




Step by Step Guide to Writing a Business Plan

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Guidelines for a Good Business Plan

Although business plans vary in terms of length and scope, all successful business plans contain common elements. The plan should take into consideration your business and its environment. Several other things are vital to a quality product. Whether you are writing a business plan for your banker, an investor or yourself it should be done properly. Here are a few tips before you get started. The business plan is the roadmap for the future.

Allocate enough time and resource to thoroughly research your business plan. A business plan is only as good as the research that went into producing it. For example, you must do research in order to find out more about your industry, your potential customers, and your possible sales and costs. Many business plans are months to a year in the making.

Get professional help whenever possible. It can be very useful to get feedback on your ideas to start with and then on the draft business plan. It is wise to seek professional help when asking questions. Accountants, lawyers, bankers and business consultants can all give you professional help. Seeking the help of family friends could be problematic as they may not be in a position to give you an unbiased opinion and may not have the business background to ensure a positive result.

Make sure that your financial projections are accurate. For many readers, the financial section is the most important part of the business plan because it identifies your financial needs and shows the profit potential of your company. In addition, a good financial plan will give the reader the confidence that you really understand your business.

Write a strong executive summary. The executive summary is prepared last to summarize and highlight the whole business plan. People reading it first will assess your business idea from it. The keys to a good executive summary are to keep it short (average no more than one page) and it highlights the strengths and potential of your success. It should get the reader excited about your business idea.

TITLE PAGE

Include the following information on the front cover. Your logo or a catchy picture representing your industry is a nice touch.

<p style="text-align: center;">NAME OF YOUR COMPANY</p> <p style="text-align: center;">INCLUDE YOUR LOGO IF AVAILABLE</p> <p style="text-align: center;">Prepared for COMMUNITY FUTURES</p> <p style="text-align: center;">Prepared by Susan Smith 1130 Arch Avenue Everywhere, B.C. V0K 12B 250-456-7890</p> <p style="text-align: center;">Jan 15th, 2012</p>
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Logo Design: If you are designing a logo, keep in mind that it will need to be reproduced on different media. This includes small items such as business cards, but also large items such as T shirts, car doors and business signage. If it is too busy, it will not translate well to a small item. Too many colours and the printing cost will rise. Be sure that whoever designs your logo can produce the proper formats for reproduction purposes. A "bitmap" format does not translate well as it is done in pixels whereas a "vector" image is more versatile.

Check with one of your local community printing companies or on-line services such as Vista Print Canada.

[Vistaprint CA Online Printing: Business Cards, Signage & More](#)

Executive Summary

Overview

THE EXECUTIVE SUMMARY IS WRITTEN LAST but placed first in the business plan. It is a short synopsis of your business plan. Even though your entire business is well described later, a concise one-page summary helps to capture the immediate attention of the potential investor, lender or reader.

This summary is extremely important in capturing the reader's interest. Make sure it sells your idea. It should be no more than one page in length and should not include the small details which will be included in the body of the plan.

What should be included in the Executive Summary?

- Briefly - Description of who owns the business and business structure chosen.
- What does your business do?
- Describe products or services.
- What is the potential profit?
- What are the unique market advantages of your product or service?
- What is your target area, where you will be selling your product or service?
- How much financing will you require and what will it be used for?
- How much capital have you invested to date in this venture?

Pet Grandma Executive Summary Example

Pet Grandma offers on-site pet sitting services for dogs and cats, providing the personal loving pet care that the owners themselves would provide if they were there.

Our clients are dog and cat owners who choose to leave their pets at home when they travel or who want their pets to have company when their owners are at work. Pet Grandma offers a variety of pet care services from day visits through 24-hour care over a period of weeks – all in the pet’s home environment.

The management of Pet Grandma consists of co-owners Pat Simpson and Terry Estelle. Pat has extensive experience in animal care while Terry has worked in sales and marketing for 15 years. Both partners will be taking hands-on management roles in the company.

While there are currently eight businesses offering pet sitting in West Vancouver, only three of these offers on-site pet care and none offers “pet visit” services for working pet owners.

On start up we will have six trained staff to provide pet services and expect to hire four more this year once financing is secured.

Based on the size of our market and our defined market area, our sales projections for the first year are \$340,000. The salary for each of the co-owners will be \$40,000.

We are seeking an operating line of \$150,000 to finance our first-year growth. Together, the co-owners have invested \$62,000 to meet working capital requirements.

Already we have service commitments from over 40 clients and plan to aggressively build our client base through newspaper, local television and direct mail advertising. The loving on-site professional care that Pet Grandma will provide is sure to appeal to cat and dog owners throughout the West Vancouver area.

Business Goals

When you are thinking about the future of your business, where do you want to be in one year, three years, five years time? How much money do you plan on making? Do you want to expand to different markets? Will an expansion mean hiring more employees? It may mean a move from home based into a rented facility., As you design your business plan, some of these thoughts and ideas can be included in the Business Goal section.

Mission Statement

Your mission statement tells the reader what your business philosophy or creed is. You should briefly state the reason(s) that you are in business, where you will be conducting business, and how you plan to run your business. A mission statement should be short and mean something to you.

The mission statement may include:

- Who you are?
- What you do?
- Where you are?
- How you do it?

Example: **Sandra's Daycare** provides **reliable, safe daycare services** to the **Williams Lake area** serving children between 12 months and eight years of age.

Frank's Home Repairs Service located in Swan Lake, provides reliable cost-effective home repairs including carpentry, plumbing and electrical.

Management Overview

You will write a biography for this section. What life or work experience do you have that will be an asset to this business? (Include previous management roles) What credentials or licensing do you have? You will **include your resume in the appendix**, but this is an opportunity to personally sell yourself to the reader of your business plan.

Overview of the Business

There are several ways to organize your business, and the reader will be interested in knowing how you plan to do it. Provide them with information about your company by answering the following questions. Many of these items will contain enough information that they may receive their own headings (see bold brackets for suggestions of headings)

- How is your business set up? (proprietorship, partnership or limited company etc.) Please see business management section for specifics on business structures.
- What is the legal name of the company? (name search and registration)
- When will your business open? What hours and days will you be open and the reasons why? **(Hours of Operation)**
- What is the location that you will operate your business from? What are the strengths and weaknesses of this location? **(Location)**
- Who will be involved with your business and what are their roles? Will you have staff? (Only if there are other key players in your business) **(Staffing or Management)**
- Who is responsible for the administration, operations & marketing of the business? **(Key Personnel)**

You will also want to include the professional side.

It is important to research and know who you will need as part of your business team within the professions: (Only include the answers to the professionals who you anticipate using.)

- Who is your banker?
- Who is your bookkeeper?
- Who is your lawyer?
- Who is your insurance agent?
- Who is your business mentor/coach?
- Do you belong to any industry related associations?
- Do you plan to join your local Chamber of Commerce or Downtown Business Association?

Products and Services Overview

If the reader of your business plan is not clear on what you are selling or services, you are providing it will not strengthen your business concept. Products are things that your business sells and services are the things that your business will provide. Your business may focus on one type of product or service, or it may offer several varieties. Develop a list of product or services with a description of each including costs and patent or copyright information.

Before you can discuss your products and services, you must clearly explain the product line or list of services. For example, the items sold in a bakery or furniture store are typically straightforward. However, numerous technology-based businesses, consulting firms, and health-related services deal in highly specialized areas. Someone starting an Attention Deficit Disorder/Hyperactivity Disorder (ADD/HD) coaching business, for example, should explain precisely what coaches do to help individuals with ADD/HD. Even a new spa may opt to list equipment and services offered that are unfamiliar to the infrequent visitor. Every industry has its share of products that most people know very little about. Do not assume that everyone reading your business plan is familiar with the terminology for your industry.

One of the best ways to evaluate your products and services section is to simply ask other people to read the section and explain in their own words their understanding of the products or services you sell and their benefits. Clarity is the key. Be sure to describe your product or services and indicate its strengths and weaknesses.

Tips for Writing About Your Products and Services

- **Indicate why your product or service is needed.** Especially if you're venturing into a new concept or invention, or a place where there is no current market, you need to explain the need for your product or service.
- **Highlight the features of your product or service.** A crucial part of success in business is the ability to set yourself apart from other businesses that sell the same or similar products and services. You don't need to be the fastest, cheapest, or best. You just need to stand out in a way that attracts your market. What features, such as price point or level of service, do you offer that is unique to you?
-
- **Focus on benefits.** Unique features are important, but even more vital is how those features provide value to consumers. Translate your features

(i.e., faster or cheaper) into benefits (i.e., get it now to save money). The goal is to highlight how your product or service will fix a problem or improve a client or customer's life.

- **Be clear and concise.** Don't let your business plan get bogged down in too much description and information. Use bullets or numbered lists to quickly and easily highlight essential information.
- **Show off your expertise & experience.** You not only want to describe your products and services but also share why you're the best person to provide them
- **Be the expert but talk in layman's terms.** You should know your product, service, and industry well, but don't expect your potential funders and partners to have the same level of knowledge. Assume the reader doesn't know as much as you when you explain what you're offering. Avoid acronyms and jargon when outlining your products and services.
- **Indicate anything extra special about what or how you'll provide your products or services.** Will you be offering a special guarantee or refund policy? Do you have a quicker or more unique way of delivering your product or service?
- **Write as if you're talking to your customer.** You want to be customer-oriented when you write your products and services section.

The business plan products and services section is the centerpiece of your plan. While other sections of your business plan are important, the products and services section is the essence of your business and the point around which every other part of the business plan is built.

Pricing

You must determine how much you are going to charge for your product or services. Use the market prices to start with and then use the cost approach (formula shown below) to make sure all your expenses are covered. So many small businesses forget to price properly and end up losing money.

Questions to consider:

If you are providing a service...

How much do you charge an hour?

How much will you charge as a flat rate for each type of job?

What is the going industry rate for this type of work in your community?

If you are selling a product...

What is the wholesale cost of your product or the cost of production?

What is your mark-up rate on each product?

What is the final cost of each product??

How do your prices compare to those of the competition?

Which product sales are sensitive to price changes?

Do you have any control over prices? If so, describe.

Have you taken into consideration your costs in relation to your prices? Here is a pricing formula which is valuable in testing to see if your planned price will cover your costs.

$$\frac{(\text{Variable Cost per unit} \times \text{monthly volume}) + \text{overhead (including owners draw)} + \text{profit}}{\text{Volume}}$$

If we have a hamburger stand:

$$\frac{(\$3.50 \text{ per burger} \times 1000) + \$3500 + \$500}{1000} = \$7.50 \text{ per burger}$$

If our cost of producing a burger is \$3.50 and we plan on selling 1000 per month with an overhead cost of \$3500 and a planned profit of \$500 per month we must sell our burger for \$7.50. If your plan was \$8.00 then your profit margin would be higher. Keep in mind that the less you sell (volume) the higher your price will need to be to cover your expenses.

If you do not have any variable cost (you are strictly service based) take your **overhead + profit and divide by expected monthly volume**. This will give you your minimum hourly rate.

$$\frac{3500 \text{ (overhead)} + \$500 \text{ (profit)}}{160 \text{ hours}} = \$25.00/\text{hr}$$

What are your Margins?

Understanding your profit margins and being able to gather the information from your bookkeeping is vital to the success of your business. When starting a new business, you need to have an understand about your specific industry and what profit margin you can expect. If for example you are entering the food industry, you need to recognize that every plate of food that is set in front of customer will have a specific Cost of Goods (COG) attached to it. The industry average ranges from a low of 26% to a high of 40%. In other words, if that plate of food sells for \$10 it should cost between \$2.60 (this is usually a hallmark of franchises who have stronger buying power) and \$4.00 per plate. Keeping within this cost range is vital to the success of your business. Here are some examples of Costing Margins by Industry. Your GROSS Profit margin is whatever is left over. At 40% COG your Gross Profit Margin will be 60%.

The next step is determining the percentage of your overhead and thus your Net Profit. Your total Gross Sales (before all expenses) less your Cost of Goods is called your Gross Profit Margin. Now you must subtract all of your operating expenses including wages. What is left over is your Net Profit before depreciation.

Here is an example:

Total monthly sales	\$50,000	Gross Sales
Less Cost of Goods 33%	<u>\$16,500</u>	Cost of Goods
Gross Profit	=\$33,500	Gross Profit
Less Wages at 30% of sales	\$15,000	
Less Other Overhead 20%	<u>\$10,000</u>	
Net Profit before depreciation	=\$ 8,500	
Net Profit	\$ 8,500 / \$50,000 = 17%	

As you can see your overhead and particularly your wage levels will drastically impact your ability to make money. That \$8,500 above is your paycheque before taxes. So, if you think about the fact that you will also have to pay taxes on that money, is this enough for you to live on. Each business is different but knowing what your costs are and how much money is left each month is important. At 17% net profit, if your yearly sales were \$100,000 you would have \$17,000 left at the end of the year.

Distribution Strategy for a Product

How will get your product to market? If you are a local business selling to your local customers, delivery seems easy. However, if your business has a larger market, Provincially, Federal or even International you need to have a very solid system in place for shipping, paying tariffs, collections etc.

[Business and industry - Canada.ca](http://Businessandindustry-Canada.ca)

A great source of information regarding accessing international markets is available at the Canada Business Services website.

Market Information (Research)

Industry Information

Thoroughly research which industry your business falls under. Use the internet, newspapers, trade journals, or community profiles to determine the size of the industry. Present trends, emerging technology, and competition. Consider the industry in B.C., Canada and globally if appropriate for your business idea. Check out:

<https://www.ic.gc.ca/app/scr/app/cis/search-recherche?lang=eng>

Describe where your business fits into the “big picture”.

Your industry information section should include answers to the following questions:

- What industry classifications does your business fall under?
- What is the economic outlook for this industry?
- Is there growth potential within this industry? Is this industry growing, shrinking or stable?
- How many dollars are spent in your industry each year including your local trading area, provincially, and nationally?
- What new trends have you identified?
- What kind of technology affects your industry? (if applicable)
- What kind of licensing is required to operate within your industry?

Customer and Area Demographics

To learn more about potential customers, you must conduct market research. The more you know about your customers and what “they” want, need, or desire the more successful your business will be.

Many small businesses have fuzzy understanding of who their customers will be and who their target market is.

Ask yourself these questions:

- In which communities will your company operate?
- How many people live in each of these communities?
- Are these communities dependent upon a single industry?
- Who are your major customers?
- Where are they located?
- What criteria do they use before decided to purchase?
- Will they buy from you?
- Why will they buy from you and not someone else?
- How often do they buy?
- What is the average price they pay now?
- What is their age demographic and buying habits?

But do not stop here when you are writing a business plan. To define your target market, you need to ask the specific questions that are related to your products or services. For instance, if you plan to sell computer-related services, you need to know things such as how many computers your prospective customer owns. If you plan to sell garden furniture and accessories, you need to know what kinds of garden furniture or accessories your potential customers have bought in the past, and how often. You now need to determine the number of potential customers that will purchase from you. Some potential customers will not purchase from you, they may buy from a local competitor or someone entirely different.

All of this should give you enough information about your market and the customers to complete a realistic market information summary.

Competition

Competition is a very important aspect of your business plan and your market research. A key to the success of your business is establishing your share of the market. In this section you will identify your competitors and compare your business to theirs. Be honest and do not "bash" the competition, it looks unprofessional but do mention any shortcomings that you may discover and that you can take advantage of. An example could be that they have limited hours of operation, and you will be able to have longer hours which could attract customers. By studying your competition, you will uncover opportunities for your business. You also need to realize that if you have competitors competing with you, your business will rely on attracting some of their customers. Think of it as pie that is divided up amongst those who are delivering the product or service into the marketplace. If you have found no competition, two things should be asked. Is this a niche market which has so far remained untapped or is there simply no need or desire for the product or service in your marketplace?

Ask yourself these questions while studying the competition.

- Which business does the best job?
- Who has the best prices?
- Who has the best quality?
- Who has the best selection?
- Who has the best customer service?
- Who has the best location?
- Who has the most knowledgeable staff?
- Who has the best reputation?
- How long have they been in business?
- Do they keep their promises to customers?

You may insert the S.W.O.T. analysis in your business plan. Strengths, Weaknesses, Opportunities and Threats.

This does not have to be done in a chart format. You may share what you have learned about the competition in a paragraph format if you like.

Risk Assessment

The risk assessment is the “what if” scenario. The reader of your business plan is looking for continuance and success of your business. What do you have in place in case of events outside of your control?

i.e. fire, flood, earthquake, 911, BSE, avian flu, stock market crashes, you break your leg????? Think of all the “possible” events that could happen and how will you continue to do business? You may want to include your crisis management plan.

1. What would you do in the case of a fire, theft, or business interruption due to a natural disaster?
2. What will happen if the owner passes away and is therefore unable to repay the loan? Do you have a will?
3. What will you do if you run into a cash shortfall?
4. What will you do if new competition moves in, or existing competition becomes fiercer?
5. What will you do if you do not meet your estimated market share?
6. What will you do if you get sick and can't work?

Manufacturing and Productions

The manufacturing and production process will only be applicable to some businesses. Only complete the following if your business includes the manufacturing of products. Answer the following questions to determine your manufacturing and production strategy. You should also include the cost of production, and the time required for piecework items. In other words, including "hours" how long and how much does it require to manufacture your product. Please include pictures and maps of your location if you have them.

Production Process

What is the manufacturing process, or the steps you take, to produce the final product?

Step One:

Step Two:

Step Three:

Step Four:

Step Five:

If you are retailing....

Include purchasing plans for your inventory, cost & quantity of your initial inventory and freight issues. You will also want to discuss your suppliers, who they are, where they are and why you have chosen them. Another necessary component is your inventory system. How will you keep track of your inventory and finally the space required to house it. We also recommend that you think about future expansion. If you are planning an expansion, what are your plans for future storage etc.?

Marketing Strategies

Potential customers must know about your product or service, so you need to market to them to get the message out effectively. Many businesses fail because of ineffective marketing. Some overspend their marketing budget while others ignore it entirely. Others have not clearly defined their target market, so their marketing misses the mark.

A particularly useful tool is a white board wall calendar. Research community events, when and where they are scheduled and schedule your marketing strategies to take advantage of the timing. Include:

- 1. What types of marketing you plan to do and how you intend on hitting your target market group?**
- 2. The cost of both time and labour of your marketing activities. Be sure that the monthly cost is shown in your Cash Flow Forecast.**

The most successful small businesses understand that only a limited number of people will buy their product or service. The task then becomes determining, as closely as possible, exactly who those people are, and 'targeting' the business's marketing efforts and dollars toward them. One of the first things you need to do is to refine your product or service so that you are NOT trying to be 'all things to all people.' Become a specialist!

Next, you need to understand that people purchase products or services for three basic reasons:

- **To satisfy basic needs.**
- **To solve problems.**
- **To make themselves feel good.**

You'll need to determine which of those categories your product or service is the solution to and be prepared to market it accordingly. If you are selling to other businesses, you must keep in mind that they will buy from you for two especially important reasons. To save time or save money. They are filling a need so that they can increase their profit. Your product or service may fit more than one category, as well – a boat charter business primarily targets folks who just want to feel good – spending a day out on the water, relaxing and being waited on. But it also targets people who have visitors coming from out of town, or even overseas, because we represent a solution to the problem of "What will we do while our company is here? How can we entertain them, or show them our area?"

It is a good idea when preparing your business plan to have a month-by-month calendar of "marketing" strategies including the costs associated with each one. This is then reflected in your financial cash flow forecast.

Financials

What financial statements do I require?

You must have the following financial statements:

- (1) Break-even analysis
- (2) Sources of financing to date & contact names
- (3) Additional financing required
- (4) Personal income & expense statement
- (5) Opening day balance sheet
- (6) Description of equipment inventory or investment
- (7) Cash flow projections (2 year) - new businesses

You may want to use the forms provided in the following pages.

Break-even Analysis

The break-even point is defined as the level at which sales revenues equal expenses, resulting in no profit or loss for the accounting period.

To calculate the break-even point, we must determine:

Selling Price

The selling price is the revenue generated from the sale of the product or service.

Fixed Costs

Fixed costs (or overhead) are costs which do not fluctuate with sales volume. They include the cost of insurance, rent and leases etc.

Variable Costs

Variable costs are costs which fluctuate directly with sales volume. They include the cost of goods for resale, manufacturing, and direct service costs.

Break-Even Point Formula

$$S = FC + VC \text{ or}$$

$$S = FC / GM$$

Where:

S = break-even level of sales

FC = fixed costs

VC = variable costs

GM = gross margin as a % of sales

An Example of a Yearly Break-even Analysis for a Retail store

Break-even Analysis for Children's Clothing Retail Store					
FIXED COSTS					\$
Advertising					5,000.00
Bank Charges					1,500.00
Business Taxes					1,000.00
Office Expenses					1,500.00
Rent and Utilities					24,000.00
Telephone					2,400.00
Vehicle Expenses					3,700.00
Wages and Benefits					22,000.00
TOTAL ANNUAL FIXED COSTS					61,100.00
GROSS PROFIT MARGIN (GPM)					\$
Selling Price per unit					50.00
Cost of unit sold					30.00
Gross Profit					20.00
Gross Profit Margin	=	$\frac{\text{Gross Profit}}{\text{Selling Price}}$	=	$\frac{\$20.00}{\$50.00}$	= 40%
Mark-up	=	$\frac{\text{Gross Profit}}{\text{Cost}}$	=	$\frac{\$20.00}{\$30.00}$	= 67%
Break-even Point	=	$\frac{\text{Total Fixed Costs}}{\text{Gross Profit Margin}}$	=	$\frac{\$61,100}{.40}$	= \$152,750
The retailer in this example must make \$152,750(3,055 units) in sales per year or a monthly average of \$12,730.00(255 units) before any profit.					

CALCULATING BREAK – By the month....

If you are selling a service (labour-based business)

Total Monthly Overhead (Fixed) expenses /divided by Hourly Rate = #of hours needed monthly to break even. This should include the amount of your owners draw, (your paycheque). You can also divide your overhead by the number of hours you plan on working each month and that will give the total hourly rate you need to charge.

Example \$3500 / \$50 per hour = 70 billable hours per month
 \$3500 / 70 billable hours = \$50 per hour

If you are selling a product, your monthly sales requirements.

1. Selling price – (minus) Cost of Goods = Gross Profit per unit as a \$ value
2. To Show as a % Take your Gross Profit \$ and divide by the selling price = % Gross profit as a percentage
3. Take Fixed Expenses and divide by % Gross profit. = \$ Sales needed to break even (*)
4. Total needed Sales \$ /divided by your selling price will give you # of units

Examples

1. \$15 per unit (selling price) - \$7.00 purchase price = \$8.00 Gross profit per unit (Contribution amount)
Contribution rate = \$8(Gross profit)/\$15(selling price) = 53%
2. \$7.00(purchase price) / divided by \$15 (selling price) = 47% Cost of Goods
3. \$3500 fixed expenses / Contribution rate 53%* = \$6604 sales to break even
4. \$6604 / divided by \$15 =440 units

Jane sells hamburgers at \$7.00 each. Her cost for each one is \$3.00.

1. \$7.00-\$3.00= \$4.00 (Gross Profit per unit) (Contribution amount)
2. \$4(Contribution amount) divided by \$7.00(Sales price) = 57%

It costs Jane \$2500 per month in overhead expenses including her paycheck.

3. \$2500 divided by 57%% (Contribution rate) * = \$4385.96 sales to break even
4. \$4,385.96 / Divided by \$7.00 = 626 hamburger must be sold

*Use the percentage key when doing this calculation.

Funding

The following worksheet will help you determine how much money you may need to borrow to get your business going. You are trying to figure out what everything is going to cost you, how much money you must pay for it, and how much you will need to borrow. There are a few things to remember:

- Hard assets are items you can see, touch, and feel. These items remain with the company to generate income.
- Soft costs are those intangible items that you cannot see, touch, or feel, such as a business license, insurance, advertising costs, etc.
- Always attain quotes on costs so that your projections are realistic.

Begin with your equipment list of things you already own.

Equipment Inventory

Who must do an equipment inventory?

You must do an equipment inventory *if you are purchasing an existing business*. This will help to ensure that you are receiving what you are purchasing. If you already own equipment that you will be using for a new business. (This is called personal investment statement).

Inventory Sample if purchasing an existing business

Item Number	Description (Include manufacturer's name, machine capacity, etc.)	Model Number	Serial Number	Mfg. Year	Purchase Year	Current Market Value	Indicate Any liens or charges	Qty.

Personal Investment Statement if you are starting a new business

Description	Value

What are your start up costs?

From your start-up cost worksheet, how much funding will your business require to open?

Start-up cost worksheet

Start- up Costs – Description of expense	Amount Required
Advertising & Promotion to launch	
Automotive purchase	
Cost to secure financing	
Deposits for utilities and rent	
Equipment Tools purchases	
Furniture purchases	
Inventory ready to sell on 1 st day of business	
Legal costs (incorporation etc.)	
Licenses and permits	
Marketing portfolio costs (cards, signage etc.)	
Memberships & subscriptions	
Name search registration	
Renovations/leasehold improvements (professional quote)	
Research costs	
Supplies & Materials for 3 – 6 months (purchase)	
Telephone/fax/internet hook-up costs	
Contingency money (to cover cash flow shortfalls)	
Insurance for business	
Insurance for vehicle	
Fuel & Maintenance	
Freight	
Total Start up costs	

Where will you get your financing?

Provide information on how you detailed the above plan to finance the requirements detailed above.

Personal Funds	_____	\$ _____
Bank Loans	_____	\$ _____
CFDC	_____	\$ _____
Line of Credit	_____	\$ _____
Other	_____	\$ _____
Total³:	_____	\$ _____

²Includes start-up inventory and operating funds as detailed in your cash flow.

³Must match total from above 'Total Funds Required'.

Line of Credit: If you are looking for financing for your new business, you may want to start with your bank. A line of credit will allow you to have a set amount of money that you can use as you need it and only pay interest on the amount that you use. For example, if you have a \$10,000 line of credit (LOC) and you spend \$2000, you will only pay interest on the \$2000. Most lines of credit are at lower rates than other forms of credit such as credit cards. You may be required to put up collateral for a LOC depending on your current financial situation. Some also require an annual fee.

Bank Loan: A bank loan as a rule requires collateral and you most likely will need to show a current income. Interest is paid on the full amount of the loan.

Credit Cards: Most credit cards are at higher interest rates although you can find a lower rate from most banks. Credit cards are a great tool to use in your business if you make the effort to pay off the balance every month. Some credit cards offer incentives giving free merchandise or money back or even travel points. Again, the only way to use these effectively is to keep them paid off monthly.

Community Futures: The CFCC office offers business loans up to \$150,000. The interest ranges from prime +2 to prime +7 and are based on the outcome of a risk assessment. Williams Lake Office 250-392-3626 or you can find the CF in your region by visiting: <https://www.cfdccariboo.com/>

Personal Expense Statement (This should be on its own page in the business plan)

Why do I need a personal expense statement?

A personal expense statement is required to ensure that you have considered all of your monthly living costs when laying out your cash flow. It will help you determine what your owner’s drawing needs to be to pay your bills.

Monthly Personal Income & Living Expenses:

Monthly Income	
SE Program / EI	\$
Spousal	\$
Investment / Pension	\$
Other	\$
Total:	\$
Monthly Expenses	Current
Shelter	\$
Real Estate Taxes	\$
Home Insurance	\$
Utilities	\$
Maintenance & Misc.	\$
Food	\$
Child /dependent care	\$
Clothing	\$
Supplies & Misc.	\$
Education	\$
Insurance (Health/Life)	\$
Medical	\$
Medications & Misc.	\$
Auto Payments	\$
Auto Maintenance	\$
Auto Insurance	\$
Recreation	\$
Contributions	\$
Miscellaneous	\$
Total:	\$

Opening Day Balance Sheet

Question?

A balance sheet is a picture of the company at any point in time. It provides information as to what assets are owned, bills that are owing, what loans are outstanding, and how much equity the owner has in the business. It should be set out as follows:

Name of Business

Balance Sheet

Date of Balance Sheet

ASSETS:

Cash on Hand	\$
Inventory	\$
Tools	\$
Equipment	\$
Vehicle	\$

TOTAL ASSETS: _____

LIABILITIES:

Accounts Payable	\$
Loan(s)	\$

TOTAL LIABILITIES: _____

OWNER'S EQUITY

\$ _____

~ Your total assets should equal your total liabilities and equity.

Cash Flows

Why do I need a cash flow?

The cash flow is intended to be an accurate assessment of revenues and expenses within given time frames - usually monthly and yearly. Because this is a projection into the future, -it is impossible to say what will happen for sure. Nevertheless, it is important to develop your cash flow as you would an "educated guess".

Like an educated guess, cash flow is based on certain assumptions. The most significant assumption is that the business will generate revenues. Therefore, it is important to explain any assumptions you have made.

For example, if you project your business will have \$1000 in revenues in a given month, *how did you arrive at that number?* If you are selling goods, how many and at what price would you have to sell them? Or, if you are providing services, how many hours and what "billing rate" would you have to set?

Describe **ANY** assumptions you have made in the projected cash flow. **DO NOT** assume we know where your business revenues will come from.

(1) Cash flow assumptions - *Discuss your cash flow projections and any irregularities contained within it.*

Projected Cash Flow - Year #1

John's Repair Shop

John doe

(Name of Business)

(Name of Client)

#of billable hours

	20	40	45	50	75	90	95	100	100	100	120	120	Total
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
1. Cash from Sales (Labour @ \$50/hr)	1000	2000	2250	2500	3750	4500	4750	5000	5000	5000	6000	6000	47750
2. Cash from Sales (Product #2)													0
3. Cash from Accounts Receivable													0
4. Loans Received (CFDC, Other)	10000												10000
5. Other Cash (Specify: personal invest)													0
6. GST Collected on Sales	50	100	113	125	188	225	238	250	250	250	300	300	2388
7. Total Cash In (Add Lines 1-6)	11050	2100	2363	2625	3938	4725	4988	5250	5250	5250	6300	6300	60138
8. Less Inventory Costs (Cost of Goods) %													0
9. Gross Profit (Line 7 - Line 8)	11050	2100	2363	2625	3938	4725	4988	5250	5250	5250	6300	6300	60138
10. Owner Drawings	0	0	1500	1500	1500	1500	1500	1500	1500	2500	2500	2500	18000
11. Employee Salaries					250	2250	250	250	500	500	600	600	5200
12. Employers Share of CPP & EI (15%)	0	0	0	0	38	338	38	38	75	75	90	90	780
13. W.C.B Expense												16	16
14. Accounting / Legal	200	100	100	100	100	100	100	100	100	100	100	100	1300
15. Utilities (heat / light / etc.)	150	150	150	150	150	150	150	150	150	150	150	150	1800
16. Telephone / Fax / Cell	75	75	75	75	75	75	75	75	75	75	75	75	900
17. Insurance & Licenses	150	150	150	150	150	150	150	150	150	150	150	150	1800
18. Repairs & Maintenance	100	100	100	100	100	100	100	100	100	100	100	100	1200
19. Auto Expenses	200	200	200	200	200	200	200	200	200	200	200	200	2400
20. Equipment Purchases	1000												1000
21. Office Supplies	150	25	25	25	25	25	25	25	25	25	25	25	425
22. Advertising	500	250	250	250	250	250	250	250	250	250	250	250	3250
23. Bank Charges	40	40	40	40	40	40	40	40	40	40	40	40	480
24. Loan Payments	400	400	400	400	400	400	400	400	400	400	400	400	4800
25. Other Payments	100	100	100	100	100	100	100	100	100	100	100	100	1200
26. Rent	550	550	550	550	550	550	550	550	550	550	550	550	6600
27. Freight													0
28. Other													0
29. GST Offset from Line 6 Above	50	100	113	125	188	225	238	250	250	250	300	300	2388
30. Total Cash Out (Add Lines 10-29)	3665	2240	3753	3765	4115	6453	4165	4178	4465	5465	5630	5646	53538
31. Opening Cash Balance	0	7385	7245	5855	4715	4538	2810	3633	4705	5490	5275	5945	
32. Cash In/Out (Line 9 - Line 30)	7385	-140	-1390	-1140	-178	-1728	823	1073	785	-215	670	654	
33. Closing Cash Balance 31+32	7385	7245	5855	4715	4538	2810	3633	4705	5490	5275	5945	6599	

NOTES

Additional Info

Appendices

What other things should I include in my business plan?

You should include the following in the appendices section of your business plan.

- ~ Resume of management and key staff
- ~ Product/service literature
- ~ Market studies (summary of survey results). You can place the results of any surveys in the body of the business plan in your market research section and include a copy of the actual survey in the Appendix.
- ~ Relevant Articles, Photos (Product/service reviews, industry outlook)
 - **Letters of Supports from past employers, potential customers, references.**

Glossary of Terms

Accounts Payable Money that a firm owed to its suppliers for goods and services for the business. They are deemed to be current liabilities.

Accounts Receivable Money owed to a firm by its customers. They are deemed to be current assets.

Assets The resources owned by a firm. Tangible assets are "things". Examples of intangible assets include copyright and business Goodwill. See liabilities.

Break - Even The point at which sales equal accumulated expenses.

Capital The money investors put into a business; also known as equity, owner's equity, or shareholder's equity.

Cash Flow The flow of money in and out of a firm.

Collateral Assets used as security for a loan.

Co-Signers Joint signers of security for a debt. Usually, all parties are both jointly and individually liable for the entire amount of the debt,

Corporation A separate entity with the purpose to provide limited liability to the owner. Incorporation is done by filing Articles of Incorporation with the Provincial Government. The legal costs are approximately \$500 - \$800. Since most owners of small businesses will be asked to personally guarantee any suppliers accounts or loans; - they do not benefit completely from the limited liability

of a corporation. Reasons to incorporate are possible tax advantages and personal liability in the case of lawsuits. An accountant should be consulted prior to incorporating. A corporation is taxed independently and must file an annual tax return and an annual report with the Provincial Government.

- Cost of Goods Sold** The direct costs of acquiring and/or producing items or Services for sales. Does not include overhead of profit.
- Credit** An amount of debt authorized by a lender, also an entry in the right-hand side of a double entry system. See Debit.
- Current Assets** Cash or other items that can be turned into cash within one year (see Liquidity) and will be used up within one year.
- Current Liability** Similar to current debt but includes wages owing, accounts payable, taxes, etc.
- Debit** An entry on the left side of-a balance, sheet-and indicating an asset or prepaid expense. See Credit.
- Depreciation** -A method of calculating and-writing off the costs of fixed assets such as buildings, equipment, and other big-ticket items, except land. It is an expense against business but does not entail any transfer of money. It may, however, receive a tax benefit.
- Direct Costs** Costs that vary directly with volume sold. See Variable Costs.

Disposable Income The amount on money people have available to spend after purchasing necessities of food, shelter, and clothing.

Equity The difference between assets and liabilities of a firm. (See Net Worth.) Also, the term used to describe-the funds or other assets the owner is putting into a business.

Equity Capital or financing The funds and other assets that represent ownership, including venture capital, which is money provided by-, other investors to the owners and may or may-not represent-ownership by the venture capitalist. Equity capital has the last charge against a firm, after debts, -taxes, and-contractual obligations, including labour.

Financial Statements Documents that show your financial situation, usually consisting of income statements, cash flow statement, and balance sheets.

Fiscal Year An accounting period of 12 months of the firm's choosing that is expected to last for over one year.

Fixed Assets Those things that a firm owns and uses in its business and that are expected to last for over one year.

Fixed Costs Costs that are constant regardless of volume of business. Also known as indirect costs.

Gross A total amount before deductions or expenses.

Gross Profit Profit after the cost of goods sold or cost or merchandise inventory are deducted before overhead costs are deducted.

Guarantor	A person or firm that -guarantees the repayment of a loan by another person or firm. Often a business owner is required to personally guarantee the debts of her firm.
Guarantee	An assurance that quality or service will be as claimed and to repay cost if it is not.
Income Statement	A statement of the relationship between income and costs of a business recorded on an accrual rather than cash flow basis. Also known as a profit and loss statement.
Inventory	Current assets that are being held for sale or use.
Inventory Control	A record keeping system that allows a firm to know exactly how much and what kind of inventory is in hand.
Lease	A contract for exclusive-use of-property for a period of time.
Liabilities	All the debts of a business, usually expressed in terms of current and long term. See Assets.
Line of Credit	A negotiated agreement with a bank-whereby the borrower is allowed to overdraw the firm's account to an agreed upon limit. Often employed to cover initial capital needs.
Liquid Assets	Cash and any assets-that are readily converted to cash or liquidated.
Liquidity	A measure of the firm's ability to convert assets to cash without loss.
Market	The population sector that is most likely to purchase your product or service.

Market Niche A special slice or component of a larger market that presents unique advantages to firms entering the niche.

Market Research Systematic gathering and analysis of information about marketing goods and services.

Market Segment A group of potential customers who share some common characteristics.

Market Share The amount of a firm's sales as a percentage of total sales of that product or service within a market or industry.

Marketing All activities involved in promoting a product or service.

Net The amount left from the gross after deduction of expenses and Taxes.

Net Worth A personal or business evaluation, which subtracts liabilities from assets. Also known as book value.

Partnership An association of 2 or more persons who intend to carry on as co-owners of a -business. --All partners—are-responsible for the debts and profits or losses. A partnership agreement must be prepared. It should define authority, duties and limits of each partner. It must also show the division of profits or losses. The divided profits are reported on the individual partner's Income Tax Return.

Psychographics A profile of attitudes, behaviors and values of people in groups.

Trial Balance A test of balance between credits and debits (must be zero)

Variable Costs Costs that vary with the volume of sales. See Direct Costs.

Venture Capital Investment as opposed to debt capital provided by individuals and venture capital firms with the expectations of a high rate of return consistent with risk. Usually offered with a provision for return of the capital when a satisfactory gain has been made. Venture capital investors may or may not choose to have some control over the firm for the period of their investment.

Working Capital Funds required to meet operating requirements until sales revenues are able to cover them. Also, a measure of the firm's ability to pay short-term debts.