Worksheet 7.

Conducting a Practical Preliminary Feasibility Study of a Potential New Business or a Potential Change in an Existing Business

(Make extra copies of this sheet as needed.)

1. Describe, with as much detail as possible, all of the steps that will be necessary to get each product (good or service) of the new or changed business you are considering, to the market.

Worksheet 7. (cont.)

(Make extra copies of this sheet as needed.)

2. Use a financial calculator or amortization tables to estimate annual amortized costs of capital items.
   [Estimate the initial cost, pay-back period, and annual cost (sum of annual principal and interest costs) for each capital item (buildings, equipment, vehicles) that will be required for you to do business. Then sum the annual costs to calculate estimated total annual amortized cost of capital items.]

Capital Item	Initial Cost	Expected Pay-Back Period	Annual Amortized Cost
Total Annual Amortized Cost of Capital Items	→	→	

Worksheet 7. (cont.)

(Make extra copies of this sheet as needed.)

3. Estimate annual costs of doing business.
   [Estimate variable costs for the first few years of operation. Then add this to Total Annual Amortized Cost of Capital Items (from table above)].

	Cost ($'s)
YEAR 1	
Labor	
Utilities	
Equipment. maintenance & repair	
Fuel	
Vehicle maintenance & repair	
Parts for assembly	
Office supplies	
.	
TOTAL VARIABLE COSTS – YEAR 1	
TOTAL ANNUAL AMORTIZED COST OF CAPITAL ITEMS	
TOTAL CAPITAL AND OPERATING COSTS – YEAR 1	
YEAR 2	
Labor	
Utilities	
Equipment. maintenance & repair	
Fuel	
Vehicle maintenance & repair	
Parts for assembly	
Office supplies	
.	
TOTAL VARIABLE COSTS – YEAR 2	
TOTAL ANNUAL AMORTIZED COST OF CAPITAL ITEMS	
TOTAL CAPITAL AND OPERATING COSTS – YEAR 2	
YEAR 3	
Labor	
Utilities	
Equipment. maintenance & repair	
Fuel	
Vehicle maintenance & repair	
Parts for assembly	
Office supplies	
.	
TOTAL VARIABLE COSTS – YEAR 3	
TOTAL ANNUAL AMORTIZED COST OF CAPITAL ITEMS	
TOTAL CAPITAL AND OPERATING COSTS – YEAR 3	

Worksheet 7. (cont.)

(Make extra copies of this sheet as needed)

4. Now subtract total planned capital and operating costs for each of the first few years of your plans (above) from estimated total annual cash revenues from all products for that year (Worksheet 4, Step 9) to get total expected monthly revenues.

Year 1 –

$_____. MINUS $_____ = $_____
(estimated total annual cash revenues from all products) (total planned capital and operating costs) (total expected monthly revenues)

Year 2 –

$_____. MINUS $_____ = $_____
(estimated total annual cash revenues from all products) (total planned capital and operating costs) (total expected monthly revenues)

Year 3 –

$_____. MINUS $_____ = $_____
(estimated total annual cash revenues from all products) (total planned capital and operating costs) (total expected monthly revenues))

Are expected monthly revenues enough greater than expected monthly costs to make you still think that your idea is a good one? If you can answer yes to this question, go back to the section of this paper entitled, "So, Do You Still Think Your Idea Is A Good One?" and learn about developing a business plan.*

* If it will not be necessary for you to borrow money to pay for capital items used in your business, your actual annual cash costs may be less than calculated above, because you will not be making principal and interest payments on these capital items. However, if the success of your business idea depends on not having to make such principal and interest payments, you should be sure to do a detailed financial analysis as a part of a full business plan. Otherwise, you may find that you cannot afford to replace the capital items when they are worn out or become obsolete.