

BUSINESS PLAN OUTLINE

Elements of a Business Plan

1. Cover sheet
 2. Statement of purpose
 3. Table of contents
-

I. The Business

- A. Description of business
- B. Marketing
- C. Competition
- D. Operating procedures
- E. Personnel
- F. Business insurance
- G. Financial data

II. Financial Data

- A. Loan applications
- B. Capital equipment and supply list
- C. Balance sheet
- D. Breakeven analysis
- E. Pro-forma income projections (profit & loss statements)
 1. Three-year summary
 2. Detail by month, first year
 3. Detail by quarters, second and third years
 4. Assumptions upon which projections were based
- F. Pro-forma cash flow
 1. Follow guidelines for letter E.

BUSINESS PLAN OUTLINE

III. Supporting Documents

- A. Tax returns of principals for last three years
- B. Personal financial statement (all banks have these forms)
- C. Copy of proposed lease or purchase agreement for building space
- D. Copy of licenses and other legal documents
- E. Copy of resumes of all principals
- F. Copies of letters of intent from suppliers, etc.

BUSINESS PLAN OUTLINE

BUSINESS PLAN OUTLINE

THE BUSINESS PLAN - WHAT IT INCLUDES

The body of the business plan can be divided into five distinct sections:

1. Executive Summary
2. Description of the business,
3. Marketing plan,
4. Financial management plan and
5. Management plan and strategy.

Addenda to the business plan should include supporting documents and detailed financial projections.

Section 1. Executive Summary

This section should include an overview of Sections 2 – 5; it should be no longer than 2-3 pages, written for the busy executive.

Section 2. DESCRIPTION OF THE BUSINESS

In this section, provide a detailed description of the business. An excellent question to ask is: "What business am I in?"

In answering this question include all services as well as a thorough description of what makes your business unique. Remember, however, that as you develop your business plan, you may have to modify or revise your initial questions.

The business description section is divided into three primary sections.

- A. Section 1: actually describes your business,
- B. Section 2: the service you will be offering and
- C. Section 3: the locations of the business, and why this location is desirable.

1. Business Description

When describing the business, generally you should explain:

- Legalities

BUSINESS PLAN OUTLINE

- Business form: Division of existing company
- Licenses and permits needed
- Business type
 - Service.
 - Description of service
 - Expansion of the existing business.
- Why the business will be profitable. What are the growth opportunities?
 - Cross-sell / cross-market opportunities
 - Leverage existing infrastructure and support
- When your business will be open (days, hours)?
- What you have learned about your kind of business from outside sources (trade suppliers, bankers or publications).

A cover sheet goes before the description. It includes the name, address and telephone number of the business and the names of all principals. In the description of the business, describe the unique aspects and how or why they will appeal to consumers. Emphasize any special features that you feel will appeal to customers and explain how and why these features are appealing.

The description of your business should clearly identify goals and objectives and it should clarify why you are, or why you want to be, in business.

2. Service

Try to describe the benefits of the services from your customers' perspective. Successful business owners know or at least have an idea of what their customers want or expect from them. This type of anticipation can be helpful in building customer satisfaction and loyalty. And, it certainly is a good strategy for beating the competition or retaining your competitiveness. Describe:

- What you are selling.
- How your service will benefit the customer.
- Which services are in demand; if there will be a steady flow of cash.
- What are the sustainable differentiators of your business offering?

BUSINESS PLAN OUTLINE

3. The Location

The location of your business can play a decisive role in its success or failure. Your location should be built around your customers, it should be accessible and it should provide a sense of security. Consider these questions when addressing this section of your business plan:

1. What are your location needs?
2. What kind of space will you need?
3. Why is the area desirable? Is the building desirable?
4. Is it easily accessible? Is public transportation available? Is street lighting adequate?
5. Are market shifts or demographic shifts occurring?

It may be a good idea to make a checklist of questions you identify when developing your business plan. Categorize your questions and, as you answer each question, remove it from your list.

THE BUSINESS PLAN - The Marketing Plan

Marketing plays a vital role in successful business ventures. How well you market your business, along with a few other considerations, will ultimately determine your degree of success or failure. The key element of a successful marketing plan is to know your customers—their likes, dislikes, expectations. By identifying these factors, you can develop a marketing strategy that will allow you to arouse and fulfill their needs.

Identify your customers by their age, sex, income/educational level and residence. At first, target only those customers who are more likely to purchase your service. As your customer base expands, you may need to consider modifying the marketing plan to include other customers.

Develop a marketing plan for your business by answering these questions. Your marketing plan should be included in your business plan and contain answers to the questions outlined below.

1. Who are your customers? Define your target market(s).
2. Are your markets growing? Steady? Declining?
3. Is your market share growing? Steady? Declining?

This material is the property of GlobalSolve™ Management Services and is not authorized for reproduction or distribution without prior written approval from GlobalSolve™

BUSINESS PLAN OUTLINE

5. Are your markets large enough to expand?
6. How will you attract, hold, increase your market share? How will you promote your sales?
7. What pricing strategy have you devised?

Appendix I contains a sample Marketing Plan and Marketing Tips, Tricks and Traps, a condensed guide on how to market your service. Study these documents carefully when developing the marketing portion of your business plan.

THE BUSINESS PLAN - 1. Competition

Competition is a way of life. We compete for jobs, promotions, scholarships to institutes of higher learning, in sports-and in almost every aspect of your lives. Nations compete for the consumer in the global marketplace as do individual business owners. Advances in technology can send the profit margins of a successful business into a tailspin causing them to plummet overnight or within a few hours. When considering these and other factors, we can conclude that business is a highly competitive, volatile arena. Because of this volatility and competitiveness, it is important to know your competitors.

Questions like these can help you:

1. Who are your five nearest direct competitors?
2. Who are your indirect competitors?
3. How are their businesses: steady? increasing? decreasing?
4. What have you learned from their operations? from their advertising?
5. What are their strengths and weaknesses?
6. How does their service differ from yours?

Start a file on each of your competitors. Keep manila envelopes of their advertising and promotional materials and their pricing strategy techniques. Review these files periodically, determining when and how often they advertise, sponsor promotions and offer sales. Study the copy used in the advertising and promotional materials, and their sales strategy. For example, is their copy short? Descriptive? Catchy? Or how much do they reduce prices for sales? Using this technique can

BUSINESS PLAN OUTLINE

help you to understand your competitors better and how they operate their businesses.

THE BUSINESS PLAN - 2. Pricing and Sales

Your pricing strategy is another marketing technique you can use to improve your overall competitiveness. Get a feel for the pricing strategy your competitors are using. That way you can determine if your prices are in line with competitors in your market area and if they are in line with industry averages.

Some of the pricing strategies are:

- retail cost and pricing
- competitive position
- pricing below competition
- pricing above competition
- price lining
- multiple pricing
- service costs and pricing (for service businesses only)
 - service components
 - material costs
 - labor costs
 - overhead costs

The key to success is to have a well-planned strategy, to establish your policies and to constantly monitor prices and operating costs to ensure profits. It is a good policy to keep abreast of the changes in the marketplace because these changes can affect your competitiveness and profit margins.

Appendix 1 contains a sample Price/Quality Matrix, review it for ideas on pricing strategies for your competitors. Determine which of the strategies they use, if it is effective and why it is effective.

THE BUSINESS PLAN - 3. Advertising and Public Relations

How you advertise and promote your goods and services may make or break your business. Having a good service, and not advertising and promoting it, is like not having a business at all. Many business owners operate under the mistaken concept that the business will promote itself, and channel money that should be used for advertising and

BUSINESS PLAN OUTLINE

promotions to other areas of the business. Advertising and promotions, however, are the life line of a business and should be treated as such.

Devise a plan that uses advertising and networking as a means to promote your business. Develop short, descriptive copy (text material) that clearly identifies your goods or services, its location and price. Use catchy phrases to arouse the interest of your readers, listeners or viewers. Remember the more care and attention you devote to your marketing program, the more successful your business will be.

A more detailed explanation of the marketing plan and how to develop an effective marketing program is provided in the Workshop on Marketing. See Training Module 3 - Marketing Your Business for Success.

THE BUSINESS PLAN - THE MANAGEMENT PLAN

Managing a business requires more than just the desire to be your own boss. It demands dedication, persistence, the ability to make decisions and the ability to manage both employees and finances. Your management plan, along with your marketing and financial management plans, sets the foundation for and facilitates the success of your business.

Like plants and equipment, people are resources-they are the most valuable asset a business has. You will soon discover that employees and staff will play an important role in the total operation of your business. Consequently, it's imperative that you know what skills you possess and those you lack since you will have to hire personnel to supply the skills that you lack. Additionally, it is imperative that you know how to manage and treat your employees. Make them a part of the team. Keep them informed of, and get their feedback regarding, changes. Employees oftentimes have excellent ideas that can lead to new market areas, innovations to existing services or new services, which can improve your overall competitiveness.

Your management plan should answer questions such as:

- How does your background/business experience help you in this business?

BUSINESS PLAN OUTLINE

- What are your weaknesses and how can you compensate for them?
- Who will be on the management team?
- What are their strengths/weaknesses?
- What are their duties?
- Are these duties clearly defined?
- What are your current personnel needs?
- What are your plans for hiring and training personnel?
- What salaries, benefits, vacations, holidays will you offer?
- What benefits, if any, can you afford at this point?

THE BUSINESS PLAN - THE FINANCIAL MANAGEMENT PLAN

Sound financial management is one of the best ways for your business to remain profitable and solvent. How well you manage the finances of your business is the cornerstone of every successful business venture. Each year thousands of potentially successful businesses fail because of poor financial management. As a business owner, you will need to identify and implement policies that will lead to and ensure that you will meet your financial obligations.

To effectively manage your finances, plan a sound, realistic budget by determining the actual amount of money needed to open your business (start-up costs) and the amount needed to keep it open (operating costs). The first step to building a sound financial plan is to devise a start-up budget. Your start-up budget will usually include such one-time-only costs as major equipment, utility deposits, down payments, etc.

The start-up budget should allow for these expenses.

Start-up Budget

- personnel (costs prior to opening)
- legal/professional fees
- occupancy
- licenses/permits
- equipment
- insurance
- supplies
- advertising/promotions

BUSINESS PLAN OUTLINE

- salaries/wages
- accounting
- income
- utilities
- payroll expenses

An operating budget is prepared when you are actually ready to open for business. The operating budget will reflect your priorities in terms of how you spend your money, the expenses you will incur and how you will meet those expenses (income). Your operating budget also should include money to cover the first three to six months of operation. It should allow for the following expenses.

Operating Budget

- personnel
- insurance
- rent
- depreciation
- loan payments
- advertising/promotions
- legal/accounting
- miscellaneous expenses
- supplies
- payroll expenses
- salaries/wages
- utilities
- dues/subscriptions/fees
- taxes
- repairs/maintenance

The financial section of your business plan should include any loan applications you've filed, a capital equipment and supply list, balance sheet, breakeven analysis, pro-forma income projections (profit and loss statement) and pro-forma cash flow. The income statement and cash flow projections should include a three-year summary, detail by month for the first year, and detail by quarter for the second and third years.

BUSINESS PLAN OUTLINE

The accounting system and the inventory control system that you will be using is generally addressed in this section of the business plan also.

The following questions should help you determine the amount of start-up capital you will need.

- How much money will you need for start-up?
- How much money will you need to stay in business?

Other questions that you will need to consider are:

- What type of accounting system will you use? Is it a single entry or dual entry system?
- What will your sales goals and profit goals for the coming year be?
- What financial projections will you need to include in your business plan?
- What kind of inventory control system will you use?

Your plan should include an explanation of all projections. Unless you are thoroughly familiar with financial statements, get help in preparing your cash flow and income statements and your balance sheet. Your aim is not to become a financial wizard, but to understand the financial tools well enough to gain their benefits. Your accountant or financial advisor can help you accomplish this goal.

Sample balance sheets, income projections (profit and loss statements) and cash flow statements are included in Appendix 2. Financial Management.

For a detailed explanation of these and other more complex financial concepts, contact your local SBA Office. Look under the U.S. Government section of the local telephone directory.

THE BUSINESS PLAN - SELF-PACED ACTIVITY

During this activity you will:

- Briefly describe what goes into a business plan.

BUSINESS PLAN OUTLINE

- Identify advantages of developing the marketing, management and financial management plans.
- List financial projections included in the financial management plan.
- Sketch an outline for a business plan.

BUSINESS PLAN OUTLINE

APPENDIX 1

MARKETING

MARKETING

1. THE MARKETING PLAN
2. PRICE/QUALITY MATRIX
3. MARKETING TIPS, TRICKS & TRAPS

THE ENTREPRENEUR'S

MARKETING PLAN

This is the marketing plan of _____

I. MARKET ANALYSIS

A. Target Market - Who are the customers?

1. We will be selling primarily to (check all that apply):

Total Percent of Business

- a. Private sector _____
- b. Wholesalers / Distributors / Dealers _____
- c. Retailers _____
- d. Government _____
- e. Other _____

2. We will be targeting customers by:

a. Services.

BUSINESS PLAN OUTLINE

We will target specific lines _____

b. Geographic area? Which areas? _____

c. Sales? We will target sales of _____

d. Industry? Our target industry is _____

e. Other? _____

3. How much will our selected market spend on our type of service this coming year?

\$ _____

B. Competition

1. Who are our competitors?

NAME _____

ADDRESS _____

Years in Business _____

Market Share _____

Price/Strategy _____

Service

Features _____

NAME _____

ADDRESS _____

Years in Business _____

BUSINESS PLAN OUTLINE

Market Share _____

Price/Strategy _____

Service

Features _____

2. How competitive is the market?

High _____

Medium _____

Low _____

3. List below your strengths and weaknesses compared to your competition (consider such areas as location, size of resources, reputation, services, personnel, etc.):

Strengths Weaknesses

1. _____ 1. _____

2. _____ 2. _____

3. _____ 3. _____

4. _____ 4. _____

C. Environment

1. The following are some important economic factors that will affect our service (such as trade area growth, telecom industry health, economic trends, taxes, rising energy prices, etc.):

BUSINESS PLAN OUTLINE

2. The following are some important legal factors that will affect our market:

3. The following are some important government factors:

4. The following are other environmental factors that will affect our market, but over which we have no control:

II. SERVICE ANALYSIS

A. Description

1. Describe here what the service is and what it does:

B. Comparison

1. What advantages does our service have over those of the competition (consider such things as unique features, patents, expertise, special training, etc.)?

BUSINESS PLAN OUTLINE

2. What disadvantages does it have?

C. Some Considerations

1. Where will you get your materials and supplies?

2. List other considerations:

III. MARKETING STRATEGIES - MARKET MIX

A. Image

1. First, what kind of image do we want to have (such as cheap but good, or exclusiveness, or customer-oriented or highest quality, or convenience, or speed, or ...)?

B. Features

1. List the features we will emphasize:

a. _____

b. _____

BUSINESS PLAN OUTLINE

c. _____

C. Pricing

1. We will be using the following pricing strategy:

a. Markup on cost _____ What % markup? _____

b. Suggested price _____

c. Competitive _____

d. Below competition _____

e. Premium price _____

f. Other _____

2. Are our prices in line with our image?

YES____ NO____

3. Do our prices cover costs and leave a margin of

▪ Profit? YES____ NO____

D. Customer Services

1. List the customer services we provide:

a. _____

b. _____

c. _____

2. These are our sales/credit terms:

a. _____

b. _____

c. _____

BUSINESS PLAN OUTLINE

3. The competition offers the following services:

a. _____

b. _____

c. _____

E. Advertising/Promotion

1. These are the things we wish to say about the business:

2. We will use the following advertising/promotion sources:

1. Television _____
2. Radio _____
3. Direct mail _____
4. Personal contacts _____
5. Trade associations _____
6. Newspaper _____
7. Magazines _____
8. Yellow Pages _____
9. Billboard _____
10. Other _____

The following are the reasons why we consider the media we have chosen to be the most effective:

BUSINESS PLAN OUTLINE

NOTES AND STRATEGIES FOR YOUR BUSINESS

MARKETING TIPS, TRICKS & TRAPS 1. Marketing Steps

- Classifying Your Customers' Needs
- Targeting Your Customer(s)
- Examining Your "Niche"
- Identifying Your Competitors
- Assessing and Managing Your Available Resources
 - Financial
 - Human
 - Material

2. Marketing Positioning

- Follower versus Leader
- Quality versus Price
- Innovator versus Adaptor
- Customer versus services
- International versus Domestic
- Private Sector versus Government

3. Sales Strategy

- Use Customer-Oriented Selling Approach - By Constructing
- Agreement
 - Phase One: Establish Rapport with Customer - by agreeing to discuss what the customer wants to achieve.
 - Phase Two: Determine Customer Objective and Situational Factors - by agreeing on what the customer wants to achieve and those factors in the environment that will influence these results.

BUSINESS PLAN OUTLINE

- Phase Three: Recommend a Customer Action Plan - by agreeing that using your service will indeed achieve what customer wants.
- Phase Four: Obtaining Customer Commitment - By agreeing that the customer will acquire your service.
- Emphasize Customer Advantage
- Must be Read: When a competitive advantage can not be demonstrated, it will not translate into a benefit.
- Must be Important to the Customer: When the perception of competitive advantage varies between supplier and customer, the customer wins.
- Must be Specific: When a competitive advantage lacks specificity, it translates into mere puffery and is ignored.
- Must be able to be promoted: When a competitive advantage is proven, it is essential that your customer know it, lest it not exist at all.

4. Benefits vs. Features

- The six "O's" of organizing Customer Buying Behavior
 - ORIGINS* of purchase: Who buys it?
 - OBJECTIVES* of purchase: What do they need/buy?
 - OCCASIONS* of purchase: When do they buy it?
 - OUTLETS* of purchase: Where do they buy it?
 - OBJECTIVES* of purchase: Why do they buy it?
 - OPERATIONS* of purchase: How do they buy it?
- Convert features to benefits using the "...Which Means..."
- Transition
- Sales Maxim: "Unless the proposition appeals to their INTEREST, unless it satisfies their DESIRES, and unless it shows them a GAIN-then they will not buy!"
- Quality Customer Leads:

Level of need Ability to pay

Authority to pay Accessibility

BUSINESS PLAN OUTLINE

Sympathetic attitude Business history

One-source buyer Reputation (price or quality buyer)

CONVERT FEATURES INTO BENEFITS – THE "...WHICH MEANS..." TRANSITION FEATURES "WHICH MEANS" BENEFITS

Performance Time Saved

Reputation Reduced Cost

Components Prestige

Colors Bigger Savings

Sizes Greater Profits

Exclusive Greater

Convenience

Applications Uniform Accuracy

Ruggedness Continuous Output

Delivery Leadership

Service Increased Sales

Price Economy of Use

Design Ease of Use

Availability Reduced Inventory

Installation Low Operating Cost

Promotion Simplicity

Lab Tests Reduced Upkeep

Terms Reduced Waste

BUSINESS PLAN OUTLINE

Workmanship Long Life

BUYING MOTIVES

RATIONAL EMOTIONAL

Economy of Purchase Pride of

Appearance

Economy of Use Pride of Ownership

Efficient Profits Desire of Prestige

Increased Profits Desire for

Recognition

Durability Desire to Imitate

Accurate Performance Desire for Variety

Labor-Saving Safety

Time-Saving Fear

Simple Construction Desire to Create

Simple Operation Desire for

Security

Ease of Repair Convenience

Ease of Installation Desire to Be

Unique

- Space-Saving Curiosity
- Availability
- Complete Servicing
- Good Workmanship
- Low Maintenance
- Thorough Research

BUSINESS PLAN OUTLINE

- Desire to be Unique
- Curiosity

PRICE / QUALITY MATRIX

SALES APPEALS

PRICE / QUALITY: HIGH MEDIUM LOW

- HIGH "Rolls Royce" "We Try Harder" "Best Buy"
- MEDIUM "Out Performs", "Piece of the Rock", "Smart Shopper"
- LOW "Feature Packed", "Keeps on Ticking", "Bargain Hunter"

BUSINESS PLAN OUTLINE

APPENDIX 2

FINANCIAL MANAGEMENT

FINANCIAL MANAGEMENT

1. Income Projection Statement
 - Instructions for Income Projection Statement
 2. Balance Sheet
 - Instructions for Balance Sheet
 3. Monthly Cash Flow Projection
 - Instructions for Monthly Cash Flow Projection
 4. Information Resources
-

INCOME PROJECTION STATEMENT

Industry J F M A M J J A S O N D

Annual Annual % Total %

- Total net sales (revenues)
- Costs of sales
- Gross profit
- Gross profit margin
- Controllable expenses
- Salaries/wages
- Payroll expenses
- Legal/accounting
- Advertising
- Automobile
- Office supplies
- Dues/Subscriptions
- Utilities
- Miscellaneous

BUSINESS PLAN OUTLINE

- Total controllable
- expenses
- Fixed expenses
- Rent
- Depreciation
- Utilities
- Insurance
- License/permits
- Loan payments
- Miscellaneous
- Total fixed expenses

Total expenses

- Net profit (loss)
- before taxes

Taxes

Net profit (loss) after taxes

INSTRUCTIONS FOR INCOME PROJECTIONS STATEMENT

The income projections (profit and loss) statement is valuable as both a planning tool and a key management tool to help control business operations. It enables the owner/manager to develop a preview of the amount of income generated each month and for the business year, based on reasonable predictions of monthly levels of sales, costs and expenses.

As monthly projections are developed and entered into the income projections statement, they can serve as definite goals for controlling the business operation. As actual operating results become known each month, they should be recorded for comparison with the monthly projections. A completed income statement allows the owner/manager to compare actual figures with monthly projections and to take steps to correct any problems.

BUSINESS PLAN OUTLINE

Industry Percentage

In the industry percentage column, enter the percentages of total sales (revenues) that are standard for your industry, which are derived by dividing Costs/expenses items x 100% total net sales

These percentages can be obtained from various sources, such as trade associations, accountants or banks. The reference librarian in your nearest public library can refer you to documents that contain the percentage figures, for example, Robert Morris Associates' Annual Statement Studies (One Liberty Place, Philadelphia, PA 19103).

Industry figures serve as a useful bench mark against which to compare cost and expense estimates that you develop for your firm. Compare the figures in the industry percentage column to those in the annual percentage column.

Total Net Sales (Revenues)

Determine the total number of units of services you realistically expect to sell each month in each department at the prices you expect to get. Use this step to create the projections to review your pricing practices.

- What returns, allowances and markdowns can be expected?
- Exclude any revenue that is not strictly related to the business.

Cost of Sales

The key to calculating your cost of sales is that you do not overlook any costs that you have incurred. Calculate cost of sales of all services used to determine total net sales. Where inventory is involved, do not overlook transportation costs. Also include any direct labor.

Gross Profit

Subtract the total cost of sales from the total net sales to obtain gross profit.

BUSINESS PLAN OUTLINE

Gross Profit Margin

The gross profit is expressed as a percentage of total sales (revenues). It is calculated by dividing gross profits _____ by total net sales

Controllable (also known as Variable) Expenses

- Salary expenses-Base pay plus overtime.
- Payroll expenses-Include paid vacations, sick leave, health insurance, unemployment insurance and social security taxes.
- Outside services-Include costs of subcontracts, overflow work and special or one-time services.
- Supplies-Services and items purchased for use in the business.
- Repair and maintenance-Regular maintenance and repair, including periodic large expenditures such as painting.
- Advertising-Include desired sales volume and classified directory advertising expenses.
- Car delivery and travel-Include charges if personal car is used in business, including parking, tools, buying trips, etc.
- Accounting and legal-Outside professional services.

Fixed Expenses

- Rent-List only real estate used in business.
- Depreciation-Amortization of capital assets.
- Utilities-Water, heat, light, etc.
- Insurance-Fire or liability on property or services.
- Include workers' compensation.
- Loan repayments-Interest on outstanding loans.
- Miscellaneous-Unspecified; small expenditures without separate accounts.

Net Profit (loss)

(Before taxes) - Subtract total expenses from gross profit.
Taxes - Include inventory and sales tax, excise tax, real estate tax, etc.

BUSINESS PLAN OUTLINE

Net Profit (loss)

(After taxes) - Subtract taxes from net profit (before taxes)

Annual Total - For each of the sales and expense items in your income projection statement, add all the monthly figures across the table and put the result in the annual total column.

Annual Percentage - Calculate the annual percentage by dividing Annual total x 100%

Total net sales

- Compare this figure to the industry percentage in the first column.

BALANCE SHEET

COMPANY NAME

As of _____, 20____

Assets

- Current assets

Cash \$_____

Petty cash \$_____

Accounts receivable \$_____

Inventory \$_____

Short-term investment \$_____

Prepaid expenses \$_____

Long-term investment \$_____

BUSINESS PLAN OUTLINE

- o Fixed assets

Land \$_____

Buildings \$_____

Improvements \$_____

Equipment \$_____

Furniture \$_____

Automobile/vehicles \$_____

Other assets

- o 1. \$_____
- o 2. \$_____
- o 3. \$_____
- o 4. \$_____

Total assets \$_____

Liabilities

Current Liabilities

Accounts payable \$_____

Notes payable \$_____

Interest payable \$_____

Taxes payable

Federal income tax \$_____

State income tax \$_____

Self-employment tax \$_____

Sales tax (SBE) \$_____

BUSINESS PLAN OUTLINE

Property tax \$_____

Payroll accrual \$_____

Long-term liabilities

Notes payable \$_____

Total liabilities \$_____

Net worth (owner equity) \$_____

Proprietorship or Partnership

(Name's) equity \$_____

(Name's) equity \$_____ or Corporation

Capital stock \$_____

Surplus paid in \$_____

Retained earnings \$_____

Total net worth \$_____

- o Total liabilities and
- o total net worth \$_____

(Total assets will always equal total liabilities and total net worth)

INSTRUCTIONS FOR BALANCE SHEET

Figures used to compile the balance sheet are taken from the previous and current balance sheet as well as the current income statement. The income statement is usually attached to the balance sheet. The following text covers the essential elements of the balance sheet.

BUSINESS PLAN OUTLINE

At the top of the page fill in the legal name of the business, the type of statement and the day, month and year.

Assets

List anything of value that is owned or legally due the business. Total assets include all net values. These are the amounts derived when you subtract depreciation and amortization from the original costs of acquiring the assets.

Current Assets

- Cash-List cash and resources that can be converted into cash within 12 months of the date of the balance sheet (or during one established cycle of operation). Include money on hand and demand deposits in the bank, e.g., checking accounts and regular savings accounts.
- Petty cash-If your business has a fund for small miscellaneous expenditures, include the total here.
- Accounts receivable-The amounts due from customers in payment for merchandise or services.
- Inventory-Includes raw materials on hand, work in progress and all finished goods, either manufactured or purchased for resale.
- Short-term investments-Also called temporary investments or marketable securities, these include interest- or dividend-yielding holdings expected to be converted into cash within a year. List stocks and bonds, certificates of deposit and time-deposit savings accounts at either their cost or market value, whichever is less.
- Prepaid expenses-Goods, benefits or services a business buys or rents in advance. Examples are office supplies, insurance protection and floor space.

Long-term Investments or Long-term assets (These are holdings the business intends to keep for at least a year and that typically yield interest or dividends. Included are stocks, bonds and savings accounts earmarked for special purposes.

BUSINESS PLAN OUTLINE

Fixed Assets

Property, Plant and Equipment (This includes all resources a business owns or acquires for use in operations and not intended for resale. Fixed assets may be leased. Depending on the leasing arrangements, both the value and the liability of the leased property may need to be listed on the balance sheet.)

- Land-List original purchase price without allowances for market value.
- Buildings
- Improvements
- Equipment
- Furniture
- Automobile/vehicles

Liabilities

Current Liabilities (All debts, monetary obligations and claims payable within 12 months or within one cycle of operation.) Typically they include the following:

- Accounts payable – Amounts owed to suppliers for goods and services purchased in connection with business operations.
- Notes payable – The balance of principal due to pay off short-term debt for borrowed funds. Also includes the current amount due of total balance on notes whose terms exceed 12 months.
- Interest payable – Any accrued fees due for use of both short- and long-term borrowed capital and credit extended to the business.
- Taxes payable - Amounts estimated by an accountant to have been incurred during the accounting period.
- Payroll accrual - Salaries and wages currently owed.

Long-term Liabilities (Notes payable-List notes, contract payments or mortgage payments due over a period exceeding 12 months or one cycle of operation. They are listed by outstanding balance less the current position due.)

Net worth (Also called owner's equity, net worth is the claim of the owner(s) on the assets of the business. In a proprietorship or

BUSINESS PLAN OUTLINE

partnership, equity is each owner's original investment plus any earnings after withdrawals.)

Total Liabilities and Net Worth (The sum of these two amounts must always match that for total assets.)

MONTHLY CASH FLOW PROJECTION

Name of Business Owner Type of Business Prepared by Date

Pre-start- 1 2 3 4 5 6 (Total Columns 1-6)

Year Month (Estimated and Actual for each year and month)

1. Cash on hand (beginning month)
2. Cash receipts
 - (a) Cash sales
 - (b) Collections from credit accounts
 - (c) Loan or other cash injections (specify)
3. Total cash receipts
4. Total cash available (before cash out)
5. Cash paid out
 - (a) Purchases (merchandise)
 - (b) Gross wages (excludes withdrawals)
 - (c) Payroll expenses (taxes, etc.)
 - (d) Outside services
 - (e) Supplies (office and operating)
 - (f) Repairs and maintenance
 - (g) Advertising
 - (h) Car, delivery and travel
 - (i) Accounting and legal
 - (j) Rent
 - (k) Telephone
 - (l) Utilities
 - (m) Insurance
 - (n) Taxes (real estate, etc.)

BUSINESS PLAN OUTLINE

- (o) Interest
- (p) Other expenses (specify each)
- (q) Miscellaneous (unspecified)
- (r) Subtotal
- (s) Loan principal payment
- (t) Capital purchases (specify)
- (u) Other start-up costs
- (v) Reserve and/or escrow (specify)
- (w) Owner's withdrawal

6. Total cash paid out

7. Cash position (end of month)

- Essential operating data
- Non-cash flow information)
 - (a) Sales volume (dollars)
 - (b) Accounts receivable end on month)
 - (c) Bad debt (end of month)
 - (d) Inventory on hand (end of month)
 - (e) Accounts payable (end of month)

INSTRUCTIONS FOR MONTHLY CASH FLOW PROJECTION

1. Cash on hand (beginning of month) -- Cash on hand same as (7),

- (a) Cash position, pervious month

2. Cash receipts-

- (a) Cash sales-All cash sales. Omit credit sales unless cash is actually received
- (b) Gross wages (including withdrawals)-- Amount to be expected from all accounts.
- (c) Loan or other cash injection-Indicate here all cash injections not shown in 2(a) or 2(b) above.

3. Total cash receipts

BUSINESS PLAN OUTLINE

4. Total cash available (before cash out)

5. Cash paid out -

- (a) Purchases (merchandise)--Merchandise for resale or for use in services (paid for in current month).
- (b) Gross wages (including withdrawals)--Base pay plus overtime (if any)
- (c) Payroll expenses (taxes, etc.)-- Include paid vacations, paid sick leave, health insurance, unemployment insurance, (this might be 10 to 45% of 5(b))
- (d) Outside services-This could include outside labor and/or material for specialized or overflow work, including subcontracting
- (e) Supplies (office and operating)--Items purchased for use in the business (not for resale)
- (f) Repairs and maintenance-Include periodic large expenditures such as painting or decorating
- (g) Advertising-This amount should be adequate to maintain sales volume
- (h) Car, delivery and travel-If personal car is used, charge in this column, include parking
- (i) Accounting and legal-Outside services, including, for example, bookkeeping
- (j) Rent-Real estate only (See 5(p) for other rentals)
- (k) Telephone
- (l) Utilities-Water, heat, light and/or power
- (m) Insurance-Coverage on business property and services (fire, liability); also worker's compensation, fidelity, etc. Exclude executive life (include in 5(w))
- (n) Taxes (real estate, etc.)-- Plus inventory tax, sales tax, excise tax, if applicable
- (o) Interest-Remember to add interest on loan as it is injected (See 2 (c) above)
- (p) Other expenses (specify each)

Unexpected expenditures may be included here as a safety factor. Equipment expenses during the month should be included here (non-capital equipment)

BUSINESS PLAN OUTLINE

When equipment is rented or leased, record payments here.

- (q) Miscellaneous (unspecified)--Small expenditures for which separate accounts would be practical
- (r) Subtotal-This subtotal indicates cash out for operating costs
- (s) Loan principal payment-Include payment on all loans, including vehicle and equipment purchases on time payment
- (t) Capital purchases (specify)—Non-expensed (depreciable) expenditures such as equipment, building purchases on time payment
- (u) Other start-up costs-Expenses incurred prior to first month projection and paid for after start-up
- (v) Reserve and/or escrow (specify)-- Example: insurance, tax or equipment escrow to reduce impact of large periodic payments
- (w) Owner's withdrawals-Should include payment for such things as owner's income tax, social security, health insurance, executive life insurance premiums, etc.

6. Total cash paid out

7. Cash position (end on month). Enter this amount in Cash on hand following month-

Essential operating data (non-cash flow information)--This is basic information necessary for proper planning and for proper cash flow projection. Also with this data, the cash flow can be evolved and shown in the above form.

A. Sales volume (dollars)--This is a very important figure and should be estimated carefully, taking into account size of facility and employee output as well as realistic anticipated sales (actual sales, not orders received).

B. Accounts receivable (end of month) Previous unpaid credit sales plus current month's credit sales, less amounts received current month (deduct "C" below)

C. Bad debt (end on month) Bad debts should be subtracted from (B) in the month anticipated

BUSINESS PLAN OUTLINE

D. Inventory on hand (end on month) Last month's inventory plus merchandise received and/or manufactured current month minus amount sold current month

E. Accounts payable (end of month) Previous month's payable plus current month's payable minus amount paid during month.

F. Depreciation-Established by your accountant, or value of all your equipment divided by useful life (in months) as allowed by Internal Revenue Service

BUSINESS PLAN OUTLINE

APPENDIX 3

INFORMATION RESOURCES

U.S. Small Business Administration (SBA)

The SBA offers an extensive selection of information on most business management topics, from how to start a business to exporting your services.

This information is listed in "Resource Directory for Small Business Management." For a free copy contact your nearest SBA office.

SBA has offices throughout the country. Consult the U.S. Government section in your telephone directory for the office nearest you. SBA offers a number of programs and services, including training and educational programs, counseling services, financial programs and contract assistance.

(http://home3.americanexpress.com/smallbusiness/Tool/biz_plan/index.asp?aexp_nav=sbs_it_bizplan)