



NaviPlan Extended Online/Offline Business Entities Participant Guide

USA version 10.2

EISI, Winnipeg

Disclaimer

This software is designed to allow a financial planner to demonstrate and evaluate various strategies in order to achieve a client's financial goals. It is licensed on the understanding that EISI is not engaged in rendering legal, accounting, or other professional advice and, if any such advice is required, the services of a competent professional person should be obtained.

EISI has engaged Ibbotson Associated, Inc., a wholly owned subsidiary of Morningstar, Inc., to develop proprietary asset allocation tools for educational purposes. Ibbotson has granted to EISI a license for use thereof.

Copyright

No part of this publication may be reproduced or transmitted in any form, by any means (electronic, photocopying, recording, or otherwise) without the written permission of EISI.

NaviPlan is a registered trademark of EISI.

Microsoft Word is a registered trademark of Microsoft Corporation. Adobe and Acrobat are trademarks of Adobe Systems Inc. All other product names are the sole properties of their respective owners.

© Copyright 2010

Emerging Information Systems Incorporated ("EISI")

All rights reserved.

100122

Contents

Business entities	1
Learning objectives	1
Business assumptions.....	1
Enter a business entity	2
Analyze effects on net worth.....	3
Analyze effects on cash flow	4
Analyze effects on taxes	5
Exercises.....	6
Conclusion.....	9
Answers to business entities	9

Enter a business entity

NaviPlan Extended - Business Entity Details

Details **Sale Date** Help

Franchise Details

Description: Franchise Type: S Corporation Owner*: Joint Community Property

Purchase Information

Purchase Date	Purchase Amount	Number of Units
Jan 1 2009	\$1,000,000	1.000

Start of Year Value

Market Value	Cost Basis	Number of Units	AMT Basis
\$0	\$0	0.000	\$0

Current Information

Current Value As Of	Current Value (per unit)
Dec 31 2009	\$1,000,000.

Activity

Income	Expenses	Distributions	AMT Adjustments	Frequency
\$50,000	\$10,000	\$0	\$0	Annual

Infl +/-Add'l = Total
 + 0.00% = 0.00%

Return Rates

Annual Dividend per Unit	Frequency	Reinvest
	Annual	Reinvest All

Growth Rate	Standard Deviation
0%	0%

OK Cancel

Figure 1: Financial Picture section – Net Worth category – Assets/Liabilities page – Add entries link or Add link – Details button – Business Entity Details dialog box

Exercises

The following exercises have been designed specifically for this module and assume that you are working with the original data in the *Core and Elective Base* plan. Before starting the exercises, duplicate the **Core and Elective Base** plan, rename the duplicate with a meaningful name (e.g., *Business Entities training*), and then use it to complete the exercises below.

To find the answers, see “Answers to business entities” on page 9.

Exercise 1: Enter a business entity

1. Enter an **S corporation** using the following details.

Description – S corporation	Purchase Amount – \$250,000
Owner – Joint	Number of Units – 1,000
Type – S Corp	Income – \$50,000 (annual)
Market Value – \$1,000,000	Expenses – \$10,000 (annual)
Cost Basis – \$500,000	Distributions – \$0
	Growth Rate – 2%
The client has owned the business since 1990.	

2. If a business entity experiences losses, these will be tracked accordingly in NaviPlan. Is this statement true or false?
 - a) True
 - b) False

Exercise 2: Analyze effects on net worth

To find the answers, see “Answers to business entities” on page 9.

1. On the *Results* section – *Additional Reports* – *Net Worth* category – *Single Asset* page, select **Single Asset Details** from the *Report* list. Click **Assign Settings**, select **Other Assets** from the *Accounts* list and **S Corporation** from the *Holding/Asset* list, and then click **OK**. Click **Generate Report** to generate the *Single Asset Detailed* report, and then verify that the S corporation has been modeled appropriately.

2. Based on the 2% growth rate you modeled in Exercise 1 (*Enter a business entity*), what is the January 2011 market value?
 - a) \$500,000–\$700,000
 - b) \$700,001–\$900,000
 - c) \$900,001–\$1,100,000
 - d) \$1,100,001–\$1,200,000

3. What is the January 2011 cost basis?
 - a) \$200,000–\$400,000
 - b) \$400,001–\$600,000
 - c) \$600,001–\$800,000
 - d) \$800,001–\$1,000,000

Exercise 3: Analyze effects on cash flow

1. Generate an **Itemized Cash Flow** report for the current year. **Cash inflows** from the S corporation are illustrated in this report because the annual income exceeds expenses. Is this statement true or false?
 - a) True
 - b) False

2. The clients expect to make a \$50,000 capital contribution to the S corporation in 2012. Use the *Strategies* section to model the contribution for the client.

Hint: Go to the **Strategies** section – **Strategies** category – **Regular & Lump Savings** page.

3. Use the *Cash Flow Assistant* to locate the contribution in 2012. In which row do you see the purchase?

Exercise 4: Analyze effects on taxes

To find the answers, see “Answers to business entities” on page 9.

1. For tax calculations in the current year, how is the dollar amount of income from the S corporation itemized?

Hint: Generate the **Income Tax Details for David** report.

- a) *S-Corporation Income*
 - b) *Business Entities Income*
 - c) *Ordinary Business Income*
 - d) None of the above
2. Return to the **Financial Picture** section – **Net Worth** category – **Assets and Liabilities** page. Click the S corporation link to access the details. Model a distribution of \$20,000 a year.
 3. Generate the **Income Tax Details for David** report. The \$20,000 distribution from the S corporation is taxed. Is this statement true or false?
 - a) True
 - b) False

Conclusion

This module has enabled you to

- Enter a business entity
- Analyze effects on net worth
- Analyze effects on cash flow
- Analyze effects on taxes

Answers to business entities

Exercise 1: Enter a business entity

2. b) False. Business losses will not be tracked.

Exercise 2: Analyze effects on net worth

2. c) \$900,001–\$1,100,000. The January 2011 market value is between \$900,001–\$1,100,000.
3. b) \$400,001–\$600,000. The January 2011 cost basis is between \$400,001–\$600,000.

Exercise 3: Analyze effects on cash flow

1. b) False. Unless distributions are modeled, net cash inflows from the S corporation will only increase the cost basis of the entity and will never be available as a cash flow item.
3. *Employment Expense*. The purchase appears in the *Employment Expense* row.

Exercise 4: Analyze effects on taxes

1. c) *Ordinary Business Income*. For tax calculations in the current year, the dollar amount of income from the S corporation is itemized as *Ordinary Business Income*.
3. b) False. Distributions will reduce the cost basis of the S corporation and will not appear as a taxable item until the cost basis is depleted.

