Identify Your Operating Expenses

Step 60

MUST HAVE RECOMMENDED NICE TO HAVE

Not necessary if you include a full income statement in your business plan.

Tip: You want to review all the expense categories in the Operating Expenses Worksheet to make sure you aren't missing any. Use the blank rows at the bottom to add those expenses not already listed.

ummarize your operating expenses for year one, two and three. These are the expenses that will be incurred whether or not you make any sales.

Example: Operating Expenses

	YEAR 1	YEAR 2	YEAR 3
Advertising	\$7,200	\$7,200	\$7,200
Auto (Includes Repairs & Insurance)	6,648	6,648	6,648
Interest, Bank Charges	996	996	996
Insurance, Licenses, Fees	1,700	1,700	1,700
Professional (Accounting, Legal)	1,500	1,500	1,500
Rent (Equipment)			
Rent (Premises)	2,400	2,400	2,400
Office Supplies & Expenses	2,400	2,400	2,400
Business Licenses & Permits	130	130	130
Telephone	1,800	1,800	1,800
Utilities			
Repairs & Maintenance			
Travel & Promotion	4,400	4,400	4,400
Supplies and Small Tools		1,000	1,000
Processing, Legal, Broker Fees	850	850	850
Auto (Gas, Oil)	3,000	3,000	3,000
Management Salaries	43,200	43,200	43,200
Wages & Subcontractor Fees	7,200	7,200	7,200
Employer Wage Burden	5,040	5,040	5,040
Workers' Compensation	161	161	161
Loan Payments - Interest	639	285	3
Total Operating Expenses	\$89,264	\$89,910	\$89,629

Task List

To complete this step you will need to complete your cash flow forecast, then:

- 1. Enter all year one, two and three totals into the table below.
- 2. Check each expense thoroughly to ensure it is accurate and realistic.
- 3. If changes are needed, go back to the cash flow worksheet and enter them

Note: If you have completed the Cash Flow Projection in Step 59, you will already have the total operating expenses for years 1, 2 and 3.

WORKSHEET: OPERATING EXPENSES				
	YEAR 1	YEAR 2	YEAR 3	
Advertising				
Auto (Includes Repairs & Insurance)				
Interest, Bank Charges				
Insurance, Licenses, Fees				
Professional (Accounting & Legal)				
Rent (Equipment)				
Rent (Premises)				
Office Supplies & Expenses				
Business Licenses & Permits				
Telephone				
Utilities				
Repairs & Maintenance				
Travel & Promotion				
Purchase Other Assets				
Processing, Legal & Broker Fees				
Auto (Gas, Oil)				
Management Salaries				
Wages & Subcontractor Fees				
Employer Wage Burden				
Workers' Compensation				
Loan Payments - Interest				
Total Operating Expenses				

Tip: Once you have calculated your expenses, build in a contingency. That is, include in your forecast a little extra money for unexpected costs. The amount of contingency will be relative to the degree of risk. For example, the higher the risks, the larger you will want your rainy day fund to be. For most new businesses you will want to add at least 3 to 5%. If it doesn't get used it becomes profit at the end of the year; if you need it during the year you will be thankful you included it in your forecasts.