



## THE COMMERCIALIZATION ACADEMY

### Basic Financials for a Startup

If you are a later stage business, you should have a complete set of financial statements for your current business (Current year to date and a previous full year of P&L, Cashflow, and Balance Sheet.) Also, as a later stage company, you should have your own pro formas, projecting the next three years (P&L, Cashflow, and Balance Sheet.) Include all assumptions on which numbers are based.

If you are an early stage business, you should have some way of predicting your financial status and viability. This usually involves pro formas and a list of assumptions that show you as credible. If you are early stage without customer verification, customers, or product, three years of pro formas may be seen as an exercise in futility. So, we would like you to provide what you have. Below are valuable pieces of information that feed into financials:

#### Costs

1. Bill of Materials or Cost of Goods Sold (COGS) for your product. If your product is software, we know this figure will be minimal.
2. Labor (just for the COGS)
3. Team salaries
4. Product development
5. General Administrative
6. Marketing and Selling
7. Equipment
8. Other

Figures for these items should give you a good idea of the COGS and your expenses.

#### Revenue

1. Calculate your revenue streams month by month
2. Include only revenue to you, do not include costs for distribution such as placement in the App Store.

#### Assumptions

1. Explain as many assumptions as you can. For example: COGS sold will decrease 5% per year for volume discounts.
2. Future funding can be omitted. For example: if your 1<sup>st</sup> year profits are negative \$200,000, then a requirement of \$200,000 in funding can be assumed.
3. Explain sales assumptions. *This is the most important part.* How well do you know the market and the price points? Can you enter at a certain price point and grab some market share? How? Just identifying a \$1 Billion market and

saying you can grab .5% of that market is not good enough. Securing market share is difficult and your financials should indicate this how difficult.

Once you have determined Costs and Revenue Costs, utilize a standard P&L/Cashflow template. Templates can be found on the internet, or if you are familiar with their structure, provide your own documentation. As in all documents, clarity and explanations are appreciated and to your benefit in the evaluation.