

Quick Start for Financial Plan for a Small Business

How to use your Custom Excel Workbook

Quick Start Instructions

Here are simple, step by step instructions to get your Financial Plan for a Small Business working for you as quickly as possible. Just follow the steps below in order and you'll be on your way.¹

Step 1: Enter Names of Receipt and Disbursement Accounts

Select the Labels worksheet.

Edit the names of items in the bottom section starting around row 150 or 170. You can edit names of products, selling locations, types of contract revenue, sales lead quality classes, departments, department-specific expense accounts, marketing programs, general & admin expense accounts, direct labor, job levels, tagged assets, untagged asset types, leases, and bonds. (These may already be correct from the customization process. If you want to increase the numbers of sub-projects or other items in the model, you must return to the ModelSheet website and customize a new spreadsheet.)

Check the start date of the model at the top of worksheet 'Labels' and change it if necessary.

Step 2: Enter Sales Input Data

Select the Inputs worksheet, and go to the section "Sales Input Data".

1. If you specified sales scenarios in your customized spreadsheet, then just above the section "Sales Input Data", enter the number of the scenario you want to model first (1, 2, or 3).
2. Enter sales data.
 - If you specified sales units and prices in your model, then enter the sales units (for 1 or 3 scenarios), list prices, and price discounts for each product and selling location, for each time period. Notes:
 - List prices are specified only for each product. If you want selling prices to differ by location, then adjust the price discount percentage for each location accordingly.
 - If you enter values in any period, they will be copied to the later time periods.
 - If you did not specify sales units and prices in your model, then enter the revenue (for 1 or 3 scenarios) for each product and selling location, for each time period. (Note that if you enter values in any period, they will be copied to the later time periods.)

Step 3: Enter Cost of Sales Input Data

Select the Inputs worksheet, and go to section "Cost of Goods and Services".

1. Enter direct cost data.
 - If you specified sales units and prices in your model, then enter the cost per unit for each product in each time period. (Note that if you enter values in any period, they will be copied to the later time periods.)
 - If you did not specify sales units and prices in your model, then enter direct cost as a percentage of revenue in each time period. (Note that if you enter values in any period, they will be copied to the later time periods.)

¹ You can find more explanation of how the model works under the heading Financial Plan for a Small Business Explained in a NutShell below.

Step 4: Enter Employment Input Data

Select the Inputs worksheet, and go to the section "Employment Input Data". (This does not include direct labor, which is handled in the previous section.)

1. If you specified to include employee count in your model, then enter
 - Employee count for each job level in each department, in each time period.
 - Employee compensation data: initial wages, wage increase percentage (and whether you are using increase rates per year or per period), bonus as a percentage of base compensation, sales commission rates, and the percentage of revenue that is commissionable, wage benefits as a percentage of base compensation, and wage tax rates.
 - Employee-related expenses per head per year. (Examples: office supplies, employee entertainment and other expenses that grow in proportion to headcount.)
2. If you did not specify to include employee count in your model, then enter the employee expense for each job level in each department by time period.

Step 5: Enter Other Operating Expense Input Data

If you specified department-specific expense accounts in your model, then select the Inputs worksheet, and go to the section "Other Operating Expense Input Data".

1. Enter the expenses for each departmental expense account in each time period.

Note: You can edit the department-specific expense accounts on the Labels worksheet. The top level of the hierarchy should be identical with the list of departments. If you want to increase the number of department-specific accounts for one department, go to the ModelSheet website and re-customize your model.

Step 6: Enter Financial and Tax Input Data

Select the Inputs worksheet, and go to the section Financial and Tax Input Data.

1. Enter the short interest rate, long interest rate, interest rate earned on deposits, and bad debts as a percentage of receivables.
2. Enter the income tax rate for each time period.
3. Enter the annualized discount rate for cash flows.

Step 7: Enter Asset Input Data

Select the Inputs worksheet, and go to the section 'Asset Input Data'.

Short-term Assets

1. Cash:
 - Enter initial cash balance
 - Enter the target for cash balance in each time period, expressed as days of revenue.
2. Inventory:
 - Enter the initial inventory value of raw material and supplies.
 - Enter the initial finished goods inventory value and units for each product.
 - Enter target for inventory of raw materials and supplies, expressed as a number of days of sales units, for each time period.
 - Enter the target for finished goods inventory, expressed as a number of days of sales units, for each product and each time period.

3. Accounts receivable:

- Enter the initial value of receivables for products, product support, and contracts.
- Enter the amount of receivables for products, product support, and contracts, expressed as a number of days of revenue.

Long-term Assets

1. For each tagged asset, enter Asset Name, Purchase Date, Depreciation Method, Life (in years), Initial Value, and Salvage Value. (A tagged asset is an asset that is tracked and depreciated separately.)
2. For each untagged asset type,
 - Enter the name of the untagged asset type.
 - Enter the depreciation life (in years) in each time period.
 - Enter the amount purchased at the beginning of model time, purchases for each new employee, and purchases annually to support each existing employment position.
3. If your model includes capitalized development as an asset:
 - Enter the initial value of capitalized development for each listed expense category.
 - Enter the life (in years) of capitalized development assets
 - Enter an annual amount of capitalized development for each listed expense category.
 - Enter a percentage of development spending that is capitalized for each listed expense category.

Step 8: Enter Liability Input Data

Select the Inputs worksheet, and go to the section 'Liability Input Data'.

Short-term Liabilities

1. For Accounts Payable,
 - Enter the initial value of payables for Vendor Payables, Payroll Payables, and Taxes Payable. (Example: these are usually all zero for a startup, and positive for a going concern.)
 - Enter the target accounts payable, expressed as a number of days of revenue.
2. Enter the amount of Short-term Debt at the end of each time period. (The model fills this in with default values that maintain a reasonable positive cash balance.)

Long-term Liabilities

1. Enter the amount of Long-term Loans at the end of each time period.

Step 9: Enter Owners' Equity Input Data

Select the Inputs worksheet, and go to the section 'Equity Input Data'.

1. Enter the value of stock issued in each time period (sales of stock net of repurchases).
2. Enter the dividend paid in each time period.

Step 10: Enter Valuation Input Data

If your model includes valuation or IRR features, select the Inputs worksheet, and go to section 'Valuation Input Data'.

1. For Valuation: Enter the annualized Tail Growth Rate and annualized Tail Discount rate (for estimated cash flows that occur after the end of model time, for inclusion in valuation of the business).

Note: The Tail Growth Rate should be greater than the Tail Discount Rate.

2. For IRR: Enter your initial guess for the internal rate or return. (The IRR algorithm needs a starting value to begin iterating.)

Step 11: See Your Results!

Now that you've entered your data, take a look at the four major financial statements.

- Income statement (worksheet 'IncStmt'):
You can see details that affects the income statement, on worksheets Sales, 'Cogs GM' (cost of goods and gross margin), OpExp (operating expense), FinTax (financial and tax expenses).
- Balance sheet (worksheet 'BalSht')
You can see details that affects the balance sheet, on worksheets Assets, 'Liab' (liabilities), and Equity.
- Cash flow (worksheet 'CFStmt')
- Ratio report (worksheet 'RatioRpt').

If your model has the 'Value' feature, the valuation of the business is summarized on worksheet 'Value'.

If you want to learn more what these quantities mean, read the comment on the table by hovering the mouse over the cell with the small red triangle (which is Excel's way of telling you that cell has a comment). There you'll also find a "formula name" that defines the table. You can look up that name on the 'Formulas' worksheet to see the human-readable formulas that are used to define the values in the table.

Financial Plan for a Small Business Explained in a NutShell

Your Financial Plan for a Small Business model produces the four main financial reports for a business.

1. Income statement – revenue, cost of sales, operating expenses, financial expenses, and income
2. Balance sheet – assets, liabilities and equity
3. Cash flow statement - starting cash balance, cash sources, cash uses, and ending cash balance
4. Ratio report – operating ratios and financial ratios.

Advanced versions also contain an Executive Summary that combines the main financial statements and valuation of the business, summarized by year.

The remainder of the model consists of more detailed information on about a dozen sectors of the model. The model provides a wide range of optional features to accommodate the more common aspects of businesses. See the list of feature at

<http://templates.modelsheetsoft.com/modelsheettemplates/financial-plan-templates-small-version-comparison.aspx>. The model has reports in these areas.

1. Sales of products
2. Cost of Goods

3. Operating Expense: tracks expenses for manpower, and expense accounts by department.
4. Employment: tracks headcount by job level and department.
5. Finance and tax: tracks interest income and expense, bad debt, and income tax.
6. Assets: tracks short term assets (cash, inventory, receivables) and long-term assets (major tagged assets, smaller untagged assets).
7. Liabilities: tracks short-term liabilities (payables and short-term debt) and long-term liabilities (long-term debt).
8. Equity: tracks paid-in capital, retained earnings, sales of stock, and dividends.
9. Valuation: computes valuation of the business.

In broad outline, that is all there is to it.

Not all features mentioned here are present in the Light and Standard versions of the model.

Where to Get More Information

Read the Excel comment on each table on every worksheet. Each comment contains important information about what the table contains or what it does in the model.

Worksheet 'Formulas' contains a list of the named variables in the model and formulas that define each variable in terms of other variables. This worksheet is often the best way to understand how the entire model fits together.

The user guide for this product contains more information. See

<http://templates.modelsheetsoft.com/modelsheettemplates/financial-plan-small-templates-user-guide.aspx>

The introductory webpage for the Sales Plan template is

<http://templates.modelsheetsoft.com/modelsheettemplates/financial-plan-small-templates.aspx>

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