

Your Business Plan is Ready

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Table of Contents

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Table of Contents

Executive Summary	1
Chart: Highlights	1
Objectives	2
Mission	2
Company Summary	2
Company Ownership	2
Start-up Summary	2
Table: Start-up	3
Table: Start-up Funding	4
Chart: Start-up	5
Services	5
Market Analysis Summary	2
Market Segmentation	2
Chart: Market Analysis (Pie)	3
Table: Market Analysis	4
Target Market Segment Strategy	4
Competition and Buying Patterns	5
Management Summary	6
Personnel Plan	6
Table: Personnel	7
Financial Plan	7
Important Assumptions	7
Table: General Assumptions	7
Break-even Analysis	8
Chart: Break-even Analysis	8
Table: Break-even Analysis	8
Projected Profit and Loss	9
Chart: Gross Margin Monthly	9
Chart: Gross Margin Yearly	10
Table: Profit and Loss	11
Chart: Profit Monthly	12
Chart: Profit Yearly	13
Projected Cash Flow	14
Chart: Cash	14
Table: Cash Flow	15
Projected Balance Sheet	16
Table: Balance Sheet	16
Business Ratios	17
Table: Ratios	17
Sales Forecast (With Monthly Detail)	1
Personnel (With Monthly Details)	2
General Assumptions (With Monthly Detail)	3
Profit and Loss Statement (With Monthly Detail)	4

Table of Contents

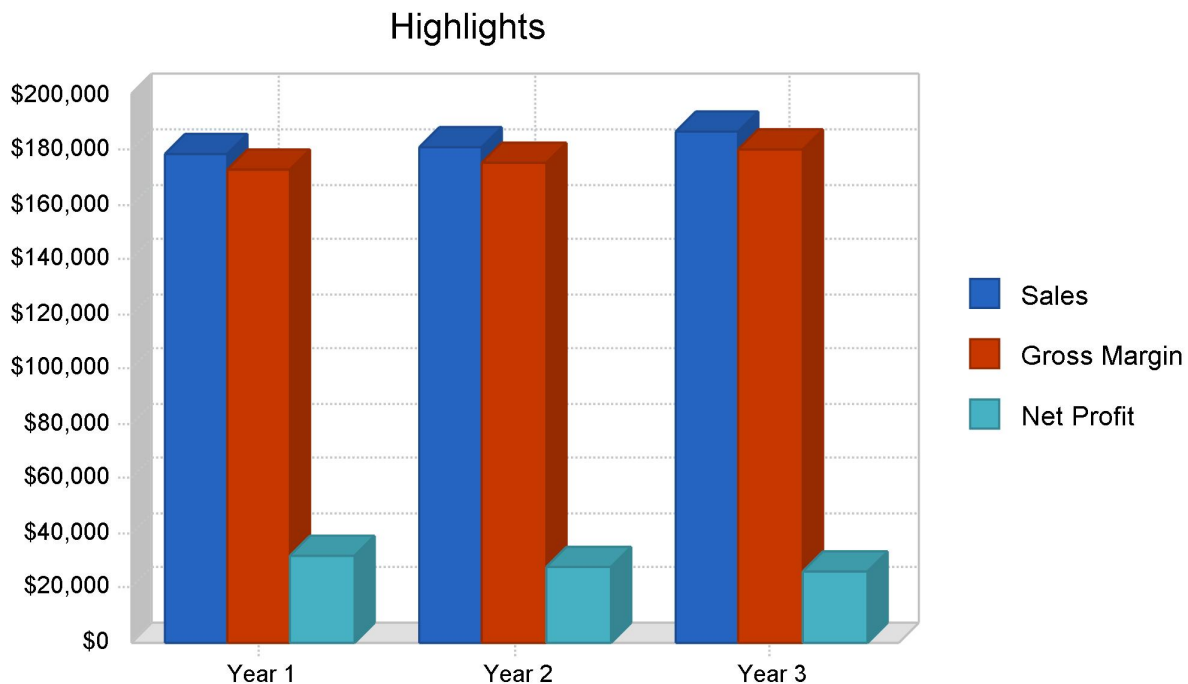
Cash Flow Statement (With Monthly Detail)	5
Balance Sheet (With Monthly Detail)	6

Executive Summary

Mother's House Cleaning Service (MHCS) is a residential house cleaning service serving upper-class families in Fourways, Johannesburg North. Through generous human capital investments, MHCS will exceed our customer's expectations. We will be servicing the wealthy single-income households and affluent two-income households. These targeted families will be willing to pay a premium for our service because of the high level of professionalism and trustworthiness that we offer, not replicated by any of our competition.

Mother's House Cleaning Service's projected growth rate is very high each year with respectable profit margins as a percentage of sales. MHCS will be a home-based business with Sarah Tookleen as the sole proprietor. By the end of year one, MHCS will have six additional employees. This house cleaning business plan will help the owner navigate the startup, and subsequent management of the business.

Chart: Highlights



Objectives

Mother's House Cleaning Service's objectives for the first three years of operation include:

- To create a service based company whose #1 goal is exceeding customer's expectations.
- To increase our number of clients served by 20% per year through superior service.
- To develop a sustainable home-based business, living off its own cash flow.
- The utilization of Mother's House Cleaning Service on a regular basis by at least 30% of the leads that contact us for more information.

Mission

Mother's House Cleaning Service's mission is to provide the customer with all residential cleaning services in an environmentally sound, completely trustworthy, and professional manner. We exist to attract and maintain customers. When we adhere to this maxim, everything else will fall into place. Our services will exceed the expectations of our customers.

Company Summary

Mother's House Cleaning Service (MHCS), soon to be located in Fourways, Johannesburg North, will offer residential home cleaning services. MHCS will offer a wide range of services to the residential client, from general room cleaning to child/pet disasters. We will be going after the upper end of the market, typically the affluent whose spouse does not have a full-time job but chooses to do other things with his/her time, or the two income family who chooses not to clean the home themselves.

The business will be based out of Sarah Tookleen's home. Sarah will be responsible for scheduling, estimates, training, inventory, ordering, payroll and customer care management. The business organizational type will be a sole proprietorship, with six employees within the first 12 months.

According to sales forecasts, net profits within four months will be a respectable percentage of sales and will grow steadily through year three.

Company Ownership

Mother's House Cleaning Service will be a sole proprietorship, owned by Sarah Tookleen.

Start-up Summary

Mother's House Cleaning Service's start-up costs include equipment needed for a home-based business (to be detailed below), initial legal fees, marketing fees, cleaning equipment and supplies, uniforms, and signs for employee vehicles.

The home office equipment includes a computer system (with the following minimum specifications: 500 mhz processor, 64 megabytes RAM, 6 gigabyte hard drive, printer, and CD-RW). Also required for the office is an additional land phone line, fax machine, pager, and cellular phone. A few pieces of furniture will also be needed.

Mother's House Cleaning Service

The legal fees are used for the formation of the business as well as reviewing/generating employee and client contracts.

Marketing fees are for the production of business cards and brochures.

Cleaning equipment must also be purchased with one set of equipment per employee. The major per employee expense is a commercial vacuum cleaner (consumer models will not withstand continuous use) and assorted brooms, mops, and chemicals (biodegradable).

Uniforms will be used to give off a professional image.

Lastly, we will have a few magnetic company signs made to turn the employee car into the appearance of a company car.

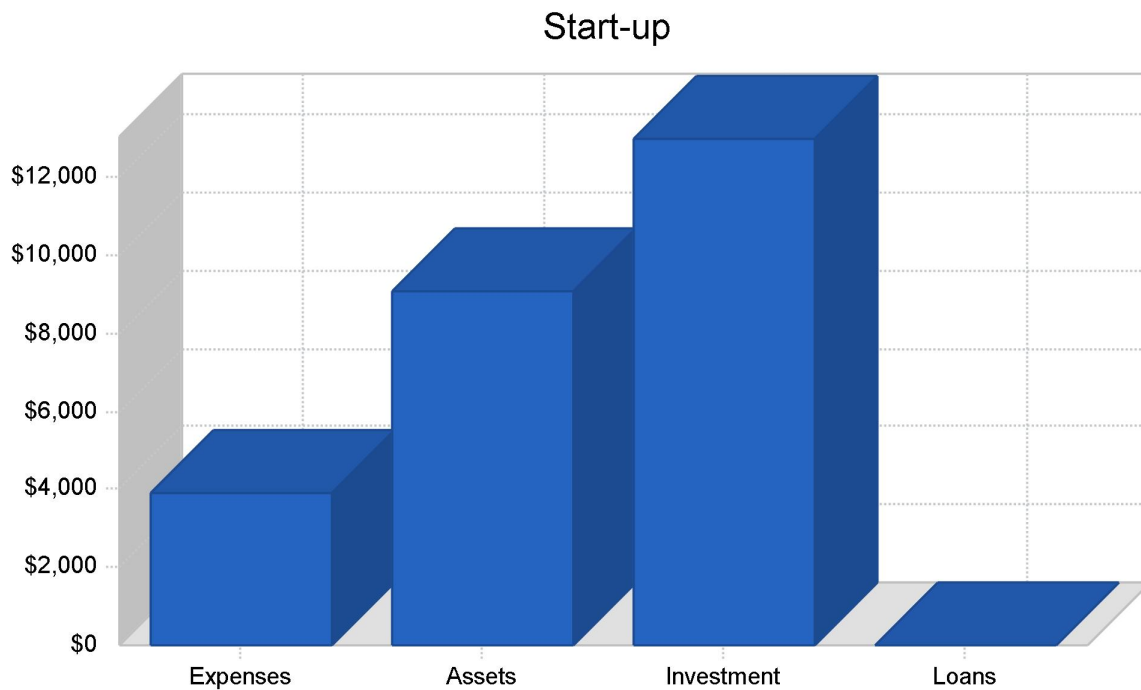
Table: Start-up

<i>Start-up</i>	
Requirements	
Start-up Expenses	
Legal	\$300
Stationery etc.	\$50
Brochures	\$200
Insurance	\$500
Uniforms	\$100
Cleaning Equipment	\$800
Office Furniture	\$100
Communication Equipment	\$100
Computer Equipment	\$1,500
Magnetic Car Signs	\$75
Cleaning Supplies	\$200
Other	\$0
Total Start-up Expenses	\$3,925
Start-up Assets	
Cash Required	\$9,075
Start-up Inventory	\$0
Other Current Assets	\$0
Long-term Assets	\$0
Total Assets	\$9,075
Total Requirements	\$13,000

Table: Start-up Funding

<i>Start-up Funding</i>	
Start-up Expenses to Fund	\$3,925
Start-up Assets to Fund	\$9,075
Total Funding Required	\$13,000
Assets	
Non-cash Assets from Start-up	\$0
Cash Requirements from Start-up	\$9,075
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$9,075
Total Assets	\$9,075
Liabilities and Capital	
Liabilities	
Current Borrowing	\$0
Long-term Liabilities	\$0
Accounts Payable (Outstanding Bills)	\$0
Other Current Liabilities (interest-free)	\$0
Total Liabilities	\$0
Capital	
Planned Investment	
Investor 1	\$13,000
Investor 2	\$0
Other	\$0
Additional Investment Requirement	\$0
Total Planned Investment	\$13,000
Loss at Start-up (Start-up Expenses)	(\$3,925)
Total Capital	\$9,075
Total Capital and Liabilities	\$9,075
Total Funding	\$13,000

Chart: Start-up



Services

Mother's House Cleaning Service will provide a residential house cleaning service for the upper end of the market. We will have two target customers:

- The affluent who has a spouse who does not work, but is not inclined to do housework. To many a maid/house cleaner is a symbol of wealth, and this idea symbolizes this group of customers.
- The two-income households whose opportunity costs are too great to spend time cleaning the house.

MHCS offers house cleaning to these targeted customers. House cleaning ranges from cleaning of standard rooms such as kitchen, bathrooms, bedrooms, as well as more unusual jobs like small disasters from children and pets.

Need Funding?

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<https://qabamafrika.org/business-funding-registration/>

Market Analysis Summary

Mother's House Cleaning Service will target the upper end of the house cleaning market. It would appear, at least if you opened the yellow pages, that there is not a need for another house cleaning service. Make no mistake however, there is a need for a quality, honest service. MHCS is offering a high quality, totally trustworthy service for high income households. Our service will ooze professionalism. We are perfectionists and this will be clear by our service.

Fourways, Johannesburg North currently has quite a range of different residential house cleaning services, from independent companies to franchise services. No one else is specifically targeting the wealthy. We will be targeting two wealthy populations:

- Wealthy one-income households.
- Affluent two-income households.

Both of these targeted groups appreciate a professional, reliable, trustworthy, cleaning service and are willing to pay a premium to get this top shelf level of service. We will be marketing our service to these people through word of mouth referrals as well as through membership lists from Fourways's exclusive membership clubs.

Fourways, like most suburbs, has lots of cleaning services. Although there are lots of competitors, we are the only company to go after the upper socio/economic class exclusively. Demand for a upper-end cleaning service will allow us to have steady growth.

Market Segmentation

Mother's House Cleaning Service will be focusing on two upper socio/economic groups. The first is the affluent where only one spouse works. Although the other spouse is at home and has time to clean, he/she chooses not to. This spouse would rather volunteer for a public interest organization, play tennis and golf, or just spend time how he/she chooses to. They have no desire to clean the house. To them that is not enjoyable and they have the money to pay someone to do that kind of work. This market has annual incomes over \$200,000 and live in expensive houses. While Fourways, only has 650 families that fall into this category, this group reliably uses cleaning services.

Our second segment of the market that we are targeting is the two income family. Over the last couple of decades, the number of two-income households have increased, to a point where in parts of the country they exceed one income families. Our target customer is two income families whose combined annual income is over \$125,000. These families don't really have the time to clean, can afford a cleaning service, and choose to hire a service because the opportunity costs are too high to waste time cleaning their house. These households are typically age 32-55 and live in houses valued over \$250,000. Fourways has approximately 2,000 families that fall into this demographic. It is this segment which has tremendous potential for us. Nearly 80% of dual income households use an outside cleaning service for some of their house cleaning according to the S.A Department of Commerce.

Additionally, there are some potential customers that MHCS has labeled as assorted "well-off" households. These are families that have the money for our services that do not fit neatly into the two previous categories.

Chart: Market Analysis (Pie)

Market Analysis (Pie)

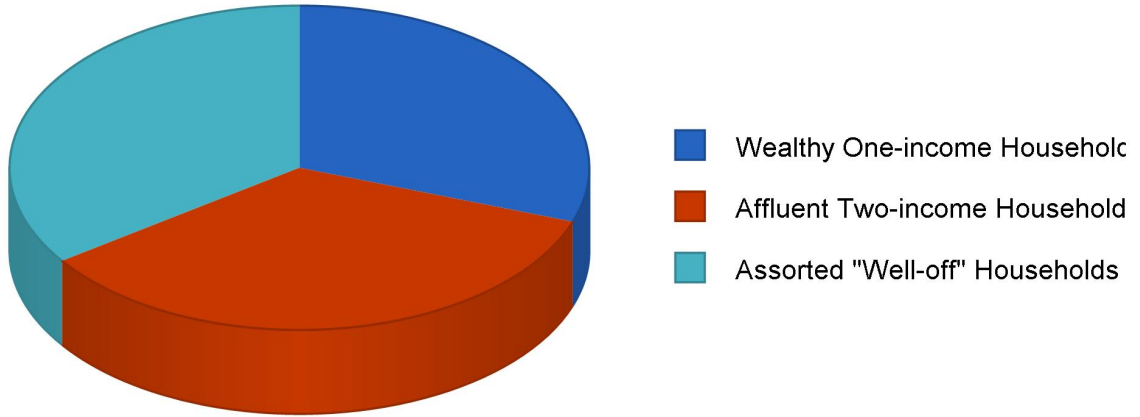


Table: Market Analysis

<i>Market Analysis</i>		Year 1	Year 2	Year 3	Year 4	Year 5	
Potential Customers	Growth						CAGR
Wealthy One-income Households	11%	7	8	9	10	11	11.96%
Affluent Two-income Households	13%	8	9	10	11	12	10.67%
Assorted "Well-off" Households	6%	8	8	8	8	8	0.00%
Total	7.75%	23	25	27	29	31	7.75%

Target Market Segment Strategy

MHCS is focusing on these people because they appreciate a professional, reliable, trustworthy, and immaculate house cleaning service, and are more than willing to pay for this. While Fourways, has several different cleaning services, we are the only one that targets the affluent exclusively. The wealthy are consistent customers. Whether they have a house cleaning service does not depend on the finances each month. These groups always have the money for our services, just as they always need/desire a clean house.

The affluent desire quality and are willing to pay a premium for a service that that they can trust 100%, that extrudes professionalism, and basically allows them to forget that they have to deal with whatever it takes to get a clean house. We do all of this in a seamless, customer centric manner.

We will market our company through a two-pronged approach. One prong is the distribution of a color brochure detailing our services. The distribution of this document will be targeted to hit our chosen segment. This will be done by setting up strategic relationships with organizations or clubs whose members fits our targeted customer profile. Examples of this would be higher-end athletic clubs, country clubs, wine connoisseur clubs, etc. We will gain access to these clubs membership through deals where the club owners will receive our services for themselves to test the quality so they then feel comfortable with helping us by being a "cheerleader" for our service.

The second prong of our approach will be through word of mouth referrals. We will offer an economic incentive (such as a free visit) to our customers if they bring in new business for us. We believe this will be effective because the financial incentive will motivate their behavior, and people naturally like to share good things with their friends.

Competition and Buying Patterns

Although there are lots of competitors in the cleaning service space, there is good reason for this competition, demand is high. Plenty of maid/janitorial services have waiting lists, they are unable to meet demand. Additionally, many of the maid and janitorial services are "mom and pop" operations without enough employees. Cleaning service customers want quality, and not everyone in the cleaning service space offers quality. How often when you ask one of your friends for a referral do they tell you they have been using a bunch of different companies and they have yet to find one that they are truly happy with.

The residential house cleaning niche is a subset of the larger cleaning business. Within the cleaning business, there are both residential as well as commercial cleaners. The commercial cleaners are typically a janitorial service that offers a wide range of services from general office cleaning, to carpet cleaning, to window cleaning. Janitorial services are a one-stop service offering for commercial businesses. There are also residential cleaning services. The residential house cleaning market is serviced predominately by independent companies. There are however, a few large franchises. Residential services are divided into a couple of different categories, maid or house cleaners, carpet cleaners, window cleaners, and a variety of other services that are required on a less frequent basis. They are far more restricted in their range of offered services relative to the commercial janitorial services.

We charge a premium for our services, and people are willing to pay to get our unsurpassed level of professionalism, trustworthiness, and attention to detail. We provide the most pleasant experience possible.

Management Summary

Mother's House Cleaning Service is owned and operated by Sarah Tookleen. It will be formed as a sole proprietorship. There is no compelling need to incorporate. The advantage of incorporation, limited liability, can be offset by good insurance.

Sarah Tookleen, founder and owner, has a degree in History from University of Free State. Sarah spent three of her four years in college working for a Sanitation Management cleaning service. Sanitation Management was both a residential and commercial cleaning service. Sarah worked on a cleaning crew with two other individuals. By the end of Sarah's third year she was promoted to crew manager and was responsible for coordinating the jobs for that crew, as well as all customer interactions. After college, Sarah moved from Bramfontein to Johannesburg where she was employed as a Manager of Immaculate Cleanception, a residential house cleaning service. Sarah managed the 23 person organization for two years. Her responsibilities included all facets of management including, hiring, training, customer service, inventory control, and purchasing. It was her experience at Immaculate Cleanception that provided Sarah with the skills and confidence to open up her own company. She decided to move Fourways, an upscale suburb of Seattle with her husband and start her own company.

Personnel Plan

The staff will consist of Sarah working full time for MHCS. Initially Sarah will be working in both the office as well as on jobs, by the end of month two she will be working only in the office and will have hired an additional employee. Month five will see an additional two people hired, and month six will see two more hired for a total of six employees.

We will be paying our employees a competitive hourly wage, quite a bit more than minimum wage. This is calculated to attract a much higher caliber employee that is not looking for temporary employment, but a stable job environment. This is compounded by the fact that in order to make our training cost effective for us, we need this person to be a part of the company for an extended period of time, not just a few months until a better job comes along. In addition to paying an above market wage, we will be offering extensive training. This personal development will be another attraction for the high caliber employee. The need for the higher class employee is necessitated because of the upper end clients that we serve. In order to exceed the customer's expectations of our services, we need to have the right employee that has been properly trained and feels a sense of empowerment on the job.

Sarah will be paid a monthly salary. The rest of the profits will remain within the business.

Table: Personnel

<i>Personnel Plan</i>			
	Year 1	Year 2	Year 3
Owner	\$24,000	\$25,200	\$26,460
Employees	\$86,889	\$93,000	\$102,000
Total People	0	0	0
Total Payroll	\$110,889	\$118,200	\$128,460

Financial Plan

The following subtopics will provide more financial information.

Important Assumptions

See following table for MHCS' general assumptions.

Table: General Assumptions

<i>General Assumptions</i>			
	Year 1	Year 2	Year 3
Plan Month	1	2	3
Current Interest Rate	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%
Tax Rate	17.08%	25.00%	17.08%
Other	0	0	0

Break-even Analysis

The break-even analysis is based on an average billing unit. The calculations are based on a \$1.00 unit of revenue and costs of sales as a percentage of \$1.00.

Chart: Break-even Analysis

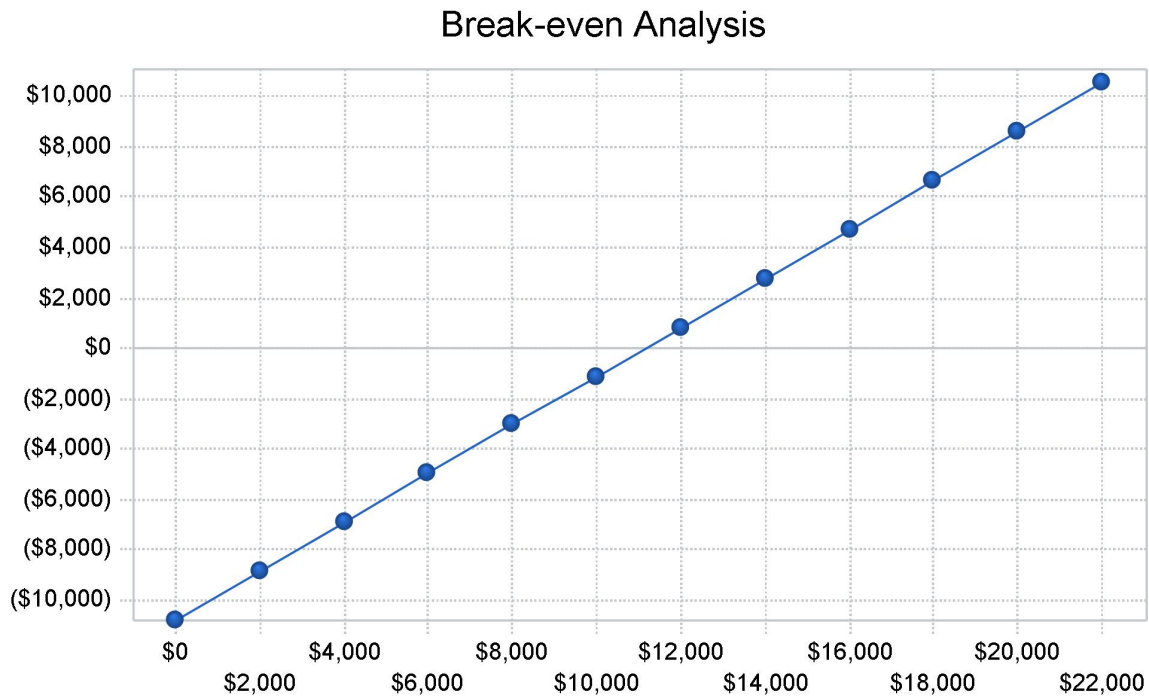


Table: Break-even Analysis

<i>Break-even Analysis</i>	
Monthly Revenue Break-even	\$11,140
Assumptions:	
Average Percent Variable Cost	3%
Estimated Monthly Fixed Cost	\$10,797

Projected Profit and Loss

The following table will indicate projected profit and loss.

Chart: Gross Margin Monthly

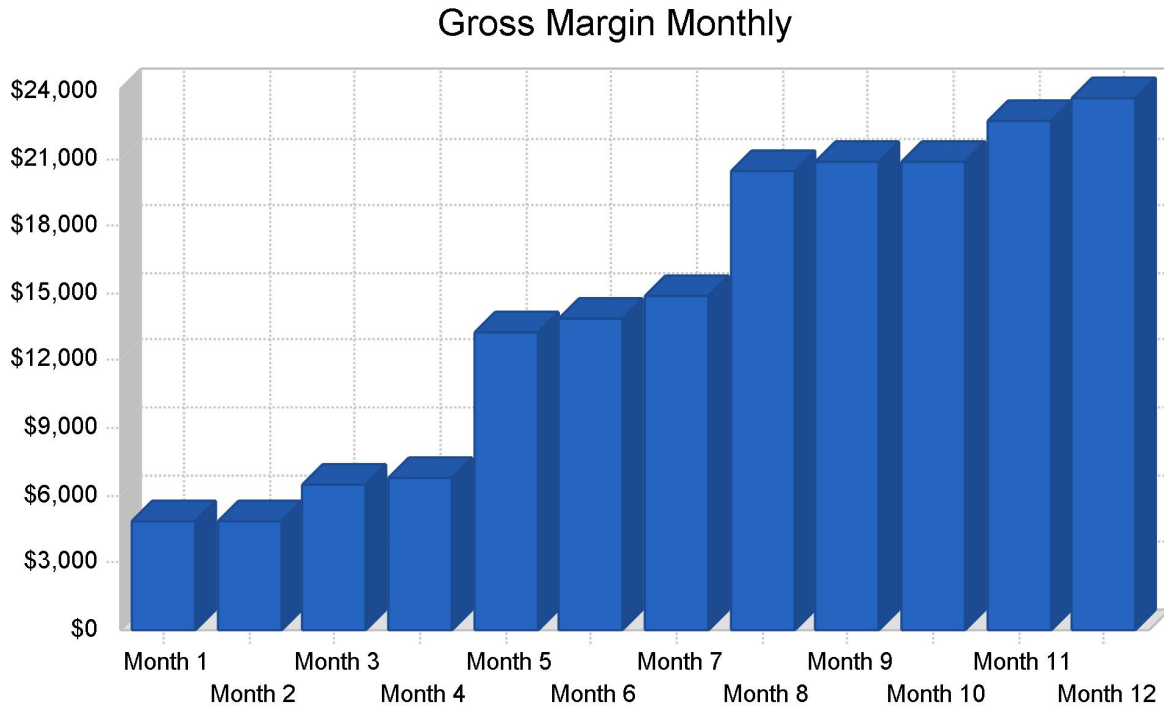


Chart: Gross Margin Yearly

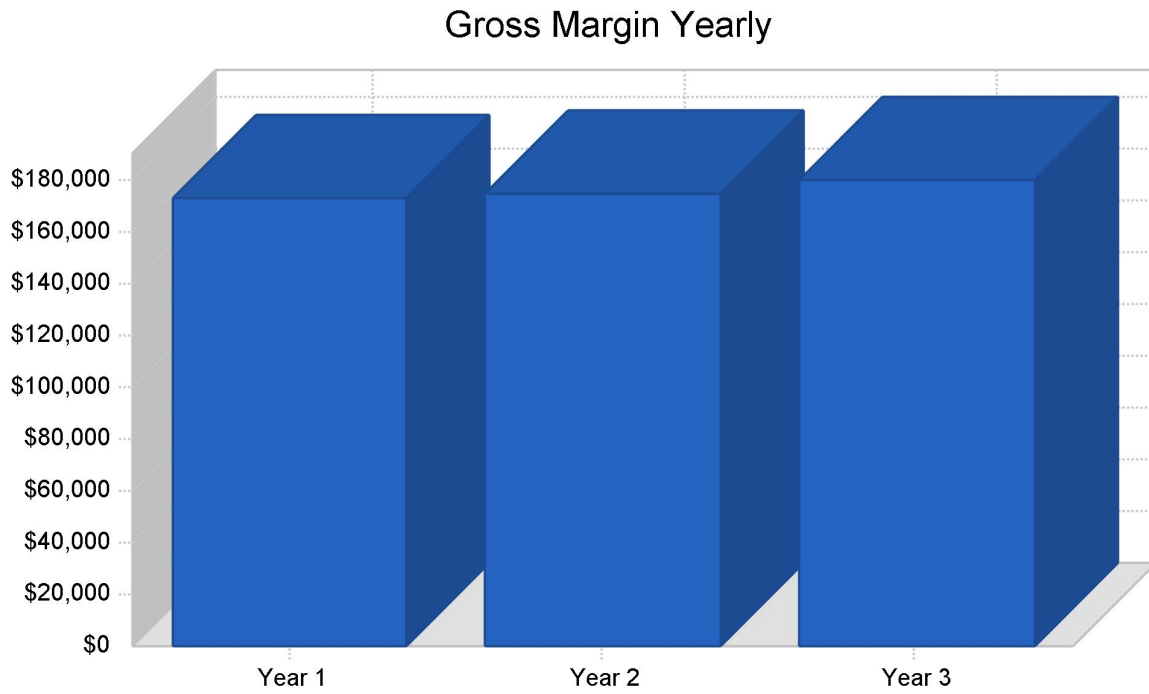


Table: Profit and Loss

<i>Pro Forma Profit and Loss</i>	Year 1	Year 2	Year 3
Sales	\$178,970	\$181,491	\$186,598
Direct Cost of Sales	\$5,508	\$5,903	\$6,150
Other	\$0	\$0	\$0
Total Cost of Sales	\$5,508	\$5,903	\$6,150
Gross Margin	\$173,462	\$175,588	\$180,448
Gross Margin %	96.92%	96.75%	96.70%
Expenses			
Payroll	\$110,889	\$118,200	\$128,460
Sales and Marketing and Other Expenses	\$6,013	\$5,968	\$5,968
Depreciation	\$0	\$0	\$0
Additional Payroll Burden	\$9,058	\$10,841	\$10,942
Leased Equipment	\$0	\$0	\$0
Utilities	\$1,200	\$1,200	\$1,200
Insurance	\$2,400	\$2,400	\$2,400
Rent	\$0	\$0	\$0
Payroll Taxes	\$0	\$0	\$0
Other	\$0	\$0	\$0
Total Operating Expenses	\$129,560	\$138,609	\$148,970
Profit Before Interest and Taxes	\$43,902	\$36,979	\$31,478
EBITDA	\$43,902	\$36,979	\$31,478
Interest Expense	\$0	\$0	\$0
Taxes Incurred	\$12,108	\$9,245	\$5,378
Net Profit	\$31,794	\$27,734	\$26,101
Net Profit/Sales	17.76%	15.28%	13.99%

Chart: Profit Monthly

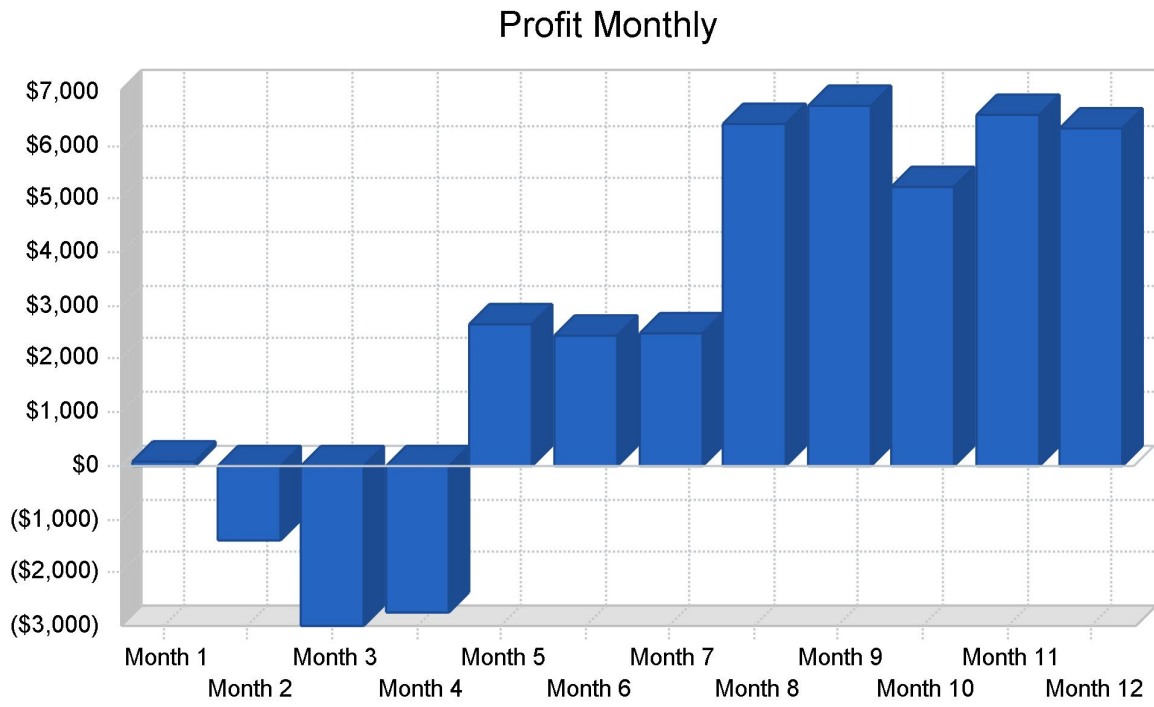
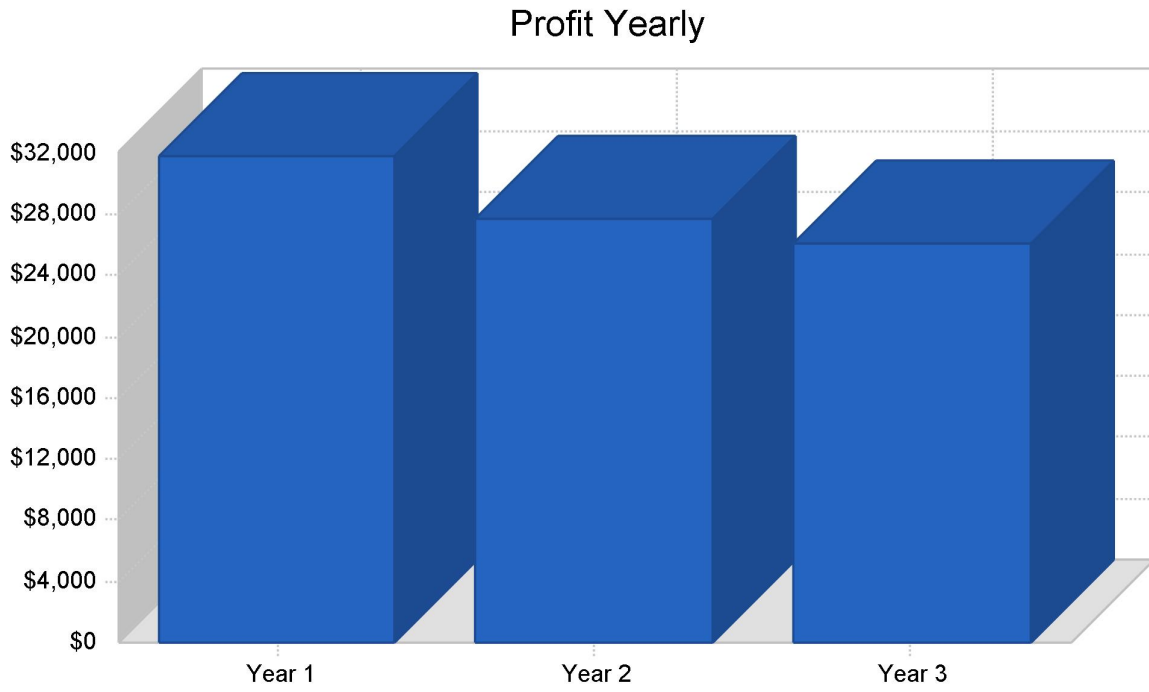


Chart: Profit Yearly



Projected Cash Flow

The following table will indicate projected cash flow.

Chart: Cash

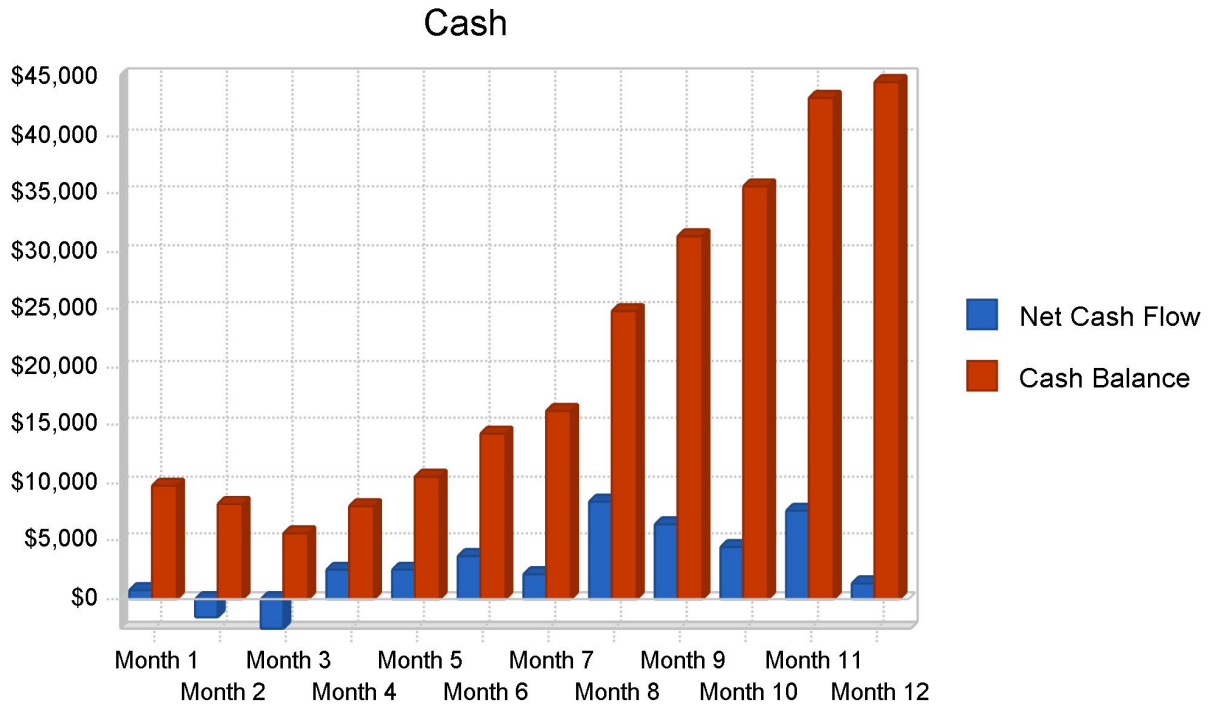


Table: Cash Flow

<i>Pro Forma Cash Flow</i>	Year 1	Year 2	Year 3
Cash Received			
Cash from Operations			
Cash Sales	\$178,970	\$181,491	\$186,598
Subtotal Cash from Operations	\$178,970	\$181,491	\$186,598
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$5,000	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0
Subtotal Cash Received	\$183,970	\$181,491	\$186,598
Expenditures	Year 1	Year 2	Year 3
Expenditures from Operations			
Cash Spending	\$110,889	\$118,200	\$128,460
Bill Payments	\$32,586	\$37,444	\$32,305
Subtotal Spent on Operations	\$143,475	\$155,644	\$160,765
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$5,000	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0
Purchase Other Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$148,475	\$155,644	\$160,765
Net Cash Flow	\$35,495	\$25,847	\$25,833
Cash Balance	\$44,570	\$70,417	\$96,250

Projected Balance Sheet

The following table will indicate the projected balance sheet.

Table: Balance Sheet

<i>Pro Forma Balance Sheet</i>			
	Year 1	Year 2	Year 3
Assets			
Current Assets			
Cash	\$44,570	\$70,417	\$96,250
Inventory	\$1,492	\$1,074	\$1,088
Other Current Assets	\$0	\$0	\$0
Total Current Assets	\$46,062	\$71,491	\$97,338
Long-term Assets			
Long-term Assets	\$0	\$0	\$0
Accumulated Depreciation	\$0	\$0	\$0
Total Long-term Assets	\$0	\$0	\$0
Total Assets	\$46,062	\$71,491	\$97,338
Liabilities and Capital	Year 1	Year 2	Year 3
Current Liabilities			
Accounts Payable	\$5,193	\$2,888	\$2,634
Current Borrowing	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0
Subtotal Current Liabilities	\$5,193	\$2,888	\$2,634
Long-term Liabilities	\$0	\$0	\$0
Total Liabilities	\$5,193	\$2,888	\$2,634
Paid-in Capital	\$13,000	\$13,000	\$13,000
Retained Earnings	(\$3,925)	\$27,869	\$55,603
Earnings	\$31,794	\$27,734	\$26,101
Total Capital	\$40,869	\$68,603	\$94,704
Total Liabilities and Capital	\$46,062	\$71,491	\$97,338
Net Worth	\$40,869	\$68,603	\$94,704

Business Ratios

The following table contains important business ratios from the building maintenance services industry, as determined by the Standard Industry Classification (SIC) Index code 7349.

Table: Ratios

<i>Ratio Analysis</i>	Year 1	Year 2	Year 3	Industry Profile
Sales Growth	n.a.	1.41%	2.81%	7.30%
Percent of Total Assets				
Inventory	3.24%	1.50%	1.12%	3.80%
Other Current Assets	0.00%	0.00%	0.00%	44.90%
Total Current Assets	100.00%	100.00%	100.00%	73.40%
Long-term Assets	0.00%	0.00%	0.00%	26.60%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	11.27%	4.04%	2.71%	44.40%
Long-term Liabilities	0.00%	0.00%	0.00%	16.40%
Total Liabilities	11.27%	4.04%	2.71%	60.80%
Net Worth	88.73%	95.96%	97.29%	39.20%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	96.92%	96.75%	96.70%	0.00%
Selling, General & Administrative Expenses	94.22%	93.58%	91.63%	81.70%
Advertising Expenses	0.93%	1.06%	1.03%	1.30%
Profit Before Interest and Taxes	24.53%	20.38%	16.87%	2.00%
Main Ratios				
Current	8.87	24.75	36.95	1.67
Quick	8.58	24.38	36.54	1.33
Total Debt to Total Assets	11.27%	4.04%	2.71%	60.80%
Pre-tax Return on Net Worth	107.42%	53.90%	33.24%	3.50%
Pre-tax Return on Assets	95.31%	51.73%	32.34%	9.00%
Additional Ratios	Year 1	Year 2	Year 3	
Net Profit Margin	17.76%	15.28%	13.99%	n.a
Return on Equity	77.79%	40.43%	27.56%	n.a
Activity Ratios				
Inventory Turnover	5.89	4.60	5.69	n.a
Accounts Payable Turnover	7.28	12.17	12.17	n.a

Mother's House Cleaning Service

Payment Days	27	42	31	n.a
Total Asset Turnover	3.89	2.54	1.92	n.a
Debt Ratios				
Debt to Net Worth	0.13	0.04	0.03	n.a
Current Liab. to Liab.	1.00	1.00	1.00	n.a
Liquidity Ratios				
Net Working Capital	\$40,869	\$68,603	\$94,704	n.a
Interest Coverage	0.00	0.00	0.00	n.a
Additional Ratios				
Assets to Sales	0.26	0.39	0.52	n.a
Current Debt/Total Assets	11%	4%	3%	n.a
Acid Test	8.58	24.38	36.54	n.a
Sales/Net Worth	4.38	2.65	1.97	n.a
Dividend Payout	0.00	0.00	0.00	n.a

Appendix

Sales Forecast (With Monthly Detail)

<i>Sales Forecast</i>													
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	
Sales													
Wealthy One-income Households	0%	\$1,200	\$1,200	\$2,245	\$2,400	\$4,808	\$5,100	\$5,312	\$6,400	\$6,454	\$6,514	\$6,600	\$7,400
Affluent Two-income Households	0%	\$3,850	\$3,850	\$4,445	\$4,600	\$8,897	\$9,258	\$10,100	\$14,580	\$15,000	\$15,011	\$16,741	\$17,005
Total Sales		\$5,050	\$5,050	\$6,690	\$7,000	\$13,705	\$14,358	\$15,412	\$20,980	\$21,454	\$21,525	\$23,341	\$24,405
Direct Cost of Sales													
Wealthy One-income Households		\$60	\$60	\$65	\$68	\$132	\$145	\$154	\$165	\$174	\$181	\$187	\$210
Affluent Two-income Households		\$151	\$151	\$160	\$165	\$354	\$365	\$371	\$387	\$412	\$445	\$457	\$489
Subtotal Direct Cost of Sales		\$211	\$211	\$225	\$233	\$486	\$510	\$525	\$552	\$586	\$626	\$644	\$699

Appendix

Personnel (With Monthly Details)

<i>Personnel Plan</i>		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Owner	0%	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Employees	0%	\$2,250	\$3,185	\$6,200	\$6,254	\$7,000	\$7,000	\$8,000	\$8,000	\$8,000	\$10,000	\$10,000	\$11,000
Total People		0	0	0	0	0	0	0	0	0	0	0	0
Total Payroll		\$4,250	\$5,185	\$8,200	\$8,254	\$9,000	\$9,000	\$10,000	\$10,000	\$10,000	\$12,000	\$12,000	\$13,000

Appendix

General Assumptions (With Monthly Detail)

<i>General Assumptions</i>	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Plan Month	1	2	3	4	5	6	7	8	9	10	11	12
Current Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Tax Rate	30.00%	0.00%	0.00%	0.00%	0.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Other	0	0	0	0	0	0	0	0	0	0	0	0

Appendix

Profit and Loss Statement (With Monthly Detail)

<i>Pro Forma Profit and Loss</i>	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Sales	\$5,050	\$5,050	\$6,690	\$7,000	\$13,705	\$14,358	\$15,412	\$20,980	\$21,454	\$21,525	\$23,341	\$24,405
Direct Cost of Sales	\$211	\$211	\$225	\$233	\$486	\$510	\$525	\$552	\$586	\$626	\$644	\$699
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cost of Sales	\$211	\$211	\$225	\$233	\$486	\$510	\$525	\$552	\$586	\$626	\$644	\$699
Gross Margin	\$4,839	\$4,839	\$6,465	\$6,767	\$13,219	\$13,848	\$14,887	\$20,428	\$20,868	\$20,899	\$22,697	\$23,706
Gross Margin %	95.82%	95.82%	96.64%	96.67%	96.45%	96.45%	96.59%	97.37%	97.27%	97.09%	97.24%	97.14%
Expenses												
Payroll	\$4,250	\$5,185	\$8,200	\$8,254	\$9,000	\$9,000	\$10,000	\$10,000	\$10,000	\$12,000	\$12,000	\$13,000
Sales and Marketing and Other Expenses	\$0	\$503	\$503	\$503	\$523	\$523	\$523	\$523	\$528	\$528	\$528	\$828
Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Additional Payroll Burden	\$169	\$239	\$465	\$469	\$752	\$758	\$759	\$1,041	\$1,050	\$1,099	\$1,125	\$1,133
Leased Equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Utilities	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Insurance	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
Rent	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Payroll Taxes	15% \$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$4,719	\$6,227	\$9,468	\$9,526	\$10,575	\$10,581	\$11,582	\$11,864	\$11,878	\$13,927	\$13,953	\$15,261
Profit Before Interest and Taxes	\$120	(\$1,388)	(\$3,003)	(\$2,759)	\$2,644	\$3,267	\$3,305	\$8,564	\$8,990	\$6,972	\$8,744	\$8,445
EBITDA	\$120	(\$1,388)	(\$3,003)	(\$2,759)	\$2,644	\$3,267	\$3,305	\$8,564	\$8,990	\$6,972	\$8,744	\$8,445
Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Taxes Incurred	\$36	\$0	\$0	\$0	\$0	\$817	\$826	\$2,141	\$2,247	\$1,743	\$2,186	\$2,111
Net Profit	\$84	(\$1,388)	(\$3,003)	(\$2,759)	\$2,644	\$2,450	\$2,479	\$6,423	\$6,742	\$5,229	\$6,558	\$6,334
Net Profit/Sales	1.67%	-27.48%	-44.89%	-39.41%	19.29%	17.06%	16.09%	30.62%	31.43%	24.29%	28.10%	25.95%

Appendix

Cash Flow Statement (With Monthly Detail)

<i>Pro Forma Cash Flow</i>												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Cash Received												
Cash from Operations												
Cash Sales	\$5,050	\$5,050	\$6,690	\$7,000	\$13,705	\$14,358	\$15,412	\$20,980	\$21,454	\$21,525	\$23,341	\$24,405
Subtotal Cash from Operations	\$5,050	\$5,050	\$6,690	\$7,000	\$13,705	\$14,358	\$15,412	\$20,980	\$21,454	\$21,525	\$23,341	\$24,405
Additional Cash Received												
Sales Tax, VAT, HST/GST Received	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0	\$5,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received	\$5,050	\$5,050	\$6,690	\$12,000	\$13,705	\$14,358	\$15,412	\$20,980	\$21,454	\$21,525	\$23,341	\$24,405
Expenditures	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Expenditures from Operations												
Cash Spending	\$4,250	\$5,185	\$8,200	\$8,254	\$9,000	\$9,000	\$10,000	\$10,000	\$10,000	\$12,000	\$12,000	\$13,000
Bill Payments	\$50	\$1,489	\$1,049	\$1,301	\$2,249	\$1,636	\$3,365	\$2,495	\$5,009	\$5,077	\$3,719	\$5,147
Subtotal Spent on Operations	\$4,300	\$6,674	\$9,249	\$9,555	\$11,249	\$10,636	\$13,365	\$12,495	\$15,009	\$17,077	\$15,719	\$18,147
Additional Cash Spent												
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,000
Long-term Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$4,300	\$6,674	\$9,249	\$9,555	\$11,249	\$10,636	\$13,365	\$12,495	\$15,009	\$17,077	\$15,719	\$23,147
Net Cash Flow	\$750	(\$1,624)	(\$2,559)	\$2,445	\$2,456	\$3,722	\$2,047	\$8,485	\$6,445	\$4,448	\$7,622	\$1,258
Cash Balance	\$9,825	\$8,200	\$5,641	\$8,086	\$10,542	\$14,264	\$16,311	\$24,796	\$31,242	\$35,690	\$43,312	\$44,570

Appendix

Balance Sheet (With Monthly Detail)

<i>Pro Forma Balance Sheet</i>													
	Starting Balances	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Assets													
Current Assets													
Cash	\$9,075	\$9,825	\$8,200	\$5,641	\$8,086	\$10,542	\$14,264	\$16,311	\$24,796	\$31,242	\$35,690	\$43,312	\$44,570
Inventory	\$0	\$789	\$578	\$353	\$1,120	\$634	\$1,124	\$599	\$1,047	\$1,461	\$835	\$1,191	\$1,492
Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Current Assets	\$9,075	\$10,614	\$8,778	\$5,994	\$9,206	\$11,176	\$15,388	\$16,910	\$25,843	\$32,703	\$36,525	\$44,503	\$46,062
Long-term Assets													
Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Assets	\$9,075	\$10,614	\$8,778	\$5,994	\$9,206	\$11,176	\$15,388	\$16,910	\$25,843	\$32,703	\$36,525	\$44,503	\$46,062
Liabilities and Capital													
Current Liabilities													
Accounts Payable	\$0	\$1,455	\$1,007	\$1,226	\$2,196	\$1,523	\$3,285	\$2,328	\$4,838	\$4,955	\$3,548	\$4,968	\$5,193
Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0	\$0	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$0
Subtotal Current Liabilities	\$0	\$1,455	\$1,007	\$1,226	\$7,196	\$6,523	\$8,285	\$7,328	\$9,838	\$9,955	\$8,548	\$9,968	\$5,193
Long-term Liabilities													
Long-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Liabilities	\$0	\$1,455	\$1,007	\$1,226	\$7,196	\$6,523	\$8,285	\$7,328	\$9,838	\$9,955	\$8,548	\$9,968	\$5,193
Capital													
Paid-in Capital	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000
Retained Earnings	(\$3,925)	(\$3,925)	(\$3,925)	(\$3,925)	(\$3,925)	(\$3,925)	(\$3,925)	(\$3,925)	(\$3,925)	(\$3,925)	(\$3,925)	(\$3,925)	(\$3,925)
Earnings	\$0	\$84	(\$1,304)	(\$4,307)	(\$7,066)	(\$4,422)	(\$1,972)	\$507	\$6,930	\$13,673	\$18,902	\$25,460	\$31,794
Total Capital	\$9,075	\$9,159	\$7,771	\$4,768	\$2,009	\$4,653	\$7,103	\$9,582	\$16,005	\$22,748	\$27,977	\$34,535	\$40,869
Total Liabilities and Capital	\$9,075	\$10,614	\$8,778	\$5,994	\$9,206	\$11,176	\$15,388	\$16,910	\$25,843	\$32,703	\$36,525	\$44,503	\$46,062
Net Worth	\$9,075	\$9,159	\$7,771	\$4,768	\$2,009	\$4,653	\$7,103	\$9,582	\$16,005	\$22,748	\$27,977	\$34,535	\$40,869

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