HR and Payroll Services Business Plan and Operations Starter Kit

A working kit for small HR and payroll services firms. It prices every project at the true cost of a billable hour with realization shown, prices each payroll retainer on the hours it really uses, turns invoices and retainers into a collection pattern, measures how much of the paid week is billable, finds cash break-even through the January peak and the summer trough, and scores the plan on six pass-or-fail tests.

HR AND PAYROLL SERVICES
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PAGE 2

Start here

A payroll book can grow every month and still drain the bank balance. The per-employee fee rises with headcount while the work on one account does not, a handbook project priced at twelve hours can take eighteen, and two specialists carry pay dates that cannot slip. This kit writes those numbers down and tests them.

WHAT IS INSIDE

3	Business plan, part one: project types, client employers and referral sources, positioning, pricing
4	Business plan, part two, and the six-test pass or fail check
5	Startup budget: office, platform and setup, working capital reserve
6	Sales forecast builder for projects and payroll accounts, ramp, season, capacity check
7	Project pricing at the cost of a billable hour, realization and payment terms
8	Operating and cash break-even, break-even projects, office share and debt coverage
9	Retainer pricing at true cost per billable hour, effective rate, the scope creep check and the write-down check
10	Billable utilization, the true cost of a billable hour, and where paid hours leak
11	Twelve-month cash forecast, expected and slow-start cases
12	Runway, and a worked example scored on the page 4 check
13	What moves the result: the worked example's what-if table
14	Project and payroll checklists, the weekly numbers review and six questions to investigate
15	Your first 30 days, office and setup questions, sources and what the full kit adds
16-18	An AI prompt that turns this kit into your own plan
19	The worked example's twelve-month cash forecast, filled in

HOW TO USE IT

1. Build project and payroll account sales on page 6 and costs on pages 5 and 8. Run the cash forecast on page 11, then score the plan on page 4. Draft pages 3 and 4 last.
2. Use pencil. Rates, scopes and pay dates move before an engagement is signed, and every worksheet expects your own figures.
3. Once you open, use the page 14 checklists on every project and every payroll run, and hold the numbers review every week. Run the page 9 write-down check when each project closes, and refresh the retainer table beside it every month.

HOW THIS KIT WAS BUILT

- **AI tools helped create this kit.** Example figures are illustrative, not benchmarks.
- **The owner question** on page 3 is one of the HR and payroll services firm questions published at businessconsultant.services; the answer is general guidance, not a research finding.
- **The six questions** on page 14 were drafted by AI models from World Consulting Group desk research and challenged by a second AI model. None was measured in the field, so treat them as hypotheses to test, not findings.

SCOPE

This kit gives general operational information. It is not legal, tax, accounting, employment, professional, confidentiality and data-handling or financial advice. Requirements vary by location. Review them with qualified professionals before you commit money.

PAGE 3

Business plan, part one

A lender reads this page to see whether project fees and monthly payroll accounts cover two salaried specialists, the office rent and the loan through a quiet summer. Answer each numbered point below in a few sentences, then write the full sections on separate sheets.

1. Executive summary (leave it to the end)

Set out the services the firm sells, the employers it serves, how much capital it needs and what that capital buys, from onboarding the first client employees to running the first live pay run; then name the month in which the page 6 forecast first clears the page 8 cash break-even, and give the page 4 result.

2. Project types and client employers

Name the work you take, from an audit of one client file to an onboarding build for a growing employer, and say what the client values beyond the documents: a payroll run that never misses a pay date, a handbook a manager can follow, a plain answer on a Friday. Write it in their words, and list who refers them.

3. Payroll accounts and capacity

State which projects you take and which you send to a partner, then count the paid hours your two specialists and you can staff, how many payroll accounts those hours support, and how many project hours a month are left over.

4. Projects, payroll retainers and pricing

Write down every project you sell, the hours it takes and the fee you charge for it, then every payroll retainer with its base fee, per-employee-per-month rate and the hours it includes. A fee lifted from the practice across town, with no hours behind it, is guesswork.

ENGAGEMENT OR PAYROLL ACCOUNT	HOURS THE FEE COVERS	TOTAL FEE	FEE PER HOUR

> *Owner question: the payroll book grew every month and the bank balance did not. Is the per-employee fee covering the hours each client actually uses, or is the project work paying for the payroll service?*
>
> Test two causes before you raise the fee. For three months, record the hours you quoted against the hours your specialists logged on every project type, and the hours each payroll account actually consumed against the hours its retainer includes (page 14). A handbook build billed at twelve hours that takes eighteen is a pricing problem. A small employer that burns 1.6 hours against the 1.5 included, across forty-four accounts, is a scope problem. Raise the fee only after both numbers are known, and raise it on the line that is writing down. It is a comparison, not proof.

PAGE 4

Business plan, part two

5. Operations

Describe how a project runs from signed agreement to final invoice, and how a payroll cycle runs from the client time file to the pay date: onboarding, data collection, the check, the run and the close. Name who checks the run when you are not at the desk.

6. Team

List every role, its hours and its pay, including a market wage for your own hours. Name the person who can run a payroll week without you; the first question on page 14 checks that dependency.

7. Marketing and sales

Explain where new employers come from, how a conversation becomes a signed engagement, and why clients stay or refer; referrals pay for the proposals you lose.

8. Financials and funding

Attach pages 5, 6, 8 and 11 and the result below, with the money needed, its sources and its runway.

DOES THE PLAN PASS? SCORE IT BEFORE ANYONE ELSE READS IT

TEST	PASS?
Gate 0. Draft engagement and payroll service agreements, insurance and platform quotes, the lease and the requirements the plan needs are in writing, reviewed by a qualified professional where needed.	
1. In the expected case, sales reach cash break-even at the month-12 run rate (page 8) and closing cash, payment timing included, holds your floor for 24 months (page 11).	
2. Slow start (tested share of sales, page 11): closing cash holds at or above your floor every month (if not, note the reserve that would hold it).	
3. Planning debt service coverage at full-run sales and at the month-12 run rate (page 8) meets your lender's ratio, on your lender's definition.	
4. The paid hours the busiest month needs (pages 7, 9 and 10) fit the hours you can staff (page 6), and the planned projects reach break-even (page 8).	
5. Signed engagements back the project count; a referral list supports a forecast of conversations, not of engagements.	
6. The full-run steady-state year (seasons in; not the forecast year) leaves net cash above zero after principal, before income tax set-aside, replacements and stock build-up; set aside its largest fall in running net cash, the year run twice.	

Not ready: Gate 0 fails. **Green:** Gate 0 and all six tests pass. **Amber:** Tests 1 and 3 pass, but Test 2, 4, 5 or 6 fails, so fix the plan before you sign a lease, sign a client agreement or hire your first specialist. **Red:** Test 1 or 3 fails, so change the plan before you commit money. Tests 1 and 3 score the plan as written; Test 2 is the slow start, and the page 13 what-ifs stress-test Tests 1, 3 and 6. Count a test without evidence as a fail. Result:

_____

PAGE 5

Startup budget worksheet

Fill the estimate column first, then record each source: a written quote from the insurer, the platform vendor or the landlord, or a documented calculation. An HR and payroll budget breaks on payroll before the first retainer is collected, so leave no line blank without a reason.

LINE ITEM	INITIAL ESTIMATE	QUOTE OR SOURCE	APPROVED BUDGET	ACTUAL OR COMMITTED
EQUIPMENT AND SOFTWARE				
Laptops, monitors, phones and desk equipment, four seats				
Payroll platform implementation, document library and practice software setup				
Brand, website and collateral				
SETUP AND APPROVALS				
Entity, contracts and accounting setup				
Insurance down payment				
Office deposit and first month				
PRE-OPENING				
Pre-opening payroll and recruiting				
Launch marketing, events and content				
Thought-leadership assets				
WORKING CAPITAL				
Reserve set by method				
Contingency, 12.4 percent of the setup lines				
WORKING CAPITAL				
Working capital reserve (cash you open with)				
Contingency for overruns on the lines above				
Total				

Size the reserve in two passes: run the page 11 expected case with opening cash of zero (no reserve, no other cash), set the reserve to your floor, plus one more month of fixed costs and principal as a buffer, plus how far its lowest closing cash falls below zero (zero if it never does), rounded up to the next $100, then rerun. If the Test 6 cushion (page 4) is larger than that buffer, add the difference. If the setup runs over, the contingency pays first and the reserve second; then rerun page 11.

PAGE 6

Sales forecast builder

Every other number depends on sales, so build them from signed engagements and the hours your specialists can staff, not from the payroll you need to cover. Count payroll accounts first; add projects at the volume the proposal record supports.

```
Monthly sales for a line = units times average fee times days open in the month (or times 1 for units counted per month)
Days open in a month = days open per week times 52, divided by 12
```

SALES LINE	UNIT	UNITS PER DAY OR MONTH	AVERAGE FEE	DAYS OPEN PER MONTH (OR 1 FOR MONTHLY UNITS)	MONTHLY SALES
HR advisory and compliance projects	projects				
Payroll administration retainers	payroll accounts				
Full-run month					

RAMP AND SEASONS

MONTH	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
Ramp, % of full run												
Season, % of full-run month (M1 = opening month)												
Expected sales												

Expected sales for each month = full-run project and payroll account sales times ramp (the share of full-run volume the proposal record and the account base have reached) times season. Use 100 percent where a factor does not apply. Ramp and season are your assumptions; write down the evidence for each, such as your proposal record by month; a signed engagement with a start date replaces its ramped figure that month.

CAPACITY CHECK

```
Paid hours available per month = the sum over the two salaried specialists and the owner of each person's hours a day times days worked a week, times 52, divided by 12; paid hours needed = billable hours on projects and payroll accounts divided by utilization
```

Write how many hours each specialist and you are paid each day and how many days each works. Add up the monthly billable hours your projects and payroll accounts need (projects a month times billable hours each, page 7, plus payroll hours used, page 9) and divide by utilization (page 10). If the plan needs more paid hours than the roster can staff, the plan is wrong, whatever the referral list says.

PAGE 7

Project pricing and realization

A project fee starts as hours times rate, trimmed by realization; the cost side is the true cost of a payroll specialist's billable hour; the cash side is what employers have actually paid.

```
Invoiced = (billable hours times standard rate times realization, where realization is the share of
standard fees that survives to the invoice, plus pass-through costs billed at cost) divided by one plus
the combined card, ACH and platform-fee share of the two fee lines on page 8, so invoiced is what
reaches the bank
Labor = billable hours times the true cost of one billable hour (page 10; proposal, admin and written-
down hours ride inside that cost, not inside the hours); contribution = invoiced less labor and pass-
through, the card, ACH and platform fees already netted out of invoiced; per billable hour =
contribution divided by billable hours
Close rate = projects won divided by proposals issued; proposals needed = projects needed divided by
close rate
```

WORKED EXAMPLE: THREE PROJECT TYPES (ILLUSTRATIVE)

SERVICE LINE	PROJECTS A MONTH	STANDARD RATE X REALIZATION	BILLABLE HOURS	INVOICED	LABOR AT TRUE COST	FILING FEES, PASS-THROUGH	CONTRIBUTION	CONTRIBUTION PER HOUR	CLOSE RATE
HR compliance audit and file review	1	$200 x 92%	48	$9,082	$2,695	$423	$5,964	$124.25	30%
Employee handbook and policy build	2.5	$160 x 92%	12	$1,916	$674	$186	$1,056	$88.03	55%
Onboarding and job description build	1.5	$150 x 90%	24	$3,440	$1,348	$265	$1,827	$76.13	50%

Every hour here is priced at $56.15 of cost, the true cost of a billable hour taken from page 10; card, ACH and platform fees with consumables add 1.9 percent of what you bill (page 8 lines 15 and 16); filing and verification pass-through is billed at cost. Pricing charges all billable hours; the salaried specialists sit in line 3 of page 8 and line 14 holds only the hours above them. The hr compliance audit and file review is the strongest earner per billable hour ($124.25) and the onboarding and job description build is the weakest ($76.13). The 76 payroll administration retainers, each taking 2.7 billable hours, are counted in the capacity check; only the hours above the salaried specialists are counted in line 14. Page 12 draws its labor and pass-through shares from these projects (hr advisory and compliance projects: 5 a month, averaging $3,807 invoiced).

YOUR PROJECTS

SERVICE LINE	PROJECTS A MONTH	STANDARD RATE X REALIZATION	BILLABLE HOURS	INVOICED	LABOR AT TRUE COST	FILING FEES, PASS-THROUGH	CONTRIBUTION	CONTRIBUTION PER HOUR	CLOSE RATE

HOW EACH LINE PAYS, AND WHEN THE CASH LANDS

SALES LINE	TRIGGER	SHARE OF THE BILL	CASH LANDS
HR advisory and compliance projects	Deposit on signature	50%	the same month
HR advisory and compliance projects	Final invoice, 30 days	50%	the next month
Payroll administration retainers	ACH debit on the first business day of the month served	100%	the same month

Take a month billing $100: $83 lands that month, $17 the next. That split blends the two lines by full-run sales (projects 34 percent, payroll retainers 66 percent) here only; page 11 collects each line on its own terms, month by month, and your forecast should do the same. No client payroll money ever sits in the firm's account. Requirements vary by location, review them with a qualified professional.

PAGE 8

Break-even and coverage

Use this one numbered cost list everywhere in the kit. Loan interest is a fixed cost here. Loan principal is not an operating cost: it enters cash break-even below and the cash forecast on page 11, so interest and principal are each counted once. A line that starts or steps up during year 1 goes in at its amount once in place; page 11 uses each month's amount.

FIXED COSTS PER MONTH	PER MONTH
1. Office or coworking suite, four seats	
2. Insurance: professional liability, general liability, cyber, workers compensation and crime cover	
3. Two salaried HR and payroll specialists, wages and burden (the minimum staff)	
4. Owner's market wage (sales, delivery and payroll review)	
5. Loan interest (platform, equipment and launch loan)	
6. Telephones, internet, video and collaboration tools	
7. Marketing, website, content and referral-partner events	
8. Payroll platform, HR document library and practice software	
9. Accounting, bookkeeping, legal and bank fees	
10. Professional development, certifications and memberships	
11. Part-time payroll clerk, 20 hours a week	
12. Travel not billable, client entertainment and other fixed costs	
Total fixed costs	

VARIABLE COSTS AS A SHARE OF NET SALES	SHARE
13. Pass-through filing and verification fees, billed at cost	
14. Contract HR and payroll specialists above the salaried staff, with payroll taxes and agency fees	
15. Card and ACH processing	
16. Per-employee platform and pay-stub delivery charges	
Total variable cost share	

```
Contribution margin ratio = 1 minus variable cost share; contribution = sales times the line's ratio
Operating break-even sales = fixed costs divided by contribution margin ratio
Cash break-even sales = (fixed costs with line 4 even if undrawn, plus principal and other recurring
cash out) divided by contribution margin ratio; page 13 covers a result with no usable number
Break-even projects = (fixed costs, principal and other recurring cash out minus payroll account
contribution) divided by one average project's contribution; payroll accounts: no pass-through, the
kit's other lines
Month-12 run rate = average monthly sales over a year at month 12's ramp and bookings, seasons applied
Planning debt service coverage (before income tax and replacements) = (full-run sales times contribution
margin ratio, minus fixed costs other than line 5) divided by (line 5 + principal)
```

RESULT	PER MONTH	PER WEEK	PER DAY OPEN
Operating break-even sales			
Cash break-even sales			
Break-even projects (use cash break-even)	one figure per month		
Office share and debt service coverage at full-run sales		ratios, monthly only	

Weekly = monthly times 12, divided by 52; per working day = weekly divided by days open per week. Office share = line 1 divided by net sales.

PAGE 9

Pricing a payroll retainer on the hours an employer really uses

A monthly payroll retainer reads like the steadiest revenue a small firm has, right up to the month you count what each employer account actually consumes. Set the price on the hours used, never on the hours the service agreement includes.

```
Effective rate = monthly retainer divided by hours the account actually used (never hours included)
Labor = hours used times the true cost of one billable hour (page 10)
Contribution = retainer less labor, less the combined card, ACH and platform fees at their page 8 share (both fee lines); contribution per hour = contribution divided by hours used
```

WORKED EXAMPLE: THREE EMPLOYER SIZES (ILLUSTRATIVE)

EMPLOYER SIZE	ACCOUNTS	MONTHLY RETAINER	HOURS IN THE AGREEMENT	HOURS CONSUMED	EFFECTIVE RATE	LABOR	CARD, ACH AND PLATFORM FEES	CONTRIBUTION	CONTRIBUTION PER HOUR
Small employer	44	$294	1.5	1.6	$183.75	$90	$6	$198	$123.75
Mid employer	24	$600	3	3.4	$176.47	$191	$11	$398	$117.06
Large employer	8	$1,230	6.2	6.9	$178.26	$387	$23	$820	$118.84

Every hour carries $56.15 of cost, the true cost of a billable hour from page 10; card, ACH and platform fees with consumables take 1.9 percent of billing (page 8 lines 15 and 16). Per hour the small employer pays best ($123.75) and the mid employer worst ($117.06). The small employer consumes 0.1 hours beyond its allowance, the mid employer 0.4 beyond and the large employer 0.7 beyond. Each retainer is a $150 base fee plus $18 for every employee, so 8 employees give $294, 25 give $600 and 60 give $1,230. Divide a retainer by the $200 standard rate to get hours included; hours consumed then run at about 107 to 113 percent of that allowance. For pricing, labor is all hours at true cost; page 8 keeps the salaried specialists in line 3 with only the hours above them in line 14, and these retainer hours feed the capacity check. The worked example on page 12 runs 76 retainers at an average $489 a month.

YOUR RETAINERS

EMPLOYER SIZE	ACCOUNTS	MONTHLY RETAINER	HOURS IN THE AGREEMENT	HOURS CONSUMED	EFFECTIVE RATE	LABOR	CARD, ACH AND PLATFORM FEES	CONTRIBUTION	CONTRIBUTION PER HOUR

SCOPE CREEP CHECK

First an employer adds a new-hire form, then someone emails about a pay stub, then a correction arrives after the run has gone out. At each month end, put the hours consumed beside the hours the retainer includes.

```
Scope creep hours = hours the account consumed this month minus the hours its retainer includes; creep cost = creep hours times the true cost of a billable hour. When the creep keeps repeating, reprice the retainer, bill the extra work hourly, or cut the scope in writing.
```

WRITE-DOWN CHECK

At each project close, set the hours your specialists logged against the hours the quoted fee assumed.

```
Write-down hours = hours your team logged minus the hours the fee assumed; write-down cost = write-down hours times the true cost of a billable hour. Diagnose the cause before anything else, quote added scope as a signed change order before the work starts, and carry every write-down into the next proposal you price.
```

PAGE 10

Billable utilization on a payroll desk, and what an hour really costs

You pay a payroll specialist for the whole week; an employer pays for a slice of it. Proposal calls, internal huddles and a run that had to be redone after the fact are hours on the payroll that no invoice recovers, so every hour you can bill has to absorb them.

```
Utilization = hours billed to clients divided by hours paid for
Loaded hourly cost = the wage times (1 + what you carry for payroll taxes, workers' compensation,
benefit load and paid time off)
Cost per billable hour = hours paid times loaded hourly cost, then divided by hours billed
```

WORKED EXAMPLE: TWO PAYROLL SPECIALISTS, ONE WEEK (ILLUSTRATIVE)

CATEGORY	HOURS THIS WEEK	PERCENT OF HOURS PAID
Paid hours	80	100%
Hours billed to clients	62	78%
Business development and proposals	8	10.0%
Rework and written-down hours	4	5.0%
Admin, training and internal work	6	7.5%

Take a $34.00 wage; add 28 percent for the employer's payroll taxes and benefits and the loaded cost is $43.52 an hour. Eighty paid hours producing 62 billed hours works out to $56.15 for a billable hour. Quote project fees off that true cost, not off the wage or the loaded rate.

YOUR PAYROLL SPECIALISTS, WEEK BY WEEK

SPECIALIST	PAID HOURS	HOURS BILLED	BUSINESS DEVELOPMENT	REWORK AND WRITE-DOWNS	UTILIZATION	COST PER BILLABLE HOUR

WHAT ONE SPECIALIST'S NOTICE COSTS YOU

When a payroll specialist hands in notice, the pay dates, each employer's platform setup and the exceptions nobody wrote down walk out with them. Keep the pay calendar, the account file and the contact notes current on every client, so whoever takes the desk can run the same cycle.

PAGE 11

Twelve-month cash forecast

Payroll costs leave before the retainer invoices are collected. Enter $000 (51.25 means $51,250), receipts net of sales tax; collected tax stays out of closing cash.

EXPECTED CASE ($000)	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
Opening cash												
In: collections, in the month each payment lands, net of sales tax												
Memo, not cash: billed this month (page 6)												
In: owner money and loans received												
Out: pass-through costs, platform fees and consumables (lines 13, 15, 16)												
Out: payroll, line 4 if drawn in cash (lines 3, 4, 14)												
Out: office rent (line 1)												
Out: other costs, with loan interest (lines 2, 5 to 12)												
Out: income tax set-aside, equipment replacement, stock build-up												
Out: loan principal												
Out: startup bills still to pay												
Net cash flow (in minus out)												
Closing cash, expected (your floor: _____)												
Actual closing cash, once open												
Memo: sales tax collected (not in closing cash)												
Memo: sales tax remitted												
Memo: tax owed = last month's + collected minus remitted												
Memo: receivables = last month's + billed minus collected												
SLOW-START CASE												
Sales receipts, slow start												
Out: variable costs, slow start (lines 13 to 16)												
Out: fixed, principal, bills, less funding												
Net cash flow, slow start												
Closing cash, slow start												

Month 1 opening cash is cash on the first day a project opens after startup spending is paid; each closing balance opens the next month, and the slow start opens with the same cash. Your floor is your own figure, written into the plan; the reserve is sized to hold one month of fixed costs and principal above it. Payroll, contract specialists and platform fees are paid in the month of the work. For the slow start, test 70 percent of expected sales in every month (a stress assumption, not a benchmark; a higher share only with evidence); fixed costs, other cash out, principal, startup bills and funding stay as expected, and all variable lines fall with sales; line 14 holds only hours you would cut. The first month either case falls below your floor is your planning deadline: act before it. Then run a second year at the month-12 run rate (page 8), month by month with the seasons continuing, and check the floor holds.

PAGE 12

Runway, and what the January peak costs

Runway = the count of future months you can still fund, starting after the last month you closed the books on (before opening, from the first day a project opens) and ending at the month whose closing cash falls under your floor

Worked example: a hypothetical HR and payroll services firm

Made-up assumptions that demonstrate the arithmetic; they are not benchmarks. The desk opens five days a week with both salaried specialists on salary from month 1. Cash floor $12,000. Each project bills half on signature and half on delivery, and that second invoice clears the month after it is issued; payroll retainers leave the client's account by ACH debit on the month's first working day and reach the firm in that same month; every cost leaves as it falls due; the owner takes the wage out in cash; nothing new comes in.

Page 5, budget	The startup budget totals $138,740, part of it a $60,000 loan repaid at 10.5 percent across 5 years, the rest $78,740 of the owner's own money. An $80,000 working capital reserve sits inside that total, untouched on opening day.
Page 8, costs	Fixed costs run $36,221 a month, $1,600 of it office space and $487 loan interest; principal is another $803 a month, both year 1 averages. Variable costs take 3.9 percent of sales, so the contribution margin ratio is 0.961. Line 13 is blended across both sales lines; lines 13 to 16 take 1.6, 0.4, 0.9 and 1 percent of sales. Month by month, lines 1 to 12 run $1,600, $350, $15,084, $11,000, $487, $400, $1,700, $900, $700, $700, $2,700 and $600.
Page 8, break-even	Operating break-even sits near $37,691 a month. Cash break-even works out at about $38,527 a month, which is fixed $36,221 plus principal $803, divided by 0.961. Clearing it needs 0.2 projects a month from hr advisory and compliance projects once the payroll administration retainers have paid their way. Projects give line 13 4.7 percent of their sales while the payroll administration retainers give it 0 and lines 14 to 16 take the same percentage of every line, so the contribution ratio comes to 0.930 on hr advisory and compliance projects and 0.977 on payroll administration retainers. That rounds up to 1, against the 5 the plan assumes.
Page 6, sales	The HR advisory and compliance projects line sells 5 projects a month at $3,806.60, and the payroll administration retainers line bills 76 payroll accounts at $489.16, for a full-run month near $56,209. Ramp runs 45, 60, 72, 82, 88, 92, 96 percent across months 1 to 7, then flattens at 100 percent; season runs 110, 105, 100, 100, 95, 95, 90, 90, 100, 110, 105, 100 percent across months 1 to 12, and multiplies regular sales only.
Page 19, expected case	Expected case: month 1 sales $27,824; month 1 closes at $65,004, month 12 at $181,976. The low point is month 2, which closes at $60,726, or $48,726 above the floor.
Page 19, slow start	At the 70 percent slow start month 1 bills $19,476; month 1 closes at $58,395, and month 12 at $18,097. The floor is first breached in month 8 on a close of $9,940 (leaving 7 months of runway from opening).
Page 8, coverage	The coverage test is read at two points. On full-run sales of $56,209, the planning coverage ratio, before income tax and equipment replacement, comes to 14.17, far above the 1.25 the example lender requires. Read at the month-12 run rate it is 14.17 again, and Test 3 wants both. Rent absorbs about 2.8 percent of sales.

PAGE 4 VERDICT FOR THE WORKED EXAMPLE, AMBER

Gate 0 is taken as met for this example. Test 1 clears: by month 12 the desk bills about $56,209 against a $38,527 break-even, and closing cash holds the floor through a second year (lowest close $203,419, month 1 of year 2). (Background, not scored: the expected case first clears cash break-even in month 3.) Test 2 fails: the slow start breaches the floor in month 8; about $2,100 more reserve would see it through. Test 3 clears on the planning formula, though each lender defines coverage its own way. Test 4 fails as priced: the busiest full-run month (month 1, season 110 percent) needs about 453 paid hours at 78 percent utilization (page 10) and the specialists plus my own hours field about 407, so the peak needs a third full-time body or the contract hours line 14 buys. That gap is about 46 paid hours, about $2,000 at the $43.52 loaded cost, against about $250 from line 14's 0.4 percent share: size line 14 for the peak. The five projects still clear the break-even count. Test 5 fails; there is nothing on file to back it. Test 6 passes: a steady full-run year holds about $203,916 after principal, and no full-run month goes negative, so the cushion is not needed. That is the steady state, not the forecast year: page 19's first year leaves about $101,976 more in cash, taking the balance from $80,000 at opening to $181,976 at month 12, because the ramp, terms and opening months come first. Income tax, equipment replacement and stock build-up are not modelled (page 19); a real plan carries its own allowances. Roster size follows the January peak, and the small loan keeps coverage so high that Test 3 never binds.

PAGE 13

What moves the result

Each row changes one input of the page 12 example and reruns the forecast. A row names Test 1, 3 or 6 when the change would newly fail or pass it; a test the example already fails stays failed. The last column also gives the slow start, which is Test 2.

WHAT MOVES THE RESULT (FULL-RUN MONTHLY CHANGES; DEADLINES RERUN; SLOW-START LOSSES SCALE WITH SALES)

CHANGE	MONTHLY CASH	CASH BREAK-EVEN AND DEADLINE
Projects and payroll accounts down a tenth (variable costs fall; the fixed lines stay)	minus $5,402	Expected case holds the floor; slow start below the floor in month 5 (closing $9,009)
HR advisory and compliance projects: average fee 5 percent higher, same volume (only sales-linked fees rise)	plus $943	Break-even projects fall from 0.20 to 0.19 a month, so the rounded-up count stays at 1: per-unit costs stay the same, so the ratio rises from 0.9610 to 0.9615 on the new sales (sales-linked fees, line 15, take 0.9 percent of each added dollar)
Fixed costs $1,000 lower	plus $1,000	Cash break-even falls to about $37,486
Lose the mid employer line (24 accounts a month, $14,400 of billing), from month 6 onward	minus $14,069	Expected case still clears the floor; slow start below the floor in month 6 (closing $7,613)
Every client pays one month later (salaries and bills still paid on time)	no change	Expected case still clears the floor; slow start below the floor in month 3 (closing $10,362)
The mid employer retainer billed from month 6 never arrives for 2 months ($600 a month)	no change	Expected case still clears the floor; slow start deadline unchanged (month 8); $1,200 never collected
Project and payroll hours run 15 percent over the hours the fees assumed (line 14 rises from 0.4 to 5.2 percent, about 62 more paid hours a month; a fee rise of about 14.2 percent on projects would hold contribution)	minus $2,687	Cash break-even rises to about $40,543; expected case still clears the floor; slow start below the floor in month 6 (closing $9,233)
Realization falls 5 points on every project type (the weakest from 90 to 85 percent of standard fees; about $990 a month less billed, hours and salaries unchanged), from month 1 onward	minus $981	Expected case still clears the floor; slow start below the floor in month 7 (closing $8,483)
Setup overrun of $10,000 beyond the contingency, taken from the reserve	no change	Expected case still clears the floor; slow start below the floor in month 5 (closing $11,690)
Opening 3 months late (office space, insurance, loan interest and principal, $3,240 a month, paid while closed; no sales; the ramp starts at the new opening, and seasons stay on the calendar)	no change	Expected case holds the floor; its low falls to $44,744 in month 6 from the planned opening, $15,982 lower than on time; slow start below the floor in month 7 from the planned opening (month 8 on time)

WHEN A PAGE 8 FORMULA GIVES NO USABLE NUMBER

```
Contribution margin ratio zero or below: break-even is N/A; score Tests 1 and 6 as failed
One unit's contribution, or the count it is multiplied by, zero or below: break-even units are N/A;
score Test 4 as failed
Other lines already cover fixed costs and principal: break-even units are 0, never a negative number
No loan: coverage is N/A; score Test 3 as passed
```

PAGE 14

Project and payroll checklists, weekly review, six questions

Nothing here is a compliance program; these are checklists for running the work. Add the record-keeping, confidentiality, data-handling and payroll-verification steps that your jurisdiction and your advisers expect.

BEFORE THE PROJECT OR THE PAYROLL CYCLE OPENS

- ☐ Signed engagement letter or payroll service agreement in hand, covering scope, fee, pay dates and payment terms, before anyone starts work.
- ☐ The employer's employee records, time file and previous payroll reports in hand, and reconciled to the list you agreed for the engagement.
- ☐ The hours each fee allows agreed in writing, naming whoever logs time against them.
- ☐ A named reviewer for the project and for the payroll run, plus the pay date the work is due by.
- ☐ Project file, time log and pay calendar opened on day one.
- ☐ The client's contact method, approval path for pay changes and data-handling instructions noted.

PROJECT CLOSE AND PAYROLL MONTH END

- ☐ On every closed project, hours logged set beside the hours the fee allowed.
- ☐ On every payroll account, hours worked set beside the hours the retainer includes.
- ☐ Invoices issued on the same date each month, on the terms the agreement sets.
- ☐ Realization captured for the project, so fees billed can be compared with what the hours are worth at standard rates.
- ☐ Every referral and every proposal logged with its source, its days to signing and its outcome.
- ☐ Each payroll run checked against the client's approved changes before the pay date, and the check signed off.

WEEKLY NUMBERS REVIEW

NUMBER	GOAL	THIS WEEK	LAST WEEK	OFF GOAL BY
Fees invoiced and cash banked, split by project, payroll account and payment step				
Hours logged measured against the hours each fee allowed				
Billable hours over paid hours, specialist by specialist				
Payroll hours worked set beside the hours included, account by account				
Proposals issued, engagements signed and the signing rate per referral source				
Bills the firm must pay inside 30 days				
The hours the owner bills personally				

SIX QUESTIONS TO INVESTIGATE

1. **Founder dependency.** Does pricing wait on the owner for every project, and does a specialist sit on an employer's question rather than answer it?
2. **Reactive operations.** Count in one payroll week the client calls that say nobody answered, the corrections made after the file was approved, and the hours that went unbilled.
3. **Growth without structure.** How many jobs in a month end up renegotiating scope halfway through, and how many hours get written down before the invoice goes out?
4. **Talent and retention.** How many employer accounts rest on one person who alone holds the pay dates, the running changes and the client's platform setup?
5. **Revenue plateau.** How many months pass before a small employer account buys a project or a second service, and what share of clients ever hears that the other work exists?
6. **Strategic confusion.** Take two engagements of one type: do their hours diverge sharply, and does the work actually delivered drift away from what the engagement letter promised?

Page 2 describes the AI-assisted World Consulting Group desk research these six questions come from. Test each against a record you already keep: the message log, hours logged beside hours assumed, the proposal record, or the payroll hours log.

PAGE 15

Your first 30 days

WHEN	DO THIS
Week 1	Start the weekly numbers review and log hours on every project and payroll account. Log the hours the owner bills.
Week 2	Fill the page 7 project table at the true cost of a billable hour and mark any project type priced below its labor, pass-through and fees.
Week 3	Fill the page 9 retainer table and record hours used against hours included for every payroll account.
Week 4	Enter actual closing cash on page 11 and recalculate runway. Write the decisions a specialist may make without calling you.
After month 1	Run the write-down check on every closed project and measure billable utilization on page 10.

BEFORE YOU SIGN FOR AN OFFICE OR LONG CONTRACTS, GET WRITTEN ANSWERS TO THESE

- [ ] Do clients or staff need a shared office, or can you work remotely at first?
- [ ] If you rent, will you have to sign a personal guarantee, and what charges sit on top of base rent?
- [ ] What will software, equipment and tools cost per month per person?
- [ ] What does professional liability and other insurance cost, and what does it exclude?
- [ ] Which client contracts require insurance, documents or terms you must have in place before work starts?
- [ ] How long do clients take to pay, and how much cash does that delay tie up?
- [ ] What happens to client work in progress if a key person leaves?

Have qualified professionals review insurance, client contracts and any lease before you sign. These questions prepare you for those conversations; they do not replace them.

WHAT THE FULL KIT ADDS

The full HR and Payroll Services Business Plan and Operations Kit adds an editable business plan, a three-year financial model with profit and loss, cash flow and a debt schedule, a project pricing calculator from hours, rate and realization to a fee at a target margin, a payroll retainer calculator from employee count to a cost per billable hour, an invoice tracker, editable proposal, referral and utilization trackers, and project, payroll and hiring checklists. Release status is on the kit page.

SOURCES

World Consulting Group material. Origin of the questions: AI-assisted World Consulting Group desk research on small HR and payroll services firms, 2026, an internal working file that is not published, described on page 2; the questions are hypotheses and no figure in this kit comes from it. HR and payroll services owner questions, businessconsultant.services, 2026.

SCOPE AND DISCLAIMER

General information only. Not legal, tax, accounting, employment, professional, confidentiality and data-handling or financial advice. Provided as is, without warranty. © 2026 World Consulting Group. Free diagnostic tool at businessconsultant.services. The site's privacy page explains what the diagnostic tool sends to an AI provider for analysis and the third-party analytics on the site.

About the author. Kamyar Shah is the founder of World Consulting Group and works as a fractional COO and CMO. He has more than 25 years of experience and more than 650 engagements across more than a dozen industries. Contact and the latest version: businessconsultant.services.

PAGE 16

Customize this kit with AI

Attach this PDF to ChatGPT, Claude or Gemini, paste the prompt below, and answer with your own projects, payroll accounts and staff costs. A copy-ready version is on the kit page.

BEFORE YOU RELY ON THE ANSWER

Check every total with a calculator. An AI assistant can misread a file or slip on arithmetic, even when it runs code, so rerun every figure you will act on with the page formulas. Check your AI provider's data settings first, and never paste personal data, account numbers, passwords, customer-level records or anything an agreement restricts, such as employee records, payroll reports, time files, names, wage details or bank account details. Totals and rounded figures serve the arithmetic, though rounding does not make a record anonymous, and you can run the arithmetic on your own computer.

I am opening (or running) a small HR and payroll services firm. I have attached the HR and Payroll Services Business Plan and Operations Starter Kit from businessconsultant.services. Help me turn it into my own plan for my projects, payroll accounts and staff, with my numbers.

Follow these rules for the whole conversation:
1. Use only numbers I give you, or numbers you calculate from mine with the formulas below. Never invent a rate, a fee, a salary, a realization figure, a close rate, a percentage or a benchmark, and never state an employment or payroll rule.
2. The numbers printed in the kit are worked examples. Never use them as my numbers, not even as a placeholder.
3. If a number you need is missing, ask me for it. If I ask you to estimate or use typical figures, write [NEED: ...] instead and tell me which quote, record or calculation will give me the real number. If I give you my own estimate, label it MY ESTIMATE.
4. Use these formulas exactly, and show your arithmetic for every number you calculate:
- Monthly sales for a sales line = units times average fee, counted per month or per day times days open that month (days open a week times 52 divided by 12). Each month's expected sales = full-run project and payroll account sales times ramp times season; a signed engagement replaces its ramped figure that month; before opening, count expected signings by month and mark each MY ESTIMATE.
- Net sales exclude sales tax. Total payroll = wages, payroll taxes and benefits, plus a market wage for the owner's management time (line 4); the owner's own project work and payroll review sit inside the same line 4 wage, never also in line 14. Shift hours count as cash even if I skip my own pay, so the plan still holds when I step back from the work; only line 4 may go undrawn, and Tests 1 and 6 count it anyway.
- Contribution margin ratio = 1 minus variable cost share; a line's contribution = its sales times its own ratio. Operating break-even sales = fixed costs divided by contribution margin ratio. Cash break-even sales = (fixed costs with line 4 even if I do not draw it, plus monthly loan principal and any recurring other cash out) divided by contribution margin ratio; only the cash forecast drops an undrawn wage. A blended ratio holds only at its own sales mix: name that mix beside each break-even, and recompute from each line's own contribution when a what-if changes one line. Loan interest is fixed; principal is not an operating cost, so it never enters operating break-even or operating profit.
- Weekly = monthly times 12, divided by 52. Daily = weekly divided by days open per week.
- Break-even projects = (fixed costs, principal and other recurring cash out minus payroll account contribution) divided by one average project's contribution; payroll accounts: no pass-through, the kit's other lines. If the other lines already cover fixed costs and principal, report 0 and say so; never report a negative break-even count. Paid hours available per month = the sum over the two salaried specialists and the owner of each person's hours a day times days worked a week, times 52, divided by 12; paid hours needed = billable hours on projects and payroll accounts divided by utilization.
- Office share = line 1 divided by net sales. Planning debt service coverage, before income tax and equipment replacement = (full-run sales times contribution margin ratio, minus fixed costs other than loan interest) divided by (loan interest + loan principal).
- Month-12 run rate = average monthly sales over a year at month 12's ramp and bookings, seasons applied (not month 12's own sales). Test 1 needs that rate at or above cash break-even and my floor held 24 months; Test 3, coverage at full run and at that rate.
- Test 6 = 12 months of (full-run sales minus their variable costs, minus full-run fixed costs, line 4 included, minus principal), seasons applied to every sales line, with no line held at a fixed volume, and seasonal fixed lines at each month's amount. The cushion to set aside = the largest fall in running net cash from a high to any later low, the year run twice so a dip can cross into month 1 (zero if it never falls).
- Full-run figures (break-even, coverage, floor) take a late-starting fixed line at its full amount, and a seasonal fixed line at its year average.
- For pages 7, 9 and 10, use the formulas printed on those pages of the attached kit, exactly as written, with my own figures.
- Cash forecast: closing cash = opening cash + cash in minus cash out. Month 1 opening cash = cash on hand on the first day a project opens after startup spending is paid. Place every receipt and payment (deposits, supplier invoices, startup bills, funding) in the month the cash moves. Income tax set-aside, equipment replacement and stock build-up go in their own row. Open month 1 with the cash I give; the reserve on page 5 is advice to report beside it, never a substitute. Enter each project invoice and each payroll retainer in the month it is paid; salaries, contract specialists and platform fees are paid in the month worked. The firm holds no client payroll funds; filing and verification fees are billed at cost and paid as they fall due. In the slow-start case, every month's sales, signed projects included, are the tested share of expected sales; fixed costs, other cash out, principal, bills and funding stay as planned; all variable lines fall with sales, each figured from the slow-start sales of the same month, on the same payment timing as the expected case (fair because line 14 holds only hours I would cut). Runway = the number of consecutive future months, counted from the latest closed month (before opening, from the first day a project opens), before the first month in which closing cash falls below my cash floor.
(Continued on page 17.)

PAGE 17

The prompt, continued

Paste this part directly after the rules on page 16, as one message.

5. Do not give legal, tax, employment-law, payroll-tax, benefits, wage, classification, record-keeping or insurance advice. Do not name laws, agencies, government fees or contribution rates for HR or payroll work, even as examples. When my question touches these, write only "Review this with a qualified professional" and continue with the rest. You may record and use figures I give from my own records, such as my sales tax rate and when I remit it, without checking, interpreting or advising on them.
6. Do not quote statistics, studies or sources that are not in the kit. For the market and marketing sections, use only what I tell you, and list the local facts I should gather.
7. Work every total step by step and recheck it a second way. In the cash forecast, show the arithmetic for month 1, one later month and the year total; give plain numbers for the other months.
8. If a formula would divide by zero or a contribution margin is zero or below, write N/A, say why, and do not continue that calculation. If my lender defines coverage differently, show both results and label each. If cash never falls below my floor in the forecast, write the runway as more than 24 months; otherwise give the runway in months and, separately, the first month below it, counting year 2. With no loan, Test 3 passes.
9. Never include or paste employee records, payroll exports, time sheets, bank statements, screenshots, names, account numbers, free-text notes or small groups that could identify a person. If a report you received holds employee-level detail, do not paste it; enter only the totals you need. Never paste login details. Use business figures only, with anonymous client IDs. Do not ask for names, addresses, employee records, payroll details, bank account or tax ID numbers.
10. Mark every output: Draft for my own planning. Not for a lender or investor until a qualified accountant has reviewed it.
11. If your full answer would be very long, deliver outputs 1 to 4 first, then stop and ask me to type "continue" for the rest.
12. Build the cash forecast month by month from the sales build, the cost lines, my payment terms and my opening cash; it does not need the inputs for pages 7, 9 and 10. Each month: cash in = sales receipts plus money arriving; cash out = each variable cost, calculated from the sales that created it and placed in the month it is paid under my terms, plus fixed costs (lines 1 to 12, with line 4 only if I draw it in cash), plus loan principal, startup bills and other cash out. Loan interest is already in line 5; never add it again. Supplier payments follow the cost of what I sold plus any stock build-up I give; if I buy ahead or carry supplier balances, ask me for purchases and payments by month instead. If you can run code, do every calculation in code.

Step 1. Before you write anything else, ask me for the inputs below in three rounds, one message per round. Ask round A as one numbered list, then wait for my answers. When I answer, ask round B and wait; then round C and wait. Start Step 2 only after I answer round C.
Round A, sales, capacity and evidence:
a. Project types, client employer segments and referral sources, positioning, the people I can staff (two salaried specialists and me) and the paid hours each works a day, days worked per week, and days open per week.
b. Sales build: for HR advisory and compliance projects (projects), the full-run projects a month by type, each type's billable hours, standard rate, realization and pass-through costs; for payroll administration retainers (payroll accounts), the accounts a month at full run, each type's monthly retainer, hours included and hours used; a ramp percentage of full-run volume for every month from 1 to 12 (ask me to confirm any month I leave out); a seasonal percentage for each month from my proposal record or my market; and the slow-start percentage I want to test (this kit sets a 70 percent stress test, a kit rule rather than my estimate; use it unless I give evidence for a higher share). Give counts at full run, with month 1 as my opening month. Give the evidence behind each count (signed engagements, referrals or my history).
c. For each project type (the counts, hours, rate, realization and pass-through from b above): proposals given and won last quarter; my payment terms for each sales line (the signing share and when it is collected, the delivery invoice and how many days after issue it is paid); and the projects I need a month.
Then wait for my answers.
Round B, costs, the startup budget and my lender:
d. Startup budget: an amount and its source (vendor quote, insurer quote, landlord quote or calculation) for each line on page 5, from laptops and furniture to the working capital reserve and contingency.
e. Monthly fixed costs for lines 1 to 12 on page 8, including the two salaried specialists, the part-time payroll clerk, loan interest and my market wage; whether I draw that wage in cash; and my monthly loan principal. Give interest and principal as year 1 monthly averages for break-even and coverage, and, for the cash forecast, any payment, fixed line or other cash line that changes in months 1 to 24 (a payment holiday, a balloon payment, a rent step) with its month. My market wage covers management time (line 4); my own project work and payroll review sit inside the same line 4 wage, never also in line 14.
f. Variable cost shares of net sales for lines 13 to 16: line 13, pass-through filing and verification fees, billed at cost; line 14, contract hr and payroll specialists above the salaried staff, with payroll taxes and agency fees; line 15, card and ACH processing; line 16, per-employee platform and pay-stub delivery charges; and any sales line whose own shares differ, given for that line.
g. For each retainer client type: clients a month at full run, retainer a month, hours included and hours actually used; where I have them, the client's own fees in dollars. If I give none, apply the firm's shares and label each result MY ESTIMATE.
h. For one week across two specialists: hours paid, hours billed, business development, hours written down or redone, and admin hours; the hourly wage and the payroll taxes and benefits share.
i. The debt service coverage ratio my lender requires and how the lender calculates it, if I know them.
Then wait for my answers.
(Continued on page 18.)

PAGE 18

The prompt, last part

Paste this part directly after the text on page 17, still as one message.

Round C, cash timing, sales tax, deposits and Gate 0:
j. Payment terms: when each client pays me (whether a project is charged half at signing and half on delivery, how many days after the delivery invoice it is paid, and when payroll retainers are charged and paid), and when payroll, contract specialists and platform fees are paid.
k. For every other cash line (payroll, card settlements, insurance, loan payments, rent and fixed bills), when it is paid, or confirm it is paid in the month it is incurred.
l. Monthly cash out beyond operating costs: income tax set-aside, equipment replacement and software or platform investment.
m. Cash on hand on the first working day after all startup spending, startup bills still to pay by month, owner money or loans still to arrive by month, and the minimum cash floor I set myself.
n. If I am already open: what customers owe me and what I owe suppliers and staff, each by the month it will be paid, deposits I already hold, and sales tax already owed with its payment month.
o. Sales tax: the rate I collect on taxable sales, from the sales-tax position the practice holds, which sales lines (or what share of each) are taxable, and when I remit what I collect (each month, each quarter or another schedule), so the forecast holds collected tax apart until it is paid.
p. Gate 0: which agreements, quotes and approval requirements I already have in writing.
Then wait for my answers.

Step 2. When I answer, produce these as plain tables I can copy back into the kit:
1. Business plan sections 1 to 8 for my HR and payroll services firm, drafted from my answers, with gaps marked [NEED: ...].
2. The sales build by project line, payroll account line and month, with annual sales and the capacity check from page 6.
3. The completed startup budget, line by line as on page 5, with the total. Size the reserve by the page 5 rule; if I gave another, show both and the result for each.
4. Operating and cash break-even per month, per week and per day open; break-even projects (use cash break-even); office share and planning debt service coverage at full-run sales, labeled before income tax and equipment replacement, and on my lender's definition too if I gave it.
5. The 12-month cash forecast for the expected and slow-start cases, in thousands of dollars to two decimals (51.25 means $51,250) to match the kit, with, for each case, the first month below my cash floor and the first month below zero, and the runway; the second year's lowest closing cash (month 12's ramp and bookings held, each month with its own season, not a flat average); any extra reserve the slow start needs; and the Test 6 cushion, with whether the page 5 buffer covers it (add any excess to the reserve). Add a sales tax memo for each month: collected, remitted, and owed at month end (last month's owed + collected minus remitted), kept out of closing cash.
6. Project economics for each project type at true cost per billable hour, ranked by contribution per billable hour, flagging any project type billed below its labor, pass-through and fees; proposals needed a month; and the collection pattern the cash forecast uses.
7. Retainer economics for each client type at true cost per billable hour, ranked by contribution per hour, flagging any retainer priced below its labor and fees and any client type whose hours used exceed the hours included.
8. Utilization and the cost of a billable hour for each payroll specialist, naming the biggest leak.
9. The kit's page 4 check: Gate 0 and pass or fail for each of the six tests with the reason (if Gate 0 fails, the result is not ready), and the overall result: not ready if Gate 0 fails, with no color; otherwise green, amber or red under the page 4 rules.
10. A final checklist: every MY ESTIMATE figure, every [NEED: ...] gap, every project count or payment term I should verify, and every question that needs a qualified professional.

WHEN THE ANSWER COMES BACK

Copy each table into the matching kit page in pencil. Check every [NEED: ...] gap and MY ESTIMATE figure, starting with project counts by month, payment terms and billable hours, before anyone sees the plan, and recheck the page 4 result with a calculator.

The worked example's twelve-month forecast, filled in

The page 12 example entered on the page 11 form, month by month, in dollars. Parentheses mean minus. Each column adds up as printed, so a row can move by a dollar between months with the same sales; each closing balance becomes the next month's opening cash. Cash floor $12,000.

LINE ($)	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
EXPECTED CASE												
Opening cash	**80,000**	**65,004**	**60,726**	**61,737**	**68,056**	**76,038**	**85,863**	**95,605**	**106,854**	**122,895**	**144,338**	**164,508**
In: sales receipts	23,113	34,127	39,614	45,140	46,839	48,765	48,660	50,246	55,258	60,878	59,495	56,685
In: owner money and loans received	0	0	0	0	0	0	0	0	0	0	0	0
Out: pass-through costs, platform fees and consumables (lines 13, 15, 16)	974	1,239	1,416	1,613	1,645	1,719	1,700	1,771	1,967	2,164	2,066	1,967
Out: payroll, line 4 if drawn in cash (lines 3, 4, 14)	26,195	26,226	26,247	26,268	26,272	26,281	26,278	26,286	26,310	26,331	26,319	26,310
Out: office rent (line 1)	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Out: other costs, with loan interest (lines 2, 5 to 12)	8,537	8,537	8,537	8,537	8,537	8,537	8,537	8,537	8,537	8,537	8,537	8,537
Out: income tax set-aside, equipment replacement, stock build-up (none in the example; see below)	0	0	0	0	0	0	0	0	0	0	0	0
Out: loan principal	803	803	803	803	803	803	803	803	803	803	803	803
Out: startup bills still to pay	0	0	0	0	0	0	0	0	0	0	0	0
Net cash flow (in minus out)	**(14,996)**	**(4,278)**	**1,011**	**6,319**	**7,982**	**9,825**	**9,742**	**11,249**	**16,041**	**21,443**	**20,170**	**17,468**
Closing cash, expected	**65,004**	**60,726**	**61,737**	**68,056**	**76,038**	**85,863**	**95,605**	**106,854**	**122,895**	**144,338**	**164,508**	**181,976**
SLOW-START CASE (70 PERCENT OF EXPECTED SALES IN EVERY MONTH)												
Opening cash, slow start	**80,000**	**58,395**	**44,294**	**33,895**	**27,210**	**21,690**	**17,461**	**13,173**	**9,940**	**10,062**	**13,965**	**16,976**
Sales receipts, slow start	16,179	23,889	27,730	31,598	32,787	34,136	34,062	35,172	38,680	42,615	41,647	39,679
Out: variable costs, slow start (lines 13 to 16)	760	966	1,105	1,259	1,283	1,341	1,326	1,381	1,534	1,688	1,612	1,534
Out: fixed costs (lines 1 to 12), principal, bills, less funding	37,024	37,024	37,024	37,024	37,024	37,024	37,024	37,024	37,024	37,024	37,024	37,024
Net cash flow, slow start	**(21,605)**	**(14,101)**	**(10,399)**	**(6,685)**	**(5,520)**	**(4,229)**	**(4,288)**	**(3,233)**	**122**	**3,903**	**3,011**	**1,121**
Closing cash, slow start	**58,395**	**44,294**	**33,895**	**27,210**	**21,690**	**17,461**	**13,173**	**9,940**	**10,062**	**13,965**	**16,976**	**18,097**
STEADY-STATE YEAR FOR TEST 6 (RAMP DONE, SEASONS IN; NOT THE FORECAST YEAR)												
Net cash flow, steady-state year	**22,395**	**19,694**	**16,993**	**16,993**	**14,292**	**14,292**	**11,591**	**11,591**	**16,993**	**22,395**	**19,694**	**16,993**

Reading this forecast. It is in whole dollars, rounded so each column adds up, so a row can differ by $1 between like months; the page 11 form uses thousands. The floor is cash you never plan to spend. The page 5 buffer holds one more month of fixed costs and principal above it, so a small miss spends the buffer, not the floor. The opening cash is my own figure from the page 5 budget, chosen by hand rather than by the two-pass method. The example sets aside no income tax (it depends on the owner's whole return, so take the figure from your accountant), replaces no equipment in its first two years and builds no stock beyond the opening stock in the startup budget; enter your own amounts. Second year at the month-12 run rate (about $56,209 a month, against month 12's own $56,209): closing cash runs $203,419 in month 1 and $385,892 in month 12, lowest $203,419 in month 1, above the floor. Sales are net of sales tax, and the example pays each month's tax in the month it is collected, so it owes none at any month end; enter your own rate and payment timing in the page 11 memo rows. If you borrow the reserve, add its interest and principal to the forecast and run both passes again. The slow start lets variable costs fall with sales, which is fair only because hours you cannot cut sit in line 3; waste or purchases you cannot cut make a real slow start worse.