

5 Year Business Model

Template Instructions

The purpose of this assignment is to not only think through the expenses associated with your business, but also represent them in a way that facilitates making graphs and charts for your final presentation. When you have completed this assignment you will have both a customized pre-launch budget and a 5 year forecast for your business. You want your numbers to be reasonable, but optimistic and certainly those of a successful startup. That being said, no one expects you to be experts on starting a business so just think your way through the expenses and put numbers in that you think are within the realm of possibility.

Part A: Creating a Working Model

Section 1: Annual Volumes Report

Step 1: Populate Year 2 – Web Visitors (cell E19) with a formula increasing Year 1 – Web Visitors by the annual growth rate in cell C3 using an absolute reference. Then use that formula to populate year 3 through 5.

Hint: 'Year 2' = 'Year 1' + ('Year 1' * 'Growth Rate')

Hint: 'Year 3' = 'Year 2' + ('Year 2' * 'Growth Rate')

Step 2: Populate **New Customers** for years 2 through 5, using the Year 1 formula as an example.

Hint: If cell C3 is 16% and C4 is 25%, Year 5 should be about 81% higher than Year 1.

Step 3: Use the formula from Year 1 to populate the **Total Customers** row for years 2 through 5.

Step 4: Use the **SUM function** to populate column I with total **Web Visitors** and **New Customers**.

Hint: Cells I21, J19, & J20 should be empty, do not total 'Total Customers' or calculate a %.

Step 5: Populate **Total Employees** row for years 2 through 5, using the Year 1 **SUM function** as an example.

Hint: Just put 1 or 2 in each category and use those numbers for every year of the years.

Step 6: Enter number for employee counts for years 2 through 5, verifying that the sum function is working properly.

Step 7: For cells I24:I29 simply reference the respective number in column H.

Hint: Cell I22's formula would be =H22

Step 8: In cells J24:J28, calculate what percentage each department is of Total Employees using an absolute reference to cell I29.

Section 2: Annual Income Statement

Step 1: Using the formulas and functions the Year 1 column as an example calculate the Income, Expenses, Net Income, and Cash Balance for years 2 through 5.

Step 2: In cell I72 calculate the Net Income total from Pre-launch through Year 5 using the sum function.

Step 3: In cell I73 simply reference cell H73, since this is the ending balance of year 5.

Step 4: In cells J35:J37 populate the **Percent of Total** calculations for the Income section, using an absolute reference to cell I38.

Step 5: In column J populate the remaining **Percent of Total** calculations for the Administration, Marketing, and Travel cost subcategories, where each detail expense is represented as a percent of its subcategory's total. And each subcategories total is a % of total Expenses.

Hint: Use the Percent of Total calculations for Labor and Technology costs

Step 6: Apply a conditional formatting rule to all of Net Income and Cash Balance values that changes the font color red if the value is less than zero.

Section 3: Alerts

Step 1: Net Income Trend, in cells **E76:H76** create an IF statement that says "**Down Yr**" if the prior period's Net Income is higher than the current periods Net Income. The false of the IF statement should say "**Growth Yr**".

Hint: Logic of Year 2 IF statement would be, =IF('Yr 1 – Net Income' > 'Yr 2 – Net Income', ..., ...) using cell references of course.

Step 2: Cash Coverage, in cells **C77:H77** create an IF statement that says "**Low Cash**" if the period's Cash Balance is less than 50% of the same period's Expenses Total. The false of the IF statement should say "**Covered**"

Hint: Hint: Logic of Year 1 IF statement would be, =IF('Yr1-Cash' < ('Yr1- Expenses Total * .5), ..., ...) using cell references of course.

Step 3: Apply **2 conditional formatting rules** to the Alerts section, where the **TRUE** results of the IF statements have **Red font** and **Pink fill**.

Step 4: Apply **2 conditional formatting rules** to the Alerts section, where the **FALSE** results of the IF statements have **Green font** and **Light Green fill**.

Section 4: Key Metrics

Step 1: In cell C82 calculate **Income per Customer** by dividing Income Total by Total Customers.

Step 2: In cell C84 calculate **Costs per Customer** by dividing Expenses Total by Total Customers.

Step 3: In cell C85 calculate **Costs per Employee** by dividing Expenses Total by Total Employees.

Step 4: Populate years 1 through 5 using the same formulas.

Step 5: To calculate the Average column, use the same formulas as step 4, but replace the references to Total Customers and Total Employees with sums of those rows from Pre-launch to Year 5.

Hint: Denominator replacement for Total Customer reference is SUM(C21:H21)

Hint: Denominator replacement for Total Employees reference is SUM(C29:H29)

Section 5: Charts

Step 1: To the right of your reports, create a line graph of Total Customers, with Pre-Launch and Year labels as axis labels and a chart title.

Step 2: Create a pie chart of just the expense subcategories totals in column I, with data labels and a chart title.

Hint: Creating a table to the side with just your Expense category labels and column I values referenced will make this much easier, i.e. for the side table in the first cell would be =B42 and in the cell to the right of that would be =I46, which each row below them referencing the next expense subcategory.

Step 3: Select cells B35:H37 all at once and insert a Stacked Column chart to the right of your report.

Step 4: Create a chart, not listed above that your group finds interesting and would use in your presentation.

Part B: Customization – Telling your Business’ Growth Story

Section 1: Annual Volumes Report

Step 1: Edit your Pre-Launch New Customer numbers to reflect a successful Kickstarter campaign.

Step 2: Edit your Year1 - Web Visitor count to reflect a realist, but optimistic number.

Hint: Remember it’s a new venture so between 24,000 and 50,000 is a good start.

Step 3: Play with the ‘**Visitors -Annual Growth**’ and ‘**Visitor to Customer %**’ drivers to get your visitor and customer counts where you would like them.

Hint: Visitor to Customer % shouldn’t be higher than 20%

Step 4: Ensure that your employees properly aligns with the growth of your company and the number of customers.

Hint: Since it’s assumed that your company will get bigger over time you should add a few new employees each year, especially in tech support.

Section 2: Annual Income Statement

Step 1: Manipulate the **Annual Income per Customer** driver to reflect your pricing see what your revenue calculation results in for each year.

Hint: Note that the Pre-launch numbers are variables that have to be entered manually.

Step 2: Review your Pre-Launch expense inputs with a mind toward the costs of building your idea from scratch, but probably in a garage using just your Kickstarter money and no full time employees.

Step 3: Review and populate your other expenses the Administration, Marketing, Travel, and Technology subcategories.

Hint: As your company grows all expense totals will grow and marketing programs are really expensive.

Step 4: Revisit Year 2 expenses to ensure that your Net Income in Year 2 is lower than Year 1’s.