

Disclaimer: Some of this material is obsolete yet is provided to aid in historical analysis.

## INDUSTRY ANALYSIS

### CONSTRUCTION OF SINGLE FAMILY HOMES

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#### EXECUTIVE SUMMARY

This report was conducted Industry of Single Family Home Building on a broad scope and a look at the small home building to present the reader the broad scope and a look firm in depth. Contained in this report for the industry on the broad scope is a S.W.O.T. Analysis (Strengths, Weaknesses, Opportunities, and Threats to show where the industry is currently as far as its strengths and weaknesses, what opportunities exist for the firms within the industry, internal and external threats affecting the industry. The future outlook for the industry at present is also covered.

For the small Single Family Home Builder, many aspects were covered. These included Startup of a small firm, Financing,

Financial Planning and Control, Robert Morris Statement Analysis to see where most small firms are in relation to industry averages, Marketing, Management, and Design/ Construction.

The report enables the reader to see how small firms doing, possible trends, and the likelihood of entry into the industry.

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#### INDUSTRY BACKGROUND

The home building industry in the 1980's has been described as a roller coaster ride--often exhilarating, sometimes scary. The environment of the industry started on a downturn, then went up, and then came back down again. The fluctuations were caused by a number of factors but the main one was the general economic situation of the United States, most significantly the Savings and Loan crisis.

The deep recession of the first few years of the 1980's significantly hurt home builder firms and put many of them out of business. The worst year was in 1982, when mortgage rates averaged 16 percent, the number of housing starts declined to nearly half their level in the late 1970's, and scores of building firms were forced to close. Builders frantically tried to survive by cutting costs and lowering prices, resulting in lower margins, downsizing units, putting homes on smaller lots, and building more attached housing. Small and large builders weathered this economic downturn better than the medium-sized builder. The small firms have a tradition market of larger, custom homes at the high end of the market and the wealthy buyers are less affected by the high interest rates and the recession. The large firms have the advantage of strong financial resources and they have the resources to ride out a rocky market. The medium sized firms had neither of these advantages.

Just as fast as the industry declined, it picked up just as suddenly. Inflation slowed and interest rates started back down. A housing boom began due to pent-up demand for the recession as well as increased number of home buyers from the maturing of the immense baby boom population. Luxury homes became the norm as the demand was for bigger, fancier, and more dramatic houses. High demand for homes in general and luxury homes in particular helped increase home prices 74 percent from 1980 to 1988. This housing boom came tumbling down about five years later as a result of the higher and higher prices, along with sated demand and less favorable tax benefits. With a few exceptions, construction has basically slowed steadily since 1986 and is not showing signs of major booms in the early 1990's. (refer to Exhibit A for graph of housing starts).

#### CURRENT STATE OF THE INDUSTRY

The housing industry is showing signs of a deepening down cycle. The National Association of Home Builders reports that housing starts in 1990 will hold steady at 1989's anemic level of 1.4 million. As of May 1990, Builder magazine reported that from 1989 to 1990 single family housing starts dropped 7.1 percent to 1.003 million. More recently The Wall Street Journal reported in October that starts were down 6%, which is the ninth month in a row of decline. (Refer to EXHIBIT A).

In many industries it is usually the larger firms that adapt better to economic problems. In these industries big firms often dominate market share and set the product and marketing standards that others follow. But that is not necessarily the case in a fragmented industry such as home building. No single company or small group of companies has gained enough market share or stature to dominate or even lead the industry. Large companies must deal with problems associated with mismanagement of capital, carrying too much land, not knowing local markets, and spending

too much time on administration. Smaller firms, on the other hand, often can get a much better handle on all these things, basically because management is streamlined and more responsive on a smaller level. More importantly, small firms are usually local and since housing markets are totally localized the small builder can get to know his market intimately--down to neighborhoods and blocks.

#### INDUSTRY STRENGTHS, WEAKNESSES, OPPORTUNITIES, THREATS

The industry has been going through a recession that actually started five years ago, but has become more apparent in 1990. This is the longest recession for the construction of single family housing. The continual decline is based around many threats. To show the present state of the home building industry in 1990, a S.W.O.T. (Strengths, Weaknesses, Opportunities, and Threats) Analysis was conducted.

#### STRENGTHS

Only two major strengths were realized for the industry as a whole: 1) the small business home builder; and 2) technology. The first strength is the small business home builder. There are essential four reasons why these firms are presently a strength for the industry. First, the small business home builder starts fewer homes. Most of them start between 1 - 25 homes per year. This means that these companies have less money tied up in homes that are sitting on the market. Second, the small builders primary market is that of custom housing. The custom market tends to keep these firms out of the speculative housing market. This is due to the fact that customers come to the builder and ask them to build their homes. Third, small builders are more flexible due to fewer housing starts and they can move into the light commercial construction and remodeling markets more easily. Light commercial construction and remodeling markets tend to be countercyclical to the construction of single family homes and allows for possible profits when the home building market is weak. The fourth reason is that the small firms generally have little overhead often because the actual construction is sub-contracted out to other companies.

The second major strength identified for the single family housing industry overall is technology. With the present downturn in the economy, new materials and construction processes help support the individual firm as well as the industry. For example, one such process is called panelization. This is where the walls are prefabricated by machines in a plant and then sent in sections to the job site. Panelization allows for homes to be put up more quickly at a lower cost to the firm.

#### WEAKNESSES

Several weaknesses in the Single Family Home Building Industry include: 1) oversaturated trade-up market; 2) increase in housing prices; and 3) the cost of labor. The Single Family Home Building Industry presently consists of an oversaturated

trade-up market where builders have concentrated too heavily on middle-of-the-market housing. these are a good number of homes presently sitting vacant on the market. Speculative housing projects are now averaging approximately one year of sitting on the market without a buyer. Also, there is currently a strong resale market for existing homes which tremendously lowers new home building because people are moving from their present home to an existing house.

Since the middle 1980's, another weakness in the single family housing construction industry that has become apparent is the large increases in housing prices. In addition this upward price trend is expected to continue through the 1990's the speculative home building market is also another weakness currently. These homes generally are much more higher priced than the average buyer can afford. With the rise in interest rates, buyers are becoming less likely to obtain the funds for these homes and as a result are sitting empty on the market for long periods of time. This causes a substantial loss to the builder because for the home to possibly sell, the price of the home has to be dropped. Also, the builder naturally does not receive any return on the project for quite some time.

The final weakness that builders are presently faced with is the growing cost of labor. This is escalating due to the length of time, 3 - 6 months, that is spent on each home to complete it.

OPPORTUNITIES

A number of opportunities, however, exist for the single family housing construction industry including: 1) computerization; 2) remodeling and rehabilitation; 3) custom housing; 4) townhomes; 5) commercial-industrial construction; and 6) housing for the elderly.

Firms are now moving to computerization. Computers allow the firms to cut their costs with better monitoring and recording of expenses and materials. It also enables small firms in the single family housing construction industry to design homes using personal computers. In general, these uses of the computer allow firms to be more efficient and productive and thus enables greater profitability in the long run.

Another opportunity in the single family housing construction industry is the possibility of entering into the remodeling and rehabilitation markets. These markets also include additions on to existing homes as well as remodeling newer homes and rehabilitating older houses. As new homes prices increase and interest rates for mortgage loans remains above 10% many are reluctant or unable financially to move. The bright spots for remodeling and rehabilitation is that they are less susceptible to the fluctuations of the business cycle and it offers an affordable alternative to the home owner.

Custom home building allows the builder to get away from the speculative market. In the custom home market segment, the builder has a buyer and knows that the home is not going to sit

for a long period of time without being purchased. Funds can be channeled into the project with less fear of a smaller return of the project.

Commercial-industrial construction also offers another opportunity. This offers unique opportunities for the builder to diversify because the peaks of this market are not as high as residential construction and the troughs in the business cycle are not quite as low. Cyclical declines in commercial-industrial construction tend to lag declines in single family home building by several months. This opens avenues of possible profit when the home building industry is not performing well.

Townhomes are now becoming more popular. These offer buyers a more affordable and lower maintenance alternative especially now that free time away from work is decreasing. It also offers buyers modern design and also an urban lifestyle. Townhomes are generally built in locations that provide convenience for its owners. Demand should continue to increase for townhomes.

Lastly, housing for the elderly is now becoming more important than ever with the increasing numbers of Americans approaching retirement. Needs for these individuals range from small, easily maintained homes to large care facilities that offer its tenants recreational, dining, and nursing facilities. Since this area of building is fairly new and specialized, many alternatives await possible development. Trends in this area are most likely to include nursing and mobile homes, retirement residences and communities, and possibly retirement hotels.

#### THREATS

Many threats were found that could have a major effect on the housing industry: 1) recession; 2) high interest rates; 3) rising unemployment rates; 4) remodeling market; 5) changing demographic patterns.

The most significant threat is that of a national recession. The U.S. economy is presently in the process of slowing down resulting in people having less money to spend on housing and its associated costs. In addition to the current recession, relatively high interest rates in general, and mortgage rates for 30 year fixed rate mortgages in particular are troublesome to the industry. People are less willing to move and obtain the necessary funds due to the higher cost that they will have to incur.

Rising unemployment rates also evolve from a recession. More people are currently out of work which results in fewer people having the money to take on large investments such as building a new home. Fluctuations in the stock market due to tension in the mid-east are causing people to take a more conservative approach to how and where they invest their money.

The booming remodeling market is also a mild threat to the industry. Many firms are moving in this direction to help avoid the losses that are presently being noticed in single family home

building. Some firms however may not be able to enter this market due to limitations within the firm and the market may also become saturated with the influx of companies moving in this direction.

The final threat to the singly family housing construction industry overall focuses on the changing demographic patterns of new home buyers. Two major patterns which could affect the single family housing construction industry include the decreasing size of the average family and the aging of the population in general. With the average size of the family decreasing, it is not quite as necessary for many people to invest in a home when all of the extra space would not be needed. Housing facilities such as townhomes, apartments, or condominiums are a much more viable alternative for their money. As the population becomes older it may be less likely to move due to the hassle that is involved and some will begin to move into retirement facilities for better care and less work for them. The only hope that may be present is that the older people the people are, the accumulation of wealth that is saved up increases. There could be possibilities of buying a second home or moving to warmer climate. With the children of these people having moved out, there is less a desire for a large amount of space and an increased interest in single story (ranch) homes with lower maintenance.

## STARTUP

The two most important questions to ask before starting your own business are: Do you have the necessary skills and technical knowledge in the area of your business? and is there a need for your service or product? After having both of these, you will most likely next need assistance on starting and running a business. The small business entrepreneur's biggest ally is the Small Business Administration. You can seek advice, assistance, and information on every aspect of the business, but what they are not there for is to set up and run your business. The first thing you should do before going to see them is to set up a business plan. This plan should include goal and objectives with step by step procedure on how you plan to reach these goals. A typical business plan is outlined in EXHIBIT B.

## FINANCING

### Equity Capital

A small firm, like any other firm, needs equity capital to start up its business. To banks, new, small businesses are considered a high-risk for them to offer loans to. It is difficult to obtain start-up loans (Equity loans) from financial institutions, but it is not impossible. In most cases where the

institution grants a loan, the entrepreneur must present several pieces of information to the institution. He/she generally must put up approximately 50% or more of the starting capital, must have an excellent credit rating, must be knowledgeable of the business the entrepreneur is venturing into, and needs to be able to present a solid business plan with projections of cash flows for at least the first year. If the bank fails to be able to offer the loan, the Small Business Administration (SBA) can be approached for a loan. However, the majority of the loans that are granted by the SBA are for existing and successful small businesses. If the SBA is unable to grant a loan, alternative sources of equity capital for new, small businesses are private such as:

1. Personal loans, savings, and investments.
2. Life insurance loans
3. Second mortgages and/or refinancing of assets including real estate.
4. Loans from friends and relatives.
5. Credit unions which you must belong to in order to obtain the loan.
6. Also having people become active or silent partners to invest their money into your business.

#### Working Capital

Working capital is needed for the firm to be able to continue its day to day operations. It is basically obtained in the form of short-term loans. At this stage of the business, it is easier for the small firm to obtain funds from financial institutions because the firm has a proven track record for the institution to base its loan decision on. It is therefore is less risky for the bank to grant the loan because it can acquire assets of the firm in case of default on the loan. Some sources that are available to the small business are:

1. Commercial banks and other financial institutions.
2. SBA loans.
3. The possibility of leasing instead of purchasing.
4. Accounts receivable loans.

#### Growth Capital

Growth capital is needed to help the small firm to continue to grow in the future. It can help the business to increase profits and cash flows as well as help the business to increase profits and cash flows as well as help on cost reduction. Most growth capital is obtained in the form of long-term loans. These loans are received by pledging fixed assets as collateral for the loan. Some sources of growth capital are:

1. Commercial banks.
2. Life insurance companies.
3. Mortgage lenders.

4. SBA loans.
5. State and local; development corporations.
6. Small Business Investment Companies.

#### Financial Planning and Control

In order for a small firm to stay alive, it must plan and control its finances. A good financial plan is needed to obtain the necessary financing. A sound business plan can first help to determine how much equity capital (Start-up capital) as well as working (Operational capital) and growth capital. A Cash Flow Projection chart (Refer to Exhibit C) can help to determine how much capital is needed to start and operate the business. The six month chart should also be expanded to a yearly format to provide a better analysis. Cash flow is the balance of incoming and outgoing cash flows at the end of a specific period of time. The goal in cash flow analysis is for the ending cash position to be positive. If the ending cash position is not positive and the projection was completed in advance, changes can be made to correct the situation.

One other basic but necessary statement that needs to be used to indicate flows of cash and other items is the Balance Sheet (Refer to Exhibit D). The Balance Sheet provides a "snapshot" of the present position the firm is in. This Balance Sheet can be compared to previous sheets to see the direction in which the firm has gone. Future projections should then be made on where the company wants to be financially after a specific time period and how it wants to get there.

#### STATEMENT ANALYSIS

Analysis of the Robert Morris Associates Annual Statement for small firms in the single-family home construction industry in 1989 was done to determine how the small home builders are positioned financially. Small builders in the Robert Morris Statements are defined as those that have a contract revenue size form zero to one million.

#### Assets

The four main categories of assets for the small firm in the construction of single family housing were studied. They are cash and equivalents, inventory, total current assets, and fixed assets. All are represented as a percentage of total assets. Cash and equivalents represented 10.5% of the small home builders total assets in the fiscal year 6/30/88 to 3/31/89 as compared to the industry average (all home builders) of 10.3%. Inventory accounted for 24.2% of total assets for the small firm compared to 30.1% for the industry. Total current assets for the small builder represented 69.4% of the total asset while the industry was at 75.3%. The net fixed assets were at 19.6% for the small construction firm compared to the industry average of 13.9%.

## Liabilities

Four main categories of liabilities were also analyzed. They are short term notes payable, total current liabilities, long term debt, and net worth. All are represented as a percentage of total liabilities. Short term notes for the small business in the construction of single family housing represented 30.1% compared to 25.8% for the industry. Total current liabilities for the small firm were at 54.1% compared to the industry average of 58.7%. Long term debt for the small builder averaged 10% while the industry was at 10.7%. Net worth was at 34% of total liabilities compared to 27.4% for the industry.

## Income Data

Currently small builders in the construction of single-family homes are averaging 26.6% gross profit while the industry is at 18.9%. Operating expenses are at 20.3% and operating profit is at 6.3% while the industry is currently at 14.6% and 4.3% respectively.

## MARKETING

One of the first steps to writing up a marketing plan is to acquire information on:

- customer characteristics
- the size of the total market
- other firms in the industry
- assessment of your competitors as well as your own strength and weaknesses in the marketplace

After this a marketing plan detailing the methods of selling and advertising that you want to use, and that are within your budget can be written up.

The most important thing to remember in marketing your product, no matter what business you're in, is to know your target market. Do you want to design and build houses for low, middle, or high income buyers? Do you want to target the yuppie age, baby boomers, or the elderly? Do you want families, couples, or singles? Whether or not the demand is out there for your market will help to determine your target market and whether or not it needs to be adjusted. Builder magazine conducted a study of 1715 new home buyers in the fall of 1990 to determine what type of buyers are in the market for the 90's. The statistics from this study show that:

- the majority are baby boomers, with an average age of 39
- 65% are dual income households with an average yearly income of \$64,000
- 42% are couples with kids, 40% are couples without kids, and the rest are single.
- 78% are current homeowners
- 84% want single-family homes

As far as the industry is concerned, according to the U.S. Census Bureau, in 1987 there were 120,469 builder firms, and 45% of them were small firms, which was determined by the number of housing starts per year with small firms having between 1 - 25 starts.

There are many modes of marketing and selling in the building industry. Over the past few years there has been a growing role of real estate agents and brokers to handle the selling. Another method that is popular is the use of lavishly furnished and landscaped model homes. The two methods are for the most part utilized by the larger firms. The marketing budget for small firms is generally tighter but there are still very productive methods. Some examples are to print high quality, appealing brochures to send out to prospects as well as mailing out newsletters. These could include such information on prices, new plans, special incentive programs, and the community. Another effective method is to advertise in the real estate section of daily newspaper. In the study by Builder magazine, mentioned earlier, the top three sources of where buyers look were listed as:

- Real estate section of the newspaper (61%)
- Home buying tabloid (58%)
- Real estate agents (56%)

#### MANAGEMENT

The owner of a small business firm, no matter what industry he is operating in will have to assume several, sometimes all, of the positions in the company. Granted, wearing all the "hats" in a business is overwhelming, which is why the average small business home builder employs at least two others. How many employees you will need to hire will depend on how many houses you plan to build. If you plan on only building only a few houses, you may be able to handle most of the work yourself, or with one other person. As the number of starts you have increases, so will the number of employees you'll need to handle day to day operations. A receptionist/data entry clerk can handle daily office tasks, such as invoicing, paying bills, and cost controls. This person could also be in charge of the marketing aspects of the business, such as promotional mailings and speaking with prospects. If you have a number of projects going on at the same time it would be wise to have a construction supervisor to oversee these projects since you couldn't be there at all times.

Basically, the number of employees you hire and how you manage them is an individual decision; there is no set way. Two owners of small home building firms were interviewed and one owner employed three while the other employed thirty two. Take into consideration the number of starts you're planning, how much

time you want to devote to your business, and how easily you'll be able to "let go" of some of the business control and trust it in the hands of others.

#### DESIGN/CONSTRUCTION

During the past ten years, the design of homes took on major changes, toward larger and fancier designed homes. Interestingly, if the houses of the eighties weren't elaborate enough, the buyers of the nineties are expecting even more. Custom housing is becoming a big trend for nineties. In the survey of buyers in the market today by Builder magazine, discussed earlier, the two major factors buyers are looking for are expanded, more custom master bedrooms and family rooms. They also would be willing to pay more to purchase a house with a sunroom, three car garage, library, home office, or fitness room. More importantly, they are also considering intangibles, such as the commute to work or school, the strength of the community, and the investment potential.

The small builder has a definite edge in this area, as they are more easily able to adapt to specific requests and changing trends so they build a fewer number of homes a year. The small builder has more time to work with the buyer and an architect to ensure the buyer of a house designed as specifically as they like. Another advantage the small builder firm has in this area, is that as mentioned earlier, the majority of their buyers are from the upper income bracket and they can afford the larger custom homes are becoming the trend.

Regarding construction, there are at present only a few technological innovations being used on the industry. Due to building code restrictions, many construction practices have not changed, but the three most significant advances for the nineties are energy efficiency, use of computers (computed aided design and recording of expenses), and panelization techniques. There should, however, be an increase in new products, materials, and processes in the 1990's to help firms operate more efficiently, at a lower cost, to generate larger profits.

#### FUTURE OUTLOOK

Some of the future trends that are likely to take place in the industry are as follows:

1. The remodeling and rehabilitation markets should outpace the home building industry.
2. The resale market will become tighter.
3. Housing starts will continue to decline in 1990 with starts slowly increasing in 1991 and 1992.
4. Interest rates should begin to ease and mortgage rates will possibly ease by 1% to 9.5% in 1991.
5. Inflation should continue to hold steady at approximately

5%.

6. The cost of labor should continue to increase but new technologies that have been and will be developed should help to take the sting out.

7. Second home buying should be a success.

8. It is projected that 1 out of every 3 builders will be forced out of business by the year 1999.

The current Persian Gulf crisis could also affect the economy. The National Association of Home Builders feels that a short war could perhaps force the government into spending and also to cut the inflation rate which could lead to lower interest rates and also higher starts for the housing industry. However, a protracted war could devastate the economy. (Refer to EXHIBIT E for best, most probable, and worst case scenarios). This is a wait and see situation. Builder magazine reports likewise that this slump should not be as bad as the last two that faced the industry. It is also felt that the recession in the industry should not end anytime in the near future.

## CONCLUSION

With the current status of the economy, small business home builders have some alternatives to evaluate to keep their business afloat. Times, in the near future, are going to be tough for firms to survive. The best possible opportunities should be engaged at once to cut down on the losses. Due to the current state of the industry, economy, and the Persian Gulf crisis, it is suggested that prospective small business home builders wait on entering the market. Depending on which course the events take that effect the economy and industry, such as the Persian Gulf crisis, a decision could be made as to whether or not a new firm should enter the market.

## EXHIBIT B

### Business Plan

A business plan is a valuable management tool for the development, operation, and expansion of your business. It is also essential when you are "selling" your company to investors and lenders.

Planning involves determining the firm's objectives and the methods (policies and strategies) that will be used to achieve them. It also requires preparation of a schedule that anticipates when various goals will be met. Social and economic climates should be forecasted to evaluate how available resources will be used to attain goals under various conditions.

## COVER SHEET

Includes the business name, address, phone number, and

date of the plan.

#### EXECUTIVE SUMMARY

This tells what the plan is, its major objectives, how those objectives will be accomplished, and expected results. It is a brief (one-page) overview of material from other sections of the plan. It should include a description of your business, marketing strategy, financial strategy and projections, and the management structure. Although the executive summary is presented in the beginning of the plan, you may choose to write this last, after the entire plan is completed.

#### TABLE OF CONTENTS

Usually a single page listing the major topics and subtopics of the plan.

#### HISTORY

Includes a background of principals or company origins, as well as a background of the product or service. Include also a description of the corporate structure.

#### DESCRIPTION OF THE BUSINESS

Include information on your type of business, what market you serve, your differential advantage over competitors, and the present status of the business.

#### DEFINITION OF THE BUSINESS

Includes information on the target market, its present size and growth potential, and the percent of the market you have now or would like to have. An analysis of the competition should be included, as well as your strategy for attracting and keeping your segment of the market.

#### DESCRIPTION OF PRODUCTS OR SERVICES

Define what is to be developed or sold.

#### MANAGEMENT STRUCTURE

Describe your business and management experience, the organizational structure with a brief description of who does what, employee policies, and other management resources or support staff (lawyer, accountant, etc.). It would also be beneficial to include a resume and organizational chart.

#### OBJECTIVES AND GOALS

Discuss objectives in the areas of revenue forecasts, financial goals, and marketing plans.

#### FINANCIAL INFORMATION

Several statements should be presented:

- Source and Application of Funds Statement
- Capital Equipment list
- Current Balance Sheet and Income Statement
  - Break-even Analysis
- Projected Balance Sheet, Income Statement
- Cash Flow Projections

## APPENDIX

- Personal resumes for all principals
- Personal financial statements for principals
- Letters of recommendation or endorsement
- Copies of legal documents (leases, contracts, etc.)

## EXHIBIT C

## CHECKLIST 19

Cash Flow Projection (format for six months)

	JAN	FEB	MAR	APRIL	MAY	JUNE
Cash In						
Cash Sales						
Credit Receipts						
Other						
1. TOTAL IN	----	---	---	----	---	----
Cash out						
Inventory Supplies						
Rent						
Utilities, Phone						
Payroll and Related Taxes						
Administration						
Marketing & Sales						
General Supplies and Rentals						
Taxes & Licenses						
Insurance						
Professional						
Other Operating Expenses						
Capital Expenses						
Loan Repayments and Interest						
Loans, Advances, Distributions						
Owners, Others						
2. TOTAL OUT	----	---	---	----	---	----
3. Cash flow for month						
(1) minus (2)	----	---	---	----	---	----
4. Starting cash position	----	---	---	----	---	----
5. Ending cash position,						
(3) plus (4)	----	---	---	----	---	----

SOURCE: STARTING AND WINNING IN SMALL BUSINESS, 1982.

## EXHIBIT D

## BALANCE SHEET

AS of \_\_\_\_\_

## ASSETS

## Current:

Cash	_____
Short-term investment	_____
Accounts receivable	_____
Prepaid expenses	_____
Long-term investments	_____
Fixed assets	_____
Variable assets	_____
Other assets	_____

Total Current Assets	\$ _____
----------------------	----------

## LIABILITIES

## Current:

Financial institution loans	_____
Accounts payable	_____
Long-term notes payable	_____
Income taxes payable	_____
Accrued liabilities	_____
Notes payable	_____

Total Current Liabilities	\$ _____
---------------------------	----------

Capital start period	_____
Add income from period	_____
Less withdrawals from capital during the period	_____
Total Capital at End of Period	_____
Total Liabilities and Capital	\$ _____

ADAPTED FROM R.D. SMITH, GETTING MONEY, 1981.

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