

# Financial Projections Template Instructions

[www.missouribusiness.net/docs/fin\\_proj.xls](http://www.missouribusiness.net/docs/fin_proj.xls)

## I. Template Layout

The template consists of **5 sheets**:

“**Worksheet**” is designed for data entry and developing financial statements;  
“**Income**”, “**Balance**”, “**Cash Flow**” are pro-forma Income Statement, Balance Sheet and Cash Flow Statement formatted for print-out; they can be also copied and pasted into a word processor, or converted to PDF;  
“**Graphs**” represent some of the most important financial graphs linked to the “**Worksheet**” (additional graphs may be created as needed).

## II. Integrity of The Spreadsheet

“**Worksheet**” is protected and the **BLUE** data entry cells are un-locked; therefore there is no danger of destroying formulas or formatting.

“**Income**”, “**Balance**” and “**Cash Flow**” are protected and all cells are locked – no modifications are allowed on these sheets.

“**Graphs**” is not protected and the formatting of the embedded graphs can be changed; graphs can be copied and other graphs can be added.

## III. Limitations

The template has certain limitations, which are the results of two factors: first, too much detail is avoided to maintain certain simplicity that allows to “see the big picture” and develop financial projections in a relatively short period of time; second, in some cases there exist two alternative but mutually exclusive ways of doing calculations, so the most convenient, according to authors, is chosen.

The template is limited to three years, which is sufficient time period for financial planning for smaller or growth-oriented businesses. The first year is given on monthly basis, the second and third years – on annual basis.

## IV. Data Entry

All **blue numeric cells** allow both values and formulas. **Blue text cells** can be modified to reflect more closely the specifics of the business. Some blue cells have default values for convenience purposes.

**Formula cells** can be set to a desired value by modifying another (blue) cell using Excel’s *Goal Seek* function from *Tools* menu.

The template can be used both for start-up as well as existing businesses. Start the “**Worksheet**” by filling in Company’s name (cell A1), starting year (cell A2) and month (cell C2).

### 1. Entry of Income Statement Items

#### SALES:

First years’ annual sales is entered into cell O6, percentage increases for the second and third years – into cells P6 and R6. By default sales figures are distributed equally between first 12 months (cells C5:N5). These cells can be changed to reflect seasonality or growth pattern. **It is important to always keep cell O5 at exactly 100%**. Monthly sales as dollar values cannot be entered directly into cells C6:N6; however, it can be achieved by entering into cells C5:N5 the following formula:  $=\{\$MONTHLY SALES\}/\{\$ANNUAL SALES\}$ .

### Example

Month	1	2	3	...	Total Year 1
SALES	\$20,000	\$25,000	\$40,000	...	\$480,000

Enter =20000/480000 into cell C5, =25000/480000 into cell D5, =40000/480000 into cell E5, etc., and 480000 into cell O6.

#### DIRECT COST OF SALES:

The cost of sales is entered as a percentage of sales into cell T7. If the Company has several sales categories with different percentages of direct cost of sales, use **weighted average**.

#### OPERATING EXPENSES:

Operating expenses are entered into cells C9:N24. By default monthly values are set equal to the ones entered in column C (the first month). Enter payroll tax as a percentage of payroll expenses (cell T25). Owners' compensation is entered into cells C26:N26. Use percentage increases for years two and three if needed (columns P and R). **Do not put one-time start-up expenses** (e.g., incorporation fees, etc.) into Income Statement - they go into Balance Sheet's Retained Earnings account (cell B56) as a negative number. Interest, Depreciation and Amortization expenses are calculated automatically.

## 2. Entry of Balance Sheet And Cash Flow Statement Items

OPENING BALANCES are entered into column B; BALANCE SHEET ASSUMPTIONS are entered into columns T and V.

There are two LOAN AMORTIZATION SCHEDULES integrated into the template. (For existing businesses one can be used for existing term debt and another for new loan.). Outstanding loan amounts are entered into cells B51 and B52, the corresponding interest rates – into cells T51 and T52, terms (in months) – into cells V51 and V52.

Short-term debt (not amortized) is entered into cell B48, interest rate is entered into cell T48; increases or decreases of short-term debt are entered into cells C83:N83,Q83,S83.

EQUITY investment is entered into cell B55. Additional investments (or taking funds out of the business) are entered into cells C85:N85,Q85,S85.

For an existing business the historic RETAINED EARNINGS are entered into cell B56. Use this same cell (B56) for a **start-up business** to enter all one-time start-up expenses as a NEGATIVE NUMBER, such as incorporation fees, grand opening advertising, organizational expenses, etc.

FIXED ASSETS are entered into cells B38 (Equipment & Fixtures), B39 (Leasehold Improvements) and B40 (Buildings, including both acquisition and reconstruction costs). The corresponding years depreciation are entered into T38 (default – 7 years), T39 (default 3 years) and T40 (default – 39 years).

Note: for an existing business a long-term asset account's opening balance is a sum of existing assets as well as the assets planned to be acquired.

INTANGIBLES are entered into cell B42; corresponding amortization period entered into T42 (default – 3 years).

OTHER NON-CURRENT ASSETS that cannot be depreciated nor amortized, nor expensed (e.g., land, deposits, long-term notes receivable) are entered into B44. The account label (A44) can be specified.

Increases or decreases in fixed assets, intangibles and other non-current assets can be entered into cells C75:N79,Q75:Q79,S75:S79.

Note: increases are entered as a NEGATIVE number.

For **existing businesses** opening ACCUMULATED DEPRECIATION and ACCUMULATED AMORTIZATION are entered correspondingly into cells B41 and B43 (NEGATIVE NUMBER).

**Working capital accounts:** enter opening balances for accounts receivable, inventory, accounts payable and accrued liabilities correspondingly into cells B36, B37, B47 and B50. Days' accounts receivable enter into T36, days' inventory – into T37, days' accounts payable – into T47 and days' accruals into cell T50.

#### **V. Additional Information**

There is some additional information that can be viewed from the “*Worksheet*”:

% profit margins for the three years are calculated in cells P32, R32 and T32;

Monthly debt service can be found in cells Y51:Y53;

Average monthly balances for the first year are calculated in O35:O59.