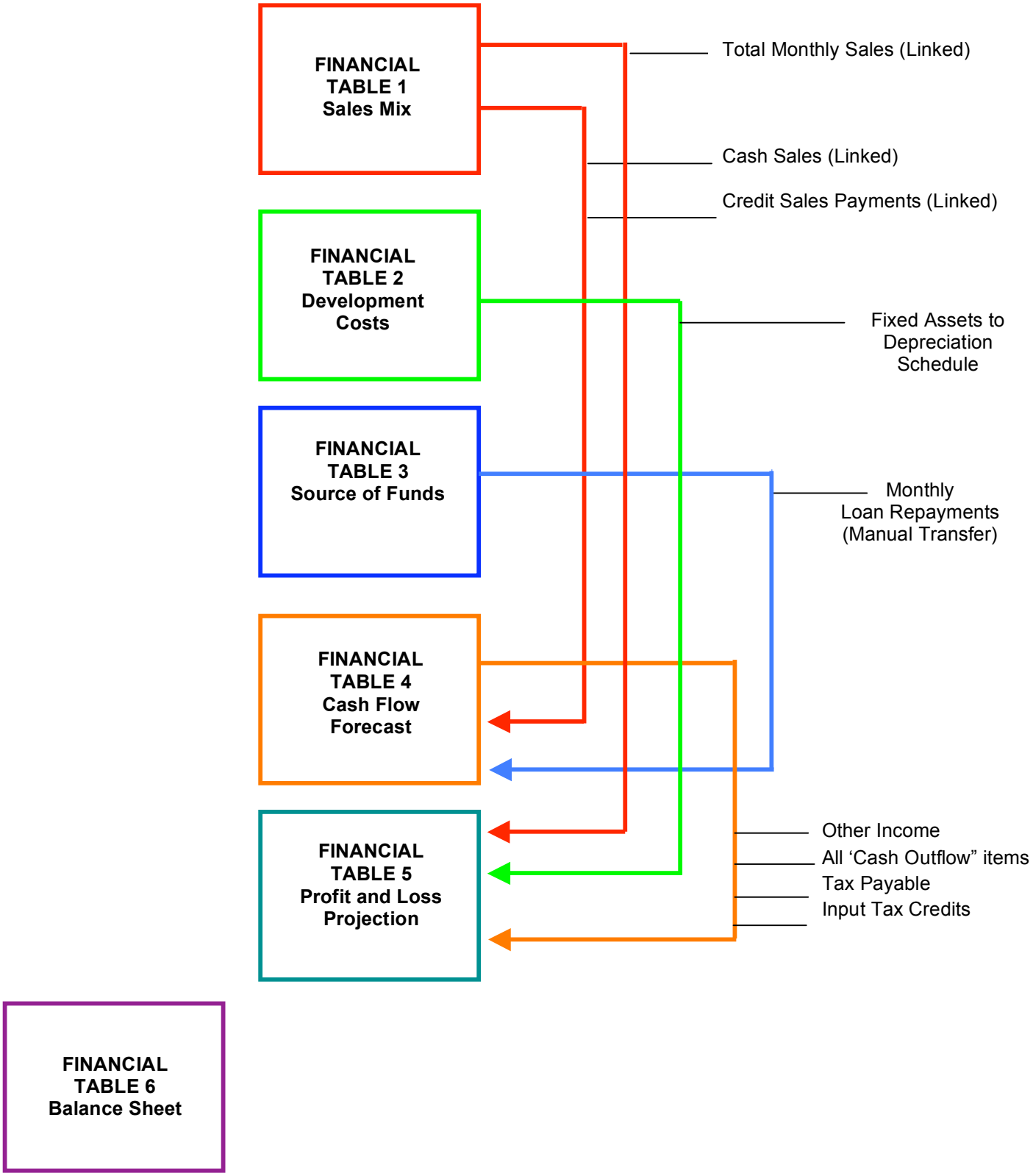
Financial Tables



FINANCIAL TABLE NOTES

Please take note the following important points before you begin to complete your financial tables:

- The assumptions made in preparing these tables are that ABN and GST have been registered and that GST and Business Tax will be paid to the ATO quarterly.
- It is important that you understand that in order to make your financial predictions valid, you only enter any money that you expect to pay or receive in the relevant month column.
- If you resort to 'averaging' throughout the year, you will not be recognising payments and receipts that are due at a certain period of time and this could lead to a distorted picture of your financial position or at worst a negative cash flow.

You should complete all of the tables in the order presented.

SALES MIX (Financial Table 1)

The **Sales Mix** is a financial representation of your market research and your marketing plan, and therefore forms the basis for all the other financial documents relating to your business. It is essential that you determine your sales mix for the business before attempting to complete any subsequent financial tables.

In order to complete your Sales Mix (Financial Table 1), you will need to determine the following:

- the products/services to be sold
- the number of items (products/services) sold per month
- the selling price for these products/services
- the tangible costs which can be directly related to the number of items (products/services) sold, that is the 'cost of goods sold'.

A Sales Mix is generally completed for a 12 month period of business trading. Use the following steps as a guide.

NOTE: If you are working on the computer version of the table, then you will need to 'unprotect' the worksheet by selecting 'Tools' and then 'Protection' followed by 'unprotect sheet'. When you have made the entries to the title line, if you wish protect the worksheet again, use the same procedure.

1. Determine what the first **'Item or Service'** is to be, as this will be the basic element of the business.

2. In the **'Number sold per month'** row, determine whether it is to be calculated by items (eg. the number of books sold), a complete service (eg. mowing the lawn), or simply an hourly rate (eg. $15 per hour for house cleaning). You should alter the title line to reflect this decision, for example, 'Hours per month'.

3. **Enter your predictions**, taking into account any possible seasonal variations (eg. lawns do not need to be mowed as often during the winter months),

business growth, and other influences, such as school and other holidays, if they are likely to have an effect on the business.

4. **Enter the 'Selling price'** and note whether it is an item, a complete service, or per hour. If there are likely to be variations in the cost, then use one that could be applicable for the majority of work. It may be helpful to use the template provided with Financial Table 1.

5. The **'Total sales – exc GST'** row is simply the number multiplied by the selling price. If you are working on the computer version of the table, the calculations are done for you.

6. Enter the **'Cost of goods sold per unit – inc GST'** based on the calculations you have completed using the template provided with Financial Table 1. Cost of goods sold should take into account any material, consumables, labour and other costs directly involved in manufacturing or providing your product/service.

7. **'Total cost of goods sold – inc GST'** is the sum of all the 'Cost of goods sold per unit – inc GST' amounts. If you are working on the computer version of the table, this calculation is done for you.

8. **'TOTAL MONTHLY SALES – exc GST'** is the sum of all the 'Total sales – exc GST' amounts. If you are working on the computer version of the table, this calculation is done for you.

9. **'TOTAL MONTHLY COST OF GOODS SOLD – inc GST'** is the sum of all the 'Total cost of goods sold – inc GST' amounts. If you are working on the computer version of the table, this calculation is done for you.

10. If you are giving credit, then **determine the money value that will be received each month.** For example, if your total sales for the first month are $1,000 and you determine that 50% will be cash and 50% will be 30 days credit, then you should record $500 in the **'Cash'** row for the current month and $500 in the **'30 days'** row in the following month, and so on. The **'Credit sales payments'** row is simply adding the credit sales for each month. If you are working on the computer version of the table, this calculation is done for you.

NOTE: When completing this table, do not include the GST component, except in the Cost of Goods Sold figures.

DEVELOPMENT COSTS (Financial Table 2)

The development costs for a small business enterprise can be summarised in **Financial Table 2: Development Costs,** of your financial tables. The following steps are a guide for the completion of this table.

1. List all the **'Fixed Assets'** required in order to expand business operations, such as furniture and fittings, stock, equipment, and so on.

2. For each item of **'Fixed Assets'**, estimate its market value – if it is already owned (enter this amount in the column headed **'Already Owned'**); or cost – if it will need to be purchased (enter this amount in the column headed **'To Be Purchased'**).

3. Then total these amounts for each item, and enter this amount in the column headed **'Total Value'**. If you are working on the computer version of the table, this calculation is done for you.

4. List all the **'Expense Items'** required in order to commence business operations, such as rent, insurance, and so on.

5. For each **'Expense Item'**, estimate its market value – if it is already owned (enter this amount in the column headed **'Already Owned'**); or cost – if it will need to be purchased (enter this amount in the column headed **'To Be Purchased'**).

6. Then total these amounts for each item, and enter this amount in the column headed **'Total Value'**. If you are working on the computer version of the table, this calculation is done for you.

7. Estimate the amounts and allocation of **'Working Capital'** required to commence business operations, and enter this amount, in either the column headed **'Already Owned'** – if the business already has this money put aside, or **'To Be Purchased'** – if this money will have to be borrowed. Then total these amounts for each item, and enter this amount in the column headed **'Total Value'**. If you are working on the computer version of the table, this calculation is done for you.

8. Add all amounts in the **'Owned'** column and enter the total under **'OWNER INVESTMENT'**. If you are working on the computer version of the table, this calculation is done for you.

9. Add all amounts in the **'To Be Purchased'** column and enter the total under **'AMOUNT TO BE PURCHASED'**. If you are working on the computer version of the table, this calculation is done for you.

10. Calculate the GST to be paid on the purchases that need to be made in establishing the business and enter this in the designated cell titled **'GST on Development Purchases'**.

11. Add all amounts in the **'OWNER INVESTMENT'** and **'AMOUNT TO BE PURCHASED'** columns and enter the amount under **'TOTAL ASSET REQUIREMENT'**. If you are working on the computer version of the table, this calculation is done for you.

12. Indicate the amount of owner funds available to establish the business in the **'Owner Funds Available'** column, subtract this amount from the **'AMOUNT TO BE PURCHASED'** and this will provide the amount of '**TOTAL FUNDING TO BE OBTAINED**'. If you are working on the computer version of the table, this calculation is done for you.

SOURCE OF FUNDS (Financial Table 3) (If applicable)

When you have decided on where any additional capital that you require to expand your business will come from, you should complete **Financial Table 3: Source of Funds.** Use the following points as a guide.

1. Enter the amount that you estimate you will need to borrow in **'Estimated loan'**. This should be based on the figure calculated for **'TOTAL FUNDING TO BE OBTAINED'** in Financial Table 2: Development Costs.

2. Enter each of the lender's costs associated with the loan in **'Stamp duty'**, **'Application fee'**, and **'Other loan costs'**.

3. To calculate **'Total required'**, add all of the amounts entered in Steps 1 and 2. If you are working on the computer version of the table, this calculation is done for you.

4. Enter the total amount you intend to borrow in **'Total loan'**.

5. Enter other loan details in **'Loan term'**, **'Interest rate'**, **'Monthly payments'**, **'Annual principal payment'**, **'Annual interest payment'** and **'Total amount to be repaid'**.

6. Complete the lower sections of Financial Table 3, if you intend taking a loan other than a business loan, for example a personal loan or second mortgage.

7. Total the 'Monthly payments' amounts from each of the loans, and enter this amount in '**TOTAL LOANS MONTHLY REPAYMENT'.** If you are working on the computer version of the table, this calculation is done for you.

As part of your Financial Plan you will need to indicate whether you intend to take out a loan, and if so, you should include Financial Table 3: Source of Funds.

CASH FLOW FORECAST (Financial Table 4)

Cash flow refers to the money coming into a business from sales and other receipts, and going out of the business in the form of cash payments to suppliers, banks, employees, and so on. Cash flows are only concerned with the actual cash flowing into and out of the business. While the profits of a business can be viewed as a measure of its viability, the flow of cash into and out of a business can be said to be its life blood.

If the cash flowing into your business does not cover the cash flowing out, then over a period of time your business will have insufficient working capital to continue to operate. This is an extremely precarious state of affairs, as eventually your business will require additional capital to remain a viable proposition. Such a decision repeated on a regular basis could lead to insolvency.

To avoid cash flow problems, it is essential that you plan and schedule the amount of cash, and the times at which it flows into and out of your business. This is achieved through cash flow forecasting.

Cash flow forecasting, or projection, refers to an estimated matching of incoming cash against outgoing cash in an appropriate time frame. The objective is to provide adequate funding to pay expenses when they are due. Cash flow forecasting also sets a target for sales, which can provide motivation for the owner to achieve that target, and assist the owner in planning the levels of stock to acquire, based on sales.

PREPARING A CASH FLOW STATEMENT

One of the requirements in the preparation of your Financial Plan is the completion of a Cash Flow Forecast for the first 12 months of your business operations (Financial Table 4). This should show when you expect to receive and expend money on a monthly basis. Remember, the cash flow statement should show only cash which has come into, or gone out of, the business on a month by month basis. That is, it is not concerned with your $50,000 bank loan, only your monthly loan repayments.

The basic procedures for completing a cash flow forecast follow.

CASH INFLOW (CI)

NOTE: The Cash Flow records the anticipated money flowing into and out of the business and, to be of use, you must be very careful to record transactions exactly when they are expected to take place.

CI 1. Enter the income to be received from the various sources listed for each month.

- Cash Sales payments and Credit sales payments should not include a GST element. Transfer these figures from the Financial Table 1: Sales Mix, and enter the amounts for each month into the rows headed **'Cash sales – excluding GST'** and **'Credit sales payments – excluding GST'**. On the computer version of the table, the figures are automatically transferred.
- If you borrow money from the bank or any other source, then the total amount borrowed is entered in the row headed **'Bank loans'** in the month in which it is received.
- The **'Other income – excluding GST'** only relates to activities associated with the specific business, and transactions that might be recorded here include interest earnings on the business bank account, or using specialised machinery to process work for outside sources. That is, you might have a metal folding machine on which you contract to do work for another company when the machine is free.

CI 2. Total the cash inflow amounts for each month, and enter this in **'A. RECEIPTS'**. If you are working on the computer version of the table, this calculation is done for you.

CASH OUTFLOW (CO)

CO 1. Transfer the cost of sales figures from Financial Table 1: Sales Mix, and enter the amounts for each month into the row headed **'Cost of sales'**. On the computer version of the table, the figures are automatically transferred.

CO 2. Enter estimates of all the **expenses** that will be incurred by the business over the 12 month period.

CO 3. The **'Purchases – plant and equipment'** must include any GST paid, and needs to be planned. Such purchases are dependent on the availability of funds and the urgency of the requirement. The bottom line of the cash flow will indicate when the purchases can be afforded.

CO 4. In **'Loan repayments (no GST)'** only record the capital element. Any interest paid is shown in 'Bank interest and charges (no GST)'.

CO 5. Total the cash outflow amounts for each month, and enter this in **'B. BUSINESS EXPENSES'.** If you are working on the computer version of the table, this calculation is done for you.

CO 6. **'C. GST RECEIVED'** is the amount that has been invoiced to customers and will be 10% of the total of **'Credit Sales'** plus **'Cash Sales'** plus **'Other Income'**. If you are working on the computer version of the table, it will automatically calculate 10% of these amounts, recorded in the Cash Inflow details each month.

CO 7. **'Input Tax Credits (GST paid)'** is the total GST that has been paid on purchases for that specific month. This is calculated by adding the amounts paid for all items listed under 'CASH OUTFLOW' for which GST has been paid, and then dividing by 11. If you are working on the computer version of the table, this calculation is done for you.

CO 8. The GST liability or, **'D. NET GST PAYABLE'** to the ATO, is the difference between the GST received and the Input Tax credits for that month. If you are working on the computer version of the table, it will calculate what is payable each quarter.

CO 9. The **'Tax Instalment Rate'** is determined by the ATO, which will notify each business of their calculated figure. This is supplied as a percentage figure, and should be recorded in the **'Tax Instalment Rate'** row as a decimal figure, ie. 15.75% recorded as 0.1575. Tax is payable either quarterly or in special circumstances annually. The Table assumes that Tax is to be paid quarterly.

CO 10. **'E. TAX PAYABLE'** is calculated by adding 'Cash Sales – excluding GST', 'Credit sales payments – excluding GST' and 'Other Income – excluding GST' and then multiplying by the 'Tax Instalment Rate'. If you are working on the computer version of the table, this calculation is done for you.

CO 11. **'F. NET CASH FLOW'** is the difference between the money 'in' (A+C) and the money 'out' (B+D+E). If you are working on the computer version of the tables, this calculation is done for you.

CO 12. **'G. OPENING BALANCE'** is the money that is in the account at the start of the month. If money is being borrowed, then you will need an opening balance for the first month of operation, as there will be expenses to pay from the first moment of operation. This will be an 'owner contribution' to the business.

CO 13. **'H. CLOSING BALANCE'** is the Net Cash Flow (F) added to the Opening Balance (G). The Closing Balance for the first month becomes the Opening Balance for the second month, and so on.

PROFIT AND LOSS PROJECTION (Financial Table 5)

The **Profit and Loss Projection** is the financial record that summarises the activities of a business over a period of time. It reports the receipts of the business, the expenses incurred in obtaining those receipts, and the profit or loss resulting from these activities. In the case of a new business, your Profit and Loss 'Projection' will present your plan for profitability.

*If your receipts are greater then your expenses, there will be a **profit**.*

*If your expenses are greater than your receipts, there will be a **loss**.*

It is important to differentiate between the Cash Flow Forecast, which dealt with the liquidity of your business, or the day-to-day management of cash in order to pay the bills, and the Profit and Loss Projection. The latter deals with the profitability of your business. Profit is not the same as cash: while cash is on hand and available at any point in time, your business profits may be tied up in stock, other assets, or be owed by debtors.

A Profit and Loss Projection generally includes the following categories of information:

- **Total Business Income:** this figure represents proceeds from the sale/provision of products/services, after discounts, allowances and returned goods have been taken into account.
- **Cost of Sales:** this figure represents the cost of producing/providing the products/services, in other words, the cost of goods sold, or cost of sales.
- **Gross Profit:** GROSS PROFIT = SALES - COST OF SALES

  Gross profit is often expressed as a percentage of sales, as well as in dollar value. As a percentage, the gross profit figure is significant, because it indicates what the average mark-up is on the products/services sold.
- **Total Expenses:** refers to the overheads of the business, that is the costs additional to the cost of goods sold. Typical expenditure includes administration fees, salary and wages, rent, advertising, and so on.
- **Net Profit:** NET PROFIT = GROSS PROFIT - TOTAL EXPENSES
- **Coverage:** refers to additional items, such as tax liability, loan repayments (principal), owner's drawings, cost of improving assets, cost of business expansion, and so on, which draw money from the net profit. The sum of these items is termed Total Coverage.
- **Profit Reserves:** PROFIT RESERVES = NET PROFIT - TOTAL COVERAGE

Use the following points as a guide to completing your Profit and Loss Projection (Financial Table 5).

INCOME (I)

I 1. Transfer the sum of the total monthly sales figures recorded in Financial Table 1: Sales Mix, to **'Total sales from Sales Mix'** in the Profit and Loss Projection. If you are working on the computer version of the table, this transfer is done for you.

I 2. Transfer the sum of the total monthly 'other income' figures recorded in Financial Table 4: Cash Flow Forecast, to **'Other income from Cash Flow'** in the Profit and Loss Projection. If you are working on the computer version of the table, this transfer is done for you.

I 3. Calculate **'A. TOTAL BUSINESS INCOME'** by adding the 'Total sales from Sales Mix' to 'Other income from Cash Flow.' If you are working on the computer version of the table, this calculation is done for you.

I 4. Transfer the total monthly figures for 'Cost of sales' recorded in Financial Table 4: Cash Flow Forecast, to **'B. COST OF SALES'** in the Profit and Loss Projection, multiply by 10 and divide by 11, to calculate the Cost of Sales excluding GST. If you are working on the computer version of the table, this transfer and calculation is done for you.

I 5. To calculate the **'GROSS PROFIT'** for the period, you need to subtract the 'COST OF SALES' (B) from the 'TOTAL BUSINESS INCOME' (A) for that period. If you are working on the computer version of the table, this calculation is done for you.

EXPENDITURE (E)

E 1. Most of the expenditure items are self-explanatory. You have already listed many expenditure items on a monthly basis in the Cash Flow Forecast (Financial Table 4). Transfer the TOTAL of monthly figures for each item of expenditure listed in Financial Table 4: Cash Flow Forecast, to the respective **expenditure items** in the Profit and Loss Projection. If you are working on the computer version of the table, this transfer is done for you. Be sure to include all the expenses the business incurs, in order to gain an accurate picture of the business operation, and to enable you to take full advantage of the tax deductions for legitimate expense items.

E 2. To calculate **depreciation** use the Depreciation Schedule Templates provided. Select the appropriate option depending on whether you are using the Simplified Tax System (STS). You should consult your accountant or the ATO for updated information regarding the rates involved in these calculations. Use the following steps as a guide:

D 1 Transfer all 'fixed assets' from Financial Table 4: Establishment Costs to the column titled '**A. Already Owned**', and enter their respective values in the column headed '**ADJUSTABLE VALUE**'. If you are working on the computer version of the table, this transfer is done for you.

D 2 List all other fixed assets that will be purchased over the course of the year in the column titled '**B. Ongoing Purchases**', and enter their respective values in the column headed '**ADJUSTABLE VALUE**'.

D 3 If you are using the Simplified Tax System (STS) – for each '**FIXED ASSET'**, list its '**DEPRECIATION RATE'** and calculate its **'VALUE OF DEPRECIATION'**. If you are working on the computer version of the table, this calculation is done for you. *Depreciation rates are available from the ATO.*

If you are not using STS, you will also need to determine and enter the effective life in years for each fixed asset, in the column headed '**EFFECTIVE LIFE**'. *This information is available from the ATO.*

D 4 For each item of '**FIXED ASSET'**, indicate the percentage that it will be used for business purposes in the column headed **'% BUSINESS USE'.** Then calculate the value of **'BUSINESS DEPRECIATION'** by multiplying 'VALUE OF DEPRECIATION' by '% BUSINESS USE'. If

you are working on the computer version of the table, this calculation is done for you.

D 5 Total these depreciation amounts and enter this amount in the column headed **'TOTAL BUSINESS DEPRECIATION'.** If you are working on the computer version of the table, this calculation is done for you.

D 6 Transfer this amount to the row headed **'Depreciation'** in the Profit and Loss table. If you are working on the computer version of the table, this transfer is done for you.

E 3. To calculate **'D. TOTAL EXPENSES'** for the period, add all the amounts entered for expenditure items. If you are working on the computer version of the table, this calculation is done for you.

E 4. To calculate **'E. NET PROFIT'** for the period, you need to subtract 'D. TOTAL EXPENSES' from 'C. GROSS PROFIT' for that period. If you are working on the computer version of the table, this calculation is done for you. This net profit figure should be sufficient to cover the items listed in Step **C1**.

COVERAGE (C)

C 1. Enter amounts for each of the applicable items listed under **'Coverage'.**

C 2. To calculate **'F. TOTAL COVERAGE'**, add the amounts entered for the items in Step **C1**. If you are working on the computer version of the table, this calculation is done for you.

C 3. To calculate **'G. PROFIT RESERVES'**, subtract 'F. TOTAL COVERAGE' from 'E. NET PROFIT' for that period. If you are working on the computer version of the table, this calculation is done for you. This gives an indication of the amount of profit left after all possible expenses and drawings have been subtracted from the business income.

BALANCE SHEET (Financial Table 6)

The **balance sheet** is a summary document, which shows what the business owes, and what it owns, at a specified date. It is a similar document to the Statement of Personal Net Worth, but instead of showing your personal assets and liabilities, it shows those of your business.

The balance sheet is a snapshot of your business operation at a particular point in time, and provides an itemised account of the following equation:

ASSETS = LIABILITIES + OWNER'S EQUITY

It is important to remember that the balance sheet is only accurate on the day it is prepared, because the assets and liabilities of the business can change with each transaction. Each balance sheet should be dated.

Use the following points as a guide to completing your Balance Sheet (Financial Table 6).

ASSETS (A)

A 1. List the values of **'CURRENT ASSETS'** as indicated.

A 2. Calculate **'TOTAL CURRENT ASSETS'** by adding the items listed in Step A1. If you are working on the computer version of the table, this calculation is done for you.

A 3. List the values of **'FIXED ASSETS'** as indicated.

A 4. Calculate **'TOTAL FIXED ASSETS'** by adding the items listed in Step **A3.** If you are working on the computer version of the table, this calculation is done for you.

A 5. List the values of **'INTANGIBLE ASSETS'** as indicated.

A 6. Calculate **'TOTAL INTANGIBLE ASSETS'** by adding the items listed in Step **A5**. If you are working on the computer version of the table, this calculation is done for you.

A 7. Calculate **'TOTAL ASSETS'** by adding **'TOTAL CURRENT ASSETS'** plus **'TOTAL FIXED ASSETS'** plus **'TOTAL INTANGIBLE ASSETS'**. If you are working on the computer version of the table, this calculation is done for you.

LIABILITIES (L)

L 1. List the values of **'CURRENT LIABILITIES'** as indicated.

L 2. Calculate **'TOTAL CURRENT LIABILITIES'** by adding the items listed in Step **L1**. If you are working on the computer version of the table, this calculation is done for you.

L 3. List the values of **'NON-CURRENT LIABILITIES'** as indicated.

L 4. Calculate **'TOTAL NON-CURRENT LIABILITIES'** by adding the items listed in Step **L3**. If you are working on the computer version of the table, this calculation is done for you.

L 5. Calculate **'TOTAL LIABILITIES'** by adding **'TOTAL CURRENT LIABILITIES'** plus **'TOTAL NON-CURRENT LIABILITIES'**. If you are working on the computer version of the table, this calculation is done for you.

NET ASSETS (N)

N 1. Calculate **'NET ASSETS'** by subtracting **'TOTAL LIABILITIES'** from **'TOTAL ASSETS'**. If you are working on the computer version of the table, this calculation is done for you.

EQUITY (E)

E 1. List the breakdown of **'OWNER'S EQUITY'**.

E 2. Calculate **'TOTAL EQUITY'** by adding the items listed in Step **E1**. If you are working on the computer version of the table, this calculation is done for you.