

# [Business plan 1156](https://assignbuster.com/business-plan-1156/)

Business Plan

Business Plan: Progressive Consulting

What follows is a complete business plan for a hypothetical company. Please copy

or save to your disk and use as an example in developing your own business plan.

If you would like to read a series of articles jump to Web Marketing . For

additional business aids click on The Practical Tools of Consulting

1. 0 Executive Summary

Progressive Consulting will be formed as a consulting company specializing in

marketing of high technology products in international markets. Its founders are

former marketers of consulting services, personal computers, and market research,

all in international markets. They are founding Progressive Consulting to

formalize the consulting services they offer.

1. 2 Mission

Progressive Consulting offers high-tech manufacturers a reliable, high quality

alternative to inhouse resources for business development, market development,

and channel development on an international scale. A true alternative to in

house resources offers a very high level of practical experience, know how,

contacts, and confidentiality. Clients must know that working with Progrssive

Consulting is a more professional, less risky way to develop new areas even than

working completely in house with their own people. Progressive Consulting must

also be able to maintain financial balance, charging a high value for its

services, and delivering an even higher value to its clients. Initial focus will

be development in the European and Latin American markets, or for European

clients in the United States market.

1. 3 Keys to Success

aˆ? Excellence in fulfilling the promise completely confidential, reliable,

trustworthy expertise and information.

aˆ? Developing visibility to generate new business leads.

aˆ? Leveraging from a single pool of expertise into multiple revenue generation

opportunities: retainer consulting, project consulting, market research, and

market research published reports.

2. 0 Company Summary

Progressive Consulting is a new company providing high-level expertise in

international high-tech business development, channel development, distribution

strategies, and marketing of high tech products. It will focus initially on

providing two kinds of international triangles:

aˆ? Providing United States clients with development for European and Latin

American markets.

aˆ? Providing European clients with development for the United States and Latin

American markets.

As it grows it will take on people and consulting work in related markets, such

as the rest of Latin America, and the Far East, and similar markets. As it grows

it will look for additional leverage by taking brokerage positions and

representation positions to create percentage holdings in product results.

2. 1 Company Ownership

Progressive Consulting will be created as a California C corporation based in

Los Angeles County, owned by its principal investors and principal operators. As

of this writing it has not been chartered yet and is still considering

alternatives of legal formation.

2. 2 Startup Summary

Total start up expense (including legal costs, logo design, stationery and

related expenses) come to $73, 000. Start up assets required include $3, 000 in

short term assets (office furniture, etc.) and $1, 000, 000 in initial cash to

handle the first few months of consulting operations as sales and accounts

receivable play through the cash flow. The details are included in the table.

Start-up Plan \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Start-up Expenses Legal

$1, 000 Stationery etc. $3, 000 Brochures

$5, 000 Consultants $5, 000

Insurance $350 Expensed equipment $3, 000

Other $1, 000 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Total

Start-up Expense $18, 350

Start-up Assets Needed Cash requirements $25, 000 Start-up

inventory $0 Other Short-term Assets $7, 000 Total

Short-term Assets $32, 000 Long-term Assets WORD

DOCUMENT HAS NO NUMBER HERE Capital Assets $0 \_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Total Assets $32, 000

Total Startup Requirements: $50, 350 Left to finance: $0

Start-up Funding Plan

Investment Investor 1 $20, 000 Investor 2

$20, 000 Other $10, 000 Total investment

$50, 000

Short-term borrowing Unpaid expenses $5, 000 Short-term

loans $0 Interest-free short-term loans $0 Subtotal Short-term

Borrowing $5, 000 Long-term Borrowing $0 Total Borrowing

$5, 000

Loss at start-up ($23, 000) Total Equity $27, 000

Total Debt and Equity $32, 000

2. 3 Company Services

Progressive offers expertise in channel distribution, channel development, and

market development, sold and packaged in various ways that allow clients to

choose their preferred relationship: these include retainer consulting

relationships, project based consulting, relationship and alliance brokering,

sales representation and market representation, project-based market research,

published market research, and information forum events.

2. 4 Company locations and facilities

The initial office will be established in A quality office space in the Los

Angeles County " Dearborn Valley" area of California, the heart of the U. S. high

tech industry.

3. 0 Services

Progressive offers the expertise a high-technology company needs to develop new

product distribution and new market segments in new markets. This can be taken

as high-level retainer consulting, market research reports, or project-based

consulting.

3. 1 Service Description

1. Retainer consulting: we represent a client company as an extension of its

business development and market development functions. This begins with complete

understanding of the client company's situation, objectives, and constraints. We

then represent the client company quietly and confidentially,

sifting through new market developments and new opportunities as is appropriate

to the client, representing the client in initial talks with possible allies,

vendors, and channels.

2. Project consulting: Proposed and billed on a per-project and per-milestone

basis, project consulting offers a client company a way to harness our specific

qualities and use our expertise to solve specific problems, develop and/or

implement plans, develop specific information.

3. Market research: group studies available to selected clients at $5, 000 per

unit. A group study is packaged and published, a complete study of a specific

market, channel, or topic. Examples might be studies of developing consumer

channels in Japan or Mexico, or implications of changing margins in software.

3. 2 Competitive Comparison

The competition comes in several forms:

1. The most significant competition is no consulting at all, companies choosing

to do business development and channel development and market research in-house.

Their own managers do this on their own, as part of their regular business

functions. Our key advantage in competition with in-house development is that

managers are already overloaded with responsibilities, they don't have time for

additional responsibilities in new market development or new channel development.

Also, Progressive can approach alliances, vendors, and channels on a confidential

basis, gathering information and making initial contacts in ways that the

corporate managers can't.

2. The high-level prestige management consulting: High-Tec, San Diego Consulting

Group, etc. These are essentially generalists who take their name-brand

management consulting into specialty areas. Their other very important weakness

is the management structure that has the partners selling new jobs, and

inexperienced associates delivering the work. We compete against them as experts

in our specific fields, and with the guarantee that our clients will have the

top-level people doing the actual work.

3. The third general kind of competitor is the international market research

company: International Electronic Data Corporation (IEDC), Dataquest, Stanford

Research Institute, etc. These companies are formidable competitors for

published market research and market forums, but cannot provide the kind of

high-level consulting that Triangle will provide.

4. The fourth kind of competition is the market-specific smaller house. For

example: Nomura Research in Japan, Select S. A. de C. V. in Mexico (now affiliated

with IEDC).

5. Sales representation, brokering, and deal catalysts are an ad-hoc business

form that will be defined in detail by the specific nature of each individual

case.

3. 3 Sales Literature

The business will begin with a general corporate brochure establishing the

positioning. This brochure will be developed as part of the start-up expenses.

Literature and mailings for the initial market forums will be very important,

with the need to establish a high-quality look and feel for... ...[truncated

because this plan is provided for purposes of illustration only]

3. 4 Sourcing

aˆ? The key fulfillment and delivery will be provided by the principals of the

business. The real core value is professional expertise, provided by a

combination of experience, hard work. and education (in that order).

aˆ? We will turn to qualified professionals for free-lance back-up in market

research and presentation and report development, which are areas that we can

afford to contract out without risking the core values provided to the clients.

3. 5 Technology

Progressive Consulting will maintain latest Windows and Macintosh capabilities

including:

aˆ? 1. Complete Email facilities in Internet, Compuserve, America Online, and

Applelink, for working with clients directly through email delivery of drafts

and information.

aˆ? 2. Complete presentation facilities for preparation and delivery of multimedia

presentations on Macintosh or Windows machines, in formats including on-disk

presentation, live presentation, or video presentation.

aˆ? 3. Complete desktop publishing facilities for delivery of regular retainer

reports, project output reports, marketing materials, market research reports.

3. 6 Future Services

In the future Progressive will broaden the coverage by expanding into coverage

of additional markets (e. g. all of Latin America, Far East, Western Europe) and

additional product areas (e. g. telecommunications and technology integration).

We are also studying the possibility of newsletter or electronic newsletter

services, or perhaps special on-topic reports.

4. 0 Market Analysis Summary

Progressive will be focusing on high-technology manufacturers of computer

hardware and software, services, networking, who want to sell into markets in

the United States, Europe, and Latin America. These are mostly larger companies,

and occasionally medium-sized companies.

Our most important group of potential customers are executives in larger

corporations. These are marketing managers, general managers, sales managers,

sometimes charged with international focus and sometimes charged with market or

even specific channel focus. They do not want to waste their time or risk their

money looking for bargain information or questionnable expertise. As they go

into markets looking at new opportunities, they are very sensitive to risking

their company's name and reputation. Professional experience... [truncated

because this plan is provided for purposes of illustration only]

4. 1 Market Segmentation

aˆ? Large manufacturer corporations: our most important market segment is the large

manufacturer of high-technology products, such as Apple, Hewlett-Packard, IBM,

Microsoft, Siemens, or Olivetti. These companies will be calling on Progressive

for development functions that are better spun off than managed in-house, and

for market research, and for market forums.

aˆ? Medium sized growth companies: particularly in software, multimedia, and some

related high growth fields, Triangle will be able to offer an attractive

development alternative to the company that is management constrained and unable

to address opportunities in new markets and new market segments.

4. 2 Industry Analysis

The consulting " industry" is pulverized and disorganized, thousands of smaller

consulting organizations and individual consultants for every one of the few

dozen well-known companies.

Consulting is a disorganized industry, with participants ranging from major

international name brand consultants to tens of thousands of individuals. One of

Progressive's challenges will be establishing itself as a " real" consulting

company, positioned as a relatively risk free corporate purchase.

4. 2. 1 Industry Participants

The consulting " industry" is pulverized and disorganized, thousands of smaller

consulting organizations and individual consultants for every one of the few

dozen well-known companies.

At the highest level are the few well established major names in management

consulting. Most of these are organized as partnerships established in major

markets around the world, linked together by interconnecting directors and

sharing the name and corporate wisdom. Some evolved from accounting companies

(e. g. Arthur Anderson, Touche Ross) and some from management consulting

(McKinsey, Bain). These companies charge very high rates for consulting, and

maintain relatively high overhead structures and fulfillment structures based on

partners selling and junior associates fulfilling. At the intermediate level are

some function specific or market specific consultants, such as the market

research firms (IEDC, Dataquest) or channel development firms (ChannelCorp,

Channel Strategies, ChannelMark).

Some kinds of consulting is little more than contract expertise provided by

somebody looking for a job and offering consulting services as a stop-gap

measure while looking.

4. 2. 2 Distribution Patterns

Consulting is sold and purchased mainly on a word-of-mouth basis, with

relationships and previous experience being by far the most important factor.

The major name-brand houses have locations in major cities and major markets,

and executive-level managers or partners develop new business through industry

associations, business associations, and chambers of commerce and industry, etc.,

even in some cases social associations such as country clubs.

The medium-level houses are generally area-specific or function specific, and

are not easily able to leverage their business through distribution.

4. 2. 3 Competition and Buying Patterns

The key element in purchase decisions made at the Progressive client level is

trust in the professional reputation and reliability of the consulting firm.

4. 2. 4 Main Competitors

aˆ? The high-level prestige management consulting:

Strengths: international locations managed by owner-partners with a high level

of presentation and understanding of general business. Enviable reputations

which make purchase of consulting an easy decision for a manager, despite the

very high prices. Weaknesses: General business knowledge doesn't substitute for

the specific market, channel, and distribution expertise of Triangle, focusing

on high-technology markets and products only. Also, fees are extremely expensive,

and work is generally done by very junior-level consultants, even though sold by

high-level partners.

aˆ? The international market research company:

Strengths: International offices, specific market knowledge, permanent staff

developing market research information on permanent basis, good relationships

with potential client companies.

Weaknesses: market numbers are not marketing, not channel development or market

development. Although these companies compete for some of the business Triangle

is after, they cannot really offer the same level of business understanding at a

high level.

aˆ? Market specific or function-specific experts

Strengths: expertise in market or functional areas. Triangle should not try to

compete with Normura or Select in their markets with market research, or with

ChannelCorp in channel management.

Weaknesses: the inability to spread beyond a specific focus, or to rise above a

specific focus, to provide actuial management expertise, experience, and wisdom

beyond the specifics.

The most significant competition is no consulting at all, companies choosing to

do business development and channel development and market research in-house.

Strengths: no incremental cost except travel; also, the general work is done by

the people who are entirely responsible, the planning done by those who will

implement. Weaknesses: most managers are terribly overburdened already, unable

to find incremental resources in time and people to apply to incremental

opportunities. Also, there is a lot of additional risk in market development and

channel development done in house from the ground up. Finally, retainer-based

antenna consultants can greatly enhance a company's reach and extend its

position into conversations that might otherwise never hanve taken place.

4. 3 Market Analysis

As indicated by the illustrations, we must focus on a few thousand well-chosen

potential customers in the United States, Europe, and Latin America. These few

thousand high-tech manufacturing companies are the key customers for Progressive.

Potential Customers Customers Growth rate \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ U. S. High Tech 5, 000 10% European

High Tech 1, 000 15% Latin America 250

35% Other 10, 000 2% \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Total 16, 250 n. a.

5. 0 Strategy Summary

Progressive will focus on three geographical markets, the United States, Europe,

and Latin America, and in limited product segments: personal computers, software,

networks, telecommunications, personal organizers, and technology integration

products. The target customer is usually a manager in a larger corporation, and

occasionally an owner or president of a medium-sized corporation in a high-

growth period.

5. 1 Pricing Strategy

Progressive Consulting will be priced at the upper edge of what the market will

bear, competing with the name brand consultants. The pricing fits with the

general positioning of Triangle as high-level expertise.

Consulting should be based on $5, 000 per day for project consulting, $2, 000 per

day for market research, and $10, 000 per month and up for retainer consulting.

Market research reports should be priced at $5, 000 per report, which will of

course require that reports be very well planned, focused on very important

topics very well presented.

5. 2 Sales Forecast

The sales forecast monthly summary is included in the appendix. The annual sales

projections are included here in the following table.

Sales Forecast

Sales 1995 1996 1997 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Retainer Consulting

$200, 000 $250, 000 $325, 000 Project Consulting $270, 000

$325, 000 $350, 000 Market Research $122, 000

$150, 000 $200, 000 Strategic Reports $0 $50, 000

$125, 000 Other $0 $0 $0 Total

Sales $592, 000 $775, 000 $1, 000, 000

Cost of sales 1995 1996 1997 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Retainer Consulting

$30, 000 $20, 000 $30, 000 Project Consulting

$45, 000 $25, 000 $31, 000 Market Research

$84, 000 $45, 000 $50, 000 Strategic

Reports $0 $20, 000 $40, 000 Other

$0 $0 $0 Total Cost of Sales $159, 000

$110, 000 $151, 000

5. 3 Strategic Alliances

At this writing strategic alliances with Smith and Jones are possibilities,

given the content of existing discussions. Given the background of prospective

partners, we might also be talking to European companies including Siemens and

Olivetti and others, and to United States companies related to Apple Computer.

In Latin America we would be looking at the key local high-technology vendors,

beginning with Printaform.

6. 0 Management Summary

The initial management team depends on the founders themselves, with little

back-up. As we grow we will take on additional consulting help, plus graphic/

editorial, sales, and marketing.

6. 1 Organizational Structure

Progressive should be managed by working partners, in a structure taken mainly

from Smith Partners. In the beginning we assume 3-5 partners:

aˆ? Ralph Sampson

aˆ? At least one, probably two partners from Smith and Jones

aˆ? One strong European partner, based in Paris.

The organization has to be very flat in the beginning, with each of the founders

reponsible for his or her own work and management.

aˆ? One other strong partner

6. 2 Management Team

The Progressive business requires a very high level of international experience

and expertise, which means that it will not be easily leveragable in the common

consulting company mode in which partners run the business and make sales, while

associates fulfill. Partners will necessarily be involved in the fulfillment of

the core business proposition, providing the expertise to the clients.

The initial personnel plan is still tentative. It should involve 3-5 partners,

1-3 consultants, 1 strong editorial/graphic person with good staff support, 1

strong marketing person, an office manager, and a secretary. Later we add more

partners, consultants and and sales staff.

Founders' resumes are included as an additional attachment to this plan.

6. 3 Personnel Plan

The detailed monthly personnel plan for the first year is included in the

appendices. The annual personal estimates are included here as Table 5.

Personnel Plan

1995 1996 1997 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Partners $144, 000 $175, 000 $200, 000 Consultants

$0 $50, 000 $63, 000 Editorial/graphic

$18, 000 $22, 000 $26, 000 VP Marketing

$20, 000 $50, 000 $55, 000 Sales people

$0 $30, 000 $33, 000 Office Manager $7, 500

$30, 000 $33, 000 Secretarial $5, 250

$20, 000 $22, 000 Other $0 $0

$0 Subtotal $194, 750 $377, 000 $432, 000

7. 0 Financial Plan

We will maintain a conservative financial strategy, based on developing capital

for future growth.

7. 1 Important Assumptions

The table in this section summarizes key financial assumptions, including 45-day

average collection days, sales entirely on invoice basis, expenses mainly on net

30 basis, 35 days on average for payment of invoices, and present-day interest

rates.

General Assumptions

1995 1996 1997 \_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Collection days 43 45 45

Payment Days 35 35 35

1995 1996 1997 \_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Short Term

Interest Rate 8. 00% 8. 00% 8. 00% Long Term Interest Rate

10. 00% 10. 00% 10. 00% Payment days

35 35 35 Tax Rate Percent 0. 00%

0. 00% 0. 00% Expenses in cash% 25. 00% 25. 00%

25. 00% Sales on credit 100. 00%

100. 00% 100. 00% Personnel Burden % 14. 00%

14. 00% 14. 00%

7. 2 Key Financial Indicators

The chart summarizes key financial benchmarks. Unfortunately, as we increase

sales we will have to show a decline in performance of collection days and gross

margin.

7. 3 Break-even Analysis

Break Even Analysis: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Monthly

Units Break-even 125, 000 Monthly Sales Break-even

$125, 000

Assumptions: Average Unit Sale $1. 00 Average Per-Unit Cost

$0. 20 Fixed Cost $100, 000

7. 4 Projected Profit and Loss

The detailed monthly pro-forma income statement for the first year is included

in the appendices. The annual estimates are included here.

Pro-forma Income Statement

1995 1996 1997 \_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Sales

$592, 000 $775, 000 $1, 000, 000 Cost of Sales

$159, 000 $110, 000 $151, 000 Other

$1, 000 $0 $0

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Total Cost of Sales $160, 000 $110, 000 $151, 000 Gross

margin $432, 000 $665, 000 $849, 000 Gross margin

percent 72. 97% 85. 81% 84. 90% Operating

expenses: Advertising/Promotion 10. 00% $36, 000

$40, 000 $44, 000 Public Relations 10. 00% $30, 000

$30, 000 $33, 000 Travel 10. 00%

$90, 000 $60, 000 $110, 000 Miscellaneous

10. 00% $6, 000 $7, 000 $8, 000 Payroll expense

$194, 750 $377, 000 $432, 000 Leased Equipment $6, 000

$7, 000 $7, 000 Utilities 20% $12, 000

$14, 000 $17, 000 Insurance 20% $3, 600

$2, 000 $2, 000 Depreciation $0

$0 $0 Rent 25%

$18, 000 $23, 000 $29, 000 Payroll Burden

$0 $0 $0 Contract/Consultants

$0 $0 $0 Other $0

$0 $0

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Total Operating Expenses $396, 350 $560, 000 $682, 000 Profit

Before Interest and Taxes$35, 650 $105, 000 $167, 000

Interest Expense ST $3, 600 $12, 800 $12, 800

Interest Expense LT $5, 000 $5, 000 $5, 000 Taxes

Incurred $0 $0 $0 Net Profit

$27, 050 $87, 200 $149, 200 Net

Profit/Sales 4. 57% 11. 25% 14. 92%

7. 5 Projected Cash Flow

Cash flow projections are critical to our success. The monthly cash flow is

shown in the illustration, with one bar representing the cash flow per month and

the other the monthly balance. The annual cash flow figures are included here.

Detailed monthly numbers are included in the appendices.

Pro-Forma Cash Flow

1995 1996 1997 \_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Net Profit: $27, 050 $87, 200

$149, 200 Plus: Depreciation $0

$0 $0 Change in Accounts Payable $49, 413

$16, 799 $13, 764 Current Borrowing (repayment)

$60, 000 $100, 000 $0 Increase (decrease) Other

Liabilities $0 $0 $0 Long-term Borrowing

(repayment) $50, 000 $0 $0 Capital

Input $0 $0 $0

Subtotal $186, 463 $203, 999 $162, 964

Less: 1905 1905 1905

Change in Accounts Receivable $94, 000 $5, 750

$50, 500 Change in Inventory $0 $0

$0 Change in Other ST Assets $0 $0 $0

Capital Expenditure $0 $0 $0

Dividends $0 $0 $0

Subtotal $94, 000 $5, 750

$50, 500 Net Cash Flow $92, 463

$198, 249 $112, 464 Cash balance $117, 463

$315, 712 $428, 176

7. 6 Projected Balance Sheet

The balance sheet shows healthy growth of net worth, and strong financial

position. The monthly estimates are included in the appendices.

Pro-forma Balance Sheet

1995 1996 1997 \_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Short-term Assets Starting Balances Cash $25, 000

$117, 463 $315, 712 $428, 176 Accounts receivable $0

$94, 000 $99, 750 $150, 250 Inventory $0

$0 $0 $0 Other Short-term Assets $7, 000

$7, 000 $7, 000 $7, 000 Total Short-term Assets

$32, 000 $218, 463 $422, 462 $585, 426 Long-term

Assets Capital Assets $0 $0 $0

$0 Accumulated Depreciation$0 $0 $0 $0 Total

Long-term Assets $0 $0 $0 $0

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Total

Assets $32, 000 $218, 463 $422, 462 $585, 426

Debt and Equity

1995 1996 1997 \_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Accounts Payable $5, 000 $54, 413 $71, 212

$84, 976 Short-term Notes $0 $60, 000

$160, 000 $160, 000 Other ST Liabilities $0 $0

$0 $0 Subtotal Short-term Liabilities

$5, 000 $114, 413 $231, 212 $244, 976

Long-term Liabilities $0 $50, 000 $50, 000

$50, 000 Total Liabilities $5, 000 $164, 413

$281, 212 $294, 976

Paid in Capital $50, 000 $50, 000

$50, 000 $50, 000 Retained Earnings ($23, 000)

($23, 000) $4, 050 $91, 250 Earnings $0

$27, 050 $87, 200 $149, 200 Total Equity

$27, 000 $54, 050 $141, 250 $290, 450 Total

Debt and Equity $32, 000 $218, 463 $422, 462

$585, 426 Net Worth $27, 000 $54, 050

$141, 250 $290, 450

7. 7 Business Ratios

Progressive Consulting will be formed as a consulting company specializing in

marketing of high-technology products in international markets. Its founders are

former marketers of consulting services, personal computers, and market research,

all in international markets. They are founding Progressive to formalize the

consulting services they offer.

Ratio Analysis

Profitability Ratios: 1995 1996 1997 \_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Gross margin

72. 97% 85. 81% 84. 90% Net profit margin

4. 57% 11. 25% 14. 92% Return on Assets 12. 38%

20. 64% 25. 49% Return on Equity 50. 05%

61. 73% 51. 37%

Activity Ratios: AR Turnover 6. 30 7. 77

6. 66 Collection days 29 45 45

Inventory Turnover 0. 00 0. 00 0. 00 Accts

payable turnover 7. 67 7. 06 7. 35 Total asset

turnover 2. 71 1. 83 1. 71

Debt Ratios: 1995 1996 1997 \_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Debt to net Worth

3. 04 1. 99 1. 02 Short-term Debt to Liab. 0. 70

0. 82 0. 83

Liquidity Ratios: Current Ratio 1. 91 1. 83

2. 39 Quick Ratio 1. 91 1. 83

2. 39 Net Working Capital $104, 050 $191, 250 $340, 450

Interest Coverage 4. 15 5. 90 9. 38

Additional Ratios: 1995 1996 1997 \_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Asset