

Business Financials

Rasa Verkauskaitė-Kazanskienė
Swedbank, AB
Corporate Banking Project manager

A top-down view of a person with blonde hair, wearing a white polka-dot shirt, sitting at a wooden desk. They are using a laptop. To the right of the laptop is a white bowl filled with a colorful salad of greens, corn, and other vegetables. A small white cup is also on the desk. In the background, there is a green plant and some office equipment. A semi-transparent white box with orange text is overlaid on the center of the image.

How much money do I need for the first year of business?

1. Context evaluation;
2. Revenue forecast;
3. Cost forecast;
4. Break-even Point analysis;
5. Something important to remember.

Step 1: Context evaluation



Practise: Evaluate your company's context

- How strong, unique is your team?
- Who are your main competitors?
- What are your main competitive advantages?
- Who are your suppliers / service providers? Possibilities to switch
- What are the market conditions and how it affects your business?



Step 2: Revenue forecast



Revenues forecast

- How much time you need in order to release your product/services?
- Are there any seasonality?
- Direct sales or distributors/agents/partners?
- What is the price of your product?
- What is your sales strategy (calls, visits, e-mails.. how many per day/week/month)?

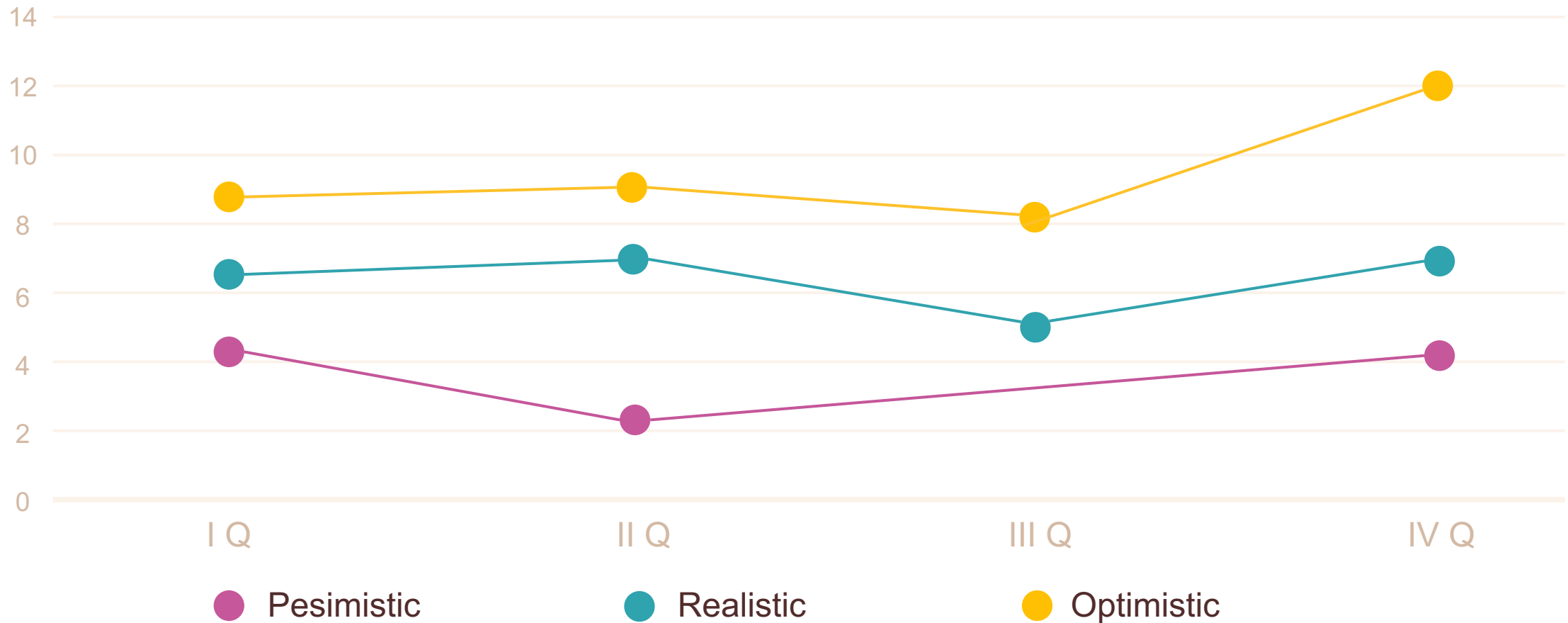


Revenue forecast

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Units sold directly	0	0	0	0	0	0	0	0	0	0	0	0	0
Price, EUR	130	130	130	130	130	130	130	130	130	130	130	130	
Units sold indirectly	0	0	0	0	19	27	34	43	51	67	84	105	430
Price, EUR	100	100	100	100	100	100	100	100	100	100	100	100	
Total sales, EUR	0	0	0	0	1900	2700	3 400	4 300	5 100	6 700	8 400	10 500	43 000 EUR / 430 units

Revenue forecast

Plan A, B, C



Revenues \neq Cash

- Know your customers and its ability to pay
- Advance payments are always better
- Agree on as short payment term as possible
- Annual payment is always better
- Consider factoring possibilities



Practise: Your revenues forecast for 12 months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Units sold directly													
Price per unit													
Units sold indirectly													
Price per unit													
Total													

Imagine such business case



I buy components for
60 EUR and make a
small robot



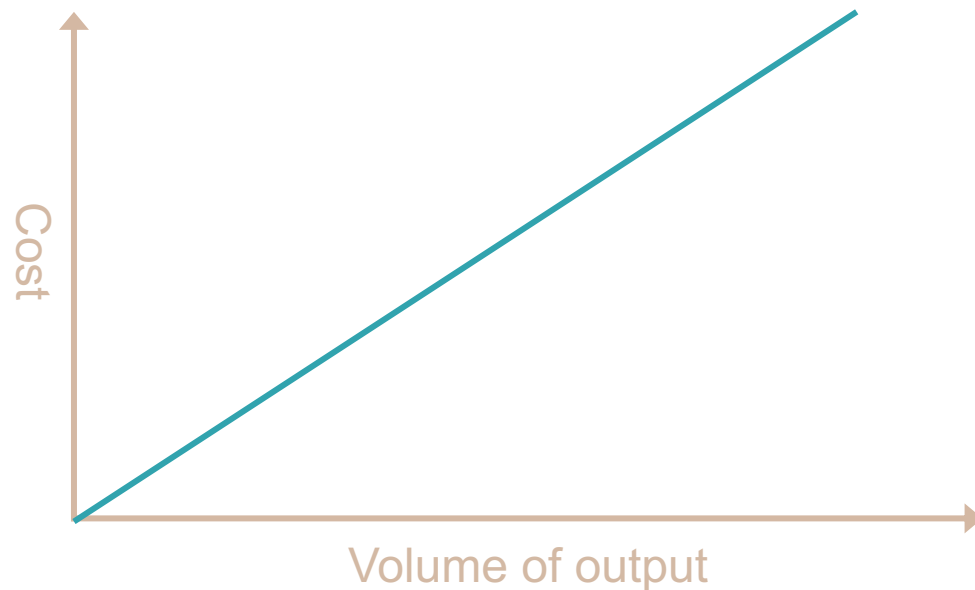
I sell this robot for
100 EUR / unit



How much profit do I make on each robot?

Step 3. Costs forecast

Type of costs - **Variable costs**

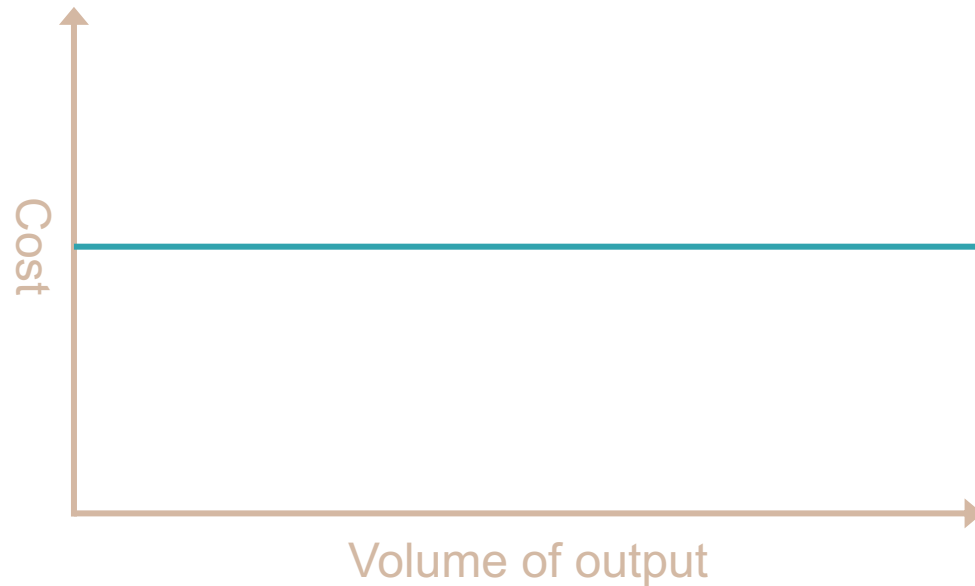


- Direct material cost
- Bonuses and commissions
- Transaction fees
- Legal cost
- Travel cost
- Sales and marketing, customer service
- Other

What are the key variable costs in your organization?

Costs forecast

Type of costs - Fixed costs

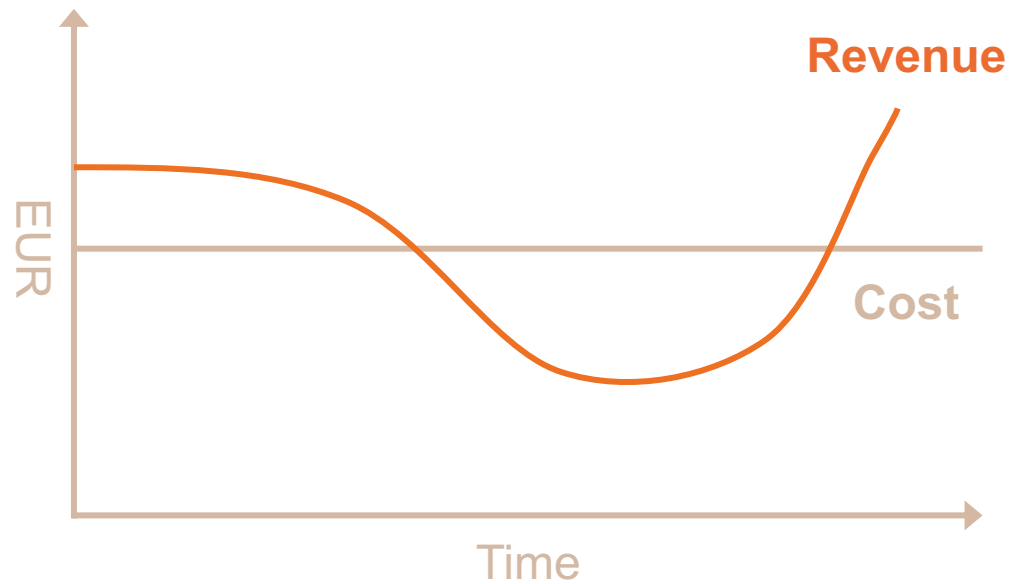


- Accounting
- Office / premises rent
- Equipment rent
- Staff cost (CEO, CFO, CMO)
- Utilities
- Marketing
- Legal costs, licenses
- Other

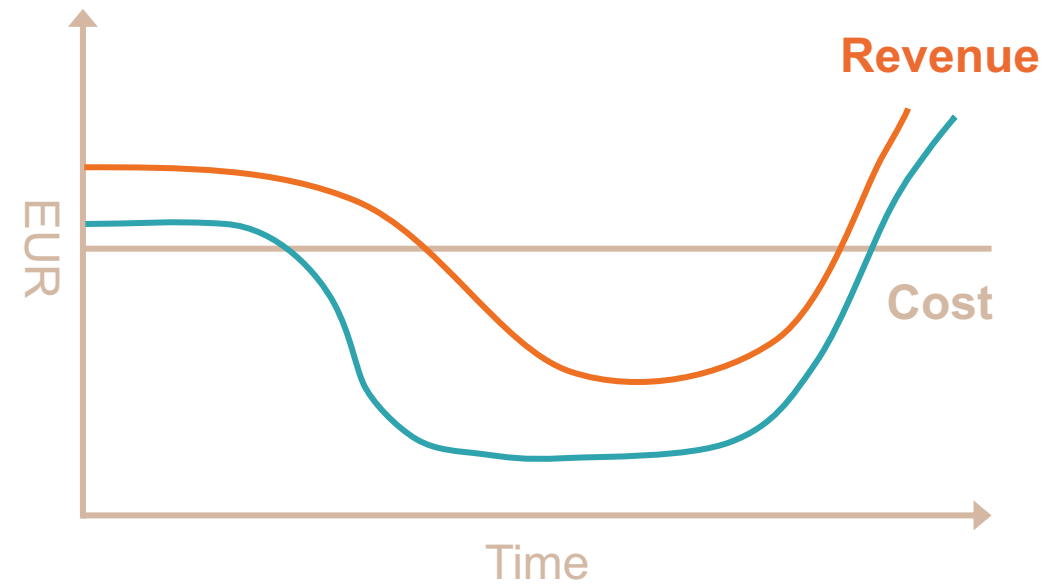
What are the key fixed costs in your organization?

Cost structure

Only fixed costs



Only variable costs



What type is your company's cost structure?

Practise: Your company's cost forecast for 12 months

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Total
Fixed costs:													
Accounting													
Salaries													
Office, utilities													
Manufacturing													
Marketing													
Other													
Variable costs:													
Direct material													
Sales, marketing													
Legal cost													
Bonuses and commissions													
Other													
Total cost													

How many robots I have to sell in order to cover costs and make a profit?

Selling price
per unit

100 EUR

Variable
cost per unit

60 EUR

Fixed costs
per month

4 000
EUR

Units sold	Revenue (EUR)	Variable costs (EUR)	Fixed costs (EUR)	Total costs (EUR)	Profit (Loss) (EUR)
50	5 000	3 000	4 000	7 000	(2 000)
100	10 000	6 000	4 000	10 000	0
150	15 500	9 000	4 000	13 000	2 500
200	20 000	12 000	4 000	16 000	4 000

Step 4: Break-Even Point (BP) Analysis

$$\text{BP} = \text{Fixed costs} / (\text{Unit price} - \text{Unit variable costs})$$

$$\text{BP} = 4\,000 \text{ EUR} / (100 \text{ EUR} - 60 \text{ EUR}) = 100 \text{ units / month}$$

$$100 \text{ units} * 100 \text{ EUR} = 10\,000 \text{ EUR} - \text{Break-Even revenues}$$

How to reach BP faster?

- Raise selling prices
- Reduce variable costs per unit
- Reduce fixed costs
- Turn fixed costs into variable costs
- Sell more



How much money do you need for the first year?

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Total revenues	0	0	0	0	1900	2700	3400	4300	5100	6700	8400	10500	43000
Total costs	4000	4000	4000	4000	5140	5620	6040	6580	7060	8020	9040	10300	73800
Total revenues – total costs	-4000	-4000	-4000	-4000	-3240	-2920	-2640	-2280	-1969	-1320	-640	200	-30800
Accumulated profit/loss	-4000	-8000	-12000	-16000	-19240	-22160	-24800	-27080	-29049	-30369	-31009	-30800	

Funding needed = 30 800 + 20% = 36 960 EUR

How much money do I need for the first year?

Expected revenue –
43 000 EUR

430 units/year



100 EUR/unit price

Funding needed –
36 960 EUR



Step 5. What else is important?

Situation is changing all the time

Good day,

We would like to inform
you that we decided to
invest in to your
company.

APPROVED



Sometimes for better



Sometimes for worse



It is important to communicate and stay open



How much money do I need for the first year of business?



1.

Evaluate the
context



2.

Make revenues
forecast



3.

Make costs
forecast



4.

Make a break-even
point analysis



**5. Remember to communicate
and stay open**

**Good luck with your
business idea!!**

