Universal Funding Proposal

&

Business Planning / Forecasting Model

Baseline Profit and Loss Forecast

Version 1.0 – 0 of 11 (B)

virtual finance director

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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.

"Always plan ahead. It wasn't raining when Noah built the ark"

Richard Cushing

1. Entering and Setting Up your Baseline Forecast – (Step 6)

With your historic Profit and Loss information and your Closing Balance Sheet data entered and configured correctly, the process can move to the next stage by setting up your baseline forecast.

The Universal Forecasting and Funding Proposal Model will automatically pull through the data from the history and populate the last two years of sales, gross margins and overheads for you.

The Universal Forecasting and Funding Proposal Model will also provide you with a pre-populated suggested forecast for the next five years with years 1 and 2 detailed by month, and years 3, 4, and 5 by year. As described below, you can either adjust the Year on Year Percentage adjustments and / or overwrite the values for any particular line item and for any particular month.

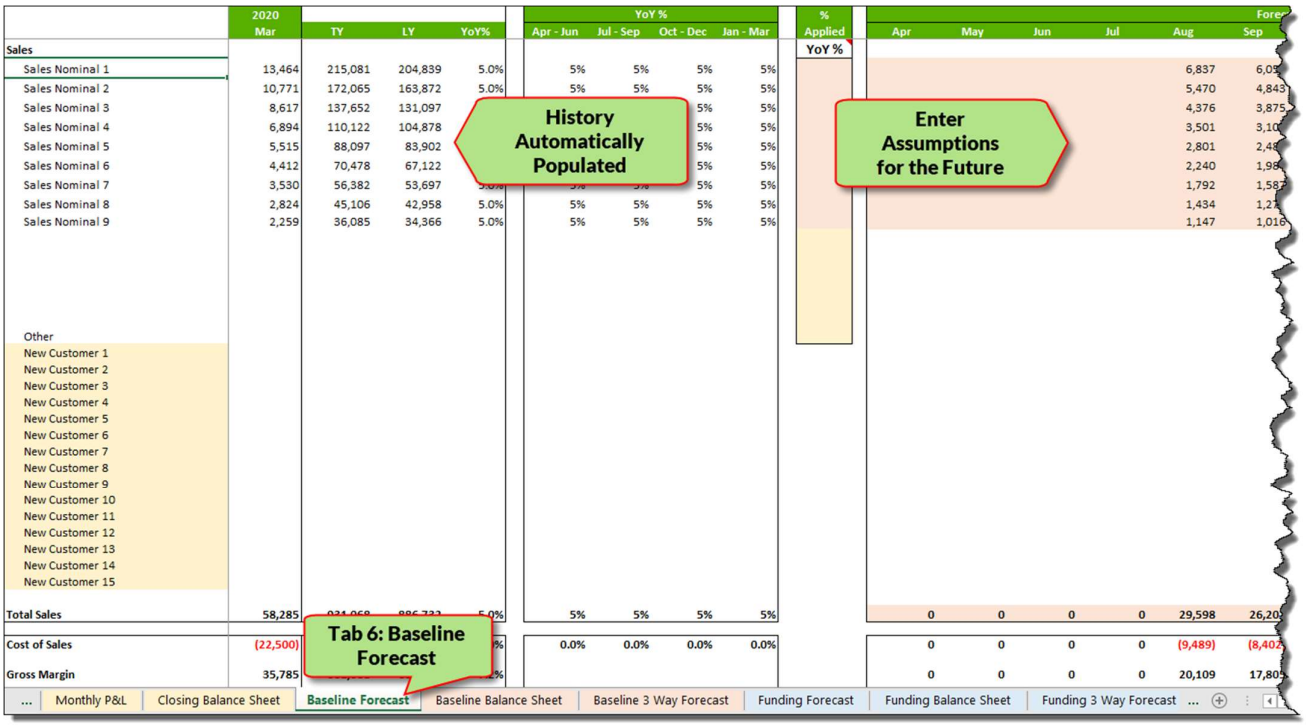
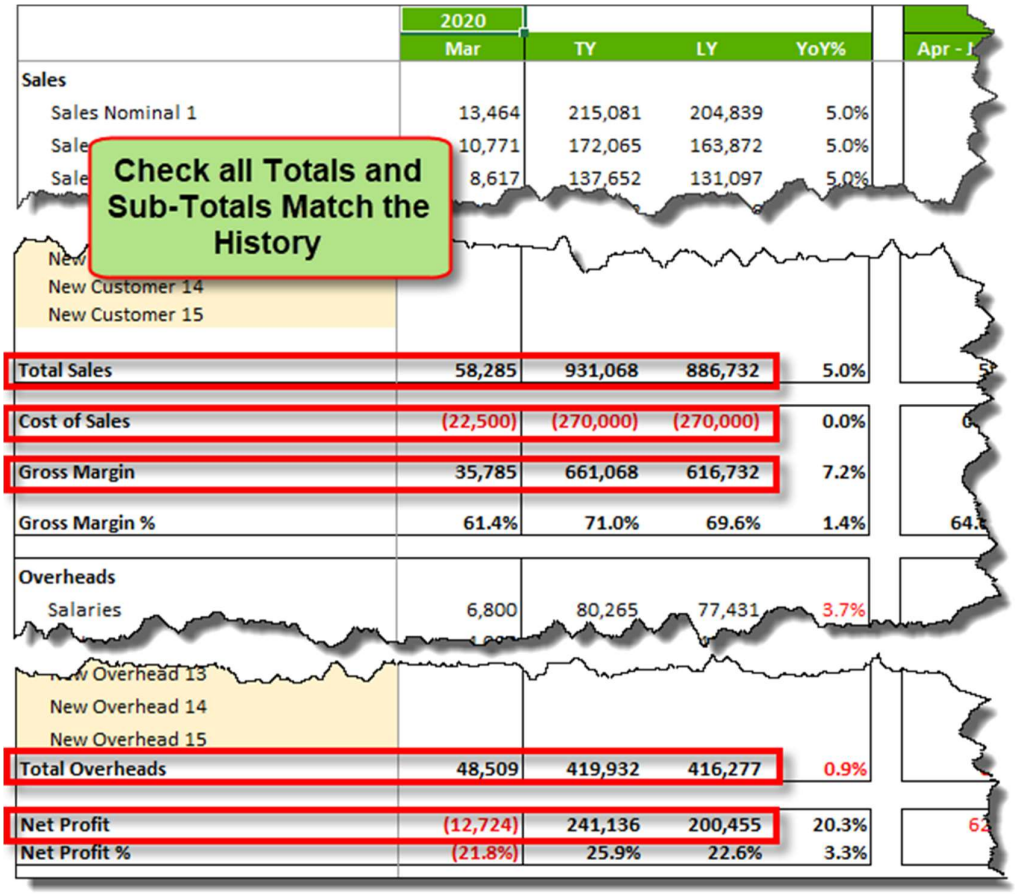


Figure 1 - Step 6: Baseline 3 Way Forecast

Many of the cells in the Universal Forecasting and Funding Proposal Model are locked to prevent the input formulas being accidentally broken. This also minimises the amount of work you need to do to fully populate your Forecast and / or prepare your Funding Proposal.

1.1. Check the Totals and Sub-Totals for the last 24 months match the history.

Your next task is to double check all totals and sub-totals are correct by comparing them to the corresponding figures for the preceding 24 months. If there are any errors the setup of the input data and categorisation of the various nominals must be checked to identify the source of errors before continuing.



	2020 Mar	TY	LY	YoY%	Apr -
Sales					
Sales Nominal 1	13,464	215,081	204,839	5.0%	
Sale	10,771	172,065	163,872	5.0%	
Sale	8,617	137,652	131,097	5.0%	
New					
New Customer 14					
New Customer 15					
Total Sales	58,285	931,068	886,732	5.0%	5
Cost of Sales	(22,500)	(270,000)	(270,000)	0.0%	
Gross Margin	35,785	661,068	616,732	7.2%	
Gross Margin %	61.4%	71.0%	69.6%	1.4%	64.
Overheads					
Salaries	6,800	80,265	77,431	3.7%	
New Overhead 13					
New Overhead 14					
New Overhead 15					
Total Overheads	48,509	419,932	416,277	0.9%	
Net Profit	(12,724)	241,136	200,455	20.3%	62
Net Profit %	(21.8%)	25.9%	22.6%	3.3%	

Figure 2 – Step 6: Check Sub-Totals and Totals Match the History

Things to check:

- Have all Sales, Cost of Sales and Overhead lines been categorised, if any have been missed then the totals showing on your Baseline Forecast tab are likely to be lower than your historic actuals?

- Have any sub-totals or totals from the input tabs been categorised in error, remember, only the rows that provide the detail for each section of the profit and loss account should be categorised, if any have been incorrectly categorised this will result in your totals being over or understated on your Baseline Forecast.

- Has your historic data been entered most recent month first in Tab 4, the Profit and Loss Input, if the data has been entered in the wrong order the Universal Forecasting and Funding Proposal Model will show sales for five years ago as being last year's sales, and vice versa.

1.2. Baseline Sales Forecast, Months 1 to 12

The Universal Forecasting and Funding Proposal Model will provide you with a summary highlighting revenue this year (TY), vs last year (LY) and the Year on Year Percentage movement, positive or (negative). The comparative movement in sales quarter by quarter is also provided to help you forecast next year and beyond.

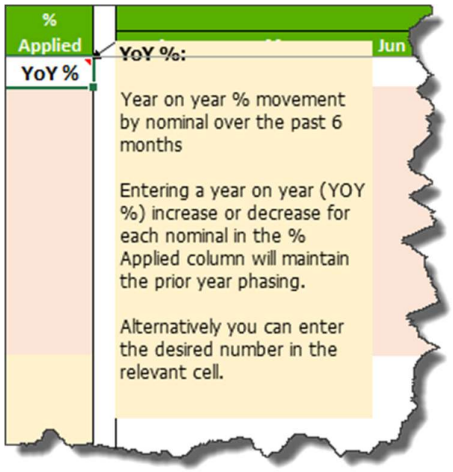


Figure 3 – Step 6: Percentage Applied - Tool Tip

The YoY % Applied column gives you a 'Starter for Ten' percentage by customer or by sales channel, (Sales Nominal), the suggested percentage is the average of the movement over the last 6 months.

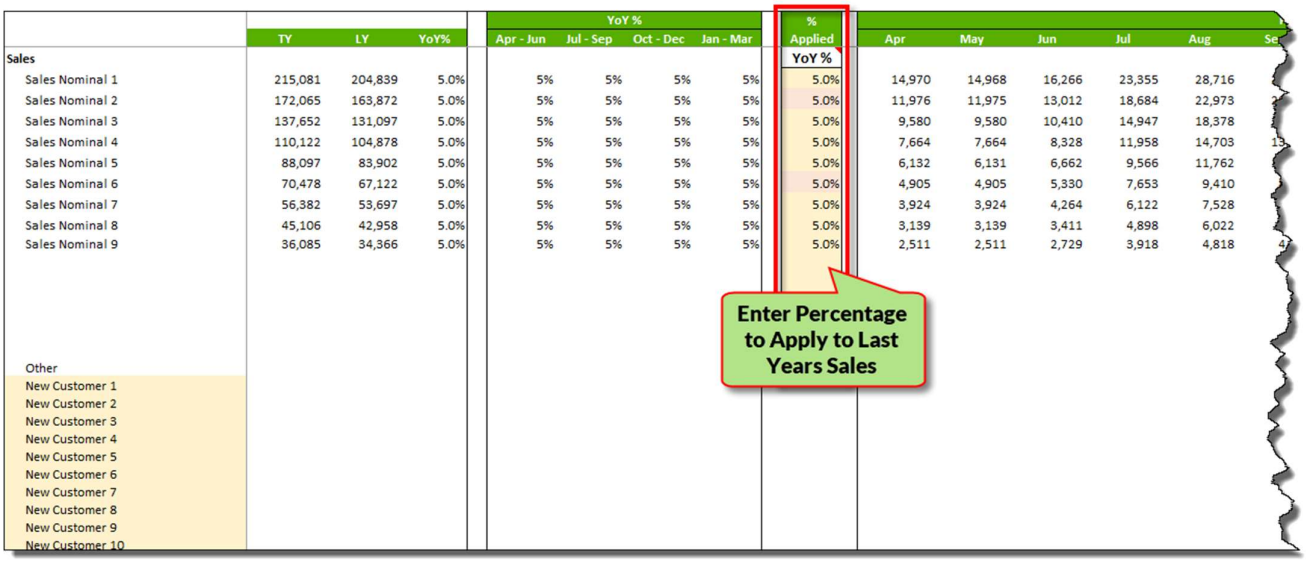


Figure 4 - Step 6: Baseline Sales Forecast, Months 1 to 12

The YoY % entered is then applied to populate your forecast over the next 12 months using your prior year's actual sales as the basis of the phasing. If for example your YoY % Applied is set to 10% for all Sales, this will take the figure for each customer / sales channel in January last year and automatically enter this value plus 10% into the cell for January next year, ditto for February, March etc. etc. etc.

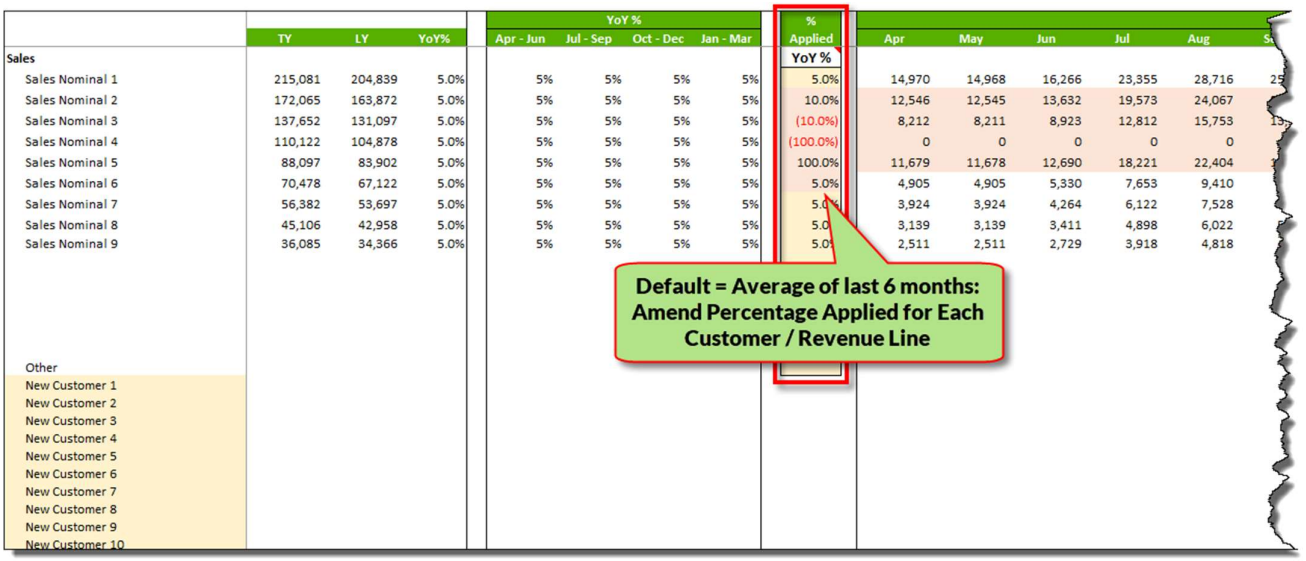


Figure 5 - Step 6: Amend Percentage Applied, Months 1 to 12

Using the % Applied column gives you a quick and easy way to forecast future sales in the event that future years are expected to be very similar to previous years.

For example a customer (or sales channel), who has ceased trading and is no longer purchasing from you, you would set the % Applied to -100% (100%) which would drive all your future sales forecast for that

particular customer (or sales channel) to zero.

If you enter +100% in the % Applied column, this will increase your sales month by month by 100%, i.e. double your last year's sales performance, whilst retaining the same phasing or seasonality.

The YoY % Applied does not have to be used, if you prefer you can simply ignore this and enter your sales forecast assumptions directly into the Universal Forecasting and Funding Proposal Model for each customer / sales channel, (Sales Nominal), to provide a best guess estimate for future sales month by month.

Note: If you are not using the YOY % Applied, you should delete the percentage in the % Applied column to avoid future confusion.

For example, to cater for a period during which trading is impossible, for example due to Covid-19 lockdown, sales may be projected to be £0 for a number of months, following which a gradual increase back to pre Covid-19 sales levels and a return to growth may be forecast as shown below.

If you know that sales will be particularly high or low in any particular month or months, you can simply over-type the calculation, noting that the % Applied calculation will no longer apply to the affected cells.

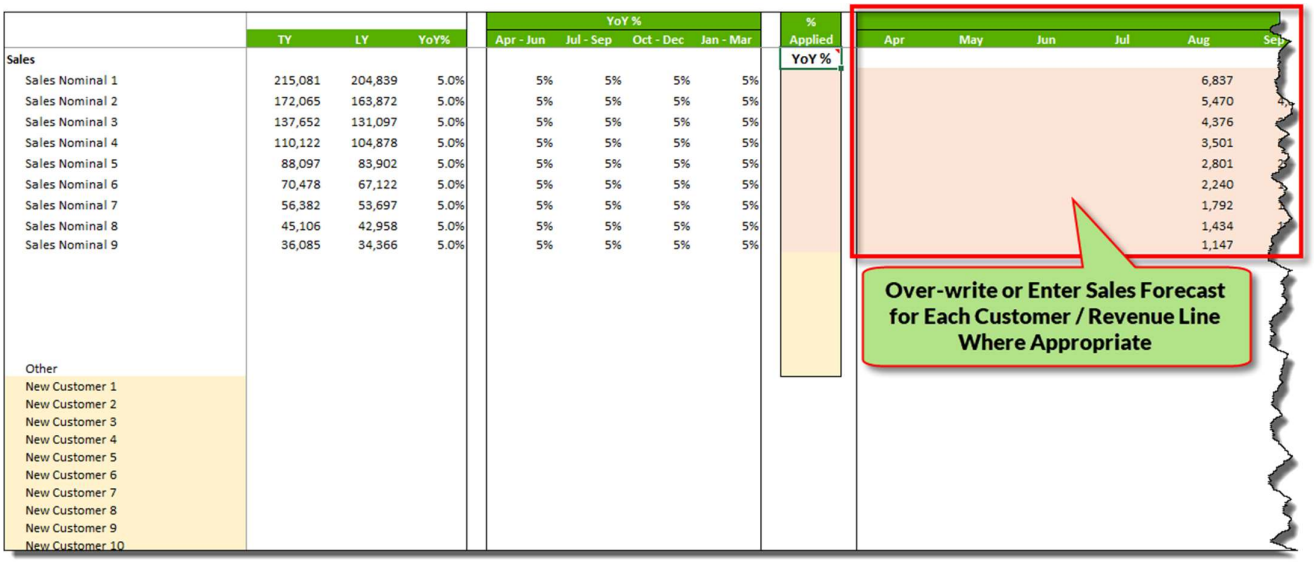


Figure 6 - Step 6: Over-Write Calculations Where Appropriate, Months 1 to 12

Recap: The suggested way to use the Universal Forecasting and Funding Proposal Model is to start by using the Year on Year Percentage to apply a quick forecast that adopts the phasing and seasonality from previous years customer by customer or sales channel by sales channel. Then enter sales estimates in the relevant cells, effectively overwriting the figures provided by the model.

1.3. Baseline Sales Forecast Months 13 to 24

When you are happy with your forecast for the next 12 months, you need to do the same for month 13 to

24. Take care to ensure that any exceptional trading circumstances in year 1 are correctly adjusted for in your forecast for months 13 to 24.

If you do nothing the model will simply apply the % Applied formula to the sales you forecast for the next 12 months.

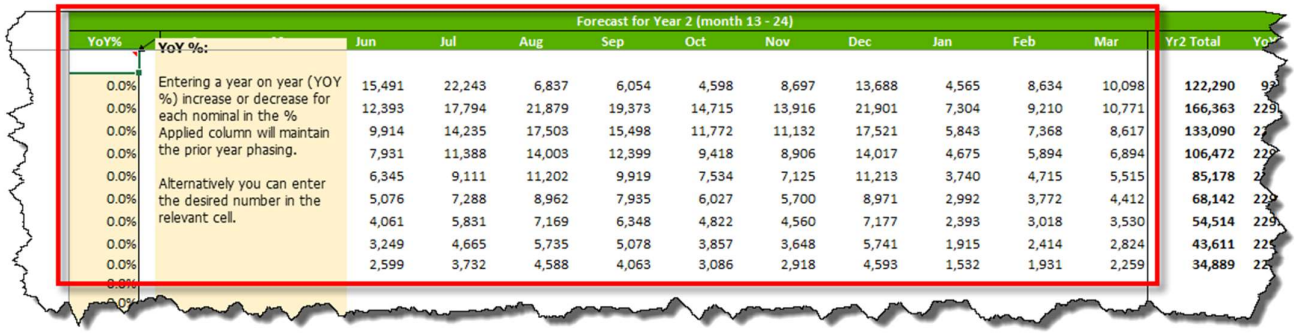


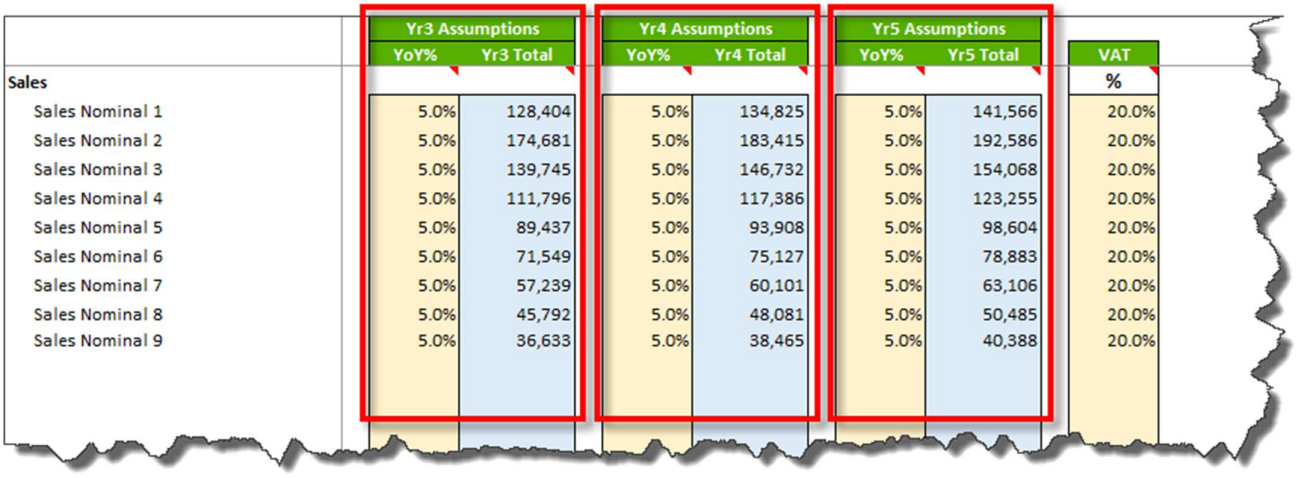
Figure 7 - Step 6: Forecast Sales Revenue for Months 13 to 24

Note: If exceptional circumstance apply in the first year, it may still be sensible to apply the Year on Year Percentage calculation for months 13 to 24 by using the actual sales for last year, or even the year before that. By default, the YoY % Applied will use the forecast sales for year one and use these as the basis for year 2 with the YoY % Applied.

1.4. Baseline Sales Forecast Years 3, 4 and 5

The sales forecast for years 3, 4, and 5 is detailed by year, rather than by month. In a similar manner to the way the Universal Forecasting and Funding Proposal Model works for years 1 and 2, a 'Starter for Ten' suggestion is made by applying a Year on Year Percentage to the forecast sales from months 18 to 24 to provide a calculated total for Year 3.

You can either accept or adjust the applied Year on Year Percentage for each customer / sales channel, (Sales Nominal), or over-write the total provided for year 3 on a line by line basis.



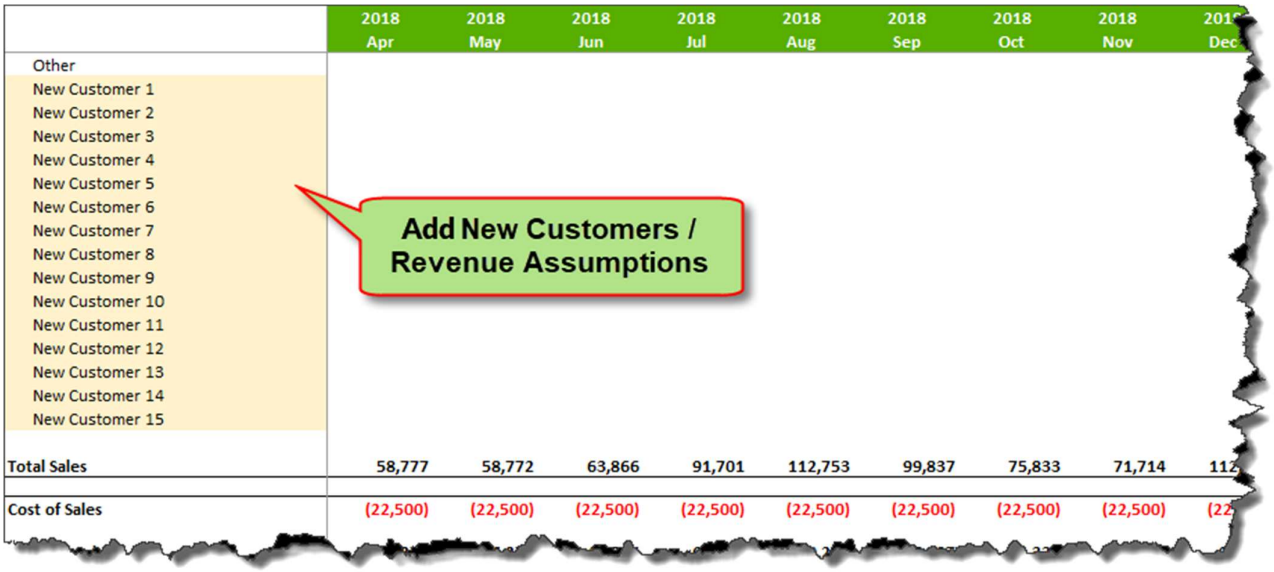
	Yr3 Assumptions		Yr4 Assumptions		Yr5 Assumptions		
	YoY%	Yr3 Total	YoY%	Yr4 Total	YoY%	Yr5 Total	VAT
Sales							%
Sales Nominal 1	5.0%	128,404	5.0%	134,825	5.0%	141,566	20.0%
Sales Nominal 2	5.0%	174,681	5.0%	183,415	5.0%	192,586	20.0%
Sales Nominal 3	5.0%	139,745	5.0%	146,732	5.0%	154,068	20.0%
Sales Nominal 4	5.0%	111,796	5.0%	117,386	5.0%	123,255	20.0%
Sales Nominal 5	5.0%	89,437	5.0%	93,908	5.0%	98,604	20.0%
Sales Nominal 6	5.0%	71,549	5.0%	75,127	5.0%	78,883	20.0%
Sales Nominal 7	5.0%	57,239	5.0%	60,101	5.0%	63,106	20.0%
Sales Nominal 8	5.0%	45,792	5.0%	48,081	5.0%	50,485	20.0%
Sales Nominal 9	5.0%	36,633	5.0%	38,465	5.0%	40,388	20.0%

Figure 8 - Step 6: Forecast Sales Revenue for Years 3, 4, and 5

The sales forecast for years 4 and 5 is calculated or entered in the same way.

1.5. Baseline Sales Forecast Years 1 to 5: New Customer or Sales Channels

New customers or sales channels can be entered individually or as a sub total in the space provided.



	2018 Apr	2018 May	2018 Jun	2018 Jul	2018 Aug	2018 Sep	2018 Oct	2018 Nov	2018 Dec
Other									
New Customer 1									
New Customer 2									
New Customer 3									
New Customer 4									
New Customer 5									
New Customer 6									
New Customer 7									
New Customer 8									
New Customer 9									
New Customer 10									
New Customer 11									
New Customer 12									
New Customer 13									
New Customer 14									
New Customer 15									
Total Sales	58,777	58,772	63,866	91,701	112,753	99,837	75,833	71,714	112
Cost of Sales	(22,500)	(22,500)	(22,500)	(22,500)	(22,500)	(22,500)	(22,500)	(22,500)	(22

Figure 9 - Step 6: Add New Customers / Revenue Assumptions

Having entered your Sales Forecast for years 1 to 5 you can now repeat the process for Gross Margin and Overheads.

1.6. Baseline Sales Forecast – VAT Rate for each Sales/Revenue Nominal

To ensure the correct application of VAT to your sales, you need to enter the appropriate VAT rate to each customer / sales channel as shown below. By default, all VAT entries will be set to 20%.

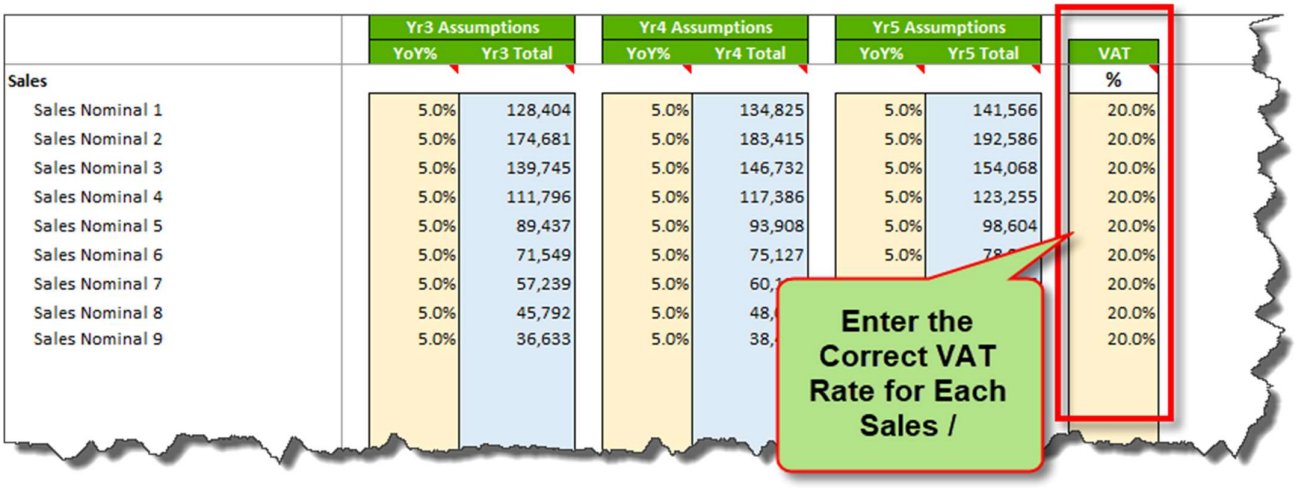


Figure 10 - Step 6: Enter the Correct VAT Rate for Each Sales/Revenue Nominal

1.7. Baseline Forecast – Cost of Sales/Variable Costs or Gross Margin Assumptions

As with the Sales forecast, the Universal Forecasting and Funding Proposal Model gives you a 'Starter for Ten' based on the cost of sales / variable costs and gross margin percentage achieved in your prior year.

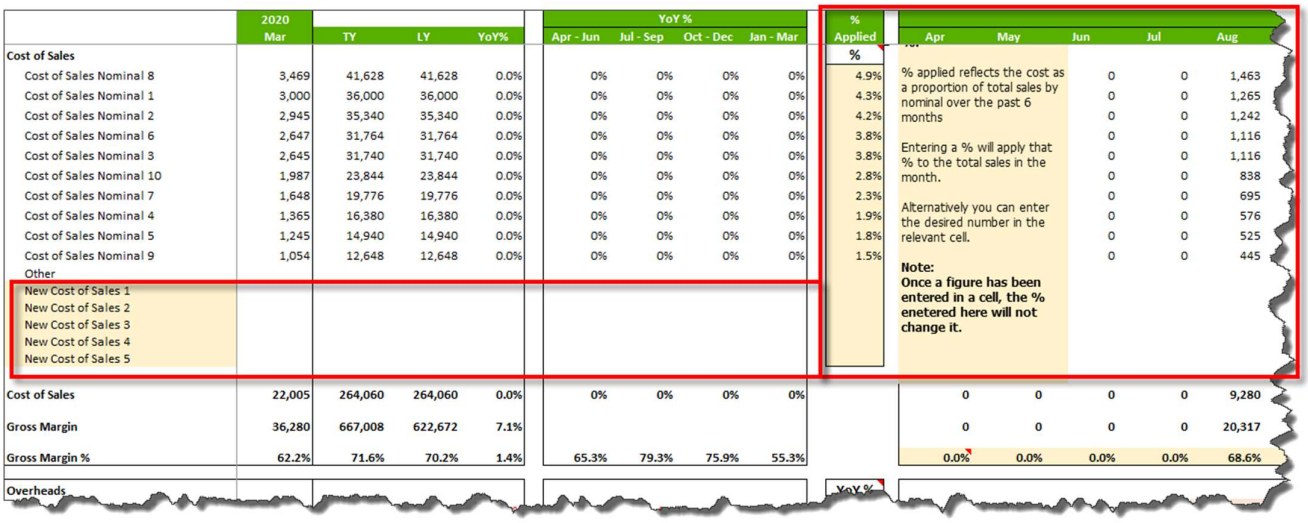
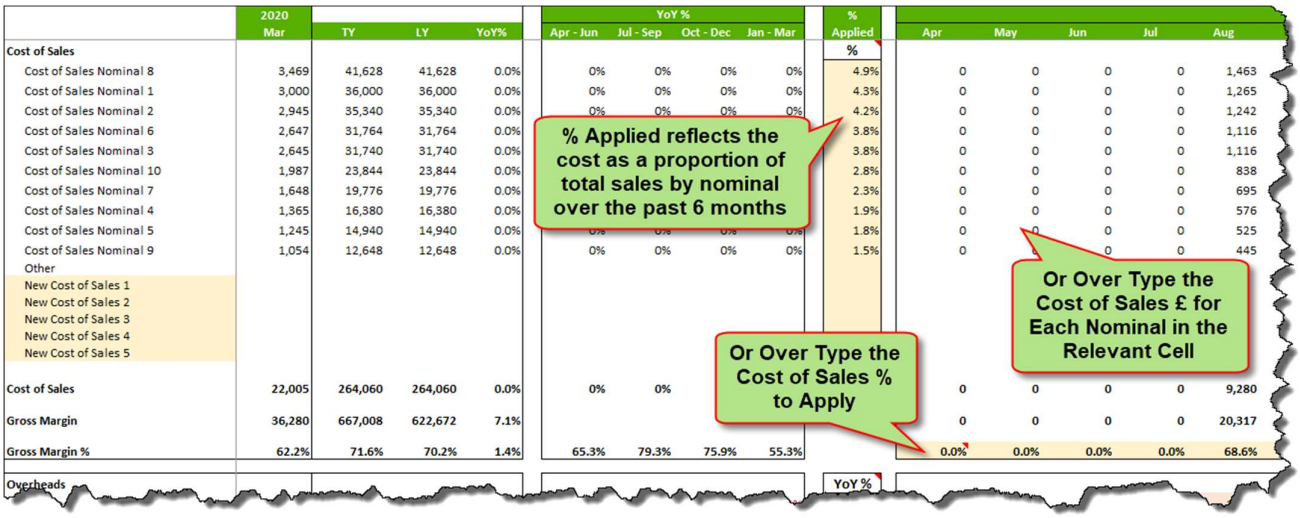


Figure 11 - Step 6: Enter Cost of Goods Assumptions

To view the Gross Margin Tool Tip, simply hover over the Gross Margin Percentage cell to view the relevant user instructions as per the image below.



	2020 Mar	TY	LY	YoY%	YoY % Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	% Applied	Apr	May	Jun	Jul	Aug
Cost of Sales									%					
Cost of Sales Nominal 8	3,469	41,628	41,628	0.0%	0%	0%	0%	0%	4.9%	0	0	0	0	1,463
Cost of Sales Nominal 1	3,000	36,000	36,000	0.0%	0%	0%	0%	0%	4.3%	0	0	0	0	1,265
Cost of Sales Nominal 2	2,945	35,340	35,340	0.0%	0%	0%	0%	0%	4.2%	0	0	0	0	1,242
Cost of Sales Nominal 6	2,647	31,764	31,764	0.0%					3.8%	0	0	0	0	1,116
Cost of Sales Nominal 3	2,645	31,740	31,740	0.0%					3.8%	0	0	0	0	1,116
Cost of Sales Nominal 10	1,987	23,844	23,844	0.0%					2.8%	0	0	0	0	838
Cost of Sales Nominal 7	1,648	19,776	19,776	0.0%					2.3%	0	0	0	0	695
Cost of Sales Nominal 4	1,365	16,380	16,380	0.0%					1.9%	0	0	0	0	576
Cost of Sales Nominal 5	1,245	14,940	14,940	0.0%					1.8%	0	0	0	0	525
Cost of Sales Nominal 9	1,054	12,648	12,648	0.0%	0%	0%	0%	0%	1.5%	0	0	0	0	445
Other														
New Cost of Sales 1														
New Cost of Sales 2														
New Cost of Sales 3														
New Cost of Sales 4														
New Cost of Sales 5														
Cost of Sales	22,005	264,060	264,060	0.0%	0%	0%				0	0	0	0	9,280
Gross Margin	36,280	667,008	622,672	7.1%						0	0	0	0	20,317
Gross Margin %	62.2%	71.6%	70.2%	1.4%	65.3%	79.3%	75.9%	55.3%		0.0%	0.0%	0.0%	0.0%	68.6%
Overheads									YoY %					

Figure 12 - Tab 6: % Applied, Cost of Sales % or Gross Margin 5

You can either use the Cost of Sales value that has been calculated for you or amend as appropriate. As with sales / revenue, you can over-type the cost of sales value for any particular which over-rides the % Applied calculation. Finally, you can also over-type the Gross Margin Percentage entered is applied to each of the subsequent 12 months.

Having entered the Cost of Sales / Variable Costs and / or Gross Margin Percentage Forecast for each of the next 24 months, scroll to the right to enter the Gross Margin Percentage Forecast and repeat the process for years 3, 4, and 5.

Note: You are also given a Gross Margin Percentage Tool Tips for years 3, 4 and 5.

1.8. Baseline Sales Forecast – VAT Rate for each Cost of Sales / Variable Cost Nominal

To ensure the correct application of VAT to your Cost of Sales / Variable Costs, you need to enter the appropriate VAT rate to each Cost of Sales Nominal as shown below. By default, all VAT entries will be set to 20%.

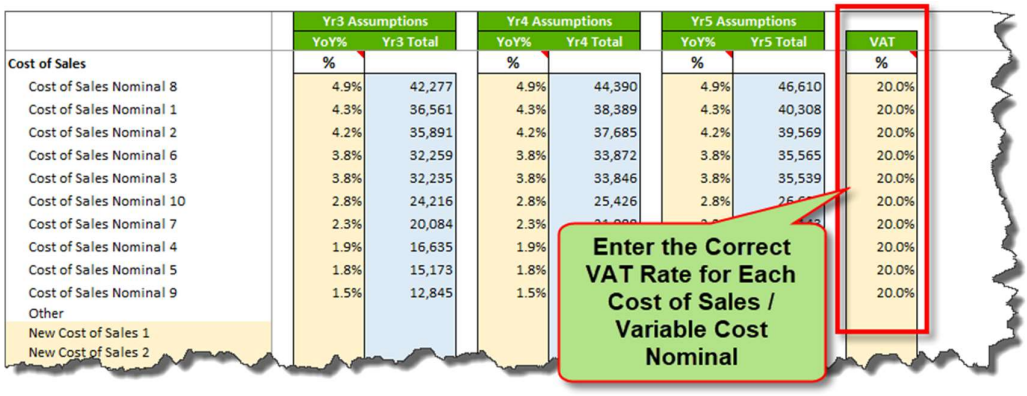


Figure 13 - Step 6: Enter the Correct VAT Rate for Each Cost of Sales / Variable Cost Nominal

1.9. Baseline Forecast – Overheads Assumptions

The method of forecasting your Overhead assumptions is the same as that applied to Sales. By default, the Universal Forecasting and Funding Proposal Model assumes your Year on Year Percentage change in all overheads will be zero, i.e. Overheads will remain constant. The YoY % cell can be updated to apply a positive percentage or a negative percentage (decrease).

As overheads typically do not change in direct relation to sales, your assumptions for taking on more staff, investing, capital investment, increases in office space etc. will be estimated and entered in the month in which the expenditure is expected to be incurred.

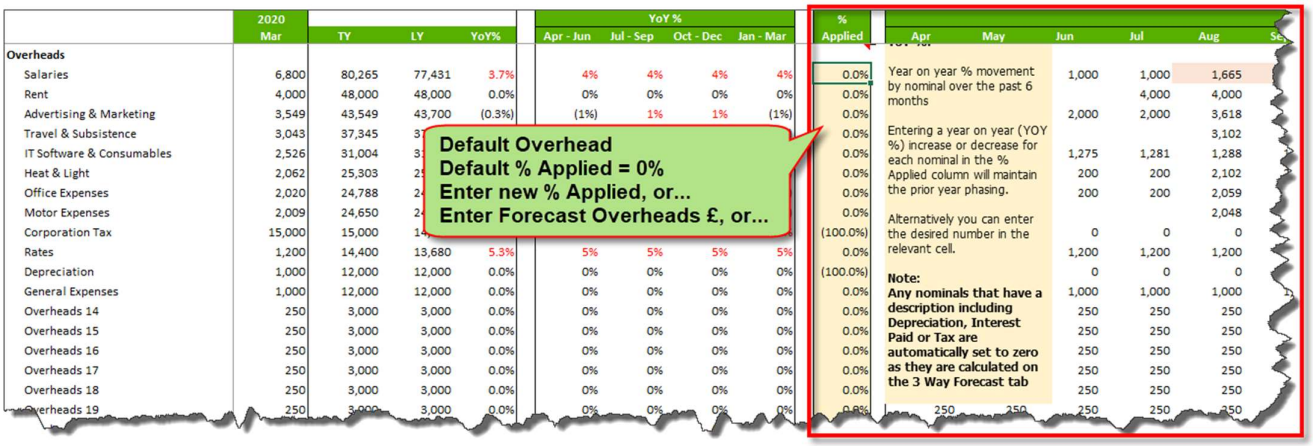
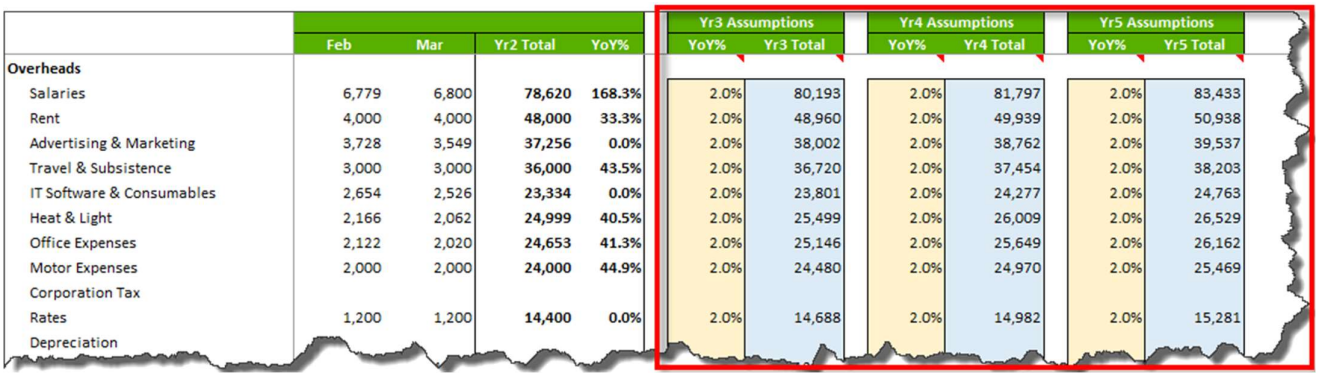


Figure 14 - Step 6: Overhead Forecast



	Feb	Mar	Yr2 Total	YoY%	Yr3 Assumptions YoY%	Yr3 Total	Yr4 Assumptions YoY%	Yr4 Total	Yr5 Assumptions YoY%	Yr5 Total
Overheads										
Salaries	6,779	6,800	**78,620**	**168.3%**	2.0%	80,193	2.0%	81,797	2.0%	83,433
Rent	4,000	4,000	**48,000**	**33.3%**	2.0%	48,960	2.0%	49,939	2.0%	50,938
Advertising & Marketing	3,728	3,549	**37,256**	**0.0%**	2.0%	38,002	2.0%	38,762	2.0%	39,537
Travel & Subsistence	3,000	3,000	**36,000**	**43.5%**	2.0%	36,720	2.0%	37,454	2.0%	38,203
IT Software & Consumables	2,654	2,526	**23,334**	**0.0%**	2.0%	23,801	2.0%	24,277	2.0%	24,763
Heat & Light	2,166	2,062	**24,999**	**40.5%**	2.0%	25,499	2.0%	26,009	2.0%	26,529
Office Expenses	2,122	2,020	**24,653**	**41.3%**	2.0%	25,146	2.0%	25,649	2.0%	26,162
Motor Expenses	2,000	2,000	**24,000**	**44.9%**	2.0%	24,480	2.0%	24,970	2.0%	25,469
Corporation Tax										
Rates	1,200	1,200	**14,400**	**0.0%**	2.0%	14,688	2.0%	14,982	2.0%	15,281
Depreciation										

Figure 15 - Step 6: Overhead Forecast Years 2, 3, 4, 5

Tool Tips are provided to assist you at every stage, as per the illustrations below.

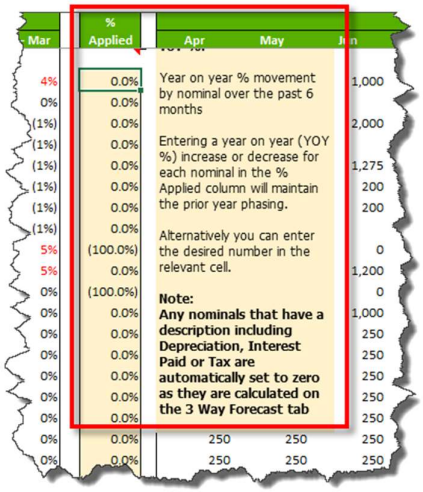


Figure 16 - Step 6: Tool Tip for Overheads Year 1

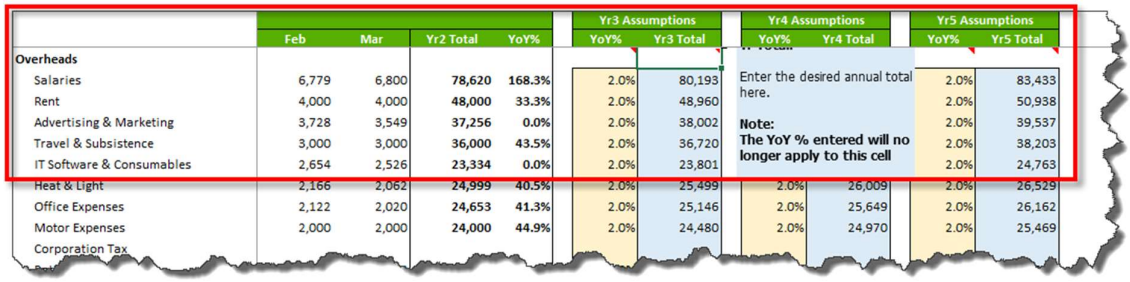


Figure 17 - Step 6: Tool Tips for Overheads years 2, 3, 4, 5

1.10. Corporation Tax, Depreciation, and Interest Payments to Zero

Note that any overheads that include the words or variations on the description of Corporation Tax, Depreciation or Interest rates are automatically set to -100% because these are dealt with in the 3 Way Forecast to ensure the correct treatment for taxation and cash flow purposes.

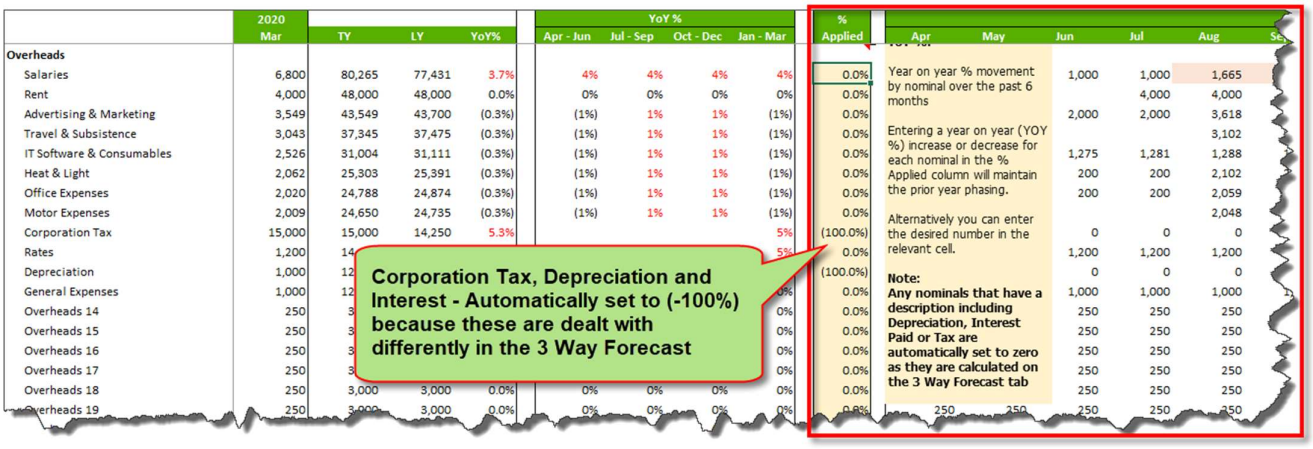


Figure 18 - Step 6: Corporation Tax, Depreciation and Interest Automatically Set to (-100%)

1.11. Baseline Forecast – New Overheads Assumptions

Having entered all necessary forecast assumptions for your existing Overheads, (Overhead Nominals), enter your assumptions for any new Overhead lines and their associated expenditure below in the space provided.

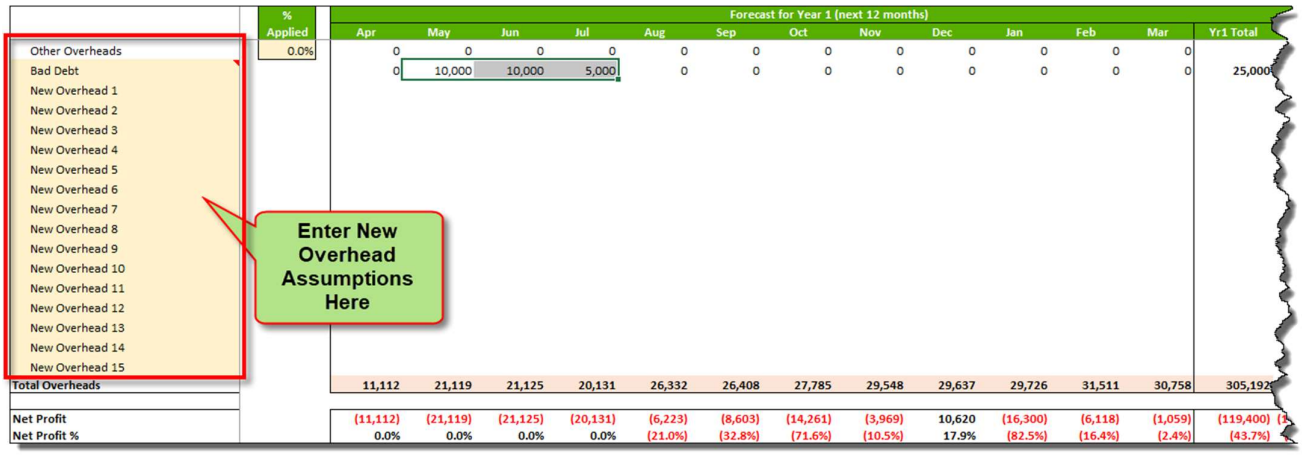


Figure 19 - Step 6: New Overhead Forecast

1.12. Baseline Forecast – Bad Debt Assumptions

Bad Debt has a different impact on your P&L and Balance Sheet to other overheads and **must** be entered on the Bad Debt line provided in the overheads section of the Baseline Forecast Tab as shown below. Doing this will allow the Universal Forecasting and Funding Proposal Model to correctly apply the treatment of Bad Debt and automatically make the necessary adjustments to Profit and Loss, Balance Sheet and Cash Flow treatment where necessary.

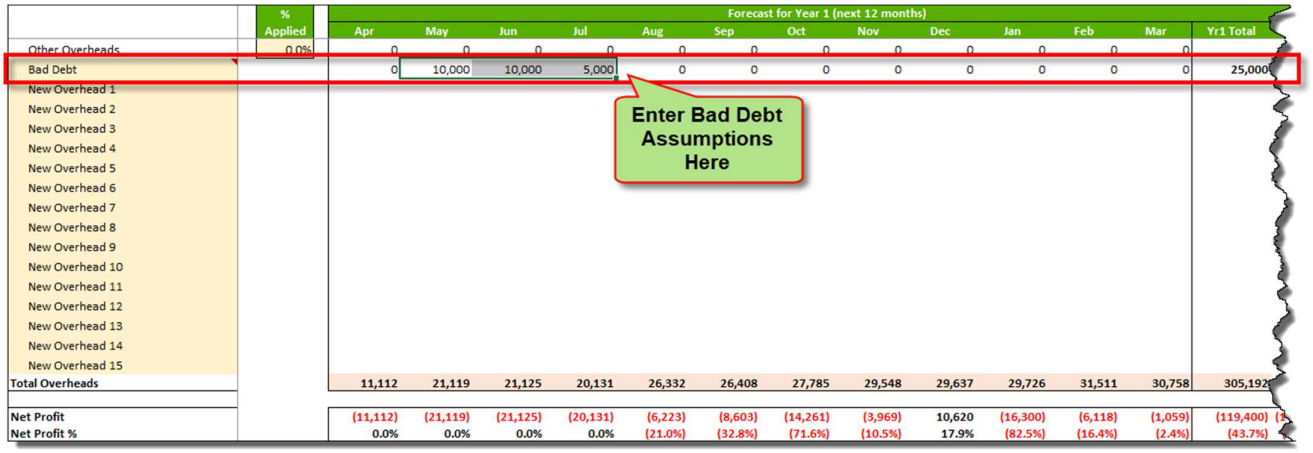


Figure 20 – Tab 6: Bad Debt Forecast Assumptions

Tool Tips are provided for Bad Debt as per the image below.

Figure 21 – Step 6: Bad Debt Tool Tip

1.13. Baseline Sales Forecast – VAT Rate for each Overhead Nominal

To ensure the correct application of VAT to your Cost of Sales / Variable Costs, you need to enter the appropriate VAT rate to each Cost of Sales Nominal as shown below. By default, all VAT entries will be set to 20%.

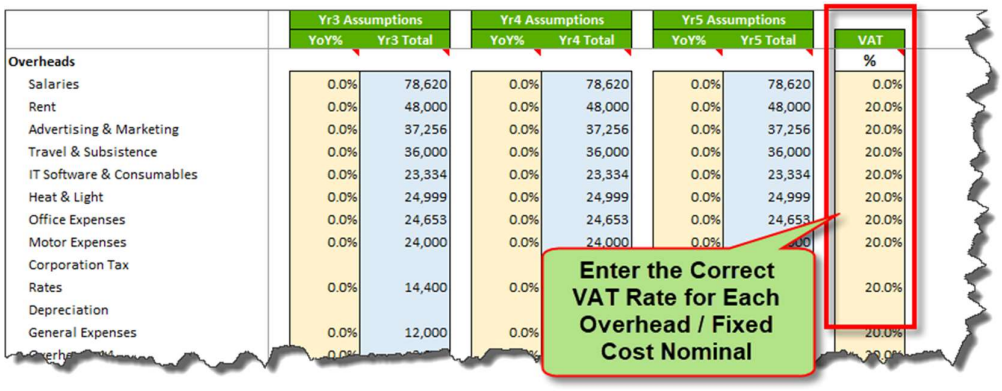


Figure 22 - Step 6: Enter the Correct VAT Rate for Each Overhead / Fixed Cost Nominal

2. List of Figures