

Estimating the Costs of a New Business

Because the costs of starting a business are often underestimated, new entrepreneurs should consider completing, at a minimum, a few basic pro forma financial statements even before they attempt to estimate how much money they will need. In addition to a personal financial statement such as the one illustrated above, try preparing the following estimates for initial setup and projected monthly costs.

Initial Setup Costs

Use the following worksheet to prepare an itemized estimate of how much it will cost to get your business set up. These will all be pre-opening expenses.

SCHEDULE A: INITIAL SETUP COSTS		
Advertising	\$	Promotion for opening the business
Beginning inventory	\$	The amount of inventory needed to open
Building construction	\$	The amount per contractor bid and other
Cash	\$	Requirements for the cash register
Decorating	\$	Estimate based on bid if appropriate
Deposits	\$	Check with the utility companies
Fixtures and equipment	\$	Use actual bid on all F and E
Installing fixtures and equipment	\$	Use actual bids
Insurance	\$	Bid from insurance agent
Lease payment	\$	Bid from real estate agent
Licenses and permits	\$	Check with city or state offices
Miscellaneous	\$	All other
Professional fees	\$	Include CPA, attorney, engineer, etc.
Remodeling	\$	The amount per contractor bid
Rent, equipment	\$	Amount to be paid before opening
Services	\$	Cleaning, accounting, etc.
Signs	\$	The amount per contractor bid
Supplies	\$	Office, cleaning, etc. supplies
Unanticipated expenses	\$	Amount for unexpected costs (10 percent of total)
Other	\$	
Other	\$	
Other	\$	
Total Setup Dollars Needed	\$	Total Schedule A (Pre-Opening Costs)

The First 90 Days Projected Monthly Costs

Prepare an itemized statement identifying both (1) your personal living costs and (2) the anticipated monthly costs of operating the business for the first three months. Include the following items plus any other expenses that you deem appropriate for your individual situation.

Personal Living Expenses

Make a family budget. Look at your family's fixed and variable living expenses. It's important to know the amount of personal costs that you'll have to cover during the startup phase of your business.

<i>Schedule B: Personal Living Expenses</i>				
<i>Family Income</i>	<i>Month 1</i>	<i>Month 2</i>	<i>Month 3</i>	<i>Total</i>
Wages (take-home)	\$	\$	\$	\$
Wages (take-home)—Spouse	\$	\$	\$	\$
Interest and dividends	\$	\$	\$	\$
Miscellaneous	\$	\$	\$	\$
Total Income	\$	\$	\$	\$
<i>Family Expense Budget</i>	<i>Month 1</i>	<i>Month 2</i>	<i>Month 3</i>	<i>Total</i>
Auto expenses (gas, maintenance, etc.)	\$	\$	\$	\$
Auto insurance	\$	\$	\$	\$
Auto payment	\$	\$	\$	\$
Beauty shop & barber	\$	\$	\$	\$
Cable TV	\$	\$	\$	\$
Charity	\$	\$	\$	\$
Child care	\$	\$	\$	\$
Clothing	\$	\$	\$	\$
Credit card payments	\$	\$	\$	\$
Dues and subscriptions	\$	\$	\$	\$
Electricity	\$	\$	\$	\$
Entertainment	\$	\$	\$	\$
Gas company	\$	\$	\$	\$
Gifts	\$	\$	\$	\$
Groceries & outside meals	\$	\$	\$	\$
Health insurance	\$	\$	\$	\$
Home repairs	\$	\$	\$	\$
Homeowner's insurance	\$	\$	\$	\$
Household	\$	\$	\$	\$
Income tax (additional)	\$	\$	\$	\$
Laundry and dry cleaning	\$	\$	\$	\$
Life insurance	\$	\$	\$	\$
Medical and dental	\$	\$	\$	\$
Miscellaneous	\$	\$	\$	\$
Mortgage payments	\$	\$	\$	\$
Other debt payments	\$	\$	\$	\$
Rent	\$	\$	\$	\$
School expenses	\$	\$	\$	\$
Telephone bill	\$	\$	\$	\$
Tuition	\$	\$	\$	\$
Vacations	\$	\$	\$	\$
Water, sewer, trash collection	\$	\$	\$	\$
Other	\$	\$	\$	\$
Total Expenses	\$	\$	\$	\$
Net Cash Remaining (Needed)	\$	\$	\$	\$
Total Schedule B				

Business Operating Costs

At a minimum, estimate monthly income and expenses for your business's first 90 days of operation.

Schedule C: Business Operating Costs (First 90 Days)					
<i>Estimated business income</i>	<i>Month 1</i>	<i>Month 2</i>	<i>Month 3</i>	<i>Total</i>	<i>Notes</i>
Total Income	\$	\$	\$	\$	
<i>Monthly expenses</i>	<i>Month 1</i>	<i>Month 2</i>	<i>Month 3</i>	<i>Total</i>	<i>Notes</i>
Advertising	\$	\$	\$	\$	
Bank service charges	\$	\$	\$	\$	
Business insurance	\$	\$	\$	\$	Exclude the amount from Schedules A or B
Credit card fees	\$	\$	\$	\$	
Delivery charges	\$	\$	\$	\$	
Dues and subscriptions	\$	\$	\$	\$	
Health insurance	\$	\$	\$	\$	Exclude the amount from Schedules A or B
Inventory	\$	\$	\$	\$	
Lease payments	\$	\$	\$	\$	Exclude the amount from Schedules A or B
Loan payments	\$	\$	\$	\$	Principal and interest payments
Miscellaneous	\$	\$	\$	\$	
Office expenses	\$	\$	\$	\$	
Payroll other than manager	\$	\$	\$	\$	
Payroll taxes	\$	\$	\$	\$	
Professional fees	\$	\$	\$	\$	
Rent	\$	\$	\$	\$	Exclude the amount from Schedules A or B
Repairs and maintenance	\$	\$	\$	\$	
Salary of owner or manager	\$	\$	\$	\$	Only if applicable first 90 days
Sales tax	\$	\$	\$	\$	
Supplies	\$	\$	\$	\$	
Telephone	\$	\$	\$	\$	
Utilities	\$	\$	\$	\$	
Other	\$	\$	\$	\$	
Total Expenses	\$	\$	\$	\$	
Net Cash Remaining (Needed)	\$	\$	\$	\$	Total Schedule C

Recap of Costs

Initial Business Setup Dollars Needed (from Schedule A):

\$ _____

Operating Dollars Needed for First 90 Days (from Schedule C):

\$ _____

Total Dollars Needed for Setup and First 90 Days (sum of A + C):

\$ _____ \$ _____

Additional Personal Cash Needed or Available (from Schedule B):

\$ _____

Net Cash Needs for Personal and Business Survival during Startup and First 90 Days:

\$ _____