

# 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

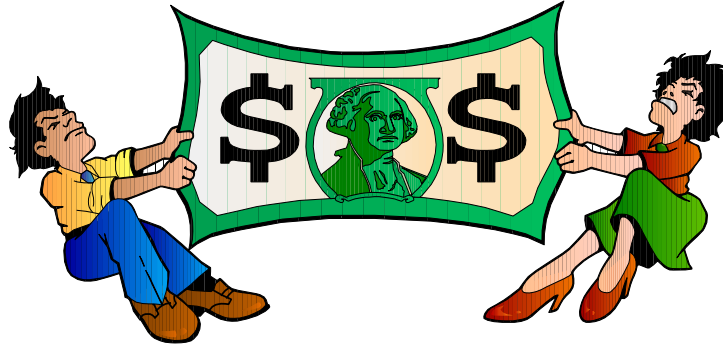
Year 2 Based on:  or

### **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:  <sup>cost.</sup> 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