

Your Business Financial Plan

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1. INTRODUCTION TO BUSINESS PLAN

Link:

<https://pol.barcelonactiva.cat/plan/home.action>

1.1.- WHAT IS A BUSINESS PLAN?

A business plan is a work tool for all those persons or collectives that want to develop an entrepreneurial initiative. In a business plan, different factors and objectives are gathered from each of the sectors involved with starting a business.

1.2.- WHAT IS A BUSINESS PLAN GOOD FOR?

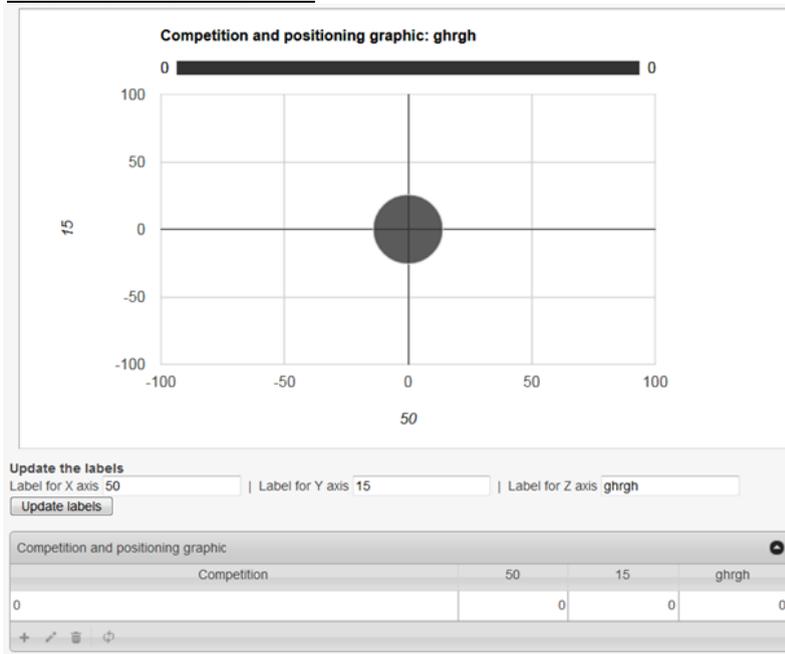
The usefulness of a business plan is two-fold:

1.2.1.- INTERNALLY, it obligates the project's promoters to start their entrepreneurial adventure with some minimum coherence, rigour, efficiency, and possibilities for success. It also contributes in a relevant way in minimizing the inherent risks with starting a business project.

1.2.2.- EXTERNALLY, it is the project's perfect letter of introduction to third-parties, which can help with soliciting financial support, searching for new associates, contracting suppliers, or applying for subsidies.

1.3.- CONTENTS OF THE BUSINESS PLAN

1. Presentation
 - 1.1.- Business definition
 - 1.2.- Promoter team
2. Marketing:
 - 2.1.- Product and service
 - 2.2.- Market
 - 2.3.- Competition: POSITIONING DIAGRAM



- 2.4.- Price
- 2.5.- Distribution
- 2.6.- Promotion
- 2.7.- Sales forecast
- 3. Production and quality
 - 3.1.- Provision of services
 - 3.2.- Quality
 - 3.3.- Equipment and infrastructure
 - 3.4.- Safety-environment
- 4. Organization and management
 - 4.4.- Planning and scheduling
 - 4.2.- Organization
 - 4.3.-Personnel management
- 5. Juridical-fiscal
 - 5.1.- Juridical form
 - 5.2.- Labour aspects-team
 - 5.3.- Social security
 - 5.4.- Fiscal obligations
 - 5.5.- Permits, licences
 - 5.6.- Liability coverage
 - 5.7.- Patents, brands
- 6. Economic-financial
 - 6.1.- **Economic-Financial Plan (following chapter)**
 - 6.2.- Billing and payment system
 - 6.2.1.-Charging system

What system are you going to use for charging clients?
 - 6.2.2.-Payment system

What system are you going to use to pay your suppliers?
 - 6.3.- Most relevant data
 - 6.3.1.-Investment

What is the initial investment to be?
 - 6.3.2.-Own resources

What part will you finance with your own resources?
 - 6.3.3.-External resources

What part will you finance with other resources (loans, credits, leasing, etc.)?
 - 6.3.4.-Returns for the first year

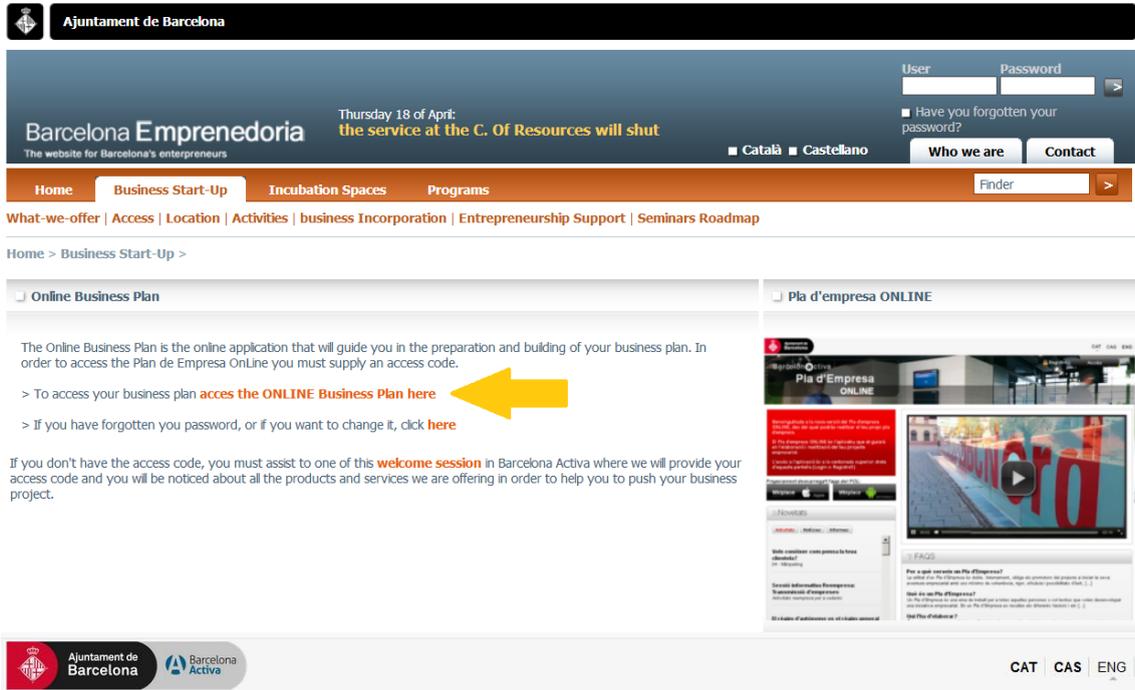
What prevision for returns do you have for the first year?

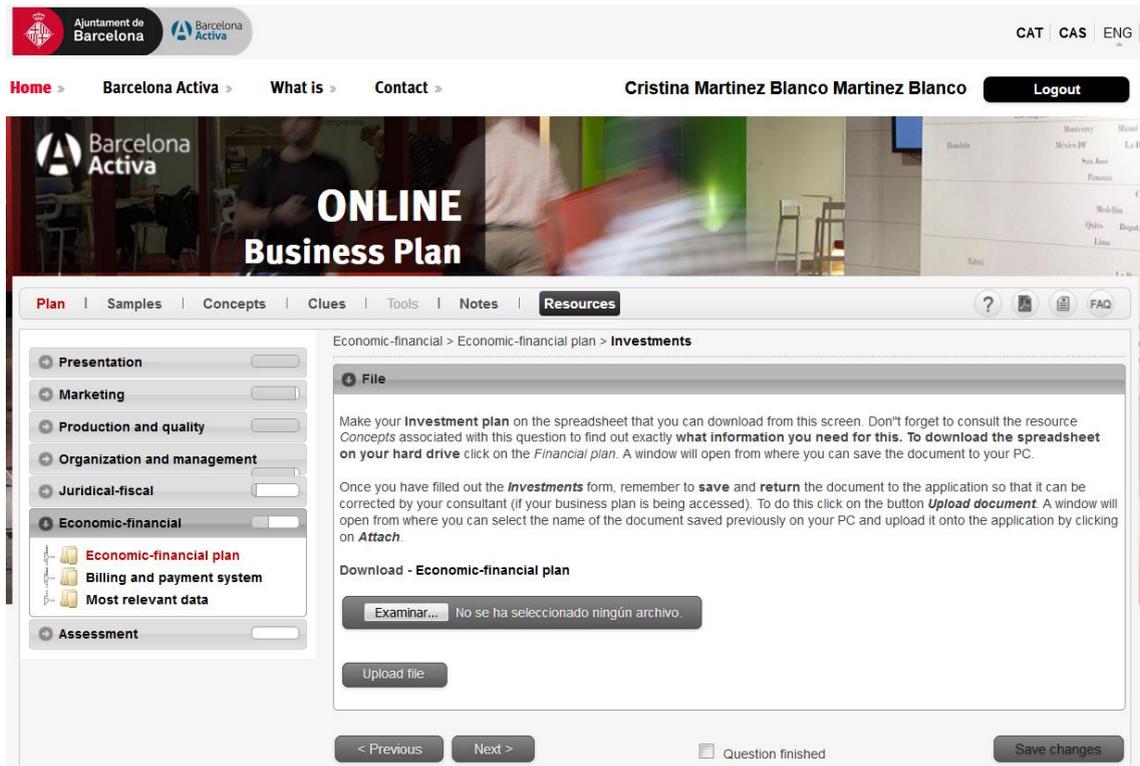


2. COMPLETING THE EXCEL FINANCIAL PLAN

Link:

https://emprenedoria.barcelonactiva.cat/emprenedoria/en/emprenedoria/online_business_plan_pol/index.jsp



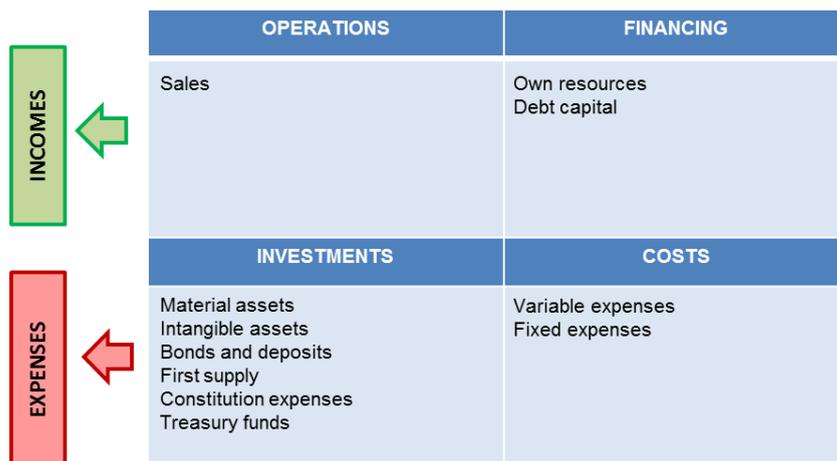


2.1.-BROWSING IN THE FINANCIAL PLAN

At the top of the financial plan, there is a search menu to browse within the financial plan. As shown in the image, this tab will always appear in black.



The blue boxes: **INVESTMENTS, FINANCING, EXPENSES, AND OPERATIONS** give access to the different sheets for entering your project's economic data.



The green boxes: **BALANCE, RESULTS, LIQUID ASSETS, STOCK, INV-FIN, ANALYSIS, AND EFE** give access to the different results sheets so you can see the viability of your project.

2.2.-HOW TO FILL IN THE CELLS?

In the different sheets, you will see blue and grey cells. You can fill in the blue cells, but if the cells are grey, this means that the financial plan calculates their results automatically.

Example: In the following image of entering loan data, notice that in 'START' you have to enter the start date of the loan (blue cell), and Excel automatically calculates the end date (grey cell). This is because Excel has the information it needs to fill in the cell (you must have provided the details previously).

NUM QUOTES	NUM QUOTES GRACE	FEE	START	END	COMMISSION (%)	EXPENSES
-	-	-	-	-	-	-
						0
						0
						0
						0
						0

2.3.- NOTES AND COMMENTS

There are also available different red tags in the financial plan with comments to help you complete it, as seen in the previous image.

2.4.-OPERATIONS

The OPERATIONS SHEET is used to calculate the commercial network's income forecast and expenses of the business.

2.4.1.-OPERATIONS MODEL

2.4.1.1.-Automatic purchases/Manual purchases

- In this cell you have to describe how you want to control your safety stock:
- If you choose to do it automatically, the program will order the purchase of new products at the very moment of the sale.
 - If you choose to do it manually, you will have to make every month the estimation of purchases needed to keep your safety stock available.

Example: An entrepreneur opens a shop selling tables.

- If he chooses “Automatic purchases”, the program will automatically fill the cells of the Stock table with the same amount of each month’s sales.

OPERATIONAL MODEL		Nº									
Automatic purchases		1									
PRODUCTS / SERVICES	TYPE	INITIAL PURCHAS	PP	SP	CPI	MARGIN	VAT Purchase	VAT Sales	PAYMENT	EARNING	
Table	Product	50	15,00	50,00	2%	70,00%	21,00%	21,00%	Cash	Cash	
UNITS											
SALES	TYPE		gen-17	febr-17	març-17	abr-17	maig-17	juny-17	jul-17	ag-17	
Table	Product		25	25	25	25	25	25	25	25	
TOTAL			25	25	25	25	25	25	25	25	
STOCK	TYPE	INITIALS	gen-17	febr-17	març-17	abr-17	maig-17	juny-17	jul-17	ag-17	
Table	Product	50	50	50	50	50	50	50	50	50	
TOTAL		50	50	50	50	50	50	50	50	50	

- If he chooses “Manual purchases”, he will have to fill the cells of the Stock table each month.

OPERATIONAL MODEL		Nº									
Manual purchases		1									
PRODUCTS / SERVICES	TYPE	INITIAL PURCHAS	PP	SP	CPI	MARGIN	VAT Purchase	VAT Sales	PAYMENT	EARNING	
Table	Product	50	15,00	50,00	2%	70,00%	21,00%	21,00%	Cash	Cash	
UNITS											
SALES	TYPE		gen-17	febr-17	març-17	abr-17	maig-17	juny-17	jul-17	ag-17	
Table	Product		25	25	25	25	25	25	25	25	
TOTAL			25	25	25	25	25	25	25	25	
STOCK	TYPE	INITIALS	gen-17	febr-17	març-17	abr-17	maig-17	juny-17	jul-17	ag-17	
Table	Product	50	25	0	-25	-50	-75	-100	-125	-150	
TOTAL		50	25	0	-25	-50	-75	-100	-125	-150	

2.4.1.2.-Description of one unit of product/service

- **Type:** Set whether it is a product or service.
- **Initial purchases:** Set the first stock supply in units
- **PP Purchase Price.** You have to enter how much the product costs your supplier
- **SP: Selling Price.** Enter the sales price you have chosen
- **CPI (Consumer Price Index):** You have the option to select an increase in your prices according to how the economy is developing. To do so, you can use the CPI as a reference.
- **Margin (of profit):** The sales margin will appear by default if you have filled in the ‘CP’ and ‘SP’. You can also introduce this amount manually.
- **Purchases VAT (Value Added Tax rate):** This corresponds to the VAT you have paid, i.e. what you pay when you buy products from your suppliers.
- **Sales VAT (Value Added Tax rate):** This corresponds to the VAT you have received, i.e. what you are paid when you sell products.
- **Payments:** Payment period for your expenses if you pay your suppliers in cash, every 30 days, etc.
- **Received payments:** Period for receiving payments if you charge your customers in cash, every 30 days, etc.



2.4.2.-UNITS

The units table is where you enter the sales forecast you have worked on in the business plan. This table is based on 3 sub-tables:

2.4.2.1.-Purchases: If you have entered an initial stock purchase, the units purchased will appear in the product row of the purchases table.

2.4.2.2.-Sales: You have to enter the sales (in units) you make each month.

2.4.2.3.-Stock: The stock table always tells you if you have the product in storage or if you have to make a purchase to be able to continue selling.

You have to remember that if you have selected the 'automatic purchase' option, you will only see the 'sales' and 'stock' table, and the program will automatically buy the same amount you sell to maintain your safety stock.

2.4.3.-COMMISSIONS

The cost of your commercial network appears in the 'Commissions' table.

Example: you pay a commission to a partner who refers a lot of customers to you; or to a salesperson who makes a lot of sales.

- **%V (Ventas= Sales):** Here you indicate the sales volume of that salesperson/partner in a percentage.
- **%C (Commission):** Here you indicate the commission you pay that company.

2.4.4.-DISCOUNTS

You can also enter discounts in the financial plan. Many businesses organise promotional campaigns, such as sales, often depending on the time of year. Hence, you will see the following table:

Go to the product row, and in the month you want to offer the discount, enter the discount percentage on the product price.

2.5.-COSTS

Expenditure not attributable to the product or service.

In the 'Expenditure' sheet, you will see three items to fill in: External Services, Human Resources and R&D action.

2.5.1.-EXTERNAL SERVICES

Fixed expenses that any business has to cover, from rent to insurance, as well as water, electricity, telephone, etc.

The amounts must go without VAT.

2.5.2.-HUMAN RESOURCES

2.5.2.1.- PROMOTERS Table, for business partners.

- **Promoters:** By default, a drop-down menu will appear with the names of the partners you have entered in the 'Financing' sheet.
- **Payments:** Number of remunerations received by the partners.
- **Scheme:** Depending on the legal entity, the promoter can be in the General Scheme or the Special Scheme for Self-employed (abbreviated as RETA).
- **Types:** A drop-down menu with the options 'fixed' and 'one-off' will appear. If you want to enter salary increases for the promoter partners, you have to select 'one-off', and



enter the start and end date in the last column. Then, add another row with the same partner's name and increase the corresponding salary.

- **Net Salary:** The net salary each promoter receives every month.
- **%:** The % amount of the IRPF (income tax) withheld.
- **SS Contribution Basis:** The social security contribution basis. In the case of self-employed, the minimum is **945€** (maximum 4.070€)

2.5.2.2.- WORKERS Table: people you employ

The information is basically the same, only one section is different: the **Gross Salary**, which is the information that you have to introduce manually.

2.5.3.-R&D Action (Research and Development Action)

- **“R&D action” table:** Choose the cost-item of the expense in a drop-down menu, and on a monthly basis enter the amount of the expense.

Example: The company ‘Crossfit Wearless SL’ has an expense of 1.000€/month between the months of June and October 2015 for the research and development of a new product:

R+D ACTIVATIONS							
YEAR 1	TOTAL	gen-17	febr-17	març-17	abr-17	maig-17	juny-17
Research and development	0						
Research and development	0						
Administrative concessions	0						
Patents, licenses and trademarks	0						
Transfer rights	0						
Computer Applications	0						
Other intangible assets	0	0	0	0	0	0	0
Land							
Constructions							

- **“Launch” table:** Here you decide the quantity and time to launch them. This table takes the summation of the expenses entered in the ‘R&D action’ table and enters it in the ‘Total’ square.

So, in this table, you only enter the ‘amount’ and ‘start of action’ (date).

Example: After completing the “R&D action” table, the company ‘Crossfit Wearless SL’ has to decide on the amount of the expenses it wants to activate in its balance. It will see the total amount of investments made up until now, and it has to enter under ‘cost’ the active amount, as well as the date.

OPERATION START			
OPERATION START	TOTAL	AMOUNT	DEPRECIATION START
Computer Applications	0		

2.6.-INVESTMENTS

Accounting for investments

2.6.1.-INTANGIBLE FIXED ASSETS

An intangible asset is an asset that lacks physical substance. It is defined in opposition to physical assets such as machinery and buildings.

2.6.2.-MATERIAL FIXED ASSETS

The physical assets.



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2.7.-FINANCING

The financing need will appear in red.

LOANS	
LOANS	AMOUNT
CREDIT POLICY	6.367



2.7.1.-INTERNAL FINANCING

Partners contribution.

PARTNER	AMOUNT	DATE	CONCEPT	%	COMMENTS
Promotor A	5.000	01/05/2019	Capital	100,00%	
			Capital		
			Premium Issue		
			Contributions from P		
			Capitalization		

2.7.1.1.-SHARE CAPITAL

This refers to the monetary amount registered at the corporation or the cash the entrepreneur contributes to the project. Entrepreneurs who capitalise unemployment benefit to set up a cooperative or employee-owned company have to enter the corresponding amount in this cell.

2.7.1.2.-ISSUE PREMIUM

It's the difference between the nominal value and theoretical value of incoming capital

2.7.1.3.-PARTNER CONTRIBUTIONS

Internal resources provided by the promoters of the business project

2.7.1.4.-CAPITALISATION OF UNEMPLOYMENT BENEFIT

It is only necessary to fill in this part if the entrepreneur is capitalising unemployment benefit for 'investment'.

Example: purchasing assets to launch the project.

2.7.2.-EXTERNAL FINANCING

2.7.2.1.-LOANS

You have the option to enter different loans with different conditions. You must fill in the general data shown below:

- **Loan amount:** Amount requested from the financial entity
- **Regularity:** The term for repaying the loan, which can be repaid monthly, quarterly or annually. Normally loans are paid monthly.
- **Num Instalments:** This is the repayment term for the loan, i.e. time to pay it back. The loan repayment is measured in instalments, which is the number of months the



loan has until it reaches maturity.

- **Waiting period:** The waiting period is also counted in months. It refers to the months in which only the loan interest but none of the principal balance is repaid. It is important to remember that the duration of the waiting period depends on the type of product (bank loan).
- **Num Instalments:** As this cell is greyed out, you cannot enter anything. It gives you the information on the amount you pay each month for the duration of the loan.
- **'Start' and 'end':** When you start paying the loan and when it terminates. When you click on 'Start', a drop-down menu will appear for you to select the data, and Excel will automatically fill in the final data (if you have already entered the instalments).
- **'Commission' and 'expenses':** Normally, commissions are a % of the loan. Here, you can enter the % and the Excel will calculate this commission in the 'expenses' column.
- **Loan types:** All bank loans are 'normal' loan types. However, if you obtain a loan from a scheme such as 'ENISA Jóvenes Emprendedores' you have to select the 'participative' option.

2.7.2.2.- INVESTMENT SUBSIDIES table

Subsidies for investment provide financing for intangible and material fixed assets, and are incorporated in the company's normal operation cycle.

INVESTMENT SUBSIDIES		CASH	MONTHS	END
INVESTMENT SUBSIDIES	AMOUNT			
Grant A	2.000	01/01/2020	15	01/04/2021

Example: a grant for buying a car, machinery, software, etc.

- **Amount of the subsidy:** amount received.
- **Cash:** Date on which the grant is collected
- **Months:** You have to enter the 'months' of service life the good has, so the program can calculate the repayment years for the fixed asset (amortisation of the assets).

2.7.2.3.- SS (SOCIAL SECURITY) CAPITALIZATION table

In this table Unemployment subsidy you will receive for paying your fees to the Social Security for working as self-employed ("Autónomo").

SS CAPITALIZATION		START	MONTHS	END
SS CAPITALIZATION	MONTHLY AMOUNT			
SS CAPITALIZATION	270	01/05/2019	24	01/05/2021

- **Monthly amount:** amount that you receive every month for paying your Social Security fee as "autónomo".
- **Start:** Date on which you start to receive this amount.
- **Months:** number of months you will receive this payments.

3. FINANCIAL STATEMENTS

Investment and Financing Plan

When creating a company it shows where the investment has gone and what financing funds have been used. The difference is a funding that enables us to know what the initial treasury will be.

Balance Sheet

Reflects the property structure of the company:
Goods and Rights (what the company owns), gathered in the assets
Financing sources used to achieve these goods (what the company owes), gathered in the liabilities

Result Account

Show the benefits or losses of the company's activity. To do so, it compares incomes and expenses of the period

Treasury Statements

It gathers the collections and payments of the company. It is formed by Cash Money, Money in bank accounts and temporary financial investment



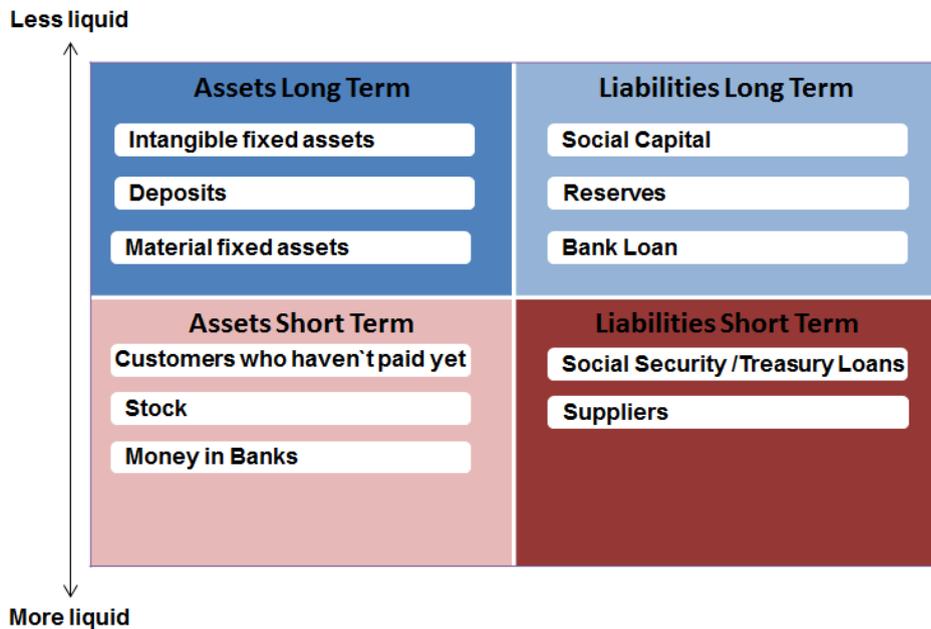
3.1.-The Investment and Financing Plan

The investment plan and the financing plan, that indicates the quantification of the investments and expenses needed to start the company's activity, itemized by concept (set-up cost, machinery, inventory, funding, etc.), and quantification of the resources used for covering the initial investments (associate contributions, loans, etc.).

Total investment	Total financing
<ul style="list-style-type: none"> ▪ Intangible Assets <ul style="list-style-type: none"> Patents/Licenses Computer Applications Transfer Rights ▪ Material Fixed Assets <ul style="list-style-type: none"> Ground/Constructions Machinery Information process equipment Furniture Transport Elements ▪ Long Term Deposits ▪ Stock ▪ Constitutional Expenses ▪ Funding ← 	<ul style="list-style-type: none"> ▪ Own Resources ▪ Credit/Loans ▪ Capitalization /Subventions <p>It's the initial Treasury Statement.</p>

3.2.-Balance

The **balance sheet**, which is a summary of the company's patrimonial situation, that is to say, its goods, rights, resources, and debts.



3.3.-Results Account

Profit and loss statement, which is a summary of all the company's income and expenses during a year, and the results obtained.

It compares Incomes Vs. Expenses.

It's an indication of the company's solvency (liability).

A company which permanently has greater expenses than incomes is not viable, it cannot remain in time.

Total Income
- Purchases/Works by other companies (e.g. primary material for production)
= Contribution Margin
- External Services (e.g. publicity, MKTG)
- Personnel Expenses (e.g. salaries)
= EBITDA
- Amortization
- Provisions for Depreciation
= Operation Results
- Financial Expenses
= Results Before Taxes
- Tax
= YEAR RESULT

3.4.-Treasury Statements

Cash flow plan, that makes up a company's billing and payment forecast for anticipating possible cash flow deficits or surpluses (when the company has money or when it doesn't).

It gathers the collections and payments of the company.

It is formed by Cash money, Money in bank accounts and temporary financial investment.

Payment Terms are a key element to build this statement.

Incomes/Payments are linked to Collection/Payments, but they not necessarily coincide.

Initial Treasury Balance
+ Collection of the period
- Payments of the period
Final Treasury Balance

What happens if the Final Treasury Balance is Negative?

- Liquidity Problems
- We must analyze where it comes from: if it is punctual or due to a **lack of solvency** (results account negative: expenses permanently higher than incomes).



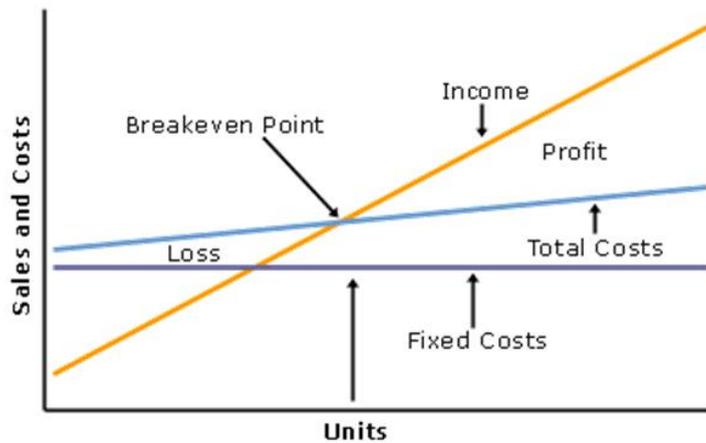
4. A LITTLE ANALYSIS. EQUILIBRIUM POINTS, INVESTMENT AND SENSITIVITY ANALYSIS.

4.1.-Equilibrium points:

BREAK-EVEN POINT

It indicates the minimum volume of sales that allows all fixed costs to be covered.

It shows how much the company has to invoice at least to cover all its expenses (both fixed and variable).



Example :

How much shall we sell in order to reach the BEP?

Selling Price of the product (SP):	100€
Variable Cost of the product (VC):	50€
Gross Margin	50%
Fixed Cost of the business (FC):	200.000€

$$\begin{aligned}
 \text{BEP} &= \frac{\text{FIXED COSTS}}{\text{GROSS MARGIN}} \\
 \text{BEP} &= \frac{200.000\text{€}}{0,5} = 400.000\text{€}
 \end{aligned}$$

So we need to invoice **400.000€** to cover costs.



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BREAKEVEN					
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Sales	31.190	41.514	47.182	49.877	53.635
Fixed costs	32.557	37.731	42.700	32.765	11.907
Gross Margin	31.190	41.514	47.182	49.877	53.635
% GM	100,00%	100,00%	100,00%	100,00%	100,00%
BREAKEVEN	32.557	37.731	42.700	32.765	11.907
MONTHLY BREAKEVEN	2.713	3.144	3.558	2.730	992

4.2.- Investment analysis

4.2.1.-PAYBACK

It's the time taken to recover the investment.

PAYBACK					
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5

4.2.2.-TIR (Tasa Interna de Rendimiento)/ IRR (Internal Rate of Return)

It measures the opportunity cost of the benefit

IRR > Interest rate of the market → Engage the business

IRR < Interest rate of the market → Leave the money in the bank

TIR					
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Investment	1.157	948	1.086	1.086	1.086
Cash flow	3.178	1.743	4.187	16.334	41.030
	-5.363	3.178	1.743	4.187	16.334
TIR	94%				



4.3.- Sensitivity analysis

It measures the different scenarios we can meet if the initial conditions fixed vary.

- If my incomes forecast came down to 5%, would my company still be profitable?
- If my incomes forecast came down to 10%, would my company still be profitable?

SENSITIVE ANALYSIS

YEAR 1

ASSUMPTION 1	CHANGES IN INCOME				
	-10,00%	-5,00%	0,00%	5,00%	10,00%
Income	597	630	663	696	729
Variable costs	0	0	0	0	0
Gross Margin	597	630	663	696	729
Fixed costs	0	0	0	0	0
Result	597	630	663	696	729

Return on revenue	100%	100%	100%	100%	100%
ROI	0%	0%	0%	0%	0%

- If my purchase expenses increased 5%, would my company still be liable?
- If my structure expenses increased 10%, would my project still be liable?

ASSUMPTION 2	CHANGES IN FIXED COSTS				
	0,00%	5,00%	10,00%	15,00%	20,00%
Income	663	696	729	763	796
Variable costs	0	0	0	0	0
Gross Margin	663	696	729	763	796
Fixed costs	0	0	0	0	0
Result	663	696	729	763	796

Return on revenue	100%	100%	100%	100%	100%
ROI	0%	0%	0%	0%	0%

The sensitivity analysis shows us which external disruptions or deviations of the forecast we can be more sensitive to.



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