**Financial Issues : example**

Start-up Expenses and capitalization

|  |  |
| --- | --- |
| **Start-up Expenses – one-time Expenses** |  |
| Legal | 300 € |
| Logo Design | 150 € |
| Insurance | 9.500 € (for 1 year) |
| Payroll | 5.000 € |
| Rent/Security deposit | 1.600 € |
| Pre-opening marketing | 300 € |
| Total Expenses | 16.850 € |

In the legal part of our start-up expenses we included 250€ for the registration of our company and additional 50€ for other stamps and signings that we need. The logo design will be made by a design company. Therefore we are estimating to pay 150€ for it. Our future website design will be for free, because Anna’s brother will take care of this. The insurance of the store will cost us 9.500 € for a whole year. Furthermore, we will have costs of payrolls of about 5.000 € and pre-opening marketing costs of 300 €.

|  |  |
| --- | --- |
| **Start-up Assets** |  |
| Cash in the bank | 500.000 € |
| Inventory | 14.120 € |
| Total assets | 514.120 € |

|  |  |
| --- | --- |
| Recurring Costs/monthly costs |  |
| Rent | 4.600 € |
| Utilities | 100 € |
| Payroll – personal costs from personal plan | 11.450 € |
| Marketing from marketing plan | 600 € |
| Number of Months | 6 months |
| **Total Recurring Expenses** | (16.750 x 6=) 100.500 € |

**Total Startup Costs:** 16.850 € + 514.120 € + 100.500 € = **631.470 €**

Capitalization

Calculating our total start-up costs we estimated 631.470 €. We will cover these expenses with our own investment and a loan from the bank. Our own capital will be 200.000 € and we will use a credit of 431.470 €.

**VIII. Financial Plan**

Our sales revenues for the first 12 months will be 840.000 €. We expect to sell about 350 items per month. The price of our product is 200 €. This leads to a total of 840.000 € revenues.

Our total expenses will be 804.850 €, including the cost of goods sold with 588.000 €, our start-up expenses of 16.850 € and our own investment in the company with 200.000 €. We calculated our cost of goods sold with the cost of production of one item (140 €) and our estimated sales of 350 items per month and multiplied it by 12 to see how much it will cost for one year.

Our other expenses like Advertising, Insurance and Payroll taxes can be found in the table “Start-up Expenses.”

Therefore our net income before taxes is 35.150 €. The tax rate is 19%. This leads to a reduction of our income of 6678,50 €.

Hence our income from continuing operations will be **28.471,50 €.**

Balance sheet

|  |  |
| --- | --- |
| **Assets** |  |
| 1. Current Assets |  |
| Cash | 514.120 € |
| Total Current Assets | 514.120 € |
| 1. Long-term Assets |  |
| Long-term Cash | 100.500 € |
| Other | 16.850 € |
| Total long-term Assets | 117.250 € |
| Total Amount of Assets | **631.470 €** |

|  |  |
| --- | --- |
| Liabilities and Equity |  |
| Long-term Liabilities |  |
| Long-term loans | 431.470 € |
| Total Liabilities | 431.470 € |
| Total Shareholder’s Equity | 200.000 € |
| **Total Liabilities and Equity** | **631.470 €** |