

Research paper on income statement also known as the profit and loss account

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Business Plan

An effective start up plan for a new business should include information on liquid funds, projected income and debts along with real property and resources. It should also provide information about how these items are accounted for in its statement. An effective plan will also include a three part financial statement that sets out the income statement, the cash flow projection and the balance sheet. An explanation and analysis that details how the figures were arrived at should accompany these statements. This analysis and explanation is more important when calculating projected income and costs for a new business than when calculating and analyzing the performance of an existing business entity. Some of the accounts that make up a start up business plan include:

Cash Flow Projection,

Balance Sheet, and

Three Year Cash Flow Projection.

Some of the considerations that should be included and set out in these statements is the cost of materials, costs of operation, and the maintenance of facilities and equipment. A frequent error that some starts up businesses make is to fail to include wear and tear on equipment. Everything from a desk jet printer to an eighteen-wheel truck has a certain amount of depreciation and maintenance attached to its usage. These factors must be considered, especially when projecting start up cost for a new business. This information is critical to evaluate costs, apply for funding, set prices and even to judge whether starting a particular business makes sense. After all, if

the product or service cannot be sold at a profit it does not make sense to establish a business.

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