

Assignment week 6: Financial Planning

Learning objectives

After working on this assignment you are able:

- To develop a financial plan, consisting of a balance sheet, P&L statement and cash flow statement
- To apply different techniques for estimating the sales and associated costs in a financial plan

Supportive learning materials (obligatory):

- Web lectures:
 - Financial Planning: what & why
 - Estimating sales
 - Income statement
 - Cash flow statement
 - Balance sheet
- Readings:
 - Chapters 14 and 15 of the course handbook by Paul Burns
- Excel format financial plan

Assignment description

During the previous weeks you have translated your initial business idea into a business model. Starting from the gains and pains of your customer segment, you have developed a value proposition and you have identified and structured your key resources, activities, partners, distribution channels and customer relations. However, to assess the viability of your business model, gaining insight into the revenue streams and cost structure of your business model is indispensable.

The web lectures taught you that a financial plan consists of several components, i.e. the income statement, cash flow statement and balance sheet. To develop your own financial plan, you have to make some assumptions relating to the revenues you will generate and the costs associated with it, the investments and sources of capital and net working capital.

The objective of this assignment is to develop a financial plan projecting your P&L, cash flow and balance sheet for the 5 future years. The format for a financial plan available at Oncourse can be used for this purpose. In specific, you are required to use the two approaches explained in the web lectures “estimating sales” to make the financial projections:

- Bottom up approach: starting from your resources at hand (week 3) and affordable loss (week 5)
- Top down approach: starting from the size of your targeted market segment (week 2 and 4)

Second, based on the calculations made when applying the two approaches, you have to draw up a final financial plan (this can be an integration of the two approaches, or simply the financial plan using the top-down or bottom-up approach). Also provide good argumentation for your final financial plan, not only regarding the approach that was followed but also regarding the assumptions that were made.

Third, conduct some sensitivity analyses to assess what would happen in the worst and best case scenario.

Deliverables related to this assignment: Deadline is 8th of January 2016

- Team-related deliverables:
 - Financial plan in three versions:
 - Financial plan using top-down approach
 - Financial plan using bottom-up approach
 - Concluding financial plan
 - Accompanying document providing the arguments, assumptions and reasoning behind the numbers provided in each financial plan and a conclusion
 - Fifth development of the slide deck related to your business model containing:
 - Previous version of your business model (after assignment week 5)
 - Current version of your business model after drawing up the financial plan
 - Motivation for the new business model: what building blocks have changed, how and why?
- Individual deliverable:
 - Reflection report:
 - What went well during this assignment? And what was your role in it?
 - What were the difficulties when drawing up a financial plan (both at individual and team level)
 - When reflecting upon the two approaches to estimate sales, which approach do you prefer and why? Do you perceive this approach as effectual or rather causal?
 - What did you learn about yourself during the execution of this assignment?
 - What are learning points for next assignments?