

## Forecast for Success in Entrepreneurship: Income Statement Exercise

Sample Situation:

You own an arcade, and you want to figure out how to maximize your profit. Consider these rough sales and profit forecasts:

You expect 80 customers per day x \$6 average purchase of games x 350 days per year

Each \$6 purchase adds only about \$2 in additional costs for the arcade.

Operating Expenses include: Rent = \$50,000. Utilities = \$8,000. Marketing = \$3,000. Payroll = \$60,000. Consultant and advising fees = \$3,000. Machine rental = \$15,000.

Interest expense = \$4,000.

Taxes = Earnings before taxes x .25

Question 1: Create a pro forma income statement for one year, assuming all of the numbers in the example stay constant.

Question 2: In the example above, let's say you started to sell snacks in addition to game play. This increases the average sale to \$10 per person, but it also increases the cost of goods to \$4 out of that 10. All other costs stay the same. What is the new net income and percentage profit?

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Question 4: Let's say you kept the average purchase at \$6 per person, but increased customers from 80 to 100 a day. Your cost of goods stays at \$2 per customer, your marketing expenses increase to \$6,000 and your payroll increases to \$68,000. What is your new net income and percentage profit?

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