Business Plan Essay, Research Paper

Nicholas Belcher

Business Plan

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Business Plan for Progressive Consulting

1. 0 Executive Summary

Progressive Consulting will be formed as a consulting company specializing in

marketing of high technology products in international markets. Its founders

are former marketers of consulting services, personal computers, and market

research, all in international markets. They are founding Progressive

Consulting to formalize the consulting services they offer.

1. 2 Mission

Progressive Consulting offers high-tech manufacturers a reliable, high

quality alternative to in-house resources for business development, market

development, and channel development on an international scale. A true

alternative to in house resources offers a very high level of practical

experience; know how, contacts, and confidentiality. Clients must know that

working with Progressive Consulting is a more professional, less risky way to

develop new areas even than working completely in house with their own

people. Progressive Consulting must also be able to maintain financial

balance, charging a high value for its services, and delivering an even

higher value to its clients. Initial focus will be development in the

European and Latin American markets, or for European clients in the United

States market.

1. 3 Keys to Success

?Excellence in fulfilling the promise completely confidential, reliable,

trustworthy expertise and information.

?Developing visibility to generate new business leads.

?Leveraging from a single pool of expertise into multiple revenue generation

opportunities: retainer consulting, project consulting, market research, and

market research published reports.

2. 0 Company Summary

Progressive Consulting is a new company providing high-level expertise in

international high-tech business development, channel development,

distribution strategies, and marketing of high tech products. It will focus

initially on providing two kinds of international triangles:

?Providing United States clients with development for European and Latin

American markets.

?Providing European clients with development for the United States and Latin

American markets.

As it grows it will take on people and consulting work in related markets,

such as the rest of Latin America, and the Far East, and similar markets. As

it grows it will look for additional leverage by taking brokerage positions

and representation positions to create percentage holdings in product

results.

2. 1 Company Ownership

Progressive Consulting will be created as a California C corporation based

in Los Angeles County, owned by its principal investors and principal

operators. As of this writing it has not been chartered yet and is still

considering alternatives of legal formation.

2. 2 Startup Summary

Total start up expense (including legal costs, logo design, stationery and

related expenses) come to $73,000. Start up assets required include $3,000 in

short term assets (office furniture, etc.) and $1,000,000 in initial cash to

handle the first few months of consulting operations as sales and accounts

receivable play through the cash flow. The details are included in the table.

Start-up Plan

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Start-up Expenses

Legal $1,000

Stationery etc. $3,000 Brochures $5,000

Consultants $5,000

Insurance $350

Expensed equipment $3,000

Other $1,000

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Total Start-up Expense $18,350

Start-up Assets Needed

Cash requirements $25,000

Start-up inventory $0

Other Short-term Assets $7,000

Total Short-term Assets $32,000

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Total Assets $32,000

Total Startup Requirements: $50,350

Left to finance: $0

Start-up Funding Plan

Investment

Investor 1 $20,000

Investor 2 $20,000

Other $10,000

Total investment $50,000

Short-term borrowing

Unpaid expenses $5,000

Short-term loans $0

Interest-free short-term loans $0

Subtotal Short-term Borrowing $5,000

Long-term Borrowing $0

Total Borrowing $5,000

Loss at start-up ($23,000)

Total Equity $27,000

Total Debt and Equity $32,000

2. 3 Company Services

Progressive offers expertise in channel distribution, channel development,

and market development, sold and packaged in various ways that allow clients

to choose their preferred relationship: these include retainer consulting

relationships, project based consulting, relationship and alliance

brokering, sales representation and market representation, project-based

market research, published market research, and information forum events.

2. 4 Company locations and facilities

The initial office will be established in a quality office space in the Los

Angeles County ?Dearborn Valley” area of California, the heart of the U.S.

high tech industry.

3. 0 Services

Progressive offers the expertise a high-technology company needs to develop

new product distribution and new market segments in new markets. This can be

taken as high-level retainer consulting, market research reports, or project-

based consulting.

3. 1 Service Description

1. Retainer consulting: we represent a client company as an extension of its

business development and market development functions. This begins with

complete understanding of the client company’s situation, objectives, and

constraints. We then represent the client company quietly and confidentially,

sifting through new market developments and new opportunities as is

appropriate to the client, representing the client in initial talks with

possible allies, vendors, and channels.

2. Project consulting: Proposed and billed on a per-project and per-milestone

basis, project consulting offers a client company a way to harness our

specific qualities and use our expertise to solve specific problems, develop

and/or implement plans, develop specific information.

3. Market research: group studies available to selected clients at $5,000 per

unit. A group study is packaged and published, a complete study of a specific

market, channel, or topic. Examples might be studies of developing consumer

channels in Japan or Mexico, or implications of changing margins in software.

3. 2 Competitive Comparison

The competition comes in several forms:

1. The most significant competition is no consulting at all, companies

choosing to do business development and channel development and market

research in-house. Their own managers do this on their own, as part of their

regular business functions. Our key advantage in competition with in-house

development is that managers are already overloaded with responsibilities;

they don’t have time for additional responsibilities in new market

development or new channel development. Also, Progressive can approach

alliances, vendors, and channels on a confidential basis, gathering

information and making initial contacts in ways that the corporate managers

can’t.

2. The high-level prestige management consulting: High-Tec, San Diego

Consulting Group, etc. These are essentially generalists who take their name-

brand management consulting into specialty areas. Their other very important

weakness is the management structure that has the partners selling new jobs,

and inexperienced associates delivering the work. We compete against them as

experts in our specific fields, and with the guarantee that our clients will

have the top-level people doing the actual work.

3. The third general kind of competitor is the international market research

company: International Electronic Data Corporation (IEDC), Dataquest,

Stanford Research Institute, etc. These companies are formidable competitors

for published market research and market forums, but cannot provide the kind

of high-level consulting that Triangle will provide.

4. The fourth kind of competition is the market-specific smaller house. For

example: Nomura Research in Japan, Select S.A. de C.V. in Mexico (now

affiliated with IEDC).

5. Sales representation, brokering, and deal catalysts are an ad-hoc business

form that will be defined in detail by the specific nature of each

individual case.

3. 3 Sales Literature

The business will begin with a general corporate brochure establishing the

positioning. This brochure will be developed as part of the start-up

expenses.

3. 4 Sourcing

?The key fulfillment and delivery will be provided by the principals of the

business. The real core value is professional expertise, provided by a

combination of experience, hard work, and education (in that order).

?We will turn to qualified professionals for free-lance back-up in market

research and presentation and report development, which are areas that we

can afford to contract out without risking the core values provided to the

clients.

3. 5 Technology

Progressive Consulting will maintain latest Windows and Macintosh

capabilities including:

?1. Complete Email facilities in Internet, CompuServe, America Online, and

Apple link, for working with clients directly through email delivery of drafts

and information.

?2. Complete presentation facilities for preparation and delivery of

multimedia presentations on Macintosh or Windows machines, in formats

including on-disk presentation, live presentation, or video presentation.

?3. Complete desktop publishing facilities for delivery of regular retainer

reports, project output reports, marketing materials, market research

reports.

3. 6 Future Services

In the future Progressive will broaden the coverage by expanding into

coverage of additional markets (e.g. all of Latin America, Far East, Western

Europe) and additional product areas (e.g. telecommunications and technology

integration). We are also studying the possibility of newsletter or

electronic newsletter services, or perhaps special on-topic reports.

4. 0 Market Analysis Summary

Progressive will be focusing on high-technology manufacturers of computer

hardware and software, services, networking, who want to sell into markets

in the United States, Europe, and Latin America. These are mostly larger

companies, and occasionally medium-sized companies.

Our most important group of potential customers is executives in larger

corporations. These are marketing managers, general managers, and sales managers,

sometimes charged with international focus and sometimes charged with market

or even specific channel focus. They do not want to waste their time or risk

their money looking for bargain information or questionable expertise. As

they go into markets looking at new opportunities, they are very sensitive

to risking their company’s name and reputation.

4. 1 Market Segmentation

?Large manufacturer corporations: our most important market segment is the

large manufacturer of high-technology products, such as Apple, Hewlett-

Packard, IBM, Microsoft, Siemens, or Olivetti. These companies will be

calling on Progressive for development functions that are better spun off

than managed in-house, and for market research, and for market forums.

?Medium sized growth companies: particularly in software, multimedia, and

some related high growth fields, Triangle will be able to offer an attractive

development alternative to the company that is management constrained and

unable to address opportunities in new markets and new market segments.

4. 2 Industry Analysis

The consulting “industry” is pulverized and disorganized, thousands of

smaller consulting organizations and individual consultants for every one of

the few dozen well-known companies.

Consulting is a disorganized industry, with participants ranging from major

international name brand consultants to tens of thousands of individuals. One

of Progressive’s challenges will be establishing itself as a “real”

consulting company, positioned as a relatively risk free corporate purchase.

4. 2. 1 Industry Participants

The consulting “industry” is pulverized and disorganized, thousands of

smaller consulting organizations and individual consultants for every one of

the few dozen well-known companies.

At the highest level are the few well established major names in management

consulting. Most of these are organized as partnerships established in major

markets around the world, linked together by interconnecting directors and

sharing the name and corporate wisdom. Some evolved from accounting companies

(e.g. Arthur Anderson, Touch? Ross) and some from management consulting

(McKinsey, Bain). These companies charge very high rates for consulting, and

maintain relatively high overhead structures and fulfillment structures based

on partners selling and junior associates fulfilling. At the intermediate

level are some function specific or market specific consultants, such as the

market research firms (IEDC, Dataquest) or channel development firms

(ChannelCorp, Channel Strategies, ChannelMark).

Some kinds of consulting is little more than contract expertise provided by

somebody looking for a job and offering consulting services as a stop-gap

measure while looking.

4. 2. 2 Distribution Patterns

Consulting is sold and purchased mainly on a word-of-mouth basis, with

relationships and previous experience being by far the most important factor.

The major name-brand houses have locations in major cities and major markets,

and executive-level managers or partners develop new business through

industry associations, business associations, and chambers of commerce and

industry, etc., even in some cases social associations such as country clubs.

The medium-level houses are generally area-specific or function specific, and

are not easily able to leverage their business through distribution.

4. 2. 3 Competition and Buying Patterns

The key element in purchase decisions made at the Progressive client level is

trust in the professional reputation and reliability of the consulting firm.

4. 2. 4 Main Competitors

?The high-level prestige management consulting:

Strengths: international locations managed by owner-partners with a high

level of presentation and understanding of general business. Weaknesses: General business knowledge doesn’t

substitute for the specific market, channel, and distribution expertise of

Triangle, focusing on high-technology markets and products only. Also, fees

are extremely expensive, and work is generally done by very junior-level

consultants, even though sold by high-level partners.

?The international market research company:

Strengths: International offices, specific market knowledge, permanent staff

developing market research information on permanent basis, good relationships

with potential client companies.

Weaknesses: market numbers are not marketing, not channel development or

market development. Although these companies compete for some of the business

Triangle is after, they cannot really offer the same level of business

understanding at a high level.

?Market specific or function-specific experts

Strengths: expertise in market or functional areas. Triangle should not try

to compete with Normura or Select in their markets with market research, or

with ChannelCorp in channel management.

Weaknesses: the inability to spread beyond a specific focus, or to rise

above a specific focus, to provide actual management expertise, experience,

and wisdom beyond the specifics.

The most significant competition is no consulting at all, companies choosing

to do business development and channel development and market research in-

house. Strengths: no incremental cost except travel; also, the general work

is done by the people who are entirely responsible, the planning done by

those who will implement. Weaknesses: most managers are terribly overburdened

already, unable to find incremental resources in time and people to apply to

incremental opportunities. Also, there is a lot of additional risk in market

development and channel development done in house from the ground up.

Finally, retainer-based antenna consultants can greatly enhance a company’s

reach and extend its position into conversations that might otherwise never

have taken place.

4. 3 Market Analysis

As indicated by the illustrations, we must focus on a few thousand well-

chosen potential customers in the United States, Europe, and Latin America.

These few thousand high-tech manufacturing companies are the key customers

for Progressive.

Potential Customers Growth rate

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U.S. High Tech 5,000 10%

European High Tech 1,000 15%

Latin America 250 35%

Other 10,000 2%

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Total 16,250 N.A.

5. 0 Strategy Summary

Progressive will focus on three geographical markets, the United States,

Europe, and Latin America, and in limited product segments: personal

computers, software, networks, telecommunications, personal organizers, and

technology integration products. The target customer is usually a manager in

a larger corporation, and occasionally an owner or president of a medium-

sized corporation in a high-growth period.

5. 1 Pricing Strategy

Progressive Consulting will be priced at the upper edge of what the market

will bear, competing with the name brand consultants. The pricing fits with

the general positioning of Triangle as high-level expertise.

Consulting should be based on $5,000 per day for project consulting, $2,000

per day for market research, and $10,000 per month and up for retainer

consulting. Market research reports should be priced at $5,000 per report,

which will of course require that reports be very well planned, focused on

very important topics very well presented.

5. 2 Sales Forecast

The sales forecast monthly summary is included in the appendix. The annual

sales projections are included here in the following table.

Sales Forecast

Sales 1995 1996 1997

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Retainer Consulting $200,000 $250,000 $325,000

Project Consulting $270,000 $325,000 $350,000

Market Research $122,000 $150,000 $200,000

Strategic Reports $0 $50,000 $125,000

Other $0 $0 $0

Total Sales $592,000 $775,000 $1,000,000

Cost of sales 1995 1996 1997

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Retainer Consulting $30,000 $20,000 $30,000

Project Consulting $45,000 $25,000 $31,000

Market Research $84,000 $45,000 $50,000

Strategic Reports $0 $20,000 $40,000

Other $0 $0 $0

Total Cost of Sales $159,000 $110,000 $151,000

5. 3 Strategic Alliances

At this writing strategic alliance with Smith and Jones are possibilities,

given the content of existing discussions. Given the background of

prospective partners, we might also be talking to European companies

including Siemens and Olivetti and others, and to United States companies

related to Apple Computer. In Latin America we would be looking at the key

local high-technology vendors, beginning with Printaform.

6. 0 Management Summary

The initial management team depends on the founders themselves, with little

back-up. As we grow we will take on additional consulting help, plus graphic/

editorial, sales, and marketing.

6. 1 Organizational Structure

Progressive should be managed by working partners, in a structure taken

mainly from Smith Partners. In the beginning we assume 3-5 partners:

?Ralph Sampson

?At least one, probably two partners from Smith and Jones

?One strong European partner, based in Paris.

The organization has to be very flat in the beginning, with each of the

founders responsible for his or her own work and management.

?One other strong partner

6. 2 Management Team

The Progressive business requires a very high level of international

experience and expertise, which means that it will not be easily leveraged

in the common consulting company mode in which partners run the business and

make sales, while associates fulfill. Partners will necessarily be involved

in the fulfillment of the core business proposition, providing the expertise

to the clients.

The initial personnel plan is still tentative. It should involve 3-5

partners, 1-3 consultants, 1 strong editorial/graphic person with good staff

support, 1 strong marketing person, an office manager, and a secretary.

Later we add more partners, consultants and sales staff.

Founders’ resumes are included as an additional attachment to this plan.

6. 3 Personnel Plan

The detailed monthly personnel plan for the first year is included in the

appendices. The annual personal estimates are included here as Table 5.

Personnel Plan

1995 1996 1997

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Partners $144,000 $175,000 $200,000

Consultants $0 $50,000 $63,000

Editorial/graphic $18,000 $22,000 $26,000

VP Marketing $20,000 $50,000 $55,000

Sales people $0 $30,000 $33,000

Office Manager $7,500 $30,000 $33,000

Secretarial $5,250 $20,000 $22,000

Other $0 $0 $0

Subtotal $194,750 $377,000 $432,000

7. 0 Financial Plan

We will maintain a conservative financial strategy, based on developing

capital for future growth.

7. 1 Important Assumptions

The table in this section summarizes key financial assumptions, including

45-day average collection days, sales entirely on invoice basis, expenses

mainly on net 30 basis, 35 days on average for payment of invoices, and

present-day interest rates.

General Assumptions

1995 1996 1997

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Collection days 43 45 45

Payment Days 35 35 35

1995 1996 1997

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Short Term Interest Rate 8.00% 8.00% 8.00%

Long Term Interest Rate 10.00% 10.00% 10.00%

Payment days 35 35 35

Tax Rate Percent 0.00% 0.00% 0.00%

Expenses in cash% 25.00% 25.00% 25.00%

Sales on credit 100.00% 100.00% 100.00%

Personnel Burden % 14.00% 14.00% 14.00%

7.2 Key Financial Indicators

The chart summarizes key financial benchmarks. Unfortunately, as we increase

sales we will have to show a decline in performance of collection days and

gross margin.

7. 3 Break-even Analysis

Break Even Analysis:

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Monthly Units Break-even 125,000

Monthly Sales Break-even $125,000

Assumptions:

Average Unit Sale $1.00

Average Per-Unit Cost $0.20

Fixed Cost $100,000

7. 4 Projected Profit and Loss

The detailed monthly pro-forma income statement for the first year is

included in the appendices. The annual estimates are included here.

Pro-forma Income Statement

1995 1996 1997

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Sales $592,000 $775,000 $1,000,000

Cost of Sales $159,000 $110,000 $151,000

Other $1,000 $0 $0

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Total Cost of Sales $160,000 $110,000 $151,000

Gross margin $432,000 $665,000 $849,000

Gross margin percent 72.97% 85.81% 84.90%

Operating expenses:

Advertising/Promotion 10.00% $36,000 $40,000 $44,000

Public Relations 10.00% $30,000 $30,000 $33,000

Travel 10.00% $90,000 $60,000 $110,000

Miscellaneous 10.00% $6,000 $7,000 $8,000

Payroll expense $194,750 $377,000 $432,000

Leased Equipment $6,000 $7,000 $7,000

Utilities 20% $12,000 $14,000 $17,000

Insurance 20% $3,600 $2,000 $2,000

Depreciation $0 $0 $0

Rent 25% $18,000 $23,000 $29,000

Payroll Burden $0 $0 $0

Contract/Consultants $0 $0 $0

Other $0 $0 $0

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Total Operating Expenses $396,350 $560,000 $682,000

Profit Before Interest and Taxes$35,650 $105,000 $167,000

Interest Expense ST $3,600 $12,800 $12,800

Interest Expense LT $5,000 $5,000 $5,000

Taxes Incurred $0 $0 $0

Net Profit $27,050 $87,200 $149,200

Net Profit/Sales 4.57% 11.25% 14.92%

7. 5 Projected Cash Flow

Cash flow projections are critical to our success. The monthly cash flow is

shown in the illustration, with one bar representing the cash flow per month

and the other the monthly balance. The annual cash flow figures are included

here. Detailed monthly numbers are included in the appendices.

Pro-Forma Cash Flow

1995 1996 1997

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Net Profit: $27,050 $87,200 $149,200

Plus:

Depreciation $0 $0 $0

Change in Accounts Payable $49,413 $16,799 $13,764

Current Borrowing (repayment) $60,000 $100,000 $0

Increase (decrease) Other Liabilities $0 $0 $0

Long-term Borrowing (repayment) $50,000 $0 $0

Capital Input $0 $0 $0

Subtotal $186,463 $203,999 $162,964

Less: 1905 1905 1905

Change in Accounts Receivable $94,000 $5,750 $50,500

Change in Inventory $0 $0 $0

Change in Other ST Assets $0 $0 $0

Capital Expenditure $0 $0 $0

Dividends $0 $0 $0

Subtotal $94,000 $5,750 $50,500

Net Cash Flow $92,463 $198,249 $112,464

Cash balance $117,463 $315,712 $428,176

7. 6 Projected Balance Sheet

The balance sheet shows healthy growth of net worth, and strong financial

position. The monthly estimates are included in the appendices.

Pro-forma Balance Sheet

1995 1996 1997

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Short-term Assets Starting Balances

Cash $25,000 $117,463 $315,712 $428,176

Accounts receivable $0 $94,000 $99,750 $150,250

Inventory $0 $0 $0 $0

Other Short-term Assets $7,000 $7,000 $7,000 $7,000

Total Short-term Assets $32,000 $218,463 $422,462 $585,426

Long-term Assets

Capital Assets $0 $0 $0 $0

Accumulated Depreciation$0 $0 $0 $0

Total Long-term Assets $0 $0 $0 $0

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Total Assets $32,000 $218,463 $422,462 $585,426

Debt and Equity

1995 1996 1997

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Accounts Payable $5,000 $54,413 $71,212 $84,976

Short-term Notes $0 $60,000 $160,000 $160,000

Other ST Liabilities $0 $0 $0 $0

Subtotal Short-term Liabilities

$5,000 $114,413 $231,212 $244,976

Long-term Liabilities $0 $50,000 $50,000 $50,000

Total Liabilities $5,000 $164,413 $281,212 $294,976

Paid in Capital $50,000 $50,000 $50,000 $50,000

Retained Earnings ($23,000) ($23,000) $4,050 $91,250

Earnings $0 $27,050 $87,200 $149,200

Total Equity $27,000 $54,050 $141,250 $290,450

Total Debt and Equity $32,000 $218,463 $422,462 $585,426

Net Worth $27,000 $54,050 $141,250 $290,450

7. 7 Business Ratios

Progressive Consulting will be formed as a consulting company specializing in

marketing of high-technology products in international markets. Its founders

are former marketers of consulting services, personal computers, and market

research, all in international markets. They are founding Progressive to

formalize the consulting services they offer.

Ratio Analysis

Profitability Ratios: 1995 1996 1997

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Gross margin 72.97% 85.81% 84.90%

Net profit margin 4.57% 11.25% 14.92%

Return on Assets 12.38% 20.64% 25.49%

Return on Equity 50.05% 61.73% 51.37%

Activity Ratios:

AR Turnover 6.30 7.77 6.66

Collection days 29 45 45

Inventory Turnover 0.00 0.00 0.00

Accts payable turnover 7.67 7.06 7.35

Total asset turnover 2.71 1.83 1.71

Debt Ratios: 1995 1996 1997

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Debt to net Worth 3.04 1.99 1.02

Short-term Debt to Liab. 0.70 0.82 0.83

Liquidity Ratios:

Current Ratio 1.91 1.83 2.39

Quick Ratio 1.91 1.83 2.39

Net Working Capital $104,050 $191,250 $340,450

Interest Coverage 4.15 5.90 9.38