

Financial Plan

The **Financial Plan** is the acid test of your plans and ideas. Putting the plans into dollars shows up any gaps, discrepancies and unrealistic assumptions!

Because much of the information that you will need is already pulled together in your marketing, production and labour plans, the task of putting your plans into dollars is easier than you might expect.

Your financial forecasting should be based on what you think is the most likely scenario for your business. It is also valuable to consider what the numbers would be should you have some poor years, and what some good luck might bring, i.e. do the forecasts on a pessimistic basis and on an optimistic basis. This will give you an indication of the risk involved.

Useful tools for the financial analysis are the

- ♦ Contribution Margin Analysis
- ♦ Projected Income Statement,
- ♦ Cash Flow Forecast and
- ♦ Projected Statement of Assets, Liabilities and Equity

Contribution Margin Analysis

The **Contribution Margin Analysis** will tell you how much each product contributes to the profits of the business. The contribution margin is the amount left after the **direct costs** are deducted from the **income** produced by a given product.

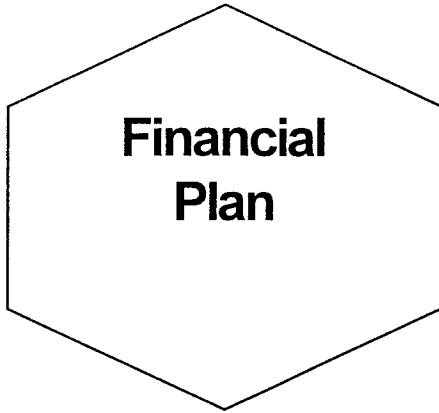
Direct costs are those incurred for production. They are usually separated from fixed costs which are those expenses that would occur whether or not anything was produced. The contribution is what is left after all direct costs are deducted.

If you are looking at adding new products to your operation, you might want to prepare a Contribution Margin Analysis for each new product.

This is also a useful tool for analyzing the profitability of existing products.

Financial Plan Example

Contribution Margin Analysis					
	1995	1996	1997	1998	1999
Pollen Production					
Projected Price (\$)	15	15	15	15	15
Production (lb.)	75	75	100	100	100
Income					
Sales	1,125	1,125	1,500	1,500	1,500
Direct Costs					
Trap handling	0	0	0	0	0
Cleaning/Sorting	0	0	0	0	0
Packaging/Labelling	330	330	440	440	440
Contribution Margin	795	795	1,100	1,100	1,100
Production of Nucs					
Projected Price (\$)	38.50	38.50	40.00	42.50	45.00
Production (units)	0	150	250	500	500
Income					
Sales	0	5,775	10,000	21,250	22,500
Direct Costs					
Queens	0	450	750	1,500	1,500
Feeding	0	1,894	3,157	6,315	6,315
Packaging/Freight	0	300	529	1,052	1,084
Contribution Margin	0	3,131	5,564	12,383	13,601



Projected Income Statement

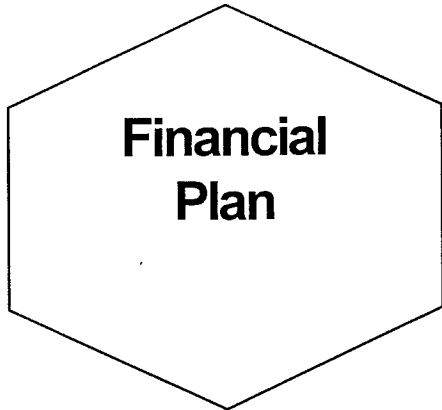
The **Projected Income Statement** shows the anticipated profits from the business after all direct costs and fixed costs have been deducted. From the income statement, you can see if what you are planning to do will make money, how much and how soon.

The Income Statement provides a better measure of profit when it is prepared using the **Accrual Basis of Accounting**.

The accrual basis takes into account the value of the product that has been produced even if it has not yet been sold (inventory). It also accounts for amounts that have been earned but not yet received (Accounts Receivable) and for amounts that have been spent but not yet paid (Accounts Payable).

Financial Plan Example

Projected Income Statement					
	1995	1996	1997	1998	1999
Income					
Honey - Wholesale	47,975	49,000	49,500	51,450	52,800
- Farm Gate	11,875	12,500	13,650	14,300	16,200
- Comb	2,700	4,200	6,300	6,300	7,200
Wax - Bulk	800	500	500	500	500
- Candles	1,750	4,375	4,375	4,375	4,375
Pollen	1,125	1,125	1,500	1,500	1,500
Nucs		5,775	10,000	21,250	22,500
Total Income	66,225	77,475	85,625	99,675	105,075
Expenses					
Feed - Sugar	4,998	6,596	7,727	10,379	10,587
- Protein	775	1,187	1,474	2,164	2,207
Queen Purchases	2,754	3,259	3,624	4,447	4,536
Hive Treatments	1,279	1,304	1,330	1,357	1,384
Labour	6,700	9,700	9,700	11,200	11,200
Machinery Costs	6,274	6,398	6,527	6,657	6,790
Hive Repair	1,357	1,384	1,412	1,440	1,469
Yard Rent	1,200	1,200	1,200	1,300	1,300
Interest - Operating	1,370	845	0	0	0
Marketing/Promotion	6,777	8,088	7,924	8,583	8,755
Interest - Long term	6,413	5,346	4,293	3,571	3,270
Property Taxes	887	932	978	1,027	1,078
Utilities & Repairs	3,932	4,011	4,091	4,172	4,257
Overhead	1,566	1,607	1,649	1,694	1,738
Depreciation	10,798	10,313	9,812	9,706	8,735
Total Expenses	57,080	62,171	61,741	67,696	67,306
Net Income	9,145	15,304	24,084	31,979	37,769



Financial Plan

Cash Flow Forecast

The **Cash Flow Forecast** measures the movement of cash in and out of the business. It differs from the income statement because it shows all of the sources of cash, not just cash from sales.

Because cash is so important to a business, the cash flow forecast is a popular planning tool. It will help you to see when cash shortfalls may occur, and will help you to determine if you will need outside funding, how much and for how long.

The Cash Flow Forecast does not measure profit. Often, a business will be profitable, but the cash may be tied up in inventory or in fixed assets for some time. In such circumstances, using only the cash flow information could mislead you.

For your business plan, you may also want to prepare a monthly cash flow projection to anticipate fluctuations in cash during the year.

Financial Plan Example

Cash Flow Forecast					
	1995	1996	1997	1998	1999
Cash In					
Honey - Wholesale	47,083	48,693	49,350	50,865	52,395
Honey - Farm Gate	11,875	12,500	13,650	14,300	16,200
Other Products	6,375	15,975	22,675	33,925	36,075
Accounts Receivable	1,433	0	0	0	0
Loans	0	0	0	0	0
Asset Sales	0	0	0	0	0
Contributions**		3,000	3,000	4,500	4,500
Off Farm Income	24,990	25,490	26,000	26,520	27,050
Total Cash In	91,756	105,657	114,675	130,110	136,220
Cash Out					
Expenses*	46,282	51,857	57,931	57,991	58,571
Accounts Payable	1,156	0	0	0	0
Asset Purchases	1,600	5,950	5,300	8,750	0
Principal Payments	12,974	11,209	7,452	2,724	3,024
Living Expenses	21,000	21,000	21,000	21,000	21,000
Education Fund**	0	3,000	3,000	4,500	4,500
Retirement Savings	0	0	858	997	1,051
Income Taxes	0	400	1,200	3,200	3,800
Total Cash Out	83,012	93,416	90,741	99,162	91,946
Surplus (Deficit)	8,744	12,241	23,934	30,948	44,274
Balance Forward	(22,830)	(14,086)	(1,846)	22,088	53,036
Cash Balance	(14,086)	(1,846)	22,088	53,036	97,311
* Less depreciation					
**These amounts saved by children from increased wages					



Financial Plan

Projected Statement of Assets, Liabilities and Equity

The **Projected Statement of Assets, Liabilities and Equity** measures the cumulative financial progress of the business.

This projection is like a series of photographs of the business taken at certain intervals. In the photographs you see what assets the business has, who the business owes money to and how much equity the owner has. By comparison, you can see how these elements have changed over time.

The equity reflects your investment in the business at a stated time. Owner's equity increases because of accumulated income or because of contributions you make to the business. This calculation is useful as a target and a measurement tool.

Owner's Equity is calculated based on the cost of assets for the Statement of Assets, Liabilities and Owner's Equity (also called a Balance Sheet).

When changes in the value of assets occur due to economic influence, the equity of the owner will also change. When a statement is prepared reflecting these market values, the owner's equity is referred to as Net Worth and the statement is a **Net Worth Statement**.

Historical Information

In addition to the projections, you may need to include the financial history of your business.

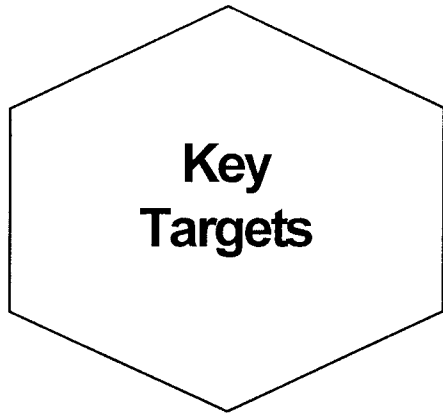
If you will require additional financing, you should also include information such as:

- ♦ inventory, accounts receivable and payable
- ♦ insurance
- ♦ appraisals
- ♦ personal net worth

This information could be included in the appendices.

Financial Plan Example

Projected Statement of Assets, Liabilities and Equity					
	1995	1996	1997	1998	1999
Assets					
Cash	(14,086)	(1,846)	22,088	53,036	97,311
Education Fund		3,000	6,000	10,500	15,000
Retirement Savings			858	1,855	2,906
Inventory - Honey	14,393	14,700	14,850	15,435	15,840
Inventory - Supplies	3,100	3,100	3,100	3,100	3,100
Equipment	173,180	168,817	164,305	163,350	154,615
Total Assets	176,588	187,772	211,202	247,276	288,771
Liabilities					
Loans Payable	51,009	39,800	32,347	29,623	26,599
Equity					
Opening Balance	112,442	125,577	147,972	178,855	217,653
Contributions	24,990	28,490	29,000	31,020	31,550
Drawings	(21,000)	(21,400)	(22,200)	(24,200)	(24,800)
Income for Year	9,145	15,304	24,084	31,979	37,769
Closing Equity	125,577	147,972	178,855	217,653	262,172
Total Liabilities and Equity	176,586	187,772	211,202	247,276	288,771



The business plan gives you a standard against which to compare your actual results with your planned results. Regular review of your plan, comparing it to the results shown in your actual records, will allow you to identify problems and make adjustments quickly.

Some of the targets you set in your plan may warrant a more constant vigil. For these key targets, you might want to set up a tracking method that will show your progress on a timely basis.

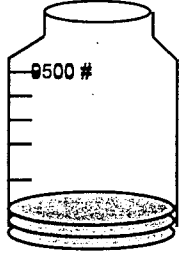
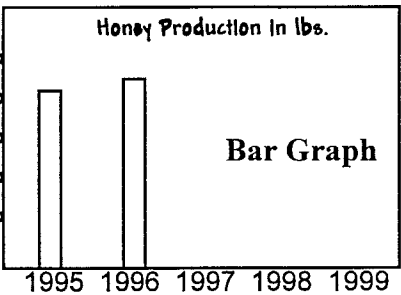
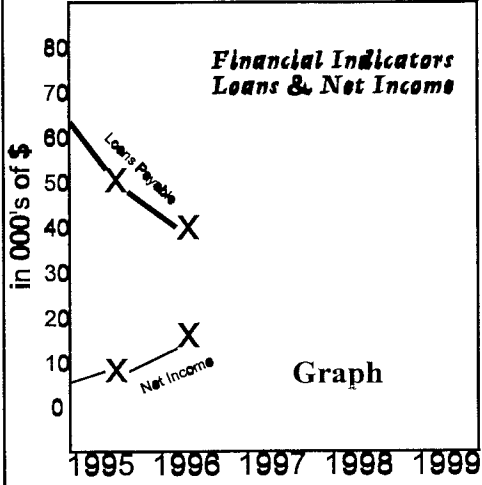
Your **key targets**, which might be average price per pound, winter survival populations or pounds of honey sold per month, are those that will

- ♦ show your progress
- ♦ give you early warning signs of future problems
- ♦ be important to achieving your goals

Measuring tools that give a graphic reference point are very useful. They will make tracking progress easier. Consider using

- ♦ a thermometer to draw in the progress you are making
- ♦ charts and graphs to show growth
- ♦ pie charts to measure changing percentages.

Key Targets Example

Key Targets		
Target	Time	Measurement Tools
Marketing Farm Gate Sales 9500 #	1995	 <p>Graduated Honey Jar</p>
Production Honey 60,000 # per year	1995-1999	 <p>Bar Graph</p>
Financial 0 Debt Growth in Net Income	2003 1995-1999	 <p>Graph</p>