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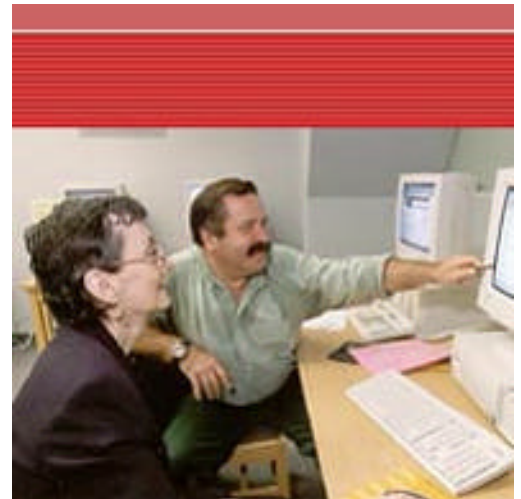
PullTech Solutions Consulting Group

Sample Business Plan
(Service)

PullTech Solutions Consulting Group

Business Plan for the period
starting May 2000

Executive Summary

Business Description

PullTech Solutions Consulting Group is a consulting firm focusing on the development and implementation of Internet-related strategies for medium and large-sized businesses. Their services are designed to provide an integrated approach to business strategy with respect to the use of web technology. With a strong understanding of business combined with the flexibility of a number of platforms, network technologies and programming software, the group is in a solid position to design and implement a comprehensive solution to meet client needs.

Ownership and Management

PullTech Solutions Consulting Group will be an equal partnership, owned and operated by Jean Weber and Claire Lepage of Trois Croix Pont, Quebec. Both partners have extensive experience in the areas of web technology and business strategy. Their skills will be complemented by a team of sub- contractors who specialize in various technologies. The company will be registered as a partnership under the laws of Quebec.

Key Initiatives and Objectives

PullTech Solution's primary objectives this year are to:

- Obtain approval for an operating loan of up to $20,000 to cover start up costs and initial operating costs for PullTech Solutions as well as to support accounts receivable. It is anticipated that only $10,000 of the operating will be drawn down.

- Generate one contract from a large client, and seven contracts from medium-sized clients.

- Achieve a net profit of $50,000

- Create awareness of the business through personal selling, networking through associations, industry contacts and teaching venues, and the Internet site.

Marketing Opportunities

Business on the Internet is still in its early stages of development. While there has been significant progress in the development of infrastructure, much work is still needed in the area of improving content on the Internet. Most large companies and quite a few medium-sized companies have a presence on the web at this point; however, many are now reassessing their strategy and chosen technology. As websites strive to become more business-driven, there will be an increasing need for firms such as PullTech Solutions that combine business strategy and solid web implementation experience.

Competitive Advantages

Most competitors face significant limitations in that they are tied to their servers and related software, have relatively little experience in cross-platform integration, or have little business experience and, therefore, have a limited understanding of the real needs of their clients. The partners and consultants at PullTech have 50 person years of experience implementing database and web solutions across a breadth of technologies. Added to this is the partners' strong understanding of business organizational and strategic issues. The focus is on developing a firm that is business driven rather than technology driven

Marketing Strategy

PullTech Solutions expects to garner its revenues from medium-sized and, to a lesser extent, large- sized businesses. PullTech Solutions will promote its services through personal selling and through its website.

PullTech Solutions will rely primarily on personal selling by its partners. In addition, the firm will provide bonuses to staff who secure contracts for the Group. Sales leads will be generated by building on past relationships within the industry as well as building new relationships with key decision makers in certain areas. This strategy includes fostering potential joint contracts with advertising executives and systems integrators. Additional networking opportunities will be created through membership in local associations, attendance at tradeshows and continuing to teach at the local college.

The firm will have a well organized promotional website that is economical on bandwidth and will detaiil the services and solutions effectively. The objective for the site is that visitors will come away with a solid feel for the company and its capabilities in less than ten minutes

Summary of Financial Projections

Revenue is projected to increase from $173,250 in 1998 to $259,875 by 2000. This represents a yearly growth of 24% and 19% in Years 2 and 3 respectively. Sub-contracting consultant's fees are the only direct cost of production, representing 40% of revenues. It must be noted that the partners' labour is not included in this figure as wages are included in indirect expenses. Wages paid to the partners are projected to total $60,000 in the first year, rising to $96,000 in Year 3, accounting for between 35% and 39% of revenues. Net income is projected to be $18,910 in 1998, rising to $24,462 in 2000.

Confidentiality and Recognition of Risks

Confidentiality Clause

The information included in this business plan is strictly confidential and is supplied on the understanding that it will not be disclosed to third parties without the expressed consent of Jean Weber and Claire Lepage.

Recognition of Risk

This business plan represents our best estimate of the future of PullTech Solutions Consulting Group. It should be recognized that not all of the major risks can be predicted or avoided and 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

PullTech Solutions Consulting Group is a consulting firm focusing on the development and implementation of Internet-related strategies for medium and large-sized businesses. It is scheduled to begin operations July 1, 1998. PullTech Solutions will be a partnership, owned and operated by Claire Lepage and Jean Weber. Jean and Claire's combined background in business and Internet implementations provide a solid foundation for the consulting business.

Vision and Mission Statement

To design, implement and maintain websites and improve existing websites to meet the specific promotional and organizational requirements of our clients. Pulltech Solutions will deliver services that are business driven rather than technology driven.

Objectives

PullTech Solution's primary objectives this year are to:

- Obtain a bank loan of $20,000 to cover start up costs and initial operating costs for PullTech Solutions.

- Generate one contract from a large client, and seven contracts from medium-sized clients.

- Achieve a net profit of $50,000

- Continue to network through associations, industry contacts and teaching venues.

Ownership

PullTech Solutions Consulting Group will be an equal partnership, owned and operated by Jean Weber and Claire Lepage of Trois Croix Pont, Quebec. The company will be registered as a partnership under the laws of Quebec.

Location and Facilities

PullTech Solutions Consulting Group will be located at 4321 Rue Rampart, which is also the residence of Jean Weber. Jean has a dedicated office area in his home, comprising

roughly 300 square feet. They plan to move to office space near downtown in a more artistic district, not far from the business centre as soon as finances will permit.

Products and Services

Description of Products and Services

The company will provide a wide range of services to meet the varying degrees of complexity.

PullTech Solutions will provides expertise in a number of website planning areas including: site structure; aesthetic design; browser compatibility; choice of service provider; domain name registration; and choice of server software.

PullTech Solutions will build effective client websites by addressing issues that will ensure integration with the client's overall business strategy. The company will first assess a client's promotional and distribution strategy to decide how to best develop an effective site. In many cases, clients simply need a clear, effective informational site that lets the clients' customers find information fast and effectively. Increasingly, however, companies are beginning to demand more interactive, interesting sites that require the resources that PullTech Solutions has to offer.

PullTech Solutions will alsso service the growing demand for companies migrating toward HTML-based intranet communications systems. The company will assist in the installation, implementation and integration of such software.

As web publishing applications become easier to use and more widespread, clients will expect to write and maintain their own content for both internal and public consumption. PullTech Solutions will service this element by offering training courses in relevant software.

PullTech Solutions can offer expertise and experience in the following technology:

Platforms: Microsoft NT; and UNIX (Solaris, SGI IRIX, Linux). Programming: HTML; VRML; RealAudio; CGI; Java; JavaScript; Perl; C; C++; Livewire; Cold Fusion; and Photoshop. Databases: DB/2; MS SQL Server; ODBC; Oracle; and Sybase.

Key Features of the Products and Services

PullTech Solutions will take a systematic approach to development, carefully crafting a web strategy that is consistent with the client's overall business strategy. As part of this process, the client's long term goals will be explored and existing IT systems will evaluated before options are identified and assessed. PullTech Solutions wants to ensure their recommendations and implementation will be consistent with current and future client strategic requirements. In the design of its products, PullTech Solutions will take into consideration a range of factors including the appeal, functionality and intuitiveness of the public interface, the ease of administration and reporting, and the bandwidth efficiency.

Production of Products and Services

Most assignments will begin with a review of existing systems and preliminary interviews between Jean Weber and Claire Lepage and the client including Itstaff, internal clients, and strategic planners. In consultation with the client, an integrated business strategy for the website will be formed. The partners will then design an infrastructure for the website that is consistent with the client's requirements. Some of the coding and development will be performed by the partners; however the majority will be sub- contracted to others.

Future Products and Services

All website projects will be built in a modular fashion. It is expected that successive clients will have similar needs and we will be able to tailor previous work to suit their specific requirements. Using this built-up experience, PullTech Solutions will be able to increasingly offer faster and cheaper web solutions to companies in the future.

PullTech Solutions will also consider selling web access to customers. The company requires a server connected to the Internet to conduct its business. It is not powerful enough at this point in time to offer shared web presence. In the future, however, PullTech Solutions will upgrade to a server capable of hosting a number of clients.

Comparative Advantages in Production

PullTech Solutions's believes that a website can be a critical business tool for a company. Most competitors face significant limitations in that they are tied to their servers and related software, have relatively little experience in cross-platform integration, or have little business experience and, therefore, have a limited understanding of real needs of their clients. The partners and consultants at PullTech have 50 person years of experience implementing database and web solutions across a breadth of technologies. Added to this is the partners' strong understanding of business organizational and strategic issues. The focus is on developing a firm that is business driven rather than technology driven.

Industry Overview

Market Research

A number of resources were consulted to determine the characteristics of the markets for the products and services offered by PullTech Solutions. Among these were: Statistics Canada, Industry Canada, numerous websites, and personal interviews with web developers and their clients.

Size of the Industry

The Internet continues to grow at an unprecedented rate. According to the Internet Domain Survey (www.nw.com), between July 1993 and July 1997, the number of hosts grew from 1.7 million to 19.5 million, representing an average growth of 82% each year. During the same time period, the number of domains has gone from 26,000 to 1.3 million, representing an average growth rate of 265% each year. The highest growth rate

occurred between July 1995 and July 1996, when the number of domains increased four fold.

Translating these numbers to business opportunities requires a definition of hosts and domains. Hosts are the actual computers connected to the Internet. Domains, however, are more like street addresses. There can be any number of domains assigned to a host computer. In the case of most large and a growing number of medium-sized companies, the host computer tends to be owned and operated internally. Smaller companies tend to create a domain namee and establish themselves on an ISP's host computer. Many web-specific businesses will also maintain their own host server, regardless of their company size.

Internet search engines contain many listings for web design consultants. For example, Yahoo identified over 1200 companies providing design services across North America. However, some of the listings are out of date, pointing to dead pages, and some companies that should be listed are not included or are listed under different categories. As such, no reliable figures appear to be available on the industry population in Canada and the United States. We have identified 10 companies that offer web design and consulting services in the local market (including the city of Troix Croix Pont and the vicinity within about 50 km of the downtown core).

Key Product Segments

A number of products and services are finding a demand in today's market. They include:

Content Development - As web publishing becomes easier, this function will increasingly be done in-house or migrate to advertising specialists.

Database Development and Integration - For applications such as cross-referenced or searchable listings, a database must either be integrated into or developed for the web. Included in this functionality is the ability to update and maintain a database once it is published on the web.

Website Structure and Internal Administration - Many organizations are finding it hard to maintain a website that is up to date, has a logical structure and maintains standard format. Guidelines that will address these issues will be provided.

Security - Security has become increasingly important in two particular areas. First, protection of internal systems from unauthorized access requires effective fiirewall strategies. Any company with a Internet server connected to an internal network is vulnerable. Secondly, the development of Internet commerce relies heavily upon encryption technology. At this point, the business to business market is starting to take flight. The consumer e-market will lag until standards are firmly established.

Business Strategy - In order to incorporate Intranet, Extranet, and Internet presence to take full advantage of web technology, organizations must restructure their business strategy potential.

Consultants with a knowledge of current and future technology and a strong grounding in business and organizational issues have a great advantage.

In some cases, there is existing software that meets all of a customers requirements. In many cases there is no software or the software that does exist must be integrated with existing systems or customized.

Key Market Segments

All large companies and most medium-sized companies in North America have a presence on the web at this point in time. However, in the rush to get on the web, many companies cobbled together makeshift and uninspiring sites. They are difficult to navigate and do not take full advantage of the potential of the technology. Also, concerns about security with respect to conducting electronic commerce continue to be an issue. For larger companies, most of whom have their own web department, there is opportunity to provide strategic planning services as well as technology-specific development where the company does not have its own expertise.

The medium-sized market segment is the primary market in that it is the segment most likely to require technical support to implement web solutions. They are most likely to have a need for consultation on updating their sites and the hardware, and advice on ISPs and business web strategy. Another advantage of thiis market segment is that they were formerly serviced by web service companies that have limited business expertise. This gives integrative consultants with a broader offering of expertise a competitive edge within this market.

Smaller businesses are moving to create a presence on the web. However, most have relatively little funding available to purchase services such as those provided by PullTech Solutions. However, it is expected that the importance of this segment will increase over time.

Purchase Process and Buying Criteria

Customers are looking for assurance that the company they contract to can offer a fully integrated approach toward its website development. They are looking for solutions that are innovative, integrative and customer-oriented. Business customers must have faith that the consultant understands their business intimately. They are also expecting a fast turnaround time and typically do not want to delve into the technical development aspects of a project. The ability to show a prospective client a mock-up of a prospective project is a powerful selling tool. In addition, the need to have a project track record is now becoming a reality in the Internet business.

Description of Industry Participants

There is a spectrum of organizations that provide any combination of products and services for the web. Large companies such as Netscape and Lotus have developed web-based communications and publishing solutions. On the other side of this spectrum are web designers who primarily sell directory space and write content for small businesses, based on someone else's server. In the middle of the spectrum stand ISPs who often combine web access services with content development and integration functions.

Key Industry Trends

As technology improves, it is becoming increasingly viable for companies to publish their own content and update websites with a minimal amount of technical support. As such, responsiblity for content will become decentralized in many cases. Each department will be responsible for their own region of the website. Standards will have to be developed if a company wants to portray a cohesive public image.

The main use of the Internet is for research, gathering information, and education. This will continue to be valid for years to come, whether the information sought after is about products, services, competitors or today's weather radar images. As technology and security improves, more commerce will take place, primarily business to business with the consumer market following. Customer service functions and smart database search functions will be the key developments in the near future.

Industry Outlook

The industry will continue to grow. The astronomical growth seen in Internet infrastructure between 1995 and 1996 of 400% is over in North America. Growth in the value-added industry that takes advantage of the hardware, however, has yet to see a significant slow down in its growth.

Marketing Strategy

Target Markets

PullTech Solutions will secure some of its contracts from larger companies. For these companies, most of whom have their own web department, PullTech Solutions can provide strategic planning services as well as technology-specific development where the company does not have its own expertise. By keeping on top of emerging technologies and integration issues, while building up a knowledge of target company IT systems and strategies, PullTech Solutions feels that there is potential to service this relatively high margin market.

However, most of the contracts will come from medium-sized companies. Medium-sized companies are more likely to require technical support to plan, implement and maintain web solutions. An advantage of this market segment is that many have been serviced by web-based companies that have limited business and technical expertise which gives PullTech Solutions a competitive edge.

Description of Key Competitors

There are 10 companies in Trois Croix Pont that offer web services. Five are essentially content developers, reselling bandwidth to smaller companies. To a varying extent, they have done some database work, but are not considered very sophisticated. Three competitors are ISPs that deliver web solutions which tend to be specific to their server technology. The last two competitors are similar to PullTech Solutions in that they offer cross-platform solutions to a variety of clients, focusing on medium to large companies.

One of these companies has a strong business strategy focus and encourages customer based servers. This company represents PullTech's most direct form of competition. The other company specializes in graphics-rich pages and streaming technology and has an equity stake in two clients resident on its own server.

Analysis of Competitive Position

PullTech Solutions is one of two companies that are well positioned to provide solutions that integrate business strategies with emerging technology. At the moment, there are a number of companies in the region that PullTech Solutions feels are not receiving the adequate value for consultation and implementation services. Despite the fact that PullTech Solutions intends to have its own server, they plan to encourage companies to establish dedicated connections, shared server agreements, or at least to be master of their own domain. Technology is leading toward bandwidth as a commodity and it becoming increasingly affordable for medium to large sized companies to bypass Internet service providers. Thus, PullTech Solutions sees ISPs gaining the majority of smaller customers, leaving larger clients to more flexible companies such as themselves.

Pricing Strategy

Pricing will be set at slightly lower than market rates in order to penetrate the market and increase the chances of displacing existing competitors. Many consultants work on an hourly basis. Where possible, PullTech Solutions would like to move towards fixed price contracts on a project by project basis. This enhances communication by forcing the client as well as the consulting company to clearly define the requirements and objectives of a specific project. Many larger companies use the RFP process on a project basis. This allows the client a definite description of the guaranteed end product and what it will cost to achieve. PullTech will be better able to analyse and develop its pricing strategy more effectively for each successive product.

Promotion Strategy

PullTech Solutions will promote its services through personal selling and through its website. The personal selling will be undertaken primarily by the partners. In addition, the firm will provide bonuses to staff who secure contracts for the Group. Sales leads will be generated by building on past relationships within the industry as well as building new relationships with key decision makers in certain areas. This strategy includes fostering potential joint contracts with advertising executives and systems integrators. Additional networking opportunities will be created through include membership in local associations, attendance at tradeshows and continuing to teach at the local college.

The firm will have a well organized promotional website that is economical on bandwidth and will detail the services and solutions effectively. The objective for the site is that visitors will come away with a solid feel for the company and its capabilitties in less than ten minutes.

Distribution Strategy

Distribution is a minor issue for consulting firms. Much of the work done by PullTech Solutions will be delivered over the internet. When required, courier, fax or mail will be used.

Management and Staffing

Organizational Structure

PullTech Solutions will be owned and operated as a partnership by Jean Weber and Claire Lepage. Jean Weber and Claire Lepage will both be responsible for securing contracts. They will also be instrumental in developing website and business strategy and designing the overall infrastructural requirements. A number of consultants will be used on a contract to contract basis. All contractors will be encouraged to bring in business as well in return for a negotiable finders fee.

Management Team

Jean Weber started his career as a programmer for Karol software, in Ottawa, after graduating from Computer Science at McGill University. He moved to Toronto four years later where he was software engineer for the local internet backbone provider. Three years later he moved on to a management position in the IT department at Midir Financial where he was responsible for transactions processing and payroll functions. He was also in charge of developing Midir's web-based trading system before moving on to form PullTech Solutions. Over the past five years Jean has also been teaching web development courses at the local college. He is regularly consulted by former students and feels the formation of PullTech Solutions is a natural progression.

Claire Lepage spent the first six years of her career working for Zephyr Analytics in the technical marketing division. During this time she earned her MBA part time. Claire then moved on to a product management position for Tallycam which resulted in the development the development of their consumer marketing and support website. She then joined Ace Manufacturing where she managed the development of an internet-based supply chain support system for the company to match their just in time production strategy. Ace will retain her as a consultant until a suitable replacement is found.

Staffing

Jean Weber has kept in touch with a number of his students from the local college. Through this avenue as well as consultants that both partners have use in their past, they have a wide range of expertise to draw upon.

Labour Market Issues

Good programmers with the right combination of skills are in high demand. In order to secure their services, adequate compensation is required. Contractors will be encouraged

to work when and where they choose as long as this does not affect the communication process.

Regulatory Issues

Intellectual Property Protection

Where possible, PullTech would like to retain ownership of their work in order to have the right to use it in other applications. In most cases, this will be achieved by selling a lump sum, perpetual software license to the client.

Regulatory Issues

The only licence required to operate a business such as this is a business licence. PullTech Solutions will be registered as a partnership under Quebec provincial law.

Risks

Market Risks

Since there are limited barriers to entry in an industry such as this and a growing number of people with relevant skills on the job market, the probability of increased competition is fairly high. To counter this challenge, PullTech Solutions will strive to provide comprehensive service and competitive pricing and to stay on the leading edge of Internet solutions.

Other Risks

Among the risks inherent in a consulting firm, the main factors are cyclical cash flow problems and liability issues. Because the industry is project driven, firms can work on a job for several months before getting paid. Even when the project is complete, it may take 30 to 60 days to receive payment and, as with any private sector contracts, there is the possibility of incurring bad debts. To mitigate this effect, PullTech Solutions will request advances and payments on a percentage of completion basis or milestone basis, to be negotiated on a project by project basis.

Another major risk to a consulting company is being sued by a client. Generally, these suits are either for breach of contract or tort liability. A suit for breach of contract means that the client feels that the consultant has failed to deliver what was detailed in the contract. Consultants can also be sued for negligence. PullTech Solutions has professional liability insurancee as protection in the event of a lawsuit. To reduce the chances of such an occurrence, PullTech Solutions will operate in a professional manner, taking steps to ensure that communication with the client is clear, concise and documented.

Implementation Plan

Implementation Activities and Dates

In the next several months, PullTech Solutions will will undertake the following activities:

- Obtain approval for an operating loan of up to $20,000.

- Secure the first contract.

- Develop a company promotional website.

Financial Plan

Discussion of Projected Net Income

Revenue is projected to increase from $173,250 in 1998 to $259,875 by 2000. This represents a yearly growth of 24% and 19% in Years 2 and 3 respectively. Sub-contracting consultant's fees are the only direct cost of production, representing 40% of revenues. It must be noted that the partners' labour is not included in this figure as wages are included in indirect expenses. Wages paid to the partners are projected to total $60,000 in the first year, rising to $96,000 in Year 3, accounting for between 35% and 39% of revenues. Net income is projected to be $18,910 in 1998, rising to $24,462 in 2000.

Sales and marketing expenses average 4% of revenues. These items include advertising brochures and networking lunches. Operations, banking and professional expenses average 2% of revenues and include office supplies, vehicle and travel, bank charges and accounting fees. An accountant will be brought in every two months to maintain the books.

Net income is projected to be $18,910 in 1998, rising to $24,462 in 2000. No income tax is taken from the business since it is a partnership. As such, partners only personal income tax on their own earnings.

Discussion of Monthly Cash Flow Statement

The partners will both contribute $17,500 to the business during the first month. In addition, a $10,000 operating loan will be required to maintain positive cash flow during the startup phase. Assuming monthly payments of $1040, and an interest rate of 8.7%, the loan will be paid off in 10 months.

Discussion of Projected Annual Cash Flow

PullTech Solution will require no additional operating loans in Years 2 and 3 provided that they achieve revenue projections.

Discussion of Pro-Forma Balance Sheet

PullTech's cash position will increase each year. The partners would like to maintain a range of $25,000 to $30,000 in the account to cover unforeseen expenses such as hardware upgrades. The company plans to purchase between $20,000 and $25,000 of equipment each year which is reflected in an increase in fixed assets every year.

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 outline in Robert Morris Associates Annual Statements Studies.

Note 1: Revenue Assumptions
a. Our Revenue projections by product and by month for the first year are:

Year 1	Contracts	Bad Debts	*****	*****	Total
Month 1	9,000	-90			8,910
Month 2	11,000	-110			10,890
Month 3	9,000	-90			8,910
Month 4	20,000	-200			19,800
Month 5	18,000	-180			17,820
Month 6	18,000	-180			17,820
Month 7	9,000	-90			8,910
Month 8	11,000	-110			10,890
Month 9	18,000	-180			17,820
Month 10	20,000	-200			19,800
Month 11	21,000	-210			20,790
Month 12	11,000	-110			10,890
Total	$175,000	-$1,750			$173,250

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

	Contracts	Bad Debts	*****	*****	Total
Year 2	218,750	-2,188			216,562
Year 3	262,500	-2,625			259,875

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 two months; and in three months are:

Current Month	20%
In the Following Month	50%
In Two Months	30%
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	1,782		1,782
Month 2	6,633		6,633
Month 3	9,900		9,900
Month 4	11,682		11,682
Month 5	16,137		16,137
Month 6	18,414		18,414
Month 7	16,038		16,038
Month 8	11,979		11,979
Month 9	11,682		11,682
Month 10	16,137		16,137
Month 11	19,404		19,404
Month 12	18,513		18,513
Total	$158,301	$0	$158,301

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:

$14,949

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

Year 2	$18,686
Year 3	$22,424

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 are listed below. These figures show up on our cash flow statements.

Year 1	Production Wages	Goods & Materials	*****	*****	Total
Month 1	3,600				3,600
Month 2	4,400				4,400
Month 3	3,600				3,600
Month 4	8,000				8,000
Month 5	7,200				7,200
Month 6	7,200				7,200
Month 7	3,600				3,600
Month 8	4,400				4,400
Month 9	7,200				7,200
Month 10	8,000				8,000
Month 11	8,400				8,400
Month 12	4,400				4,400
Total	$70,000				$70,000

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

	Production Wages	Goods & Materials	*****	*****	Total
Year 2	87,500				87,500
Year 3	105,000				105,000

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 each year will be:

Year	Inventory
Beginning Balance	0
Year 1	
Year 2	
Year 3	

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 each year will be:

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

e. We have calculated our Cost of Sales expenses, based on these assumptions. 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	70,000	40%
Year 2	87,500	40%
Year 3	105,000	40%