Two-Year Horizon

	Development	Year 1	Year 2	Total Project
Income Statement				
Sales Forecast:				
Incremental	—	$26,000	$15,600	$41,600
Total	—	$26,000	$41,600	$67,600
Revenue Forecast:				
Transaction revenue	—	$1,300,000	$2,080,000	$3,380,000
Gross revenue	—	$1,300,000	$2,080,000	$3,380,000
Adjustments	—	0	0	—
Net revenue	—	$1,300,000	$2,080,000	$3,380,000
Cost of goods sold	—	−$650,000	−$1,040,000	$(1,690,000)
Commissions	—	−$19,500	−$31,200	$(50,700)
Total cost of goods sold	—	$(669,500)	$(1,071,200)	$(1,740,700)
Gross margin	—	$630,500	$1,008,800	$1,639,300
Gross margin %	—	52%	52%	52%
Variable Costs:				
Development/maintenance	—	−$100,000	−$100,000	$(200,000)
Account management	—	−$75,000	−$75,000	$(150,000)
Marketing	−$15,000	−$50,000	−$50,000	$(115,000)
Invoice costs	—	−$2,000	−$2,000	$(4,000)
Total variable costs	$(15,000)	$(227,000)	$(227,000)	$(469,000)
Fixed Costs:				
Operations	—	−$50,000	−$50,000	$(100,000)
Database license	—	−$12,000	−$12,000	$(24,000)
Internet span and domain	—	−$2,000	−$2,000	$(4,000)
Quality assurance	—	−$30,000	−$30,000	$(60,000)
Telco	—	−$12,000	−$12,000	$(24,000)
Depreciation	—	$(146,667)	$(146,667)	$(293,333)
Total fixed costs	—	$(252,667)	$(252,667)	$(505,333)
Total direct costs	—	$(479,667)	$(479,667)	$(959,333)
Margin	—	$150,833	$1,600,333	$2,420,667
Margin %	—	−31%	334%	252%

Defining the Budget (continued)

	Development	Year 1	Year 2	Total Project
Cash Flow Forecast				
Operations:				
Margin	—	$150,833	$1,600,333	$2,420,667
Depreciation	—	$146,667	$146,667	$293,333
		$297,500	$1,747,000	$2,714,000
Infrastructure:				
Database licenses	$(80,000)	—	—	—
Application server	$(20,000)	—	—	—
Database server	$(20,000)	—	—	—
Backup server	$(20,000)	—	—	—
Network	$(30,000)	—	—	—
	$(170,000)	—	—	—
Application:				
Capitalized labor and R&D	$(200,000)	—	—	—
Capitalized other	$(30,000)	—	—	—
Commerce software	$(40,000)	—	—	—
	$(270,000)	—	—	—
Total Investment	$(440,000)	—	—	$(440,000)
Net Cash Flow	$(440,000)	$297,500	$1,747,000	—
Cumulative Cash Flow	$(440,000)	$(142,500)	$1,604,500	$1,604,500
Assumptions:				
Transaction revenue	$50	—	—	—
Cost of goods sold	$25	—	—	—