

CHAPTER 19 Financing Your Business

SOFTWARE ACTIVITY

Spreadsheet Application

OBJECTIVE: Calculate startup costs.

Startup costs are the expenses that entrepreneurs will have when they are first setting up their businesses. To identify startup costs, entrepreneurs must review every aspect of their business plan, and list everything they will have to spend money on before the business even opens.

Practice Situation

You have listed and estimated the startup expenses for your new business on the printout shown below. Use the spreadsheet program to calculate a subtotal for each category as well as a total for all expenses.

	Total Funds Required	Subtotals/Totals
FIXED ASSETS		
Equipment	\$11,500	
Fixtures	\$25,400	
Furniture	\$5,450	
Outdoor Signs	\$560	
PRE-PAID ITEMS AND DEPOSITS		
Rent Deposit	\$500	
Utilities Deposit	\$100	
Telephone Deposit	\$200	
Insurance Payments	\$850	
Taxes, Licenses, and Fees	\$150	
(Subtotal)		
PRE-OPENING EXPENSES		
Advertising and Promotion	\$1,500	
Training	\$800	
Legal and Accounting Services	\$2,000	
(Subtotal)		
INVENTORY AND SUPPLIES		
Goods Purchased	\$80,000	
Supplies	\$2,600	
(Subtotal)		
WORKING CAPITAL		
Petty Cash	\$200	
Projected Cash Deficits	\$5,000	
3-Month's Operating Expenses	\$28,500	
(Subtotal)		
TOTALS		

Spreadsheet Directions

1. Start your spreadsheet software program.
2. Recreate the table from the previous page using your spreadsheet program.
3. In column 3, enter the formula to calculate the subtotal for each of the categories listed. After calculating each subtotal, enter the formula for a total of all startup expenses.
4. After completing your calculations, save your work.
5. Print out a copy of your work if your teacher has instructed you to do so.
6. Answer the following questions.

Interpreting Results

1. Examine the data for each of the subtotals. Which category has the highest expenses? Which the lowest?

2. What is the total startup expenses required for this business?

Drawing Conclusions

3. Many of these expenses are based on estimates. What will be the impact of underestimating specific expenses?

4. Will an entrepreneur be able to borrow funds to cover all these startup expenses?
