



## FLP Session 4:

- Pro Forma vs TTM
- Decisions you can make from this analysis - scenarios
- Break-even analysis



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# Pro Forma vs TTM

- TTM (Trailing Twelve Months) -this is what happened
- Pro Forma: hypothetical scenarios for financial projections – this is what you want to happen
  - Numerical business plan
  - Extremely helpful tool for business planning
  - Used to project the impact of financial decisions on your business
  - Enable you to conduct side-by-side comparisons based on different financial assumptions
  - Can help you decide between two potential strategies
  - Will help predict how the business is likely to perform in the future





# Excel sheet shared

- This is not a template!
- Every business & owner is unique
- Illustrate theory and create a mindset
- Test concepts and estimate results



# Service Co: Mountainside Cleaning

- Adjust GM to achieve PM? (Will cover in depth next week)
- Sales Channel Analysis – Drop RH, raise prices and increased volumes
- Repercussions of change
- [Excel Sheet](#)

# Product Co: Lakeside Chocolate

- Adjust GM to achieve PM
- Raise retail price, increased volumes
- Sales Channel Analysis:
  - Drop Markets?
  - Drop Coco powder?
  - Increase margins (ROI on Machine Purchase)
- Repercussions of change
- [Excel Sheet](#)





# Takeaways

- No one size fits all
- Each business situation is unique – what do you want?
- Need to consider options, test hypotheses and examine results
- Idea is to empower you as business owners and show possibilities

Controlled GM, now what?

# Break-Even Analysis

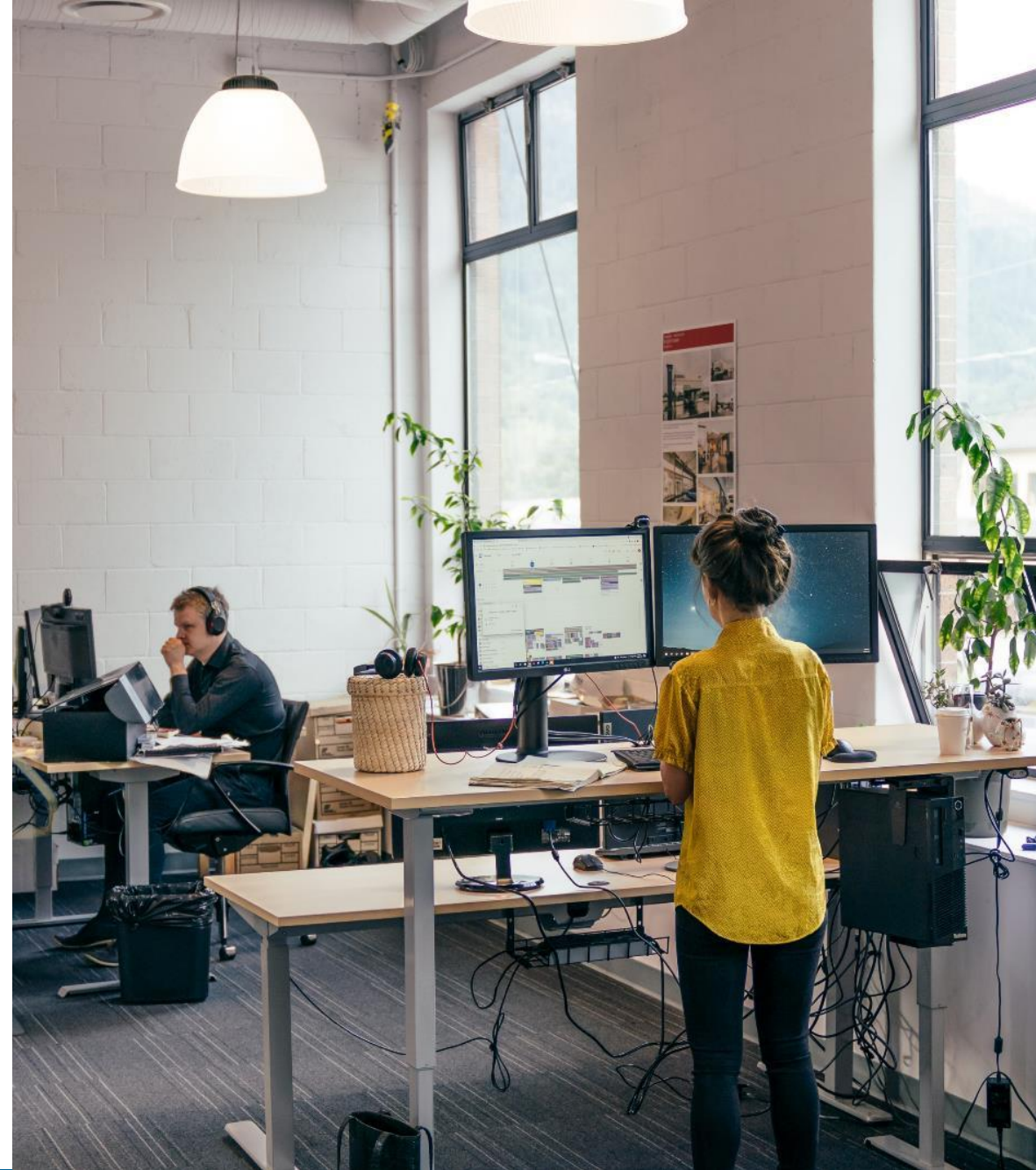
Simply put: Reveals the point at which you will have sold enough to cover your costs

Break Even Point =

Fixed (Indirect) Expenses

Gross Margin %

Excel Sheet





# Break-Even

- COGS (direct) should fluctuate with Revenue
- Expenses (indirect) remain close to fixed
- Both affect Profits
- Can control both but in different ways
- Gross Margin (GM) is the first priority
- When Revenue is low, defer expenses
- BE will influence decisions (Can afford to hire, etc)
- What about non monthly BIG expenses: next week!





# Homework

- Sales Channels (GM) requiring change – what is the hypothesis?
- Test the changes – adjust your dials.
- Repercussions of change
- Ready to set a target GM - for each sales channel?

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