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Provincial Economic Growth Program

**SBDC Leadership Conference
Business Development Services**

November 14th-17th, 2009



A Presentation on
Providing Demand Driven Training Courses

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2009

Business Development Services

Goals:

- Introduction to the new training curriculum.
- A clear understanding of the expectations of the upcoming Training of Trainers program.

SME WORKSHOP – HOW TO START A BUSINESS

Overall “How to Start a Business” Workshop Objective:

Utilize informative discussion topics, individual exercises and small work group exercises to provide the following:

- The key information and knowledge base that is required for an entrepreneur to start up a business.
- The tools needed to prepare a feasibility study to apply for start up capital as well as execute a well thought out business plan.

SME WORKSHOP – HOW TO START A BUSINESS



Target Audience:

The target groups of the SME “How to Start a Business” training courses that are provided through the SBDCs are for small and medium entrepreneurs who propose the following:

- ✓ Age 18 and above who wants the training
- ✓ Is able to read and write in the language of the training, which is Arabic.
- ✓ Is able to make basic calculations.
- ✓ Have a basic business idea and a commitment to pursue it.
- ✓ Planning a business with at least three employees.
- ✓ Number of participants should not be less than 11 and not exceed 18.
- ✓ Have or have access to business start-up capital.

SME WORKSHOP – HOW TO START A BUSINESS

Day 1 – Business and Entrepreneur Basics	Duration (mins)
<p>1) <u>Business Fundamentals</u></p> <ul style="list-style-type: none"> • The different types of businesses within the market. • Business terms and definitions that will be applied in later portions of the training. • Essentials of business and how they work together. 	60
<p>1) <u>Skill set of an Entrepreneur</u></p> <ul style="list-style-type: none"> • The practical and management skills to be successful. • Best ways to strengthen skill sets to be successful. 	60
<p>1) <u>Personal Finance Assessment</u></p> <ul style="list-style-type: none"> • Step by step process to analyze if you are financially ready to start a business. 	90
<p>1) <u>Group Work and Exercises</u></p>	30

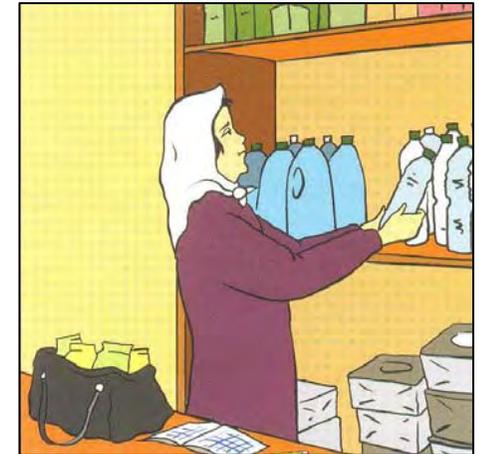
WHAT IS A BUSINESS?

- **The offering of goods or services to people**
 - Is there is a demand for what you are offering?
 - Is there a need?
 - Is it desired/wanted?
 - Are people willing to pay?
- **Pricing of goods or services that make a profit.**
 - Is it possible to meet the demands of the public and make a decent profit?
 - The price set to sell is above the total cost of material and labor.
 - The price set to sell covers cost to run the business with something left for you.
- **Providing decent work to the people in the community**
 - Labor needed to run your business provides jobs in the community.



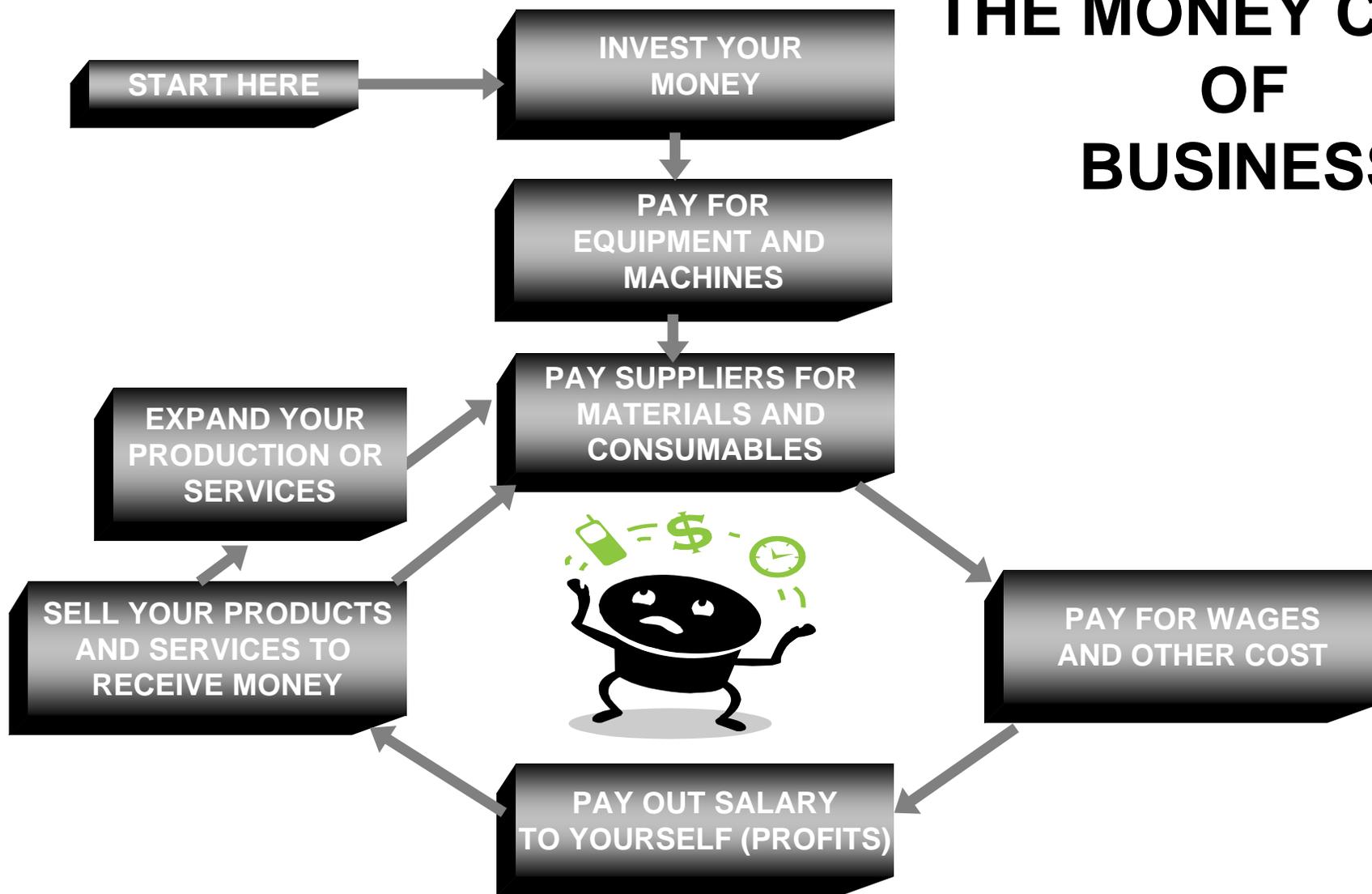
COMMON BUSINESS TERMS

- **Products**
 - The goods that people need and businesses sell. Products are also known as “Finished Goods”.
- **Services**
 - Consultation which people/businesses need and are willing to pay for.
- **Customers**
 - People who need products and/or services for which they are willing to pay money.
 - Customers are also called “Clients”.
- **Sellers**
 - People who offer products and/or services to people.
- **Raw materials**
 - Materials that a business uses for making its finished goods or products are called its raw materials.
- **Consumables**
 - Materials a business uses for making or selling its products or services.



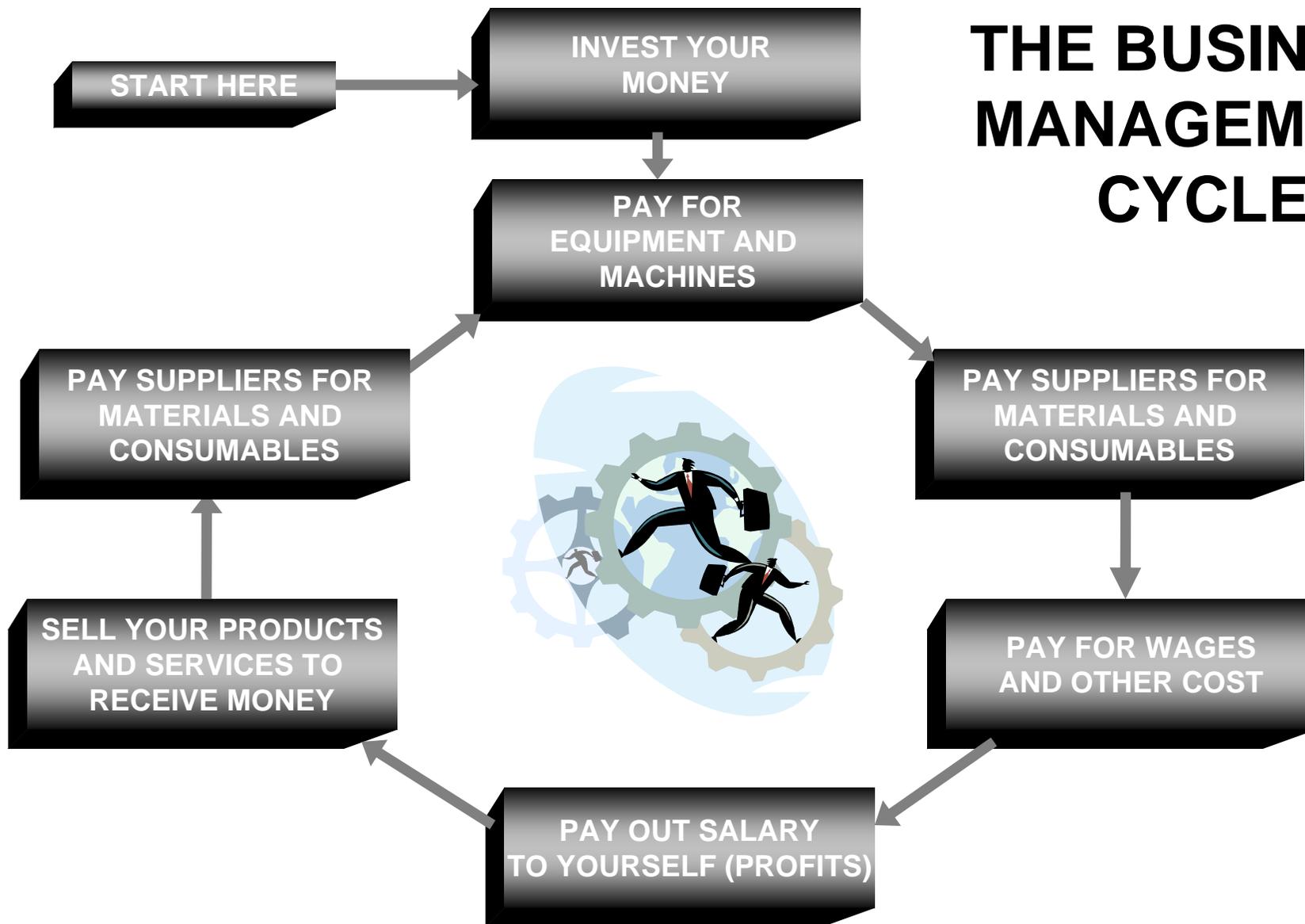


THE MONEY CYCLE OF BUSINESS





THE BUSINESS MANAGEMENT CYCLE



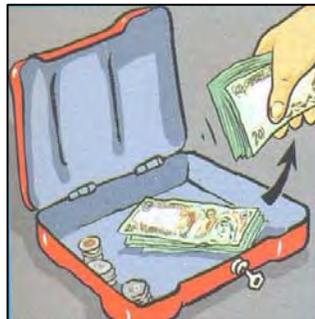


6 ESSENTIALS AT WORK



PERSONAL FINANCE ASSESSMENT

- **CAPITAL or INVESTMENT:** Money you put into your business. The type and size of your business will depend on how much capital you can invest into your business.
 - **START-UP CAPITAL:** Amount of investment needed to start your business.
 - **WORKING CAPITAL:** Amount of investment needed to pay for day-to-day expenses to finance your business.



A personal finance assessment will tell you when you have the capital to start your business.



PERSONAL FINANCE ASSESSMENT

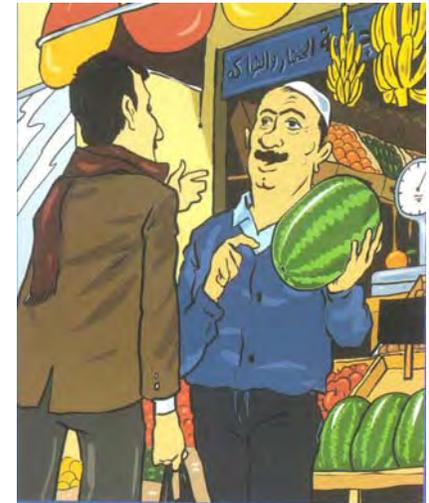
STEP 1		MONEY AVAILABLE TO INVEST	AMOUNT	
√	Personal Savings		2,500,000	ID
√	Money borrowed from brother		1,200,000	ID
√	Salary from present job for next 6 months		4,200,000	ID
√	Money in from sale of house		35,500,000	ID
√	SUBTOTAL		43,400,000	ID
STEP 2: MY BUSINESS CAN MAKE PROFIT TO MEET MY HOUSEHOLD EXPENSES WITHIN 6 MONTHS. I MUST HAVE ENOUGH MONEY FOR EXPENSES FOR THE NEXT 12 MONTHS.				
STEP 3		PERSONAL & FAMILY EXPENSES	AMOUNT PER MONTH	12 MONTHS TOTAL
√	FOOD		350,000	ID
√	FUEL, ELECTRICITY		150,000	ID
√	RENT		700,000	ID
√	OTHERS		500,000	ID
√	SUBTOTAL		1,700,000	ID
STEP 4		EXTRA RESERVES	AMOUNT PER MONTH	3 MONTHS TOTAL
√	MONEY SET ASIDE FOR RESERVES		1,700,000	ID
STEP 5		RESERVES AND EXPENSES	AMOUNT PER MONTH	15 MONTHS TOTAL
√	STEP 3 TOTAL + STEP 4 TOTAL		1,700,000	ID
TOTAL MONEY AVAILABLE TO INVEST (STEP 1 TOTAL - STEP 5 TOTAL)			17,900,000	ID

SME WORKSHOP – HOW TO START A BUSINESS

Day 2 – Business Strategies and Ideas	Duration (mins)
<p>1) <u>Market Assessment</u></p> <ul style="list-style-type: none"> •The benefits of a market assessment. •Key information to gather for a market assessment. •Step by step procedures to complete a market assessment successfully. 	60
<p>1) <u>Marketing Mix</u></p> <ul style="list-style-type: none"> •The relationship between the market mix and profit. •An understanding of each component of the market mix and how they are related to each other. 	60
<p>1) <u>Feasible Business Idea</u></p> <ul style="list-style-type: none"> •What aspect to look for in a feasible business idea. •What characteristics to compare to pick the most feasible business idea. 	90
<p>1) <u>Group Work and Exercises</u></p>	30

MARKET ASSESSMENT

- **MARKET ASSESSMENT** - Systematic gathering and analysis of data and information.
 - Determine the effective size of a market.
 - Identify specific marketing situations and challenges.
 - Data will help you design your Market Mix and Marketing Plan.
- **MARKETING MIX** – Combination of product/service quality, quantity, price and place with your potential customers.
 - Best combination of offerings that suites your target market.
 - Establish a firm position in the market place.
- **MARKETING PLAN** – Utilizing data collected in Market Research to establish Marketing Mix that will reach sales objectives.
 - Goals of weekly or monthly sales during a period.
 - Help you determine the average price you will charge.
 - Strategy you will use during the period to meet objectives.



A strong effort in conducting Market Assessment will help you design a strong Market Mix and Marketing Plan.



MARKET ASSESSMENT

1. Identify Your Customers

2. Assess Needs of Customers

3. Assess Level of Competition

4. Estimate Effective Market

MARKET ASSESSMENT

4. Estimate Effective Market

EFFECTIVE MARKET CALCULATION EXAMPLE

NASARIYAH LOCAL GARMENTS ESTIMATED EFFECTIVE MARKET			
Market Segment	Product	Women's Garments	Children's Garments
Market my business can service directly	Total market size in city of Nasariyah	300	600
	My market share (based on research)	15%	15%
	Monthly Effective Market	45	90
Market my business cannot service directly	Total market size in province of Dhi Qar	2,950	6,000
	My market share (based on research)	8%	8%
	Monthly Effective Market	235	480
Total Monthly Effective Market Size		280	570

THE MARKET MIX

Your piece of the market share will depend largely chosen Marketing Mix of your business.

1. PRODUCTS

The quality and reliability of your product/service offerings.

2. PRICE

The fee you will charge for your product or service.

3. PLACE

Strategy to give potential customers access to your products/services.

4. PROMOTION

Steps you will take to attract your customer base.

Your Market Mix will decide how quickly your business can make a profit.



THE MARKET MIX

1. PRODUCTS

2. PRICE

3. PLACE

4. PROMOTION



- You must find the right balance in your Market Mix.
- Depending on your business and current market situation; products, price, place and promotion will vary in priority.

Regardless of your business, the Market Mix will have an impact on your success.

FEASIBLE BUSINESS IDEA

- **VIABLE BUSINESS OPPORTUNITY**
 - Attracts customers in the intended marketplace.
 - Potential to make a profit on a regular basis.
 - Different than what is currently offered in the market.
- **USES YOUR PERSONAL SKILLS**
 - Cannot be dependant on just the skills of employees.
 - Focuses on your natural strengths.
- **MOTIVATES YOU TO SUCCEED**
 - It gives you a fulfilling personal experience.
 - You like what you do and willing to put in best efforts.



**A good business idea should feel less like a job
and more like a worthwhile experience you cannot pass up.**

FEASIBLE BUSINESS IDEA

ALYAA'S STORY

Alyaa lives in a small rural community in Wasit. She has always wanted to start a business. One of her neighbors was running a reasonably good bread shop and was making a comfortable living from it. Most people living in the area came to her neighbor's bread shop to buy their daily needs and socialize.

Alyaa was also good at making bread and liked to socialize and her husband was a good carpenter so she decided to start a shop in her house. Raw materials, commercial ovens, nice shelves and a shop counter were built from the money Alyaa and her husband have saved and borrowed from friends and family.

Right from the start the business was in trouble. Less than two months of being open, Alyaa was not able to attract enough customers and could not turn a profit let alone pay off her loans. She found out a few days later her neighbor's shop was not able to make a profit since some of her customers started going to Alyaa's shop. Both shops are struggling to survive and it will not take long before at least one of them has to close down.



A copy of a good business idea does not mean it is a feasible idea.

FEASIBLE BUSINESS IDEA

**STRENGTHS
WEAKNESSES
OPPORTUNITIES
THREATS**

- List out in detail, for each business option, all the strengths, weaknesses, opportunities and threats.
- Identify, mark and examine the most important strengths and opportunities.
- Identify, mark and examine the most important threats and weaknesses.
- Compare each opportunity analysis you have conducted and chose the most feasible option.



FEASIBLE BUSINESS IDEA

EXAMPLE OF AN OPPORTUNITY ANALYSIS

OPPORTUNITY ANALYSIS	
<i>Business opportunity: Copy and Printing Business.</i>	
STRENGTHS	WEAKNESSES
1. No dependence on outside expertise	1. Dependence on outside repair of assets
2. Have own computer and printing equipment ++	2. Competition 45mins away offers delivery ++
3. No competition around community	3. Do not have a vehicle to offer delivery
4. Closest competition is 45 mins away ++	
5. School close by that needs service ++	
OPPORTUNITIES	THREATS
1. Connected with the school in area++	1. Competition may open branch
2. Already have 5 interested clients	2. Need more investment capital
3. Current competition quality is not as good as mine	

SME WORKSHOP – HOW TO START A BUSINESS

Day 3 – Research for Business Start-up Strategy	Duration (mins)
<p>1) <u>Business Start-up Strategy</u></p> <ul style="list-style-type: none"> •An understanding of the different ways to start a business. •Advantages and disadvantages of each start-up strategy. 	30
<p>1) <u>Start-up Cost Breakdown</u></p> <ul style="list-style-type: none"> •An understanding of what start-up cost will be involved. •An understanding of how to break down material cost. 	60
<p>1) <u>Profitability Potential</u></p> <ul style="list-style-type: none"> •How to calculate expected sales and costs. •How to calculate profits. 	90
<p>1) <u>Group Work and Exercises</u></p>	60

OBJECTIVES:

By the end of each session the participants will gain the following skills:

- **Business Start-up Strategy**
 - Understanding the different ways to start a business.
 - Advantages and disadvantages of each start-up strategy.
- **Start-up Cost Breakdown**
 - Understanding what start-up cost will be involved.
 - Understanding how to break down material cost.
- **Profitability Potential**
 - How to calculate expected sales and costs.
 - How to calculate profits.



BUSINESS START-UP STRATEGY

1. Acquire a Franchise

2. Buy an Existing Business

3. Partnership

4. Create a New Business



Regardless of your business start-up strategy

- You must make a well informed decision taking into account all the advantages and disadvantages.
- There will always be risks involved but a calculated risk has a better chance for success.



START-UP COST BREAKDOWN

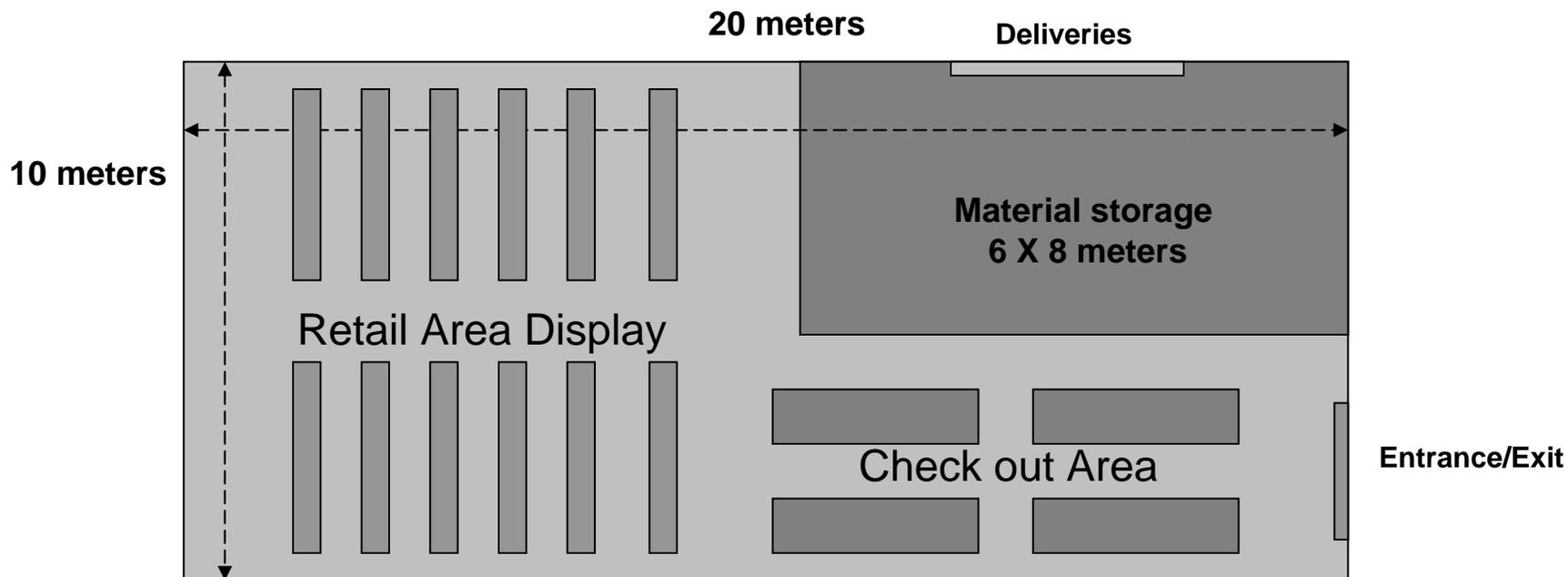
BASRAH WOOD WORKS - PRODUCTION PROCESS: KITCHEN CHAIR STLYE 1				
Section	Production stage	Process	Equipment	Additional tools
LEGS	1. Sizing Wood	Use machine	Band-saw	Calipers, measuring tape, handsaw and finishing tools
	2. Cut to Length	Use machine	Cut-off saw	
	3. Shape Legs	Use machine	Lathe	
	4. Finish the Legs	By hand		
SEAT FRAME	1. Sizing Wood	Use machine	Band-saw	Calipers, measuring tape, hand planers, chisels, hammers and finishing tools
	2. Finish to Size	Use machine and fi	Planing machine	
	3. Cut to Length	Use machine	Sanding machine	
	4. Prepare Joints	By hand	Cut-off saw	
	5. Assemble	By hand		
SEAT	1. Sizing Wood	Use machine	Band-saw	Calipers, measuring tape, hand planers, chisels, hammers, hand drill and finishing tools
	2. Finish to Size	Use machine and fi	Planing machine	
	3. Cut to Length	Use machine	Sanding machine	
	4. Join Planks	Use machine	cut-off saw	
	5. Curve Seat	Use machine	Joining press	
	6. Finish Shape	By hand	Bending press	
BACK-REST	1. Sizing Wood	Use machine	Band-saw	Calipers, measuring tape, handsaw and finishing tools
	2. Cut to Length	Use machine	Cut-off saw	
	3. Shape the Rods	Use machine	Lathe	
	4. Finish the Rods	By hand		
	5. Shape the Shoulder	Use machine	Bending press	
	6. Finish the Shoulder	By hand		
FINISH GOODS	1. Final Assembly	By hand		Assembly and finishing tools
	2. Final Finish	By hand		
	3. Final Polish	By hand		



START-UP COST BREAKDOWN

1. Physical resource costs

- Building Space



PROFITABILITY POTENTIAL

Calculating Expected Profit



Expected Costs – all items related to producing and selling what you are offering including:

- Materials,
- Wages for workers,
- Rent for business,
- Electricity, water, fuel,
- Transportation of materials,
- Interest on loans,
- Advertising and promotion,
- Any other cost to run business.



PROFITABILITY POTENTIAL

EXPECTED SALES INCOME

Money you will get for your products or services

Step 4: Add all the expected sales per month for your products and services together.

KUT FAMILY METAL WORKS COMPANY MONTHLY SALES INCOME				
PRODUCT	EXPECTED PRICE PER UNIT	EXPECTED SALES PER UNIT	MONTHLY TOTAL	
BUCKETS	١.ع.د 12,000	175	١.ع.د	2,100,000
GATES	١.ع.د 180,000	20	١.ع.د	3,600,000
GRILLS	١.ع.د 85,000	40	١.ع.د	3,400,000
SHUTTERS	١.ع.د 65,000	50	١.ع.د	3,250,000
TOTAL EXPECTED MONTHLY SALES INCOME			١.ع.د	12,350,000



PROFITABILITY POTENTIAL

EXPECTED COSTS

*Money you pay out for
Making or providing
products and services*

**Example: Cost to produce a Metal Bucket at
Kut Family Metal Works Company.**

KUT FAMLY METAL WORKS COMPANY: PRODUCT - METAL BUCKET				
MATERIALS NEEDED	COST OF ORDER	AMOUNT PRODUCED PER ORDER	AMOUNT USED PER BUCKET	COST PER BUCKET
Iron sheet 2.5M x 1.25M x 1.6 mm	١.ع.د 6,000-	6 buckets	.17 of sheet	١.ع.د 1,020-
Iron sheet 2.5M x 1.25M x 1.25 mm	١.ع.د 5,000-	20 buckets	.05 of sheet	١.ع.د 250-
3 M Steel rod - mild 15 mm	١.ع.د 2,500-	3 buckets	.33 of rod	١.ع.د 825-
1 Kg Galvanized Iron wire - 2.5mm	١.ع.د 3,500-	4 buckets	.25 of Kg	١.ع.د 875-
1 Kg Welding Rods	١.ع.د 30,000-	60 buckets	.017 of Kg	١.ع.د 510-
TOTAL COST OF MATERIALS TO MANUFACTURE ONE BUCKET				١.ع.د 3,480-



PROFITABILITY POTENTIAL

EXPECTED COSTS

*Money you pay out for
Making or providing
products and services*

**Step 4: Add all the expected material cost
for your products/services together.**

KUT FAMLY METAL WORKS COMPANY EXPECTED MONTHLY COST OF MATERIAL					
PRODUCT	COST PER UNIT		EXPECTED SALES PER UNIT MONTH	MONTHLY TOTAL	
BUCKETS	١.ع.د	3,480-	180	١.ع.د	626,400-
GATES	١.ع.د	71,500-	40	١.ع.د	2,860,000-
GRILLS	١.ع.د	33,000-	35	١.ع.د	1,155,000-
SHUTTERS	١.ع.د	28,600-	35	١.ع.د	1,001,000-
COST OF MATERIAL				١.ع.د	5,642,400-



PROFITABILITY POTENTIAL

EXPECTED COSTS

*Money you pay out for
Making or providing
products and services*

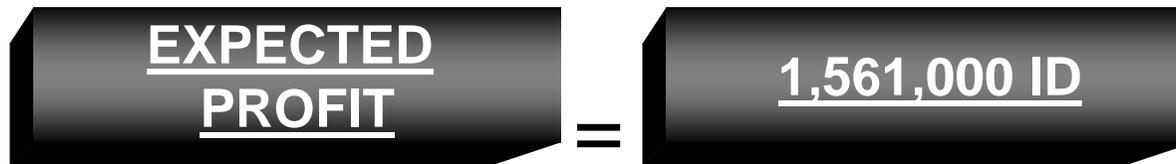
Step 5: Make an estimate of major operational costs per month

KUT FAMILY METALS WORKS COMPANY MONTHLY OPERATIONAL COSTS	
DESCRIPTION	MONTHLY TOTAL
RENT FOR WORKSHOP	١.ع.د 400,000-
ELECTRICITY, WATER, FUEL	١.ع.د 150,000-
TELEPHONE	١.ع.د 50,000-
DELIVERY OF PRODUCTS	١.ع.د 200,000-
WAGES FOR EMPLOYEES	١.ع.د 3,000,000-
PERSONAL SALARY	١.ع.د 1,500,000-
TRAVEL COST TO BUY MATERIAL	١.ع.د 100,000-
ADVERTISING COSTS	١.ع.د 200,000-
PRINTING OF BROCHURES	١.ع.د 100,000-
FINANCIAL COSTS	١.ع.د 125,000-
UNFORESEEN EXPENSES	١.ع.د 175,000-
OPERATIONAL COSTS	١.ع.د 6,000,000-



PROFITABILITY POTENTIAL

Expected Profit for Kut Family Metal Works Company per Month



KUT FAMILY METAL WORKS COMPANY PROFITABILITY POTENTIAL		
DISCRIPTION		MONTHLY TOTAL
TOTAL EXPECTED SALES INCOME	١.ع.د	12,350,000
TOTAL EXPECTED COST	١.ع.د	10,789,000-
PROFITABILITY POTENTIAL 1ST YEAR	١.ع.د	1,561,000
PROFIT MARGINS 1ST YEAR		12.64%

SME WORKSHOP – HOW TO START A BUSINESS

Day 4 – Income Statement and Cash Flow Plan	Duration (mins)
<p>1) <u>Income Statement</u></p> <ul style="list-style-type: none"> •How to forecast sales income. •How to prepare a material costs plan. •How to prepare an operational costs plan. •How to factor in depreciation. •How to bring all plans together in an income statement. 	90
<p>1) <u>Cash Flow Plan</u></p> <ul style="list-style-type: none"> •How to optimize a cash flow plan to see where your money is moving. •An understanding of the “cash-in” and “cash-out” concept. •How to utilize your cash flow plan on a monthly basis. 	90
<p>1) <u>Group Work and Exercise</u></p>	60



INCOME STATEMENT

PREPARE YOUR SALES PLAN

- Reformat the chart so you can forecast all four quarters for your first year in business.
- Keep in mind your Market Mix strategy as you forecast.
- Take into account any price increases you envision as you become more established.
- Take into account any volume increase in units sold as you gain more customers.



Remember to be conservative in making your forecast.



INCOME STATEMENT

**PREPARE YOUR
SALES PLAN**

Forecasting production and sales increase from 40%, 55%, 75% and 100% by 4th Quarter.

KUT FAMILY METAL WORKS COMPANY YEAR END SALES INCOME FORECAST

PRODUCT	Breakdown	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year End Total
BUCKETS	Units	210	289	394	525	1,418
	Price Per Unit	١.ع.د 12,000				
	Buckets Sales Income	١.ع.د 2,520,000	١.ع.د 3,465,000	١.ع.د 4,725,000	١.ع.د 6,300,000	١.ع.د 17,010,000
GATES	Units	24	33	45	60	162
	Price Per Unit	١.ع.د 180,000				
	Gates Sales Income	١.ع.د 4,320,000	١.ع.د 5,940,000	١.ع.د 8,100,000	١.ع.د 10,800,000	١.ع.د 29,160,000
GRILLS	Units	48	66	90	120	324
	Price Per Unit	١.ع.د 85,000				
	Grills Sales Income	١.ع.د 4,080,000	١.ع.د 5,610,000	١.ع.د 7,650,000	١.ع.د 10,200,000	١.ع.د 27,540,000
SHUTTERS	Units	60	83	113	150	405
	Price Per Unit	١.ع.د 65,000				
	Shutters Sales Income	١.ع.د 3,900,000	١.ع.د 5,362,500	١.ع.د 7,312,500	١.ع.د 9,750,000	١.ع.د 26,325,000
COMBINED ALL PRODUCT	Units	342	470	641	855	2,309
	Total Sales Income	١.ع.د 14,820,000	١.ع.د 20,377,500	١.ع.د 27,787,500	١.ع.د 37,050,000	١.ع.د 100,035,000

INCOME STATEMENT

PREPARE YOUR MATERIAL COSTS PLAN

- Reformat the chart so you can forecast all four quarters for your first year in business.
- Keep in mind your projected forecast of sales to fill in quantities required.
- The unit amounts in your material cost plan should match your sales plan forecast.



Remember the units in your sales forecast should equal the units in your material cost plan.



INCOME STATEMENT

**PREPARE YOUR
MATERIAL COSTS PLAN**

Forecasting production and sales increase from 40%, 55%, 75% and 100% by 4th Quarter.

KUT FAMILY METAL WORKS COMPANY YEAR END MATERIAL COST FORECAST						
PRODUCT	Breakdown	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year End Total
BUCKETS	Units	210	289	394	525	1,418
	Cost Per Unit	١.ع.د 3,480-	١.ع.د 3,480-	١.ع.د 3,480-	١.ع.د 3,480-	١.ع.د 3,480-
	Buckets Total Cost	١.ع.د 730,800-	١.ع.د 1,004,850-	١.ع.د 1,370,250-	١.ع.د 1,827,000-	١.ع.د 4,932,900-
GATES	Units	24	33	45	60	162
	Cost Per Unit	١.ع.د 71,500-	١.ع.د 71,500-	١.ع.د 71,500-	١.ع.د 71,500-	١.ع.د 71,500-
	Gates Total Cost	١.ع.د 1,716,000-	١.ع.د 2,359,500-	١.ع.د 3,217,500-	١.ع.د 4,290,000-	١.ع.د 11,583,000-
GRILLS	Units	48	66	90	120	324
	Cost Per Unit	١.ع.د 33,000-	١.ع.د 33,000-	١.ع.د 33,000-	١.ع.د 33,000-	١.ع.د 33,000-
	Grills Total Cost	١.ع.د 1,584,000-	١.ع.د 2,178,000-	١.ع.د 2,970,000-	١.ع.د 3,960,000-	١.ع.د 10,692,000-
SHUTTERS	Units	60	83	113	150	405
	Cost Per Unit	١.ع.د 28,600-	١.ع.د 28,600-	١.ع.د 28,600-	١.ع.د 28,600-	١.ع.د 28,600-
	Shutters Total Cost	١.ع.د 1,716,000-	١.ع.د 2,359,500-	١.ع.د 3,217,500-	١.ع.د 4,290,000-	١.ع.د 11,583,000-
COMBINED ALL PRODUCT	Total Units	342	470	641	855	2,309
	Total Cost All Products	١.ع.د 5,746,800-	١.ع.د 7,901,850-	١.ع.د 10,775,250-	١.ع.د 14,367,000-	١.ع.د 38,790,900-

INCOME STATEMENT

PREPARE YOUR OPERATIONAL COSTS PLAN

Use the forecast of monthly operational costs from previous workshop as a guide.

KUT FAMILY METALS WORKS COMPANY MONTHLY OPERATIONAL COSTS	
DESCRIPTION	MONTHLY TOTAL
RENT FOR WORKSHOP	١.ع.د 400,000-
ELECTRICITY, WATER, FUEL	١.ع.د 150,000-
TELEPHONE	١.ع.د 50,000-
DELIVERY OF PRODUCTS	١.ع.د 200,000-
WAGES FOR EMPLOYEES	١.ع.د 3,000,000-
PERSONAL SALARY	١.ع.د 1,500,000-
TRAVEL COST TO BUY MATERIAL	١.ع.د 100,000-
ADVERTISING COSTS	١.ع.د 200,000-
PRINTING OF BROCHURES	١.ع.د 100,000-
FINANCIAL COSTS	١.ع.د 125,000-
UNFORESEEN EXPENSES	١.ع.د 175,000-
OPERATIONAL COSTS	١.ع.د 6,000,000-

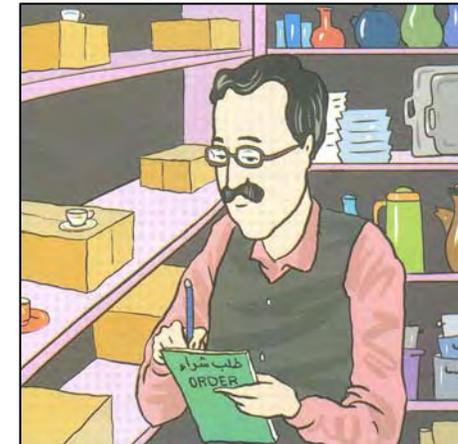
Operational costs = 6M ID X 3 months = 18M ID total for a full quarter of a year.



INCOME STATEMENT

PREPARE YOUR OPERATIONAL COSTS PLAN

- Reformat the chart so you can forecast all four quarters for your first year in business.
- Keep in mind your projected forecast for operation may vary throughout the year based on holidays and marketing efforts.
- As your business grows and your sales increases so does the cost of operating the business.



The cost of operating a business increases as sales increases.



INCOME STATEMENT

PREPARE YOUR OPERATIONAL COSTS PLAN

Forecasting production and sales increase from 40%, 55%, 75% and 100% by 4th Quarter.

KUT FAMILY METAL WORKS COMPANY OPERATIONAL COSTS (1ST FULL YEAR)					
DESCRIPTION	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year End Total
ELECTRICITY, WATER, FUEL	١.ع.د 1,200,000-	١.ع.د 1,200,000-	١.ع.د 1,200,000-	١.ع.د 1,200,000-	١.ع.د 4,800,000-
ELECTRICITY, WATER, FUEL	١.ع.د 180,000-	١.ع.د 247,500-	١.ع.د 337,500-	١.ع.د 450,000-	١.ع.د 1,215,000-
TELEPHONE	١.ع.د 150,000-	١.ع.د 150,000-	١.ع.د 150,000-	١.ع.د 150,000-	١.ع.د 600,000-
DELIVERY OF PRODUCTS	١.ع.د 240,000-	١.ع.د 330,000-	١.ع.د 450,000-	١.ع.د 600,000-	١.ع.د 1,620,000-
WAGES FOR EMPLOYEES	١.ع.د 3,600,000-	١.ع.د 4,950,000-	١.ع.د 6,750,000-	١.ع.د 9,000,000-	١.ع.د 24,300,000-
PERSONAL SALARY	١.ع.د 1,800,000-	١.ع.د 2,475,000-	١.ع.د 3,375,000-	١.ع.د 4,500,000-	١.ع.د 12,150,000-
TRAVEL COST TO BUY MATERIAL	١.ع.د 300,000-	١.ع.د 300,000-	١.ع.د 300,000-	١.ع.د 300,000-	١.ع.د 1,200,000-
ADVERTISING COSTS	١.ع.د 600,000-	١.ع.د 600,000-	١.ع.د 600,000-	١.ع.د 600,000-	١.ع.د 2,400,000-
PRINTING OF BROCHURES	١.ع.د 300,000-	١.ع.د 300,000-	١.ع.د 300,000-	١.ع.د 300,000-	١.ع.د 1,200,000-
FINANCIAL COSTS	١.ع.د 375,000-	١.ع.د 375,000-	١.ع.د 375,000-	١.ع.د 375,000-	١.ع.د 1,500,000-
UNFORESEEN EXPENSES	١.ع.د 525,000-	١.ع.د 525,000-	١.ع.د 525,000-	١.ع.د 525,000-	١.ع.د 2,100,000-
TOTAL MAJOR EXPENSES	١.ع.د 9,270,000-	١.ع.د 11,452,500-	١.ع.د 14,362,500-	١.ع.د 18,000,000-	١.ع.د 53,085,000-



INCOME STATEMENT

CALCULATE DEPRECIATION COSTS

DEPRECIATION RATES AND COSTS FOR THE KUT FAMILY METAL WORKS COMPANY ANNUAL, QUARTERLY AND MONTHLY VALUES

ASSET	PURCHASE VALUE	ANNUAL DEPRECIATION		QUARTERLY DEPRECIATION	MONTHLY DEPRECIATION
		RATE	AMOUNT		
LAND AND BUILDING	RENTED	N/A	N/A	N/A	N/A
MACHINERY, EQUIPMENT AND TOOLS	١.ع.د 13,000,000	20%	١.ع.د 2,600,000-	١.ع.د 650,000-	١.ع.د 216,667-
OFFICE EQUIPMENT AND FURNITURE	١.ع.د 3,000,000	20%	١.ع.د 600,000-	١.ع.د 150,000-	١.ع.د 50,000-
VEHICLES	١.ع.د 9,000,000	20%	١.ع.د 1,800,000-	١.ع.د 450,000-	١.ع.د 150,000-
OTHER ASSETS OF VALUE	١.ع.د 4,000,000	20%	١.ع.د 800,000-	١.ع.د 200,000-	١.ع.د 66,667-
TOTAL DEPRECIATION COSTS	١.ع.د 29,000,000		١.ع.د 5,800,000-	١.ع.د 1,450,000-	١.ع.د 483,333-



INCOME STATEMENT

INCOME STATEMENT FORMAT

Difference between sales income and material cost. Measures necessary cost of business

SALES INCOME

MATERIAL COSTS

= **GROSS CONVERSION MARGIN**

- OPERATIONAL COSTS

= **PROFIT BEFORE DEDUCTION OF DEPRECIATION AND TAX**

- DEPRECIATION

= **PROFIT BEFORE TAX**

- TAX

= **NET PROFIT**

Difference between Gross Conversion Margin and operational costs. Measures profit with both material, operational and financial cost are subtracted.

Amount used to calculate what the government will tax after all deductions and depreciation is taken into account.

Measures total profit during time period being measured. Used to assess overall health and growth potential of business.

PROFIT BEFORE DEDUCTION OF DEPRECIATION AND TAX

- TAX

= **NET INCOME**

Amount of surplus cash that can be used to invest back into the business or payout shareholders.

INCOME STATEMENT

Forecasting production and sales increase from 40%, 55%, 75% and 100% by 4th Quarter.

KUT FAMILY METAL WORKS COMPANY INCOME STATEMENT (SIMPLIFIED 1ST YEAR FORECAST)					
DESCRIPTION	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year End Total
SALES INCOME	١.ع.د 14,820,000	١.ع.د 20,377,500	١.ع.د 27,787,500	١.ع.د 37,050,000	١.ع.د 100,035,000
LESS: MATERIAL COSTS	١.ع.د 5,746,800-	١.ع.د 7,901,850-	١.ع.د 10,775,250-	١.ع.د 14,367,000-	١.ع.د 38,790,900-
GROSS CONVERSION MARGIN	١.ع.د 9,073,200	١.ع.د 12,475,650	١.ع.د 17,012,250	١.ع.د 22,683,000	١.ع.د 61,244,100
LESS: OPERATIONAL COSTS	١.ع.د 9,270,000-	١.ع.د 11,452,500-	١.ع.د 14,362,500-	١.ع.د 18,000,000-	١.ع.د 53,085,000-
PROFIT BEFORE DEDUCTION OF DEPRECIATION AND TAX	١.ع.د 196,800-	١.ع.د 1,023,150	١.ع.د 2,649,750	١.ع.د 4,683,000	١.ع.د 8,159,100
LESS: DEPRECIATION	١.ع.د 1,450,000-	١.ع.د 1,450,000-	١.ع.د 1,450,000-	١.ع.د 1,450,000-	١.ع.د 5,800,000-
PROFIT BEFORE TAX	١.ع.د 1,646,800-	١.ع.د 426,850-	١.ع.د 1,199,750	١.ع.د 3,233,000	١.ع.د 2,359,100
LESS: TAX				١.ع.د 707,730-	١.ع.د 707,730-
NET PROFIT	١.ع.د 1,646,800-	١.ع.د 426,850-	١.ع.د 1,199,750	١.ع.د 2,525,270	١.ع.د 1,651,370
PROFIT BEFORE DEDUCTION OF DEPRECIATION AND TAX	١.ع.د 196,800-	١.ع.د 1,023,150	١.ع.د 2,649,750	١.ع.د 4,683,000	١.ع.د 8,159,100
LESS: TAX				١.ع.د 707,730-	١.ع.د 707,730-
NET INCOME	١.ع.د 196,800-	١.ع.د 1,023,150	١.ع.د 2,649,750	١.ع.د 5,390,730	١.ع.د 8,866,830

Planning your Income Statement also gives you your forecast for the year.

It also provides you insight on how much money you will need to gather to run the businesses until it starts making profit.



CASH FLOW PLAN

**Systematic presentation of how money moves in your business.
CASH IN – CASH OUT.**



- Method of filling in the CASH-IN and CASH-OUT information will depend on the following:
 - Business strictly on Cash Basis,
 - Credit sales,
 - Combination of both.
- Sales against Cash or on Credit:
 - Sales against credit will have terms that allows a certain amount of time to pass before customers have to pay (30 day terms, 6 month terms etc.)
- Purchases against Cash or on Credit
 - If purchase is made against credit, what terms will suppliers extend to you?



CASH FLOW PLAN

STEP 1: Opening Balance (cash in hand)

10,000 ID came from Closing Balance from month (-4)

FORMAT CASH FLOW PLAN							
MONTH	START-UP PERIOD			START-UP PERIOD 1ST QUARTER			
	(-3)	(-2)	(-1)	1	2	3	
OPENING BALANCE (CASH IN HAND)	1.ع.د 10,000	1.ع.د 7,000					
CASH IN							
CASH IN FROM LOANS AND BORROWINGS							
CASH IN FROM SALES							
OTHER CASH IN							
TOTAL CASH IN							
CASH OUT							
CASH OUT FOR PURCHASE OF MATERIALS							
CASH OUT FOR PURCHASE OF EQUIPMENT							
CASH OUT FOR PURCHASE OF SUPPLIES							
CASH OUT FOR PURCHASE OF OTHER ASSETS							
SURPLUS/(DEFICIT)							
CLOSING BALANCE (CASH IN HAND)	1.ع.د 7,000						

Carry over the closing balance (cash in hand) to the following month in the opening balance (cash in hand) slot.

Enter Opening Balance (cash in hand) at the start of first month. This is equal to the Closing balance (cash in Hand) from previous month

The closing balance (cash in hand) becomes the opening balance (cash in hand) for the following month.



CASH FLOW PLAN

STEP 3: Enter Cash-In from Sales Amount

5M ID booked as a sales. 4M was for 30 days terms and 1M was for 60 days terms.

Marked **red to indicate negative** because cash has not been received since it was a credit sale.

4M ID posted in payments received the following month marked number 2. Still have 1M ID that will not be paid till the month marked number 3.

7 M ID paid from previous months term (1M ID from 60 day and 6M ID from 30 day terms) clearing out opening balance receivables with only 3.82 M ID booked from sales in final closing balance receivables.

Receivables opening balance is the closing balance from the previous month.

All credit sales and other receivables left over from previous month is brought down to the closing balance.

6 M ID for 30 day terms booked in sales this month plus 1M ID from previous month 60 day terms. Closing balance is 7 M ID since 4M ID payment was received.

		CASH FLOW PLAN				
		(-1)				
		6,000,000 ١.ع.د				
		TOTAL CASH IN				
		PERIOD 1ST QUARTER				
		1			2	3
CREDIT	RECEIVABLES OPENING BALANCE			١.ع.د 5,000,000-	١.ع.د 7,000,000-	
	SALES	١.ع.د 5,000,000-	١.ع.د 6,000,000-	١.ع.د 3,820,000-		
	PAYMENTS RECEIVED		١.ع.د 4,000,000	١.ع.د 7,000,000		
	RECEIVABLES CLOSING BALANCE	١.ع.د 5,000,000-	١.ع.د 7,000,000-	١.ع.د 3,820,000-		



CASH FLOW PLAN

STEP 14: Calculate the CLOSING BALANCE

Take the **CLOSING BALANCE** and carry it over to the **OPENING BALANCE** of the next month.

		FAMILY METAL WORKS COMPANY CASH FLOW PLAN					
MONTH		START-UP PERIOD			START-UP PERIOD 1ST QUARTER		
		(-3)	(-2)	(-1)	1	2	3
CASH IN	OPENING BALANCE (CASH IN HAND)		4,900,000				
	CASH IN FROM LOANS AND BORROWINGS	17,900,000	12,000,000	6,000,000	1,000,000	2,000,000	1,000,000
	CASH IN FROM SALES					4,000,000	7,000,000
	OTHER CASH IN			1,500,000			
CASH OUT	TOTAL CASH IN	17,900,000	12,000,000	7,500,000	1,000,000	6,000,000	8,000,000
	CASH OUT FOR PURCHASE OF MATERIAL				2,229,696	2,326,640	1,481,294
	CASH OUT FOR OPERATIONS				3,090,000	3,090,000	3,090,000
	CASH OUT FOR PLANNED INVESTMENTS	13,000,000	9,000,000	7,000,000			
	CASH OUT FOR LOAN REPAYMENT					3,000,000	
	OTHER CASH OUT						
	TOTAL CASH OUT	13,000,000	9,000,000	7,000,000	5,319,696	8,416,640	4,571,294
	SURPLUS/(DEFICIT)	4,900,000	3,000,000	500,000			
	CLOSING BALANCE (CASH IN HAND)	4,900,000	7,900,000	8,400,000			

If you have a **SURPLUS** amount, add it to the **OPENING BALANCE** of the same month to calculate the **CLOSING BALANCE** for the month. In this case:

$$\begin{array}{r}
 \text{OPENING BALANCE MONTH (-3)} \quad \quad \quad 0 \\
 + \quad \quad \quad \text{SURPLUS MONTH (-3)} \quad + \quad 4.9 \text{ M ID} \\
 \hline
 \text{CLOSING BALANCE MONTH (-3)} = \quad 4.9 \text{ M ID}
 \end{array}$$



CASH FLOW PLAN

STEP 14: Calculate the CLOSING BALANCE

In month 1 of start-up period 1st quarter, you have a **(DEFICIT)** amount. In this case you would subtract the **(DEFICIT)** amount from the **OPENING BALANCE** to calculate the **CLOSING BALANCE** for the month.

Take the **CLOSING BALANCE** and carry it over to the **OPENING BALANCE** of the next month.

MONTH		START-UP PERIOD 1ST QUARTER											
		1			2			3					
CASH IN	OPENING BALANCE (CASH IN HAND)				8,400,000	١.٤.٠	4,080,304						
	CASH IN FROM LOANS AND BORRO	00,000	١.٤.٠	1,000,000	١.٤.٠	2,000,000	١.٤.٠	1,000,000					
	CASH IN FROM SALES					١.٤.٠	4,000,000	١.٤.٠	7,000,000				
	OTHER CASH IN	00,000											
TOTAL CASH IN		00,000	١.٤.٠	1,000,000	١.٤.٠	6,000,000	١.٤.٠	8,000,000	١.٤.٠	8,000,000			
CASH OUT	CASH OUT FOR PURCHASE OF MATERIAL				١.٤.٠	2,229,696	١.٤.٠	2,326,640	١.٤.٠	1,481,294			
	CASH OUT FOR OPERATIONS				١.٤.٠	3,090,000	١.٤.٠	3,090,000	١.٤.٠	3,090,000			
	CASH OUT FOR PLANNED INVESTMENTS	١.٤.٠	13,000,000	١.٤.٠	9,000,000	١.٤.٠	7,000,000						
	CASH OUT FOR LOAN REPAYMENT						١.٤.٠	3,000,000					
	OTHER CASH OUT												
TOTAL CASH OUT		١.٤.٠	13,000,000	١.٤.٠	9,000,000	١.٤.٠	7,000,000	١.٤.٠	5,319,696	١.٤.٠	8,416,640	١.٤.٠	4,571,294
SURPLUS/(DEFICIT)		١.٤.٠	4,900,000	١.٤.٠	3,000,000	١.٤.٠	500,000	١.٤.٠	4,319,696	١.٤.٠	2,416,640	١.٤.٠	3,428,706
CLOSING BALANCE (CASH IN HAND)		١.٤.٠	4,900,000	١.٤.٠	7,900,000	١.٤.٠	8,400,000	١.٤.٠	4,080,304	١.٤.٠	1,663,664	١.٤.٠	5,092,370

OPENING BALANCE MONTH (-2) 8,400,000 ID
(DEFICIT) MONTH (-2) - 4,319,696 ID
 CLOSING BALANCE MONTH (-2) = 4,080,304 ID



CASH FLOW PLAN

STEP 15: Complete the CASH FLOW PLAN

KUT FAMILY METAL WORKS COMPANY CASH FLOW PLAN									
MONTH	START-UP PERIOD			START-UP PERIOD 1ST QUARTER					
	(-3)	(-2)	(-1)	1	2	3			
CASH IN									
OPENING BALANCE (CASH IN HAND)		١.ع.د 4,900,000	١.ع.د 7,900,000	١.ع.د 8,400,000	١.ع.د 4,080,304	١.ع.د 1,663,664			
CASH IN FROM LOANS AND BORROWINGS	١.ع.د 17,900,000	١.ع.د 12,000,000	١.ع.د 6,000,000	١.ع.د 1,000,000	١.ع.د 2,000,000	١.ع.د 1,000,000			
CASH IN FROM SALES					١.ع.د 4,000,000	١.ع.د 7,000,000			
OTHER CASH IN			١.ع.د 1,500,000						
TOTAL CASH IN	١.ع.د 17,900,000	١.ع.د 12,000,000	١.ع.د 7,500,000	١.ع.د 1,000,000	١.ع.د 6,000,000	١.ع.د 8,000,000			
CASH OUT									
CASH OUT FOR PURCHASE OF MATERIAL				١.ع.د 2,229,696-	١.ع.د 2,326,640-	١.ع.د 1,481,294-			
CASH OUT FOR OPERATIONS				١.ع.د 3,090,000-	١.ع.د 3,090,000-	١.ع.د 3,090,000-			
CASH OUT FOR PLANNED INVESTMENTS	١.ع.د 13,000,000-	١.ع.د 9,000,000-	١.ع.د 7,000,000-						
CASH OUT FOR LOAN REPAYMENT					١.ع.د 3,000,000-				
OTHER CASH OUT									
TOTAL CASH OUT	١.ع.د 13,000,000-	١.ع.د 9,000,000-	١.ع.د 7,000,000-	١.ع.د 5,319,696-	١.ع.د 8,416,640-	١.ع.د 4,571,294-			
SURPLUS/(DEFICIT)	١.ع.د 4,900,000	١.ع.د 3,000,000	١.ع.د 500,000	١.ع.د 4,319,696-	١.ع.د 2,416,640-	١.ع.د 3,428,706			
CLOSING BALANCE (CASH IN HAND)	١.ع.د 4,900,000	١.ع.د 7,900,000	١.ع.د 8,400,000	١.ع.د 4,080,304	١.ع.د 1,663,664	١.ع.د 5,092,370			

SME WORKSHOP – HOW TO START A BUSINESS

Day 5 – Prepare a Business Plan for a Loan	Duration (mins)
<p>1) <u>Balance Sheet</u></p> <ul style="list-style-type: none"> •An understanding of the concepts behind assets and liabilities. •How to utilize your cash flow plan and all the components of the income statement to build your balance sheet. 	120
<p>1) <u>The Business Plan</u></p> <ul style="list-style-type: none"> •How to utilize all your financial statements to build a business plan. •How to put together a feasibility study to explain your financial statements. •An understanding of other factors to include in your business plan. 	30
<p>1) <u>Secure Your Financial Needs</u></p> <ul style="list-style-type: none"> •An understanding of different institutions where you can secure your financial needs. •Reasons for not securing a loan from a financial institution. •Ways to improve the likelihood to obtain a loan. 	30
<p>1) <u>Group Work and Exercise</u></p>	60

BALANCE SHEET

Portion of the Financial Statements that show the position of
ASSETS and LIABILITIES.

- **ASSETS** – Any valued possession of the business that can be converted into cash money:
 - Machinery,
 - Vehicles,
 - Office equipment,
 - Land and buildings,
 - Stock of raw materials,
 - Other Cash in Hand or investments.

- **LIABILITIES** – Any debt that is owed to others:
 - Bank loans,
 - Money due to suppliers for raw material,
 - Equipment that was bought on terms and not paid off.

- **SOLVENT** – A business is considered solvent if its assets are greater than its liabilities.

- **BANKRUPT** – A business is considered bankrupt if it is unable to pay debts even after converting assets into cash.

Understanding your Balance Sheet Projections will help you determine how much profit needs to be retained to continue financing operations.



BALANCE SHEET

BALANCE SHEET FORMAT	
ASSETS	
LAND AND BUILDINGS	
MACHINERY AND EQUIPMENT	
FUNITURE AND FITTINGS	
VEHICLES	
OTHER ASSETS OF VALUE	
TOTAL FIXED ASSETS	
CASH IN HAND	
STOCK OF MATERIALS	
RECEIVABLES	
TOTAL CURRENT ASSETS	
TOTAL ASSETS	
LIABILITES	
PAYABLES	
BANK OVERDRAFT	
UNPAID/DUE TAXES	
TOTAL CURRENT LIABILITIES	
LONG-TERM LOANS	
OWNER'S INVESTMENT/CAPITAL	
RETAINED EARNINGS	
OWNER'S EQUITY	
TOTAL LIABILITES	

FIXED ASSETS are stated at their current value after deduction of **DEPRECIATION** from wear and tear.

CURRENT ASSETS can be readily converted into cash with little effort.

CURRENT LIABILITIES are payable in a relatively short time.

OWNER'S INVESTMENT/CAPITAL is personal money you invest which the business now owes you.

RETAINED EARNINGS are the net profits that have not been distributed to the shareholders/owners.

OWNER'S EQUITY combines **OWNER'S INVESTMENT** and **RETAINED EARNINGS**.

A Balance Sheet should be prepared for each 12-month period of business operations and a forecast of year 2 and year 3 should also be projected..



BALANCE SHEET

STEP 4: Enter your RECEIVABLES

KUT FAMILY METAL WORKS COMPANY BALANCE SHEET						
ASSETS	START-UP PERIOD			START-UP PERIOD 1ST QUARTER		
	(-3)	(-2)	(-1)	1	2	3
LAND AND BUILDINGS	N/A	N/A	N/A	N/A	N/A	N/A
MACHINERY, EQUIPMENT AND TOOLS	١.ع.د 13,000,000	١.ع.د 12,783,333	١.ع.د 12,566,667	١.ع.د 12,350,000	١.ع.د 12,133,333	١.ع.د 11,916,667
OFFICE EQUIPMENT AND FURNITURE			١.ع.د 3,000,000	١.ع.د 2,950,000	١.ع.د 2,900,000	١.ع.د 2,850,000
VEHICLES		١.ع.د 9,000,000	١.ع.د 8,850,000	١.ع.د 8,700,000	١.ع.د 8,550,000	١.ع.د 8,400,000
ALL OTHER ASSETS			١.ع.د 4,000,000	١.ع.د 3,933,333	١.ع.د 3,866,667	١.ع.د 3,800,000
TOTAL FIXED ASSETS	١.ع.د 13,000,000	١.ع.د 21,783,333	١.ع.د 28,416,667	١.ع.د 27,933,333	١.ع.د 27,450,000	١.ع.د 26,966,667
CASH IN HAND	١.ع.د 4,900,000	١.ع.د 7,900,000	١.ع.د 8,400,000	١.ع.د 4,080,304	١.ع.د 1,663,664	١.ع.د 5,092,370
STOCK OF MATERIALS			١.ع.د 2,229,696	١.ع.د 2,617,470	١.ع.د 1,772,124	١.ع.د 2,924,780
RECEIVABLES				١.ع.د 5,000,000	١.ع.د 7,000,000	١.ع.د 3,820,000
TOTAL CURRENT ASSETS						
TOTAL ASSETS						

Utilize the RECEIVABLES SCHEDULE you completed.

RECEIVABLES SCHEDULE OF KUT FAMILY METAL WORKS						
MONTH	START-UP PERIOD			START-UP PERIOD 1ST QUARTER		
				1	2	3
CREDIT						
RECEIVABLES OPENING BALANCE					١.ع.د 5,000,000-	١.ع.د 7,000,000-
SALES				١.ع.د 5,000,000-	١.ع.د 6,000,000-	١.ع.د 3,820,000-
PAYMENTS RECEIVED					١.ع.د 4,000,000	١.ع.د 7,000,000
RECEIVABLES CLOSING BALANCE				١.ع.د 5,000,000-	١.ع.د 7,000,000-	١.ع.د 3,820,000-

When you transfer the RECEIVABLES CLOSING BALANCE to the BALANCE SHEET; they are considered ASSETS since it is money owed to the business. This is why a negative in RECEIVABLES is a positive in RETAINED EARNINGS.



BALANCE SHEET

STEP 8: Input the LONG TERM LOANS

KUT FAMILY METAL WORKS COMPANY BALANCE SHEET

LIABILITES	START-UP PERIOD			START-UP PERIOD 1ST QUARTER		
	(-3)	(-2)	(-1)	1	2	3

The terms of the loan indicates that the loan is to be paid off in 3 equal portions due every 4th month. On the BALANCE SHEET, the 12M ID is carried over to the following month since payment is not due until month 3.

TOTAL CURRENT LIABILITIES			١.ع.د 2,229,696-	١.ع.د 2,326,640-	١.ع.د 1,481,294-	١.ع.د 2,633,950-
LONG-TERM LOANS		١.ع.د 12,000,000-	١.ع.د 12,000,000-	١.ع.د 12,000,000-	١.ع.د 9,000,000-	١.ع.د 9,000,000-
OWNER'S INVESTMENT/CAPITAL						
RETAINED EARNINGS						

Utilize the loan portion of your CASH FLOW PLAN and recall that the Kut Family borrowed 12M ID from the bank in month (-2). Enter that amount in the LONG TERM LOANS section of the same month on the BALANCE SHEET.

Month #2 a payment was made in the amount of 3M ID to the bank. This payment is credited to LONG-TERM LOANS adjusting the total from 12M ID to 9M ID thereafter.

MONTH	START-UP PERIOD			START-UP PERIOD 1ST QUARTER		
	(-2)	(-1)	1	2	3	
OPENING BALANCE (CASH IN HAND)	١.ع.د 900,000	١.ع.د 7,900,000	١.ع.د 8,400,000	١.ع.د 4,083,304	١.ع.د 1,663,664	
CASH IN FROM LOANS AND BORROWINGS	١.ع.د 17,900,000	١.ع.د 12,000,000	١.ع.د 6,000,000	١.ع.د 1,000,000	١.ع.د 2,000,000	١.ع.د 1,000,000
TOTAL CASH IN	١.ع.د 17,900,000	١.ع.د 12,000,000	١.ع.د 7,500,000	١.ع.د 1,000,000	١.ع.د 6,000,000	١.ع.د 8,000,000
CASH OUT FOR LOAN REPAYMENT					١.ع.د 3,000,000-	



BALANCE SHEET

STEP 9: Calculate the OWN

The initial 17.9M ID is credited in the **BALANCE SHEET** under **OWNER'S INVESTMENT** and is carried over each month until it is repaid.

Month (-1) is the combination of 17.9M ID of the Kut Family personal investment, 6M ID borrowed from friends and 1.5M ID gained from selling a car for a total of 25.4M ID.

LIABILITES	KUT FAMILY METAL WORKS COMPANY BALANCE SHEET					
	START-UP PERIOD			START-UP PERIOD		
	(-3)	(-2)	(-1)	1	2	3
PAYABLES			١.ع.د 2,229			
BANK OVERDRAFT						
UNPAID/DUE TAXES						
TOTAL CURRENT LIABILITIES			١.ع.د 2,229,696-	١.ع.د 2,229,696-	١.ع.د 2,229,696-	١.ع.د 2,229,696-
LONG-TERM LOANS		١.ع.د 12,000,000-	١.ع.د 12,000,000-	١.ع.د 12,000,000-	١.ع.د 9,000,000-	١.ع.د 9,000,000-
OWNER'S INVESTMENT/CAPITAL	١.ع.د 17,900,000-	١.ع.د 17,900,000-	١.ع.د 25,400,000-	١.ع.د 26,400,000-	١.ع.د 28,400,000-	١.ع.د 29,400,000-
RETAINED EARNINGS						
OWNER'S EQUITY						
TOTAL LIABILITES						

Every month carry over previous month **OWNER'S INVESTMENT** and add all additional investments in this case the amount borrowed from friends and family.

MONTH	KUT FAMILY METAL WORKS COMPANY CASH FLOW PLAN					
	START-UP PERIOD			START-UP PERIOD 1ST QUARTER		
	(-3)	(-2)	(-1)	1	2	3
OPENING BALANCE (CASH IN HAND)		١.ع.د 4,900,000	١.ع.د 7,900,000	١.ع.د 13,400,000	١.ع.د 15,080,304	١.ع.د 16,366,664
CASH IN FROM LOANS AND BORROWINGS	١.ع.د 17,900,000	١.ع.د 12,000,000	١.ع.د 6,000,000	١.ع.د 1,000,000	١.ع.د 2,000,000	١.ع.د 1,000,000
OTHER CASH IN			١.ع.د 1,500,000			

Again, utilize the loan portion of your **CASH FLOW PLAN** and recall that the Kut Family had a personal investment 17.9M ID, sold a car for 1.5M ID and borrowed a total of 10M ID from friends and family over a 4 month period.



BALANCE SHEET

STEP 10: Calculate

Remember, **RETAINED EARNINGS** on the **BALANCE SHEET** are the **NET PROFITS** from the **INCOME STATEMENT** that have not been distributed to the shareholders/owners or invested back into the business.

When you transfer the **NET PROFITS** from the **INCOME STATEMENT** to the **BALANCE SHEET**; they become **DEBTS** of the business. This is why a **negative** in **NET PROFITS** is a positive in **RETAINED EARNINGS**.

Remember to carry over the previous month's balance to the next month then add the **NET PROFIT (NE)** to calculate the **RETAINED EARNINGS (RE)**. In this case:

RE month (-2) 216,667 ID
NE month (-1) +366,667 ID
583,333 ID

		START-UP PERIOD (-2)		START-UP PERIOD (-1)		START-UP PERIOD 1		START-UP PERIOD 2		START-UP PERIOD 3	
UNPAID											
TOTAL CURRENT LIABILITIES				١.ع.د 2,229,696-	١.ع.د 2,326,640-	١.ع.د 1,481,294-	١.ع.د 2,633,950-				
LONG-TERM LIABILITIES		١.ع.د 12,000,000-	١.ع.د 12,000,000-	١.ع.د 12,000,000-	١.ع.د 9,000,000-	١.ع.د 9,000,000-	١.ع.د 9,000,000-				
OWNER'S INVESTMENT/CAPITAL	١.ع.د 17,900,000-	١.ع.د 17,900,000-	١.ع.د 25,400,000-	١.ع.د 26,400,000-	١.ع.د 28,400,000-	١.ع.د 29,400,000-					
RETAINED EARNINGS		١.ع.د 216,667	١.ع.د 583,333	١.ع.د 1,095,533	١.ع.د 995,506	١.ع.د 2,230,133					
OWNER'S EQUITY											
TOTAL LIABILITIES											

KUT FAMILY METAL WORKS COMPANY INCOME STATEMENT (SIMPLIFIED START-UP)										
MONTH	START-UP PERIOD				START-UP PERIOD 1ST QUARTER			START-UP PERIOD 2ND QUARTER		
	(-3)	(-2)	(-1)		1	2	3			
SALES INCOME					١.ع.د 5,000,000	١.ع.د 6,000,000	١.ع.د 3,820,000			
LESS: MATERIAL COSTS USED					١.ع.د 1,938,866-	١.ع.د 2,326,640-	١.ع.د 1,481,294-			
GROSS CONVERSION MARGIN	١.ع.د -	١.ع.د -	١.ع.د -	١.ع.د -	١.ع.د 3,061,134	١.ع.د 3,673,360	١.ع.د 2,338,706			
LESS: OPERATIONAL COSTS					١.ع.د 3,090,000-	١.ع.د 3,090,000-	١.ع.د 3,090,000-			
PROFIT BEFORE DEDUCTION OF DEPRECIATION AND TAX	١.ع.د -	١.ع.د -	١.ع.د -	١.ع.د -	١.ع.د 28,866-	١.ع.د 583,360	١.ع.د 751,294-			
LESS: DEPRECIATION		١.ع.د 216,667-	١.ع.د 366,667-	١.ع.د 483,333-	١.ع.د 483,333-	١.ع.د 483,333-	١.ع.د 483,333-			
PROFIT BEFORE TAX	١.ع.د -	١.ع.د 216,667-	١.ع.د 366,667-	١.ع.د 512,200-	١.ع.د 100,027	١.ع.د 1,234,627-				
LESS: TAX					١.ع.د -	١.ع.د -	١.ع.د -			
NET PROFIT	١.ع.د -	١.ع.د 216,667-	١.ع.د 366,667-	١.ع.د 512,200-	١.ع.د 100,027	١.ع.د 1,234,627-				
PROFIT BEFORE DEDUCTION OF DEPRECIATION AND TAX	١.ع.د -	١.ع.د -	١.ع.د -	١.ع.د -	١.ع.د 28,866-	١.ع.د 583,360	١.ع.د 751,294-			
LESS: TAX										
NET INCOME	١.ع.د -	١.ع.د -	١.ع.د -	١.ع.د -	١.ع.د 28,866-	١.ع.د 583,360	١.ع.د 751,294-			



BALANCE SHEET

STEP 11: Compare your ASSETS and LIABILITIES

KUT FAMILY METAL WORKS COMPANY BALANCE SHEET						
ASSETS	START-UP PERIOD			START-UP PERIOD 1ST QUARTER		
	(-3)	(-2)	(-1)	1	2	3
LAND AND BUILDINGS	N/A	N/A	N/A	N/A	N/A	N/A
MACHINERY, EQUIPMENT AND TOOLS	١.ع.د 13,000,000	١.ع.د 12,783,333	١.ع.د 12,566,667	١.ع.د 12,350,000	١.ع.د 12,133,333	١.ع.د 11,916,667
OFFICE EQUIPMENT AND FURNITURE			١.ع.د 3,000,000	١.ع.د 2,950,000	١.ع.د 2,900,000	١.ع.د 2,850,000
VEHICLES		١.ع.د 9,000,000	١.ع.د 8,850,000	١.ع.د 8,700,000	١.ع.د 8,550,000	١.ع.د 8,400,000
ALL OTHER ASSETS			١.ع.د 4,000,000	١.ع.د 3,933,333	١.ع.د 3,866,667	١.ع.د 3,800,000
TOTAL FIXED ASSETS	١.ع.د 13,000,000	١.ع.د 21,783,333	١.ع.د 28,416,667	١.ع.د 27,933,333	١.ع.د 27,450,000	١.ع.د 26,966,667
CASH IN HAND	١.ع.د 4,900,000	١.ع.د 7,900,000	١.ع.د 8,400,000	١.ع.د 4,080,304	١.ع.د 1,663,664	١.ع.د 5,092,370
STOCK OF MATERIALS			١.ع.د 2,229,696	١.ع.د 2,617,470	١.ع.د 1,772,124	١.ع.د 2,924,780
RECEIVABLES				١.ع.د 5,000,000	١.ع.د 7,000,000	١.ع.د 3,820,000
TOTAL CURRENT ASSETS	١.ع.د 4,900,000	١.ع.د 7,900,000	١.ع.د 10,629,696	١.ع.د 11,697,773	١.ع.د 10,435,788	١.ع.د 11,837,150
TOTAL ASSETS	١.ع.د 17,900,000	١.ع.د 29,683,333	١.ع.د 39,046,363	١.ع.د 39,631,107	١.ع.د 37,885,788	١.ع.د 38,803,817
KUT FAMILY METAL WORKS COMPANY BALANCE SHEET						
LIABILITES	START-UP PERIOD			START-UP PERIOD 1ST QUARTER		
	(-3)	(-2)	(-1)	1	2	3
PAYABLES			١.ع.د 2,229,696-	١.ع.د 2,326,640-	١.ع.د 1,481,294-	١.ع.د 2,633,950-
BANK OVERDRAFT						
UNPAID/DUE TAXES						
TOTAL CURRENT LIABILITIES			١.ع.د 2,229,696-	١.ع.د 2,326,640-	١.ع.د 1,481,294-	١.ع.د 2,633,950-
LONG-TERM LOANS		١.ع.د 12,000,000-	١.ع.د 12,000,000-	١.ع.د 12,000,000-	١.ع.د 9,000,000-	١.ع.د 9,000,000-
OWNER'S INVESTMENT/CAPITAL	١.ع.د 17,900,000-	١.ع.د 17,900,000-	١.ع.د 25,400,000-	١.ع.د 26,400,000-	١.ع.د 28,400,000-	١.ع.د 29,400,000-
RETAINED EARNINGS		١.ع.د 216,667	١.ع.د 583,333	١.ع.د 1,095,533	١.ع.د 995,506	١.ع.د 2,230,133
OWNER'S EQUITY	١.ع.د 17,900,000-	١.ع.د 17,683,333-	١.ع.د 24,816,667-	١.ع.د 25,304,467-	١.ع.د 27,404,494-	١.ع.د 27,169,867-
TOTAL LIABILITES	١.ع.د 17,900,000-	١.ع.د 29,683,333-	١.ع.د 39,046,363-	١.ع.د 39,631,107-	١.ع.د 37,885,788-	١.ع.د 38,803,817-

The **BALANCE SHEET** is filled out properly when **TOTAL ASSETS = TOTAL LIABILITES**.

THE BUSINESS PLAN

The Business Plan:

- Includes the Feasibility Study which is systematic presentation of your business idea.
- Credentials to prove that you have required skills, knowledge and experience to run a business.
- Market analysis and mix
- Financial Statements
- Plan of Action.

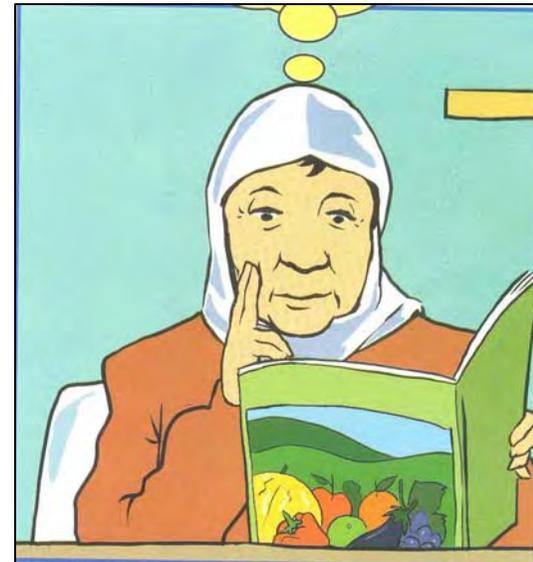


The Business Plan includes everything you have learned from this Workshop.

THE BUSINESS PLAN

The Executive Summary

- The first impression of your Business Plan and your potential as an Entrepreneur.
- Summarizes each portion of the Business Plan in a concise manner that will be referred to often when the loan officer is deciding on your application.
- The most important piece, the Executive Summary should be the last thing you put together in your Business Plan.



The Executive Summary also allows you to review your Business Plan to make sure nothing is missing.

THE BUSINESS PLAN

The Market Assessment, Mix and Plan

- **Marketing Mix** – the combination of your quality, price and method of promotion to your potential customers to obtain a firm position in the market.
- **Marketing Plan** – the quantity of the products and services you will sell every month the methods you will use to hit that amount.
- **Market Assessment** – systematic gathering and analysis of data including potential effective market, pricing preference, quantity and quality requirements, competitors in the market along with their strengths and weaknesses and why you can take market share.

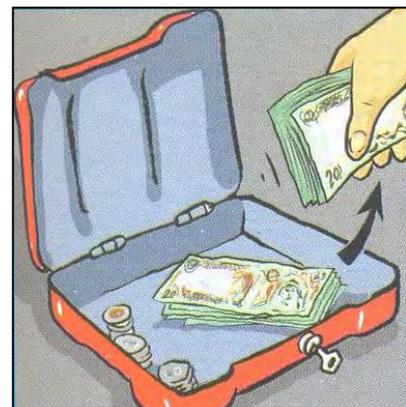


**Understand this section well will not only help you get a loan,
it will help you run a successful business.**

THE BUSINESS PLAN

Financial Analysis

- Business Performance indicators: Includes all the Financial Statements we reviewed during this workshop (Income Statement, Forecast, Balance sheets)
- Include strong indicators for loan repayment:
 - Net Cash Inflow Ratio
 - Fixed Assets
 - Secured Loans Ratio
- Performance analysis and Financial Forecast has to be feasible.



SECURE YOUR FINANCIAL NEEDS

- Organize your personal Finances.
- Fine tune your Business Plan.
- Finalize your list of lending institutions you will approach.
- Utilize SBDC network contacts with Microfinance Institutions and banks with SME lending units to present your business plan.



Opportunities to present your business plan here at the SBDC to an MFI or Bank that offers ICBG guaranteed loans will be available.



SECURE YOUR FINANCIAL NEEDS

REASONS FOR REJECTION

- Weak Business Plan.
- Business idea is too risky.
- Inadequate personal investment.
- Insufficient collateral for default in loan.
- Did not present the knowledge, skills or experience to run the business.
- Not well informed of market conditions.
- Do not appear to be confident, committed or did not set realistic objectives.
- Reservations about creditworthiness.





SECURE YOUR FINANCIAL NEEDS

TIPS TO SECURE FINANCE

- Make sure you have all required lending paperwork filled out and documentation.
- Make an appropriate appointment and adapt your Business Plan to the type of lending institution you are meeting with (MFI, Banks working with ICBG guarantees, etc)
- Know your Business Plan in detail.
- Do not limit yourself to one lending institution. Research all the lending options in your area including the terms and conditions.





SECURE YOUR FINANCIAL NEEDS

TIPS TO SECURE FINANCE

- Review your business plan and ensure it has a strong statement of achievable objectives.
- Have a systematic presentation and be prepared to answer any question.
- Ask the loan officer when you could expect a reply on your application.



It is up to you to apply what you have learned in this class to put your best loan application together.

TRAINING OF TRAINERS PROGRAM

Overall expectation of Training of Trainers (ToT) program:

The focus of this program will be on the methodology to deliver the material focused on becoming an expert on the content:

- **Observation and delivery** – Sessions will include observation training where SBDC leadership know what to look for in the delivery of the new curriculum and trainers know what is expected of them.
- **Content focused** – Five (5) workshops will be introduced at the ToT:
 - ✓ How to Start a Business – Micro Enterprises
 - ✓ How to Start a Business – SME
 - ✓ How to Improve a Business – Marketing
 - ✓ How to Improve a Business – Business Planning
 - ✓ How to Improve a Business – Financial Statements
 - ✓ How to Improve a Business – Human Resource

TRAINING OF TRAINERS PROGRAM



Target Audience:

- 1st ToT for SBDC Leadership – Executive Directors and Deputies
- 2nd ToT for hand picked trainers of the SBDC.

- ✓ Trainers must submit resumes.
- ✓ Must have basic understanding of business and excel sheets.
- ✓ Considered one of the top trainers of your SBDC.
- ✓ Number of participants will not exceed 25 participants.
- ✓ Only qualified individuals with adequate experience will be accepted.
- ✓ First come first served for a seat in the training.

Produced for



2009

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