

MY

BUSINESS

PLAN





Background

Step 1: Describe the history of my type of business.

How has this type of business developed?

What has been its growth?

What is the future?

Step 2: List sources of information.

What trade associations exist?

What are other sources of information?

Step 3: Describe background of my business.

When was my business founded?

Why was my business started?

Who started the business?

Why has my business been successful?

What have been the key points of business growth?

What have been the profitability patterns?

How have my business goals changed over time?



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Forms of Doing Business

There are five primary forms of doing business that may be appropriate for my small business. The five forms are described briefly below. I should seek tax and legal advice to complete the steps.

Sole Proprietorship:

My business is solely owned and operated by me. I own all assets and am entitled to all profit that may be produced, but I am also responsible for all liabilities and must suffer the consequences of all losses that may result. It is extremely easy to start this form of business. Taxes are based on my individual income.

General Partnership:

My business is owned and operated by me and at least one other person. Together we share profits and losses and the assets and liabilities according to a written partnership agreement (recommended but not required) or an oral understanding. My partners and I have legal liability for one another's business actions. Partners pay income taxes on their individual share of the profits.

Limited Partnership:

This form of doing business is similar to a general partnership. Limited partners are limited in legal liability to an amount based on their capital contribution to the business.

Regular Corporation:

A corporation is a separate legal entity formed by me alone or in conjunction with other owners. A corporation must have articles of incorporation and bylaws. I normally need a lawyer to properly establish a corporation. A corporation can do business in its own name, separate from me and the other owners. Owners are usually limited in their liability to an amount based on their investment in stock. Corporations must pay corporate income taxes and the owners must pay individual taxes on any salaries or dividends they receive from the corporation.

S Corporation:

This is a special corporation — like a regular corporation in all legal aspects — except the owners are taxed like the owners of a partnership.

Step 1: Determine the form of doing business I will use.

Step 2: Identify advantages and disadvantages of each form.



Management

Step 1: Identify owners and key employees.

Who are the owners and what are their titles?
Who are the key employees and what are their titles?

Step 2: Develop a resume for each owner and key employee.

Each resume should contain the person's name and title and answer the following questions in order:

- 1) What are their most important duties?
- 2) What is their previous business experience?
- 3) What is their educational background?
- 4) What are their personal interests?

Step 3: Identify my outside consultants and advisors.

Who is my SBM instructor? _____

Who is my accountant? _____

Who is my lawyer? _____

Who is my banker? _____

Who is my insurance broker? _____

Others? _____

Step 4: Complete the management skills matrix.

The purpose of this exercise is to help me identify areas of business expertise where I need to seek assistance. For each skill area, check the adequate knowledge column with an "I" to indicate that an insider (owner or key employee) has the skill or an "O" to indicate an outsider has the skill. For each skill area where I have NOT indicated adequate knowledge, I check either the assistance needed or education needed column with an "X".

Step 5: Determine how I am to address needed skill areas.

For each skill area checked with an "X", determine how I will satisfy the need in that area.

Owners and key employees:

Business Management Skills	Adequate Knowledge	Assistance Needed	Education Needed
Accounting & Taxes			
Planning			
Organizing			
Financial Management			
People Management			
Time Management			
Personal Selling			
Promotion			
Decision-Making			
Cost Control			
Personnel Policies			
Pricing			
Other			
Other			
Other			



Personnel

Step 1: Identify needed employees.

How many employees do I need?
What are the job titles and skills needed by employees?

Step 2: Identify source of employees.

Good employees can make the difference between a successful business and a marginal one. It is important to know where to find qualified employees and where potential employees can receive training, whether on the job or through an outside source.

How will I obtain needed employees?
What problems will I have finding competent employees?
What training is available for employees?

Step 3: Identify costs of employees.

The costs associated with having employees are much greater than the wages I have agreed to pay. There are costs that are required by law as well as many optional costs.

1) What are the base wages or salaries?	\$ _____
2) What will be the cost of required employee benefits?	\$ _____
Employer portion of Social Security	\$ _____
Federal unemployment taxes	\$ _____
State unemployment taxes	\$ _____
Workers compensation insurance	\$ _____
3) What will be the cost of optional employee benefits?	\$ _____
Medical/dental insurance	\$ _____
Life /disability insurance	\$ _____
Pension/profit-sharing plan	\$ _____
4) Total	\$ _____

Step 4: Determine how employees will be trained.



Products/Services

Step 1: Identify products offered for sale.

What are my products?
Who are my suppliers?
What makes my products unique?

Step 2: Define the economics of products being sold.

What prices will be charged for these products?
What costs are associated with these products?
How profitable and competitive are my prices?
What levels of inventory will be required?

Step 3: Identify services offered for sale.

Unlike products, services do not generally carry a brand name for the customer to choose. Instead the customer often chooses a service based on impressions of my business. Services are more abstract to the customer than products because there is nothing here for the customer to feel or see. However, like products, my services must have some attribute which will make the customer desire them.

What services do I provide?
What problems do my services solve?
What makes my services unique?

Step 4: Define economics of services

What prices will I charge for my services?
What costs will be associated with my services?
Will my services be profitable and competitively priced?



Customers

If my customers are other businesses, the following list of characteristics may be useful in defining my typical customer.

Type of business: _____

Annual Sales Volume: _____

Number of Employees: _____

Age of Business: _____

Minimum Purchase Amount: _____

If my customers are members of the general public, the following list of characteristics may be helpful.

Marital Status: _____	Sex: _____
Income Level: _____	Age Range: _____
Education Level: _____	Nationality, Ethnic Group: _____
Activities: _____	Others: _____

Step 1: Describe my customer.

Step 2: Determine location of my customers.

What distance are customers willing to travel to buy from me?

What distance will I travel to sell to my customers?

Step 3: Determine number of my potential customers.

This step requires doing some homework. If selling to the general public, I need to look at some census data. If selling to other businesses, there are many potential sources of information, one of the best being a trade association.

How many of my customers I describe reside within the geographical limits I have determined?

Step 4: Determine number of customers that will purchase from me.

A very tough question indeed! I need to consider my competition, both in numbers and quality; I will address this issue in a coming section. I also need to realize that some customers will not purchase the product or service from me or a competitor.

What is the number of total customers who will purchase the products or services I offer from either me or a competitor?

What percentage of those who do make a purchase will choose my business?

Multiply the above number by the above percentage to determine the number of my potential customers.

Step 5: Determine average customer purchases per year.

Time to do more homework. Trade association or industry publications are good sources of data need in this section.

How many purchases will the average customer make during a year? _____

How much will the average customer spend for each purchase? _____

Multiply these two figures together to determine the amount an average customer will spend each year. _____

Step 6: Determine my annual sales volume.

I now know the number of customers and the average amount each customer will spend per year. Multiply these two figures together to calculate my expected annual sales volume. _____

Step 7: Evaluate my annual sales volume figure.



Location

Step 1: Describe the location of my business.

- What is the address of my business?
- What features make this a good location for my business?
- What nearby businesses will help me attract customers?

Step 2: Describe the appearance of my business.

- What are the physical features of my building?
- What are the appearances of other nearby businesses?

Step 3: Determine future needs of my location.

- What renovations will be needed and what are the costs?
- What are the prospects for business growth in the area?

Step 4: Identify occupancy costs of location.

- What are the terms of lease or purchase for my location?
- What are the annual costs of my location?

Step 5: Prepare visual aids to show location to outsiders.

Location is an extremely importance factor for any business. For most retail and many small service businesses, location can be critical to success. For retail and service businesses, customer access is extremely important when evaluating a location. For wholesale and manufacturing businesses, the availability of resources — such as labor, materials, transportation, and utilities — are very important. It is often easier to describe my location to an outsider through use of maps, pictures, and a diagram of the layout.

Take pictures of my business and the surrounding businesses in my area.

On a copy of a map of the area, indicate the location of my business and any major reference points.

Draw an accurate diagram of my floor space, indicating location of equipment, furniture, and fixtures.

Step 6: Obtain copies of legal documents.

I should have readily available a copy of the lease or purchase agreement and any other legal documents that may affect my ability to use the location for my business.

Location of my business:

Appearance of my business:

Future prospects of my location:

Costs of location

Rent or Mortgage Payments: \$ _____

Property Taxes: _____

Maintenance and Repair: _____

Insurance: _____

Utilities: _____

Other Costs: _____

TOTAL COSTS: \$ _____

TOTAL COSTS PER SQUARE FOOT: \$ _____



Competitive Analysis

A key to the success of my business is establishing a unique market niche. In this section I will compare my business to my four major competitors. Use the form on the following page to record the rankings. Be honest with myself — the purpose is to help identify areas where I have a competitive advantage as well as areas for potential improvement.

Step 1: Identify my four major competitors.

Step 2: Compare my business to the competition.

For each of the nine areas explained below, compare my business to my competitors. Rank the business on a scale of 1 to 5, with 1 being the best and 5 the worst.

- 1) **Image** — This includes both the physical appearance of my business and the reputation of the business in the community.
- 2) **Location** — How convenient is my location for customer access? Key things to consider are distance from customers, traffic access, parking, and visibility.
- 3) **Layout** — Consider the physical layout of my floor space, especially as it relates to serving customers.
- 4) **Atmosphere** — Is the feeling a customer has in my place of business suitable for my type of business?
- 5) **Products** — Key things to consider are quality completeness of product lines and name brands in stock.
- 6) **Services** — Consider both quantity and quality of services being offered.
- 7) **Pricing** — This is difficult to compare but assume that competitive prices are the most attractive to customers if all else is equal.
- 8) **Advertising** — Use media that will reach my target market.
- 9) **Sales methods** — What are the selling techniques I use to make sales to customers?

Step 3: Identify changes to improve my competitive position.

Names and addresses of my four major competitors:

- A) _____
- B) _____
- C) _____
- D) _____

For each area of comparison rank my business and my four competitors on a scale of 1 (high) to 5 (low).

Areas of Comparison	Me	Competition			
		A	B	C	D
1) Image					
2) Location					
3) Layout					
4) Atmosphere					
5) Products					
6) Services					
7) Pricing					
8) Advertising					
9) Sales Methods					

List changes that will improve my competitive position:



Marketing Strategy

Step 1: Define my pricing strategy.

In the following questions, all references to products also apply to service.

How do I calculate the price for each product/service?

What factors have I considered in setting price?

Which products' sales are very sensitive to price changes?

Which product/service will attract customers at sale prices?

What is the role of pricing in my overall marketing strategy?

What time of year will sales pricing be important?

What are my discount policies?

What pricing policy do I use for slow-moving inventory?

Step 2: Define my promotional strategy.

What advertising media will I use?

What days of the week will I use various media?

What media will I use during various seasons of the year?

How do I present my product/service?

What is my promotional budget?

Step 3: Define my customer services.

What special customer services do I offer?

What types of payment options do I offer?

How do I handle customer dissatisfaction?



Capital Requirements

This section will help me plan purchases of my capital requirements. Capital requirements are defined as assets which have useful lives of more than one year. Examples include machines, equipment, office furniture, and computers.

Step 1:

List each piece of equipment needed for my business.

Step 2:

Fill in the cost required to buy each piece of equipment (new or used).

Step 3:

Calculate the totals for capital requirements.



Borrowing

Loan Payments

If I have to borrow money for Capital Expenditures, what are the terms?

Whatever the loan principal amount is for the next twelve months, enter the amount below.

		<u>Principal</u>	<u>Interest</u>
LOAN #1			
Total Amount of Loan	\$ _____		
Monthly Payment		\$ _____	\$ _____
Total Payment (Annual)		\$ _____	\$ _____
LOAN #2			
Total Amount of Loan	\$ _____		
Monthly Payment		\$ _____	\$ _____
Total Payment (Annual)		\$ _____	\$ _____
LOAN #3			
Total Amount of Loan	\$ _____		
Monthly Payment		\$ _____	\$ _____
Total Payment (Annual)		\$ _____	\$ _____
Totals			
Total Principal and Interest		\$ _____	\$ _____
Total Annual Payment			\$ _____

Return on Investment (ROI)

The money we invest in the business must return at least as high a percent return as available savings or other money market opportunities had I invested in these markets.

Total _____



Profit

For my business to grow, expand, and be a success it needs a profit.

Net Profit

Net profits are used to satisfy owner's salary, loan principal payments, capital expenditures, and surplus. This is your bottom line.

Step 1:

I am going to enter my previously calculated numbers below.

Capital Requirement (Cash purchase only)	\$ _____
Owner's Salary	_____
Loan Principal	_____
R.O.I. (Return on Investment)	_____
Net Profit	\$ _____

Note: To get an idea of where my business is headed, I will build a pro forma income statement from the bottom up:

= Sales	↑	100%
Cost of Sales	↑	
= Gross Profit	↑	
Operating Expenses	↑	
Net Profit	↑	



Labor

Salary expense is my first major category of expenses. In this section I will calculate the total cost of having employees working for my business. The total includes: 1) wages and salaries, 2) payroll taxes required by law, and 3) optional fringe benefits I agree to pay for my employees.

It's likely the number of employees (and hours worked) will vary from month to month, especially if my business has seasonal highs and lows. Don't forget to include the wages of part-time employees.

Step 1:

Fill in a brief title for each employee required in my business.

Step 2:

Fill in the salary or wage to be paid each employee for each month.

Step 3:

Calculate the monthly salaries. Add down the columns for monthly totals.

Step 4

Calculate the yearly salaries for each position. Add across the rows.

Step 5:

Calculate the payroll tax expense for each of the 12 months. Add down each monthly column.

Step 6:

Calculate the optional employee benefits for each of the 12 months. Add down each monthly column.

Step 7:

Calculate the total labor-related expenses.

Operating Expenses Labor-Related/First Year



<u>Salary Per Month</u> Position	1	2	3	4	5	6
1 _____	_____	_____	_____	_____	_____	_____
2 _____	_____	_____	_____	_____	_____	_____
3 _____	_____	_____	_____	_____	_____	_____
4 _____	_____	_____	_____	_____	_____	_____
5 _____	_____	_____	_____	_____	_____	_____
SUB-TOTAL	_____	_____	_____	_____	_____	_____
<u>Payroll Taxes</u>						
Employer Portion/ Social Security	_____	_____	_____	_____	_____	_____
Federal and State Unemployment	_____	_____	_____	_____	_____	_____
<u>Required Insurance</u>						
Worker's Compens- ation Insurance	_____	_____	_____	_____	_____	_____
SUB-TOTAL	_____	_____	_____	_____	_____	_____
<u>Optional Employee Benefits</u>						
Medical/Dental Insurance	_____	_____	_____	_____	_____	_____
Other Benefits	_____	_____	_____	_____	_____	_____
SUB-TOTAL	_____	_____	_____	_____	_____	_____
TOTAL	_____	_____	_____	_____	_____	_____

<u>Salary Per Month</u> Position	7	8	9	10	11	12	Total
1 _____							
2 _____							
3 _____							
4 _____							
5 _____							
SUB-TOTAL							
<u>Payroll Taxes</u>							
Employer Portion/ Social Security							
Federal and State Unemployment							
<u>Required Insurance</u>							
Worker's Compensation Insurance							
SUB-TOTAL							
<u>Optional Employee Benefits</u>							
Medical/Dental Insurance							
Other Benefits							
SUB-TOTAL							
TOTAL							



Operating Expenses

Many of these expenses are referred to as overhead. The term means that these costs are fixed – they will remain relatively constant regardless of the sales level. For example, my rent might be \$500 per month – it stays fixed and does not change as sales move up or down over the months.

On the other hand, some expenses do increase and decrease as sales increase and decrease. These expenses are variable expenses. An example might be my car/delivery expense — as my sales increase, my delivery expense probably would increase.

Step 1:

Review the expense items listed on the following pages. I may have some expenses which are not listed here — I should write them in the "other" spaces.

Step 2:

Calculate yearly total for all expenses. Add down columns.

Operating Expenses

First Year



	1	2	3	4	5	6
Salaries and Wages						
Advertising						
Answering Service						
Auto Expense						
Bad Debt						
Bank Charges						
Commissions						
Casual Labor						
Contributions						
Conventions & Meetings						
Depreciation						
Dues & Subscriptions						
Employee Benefit, Education						
Entertainment						
Equipment Rental						
Insurance						
Interest						
Laundry & Linen						
Legal & Accounting						
Licenses						
Miscellaneous						
Office Expense						
Payroll Preparation Expense						
Postage						
Professional Fees						
Promotion						
Rent						
Repair & Maintenance						
Rubbish Removal						
Taxes-Payroll						
Taxes-Property						
Telephone						
Temporary Help						
Travel & Promotion						
Uniforms						
Utilities						
Other						
TOTAL						

	7	8	9	10	11	12	Yearly Total
Salaries and Wages							
Advertising							
Answering Service							
Auto Expense							
Bad Debt							
Bank Charges							
Commissions							
Casual Labor							
Contributions							
Conventions & Meetings							
Depreciation							
Dues & Subscriptions							
Employee Benefit, Education							
Entertainment							
Equipment Rental							
Insurance							
Interest							
Laundry & Linen							
Legal & Accounting							
Licenses							
Miscellaneous							
Office Expense							
Payroll Preparation Expense							
Postage							
Professional Fees							
Promotion							
Rent							
Repair & Maintenance							
Rubbish Removal							
Taxes-Payroll (from Labor- Related Operating Exp.)							
Taxes-Property							
Telephone							
Temporary Help							
Travel & Promotion							
Uniforms							
Utilities							
Other							
TOTAL							



Gross Profit

In the previous sections I forecasted my net profit and operating expenses.

To complete this chapter, I need to add my net profit and operating expenses together to get Gross Profit.

Step 1:

Fill in the Net Profit.

Step 2:

Fill in the Operating Expenses.

Step 3:

Calculate Gross Profit by adding Net Profit and Operating Expenses.

Gross Profit	↑	_____
Operating Expenses	↑	_____
Net Profit	↑	_____



Cost of Sales/Projected Sales

In this section I will compute my cost for the products I will sell.

If my business sells only a service, I will normally not have cost of sales. If strictly a service business, I do not need to complete this section and can go to the next chapter.

Step 1:

Fill in the Gross Profit amount from previous page.

Step 2:

Determine industry or your historical average Gross Profit %.

Step 3:

Divide Gross Profit dollar amount from Step 1 by Gross Profit % from Step 2 to determine Sales amount.

Step 4:

Calculate Cost of Sales by subtracting Gross Profit amount from Sales.

Step 5:

Fill in the blanks below.

Sales	\$ _____	↑	100%
Cost of Sales	\$ _____	↑	____%
Gross Profit	\$ _____	↑	____%

Projected Income Statement Year 1 (by Months)



Now I am ready to assemble the data for my projected income statement. This statement will calculate my net profit or net loss (before income taxes) for each month.

Step 1:

Calculate sales for each month. I already estimated these figures on the Sales Forecast sheet. Just recopy them on the work sheet.

Step 2:

Calculate cost of sales for each month. I have estimated the % on the Cost of Sales sheet. Just recopy on the work sheet.

Step 3:

Fill in the Gross Profit for each month (Sales minus Cost of Sales).

Step 4:

Fill in the Operating Expense Totals.

Step 5:

Calculate the Net Profit or Net Loss (Before Income Taxes) for each month (Gross Profit minus Total Operating Expenses).

		1	2	3	4	5	6
Sales	100%	_____	_____	_____	_____	_____	_____
Less: Cost of Sales	____%	_____	_____	_____	_____	_____	_____
= Gross Profit	____%	_____	_____	_____	_____	_____	_____
Less: Operating Expenses		_____	_____	_____	_____	_____	_____
<u>Net Profit (or Loss)</u> <u>Before Income Taxes</u>		_____	_____	_____	_____	_____	_____

		7	8	9	10	11	12
Sales	100%	_____	_____	_____	_____	_____	_____
Less: Cost of Sales	___%	_____	_____	_____	_____	_____	_____
= Gross Profit	___%	_____	_____	_____	_____	_____	_____
Less: Operating Expenses		_____	_____	_____	_____	_____	_____
<u>Net Profit (or Loss)</u>		_____	_____	_____	_____	_____	_____
<u>Before Income Taxes</u>		_____	_____	_____	_____	_____	_____

Projected Income Statement Years 2 and 3 (by Quarters)



On the previous page I completed an income statement for my first year of operation. In this section I will complete statements for years 2 and 3, but I will do it by quarters (rather than by months as I did for year 1).

I just need to follow the same five steps used on page 60 to complete the income statements for year 2 and 3.

		1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total Year 2
Sales	100%	_____	_____	_____	_____	_____
Cost of Sales	____%	_____	_____	_____	_____	_____
Gross Profit	____%	_____	_____	_____	_____	_____
Operating Expenses		_____	_____	_____	_____	_____
<u>Net Profit (or Loss)</u> <u>Before Income Taxes</u>		_____	_____	_____	_____	_____

		1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total Year 3
Sales	100%	_____	_____	_____	_____	_____
Cost of Sales	____%	_____	_____	_____	_____	_____
Gross Profit	____%	_____	_____	_____	_____	_____
Operating Expenses		_____	_____	_____	_____	_____
<u>Net Profit (or Loss)</u> <u>Before Income Taxes</u>		_____	_____	_____	_____	_____

Projected Cash Flow Year 1 (by Months)



Cash flow projections are among the most critical financial projections I will make. I will calculate my cash receipts and the cash disbursements for each month. If the cash receipts are greater than the cash disbursements, I will have a positive cash flow. If the cash receipts are less than the cash disbursements, I will have a negative cash flow. Negative cash flows are enclosed in brackets.

Step 1:

Fill in my beginning cash balance for the first month.

Step 2:

Fill in the various categories for Cash Receipts and total them — for the first month only.

Step 3:

Fill in the various categories for Cash Disbursements and total them — for the first month only.

Step 4:

Calculate the Ending Cash Balance for the first month (Total Cash Receipts minus Total Cash Disbursements).

Step 5:

Fill in the Beginning Cash Balance for the second month (which is the Ending Cash Balance for the first month).

Step 6:

Repeat the first five steps for each of the 12 months. Remember to complete one month at a time!

Projected Cash Flow- Year 1 (by Months)



	1	2	3	4	5	6
<u>Beginning Cash Balance</u>						
<u>Cash Receipts</u>						
Cash Sales						
Collect Account Receivables						
Loans from Banks, etc.						
Other Receipts						
Total Cash Receipts Plus Beginning Cash Balance						
<u>Cash Disbursements</u>						
Purchase (Merchandise)						
Operating Expenses Less Depreciation						
Purchase Capital Equipment						
Loan Principal Repayment						
Owner's Withdrawals						
Total Cash Disbursed						
<u>Ending Cash Balance</u>						

	7	8	9	10	11	12
<u>Beginning Cash Balance</u>	_____	_____	_____	_____	_____	_____
<u>Cash Receipts</u>						
Cash Sales	_____	_____	_____	_____	_____	_____
Collect Account Receivables	_____	_____	_____	_____	_____	_____
Loans from Banks, etc.	_____	_____	_____	_____	_____	_____
Other Receipts	_____	_____	_____	_____	_____	_____
Total Cash Receipts Plus Beginning Cash Balance	_____	_____	_____	_____	_____	_____
<u>Cash Disbursements</u>						
Purchase (Merchandise)	_____	_____	_____	_____	_____	_____
Operating Expenses Less Depreciation	_____	_____	_____	_____	_____	_____
Purchase Capital Equipment	_____	_____	_____	_____	_____	_____
Loan Principal Repayment	_____	_____	_____	_____	_____	_____
Owner's Withdrawals	_____	_____	_____	_____	_____	_____
Total Cash Disbursed	_____	_____	_____	_____	_____	_____
<u>Ending Cash Balance</u>	_____	_____	_____	_____	_____	_____

Projected Cash Flow Years 2 and 3 (by Quarters)



On the previous page I completed the cash flow projections for my first year of operations. In this section I will complete the cash flow projections for years 2 and 3, and I will do it by quarters.

I just need to follow the same seven steps used on the previous page, remembering to complete one quarter at a time!

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
<u>Beginning Cash Balance</u>				
<u>Cash Receipts</u>				
Cash Sales				
Collect Account Receivables				
Loans from Banks, etc.				
Other Receipts				
Total Cash Receipts Plus Beginning Cash Balance				
<u>Cash Disbursements</u>				
Purchase (Merchandise)				
Operating Expenses Less Depreciation				
Purchase Capital Equipment				
Loan Principal Repayment				
Owner's Withdrawals				
Total Cash Disbursed				
<u>Ending Cash Balance</u>				

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
<u>Beginning Cash Balance</u>				
<u>Cash Receipts</u>				
Cash Sales				
Collect Account Receivables				
Loans from Banks, etc.				
Other Receipts				
Total Cash Receipts Plus Beginning Cash Balance				
<u>Cash Disbursements</u>				
Purchase (Merchandise)				
Operating Expenses Less Depreciation				
Purchase Capital Equipment				
Loan Principal Repayment				
Owner's Withdrawals				
Total Cash Disbursed				
<u>Ending Cash Balance</u>				



Balance Sheet

The balance sheet can be compared to a picture of my financial condition on a particular day. This statement is a list of my assets, my liabilities (my debts), and my equity in those assets.

I am going to prepare a balance sheet.

Step 1:

Fill in the amounts for each of the Current Assets and calculate the Total Current Assets.

Step 2:

Fill in the amounts for Fixed Assets — Land, Buildings, and Equipment — at the price I paid for those items.

Step 3:

The Book Value is equal to the cost minus the Accumulated Depreciation. Now calculate Total Fixed Assets.

Step 4:

Calculate the Total Assets (Total Current Assets + Total Fixed Assets).

Step 5:

Fill in the amounts for each liability and calculate the required totals as I did in Steps 1, 2, and 3.

Step 6:

Calculate the Owner's Equity (Total Assets — Total Liabilities).

Step 7:

Fill in the amount of Total Liabilities + Owner's Equity. This amount should equal the amount for Total Assets.



Balance Sheet

Prepared as of: _____

Assets

Current Assets

Cash \$ _____

Accounts Receivable _____

Inventory _____

Prepaid Expenses _____

Other Current Assets _____

Total Current Assets \$ _____

Fixed Assets

Land \$ _____

Buildings \$ _____

Less: Accumulate Depreciation _____

Book Value—Building \$ _____

Equipment \$ _____

Less: Accumulated Depreciation _____

Book Value—Equipment \$ _____

Other Fixed Assets _____

Total Fixed Assets \$ _____

Total Assets \$ _____

Liabilities

Current Liabilities

Accounts Payable \$ _____

Federal and State Taxes Payable _____

Notes Payable _____

Other Current Liabilities _____

Total Current Liabilities \$ _____

Long-Term Liabilities

Notes Payable to Bank \$ _____

Mortgages Payable _____

Other Long-Term Liabilities _____

Total Long-Term Liabilities \$ _____

Total Liabilities \$ _____

Owner's Equity

Capital \$ _____

Less: Owner's Draw _____

Net Profit _____

Retained Earnings _____

Total Owner's Equity \$ _____

Total Liabilities + Owner's Equity \$ _____



Break-Even Analysis

The break-even point is the level of sales at which my total sales exactly covers my total costs, operating expenses and profit. This level of sales is called the Break-Even Sales Level (B/E sales).

The work sheet will calculate my B/E sales level for any year of operations. The steps listed below will assume that I am calculating B/E sales level.

Step 1:

Fill in my Total Sales, Total Cost of Sales, and Total Gross Profit for Year 1. Refer to my projected income statement.

Step 2:

Calculate the Gross Profit % using the formula which is given on the work sheet. The Gross Profit % tells me what percentage of each dollar of sales results in Gross Profit.

Step 3:

Fill in the Total Operating Expenses for Year 1. Refer to my projected income statement.

Step 4:

Calculate the B/E sales level using the formula which is given. I need to reach this level of sales just to break even.

Step 1:

Total Sales \$ _____
Total Cost of Sales minus \$ _____
Total Gross Profit = \$ _____

Step 2:

Gross Profit % = $\frac{\text{Total Gross Profit}}{\text{Total Sales}}$ = \$ _____ divided by \$ _____

Gross Profit % = 0. _____

(Leave the Gross Profit % in a decimal format. The correct format is 0.347 — not 34.7%.)

Step 3:

Total Operating Expenses = \$ _____

Step 4:

B/E Sales Level = $\frac{\text{Operating Expenses}}{\text{Gross Profit \%}}$ = \$ _____ divided by 0. _____

B/E Sales Level = \$ _____



Timetable

This is a work sheet that I will need to work on periodically as I progress in the workbook. The purpose is to assure that key activities vital to the success of my business are identified and completed.

Step 1: Identify key activities.

By reviewing other portions of my business plan, I can complete a list of activities that are vital to the successful operation of my business.

Step 2: Assign responsibility for each activity.

For each identified activity, assign one person primary responsibility for the completion of that activity.

Step 3: Determine scheduled start date.

For each activity, determine the date when work will begin. I should consider how the activity fits into my overall plan as well as the availability of the person responsible.

Step 4: Determine scheduled finish date.

Determine the completion date of each activity.



Summary

Step 1: Verify completion of previous pages.

Are all necessary sections completed?

Step 2: Identify my business plan audience.

What type of person am I intending to satisfy with this business plan? The summary should briefly address all the major issues that are important to this person. Keep in mind that this page will probably be the first read by this person. It is extremely important the summary be brief yet contain the information most important to the reader. This section should make the reader want to read the rest of my plan.

Step 3: Write a one-page summary.

I will now need to loosen up my writing hand because it is time to write no more than a page (25 lines to be exact) summarizing all the previous work sheets I have completed.

Determine which sections are going to be most interesting to my reader. Write one to three sentences that summarize each of the important sections.

These sentences should appear in the order of the sections of my business plan. Keep in mind that the sentences must fit together to form a summary, not appear to be a group of loosely related thoughts.

I may want to have several different summaries, depending on who will read my business plan.



Supporting Exhibits

Step 1: Identify desired supporting exhibits.

Using the checklist, identify documents I will use as supporting exhibits for my business plan.

Step 2: Collect these supporting exhibits.

Complete any documents that are not readily available and obtain copies of items that already are in existence. Use the checklist to keep track of exhibits I have gathered and ones that still need to be assembled.