

# Ice Dreams



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## 1.0 Executive Summary

Ice Dreams will sell shave ice as its primary product in addition to soft drinks and frosty Latin drinks called licuados. Shave ice is the hottest new dessert since frozen yogurt! Shave ice is heating up rapidly and shows no sign of cooling (Crystal Fresh, Inc., 1995).

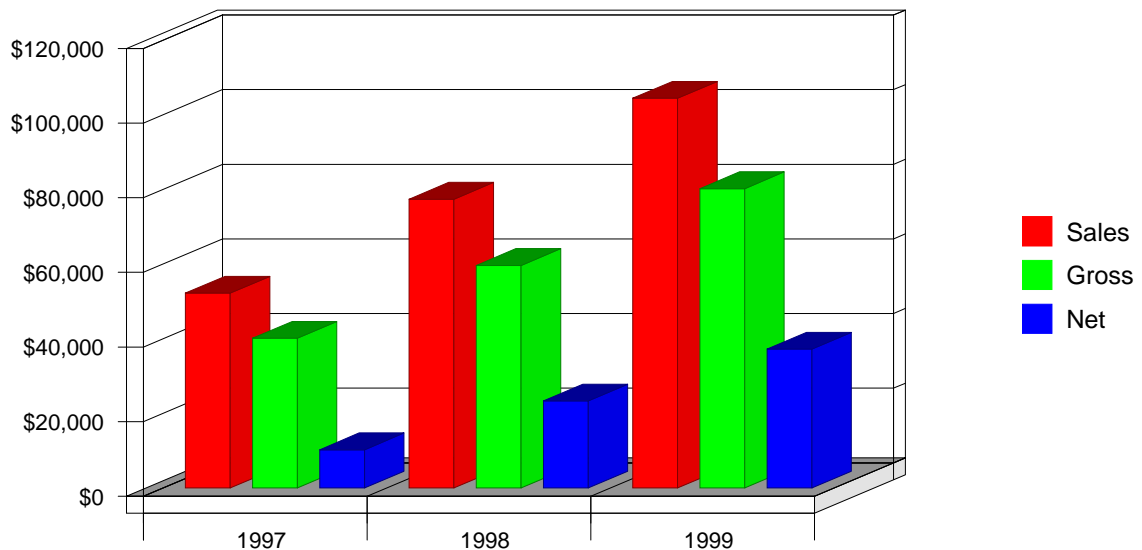
Shave ice has been around for many years, beginning in Asia, then becoming popular in Hawaii. People would shave ice by hand, creating a cold, flaky snow. Then they'd top it with fruit juices to create a refreshing treat. Something this good couldn't remain a secret. In recent years, the taste for shave ice has spread all over the world.

Shave ice is much different than a sno-cone in that it is made by a small counter-top machine that shaves ice rather than grinding it like a sno-cone machine, which results in ice so fine that it rivals real snow! The snow is then placed in bowl or cup and filled with high quality tropical fruit flavors. Because the snow is so soft the syrup is held within its tender texture versus settling to the bottom like traditional sno-cones. Since the syrup is absorbed into the snow, it must be eaten with a spoon instead of a straw.

Because shave ice is so tender and made with the thickest, best-tasting tropical fruit flavors, it is preferred by adults and children of all ages and ethnic backgrounds.

A drive-through business will be built on privately-owned commercial property on Highway 86 (Adams Avenue) in El Centro, California. Other products which will be incorporated into the business including beverages (soft drinks and licuados).

### Highlights



## 1.1 Objectives

1. To construct a drive-through building (12' x 20') on existing privately-owned commercial property (50' x 120').
2. To produce a net profit of at least \$50,000 by the third year of operation.
3. To sell 20 different tropical and Mexican flavored syrups.
4. To sell other products such as soft drinks and licuados.

## 1.2 Mission

Ice Dreams will produce and sell shave ice with 20 different flavored syrups, soft drinks, and licuados to consumers in El Centro, California. Retail customers will be in the low- to mid-income bracket, and will range in age from children to adults.

## 1.3 Keys to Success

The keys to success are:

1. Will be the first business of its kind in the city of El Centro, California.
2. Business will be located on a major city highway, next to several housing developments, the city pool, near schools and parks, and along a major restaurant and motel strip.
3. Product quality will include a large variety of tropical and Mexican flavored syrups.
4. Business has the potential for expansion into other Imperial County communities.
5. City of El Centro experiences warm to hot weather approximately seven months of the year.
6. Two-way traffic on Highway 86 averages 48,300 vehicles on a daily basis.

## 2.0 Company Summary

Ice Dreams will be known for selling shave ice with 20 different tropical and Mexican flavored syrups to children and adults in El Centro, California. Other products will include soft drinks and licuados.

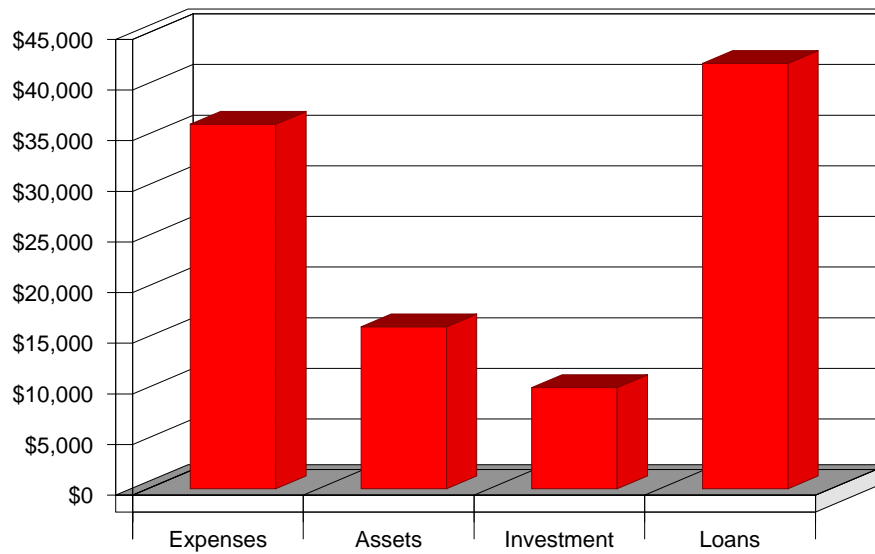
## 2.1 Company Ownership

Ice Dreams will be owned by Ofelia R. Arellano as a sole proprietorship.

## 2.2 Start-up Summary

Start-up costs will be approximately \$52,010 which will include facility construction including sidewalks, parking, inventory, mandatory city permits, and other expenses associated with opening this business. The start-up costs will be financed through a loan. Appendix A provides more detailed information regarding permit requirements, equipment, construction costs, and land improvements required to open this new business.

### Start-up



**Table 2.2: Start-up**

Start-up Plan	
Start-up Expenses	
Consultants	\$100
Insurance	\$1,200
Other	\$34,710
Total Start-up Expense	\$36,010
Start-up Assets Needed	
Cash Requirements	\$10,000
Start-up inventory	\$1,325
Other Short-term Assets	\$675
Total Short-term Assets	\$12,000
Long-term Assets	\$4,000
Total Assets	\$16,000
Total Start-up Requirements:	\$52,010
Left to finance:	\$0
Start-up Funding Plan	
Investment	
Investor 1	\$0
Other	\$10,000
Total investment	\$10,000
Short-term Liabilities	
Unpaid Expenses	\$0
Short-term Loans	\$42,010
Interest-free Short-term Loans	\$0
Subtotal Short-term Liabilities	\$42,010
Long-term Liabilities	\$0
Total Liabilities	\$42,010
Loss at Start-up	(\$36,010)
Total Capital	(\$26,010)
Total Capital and Liabilities	\$16,000
Checkline	\$0

## 2.3 Company Locations and Facilities

Ice Dreams will be located on Highway 86 in El Centro, California which experiences a high volume of traffic on a daily basis. According to a study by Cal Trans (Traffic Volumes, 1995), approximately 48,300 vehicles pass through this location on a daily basis making it an ideal location for business. The majority of traffic enters and exits via Imperial Avenue and Fourth Avenue traveling through Highway 86.

A 240 square foot drive-through facility will be built on a privately-owned commercial property which will also include parking facilities, landscaping, and a small sitting area. Other major businesses located on Highway 86 include Carl's Jr., Roberto's Restaurant, La Fonda Restaurant, Raging Bull Restaurant, China Restaurant, Donut Shop, Steak House, Big John gas station, Recreation Center, and several motels.

The appendices provide additional information on the company facilities, a tentative plot plan, and highlights of the traffic study conducted by Cal Trans.

## **3.0 Products**

Main products to be sold through the Ice Dreams business will be shave ice topped with tropical and Mexican flavored syrups in three main sizes: small, medium, and large. Other products will include three soft drinks (Sprite, Coke, and Diet-Coke), and licuados.

### **3.1 Product Description**

One major product will be sold through Ice Dreams which will include shave ice topped with tropical and Mexican flavored syrups. Twenty different tropical and Mexican flavored syrups will be sold and include the following:

Wild Watermelon, Pina Colada, Pink Lemonade, Guava Grape, Cherry Jubilee, Root Beer, Kiwi, Strawberry, Blue Bubble Gum, Orange Mango, Raspberry Red, Luscious Lime, Bodacious Banana, Tamarindo, Jamaica, Hortacha, Melon, Papaya, Manzana, and Limon.

Other products will include soft-drinks in three flavors: Coke, Diet-Coke, and Sprite, and licuados in three flavors (strawberry, banana and mango).

### **3.2 Competitive Comparison**

No other business in El Centro specifically caters to the shave ice market on a large scale. It is anticipated that prices will be competitive with other businesses who sell shave ice on a smaller basis.

### **3.3 Sales Literature**

Sales literature to be distributed to the general community will include fliers, advertisement in the local newspaper (Imperial Valley Press), and other print media.

### **3.4 Sourcing**

Ice Dreams will purchase products from Crystal Fresh, Inc. which manufactures and distributes high-quality syrups and ice shavers. All equipment and supplies are available through a regional distributor. Mexican flavored syrups will be purchased in Mexicali, Baja California, Mexico.

## 3.5 Future Products

It is anticipated that 10-15 additional syrups will be added such as Spearmint, Black Cherry, Cinnamon, Blueberry, Peach, Red Apple, Tutti Frutti, Coconut, Cola, Green Apple, Tangerine, and Vanilla. Also, future products to be sold will include ice cream in vanilla and chocolate flavors.

## 4.0 Market Analysis Summary

El Centro is geographically situated at the junction of major east-west and north-south transportation routes. El Centro is also referred to as the "center of opportunity" with benefits created by the North American Free Trade Agreement (NAFTA) becoming one of Southern California's most promising new commercial/industrial areas.

El Centro is accessible via Interstate 8, State Highway 111, and State Highway 86, where Ice Dreams will be located.

Shave ice is an ideal business for El Centro given both the potential market segment, location, and climate. Utilizing averaged priced units (\$1.25) for shave ice and other products to be sold, the shave ice business has the potential market of \$104,446 gross sales by the third year of operation.

## 4.1 Market Segmentation

According to Advertising Age (September, 1995), premium ice cream and frozen yogurt products are losing market share to mid-priced and other frozen dessert products. Information Resources reported that frozen ice products comprised a third of the \$2.4 billion ice cream category for the year ending May 21, 1995, generating \$717.7 million, up 9.3% from the previous year.

Based on this information, it is anticipated that the frozen dessert market can be divided into two customer segments. The first segment prefers premium ice cream and frozen yogurt products. The other segment obviously includes those that prefer frozen ice products. Shave ice products are ideal for today's health-conscious consumers. They boast no fat, no cholesterol, and are relatively low in calories.

Ice Dreams will target all segments of El Centro's population: children, teenagers, and adults. The Hispanic population will be of special interest since it comprises 65% of El Centro's total population. This population will be targeted with Mexican flavored syrups and licuados.

## 4.2 Target Market Segment Strategy

Ice Dreams will target the low- to mid-income consumers who want to have a high quality dessert for moderate prices. Ice Dream's shave ice meets the quality required by these customers since it will also cater to the large Latino population in El Centro with its Mexican flavored syrups.

## 4.3 Industry Analysis

One of the best known shave ice businesses is Sno Biz Shave Ice under the parent company of Crystal Fresh, Inc. Dealerships such as Sno Biz have demonstrated the success and feasibility of selling shave ice. The Sno Biz dealership has been in existence for the last 11 years with over 3,000 individual dealerships throughout the United States. Sno Biz syrups products are also sold in Wal Marts throughout the country. While no Sno Biz dealership currently exists in California, Sno Biz products are sold at the San Diego Zoo, Lion Country Safari, and the San Diego Military base with great success. The potential success for selling shave ice is attributed to the following:

1. Compared to other food service products, Ice Dreams will be a relatively simple business to operate.
2. Shave ice is similar to a Mexican favorite called raspado, but because it is softer and tastier, it is preferred over raspados.
3. Shave ice has a low food cost and is easy to prepare, which keeps speed-of-service at optimum levels to keep up with high-traffic volumes.
4. Ice Dreams will be easy to maintain and clean.
5. Shave ice is a product that has yielded a considerable profit in terms of cost to produce at \$0.16.
6. Shave ice is an ideal product for the health-conscious consumer.

Market research conducted in El Centro did surface one raspado (sno-cone) business on a small scale called "Snow Shack" located on State Street. Snow Shack consists of a small trailer that accommodates only one employee. Sno-cones are sold in cups at prices ranging from \$1.00 (small), \$1.25 (medium) to \$1.50 (large).

Sno-cones were also found to be sold at Garcia's Food Market and Wal Mart. Each sold sno-cones in one regular size at \$1.00 each.

Research conducted in Bullhead City, Arizona noted that the Sno Biz dealership only sells shave ice as their primary product. Shave ice units sold for \$1.25 (small), \$1.75 (medium) to \$2.25 (large) per unit. In interviewing the current owner, he indicated that during his first year in business he was selling 200 units per day.

Research in San Diego, California revealed that shave ice is sold along with other products. Several businesses in Mission Bay sold shave ice with prices ranging from \$1.79 (small), \$1.99 (medium) and \$2.39 (large). In terms of licuados, prices were \$2.79 (regular) and \$3.15 (large).

Research conducted in Honolulu, Hawaii, showed that in some locations, shave ice sold as high as \$5.00 for a regular size. However, the majority of sno-cones were sold by the flavor and not necessarily by the size. For example, one flavor was \$1.79, two flavors were \$2.29, and three flavors sold for \$2.79.

### 4.3.1 Industry Participants

The shave ice industry in El Centro, California currently has no key players since no other business of this type currently exists in the Imperial Valley.

## 4.3.2 Competition and Buying Patterns

The shave ice business will be new to El Centro. Competitors in this type of business primarily sell raspados or sno-cones and do not focus on the shave ice market. One major competitor is the "Snow Shack" located on State Street. Snow Shack sells sno-cones through a small, one person trailer with limited choices of syrups. Other competitors sell sno-cones through Garcia's Market and the Wal-Mart store which also have limited syrup selections and do not necessarily focus on the sno-cone or shave ice industry as their primary product.

The keys to success will definitely focus on selling shave ice and not sno-cones made with coarse ice and selling high quality syrups. Prices will also be competitive with those of the competition.

## 4.3.3 Main Competitors

Main competitors include the Snow Shack, Garcia's Market, and Wal-Mart. The following are strengths and weaknesses of each.

- **Snow Shack**
  - *Strengths*: The main strength of Snow Shack is that it is the only business in El Centro that caters to the sno-cone market. It also has very reasonable prices.
  - *Weaknesses*: The primary weakness of Snow Shack is that it does not sell shave ice but rather sno-cones made from very coarse ice. Syrups are also not of good quality.
- **Garcia's Market**
  - *Strengths*: The main strength of sno-cones sold by Garcia's Market is their low price of \$1.00 and the convenience to the shopper in buying sno-cones while doing their shopping.
  - *Weaknesses*: The main weakness of sno-cones sold by Garcia's Market is that they do not sell quality syrups and prefer to sell the more inexpensive brand with lower quality taste.
- **Wal-Mart**
  - *Strengths*: Main strength of sno-cones sold by Wal-Mart is the convenience to the shopper and low price.
  - *Weaknesses*: Wal-Mart's weakness, like Garcia's Market, is that they do not sell quality syrups. Also, the sno-cone business is not their primary focus or product.

## 5.0 Strategy and Implementation Summary

Ice Dreams is planning for slow growth by expanding flavors available from 20 to 30 in year two of operation. Also, an additional product to be sold in year two will include ice cream in flavors of vanilla and chocolate.

## 5.1 Marketing Strategy

Ice Dream's overall marketing strategy will be to create an image of offering the highest quality shave ice in Imperial County. The business will be located in a high traffic area of El Centro. Customers will be reached through advertisements such as fliers, newspaper ads, and through its grand opening ceremonies.

A special marketing program will also be incorporated by offering special coupon prices for nearby restaurants, motels, city pool, the donut shop, and the gas station to customers who purchase any product at Ice Dreams.

### 5.1.1 Positioning Statement

Distribution of shave ice will be through the business facility only. It is anticipated that in the future, a small portable ice shaver will be purchased such that the product could be sold on site at various fund raising functions through churches, schools, etc.

### 5.1.2 Pricing Strategy

Shave ice will be offered at the following prices:

- Small \$1.00
- Medium \$1.25
- Large \$1.50

Soft Drinks

- Regular \$0.79
- Large \$0.99

Licuaados

- Regular \$1.35

Products will be sold on a cash basis only.

### 5.1.3 Promotion Strategy

Ice Dreams will promote shave ice to customers by:

1. Flier distribution to consumers' homes within a five-mile radius.
2. Newspaper advertisements will be purchased during the first three months of business until a clientele is built.
3. Ice Dreams will offer discounts to recreational groups such as children/adult baseball and football teams who play in nearby facilities.
4. Promoting products for an introductory price at its Grand Opening.
5. Ice Dreams will "adopt a school" and provide shave ice to individuals who are selected for having excellent attendance, good grades, and good citizenship. Other incentives will include sponsoring a good attendance program by purchasing a bike and raffling it to students with the best attendance. This will be a promotional strategy to encourage business.

## 5.1.4 Marketing Programs

Major marketing will be conducted through newspaper advertisements and local flier distribution during the first three months of operation. Total costs will be approximately \$500.

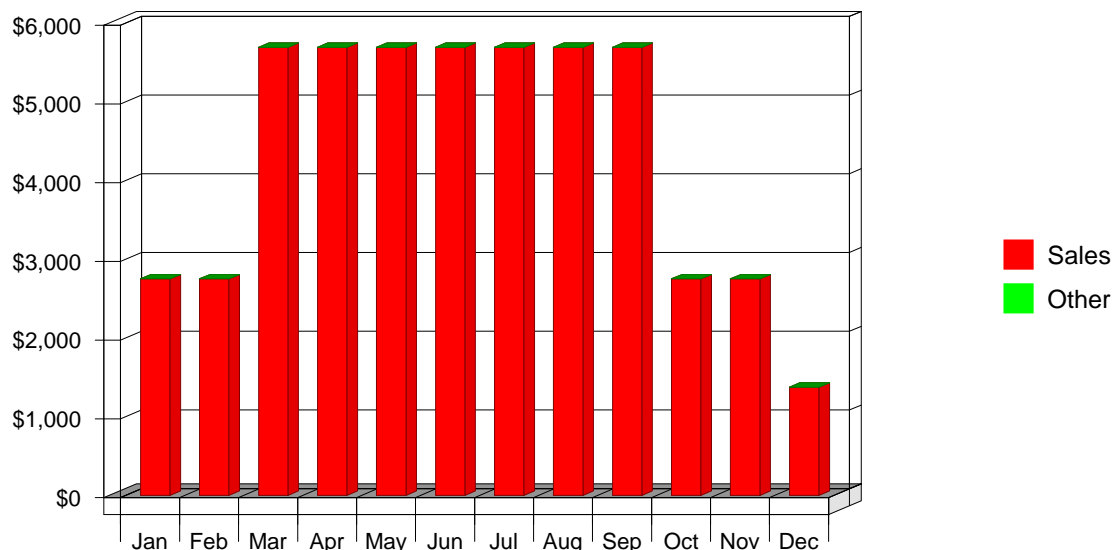
## 5.2 Sales Strategy

Sales strategy will be directly linked to marketing programs since all sales will be through the business facility only.

### 5.2.1 Sales Forecast

Consumer sales will start in January, 1997 (or sooner if construction is completed before targeted date) with its grand opening anticipated by then. Sales and units costs for the first six months of 1997 are shown in the sales forecast as projected numbers. As indicated, primary sales will occur during the peak warm weather months as noted by the following table.

### Sales Monthly



**Table 5.2.1: Sales Forecast**

Sales Forecast			
Sales	1997	1998	1999
Sales	\$52,217	\$77,383	\$104,446
Other	\$0	\$0	\$0
Total Sales	\$52,217	\$77,383	\$104,446
Direct Cost of sales			
Sales	1997	1998	1999
Sales	\$12,114	\$17,772	\$24,227
Other	\$0	\$0	\$0
Subtotal Cost of Sales	\$12,114	\$17,772	\$24,227

## 6.0 Management Summary

Ice Dreams will hire an employee to assist with the business. Ice Dreams will require minimum daily supervision after it has been established since all three products are fairly easy to make.

## 6.1 Organizational Structure

Ofelia R. Arellano, the owner, will have one individual assisting her with the business. Long range plans will include a second employee to assist with the weekend hours.

## 6.2 Management Team

Ofelia R. Arellano is the most important member of the management team. Dr. Arellano is a graduate of the University of California, Santa Barbara with several advanced degrees (Masters and Doctorate in Psychology). She has spent the last six years working as an administrator overseeing a budget of approximately \$800,000. Ofelia will oversee the business primarily during the weekend hours and Frank Arellano will oversee the business during weekdays along with one employee.

Business expertise include:

### **Budget Control**

- History Based Budgeting
- Object-Code Budgeting
- Program Budgeting
- Planned Programming Budgeting Systems

### **Personnel Management**

- Management by Goals and Objectives

### **Strategic Planning**

- Long-Range Planning
- Total Quality Management
- Operational Planning

### **Public Relations**

- Advertising for Educational Purposes
- Marketing Research
- Consulting

### **Community Leadership**

- Advisory Boards
- Business and Educational Partnerships

### **City Planning and Development**

- Board of Director, San Ysidro Planning and Development Group

### **Business Needs Assessment and Consultation**

- Board of Directors, San Ysidro Chamber of Commerce

Frank Arellano will serve as a consultant on a volunteer basis. Mr. Arellano spent over 35 years in the retail business handling marketing and inventory for a major food chain. He is familiar with all aspects of business management and operations having owned and operated his own grocery store in El Centro. Mr. Arellano will also assist in the building design, landscaping layout and

business marketing. Mr. Arellano will supervise the business during the week days which means managing one employee.

### 6.3 Personnel Plan

Monthly personnel cost estimates are included in the following table.

**Table 6.3: Personnel**

Personnel Plan	1997	1998	1999
Personnel			
Assistant	\$10,800	\$11,232	\$11,681
Other	\$0	\$0	\$0
Other	\$0	\$0	\$0
Total Payroll	\$10,800	\$11,232	\$11,681
Total Headcount	0	0	0
Payroll Burden	\$2,484	\$2,583	\$2,687
Total Payroll Expenditures	\$13,284	\$13,815	\$14,368

### 7.0 Financial Plan

- We want to finance growth mainly through cash flow. We recognized that this means we will have to grow slowly.
- The most important indicator in our case is that minimal inventory will have to be stored for these products.

### 7.1 Important Assumptions

Monthly sales are the largest indicator for this business. There are some seasonal variations with the months of March through September being the highest sales months.

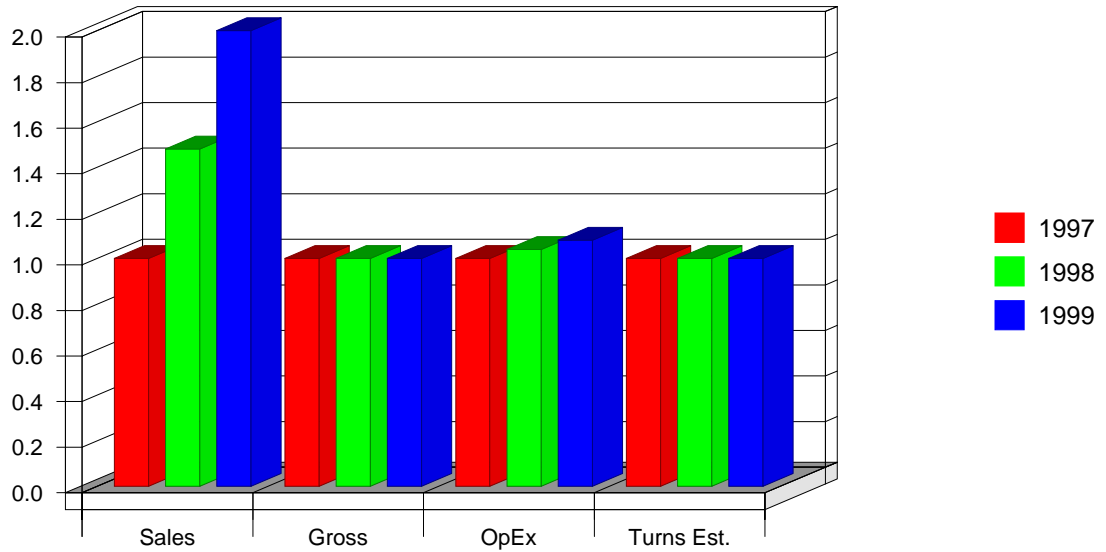
**Table 7.1: General Assumptions**

General Assumptions	1997	1998	1999
Short-term Interest Rate %	13.50%	13.50%	13.50%
Long-term Interest Rate %	0.00%	0.00%	0.00%
Payment Days Estimator	30	30	30
Inventory Turnover Estimator	12.00	12.00	12.00
Tax Rate %	30.00%	30.00%	30.00%
Expenses in Cash %	0.00%	0.00%	0.00%
Personnel Burden %	23.00%	23.00%	23.00%

## 7.2 Key Financial Indicators

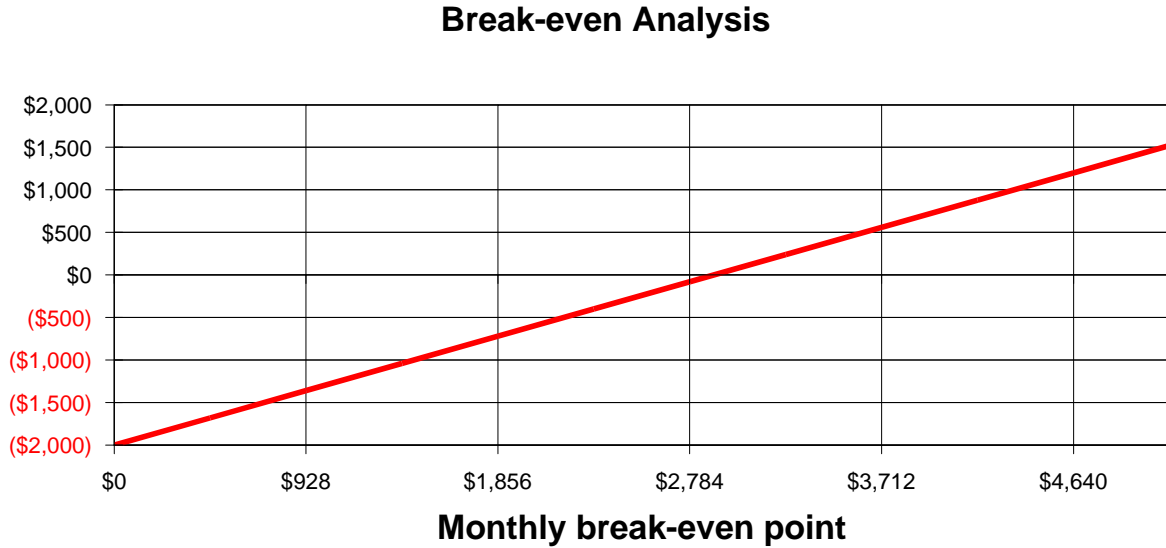
The following Benchmark chart shows our key financial indicators.

### Benchmarks



### 7.3 Break-even Analysis

The following table and chart show the current break-even analysis. The operation will require sales of approximately \$2,900 to break even during the first year of operation.



Break-even point = where line intersects with 0

**Table 7.3: Break-even Analysis**

Break-even Analysis:	
Monthly Units Break-even	2,500
Monthly Sales Break-even	\$2,900
Assumptions:	
Average Per-Unit Revenue	\$1.16
Average Per-Unit Variable Cost	\$0.36
Estimated Monthly Fixed Cost	\$2,000

## 7.4 Projected Profit and Loss

We expect a profit of \$6,740 in year one; \$19,212 in year two; and \$32,886 in year three of operation.

**Table 7.4: Profit and Loss**

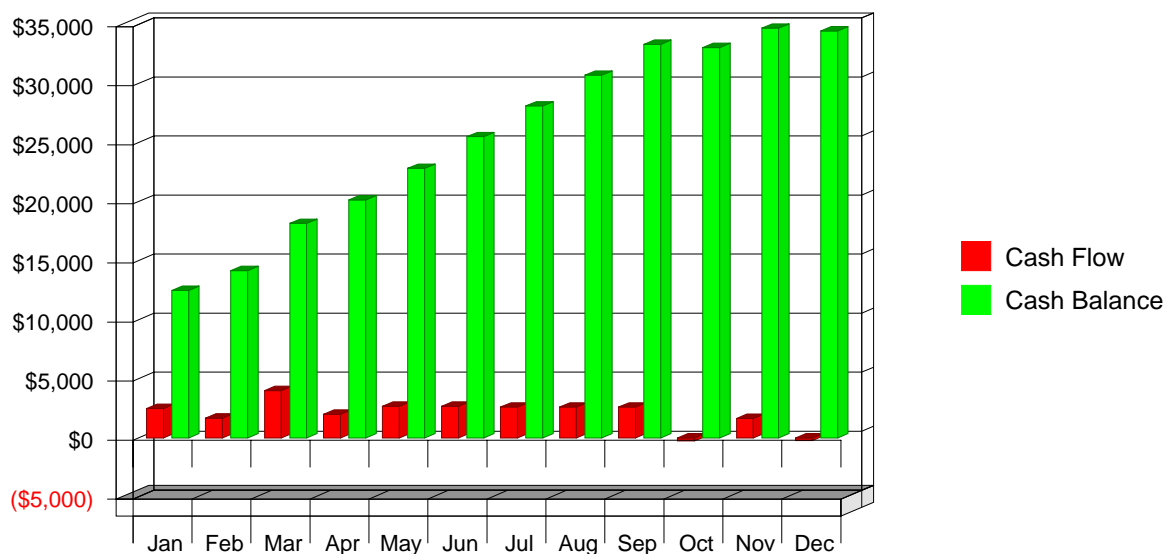
Profit and Loss (Income Statement)	1997	1998	1999
Sales	\$52,217	\$77,383	\$104,446
Direct Cost of Sales	\$12,114	\$17,772	\$24,227
Other	\$0	\$0	\$0
	-----	-----	-----
Total Cost of Sales	\$12,114	\$17,772	\$24,227
Gross Margin	\$40,103	\$59,611	\$80,219
Gross Margin %	76.80%	77.03%	76.80%
Operating expenses:			
Advertising/Promotion	\$600	\$624	\$649
Travel	\$450	\$468	\$487
Miscellaneous	\$0	\$0	\$0
Other	\$360	\$374	\$389
Payroll Expense	\$10,800	\$11,232	\$11,681
Payroll Burden	\$2,484	\$2,583	\$2,687
Depreciation	\$2,196	\$2,284	\$2,375
Leased Equipment	\$0	\$0	\$0
Utilities	\$1,720	\$1,789	\$1,861
Insurance	\$1,200	\$1,248	\$1,298
Rent	\$0	\$0	\$0
Other	\$0	\$0	\$0
Contract/Consultants	\$0	\$0	\$0
	-----	-----	-----
Total Operating Expenses	\$19,810	\$20,602	\$21,427
Profit Before Interest and Taxes	\$20,293	\$39,009	\$58,792
Interest Expense Short-term	\$5,672	\$5,672	\$5,672
Interest Expense Long-term	\$0	\$0	\$0
Taxes Incurred	\$4,386	\$10,001	\$15,936
Extraordinary Items	\$0	\$0	\$0
Net Profit	\$10,235	\$23,336	\$37,184
Net Profit/Sales	19.60%	30.16%	35.60%

## 7.5 Projected Cash Flow

Projected cash flow is estimated as follows for the next three years:

- 1997 - \$31,715
- 1998 - \$63,931
- 1999 - \$109,900

### Cash



**Table 7.5: Cash Flow**

Pro-Forma Cash Flow			
	1997	1998	1999
Net Profit	\$10,235	\$23,336	\$37,184
Plus:			
Depreciation	\$2,196	\$2,284	\$2,375
Change in Accounts Payable	\$519	\$2,103	\$862
Current Borrowing (repayment)	\$3	\$0	\$0
Increase (decrease) Other Liabilities	\$0	\$0	\$0
Long-term Borrowing (repayment)	\$10,500	\$10,500	\$10,500
Capital Input	\$0	\$0	\$0
Subtotal	\$23,453	\$38,223	\$50,922
Less:	1997	1998	1999
Change in Inventory	(\$1,013)	\$146	\$166
Change in Other Short-term Assets	\$0	\$0	\$0
Capital Expenditure	\$0	\$0	\$0
Dividends	\$0	\$0	\$0
Subtotal	(\$1,013)	\$146	\$166
Net Cash Flow	\$24,466	\$38,077	\$50,755
Cash Balance	\$34,466	\$72,543	\$123,298

## 7.6 Projected Balance Sheet

The balance sheet shows a slow but steady upward growth in net worth after initial start-up as follows:

- 1997: (\$19,272)
- 1998: (\$61)
- 1999: \$32,825

**Table 7.6: Balance Sheet**

Pro-forma Balance Sheet

Assets	1997	1998	1999
Short-term Assets			
Cash	\$34,466	\$72,543	\$123,298
Inventory	\$312	\$458	\$624
Other Short-term Assets	\$675	\$675	\$675
Total Short-term Assets	\$35,453	\$73,676	\$124,597
Long-term Assets			
Capital Assets	\$4,000	\$4,000	\$4,000
Accumulated Depreciation	\$2,196	\$4,480	\$6,855
Total Long-term Assets	\$1,804	(\$480)	(\$2,855)
Total Assets	\$37,257	\$73,196	\$121,742
Liabilities and Capital			
	1997	1998	1999
Accounts Payable	\$519	\$2,622	\$3,484
Short-term Notes	\$42,013	\$42,013	\$42,013
Other Short-term Liabilities	\$0	\$0	\$0
Subtotal Short-term Liabilities	\$42,532	\$44,635	\$45,497
Long-term Liabilities	\$10,500	\$21,000	\$31,500
Total Liabilities	\$53,032	\$65,635	\$76,997
Paid in Capital	\$10,000	\$10,000	\$10,000
Retained Earnings	(\$36,010)	(\$25,775)	(\$2,439)
Earnings	\$10,235	\$23,336	\$37,184
Total Capital	(\$15,775)	\$7,561	\$44,745
Total Liabilities and Capital	\$37,257	\$73,196	\$121,742
Net Worth	(\$15,775)	\$7,561	\$44,745

## 7.7 Business Ratios

Standard business ratios are included in the table that follows. The ratios show a plan for balanced, healthy growth.

**Table 7.7: Ratios**

Ratio Analysis	1997	1998	1999	Industry Profile
Sales Growth	0.00%	148.20%	134.97%	4.90%
Percent of Total Assets	1997	1998	1999	Industry Profile
Accounts Receivable	0.00%	0.00%	0.00%	24.60%
Inventory	0.84%	0.63%	0.51%	16.40%
Other Short-term Assets	1.81%	0.92%	0.55%	17.00%
Total Short-term Assets	95.16%	100.66%	102.35%	58.00%
Long-term Assets	4.84%	-0.66%	-2.35%	42.00%
Total Assets	100.00%	100.00%	100.00%	100.00%
Other Short-term Liabilities	0.00%	0.00%	0.00%	35.70%
Subtotal Short-term Liabilities	114.16%	60.98%	37.37%	33.20%
Long-term Liabilities	28.18%	28.69%	25.87%	18.40%
Total Liabilities	142.34%	89.67%	63.25%	54.10%
Net Worth	-42.34%	10.33%	36.75%	45.90%
Percent of Sales	1997	1998	1999	Industry Profile
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	76.80%	77.03%	76.80%	26.30%
Selling, General & Administrative Expenses	57.20%	46.88%	41.20%	17.70%
Advertising Expenses	1.15%	0.81%	0.62%	0.80%
Profit Before Interest and Taxes	38.86%	50.41%	56.29%	1.80%
Ratios	1997	1998	1999	Industry Profile
Current	0.83	1.65	2.74	1.59
Quick	0.83	1.64	2.72	0.94
Total Debt to Total Assets	142.34%	89.67%	63.25%	54.10%
Pre-Tax Return on Net Worth	-164.59%	590.95%	144.07%	5.60%
Pre-Tax Return on Assets	69.69%	61.04%	52.95%	12.30%

## Appendix: Ice Dreams

**Table 5.2.1 Sales Forecast**

Sales Forecast												
Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$2,751	\$2,751	\$5,691	\$5,691	\$5,691	\$5,691	\$5,691	\$5,691	\$5,691	\$2,751	\$2,751	\$1,376
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Sales</b>	<b>\$2,751</b>	<b>\$2,751</b>	<b>\$5,691</b>	<b>\$5,691</b>	<b>\$5,691</b>	<b>\$5,691</b>	<b>\$5,691</b>	<b>\$5,691</b>	<b>\$5,691</b>	<b>\$2,751</b>	<b>\$2,751</b>	<b>\$1,376</b>
Direct Cost of sales												
Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$623	\$623	\$1,330	\$1,330	\$1,330	\$1,330	\$1,330	\$1,330	\$1,330	\$623	\$623	\$312
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Cost of Sales</b>	<b>\$623</b>	<b>\$623</b>	<b>\$1,330</b>	<b>\$1,330</b>	<b>\$1,330</b>	<b>\$1,330</b>	<b>\$1,330</b>	<b>\$1,330</b>	<b>\$1,330</b>	<b>\$623</b>	<b>\$623</b>	<b>\$312</b>

## Appendix: Ice Dreams

**Table 6.3 Personnel**

Personnel Plan	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Personnel												
Assistant	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
Other	\$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 Payroll	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
Total Headcount	0	0	0	0	0	0	0	0	0	0	0	0
Payroll Burden	\$207	\$207	\$207	\$207	\$207	\$207	\$207	\$207	\$207	\$207	\$207	\$207
Total Payroll Expenditures	\$1,107	\$1,107	\$1,107	\$1,107	\$1,107	\$1,107	\$1,107	\$1,107	\$1,107	\$1,107	\$1,107	\$1,107

## Appendix: Ice Dreams

**Table 7.1 General Assumptions**

General Assumptions	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Short-term Interest Rate %	13.50%	13.50%	13.50%	13.50%	13.50%	13.50%	13.50%	13.50%	13.50%	13.50%	13.50%	13.50%
Long-term Interest Rate %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Payment Days Estimator	30	30	30	30	30	30	30	30	30	30	30	30
Inventory Turnover Estimator	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Tax Rate %	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Expenses in Cash %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Personnel Burden %	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%

## Appendix: Ice Dreams

**Table 7.4 Profit and Loss**

Profit and Loss (Income Statement)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$2,751	\$2,751	\$5,691	\$5,691	\$5,691	\$5,691	\$5,691	\$5,691	\$5,691	\$2,751	\$2,751	\$1,376
Direct Cost of Sales	\$623	\$623	\$1,330	\$1,330	\$1,330	\$1,330	\$1,330	\$1,330	\$1,330	\$623	\$623	\$312
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Cost of Sales</b>	<b>\$623</b>	<b>\$623</b>	<b>\$1,330</b>	<b>\$1,330</b>	<b>\$1,330</b>	<b>\$1,330</b>	<b>\$1,330</b>	<b>\$1,330</b>	<b>\$1,330</b>	<b>\$623</b>	<b>\$623</b>	<b>\$312</b>
Gross Margin	\$2,128	\$2,128	\$4,361	\$4,361	\$4,361	\$4,361	\$4,361	\$4,361	\$4,361	\$2,128	\$2,128	\$1,064
Gross Margin %	77.35%	77.35%	76.63%	76.63%	76.63%	76.63%	76.63%	76.63%	76.63%	77.35%	77.35%	77.33%
Operating expenses:												
Advertising/Promotion	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
Travel	\$100	\$100	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25
Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30
Payroll Expense	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
Payroll Burden	\$207	\$207	\$207	\$207	\$207	\$207	\$207	\$207	\$207	\$207	\$207	\$207
Depreciation	\$183	\$183	\$183	\$183	\$183	\$183	\$183	\$183	\$183	\$183	\$183	\$183
Leased Equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Utilities	\$85	\$85	\$85	\$85	\$85	\$185	\$185	\$185	\$185	\$185	\$185	\$185
Insurance	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Rent	\$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
Contract/Consultants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Operating Expenses</b>	<b>\$1,655</b>	<b>\$1,655</b>	<b>\$1,580</b>	<b>\$1,580</b>	<b>\$1,580</b>	<b>\$1,680</b>	<b>\$1,680</b>	<b>\$1,680</b>	<b>\$1,680</b>	<b>\$1,680</b>	<b>\$1,680</b>	<b>\$1,680</b>
Profit Before Interest and Taxes	\$473	\$473	\$2,781	\$2,781	\$2,781	\$2,681	\$2,681	\$2,681	\$2,681	\$448	\$448	(\$616)
Interest Expense Short-term	\$473	\$473	\$473	\$473	\$473	\$473	\$473	\$473	\$473	\$473	\$473	\$473
Interest Expense Long-term	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Taxes Incurred	\$0	\$0	\$693	\$693	\$693	\$663	\$663	\$663	\$663	(\$7)	(\$7)	(\$327)
Extraordinary Items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Profit	\$0	\$0	\$1,616	\$1,616	\$1,616	\$1,546	\$1,546	\$1,546	\$1,546	(\$17)	(\$17)	(\$762)
Net Profit/Sales	0.01%	0.01%	28.39%	28.39%	28.39%	27.16%	27.16%	27.16%	27.16%	-0.63%	-0.63%	-55.38%

## Appendix: Ice Dreams

**Table 7.5 Cash Flow**

Pro-Forma Cash Flow

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Net Profit	\$0	\$0	\$1,616	\$1,616	\$1,616	\$1,546	\$1,546	\$1,546	\$1,546	(\$17)	(\$17)	(\$762)
Plus:												
Depreciation	\$183	\$183	\$183	\$183	\$183	\$183	\$183	\$183	\$183	\$183	\$183	\$183
Change in Accounts Payable	\$810	\$526	\$2,040	(\$683)	\$0	\$68	\$0	\$0	\$0	(\$1,933)	\$521	(\$829)
Current Borrowing (repayment)	\$0	\$0	\$0	\$0	\$0	\$3	\$0	\$0	\$0	\$0	\$0	\$0
Increase (decrease) Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Liabilities												
Long-term Borrowing (repayment)	\$875	\$875	\$875	\$875	\$875	\$875	\$875	\$875	\$875	\$875	\$875	\$875
Capital Input	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$1,868	\$1,584	\$4,714	\$1,990	\$2,674	\$2,675	\$2,604	\$2,604	\$2,604	(\$892)	\$1,562	(\$533)
Less:	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Change in Inventory	(\$623)	(\$79)	\$707	\$0	\$0	\$0	\$0	\$0	\$0	(\$623)	(\$84)	(\$311)
Change in Other Short-term	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Assets												
Capital Expenditure	\$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	(\$623)	(\$79)	\$707	\$0	\$0	\$0	\$0	\$0	\$0	(\$623)	(\$84)	(\$311)
Net Cash Flow	\$2,491	\$1,663	\$4,007	\$1,990	\$2,674	\$2,675	\$2,604	\$2,604	\$2,604	(\$269)	\$1,646	(\$222)
Cash Balance	\$12,491	\$14,154	\$18,161	\$20,152	\$22,825	\$25,500	\$28,104	\$30,708	\$33,312	\$33,042	\$34,688	\$34,466

## Appendix: Ice Dreams

**Table 7.6 Balance Sheet**

Pro-forma Balance Sheet

Assets	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Short-term Assets</b>												
Cash	\$12,491	\$14,154	\$18,161	\$20,152	\$22,825	\$25,500	\$28,104	\$30,708	\$33,312	\$33,042	\$34,688	\$34,466
Inventory	\$702	\$623	\$1,330	\$1,330	\$1,330	\$1,330	\$1,330	\$1,330	\$1,330	\$707	\$623	\$312
Other Short-term Assets	\$675	\$675	\$675	\$675	\$675	\$675	\$675	\$675	\$675	\$675	\$675	\$675
<b>Total Short-term Assets</b>	<b>\$13,868</b>	<b>\$15,452</b>	<b>\$20,166</b>	<b>\$22,157</b>	<b>\$24,830</b>	<b>\$27,505</b>	<b>\$30,109</b>	<b>\$32,713</b>	<b>\$35,317</b>	<b>\$34,424</b>	<b>\$35,986</b>	<b>\$35,453</b>
<b>Long-term Assets</b>												
Capital Assets	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Accumulated Depreciation	\$183	\$366	\$549	\$732	\$915	\$1,098	\$1,281	\$1,464	\$1,647	\$1,830	\$2,013	\$2,196
<b>Total Long-term Assets</b>	<b>\$3,817</b>	<b>\$3,634</b>	<b>\$3,451</b>	<b>\$3,268</b>	<b>\$3,085</b>	<b>\$2,902</b>	<b>\$2,719</b>	<b>\$2,536</b>	<b>\$2,353</b>	<b>\$2,170</b>	<b>\$1,987</b>	<b>\$1,804</b>
<b>Total Assets</b>	<b>\$17,685</b>	<b>\$19,086</b>	<b>\$23,617</b>	<b>\$25,425</b>	<b>\$27,915</b>	<b>\$30,407</b>	<b>\$32,828</b>	<b>\$35,249</b>	<b>\$37,670</b>	<b>\$36,594</b>	<b>\$37,973</b>	<b>\$37,257</b>
<b>Liabilities and Capital</b>												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Short-term Liabilities</b>												
Accounts Payable	\$810	\$1,336	\$3,376	\$2,692	\$2,692	\$2,760	\$2,760	\$2,760	\$2,760	\$827	\$1,348	\$519
Short-term Notes	\$42,010	\$42,010	\$42,010	\$42,010	\$42,010	\$42,013	\$42,013	\$42,013	\$42,013	\$42,013	\$42,013	\$42,013
Other Short-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Short-term Liabilities</b>	<b>\$42,820</b>	<b>\$43,346</b>	<b>\$45,386</b>	<b>\$44,702</b>	<b>\$44,702</b>	<b>\$44,773</b>	<b>\$44,773</b>	<b>\$44,773</b>	<b>\$44,773</b>	<b>\$42,840</b>	<b>\$43,361</b>	<b>\$42,532</b>
<b>Long-term Liabilities</b>												
<b>Total Liabilities</b>	<b>\$875</b>	<b>\$1,750</b>	<b>\$2,625</b>	<b>\$3,500</b>	<b>\$4,375</b>	<b>\$5,250</b>	<b>\$6,125</b>	<b>\$7,000</b>	<b>\$7,875</b>	<b>\$8,750</b>	<b>\$9,625</b>	<b>\$10,500</b>
<b>Capital</b>												
Paid in Capital	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Retained Earnings	(\$36,010)	(\$36,010)	(\$36,010)	(\$36,010)	(\$36,010)	(\$36,010)	(\$36,010)	(\$36,010)	(\$36,010)	(\$36,010)	(\$36,010)	(\$36,010)
Earnings	\$0	\$1	\$1,616	\$3,232	\$4,848	\$6,394	\$7,940	\$9,486	\$11,032	\$11,014	\$10,997	\$10,235
<b>Total Capital</b>	<b>(\$26,010)</b>	<b>(\$26,009)</b>	<b>(\$24,394)</b>	<b>(\$22,778)</b>	<b>(\$21,162)</b>	<b>(\$19,616)</b>	<b>(\$18,070)</b>	<b>(\$16,524)</b>	<b>(\$14,978)</b>	<b>(\$14,996)</b>	<b>(\$15,013)</b>	<b>(\$15,775)</b>
<b>Total Liabilities and Capital</b>	<b>\$17,685</b>	<b>\$19,086</b>	<b>\$23,617</b>	<b>\$25,425</b>	<b>\$27,915</b>	<b>\$30,407</b>	<b>\$32,828</b>	<b>\$35,249</b>	<b>\$37,670</b>	<b>\$36,594</b>	<b>\$37,973</b>	<b>\$37,257</b>
<b>Net Worth</b>	<b>(\$26,010)</b>	<b>(\$26,009)</b>	<b>(\$24,394)</b>	<b>(\$22,778)</b>	<b>(\$21,162)</b>	<b>(\$19,616)</b>	<b>(\$18,070)</b>	<b>(\$16,524)</b>	<b>(\$14,978)</b>	<b>(\$14,996)</b>	<b>(\$15,013)</b>	<b>(\$15,775)</b>