Universal Funding Proposal

Business Planning / Forecasting Model Completion Instructions

Version 1.0 - 1 of 11 (B)



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The Universal Forecast and Funding Proposal Model - Purpose

Use the Universal Forecast and Funding Proposal Model to support your business planning and create the following:

- Your 5-year Business Plan and Forecast
 - ✓ Years 1 and 2 detailed by month
 - √ Years 3 to 5 detailed per year
- Understand and Plan for Your Future
- Model the Impact of Funding on Your Business
- Apply for Loan or Equity Funding

You can use the Universal Forecasting and Funding Proposal Model regardless of the accounting system you use, to build a 5-year Business Plan / Forecast for your business.

Use your plan to understand, plan and budget for the future to help you and your team maintain a clear picture of exactly where you are on your journey.

If your business needs to raise finance, your Business Plan can quickly and easily be used to generate a robust Funding Proposal that provides everything lenders or investors need to approve funding.

"My interest is in the future because I am going to spend the rest of my life there."

C.F. Kettering

1. Process Summary: Step by Step Instructions

1.1. The Monthly P&L - Step 4

Step	Model Tab
	Monthly P&L Tab
1	Prepare a spreadsheet with as much history (up to 5 years) from the most recent date the accounts are complete to as per Sample P&L tab
2	The first column should contain the P&L nominal descriptions and each month should be listed from the next column onwards, starting with the most recent month
3	Copy the P&L you have prepared and paste it into the section provided (yellow cells for nominal descriptions and orange cells for values)
4	Select the Chart of Accounts category next to each P&L nominal being sure to exclude any Headings, Sub-headings and totals
5	Select the Year and Month the accounts are complete to from the drop down boxes provided (the remaining months will auto populate)
6	Enter the company name in the box provided
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Figure 1 - The Monthly P&L on Step 4

### 1. Prepare your history - up to 5 years data:

Prepare a spreadsheet with as much history as possible, (up to 5 years), from the most recent date your accounts are complete to. This needs to be prepared in the same format as laid out in the Sample P&L, (Step 2)

### 2. Column 1 = Nominal Descriptions then most recent month 1st

The first column should contain your Profit and Loss descriptions for revenue line / customer, cost of sales / variable cost category and overhead description, (the 'Nominals'), and each month should be listed from column 2 onwards, with the most recent month first.

### 3. Copy your prepared P&L data into the sections provided

Copy the Profit and Loss data you prepared and paste it into the section provided, note that the yellow cells are for the customer name or sales/revenue channel, cost of sale/variable cost category or overhead type, (the 'Nominal Descriptions'), and the orange cells are for the values to be entered.

### 4. Setup the Chart of Accounts category for each P&L nominal

Setup 'Chart of Accounts Category', in other words, tell the Universal Forecasting and Funding Proposal Model which lines to treat as sales/revenue, cost of sales/variable cost, or overheads. (Headings, sub-totals, and totals should be left as 'Select Category').

### 5. Select Year and Month your accounts are up to in dropdown

Enter the Year and Month your accounts are complete to using the drop-down boxes provided, the remaining months will be automatically populated.

### 6. Enter Your Company Name

Enter the company name in the box provided, this is important because if left as 'Demo Company Ltd' this will be used throughout your report, rather than inserting your correct company name throughout.

### 1.2. The Closing Balance Sheet - Step 5

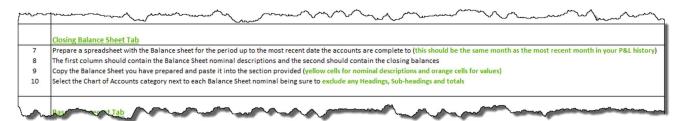


Figure 2 - The Closing Balance Sheet on Step 5

### 7. Prepare Your Balance Sheet up to the most recent date

Prepare a spreadsheet with your Balance Sheet information for the period up to the most recent date your accounts are complete to, ensure that this month is the same as the most recent month in your P&L history.

### 8. Your Balance Sheet Descriptions and closing balance for each

The first column needs to contain your Balance Sheet Nominal Descriptions, you need to 'tell' the Universal Forecasting and Funding Proposal Model which lines to treat as fixed assets, current assets, current liabilities, long term liabilities and shareholders' funds. The second column should contain the closing balances for each item.

### 9. Copy and paste into Closing Balance Sheet

Copy your Balance Sheet and paste it into the section provided, note that the yellow cells are for current assets, current liabilities, long term liabilities and Shareholder's funds, (the 'Nominal Descriptions'), and the orange cells are for the values to be entered.

### 10. Setup your Chart of Accounts category for each BS nominal

Having entered your Balance Sheet information, the 'Chart of Accounts Category' must be configured, in other words, tell the Universal Forecasting and Funding Proposal Model which lines to treat as fixed assets, current assets, current liabilities, long term liabilities and shareholders' funds.

### 1.3. Your Baseline Forecast Sales - Step 6

·/	
	Baseline Forecast Tab
	This tab is used to set an assumed baseline of the business' performance over the next 5 years
11	Review performance over the past 24 months ensuring the totals and sub totals match the P&L you have prepared
	Sales forecast
12	The % Applied column will provide you with the year on year % movement by nominal over the past 6 months
13	You can change the automatically generated forecast by either:
	Entering a year on year (YOY %) increase or decrease for each nominal in the % Applied column (this will maintain the prior year phasing)
	Adjust individual months (next 24 months only) by over-typing the figure generated (once this has been done the YoY % entered will not impact that cell)
14	Adjust the forecast assumptions for Yr3 - Yr5 by either:
	Entering a year on year (YOY %) increase or decrease for each nominal in the YoY % column
	Entering the £ forecast for each nominal in the Yr. Total column
	changing a % will not amend the forecast once a forecast value has been entered
15	Add a forecast for any new customers / sales channels in the rows provided

Figure 3 - The Baseline Forecast on Step 6

### 11. Ensure your past 24 months sub-totals match

Before continuing double check your sub-totals in the Baseline Forecast Tab are the same as the input data you entered, if not there is an error which you must rectify before continuing.

### 12. Applied % provides movement over last 6 months

If future trading is expected to be similar to previous years the Year on Year Percentage provided by default can be used to forecast future years by applying the entered percentage to the corresponding total for the preceding year's sales for each customer / revenue channel, (Sales Nominal).

### 13. Adjust the automatically generated forecast

To adjust the automatically generated forecast either enter a Year on Year Percentage (YOY %), increase or (decrease), to apply to each customer / revenue channel, (Sales Nominal) on the % Applied column. This will then be applied to the prior year maintaining the same phasing.

The sales forecast for each of your next 24 months can be entered by over-typing the figure generated noting that once the automatically generated figure has been over-typed, the Year on Year Percentage no longer has any impact on adjusted cells.

### 14. Adjust your forecast assumptions for years 3, 4 and 5

In a similar manner to years 1 and 2, the default annual Year on Year Percentage (YoY %) can be adjusted to increase or (decrease), your forecast sales for each customer / sales channel, (Sales Nominal).

Your sales forecast for years 3, 4, and 5 can be entered by over-typing the figure generated in the Annual Forecast, (Yr. Total), column, noting that once the automatically generated figure has been over-typed, the Year on Year Percentage no longer has any impact on adjusted cells.

### 15. Add your forecast for new customers/revenue channels

Any new customers / revenue channels, (Sales Nominals) can then be added to the Universal Forecasting and Funding Proposal Model and your projected revenue entered for years 1 to 5 inclusive, in the rows provided.

### 1.4. Your Baseline Forecast Gross Margin and Overheads - Step 6

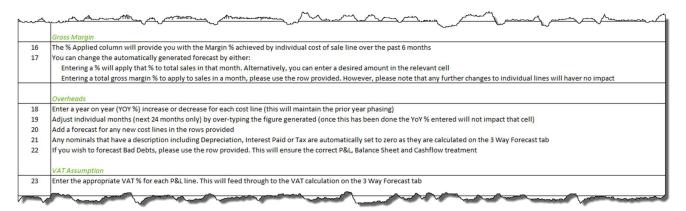


Figure 4 - Baseline Forecast Gross Margin and Overheads - Step 6

### **Gross Margin:**

### 16. Applied % provides margin achieved over last 6 months

The % Applied column will provide the Margin % your business achieved over the last six months.

### 17. Adjust the automatically generated forecast margin

The automatically generated forecast can then be changed by either entering the average Gross Margin % which will then generate the same Gross Margin % for each month in that year, or adjust the Gross Margin % for individual months (for the next 24 months only), by over-typing the figure generated. (Once this has been done the Year on Year Percentage (YoY %), entered will have no impact on the cell).

#### Overheads:

### 18. Enter your year on year increase or decrease for each cost line

Enter a Year on Year Percentage (YoY %) increase or (decrease), for each overhead category or cost line. This will be applied to your prior years overhead expenditure and reflect the same phasing.

### 19. Adjust each individual month as appropriate

The overheads for each of the next 24 months can then be adjusted by over-typing the figure generated, (Once this has been done the Year on Year Percentage (YoY %), entered will have no impact on the cell).

#### 20. Add a forecast of any additional cost lines

If any additional overhead expenditure items are forecast, the detail can be entered in the rows provided.

### 21. Depreciation, Interest Paid or Tax automatically set to Zero

Any overhead category / cost line (Overhead Nominal), that has a description including Depreciation, Interest Paid or Tax are automatically set to Zero because they are calculated differently to other overheads and are dealt with on the 3 Way Forecast tab.

#### 22. Enter Bad Debt provisions in the row provided

Bad Debt is also dealt with differently so Bad Debt assumptions must be entered using the row provided to ensure the correct Profit and Loss, Balance Sheet and Cashflow treatment.

### **VAT Assumptions:**

### 23. Enter your VAT rates for each P&L line

Enter the appropriate VAT percentage rate for each line on your profit and loss account. This will feed through to the VAT calculations made on your 3 Way Forecast.

### 1.5. Baseline Balance Sheet - Step 7

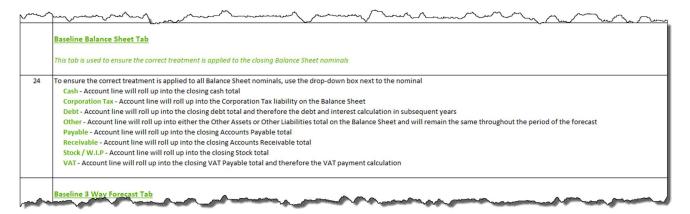


Figure 5 - Baseline Balance Sheet - Step 7

### 24. Ensure correct treatment of Balance Sheet nominals:

To ensure the correct treatment is applied to all Balance Sheet Nominals, i.e. each fixed asset, current asset, current liability, long term liability and shareholders' funds, each must be categorised using the drop down as one of: Cash, Debt, Payable, Stock / W.I.P., Corporation Tax, Other, Receivable or VAT.

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### 1.6. Baseline Balance Three Way Forecast - Step 8

	Depreciation assumptions
25	Entering the annual depreciation % to apply to the total fixed assets balance, this will generate the depreciation charge and associated asset balance within the P&L over the next 5 years
	Interest assumptions
26	Entering the interest % assumptions on any current borrowing within the business will apply a monthly interest charge based on the opening balance
	Inventory assumptions
27	Amending the Inventory (days) assumption will impact the working capital requirements of the business
	Corporation Tax Liability
28	Enter the assumed Corporation Tax liability incurred (either monthly or at the end of the financial year)

Figure 6 - Baseline Three Way Forecast - Step 8

### **Depreciation Assumptions:**

### 25. Enter your annual depreciation % to apply to fixed assets balance

Entering the annual depreciation percentage to apply to your total fixed assets balance will automatically calculate the deprecation charge and the associated asset balance to be applied to your Profit and Loss Account over the next 5 years.

### **Interest Assumptions:**

### 26. Enter interest % assumptions on any current borrowing

Entering the Interest Rate Percentage assumptions for any existing borrowing withing the business will apply a monthly interest charge based on the opening balance for each of the next 5 years.

### **Inventory Assumptions:**

### 27. Amend your inventory (days) assumptions

Amending your inventory (Days), assumption will have an impact on your working capital requirements, a reduction will reduce the level of stock and working capital required, an increase in inventory days will increase your working capital requirements.

### **Corporation Tax Liability:**

### 28. Enter your Corporation Tax liability

Enter Corporation Tax Liability, (either monthly or at the end of the financial year).

### 1.7. Baseline Three Way Forecast - Step 8 Ctd...

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	Corporation Tax Payment
29	Use this section to enter the assumed timing of Corporation Tax payments
	Dividend/Owner Payment
30	Use this section to enter any owner payments over the next 5 years, such as dividends or short term loans etc
	Capital Expenditure
31	Enter any planned capital expenditure over the next 5 years
	Debt Issued (Repaid)
32	Use this section to enter the assumed capital repayment of any existing debt as well as any planned borrowings over the next 5 years.
	Equity Issued (Repaid)
33	Any consideration for a planned issue or buy back of shares should be entered here
	Accounts Receivable Assumptions
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Figure 7 - Baseline Three Way Forecast - Step 8 Ctd...

### **Corporation Tax Payment:**

### 29. Enter the assumed timing of your Corporation Tax payments

Use this row to enter the assumed timing and value of any Corporation Tax Payments you expect to make.

### Dividend / Owner Payment (Receipt)

### 30. Enter any owner dividend payments

Use this row to enter any planned dividend payments to you or your shareholders over the next 5 years, e.g. Dividend Payments or short term loans, (any receipts, e.g. Directors loans should also be entered here as a negative in brackets).

### **Capital Expenditure:**

### 31. Enter any planned capital expenditure over the next 5 years

### Debt Issued (Repaid):

### 32. Enter your assumed capital repayments for any existing debt

Use this row to enter your assumed capital repayments for any existing debt and to add any planned borrowings over the next five years. (Note: Interest payments are dealt with elsewhere in the Universal Forecasting and Funding Proposal Model).

### Equity Issued, (Repaid)

### 33. Enter any issue or share buyback assumptions

If a share buyback is planned or there are likely to be any share issues, the total sums involved should be entered using this row.

### 1.8. Baseline Three Way Forecast - Step 8 Ctd...



Figure 8 - Baseline Three Way Forecast - Step 8 Ctd...

### 34. Enter the proportion of receivables you expect to collect each month

Enter the proportion of the total outstanding debt you expect to collect in the month, the percentage you enter will be applied to your opening balance for debtors / receivables, plus any receivables generated in the month with your closing debtors outstanding / receivables being carried over to the month following.

### 35. Enter the proportion of accounts payable you expect to pay each month

Enter the proportion of your total creditor payments outstanding that you expect to pay in the month, the percentage you enter will be applied to your opening balance for creditors / payables, plus any additional credit generated in the month with the closing creditors / payables outstanding being carried over to the month following.

#### 1.9. The 'With Funding' Forecast - Step 9



Figure 9 - The 'With Funding' Forecast - Step 9

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### 36 & 37. Change the Forecast to reflect the impact funding has on sales, margin & overheads.

For example, if you plan invest in new Website to generate online sales, or make capital investment to increase manufacturing capacity and sales volumes, there will be a corresponding impact on your revenue, overheads and / or variable costs and hence your future Gross Margin rate.

### 1.10. The 'With Funding' Three-Way Forecast – Tabs 10



Figure 10 - The 'With Funding' Three Way Forecast - Tabs 10

### Funding Balance Sheet tab is for reference only.

38. Enter any revisions to the baseline forecast that are anticipated as a result of funding.

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