How to Write Financial Projections for a Business Plan Investors Believe

By Bright Quill Team

Learning how to write financial projections for a business plan is the part most founders dread, and it's the part investors read first. A lender or an investor doesn't need your projections to be perfect. They need them honest, checkable and tied to the rest of the plan. If your story promises one customer and your numbers show another, you'll lose trust fast.

This guide walks through the three forecasts every plan needs. You'll start with sales, then costs, then cash flow, then the balance sheet, stress tests, and the mistakes that make readers stop believing you. Work with your own prices and costs as you read.

Start With the Story the Numbers Must Prove

Before you open a spreadsheet, write one paragraph about how the business makes money. Who pays you, what they buy, how often they buy it, and what it costs you to deliver it. If you can't write that paragraph in plain words, your forecast will wander. A weekend catering business will show lumpy monthly revenue, while a subscription business builds more steadily.

Investors test that match first. They turn to the numbers and ask whether the two agree. Does the sales forecast reflect the prices you quoted earlier. Does the cost forecast include the staff you said you'd hire. When they agree, readers relax. When they don't, readers doubt the rest too. It's your check on every figure.

Build the Sales Forecast From Units and Price

Sales forecasts go wrong when they start with a revenue target. A founder picks a round year one number, then works backwards to justify it. Start the other way round. Start with units. How many customers, orders, projects or seats will you sell each month. Then multiply by the price each one pays, and you'll have a forecast you can defend.

Be specific about where the units come from. Name the channels: repeat customers, referrals, an online store, contracts you already hold. Say how many units each channel brings in month by month, and when each channel starts. Show seasonality too: if summer is your busy season, show it. If you need help turning your sales story into a clean forecast, our business plan writing help can build the tables from your prices and volumes.

Cost the Business Honestly, Including the Boring Costs

Costs are where optimistic forecasts usually hide. Founders remember rent and stock, then forget insurance, software, bank fees, packaging and repairs. Sort every cost into two groups. Fixed costs stay roughly the same each month, like rent and salaries. Variable costs move with sales, like ingredients, materials and payment fees. That split tells a reader what one more customer costs, and it's the number that shapes your pricing.

Don't forget one off costs either. Equipment, a fit out, licences, a website and opening stock all land before you earn a dollar. Put them in the funding ask, not in month one trading costs. Equipment wears out and licences renew, so say which costs repeat. Also price your own time. If you'll work unpaid for six months, say so and say how you'll live. Readers respect that honesty.

Cash Flow Is Where Weak Plans Fall Apart

Profit and cash are not the same thing, and investors test this distinction hardest. You can be profitable on paper and still run out of money, because customers pay weeks after you deliver. Your cash flow forecast tracks money in and money out month by month. You'll build it for the first twelve months, not as one yearly total, which hides the month your balance dips below zero.

Start each month with the cash you carried over. Add cash actually received that month, not invoiced. Subtract every payment that falls due. If any month goes negative, your plan has a funding gap. Say how you'll close it: a larger loan, slower spending, earlier payment terms or a smaller start. Don't smooth the gap away. The example below shows steady growth in revenue and profit.

Profit, Balance Sheet and the Funding Ask in Plain Words

Once sales, costs and cash flow are built, you'll find the profit and loss statement almost writes itself. It is sales minus costs, shown as gross profit after direct costs, then net profit after all other costs. Keep it to the lines a reader needs: sales, direct costs, gross profit, operating costs, and net profit.

The balance sheet sounds harder than it is. It is a snapshot of what the business owns and owes at a point in time. On one side sit assets like cash, stock and equipment. On the other sit what you owe, like loans and unpaid bills, plus the money you put in. If the two sides don't balance, something is missing. Close with a clear funding ask: how much you need, what it buys, and what reserve it leaves you.

Stress Test Every Forecast Before an Investor Does

No forecast survives contact with reality exactly, and investors know it. They want to see you have thought about what happens when things go differently. Run three versions: a base case on your best honest estimates, a downside case where sales come in lower or later, and an upside case where demand grows faster. You don't need three full plans, just a short table for each case and a sentence on what you'd do in the downside case.

Also work out your break even point: the sales level where revenue covers all costs. Say it in units a reader can picture, like orders per week or clients per month. Then ask the hard questions: what if your largest customer leaves, what if a supplier raises prices, what if you need a second hire sooner than planned. Answer each one with a cost and a response. If you'd like a second pair of eyes on those tests, our investor ready business plan service can check your forecasts and challenge your assumptions.

Mistakes That Break Trust, and a Final Check

Rejected forecasts usually fail on a handful of avoidable mistakes. The first is growth with no reason: revenue doubling every year with no new channel, hire or marketing to explain it. The second is missing costs, especially tax, loan repayments and the founder's own pay. The third is a forecast that contradicts the rest of the plan, like premium prices in the market section and bargain prices in the sales table. The fourth is rounding everything to neat numbers with no working behind them. That's usually the giveaway.

Read the plan back as a sceptical lender would. Does the loan ask match the use of funds table. Do the forecasts match the rates and costs you described. Does the same customer story appear

in the market section and the forecast. Fix any mismatch, then ask someone outside the business to read the money section cold. If they can't say how you earn, what it costs and when cash gets tight, it still needs work, and you'll be glad you caught it now. And if you want that check done by writers who build investor plans every week, talk to us through the contact page.

So start with units and price, cost the business honestly, watch cash month by month, and test the downside before anyone else does. Do that, and your financial projections stop being a guess dressed up as a table and start being a case an investor can believe.

Want projections an investor can trust?

Illustrative three year example: Year 1 revenue 120,000 dollars, profit 24,000 dollars (20 percent). Year 2 revenue 168,000 dollars, profit 42,000 dollars (25 percent). Year 3 revenue 216,000 dollars, profit 64,800 dollars (30 percent). Sample figures only.