



**USAID** | **IRAQ**  
FROM THE AMERICAN PEOPLE

# TIJARA

Provincial Economic Growth Program

Advancing Private Sector Development in Iraq

## HOW TO IMPROVE YOUR BUSINESS WORKSHOP BUSINESS PLANNING & FINANCIAL STATEMENTS

DAY 1 of 3



## OBJECTIVES:

**By the end of this course you will gain a good understanding of:**

- **A process to decide on your business objectives.**
- **The steps on how to make a SWOT analysis.**
- **The steps in completing the business planning process.**
- **A step by step process to understanding financial statements.**
- **The components of business planning.**
- **Have prepared a draft business plan.**



# Objectives – Day One

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## The Business Plan

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feasibility study

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## Secure Your Financial Needs

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**If you are already running a business,** there are a number of reasons why and how your current business plan may or may not help your business. Therefore, to survive in your business and be successful, you need to have effective business planning.



**This course will help you gain a good understanding of :**

- ✓ How effective planning will help your business improve.
- ✓ How a opportunity analysis will help you decide your business objectives.
- ✓ How having a business planning sequence will help your expand your business in the long run.
- ✓ How understanding financial statements will help you grow your business.

# 1. WHAT IS BUSINESS PLANNING?

**Planning is thinking ahead about what should happen or what you want to happen as well as working out what to do to make it happen.**

- Planning will help you cater your business toward making a profit.
- Good planning will help you control the costs and the cash flow of your business.
- The best way to improve your business and have the most impact is to undertake efficient and effective business planning.



## 2. WHAT IS BUSINESS PLANNING?

“**Business Planning**” helps improve your business performance, satisfies the needs of your customers and expands your sales.

“**Business Planning**” can also help you reduce your costs, ensure you have the cash flow to pay back loans and avoid making mistakes that could have a negative affect on your business.



**Making a business plan enhances your commitment to the success, growth and direction towards achieving the goals of your business.**



Look at all of your business activities as a whole and not in isolation. Business planning helps you see the effects of actions in one area on the other areas of your business.

## **THE BUSINESS PLANNING BASICS**

- ✓ **Forecasting** – Using the current information available to you to work out what is likely to happen in the future.
- ✓ **Targets** – Goals and objectives that are expressed in quantitative terms.
- ✓ **Budget** – A forecast of the amount of money that you would need or expenses during a period of time.
- ✓ **Anticipating** – Thinking about what is likely to happen based on the decision you plan to make.

**Utilize the business planning basics to create action plans to meet targets.**

**Periodically compare your actual results with what you have planned to make adjustments as needed.**

**An action plan** helps you make sure that you will achieve your goals, reduce problems and take advantage of opportunities that may arise in the coming months.



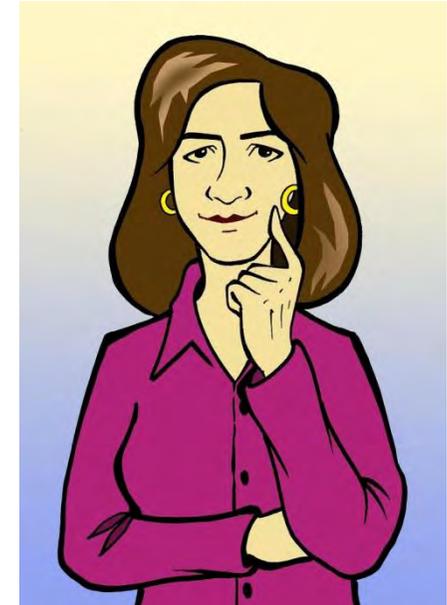
**Adjusting your plans and financial budgets** for the coming months based on the actual results of the past months helps you work out, well ahead of time, the actual profit that you will make.

**Developing business operating plans and a financial budget** works out important details of your business such as the following:

- ✓ what quantity you will sell and when,
- ✓ how will the cash flow look over a certain period of time,
- ✓ how much will you produce and when,
- ✓ how much supplies will you need and when,
- ✓ as well as other important factors that determine the success of your business.

# 1. WHAT SHOULD YOU PLAN?

- **Business objective** what you want to achieve during a certain period of time.
- **SWOT analysis** that identifies
  - the strengths,
  - weaknesses,
  - opportunities and
  - threats that your business may face.
- **Business operation plans** that consist of the following three components:
  - **A sales and marketing plan** that helps you decide how much money you expect to come into your business.
  - **A production plan or service operations plan** that helps you meet the demands of the expected sales you are anticipating.
  - **A buying plan** that helps you decide what quantities of material you will need and when you will need them.



## 2. WHAT SHOULD YOU PLAN?

- **Financial plans** that consists of three components:
  - **A cost budget** that helps you to decide how much money will go out of your business.
  - **A income statement / profit & loss (P&L) statement** will help you determine your profit for the year.
  - **A cash flow plan** show you how much money will move in and out of your business every month helping you identify any difficulties that you may face in payment obligations.



Adjusting your plans and financial budgets for the coming months based on the actual results of the past months will help you forecast with more accuracy.

# 1. BUSINESS PLANNING FOR SUCCESS

**A successful business plan entails the following:**

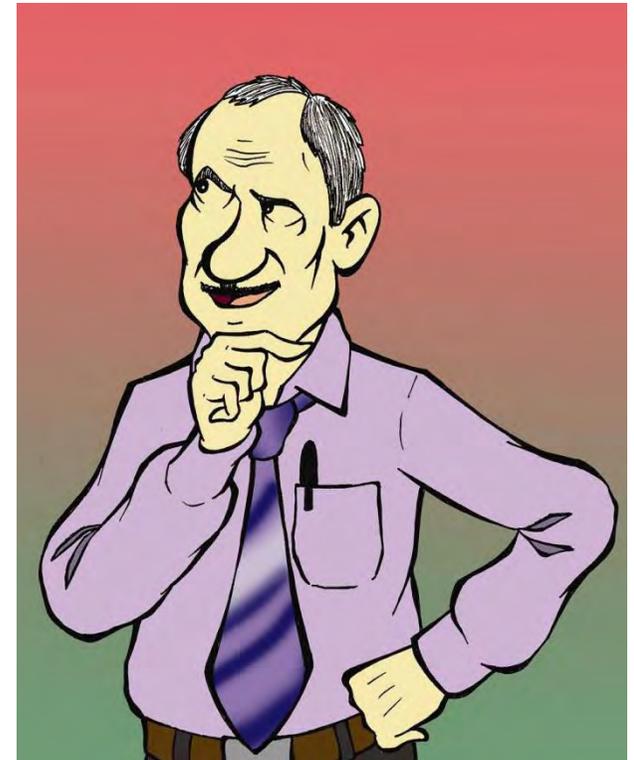
➤ **Plan for growth and profit.** Using the sales volume from the previous year and the current total costs of going to market as a base to measure from, develop plans that surpass these benchmarks. Always plan to have surplus cash to achieve these goals.

➤ **Choose the most suitable period for your plans.** Plans can be developed for three months (quarterly), six months (semi-annually), yearly or longer. Identify the planning periods that are most suitable for your business.



## 2. BUSINESS PLANNING FOR SUCCESS

- **Compare actual results to the plans that have been set.** Regularly compare the progress of your results with the plan you have established in order to make adjustments to meet your objectives.
- **Planning should be done before you need it.** If you are planning during a crisis situation it is already too late. Planning should be completed before you need plans to avoid a crisis situation. Make sure the plans you develop are as simple as possible with the flexibility to adjust. The objectives you establish should also be achievable. Setting unrealistic goals will give a false impression of the profit potential of you business.



# DEVELOPING YOUR BUSINESS OBJECTIVES

## BUSINESS OBJECTIVES MUST BE SMART...

- ✓ **be Simple** to understand,
- ✓ **indicate Measurable goals** in terms of money, assets, etc.,
- ✓ **be Realistic** for the business to achieve and
- ✓ **Attainable**
- ✓ **indicate a Timetable** of the how long it will take to complete.



**In order to plan anything, you must be clear about the goals you want to achieve. These goals are objectives that will help you develop your business plan.**

To grow and expand a business, you will need to look for profitable business opportunities and concentrate your efforts towards taking advantage of them before someone else does.

# BUSINESS OBJECTIVE CATEGORIES

- **Long-term business objectives.** These are the objectives that are considered to be over a long period of time for your business, for example, 5 to 10 years. It is the vision of where you want your business to be and how you will expand it over the years.
- **Medium-term business objectives.** The timeframe may vary depending on your business but for most it can be anywhere from 2-4 years. This is where you picture your business once you have established yourself in the market.
- **Short-term business objectives.** These are the objectives you want to achieve to have an immediate impact on your business within the next 1 to 12 months.



**The short-term and medium-term business objectives should help you reach your long-term objectives.**



**QUESTIONS?**

# SWOT ANALYSIS

# 1. THE SWOT ANALYSIS

This basic analysis will help your business reach it's full potential.

## 1. STRENGTHS

The advantages over competitors, ability to take advantage of upcoming opportunities and survive in difficult times.

## 2. WEAKNESSES

The aspects of your business, in which your competitors have an advantage over you and thus make your business vulnerable.

## 3. OPPORTUNITIES

The events that occur around you in the community or your market segment that have high potential of adding value to your business.

## 4. THREATS

Barriers in your market segment or community that potentially can negatively affect your business.



**Strengths** and **weaknesses** are identified within your business. **Opportunities** and **threats** are identified outside the business in the external environment.

## 2. THE SWOT ANALYSIS

This basic analysis will help your business reach it's full potential.

### OPPORTUNITY ANALYSIS

*Business opportunity: Copy and Printing Business.*

| 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. Connected with the main school in area++           | 3. Do not have a vehicle to offer delivery    |
| 4. Already have 5 interested clients                  | 4. Need more investment capital               |
| 5. Current competition quality is not as good as mine |   |
| OPPORTUNITIES   | THREATS                                       |
| 1. No competition around community                    | 1. Competition may open branch                |
| 2. Closest competition is 45 mins away ++             | 2. Other smaller schools use the competition  |
| 3. School close by that needs service ++              |   |



**Strengths** and **weaknesses** are identified within your business. **Opportunities** and **threats** are identified outside the business in the external environment.

## 3. THE SWOT ANALYSIS

**Make preparations on how you will...**

- ✓ take advantage of your **strengths**,
- ✓ deal with your **weaknesses**,
- ✓ exploit the **opportunities** and
- ✓ how you will deal with **threats**.



**What must you do to take advantage of the strengths and opportunities of the business?**

**What must you do to deal with the weaknesses and threats of the business?**



**QUESTIONS?**

# **BUSINESS PLANNING PROCESSES**

# 1. THE BUSINESS PLANNING PROCESS

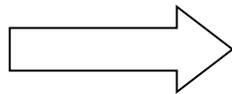


You have learned that the business planning process begins with:

- ✓ setting your **Business Objectives** and
- ✓ making a **SWOT analysis** of your business.

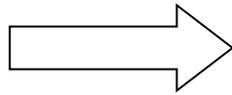
Next, is a simple four step planning follow-on process.

## 1. PAST YEAR DATA



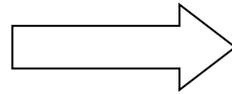
Gather information of what the business has achieved in the past in order to make realistic objectives.

## 2. PAST YEAR ANALYSIS



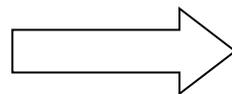
Think carefully about what happened last year. Determine the reasons for why things occurred as they did and try to learn from the past.

## 3. NEXT YEAR ANALYSIS



Determine if the market environment in the upcoming year will differ from the past year and if it will affect the business in a positive or a negative way.

## 4. NEXT YEAR FORECAST



Use the information in the previous steps and based on your business objectives and SWOT analysis, make month-by-month plans.

**Month-by-month you should have plans for the following: sales and marketing, production/operations, buying, costs budget, income statement and cash flow.**

## 2. THE BUSINESS PLANNING PROCESS

### BUSINESS OBJECTIVES

The **first step** in developing a business plan is to decide on the **business objectives**.

### SWOT ANALYSIS

The **second step** is to make a **SWOT analysis** and understand the reasons behind the findings.

### TIME PERIOD

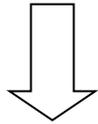
The **third step** is to decide on the **time period** for your business plan. Generally, plan for 12-month period with regular reviews monthly and quarterly.

### SALES & MARKETING PLAN

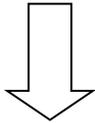
The **fourth step** is to make a **sales & marketing plan**. This plan provides the income for the business which pays the costs and is part of determining the overall profit.

## 3. THE BUSINESS PLANNING PROCESS

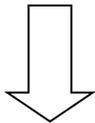
**PRODUCTION/OPERATIONS**



**BUYING PLAN**



**COST BUDGET PLAN**



**INCOME STATEMENT**

The **fifth step** is to make a **production/operations plan** to determine the quantity of product/service you will have to produce to meet the **sales & marketing plan** goals of the business.

The **sixth step** is to make a **buying plan** to determine the quantity of supplies and materials you will need to meet the **production/operations plan**.

The **seventh step** is make a **costs budget plan** which is the total costs of doing business.

The **eighth step** is to combine all of the information in an **income statement**. This will show you how much profit or loss you will make every month during the one year time period.

## 4. THE BUSINESS PLANNING PROCESS

**CASH FLOW PLAN**

The **ninth step** is to make a **cash flow plan**. This plan shows how cash is moving regularly through the business that is needed to pay for bills. This will also help you predetermine if there will be any shortfall of money at any point during the year.

**ACTION PLAN**

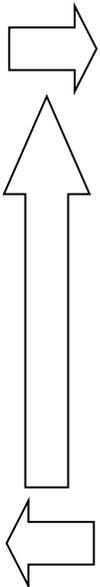
The **final step** is to implement all the plans through an **action plan** to show what the business must do to achieve the **business objectives**.

**PERFORMANCE REVIEW**

Thereafter conduct a **performance review** of the actual performance every month and every quarter of the one year time period.

**REVISE PLANS**

Based on the results of the review, **revised plans** should be developed and implemented through **action plans**.





**QUESTIONS?**

# PROFITABILITY POTENTIAL

# 1. Profitability Potential of Your 'Business Idea'

**Profitability potential of your business depends on:**

1. How much of your products or services you can sell on a regular basis.
2. At what price you will be able to offer your products or services in your market.
3. The ability to attract customers and secure a spot in the market.
4. The cost of producing and selling your products and services in the market.



The above assessment measures the size of your potential effective market, and can give you a good idea about your potential profit.

## 2. Profitability Potential of Your 'Business Idea'

- **Marketing Mix** – the combination of your **product** quality, **price**, **place** 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 and the methods you will use to hit that amount.



The Marketing Mix and a Marketing Plan will help you calculate your expected profits.

The Kut Family Metal Works Company has been in Ali's family for over 20 years. He took over the business when his father retired. Ali's father ran a respectable businesses that everyone in the community visited on a regular bases.

Surprisingly when Ali's took over, he noticed that the business was surviving week by week and was barely able to make enough to buy supplies for the following week. Once reviewing the inventory on materials, he noticed that they were buying large quantities of items that were not necessarily needed and a lot of which were bought at a higher price than what Ali found during his research. He also saw opportunities to expand the business by developing accounts that would buy on credit such as retail stores.

During the business planning process Ali was able to renegotiate with all of his suppliers of materials and adjusted the inventory supply list to only reflect the items they would need without purchasing more and hired a sales team to market to retail stores. Next he needed to create financial statements to run the business more efficiently.

## ALI'S STORY



**Can you help Ali with his financial statements?**

# Calculating Expected Profit

$$\begin{array}{c} \text{EXPECTED} \\ \text{PROFIT} \end{array} = \begin{array}{c} \text{EXPECTED} \\ \text{SALES INCOME} \\ \text{Money you will get for your} \\ \text{products or services} \end{array} - \begin{array}{c} \text{EXPECTED COSTS} \\ \text{Money you pay out for} \\ \text{Making or providing} \\ \text{products and services} \end{array}$$

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.

## 1a. Steps to Calculate Expected Sales Income

### EXPECTED SALES INCOME

*Money you will get for your  
products or services*

**Step 1: Estimate price you will set in the  
market for products and services.**

Go back to the notes you collected about competitors during market research.

Note the prices that your competitors set for products and services.

Compare your strengths and weaknesses to your competitors.

Think about the marketing mix you will use to compete.

Based on all of the above, make an estimate of the prices you will be able to set.

Be conservative in making your estimates on price.

## 1b. Steps to Calculate Expected Sales Income

### EXPECTED SALES INCOME

*Money you will get for your products or services*

**Step 2: Estimate the quantity that you expect to sell each month.**

Refer to your Market Research and the assessment on the effective market size.

Compare your strengths and weaknesses to your competitors'.

Think about the market mix you will use to compete.

Based on all the above, make an estimate of the quantity you will be able to sell monthly.

This estimate is also known as a monthly forecast.

Be conservative in making your forecast.

## 1c. Steps to Calculate Expected Sales Income

EXPECTED  
SALES INCOME

*Money you will get for your products or services*

**Step 3: Multiply expected monthly sales quantity with the expected monthly price.**

EXPECTED SALES  
PER PRODUCT  
OR SERVICE

=

MONTHLY  
EXPECTED  
QUANTITY

X

PRICE OF PRODUCT  
OR SERVICE

This must be completed for all products and services you offer.

## 1d.Steps to Calculate Expected Sales Income

### 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   | .ع.د 12,000             | 300                     | .ع.د          | 3,600,000              |
| GATES   | .ع.د 180,000            | 100                     | .ع.د          | 18,000,000             |
| GRILLS  | .ع.د 85,000             | 150                     | .ع.د          | 12,750,000             |
| SHUTTERS  | .ع.د 65,000             | 125                     | .ع.د          | 8,125,000              |
| <b>TOTAL EXPECTED MONTHLY SALES INCOME</b>          |                         |                         |               | <b>.ع.د 42,475,000</b> |

## a. Steps to Calculate Expected Costs

### EXPECTED COSTS

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

**Step 1: Ali negotiated with his suppliers.**

**Step 2: Next Ali calculated the expected costs.**

- Ali obtained quotes from different suppliers he identified and compared the quality and prices that were offered.
- Ali also reviewed his market mix analysis to decide the quantity that will be ordered for stock. Larger quantities allowed Ali to negotiate discounts.
- Ali compared final quotes after negotiating discounts and picked the most suited items for the Kut Family Metal Works company.



## b. Steps to Calculate Expected Costs

### EXPECTED COSTS

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

**Step 3: Ali then multiplied expected monthly sales quantity times the expected costs for one unit of product/service your business will offer to find total cost.**

EXPECTED COST  
PER PRODUCT  
OR SERVICE

=

MONTHLY  
EXPECTED  
QUANTITY

X

COST OF ONE UNIT  
OF PRODUCT  
OR SERVICE

## c. Steps to Calculate Expected Costs

### EXPECTED COSTS

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

**Step 4: Ali then added all the expected material costs for his products/services together.**

| KUT FAMILY METAL WORKS COMPANY EXPECTED MONTHLY COST OF MATERIAL |               |                               |                          |
|--|---------------|-------------------------------|--------------------------|
| PRODUCT  | COST PER UNIT | EXPECTED SALES PER UNIT MONTH | MONTHLY TOTAL            |
| BUCKETS  | .د.ع. 3,480-  | 300                           | .د.ع. 1,044,000-         |
| GATES  | .د.ع. 71,500- | 100                           | .د.ع. 7,150,000-         |
| GRILLS   | .د.ع. 33,000- | 150                           | .د.ع. 4,950,000-         |
| SHUTTERS   | .د.ع. 28,600- | 125                           | .د.ع. 3,575,000-         |
| <b>COST OF MATERIAL</b>  |               |                               | <b>.د.ع. 16,719,000-</b> |

## d. Steps to Calculate Expected Costs

### EXPECTED COSTS

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

**Step 5: Ali made an estimate of major operational costs per month**

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



## 9. PROFITABILITY POTENTIAL

### EXPECTED COSTS

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

**Step 5: Ali then calculated the total expected costs**

| KUT FAMLY METAL WORKS COMPANY MONTHLY<br>EXPECTED COSTS |                          |
|---|--------------------------|
| DISCRIPTION   | MONTHLY<br>TOTAL         |
| OPERATIONAL COSTS                                       | .د.ع. 6,000,000-         |
| COST OF MATERIALS                                       | .د.ع. 16,719,000-        |
| <b>TOTAL EXPECTED COSTS</b>                             | <b>.د.ع. 22,719,000-</b> |

## 10. PROFITABILITY POTENTIAL

Expected Profit for KUT FAMILY METAL WORKS COMPANY per Month

$$\begin{array}{l} \text{EXPECTED} \\ \text{PROFIT} \end{array} = \begin{array}{l} \text{EXPECTED} \\ \text{SALES INCOME} \\ \text{Money you will get for your} \\ \text{products or services} \end{array} - \begin{array}{l} \text{EXPECTED COSTS} \\ \text{Money you pay out for} \\ \text{Making or providing} \\ \text{products and services} \end{array}$$

$$\begin{array}{l} \text{EXPECTED} \\ \text{PROFIT} \end{array} = \begin{array}{l} \underline{42,275,000 \text{ ID}} \end{array} - \begin{array}{l} \underline{22,719,000 \text{ ID}} \end{array}$$

$$\begin{array}{l} \text{EXPECTED} \\ \text{PROFIT} \end{array} = \begin{array}{l} \underline{19,756,000 \text{ ID}} \end{array}$$

| KUT FAMILY METAL WORKS COMPANY PROFITABILITY POTENTIAL |               |             |
|--|---------------|-------------|
| DISCRIPTION  | MONTHLY TOTAL |             |
| TOTAL EXPECTED SALES INCOME                            | .ع.د          | 42,475,000  |
| TOTAL EXPECTED COST                                    | .ع.د          | 22,719,000- |
| PROFITABILITY POTENTIAL 1ST YEAR                       | .ع.د          | 19,756,000  |
| PROFIT MARGINS 1ST YEAR                                |               | 46.51%      |



**QUESTIONS?**



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**Thank you!**



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Advancing Private Sector Development in Iraq

## HOW TO IMPROVE YOUR BUSINESS WORKSHOP BUSINESS PLANNING & FINANCIAL STATEMENTS

DAY 2 of 3



## OBJECTIVES:

**By the end of the financial statement session you will gain a good understanding of:**

- **The income statement.**
- **The cash flow statement.**
- **The balance sheet.**
- **How to analyze and plan with these three statements.**
- **How to integrate them into the business planning process.**
- **A step by step process to understanding these three essential financial statements.**



# INCOME STATEMENT

# 1. INCOME STATEMENT

**Income Statement** – The income statement, also known as a Profit and Loss Statement (P&L), is the part of a company's Financial Statements that indicates how sales of products and services is transformed into profit and net income.

**PREPARE YOUR  
SALES PLAN**

**PREPARE YOUR  
MATERIAL COSTS PLAN**

**PREPARE YOUR  
OPERATIONAL COSTS PLAN**

**CALCULATE  
DEPRECIATION COSTS**

## 2. INCOME STATEMENT

### PREPARE YOUR SALES PLAN

Use the forecast of monthly sales income from previous workshop as a guide.

| KUT FAMILY METAL WORKS COMPANY MONTHLY SALES INCOME |                            |                            |                        |  |
|---|----------------------------|----------------------------|------------------------|--|
| PRODUCT   | EXPECTED PRICE<br>PER UNIT | EXPECTED<br>SALES PER UNIT | MONTHLY<br>TOTAL       |  |
| BUCKETS   | .ع.د 12,000                | 300                        | .ع.د 3,600,000         |  |
| GATES   | .ع.د 180,000               | 100                        | .ع.د 18,000,000        |  |
| GRILLS  | .ع.د 85,000                | 150                        | .ع.د 12,750,000        |  |
| SHUTTERS  | .ع.د 65,000                | 125                        | .ع.د 8,125,000         |  |
| <b>TOTAL EXPECTED MONTHLY SALES INCOME</b>          |                            |                            | <b>.ع.د 42,475,000</b> |  |

**Sales Income = 42.75 M ID X 3 months = 127.425 M ID total for a full quarter of a year.**

## 3. 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 forecasts.**

## 4. INCOME STATEMENT

### PREPARE YOUR SALES PLAN

Forecasting that production and sales will increase from 25% of production capacity, to 50%, 75% and then to 100% by the 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                 | 225             | 450             | 675             | 900              | 2,250            |
|                      | Price Per Unit        | .ع.د 12,000     | .ع.د 12,000     | .ع.د 12,000     | .ع.د 12,000      | .ع.د 12,000      |
|                      | Buckets Sales Income  | .ع.د 2,700,000  | .ع.د 5,400,000  | .ع.د 8,100,000  | .ع.د 10,800,000  | .ع.د 27,000,000  |
| GATES                | Units                 | 120             | 165             | 225             | 300              | 810              |
|                      | Price Per Unit        | .ع.د 180,000    | .ع.د 180,000    | .ع.د 180,000    | .ع.د 180,000     | .ع.د 180,000     |
|                      | Gates Sales Income    | .ع.د 21,600,000 | .ع.د 29,700,000 | .ع.د 40,500,000 | .ع.د 54,000,000  | .ع.د 145,800,000 |
| GRILLS               | Units                 | 180             | 248             | 338             | 450              | 1,215            |
|                      | Price Per Unit        | .ع.د 85,000     | .ع.د 85,000     | .ع.د 85,000     | .ع.د 85,000      | .ع.د 85,000      |
|                      | Grills Sales Income   | .ع.د 15,300,000 | .ع.د 21,037,500 | .ع.د 28,687,500 | .ع.د 38,250,000  | .ع.د 103,275,000 |
| SHUTTERS             | Units                 | 150             | 206             | 281             | 375              | 1,013            |
|                      | Price Per Unit        | .ع.د 65,000     | .ع.د 65,000     | .ع.د 65,000     | .ع.د 65,000      | .ع.د 65,000      |
|                      | Shutters Sales Income | .ع.د 9,750,000  | .ع.د 13,406,250 | .ع.د 18,281,250 | .ع.د 24,375,000  | .ع.د 65,812,500  |
| COMBINED ALL PRODUCT | Units                 | 675             | 1,069           | 1,519           | 2,025            | 5,288            |
|                      | Total Sales Income    | .ع.د 49,350,000 | .ع.د 69,543,750 | .ع.د 95,568,750 | .ع.د 127,425,000 | .ع.د 341,887,500 |

Ali feels he can grow the business every quarter with the additional services and adjustments to develop a more efficient operation he plans to provide throughout the year including new equipment and a sales team.

## 5. INCOME STATEMENT

### PREPARE YOUR MATERIAL COSTS PLAN

Use the forecast of monthly expected material cost from previous session as a guide.

| KUT FAMILY METAL WORKS COMPANY EXPECTED MONTHLY COST OF MATERIAL |               |                               |               |                    |
|--|---------------|-------------------------------|---------------|--------------------|
| PRODUCT  | COST PER UNIT | EXPECTED SALES PER UNIT MONTH | MONTHLY TOTAL |                    |
| BUCKETS  | .د.ع. 3,480-  | 300                           | .د.ع.         | 1,044,000-         |
| GATES  | .د.ع. 71,500- | 100                           | .د.ع.         | 7,150,000-         |
| GRILLS   | .د.ع. 33,000- | 150                           | .د.ع.         | 4,950,000-         |
| SHUTTERS   | .د.ع. 28,600- | 125                           | .د.ع.         | 3,575,000-         |
| <b>COST OF MATERIAL</b>  |               |                               | .د.ع.         | <b>16,719,000-</b> |

Cost of material = 16.719 M ID X 3 months = 50.157 M ID total for a full quarter of a year.

## 6. 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.**

# 7. INCOME STATEMENT

## PREPARE YOUR MATERIAL COSTS PLAN

Forecasting that production and sales will increase from 25% of production capacity, to 50%, 75% and then to 100% by the 4th Quarter.

| KUT FAMILY METAL WORKS COMPANY YEAR END MATERIAL COST FORESCAST |                         |                   |                   |                   |                   |                    |
|---|-------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| PRODUCT   | Breakdown               | 1st Quarter       | 2nd Quarter       | 3rd Quarter       | 4th Quarter       | Year End Total     |
| BUCKETS   | Units                   | 225               | 450               | 675               | 900               | 2,250              |
|   | Cost Per Unit           | .ع.د. 3,480-       |
|   | Buckets Total Cost      | .ع.د. 783,000-    | .ع.د. 1,566,000-  | .ع.د. 2,349,000-  | .ع.د. 3,132,000-  | .ع.د. 7,830,000-   |
| GATES   | Units                   | 120               | 165               | 225               | 300               | 810                |
|   | Cost Per Unit           | .ع.د. 71,500-      |
|   | Gates Total Cost        | .ع.د. 8,580,000-  | .ع.د. 11,797,500- | .ع.د. 16,087,500- | .ع.د. 21,450,000- | .ع.د. 57,915,000-  |
| GRILLS  | Units                   | 180               | 248               | 338               | 450               | 1,215              |
|   | Cost Per Unit           | .ع.د. 33,000-      |
|   | Grills Total Cost       | .ع.د. 5,940,000-  | .ع.د. 8,167,500-  | .ع.د. 11,137,500- | .ع.د. 14,850,000- | .ع.د. 40,095,000-  |
| SHUTTERS  | Units                   | 150               | 206               | 281               | 375               | 1,013              |
|   | Cost Per Unit           | .ع.د. 28,600-      |
|   | Shutters Total Cost     | .ع.د. 4,290,000-  | .ع.د. 5,898,750-  | .ع.د. 8,043,750-  | .ع.د. 10,725,000- | .ع.د. 28,957,500-  |
| COMBINED ALL PRODUCT  | Total Units             | 675               | 1,069             | 1,519             | 2,025             | 5,288              |
|   | Total Cost All Products | .ع.د. 19,593,000- | .ع.د. 27,429,750- | .ع.د. 37,617,750- | .ع.د. 50,157,000- | .ع.د. 134,797,500- |

## 8. 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   | .ع.د 400,000-          |
| ELECTRICITY, WATER, FUEL                                  | .ع.د 150,000-          |
| TELEPHONE   | .ع.د 50,000-           |
| DELIVERY OF PRODUCTS                                      | .ع.د 200,000-          |
| WAGES FOR EMPLOYEES                                       | .ع.د 3,000,000-        |
| PERSONAL SALARY   | .ع.د 1,500,000-        |
| TRAVEL COST TO BUY MATERIAL                               | .ع.د 100,000-          |
| ADVERTISING COSTS   | .ع.د 200,000-          |
| PRINTING OF BROCHURES                                     | .ع.د 100,000-          |
| FINANCIAL COSTS   | .ع.د 125,000-          |
| UNFORESEEN EXPENSES                                       | .ع.د 175,000-          |
| <b>OPERATIONAL COSTS</b>                                  | <b>.ع.د 6,000,000-</b> |

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

## 9. 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.**

# 10. INCOME STATEMENT

## PREPARE YOUR OPERATIONAL COSTS PLAN

Forecasting that production and sales will increase from 25% of production capacity, to 50%, 75% and then to 100% by the 4th Quarter.

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

\*Fixed costs    \*\*Fluctuating costs

# 11. INCOME STATEMENT

## CALCULATE DEPRECIATION COSTS

- The loss in the value of an asset due to wear, tear and/or the passage of time.
- For example, what you paid for your car when it was first bought compared to what it would cost 5 years later. The difference would be depreciation.
- It is important to understand annual depreciation because you can use them towards taxes.
- Taxes that you will have to pay will depend on many factors depending on your business and where it is located. It is recommended to consult professional accountants and tax authorities.

**Depreciation has a direct impact on your taxes.**

## 12. INCOME STATEMENT

### CALCULATE DEPRECIATION COSTS

**ESTIMATED 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  | .ع.د 13,000,000 | 20%                 | .ع.د 2,600,000- | .ع.د 650,000-          | .ع.د 216,667-        |
| OFFICE EQUIPMENT AND FURNITURE  | .ع.د 3,000,000  | 20%                 | .ع.د 600,000-   | .ع.د 150,000-          | .ع.د 50,000-         |
| VEHICLES                        | .ع.د 9,000,000  | 20%                 | .ع.د 1,800,000- | .ع.د 450,000-          | .ع.د 150,000-        |
| ALL OTHER ASSETS                | .ع.د 4,000,000  | 20%                 | .ع.د 800,000-   | .ع.د 200,000-          | .ع.د 66,667-         |
| <b>TOTAL DEPRECIATION COSTS</b> | .ع.د 29,000,000 | 20%                 | .ع.د 5,800,000- | .ع.د 1,450,000-        | .ع.د 483,333-        |

# 13. INCOME STATEMENT

Difference between sales income and material cost used to produce the products and services sold. Measures necessary cost of business

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

Difference between Sales Profit and operational costs. Measures profit with both material, operational and financial cost are subtracted.

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

| <b>INCOME STATEMENT FORMAT</b> |                            |
|--------------------------------|----------------------------|
|                                | SALES INCOME               |
| -                              | <u>MATERIAL COSTS</u>      |
| =                              | <b>GROSS PROFIT MARGIN</b> |
| -                              | <u>OPERATIONAL COSTS</u>   |
| =                              | <b>OPERATING PROFIT</b>    |
| -                              | <u>DEPRECIATION</u>        |
| =                              | <b>TAXABLE INCOME</b>      |
| -                              | <u>TAX</u>                 |
| =                              | <b>NET PROFIT</b>          |

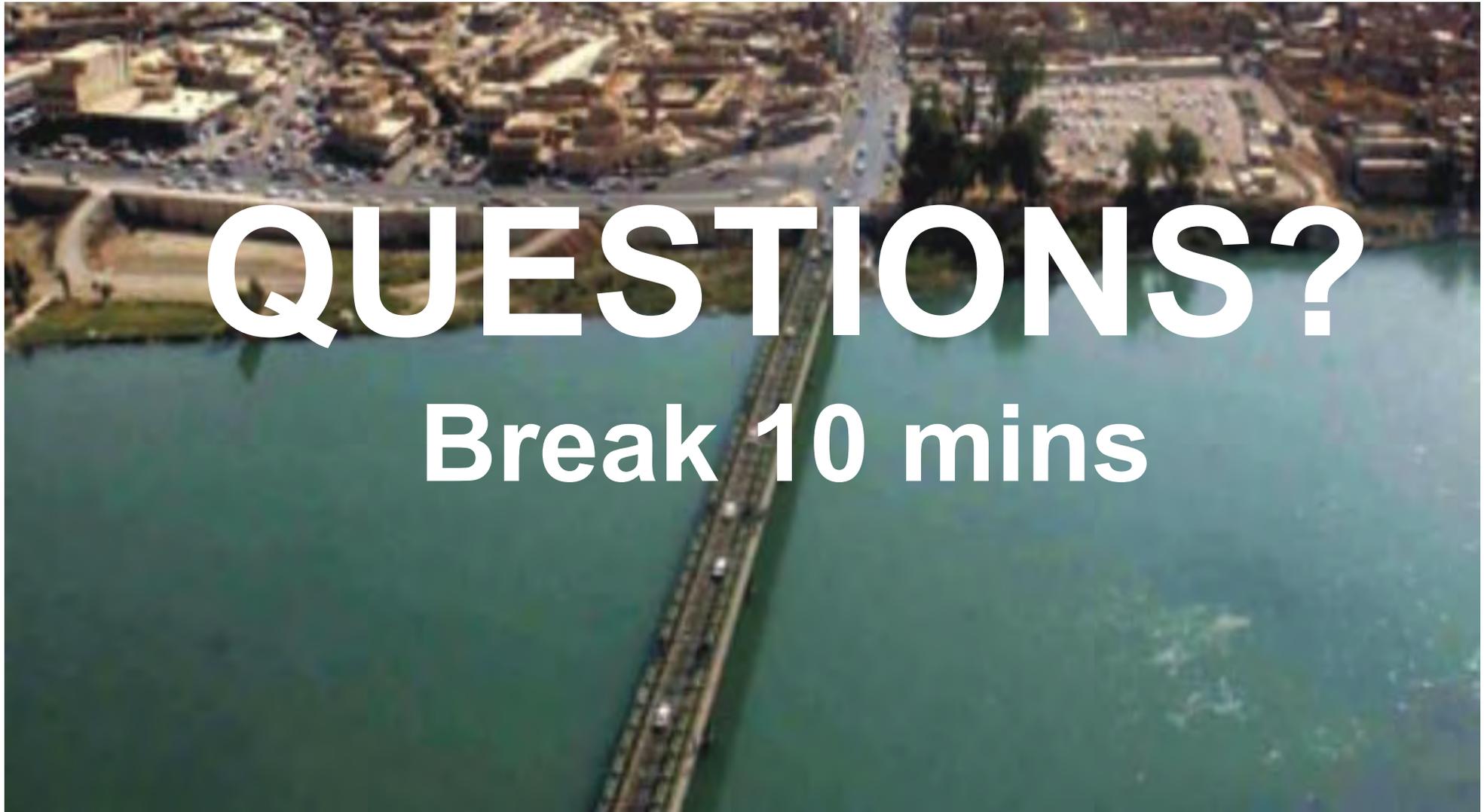
## 14. INCOME STATEMENT

Forecasting that production and sales will increase from 25% of production capacity, to 50%, 75% and then to 100% by the 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    |
| <b>SALES INCOME (TOP LINE)</b>   | .ع.د 49,350,000  | .ع.د 69,543,750  | .ع.د 95,568,750  | .ع.د 127,425,000 | .ع.د 341,887,500  |
| <b>LESS: MATERIAL COSTS</b>  | .ع.د 19,593,000- | .ع.د 27,429,750- | .ع.د 37,617,750- | .ع.د 50,157,000- | .ع.د 134,797,500- |
| <b>SALES PROFIT</b>  | .ع.د 29,757,000  | .ع.د 42,114,000  | .ع.د 57,951,000  | .ع.د 77,268,000  | .ع.د 207,090,000  |
| <b>LESS: OPERATIONAL COSTS</b>   | .ع.د 9,270,000-  | .ع.د 11,452,500- | .ع.د 14,362,500- | .ع.د 18,000,000- | .ع.د 53,085,000-  |
| <b>OPERATING PROFIT</b>  | .ع.د 20,487,000  | .ع.د 30,661,500  | .ع.د 43,588,500  | .ع.د 59,268,000  | .ع.د 154,005,000  |
| <b>LESS: DEPRECIATION</b>  | .ع.د 966,667-    | .ع.د 1,450,000-  | .ع.د 1,450,000-  | .ع.د 1,450,000-  | .ع.د 5,316,667-   |
| <b>TAXABLE PROFIT</b>  | .ع.د 19,520,333  | .ع.د 29,211,500  | .ع.د 42,138,500  | .ع.د 57,818,000  | .ع.د 148,688,333  |
| <b>LESS: TAX</b>   |                  |                  |                  | .ع.د 44,606,500- | .ع.د 44,606,500-  |
| <b>NET PROFIT</b>  | .ع.د 19,520,333  | .ع.د 29,211,500  | .ع.د 42,138,500  | .ع.د 13,211,500  | .ع.د 104,081,833  |

Ali's Income Statement gives him the full forecast for the year.

It also provides him insight on how much money he will need to gather to expand the Kut Family Metal Works Company.



**QUESTIONS?**

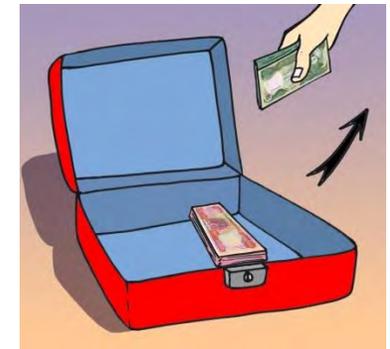
**Break 10 mins**

# CASH FLOW PLAN

# Cash Flow Plan

**The Cash Flow Plan shows you:**

- How much money will come into your business
- When it will come in
- From where it will come in
- and
- How much money will go out of your business
- When it will go out
- Where it will go



**If you have good profit but do not have ready cash (money) in hand when it is most needed to pay the essential costs, your business will be in a financial squeeze and it will struggle hard to survive.**

**Thus, a Cash Flow Projection is a vital financial planning and control instrument for successful management of your business.**



# Cash Flow Plan

A typical month-by-month Cash Flow Plan has two parts: The top part consists of a list of all items that bring money into the business “**CASH-IN**” and the bottom part consists of a list of all items for which money goes out of a business “**CASH-OUT**”.

The method of filling in the **CASH-IN** and **CASH-OUT** information depends on whether you operate your business:

- strictly on cash basis, which means that all your sales and purchases are made on cash payments, or
- on credit sales and credit purchases basis, which means that all sales and purchases are made on credit, or
- with the combination of both of the above, which means some sales and purchases are made against cash payments and some on credit.



Therefore before you start your Cash Flow Plan projections, you need to decide the following:

- **Sales: against cash or credit?** You need to know the credit period you will allow for your customers to pay; 7 days, 15 days, 30 days...etc
- **Purchases: against cash or credit?** You need to know the credit period you expect to have from your suppliers.

# Cash Flow Plan

| FORMAT CASH FLOW PLAN                 |  |   |   |             |   |   |
|---------------------------------------|--|---|---|-------------|---|---|
| MONTH                                 | 1ST QUARTER                              |   |   | 2ND QUARTER |   |   |
|                                       | 1  | 2 | 3 | 4           | 5 | 6 |
| <b>CASH IN</b>                        | <b>OPENING BALANCE (CASH IN HAND)</b>    |   |   |             |   |   |
|                                       | CASH IN FROM LOANS                       |   |   |             |   |   |
|                                       | CASH IN FROM SALES                       |   |   |             |   |   |
|                                       | OTHER CASH IN                            |   |   |             |   |   |
|                                       | <b>TOTAL CASH IN</b>                     |   |   |             |   |   |
| <b>CASH OUT</b>                       | <b>CASH OUT FOR PURCHASE OF MATERIAL</b> |   |   |             |   |   |
|                                       | <b>CASH OUT FOR OPERATIONS</b>           |   |   |             |   |   |
|                                       | <b>CASH OUT FOR FINANCIAL COSTS</b>      |   |   |             |   |   |
|                                       | <b>CASH OUT FOR PLANNED INVESTMENTS</b>  |   |   |             |   |   |
|                                       | <b>CASH OUT FOR LOAN REPAYMENT</b>       |   |   |             |   |   |
|                                       | <b>OTHER CASH OUT</b>                    |   |   |             |   |   |
|                                       | <b>TOTAL CASH OUT</b>                    |   |   |             |   |   |
| <b>SURPLUS/(DEFICIT)</b>              |  |   |   |             |   |   |
| <b>CLOSING BALANCE (CASH IN HAND)</b> |  |   |   |             |   |   |

We will work through an example of a Cash Flow Plan for the Kut Family Metal Works. A Cash Flow Plan should be prepared for each 12-month period of business operations.

## STEP 2: Enter Cash-In from loans and borrowings

Let's look at Ali's situation during the first 6 months of the opening of the Kut Family Metal Works.

| KUT FAMILY METAL WORKS COMPANY CASH FLOW PLAN |                 |                |   |             |   |   |
|---|-----------------|----------------|---|-------------|---|---|
| MONTH   | 1st Quarter     |                |   | 2nd Quarter |   |   |
|   | 1               | 2              | 3 | 4           | 5 | 6 |
| <b>CASH IN</b>                                |                 |                |   |             |   |   |
| OPENING BALANCE (CASH IN HAND)                |                 |                |   |             |   |   |
| CASH IN FROM LOANS                            | .ع.د 12,000,000 |                |   |             |   |   |
| CASH IN FROM SALES                            |                 |                |   |             |   |   |
| OTHER CASH IN                                 | .ع.د 5,000,000  | .ع.د 3,000,000 |   |             |   |   |
| TOTAL CASH IN                                 |                 |                |   |             |   |   |

Ali was able to raise 5 M ID after conducting a personal finance assessment.

Borrowed 12 M ID from the bank

And received 3 M ID total from friends and family



**STEP 3: Enter Cash-In from Sales Amount**

| KUT FAMILY METAL WORKS COMPANY CASH FLOW PLAN |                                       |                |   |             |   |   |
|---|---------------------------------------|----------------|---|-------------|---|---|
| MONTH   | 1st Quarter                           |                |   | 2nd Quarter |   |   |
|   | 1                                     | 2              | 3 | 4           | 5 | 6 |
| <b>CASH IN</b>                                | <b>OPENING BALANCE (CASH IN HAND)</b> |                |   |             |   |   |
| CASH IN FROM LOANS                            | .ع.د 12,000,000                       |                |   |             |   |   |
| CASH IN FROM SALES                            |                                       |                |   |             |   |   |
| OTHER CASH IN                                 | .ع.د 5,000,000                        | .ع.د 3,000,000 |   |             |   |   |
| <b>TOTAL CASH IN</b>                          |                                       |                |   |             |   |   |

During the 1<sup>st</sup> quarter the only sales were on a cash only basis.

Starting in the 4<sup>th</sup> month of the 2<sup>nd</sup> quarter, Ali plans to operate on 30 day credit with business clients his new sales team will develop.

So the business expects cash in from a sale after the order was placed. This is known as operating on a credit-sales basis.

Since this business operates on a credit-sales basis with this new revenue stream, we will have to look at Ali's Receivables Schedule



## STEP 3: Enter Cash-In from Sales Amount

During the 1<sup>st</sup> quarter the business was still operating on a cash only basis so payments received goes straight into the cash flow plan.

Ali plans to launch his sales team during the 2<sup>nd</sup> quarter of the year. He plans to maintain his cash only business plus add an additional 6,731,250 ID in new credit accounts (retail stores) that have 30 days to pay.

This means in the 4<sup>th</sup> month where 23,181,250 ID in sales came into the business; 16,450,000 ID payments were received from customers that paid in cash.

That leave 6,731,250 in credit sales that does not have to be paid until 30 days later in the following month as a closing balance.

ALI WORKS COMPANY CASH FLOW PLAN

| Quarter | 2nd Quarter |   |   |   |
|---------|-------------|---|---|---|
| MONTH   | 2           | 3 | 4 | 5 |

16,450,000

For the 5<sup>th</sup> and 6<sup>th</sup> month, Ali plans to have the same amount of cash sales and credit sales as he did in the 4<sup>th</sup> month. 16,450,000 ID in payments received same day of purchase and 6,731,250 ID in credit sales due in 30 days.

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

|               |                             | 3rd Quarter |             |      |             | 2nd Quarter |             |            |             |
|---------------|-----------------------------|-------------|-------------|------|-------------|-------------|-------------|------------|-------------|
| MONTH         |                             | 2           | 3           | 4    | 5           | 6           | 7           | 8          | 9           |
| <b>CREDIT</b> | RECEIVABLES OPENING BALANCE |             |             |      | .ع.د        | 6,731,250-  | .ع.د        | 6,731,250- |             |
|               | SALES                       | .ع.د        | 16,450,000- | .ع.د | 16,450,000- | .ع.د        | 23,181,250- | .ع.د       | 23,181,250- |
|               | PAYMENTS RECEIVED           | .ع.د        | 16,450,000  | .ع.د | 16,450,000  | .ع.د        | 16,450,000  | .ع.د       | 23,181,250  |
|               | RECEIVABLES CLOSING BALANCE |             |             |      | .ع.د        | 6,731,250-  | .ع.د        | 6,731,250- | .ع.د        |



**STEP 3: Enter Cash-In from Sales Amount**

**KUT FAMILY METAL WORKS COMPANY CASH FLOW PLAN**

| MONTH                                 | 1st Quarter     |                 |                 | 2nd Quarter     |                 |                 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                       | 1               | 2               | 3               | 4               | 5               | 6               |
| <b>OPENING BALANCE (CASH IN HAND)</b> |                 |                 |                 |                 |                 |                 |
| <b>CASH IN</b><br>CASH IN FROM LOANS  | .ع.د 12,000,000 |                 |                 |                 |                 |                 |
| CASH IN FROM SALES                    | .ع.د 16,450,000 | .ع.د 16,450,000 | .ع.د 16,450,000 | .ع.د 16,450,000 | .ع.د 23,181,250 | .ع.د 23,181,250 |
| OTHER CASH IN                         | .ع.د 5,000,000  | .ع.د 3,000,000  |                 |                 |                 |                 |
| <b>TOTAL CASH IN</b>                  |                 |                 |                 |                 |                 |                 |

Cash in from sales on the CASH FLOW PLAN is only entered when payment is received on the RECEIVABLES SCHEDULE when operating on credit sales basis.

**SCHEDULE OF KUT FAMILY METAL WORKS**

| MONTH                              | 1st Quarter      |                  |                  | 2nd Quarter      |                  |                  |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                    | 1                | 2                | 3                | 4                | 5                | 6                |
| <b>RECEIVABLES OPENING BALANCE</b> |                  |                  |                  |                  | .ع.د 6,731,250-  | .ع.د 6,731,250-  |
| <b>CREDIT</b><br>SALES             | .ع.د 16,450,000- | .ع.د 16,450,000- | .ع.د 16,450,000- | .ع.د 23,181,250- | .ع.د 23,181,250- | .ع.د 23,181,250- |
| PAYMENTS RECEIVED                  | .ع.د 16,450,000  | .ع.د 16,450,000  | .ع.د 16,450,000  | .ع.د 16,450,000  | .ع.د 23,181,250  | .ع.د 23,181,250  |
| <b>RECEIVABLES CLOSING BALANCE</b> |                  |                  |                  | .ع.د 6,731,250-  | .ع.د 6,731,250-  | .ع.د 6,731,250-  |



**STEP 4:** Enter in TOTAL CASH IN amount

| KUT FAMILY METAL WORKS COMPANY CASH FLOW PLAN |                                |                 |                 |                 |                 |                 |                 |  |  |  |
|---|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--|--|--|
| MONTH   |                                | 1st Quarter     |                 |                 | 2nd Quarter     |                 |                 |  |  |  |
|   |                                | 1               | 2               | 3               | 4               | 5               | 6               |  |  |  |
| <b>CASH IN</b>                                | OPENING BALANCE (CASH IN HAND) |                 |                 |                 |                 |                 |                 |  |  |  |
|   | CASH IN FROM LOANS             | .ع.د 12,000,000 |                 |                 |                 |                 |                 |  |  |  |
|   | CASH IN FROM SALES             | .ع.د 16,450,000 | .ع.د 16,450,000 | .ع.د 16,450,000 | .ع.د 16,450,000 | .ع.د 23,181,250 | .ع.د 23,181,250 |  |  |  |
|   | OTHER CASH IN                  | .ع.د 5,000,000  | .ع.د 3,000,000  |                 |                 |                 |                 |  |  |  |
|   | <b>TOTAL CASH IN</b>           | .ع.د 33,450,000 | .ع.د 19,450,000 | .ع.د 16,450,000 | .ع.د 16,450,000 | .ع.د 23,181,250 | .ع.د 23,181,250 |  |  |  |

**The totals of all previous lines in the CASH IN section of the CASH FLOW PLAN.**





**STEP 5: Calculate CASH OUT FOR MATERIALS**

To keep track of purchases that have terms, Ali also completed a **PAYABLES SCHEDULE** to keep them on track to build up their credit.

Since Ali receives 30 day terms from his supplier, they do not enter amount for **PAYMENT MADE** till the following month even though **PURCHASES** were made.

| PAYABLES SCHEDULE OF FAMILY METAL WORKS |                 |                 |                 |                 |                 |                 |  |  |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--|--|
| MONTH                                   | 1st Quarter     |                 |                 | 2nd Quarter     |                 |                 |  |  |
|   | 1               | 2               | 3               | 4               | 5               | 6               |  |  |
| <b>PAYABLES OPEN BALANCE</b>            |                 | د.ع. 8,000,000- | د.ع. 6,531,000- | د.ع. 6,531,000- | د.ع. 9,143,250- | د.ع. 9,143,250- |  |  |
| <b>PURCHASES</b>                        | د.ع. 8,000,000- | د.ع. 6,531,000- | د.ع. 6,531,000- | د.ع. 9,143,250- | د.ع. 9,143,250- | د.ع. 9,143,250- |  |  |
| <b>PAYMENTS MADE</b>                    |                 | د.ع. 8,000,000  | د.ع. 6,531,000  | د.ع. 6,531,000  | د.ع. 9,143,250  | د.ع. 9,143,250  |  |  |
| <b>PAYABLES CLOSING BALANCE</b>         | د.ع. 8,000,000- | د.ع. 6,531,000- | د.ع. 6,531,000- | د.ع. 9,143,250- | د.ع. 9,143,250- | د.ع. 9,143,250- |  |  |





## STEP 6: Enter CASH OUT FOR OPERATIONS

Utilize your operational costs plan and divide it to equal one month average for that quarter you will use.

| KUT FAMILY METAL WORKS COMPANY OPERATIONAL COSTS |             |                   |             |                    |
|--|-------------|-------------------|-------------|--------------------|
| DESCRIPTION                                      | 1st Quarter |                   | 2nd Quarter |                    |
| RENT   | .ع.د        | 1,200,000-        | .ع.د        | 1,200,000-         |
| ELECTRICITY, WATER, FUEL                         | .ع.د        | 180,000-          | .ع.د        | 247,500-           |
| TELEPHONE  | .ع.د        | 150,000-          | .ع.د        | 150,000-           |
| DELIVERY OF PRODUCTS                             | .ع.د        | 240,000-          | .ع.د        | 330,000-           |
| WAGES FOR EMPLOYEES                              | .ع.د        | 3,600,000-        | .ع.د        | 4,950,000-         |
| PERSONAL SALARY                                  | .ع.د        | 1,800,000-        | .ع.د        | 2,475,000-         |
| TRAVEL COST TO BUY MATERIAL                      | .ع.د        | 300,000-          | .ع.د        | 300,000-           |
| ADVERTISING COSTS                                | .ع.د        | 600,000-          | .ع.د        | 600,000-           |
| PRINTING OF BROCHURES                            | .ع.د        | 300,000-          | .ع.د        | 300,000-           |
| FINANCIAL COSTS                                  | .ع.د        | 375,000-          | .ع.د        | 375,000-           |
| UNFORESEEN EXPENSES                              | .ع.د        | 525,000-          | .ع.د        | 525,000-           |
| <b>TOTAL MAJOR EXPENSES</b>                      | .ع.د        | <b>9,270,000-</b> | .ع.د        | <b>11,452,500-</b> |

Amount per month for 1<sup>st</sup> quarter is:

9.27 M ID

3 months = 3.09 M ID

Amount per month for 2<sup>nd</sup> quarter is:

11.4525 M ID

3 months = 3.8175 M ID



## STEP 6: Enter CASH OUT FOR OPERATIONS

| MONTH                                 | 1st Quarter     |                 |                 | 2nd Quarter     |                 |                 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                       | 1               | 2               | 3               | 4               | 5               | 6               |
| <b>CASH IN</b>                        |                 |                 |                 |                 |                 |                 |
| OPENING BALANCE (CASH IN HAND)        |                 |                 |                 |                 |                 |                 |
| CASH IN FROM LOANS                    | .ع.د 12,000,000 |                 |                 |                 |                 |                 |
| CASH IN FROM SALES                    | .ع.د 16,450,000 | .ع.د 16,450,000 | .ع.د 16,450,000 | .ع.د 16,450,000 | .ع.د 23,181,250 | .ع.د 23,181,250 |
| OTHER CASH IN                         | .ع.د 5,000,000  | .ع.د 3,000,000  |                 |                 |                 |                 |
| <b>TOTAL CASH IN</b>                  | .ع.د 33,450,000 | .ع.د 19,450,000 | .ع.د 16,450,000 | .ع.د 16,450,000 | .ع.د 23,181,250 | .ع.د 23,181,250 |
| <b>CASH OUT</b>                       |                 |                 |                 |                 |                 |                 |
| CASH OUT FOR PURCHASE OF MATERIAL     |                 | .ع.د 8,000,000- | .ع.د 6,531,000- | .ع.د 6,531,000- | .ع.د 9,143,250- | .ع.د 9,143,250- |
| CASH OUT FOR OPERATIONS               | .ع.د 3,090,000- | .ع.د 3,090,000- | .ع.د 3,090,000- | .ع.د 3,817,500- | .ع.د 3,817,500- | .ع.د 3,817,500- |
| CASH OUT FOR PLANNED INVESTMENTS      |                 |                 |                 |                 |                 |                 |
| CASH OUT FOR LOAN REPAYMENT           |                 |                 |                 |                 |                 |                 |
| OTHER CASH OUT                        |                 |                 |                 |                 |                 |                 |
| <b>TOTAL CASH OUT</b>                 |                 |                 |                 |                 |                 |                 |
| <b>SURPLUS/(DEFICIT)</b>              |                 |                 |                 |                 |                 |                 |
| <b>CLOSING BALANCE (CASH IN HAND)</b> | .ع.د            |                 |                 |                 | .ع.د -          | .ع.د -          |

Amount per month for 1<sup>st</sup> quarter is:  
9.27 M ID  
3 months = 3.09 M ID

Amount per month for 2<sup>nd</sup> quarter is:  
11.4525 M ID  
3 months = 3.8175 M ID

Enter this amount per month in the first quarter in your CASH FLOW PLAN. Do the same for follow on quarters.



## STEP 7: Enter CASH OUT FOR PLANNED INVESTMENTS

|                                       | MONTH                             | 1st Quarter       |                  |                  |
|---------------------------------------|-----------------------------------|-------------------|------------------|------------------|
|                                       |                                   | 1                 | 2                | 3                |
| <b>CASH IN</b>                        | OPENING BALANCE (CASH IN HAND)    |                   |                  |                  |
|                                       | CASH IN FROM LOANS                | .د.ع. 12,000,000  |                  |                  |
|                                       | CASH IN FROM SALES                | .د.ع. 16,450,000  | .د.ع. 16,450,000 | .د.ع. 16,450,000 |
|                                       | OTHER CASH IN                     | .د.ع. 5,000,000   | .د.ع. 3,000,000  |                  |
|                                       | <b>TOTAL CASH IN</b>              | .د.ع. 33,450,000  | .د.ع. 19,450,000 | .د.ع. 16,450,000 |
| <b>CASH OUT</b>                       | CASH OUT FOR PURCHASE OF MATERIAL |                   | .د.ع. 8,000,000- | .د.ع. 6,531,000- |
|                                       | CASH OUT FOR OPERATIONS           | .د.ع. 3,090,000-  | .د.ع. 3,090,000- | .د.ع. 3,090,000- |
|                                       | CASH OUT FOR PLANNED INVESTMENTS  | .د.ع. 29,000,000- |                  |                  |
|                                       | CASH OUT FOR LOAN REPAYMENT       |                   |                  |                  |
|                                       | OTHER CASH OUT                    |                   |                  |                  |
|                                       | <b>TOTAL CASH OUT</b>             |                   |                  |                  |
| <b>SURPLUS/(DEFICIT)</b>              |                                   |                   |                  |                  |
| <b>CLOSING BALANCE (CASH IN HAND)</b> |                                   |                   | .د.ع. -          | .د.ع. -          |

Ali will be purchasing assets to improve his business.



## STEP 8: Enter CASH OUT FOR LOAN REPAYMENT

| 1st Quarter     |                 | 2nd Quarter     |                 |                 |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| 2               | 3               | 4               | 5               | 6               |
| .ع.د 16,450,000 | .ع.د 16,450,000 | .ع.د 16,450,000 | .ع.د 23,181,250 | .ع.د 23,181,250 |
| .ع.د 3,000,000  |                 |                 |                 |                 |
| .ع.د 19,450,000 | .ع.د 16,450,000 | .ع.د 16,450,000 | .ع.د 23,181,250 | .ع.د 23,181,250 |
| .ع.د 8,000,000- | .ع.د 6,531,000- | .ع.د 6,531,000- | .ع.د 9,143,250- | .ع.د 9,143,250- |
| .ع.د 3,090,000- | .ع.د 3,090,000- | .ع.د 3,817,500- | .ع.د 3,817,500- | .ع.د 3,817,500- |
|                 |                 | .ع.د 3,000,000- |                 |                 |
|                 |                 |                 |                 |                 |
| .ع.د -          |

The bank informed Ali that 3M ID payment is due every 3 months for off the 12M ID loan.



**STEP 9: Enter OTHER CASH OUT**

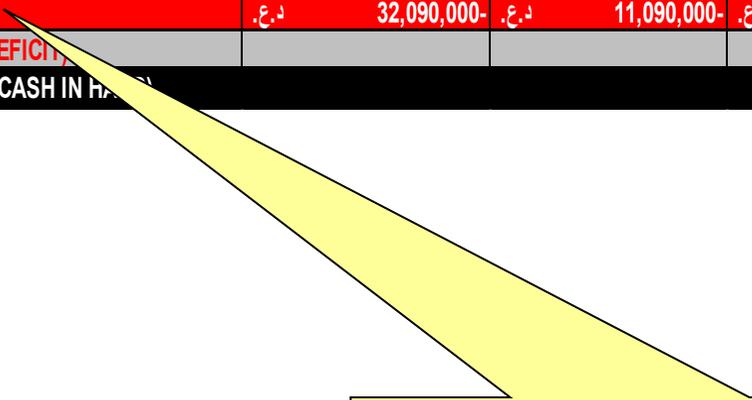
| 1st Quarter     |                 | 2nd Quarter     |                 |                 |        |
|-----------------|-----------------|-----------------|-----------------|-----------------|--------|
| 2               | 3               | 4               | 5               | 6               |        |
| .ع.د 16,450,000 | .ع.د 16,450,000 | .ع.د 16,450,000 | .ع.د 23,181,250 | .ع.د 23,181,250 |        |
| .ع.د 3,000,000  |                 |                 |                 |                 |        |
| .ع.د 19,450,000 | .ع.د 16,450,000 | .ع.د 16,450,000 | .ع.د 23,181,250 | .ع.د 23,181,250 |        |
| .ع.د 8,000,000- | .ع.د 6,531,000- | .ع.د 6,531,000- | .ع.د 9,143,250- | .ع.د 9,143,250- |        |
| .ع.د 3,090,000- | .ع.د 3,090,000- | .ع.د 3,817,500- | .ع.د 3,817,500- | .ع.د 3,817,500- |        |
|                 |                 | .ع.د 3,000,000- |                 |                 |        |
|                 |                 |                 |                 |                 |        |
|                 |                 |                 |                 |                 |        |
| .ع.د -          | .ع.د - |

Ali had no other cash out



**STEP 10: Enter TOTAL CASH OUT**

| MONTH                             | 1st Quarter      |                  |                 | 2nd Quarter      |                  |                  |
|-----------------------------------|------------------|------------------|-----------------|------------------|------------------|------------------|
|                                   | 1                | 2                | 3               | 4                | 5                | 6                |
| <b>CASH IN</b>                    |                  |                  |                 |                  |                  |                  |
| OPENING BALANCE (CASH IN HAND)    |                  |                  |                 |                  |                  |                  |
| CASH IN FROM LOANS                | .ع.د 12,000,000  |                  |                 |                  |                  |                  |
| CASH IN FROM SALES                | .ع.د 16,450,000  | .ع.د 16,450,000  | .ع.د 16,450,000 | .ع.د 16,450,000  | .ع.د 23,181,250  | .ع.د 23,181,250  |
| OTHER CASH IN                     | .ع.د 5,000,000   | .ع.د 3,000,000   |                 |                  |                  |                  |
| <b>TOTAL CASH IN</b>              | .ع.د 33,450,000  | .ع.د 19,450,000  | .ع.د 16,450,000 | .ع.د 16,450,000  | .ع.د 23,181,250  | .ع.د 23,181,250  |
| <b>CASH OUT</b>                   |                  |                  |                 |                  |                  |                  |
| CASH OUT FOR PURCHASE OF MATERIAL |                  | .ع.د 8,000,000-  | .ع.د 6,531,000- | .ع.د 6,531,000-  | .ع.د 9,143,250-  | .ع.د 9,143,250-  |
| CASH OUT FOR OPERATIONS           | .ع.د 3,090,000-  | .ع.د 3,090,000-  | .ع.د 3,090,000- | .ع.د 3,817,500-  | .ع.د 3,817,500-  | .ع.د 3,817,500-  |
| CASH OUT FOR PLANNED INVESTMENTS  | .ع.د 29,000,000- |                  |                 |                  |                  |                  |
| CASH OUT FOR LOAN REPAYMENT       |                  |                  |                 | .ع.د 3,000,000-  |                  |                  |
| OTHER CASH OUT                    |                  |                  |                 |                  |                  |                  |
| <b>TOTAL CASH OUT</b>             | .ع.د 32,090,000- | .ع.د 11,090,000- | .ع.د 9,621,000- | .ع.د 13,348,500- | .ع.د 12,960,750- | .ع.د 12,960,750- |
| SURPLUS/(DEFICIT)                 |                  |                  |                 |                  |                  |                  |
| CLOSING BALANCE (CASH IN HAND)    |                  |                  |                 |                  |                  |                  |



**Ali adds up the totals of each section of CASH OUT.**



**STEP 11: Enter SURPLUS/(DEFICIT)**

| MONTH                                 | 1st Quarter      |                  |                 | 2nd Quarter      |                  |                  |
|---------------------------------------|------------------|------------------|-----------------|------------------|------------------|------------------|
|                                       | 1                | 2                | 3               | 4                | 5                | 6                |
| <b>OPENING BALANCE (CASH IN HAND)</b> |                  |                  |                 |                  |                  |                  |
| <b>CASH IN</b>                        |                  |                  |                 |                  |                  |                  |
| CASH IN FROM LOANS                    | .ع.د 12,000,000  |                  |                 |                  |                  |                  |
| CASH IN FROM SALES                    | .ع.د 16,450,000  | .ع.د 16,450,000  | .ع.د 16,450,000 | .ع.د 16,450,000  | .ع.د 23,181,250  | .ع.د 23,181,250  |
| OTHER CASH IN                         | .ع.د 5,000,000   | .ع.د 3,000,000   |                 |                  |                  |                  |
| <b>TOTAL CASH IN</b>                  | .ع.د 33,450,000  | .ع.د 19,450,000  | .ع.د 16,450,000 | .ع.د 16,450,000  | .ع.د 23,181,250  | .ع.د 23,181,250  |
| <b>CASH OUT</b>                       |                  |                  |                 |                  |                  |                  |
| CASH OUT FOR PURCHASE OF MATERIAL     |                  | .ع.د 8,000,000-  | .ع.د 6,531,000- | .ع.د 6,531,000-  | .ع.د 9,143,250-  | .ع.د 9,143,250-  |
| CASH OUT FOR OPERATIONS               | .ع.د 3,090,000-  | .ع.د 3,090,000-  | .ع.د 3,090,000- | .ع.د 3,817,500-  | .ع.د 3,817,500-  | .ع.د 3,817,500-  |
| CASH OUT FOR PLANNED INVESTMENTS      | .ع.د 29,000,000- |                  |                 |                  |                  |                  |
| CASH OUT FOR LOAN REPAYMENT           |                  |                  |                 | .ع.د 3,000,000-  |                  |                  |
| OTHER CASH OUT                        |                  |                  |                 |                  |                  |                  |
| <b>TOTAL CASH OUT</b>                 | .ع.د 32,090,000- | .ع.د 11,090,000- | .ع.د 9,621,000- | .ع.د 13,348,500- | .ع.د 12,960,750- | .ع.د 12,960,750- |
| <b>SURPLUS/(DEFICIT)</b>              | .ع.د 1,360,000   | .ع.د 8,360,000   | .ع.د 6,829,000  | .ع.د 3,101,500   | .ع.د 10,220,500  | .ع.د 10,220,500  |
| <b>CLOSING BALANCE (CASH IN HAND)</b> |                  |                  |                 |                  |                  |                  |

Take **TOTAL CASH IN** and subtract it from **TOTAL CASH OUT** to calculate if you have a **SURPLUS** or a **(DEFICIT)**.



**STEP 12: Calculate the CLOSING BALANCE**

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

| MONTH                                 | 1st Quarter        |                    |                   |                    |                    |                    |                    |
|---------------------------------------|--------------------|--------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
|                                       | 1                  | 2                  | 3                 |                    |                    |                    |                    |
| <b>OPENING BALANCE (CASH IN HAND)</b> |                    | 1,360,000          |                   |                    |                    |                    |                    |
| <b>CASH IN</b>                        |                    |                    |                   |                    |                    |                    |                    |
| CASH IN FROM LOANS                    | 12,000,000         |                    |                   |                    |                    |                    |                    |
| CASH IN FROM SALES                    | 16,450,000         | 16,450,000         | 16,450,000        | 16,450,000         | 23,181,250         | 23,181,250         | 23,181,250         |
| OTHER CASH IN                         | 5,000,000          | 3,000,000          |                   |                    |                    |                    |                    |
| <b>TOTAL CASH IN</b>                  | <b>33,450,000</b>  | <b>19,450,000</b>  | <b>16,450,000</b> | <b>16,450,000</b>  | <b>23,181,250</b>  | <b>23,181,250</b>  | <b>23,181,250</b>  |
| <b>CASH OUT</b>                       |                    |                    |                   |                    |                    |                    |                    |
| CASH OUT FOR PURCHASE OF MATERIAL     |                    | 8,000,000-         | 6,531,000-        | 6,531,000-         | 9,143,250-         | 9,143,250-         | 9,143,250-         |
| CASH OUT FOR OPERATIONS               | 3,090,000-         | 3,090,000-         | 3,090,000-        | 3,817,500-         | 3,817,500-         | 3,817,500-         | 3,817,500-         |
| CASH OUT FOR PLANNED INVESTMENTS      | 29,000,000-        |                    |                   |                    |                    |                    |                    |
| CASH OUT FOR LOAN REPAYMENT           |                    |                    |                   | 3,000,000-         |                    |                    |                    |
| OTHER CASH OUT                        |                    |                    |                   |                    |                    |                    |                    |
| <b>TOTAL CASH OUT</b>                 | <b>32,090,000-</b> | <b>11,090,000-</b> | <b>9,621,000-</b> | <b>13,348,500-</b> | <b>12,960,750-</b> | <b>12,960,750-</b> | <b>12,960,750-</b> |
| <b>SURPLUS/(DEFICIT)</b>              | <b>1,360,000</b>   | <b>8,360,000</b>   | <b>6,829,000</b>  | <b>3,101,500</b>   | <b>10,220,500</b>  | <b>10,220,500</b>  | <b>10,220,500</b>  |
| <b>CLOSING BALANCE (CASH IN HAND)</b> | <b>1,360,000</b>   | <b>9,720,000</b>   | <b>16,549,000</b> | <b>19,650,500</b>  | <b>29,871,000</b>  | <b>40,091,500</b>  | <b>40,091,500</b>  |

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:

$$\begin{array}{r}
 \text{OPENING BALANCE MONTH (1)} \quad 0 \\
 + \quad \text{SURPLUS MONTH (1)} \quad + 1.36 \text{ M ID} \\
 \hline
 \text{CLOSING BALANCE MONTH (1)} = 1.36 \text{ M ID}
 \end{array}$$



## STEP 13: Complete the CASH FLOW PLAN

| MONTH                                 | 1st Quarter       |                   |                  | 2nd Quarter       |                   |                   |
|---------------------------------------|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|
|                                       | 1                 | 2                 | 3                | 4                 | 5                 | 6                 |
| <b>OPENING BALANCE (CASH IN HAND)</b> |                   | .د.ع. 1,360,000   | .د.ع. 9,720,000  | .د.ع. 16,549,000  | .د.ع. 22,650,500  | .د.ع. 29,871,000  |
| <b>CASH IN</b>                        |                   |                   |                  |                   |                   |                   |
| CASH IN FROM LOANS                    | .د.ع. 12,000,000  |                   |                  |                   |                   |                   |
| CASH IN FROM SALES                    | .د.ع. 16,450,000  | .د.ع. 16,450,000  | .د.ع. 16,450,000 | .د.ع. 16,450,000  | .د.ع. 23,181,250  | .د.ع. 23,181,250  |
| OTHER CASH IN                         | .د.ع. 5,000,000   | .د.ع. 3,000,000   |                  |                   |                   |                   |
| <b>TOTAL CASH IN</b>                  | .د.ع. 33,450,000  | .د.ع. 19,450,000  | .د.ع. 16,450,000 | .د.ع. 16,450,000  | .د.ع. 23,181,250  | .د.ع. 23,181,250  |
| <b>CASH OUT</b>                       |                   |                   |                  |                   |                   |                   |
| CASH OUT FOR PURCHASE OF MATERIAL     |                   | .د.ع. 8,000,000-  | .د.ع. 6,531,000- | .د.ع. 6,531,000-  | .د.ع. 9,143,250-  | .د.ع. 9,143,250-  |
| CASH OUT FOR OPERATIONS               | .د.ع. 3,090,000-  | .د.ع. 3,090,000-  | .د.ع. 3,090,000- | .د.ع. 3,817,500-  | .د.ع. 3,817,500-  | .د.ع. 3,817,500-  |
| CASH OUT FOR PLANNED INVESTMENTS      | .د.ع. 29,000,000- |                   |                  |                   |                   |                   |
| CASH OUT FOR LOAN REPAYMENT           |                   |                   |                  | .د.ع. 3,000,000-  |                   |                   |
| OTHER CASH OUT                        |                   |                   |                  |                   |                   |                   |
| <b>TOTAL CASH OUT</b>                 | .د.ع. 32,090,000- | .د.ع. 11,090,000- | .د.ع. 9,621,000- | .د.ع. 13,348,500- | .د.ع. 12,960,750- | .د.ع. 12,960,750- |
| <b>SURPLUS/(DEFICIT)</b>              | .د.ع. 1,360,000   | .د.ع. 8,360,000   | .د.ع. 6,829,000  | .د.ع. 3,101,500   | .د.ع. 10,220,500  | .د.ع. 10,220,500  |
| <b>CLOSING BALANCE (CASH IN HAND)</b> | .د.ع. 1,360,000   | .د.ع. 9,720,000   | .د.ع. 16,549,000 | .د.ع. 19,650,500  | .د.ع. 29,871,000  | .د.ع. 40,091,500  |



**QUESTIONS?**

# BALANCE SHEET

# 1. Balance Sheet Projections

A **'Balance Sheet'** is a financial statement that shows the position of **Assets'** and **'Liabilities + Owner's Equity'** of a business.

At any given time, the **'Assets'** of a business must be equal to its **'Liabilities + Owner's Equity'**. That means the value of 'Assets' and 'Liabilities and Owner's Equity' must balance, that's why it is called a 'Balance Sheet'.

**ASSETS** – are what a business owns, any valued possession of the business that can be converted into cash money:

1. Machinery and equipment,
2. Vehicles,
3. Office equipment and furniture,
4. Receivables, which is the money owed to your business by others
5. Land and buildings,
6. Stock of raw materials,
7. Cash on Hand including credit balance in the bank account
8. Investments, such as bonds and shares in stocks that a business may own.



## 2. Balance Sheet Projections

**LIABILITIES** – are the debts of a business, the money the business owes to others. The main ‘liabilities’ of a business consist of:

1. Long term bank loans and borrowings,
2. ‘Bank Overdraft’, which is the amount you owe to the bank and paid back in short term;
3. ‘Payables’, which is the money that the business owes to others for materials, goods, taxes, etc...

**OWNERS’S EQUITY** – Your business is separate legal entity, the money that you invest in your business is the money the business owes you.

1. **Share Capital and Owners’ Investment** is the money you and your partners have invested in the business.
2. **‘Retained Earnings’**, which is the profit made by the business that has not yet been distributed to the owner or shareholders.

You are considered the main creditor to your business, and thus your investment is a liability for your business.



## 3. Balance Sheet Projections

Preparing a **'Balance Sheet'** for your business is extremely important for a business for two main reasons:

- To determine how much of the profit needs to be retained in the business to finance its operations (and not to be distributed to the shareholders or owners of the business), and
- To determine whether or not a business is 'solvent'.

The business is **'SOLVENT'**, if the 'assets' of a business equal its **'liabilities + owner's equity'**, it is able to pay all its debts from the sale of its assets in the event that it has to be closed.

On the other hand, if its **'liabilities'** are more than its assets, it will not be able to pay all its debts from the sale of its assets, where the business will be considered 'insolvent' or **'bankrupt'**. **'Bankruptcy'** means that a business is unable to pay its debts.

**The banks and financial institutions need your 'Balance Sheet' projections to evaluate whether or not your business is 'Solvent', and that your assets are adequate to pay your current liabilities.**



## 4. Balance Sheet Projections

| BALANCE SHEET FORMAT                     |  |
|--|--|
| ASSETS                                   |  |
| LAND AND BUILDINGS                       |  |
| MACHINERY, EQUIPMENT AND TOOLS           |  |
| OFFICE EQUIPMENT AND FURNITURE           |  |
| VEHICLES                                 |  |
| ALL OTHER ASSETS                         |  |
| <b>TOTAL FIXED ASSETS</b>                |  |
| Cash on Hand                             |  |
| STOCK OF MATERIALS                       |  |
| <b>TOTAL CURRENT ASSETS</b>              |  |
| <b>TOTAL ASSETS</b>                      |  |
| LIABILITES                               |  |
| BANK OVERDRAFT                           |  |
| UNPAID/DUE TAXES                         |  |
| <b>TOTAL CURRENT LIABILITIES</b>         |  |
| LONG-TERM LOANS                          |  |
| <b>TOTAL LIABILITIES</b>                 |  |
| OWNER'S INVESTMENT/CAPITAL               |  |
| RETAINED EARNINGS                        |  |
| <b>OWNER'S EQUITY</b>                    |  |
| <b>TOTAL LIABILITES + OWNER'S EQUITY</b> |  |

**FIXED ASSETS** are assets that cannot be converted into cash easily. State their current net value after deducting their **DEPRECIATION**.

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

**CURRENT LIABILITIES** are payable in a relatively short time, within less than a year.

**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.**



**STEP 1: Enter all fixed assets and account for DEPRECIATION.**

| KUT FAMILY METAL WORKS COMPANY BALANCE SHEET (ASSETS) |                 |                 |                 |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| ASSETS  | 1st Quarter     |                 |                 | 2nd Quarter     |                 |                 |
|   | 1               | 2               | 3               | 4               | 5               | 6               |
| LAND AND BUILDINGS                                    | N/A             | N/A             | N/A             | N/A             | N/A             | N/A             |
| MACHINERY, EQUIPMENT AND TOOLS                        | .ع.د 13,000,000 | .ع.د 12,783,333 | .ع.د 12,566,667 | .ع.د 12,350,000 | .ع.د 12,133,333 | .ع.د 11,916,667 |
| OFFICE EQUIPMENT AND FURNITURE                        | .ع.د 3,000,000  | .ع.د 2,950,000  | .ع.د 2,900,000  | .ع.د 2,850,000  | .ع.د 2,800,000  | .ع.د 2,750,000  |
| VEHICLES  | .ع.د 9,000,000  | .ع.د 8,850,000  | .ع.د 8,700,000  | .ع.د 8,550,000  | .ع.د 8,400,000  | .ع.د 8,250,000  |
| ALL OTHER ASSETS                                      | .ع.د 4,000,000  | .ع.د 3,933,333  | .ع.د 3,866,667  | .ع.د 3,800,000  | .ع.د 3,733,333  | .ع.د 3,666,667  |
| TOTAL FIXED ASSETS                                    | .ع.د 29,000,000 | .ع.د 28,516,667 | .ع.د 28,033,333 | .ع.د 27,550,000 | .ع.د 27,066,667 | .ع.د 26,583,333 |
| CASH IN HAND  |                 |                 |                 |                 |                 |                 |
| STOCK OF MATERIALS                                    |                 |                 |                 |                 |                 |                 |
| RECEIVABLES   |                 |                 |                 |                 |                 |                 |
| TOTAL CURRENT ASSETS                                  |                 |                 |                 |                 |                 |                 |
| <b>TOTAL ASSETS</b>                                   |                 |                 |                 |                 |                 |                 |

Utilize your MONTHLY DEPRECIATION results to calculate the value of your assets over time. DEPRECIATION starts once an ASSET is purchased.

| DEPRECIATION RATES AND COSTS FOR THE KUT FAMILY METAL WORKS COMPANY<br>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  | .ع.د 13,000,000 | 20%                 | .ع.د 2,600,000- | .ع.د 650,000-          | .ع.د 216,667-        |
| OFFICE EQUIPMENT AND FURNITURE  | .ع.د 3,000,000  | 20%                 | .ع.د 600,000-   | .ع.د 150,000-          | .ع.د 50,000-         |
| VEHICLES  | .ع.د 9,000,000  | 20%                 | .ع.د 1,800,000- | .ع.د 450,000-          | .ع.د 150,000-        |
| ALL OTHER ASSETS  | .ع.د 4,000,000  | 20%                 | .ع.د 800,000-   | .ع.د 200,000-          | .ع.د 66,667-         |
| <b>TOTAL DEPRECIATION COSTS</b>   | .ع.د 29,000,000 | 20%                 | .ع.د 5,800,000- | .ع.د 1,450,000-        | .ع.د 483,333-        |



**STEP 2: Enter your CASH ON HAND from the available CLOSING BALANCE**

**KUT FAMILY METAL WORKS COMPANY BALANCE SHEET (ASSETS)**

| ASSETS                         | 1st Quarter     |                 |                 | 2nd Quarter     |                 |                 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                | 1               | 2               | 3               | 4               | 5               | 6               |
| LAND AND BUILDINGS             | N/A             | N/A             | N/A             | N/A             | N/A             | N/A             |
| MACHINERY, EQUIPMENT AND TOOLS | .ع.د 13,000,000 | .ع.د 12,783,333 | .ع.د 12,566,667 | .ع.د 12,350,000 | .ع.د 12,133,333 | .ع.د 11,916,667 |
| OFFICE EQUIPMENT AND FURNITURE | .ع.د 3,000,000  | .ع.د 2,950,000  | .ع.د 2,900,000  | .ع.د 2,850,000  | .ع.د 2,800,000  | .ع.د 2,750,000  |
| VEHICLES                       | .ع.د 9,000,000  | .ع.د 8,850,000  | .ع.د 8,700,000  | .ع.د 8,550,000  | .ع.د 8,400,000  | .ع.د 8,250,000  |
| ALL OTHER ASSETS               | .ع.د 4,000,000  | .ع.د 3,933,333  | .ع.د 3,866,667  | .ع.د 3,800,000  | .ع.د 3,733,333  | .ع.د 3,666,667  |
| TOTAL FIXED ASSETS             | .ع.د 29,000,000 | .ع.د 28,516,667 | .ع.د 28,033,333 | .ع.د 27,550,000 | .ع.د 27,066,667 | .ع.د 26,583,333 |
| CASH IN HAND                   | .ع.د 1,360,000  | .ع.د 9,720,000  | .ع.د 16,549,000 | .ع.د 19,650,500 | .ع.د 29,871,000 | .ع.د 40,091,500 |
| STOCK OF MATERIALS             |                 |                 |                 |                 |                 |                 |
| RECEIVABLES                    |                 |                 |                 |                 |                 |                 |
| TOTAL CURRENT ASSETS           |                 |                 |                 |                 |                 |                 |

Utilize your CASH FLOW PLAN that you completed.

| MONTH                               | 1st Quarter             |                         |                        | 2nd Quarter            |                         |                        |
|-------------------------------------|-------------------------|-------------------------|------------------------|------------------------|-------------------------|------------------------|
|                                     | 1                       | 2                       | 3                      | 4                      | 5                       | 6                      |
| CASH OPENING BALANCE (CASH IN HAND) | .ع.د 1,360,000          | .ع.د 9,720,000          | .ع.د 16,549,000        | .ع.د 19,650,500        | .ع.د 29,871,000         | .ع.د 40,091,500        |
| TOTAL CASH IN                       | .ع.د 33,450,000         | .ع.د 19,450,000         | .ع.د 6,450,000         | .ع.د 6,450,000         | .ع.د 23,181,250         | .ع.د 3,181,250         |
| <b>TOTAL CASH OUT</b>               | <b>.ع.د 32,090,000-</b> | <b>.ع.د 11,090,000-</b> | <b>.ع.د 9,621,000-</b> | <b>.ع.د 3,348,500-</b> | <b>.ع.د 12,960,750-</b> | <b>.ع.د 2,960,750-</b> |
| SURPLUS/(DEFICIT)                   | .ع.د 1,360,000          | .ع.د 8,360,000          | .ع.د 6,829,000         | .ع.د 3,101,500         | .ع.د 10,220,500         | .ع.د 10,220,500        |
| CLOSING BALANCE (CASH IN HAND)      | .ع.د 1,360,000          | .ع.د 9,720,000          | .ع.د 16,549,000        | .ع.د 19,650,500        | .ع.د 29,871,000         | .ع.د 40,091,500        |





**STEP 4: Enter your RECEIVABLES**

| KUT FAMILY METAL WORKS COMPANY BALANCE SHEET (ASSETS) |                 |                 |                 |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| ASSETS  | 1st Quarter     |                 |                 | 2nd Quarter     |                 |                 |
|   | 1               | 2               | 3               | 4               | 5               | 6               |
| LAND AND BUILDINGS                                    | N/A             | N/A             | N/A             | N/A             | N/A             | N/A             |
| MACHINERY, EQUIPMENT AND TOOLS                        | .ع.د 13,000,000 | .ع.د 12,783,333 | .ع.د 12,566,667 | .ع.د 12,350,000 | .ع.د 12,133,333 | .ع.د 11,916,667 |
| OFFICE EQUIPMENT AND FURNITURE                        | .ع.د 3,000,000  | .ع.د 2,950,000  | .ع.د 2,900,000  | .ع.د 2,850,000  | .ع.د 2,800,000  | .ع.د 2,750,000  |
| VEHICLES  | .ع.د 9,000,000  | .ع.د 8,850,000  | .ع.د 8,700,000  | .ع.د 8,550,000  | .ع.د 8,400,000  | .ع.د 8,250,000  |
| ALL OTHER ASSETS                                      | .ع.د 4,000,000  | .ع.د 3,933,333  | .ع.د 3,866,667  | .ع.د 3,800,000  | .ع.د 3,733,333  | .ع.د 3,666,667  |
| TOTAL FIXED ASSETS                                    | .ع.د 29,000,000 | .ع.د 28,516,667 | .ع.د 28,033,333 | .ع.د 27,550,000 | .ع.د 27,066,667 | .ع.د 26,583,333 |
| CASH IN HAND  | .ع.د 1,360,000  | .ع.د 9,720,000  | .ع.د 16,549,000 | .ع.د 19,650,500 | .ع.د 29,871,000 | .ع.د 40,091,500 |
| STOCK OF MATERIALS                                    | .ع.د 1,469,000  |
| RECEIVABLES   |                 |                 |                 | .ع.د 6,731,250  | .ع.د 6,731,250  | .ع.د 6,731,250  |

Utilize the RECEIVABLES SCHEDULE you completed.

| RECEIVABLES SCHEDULE OF KUT FAMILY METAL WORKS |                 |                 |                 |                  |                  |                  |
|--|-----------------|-----------------|-----------------|------------------|------------------|------------------|
| MONTH  | 1st Quarter     |                 |                 | 2nd Quarter      |                  |                  |
|  | 1               | 2               | 3               | 4                | 5                | 6                |
| <b>RECEIVABLES OPENING BALANCE</b>             |                 |                 |                 |                  | .ع.د 6,731,250-  | .ع.د 6,731,250-  |
| <b>SALES</b>                                   |                 |                 |                 | .ع.د 23,181,250- | .ع.د 23,181,250- | .ع.د 23,181,250- |
| <b>PAYMENTS RECEIVED</b>                       | .ع.د 16,450,000 | .ع.د 16,450,000 | .ع.د 16,450,000 | .ع.د 16,450,000  | .ع.د 23,181,250  | .ع.د 23,181,250  |
| <b>RECEIVABLES CLOSING BALANCE</b>             |                 |                 |                 | .ع.د 6,731,250-  | .ع.د 6,731,250-  | .ع.د 6,731,250-  |



## STEP 5: Calculate the TOTAL ASSETS

**KUT FAMILY METAL WORKS COMPANY BALANCE SHEET (ASSETS)**

| ASSETS                         | 1st Quarter     |                 |                 | 2nd Quarter     |                 |                 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                | 1               | 2               | 3               | 4               | 5               | 6               |
| LAND AND BUILDINGS             | N/A             | N/A             | N/A             | N/A             | N/A             | N/A             |
| MACHINERY, EQUIPMENT AND TOOLS | .ع.د 13,000,000 | .ع.د 12,783,333 | .ع.د 12,566,667 | .ع.د 12,350,000 | .ع.د 12,133,333 | .ع.د 11,916,667 |
| OFFICE EQUIPMENT AND FURNITURE | .ع.د 3,000,000  | .ع.د 2,950,000  | .ع.د 2,900,000  | .ع.د 2,850,000  | .ع.د 2,800,000  | .ع.د 2,750,000  |
| VEHICLES                       | .ع.د 9,000,000  | .ع.د 8,850,000  | .ع.د 8,700,000  | .ع.د 8,550,000  | .ع.د 8,400,000  | .ع.د 8,250,000  |
| ALL OTHER ASSETS               | .ع.د 4,000,000  | .ع.د 3,933,333  | .ع.د 3,866,667  | .ع.د 3,800,000  | .ع.د 3,733,333  | .ع.د 3,666,667  |
| <b>TOTAL FIXED ASSETS</b>      | .ع.د 29,000,000 | .ع.د 28,516,667 | .ع.د 28,033,333 | .ع.د 27,550,000 | .ع.د 27,066,667 | .ع.د 26,583,333 |
| CASH IN HAND                   | .ع.د 1,360,000  | .ع.د 9,720,000  | .ع.د 16,549,000 | .ع.د 19,650,500 | .ع.د 29,871,000 | .ع.د 40,091,500 |
| STOCK OF MATERIALS             | .ع.د 1,469,000  |
| RECEIVABLES                    |                 |                 |                 | .ع.د 6,731,250  | .ع.د 6,731,250  | .ع.د 6,731,250  |
| <b>TOTAL CURRENT ASSETS</b>    | .ع.د 2,829,000  | .ع.د 11,189,000 | .ع.د 18,018,000 | .ع.د 27,850,750 | .ع.د 38,071,250 | .ع.د 48,291,750 |
| <b>TOTAL ASSETS</b>            | .ع.د 31,829,000 | .ع.د 39,705,667 | .ع.د 46,051,333 | .ع.د 55,400,750 | .ع.د 65,137,917 | .ع.د 74,875,083 |

**TOTAL CURRENT ASSETS is the combination of Cash on Hand, STOCK OF MATERIALS and RECEIVABLES.**

**TOTAL ASSETS is the combination of TOTAL FIXED ASSETS and TOTAL CURRENT ASSETS.**



**STEP 6: Set up LIABILITES portion and enter in all PAYABLES**

| KUT FAMILY METAL WORKS COMPANY BALANCE SHEET (TOTAL LIABILITES & OWNER'S EQUITY) |                 |                 |                 |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| LIABILITES   | 1st Quarter     |                 |                 | 2nd Quarter     |                 |                 |
|  | 1               | 2               | 3               | 4               | 5               | 6               |
| PAYABLES   | .ع.د 8,000,000- | .ع.د 6,531,000- | .ع.د 6,531,000- | .ع.د 9,143,250- | .ع.د 9,143,250- | .ع.د 9,143,250- |
| UNPAID/DUE TAXES   |                 |                 |                 |                 |                 |                 |
| TOTAL CURRENT LIABILITIES  |                 |                 |                 |                 |                 |                 |
| LONG-TERM LOANS  |                 |                 |                 |                 |                 |                 |
| <b>TOTAL LIABILITES</b>  |                 |                 |                 |                 |                 |                 |
| OWNER'S INVESTMENT/CAPITAL   |                 |                 |                 |                 |                 |                 |
| RETAINED EARNINGS  |                 |                 |                 |                 |                 |                 |
| <b>OWNER'S EQUITY</b>  |                 |                 |                 |                 |                 |                 |
| <b>TOTAL LIABILITES + OWNER'S EQUITY</b>   |                 |                 |                 |                 |                 |                 |

Utilize the PAYABLES SCHEDULE you completed.

| PAYABLES SCHEDULE OF KUT FAMILY METAL WORKS |                 |                 |                 |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| MONTH                                       | 1st Quarter     |                 |                 | 2nd Quarter     |                 |                 |
|   | 1               | 2               | 3               | 4               | 5               | 6               |
| <b>PAYABLES:</b> PAYABLES OPEN BALANCE      |                 | .ع.د 8,000,000- | .ع.د 6,531,000- | .ع.د 6,531,000- | .ع.د 9,143,250- | .ع.د 9,143,250- |
| PURCHASES                                   | .ع.د 8,000,000- | .ع.د 6,531,000- | .ع.د 6,531,000- | .ع.د 9,143,250- | .ع.د 9,143,250- | .ع.د 9,143,250- |
| PAYMENTS MADE                               |                 | .ع.د 8,000,000  | .ع.د 6,531,000  | .ع.د 6,531,000  | .ع.د 9,143,250  | .ع.د 9,143,250  |
| <b>PAYABLES CLOSING BALANCE</b>             | .ع.د 8,000,000- | .ع.د 6,531,000- | .ع.د 6,531,000- | .ع.د 9,143,250- | .ع.د 9,143,250- | .ع.د 9,143,250- |



## STEP 7: Calculate TAXES DUE & CURRENT LIABILITIES

**KUT FAMILY METAL WORKS COMPANY BALANCE SHEET (TOTAL LIABILITES & OWNER'S EQUITY)**

| LIABILITES                               | 1st Quarter            |                        |                        | 2nd Quarter            |                        |                        |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|  | 1                      | 2                      | 3                      | 4                      | 5                      | 6                      |
| PAYABLES                                 | .ع.د 8,000,000-        | .ع.د 6,531,000-        | .ع.د 6,531,000-        | .ع.د 9,143,250-        | .ع.د 9,143,250-        | .ع.د 9,143,250-        |
| UNPAID/DUE TAXES                         |                        |                        |                        |                        |                        |                        |
| <b>TOTAL CURRENT LIABILITIES</b>         | <b>.ع.د 8,000,000-</b> | <b>.ع.د 6,531,000-</b> | <b>.ع.د 6,531,000-</b> | <b>.ع.د 9,143,250-</b> | <b>.ع.د 9,143,250-</b> | <b>.ع.د 9,143,250-</b> |
| LONG-TERM LOANS                          |                        |                        |                        |                        |                        |                        |
| <b>TOTAL LIABILITES</b>                  |                        |                        |                        |                        |                        |                        |
| OWNER'S INVESTMENT/CAPITAL               |                        |                        |                        |                        |                        |                        |
| RETAINED EARNINGS                        |                        |                        |                        |                        |                        |                        |
| <b>OWNER'S EQUITY</b>                    |                        |                        |                        |                        |                        |                        |
| <b>TOTAL LIABILITES + OWNER'S EQUITY</b> |                        |                        |                        |                        |                        |                        |

Since taxes are due in the 4<sup>th</sup> quarter Ali does not have to account for taxes for the 1<sup>st</sup> and 2<sup>nd</sup> quarter.

Add 'Payables' and 'Due Taxes' together to get the Total Current Liabilities.



## STEP 8: Input the LONG TERM LOANS

**KUT FAMILY METAL WORKS COMPANY BALANCE SHEET (TOTAL LIABILITES & OWNER'S EQUITY)**

The terms of the loan indicates that the loan is to be paid off in 4 equal portions due every 3rd month. On the BALANCE SHEET, the 8M ID is carried over to the following month since payment is not due until month 3.

|  | 1st Quarter      |                  |                  | 2nd Quarter     |                 |                 |
|--|------------------|------------------|------------------|-----------------|-----------------|-----------------|
| TOTAL CURRENT LIABILITIES                | .ع.د 8,000,000-  | .ع.د 6,531,000-  | .ع.د 6,531,000-  | .ع.د 9,143,250- | .ع.د 9,143,250- | .ع.د 9,143,250- |
| LONG-TERM LOANS                          | .ع.د 12,000,000- | .ع.د 12,000,000- | .ع.د 12,000,000- | .ع.د 9,000,000- | .ع.د 9,000,000- | .ع.د 9,000,000- |
| <b>TOTAL LIABILITIES</b>                 |                  |                  |                  |                 |                 |                 |
| OWNER'S INVESTMENT/CAPITAL               |                  |                  |                  |                 |                 |                 |
| RETAINED EARNINGS                        |                  |                  |                  |                 |                 |                 |
| <b>OWNER'S EQUITY</b>                    |                  |                  |                  |                 |                 |                 |
| <b>TOTAL LIABILITES + OWNER'S EQUITY</b> |                  |                  |                  |                 |                 |                 |

Month #6 a payment was made in the amount of 2M ID to the bank. This payment is credited to LONG-TERM LOANS adjusting the total from 8M ID to 6M ID thereafter.

| MONTH                          | 1st Quarter     |                  |                 | 2nd Quarter      |                  |                  |
|--------------------------------|-----------------|------------------|-----------------|------------------|------------------|------------------|
|                                | 1               | 2                | 3               | 4                | 5                | 6                |
| <b>CASH II</b>                 |                 |                  |                 |                  |                  |                  |
| OPENING BALANCE (CASH IN HAND) | .ع.د 1,360,000  | .ع.د 9,720,000   | .ع.د 16,549,000 | .ع.د 19,650,500  | .ع.د 29,871,000  |                  |
| CASH IN FROM LOANS             | .ع.د 12,000,000 |                  |                 |                  |                  |                  |
| TOTAL CASH IN                  | .ع.د 13,360,000 | .ع.د 19,450,000  | .ع.د 16,450,000 | .ع.د 16,550,000  | .ع.د 23,181,250  | .ع.د 23,181,250  |
|                                |                 |                  |                 | .ع.د 3,000,000-  |                  |                  |
|                                |                 | .ع.د 11,090,000- | .ع.د 9,621,000- | .ع.د 13,348,500- | .ع.د 12,960,750- | .ع.د 12,960,750- |
|                                | .ع.د 8,360,000  | .ع.د 6,829,000   | .ع.د 3,101,500  | .ع.د 10,220,500  | .ع.د 10,220,500  |                  |
|                                | .ع.د 9,720,000  | .ع.د 16,549,000  | .ع.د 19,650,500 | .ع.د 29,871,000  | .ع.د 40,091,500  |                  |

Utilize the loan portion of your CASH FLOW PLAN and recall that Ali borrowed 8M ID from the bank in month #3. Enter that amount in the LONG TERM LOANS section of the same month on the BALANCE SHEET.



## STEP 9: Calculate TOTAL LIABILITIES & OWNER'S CAPITAL

The initial 5 M ID is credited in the **BALANCE SHEET** under **OWNER'S INVESTMENT** and is carried over each month until it is repaid.

### BALANCE SHEET (TOTAL LIABILITES & OWNER'S EQUITY)

|  | 1st Quarter             |                          | 2nd Quarter              |                          | 3rd Quarter              |                          | 4th Quarter              |                          |
|--|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|  | 1                       | 2                        | 3                        | 4                        | 5                        | 6                        | 7                        | 8                        |
| PAYABLES                                 | 00,000-                 | .ع.د. 6,531,000-         | .ع.د. 6,531,000-         | .ع.د. 6,531,000-         | .ع.د. 8,143,250-         | .ع.د. 9,143,250-         | .ع.د. 9,143,250-         | .ع.د. 9,143,250-         |
| UNPAID/DUE TAXES                         |                         |                          |                          |                          |                          |                          |                          |                          |
| <b>TOTAL CURRENT LIABILITIES</b>         | <b>000,000-</b>         | <b>.ع.د. 6,531,000-</b>  | <b>.ع.د. 6,531,000-</b>  | <b>.ع.د. 6,531,000-</b>  | <b>.ع.د. 8,143,250-</b>  | <b>.ع.د. 9,143,250-</b>  | <b>.ع.د. 9,143,250-</b>  | <b>.ع.د. 9,143,250-</b>  |
| LONG-TERM LOANS                          | .ع.د. 000,000-          | .ع.د. 12,000,000-        | .ع.د. 12,000,000-        | .ع.د. 12,000,000-        | .ع.د. 9,000,000-         | .ع.د. 9,000,000-         | .ع.د. 9,000,000-         | .ع.د. 9,000,000-         |
| <b>TOTAL LIABILITIES</b>                 | <b>.ع.د. 2,000,000-</b> | <b>.ع.د. 18,531,000-</b> | <b>.ع.د. 18,531,000-</b> | <b>.ع.د. 18,531,000-</b> | <b>.ع.د. 18,143,250-</b> | <b>.ع.د. 18,143,250-</b> | <b>.ع.د. 18,143,250-</b> | <b>.ع.د. 18,143,250-</b> |
| OWNER'S INVESTMENT/CAPITAL               | .ع.د. 5,000,000-        | .ع.د. 8,000,000-         |
| RETAINED EARNINGS                        |                         |                          |                          |                          |                          |                          |                          |                          |
| <b>OWNER'S EQUITY</b>                    |                         |                          |                          |                          |                          |                          |                          |                          |
| <b>TOTAL LIABILITES + OWNER'S EQUITY</b> |                         |                          |                          |                          |                          |                          |                          |                          |

Month #2 is the combination of 5 M ID Ali personal investment and the 3 M ID borrowed from friends and family.

Every month carry over previous month OWNER'S INVESTMENT

### KUT FAMILY METAL WORKS COMPANY CASH FLOW PLAN

| MONTH                                 | 1st Quarter      |                  |                  | 2nd Quarter      |                  |                  |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                       | 1                | 2                | 3                | 4                | 5                | 6                |
| <b>OPENING BALANCE (CASH IN HAND)</b> |                  | .ع.د. 1,360,000  | .ع.د. 9,720,000  | .ع.د. 16,549,000 | .ع.د. 19,650,500 | .ع.د. 29,871,000 |
| <b>CASH IN FROM LOANS</b>             | .ع.د. 12,000,000 |                  |                  |                  |                  |                  |
| <b>CASH IN FROM SALES</b>             | .ع.د. 16,450,000 | .ع.د. 16,450,000 | .ع.د. 16,450,000 | .ع.د. 16,450,000 | .ع.د. 23,181,250 | .ع.د. 23,181,250 |
| <b>OTHER CASH IN</b>                  | .ع.د. 5,000,000  | .ع.د. 3,000,000  |                  |                  |                  |                  |
| <b>TOTAL CASH IN</b>                  | .ع.د. 33,450,000 | .ع.د. 19,450,000 | .ع.د. 16,450,000 | .ع.د. 16,450,000 | .ع.د. 23,181,250 | .ع.د. 23,181,250 |

## STEP 10: Calculate RETAINED EARNINGS

Utilize all of the spreadsheets used for the CASH FLOW PLAN to calculate an INCOME STATEMENT for the 1<sup>st</sup> and 2<sup>nd</sup> quarter.

| KUT FAMILY METAL WORKS COMPANY INCOME STATEMENT (SIMPLIFIED START-UP) |                 |                 |                 |                 |                 |                 |  |  |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--|--|
| MONTH   | 1st Quarter     |                 |                 | 2nd Quarter     |                 |                 |  |  |
|   | 1               | 2               | 3               | 4               | 5               | 6               |  |  |
| SALES INCOME (TOP LINE)   | .ع.د 16,450,000 | .ع.د 16,450,000 | .ع.د 16,450,000 | .ع.د 23,181,250 | .ع.د 23,181,250 | .ع.د 23,181,250 |  |  |
| LESS: MATERIAL COSTS  | .ع.د 6,531,000- | .ع.د 6,531,000- | .ع.د 6,531,000- | .ع.د 9,143,250- | .ع.د 9,143,250- | .ع.د 9,143,250- |  |  |
| SALES PROFIT  | .ع.د 9,919,000  | .ع.د 9,919,000  | .ع.د 9,919,000  | .ع.د 14,038,000 | .ع.د 14,038,000 | .ع.د 14,038,000 |  |  |
| LESS: OPERATIONAL COSTS   | .ع.د 3,090,000- | .ع.د 3,090,000- | .ع.د 3,090,000- | .ع.د 3,817,500- | .ع.د 3,817,500- | .ع.د 3,817,500- |  |  |
| OPERATING PROFIT  | .ع.د 6,829,000  | .ع.د 6,829,000  | .ع.د 6,829,000  | .ع.د 10,220,500 | .ع.د 10,220,500 | .ع.د 10,220,500 |  |  |
| LESS: DEPRECIATION  |                 | .ع.د 483,333-   |  |  |
| TAXABLE PROFIT  | .ع.د 6,829,000  | .ع.د 6,345,667  | .ع.د 6,345,667  | .ع.د 9,737,167  | .ع.د 9,737,167  | .ع.د 9,737,167  |  |  |
| LESS: TAX   |                 |                 |                 |                 |                 |                 |  |  |
| NET PROFIT  | .ع.د 6,829,000  | .ع.د 6,345,667  | .ع.د 6,345,667  | .ع.د 9,737,167  | .ع.د 9,737,167  | .ع.د 9,737,167  |  |  |

Remember that DEPRECIATION starts the following month of purchase.



## STEP 10: Calculate RETAINED EARNINGS

Remember, **RETAINED EARNINGS** on the **BALANCE SHEET** is the **NET PROFIT** 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 positive in **NET PROFITS** is a **negative** in **RETAINED EARNINGS**.

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

RE month(1) 6,829,000 ID  
NP month(2) + 6,345,667 ID  
**RE month(2) 13,174,667 ID**

|                                    |                   |                   |                   |                   |                   |                   |                   |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| TOTAL ASSETS                       | .د.ع. 20,000,000- |
| OWNER'S INVESTMENT/CAPITAL         | .د.ع. 5,000,000-  | .د.ع. 8,000,000-  |
| RETAINED EARNINGS                  | .د.ع. 6,829,000-  | .د.ع. 13,174,667- | .د.ع. 19,520,333- | .د.ع. 29,257,500- | .د.ع. 38,994,667- | .د.ع. 48,731,833- |                   |
| OWNER'S EQUITY                     |                   |                   |                   |                   |                   |                   |                   |
| TOTAL LIABILITIES + OWNER'S EQUITY |                   |                   |                   |                   |                   |                   |                   |

| MONTH                   | 1st Quarter      |                  |                  |                  | 2nd Quarter      |                  |
|-------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                         | 1                | 2                | 3                | 4                | 5                | 6                |
| SALES INCOME (TOP LINE) | .د.ع. 18,450,000 | .د.ع. 18,450,000 | .د.ع. 18,450,000 | .د.ع. 23,181,250 | .د.ع. 23,181,250 | .د.ع. 23,181,250 |
| LESS: MATERIAL COSTS    | .د.ع. 6,531,000- | .د.ع. 6,531,000- | .د.ع. 6,531,000- | .د.ع. 9,143,250- | .د.ع. 9,143,250- | .د.ع. 9,143,250- |
| SALES PROFIT            | .د.ع. 9,919,000  | .د.ع. 9,919,000  | .د.ع. 9,919,000  | .د.ع. 14,038,000 | .د.ع. 14,038,000 | .د.ع. 14,038,000 |
| LESS: OPERATIONAL COSTS | .د.ع. 3,090,000- | .د.ع. 3,090,000- | .د.ع. 3,090,000- | .د.ع. 3,817,500- | .د.ع. 3,817,500- | .د.ع. 3,817,500- |
| OPERATING PROFIT        | .د.ع. 6,829,000  | .د.ع. 6,829,000  | .د.ع. 6,829,000  | .د.ع. 10,220,500 | .د.ع. 10,220,500 | .د.ع. 10,220,500 |
| LESS: DEPRECIATION      |                  | .د.ع. 483,333-   |
| TAXABLE PROFIT          | .د.ع. 6,829,000  | .د.ع. 6,345,667  | .د.ع. 6,345,667  | .د.ع. 9,737,167  | .د.ع. 9,737,167  | .د.ع. 9,737,167  |
| LESS: TAX               |                  |                  |                  |                  |                  |                  |
| NET PROFIT              | .د.ع. 6,829,000  | .د.ع. 6,345,667  | .د.ع. 6,345,667  | .د.ع. 9,737,167  | .د.ع. 9,737,167  | .د.ع. 9,737,167  |



## STEP 11: Calculate OWNER'S EQUITY and TOTAL LIABILITIES

**KUT FAMILY METAL WORKS COMPANY BALANCE SHEET (TOTAL LIABILITES & OWNER'S EQUITY)**

| LIABILITES                               | 1st Quarter             |                         |                         | 2nd Quarter             |                         |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|  | 1                       | 2                       | 3                       | 4                       | 5                       | 6                       |
| PAYABLES                                 | .ع.د 8,000,000-         | .ع.د 6,531,000-         | .ع.د 6,531,000-         | .ع.د 9,143,250-         | .ع.د 9,143,250-         | .ع.د 9,143,250-         |
| UNPAID/DUE TAXES                         |                         |                         |                         |                         |                         |                         |
| <b>TOTAL CURRENT LIABILITIES</b>         | <b>.ع.د 8,000,000-</b>  | <b>.ع.د 6,531,000-</b>  | <b>.ع.د 6,531,000-</b>  | <b>.ع.د 9,143,250-</b>  | <b>.ع.د 9,143,250-</b>  | <b>.ع.د 9,143,250-</b>  |
| LONG-TERM LOANS                          | .ع.د 12,000,000-        | .ع.د 12,000,000-        | .ع.د 12,000,000-        | .ع.د 9,000,000-         | .ع.د 9,000,000-         | .ع.د 9,000,000-         |
| <b>TOTAL LIABILITIES</b>                 | <b>.ع.د 20,000,000-</b> | <b>.ع.د 18,531,000-</b> | <b>.ع.د 18,531,000-</b> | <b>.ع.د 18,143,250-</b> | <b>.ع.د 18,143,250-</b> | <b>.ع.د 18,143,250-</b> |
| OWNER'S INVESTMENT/CAPITAL               | .ع.د 5,000,000-         | .ع.د 8,000,000-         |
| RETAINED EARNINGS                        | .ع.د 6,829,000-         | .ع.د 13,174,667-        | .ع.د 19,520,333-        | .ع.د 29,257,500-        | .ع.د 38,994,667-        | .ع.د 48,731,833-        |
| <b>OWNER'S EQUITY</b>                    | <b>.ع.د 11,829,000-</b> | <b>.ع.د 21,174,667-</b> | <b>.ع.د 27,520,333-</b> | <b>.ع.د 37,257,500-</b> | <b>.ع.د 46,994,667-</b> | <b>.ع.د 56,731,833-</b> |
| <b>TOTAL LIABILITES + OWNER'S EQUITY</b> | <b>.ع.د 31,829,000-</b> | <b>.ع.د 39,705,667-</b> | <b>.ع.د 46,051,333-</b> | <b>.ع.د 55,400,750-</b> | <b>.ع.د 65,137,917-</b> | <b>.ع.د 74,875,083-</b> |

**OWNER'S INVESTMENTS  
+ RETAINED EARNINGS  
OWNER'S EQUITY**

**TOTAL LIABILITIES  
+ OWNER'S EQUITY  
Final portion of Balance sheet**



## STEP 12: Compare your ASSETS and LIABILITIES

**KUT FAMILY METAL WORKS COMPANY BALANCE SHEET (ASSETS)**

| ASSETS                         | 1st Quarter     |                 |                 | 2nd Quarter     |                 |                 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                | 1               | 2               | 3               | 4               | 5               | 6               |
| LAND AND BUILDINGS             | N/A             | N/A             | N/A             | N/A             | N/A             | N/A             |
| MACHINERY, EQUIPMENT AND TOOLS | .ع.د 13,000,000 | .ع.د 12,783,333 | .ع.د 12,566,667 | .ع.د 12,350,000 | .ع.د 12,133,333 | .ع.د 11,916,667 |
| OFFICE EQUIPMENT AND FURNITURE | .ع.د 3,000,000  | .ع.د 2,950,000  | .ع.د 2,900,000  | .ع.د 2,850,000  | .ع.د 2,800,000  | .ع.د 2,750,000  |
| VEHICLES                       | .ع.د 9,000,000  | .ع.د 8,850,000  | .ع.د 8,700,000  | .ع.د 8,550,000  | .ع.د 8,400,000  | .ع.د 8,250,000  |
| ALL OTHER ASSETS               | .ع.د 4,000,000  | .ع.د 3,933,333  | .ع.د 3,866,667  | .ع.د 3,800,000  | .ع.د 3,733,333  | .ع.د 3,666,667  |
| <b>TOTAL FIXED ASSETS</b>      | .ع.د 29,000,000 | .ع.د 28,516,667 | .ع.د 28,033,333 | .ع.د 27,550,000 | .ع.د 27,066,667 | .ع.د 26,583,333 |
| CASH IN HAND                   | .ع.د 1,360,000  | .ع.د 9,720,000  | .ع.د 16,549,000 | .ع.د 22,650,500 | .ع.د 29,871,000 | .ع.د 40,091,500 |
| STOCK OF MATERIALS             | .ع.د 1,469,000  |
| RECEIVABLES                    |                 |                 |                 | .ع.د 6,731,250  | .ع.د 6,731,250  | .ع.د 6,731,250  |
| <b>TOTAL CURRENT ASSETS</b>    | .ع.د 2,829,000  | .ع.د 11,189,000 | .ع.د 18,018,000 | .ع.د 30,850,750 | .ع.د 38,071,250 | .ع.د 48,291,750 |
| <b>TOTAL ASSETS</b>            | .ع.د 31,829,000 | .ع.د 39,705,667 | .ع.د 46,051,333 | .ع.د 58,400,750 | .ع.د 65,137,917 | .ع.د 74,875,083 |

**KUT FAMILY METAL WORKS COMPANY BALANCE SHEET (TOTAL LIABILITES & OWNER'S EQUITY)**

| LIABILITES                               | 1st Quarter      |                  |                  | 2nd Quarter      |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
|  | 1                | 2                | 3                | 4                | 5                | 6                |
| PAYABLES                                 | .ع.د 8,000,000-  | .ع.د 6,531,000-  | .ع.د 6,531,000-  | .ع.د 9,143,250-  | .ع.د 9,143,250-  | .ع.د 9,143,250-  |
| UNPAID/DUE TAXES                         |                  |                  |                  |                  |                  |                  |
| <b>TOTAL CURRENT LIABILITIES</b>         | .ع.د 8,000,000-  | .ع.د 6,531,000-  | .ع.د 6,531,000-  | .ع.د 9,143,250-  | .ع.د 9,143,250-  | .ع.د 9,143,250-  |
| LONG-TERM LOANS                          | .ع.د 12,000,000- | .ع.د 12,000,000- | .ع.د 12,000,000- | .ع.د 9,000,000-  | .ع.د 9,000,000-  | .ع.د 9,000,000-  |
| <b>TOTAL LIABILITIES</b>                 | .ع.د 20,000,000- | .ع.د 18,531,000- | .ع.د 18,531,000- | .ع.د 18,143,250- | .ع.د 18,143,250- | .ع.د 18,143,250- |
| OWNER'S INVESTMENT/CAPITAL               | .ع.د 5,000,000-  | .ع.د 8,000,000-  |
| RETAINED EARNINGS                        | .ع.د 6,829,000-  | .ع.د 13,174,667- | .ع.د 19,520,333- | .ع.د 29,257,500- | .ع.د 38,994,667- | .ع.د 48,731,833- |
| <b>OWNER'S EQUITY</b>                    | .ع.د 11,829,000- | .ع.د 21,174,667- | .ع.د 27,520,333- | .ع.د 37,257,500- | .ع.د 46,994,667- | .ع.د 56,731,833- |
| <b>TOTAL LIABILITES + OWNER'S EQUITY</b> | .ع.د 31,829,000- | .ع.د 39,705,667- | .ع.د 46,051,333- | .ع.د 55,400,750- | .ع.د 65,137,917- | .ع.د 74,875,083- |

The **BALANCE SHEET** is filled out properly when **A = L + OE**.



**QUESTIONS?**



**USAID** | **IRAQ**  
FROM THE AMERICAN PEOPLE

# TIJARA

Provincial Economic Growth Program

Advancing Private Sector Development in Iraq

**HOW TO IMPROVE YOUR BUSINESS WORKSHOP**  
**BUSINESS PLANNING & FINANCIAL STATEMENTS**

DAY 3 of 3



## OBJECTIVES – Day Five

By the end of this session you will gain a good understanding of:

- **The Business Plan**
  - Integrate all previous topics into your plan.
  - How to integrate your marketing plan template into the business plan.
  - How to utilize your financial statements to build a business plan.
  - Identifying other items to include in your business plan.
- **The Way to Secure Your Financial Needs**
  - 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 of obtaining a loan.



# Prepare Your Business Plan

# 1. Prepare Your Business Plan

The **‘Business Plan’** includes everything you have learned from this Workshop. Your business plan will enable you to identify the various steps needed to start your business, which you could also submit to financial institutions and banks for their evaluation of your application for a loan.

## The Business Plan includes:

- The Feasibility Study, which is the systematic presentation of your business idea.
- Credentials to prove that you have required skills, knowledge and experience to run a business.
- ‘Market Research’, ‘Marketing Mix’, and ‘Marketing Plan’.
- Financial Statement Projections.
- Plan of Action, the steps you need to implement your business plan.



## 2. Prepare Your Business Plan

### Why prepare a Business Plan?

- Potential lenders want to make sure that their money is not at risk.
- A strong Business Plan backed up by a in-depth Feasibility Study gives you credibility and defines a new business in a professional manner.
- Preparing a strong Business Plan also gives you the confidence to manage a business which potential lenders will notice.
- Along with your own money to invest, a strong Business Plan shows how serious you are as an entrepreneur.



**A strong Business Plan demonstrates how serious you are as an entrepreneur.**

# The Business Plan

## Guidelines for Completing a 'Business Plan'

1. The Executive Summary

2. Description of Proposed Business

3. The Business Organization

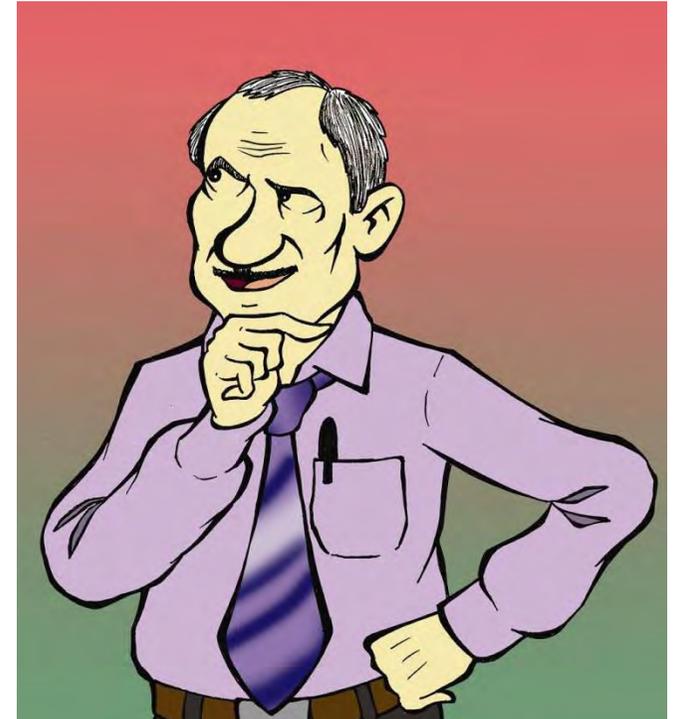
4. The Market Research, Marketing Mix and Marketing Plan

5. Financial Statement Projections

6. Capital Contributions

## 1. 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 write in your Business Plan.



**The Executive Summary is a condensed snapshot of your business.  
It covers the above four topics in brief.**

## 2a. Description of Existing Business

- **Classification:** Type of business (service, trade, manufacturing, agriculture, etc...)
- **Business Activities:** Brief description of products and services.
- **Business Location:** you need to choose a location that will give your business a '**competitive edge**' to firmly position yourself in a competitive market place.
- **Legal Form of Business:** Sole Proprietor or Partnership and describe why.



## 2b. Description of Existing Business

- **Licenses and permits:** Describe why your business needs them, and where you need to get them from.
- **Taxes:** All information you gathered or obtained from a tax specialist or professional.
- **Labor Regulations:** Labor Laws pertaining to your proposed business.
- **Insurances:** The type of insurance you may use to gain the attention of the lender.
- **Building space and 'layout plan',** which is a plan of floor space showing the location of the space occupied by each item of equipment and furniture.

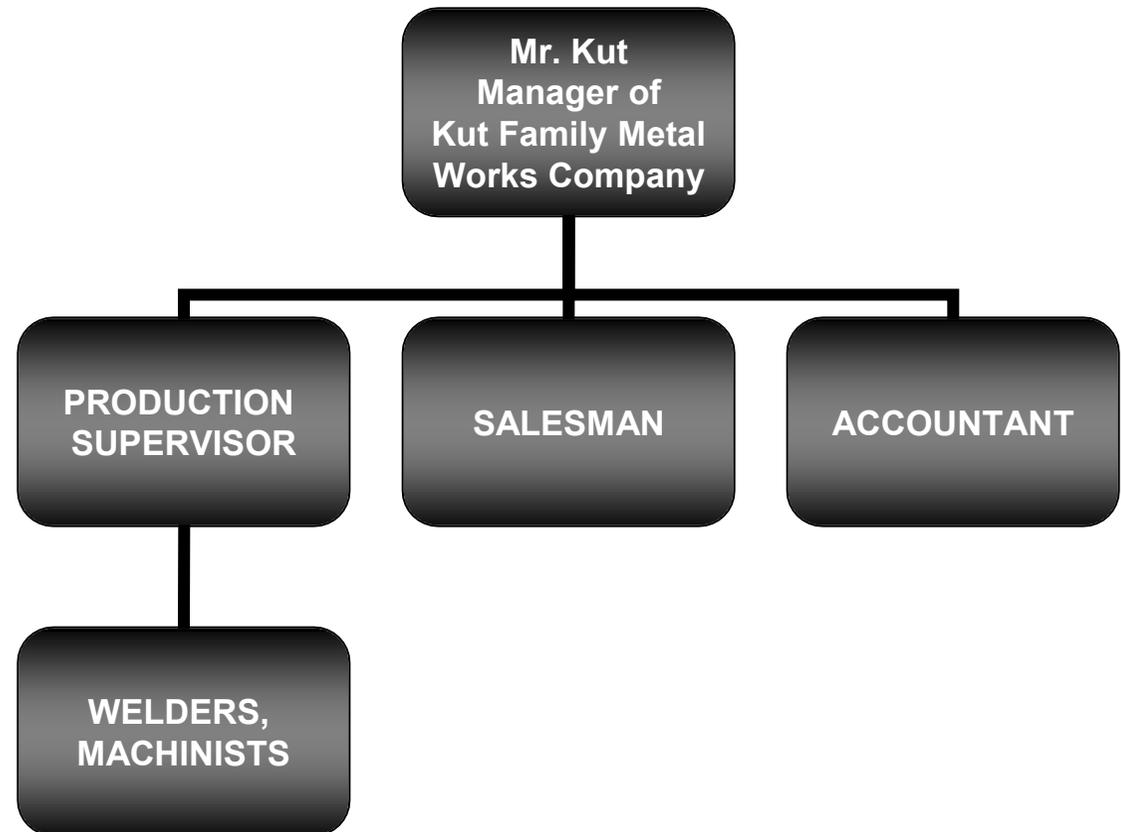


**Any other relevant information should be included that is unique to your business.**

### 3. The Business Organization

It is extremely important to demonstrate that you have properly thought-out the operational aspects and business functions needed to run your business efficiently.

You should also write down the responsibilities and tasks for each of the positions in your business.



## 4. The Market Research, Marketing Mix and Marketing Plan

- **Your 'Market Research'** – 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.
- **Your 'Marketing Mix'** – the combination of your product quality, price, place, and method of promotion to your potential customers to obtain a firm position in the market.
- **Your 'Marketing Plan'** – the quantity of the products and services you will sell every month using the information you have collected from your 'market research', along with the methods you will use to achieve that amount.



**Your 'Marketing Plan' is the most crucial element of your 'Business Plan', a good and well thought out marketing plan will result a good 'business plan'.**

## 5. Financial Statement Projections and Actuals

- **Financial Projections and Actual Statements:** Include all the Financial Statements we reviewed during this workshop:

- Income Statement
- Cash Flow
- Balance Sheet



- Your business plan will include both “projected” statements as well “actual” statements. Emphasize strong indicators for loan repayment :

- Explain how much money you need from a bank or financial institution and how you will be able to pay the loan installments.
- The collateral you can offer to secure the loan

- Performance Analysis and Financial Projections must be reasonable and feasible.

## 6. Capital

To improve your business you will need to determine your invested as well as needed capital. Mention the following :



- The money needed to acquire the required physical resources for the business:
  - **Machinery and tools:** how you will obtain them, number and type of the items you will need, specifications, and the cost of each item.
  - **Office equipment, furniture and fittings.**
  - The money you need for the **stock of raw materials** and/or **finished products** you will have. Use the information collected in your 'marketing plan'.
  - Vehicles if needed.
- The money needed for your **operating costs:**
  - **Administration and staff costs,** you might need to hire people before the start of your business, you need to calculate their costs.
  - **Advertising and promotion costs.**
  - **Lease/rent costs,** the amount of money needed to pay for periods before you start your business.
- Determine your '**working capital**' needs, the amount of money your business needs to pay for salaries and other business needs before it starts earning money.

# BUSINESS PLANNING & FINANCIAL STATEMENTS



## So how do we get started?

The next step is to breakout into small groups to work on the assigned activities.

- ✓ This is an interactive activity that requires group dynamics to be successful.
- ✓ Make sure to speak out and often.
- ✓ There is no question that cannot be asked.



# Secure Your Financial Needs

## OBJECTIVES:

By the end of this session you will gain a good understanding of:

- **How a quality business plan can positively impact the possibility of applying for and receiving a loan.**
- **A step by step process to understanding the loan process.**
- **Guest speaker from a lending institution who will bring actual forms to practice on.**



# 1. Secure Your Financial Needs

- Organize your personal finances.
- Fine tune your 'Business Plan'.
- Finalize the list of lending institutions you will approach.
- Utilize the SBDC's network, and contacts with Microfinance Institutions and Banks with SME lending units to present your business plan.

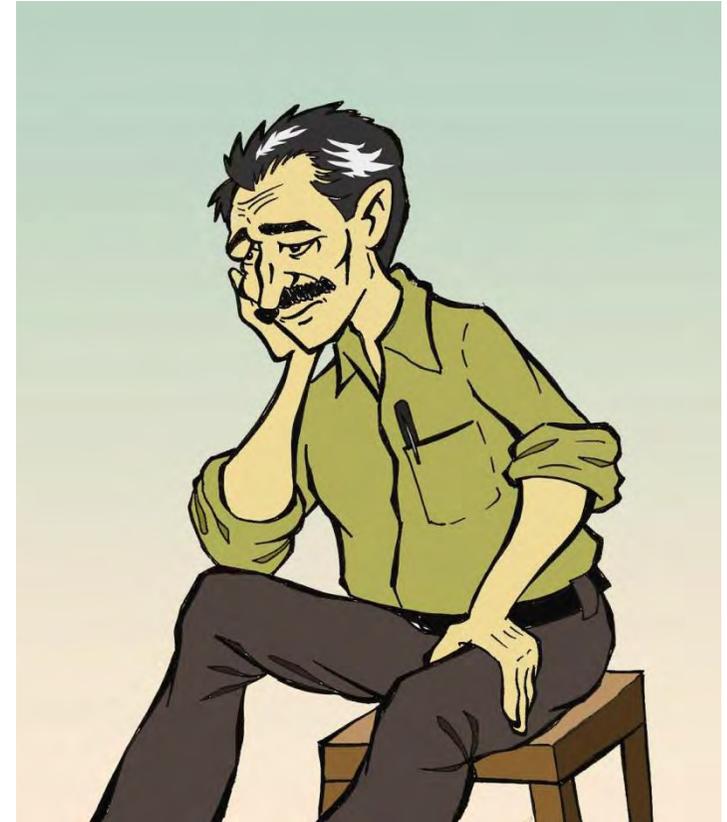


**Opportunities to present your business plan at the SBDC to an MFI or Bank that offers ICBG guaranteed loans will be available.**

## 2. Secure Your Financial Needs

### General Reasons for Rejections by Banks

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



## 3. Secure Your Financial Needs

### TIPS TO SECURING FINANCE

- Arrive with all required lending paperwork filled out and documentation in hand.
- Make an appointment. 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 lending options in your area including the terms and conditions.



## 4. Secure Your Financial Needs

### TIPS TO SECURING 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.**

# Guest Speaker from a Lending Institution

- Tips on securing finance from an expert in your community
- Review of how your business plan can help ensure timely loan repayment.
- Review and practice completion of a loan application
- 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.**



**QUESTIONS?**



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**Thank you!**