

Business Acquisition Series (BAS) Modeling

The below tables reveal the change in the balance sheet, income statement and cash flow statement, from the initial investment to 1 year of operation. New entrepreneurs may have a grand business product at hand, but may not realize whether the overall business will be profitable. By modeling out the possible scenarios, preferably with conservative, bear assumptions, the entrepreneur can preserve capital by passing unprofitable ventures.

Startup Financing (at Time Zero)

<u>Capital Structure</u>	
Contributed Capital	1000
Borrowed Debt	1000
<u>Operations</u>	
Accounts Payable - Inventory	1000
Number of Units	100
Cost/Unit	10
Loan for Equipment	0
Annualized Depreciation	0
Depreciable Life	10
Interest Rate of Loan	10%
Sales Price	
Number of Units Sold	
Wages	
Rent	
Misc	
Tax Rate	

Balance Sheet			
Asset		Liability	
Cash	2000	Accounts Payable - Inventory	1000
Inventory	1000	Equipment Loan	0
Equipment	0	Long term debt	1000
		SE	
		Contributed Capital	1000
Total Assets	3000	Liability+SE	3000

Income Statement	
Revenue	0
COGS	0
GM	0
Depreciation	0
OPEX	0
EBIT	0
Int	0
Tax	0
NI	0

Cashflow Statement	
NI	0
Depreciation	0
+/- AP	1000
+/- AR	0
+/- Inventory	-1000
CF from Ops	0
PP&E	0
CF from Investment	0
New Equity	1000
New Debt	1000
Loan for Equipment	0
CF from financing	2000
Beginning Cash Balance	0
Change in Cash Balance	2000
Ending Cash Balance	2000

Year 1 Result

<u>Capital Structure</u>	
Contributed Capital	1000
Borrowed Debt	1000
<u>Operations</u>	
Accounts Payable - Inventory	1000
Number of Units	100
Cost/Unit	10
Loan for Equipment	0
Annualized Depreciation	0
Depreciable Life	10
Interest Rate of Loan	10%
Sales Price	\$40
Number of Units Sold	100
Wages	500
Rent	1000
Misc	1000
Tax Rate	35%
Dividend	200
Payout Ratio	62%
ROIC via Dividend	20.00%
ROE	32.50%
Book Value of Co.	1125
Book Value Growth	12.50%

Balance Sheet			
Asset		Liability	
Cash	3125	Accounts Payable - Inventory	1000
Inventory	0	Equipment Loan	0
Equipment	0	Long term debt	1000
		SE	
		Contributed Capital	1000
		Retained Earnings	125
Total Assets	3125	Liability+SE	3125

Income Statement	
Revenue	4000
COGS	1000
GM	3000
Depreciation	0
OPEX	2500
EBIT	500
Int	0
Tax	175
NI	325

Cashflow Statement	
NI	325
Depreciation	0
+/- AP	0
+/- AR	0
+/- Inventory	1000
CF from Ops	1325
PP&E	0
CF from Investment	0
New Equity	0
New Debt	0
Loan for Equipment	0
Dividend	200
CF from financing	-200
Beginning Cash Balance	2000
Change in Cash Balance	1125
Ending Cash Balance	3125