

Getting Started Guide

Welcome to Businessland's Business Planning Tools.

First, let's get over and done with the "Legal" stuff.

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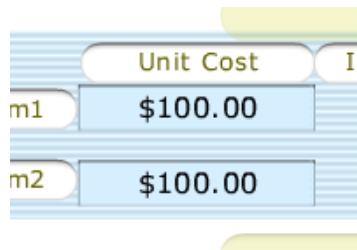
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The user is encouraged to seek competent legal and accounting advice before engaging in any business activity.

CONVENTIONS:

The Business Planning Matrix is an interactive tool. Understanding the conventions used will help to make the use of the Matrix a more rewarding experience. See the following -

Blue background boxes:

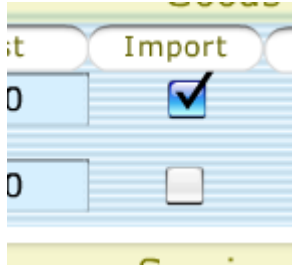


The image shows a screenshot of a software interface with a blue background. It features two rows of data entry boxes. The first row is labeled 'm1' and contains a box for 'Unit Cost' with the value '\$100.00'. The second row is labeled 'm2' and contains a box for 'Unit Cost' with the value '\$100.00'. The boxes are light blue with a thin border and are set against a darker blue background.

m1	Unit Cost	\$100.00
m2	Unit Cost	\$100.00

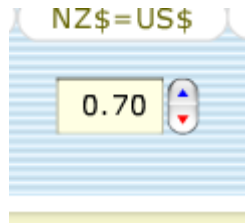
In these boxes you need to input your own information. Double click on the default number, and then type your data.

Check boxes:



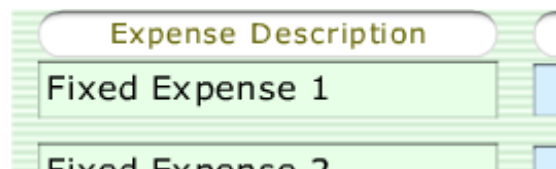
These are Yes / No boxes. The default is NO (no tick). You can change the status to Yes by clicking the box.

Counters - Yellow background:



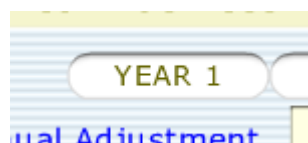
In this box you need to input your own information. Click on the blue triangle to increase the default value and the red triangle to decrease it.

Green background boxes - These are text boxes:



Although the information in these boxes have no impact on the data (calculations) you are encouraged to insert relevant names for clarity. (For example: change “Fixed Expenses 1” to say “Lease” or “Utilities” etc.) To replace the default text you need to highlight it.

White background rounded boxes:



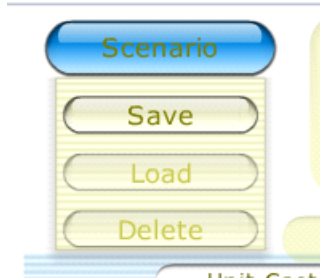
You could over-ride them (as the green boxes), however these are correct field names and by changing them the information could be misinterpreted.

OVERVIEW:

3. The Business Planning Matrix (BPM) is the most comprehensive tool, which will save you tens or even hundreds of hours of creating various “what if” scenarios relevant to your business. With just a few clicks and key strokes, you will create:
 - **A five year Profit and Loss forecast**
 - **A five year Financial Position (Balance Sheet) forecast and**
 - **A five year Cash Position**

All without knowing anything about Computer programming or Accounting,

Scenario Management Button:



You will be able to Save the most likely scenario's and Load them later.

4. The first section is all about the Products and Services you offer:

Goods used for Trading - Details						
	Unit Cost	Import	NZ\$=US\$	NZ\$ Cost	Price***	Units Sold p.a.
Item1	\$100.00	<input checked="" type="checkbox"/>	0.70	\$143	\$225.00	1,000
Item2	\$100.00	<input type="checkbox"/>		\$100	\$562.50	-

You can input your own data, by double-clicking and typing the numbers in the boxes with a blue background.

So, if your purchase price for "Item1" was \$50, you would replace the \$100.00 in the "Unit Cost" field with "50". That number has no currency assigned to it. If the "Import" box is unchecked, the assumption is that local currency (NZ Dollar) is used.

If the purchase price was a CIF price paid in USD, you would tick the "Import" checkbox, and adjust the Exchange rate by clicking the red or blue triangle (boxes with yellow background). In either case, the cost that will be used for calculations will be converted to New Zealand Dollars (see "NZ\$ Cost" field)

Then you would adjust the Price you are planning to charge (the *** means that the amount includes GST).

And, finally - you would forecast the number of units ("Units Sold p.a.") you are planning to sell in the next 12 months.

You would follow the same steps for Item2 (if required).

Services used for Trading - Details		
Cost of Labour	Weekly Hours	Hourly Charge***
\$25.00	40	\$90.00
x 47 weeks p.a.		

If you are a Service provider, you would input your own numbers in "Cost of Labour", "Hours Charged / Wk" and your "Hourly Rate***".

Remember:

Yellow background = click the up or down triangle and

Blue background = type over.

5. The next section is for Borrowing Money:

Loan - Details			
Interest Charged	Term (Y)	Amount	Repayments (M)
10% <input type="text"/> 0.05% <input type="text"/> = 10.05%	5 <input type="text"/>	\$100,000 <input type="text"/>	\$2,127

You can adjust the “Interest Charged”, the “Term (Y)” and the “Amount”.

6. The next section is all about your Fixed Costs:

Fixed Expenses - Details			
Expense Description	Expense	Frequency	Cost p.a.
Fixed Expense 1	\$100.00	<input checked="" type="radio"/> W <input type="radio"/> M <input type="radio"/> Y	\$1,200
Fixed Expense 2	\$100.00	<input type="radio"/> W <input checked="" type="radio"/> M <input type="radio"/> Y	\$5,200
Fixed Expense 3	\$100.00	<input checked="" type="radio"/> W <input type="radio"/> M <input type="radio"/> Y	\$1,200
Fixed Expense 4	\$100.00	<input checked="" type="radio"/> W <input type="radio"/> M <input type="radio"/> Y	\$1,200
Fixed Expense 5	\$100.00	<input type="radio"/> W <input checked="" type="radio"/> M <input type="radio"/> Y	\$5,200
Fixed Expense 6	\$100.00	<input type="radio"/> W <input checked="" type="radio"/> M <input type="radio"/> Y	\$5,200
Shareholder Salary	\$100.00	<input type="radio"/> W <input checked="" type="radio"/> M <input type="radio"/> Y	\$5,200
Fixed Expense 8	\$100.00	<input checked="" type="radio"/> W <input type="radio"/> M <input type="radio"/> Y	\$100
Miscellaneous Expense 1	\$100.00	<input checked="" type="radio"/> W <input type="radio"/> M <input type="radio"/> Y	\$1,200
Miscellaneous Expense 2	\$100.00	<input checked="" type="radio"/> W <input type="radio"/> M <input type="radio"/> Y	\$1,200

You can replace the Names in the boxes with a Green background with your Actual Expense names. For example - “Fixed Expense 1” could be replaced with “Lease Expense” or “Utilities”. To do that you would highlight the current name and type over with your custom name.

Then you would adjust the “Expense” to the correct Value in the Blue background box and choose the “Frequency” of your payments option (“W” - weekly, “M” - monthly or “Y” - Yearly), by clicking the respective radio button. Regardless of the method the “Cost p.a” column will show the total yearly amount that will be used in the calculations.

You will make the changes to all the other (ten in total) Expense fields. We have inserted “Shareholder Salary” in Row 7, because in this Matrix the “Company Tax” is calculated @ 30% the first year and 28% there after. If you are trading as a Sole Trader or a Partnership see the “Company Tax” topic in our Glossary.

7. You are almost done creating your Forecasts:

Now, lets move to the right side of the panel. There are just a few more adjustments.

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Revenue Annual Adjustment		20%	20%	20%	20%

Revenue Annual Adjustment. Here you can plan (or explore the impact of) the annual changes to your Revenue. The default is a 20% increase each year.

Before you start analysing the results there are a couple more variables that you can adjust according to your situation.

REVENUE	
COGS	
COS	10%
GROSS PROFIT	
FIXED	5%
EBIT	

COS (Cost of Sales) - The default is 10%. That figure would normally include marketing costs, discounts, credit card charges (if your clients pay by credit card) etc., which normally are a percentage of Sales (Revenue).

You will also have an option to adjust the Fixed Costs. Yes, I know..."fixed means fixed", but due to inflation, whether it is cost of utilities, lease or bank fees, the chances are that we will be paying more in 5 years time than we are paying today. If you don't think so, you can drop the adjustment percentage to 0%. The default (that the Bank Manager should be happy with) is 5%.

And, one last thing. If you are in business NOW and you know your current Financial Position (Your Balance Sheet as of NOW) ...

	Now/ B4 Loan	After Lo.
A	\$0	\$100,0
L	\$0	\$100,0
E	\$0	

... you can input the numbers in the Blue backgroud boxes: "A" - Assets and "L" - Liability. "E" - Equity will be calculated for you.

That is All. Now create your own scenarios, have fun while doing it and please do feel free to contact us with any suggestions, whether to improve the Matrix in general or to customise it for your specific needs.

We truly wish you all the success for your business and if this tool or any other that we produce makes your life easier - our job is that much more rewarding.

Good Luck!

From the **Businessland team**

GLOSSARY:

5 Year Business Plan Financial Forecast					
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Revenue Annual Adjustment	20%	20%	20%	20%	20%
REVENUE	\$350,400	\$420,480	\$504,576	\$605,491	\$726,589
COGS	\$210,000	\$252,000	\$302,400	\$362,880	\$435,456
COS 10%	\$35,040	\$42,048	\$50,458	\$60,549	\$72,659
GROSS PROFIT	\$105,360	\$126,432	\$151,718	\$182,062	\$218,474
FIXED 5%	\$26,900	\$28,245	\$29,657	\$31,140	\$32,697
EBIT	\$78,460	\$98,187	\$122,061	\$150,922	\$185,777
INTEREST	\$9,317	\$7,611	\$5,725	\$3,641	\$1,337
COMPANY TAX	\$20,743	\$25,361	\$32,574	\$41,239	\$51,643
NPAT	\$48,400	\$65,215	\$83,762	\$106,043	\$132,797
PRINCIPLE	\$16,209	\$17,915	\$19,801	\$21,885	\$24,189
CASH SURPLUS	\$32,191	\$47,300	\$63,961	\$84,157	\$108,608

Revenue: Total Sales derived from Product sales and/or Labour charges.

COGS : Cost of Goods Sold (includes cost of Labour).

COS: Cost of Sales - usually as a percentage of Revenue.

Gross Profit = Revenue - COGS - COS

Fixed: Costs that are constant over a period of time, regardless of your Turn-over (ie: lease, utilities, etc.).

EBIT: Earnings before Interest and Tax
= Gross Profit - Fixed

Interest: Cost of money borrowed (interest payable on your Loan).

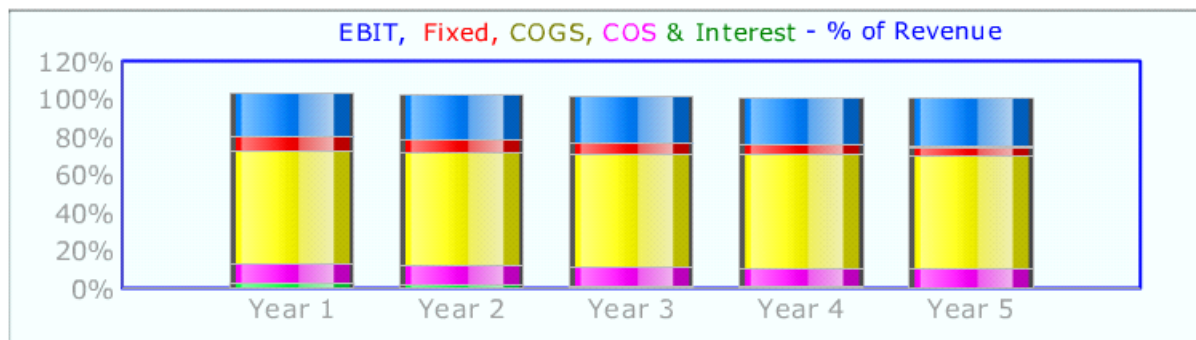
Company Tax: Amount payable to the Inland Revenue.

Note: If the business operates as a Sole Trader or Partnership you will need to replace Fixed expense called Shareholders Salary with Drawings and increase that expense until it's Yearly Amount equals EBIT less INTEREST (hence Company Tax & NPAT equals \$0).

NPAT: Net Profit After Tax
=EBIT - Interest - Company Tax

Principle: Amount of Principal repayment of your Loan.

Cash Surplus: The amount that is left over after ALL OUTGOINGS.



Graph: Profit & Expenses - % of Revenue - Each bar in the graph shows the total Revenue for the respective year, split into:

Interest (Green), COS (Cyan), COGS (Gold), FIXED (Red) and EBIT (Blue).

You can “mouse over” to see the Percentages.

	Now/ B4 Loan	After Loan	EOY 1	EOY 2	EOY 3	EOY 4	EOY 5
A	\$0	\$100,000	\$132,191	\$147,300	\$163,961	\$184,157	\$208,608
L	\$0	\$100,000	\$83,791	\$65,876	\$46,074	\$24,189	-\$0
E	\$0	\$0	\$48,400	\$81,424	\$117,887	\$159,968	\$208,608

Now B4Loan: Your Financial Position as of NOW. You will be able to enter your current value of Assets (A), and Liability (L). If you don't have that information, your starting point is defaulted to “0's”.

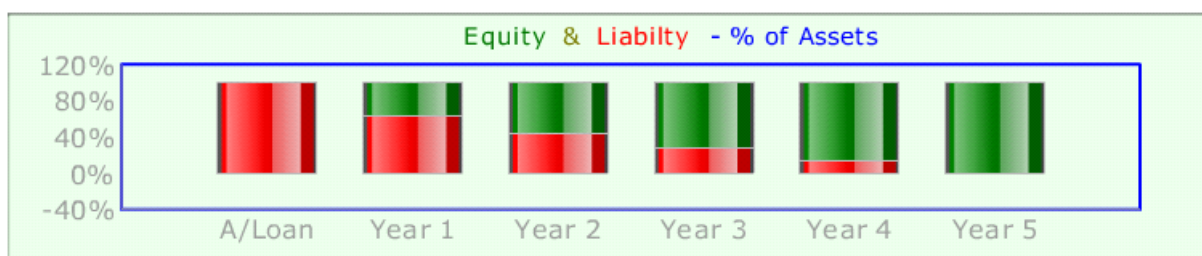
A/Loan: After Loan. This is an updated version of B4 Loan, but includes the Loan (default is \$100,000).

EOY1...5: End of Year 1 to 5. All amounts above cover a period of 12 months each. The amounts below are a snap-shot at specific time. In our case they represent the end of the corresponding period.

A = Assets: What the business owns

L = Liability: What the business owes (to outsiders)

E = Equity: What the business owes (to it's owners) Note: $A = L + E$



Graph: Equity vs Liability. Each bar in the graph shows the Assets of the business at the specific time (NOW, EOY1 etc.), split into:

Equity (Green) and Liability (Red).

You can “mouse over” to see the percentages.