# Sample – Cash Flow Assumptions for ABC Manufacturing Company

## Cash Sales

Letter of Intent - DEF Co. – The letter of intent indicated purchasing between 1-7 units each month. I have conservatively estimated the sales for the cash flow.

Letter of Intent – GHI Co. – This letter of intent indicated purchasing between 1-12 units monthly. Again, I have conservatively estimated the sales for the cash flow.

Contracts with XYZ & JKL Company have been signed. According to contracts these figures represent the minimum sales volume anticipated over the first year.

Trade Shows – October sales are based on average booth sales for Fall Fair in Nelson.

November is based on average vendor sales for Christmas Fair in Granville Island.

April sales are based on attending the Kelowna Home Show and May the Vandussan Garden Show in the Lower Mainland (again reflecting average vendor sales).

Additional Sales Target – Based on my marketing strategy and exposure, I am anticipating further development of my customer base through local individual sales. I have budgeted for additional units to be sold over the year at full retail price.

Letters of Intent, Contracts, and Trade Fair Registration Forms are found in Appendix C.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Wholesale | Retail |  |
|  | Letter of Intent DEF Co. | Letter of Intent – GHI Co. | Contract - XYZ Co. | Contract JKL Co. | Trade Show | Additional Sales Target | Total |
| Aug-11 |  | 100 | 500 | 400 |  |  | 1,000 |
| Sep-11 | 200 | 100 | 1,000 | 1,200 |  |  | 2,500 |
| Oct-11 | 200 | 200 | 900 | 1,100 | 700 | 200 | 3,300 |
| Nov-11 | 200 | 500 | 2,500 | 2,600 | 3,000 | 200 | 9,000 |
| Dec-11 | 300 | 400 | 2,000 | 2,000 |  | 300 | 5,000 |
| Jan-12 | 100 | 100 | 800 | 800 |  |  | 1,800 |
| Feb-12 | 100 |  | 800 | 800 |  | 200 | 1,900 |
| Mar-12 | 200 | 100 | 1,200 | 1,800 |  | 300 | 3,600 |
| Apr-12 | 200 | 200 | 1,500 | 1,800 | 2,000 | 300 | 6,000 |
| May-12 | 200 | 200 | 2,400 | 2,600 | 7,000 | 400 | 12,800 |
| Jun-12 | 200 | 200 | 2,200 | 2,100 |  | 500 | 5,200 |
| Jul-12 | 200 | 200 | 2,000 | 2,000 |  | 600 | 5,000 |
| TOTAL |  |  |  |  |  |  | 57,100 |

## Personal Investment

$2,000 cash has been deposited to ABC Company’s bank account. The statement is attached in Appendix D.

## Loan Proceeds

$7,000 loan has been approved through Credit Union. Terms are 3-year repayment and 8% interest rate. Copies of the loan documents are in Appendix D.

## Owners Drawings

The Self-Employment program benefits of $300/week will reduce most months owner’s drawings by $1200/month gross while I’m on the program. I am anticipating net payment of $560/bi-weekly after taxes. Due to bi-weekly schedule, there will be 3 payments received in September. April will only be one SE payment as maximum contract length has been reached. In each month that I am receiving SE Benefits, I will draw the additional required money from my business in order to meet my family’s needs. When the SE Benefit is finished, my business must support the full owner’s drawings.

Based on my Personal Monthly Budget found in Appendix E, I need a minimum of $1,500 per month to meet personal expenses. September has an additional $800 being budgeted for house insurance. December has an increase of $900 for Christmas expenses. June has an increase of $1,400 as property taxes are due.

## Equipment

**> $500** - Joiner $1,000; Table Saw $500 and Lathe $500. Quotes are attached in Appendix F.

## Raw Material Purchases

Initial inventory of $1000 raw materials will be purchased in July. I am budgeting monthly purchases of additional materials equal to the cost of goods sold that month plus 10% in order to grow the inventory. Cost of Goods Sold is 40% on wholesale sales and 20% on retail sales.

## Packaging Materials

Initial purchase of $100 in July. I am budgeting to replenish these materials based on an average cost of $2.00/unit. Materials are readily available so it is not necessary to maintain a large inventory.

## Office Supplies

Pens, paper, invoices, stationery, envelopes, etc. I have budgeted an initial purchase of $50 and a quarterly replenishment of $50 throughout the year.

## Repairs & Maintenance

$100 is budgeted in July to paint the interior of my rented shop. Periodic budget of $45 is for sharpening of saw blades. As the equipment being purchased is new and under warranty, I am not expecting any additional repair costs for the first year.

## Vehicle Expenses

On a monthly basis, I am anticipating an additional $25 being spent each month for business use. I have road trips planned to attend Trade Shows in November, April and May that will require additional expense.

## Insurance/Registrations/Licenses

In July, I will use the one stop system to do the Name Search and Declaration for a cost of $75. August 1st the business license will be purchased for $125. Also in August my business insurance will be set up. I will make regular monthly payments of $50 over the year, but the August payment has a $50 charge attached for choosing the equal payment option. The Name Search form, business license application and quote for business insurance are found in Appendix G.

## Advertising & Promotion

July Shop sign $500

Aug Business Cards $100, Vehicle Signage $250, Portfolio development $400

Sep Grand Opening Invitations/Event $200

Oct Trade Fair booth registration $400

Nov Portfolio Printing/Mailing $175

Dec Christmas cards/gifts to repeat customers $100

Jan Portfolio Printing/Mailing $200

Feb Portfolio Printing/Mailing $200

Mar Trade Fair booth registration $300, Portfolio Printing/Mailing $100

Apr Trade Fair booth registration $350, Portfolio Printing/Mailing $100

May Portfolio Printing/Mailing $200, Business Cards $100

Jun Portfolio Printing/Mailing $300

Jul Portfolio Printing/Mailing $300

## Banking Fees

I will be opening a business bank account in Aug and my first 3 months are free. The $145 is for business cheques for this account. After the free period, it will be $25/month for basic business cheqing account. I do not need a merchant account at this time as my wholesale customers will be paying by cheque, tradeshows I’ll do cash only and my internet orders will by Paypal. I have budgeted for 3% of all additional sales targets just in case most of the orders come through my website.

## Website Expenses

Domain name registration $75 in July. I am hiring URV Web Design to build my web site a $300 deposit is due in October. The site will be finished in November with $1500 due on launch (which includes the first months hosting fee). Regular monthly hosting fee for the site will be $25/month. I am budgeting an additional $200 every-other month to cover the cost of web site optimization.

## Telephone Expense

I will be securing a cell phone to use as my primary business number. The initial cost for the phone and set up is $175 and I am choosing a suitable small business bundle for $80/month, which includes 1000 minutes/month local, and long distance calling.

## Internet Expense

My high speed connection for email and internet business use is $55/month.

## Rent Expense

I have secured a 5-year lease plus triple net for $500/mth. July 2009 payment is reduced to $350, as I do not have access to the shop until July 10. In June, I am required to pay property taxes as per the lease and estimate the tax to be $1500 based on previous year’s assessment and 4% increase. Lease agreement is in Appendix H.

## Utilities Expense

I am only required to pay electrical charges. Heat is covered through the lease. I have budgeted for electrical based on previous renter’s utility bills as per City Hall.

## Accounting/Legal

I do not anticipate incurring any legal expenses this year. I will hire XYZ Accounting to do my year-end income tax filing. They have provided me with a quote of $400 based on me providing balanced journals and reconciled bank statements.

## Travel/Meals Expense

I have budgeted $200 per planned trade show road trip to cover the cost of meals. In all locations, I have family and friends who I will be able to stay with so I won’t need to pay for accommodations.

## Loan Payment

Loan payments are $220/month with the first payment due on August 15th.

## Miscellaneous

I have budgeted $100/month for unidentified costs.

## Small Tools

I currently have all the small tools needed. I am budgeting to replace tools as they are worn or to purchase new tools as the cash flow becomes available.