Statement of Forecast Assumptions Sample

Income Statement (All Calculated Annually Unless Noted):

1. Sales: Units sold 10000 x Sell Price $9.99 ($119.88 year) monthly subscription each for the first year. Second & third years to increase 20°/ & 40% respectively. First year monthly sales to start at 10000 and grow to 1000 by the last month of the first year. Basis for number of units sold: Comparable apps and market research.
2. SG & A Expenses:
    a. Wages & Salaries (use a manning schedule) for first year. May have a different manning schedule for day-one vs. last month of the year.
        - Marketing: $65,000
        - Software/ Tech: $80,000
        - CFO: $90,000
        - Sales Executive: $95,000
        - Senior Management x2: $85,000

    b. Payroll Tax Expense (FICA (Federal Insurance Contributions Act), Workers Comp. Ins., Unemployment Insurance Tax). Usually around 15% of Wages & Salaries.
        - $62,250

    c. Liability Insurance. Depends on the nature of the business, but usually amounts to $2,000 to $3,000/yr. for a startup company. Get a quote if you can.
        - $2000

    d. Phone, Internet, website, etc. expenses. Quote or estimate.
        - $4800

    e. Bank service fees. Get a quote or estimate.
        - $300

    f. Merchant account fees. Get a quote or estimate.
        - $51,000

    g. Rent expense. Get a quote.
        - $12,000

    h. Utilities expense (water & electricity). Get a quote or estimate.
        - $2400

    i. Office Expenses. Get a quote or estimate.
        - $2400

    j. Advertising expenses. List and price these expenses
        - Social = $6,000
        - Google = $98,000
        - Direct to Market = $20,000

    k. Legal & accounting expense. Get a quote or estimate. Be careful with these expenses, they can add up quickly.
        - $60,000

    l. Licenses & permits. Get a quote or estimate.
        - N/A

    m. Depreciation expense. Calculate based upon any fixed assets you acquire.
        - $24,000

    n. Interest expense. Calculate based upon any borrowing you do (Use a loan amortization schedule).
        - $3,600

    o. Other expenses. A catch-all. Estimate.
        - N/A

Balance Sheet

1. Accounts Receivable if you sell on credit. Based upon the sales forecast (one and one-half to two months' sales in Accounts Receivable is often a reasonable estimate). Your estimate <u>N/A</u> months of Sales.
2. Inventory if you have a product for which you will hold inventory. Based upon <u>N/A</u> months of Cost of Sales.

3. Deposits <u>N/A</u> if you rent and must make a deposit <u>N/A</u> if you need to pay a deposit to a supplier to obtain products.
4. Prepaid Insurance <u>$500</u> to start if you pay for your insurance a year in advance. This prepaid insurance decreases by 1/12 of the original figure for each month of the year. If it is just a small amount, just expense it all in the month in which you purchase the insurance.
5. Fixed Assets. Any major purchase such as a machine, high value electronics equipment, etc. is needed to run the business. List each, list each item's useful life in months and provide for depreciation each month. This depreciation is an expense each month on the income statement and should be accumulated as accumulated depreciation each month on the balance sheet until the item is fully depreciated.
   - <u>Computers and office equipment: $60,000 for 5 years</u>
   - <u>Website and App: $88,000 for 5 years</u>
6. Intellectual property such as patents or a major web site development or an app development might be capitalized, that is the amount spent entered on the balance sheet as intangible assets and amortized over the useful life of the asset (much like purchasing a large piece of equipment and depreciating the asset over the useful life of the equipment).
   - <u>$5,800</u>
7. Accounts Payable (if you purchase on credit). Based upon terms of purchase. If you are buying items into inventory, your accounts payable will depend upon your payment terms. Often A/P is figured at 30 days (about 4 and a half weeks) Cost of Sales.
   - <u>N/A</u>
8. Current portion — Long Term Debt. If you choose to incur debt that will be repaid more than one year in the future, there are two entries on the balance sheet: Current Portion — Long Term Debt (amount that is paid within 12 months); Long Term Debt, less current portion (amount that remains to be paid after deducting the current portion). Current Portion — Long Term Debt is part of Current Liabilities. Long Term Debt, less current portion is a part of Long-Term Liabilities. It is best to use an amortization schedule for long term debt. See: https://www.hsh.com/amortization-calculator.html
   - Current Portion — Long Term Debt = $15,959.94
   - Long Term Debt, less Current Portion $284,040.06
9. Accrued Payroll Expense: If you pay employees twice per month, they get paid on the 15th of the month for work they did through the end of the prior month. So, you owe them 17 month's pay at month end and that is an accrued payroll expense.
   $16,000
10. Accrued Payroll Taxes: You owe payroll taxes for your employees and that usually runs about 15% of payroll. These taxes are incurred at each month end and are paid sometime during the following month — so accrued payroll taxes are usually about 15% of your month's payroll.
    $4,800
11. Equity: Usually made up of:
    - your equity investment (you should put some cash in the business — no lender or investor will want to invest in your business unless you also put cash in the business)
      - <u>$50,000</u>
    - Retained earnings (your accumulated profits &/or losses from the start of your business; add profits or subtract losses each month from the start of your business.)
      - <u>$379,950 (over the first three years)</u>
    - Distributions (any payouts to owners for income tax obligations or general distributions; banks do not allow for distributions other than those required to cover income tax obligations for LLC's or Sub-S companies).
      - <u>None</u>
    - Your Total Assets must equal your Total Liabilities & Equity. When forecasting, complete the Liabilities and Equity part of the balance sheet first and then plug cash to make Total Assets equal Liabilities & Equity. If cash is negative, you must solve that problem — invest more cash, borrow, cut inventory, etc.
      - <u>They do</u>