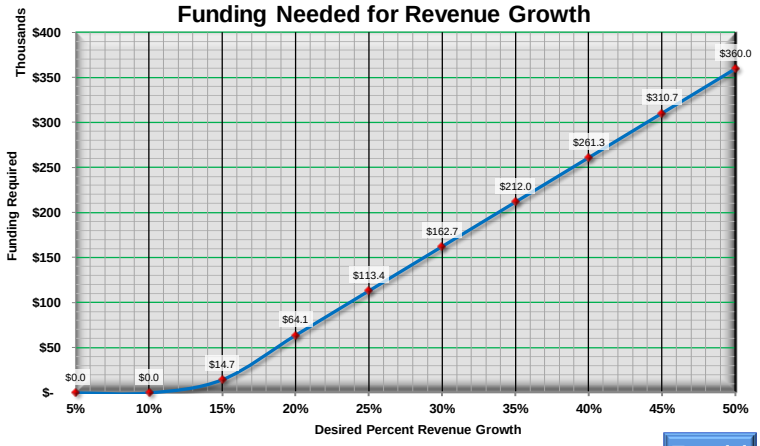
Funding Revenue Growth

Hello Telephone Company

	Current				Growth		
	Revenue / Sales	Net Profit			Growth ⟹	25%	50%
	$ 4,465,000	3.0%			New Revenue	$5,581,250	$6,697,500
			% of Sales				
	Cash	$25,494	0.6%			$ 31,868	$ 38,241
+	Accounts Receivable	$863,007	19.3%			$1,078,758	$1,294,510
+	Inventory	$516,078	11.6%			$ 645,098	$ 774,117
=	Total Current Assets	$1,404,579			Calculated	$1,755,723	$2,106,868
+	Equipment	$299,091	6.7%			$ 373,864	$ 448,637
+	Land/Building	$415,000				$ 415,000	$ 415,000
=	Total Fixed Assets	$714,091			Calculated	$ 788,864	$ 863,637
=	Total Assets	$2,118,670			Calculated	$2,544,588	$2,970,505
=	Total Liabilities & Net Worth	$2,118,670				$2,544,588	$2,970,505
-	Net Worth	$906,757			New Net Worth	$1,073,289	$1,106,595
=	Total Liabilities	$1,211,913			Calculated	$1,471,299	$1,863,910
-	Long-Term Liabilities	$627,859				$ 627,859	$ 627,859
=	Total Current Liabilities	$584,054			Calculated	$ 843,440	$1,236,051
-	Accruals	$354,097	7.9%			$ 442,622	$ 531,146
-	Accounts Payable	$229,957	5.2%			$ 287,446	$ 344,935
=	Notes Payable				Funding Needed	**$ 113,373**	**$ 359,970**

New Net Worth = Old NW + (New Sales X Net Profit %)



Tutorial

Note: Current Balance Sheet Accounts are last 3 month average.

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If you are planning to grow your company, this chart is a very powerful planning tool. The math is not difficult but collecting all the data and dealing with the complexities of getting it correct is where this report really steps up. Instead of spending time calulating and double checking your math you can just use the simple charts included with this report to figure out your company's financial needs for growth. The calculations use information from both your Balance Sheet and your Income Statement.

Top Table: **Current (left side)**

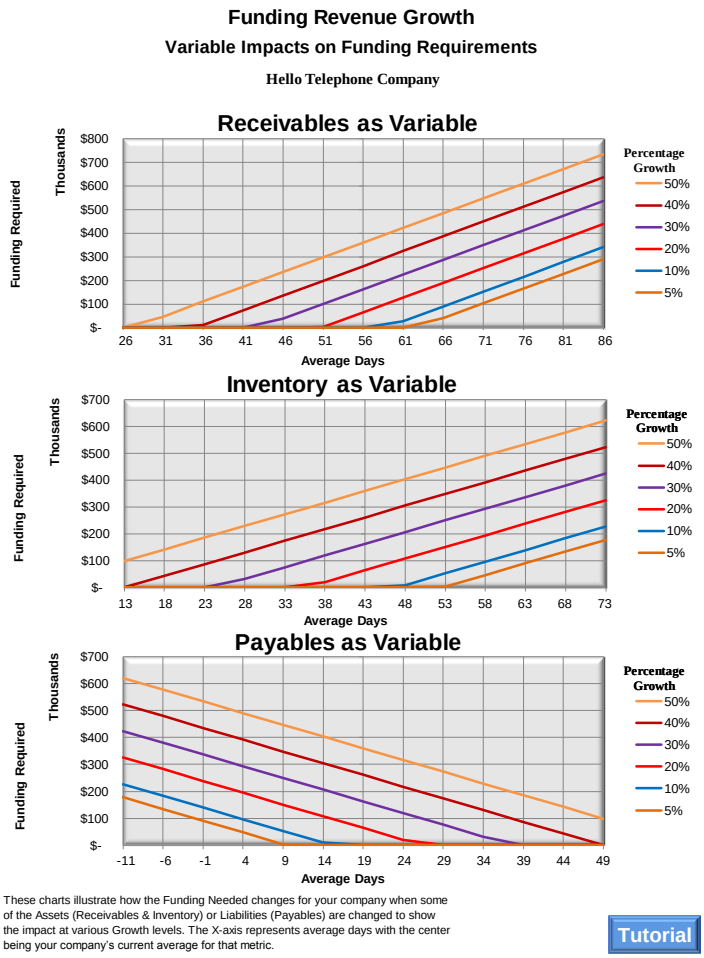
This table shows your company's current status. The top row includes the Current Sales with the Current Net Profit percentage as computed from your Income Statement for the past 12 months. The rest of the table is from your Balance Sheet and is averaged over the last 3 months. The % of sales is calculated and is to be used to determine the funding Gap required to achieve your growth target.

Growth (right side)

This Table is to demonstrate examples of the results if you were to plan revenue growth at rates of 25% or 50%. The +, -, = on each side of the tables show you how the math is calculated. The table is not suggesting that you plan on growing revenue at a 25 or 50% rate but is simply an illustration. This sample company would have a funding gap of $113,373 if they were to grow revenue 25% and a funding gap of $359,970 if they were to grow revenues at a 50% rate. In all cases, the charts assume maintenance of all internal operation efficiencies at the same rate as today. This means this company would need to fund their growth either through a loan, an investment, or both to achieve this growth.

3) Bottom Chart: **Funding Analysis**

The chart plots your company's funding gap at various growth percentages. The chart is quite easy to use. Simply select the growth rate you would like on the bottom of the chart and then look at your funding gap line then follow it over to the Y-axis (Vertical) to find that particular funding gap. For example, if this company was planning for 35% sales growth, they would need about $212,000 to fund that growth - assuming the same efficiencies in their operations found on the Balance Sheet.



The Revenue Growth report assumes that operational efficiencies are will stay the same as current performance. But as growth gets more agresive, this assumption may not be accurate, so this page of the report gives you the ability to examine what might happen with varying efficiencies. These charts plot that variation in operational efficiencies at various growth levels. In this case, the report gives you the opportunity to consider variables in Receivables, Inventory, and Payables.

1) Top Chart: **Receivables as Variable**

This chart shows a family of curves with different growth rates when you vary Receivables, the average time that it takes to collect what is owed to you by your customers. Receiveables are typically measured in days. On this chart, the Average days are shown on the X-Axis and the Y-axis shows the funding gap. The center of the horizontal X-Axis represents your company's current Receivable performance. The Average days are then varied in ±5 day incriments. The lower your receivables days, the more money will be available to fund growth. With this sample company, if you look at the 40% growth line, a decrease in Receivables of 20 days (down from 56 days to 36 days) would represent a lowering of the funding gap from $275,000 to $0 - a $275,000 improvement. If the specific growth rate is not found, you simply extrapolate between the lines as all the lines have the same slope.

2) Middle Chart: **Inventory as Variable**

This chart shows a family of curves representing different possible growth rates as a result of inventory variance - the average time that it takes to consume your inventory or how long it would be before you run out of Inventory if you purchased no additional inventory. Inventory is typically measured in days. The Average days are shown on the X-Axis and the Y-axis shows the funding gap. The center of the horizontal X-Axis represents your company's current Inventory performance. The Average days are then varied in ±5 day incriments. The lower your inventory the more money you will have to fund growth. With this sample company looked at the 50% growth line, a decrease in Inventory Days from 43 days to 23 days would represent a lowering of the funding gap from $360,000 to $80,000, a $280,000 improvement.

3) Bottom Chart: **Payables as a Variable**

This chart shows a family of curves with different growth rates that result when you vary Payables - the average period of time you take to pay your suppliers for your COGS. The Average Days metric is shown on the X-Axis and the Y-axis shows the funding gap. Payables are typically measured in days. The center of the horizontal X-Axis is your company's current Average Days. The Average days are varied in ±5 day increments. The longer you take to pay your suppliers the more money you will have to fund growth. With this sample company looking at the 40% growth line, an increase in Payable Days of 20 days to 39 days would represent a lowering of the Financial Gap from $260,000 to $80,000, a $180,000 improvement.