

THE ENTREPRENEUR'S BUSINESS PLANNING GUIDE

A MAP FOR SUCCESS AND OBTAINING CAPITAL

Longwood University
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GETTING STARTED

When you hear the phrase “The American Dream,” the first things that usually come to mind are owning a home and owning a small business. This booklet is designed to give prospective small business owners a superficial overview of what it takes to make the dream a reality. It is impossible to cover *all* aspects of launching an entrepreneurial endeavor in a few pages, so this document is focused mainly on obtaining capital. The concepts discussed will also be helpful to existing small business owners planning an expansion or looking for financing to solve a business problem.

The best preparation for starting a business is several years of business education, followed by several more years of business experience. (Try it out with someone else’s money first.) So, we shall assume that after a few years in the “Rat Race” you have decided to become an entrepreneur.

WHAT SHOULD YOU DO?

Step 1 - Evaluate your entrepreneurial abilities. Take the quiz, “What it takes to be a successful entrepreneur” on page 6.

Step 2 - Choose the venture based on your interests and skills and, of course, the need for that product or service in your market area.

Step 3 - Evaluate your personal creditworthiness. You can obtain a credit report from one of the national credit bureaus. You are entitled to one free credit report per year through AnnualCreditReport.com by visiting www.annualcreditreport.com. If you have already obtained a free credit report for the year and need a current report, you can contact one of the following national credit bureaus. Each of these credit bureaus charge a nominal fee for the report.

Experian (Formerly TRW)	1-888-397-3742	http://www.experian.com
Equifax	1-800-685-1111	http://www.equifax.com
TransUnion	1-877-322-8228	http://www.transunion.com/

Step 4 – Fully understand your personal financial status and monthly living expenses. Since your primary source of income may be from your business, you must have a thorough appreciation of the amount of sales you will need in order to reach both a business and personal break-even point. Complete the personal expense sheet at the end of the entrepreneurial examination. (Worksheet 1 page 12)

Step 5 - Evaluate your ability and willingness to assume risk. Most new ventures fail and you should be willing and able to take that risk both psychologically and financially. The personal financial statement on page 41 will assist you in more thoroughly analyzing your financial situation.

Step 6 - Gather information for a business plan and loan proposal. Use the Business Plan Outline (page 21) as a checklist to help you gather the necessary information for start-up, operations, marketing, and so on.

In addition to creating a financing proposal, doing a business plan will help *you* determine:

- if your idea is feasible
- how much the venture will cost to start
- how much volume you will need to do to stay in business.

When a banker analyzes a business loan application he/she looks at the **8 C's of lending**:

- **Credit** - It must be good
- **Collateral** - Something of *value* to secure the loan
- **Cash Flow** - Ability of the *business* to repay the loan from operations
- **Capacity** - Your *personal* ability to repay
- **Capital** - Your cash investment or down payment
- **Character** - *You!*
- **Conditions** - *Anything* that can affect your business (industry, economy, etc.)
- **Commitment** - Your *willingness* to succeed

Each one of these items must be addressed in the business plan. If you walk into the banker's office with a plan in hand, you have made the first step in separating yourself from the pack.

Step 7 - Financing Your Business. Lack of capital is a major cause of business failure. You must know not only how much money you need to start the project but also how much working capital will be needed to carry you through the first few months of operation.

It takes more than money...

In addition to getting your requested financing, your business needs to get legal assistance dealing with federal, state, and local government law and regulations. You need to decide what legal structure (Sole Proprietorship, S-Corporation, LLC, etc.) is best for your situation. You will probably need to address these issues in the business plan.

Information concerning local zoning, tax and licensing requirements can be found at the Commissioner of Revenue Office for the city or county in which you plan to have your business.

Your local SBDC has resources available to provide information on how to keep financial records and how to properly register your business. However, we do recommend engaging the services of an attorney, a CPA, and other professionals to make sure you have done everything necessary to stay out of trouble, maximize your efficiency, and minimize your risks and liabilities.

TAKE THIS QUIZ

What It Takes To Be A Successful Entrepreneur

You have worked for others all of your life. You have been recognized for your outstanding work and been praised by your supervisors.

Now, you want to start your own business.

Do you possess the skills necessary to run your business? Your talent may not be enough to keep the business afloat if you can't market your talent and run the business.

*Do you know how to negotiate? Plan? Organize? Supervise?
Are you timely? Adaptable? Open to suggestions?*

You may start a new business because you want to spend more time with your family only to discover that the demands of your new business keep you away from your family more than ever. An honest assessment of your skills, along with your personal and financial needs and the demands of your family and other commitments should be undertaken prior to starting your business.

The following quiz is by no means an exhaustive list of questions to ask, but is meant to start you thinking about the **broad implications of entrepreneurship.**

Ask yourself the following:

	Yes	No
Do you like to make your own decisions?		
Do you like competition?		
Are you self-disciplined?		
Are you an effective planner?		
Are you well organized?		
Do you get things done on time?		
Can you take advice from others?		
Are you adaptable to changing conditions?		
Can you delegate responsibility?		
Could you fire an ineffective employee?		
Do your family and friends approve and support your decisions?		
Are you willing to work 12 to 16 hours a day, six days a week and on holidays to get your business started?		
Do you have the physical stamina to work as necessary?		
Are you prepared to lose your financial investment?		
Will the business generate enough income to meet your financial needs?		

Are you prepared to lower your standard of living for months, even years until your business is a success?		
Do you know which skills are critical to making your business a success?		
Do you possess these skills?		
Does your business idea effectively utilize your personal strengths?		
Can you find and afford personnel to provide the skills you lack?		
Will your business fulfill your career goals?		
Can you tolerate the loneliness of working alone while building your business?		

If you answered “NO” to more than a few of these questions, maybe you should think twice about whether or not you want to be an entrepreneur.

DETERMINE CONCEPT FEASIBILITY

Source: The University of North Carolina's Small Business and Technology Development Center, *Business Start-Up & Resource Guide*, www.sbtcd.org/pdf/startup.pdf.

Many questions must be answered and certain information gathered before determining the feasibility of your business idea. Careful research and analysis will help you in evaluating your concept and assist you in assessing your idea.

DEFINE YOUR BUSINESS IDEA

The first step is to begin gathering as much information as possible about your business. You will want to read articles, books, and trade publications. It is also a good idea to visit existing businesses and begin the research and planning process.

It is important to remember that every business is unique. Taking time to explore your concept will help you identify those specific factors which make your business concept unique. The following questions will guide you in defining your business concept. While looking for the answers, also attempt to identify the potential problems which might relate to your business idea.

- What business will you be in?
- What product or service will you provide to your customers?
- Who will buy your product or service?
- Why will your customer buy from you?
- When will your customer buy your product or service?
- How will your customer know you have products or services available?
- How much will your customer pay for your product or service?

REFINE THE CONCEPT

As you refine your idea, there are business-specific issues that need to be addressed:

- What specific product or service will your business provide?
- Do you have the capability or skills to provide this product or service? If not, how will you overcome this deficiency?
- What makes your business idea, product or service unique?
- What will be your competitive advantages? What will make your product or service “stand out” from the competitor?
- What competitor disadvantage do you have?
- Have you identified any potential problems? If so, how will you overcome them?

In addition to looking at the business concept, you should also explore the market and the industry you are interested in by seeking out the opportunities and identifying potential problems. Answering the following questions will help you assess your market and industry:

- What industry competition exists in your town or region?
- What will you do to better provide a unique or better product or service than your competition?
- If there is little or no competition, why not?
- Are there potential international or government procurement opportunities in your product or service? If so, identify them.
- Are there emerging opportunities in the market place? If so, identify them.
- Are current business and economic trends favorable? Such as:
 - Interest rate
 - Inflation
 - Business climate
 - Business trends
 - Unemployment

Remember, it is important to evaluate all aspects of your business concept and to continually balance your ideas against reality.

After defining and refining your business idea, does it still look like a good idea to you? If so, you will now want to do more in-depth market research and analysis to better define your market and opportunity.

DEFINE YOUR MARKET THROUGH RESEARCH AND ANALYSIS

While market research provides data and information about the industry and its customers, market analysis helps the business owner understand the business environment and the basis on which you must compete.

Market Research

Market research tells you who your customers are, where they are, and how large the potential market is. Through research, you will be able to gather certain information and data such as:

- Demographics
- Size of your potential market
- Customer lifestyles and buying behavior
- Specifically who the customer is
- Determine demand for your product or service

There are two basic types of market research – primary and secondary:

Primary research is research gathered firsthand through techniques like surveys, questionnaires, focus groups, or in-depth interview. Primary research can be time consuming and possibly expensive. However, it provides the business owner with the opportunity to hear customer feedback and act accordingly.

Primary research methods

- Surveys
- In-depth interviews
- Competitor analysis
- Questionnaires
- Focus groups
- Tracking customer response to advertising and promotion

Secondary research is already published research. It includes sources like directories, industry journals, and association publications. Secondary research is accessible, less expensive, can be conducted on a continuous basis, and can be combined with business owner's knowledge of the business, geographic conditions, and customer base. The business owner can informally tailor the research findings to meet the needs of the business.

Secondary research sources

- Business encyclopedias and directories
- Newspapers
- Business magazines
- Trade publications
- Market analysis

Market analysis helps the business owner understand the business climate in which you must compete. It is through market analysis that a business owner determines if a certain business or industry provides an attractive opportunity.

Market analysis provides competitive analysis which includes:

Industry analysis – evaluates the industry’s overall opportunity and attractiveness including ease of entry, availability of substitutes, and buyer/supplier issues.

Competitor analysis – who are the primary competitors, and what are their strengths and weaknesses.

Your business analysis – identifies the strengths, weaknesses, opportunities, and threats of your identified market.

ENHANCING YOUR CHANCE FOR SUCCESS

There are always risks in starting a new business. As a business owner, you will want to lower your risks by incorporating the following ideas into your start-up plan:

- ✓ Plan ahead.
- ✓ Make sure you have experience in management and in the type of business you want to start.
- ✓ Try to best use your strengths and interest in the most appropriate way.
- ✓ Make decisions based on facts or reliable information. Don’t make hasty decisions.
- ✓ Seek the support of your family during the start-up phase and difficult times.
- ✓ Seek advice from counselor, accountant, attorney, and others.
- ✓ Talk to others in the same business.
- ✓ Be persistent, and **DON’T GIVE UP!**

WORKSHEET 1:

MONTHLY PERSONAL COST OF LIVING

REGULAR MONTHLY PAYMENTS

Rent/mortgage _____

Automobile payment _____

Home owner's insurance _____

Auto insurance _____

Health insurance _____

Disability insurance _____

Loan payments _____

Credit card payments _____

Misc. Payments _____

Total: _____

PERSONAL EXPENSES

Clothing _____

Laundry _____

Prescriptions _____

Medical & dental _____

Education _____

Dues/Subscriptions _____

Auto expense _____

Gifts & contributions _____

Misc. _____

Total: _____

HOUSEHOLD EXPENSES

Telephone _____

Utilities _____

Water _____

Misc. _____

Total: _____

TAXES

Federal _____

State _____

Personal Property _____

Other _____

Total: _____

FOOD EXPENSE

Groceries _____

Restaurants _____

Total: _____

SUMMARY

Regular monthly payments	_____
Household expenses	_____
Food expenses	_____
Personal expenses	_____
Tax expense	_____

TOTAL MONTHLY EXPENSES \$ _____

WORKSHEET 2:

START-UP COSTS

Start-up costs are those expenses that you will incur before your business opens. They vary according to the type of business, but this worksheet will help you begin the process of assessing your financial needs so that your venture is not undercapitalized at the outset.

Land		\$ _____
Building (Facility/location expense and/or Deposit, office or building lease)		\$ _____
Renovations (Decorating/remodeling/build-out) (Changes in facility required for business operation)		\$ _____
Furniture/fixtures		
Cost of Furniture/fixtures	\$ _____	
Installation of furniture/fixtures	\$ _____	
Total Furniture/fixtures		\$ _____
Equipment (Production, office machines, security, etc.)		
Cost of Equipment	\$ _____	
Installation of Equipment	\$ _____	
Total Equipment Expense		\$ _____
Initial inventory (Stock, supplies for manufacturing)		\$ _____
Advertising and promotion (Business cards, stationery, brochures, grand opening)		
Advertising Expense	\$ _____	
Signs (Vehicle, interior and exterior for facility)	\$ _____	
Total Advertising and promotion		\$ _____
Organizational Expense:		
Licenses, permits and fees	\$ _____	
Legal/professional services	\$ _____	
Training/Certification	\$ _____	
Franchise Fees	\$ _____	
Total Organization Expense		\$ _____
Miscellaneous Start-up Expense:		
Utilities/Telephone (Installation and deposits)	\$ _____	
Websites/ISP Account	\$ _____	
Office Supplies	\$ _____	
Insurance	\$ _____	
Total Miscellaneous Start-up Expense		\$ _____
Working capital (Cash reserve for early months of business before sales are sufficient to pay bills)		\$ _____
Other _____		\$ _____
Total Start-up Costs		\$ _____

WORKSHEET 3:

MONTHLY OPERATING EXPENSES

Some of your start-up expenses will also become ongoing monthly costs once your firm is in operation. It is necessary to estimate all of your monthly costs so that you are realistic about the income your firm will need. This worksheet includes some basic considerations. Completing it will help you and your Longwood SBDC counselor develop cash flow projections. In the column adjacent to the monthly expenses, make notes to those that increase or decrease in particular months.

	<u>Monthly Expense</u>	<u>Additional Notes</u>
Rent/Mortgage Payment	\$ _____	_____
Equipment Lease	\$ _____	_____
Maintenance and Repairs	\$ _____	_____
Advertising	\$ _____	_____
Office Supplies	\$ _____	_____
Delivery	\$ _____	_____
Postage	\$ _____	_____
Vehicle Expenses	\$ _____	_____
Legal/Professional Fees	\$ _____	_____
Insurance(s)	\$ _____	_____
Telephone	\$ _____	_____
Utilities	\$ _____	_____
Website/ISP Account	\$ _____	_____
Travel	\$ _____	_____
Dues/Memberships	\$ _____	_____
Inventory/Materials	\$ _____	_____
Payroll	\$ _____	_____
Payroll Taxes	\$ _____	_____
Taxes/Licenses	\$ _____	_____
Franchise Fees/Royalties	\$ _____	_____
Other _____	\$ _____	_____
Other _____	\$ _____	_____
Total Monthly Expenses	\$ _____	

FORMS OF ORGANIZATION

There are four common forms of a business organization – sole proprietorship, partnership, corporation, and Limited Liability Company. The following section highlights the advantages and disadvantages of these forms of organization. It is strongly recommended that you seek advice from your accountant and attorney on which legal entity best suits your needs.

SOLE PROPRIETORSHIP

A sole proprietorship is a business that is owned by an individual who is solely responsible for all aspects of the business. The owner is personally responsible for all debts of the firm, even in excess of the amount invested in the business. All that is necessary to establish as sole proprietorship is to obtain the necessary local licenses. Sole proprietorship is the easiest of the legal structures to set up and is the most common small business legal structure.

ADVANTAGES	DISADVANTAGES
Owner receives all profits Profits taxed only Owner makes all decisions Low organizational costs Few legal restrictions Simple to organize Easy to discontinue	Unlimited liability No separate legal status Difficulty in raising capital

PARTNERSHIP

A general partnership is a legal entity that is jointly owned by two or more persons. As in the sole proprietorship, the owners are personally responsible for all debts of the firm, even those debts in excess of the amount invested in the business. An attorney should be consulted to help prepare the partnership agreement. Limited partnerships must be filed with the State Corporation Commission (SCC). The requirements for establishing a limited partnership include filing a certificate that contains the name of the partnership, its specified office location, its registered agent, and the name of each general partner.

ADVANTAGES	DISADVANTAGES
Easy to organize Separate legal status Profits taxed only once Taxed at partner's rate	Unlimited liability to general partner Divided decision making Transferability of ownership

CORPORATION

A corporation is a business that is formed and authorized by law to act as a single person, although constituted by one or more persons, and is legally endowed with rights and responsibilities. There are two general types of corporations: regular and Subchapter-S. Each has numerous variations.

It is advisable to consult an attorney when organizing a corporation to assure full compliance with Virginia and federal laws. All corporations are required to file articles of incorporation and amendments with the SCC. Corporations that do business in more than one state must comply with the federal laws regarding interstate commerce and with the various state laws.

Regular Corporation (C Corporation)

The regular corporation is the better-known corporate structure. This type of corporation requires several procedures: obtaining a corporate taxpayer identification number from the Internal Revenue Service (IRS), obtaining a state certificate of incorporation, and holding a stockholders' meeting to elect directors who in turn elect the corporate officers. Each corporation must hold a stockholder's meeting at least once each year, keeping minutes of the meeting on the record. A corporation is either publicly held or closely held, usually depending on the number of stockholders. A closely held corporation is generally one where all the stock is owned by persons, or members of their immediate family, who are actively involved in the management of the business. This kind of corporate structure provides the liability protection, the benefits of being incorporated, and the absence of the public scrutiny applied to a partnership.

ADVANTAGES	DISADVANTAGES
Limited liability Transfer of ownership Ability to raise larger dollars	Double taxation High organizational costs

S Corporation

Another form of corporation is the Subchapter-S Corporation. A new venture can have no more than 75 shareholders and no more than 20 percent of its income earned from passive investments. The losses of the corporation can be deducted by the individual stockholders and can be earned forward or backward to offset any gains. This is a significant advantage in attracting capital from individual investors who want a tax write-off the first several years when the corporation is losing money. When the new venture starts to earn a profit, the structure can be changed from an S corporation to a regular corporation with its accompanying tax laws.

S Corporation requirements:

- Must be a U.S. Corporation
- Shareholders must be U.S. residents
- Limited number of shareholders
- Only one class of stock
- No corporate or partnership shareholders
- Consent of all shareholders required for S Corporation election

ADVANTAGES	DISADVANTAGES
Limited liability Profits may be taxed only once Ability to raise larger dollars	Extensive record keeping necessary High organizational costs Heavily regulated by State and Local laws S Corporation requirements

LIMITED LIABILITY COMPANY (LLC)

A limited liability company is an unincorporated association. Limited liability companies must be filed with the SCC. The requirements for establishing a limited liability company include filing articles of organization that set forth the name of the company, its principal office address, and its registered agent. All amendments must be filed with the SCC.

ADVANTAGES	DISADVANTAGES
Limited liability for each member No limitation on number of members Simplicity in operation & formation (required to file articles of organization) Flow-through tax advantage	LLC laws are very new and untested Limited tax savings for fringe benefits Regulations vary among states regarding taxation issues Some states require that a LLC must terminate in 30 years Some states impose a corporate or franchise tax on LLCs

THE BUSINESS PLAN

A business plan is a well-thought-out evaluation or analysis of your business venture, covering every conceivable facet and perspective in logical, concise, and where possible, statistically detailed terms. It proves that what you are about to do, have done, or may do, has substance, merit, and a demonstrable probability of success. This is a functional document which, when properly prepared and followed, is a key element in your management thinking and decision-making processes.

Define your dream.

There are a multitude of very important reasons why every business venture must establish and maintain an on-going business planning process. Perhaps the most critical motivating factor is that without one, the chance of acquiring financing from any source at any time is extremely small or non-existent.

Commercial and other sophisticated capital sources (bank, venture capitalist, angel/private investor, government sources of money) regardless of form (debt, equity, hybrids/combinations of each) will not give serious consideration to funding needs without written and convincing proof.

That proof, in whole or in part, is your business plan.

GENERAL TIPS

Make it brief, to the point and easy to read. The summary items (Source & Application of Funds, Statement of Purpose, Executive Summary) and financial projections are the first parts of the plan your banker or investor will read. If they make financial sense, then the rest of the plan will have additional value. Use layman's terms (or include a glossary) if your industry uses technical terms.

As a rule of thumb, unless you are requesting a very large amount of money, **the plan should not exceed 25 pages**. Voluminous research data, surveys, letters of intent, catalog pages, samples, diagrams and other information should be included in a separate binder or as an appendix to the basic plan.

Use a market driven approach. Marketing is the engine that drives the projected sales revenues. Demonstrate and substantiate how the customer will benefit and be motivated to purchase your products, goods or services.

Exploit your company's unique selling point (USP). Explain what will give your company a competitive edge in the marketplace (patents, trade secrets, copyrights, barriers to entry, etc.).

Emphasize management strength. Convince the reader that you have the skills and expertise needed to actively manage the business. If you need a key employee (i.e. a chef in a fancy restaurant) indicate the incentives that will keep them with you.

Present attractive, yet realistic, financial projections. Paint a realistic picture - substantiated by assumptions - of where your company is going with the funding. Be detailed and keep it credible.

Weave the theme “This is how you get your money back” into the entire plan. Be definite about how investors will get their money back and when. For lenders, show that their funds are adequately secured and that your cash flow more than covers their interest and principal payments.

Avoid computer software business plans where you plug in numbers. Individualize your financial projections because no two businesses are alike and a start-up company will not fit the standard industry norms.

Expect to spend a minimum of several weeks working on your plan. As you gather information, the plan will need to be continuously revised and edited. It's not unusual to spend up to a year developing a detailed plan.

Borrow enough money up front. Don't assume that the bank will loan you more money if you need it in the future.

Do your homework. It is likely that the loan officer will have to present your plan to a loan committee. If your plan is not complete enough to sell itself, your chances of approval are slim.

Prepare and rehearse your oral pitch.

Proofread the plan. Have someone else read your plan for style, spelling, grammar, accuracy, consistency, and completeness. If it is an easy plan to read and understand, it will be easier for possible financing sources to say "YES!"

Learn from your mistakes. If you are rejected by the first bank you contact, find out why, fix the problem and reapply at another institution.

If the lender can answer yes to every question associated with the 8 C's, they will probably make the loan. You will soon be experiencing 80-hour workweeks, sleepless nights, no vacations, domestic squabbles, and punitive government regulations. You may also experience a level of satisfaction unmatched by anything else you will ever do.

WRITING TIPS FOR BUSINESS PLANS

- Consider your audience: Banker, Investor and (always) Self
- Outline, Outline, Outline...
- Always write in the third person
- Focus on positive themes, discriminators and benefits to your customers/clients
- Don't repeat statement content or duplicate sentences
- Avoid unsupportable claims – use numbers and source claims
- Write to reduce risks – do not use words such as “all,” “every,” “most,” “guarantee”
- Use graphics and charts or tables that provide a visually clear message
- Write to inform and explain, not to impress
- Avoid technical jargon as most reviewers will not be technical professionals
- Write most of the narrative in an active voice without using adjectives and adverbs
- Do not use redundant words (e.g., a qualified expert, absolutely essential)
- Unless you have a patented invention, your business is not “unique.” There are always other businesses doing or producing what you do – show how your business sets itself apart from its core competition
- Don't be pompous, e.g., call, write, meet instead of “interface”
- Review and edit each draft several times before it is read by an evaluator to eliminate errors in grammar and spelling
- General rules to improve evaluator readability:
 - Use less than 20 words per sentence; three lines maximum
 - Limit Paragraphs to four or five sentences
 - Avoid passive voice – makes your plan more readable and saves words
 - Avoid four or five syllable words

THE BUSINESS PLAN OUTLINE

Source: Center for Entrepreneurial Assistance, Entrepreneur's Guide: Starting and Growing a Business in Pennsylvania. www.newpa.com/.

Cover Sheet

All contact and ownership information should be included on the cover sheet.

- a. Business name
- b. Full street address (mailing address if different)
- c. Phone, Fax, e-mail, web site, etc. (Home phone number optional)
- d. Name of owner(s)
- e. Date

Table of Contents

Include a list of all sections of the business plan and the appropriate page numbers. Graphs, diagrams and other visual representations should also be identified. Items included as exhibits at the end of the plan (example: owner resume) should be clearly identified so that the reader can reference them while reviewing the plan.

Executive Summary (Statement of Purpose)

The executive summary gives the reader a one to two page overview of the business and business plan. Because the plan encompasses so many activities, the reader could fail to understand the owner's view of the most important information. Although the Executive Summary appears first in the final document, it should be written last.

- a. Brief description of the company history
- b. Purpose of the plan
- c. Goals of the business
- d. Description of the products and services
- e. Description of the location and facility
- f. Introduction of Owners and Management team
- g. Amount required from lender
- h. Other sources of funds/collateral
- i. How the money will be used
- j. Method of repayment of funds

Business Description

This section should give a brief history of the business and a description of the type of product/service that will be offered.

Company Profile

1. What is the business name?
2. How will the business be organized (sole proprietorship, partnership, corporation)
3. Who are the business owners?
4. Where is the business located?
5. When will you be open for business?
6. Why do you think your business will succeed?

Company History/Background

If you are acquiring or expanding an existing business, this section provides background information on the business.

1. When and why was this business founded? Who founded the business?
2. How is the business organized (legal structure)?
3. How has the business evolved over the years?
4. What accomplishments have the business achieved and/or what major failures has the company experienced?
5. Why are the current owners selling this business?

Product/Service Description

1. What does the business sell?
2. What are the features and benefits of the product or service?
3. What solution does the business offer to the marketplace?
4. What are the price points of your products and/or services?

Industry Status

This is the part of your plan that discusses the business environment in which you will be operating. Entrepreneurs often wish to gloss over this section because the factors are considered external to the company and uncontrollable. Gathering this information is important; however, because it can help you determine limitations or opportunities impacting your profit. You may even discover information that changes the type of business you are starting, or the ways in which you expand operations. Be sure to study both positive and negative factors.

- a. National/Regional economic growth or decline
- b. Industry outlook
- c. Projected opportunities
- d. Regulatory environment
- e. Technological influences

Target Market/Customer Base

An error in the determination of your target market(s) will not only adversely affect all other sections of your business plan; it will most certainly increase your advertising and promotion expense. For some businesses it is the difference between success and failure. In this section of the plan describe the most likely customers for your product or service. Who are they? Where are they? When and why will they buy from you?

Often your entire market of purchasers can be divided into segments, or groups of purchasers with common needs. Segmenting your market allows you to define and describe buyers' needs and habits as completely as possible. Accurate information about the size of your market and expected market share helps you predict potential income

- a. Characteristics of the target market:
 - Demographic profile (age, income, sex, education)
 - Business Customer (industry, size purchaser)
 - Geographic parameters
- b. Size of the market/expected market share
- c. Market segmentation
- d. Customer buying habits (seasonality, quantity, average expenditure)

Marketing Plan

The marketing plan describes all activities involved in selling. It sets annual sales goals and examines the competitors' products and services and how your offerings are unique. Marketing is not simply advertising and promotion activities. Although these communication elements are extremely important, they are ineffective if you have not chosen products and services wanted and needed by your potential customers. The marketing plan should include a complete description of all offerings. Names, colors, assortments and other details are important to customer choice. If you have multiple products for multiple target markets, this is the section where those distinctions must be made.

If you are tempted to dismiss competition, ask yourself how your potential customer currently solves the same problem your offerings are intended to solve. What are the customers' choices when spending their financial resources? It can be helpful to develop a matrix that lists all your major competitors, their products and services, prices, methods of promotion and location. By incorporating your own marketing information on the matrix, you can identify your firm's strengths and weaknesses. Your marketing section includes customer service policies. Small businesses often have an opportunity to compete with larger firms by offering flexible, courteous, customer-centered services.

The pricing of your product must consider competition and customer expectations, but it must also consider all expenses. It is not uncommon for early stage businesses to: (1) believe they can sell at the lowest price; (2) misunderstand the importance of establishing price policies at levels other than the end user level; and (3) overlook the relationship between pricing and other elements of marketing.

The location element of business planning once focused on a physical business site, customer access to that site and transportation (logistics) related to the site. With advancements in technology, both start-up and existing businesses must examine whether the location for interface with customers is a physical location, cyberspace or both. A web site can be used to simply promote a business and its offerings, or it can be the actual marketplace where sales are consummated. Web site development, performance, delivery systems and payment activities are not a necessary part of the marketing plan.

Few businesses exist without advertising expense. The choices of strategy and media are many, but the choice to eliminate advertising says the entrepreneur cannot afford to communicate with customers. A lack of communication is directly related to a lack of customer spending and a lack of customer spending critically impairs the business's survival. Since advertising and other elements of promotion are legitimate business expenses, they must be incorporated in the price of the products and services.

- a. Sales goals
- b. Description of all products and services
- c. Direct and indirect competition
- d. Pricing objectives/methods
 - Wholesale and retail
 - Discounts and special allowances
 - Seasonality in pricing
 - Credit terms
- e. Location
 - Where products/services will be sold
 - Web site
 - Analysis of advantages/disadvantages
 - Plant/store atmosphere
 - Transportation

- f. Promotion activities
 - Advertising
 - Public relations
 - Publicity
 - Trade or business shows
 - E-Commerce
- g. Packaging
- h. Customer service policies
- i. Sales training, management and methods
- j. Growth strategies

Production and Operations Plan

A lack of production and operations planning causes entrepreneurs to underestimate start-up, maintenance and growth expenses. The decisions in this section of the plan consider the “physical” health of the business. If the business is started at home, the entrepreneur should set criteria such as income, number of employees or product expansion that will necessitate moving to a business site. Decisions made in this section affect the extent of company indebtedness, as well as the collateral of the business when it seeks out loans or investments.

- a. Facility
 - Lease or purchase
 - Size and floor plan
 - Zoning, local regulations, taxes
 - Renovation/expansion plans
- b. Operating Regulations (Federal, State, Local, Industry)
 - Taxes
 - Licenses required
 - Zoning
 - Insurance and/or Bonding requirements
 - Is there a need for Patent, Copyright or Trademark?
 - Association fees
- c. Equipment
 - Machines/tools owned/needed
 - Lease or purchase
 - Maintenance procedures and costs
 - Vehicles
 - Telecommunications and data
- d. Production process and costs
- e. Suppliers/credit terms
- f. Transportation and shipping access and equipment
- g. Scheduling for completion of research and development

Management and Human Resources Plan

The people in any business are an important and expensive resource. Before developing this section of the plan, the entrepreneur must identify how the business will grow and what skills will be needed for that growth. If additional locations are planned, new managers will need to be hired or trained. If growth comes from development of new products, researchers and engineers may be needed. If growth will result from selling intensively to a small number of clients who buy on multiple occasions, employees that are capable of developing good relationships and delivering excellent customer service are needed. The obvious expense of human resources is salary and benefits. Less obvious is the cost of recruitment, selection and training when turnover occurs. This section requires knowledge of state and federal regulations governing employer and employee relationships.

- a. Key managers
 - Responsibilities
 - Training
 - Reporting procedures
- b. Personnel
 - Number of full and part-time employees
 - Special skills/education required/continuing education
 - Job descriptions and evaluation methods
 - Benefits
 - Wages, commissions, bonus plans
 - Use of subcontracted personnel
 - Policies
- c. Organizational chart
- d. Lists of stockholders and board members
- e. Amount of authorized stock and issued stock
- f. Professional assistance (attorney, accountant, banker, insurance representative, etc.)

Financial Plan

This section should include past financials and future projections based on sound and reasonable assumptions. The numbers used for each expense should be as accurate as possible based on current research. Identify any fluctuations that can be predicted such as increases in raw materials, lease or utilities in year two or three of your business. Estimate the month and year when additional employees will be hired and what they will be paid. A break-even analysis helps you understand at what point the business becomes profitable and allows you to set goals realistically. The break-even analysis formula can be found in the Worksheet Section of this Business Resource Guide. Without a financial plan you will find it nearly impossible to interest lenders or investors in helping you start and grow, because you have no facts to back up your enthusiasm and commitment to your venture. It is very important to include notes to the financial statements so the reader can understand the rationale for your projections.

The following information should be included in the financial plan section of your business plan:

For Existing Businesses:

- Income Statements, Balance Sheets and tax returns from the last three years
- Interim Financial Statements (Year-to-Date). Must be less than 90 days old as of the application date. To be safe, try to make them less than 30 days old when you put the package together.
 - Include Accounts Receivable and Accounts Payable Aging Schedules
 - Make sure all the dates on the interim financial statements match

- All numbers on the supporting statements must agree with the Income Statement and Balance Sheet
- List of all business obligations

For All Businesses:

- Personal Financial Statements for all individuals owning 20 percent or more of the business. (See enclosed Personal Financial Statement).
- Pro Forma Statements (Projections) on a monthly basis for at least two years. Include detailed explanations for projected numbers (assumptions). Financial projection worksheets are included under the Worksheets' tab in this Business Planning Guide. Electronic income and cash flow statement templates are available by contacting your local Longwood SBDC.
 - Income Statements
 - Cash Flow Statements
 - Balance Sheets: Projected statement of assets, liabilities and equity. Demonstrate what the balance sheet will look like after obtaining and applying the funds. Show what it will look like on the day you open the business and 12 and 24 months after getting the loan (the first two years).
- Break-Even Analysis
- Comparisons of important financial information and key ratios to industry averages.

Supporting Documents

- a. Managers' resumes
- b. Advertisements, news articles, brochures, and other promotional documents
- c. Contracts, leases, and filing documents (Fictitious Name, Employer Identification Number, Articles of Incorporation)
- d. Letters of support
- e. Pictures of the product or service
- f. Marketing research
- g. Patents, trademarks, copyrights, license agreements
- h. Personal Income tax returns (three years)
- i. Invoices or estimates for facility or equipment purchases

**For assistance in developing your business plan contact the
Longwood Small Business Development Center in your area.**

FINANCING BASICS

There are three major reasons why businesses borrow; the first and most common reason is to purchase assets. A loan to acquire assets could be for buying short-term, or current, assets – such as inventory – and would be repaid once the new inventory is converted into cash as it is sold to customers. Or, the funds could be for the addition of long-term, or fixed, assets, such as equipment.

The second reason is to replace other types of credit. For example, you may wish to use the funds to pay suppliers more promptly to get a discount on the price of the merchandise.

The third reason is to replace equity. If you wish to buy a partner's share in your business but you don't have the cash to do it, you may consider borrowing.

TYPES OF CAPITAL

Start-up Capital

Start-up capital is the money you need to spend before the business opens. The amount varies widely depending on the type of business. Some examples include:

1. Seed money - Research and planning (usually for high-tech businesses)
2. Security deposits for a lease, utilities, etc.
3. Construction, renovations, signs
4. Equipment, tools, office equipment, etc.
5. Inventory
6. Labor - Hiring and training staff before opening
7. Legal and accounting fees

Working Capital

Working capital is the money needed for day-to-day business expenses. You must have enough working capital available to pay all your bills until the business becomes profitable enough to support itself. This can take from several months to several years. After you complete your pro forma monthly cash flow projections you will have a very good estimate of the amount of working capital you will need. Allow a little extra for unexpected things. If you have just enough money to get started but not enough to properly operate the business, you may be doomed to failure from the start.

Where's the Cash?

Think venture capitalists and angel investors finance most small businesses? Think again: bank loans and equity from the owners, their families, and friends are still the major financing source.

FACTS ABOUT SMALL BUSINESS LOANS

The increasing pressure on banks to create a return for shareholders is clearly at odds with taking risks that could result in losses or regulatory difficulty. Banks are risk managers, not risk takers. They must be as certain as possible of creditworthiness before extending credit to a business: bankers are acutely aware that it takes 10 to 20 times more effort to collect a bad loan than it did to make the loan. Clearly the principal keys to getting a bank loan is strong management reflected in the financial performance of the firm, good communication skills, and awareness of the expectations of the institution.

1. **You will need good credit.** If there are any problems on the report that can be remedied before meeting with a banker, do so. A lender may be able to make exceptions if you can document that a negative report was due to circumstances beyond your control. Include a detailed written explanation with supporting information in your financing proposal. However, if the report shows that you are irresponsible and you have not demonstrated a willingness to repay obligations, the lender will be unable to make a loan.
2. **There is no such thing as 100 percent financing.** You are going to have to put some money into the business and the more the better.
3. **A bank will require you to personally guarantee the loan** even if you are incorporated. There is no way to avoid putting personal collateral at risk. If necessary this could include your house.
4. **Some businesses are easier to finance than others.** Since over 60 percent of all small business start-ups fail within 5 years, lenders know that the odds are against a new business being around long enough to repay a loan. An existing business is easier to finance if profits are sufficient to repay the loan. Also, many sellers are willing to hold some of the financing. Franchises are generally easier to finance than independent start-up businesses.
5. **The process is not quick.** If you must have the money to open by a certain date, make your loan application as far in advance as possible.
6. **There is no such thing as a grant.** We have never heard about anyone - anywhere - who got free money from the government to open any type of for-profit business.
7. **The Small Business Administration does not lend money.** The SBA does have a guaranty program that is designed to provide more security to lenders so that they will lend money to small ventures, which would be too risky for a regular bank loan. SBA guaranteed loans are made and processed by a bank, with the SBA guaranteeing up to 80 percent of the loan. Interest rates and repayment terms are negotiated between you and the lending institution. SBA does limit the interest rate the lender can charge and there is a small guaranty fee. Ask a business counselor with your local SBDC for additional information on SBA programs.

TYPES OF FINANCING

DEBT FINANCING – COMMERCIAL BANK LOANS

Debt financing does not give the lender ownership control, but the principal must be repaid with interest. The length of the loan, interest rates, security and other terms depend upon for what the loan is being used.

➤ **Short-term**

Loans for short periods (30-180 days) usually made to cover temporary or seasonal needs for inventory or personnel. These are common for established businesses, but may be hard for a new business to obtain. The key to getting a short-term loan is to always have an identified primary and secondary source of repayment. A short-term loan will probably be either a time loan or a line of credit, both with maturities of one year or less. These types of loans often possess the following characteristics:

- Time loans are made for a specified period when there is an identified source of repayment that will be available within a specified period of time. Prime candidates for these loans are seasonal businesses, with the source of repayment being the conversion of inventory to receivables and then into cash.
- Lines of credit are annually renewable pre-approved vehicles allowing the borrower access to credit whenever needed within predetermined terms. The business owner can borrow and repay as the business cash flow dictates. A line of credit is usually documented by a loan agreement, a contractual document that details the specific terms and covenants which must be observed. Self-liquidating purchases of inventory or the bridging of expenses pending the collection of accounts receivable are examples of uses for a line of credit.

➤ **Medium to long-term**

These loans may be repaid over anywhere from one to five to even 20 years depending on how the funds are used. The source of repayment is the cashflow of the business. Typical uses are for equipment, fixed assets, etc. Most loans to start a small business will be of this type. Often referred to as term loans or installment loans, these usually cost more than short-term credit. The most common uses for long-term loans are to provide working capital, to purchase equipment, or to buy or improve land and/or buildings.

- Working capital loans represent funding for all purposes that are not fixed assets or a line of credit. Examples could be general and administrative funds for expanding the business, a percentage of the purchase of permanent assets, the costs of building out leased space or for purchasing furniture, fixtures, or computer and automotive equipment. Banks usually require 20-30 percent cash as a down payment and will finance the balance for a period of five to seven years.
- Loans for equipment generally will be extended for a term consistent with the depreciable values of the assets.

➤ **Real estate financing**

Real estate is typically financed over a fairly long term, 10 to 30 years. Expect a down payment of about 20 percent.

➤ **Accounts receivable financing**

Money loaned against accounts receivable pledged as collateral.

EQUITY FINANCING

In its most basic form, equity financing results in the repayment of principal and/or return only if the venture produces sufficient funds/revenues for that purpose; hence the term risk capital. Due to the risk(s), the possible capital sources could be anyone, anywhere, anytime depending on the amount, purpose, and stage of business at issue.

Equity financing will always require consideration of ownership, profit, benefit sharing, operational control, valuation, and exit strategies as important issues to be carefully evaluated. Although equity financing can cover a wide array of capital source types, there are, in general, several overall categories. The following summaries may help you in the equity search.

➤ **Your own savings**

➤ **Friends & relatives**

➤ **Venture capital/SBICs/Investment banking**

INTERNAL FINANCING

➤ **Customers** can be a source of temporary financing if they provide the raw materials or if they pay cash deposit. This is not feasible in most businesses.

➤ **Trade Credit:** Once you have obtained a good reputation with your suppliers you may be able to have credit for anywhere from 30 to 90 days. You may be able to order, receive and sell the goods before the bill is due.

➤ **Profit:** Hopefully you will earn enough profit to be able to invest in and expand your business.

LEASING

Leasing is simply another form of financing. Leasing reduces the cash needed up front, but like a loan you are obligated to the payment for a certain period of time. Some lease contracts give you ownership of the leased item at the end of the term for a specified amount. If your credit is less than perfect, leasing may still be an option. Leasing companies and manufacturers are sometimes less stringent with their lending practices because they are usually leasing equipment that can be easily repossessed. This might be a good option for vehicles, heavy equipment, computers, phone systems, etc.

ADDITIONAL SOURCES OF CAPITAL

1. **Home equity loans.**

Whether it is a home-equity line of credit, a second mortgage, or the refinancing of an original mortgage, you can usually get as much as 80 percent of the equity in a house. The loan is easy to qualify for, with rates comparable to and occasionally lower than small-business loans. Obviously, the disadvantage is you could lose a home if you are unable to repay the loan.

2. **Credit unions.**

Small business owners can get personal, unsecured loans from credit unions. If you have been a member of such an institution for some time and can qualify, it's worth asking. However, credit unions cannot directly finance your business ventures.

3. **Cash-value life insurance.**

If you have such a policy you can borrow against it and reasonable interest rates may be possible depending on the fine print. Cash-value life insurance also is excellent collateral for institutional loans.

4. **Broker loans.**

Your local investment broker can lend you money based on the balance in your security account. Securities can be turned into cash in the time it takes to make a phone call to Wall Street.

5. **Customers.**

Advance payments for year-long service contracts or shipping products, special pre-release discounts or incentives for a host of products and services are examples of customer financing.

6. **Suppliers.**

Asking a supplier to give 60 to 90 day terms, particularly for inventory or goods that you manufacture or resell within that time frame, is the equivalent of a short-term loan. This works best if you can show orders to suppliers and you should be prepared to pay for the use of their money through an interest rate or more business.

7. **Micro-loans.**

These loans are usually described as unbankable deals and generally do not exceed \$25,000. For more information on these loans, please contact your local Longwood Small Business Development Center.

8. **Liquidate retirement funds.**

If you can pay the immediate income tax on funds withdrawn, and afford the 10 percent penalty for those under age 59 1/2, you can cash out an IRA, or take money out of a Keogh account. While this is a heavy price, there are no loan forms to fill out. Most other bootstrap techniques should be considered prior to using this method. You can also consider these accounts as collateral and select option 9:

9. Borrow from a retirement plan.

If you have not quit your job, you can sometimes borrow from a 401(k) plan. If a working spouse has a plan try borrowing from it. Be certain to read the fine print to see how the plan's rules are set up to allow these loans.

10. Credit cards.

Obtaining plastic money prior to starting a business is perhaps the easiest capital to raise. However, cash advance interest rates usually are between 16 percent and 23 percent or higher. Credit cards are best used as a revolving line of credit, and to get over short-term (less than four months) financial hurdles during the first two years of business. Beware: you can develop serious cash flow problems just paying the interest if credit card debt is not used judiciously and strategically.

LENDER PREPARATION

First Steps

- Call the **commercial lending department** (or a bank's branch) to find out the business loan rules.
- Ask if the lender is looking for loans of your size and type.
- Ask for a loan application.
- Prepare all the requested documents and include a business plan.
- Make an appointment
- Rehearse your presentation.

Basic Questions from the Lender

- How much do you want to borrow? How will the loan proceeds be used?
- How long will it take to repay the loan?
- What collateral do you have to offer?
- How much are the owners investing in the business? What is your equity injection?

How Can I Prepare for a Meeting with a Lender?

These guidelines might seem basic but they are important.

- Dress properly and be on time
- Bring your business plan, a completed loan application, and any other materials you need.
- The entire presentation should be no longer than 30 minutes. Give an overview or outline at the beginning. Know how you are going to end the presentation.
- Invite your lender to your business location and show special equipment or services. If you are expanding or remodeling, explain your plans.
- Answer all negative questions with positive answers. Back up your answers.
- Find out when you might expect an answer.
- Request decisions or negotiations made on the telephone to be put into writing.
- Follow up the meeting with a thank you letter and a phone call.

What Should I Expect from My Lender?

When lenders approve your loan request, they have faith in your business and your ability to make a profit and repay their loans. Value is added when a lender is on your company “team”. Your lender can also help you determine which of their financial products best meet your business’ needs.

A lender can be a good “big picture” advisor; he or she will give you insights into your industry’s growth opportunities and how you can take advantage of them. Lenders want you to be successful. As your business prospers, so does their business.

What are the Small Business Owner’s Responsibilities to a Lender?

Keep in mind that your lender is using depositors’ money to make your loan. And that lending institutions are in business to make money, just like you are. Therefore, treat lenders no differently than you would any other business person. And – most importantly of all – make sure your loan is repaid on time.

If you are seeking to establish a financial arrangement with your lender, you will most likely be asked to submit documents as described earlier. If there is a delay, provide a date when the lender can expect to receive them. Changes to your loan, such as timing of payment, must be approved.

It is wise to meet with your lender a few times during the year to share your successes and concerns. Make an appointment, or invite the lender to your business for a first-hand look.

WORKSHEETS

INSTRUCTIONS FOR CONSTRUCTING THE INCOME AND CASH FLOW STATEMENTS

- Assign Months to the columns based on when you anticipate opening. For example, if you plan on opening in July, the projections will run from July to June.
- Research the seasonality of your business month-by-month. (Some retailers do nearly half of their business in November and December.)
- Provide a separate sheet detailing the assumptions used to calculate each line item.

WORKSHEET 4

INCOME STATEMENT INSTRUCTIONS

1	Sales - Actual <i>cash</i> sales receipts
2	Net Sales/Revenue – Insert Total Sales. The Income Statement portion is done on the accrual method of accounting. This means that sales and expenses are recorded when the transaction occurs regardless of whether you received or paid the actual cash at the same time.
3	Subtract Cost of Goods Sold (COGS). For now, estimate the percentage your inventory costs you in relation to the amount you sell it for. A typical retailer “keystones” the inventory or doubles the cost which means that COGS is 50 percent. Some restaurants can expect COGS to be 25 percent to 35 percent. It is important to distinguish COGS from actual inventory purchases because it is a more accurate determination of profitability during a period of time. You will record the actual <i>cash</i> payment you made for those goods on the Cash Flow pro forma. COGS matches the <i>cost</i> of inventory that goes out the door with the sales that came in. Most service businesses will not have a COGS and will simply skip this line.
4	Gross Profit = Total Sales minus COGS
5	Operating Expenses – From Worksheet #3 – Monthly Operating Expenses in the “Getting Started” section of this workbook.
6	Total Expenses – Add all operating expenses.
7	Net Profit = Gross Profit minus Total Operating Expenses (Line 4 – Line 6) This is the projected operating profit for your business prior to any withdrawals or owner’s salary and income taxes.

For assistance in developing the Income Statement, please contact your local Longwood Small Business Development Center.

WORKSHEET 5

CASH FLOW STATEMENT INSTRUCTIONS

8	Beginning Cash Balance – If you are starting a business start with zero. If you have an existing business, enter your present cash balance.
9a	Sales and Receipts - Enter the same figure from line 1, worksheet #4.
9b	Accounts Receivable Collections – Enter the amount of cash you anticipate receiving from customers for sales made on Accounts Receivable.
9c	Cash in From Owner’s Injection – Enter your investment.
9d	Loan Proceeds – Enter the amount of the business loan you are requesting.
10	Available Cash Balance – Add lines 8 through 9d.
11	Inventory Purchases – Enter the anticipated payments for merchandise received. If you cannot obtain trade credit, then C.O.D. payments will be made when you receive the inventory rather than in 30 to 60 days.
12	Total Cash Operating Expenses – From line 6, worksheet #4.
13	Debt Repayment – Principle and Interest Payments from amortization table. Use a separate line for different loans if you have more than one.
14	Initial Loan Uses – These items should come from the Start-Up Costs (Worksheet #2).
15	Total Cash Paid Out – Add all lines from 11 through 14 (Add all expenses (Cash Paid Out))
16	Ending Cash Balance – Subtract line 15 from line 10. This is the approximate amount of cash you will have on hand at the end of the month. Enter this same figure as the beginning cash balance for the following month (month 1).

For assistance in developing the Cash Flow Statement, please contact your local Longwood Small Business Development Center.

WORKSHEET 6

BREAK-EVEN ANALYSIS

You can use simple break-even analysis to determine the minimum amount of volume you need to do to pay all the bills. This can be the first step in a personal feasibility study. If you determine that you can at least break even, you can use the formula to estimate sales goals and formulate marketing efforts to achieve these goals.

1. Add up fixed expenses.

This includes every expense you must pay to open your doors for business regardless of whether you have any sales or not. Fixed costs remain relatively constant as the quantity produced or sold varies. This would include rent, electricity, indirect labor (base salaries), loan payments, phone, etc.

2. Calculate your variable costs percentage.

This includes expenses that vary directly with sales and would include cost-of-goods-sold (COGS), sales commissions, credit card fees, direct labor (e.g., manufacturers), etc.

Some expenses are fixed up to a certain point and then become variable. For example, a store could require a minimum payroll to simply open the doors and then as the sales level fluctuates part-time help could be called in or sent home. The part-time flexible payroll could be categorized as variable. For example:

Cost of Goods Sold	38%
Commissions	7%
Direct Labor	8%
Total Variable Cost Percentage	53%

3. Simple Calculation

If your fixed costs are \$3,000 per month and your variable costs are 53%, break-even is calculated as follows:

$$\begin{aligned} \text{Contribution margin} &= 1 - \text{variable cost \%} \\ &= 1 - .53 = .47 \end{aligned}$$

$$\begin{aligned} \text{Break-even \$ volume} &= \text{Fixed costs} / \text{Contribution margin} \\ &= \$3,000 / .47 = \$6,382.98 \end{aligned}$$

If your goal is to make a \$1,000 profit, add that amount to fixed costs:

$$\begin{aligned} &(\$3,000 + \$1,000) / .47 \\ &= \$4,000 / .47 = \$8,510.63 \end{aligned}$$

Seemingly minor changes in expenses or prices can have a significant impact on the dollar volume a small business must achieve.

WORKSHEET 7

RESUME

Please fill in all spaces, use full first, middle, and maiden names. If an item is not applicable, please so indicate. All owners, partners, directors, stockholders, and key managers should complete this form.

PERSONAL

Name _____ SS# _____
FIRST MIDDLE MAIDEN LAST

Date of Birth _____ Place of Birth _____

Residence Telephone (_____) _____

Residence Address _____
STREET CITY STATE ZIP

Previous Address _____
STREET CITY STATE ZIP

Lived there from _____ to _____ (MONTH AND YEAR)

Spouse's Name _____ SS# _____
FIRST MIDDLE MAIDEN LAST

EDUCATION

Type of Degree	Name & Location of Institution	Dates From/To	Major	Did You Graduate

MILITARY SERVICE BACKGROUND

Branch _____ From _____ To _____

Honorable Discharge? _____ Rank at Discharge _____

WORK EXPERIENCE (LIST CHRONOLOGICALLY, BEGINNING WITH PRESENT EMPLOYMENT)

From _____ To _____ Title _____
 Duties _____
 Company Name/Location _____

From _____ To _____ Title _____
 Duties _____
 Company Name/Location _____

From _____ To _____ Title _____
 Duties _____
 Company Name/Location _____

(NOTE: YOU MAY INCLUDE ADDITIONAL RELEVANT INFORMATION ON A SEPARATE EXHIBIT)

Signature _____ Date _____

