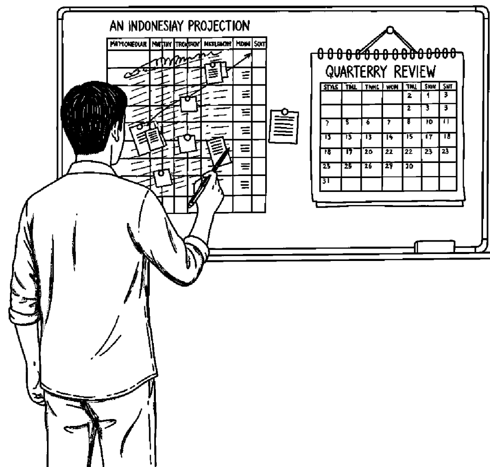
SPECIFIC-CASE

WORKSHEET 9 OF 9

Re-Baselining When a New Product Line Launches Mid-Year

Scenario: A new product line or service offering launches in month five or six of the fiscal year — later than originally planned, or with different unit economics than the original budget assumed. The existing annual budget does not reflect the costs or revenue trajectory of the new line. This worksheet is for building a mid-year re-baseline that covers the remaining months without abandoning the original annual commitment.



Complementary worksheet for
Budget Forecasting Methods
by Ibrahim Anwar

SECTION 1

What This Is For

A new product line that launches mid-year with different timing or economics than the original budget assumed creates two distinct accounting problems. The first is visible: the budget no longer matches reality, and any month-end reconciliation will show large variances that are structurally correct but operationally meaningless because they reflect a planning assumption that is no longer valid. The second is less visible: if the new line's financials are combined with the existing business in the budget, it becomes impossible to tell whether the original business is performing to plan or whether its results are being masked by the new line's launch costs.

This worksheet separates the two problems. It rebuilds the remaining months of the year with two sets of rows per category — the continuing original business and the new line addition. It identifies which launch costs are one-time versus recurring. And it calculates the minimum revenue the new line needs to generate by year-end to justify its launch costs, so management has a specific break-even target to track, not just a general sense that 'the new line is developing.'

SECTION 2

Benefits

What you get when you actually run this worksheet on a real situation:

- Separates the new product line's financials from the original business so both can be tracked independently — preventing a successful new launch from masking a deteriorating core business, or vice versa.
- Identifies which launch costs are one-time (enter in the month they occur) versus recurring (enter as the forward run rate), so the re-baseline reflects the line's steady-state economics from month six onward rather than its launch-month distortions.
- Calculates the break-even revenue target for the new line by year-end, giving management a specific number to track rather than an open-ended development trajectory.
- Preserves the original annual commitment to stakeholders while documenting why the forward budget has changed — the re-baseline is a management adjustment, not a revision of a committed target.
- Builds the historical separation of financials that auditors and investors will request if the new line becomes material to the business over time.

SECTION 3

Framework To Use

— Two-Row Separation Method

Every category has two rows in the re-baseline: the original business continuation and the new line addition. Combining them produces numbers that are correct in aggregate and meaningless for management.

Re-Baseline Structure: Original Business vs. New Line

Budget Element	Original Business	New Line Addition
Revenue	Continue original business trend	New line projected at realistic ramp-up rate
Direct costs	Unchanged (existing operations)	Launch costs: one-time in launch month; recurring thereafter
Fixed cost allocation	Full allocation to original business	New line allocation only when incremental fixed costs are confirmed
Break-even target	Existing — already calculated	New line minimum revenue to justify launch costs by year-end

SECTION 4

How To Use

Follow these steps in order. Each one builds on the previous.

1. Gather the original annual budget and the YTD actuals for the existing business through the month before launch. These become the 'original business continuation' rows in the re-baseline.

2. List all costs incurred or committed for the new line. Separate them into two groups: one-time launch costs (design, setup, initial inventory build, training, marketing launch) and recurring operational costs (materials per unit, incremental staff, packaging). One-time costs go in the month they occur; recurring costs form the forward monthly run rate.

3. Build the remaining months of the year with two rows per major budget category: original business and new line addition. Do not combine them into one row. If the new line has its own revenue stream, create a separate revenue section.

4. Calculate the break-even revenue target: total one-time launch costs divided by the new line's contribution margin per unit or per dollar of revenue. This is the minimum revenue the new line needs to generate by year-end to justify its launch costs. Enter this as the revenue target for the new line in the re-baseline.

5. Check whether any original business costs have changed because of the new line — shared facilities costs, shared staff time, shared logistics. These shared costs need to be split between the two rows, not attributed entirely to the original business.

6. Review the revised full-year totals. Do they require a formal revision of any committed target — to investors, to a bank, to the board? If yes, initiate that conversation with the documented re-baseline as the supporting material. If no, this is a reforecasting update.

7. Set a 60-day tracking milestone: at the end of the new line's second full month of operation, compare actual revenue and costs to the re-baseline projections. Identify which assumptions are holding and which need revision.

SECTION 5

Example Use

A clothing retailer launches an online wholesale channel in month six of the fiscal year — two months later than planned. The original budget assumed wholesale revenue of $15,000 per month starting month four. Launch costs came in at $28,000 (setup, initial inventory, platform fees) versus the $18,000 budgeted. The owner runs the re-baselining worksheet.

Step 1 — original business continuation: months one through five actuals are used as-is. Month six onward for the original retail business: use the three-month pre-launch average of $82,000 per month revenue and $69,000 per month costs as the continuation trend. No change to original business rows.

Step 2 — separate the new line launch costs: of the $28,000 incurred, $22,000 is one-time (platform setup $8,000, initial inventory build $9,000, brand photography $5,000). Recurring costs from month six: wholesale account manager's time at $1,800/month, platform subscription $290/month, incremental packaging $0.80 per unit. Total recurring cost at projected 800 units per month: $2,730.

Step 3 — revenue projection for new line: at month six, confirmed orders from two wholesale accounts total $6,200. The original budget assumed $15,000 per month from month four — an assumption that was built before knowing the channel mix. Revised monthly projection: $6,200 growing to $12,000 by month nine based on the two confirmed accounts and three accounts in late negotiation. Contribution margin on wholesale channel: 28 percent.

Step 4 — break-even calculation: one-time launch costs $22,000 divided by 28 percent contribution margin = $78,571 in wholesale revenue needed to recover launch costs. At $6,200 in month six growing to $12,000 by month nine, cumulative wholesale revenue through year-end: approximately $54,000. Launch costs will not be recovered by year-end. The owner documents this and sets month six of next year as the break-even target — adjusting the original 'profitable by Q2' expectation to 'break-even by month 18.'

The re-baseline is filed as the working forward budget for the remaining year. The original annual commitment to the board remains unchanged; the board receives the re-baseline as a management update, not a revision, because the committed targets were set for the original business only.

SECTION 6

The Worksheet

Tear this out, copy it onto a fresh sheet, or fill it in directly.

Re-Baselining When a New Product Line Launches Mid-Year

Scenario: A new product line or service offering launches in month five or six of the fiscal year — later than originally planned, or with different unit economics than the original budget assumed. The existing annual budget does not reflect the costs or revenue trajectory of the new line. This worksheet is for building a mid-year re-baseline that covers the remaining months without abandoning the original annual commitment.

BUDGET ELEMENT	ORIGINAL ANNUAL BUDGET ($)	ACTUAL YTD ($)	REVISED REMAINING MONTHS ($)	KEY ASSUMPTION DRIVING REVISION

Reflection Prompts

After filling in the worksheet on the previous page, work through these.

1. Separate the new product line's financials from the existing business before building the re-baseline. The re-baseline should show two rows for each cost and revenue category where the new line is additive: original business continuation and new line addition. Combining them obscures whether the existing business is performing to plan.

2. The new product line's cost structure in its first six months of operation will not match its eventual steady-state cost structure. Identify which costs are launch-specific (one-time) and which are recurring. Build the re-baseline using only the recurring costs as the forward run rate — one-time launch costs go in the month they occur.

3. What is the minimum revenue the new product line needs to generate by end of fiscal year to justify its launch costs? Calculate that break-even number now and enter it as the revenue target for the new line in the re-baseline. The rest is upside.

SECTION 7

Tips and Traps

TIPS

- Separate one-time and recurring launch costs at the start of the session. A forward run rate that includes one-time costs will overstate the new line's ongoing cost base and produce a break-even calculation that is wrong in the pessimistic direction.
- Set the 60-day tracking milestone at the same time as the re-baseline is filed. The re-baseline is only useful if it is compared to actuals at the two-month mark. Without the comparison, the re-baseline becomes the same kind of archival document the original budget was.
- Check whether shared costs between the original business and the new line are being correctly split. A common error is attributing all shared staff time and shared facility costs to the original business, making the new line look cheaper than it is and the original business more expensive.

TRAPS

- Revising the original annual commitment to stakeholders based on the new line's launch variances without distinguishing what is a management reforecast and what is a formal target revision. The re-baseline is a management tool; it should not change committed external targets without the appropriate approval and communication process.
- Combining new line financials with original business financials in the re-baseline on the grounds that they will eventually be managed as one entity. They may be managed as one entity by year three. At month six of year one, combining them makes it impossible to answer the questions that matter most: is the original business tracking to plan, and is the new line recovering its launch costs?
- Setting an open-ended 'the new line is still developing' expectation for stakeholders without a specific break-even target and date. 'Still developing' invites indefinite patience. A specific break-even revenue target and timeline invites the right conversation at the right time.

SECTION 8

Appendixes

Appendix A — Break-Even Revenue Calculation for New Line

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Step 1: Total all one-time launch costs ($).
        (Design, setup, initial inventory, training, launch marketing)

Step 2: Identify the new line's contribution margin (%):
        Contribution margin = (Revenue - Variable costs) / Revenue

Step 3: Break-even revenue = Total launch costs / Contribution margin %

Example:
  One-time launch costs:   $22,000
  Contribution margin:     28%
  Break-even revenue:      $22,000 / 0.28 = $78,571

This is the cumulative revenue the new line must generate before
its launch costs are recovered. Divide by the remaining months
of the fiscal year to get the monthly revenue run rate required
to meet this target by year-end.

If the monthly run rate exceeds realistic projections, the break-even
will extend beyond this fiscal year. Document the expected break-even
month explicitly — this is the target to track, not a general 'profitable soon.'
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Appendix B — Two-Row Re-Baseline Template Headers

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For each budget category, use two rows:

Category: Revenue
  Row A: [Original business — retail channel] — continuation of existing trend
  Row B: [New line — wholesale channel]       — ramp-up projection per assumption

Category: Direct costs (materials, packaging)
  Row A: [Original business]  — unchanged from prior months
  Row B: [New line]           — recurring cost only (one-time costs in separate section)

One-time launch costs section (separate from recurring):
  Item        / Amount / Month incurred / Category (CAPEX or OPEX)

Shared cost allocation (where original and new line share resources):
  Cost item   / Total amount / Original business % / New line %
  Basis for split: [hours, revenue share, headcount, or other]
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WHERE THIS WORKSHEET COMES FROM

Budget Forecasting Methods

A Budget Never Revised Is Fiction That Gets Funded

by Ibrahim Anwar

This worksheet is one of nine in the *Budget Forecasting Methods* companion worksheet pack. The full pack is grouped into three categories: high-volume worksheets you can run weekly, niche-search worksheets for rare but high-value situations, and specific-case worksheets that walk you through a single concrete scenario.

Every framework, decision filter, and figure used in these worksheets is drawn from the chapters of the source book. The book sets the diagnosis, the worksheets give you the form to act on it.

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