

# Creating a Business Plan

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Growing communities one idea at a time.

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## Why Prepare a Business Plan?

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Starting a business can be very rewarding to the entrepreneur and the community. It also requires considerable planning and attention to details. You will require information about many facets important to your business and will have to make many decisions. A business plan sets these out in a detailed and orderly fashion.

A business plan is simply a written document that describes the future path of a business. A good business plan explains the concept, summarizes the objectives of the business, identifies the resources that will be needed, describes how those resources will be obtained, and tells the reader why the business will succeed.

Preparing a business plan is a considerable amount of work but it is very worthwhile. In order to run your business, you will need to know the answers to all of the relevant questions in this guide. For example, will your suppliers offer you 30 days credit or do you have to pay cash on delivery? If you must pay C.O.D. and you have not planned for that, you will have cash flow problems right away. Running the business will be a great deal easier if your plan is well researched and understood before your money is invested and you open the doors to customers. The most important factor in a business's success or failure is the amount of preparation. It is far easier, and less costly, to correct mistakes made on paper than those made after the business has been started.

Business Plans are usually written for two people:

1. **You:** to help you think about all of the issues involved in the business and as a guide to running your company.
2. **Potential Investors or Lenders:** to convince them that your business idea is viable and will make enough money to repay loans or secure a significant return on investments.

## Guidelines for a Good Business Plan

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There are a million different ways to do a business plan - and none of them are wrong. There are, however, some basic guidelines to preparing a good business plan. Here are a few suggestions on how to strengthen your business plan.

- **Allocate enough time and resources to thoroughly research your business plan.** A business plan is only as good as the research that went into producing it. For example, you will have to do research in order to find out more about your industry, your potential customers, and your possible sales and costs.
- **Show drafts of your business plan to others.** It can be very useful to get feedback on your draft from various people, including both people associated with the business and others.
- **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 confidence that you really understand your business.
- **Write a strong executive summary.** The executive summary can be a very important part of your business plan because people will read it first and begin to make an assessment of your idea from it. The keys to a good executive summary are that it should be short (no more than two pages), it should highlight what is important in your plan, and it should get the reader excited about your business.

\*A plan that proves that a business idea is unmanageable is just as useful as one that proves that it is viable.

## About Community Futures Sun Country

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Community Futures Sun Country is a non-profit limited community economic development organization. We are partners with Western Economic Diversification and the Provincial Government. The Corporation is governed by a volunteer board of directors. The purpose of the Community Futures program is to assist rural areas experiencing slow economic growth coupled with high levels of unemployment.

The Sun Country region includes:

Ashcroft  
Boston Bar  
Cache Creek  
Clinton

Hope  
Logan Lake  
Lillooet

Lytton  
Savona  
Spences Bridge

The Community Futures office offers the following complementary resources:

- One-on-one confidential business counseling;
- A public computer is available to compile your business plan with internet access to do market research;
- A business resource library filled with helpful books, videos and government publications; and
- An optional loan of up to \$150,000 for those who cannot secure financing from a bank, with an opportunity to leverage up to \$500,000.
- Access to Small Business Workshops

Community Futures Sun Country aspires to plan and initiate development of our area through the promotion and facilitation of cooperative activities dedicated to the social, environmental, and economic well being of our citizens and communities through educational and developmental opportunities.

Community Futures Sun Country has a web-site that offers details of the programs offered as well as interactive links to help you research you business idea. [www.cfdcsuncountry.bc.ca](http://www.cfdcsuncountry.bc.ca)

## About This Guide

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This guide is designed to help individuals interested in starting their own company or enhancing an existing business. Some sections of this guide may not apply to a given business. Therefore, the guide is designed to tailor fit your individual idea. For instance, you may not need to fill in all of the sections, some areas may need considerable explanation, and you may want to have a book-keeper help you organize the financial section.

This guide will lead you through the various sections of a business plan. Each section has several parts, with each part containing a list of questions. Your business plan is basically made up of the answers to those questions combined with your explanations and description. Remember, the whole document should flow.

We strongly encourage you to come into our office and use one of our computers to compile your business plan if you do not have a computer of your own. This allows you to make your business plan look very professional as well as get support from the Sun Country staff while you are there. Remember, we are here to help you!

If you have any questions regarding this guide, please contact Community Futures Sun Country at (250)453-9165 or 1-800-567-9911 or by e-mail at [vision.cfsun.ca](mailto:vision.cfsun.ca). Community Futures Sun Country offers free one-on-one counseling to answer your questions. We are here to help, please use our services!

Good luck!

# Section One of the Business Plan

## INTRODUCTORY INFORMATION



## Notes


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## Title Page

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The title page is the first thing that a reader will see. Therefore, make it powerful, interesting, and informative. Your title page should include: the business name, address, phone number, and the date, as well as tell the reader who prepared the plan and who it was prepared for as demonstrated below:

### Title Page Example

<b>ABC BAKERY</b>	
<b>Business Plan</b>	
<b>Prepared For: Community Futures Sun Country</b>	
<b>Revised: June 29, 2006</b>	
	
<b>Prepared By:</b>	
<hr/>	
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## Your Title Page

**\*Use this area to design your own title page**

## Business Plan Table of Contents

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The Table of Contents is very important in enabling the reader to find what they are looking for. It is crucial that each section of the business plan is identified by a heading and associated with the appropriate page.

Heading	Page Number
Introduction	
Executive Summary	
Mission Statement	
Section One - Information	
Industry Information	
Company and Firm Information	
Products and Services Provided	
Competition	
S.W.O.T. Analysis	
Market Information	
Section Two - Goal Setting	
Setting Goals	
Action Plan	
Section Three - Strategies	
Marketing	
Pricing	
Guarantees	
Manufacturing and Production	
Key Personnel	
Administration and Operation	
Professional Services	
Risk Assessment	
Section Four - Financial	
Equipment List	
Funding Proposal	
Personal Budget	
Opening Day Balance Sheet	
Cash Flow	
Income Statement	
Break-Even Analysis	
Section Five - Appendices	
Resume	
Letters of Intent	
Licenses	
Research Information	

## Introduction

---

The introduction is a brief history of yourself and why you are going into business. It is an outline of why the plan was prepared, and where you found the information. An introduction simply allows the reader to gain some familiarity with you and your business idea. The following questions will help you write your introduction.

Who are you?

**Explain:**

Why are you going into business?

**Explain:**

Why are you preparing this plan?

**Explain:**

What sources of information did you use when writing this plan (where did you get your information)

**Explain:**

## Executive Summary

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The summary is a short synopsis of your business plan. Although it follows the introduction, you should write it *after* you have completed the plan. Even though your entire business is well described later on, a crisp, one or two page summary helps to capture the immediate attention of the potential investor or lender.

The summary is extremely important in grasping the reader's attention. Make sure that it sells your idea so that the reader will retain interest and continue reading.

The summary may include answers to the following questions:

- What will your company do?
- Who owns the company?
- What kind of products or services will your company provide?
- What is the potential profit?
- What are the particular market advantages of your products or services?
- What are some of the unique characteristics of your product or service?
- In which communities will you be providing your services or selling your products?
- How much financing do you require?
- What will the financing be used for? (specifically)
- How much capital have you raised to date for this venture?

## Your Executive Summary

**\*Use this area to write your own Executive Summary**

## Mission Statement

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Your mission statement tells the reader what your business philosophy 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 not be any longer than a single paragraph.

Your mission statement can also be a few words that you put in a visible place that simply reminds you of why you are doing what you do. For example, a shorter mission statement might read:

Insight Support Services cares about and respects children and their families, and we are committed to giving them a belief in their future and the promise of belonging in some meaningful way in this, their community.

## Mission Statement Example

### Community Futures Sun Country's Mission Statement

*"...to plan and initiate development of our area through the promotion and facilitation of cooperative activities dedicated to the social, environmental and economic well being of our citizens and communities."*

You must remember that clients read your Mission Statement and will hold you accountable for what it says. Make sure that you can deliver what the words say.

## Your Mission Statement

**\*Use this area to write your own Mission Statement**



# Section Two of the Business Plan

INFORMATION ABOUT THE INDUSTRY AND HOW YOUR BUSINESS FITS IN

## Industry Information

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Conduct research to describe the industry in which your business falls. Use the internet, newspapers, trade magazines, or community profiles to determine the size of the industry, present trends, emerging technology, and competition. Consider the industry in BC, Canada, and the world. Describe where your business fits into the 'big picture' of your industry. Your industry information section should include answers to the following questions. Community Futures Sun Country has a list of resources at the office and on our website that you can use to find your information.

**\*Remember to cite references and include sources in your appendices.**

What industry does your business fall under?

**Explain:**

How many dollars are spent in your industry each year (in local trading area, BC, Canada, World)?

**Explain:**

Is this industry growing, shrinking, or stable?

**Explain:**

What new trends are emerging in your industry?

**Explain:**

What kind of technology is being used in your industry?

**Explain:**

What kind of licensing is required in your industry?

**Explain:**

How does your business fit into the 'big picture'?

**Explain:**

## Company Information

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There are a number of 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. *Remember to use essay type answers.*

- How is your business set up (proprietorship, partnership, limited company, etc.)?
- Why did you choose this set up?
- What is the legal name of the company? Have you checked it with the registrar of names?
- When will your business open?
- Who will be involved with your company and in what capacity?
- What life or work experience do you have that will be helpful to this business?
- Do you have the correct licensing or tickets in place?
- Have you lined up a place of operation?

A good website that offers an easy step-by-step process to setting up your business is the One-Stop business registration: [www.onestopbc.ca](http://www.onestopbc.ca)

## Your Company Information

**\*Use this area to explain your own company**

## Products and Services

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Products are the things that your company will sell and services are the things that your company will provide. For example, a supermarket sells food and a lawyer sells their legal advice or service. Your business may focus on one type of product or service, or it may offer several different kinds. It is crucial that you have a clear understanding of the different kinds of products you offer (or plan to offer) because this will help you identify who your customers are.

Develop a list of all of your major products or services and give a brief description of each. Then break them down into their sub-headings.

### Sample Product List

**Product # 1:** Fashion Jewelry. 'Mary's Jewelry Store' will carry the best fashion jewelry on the market. We will carry products from Cartier, Brinks, and Rolex.

1. Earrings
2. Necklaces
3. Bracelets
4. Watches

**Product # 2:** Giftware. My store will sell a number of high class giftware items by companies such as Royal Daulton.

1. Glass figurines
2. Hand crafted day planners
3. Fountain pens

### Your Products and Services

\*Use this area to explain your own products and/or services

Products or Services	Description
Product or Service # 1	
Subheadings	
Product or Service # 2	
Subheadings	
Product or Service # 3	
Subheadings	
Product or Service # 4	
Subheadings	

## Competition

Competition is a very important aspect of your business plan. 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 with yourself. The purpose is to help you identify areas where you have a competitive advantage as well as areas for potential improvements. You will have to do some legwork and research but do not short cut this step. It is very important to know your competition well.

\*Fill in the following table for both direct and indirect competitors:

Competitor's Name	Location	Market Share	Strengths	Weaknesses

Competitors are often your best friends. They will not hesitate to tell you the truth about your products and services, and they may even encourage you to work harder.



Filling in the following table will help you analyze your top three competitors and identify your place amongst them. Answer the relevant questions by putting a (1) beside the business that is the best and a (4) beside the company that needs the most improvement.

<b>Factors</b>	<b>You</b>	<b># 1</b>	<b># 2</b>	<b># 3</b>
Which business does the best job?				
Who has the best prices?				
Who has the best quality products?				
Who has the best product selection?				
Who has the best customer service?				
Who has the most knowledgeable staff?				
Who has the best reputation?				
Who has the best location?				
Who offers the best credit policy?				
Who gets the product out the quickest?				
Who has the most involved manager?				
Who has the most stable business?				
Who does the most advertising?				
Who has the best hours of operation?				

Answering the following questions will help you become more familiar with your competition and allow you to understand your place in the market. Remember that knowing your competition is extremely important.

What makes your product or service different from the competitors'?

**Explain:**

Do your competitors offer a broad or narrow range of products or services?

**Explain:**

Do your competitors concentrate on quality or volume?

**Explain:**

Are your competitors' prices considered low, average, or high?

**Explain:**

If you consider the competitor's strengths and weaknesses, what opportunities may come your way?

**Explain:**

What will you have to do to improve your competitive position?

**Explain:**

What are the chances of new competition entering your market?

**Explain:**

## S.W.O.T Analysis

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Now that you have analyzed the competition, it is important to make an honest assessment of the current situation as it pertains to your business as well as make realistic projections about the threats and opportunities that may come your way. To do this, we suggest that you complete a S.W.O.T. analysis. The 'S' stands for 'strengths' of the current situation, 'W' stands for the 'weaknesses' of the current situation, 'O' represents the 'opportunities' that may arise, and the 'T' stands for the 'threats' that may face your company in the future. Use the following example to familiarize yourself with this activity and then fill in your own.

The S.W.O.T analysis should be based on the following issues, if they pertain to your business.

**External** issues, such as:

- What the economic outlook for your market area is
- Environmental issues
- Government regulations, policies or pending changes
- Barriers to market entry
- Competition

**Internal** Information such as:

- Education / experience levels of yourself and staff
- Reputation / expertise
- Management skills
- Technical skills
- Contacts or networking that has been done
- Potential contracts etc.

Any of the above mentioned issues could be either positive or negative. Based on your knowledge and analysis of the situation(s), provide a conclusion around what impact each relevant issue may have for your business opportunity.

## Sample S.W.O.T. Analysis

### Strengths

- It will be the only hardware store within a one hour radius of our location
- The owner has lived in the community for years and is friendly with most potential customers
- The supplier to the store is offering great deals because he is new to business as well

### Weaknesses

- I have never been in business before and have never worked in a hardware store
- The only location available does not have good exposure or traffic flow
- I have very limited capital to put into my business start up
- Competition has very low prices

### Opportunities

- There is a housing project starting in town that may provide a lot of business
- Many houses in the community are getting older and are in need of repair

### Threats

- The local economy is dependent upon a single saw mill that has been having problems
- There are rumors that a new highway may divert traffic away from the community thereby hurting the economy

## Your S.W.O.T. Analysis

**\*Use this area to work on your own S.W.O.T. Analysis**

### Strengths

### Weaknesses

**\*If you have only found a couple of weaknesses, you need to look harder!**

### Opportunities

### Threats

# Section Three of the Business Plan

## GOAL SETTING

## Goals

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It is important to set realistic goals for your business. Without goals, your business may lack direction or focus. Spend some time determining what the goals of your company will be. **Goals** – Describe gross sales, growth, staff, location etc. for the short term (1 year), mid-term (2-5 years) and long term (over 5 years) goals of the business.

### SHORT-TERM

What are the short-term goals of your business (*one month to a year*)?

\*These are specific, short-term goals for your *first* year. They should have a definite time frame, and could contain annual sales projections, number of clients, or contracts etc. and can be done in point form if preferred.

### MEDIUM-TERM

What are the medium-term goals of your business (*two to four years*)?

\*These goals are not as specific as short term, but should outline targets for annual sales figures, staffing, premises, location, and demonstrate some expected growth.

### LONG-TERM

What are the long-term goals of your business (*more than five years*)?

\*These goals cannot be too specific, but should outline where you expect your company to be in five years, with regard to size, annual sales figures, staff, premises, location, etc.





# Section Four of the Business Plan

## MARKETING

# Notes

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## Market Overview

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To learn more about potential customers, you must conduct market research. The following section will help you identify your potential customers and find out how much they are likely to spend.

In which communities will your company be operating?

**Explain:**

How many people live in these communities?

**Explain:**

Are these communities dependent upon a single industry?

**Explain:**

If there is more than one, how far apart are these communities?

**Explain:**

If you are selling to industries or other businesses, answer the following questions:

Who are your major customers?

**Explain:**

Where are they located?

**Explain:**

What are the main products or services they sell?

**Explain:**

Who makes the purchasing decision in the companies you are targeting?

**Explain:**

What are the key criteria in making the buying decision?

**Explain:**

What price would they pay for your products or services?

**Explain:**

What are the specific needs of the users of your product or service?

**Explain:**

If you are selling to customers, answer the following questions:

Where do your potential clients live?

**Explain:**

How old are they?

**Explain:**

What is their level of education?

**Explain:**

What are their current buying habits?

**Explain:**

How do they use their leisure time?

**Explain:**

Do they have specific needs or wants that are not being fulfilled?

**Explain:**

What do they like or dislike about the products of your potential competitors?

**Explain:**

How far will potential customers travel to buy your product or service?

**Explain:**

Why will they buy from you?

**Explain:**

## Market Share

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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. Complete the following exercise to determine the level of purchases in your first year. *Remember to cite references and source documents to appendices.*

- Estimated number of potential customers in your market area. \_\_\_\_\_
- (multiplied by) Percentage of customers that will purchase from you. \_\_\_\_\_
- (equals) Your total potential customers. \_\_\_\_\_

You will also need to determine how much the average customer will spend at your business each year. To do this, fill out the table below.

- How many purchases will the average customer make each year? \_\_\_\_\_
- (multiplied by) How much will they spend on each purchase? \_\_\_\_\_
- (equals) Expected annual customer sales \_\_\_\_\_

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



## Marketing Strategies

Potential customers must know about your product or service so you must market them effectively. Many businesses fail because of ineffective marketing. Some overspend their marketing budget while others ignore it entirely. Complete the following table to indicate the type of marketing activities in which you will engage.

<b>What types of paid advertising will you use?</b>	<b>How much will it cost?</b>	<b>When will it be done?</b>
Yellow Pages		
Signs		
Newspaper		
Flyers		
Brochures		
Business Cards		
Internet		
Radio		
Television		
Social Media		
Magazines		
Posters		
Mail Drops		
Direct Mail		
Other		
<b>What types of unpaid advertising will you use?</b>		
Press Releases		
One-on-One Visits		
Word-of-Mouth		
Other		

Please include any logos or artwork that you will be using in your advertising in the space below:

## Pricing

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Pricing your product or service is one of the most important business decisions you will make. Your products/services must be priced at a rate your target market is willing to pay, and which will provide you with a profit. The following are some terms to become familiar with:

- **Cost:** The total of the fixed and variable expenses (costs to you) to manufacture or offer your product or service
- **Price:** The selling price per unit customers pay for your product or service
- **Floors and Ceilings:** Think of cost as the floor, and set prices above this or you will quickly go out of business; the ceiling is the maximum price customers will pay based on what the product/ service is worth to them

## Determining Prices

- **Price Structure:** Explain your pricing policy (hourly, flat rate, piece, etc.); compare your pricing to industry standards, - be specific!! How did you derive your pricing, what is it based on?
- **How Much to Charge:** In order to decide on a fair price for your product or service, you must first determine the basic cost to you, in other words – the floor.
- **Pricing Calculations:** A selling price for your products and services can be set in different ways: pricing to the market, pricing to your costs, and break-even pricing. Your end price must contain allowance for (a) Material Costs, (b) Overhead Costs, (c) Labour Costs, and (d) Profit Margin.

**The next three pages contain worksheets to help you to determine your pricing. Choose the sheet that is suitable for your situation, and fill it out.**

## PRICING WORKSHEET #1: Manufacturing

Average cost of materials/supplies (include wastage), freight/postage to receive supplies.

Type	Cost
Total Production Costs (A)	\$

Wage costs, what is the hourly rate? Don't forget benefit costs (EI, WCB, CPP and Vacation Pay). \$ \_\_\_\_\_

How much is your time worth per hour? \$ \_\_\_\_\_

Average labour cost broken down by activity:

Activity	# of Hours	Multiplied by	Charge per Hour	Cost
		x	\$	\$
		x	\$	\$
		x	\$	\$
Total Labour Costs (B)				\$

Total average cost per product or contract (A+B) \$ \_\_\_\_\_

Pricing Calculation: When you have calculated your average cost of production, you will have to add to it your desired **profit** or **return**. Remember, **profit** can be used to **replace worn out equipment**, or **expand your business**. It is also the **Return on Investment**. In other words, any equity you or your investors have in the company works to pay a return. The margin of profit that you add to your product / service will depend on (1) What is acceptable to your target market, and (2) What your competitors are charging

Total Costs of Production = \$ \_\_\_\_\_

Percentage rate of profit desired: \_\_\_\_\_% = \_\_\_\_\_ x total costs = Profit \$ \_\_\_\_\_

Total \$ \_\_\_\_\_

FINAL SELLING POINT = TOTAL COSTS OF PRODUCTION + PROFIT

## PRICING WORKSHEET #2: Retail

Mark up: What will your mark-up be on materials, inventory etc. This is usually a % of your wholesale costs. Outline what is standard in your industry, and discuss where you are in comparison to your competitors. The following is an example of how to **correctly** calculate your mark-up.

Product Cost	Mark-up	Retail Price	Mark-up Amount
\$ 1.00	25%	\$ 1.33	\$ .33
\$ 1.00	50%	\$ 2.00	\$ 1.00
\$ 1.00	75%	\$ 4.00	\$ 3.00

### Mark Up Calculations

To determine the correct mark-up figure, subtract your mark-up % from 100%; i.e. (100% - 25% = 75%)

- Divide the product cost by the result, i.e. (\$1.00 / 75%)
- This gives you the true retail price of \$1.33

**\*Make sure you calculate your end pricing correctly, the difference could be your profit!**

Total Costs of Product, including freight	\$ _____
Overhead Costs, including administration wages	\$ _____
Markup (Cost of Product * Markup Rate)	\$ _____
FINAL SELLING POINT = Total	\$ _____

### PRICING WORKSHEET #3: Service

The following is a worksheet for consultants; people who bill themselves on an hourly rate. Use this to help you determine what your hourly rate should be.

Description	Example	Your Figures
Labour: My salary	\$ 30,000	
Other Expenses:		
Rent	6,000	
Telephone	1,200	
Auto Expense	900	
Advertising / Promotion	1,000	
Office Supplies	600	
Bank Charges & Interest	575	
Insurance	800	
Total Other Expenses	\$ 11,075	
Total Operating Expenses	\$ 41,075	
Profit Goal (10%)	4,100	
Total	\$ 45,175	
Divide by 1,040* for billable rate	\$44 / hour	

**\*Most consultants estimate that they are doing well if they are billable 50 percent of the time. If there are 2,080 hours in a year to work (excluding weekends and holidays), that means that your billable target is 1,040 hours.**

**\*Don't forget, once you have gone through the process of calculating your hourly rate using the table; compare that to your industry range. You should be within range if you want to be competitive. If you are not, why not? Can you compensate for higher rates by better benefits for your clients, or will you deliver better value for their dollar by improved quality etc.?**

## Advertising and Promotions

---

Customer service is another, more subtle, form of marketing that you may want to consider as it promotes good word-of-mouth advertising. What are you going to do to ensure good customer service?

How important is service in your line of work?

**Explain:**

Are there particular aspects of service that are crucial to your success?

**Explain:**

What special customer services will you offer?

**Explain:**

How will you ensure that you deliver the quality of service that customers want?

**Explain:**

Do your employees require service training? If so, what training will you provide and how much will it cost?

**Explain:**

**\*Marketing is much more than simply advertising; it is the process of creating a positive image of your company in the mind of the consumer.**

## Guarantees

---

Some companies offer a written guarantee while others do not. This is your decision to make. If you are going to offer guarantees you should develop a guarantee form to give to customers. Your guarantee might include:

What product or service are you guaranteeing?

**Explain:**

How long is the guarantee good for?

**Explain:**

What will you do for a customer that is not satisfied (return, refund, etc.)?

**Explain:**

How do you recoup your costs for returned items? (return the product to supplier, etc.)

**Explain:**

You should clearly define your guarantee before you open your doors.

**Explain:**

# Section Five of the Business Plan

## MANUFACTURING AND PRODUCTION



## Production Process

---

The manufacturing and production process will only be applicable to some businesses although the location and supplier section is applicable to all. Answer the following questions to determine your manufacturing and production strategy. Please include pictures and maps of your location if you have them.

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

Step One:

**Explain:**

Step Two:

**Explain:**

Step Three:

**Explain:**

Step Four:

**Explain:**

Step Five:

**Explain:**

## Location

---

Where will your company be located?

**Explain:**

Is there heavy traffic flow near your location?

**Explain:**

Can potential customers park easily?

**Explain:**

Are there other businesses around and who are they?

**Explain:**

Is there potential for signage at your location?

**Explain:**

Is there potential for expansion at your location?

**Explain:**

How old is the building?

**Explain:**

What city by-laws or zoning regulations may affect your location?

**Explain:**

How much is the leasing or buying price?

**Explain:**

Have you signed any agreements or are you about to?

**Explain:**

# Suppliers

---

Who are your suppliers?

**Explain:**

What are their terms of payment?

**Explain:**

How long does it take to get goods from them?

**Explain:**

Who are their competitors and what do they charge?

**Explain:**

## Rules, Regulations and Permits

---

All businesses have a set of rules and regulations that govern their actions, and require certain permits, or licenses to operate. These rules and regulations may be imposed by municipal, provincial, and federal government, as well as associations or even your own policies.

Check into your industry, and find out what types of rules and regulations apply; check into any licenses, or permits that you will require in order to operate. Give details of the rules, regulations, licenses and permits, and what must be done to comply.

**Explain:**

## Key Personnel

The staff is the backbone of your business. Your staff may be small to begin with but will grow as your business grows. This section will help identify responsibilities and thus the skills you will be requiring of staff. Do not forget to include yourself and your job profile.

### Sample Key Personnel

Position	Name	Salary	Hiring	Skills Required
Manager	John Smith	30,000	January 1	Financial, People Management, Operations, Sales
Sales	Joe Smith	20,000	February 1	Sales, Customer Service
Books	Bob Smith	1,000	February 1	Bookkeeping, Computer Software, Inventory
Labourer	Jan Smith	15,000	March 15	Physical Ability, Customer Service, Drivers License
Labourer	Nic Smith	15,000	March 15	Physical Ability, Customer Service, Drivers License

### Key Personnel for Your Business

Position	Name	Salary	Hiring	Skills Required

Do you have a personnel policy?

# Section Six of the Business Plan

## ADMINISTRATION AND OPERATIONS

This section will help you describe how your company will operate when it opens. This will allow the reader to understand how you plan on administrating your company for an initial period at least.

## Training

---

Employee	Position	Courses Taken	Courses Needed	Cost	Benefits



## Cash Control

---

How will the business deal with the cash, debit, credit cards or cheques that are received for payment?

**Explain:**

What is the daily cash out procedure; who is responsible for this, and for making the bank deposits?

**Explain:**

What controls are in place to prevent theft or loss?

**Explain:**

How is this recorded, and where are the summaries going to be filed?

**Explain:**

How secure is the system?

**Explain:**

# Inventory

---

What will you use to count your inventory (computer, bar coding, point of sale, etc.)?

**Explain:**

How often will you count inventory?

**Explain:**

Who is responsible for inventory control?

**Explain:**

What are their qualifications?

**Explain:**

## Accounts Receivable

---

Will you get paid for your product or services within 30 days?

**Explain:**

How will you determine credit approval for a customer?

**Explain:**

What are your terms of credit?

**Explain:**

Are you set up for invoicing and statements?

**Explain:**

Who will collect bad debts?

**Explain:**

## Accounts Payable

---

Do you have accounts set up with your suppliers or do you have to pay cash for goods?

**Explain:**

What is your policy towards payment to suppliers (immediate or 30 days)?

**Explain:**

Who is responsible for controlling these payables and paying them?

**Explain:**

## Professional Services

---

Although you are the key person in this business, you cannot be expected to do everything. You may not have enough time or expertise to do it all. Therefore, this section will get you to think about using the services of outside professionals.

### Who Are Your Business Advisors?

Occupation	Name	Address	Phone	Cost
Banker				
Lawyer				
Accountant				
Bookkeeper				
Insurance Broker				
Community Futures				
Other				

# Section Seven of the Business Plan

## RISK ASSESSMENT

There are six common risks that apply to most businesses. You must prepare for these risks with realistic and manageable plans. It is much easier to think about the risks now and develop a strategy for dealing with them, than worrying about them when they happen to you in business.

What would you do in the case of a fire, theft, or business interruption due to natural disaster?

**Explain:**

What will happen if the owner dies and is therefore unable to repay the loan?

**Explain:**

What will you do if you run into a cash shortfall?

**Explain:**

What will you do if new competition moves in or existing competition becomes fiercer?

**Explain:**

What will you do if you do not meet your estimated market share?

**Explain:**

What will you do if you start to have staff problems?

**Explain:**

# Section Eight of the Business Plan

## FINANCIAL INFORMATION



## Equipment List

This section will help you catalogue all of the equipment that you already have as well as plans for acquiring more in the future. You will find this section useful when you go to do the Opening Day Balance Sheet. You can leave the depreciation sections to your accountant if you want, as they will have the correct depreciation tables.

Description	Value	Useful Life	Depreciation Rate	Depreciation Allowance
Equipment on Hand				
Sub Total				
Equipment Absolutely Needed				
Sub Total				
Wish List				
Sub Total				

**Capital Cost Allowance** - When you purchase or put a piece of equipment into the company, the government allows you to depreciate that equipment at a specified rate each year. This then becomes a tax write-off for the company. This depreciation is also called the 'Capital Cost Allowance'. The 'Capital Cost Allowance' is calculated on the declining balance. On assets acquired in their first year the allowance is 1/2.

## Funding Proposal

---

The following worksheet will help you determine how much money you may need to borrow to get your business going. Essentially, you are trying to figure out what everything is going to cost you, how much money you have to pay for it, and how much you 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 attach written quotes on costs attached or explain why you have not.

To complete the funding proposal, you will have to total the costs of hard assets and soft costs for a total funding requirement. From your equipment list, take the total assets already owned. Deduct this from total required to calculate funding requirements.

## Notes

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## Sample Funding Proposal

	Description	Value / Cost	Totals
Hard Assets			
	Equipment (itemize)		
	1. Cash Register	\$ 2000	
	2. Fridge	1200	
	3. Book Shelves	1600	
	4. Magazine Racks	1600	
	5. Display Units	2050	
	6. Computer	2500	
	7. Table	500	
	Building	0	
	Vehicles	0	
	Office Furnishings	2000	
	Total Hard Assets	<u>                    </u>	\$ 13450
Soft Costs			
	Insurance Coverage	1000	
	Business License(s)	200	
	Advertising	1000	
	Lease Payments	5000	
	Installation Costs	500	
	Total Soft Costs	<u>                    </u>	<u>7700</u>
	Total Funding Required		\$ 21150
	Less Owner Investment (cash or in kind? List )		<u>5000</u>
	Total Funding Requested		<u><u>\$ 16150</u></u>

## Your Funding Proposal

	Description	Value / Cost	Totals
<b>Hard Assets</b>			
	Equipment (itemize)		
	1.	\$ _____	
	2.	_____	
	3.	_____	
	4.	_____	
	5.	_____	
	6.	_____	
	7.	_____	
	Building	_____	
	Vehicles	_____	
	Office Furnishings	_____	
	<b>Total Hard Assets</b>		\$ _____
<b>Soft Costs</b>			
	Insurance Coverage	\$ _____	
	Business License(s)	_____	
	Advertising	_____	
	Lease Payments	_____	
	Installation Costs	_____	
	<b>Total Soft Costs</b>		_____
	<b>Total Funding Required</b>		\$ _____
	<b>Owner Investment</b> (cash or in kind? List)		_____
	<b>Total Funding Requested</b>		\$ _____

## Annual Personal Budget

---

No business is worth opening if you cannot make enough money at it to live. The personal budget will help you determine how much money you need from your business to live in comfort.

Remember that:

- Your personal budget is a household budget which includes spouses and dependents;
- Totals are for the year;
- Outside sources of income are things like family allowance, child maintenance, etc.

## Notes

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## Sample Annual Personal Budget

### Annual Home Expenses

Rent or Mortgage	\$ 6000	
Property Taxes	500	
Hydro	500	
Telephone	750	
Home Insurance	500	
Repairs and Maintenance	<u>600</u>	
Sub Total		\$ 8850

### Annual Vehicle Expenses

Vehicle Loan or Lease	\$ 2400	
Gas and Oil	700	
Repairs	250	
Insurance	<u>1000</u>	
Sub Total		4350

### Annual Personal Expenses

Childcare	\$ 3600	
Dental	1000	
Medical	1000	
Bank Charges	400	
Clothing	1500	
Food	8000	
Entertainment	800	
Misc. 15%	<u>2400</u>	
Sub Total		<u>18700</u>

Total	\$ 31900
Less Outside Income	2000
Less Spouse's Net Income	10000
Less Self Employment Benefit	<u>0</u>

Total Required of the Business \$ 19900



## Your Annual Personal Budget

### Annual Home Expenses

Rent or Mortgage	\$	_____
Property Taxes		_____
Hydro		_____
Telephone		_____
Home Insurance		_____
Repairs and Maintenance		_____
Sub Total	\$	_____

### Annual Vehicle Expenses

Vehicle Loan or Lease	\$	_____
Gas and Oil		_____
Repairs		_____
Insurance		_____
Sub Total	\$	_____

### Annual Personal Expenses

Childcare	\$	_____
Dental		_____
Medical		_____
Bank Charges		_____
Clothing		_____
Food		_____
Entertainment		_____
Misc. 15% of Per. Ex.		_____
Sub Total	\$	_____

Total	\$	_____
Less Outside Income		_____
Less Spouse's Net Income		_____
Less Self Employment Benefit		_____

Total Required of the Business	\$	_____
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## Determining Your Accounts Payable & Receivable

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### Sample Accounts Payable & Receivable Worksheet

ABC Bakery

**Accounts Payable** for the month ending January 31, 2014

VENDOR Due to	OWING				Total
	Current	31 – 60 days	61 – 90 days	91 + days	
Bob's Hardware	400				400
Smith Office Supplies	200	100			300
Telus			100		100
Credit Card		100		100	200
<b>Totals</b>	600	200	100	100	\$1,000

Transfer \$1,000.00 to Accounts Payable on Balance Sheet.

**Accounts Receivable** for the month ending \_\_\_\_\_

VENDOR Due from	OWING				Total
	Current	31 – 60 days	61 – 90 days	91 + days	
Scully Smith	500				500
Jack Smith		200			200
Homer Smith				100	100
Suzy Smith	700				700
<b>Totals</b>	1200	200		100	\$1,500

Transfer \$1,500.00 to Accounts Receivable on Balance Sheet

## Your Accounts Payable & Receivable Worksheet

NAME: \_\_\_\_\_

**Accounts Payable** for the month ending \_\_\_\_\_

VENDOR		OWING			Total
Due to	Current	31 – 60 days	61 – 90 days	91 + days	
<b>Totals</b>					

Transfer \$ \_\_\_\_\_ to Accounts Payable on Balance Sheet

**Accounts Receivable** for the month ending \_\_\_\_\_

VENDOR		OWING			Total
Due from	Current	31 – 60 days	61 – 90 days	91 + days	
<b>Totals</b>					

Transfer \$ \_\_\_\_\_ to Accounts Receivable on Balance Sheet

## Cash Flow Forecasting

---

The cash flow is not as intimidating as it looks. A cash flow forecast reflects the timing of when you expect to receive cash and when you expect to pay your bills. Essentially, you are forecasting when cash will flow into your business and when it will flow out again.

\*Interactive, computer based cash flow sheets are available online; ask Community Futures for details

\*Remember to show calculations and assumptions on your “notes to cash flow”.

### CASH IN

- **Cash Sales** - a projection of cash that will be deposited into the business that month from sales.
- **Collection from Accounts Receivable** - a projection of cash that will be deposited into the business from prior sales. In other words, when accounts are invoiced and become due and payable in 30 days.
- **GST Collected** – the goods and services tax collected for Revenue of Canada. This may not be applicable to your business. Contact Revenue Canada to find out more.  
1-800-959-5525 [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)
- **PST Collected** – the provincial sale tax collected for the Minister of Finance. This also may not be applicable to your business. Contact the Minister of Finance to find out more.  
1-800-959-5525 [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)
- **Owner’s Capital** - Any of the owner’s money that is deposited into the company.
- **Loan Proceeds** - all borrowed money, should be entered in the appropriate month.
- **Other Cash Received** - cash deposited to the business such as rent received.

### CASH OUT

- **Purchases** - The money spent on buying inventory which is for re-sale or for supplies which go into the final product which you are selling.
- **Advertising** - Money spent to promote the company, such things as business cards, flyers, commercials, etc.
- **Auto and Truck** - the amount that you will have to spend on your vehicle throughout the year including repairs, maintenance, and insurance.
- **Bank Charges** - any money that you must pay to your bank for service charges.
- **Insurance** - the amount required to insure your business (premises / contents / vehicles)
- **Professional Fees** - the amount required to pay a lawyer (i.e. business set up or preparation of security when loan funding is necessary) or accountant to take care of monthly record keeping and yearend financial statements.

- **Rent** - the amount you pay to rent or lease space or equipment for the business.
- **License and Permits** - the amount required for a business license or any other necessary licensing applicable to your business. May also include property taxes.
- **Telephone / Fax** - the amount you pay for telephone and fax use including hookup and deposit.
- **Utilities** - the amount you pay for heat, light, and hot water. Do not forget to include hook up if applicable and deposit if required.
- **Repairs and Maintenance** - the amount required to maintain or repair all equipment, office, buildings in order to run your business smoothly and efficiently.
- **Travel and Promotion** - Amount spent on traveling for business, e.g. trade shows, business meetings, etc.
- **Other Salaries and Wages** - the amount you will be paying out to employees. Be sure and consider CPP, EI, Holiday Pay, WCB, medical / dental, if applicable. (Benefits generally work out to be 15.5% of wages.)
- **Management Salaries** - the amount you draw from the business (often this is just yourself to start with). Ensure this amount is enough to cover all of your personal monthly commitments.
- **Loan Payments** - Your monthly loan payment including interest.
- **Purchase of Fixed Assets** - when money is spent for the purchase of fixed assets like a vehicle or a filing cabinet
- **Income Tax Payments** - the amounts that you expect to pay.
- **Office Supplies and Expenses** - any money spent on supplies for the office, e.g. paper, computer repair, stationary, etc.
- **GST** - goods and services tax collected that may have been included in your cash sales.
- **PST** - provincial sales tax collected that may have been included in your cash sales.
- **Workers' Compensation** - the amount payable to WCB each month.
- **Owner's Draw** – any money you withdraw from the business

## Sample Cash Flow Forecast

Cash Flow Sheet	January	February	March	April	May	June	July	August	September	October	November	December	Total
<b>Projected Sales</b>													
<b>Cash Receipts (Cash In)</b>													
Cash sales	1,500	3,000	3,000	3,000	3,500	3,750	3,750	3,750	4,000	4,000	4,000	4,000	41,250
Collections from accounts receivable	0	500	500	500	500	500	500	500	500	500	500	500	5,600
GST Collected	105	245	245	245	280	298	298	298	315	315	315	315	3,274
PST Collected	105	245	245	245	280	298	298	298	315	315	315	315	3,274
Owner's capital	1,000	0	0	0	0	0	0	0	0	0	0	0	1,000
Loan Proceeds	7,000	0	0	0	0	0	0	0	0	0	0	0	7,000
Other cash received	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Cash In</b>	<b>9,710</b>	<b>3,990</b>	<b>3,990</b>	<b>3,990</b>	<b>4,560</b>	<b>4,846</b>	<b>4,846</b>	<b>4,846</b>	<b>5,130</b>	<b>5,130</b>	<b>5,130</b>	<b>5,130</b>	<b>61,298</b>
<b>Cash Disbursements (Cash out)</b>													
Purchases	250	500	500	500	525	550	550	550	600	600	600	600	6,325
Advertising	600	0	0	0	0	0	400	0	0	0	0	0	1,000
Auto and Truck(Includes R&M, Insurance)	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Bank Charges	25	25	25	25	25	25	25	25	25	25	25	25	300
Insurance (Business Liability)	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Professional Fees (Accounting & Legal)	90	90	90	90	90	90	90	90	90	90	90	90	1,080
Rent (Equipment)	40	40	40	40	40	40	40	40	40	40	40	40	480
Rent (Premises)	600	600	600	600	600	600	600	600	600	600	600	600	7,200
Business Licenses & Permits	225	0	0	0	0	0	0	0	0	0	0	0	225
Telephone	50	50	50	50	50	50	50	50	50	50	50	50	600
Utilities	45	45	45	45	45	45	45	45	45	45	45	45	540
Repairs & Maintenance	70	70	70	70	70	70	70	70	70	70	70	70	840
Travel & Promotion	400	0	0	0	0	0	0	0	0	0	0	0	400
Wages (Employees & payroll deductions)	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Management Salaries	600	600	600	600	600	700	750	750	750	750	750	750	8,200
Loan Payments		445	445	445	445	445	445	445	445	445	445	445	4,895
Purchase Fixed Assets	2,000	0	0	0	0	0	0	0	0	0	0	0	2,000
Taxes (Income)	0	0	0	700	0	0	0	0	0	0	0	0	700
Office Supplies & Expenses	750	0	0	50	50	50	50	50	50	50	50	50	1,200
Receiver General - GST	105	245	245	245	280	298	298	298	315	315	315	315	3,274
Minister of Finance - PST	105	245	245	245	280	298	298	298	315	315	315	315	3,274
Workers' Compensation	40	40	40	40	40	40	40	40	40	40	40	40	480
Miscellaneous	100	100	100	100	100	100	100	100	100	100	100	100	1,200
<b>Total Cash Out</b>	<b>6,895</b>	<b>3,895</b>	<b>3,895</b>	<b>4,645</b>	<b>4,040</b>	<b>4,201</b>	<b>4,651</b>	<b>4,251</b>	<b>4,335</b>	<b>4,335</b>	<b>4,335</b>	<b>4,335</b>	<b>53,813</b>
<b>Cash Flow Summary</b>													
Opening Balance	0	2,815	2,910	3,006	2,360	2,870	3,515	3,710	4,306	5,100	5,895	6,690	
Add: Cash In	9,710	3,990	3,990	3,990	4,560	4,846	4,846	4,846	5,130	5,130	5,130	5,130	5,130
Subtract: Cash Out	6,895	3,895	3,895	4,645	4,040	4,201	4,651	4,251	4,335	4,335	4,335	4,335	4,335
Surplus or (Deficit)	2,815	95	95	(655)	520	645	185	595	795	795	795	795	795
<b>Closing Cash Balance</b>	<b>2,815</b>	<b>2,910</b>	<b>3,005</b>	<b>2,350</b>	<b>2,870</b>	<b>3,515</b>	<b>3,710</b>	<b>4,305</b>	<b>5,100</b>	<b>5,895</b>	<b>6,690</b>	<b>7,485</b>	

## Your Cash Flow Forecast

Cash Flow Sheet	January	February	March	April	May	June	July	August	September	October	November	December	Total
Projected Sales													
<b>Cash Receipts (Cash In)</b>													
Cash sales													
Collections from accounts receivable													
GST Collected													
PST Collected													
Owner's capital													
Loan Proceeds													
Other cash received													
<b>Total Cash In</b>													
<b>Cash Disbursements (Cash out)</b>													
Purchases													
Advertising													
Auto and Truck (Includes R&M, Insurance)													
Bank Charges													
Insurance (Business Liability)													
Professional Fees (Accounting & Legal)													
Rent (Equipment)													
Rent (Premises)													
Business Licenses & Permits													
Telephone													
Utilities													
Repairs & Maintenance													
Travel & Promotion													
Wages (Employees & payroll deductions)													
Management Salaries													
Loan Payments													
Purchase Fixed Assets													
Taxes (Income)													
Office Supplies & Expenses													
Receiver General - GST													
Minister of Finance - PST													
Workers' Compensation													
Miscellaneous													
Owner's Draw													
<b>Total Cash Out</b>													
<b>Cash Flow Summary</b>													
Opening Balance													
Add: Cash In													
Subtract: Cash Out													
Surplus or (Deficit)													
<b>Closing Cash Balance</b>													

## Notes to the Cash Flow

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**\*Show calculations and assumptions on which you based your cash flow numbers**



## Projected Income Statement

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The **projected income statement** shows the reader what you predict your income and expenses are going to be in the first 12 months.

Revenue from sales does not include loan proceeds or any other sources, **ONLY REVENUE GENERATED FROM BUSINESS SALES**.

- **The totals** on your cash flow will be **transferred** to your Projected Income Statement.
- **Cost of goods** section refers only to those who are going to be carrying inventory, and is the calculation of your material cost for the year.
- **Material cost** is the total cost of the inventory that was used to generate **revenue** from sales.
- **Contribution Margin** is the difference between the **revenue** and the **material** cost. Another word often used is "Gross Profit".

The **income statement** is separated into **fixed** expenses and **variable** expenses. These sub totals are required to calculate your break-even.

- **Depreciation** total is taken from your equipment list.
- **Home office** refers to the percentage of your home that will be used for office. If you use 10%, then you will be able to use 10% of your home expenses as a business deduction. This includes: Hydro, water, heat, lights, interest on mortgage to name a few. (Please consult an Accountant)
- **Bank Charges** and interest refers to service charges and cheque costs, as well as the interest cost of your loan if you have one. **Remember...you cannot expense the full loan payment, only the interest portion.**
- **Income Tax** is calculated after all the depreciation and home office is taken off. If you are operating as a Proprietorship, then all income becomes your personal income for tax purposes. If your business is a Limited company, then you will pay personal taxes only on your wages, and the company will pay corporate rates on its net income after your wages.

## Your Projected Income Statement

Income:

Revenue from sales \_\_\_\_\_

Cost of Goods Sold

Opening Inventory \_\_\_\_\_

**ADD:** Purchases \_\_\_\_\_

Total Inventory Available \_\_\_\_\_

**LESS:** Closing Inventory \_\_\_\_\_

= Material Cost \_\_\_\_\_

Contribution Margin (Revenue – Material Cost) \_\_\_\_\_

Fixed Expenses

Insurance \_\_\_\_\_

Bank Charges \_\_\_\_\_

Lease /Rent \_\_\_\_\_

Licenses \_\_\_\_\_

Loan Interest \_\_\_\_\_

Office Expenses \_\_\_\_\_

Professional Fees \_\_\_\_\_

Repairs & Maintenance \_\_\_\_\_

Telephone \_\_\_\_\_

Utilities \_\_\_\_\_

Total Fixed Expenses \_\_\_\_\_

Variable Expenses

Advertising \_\_\_\_\_

Freight & Delivery \_\_\_\_\_

Fuel - Vehicles \_\_\_\_\_

Materials & Supplies \_\_\_\_\_

Other Wages \_\_\_\_\_

Travel & Auto \_\_\_\_\_

Total Variable Expenses \_\_\_\_\_

Total Expenses \_\_\_\_\_

Net Income before Depreciation & Home Office \_\_\_\_\_

Less: Home office \_\_\_\_\_

Depreciation \_\_\_\_\_

Total (to be deducted) \_\_\_\_\_

Net Income after Depreciation & Home Office \_\_\_\_\_

Taxable Business Income (before personal allowances) \_\_\_\_\_

## Projected Balance Sheet

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The balance sheet is a snapshot of your company's finances at any given date. It tells you what you own and what you owe. Use the balance sheet as a tool to help you answer the following questions:

- Do we have sufficient resources to pay our short-term liabilities (Accounts Payable)?
- Do we require a bank loan to cover short-term obligations?
- Should excess cash be placed in short or long-term investments? Or can it be used to expand or improve the existing business?

### ASSETS

Current assets are those that can be readily converted into cash, usually within one year and can include:

- **Bank #1 & Bank #2** – balances according to your bank statements for the accounts used for the operation of your business.
- **Cash** – cash that belongs to the business whether in the tills, petty cash box, or your pocket.
- **Term Deposits** – Do you have any money invested?
- **Accounts Receivable** – Have you done any work that you haven't been paid for? Use the sheet provided to list all the customers that owe you money, then transfer the total to this line.
- **Inventory** – This is for Retail businesses only (refer to p20). If you would like help with this contact the office for assistance. If you have a Service Business – disregard this line.

Total Current Assets = add all current assets

Fixed assets are assets owned and utilized by the business and can include:

- **Equipment** – Computers, fax machines, telephones, adding machines, etc.
- **Furniture & Fixtures** – Desks, chairs, shelving, display stands, etc.
- **Land/Buildings** – either purchased by the business or contributed by the owner to the business.
- **Vehicles** – Trucks, vans, cars used by the business and owned by the business.

Total Fixed Assets = add all fixed assets

**TOTAL ASSETS = CURRENT ASSETS + FIXED ASSETS**

## LIABILITIES

Current liabilities are those debts that must be paid within the operating cycle or one year (whichever is longer). These debts are paid out of current assets and can include:

- **Accounts Payable** – Do you owe money to anybody? Use the sheet provided to list your vendors and suppliers, then transfer the total to this line
- **Current Portion of Loan (1 year)** – How much of the loan will you have to pay back this fiscal year?
- **GST Payable** – GST collected on Sale/Services must be paid to Revenue Canada on a regular basis.

Long-term liabilities are those debts that are to be paid at some time beyond the term of one operating year, such as mortgages, credit cards, and loans and can include:

- **Community Futures Sun Country Loans** – The amount you borrowed, less what has been paid back, less current portion of loan.
- **Other loans/Mortgage** – Loans and mortgages held by the business.
- **Credit Cards** – Balance from the statements

Total Liabilities = add all liabilities

## EQUITY

This section is a statement of the effects on the owner's Equity (or Capital) account as a result of recording a net income (or net loss) and any contributions and withdrawals by the owner during the financial period.

- **Opening Equity** – What was the equity position upon opening the business? If you are opening a new business, it is likely \$0.
- **Add: Owner's Contributions** – What have you contributed to your business, either cash or assets? Add any contributions made since the opening of the business.
- **Less: Owner's Withdrawals** – What have you drawn from the business for your personal expenses? In other words, what have you paid yourself? Anything taken from the business whether in the form cash or assets is considered a withdrawal.
- **Add: Net Profit (Loss)** – This is the last line of the Income Statement

Total Equity = Opening Equity + Owner's Contributions – Owner's Drawing + Profit (-Loss)

**TOTAL LIABILITIES AND EQUITY = TOTAL LIABILITIES + TOTAL EQUITY**

## Notes

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## Sample Projected Balance Sheet

ABC BAKERY  
Projected Balance Sheet  
As December 31<sup>st</sup>, 2007

Assets		Liabilities	
<b>Current Assets</b>		<b>Current Liabilities</b>	
Bank #1	<u>\$3,000</u>	Accounts Payable	<u>\$1,000</u>
Bank #2	<u>600</u>	Current Portion of Loan (1yr)	<u>500</u>
Cash	<u>200</u>	GST Payable	<u>          </u>
Term Deposits	<u>          </u>		
Accounts Receivables	<u>1,500</u>		
Inventory	<u>          </u>		
<b>Total Current Assets</b>	<b><u>\$5,300</u></b>	<b>Total Current Liabilities</b>	<b><u>\$1,500</u></b>
 <b>Fixed Assets</b>		 <b>Long Term Liabilities</b>	
Equipment	<u>\$1,200</u>	Sun Country Loan	<u>\$6,000</u>
Furniture & Fixtures	<u>700</u>	Other Loans / Mortgages	<u>2,000</u>
Land & Buildings	<u>5,000</u>	Credit Cards	<u>1,000</u>
Vehicles	<u>2,000</u>		
<b>Total Fixed Assets</b>	<b><u>\$8,900</u></b>	<b>Total Long Term Liabilities</b>	<b><u>\$9,000</u></b>
		<b>Equity</b>	
		Owner's Equity	<u>\$5,650</u>
		Less: Owner's Drawings	<u>(2,000)</u>
		Net Profit (Loss)	<u>50</u>
		<b>Total Equity</b>	<b><u>\$3,700</u></b>
 Total Assets	 <u>\$14,200</u>	 Total Liabilities & Equity	 <u>\$14,200</u>

# Your Projected Balance Sheet

## Projected Balance Sheet

As at

Assets		Liabilities	
<b><i>Current Assets</i></b>		<b><i>Current Liabilities</i></b>	
Bank #1	\$ _____	Accounts Payable	\$ _____
Bank #2		_Current Portion of Loan (1yr)	_____
Cash		_GST Payable	_____
Term Deposits			
Accounts Receivables	_____		
Inventory	_____		
<b><i>Total Current Assets</i></b>	<b><i>\$ _____</i></b>	Total Current Liabilities	<b><i>\$ _____</i></b>
<b><i>Fixed Assets</i></b>		<b><i>Long Term Liabilities</i></b>	
Equipment	\$ _____	Sun Country Loan	\$ _____
Furniture & Fixtures		_Other Loans / Mortgages	_____
Land & Buildings		_Credit Cards	_____
Vehicles	_____		
<b><i>Total Fixed Assets</i></b>	<b><i>\$ _____</i></b>	<b><i>Total Long Term Liabilities</i></b>	<b><i>\$ _____</i></b>
		<b><i>Equity</i></b>	
		Owner's Equity	\$ _____
		Less: Owner's Drawings	-
		Net Profit (Loss)	_____
		<b><i>Total Equity</i></b>	<b><i>\$ _____</i></b>
Total Assets	\$ _____	Total Liabilities & Equity	\$ _____

## Break Even Analysis

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One of the most important tools you have available to determine the viability of the business is to do a break-even analysis. It allows any potential investor to know exactly what it will take for this business to succeed. We prefer to use a simple, yet very effective method of calculating the break-even point in dollars. This process involves the four steps that follow.

First, you must separate your fixed costs and your variable costs from the expenses on your projected income statement. Fixed costs are costs that do not vary with the level of sales. On the other hand, variable costs do change with revenue levels. They may include commissions, direct labour, direct materials, inventory, Cost of Goods Sold, and interest on short-term debt, for example.

Remember: if you cannot decide if an expense is fixed or variable, call it fixed, this will just put your break-even point higher. Our Business Development Officer, can provide you with some assistance in this regard.

Secondly, determine a number we call “variable cost percentage”. This number expresses your variable costs as a percentage of your sales. Use the formula:

$$\text{Variable Cost} = \frac{\text{Variable Cost Percentage}}{\text{Sales}}$$

Thirdly, subtract your Variable Cost Percentage from 100% to give you another number called the ‘contribution margin’.

$$\text{Sales (100\%)} - \text{Variable Cost Percentage} = \text{Contribution Margin}$$

$$100\% - 38\% = 62\% \quad (62\% \text{ Contribution Margin})$$

The last step to calculating break-even sales in dollars is to divide your fixed costs by the contribution margin you calculated in the previous step.

$$\text{Break-Even Sales} = \frac{\text{Fixed Costs}}{\text{Contribution Margin \%}}$$

\*The break-even tells you what price or gross profit you need to succeed, given a certain level of fixed costs



## Sample Break Even Analysis

Step 1 Classify Costs	Actual Total Sales	\$60,000
	Total Variable Costs	\$24,400
	Total Fixed Costs	\$35,550
Step 2 Calculate Variable Cost percent	T.V.C. / A.T.S.	
	24, 400 / 60,000	40%
Step 3 Calculate Contribution Margin	100% - 40%	60%
Step 4 Calculate Break-Even Sales	T.F.C. / C M.	
	35, 550 / 60%	\$59,250

## Your Break Even Analysis

Step 1 Classify Costs	Actual Total Sales	
	Total Variable Costs	
	Total Fixed Costs	
Step 2 Calculate Variable Cost percent	T.V.C. / A.T.S.	
Step 3 Calculate Contribution Margin		
Step 4 Calculate Break-Even Sales	T.F.C. / C M.	

# Section Nine of the Business Plan

## SUPPORTIVE INFORMATION

## Appendices

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There are a number of things that you may want to include with your business plan to add extra information. These may include the following:

- **Resume** - you must include an up-to-date resume. Make sure that it is pertinent to your business idea. You may want to use the sample on the next page to help you prepare a resume.
- **Letters of Intent** - these would be from all those people or customers that are willing to express their desire to use your services when your business is up and running. These help to substantiate the viability of the business.
- **Contracts** - copies of any pertinent contracts for jobs or otherwise.
- **Copies of Licenses** - enclose all commitments as to legal, municipal, and other government regulations and licensing.
- **Lease Agreements** - If you have already signed your lease agreement you should include a copy of it in your appendices. If you have not signed yet, you should still include a copy of proposed leases acknowledged by the property owner.
- **Quotes on Equipment** - the loans officer will need quotes on your equipment that you are either using for security or wish to borrow money for.
- **Research Information** - this might include copies of small business profiles, newspaper articles, government publications, etc.
- **Pictures of property and Equipment.**
- **Copy of Insurance Quote.**
- **Copies of Policies.** (ie. Personnel, guarantee etc.)

# Notes

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## *History of Community Futures*

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Community Futures is part of a national economic development program that has been supporting small business and community economic development since 1986.

Our Community Futures office is a non-profit organization guided by a volunteer board of directors and staffed with business professionals. Our volunteers and staff work with community partners to develop and implement community-based economic development strategies.

We provide a variety of different support services – including business loans, training and coaching, and access to expert resources – to people wanting to start, expand, franchise or sell a business, and to owners of small – and medium – sized businesses in the community.

We also work in partnership with other business lenders, educational institutions, non-profits and community governments to grow and diversify our local economy.

Community Futures is funded in western Canada by Western Economic Diversification Canada.

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[www.cfsun.ca](http://www.cfsun.ca)

Office Hours: Mon-Fri 8:00 am – 4:00 pm  
Appointments can be made after hours

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*Growing communities one idea at a time.*



Western Economic  
Diversification Canada

Diversification de l'économie  
de l'Ouest Canada

Canada 