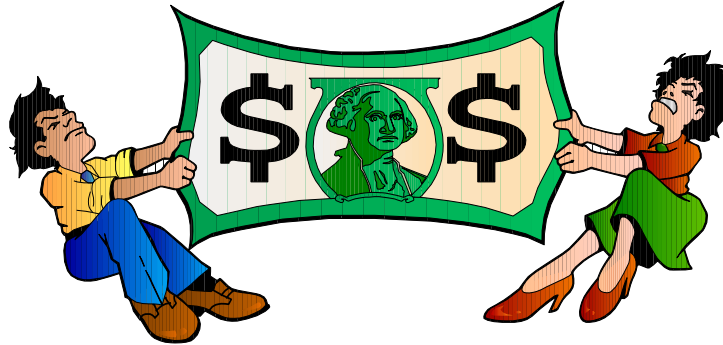
Year 2 Based on: or

CATEGORY 6 -

Year 2 Based on: or

Year 2 Based on: or

7-2 John's Notes to Expense Summary Year 2 & 3



Average Increase Year 2 - Less opening costs plus 5 % cost of living increase unless otherwise stated
Average Increase Year 3 - 5 % cost of living increase unless otherwise stated

Average
Above

LEGAL & ACCOUNTING

Year 2 Based on: or Year 1 (\$1310) less opening (\$310) plus 5% cost of living
Year 3 Based on: or

ADVERTISING & PROMOTION

Year 2 Based on: or Year 1 (\$1995) less opening (\$344) plus 5% cost of living
Year 3 Based on: or

BAD DEBTS

Year 2 Based on: or Same as Year 1. Increased sales but also know my customers better.
Year 3 Based on: or

BANK CHARGES/INTEREST

Year 2 Based on: or Year 1 (\$351) less opening (\$171) plus 5% cost of living
Year 3 Based on: or

BUS. TAX & LICENSE

Year 2 Based on: or Quote from town office - Attached
Year 3 Based on: or

7-2 Notes to Expense Summary - Year 2 & 3

Average Increase Year 2 -

Average Increase Year 3 -

Average

Above

LEGAL & ACCOUNTING

Year 2 Based on: or

Year 3 Based on: or

ADVERTISING & PROMOTION

Year 2 Based on: or

Year 3 Based on: or

BAD DEBTS

Year 2 Based on: or

Year 3 Based on: or

BANK CHARGES/INTEREST

Year 2 Based on: or

Year 3 Based on: or

BUS. TAX & LICENSE

Year 2 Based on: or

Year 3 Based on: or

Average
Above

DELIVERY & FREIGHT

Year 2 Based on: or Year 1 plus 40% increase. Sales increased by 50% but improved ordering skills will result in more volume at less

Year 3 Based on: ^{cost.} or

INSURANCE

Year 2 Based on: or Year 1 (\$3736) less business insurance plan down payment (\$200) plus 5% cost of living

Year 3 Based on: or

OFFICE SUPPLIES

Year 2 Based on: or Year 1 (\$552) less opening (\$192) plus 5% cost of living

Year 3 Based on: or

PROPERTY TAXES

Year 2 Based on: or Year 1 plus 5% cost of living

Year 3 Based on: or

RENT

Year 2 Based on: or Continued monthly payments for pipe bender of \$50 per month - See contract attached.

Year 3 Based on: or Final six months of payments for pipe bender of \$50 per month.

REPAIRS & MAINTENANCE

Year 2 Based on: or Year 1 (\$4200) less opening (\$600) plus 5% cost of living

Year 3 Based on: or

SHOP SUPPLIES

Year 2 Based on: or 2% of shop sales (parts & labor)

Year 3 Based on: or 2% of shop sales (parts & labor)

Average
Above

DELIVERY & FREIGHT

Year 2 Based on: or

Year 3 Based on: or

INSURANCE

Year 2 Based on: or

Year 3 Based on: or

OFFICE SUPPLIES

Year 2 Based on: or

Year 3 Based on: or

PROPERTY TAXES

Year 2 Based on: or

Year 3 Based on: or

RENT

Year 2 Based on: or

Year 3 Based on: or

REPAIRS & MAINTENANCE

Year 2 Based on: or

Year 3 Based on: or

SHOP SUPPLIES

Year 2 Based on: or

Year 3 Based on: or

Average
Above

TELEPHONE/FAX

Year 2 Based on: or Year 1 (\$1625) less opening (\$425) plus 5% cost of living

Year 3 Based on: or

UTILITIES

Year 2 Based on: or Year 1 (\$1510) less opening (\$130) plus 5% cost of living

Year 3 Based on: or

FUEL

Year 2 Based on: or Year 1 (\$2236) less opening (\$172) plus 5% cost of living

Year 3 Based on: or

TRAVEL & ENTERTAINMENT.

Year 2 Based on: or Year 1 (\$580) less opening (\$100) plus 5% cost of living

Year 3 Based on: or

WAGES - MANAGEMENT

Year 2 Based on: or Year 1 plus 5% cost of living. An additional \$1000 per month in drawings only if cash flow allows.

Year 3 Based on: or

WAGES - STAFF

Year 2 Based on: or Year 1 plus 5% cost of living

Year 3 Based on: or

WAGES - BENEFITS

Year 2 Based on: or 10% of Staff Wage Costs

Year 3 Based on: or

MISCELLANEOUS

Year 2 Based on: or Year 1 (\$1700) less opening (\$500) plus 5% cost of living

Year 3 Based on: or

Average
Above

TELEPHONE/FAX

Year 2 Based on: or

Year 3 Based on: or

UTILITIES

Year 2 Based on: or

Year 3 Based on: or

FUEL

Year 2 Based on: or

Year 3 Based on: or

TRAVEL & ENTERTAINMENT

Year 2 Based on: or

Year 3 Based on: or

WAGES - MANAGEMENT

Year 2 Based on: or

Year 3 Based on: or

WAGES - STAFF

Year 2 Based on: or

Year 3 Based on: or

WAGES - BENEFITS

Year 2 Based on: or

Year 3 Based on: or

MISCELLANEOUS

Year 2 Based on: or

Year 3 Based on: or

7-3 John's Notes to Financial Summary - Year 2 & 3

Please check "N/A" (does not apply to this business) or **fill in the lines** explaining the changes in cash in the second and third year. Your worksheets will probably look similar to John's, with few outside factors affecting the cash flow in year two and three.

INVESTMENT / EQUITY

Your additional investment of cash or materials.

Year 2: N/A or

Year 3: N/A

BANK LOANS

Any new loans you will receive in year 2 & 3. Include description, payments, length of loan, interest rate, security and potential lender.

Year 2: N/A or

Year 3: N/A or

CASH IN FROM OTHER SOURCES

New private loans, or other sources of income that have not been included elsewhere. Include description and terms.

Year 2: N/A or

Year 3: N/A or

INVENTORY DECREASE OR INCREASE

The amount that you will reduce or increase your inventory level.

Year 2 N/A or \$1000 increase in inventory per year. Will save in freight costs over the long term.

Year 3 N/A or \$1000 increase in inventory per year. Will save in freight costs over the long term.

7-3 Notes to 3-Year Financial Summary

Please check “**N/A**” (does not apply to this business) or **fill in the lines** explaining the outside factors affecting the cash flow in year two and three.

INVESTMENT / EQUITY

Your additional investment of cash or materials.

Year 2 N/A or

Year 3 N/A or

BANK LOANS

Any new loans you will receive in year 2 & 3. Include description, payments, length of loan, interest rate, security and potential lender.

Year 2: N/A or

Year 3: N/A or

CASH IN FROM OTHER SOURCES

New private loans, or other sources of income that have not been included elsewhere. Include description and terms.

Year 2: N/A or

Year 3: N/A or

INVENTORY DECREASE OR INCREASE

The amount that you will reduce or increase your inventory level.

Year 2: N/A or

Year 3: N/A or

ACCOUNTS PAYABLE INCREASE

The amount of extra debt financed by your suppliers.

Year 2: N/A or

Year 3: N/A or

FIXED ASSETS PURCHASED OR SOLD

Based on "Land & Buildings, Building or Leasehold Improvements, Equipment & Furniture, Vehicles or Other Assets" you plan to sell or purchase during your second and third year of business.

Year 2: N/A or

Year 3: N/A or

OTHER CASH OUT

Used to estimate and describe cash that will be taken from your business and has not been included in any other category.

Year 2: N/A or

Year 3: N/A or

ACCOUNTS PAYABLE INCREASE

The amount of extra debt financed by your suppliers.

Year 2: N/A or

Year 3: N/A or

FIXED ASSETS PURCHASED OR SOLD

Based on "Land & Buildings, Building or Leasehold Improvements, Equipment & Furniture, Vehicles or Other Assets" you plan to sell or purchase during your second and third year of business.

Year 2: N/A or

Year 3: N/A or

OTHER CASH OUT

Used to estimate and describe cash that will be taken from your business but has not been included in any other category.

Year 2: N/A or

Year 3: N/A or

Glossary



billable - hours of work that a customer will be charged for

cost of living increase - an average yearly increase in the cost of basic items

justify - to show to be right or reasonable

unless otherwise stated - if it does not say anything different somewhere else