

## Financial Literacy Culmination Project

### Business Financial Plan

You will create a financial plan that is long term, but first, you must come up with a business plan and a product to sell! Perhaps you will sell something or offer a service that people can pay for. As you develop your business, answer the questions in this handout throughout your project.

Your goal for this assignment is to be 100% profitable after 5 years. This means you should not have any money owing in loans. Note: This is not always the case for many business owners.

You may work independently, in pairs, or in small groups for this assignment. You will be given a lot of class time. For the purpose of this assignment, a long-term financial plan is 5 years.

### Student Name(s):

- 1.
- 2.
- 3.
- 4.

A. Identify your business name and what you are selling:

B. Identify the cost(s) and items that you will need to build your product/business. Use the expense chart provided or create your own.

Some things to consider: What materials will you need to make your product? Will you have employees that you need to pay? **Ensure this is approved by your teacher.**

C. What is your expected profit? How much revenue in sales will you need to earn **monthly** and **yearly** to balance your budget ( $Revenue - Expenses = Profit$ )? Use the attached

income tracker or a digital tool, like Microsoft Excel, to help you track and balance your budget.

- D. **Part 1.** Based on the amount of money you will need to start your business (amount in Section B) research some different ways that you can loan money from a financial institution. Assuming you have zero dollars to start your business, identify how much money you would need to borrow.

**Part 2.** Below are three options for financial loans. Determine which loan(s) you will need to start your business. List them in your order of preference. Additionally, use the digital tool listed below to calculate the simple & compound interest on your loans.

Calculator.net: <https://www.calculator.net/investment-calculator.html>

<b>Amount</b>	<b>Loan type: (i.e. Credit, line of credit, mortgage)</b>	<b>Interest Rate &amp; Costs</b>	<b>Simple or Compound Interest?</b>	<b>Payback timeline</b>	<b>Calculate interest</b>	<b>List Loans in order of preference</b>
\$5,000	Business Line of Credit	7% annually	Simple	2 years		
\$500	Small Business Line of credit	3% Annually	Compound	2 years		
\$1,700	Family Loan	1% annually	Simple	2 years		
\$2,200	Credit Card	19.99% Monthly	Compounded	2 years		

Which loan(s) will you choose to help you start your business and why?

E. Attach a brief financial plan that outlines revenue, expenses, profits, and taxes. You may use the attached financial plan outline or create your own.

F. Will you have customer incentives with your business? If so, explain what incentives or customer programs you will offer and why. If you choose not to, explain.

G. Based on your financial plan, what is the minimum revenue you need in order to break-even?

H. If you wanted to earn \$500 in *profits*, how many units of product or service do you need to sell? You do not need to consider taxes.

I. Assume after year 1, you break-even in your business. If your profit increased 5% every year, calculate how much money you will have in year 5? Students should use digital tools to calculate compound growth.

J. Take 10% of your profits after your fifth year and put it into a compound interest savings account. If your interest rate is 6% compounded monthly, how much money will you have after 10 years? Students should use digital tools to calculate compound growth.

K. Combine the amount you earned from section H and I. What will you do with your earnings? (For example: donate, start a new business, re-invest into your business, invest in stocks, start a non-profit charitable organization, etc.)

L. Let's assume your business is doing great and you have people from the USA who want to buy your product or service. Assume the exchange rate is 1 Canadian Dollar = 0.80 US Dollars. Calculate how much one unit of product or service would cost in US Dollars.

M. List two advantages and two disadvantages to US customers paying online using a credit card.

**Advanced**

N. Using a digital tool or graphing paper, graph your revenue and expenses for year 1, year 3 and year 5.

Year 1: Your revenue should be equal to your expenses (i.e. break-even point)

Year 3: Your revenue should be higher than year 1

Year 5: Your revenue should be higher than year 3