

CREATING A BUSINESS PRO FORMA

BALANCE SHEET

A pro forma balance sheet shows what you expect your company's financial situation to look like at a specific point in the future. You create one by listing all the assets you anticipate owning at that point in time, including cash in the bank, inventory, equipment, leasehold improvements and accounts receivable owed to you. Then list your anticipated liabilities, such as balances that will be owed on loans and credit cards. Also include sums that you will have collected in payroll withholding and sales tax but are not yet paid. Subtract the listed liabilities from the listed assets to calculate your company's pro forma net worth. *(See sample Balance Sheet on page 2)*

INCOME STATEMENT

A pro forma income statement starts by listing all your anticipated sources of income. If your company has multiple sources of revenue, such as retail and wholesale sales, use a separate line for each. Base your pro forma projections on past sales figures and trends, like recent annual growth rates, and figure in anticipated changes, such as new products or added capacity. Next, list your anticipated expenses, such as rent, labor, payroll, utilities and marketing. Use historical trends such as the percentage of gross revenue that you typically spend on materials and labor. Also figure in specific upcoming expenses that are on your radar, such as a rent increase or equipment purchase. Subtract the total projected expenses from total projected revenue to calculate your pro forma net profit. *(See sample Income Statement on page 3)*

CASH FLOW STATEMENT

A pro forma cash flow statement fills in the details of your pro forma income statement and balance sheet, showing how you came to earn and owe the numbers you've provided on those statements. Create a spreadsheet with a column for each month during the year. In the left-hand column on the top half of the page, create fields for each type of revenue you earn, such as retail and wholesale. On the left-hand column on the bottom part of the page, list all of your expected expenditures, even if they don't belong on your income statement, such as loan principal payments. Then subtract your total expected expenses from your total expected revenue month by month, using the amount left over in each month as the starting capital for the following month. *(See sample Cash Flow Statement on page 4)*

SAMPLE BALANCE SHEET

Balance Sheet is for period ending December 31, 20XX

ASSETS

Current Assets

Cash	\$39,000
Accounts receivable	\$70,000
Inventory	\$30,000

Total current assets **\$139,000**

Long-term assets

Machinery	\$5,000
Equipment	\$40,000

Total long-term assets **\$45,000**

Total Assets **\$184,000**

LIABILITIES

Current liabilities

Accounts payable	\$30,000
Current portion - long term debt	\$20,000

Total current liabilities **\$50,000**

Long-term liabilities

Bank loan	\$50,000
EIDL loan	\$50,000

Total long-term liabilities **\$100,000**

Total Liabilities **\$150,000**

OWNER'S EQUITY

Owner's capital	\$25,000
Retained earnings	\$9,000

Total owner's equity **\$34,000**

TOTAL LIABILITIES and OWNER'S EQUITY **\$184,000**

SAMPLE INCOME STATEMENT

Income Statement is for period ending December 31, 20XX

Sales		
Product line #1	\$300,000	
Product line #2	\$220,000	
Total Sales		\$520,000
Cost of Sales		
Material	\$170,000	
Labor	\$125,000	
Overhead	\$125,000	
Total cost of sales		\$420,000
GROSS PROFIT		\$100,000
Operating expense		
Salaries	\$50,000	
Office Lease	\$15,000	
Marketing, advertising	\$4,000	
Maintenance	\$4,000	
Insurance	\$12,000	
Depreciation	\$5,000	
Total operating expense		\$90,000
NET INCOME (INCOME FROM OPERATIONS)		\$10,000
Interest	\$1,000	
Taxes	\$0	
FINAL INCOME		\$9,000

SAMPLE CASH FLOW STATEMENT

Cash Flow Statement is for period ending December 31, 20XX

CASH FLOWS FROM OPERATIONS	
Customer payments	\$500,000
Material purchases	-\$160,000
Payroll costs	-\$210,000
Other payments	-\$88,000
Total cash flows from operations	\$42,000
CASH FLOWS FROM INVESTING	
Equipment purchase	-\$10,000
Other	\$0
Total cash flows from investing activities	-\$10,000
CASH FLOWS FROM FINANCING	
Loan payments	-\$15,000
Other	-\$1,000
Total cash flows from financing activities	-\$16,000
NET CHANGE IN CASH	\$16,000
BEGINNING CASH BALANCE	\$23,000
ENDING CASH BALANCE	\$39,000