

AfriBizKid Finance Plan

USER GUIDE

Version: 1.0

Contents

FINANCE PLAN OVERVIEW.....	3
1. 12-MONTH FINANCE GOALS & KPIS.....	4
12-MONTH FINANCE GOALS	4
KEY PERFORMANCE INDICATORS (KPIs)	4
2. REVENUE PROJECTION.....	5
3. COST BUDGET	6
COST OF SALES (DIRECT COSTS)	6
OVERHEADS (INDIRECT COSTS).....	6
4. PROFIT & LOSS PROJECTION.....	7
5. BREAK-EVEN ANALYSIS.....	8
6. CASH FLOW FORECAST	9
7. FUNDING REQUIREMENT.....	10
8. BALANCE SHEET FORECAST	11
BALANCE SHEET RATIOS	12
WORKING CAPITAL.....	12
9. TAX PLANNING	13
10. INVESTMENT PLANNING.....	14
11. FINANCE NUGGETS	15
NUGGET # 1: STAY LEAN . . . USE OPRs	15
NUGGET # 2: MAKE IT DIFFICULT TO SPEND MONEY	15
NUGGET # 3: WATCH YOUR CASH FLOW LIKE A HAWK	15
NUGGET # 4: KEEP GOOD FINANCIAL RECORDS	15
NUGGET # 5: PLAN . . . AND THEN WORK THE PLAN!.....	15

NUGGET # 6: SAVE & INVEST.....	16
NUGGET # 7: MAKE PROVISION FOR TAX.....	16
NUGGET # 8: PLAN FOR GROWTH	16

How to Use this User Guide

Have this **USER GUIDE** open at the time you are completing your **AfriBizKid FINANCE Plan**, which can be found at the **AfriBizKid Finance Plan Tool**, on the **AfriBizWiz** page https://afribizkid.africa/afribizwiz/#finance_plan_tool.

Steps to Complete this:

- Use these **BLUE** sections as guidelines for completing each of the sections in the **AfriBizKid Finance Plan**

Finance Plan Overview

Enter your **Finance Plan Overview** here, but this section should be completed LAST, after completing steps 1 – 11 of your small business Finance Plan.

Steps to Complete this:

- *Complete this section at the end, after you have completed the entire finance plan*
- *Summarise the key points of the finance plan*

1. 12-Month Finance Goals & KPIs

Setting GOALS & KPIs to support your FINANCE PLAN will yield far better results than if you don't do so.

Any *Finance Goal* should be mapped onto the *Business Goals* of your small business, ensuring that they support the business and don't create any divergence with the overall strategy for your small business.

Steps to Complete this:

- *Provide a high-level summary of the goals and KPIs for your finance plan*

12-Month Finance Goals

Ensure that Marketing Goals are S-M-A-R-T, standing for:

- **Specific:** Goal must focus on a clearly defined metric
- **Measurable:** You must be able to measure the marketing goal against that metric
- **Aspirational/Achievable:** Your goal should go beyond the results your marketing efforts normally deliver
- **Realistic:** You must have a reasonable chance of completing the goal with the resources available to you
- **Time-Based:** Your goal must have an end-date on which the metric will be achieved

Steps to Complete this:

- *Set your sales finance goals*
- *Examples may include:*
 - *Complete finance plan by DD MMM*
 - *Achieve a positive cash flow from month 3 and maintain it*
 - *Find a funding partner by the start of Year 2*
 - *Grow the Working Capital of the business to a certain amount by a certain date*
 - *Achieve a Savings & Investment Goal of a certain amount by a certain date*

Key Performance Indicators (KPIs)

KPIs, or Key Performance Indicators, are METRICS which will allow you to measure your financial performance against what you had planned.

Steps to Complete this:

- *Set your finance plan KPIs*
- *Financial KPIs may include:*
 - *KPI # 1 – Gross Margin of > 40%*
 - *KPI # 2 – Net Margin > 20%*
 - *KPI # 3 – Actual Costs < Budget Costs*
 - *KPI # 4 – Working Capital Growth per Month*
 - *KPI #5 – Achieve Sales per Employee of 10,000 per month*

2. Revenue Projection

Revenue is the LIFE BLOOD of any business, so projecting revenue based on a sales forecast is a critical step in conducting the financial planning for your business.

Getting to a REVENUE PROJECTION that works for your small business is somewhat of an iterative process. For your business to make profits, there needs to be enough units of sales, at a price that allows for enough gross profit to be made, so that when you have paid the indirect costs (overheads), there is net profit remaining.

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Lesson 11 guides you through how to use the **AfriBizKid Business Planning Tool**.

Having worked through the product or service costing, the sales forecasts (blue cells below) will then generate a REVENUE line per product, as show below, totalling up to an overall REVENUE PROJECTION (**RED ARROW**) for your business:

Sales Forecast												
Year 1												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Lawn Mowing (1 hr)	3	6	12	12	12	12	12	12	12	12	12	12
Pool Cleaning (1 hr)	1	2	4	4	4	4	4	4	4	4	4	4
Garden Services (1 hr)	1	2	4	4	4	4	4	4	4	4	4	4
General DIY Type Work (1 hr)	1	2	4	4	4	4	4	4	4	4	4	4
TOTAL MONTHLY UNITS	6	12	24	24	24	24	24	24	24	24	24	24

Revenue Forecast												
Year 1												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Lawn Mowing (1 hr)	450	900	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Pool Cleaning (1 hr)	100	200	400	400	400	400	400	400	400	400	400	400
Garden Services (1 hr)	100	200	400	400	400	400	400	400	400	400	400	400
General DIY Type Work (1 hr)	150	300	600	600	600	600	600	600	600	600	600	600
TOTAL MONTHLY REVENUE	800	1,600	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200
CUMULATIVE TOTAL REVENUE	800	2,400	5,600	8,800	12,000	15,200	18,400	21,600	24,800	28,000	31,200	34,400

Steps to Complete this:

- Use the **AfriBizKid Business Planning Tool** to develop your Revenue Forecast
- Use the **USER GUIDE** to assist you with using the **AfriBizKid Business Planning Tool**

3. Cost Budget

The COST BUDGET is split into two parts: COST OF SALES (Direct Costs) and OVERHEADS (Indirect Costs).

Cost of Sales (Direct Costs)

COST OF SALES (Direct Costs) are dependent on the Cost of Goods (COG) produced or Cost of Services (COS) delivered, and can include labour, materials and manufacturing supplies. To forecast DIRECT COSTS (i.e. to create a DIRECT COST BUDGET), you need to multiply the number of units forecasted by the cost to produce the product or deliver the service.

Per example:

$$10 \text{ Units Forecasted Sales} \times 1,200 \text{ Cost per Unit} = 12,000 \text{ Cost of Sales}$$

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Profit & Loss													
Year 1													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
REVENUE	800	1,600	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200
TOTAL COST OF SALES	375	750	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Lawn Mowing (1 hr)	225	450	900	900	900	900	900	900	900	900	900	900	900
Pool Cleaning (1 hr)	50	100	200	200	200	200	200	200	200	200	200	200	200
Garden Services (1 hr)	50	100	200	200	200	200	200	200	200	200	200	200	200
General DIY Type Work (1 hr)	50	100	200	200	200	200	200	200	200	200	200	200	200
GROSS MARGIN	425	850	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700
GROSS MARGIN %	53.1%	53.1%	53.1%	53.1%	53.1%	53.1%	53.1%	53.1%	53.1%	53.1%	53.1%	53.1%	53.1%
CUMULATIVE GROSS MARGIN	425	1,275	2,975	4,675	6,375	8,075	9,775	11,475	13,175	14,875	16,575	18,275	

In the example above for Year 1, the **Cost of Sale** of each of the products can be seen, with the **TOTAL COST OF SALES** shown by the **RED ARROW**.

Steps to Complete this:

- Use the **AfriBizKid Business Planning Tool** to develop your Cost Budget for **COST OF SALES**
- Use the **USER GUIDE** to assist you with using the **AfriBizKid Business Planning Tool**

Overheads (Indirect Costs)

OVERHEADS (Indirect Costs) are those costs that recur, regardless of whether any products or services are sold.

Indirect costs could include: Rent, Utilities, Office Supplies, Marketing Expenses, Selling Expenses, Salaries, Wages, Taxes, and Interest Expenses.

TOTAL INDIRECT COSTS	350	700	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Salary for Worker/Owner	250	500	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Lawn Mower Maintenance	100	200	300	300	300	300	300	300	300	300	300	300	300
NET MARGIN	75	150	400	400	400	400	400	400	400	400	400	400	400
NET MARGIN %	9.4%	9.4%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
Break-Even Analysis	659	1,318	2,447	2,447	2,447	2,447	2,447	2,447	2,447	2,447	2,447	2,447	2,447
Sales Over/Under	141	282	753	753	753	753	753	753	753	753	753	753	753
CUMULATIVE NET MARGIN	75	225	625	1,025	1,425	1,825	2,225	2,625	3,025	3,425	3,825	4,225	

In the example above, the **Indirect Costs** can be seen, with the **TOTAL COST OF SALES** shown by the **RED ARROW**.

Steps to Complete this:


- Use the **AfriBizKid Business Planning Tool** to develop your Indirect Cost Budget for **INDIRECT COSTS**
- Use the **USER GUIDE** to assist you with using the **AfriBizKid Business Planning Tool**

4. Profit & Loss Projection

Use the **AfriBizKid Business Planning Tool** via this url: https://afribizkid.africa/afribizwiz/#business_plan_tool.

Lesson 11 guides you through how to use the **AfriBizKid Business Planning Tool**.

When the above steps are complete, you should be able to see the PROFIT & LOSS PROJECTION (**RED ARROW**).

	NET MARGIN	75	150	400	400	400	400	400	400	400	400	400	400
	NET MARGIN %	9.4%	9.4%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
	Break-Even Analysis	659	1,318	2,447	2,447	2,447	2,447	2,447	2,447	2,447	2,447	2,447	2,447
	Sales Over/Under	141	282	753	753	753	753	753	753	753	753	753	753
	CUMULATIVE NET MARGIN	75	225	625	1,025	1,425	1,825	2,225	2,625	3,025	3,425	3,825	4,225

In the example above, the **Profit & Loss** can be seen as the **NET MARGIN** line. A POSITIVE NUMBER indicates a PROFIT, whereas a NEGATIVE NUMBER would indicate a LOSS.

Steps to Complete this:

- Use the **AfriBizKid Business Planning Tool** to develop your Profit & Loss Projection
- Use the **USER GUIDE** to assist you with using the **AfriBizKid Business Planning Tool**

5. Break-Even Analysis

Use the **AfriBizKid Business Planning Tool** via this url: https://afribizkid.africa/afribizwiz/#business_plan_tool.

Lesson 11 guides you through how to use the **AfriBizKid Business Planning Tool**.

When the above steps are complete, you should be able to see the BREAK-EVEN ANALYSIS.

NET MARGIN	75	150	400	400	400	400	400	400	400	400	400	400
NET MARGIN %	9.4%	9.4%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
Break-Even Analysis	659	1,318	2,447	2,447	2,447	2,447	2,447	2,447	2,447	2,447	2,447	2,447
Sales Over/Under	141	282	753	753	753	753	753	753	753	753	753	753
CUMULATIVE NET MARGIN	75	225	625	1,025	1,425	1,825	2,225	2,625	3,025	3,425	3,825	4,225

In the example above, the **Break-Even Analysis** can be seen, indicated by the **RED ARROW**.

The BREAK-EVEN ANALYSIS NUMBER indicates sales that would be needed in order to cover your INDIRECT COSTS (Overheads).

The SALES OVER/UNDER line indicates sales ABOVE or BELOW the Break-Even Forecast.

ABOVE is good, indicating that you are making enough sales to cover your Indirect Costs.

BELOW is bad, indicating that your sales will not cover your Indirect Costs, and by how much, with the remedy being:

1. Increase MARK-UP in product or service costing
2. Increase the SALES FORECAST (number of units sold, which translate into revenue)
3. Reduce INDIRECT COSTS
4. Combination of 1 – 3

A BREAK-EVEN ANALYSIS can be carried out at both a FORECASTING & REPORTING stage.

Steps to Complete this:


- Use the **AfriBizKid Business Planning Tool** to develop your Break-Even Analysis
- Use the **USER GUIDE** to assist you with using the **AfriBizKid Business Planning Tool**

6. Cash Flow Forecast

Use the **AfriBizKid Business Planning Tool** via this url: https://afribizkid.africa/afribizwiz/#business_plan_tool.

Lesson 11 guides you through how to use the **AfriBizKid Business Planning Tool**.

When the above steps are complete, you should be able to see the CASH FLOW FORECAST, shown as CUMULATIVE NET MARGIN in the diagram below:

	NET MARGIN	75	150	400	400	400	400	400	400	400	400	400	400
	NET MARGIN %	9.4%	9.4%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
	Break-Even Analysis	659	1,318	2,447	2,447	2,447	2,447	2,447	2,447	2,447	2,447	2,447	2,447
	Sales Over/Under	141	282	753	753	753	753	753	753	753	753	753	753
	CUMULATIVE NET MARGIN	75	225	625	1,025	1,425	1,825	2,225	2,625	3,025	3,425	3,825	4,225

In the example above, the **Cash Flow Forecast** can be seen in the area highlighted as CUMULATIVE NET MARGIN, indicated by the **RED BOX**.

The monthly NET MARGIN (**RED ARROW**) shown above indicates whether the cash generated (Net Margin/Profit) for each month is 'above water', meaning a POSITIVE CASH FLOW, or is 'below water', meaning a NEGATIVE CASH FLOW.

The CUMULATIVE NET MARGIN (**RED BOX**) shown above indicates whether the CUMULATIVE cash generated (Net Margin/Profit) over the twelve month period is 'above water', meaning a POSITIVE CASH FLOW, or is 'below water', meaning a NEGATIVE CASH FLOW.

POSITIVE is good, indicating that you are making more money that you are spending.

NEGATIVE is bad, indicating that you are spending more than you are making, with the remedy being:

1. Increase MARK-UP in product or service costing
2. Increase the SALES FORECAST (number of units sold, which translate into revenue)
3. Reduce INDIRECT COSTS
4. Combination of 1 – 3

Steps to Complete this:

- Use the **AfriBizKid Business Planning Tool** to develop your Cash Flow Forecast
- Use the **USER GUIDE** to assist you with using the **AfriBizKid Business Planning Tool**

8. Balance Sheet Forecast

Most small businesses wouldn't consider developing a BALANCE SHEET, however, it is one of the THREE KEY FINANCIAL DOCUMENTS which are needed for running a small business.

The BALANCE SHEET is an indication of the WORTH of your small business, and something you should have as a KEY FINANCIAL GOAL and KPI when building your small business.

A balance sheet in its simplest form is:

$$\text{ASSETS} - \text{LIABILITIES} = \text{OWNER EQUITY}$$

As an example, this can be illustrated as follows:

ASSETS	15,000
Cash	500
Stock	2,000
Accounts Receivable	2,500
Equipment	5,000
Savings & Investments	5,000
LIABILITIES	6,200
Accounts Payable	2,000
Loan from Investor	4,000
OWNER EQUITY	8,800
Owners Investment	3,000
Retained Earnings	5,800

Use the **AfriBizKid Balance Sheet** via this url: https://afribizkid.africa/afribizwiz/#document_download_centre.

The **AfriBizKid Balance Sheet** provides a DOUBLE INPUT COLUMN, allowing you to record your balance sheet at TWO points in time: One for NOW, and one as PROJECTED, which is what you will want to work towards achieving:

Balance Sheet	<enter BUSINESS NAME here>		[NOW - ACTUAL]	[PLANNED]
			YY/MM/DD	YY/MM/DD
ASSETS	TOTAL	0	TOTAL	0
Current Assets	Total	0	Total	0
Cash				
Accounts Receivable				
Inventory				
Prepaid Expenses				
Short-Term Investments				
Other				
Other				
Other				

Balance Sheet Ratios

Important BALANCE SHEET RATIOS are:

- **Debt Ratio** (Total Liabilities/Total Assets)
- **Current Ratio** (Current Assets/Current Liabilities)
- **Assets-to-Equity Ratio** (Total Assets/Owner's Equity)
- **Debt-to-Equity Ratio** (Total Liabilities/Owner's Equity)

	YY/MM/DD	YY/MM/DD
FINANCIAL RATIOS		
Debt Ratio (Total Liabilities/Total Assets)	0.25	0.50
Current Ratio (Current Assets/Current Liabilities)	2.00	2.50
Assets-to-Equity Ratio (Total Assets/Owner's Equity)	2.00	5.50
Debt-to-Equity Ratio (Total Liabilities/Owner's Equity)	0.50	1.00
WORKING CAPITAL	500	1,500

These BALANCE SHEET RATIOS are all automatically calculated in the **AfriBizKid Balance Sheet**.

Working Capital

WORKING CAPITAL = Current Assets – Current Liabilities

Positive WORKING CAPITAL is GOOD, whereas negative is BAD.

WORKING CAPITAL is automatically calculated in the **AfriBizKid Balance Sheet**.

Steps to Complete this:

- Download the **AfriBizKid Balance Sheet** from the **AfriBizWiz Document Download Centre** and build your small business BALANCE SHEET: https://afribizkid.africa/afribizwiz/#document_download_centre.
- Remember to set FINANCIAL GOALS & KPIs on BALANCE SHEET RATIOS and WORKING CAPITAL (see 1.0 in this USER GUIDE)
- If needed, get some guidance from someone more experienced and with a knowledge of business finance. Remember, people are ready to help you, if you just ask!

9. Tax Planning

As a small start-up with limited turnover, paying tax should not really be a consideration*.

However, with that said, not accruing for TAX has caused MANY business, large and small, to go OUT OF BUSINESS!

Remember, paying tax is a requirement in all countries and must be seen as a positive, as it indicates that you are generating revenue and making profit.

* Check local tax laws to determine the threshold for paying tax as a small business.

Steps to Complete this:

- *Check your local tax laws to determine the threshold for paying tax as a small business.*
- *Get your bookkeeper to keep you abreast with what is owed to the taxman, and make sure that you have your tax payments accrued.*

10. Investment Planning

There is nothing more sweet and exciting than seeing savings and investments grow as you build your small business.

Having money saved and invested will provide you with a solid foundation in your business and in your life.

Set FINANCIAL GOALS & KPIs for SAVINGS and INVESTMENTS (see 1.0, above).

Steps to Complete this:

- *Set FINANCIAL GOALS & KPIs for SAVINGS and INVESTMENTS (see 1.0, above)*
- *Get HELP and GUIDANCE from a qualified financial planner*

11. Finance Nuggets

What follows are a number of **Finance Nuggets** which should be considered when constructing your FINANCE PLAN.

Steps to Complete this:

- *Go through each of the FINANCEC NUGGETS below and document how you could use the information in your small business.*

Nugget # 1: Stay Lean . . . use OPRs

Resist spending at ALL costs in order to preserve the working capital in your small business, which is the LIFEBLOOD for growth.

Don't buy that car!

In the start-up phase of your business, use (rent) Other People's Resources (OPRs) wherever possible in order to preserve working capital.

Steps to Complete this:

- *Study this FINANCE NUGGET and see how you could implement it in your small business*

Nugget # 2: Make it DIFFICULT to Spend Money

Don't carry or keep cash. Put it in the bank and leave any means of withdrawing your business money in the business safe.

Make it difficult to spend.

Also, try to buy on terms, which will help extend the available working capital in your business.

Steps to Complete this:

- *Study this FINANCE NUGGET and see how you could implement it in your small business*

Nugget # 3: Watch your Cash Flow LIKE A HAWK

A well-managed Cash Flow can greatly help in creating a healthy trading environment for your small business.

Know EXACTLY what money is coming into your business and what money is going out . . . AT ALL TIMES!

Furthermore, managing collections is a CRUCIAL task and must not EVER be neglected!

Steps to Complete this:

- *Study this FINANCE NUGGET and see how you could implement it in your small business*
- *Use the **AfriBizKid Cash Flow Tool***

Nugget # 4: Keep Good Financial Records

Keep good financial records and hire a bookkeeper as soon as you can afford one.

Steps to Complete this:

- *Study this FINANCE NUGGET and see how you could implement it in your small business*

Nugget # 5: PLAN . . . and then WORK THE PLAN!

Create a FINANCE PLAN, including forecasting and budget accurately, and then WORK-THE-PLAN!

Make changes if you are not achieving your FINANCE GOALS and KPIs.

Make sure you are meeting your sales/revenue projections.

Control costs to beat the budget!

Steps to Complete this:

- *Study this FINANCE NUGGET and see how you could implement it in your small business*

Nugget # 6: Save & Invest

This is KEY.KEY.KEY!

Make sure you are building up your working capital through saving and investing wisely.

Steps to Complete this:

- *Study this FINANCE NUGGET and see how you could implement it in your small business*

Nugget # 7: Make Provision for Tax

As soon as your business has a high enough turnover to qualify for tax, you need to make provision for paying tax.

Your bookkeeper will help you with this.

There are COUNTLESS stories of both large and small businesses being taken down due to taxes owed to the state!

Steps to Complete this:

- *Study this FINANCE NUGGET and see how you could implement it in your small business*

Nugget # 8: Plan for Growth

Good times and good things will come, but for NOW, you need to conserve EVERY cent or shilling for the GROWTH of your small business into a large business!

Steps to Complete this:

- *Study this FINANCE NUGGET and see how you could implement it in your small business*

- End of Finance Plan USER GUIDE -