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**Financial Plan**. Finances Direction: Company economic balance and financial risks. Shareholders, bankers and investors will be particularly interested in the financial needs of your business. They will want you to do a short- or medium-term income statement study to estimate profitability and check the financial feasibility of your business. An income statement is an accounting scorecard on the financial performance of your business that reflects quantity of sales, expenses incurred and net profit. It illustrates just how much income your company makes or loses during the year subtracting cost of goods and expenses from total revenue (the amount of money that a company actually receives during a specific period) to arrive at a net result, which can be either a profit or a loss.

**Financial Plan**

What selling price must each unit have to cover costs?

What is the annual expected profit?

Calculate the difference between income and expenses.

Income

-Billing: Multiply the annual estimated sales by the selling price of each unit.

Expenses

-Detail the estimated expenses of marketing, production, staff, office, etc.

Year 0 Year 1 Year 2 Year 3

Income -------- -------- --------- --------

Expenses -------- -------- --------- --------

Profit -------- -------- --------- --------

-In what year do you expect income is more than expenses? ( Break-even point)

Weekly duties

-To keep the financial register

-Pay the bills and save money

-Pay the salaries and wages

-Prepare the financial reports

**The financial manager** is responsible for keeping the accounting registers and checking the progress towards the financial aims.

The profit-and-loss table allows to see quickly how much money the company has gained or lost during a specific period of time.

Capitalisation: The Financial Department is responsible for determining the initial capital needed to start up the business; not only money must be included but also the machinery, tools, equipment, and promises needed to start to work. In order to get the capital you should already have launched the sale of shares to the company shareholders.

Overcapitalisation: When a mini-company collects more money than is necessary (either issuing shares or borrowing credits), it is overcapitalised. You must be careful to not collect more funds than necessary.

Undercapitalisation: The undercapitalised companies are those which do not have sufficient funds to meet running costs. The draw material cost is the only expense that your company will have in principle. Make an accurate calculation of the money you will need till sales income starts to cover the operating costs.

**The financial plan** studies the financial needs of your company, and creates an income and expenses projection in the short and medium term in order to check the financial viability of the project.

Profit and loss table

Income: The money obtained by sales of goods or services of the mini-company.

Expenses: The operating costs of the mini-company.

The difference between income and expenses represents a profit or a loss.

**The balance** describes the value of things that a mini-company has and the money a mini-company has.

**Material cost per unit**= Total cost of materials divided by number of units.

Total cost of materials

Number of units

**Break-even analysis**: Helps to determine the quantity of sold services or products from which, at any price selected, you will start to have profits.

Break-even point: total fixed costs divided by selling price minus variable cost per unit.

total fixed costs

selling price --variable cost per unit

Example: The company “Wash your car” thinks to charge their clients 10 € for each wash. Before fixing the price, the company would like to know how many washes will they have to do in order to start having profits. The break-even analysis result is the following: the fixed costs (rent, wages and equipment) are 30,000 € per year. The variable costs (water, electricity, salaries, etc.) are, on average, 2.50 € per car. Therefore:

Break-even point= 30,000/10—2.50= 4,000 washes. That means that from 4,000 washes onwards, each wash will give profit to the company.

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