

**Community Futures Development Corporation  
of Howe Sound**

# **Sample Business Plan**



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# Executive Summary

## Business Description

Brian's Book Barn is a new retail business venture due to begin operations on May 1, 1998. The business is a book and magazine store intended to serve the community of Ladbrokes and the surrounding area. Our goal is to provide customers with a wide variety of choices and to promote reading in the community. Brian's Book Barn will offer a variety of books and magazines that appeal to residents of Northwestern BC; Ladbrokes currently does not have a retail outlet dedicated to books and magazines. Brian's Book Barn aims to fill this void.

## Ownership and Management

Brian's Book Barn is a partnership that will soon become incorporated under the laws of British Columbia. Brian Paige and his wife of 32 years, Novella Reid, own the business. Brian Paige has had extensive experience in the bookselling industry in rural BC and Alberta, having served in management positions with Coles Bookstores in BC and Alberta and with Ed's Bookstore in Prince George. Novella Reid has worked in the retail trade in rural BC and Alberta for over 30 years, most recently as Price George area supervisor for the Mick's Quickstop convenience store chain. Ms. Reid has also held management positions with Sally's Clothing Company in Alberta and with Canadian Hardware in Kamloops. Ms. Reid holds a Certificate in Retail Management from Prairie Heights Vocational Institute.

## Key Initiatives and Objectives

The primary objective of the company is to attain and maintain a position as the major source of books and magazines in the greater Ladbrokes area. In the first year, we hope to capture 20 percent of the local retail market for books and magazines, increasing to 30 percent by the third year of operations. The store is scheduled to be open for business on June 1, 1997. A term loan of \$20,000 is needed to ensure that the store has adequate inventory on hand when the store opens. Operating loans totaling \$1,000 are required to ensure positive cash flows in the first year. Negotiations with MacMillan Distributors, the largest book and magazine distributor in Canada, have taken place and a tentative distribution contract is in place. Finalization of the distribution contract is contingent on the store receiving bank financing.

## Marketing Opportunities

Industry studies and analyst projections indicate that the market for books has been growing for the past 10 years and will continue to grow in the next three years. Growth estimates for the next three years range from 20 percent to 30 percent. For magazines, growth is projected at 1 percent to 2 percent per year for the next three years. The magazine market is widely regarded as mature and stable. With Statistics Canada and other data sources indicating that the Ladbrokes area market for books and magazines is approximately \$800,000, the total size of the market will likely reach \$1,000,000 by 1999. The key market segments for books in the greater Ladbrokes area are residents with a high school education or more and children who are currently in the school system. A 1994 study commissioned by the Magazine and Bookseller Journal indicate that over 80 percent of all magazine buyers are between the ages of 18 to 54 and make over \$24,000 per year. Overall, 56 percent of retail magazine buyers are female and 44 percent are male. In the greater Ladbrokes area, the largest market segment is the farming and ranching community. Another large market segments in the area are hunters, outdoors people and fishers.

## Competitive Advantages

With no other retail outlet dedicated primarily to books and magazines for 100 kilometers in any direction, Brian's Book Barn is in an excellent position to capture the majority of book and magazine sales in the greater Ladbrokes area. We believe that there is a need for a bookstore in Ladbrokes and Brian's Book Barn is poised to fill that need. Books and magazines are not an integral component of any local competitor's product mix; by focussing on this market, Brian's Book Barn can

attain and then maintain a competitive position as the leading seller of books and magazines in the greater Ladbrokes area.

## **Marketing Strategy**

Our major target market is the greater Ladbrokes area and by extension, the Grand Harrah Regional District. Since the major industries in the area are farming, ranching, and fishing and outdoor expeditions, we will also target people involved in those industries. Children and their parents are also a major target market as are retirees. Book and magazine titles will reflect the make up of the community and their interests. In addition to popular fashion, sports, news and celebrity oriented magazines, we will also stock titles focussing on outdoor activities, fishing, hunting, farming and ranching, forestry and regional activities.

## **Summary of Financial Projections**

Our revenue projections increase from \$169,300 in 1997 to \$297,000 in 1999. We project strong growth in revenues of 34 percent in 1998 and 31 percent in 1999 due to an expected increase in the number of people buying books and magazines as well as a larger share of the greater Ladbrokes book and magazine market. Direct cost of sales average 60 percent of gross sales; this includes 49 percent for purchase of books and 11 percent for purchase of magazine inventory. Net income is projected to increase from \$2,700 in 1997 to \$28,900 in 1999 as both unit and dollar sales increase substantially.

# **Confidentiality and Recognition of Risks**

## **Confidentiality Clause**

The information included in this business plan is strictly confidential and is provided on the understanding that it will not be disclosed to third parties without the expressed written consent of Brian Paige or Novella Reid.

## **Recognition of Risk**

This business plan represents management's best estimate of the future potential of our business venture. It should be recognized that not all major risks can be accurately predicted or otherwise avoided and that few business plans are free of errors of omission or commission. Therefore investors should be aware that this business has inherent risks that should be evaluated prior to any investment.

# **Business Overview**

## **Business History**

Brian's Book Barn is a new retail business venture due to begin operations on June 1, 1997. The business is a book and magazine store intended to serve the community of Ladbrokes and the surrounding area. A community of 5,000 residents in Northwestern BC, Ladbrokes currently does not have a retail outlet dedicated to books and magazines. Brian's Book Barn aims to fill this void.

## **Vision and Mission Statement**

Brian's Book Barn will become the premier source of books and magazines for the District Municipality of Ladbrokes and communities in the surrounding area. Our goal is to provide customers with a wide variety of choices and to promote reading in the community.

## **Objectives**

Our primary objectives over the next year are: Complete start up activities, acquire inventory and open the business to our customers. Secure agreements with major magazine and book distributors in Northwestern BC and Alaska. Obtain a term loan of \$20,000 in order to acquire inventory for the store. An operating loan of \$1,000 will ensure a positive monthly cash balance. Gain a market share of 20 percent of all books and magazines sold in the greater Ladbrokes area by the end of the first year of operations. Attain and maintain a position as the leading retailer of books and magazines in the greater Ladbrokes area.

## **Ownership**

Brian Paige and his wife, Novella Reid, own Brian's Book Barn. Both partners are equally involved in operation and management of the company. At present the business is structured as a partnership; should bank financing be obtained, the company will register itself as a corporation under the laws of British Columbia.

## **Location and Facilities**

Brian's Book Barn is located at 1234 Jernal Way in the District Municipality of Ladbrokes, BC. The store occupies 2,500 square feet, which is leased for \$1,800 per month, triple net. A sporting goods store currently lease the property and fishing store that is relocating. The partners will take possession of the property on May 1, 1997. Office equipment includes a computer with the Corel WordPerfect suite and a specialized inventory-tracking program developed for small-scale retail operations such as Brian's Book Barn. The building also includes 200 square feet of office space and 500 square feet of storage space. Approximately 100 square feet of space will be dedicated to magazines, 50 square feet to books on CD-ROM and audiotape and the remainder to hardback and paperback books. Shelves, magazine racks and display units for the store have been ordered and are expected to arrive in Ladbrokes by May 1, 1997. As Ladbrokes is not a high traffic area, lease rates and overheads are generally lower than in other northern BC cities such as Prince George or Fort St. John.

# Products and Services

## Description of Products and Services

Brian's Book Barn will offer a variety of books and magazines that appeal to residents of Northwestern BC. In addition to national bestsellers in both fiction and nonfiction, the company will also offer a selection of books pertaining to sport-fishing, hunting, farming, outdoor activities and winter activities. A selection of books written by nationally and internationally renowned authors will also be made available. Part of the shelf space will be allocated to children's books and related publications. Wherever possible, the company will also feature books written by Northern Canadian, British Columbian and Alaskan authors. Other types of books will be added depending on customer demand. The magazine selection will also reflect the preferences of the Ladbrokes community. In addition to magazines related to the above subjects, popular magazine titles such as Sports Illustrated, Time, MacLeans and Cosmopolitan will be made available.

## Key Features of the Products and Services

While the books and magazines offered for sale by Brian's Book Barn can be found in other stores in Northwestern BC, it is the product mix that will make Brian's Book Barn unique. Essentially, Brian's Book Barn will be the "one-stop shop" for the book and magazine needs of the Ladbrokes community. The products that are available for sale will reflect the reading preferences of the community.

## Production of Products and Services

All book and magazine titles stocked in our store will be ordered directly from the publisher or an approved representative. No production will take place on site.

## Future Products and Services

We will continue to expand and diversify our book and magazine content according to the wishes of our customers. We will also expand our inventory of books on audiotape and CD-ROM if demand for these products is high enough. Once we have established a rapport with distributors and publishers, we will also introduce a special order service for any books or magazines that we do not have in stock.

## Comparative Advantages in Production

With Mr. Paige's contacts in the North American book publishing industry, Brian's Book Barn can order special or limited edition books direct from the publisher. Based on Mr. Paige's previous experience, no other book and magazine sellers in the region have the same level of contacts.

# Industry Overview

## Market Research

To analyze the market potential of a book and magazine store in the greater Ladbrokes area, we collected information from a number of sources. We gained information with respect to the market for books and magazines for each Regional District in northwest BC from the 1996 Statistics Canada Survey of Book Publishers and Exclusive Agents. We also obtained sales data for Northwestern BC and southern Alaska from the Publishers Clearing House, U.S. Bureau of the Census Retail Trade Statistics, the 1995 Retail Council of Canada Operating Survey of Canadian Retailing, BC Stats and the 1997 Conference Board of Canada Handbook of Canadian Consumer Markets. We also contacted the Book Industry Study Group in Washington D.C. and the Canadian Library Council in order to obtain information on future trends in the book and magazine industry. In addition, we conducted a survey of residents in the greater Ladbrokes area, typically by stopping passers by on the street and asking them a few questions. The survey results were used to prepare customer profiles and gauge what type of books and magazines were in demand.

## Size of the Industry

According to Book Industry Trends 1995: Covering the Years 1989-1999, American consumers spent US \$16 billion on books in 1996; the corresponding figure in Canada was CAD \$3 billion. Note that these figures do not include school or college textbooks. Information obtained from BC Stats and Statistics Canada indicate that residents of the Grand Harrah Regional District, in which Ladbrokes is located, spent \$2 million on books in 1996. With greater Ladbrokes comprising 30 percent of the Regional District's population, it is estimated that the market for books in the area is \$600,000 annually. In terms of magazines, the 1995 Operating Survey of Canadian Retailing indicates that residents of BC, excluding Greater Vancouver, Greater Victoria and Kelowna spent \$20 per capita on retail magazines. This does not include magazine sales resulting from monthly or annual subscriptions. Extrapolating this figure to greater Ladbrokes' 10,000 residents, the annual market for magazines in the area is \$200,000.

## Key Product Segments

Book sales can be segmented into three major segments: Pleasure (mass market, mystery, romance, humour, action, general non-fiction), Educational (textbooks and related material for elementary, secondary and post secondary schools) and Professional and Reference (University Press, subject specific, subscription reference). The pleasure category can be broken down further into hard cover and paperback sales. While there are over 30,000 separate magazine or periodical titles currently in print in North America, the vast majority of these publications are industry or topic specific trade journals that cater to a very specific audience and are only available in major libraries or by subscription. The Publishers Clearing House estimates that there are 250 to 400 titles that are distributed nationally and account for 80 percent of all retail magazine sales. Retail magazine sales can be broadly segmented into the following categories: sports/leisure, fashion, computer and electronics, business/financial, children and teen, men's adult, and automobile magazines.

## Key Market Segments

The key market segments for books in the greater Ladbrokes area are residents with an affinity for reading and children who are currently in the school system. In particular, women between the ages of 18 and 54 are the most pivotal market segment. Demographic profiles conducted by the Publishers Clearing House, Audits and Surveys Division, indicate that while men comprise almost half the market of book readers, 75 percent of all retail books purchases are made by women. A 1994 study commissioned by the Magazine and Bookseller Journal indicate that over 80 percent of all magazine buyers are between the ages of 18 to 54 and make over \$24,000 per year. Overall, 56 percent of retail magazine buyers are female and 44 percent are male. In the greater Ladbrokes area, the largest market segment is the farming and ranching community. Another large market segment in the area are hunters, outdoor-people and fishers.

## **Purchase Process and Buying Criteria**

The Handbook of Canadian Consumer Markets indicates that 40 percent of retail book purchases and 70 percent of retail magazine purchases are "impulse buys". This means that the purchaser did not specifically intend to buy a specific book or magazine when they entered the store. The purchase process is straightforward in that a customer buys the book or magazine off the shelves and takes it away. Customer buying criteria for books and magazines depends on a number of standard variables including price, visual appeal, relevance of subject matter and the customer's reading ability. From the store's perspective, those books and magazines in demand by our customers will be ordered for the store. In a rural community, one or two major distributors usually handle the distribution of books and magazines; Ladbrokes is no exception. Ladbrokes has entered into a distribution agreement with MacMillan Booksellers, a national book and magazine distributor with regional offices in Prince George. Specialty or regional publications not handled by MacMillan will be ordered directly from the publisher. If a magazine or type of book is not selling adequately enough, we will not continue to stock it.

## **Description of Industry Participants**

In Canada, the sale of books is dominated by large national chain bookstores such as Chapters, Coles, Smithbooks and Book Warehouse. Other major booksellers are supermarkets, department stores, convenience stores, universities and colleges and specialty bookstores. In Ladbrokes, the only stores that sell books are the Esso, Shell and Chevron gas stations, Jack and Jill's Grocery and the Lucky Dollar store. Magazines are sold in many types of retail outlets, including corner stores, convenience stores, department stores, gas stations, supermarket and grocery stores, newsstands and some video stores. According to a 1996 Periodicals Institute study, 55 percent of all retail magazines sold in North America were purchased in supermarkets and 20 percent in convenience stores or drug stores. Approximately 9 percent of all retail magazines sold were purchased in bookstores. In the greater Ladbrokes area, there are five gas stations, two grocery stores, three convenience and corner stores and one video store that sell magazines.

## **Key Industry Trends**

With the onset of technology and the demand for an educated workforce, more Canadians than ever before are taking up reading. Sales of books in Canada increased by 28 percent from 1989 to 1995, including an increase of 7 percent from 1994 to 1995. Mass market paperbacks are the primary driver of the increase with a 40 percent increase in sales from 1989 to 1995. Retail magazine sales have not increased at the same rate as book sales. Magazine sales actually dropped by 4 percent between 1991 and 1993 with a 4 percent increase between 1995 and 1996. This increase has been attributed to an increase in specialty and regional publications available for retail sale. With an increase in the number of book and magazine stores in Canada, it is estimated that 12 percent of all retail magazines sold will be purchased in a bookstore. On a market segment basis, men's magazines have shown the largest increase with 1996 Canadian retail sales 12 percent higher than in 1994.

## **Industry Outlook**

The industry outlook for retail sales of books and magazines in British Columbia is quite positive. Projections made by the Retail Council of Canada, the Book Industry Study Group and the Magazine and Bookseller Journal indicate that book sales will increase by 20 percent to 30 percent over the next three years. As in the past, mass market paperbacks written by well known authors will continue to provide the major impetus for growth. While it does not significantly affect Brian's Book Barn, major bookstore chains are expanding their operations and moving into new markets. U.S. based bookstore chains are also making plans to aggressively enter the Canadian market. The same industry sources project that retail magazine sales in Canada will increase by 1 percent to 2 percent per year for the next two years as more magazine titles come onto the market. Magazine retail sales have not increased significantly since the late 1980's and are widely perceived to be a stable, mature market.

# Marketing Strategy

## Target Markets

Our major target market is the greater Ladbrokes area and by extension, the Grand Harrah Regional District. Since the major industries in the area are farming, ranching, and fishing and outdoor expeditions, we will also target people involved in those industries. Children and their parents are also a major target market as are retirees. Brian's Book Barn will concentrate its efforts on the buyers of "Pleasure" category books as discussed earlier. The educational category is not a target market as area schools order their textbooks and reading material through the Ministry of Education in Victoria. Other educational books are also available through satellite campuses of Northern Lights College and the University of Northern British Columbia. In the professional category, there is simply not enough demand in the area to stock these kinds of titles. Magazine titles will reflect the make up of the community and their interests. In addition to popular fashion, sports, news and celebrity oriented magazines, we will also stock titles focussing on outdoor activities, fishing, hunting, farming and ranching, forestry and regional activities. Although a lucrative market, Brian's Book Barn will not stock any pornographic magazines or other publications deemed as degrading toward an identifiable group.

## Description of Key Competitors

There are currently no other bookstores in the greater Ladbrokes area. The closest major bookstore is in Prince George, a five hour drive away. The main competition for book and magazine sales would be Jack and Jill's Grocery, the local 7-11 store and, to a limited extent, gas station convenience stores in the greater Ladbrokes area. None of these competitors devote more than 100 square feet of space to book and magazine sales or carry more than 70 different magazine titles. While the Ladbrokes satellite campuses of area colleges and the University of Northern British Columbia also carry books, these titles are restricted to the educational category.

## Analysis of Competitive Position

With no other retail outlet dedicated primarily to books and magazines for 200 kilometers in any direction, Brian's Book Barn is in an excellent position to capture the majority of book and magazine sales in the greater Ladbrokes area. We believe that there is a need for a bookstore in Ladbrokes and Brian's Book Barn is poised to fill that need. Books and magazines are not an integral component of any local competitor's product mix; by focussing on this market, Brian's Book Barn can attain and then maintain a competitive position as the leading seller of books and magazines in the greater Ladbrokes area.

## Pricing Strategy

With the exception of sales events and clearances of stock that is not moving of the shelves, books and magazines will be sold for the amount listed on the cover. Depending on the distributor, the store will receive a 25 percent to 35 percent discount off of the cover prices. For specialty orders, a fee to cover postage and handling costs will be added to the cover price.

## Promotion Strategy

Brian's Book Barn plans to hold a grand opening that will be publicized with spots on the local radio station as well as advertisements in the local paper. Posters announcing the opening of the store will be placed in high traffic areas such as Regional District offices, community centers, local pubs and the Ladbrokes mini-mall. Periodic advertising will be placed in local papers once the store is operational.

## **Distribution Strategy**

MacMillan Distributors will distribute all major books and magazines to the store. MacMillan is currently the only book and magazine distributor that makes regular stops in the greater Ladbroke area. Specialty and regional titles not carried by MacMillan will be ordered direct from the publisher.

# Management and Staffing

## Organizational Structure

The two partners, Brian Paige and Novella Reid will carry out all operations and management activities. A part time employee will also be hired.

## Management Team

Brian Paige and Novella Reid have been married for 32 years. Mr. Paige worked as a library clerk for 10 years in Peace River, BC before taking an assistant position with Coles Bookstores. Mr. Paige worked his way up to sales manager for the Northwestern Alberta region and was eventually transferred to Kamloops, BC. Mr. Paige left Coles in 1990 to become the manager of Ed's Bookstore in Prince George, where he served until his retirement two years ago. A native of Ladbrokes, Novella Reid has a Certificate in Retail Management from the Prairie Heights Vocational Institute. Ms. Reid worked as a purchasing manager for Sally's Clothing Co. in Grande Prairie, Alberta for 12 years before taking on a similar position with Canadian Hardware in Kamloops. Ms. Reid continued her retail management career as Prince George area supervisor for Mick's Quickstop stores until her retirement two years ago. With their years of experience in the bookselling and retail trades in Northern BC, Mr. Paige and Ms. Reid have an excellent understanding of what it will take to succeed in the Ladbrokes area. The complete resumes of both individuals can be found in the appendices.

## Staffing

On weekdays, the store will be open from 9 A.M. to 6 P.M. and be staffed by Brian Paige and/or Novella Reid. On weekends, a part-time worker will be hired to work in the store from 10 A.M. to 5 P.M. An additional part time worker will be hired during the summer months so that the two owners can reduce the amount of time they spend in the business during these months.

## Labour Market Issues

With unemployment in the region at 12 percent, there is no shortage of qualified workers available to staff the store. Employee benefits, including medical plan, will be granted in accordance with BC Ministry of Labour guidelines for part time employees.

# Regulatory Issues

## Intellectual Property Protection

A trademark for the name of the store, Brian's Book Barn, has been granted in the province of BC

## Regulatory Issues

GST from sales will be remitted to Revenue Canada on a quarterly basis. There is no PST on book and magazine products. The store currently complies with all local by-laws and zoning regulations. Any safety issues or building infractions discovered by Regional District inspectors will be dealt with as they arise. The store has applied for and been approved for a business license and GST registration number by the relevant authorities.

# Risks

## Market Risks

With MacMillan Distributors being the only major book and magazine distributor in the area, there is a risk that the store's product costs could rise should MacMillan increase their prices. Brian's Book Barn has alleviated this risk somewhat by including a two year fixed price clause in the distribution agreement. In other words, MacMillan cannot charge more than the rates they charge to rural customers in other parts of Western Canada. Another market risk is that people will become less interested in reading. However, by catering to local interests and stocking those titles that are in demand, we believe that this risk is minimal.

## Other Risks

Provincial government cutbacks and a general decline in the primary industries on which the area is dependent, e.g. fishing, forestry, agriculture, may pose a risk in that there may be more unemployment and less disposable income to spend on items such as books and magazines.

# Implementation Plan

## **Implementation Activities and Dates**

Within the next several months the magazine will undertake the following activities: Finalize agreements with MacMillan Distributors and obtain inventory once financing is secured. Begin marketing efforts and open the store for business. Secure operating loans of \$1,000 to maintain positive monthly cash balances in the first three years of operation. Adjust the product mix and variety in response to customer feedback.

# Financial Plan

## Discussion of Projected Net Income

Our revenue projections for 1997 are \$169,300 and increase to \$297,000 in 1999. We project strong growth in revenues of 34 percent in 1998 and 31 percent in 1999 due to an expected increase in the number of people buying books and magazines as well as a larger share of the greater Ladbrokes book and magazine market. The majority of revenues will be generated by book sales; the majority of this in turn will be mass market paperbacks. Bad debts are estimated to be 1 percent of sales. The direct cost of sales averages approximately 60 percent of sales, leaving a gross margin of 40 percent. The largest direct sales cost is the purchase cost of the books at 49 percent of gross sales and magazines at 11 percent of gross sales. In order to take advantage of lower taxes and maintain positive cash flows, the owners will draw a minimal salary in Year 1. Wages will increase slightly in Years 2 and 3 and average 16 percent of gross sales. Sales and marketing costs will comprise an average of 1 percent of gross sales. Plant lease rates will increase by \$1,200 in Year 3; property and utilities expenses account for an average of 10 percent of gross sales. Operating expenses, the majority of which are for incorporation fees in the first year, average 1 percent of gross sales. Banking and related expenses also account for 1 percent of gross sales. Net income is projected to increase from \$2,670 in 1997 to \$28,881 in 1999. The increase in net income is due to larger revenue streams and increased market share. The term loan is payable over two years at 8 percent per year; interest on the operating loans is 12 percent per year. Depreciation is calculated at 25 percent per year; combined federal and provincial income taxes are calculated at 22.8 percent of net income before taxes.

## Discussion of Monthly Cash Flow Statement

Due to the impact of start-up costs in the first month of operations, revenues obtained in Month 2 will not be sufficient to maintain a positive cash balance. Therefore, an \$1,000 operating loan is required; this loan will be paid in full by Month 6. The financial projections are located at the end of the business plan.

## Discussion of Projected Annual Cash Flow

Due to an expansion in inventory and higher sales wage costs in Year 2, operating loans totaling \$15,000 are needed to ensure positive monthly cash flows. All term and operating loans and interest will be paid in full by the first month of Year 3. No operating or term loans are required in the third year of operations. As no loans are payable after the first month of Year 3, the closing cash balance will increase substantially.

## Discussion of Pro-Forma Balance Sheet

Current assets such as cash and inventory will continue to increase as net sales continue to increase. As the building and equipment are leased, there are no fixed assets owned by the business except for the computer. With the exception of previously discussed term and operating loans, all liabilities are paid as they are due.

## Discussion of Business Ratios

Average collection period for accounts receivable is projected to be 31 days. This is comparable to other consulting firms in North America with less than \$500,000 in revenue. Debt to net worth is irrelevant as PullTech intends to operate debt free after its tenth month of operations. All other ratios are within comparable industry standards as outlined in Robert Morris and Associates' Annual Statements Studies.

**Brian's Book Barn**  
**PRO FORMA INCOME STATEMENT**  
**for the Periods Ending Apr**

	1998	1999	2000
Net Sales	169300	226700	297000
Direct Cost of Sales	106500	136500	179500
Gross Margin	62800	90200	117500
Expenses:			
Sales & Marketing	2350	1500	2000
Property & Utilities	23300	23600	25100
Operations	2900	2150	2300
Banking & Other	2120	2600	2850
Other Wages & Benefits	26400	39000	47000
Interest Operating Loan	50	0	0
Interest Term Loan	1470	900	70
Depreciation	750	750	750
Total Expenses	59340	70500	80070
Net Income Before Taxes	3460	19700	37430
Less: Income Taxes	790	4499	8549
Net Income	2670	15201	28881

# Brian's Book Barn

## PROJECTED CASH FLOW STATEMENT

### for the Year Ending Apr, 1998

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7
Cash Inflows:							
Cash Receipts	0	12180	13270	14550	15550	18810	22270
Other Sources of Funding:							
Owner Investment	0	0	0	0	0	0	0
Operating Loan Advances	0	1000	0	0	0	0	0
Term Loan Advances	20000	0	0	0	0	0	0
Sale of Fixed Assets	0	0	0	0	0	0	0
Other Assets	0	0	0	0	0	0	0
<b>Total Cash Inflows</b>	<b>20000</b>	<b>13180</b>	<b>13270</b>	<b>14550</b>	<b>15550</b>	<b>18810</b>	<b>22270</b>
Cash Outflows:							
Payment Of:							
Cost of Sales Items	20000	7300	8000	8800	9400	11300	13300
Sales & Marketing Items	1500	50	50	50	50	200	200
Property & Utilities Items	1100	100	200	100	100	250	150
Operations Items	1900	1900	1900	1900	1950	2050	2050
Banking & Other Items	300	20	20	20	20	620	20
Other Wages & Benefits Items	0	2400	2400	2400	2400	2400	2400

Other Uses of Funding:	0	0	0	0	0	0	0
Repayme nt of Sharehol der Capital Payment of Dividends /Earnings	0	0	0	0	0	0	0
Operating Loan Interest & Principal Term Loan Interest & principal	0	935	935	935	935	935	935
Purchase of Fixed Assets Payment of Other Assets Payment of Taxes	0	0	0	0	0	0	0
Total Cash Outflows	24800	12705	13505	14205	14855	18805	19055
Increase/ Decrease in Cash	-4800	475	-235	345	695	5	3215
Beginning Cash Balance	5000	200	675	440	785	1480	1485
Closing Cash Balance	200	675	440	785	1480	1485	4700

	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Cash Inflows:						
Cash Receipts	13470	14550	14550	14550	15550	169300
Other Sources of Funding:						
Owner Investment	0	0	0	0	0	0
Operating Loan Advances	0	0	0	0	0	1000
Term Loan Advances	0	0	0	0	0	20000
Sale of Fixed Assets	0	0	0	0	0	0
Other Fixed Assets	0	0	0	0	0	0
Total Cash Inflows	13470	14550	14550	14550	15550	190300
Cash Outflows:						
Payment Of:						
Cost of Sales Items	8200	8800	8800	8800	8800	121500
Sales & Marketing Items	50	50	50	50	50	2350
Property & Utilities Items	300	200	100	100	200	2900
Operations Items	2000	1950	1900	1900	1900	23300
Banking & Other Items	20	20	20	20	1020	2120
Other Wages & Benefits Items	2400	2400	2400	2400	2400	26400
Other Uses of Funding:						
Repayment of Shareholder Capital	0	0	0	0	0	0
Payment of Dividends/Earnings						
Operating	935	935	935	935	935	10285

Loan Interest & Principal						
Term Loan	0	0	0	0	0	1050
Interest & principal						
Purchase of Fixed Assets	0	0	0	0	0	0
Payment of Other Assets	0	0	0	0	0	0
Payment of Taxes	0	0	0	0	790	790
Total Cash Outflows	13905	14355	14205	14205	16095	190695
Increase/Decrease in Cash	-435	195	345	345	-545	-395
Beginning Cash Balance	4700	4265	4460	4805	5150	5000
Closing Cash Balance	4265	4460	4805	5150	4605	4605

**Brian's Book Barn**  
**PROJECTED ANNUAL CASH FLOW STATEMENT**  
**for the Years Ending Apr**

	1998	1999	2000
Cash Inflows:			
Cash Receipts	169300	226700	297000
Other Sources of Funding:			
Owner Investment	0	0	0
Operating Loan	1000	0	0
Advances			
Term Loan Advances	20000	0	0
Sale of Fixed Assets	0	0	0
Other Assets	0	0	0
Total Cash Inflows	190300	226700	297000
Cash Outflows:			
Payment Of:			
Cost of Sales Items	121500	144000	187000
Sales & Marketing Items	2350	1500	2000
Property & Utilities Items	2900	2150	2300
Operations Items	23300	23600	25100
Banking & Other Items	2120	2600	2850
Other Wages & Benefits Items	26400	39000	47000
Other Uses of Funding:			
Repayment of Shareholder Capital	0	0	0
Payment of Dividends/Earnings	0	0	0
Operating Loan Interest & Principal	10285	11215	940
Term Loan Interest & principal	1050	0	0
Purchase of Fixed Assets	0	0	0
Payment of Other Assets	0	0	0
Payment of Taxes	790	4499	8549
Total Cash Outflows	190695	228564	275739
Increase/Decrease in Cash	-395	-1864	21261
Beginning Cash Balance	5000	4605	2741
Closing Cash Balance	4605	2741	24002

# Brian's Book Barn

## PRO FORMA BALANCE SHEET

As at Apr

	Starting Balance	1998	1999	2000
<b>ASSETS</b>				
Current Assets:				
Cash	5000	4605	2741	24002
Accounts Receivable	0	0	0	0
Inventory	0	15000	22500	30000
Other Assets	0			
Total Current Assets	5000	19605	25241	54002
Fixed Assets:				
Fixed Assets	3000	3000	3000	3000
Accumulated Depreciation	0	750	1500	2250
Total Fixed Assets	3000	2250	1500	750
<b>TOTAL ASSETS</b>	<b>8000</b>	<b>21855</b>	<b>26741</b>	<b>54752</b>
<b>LIABILITIES &amp; OWNER'S EQUITY</b>				
Liabilities:				
Accounts Payable	0	0	0	0
Taxes Payable	0	0	0	0
Operating Loans Payable	0	0	0	0
Term Loans & Mortgages	0	11185	870	0
Total Liabilities	0	11185	870	0
Owner's Equity:				
Paid-in Capital	8000	8000	8000	8000
Retained Earnings	0	2670	17871	46752
Total Owner's Equity	8000	10670	25871	54752
<b>TOTAL LIABILITIES &amp; OWNER'S EQUITY</b>	<b>8000</b>	<b>21855</b>	<b>26741</b>	<b>54752</b>

# Brian's Book Barn

## RATIO ANALYSIS

### As at Apr

RATIOS	1998	1999	2000
Gross Margin	37	40	40
Net Profit Margin	1	8	12
Return on Assets	15	74	68
Average Collection Period Days	0	0	0
Inventory Turnover	7	6	6
Total Assets Turnover	7	8	5
Debt to Net Worth	1	0	0
Return on Owner's Equity	31	76	68
Times Interest Coverage	4	26	49

## Note 1: Revenue Assumptions

a. Our revenue projections by product and by month for the first year are:

Year 1	Books	Magazines	CD- ROM/Tapes	Bad Debts	Total
Month 1	0	0	0	0	0
Month 2	10000	2100	200	-120	12180
Month 3	11000	2200	200	-130	13270
Month 4	12000	2500	200	-150	14550
Month 5	13000	2500	200	-150	15550
Month 6	15000	3700	300	-190	18810
Month 7	18000	4000	500	-230	22270
Month 8	11000	2500	100	-130	13470
Month 9	12000	2500	200	-150	14550
Month 10	12000	2500	200	-150	14550
Month 11	12000	2500	200	-150	14550
Month 12	13000	2500	200	-150	15550
Total	139000	29500	2500	-1700	169300

b. Our revenue projections by product for Years 2 and 3 are:

Year 1	Books	Magazines	CD- ROM/Tapes	Bad Debts	Total
Year 2	184000	41000	4000	-2300	226700
Year 3	240000	55000	5000	-3000	297000

## Note 2: Assumptions Regarding the Collection of Sales Revenue

a. We assume that the percent of our sales, which are collected in the month they are made, in the month following, in the two months, and in the three months, are:

Current Month	100
In the Following Month	0
In Two Months	0
In Three Months	0
Total	100

b. Based on these assumptions, we have projected how much we will collect from our sales in each month. The following table also identifies any adjustments we may have made to these figures.

Year 1	Projected Collections	Adjustment	Revised Estimate
Month 1	0	0	0
Month 2	12180	0	12180
Month 3	13270	0	13270
Month 4	14550	0	14550
Month 5	15550	0	15550
Month 6	18810	0	18810
Month 7	22270	0	22270
Month 8	13470	0	13470
Month 9	14550	0	14550
Month 10	14550	0	14550
Month 11	14550	0	14550
Month 12	15550	0	15550
Total	169300	0	169300

c. Not all of our sales in the first year will be collected during that year. Based on the assumptions shown above, our Accounts Receivable at the end of Year 1 will be:

0

d. We assume that our Accounts Receivable at the end of Years 2 and 3 will be:

Year 2	0
Year 3	0

### Note 3: Cost of Sales Assumptions

a. Our assumptions regarding the amount that we will pay each month in Year 1 for Cost of Sales items listed below. These figures show up on our cash flow statements.

Year 1	Production Wages	Goods & Materials	CD-ROM/Tapes	*****	Total
Month 1	16350	3650	0		20000
Month 2	6000	1200	100		7300
Month 3	6600	1300	100		8000
Month 4	7200	1500	100		8800
Month 5	7800	1500	100		9400
Month 6	9000	2200	100		11300
Month 7	10800	2400	100		13300
Month 8	6600	1500	100		8200
Month 9	7200	1500	100		8800
Month 10	7200	1500	100		8800
Month 11	7200	1500	100		8800
Month 12	7200	1500	100		8800
Total	99150	21250	1100		121500

b. Our assumptions regarding the amount that we will pay in Year 2 and 3 for Cost of Sales items listed below. These figures show up on our annual Cash Flow Statement.

Year	Production Wages	Goods & Materials	CD-ROM/Tapes	*****	Total
Year 2	116000	26000	2000		144000
Year 3	150000	34500	2500		187000

c. Some of these payments may have been to produce or purchase goods, which we won't have sold yet. We estimate the value of such goods, which we will have in inventory at the end of Years 1, 2, and 3 will be:

Year	Inventory
Beginning Balance	0
Year 1	15000
Year 2	22500
Year 3	30000

d. Apart from what we have already paid for, there may be additional Cost of Sales goods or services, which we have received but we won't have paid for yet. We estimate the amount that we will owe (have as an Account Payable) for Cost of Sales items at the end of Years 1, 2, and 3 will be:

Year	Cost of Sales Payable
Beginning Balance	0
Year 1	0
Year 2	0
Year 3	0

e. Based on these assumptions, we have calculated our Cost of Sales expenses. These figures, which show up on our Income Statement, are shown in both dollar values and as a percent of our projected revenues.

Cost of Sales	\$	%
Year 1	106500	63
Year 2	136500	60
Year 3	179500	60

#### Note 4: Sales and Marketing Assumptions

a. Our assumptions regarding the amount that we will pay each month in Year 1 for Sales and Marketing items are listed below. These figures show up on our cash flow statements.

Year 1	Advertising	****	****	****	Total
Month 1	1500				1500
Month 2	50				50
Month 3	50				50
Month 4	50				50
Month 5	50				50
Month 6	200				200
Month 7	200				200
Month 8	50				50
Month 9	50				50
Month 10	50				50
Month 11	50				50
Month 12	50				50
Total	2350				2350

b. Our assumptions regarding the amount that we will pay in Year 2 and 3 for Sales and Marketing items are listed below. These figures show up on our annual Cash Flow Statement.

Year 1	Advertising	****	****	****	Total
Year 2	1500				1500
Year 3	2000				2000

c. Apart from what we have already paid for, there may be additional Sales and marketing items, which we have received by we, won't have paid for yet. We estimate the amount that we will owe (have as an Account Payable) for Sales and Marketing items at the end of Years 1, 2, and 3 will be:

Year	Sales & Marketing Payable
Beginning Balance	0
Year 1	0
Year 2	0
Year 3	0

d. Based on these assumptions, we have calculated our Sales and Marketing expenses. These figures, which show up on our Income Statement, are shown in both dollar values and as a percent of our projected revenues.

Sales & Marketing	\$	%
Year 1	2350	1
Year 2	1500	1
Year 3	2000	1

## Note 5: Property and Utilities Assumptions

a. Our assumptions regarding the amount that we will pay each month in Year 1 for Property & Utilities items are listed below. These figures show up on our cash flow statements.

Year 1	Rent & Property	Utilities	Telephone	Other	Total
Month 1	1800	50	50		1900
Month 2	1800	50	50		1900
Month 3	1800	50	50		1900
Month 4	1800	50	50		1900
Month 5	1800	100	50		1950
Month 6	1800	150	100		2050
Month 7	1800	150	100		2050
Month 8	1800	150	50		2000
Month 9	1800	100	50		1950
Month 10	1800	50	50		1900
Month 11	1800	50	50		1900
Month 12	1800	50	50		1900
Total	21600	1000	700		23300

b. Our assumptions regarding the amount that we will pay in Year 2 and 3 for Property & Utilities items are listed below. These figures show up on our annual Cash Flow Statement.

Year 1	Rent & Property	Utilities	Telephone	Other	Total
Year 2	21600	1200	800		23600
Year 3	22800	1300	1000		25100

c. Apart from what we have already paid for, there may be additional Property & Utilities items, which we have received by, we won't have paid for yet. We estimate the amount that we will owe (have as an Account Payable) for Property & Utilities items at the end of Years 1, 2, and 3 will be:

Year	Property & Utilities Payable
Beginning Balance	0
Year 1	0
Year 2	0
Year 3	0

d. Based on these assumptions, we have calculated our Property & Utilities expenses. These figures, which show up on our Income Statement, are shown in both dollar values and as a percent of our projected revenues.

Property and Utilities	\$	%
Year 1	23300	14
Year 2	23600	10
Year 3	25100	8

## Note 6: Operations Assumptions

a. Our assumptions regarding the amount that we will pay each month in Year 1 for Operations items are listed below. These figures show up on our cash flow statements.

Year 1	Supplies	Repair & Maintenance	Vehicle & Travel	Licenses & Permits	Total
Month 1	50	0	50	1000	1100
Month 2	50	0	50	0	100
Month 3	50	100	50	0	200
Month 4	50	0	50	0	100
Month 5	50	0	50	0	100
Month 6	100	100	50	0	250
Month 7	100	0	50	0	150
Month 8	50	0	50	200	300
Month 9	50	100	50	0	200
Month 10	50	0	50	0	100
Month 11	50	0	50	0	100
Month 12	50	100	50	0	200
Total	700	400	600	1200	2900

b. Our assumptions regarding the amount that we will pay in Year 2 and 3 for Operations items are listed below. These figures show up on our annual Cash Flow Statement.

Year 1	Supplies	Repair & Maintenance	Vehicle & Travel	Licenses & Permits	Total
Year 2	800	400	750	200	2150
Year 3	900	400	800	200	2300

c. Apart from what we have already paid for, there may be additional Operations items, which we have received by, we won't have paid for yet. We estimate the amount that we will owe (have as an Account Payable) for Operations items at the end of Years 1, 2, and 3 will be:

Year	Operations Payable
Beginning Balance	0
Year 1	0
Year 2	0
Year 3	0

d. Based on these assumptions, we have calculated our Operations expenses. These figures, which show up on our Income Statement, are shown in both dollar values and as a percent of our projected revenues.

Operations	\$	%
Year 1	2900	2
Year 2	2150	1
Year 3	2300	1

## Note 7: Banking and Other Assumptions

a. Our assumptions regarding the amount that we will pay each month in Year 1 for Banking, Professional & other items are listed below. These figures show up on our cash flow statements.

	Bank Charges	Accounting & Legal	Insurance	Other	Total
Month 1	100	200	0		300
Month 2	20	0	0		20
Month 3	20	0	0		20
Month 4	20	0	0		20
Month 5	20	0	0		20
Month 6	20	100	500		620
Month 7	20	0	0		20
Month 8	20	0	0		20
Month 9	20	0	0		20
Month 10	20	0	0		20
Month 11	20	0	0		20
Month 12	20	500	500		1020
Total	320	800	1000		2120

b. Our assumptions regarding the amount that we will pay in Year 2 and 3 for Banking, Professional & other items are listed below. These figures show up on our annual Cash Flow Statement.

	Bank Charges	Accounting & Legal	Insurance	Other	Total
Year 2	400	1000	1200		2600
Year 3	450	1000	1400		2850

c. Apart from what we have already paid for, there may be additional Banking, Professional & other items, which we have received by we, won't have paid for yet. We estimate the amount that we will owe (have as an Account Payable) for Banking, Professional & Other items at the end of Years 1, 2, and 3 will be:

Year	Amount Payable
Beginning Balance	0
Year 1	0
Year 2	0
Year 3	0

d. Based on these assumptions, we have calculated our Banking, Professional & other expenses. These figures, which show up on our Income Statement, are shown in both dollar values and as a percent of our projected revenues.

Banking and Other	\$	%
Year 1	2120	1
Year 2	2600	1
Year 3	2850	1

## Note 8: Wages and Other Assumptions

a. Our assumptions regarding the amount that we will pay each month in Year 1 for Wages & other items are listed below. These figures show up on our cash flow statements.

Year 1	Management	Cashiers	*****	*****	Total
Month 1	0	0			0
Month 2	1800	600			2400
Month 3	1800	600			2400
Month 4	1800	600			2400
Month 5	1800	600			2400
Month 6	1800	600			2400
Month 7	1800	600			2400
Month 8	1800	600			2400
Month 9	1800	600			2400
Month 10	1800	600			2400
Month 11	1800	600			2400
Month 12	1800	600			2400
Total	19800	6600			26400

b. Our assumptions regarding the amount that we will pay in Year 2 and 3 for Wages & other items are listed below. These figures show up on our annual Cash Flow Statement.

Year 1	Management	Cashiers	*****	*****	Total
Year 2	28000	11000			39000
Year 3	35000	12000			47000

c. Apart from what we have already paid for, there may be additional Wages & other items, which we have received by we, won't have paid for yet. We estimate the amount that we will owe (have as an Account Payable) for Wages & Other items at the end of Years 1, 2, and 3 will be:

Year	Wages Payable
Beginning Balance	0
Year 1	0
Year 2	0
Year 3	0

d. Based on these assumptions, we have calculated our Wages & other expenses. These figures, which show up on our Income Statement, are shown in both dollar values and as a percent of our projected revenues.

Wages and Other	\$	%
Year 1	26400	16
Year 2	39000	17
Year 3	47000	16

## Note 9: Other Sources of Funding

a. Our assumptions regarding other sources of funding for our business in Year 1 are:

	Investment By Owners	Operating Loan Advances	Term Loan Advances	Sale of Fixed Assets	Other Assets
Month 1	0	0	20000		
Month 2	0	1000	0		
Month 3	0	0	0		
Month 4	0	0	0		
Month 5	0	0	0		
Month 6	0	0	0		
Month 7	0	0	0		
Month 8	0	0	0		
Month 9	0	0	0		
Month 10	0	0	0		
Month 11	0	0	0		
Month 12	0	0	0		
Total	0	1000	20000		

b. Our assumptions regarding other sources of funding for Years 2 and 3 are:

	Investment By Owners	Operating Loan Advances	Term Loan Advances	Sale of Fixed Assets	Other Assets
Year 2	0	0	0	0	0
Year 3	0	0	0	0	0

## Note 10: Other Uses of Funding

a. Our assumptions regarding payments to owners and repayment of loan principal and interest in Year 1 are:

Payment or Repayment of:	Capital to Shareholders	Dividends/Earnin gs Shareholders	Operating Loan Interest & Principal	Term Loan Interest & Principal
Month 1			0	0
Month 2			0	935
Month 3			0	935
Month 4			0	935
Month 5			0	935
Month 6			1050	935
Month 7			0	935
Month 8			0	935
Month 9			0	935
Month 10			0	935
Month 11			0	935
Month 12			0	935
Total			1050	10285

b. Our assumptions regarding payments to owners and repayment of loan principal and interest in Years 2 and 3 are:

Payment or Repayment of:	Capital to Shareholders	Dividends/Earnin gs Shareholders	Operating Loan Interest & Principal	Term Loan Interest & Principal
Year 2	0	0	0	11215
Year 3	0	0	0	940

c. Our assumptions regarding other payments in Year 1 are:

Other Uses of Funds	Purchase of Fixed Assets	Payments for Other Assets	Payment for Income Taxes
Month 1			0
Month 2			0
Month 3			0
Month 4			0
Month 5			0
Month 6			0
Month 7			0
Month 8			0
Month 9			0
Month 10			0
Month 11			0
Month 12			790
Total			790

d. Our assumptions regarding other payments in Year 2 and 3 are:

Payment or Repayment of:	Capital to Shareholders	Dividends/Earnings Shareholders	Operating Loan Interest & Principal
Year 2			4499
Year 3			8549