Business Plan Template

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What is a business plan?
Why should I write a business plan?
How do I write a business plan?

These are all important questions a business owner, especially a new business owner, should know the answers to. The business plan template from SCORE will help you not only answer those questions, but also put the answers in a business plan format. The template covers all the components a typical business plan should include. Keep in mind that just like everything else in life, there are many formats a business plan can take, and this is just one example. Essentially, all plans include the same data, but the layout may vary. A good business plan will be sure to include all the important details anyone investing in the business would need to know as well as quantifiable and measurable goals.

Think of your business plan as a roadmap to success. Simply put, a business plan is a written document that describes what the business is, why it will generate money, and how it will be ran. The plan will also help you determine how much start up and operating money the business will require, prepares you for meeting with potential investors or lenders, and may also present your business to a potential buyer. Most business owners already have thought through the elements required in the plan and really just need to get those thoughts onto paper. The process of writing the plan forces you to think about ALL the important aspects to owning and running a business, including those you may not have thought about. It also challenges you to support all of your assumptions about sales, the market, etc. with realistic facts and figures. In short, it helps you separate your dreams from reality. There is a real possibility that writing a business plan will make it evident that the business is likely to fail and save you money, time, and tears before you start. It is important to note that not all hobbies make a good business.

A business plan is an important document for any business. Even if you are not looking for any financing, you should still have a business plan and keep it updated. The business plan helps you pull together all the essential events that need to be considered. It becomes your action plan, creating a timetable with measurable milestones the business needs to succeed. Simply put, the business plan lays out a realistic rhythm for your business through cash flow projections, sales goals, and promotional targets. A good business plan can even help you plan and prepare for cyclical or seasonal patterns, letting you be prepared for both busy and slow times. The business plan describes the results you want to achieve and the required activities and resources needed to succeed. The plan also includes the criteria that will be used to evaluate the results.

Your business plan is not a "one time and done" document. It is a good practice to review your business plan on some sort of regular basis or after a major change for the business. It should be updated to reflect the current status and the plans for moving forward. This is even more crucial in these fluctuating economic times. You never know when you may need to purchase new machinery/equipment/supplies or when you may lose or gain new customers or even when a new competitor moves into your market. In order for a business to succeed, you must be prepared for all of these things and be willing and able to adapt to the changing market.

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Business Plan for a Startup Business

The business plan consists of a narrative and several financial worksheets. The narrative template is the body of the business plan. It contains more than 150 questions divided into several sections. Work through the sections in any order that you like, except for the *Executive Summary,* which should be done last. Skip any questions that do not apply to your type of business. When you are finished writing your first draft, you'll have a collection of small essays on the various topics of the business plan. Then you'll want to edit them into a smooth-flowing narrative.

The real value of creating a business plan is not in having the finished product in hand; rather, the value lies in the process of researching and thinking about your business in a systematic way. The act of planning helps you to think things through thoroughly, study and research if you are not sure of the facts, and look at your ideas critically. It takes time now, but avoids costly, perhaps disastrous, mistakes later.

This business plan is a generic model suitable for all types of businesses. However, you should modify it to suit your particular circumstances. Before you begin, review the section titled *Refining the Plan*, found at the end. It suggests emphasizing certain areas depending upon your type of business (manufacturing, retail, service, etc.). It also has tips for fine-tuning your plan to make an effective presentation to investors or bankers. If this is why you're creating your plan, pay particular attention to your writing style. You will be judged by the quality and appearance of your work as well as by your ideas.

It typically takes several weeks to complete a good plan. Most of that time is spent in research and re-thinking your ideas and assumptions. But then, that's the value of the process. So make time to do the job properly. Those who do never regret the effort. And finally, be sure to keep detailed notes on your sources of information and on the assumptions underlying your financial data.

Sales Forecast (12 Months)

Enter your Company Name here

Fiscal Year Begins Jan-13

	12-month Sales Forecast													Sales History			
	Jan-13	**Feb-13**	**Mar-13**	**Apr-13**	**May-13**	**Jun-13**	**Jul-13**	**Aug-13**	**Sep-13**	**Oct-13**	**Nov-13**	**Dec-13**	**Annual Totals**	**Current Month Ending mm/yy**	**2012**	**2011**	**2010**
Cat 1 units sold													0				
Sale price @ unit																	
Cat 1 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cat 2 units sold													0				
Sale price @ unit																	
Cat 2 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cat 3 units sold													0				
Sale price @ unit																	
Cat 3 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cat 4 units sold													0				
Sale price @ unit																	
Cat 4 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cat 5 units sold													0				
Sale price @ unit																	
Cat 5 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cat 6 units sold													0				
Sale price @ unit																	
Cat 6 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cat 7 units sold													0				
Sale price @ unit																	
Cat 7 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Monthly totals: All Categories	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Notes on Preparation - Sales Forecast

Forecasting sales of your product or service is the starting point for the financial projections. The sales forecast is the key to the whole financial plan, so it is important to use realistic estimates. Divide your projected monthly sales into "Categories", which are natural divisions that make sense for your type of business. Typical categories might be: product lines, departments, branch locations, customer groups, geographical territories, or contracts.

Enter the actual category names in the first column, replacing the existing "cat.1, cat.2", etc. Enter annual sales, by category, in the four "Sales History" columns on the right side of the sheet. (Startup businesses may delete this section.) Study your past sales records in detail. Note seasonal or other periodic fluctuations; determine what caused them and when they are expected to recur. Be sure to build these fluctuations into your projections for the coming year. You may forecast sales in dollars using the rows labeled "Total". Or, if you prefer, you may enter sales in units, then indicate the sales price per (@) unit, and the spreadsheet will automatically calculate the dollar

Personal Financial Statement of:
Enter your name here
As of mm/dd/yyyy

Assets	**Amount in Dollars**
Cash - checking accounts	$ -
Cash - savings accounts	-
Certificates of deposit	-
Securities - stocks / bonds / mutual funds	-
Notes & contracts receivable	-
Life insurance (cash surrender value)	-
Personal property (autos, jewelry, etc.)	-
Retirement Funds (eg. IRAs, 401k)	-
Real estate (market value)	-
Other assets (specify)	-
Other assets (specify)	-
Total Assets	**$ -**

Notes on Preparation

You may want to print this information to use as reference later. To delete these instructions, click the border of this text box and then press the DELETE key.

Many financial institutions will require information about your personal financial data. This spreadsheet will help you prepare a personal financial statement.

Your personal financial statement should show only your personally held assets and liabilities (debts) outside the business. Do not include any business assets or liabilities.

Page 2 of the spreadsheet allows you to give the details behind the numbers on the balance sheet.
If you present this financial statement to a potential lender or investor, be sure to sign and date it in the space provided. The signature is your pledge that the statement is complete and accurate to the best of your knowledge.

Step 1: Prepare a list of all assets owned whether they are paid for or not. Enter the amount you would receive by selling the asset for cash.

Step 2: Prepare a list of liabilities (money you owe).

Liabilities	**Amount in Dollars**
Current Debt (Credit cards, Accounts)	$ -
Notes payable (describe below)	-
Taxes payable	-
Real estate mortgages (describe)	-
Other liabilities (specify)	-
Other liabilities (specify)	-
Total Liabilities	**$ -**
Net Worth	$ -

Signature: **Date:**

Personal Finance Statement of:

Enter your name here
As of mm/dd/yyyy

Details

1. ASSETS - Details

Notes and Contracts held

From Whom Owing	Balance Owing	Original Amount	Original Date	Monthly Payment	Maturity Date	History / Purpose
	$ -	$ -		$ -		

Securities: stocks / bonds / mutual funds

Name of Security	Number of Shares	Cost	Market Value	Date of Acquisition
		$ -	$ -	

Stock in Privately Held Companies

Company Name	No. of shares	$ Invested	Est. Market Value
		$ -	$ -

Real Estate

Description / Location	Market Value	Amount Owing	Original Cost	Purchase Date
	$ -	$ -	$ -	

2. LIABILITIES - Details

Credit Card & Charge Card Debt

Name of Card / Creditor	Amount Due
	$ -

Notes Payable (excluding monthly bills)

Name of Creditor	Amount Owing	Original Amount	Monthly Payment	Interest Rate	Secured by (Leine)
	$ -	$ -	$ -		

Mortgage / Real Estate Loans Payable

Name of Creditor	Amount Owing	Original Amount	Monthly Payment	Interest Rate	Secured by (Leine)
	$ -	$ -	$ -		

Startup Expenses

Enter your company name here

Sources of Capital

Owners' Investment (name and percent ownership)		
Your name and percent ownership	$	-
Other investor		-
Other investor		-
Other investor		-
Total Investment	$	-
Bank Loans		
Bank 1	$	-
Bank 2		-
Bank 3		-
Bank 4		-
Total Bank Loans	$	-
Other Loans		
Source 1	$	-
Source 2		-
Total Other Loans	$	-

Startup Expenses

Buildings/Real Estate		
Purchase	$	-
Construction		-
Remodeling		-
Other		-
Total Buildings/Real Estate	$	-
Leasehold Improvements		
Item 1	$	-
Item 2		-
Item 3		-
Item 4		-
Total Leasehold Improvements	$	-
Capital Equipment List		
Furniture	$	-
Equipment		-
Fixtures		-
Machinery		-
Other		-
Total Capital Equipment	$	-
Location and Admin Expenses		
Rental	$	-
Utility deposits		-
Legal and accounting fees		-
Prepaid insurance		-
Pre-opening salaries		-
Other		-
Total Location and Admin Expenses	$	-

Opening Inventory		
Category 1	$	-
Category 2		-
Category 3		-
Category 4		-
Category 5		-
Total Inventory	$	-
Advertising and Promotional Expenses		
Advertising	$	-
Signage		-
Printing		-
Travel/entertainment		-
Other/additional categories		-
Total Advertising/Promotional Expenses	$	-
Other Expenses		
Other expense 1	$	-
Other expense 2		-
Total Other Expenses	$	-
Reserve for Contingencies	$	-
Working Capital	$	-

Summary Statement

Sources of Capital		
Owners' and other investments	$	-
Bank loans		-
Other loans		-
Total Source of Funds	$	-

Startup Expenses		
Buildings/real estate	$	-
Leasehold improvements		-
Capital equipment		-
Location/administration expenses		-
Opening inventory		-
Advertising/promotional expenses		-
Other expenses		-
Contingency fund		-
Working capital		-
Total Startup Expenses	$	-

Security and Collateral for Loan Proposal

Collateral for Loans		**Value**	**Description**
Real estate	$	-	
Other collateral		-	
Other collateral		-	
Other collateral		-	

Owners

Your name here
Other owner
Other owner

Loan Guarantors (other than owners)

Loan guarantor 1
Loan guarantor 2
Loan guarantor 3

Profit and Loss Projection (12 Months)

Enter your Company Name here

Fiscal Year Begins

Jan-08

	IND. %	Jan-08	% B/A	Feb-08	%	Mar-08	%	Apr-08	%	May-08	%	Jun-08	%	Jul-08	%	Aug-08	%	Sep-08	%	Oct-08	%	Nov-08	%	Dec-08	%	YEARLY	%
Revenue (Sales)																											
Category 1			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Category 2			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Category 3			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Category 4			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Category 5			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Category 6			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Category 7			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Total Revenue		0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Cost of Sales																											
Category 1			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Category 2			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Category 3			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Category 4			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Category 5			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Category 6			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Category 7			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Total Cost of Sales		0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-
Gross Profit		0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-
Expenses																											
Salary expenses			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Payroll expenses			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Outside services			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Supplies (office and operating)			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Repairs and maintenance			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Advertising			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Car, delivery and			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Accounting and legal			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Rent			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Telephone			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Utilities			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Insurance			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Taxes (real estate, etc.)			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Interest			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Depreciation			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Other expenses (specify)			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Other expenses (specify)			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Other expenses (specify)			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Misc. (unspecified)			-		-		-		-		-		-		-		-		-		-		-		-	0	-
Total Expenses		0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-
Net Profit		0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-	0	-

Notes on Preparation - Profit and Loss Projection 1 Year

You should change "category 1, category 2", etc. labels to the actual names of your sales categories. Enter sales for each category for each month. The spreadsheet will add up total annual sales. In the "%" columns, the spreadsheet will show the % of total sales contributed by each category.

COST OF GOODS SOLD (also called Cost of Sales or COGS): COGS are those expenses directly related to producing or buying your products or services. For example, purchases of inventory or raw materials, as well as the wages (and payroll taxes) of employees directly involved in producing your products/services, are included in COGS. These expenses usually go up and down along with the volume of production or sales. Study your records to determine COGS for each sales category. Control of COGS is the key to profitability for most businesses, so approach this part of your forecast with great care. For each category of product/service, analyze the elements of COGS: how much for labor, for materials, for packing, for shipping, for sales commissions, etc.? Compare the Cost of Goods Sold and Gross Profit of your various sales categories. Which are most profitable, and which are least - and why? Underestimating COGS can lead to under pricing, which can destroy your ability to earn a profit. Research carefully and be realistic. Enter the COGS for each category of sales for each month. In the "%" columns, the spreadsheet will show the COGS as a % of sales dollars for that category.

GROSS PROFIT: Gross Profit is Total Sales minus Total COGS. In the "%" columns, the spreadsheet will show Gross Profit as a % of Total Sales.

OPERATING EXPENSES (also called Overhead): These are necessary expenses which, however, are not directly related to making or buying your products/services. Rent, utilities, telephone, interest, and the salaries (and payroll taxes) of office and management employees are examples. Change the names of the Expense categories to suit your type of business and your accounting system. You may need to combine some categories, however, to stay within the 20 line limit of the spreadsheet. Most operating expenses remain reasonably fixed regardless of changes in sales volume. Some, like sales commissions, may vary with sales. Some, like utilities, may vary with the time of year. Your projections should reflect these fluctuations. The only rule is that the projections should simulate your financial reality as nearly as possible. In the "%" columns, the spreadsheet will show Operating Expenses as a % of Total Sales.

NET PROFIT: The spreadsheet will subtract Total Operating Expenses from Gross Profit to calculate Net Profit. In the "%" columns, it will show Net Profit as a % of Total Sales.

INDUSTRY AVERAGES: The first column, labeled "IND. %" is for posting average cost factors for firms of your size in your industry. Industry average data is commonly available from industry associations, major manufacturers who are suppliers to your industry, and local colleges, Chambers of Commerce, and public libraries. One common source is the book Statement Studies published annually by Robert Morris Associates. It can be found in major libraries, and your banker almost surely has a copy. It is unlikely that your expenses will be exactly in line with industry averages, but they can be helpful in areas in which expenses may be out of line.

Profit and Loss Projection (3 Years)

Enter your Company Name here

	2006	%	2007	%	2008	%
Sales	$ -	######	$ -	######	$ -	######
Cost/ Goods Sold (COGS)	-	-	-	-	-	-
Gross Profit	$ -	-	$ -	-	$ -	-
Operating Expenses						
Salary (Office & Overhead)	$ -	-	$ -	-	$ -	-
Payroll (taxes etc.)	-	-	-	-	-	-
Outside Services	-	-	-	-	-	-
Supplies (off and	-	-	-	-	-	-
Repairs/ Maintenance	-	-	-	-	-	-
Advertising	-	-	-	-	-	-
Car, Delivery and Travel	-	-	-	-	-	-
Accounting and Legal	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Telephone	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Taxes (real estate etc.)	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Other expense (specify)	-	-	-	-	-	-
Other expense (specify)	-	-	-	-	-	-
Total Expenses	$ -	-	$ -	-	$ -	-
Net Profit Before Tax	-		-		-	
Income Taxes	-		-		-	
Net Profit After Tax	-		-		-	
Owner Draw/ Dividends	-		-		-	
Adj. to Retained	$ -		$ -		$ -	

Notes on Preparation - Three Year Profit and Loss Projection

A long term forecast is not a necessary part of a basic business plan. However, it is an excellent tool to help you open up your thinking about the company's future. Furthermore, venture capitalists will almost always want a long term forecast to get a feel for growth prospects.

The further out you forecast, the less accuracy you can maintain, so use round numbers, except where you know exact amounts; e.g.: rent expense if you have a long term lease.

The most important part of the long term forecast is not the numbers themselves, but the assumptions underlying the numbers. So make sure your assumptions are stated clearly and in detail in a narrative attachment. This will communicate your vision of the company's future and how you anticipate realizing that vision.

You will note that there are some lines on the bottom of this spreadsheet which may not be on a twelve-month P & L. This is to help you do some planning about funding growth:

- NET PROFIT BEFORE TAX is the same as Net Profit on a *12-month Profit and Loss* spreadsheet.

- INCOME TAX allows you to estimate how much of your profit will have to go to the IRS.

- NET PROFIT AFTER TAX is what is left for you to use.

- OWNER DRAW/ DIVIDENDS is how much the owners plan to take out for themselves.

- ADJUSTMENT TO RETAINED EARNINGS is the amount of profit actually left in the business to increase Owners' Equity and fund growth.

Cash Flow (12 months)

Enter Company Name Here

Fiscal Year Begins: Jan-08

	Pre-Startup EST	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Total Item EST
Cash on Hand (beginning of month)		0	0	0	0	0	0	0	0	0	0	0	0	0
CASH RECEIPTS														
Cash Sales														
Collections fm CR accounts														
Loan/ other cash inj.														
TOTAL CASH RECEIPTS	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Cash Available (before cash out)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CASH PAID OUT														
Purchases (merchandise)														
Purchases (specify)														
Purchases (specify)														
Gross wages (exact withdrawal)														
Payroll expenses (taxes, etc.)														
Outside services														
Supplies (office & oper.)														
Repairs & maintenance														
Advertising														
Car, delivery & travel														
Accounting & legal														
Rent														
Telephone														
Utilities														
Insurance														
Taxes (real estate, etc.)														
Interest														
Other expenses (specify)														
Other (specify)														
Other (specify)														
Miscellaneous														
SUBTOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan principal payment														
Capital purchase (specify)														
Other startup costs														
Reserve and/or Escrow														
Owners' Withdrawal														
TOTAL CASH PAID OUT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Position (end of month)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ESSENTIAL OPERATING DATA (non cash flow information)														
Sales Volume (dollars)														
Accounts Receivable														
Bad Debt (end of month)														
Inventory on hand (eom)														
Accounts Payable (eom)														
Depreciation														

Notes on Preparation - Cash Flow

Refer back to your Profit & Loss Projection. Line-by-line ask yourself when you should expect cash to come and go. You have already done a sales projection, now you must predict when you will actually collect from customers. On the expense side, you have previously projected expenses; now predict when you will actually have to write the check to pay those bills. Most items will be the same as on the Profit & Loss Projection. Rent and utility bills, for instance, are usually paid in the month they are incurred. Other items will differ from the Profit & Loss view. Insurance and some types of taxes, for example, may actually be payable quarterly or semiannually, even though you recognize them as monthly expenses. Just try to make the Cash Flow as realistic as you can line by line. The payoff for you will be an ability to manage and forecast working capital needs. Change the category labels in the left column as needed to fit your accounting system.

Note that lines for 'Loan principal payment' through 'Owners' Withdrawal' are for items that always are different on the Cash Flow than on the Profit & Loss. Loan Principal Payment, Capital Purchases, and Owner's Draw simply do not, by the rules of accounting, show up on the Profit & Loss Projection. They do, however, definitely take cash out of the business, and so need to be included in your Cash plan. On the other hand, you will not find Depreciation on the Cash Flow because you never write a check for Depreciation. Cash from Loans Received and Owners' Injections go in the "Loan/ other cash inj." row. The "Pre-Startup" column is for cash outlays prior to the time covered by the Cash Flow. It is intended primarily for new business startups or major expansion projects where a great deal of cash must go out before operations commence. The bottom section, "ESSENTIAL OPERATING DATA", is not actually part of the Cash model, but it allows you to track items which have a heavy impact on cash. The Cash Flow Projection is the best way to forecast working capital needs. Begin with the amount of Cash on Hand you expect to have. Project all the Receipts and Paid Outs for the year. If CASH POSITION gets dangerously low or negative, you will need to pump in more cash to keep the operation afloat. Many profitable businesses have gone under because they could not pay the bills while waiting for money to flow in. Your creditors do not care about profit; they want to be paid with cash. Cash is the financial lifeblood of your business.

Opening Day Balance Sheet

Enter your Company Name here

Assets

Current Assets		
Cash in Bank	$	-
Inventory		-
Prepaid Expenses		-
Other		-
Total Current Assets	$	-
Fixed Assets		
Machinery & Equipment	$	-
Furniture & Fixtures		-
Leasehold Improvements		-
Real Estate / Buildings		-
Other		-
Total Fixed Assets	$	-
Other Assets		
Specify	$	-
Specify		-
Total Other Assets	$	-
Total Assets	$	-

Liabilities & Net Worth

Current Liabilities		
Accounts Payable	$	-
Taxes Payable		-
Notes Payable (due within 12 months)		-
Current Portion Long-term Debt		-
Other current liabilities (specify)		-
Total Current Liabilities	$	-
Long-term Liabilities		
Bank Loans Payable (greater than 12 months)	$	-
Less: Short-term Portion		-
Notes Payable to Stockholders		-
Other long-term debt (specify)		-
Total Long-term Liabilities	$	-
Total Liabilities	$	-
Owners' Equity (Net Worth)	$	-
Total Liabilities & Net Worth	$	-

Balance Sheet (Projected)

Enter your Company Name here

	Beginning as of mm/dd/yyyy	Projected as of mm/dd/yyyy
Assets		
Current Assets		
Cash in bank	$ -	$ -
Accounts receivable	-	-
Inventory	-	-
Prepaid expenses	-	-
Other current assets	-	-
Total Current Assets	$ -	$ -
Fixed Assets		
Machinery & equipment	$ -	$ -
Furniture & fixtures	-	-
Leasehold improvements	-	-
Land & buildings	-	-
Other fixed assets	-	-
(LESS accumulated	-	-
Total Fixed Assets (net of	$ -	$ -
Other Assets		
Intangibles	$ -	$ -
Deposits	-	-
Goodwill	-	-
Other	-	-
Total Other Assets	$ -	$ -
TOTAL Assets	$ -	$ -
Liabilities and Equity		
Current Liabilities		
Accounts payable	$ -	$ -
Interest payable	-	-
Taxes payable	-	-
Notes, short-term (due within	-	-
Current part, long-term debt	-	-
Other current liabilities	-	-
Total Current Liabilities	$ -	$ -
Long-term Debt		
Bank loans payable	$ -	$ -
Notes payable to	-	-
LESS: Short-term portion	-	-
Other long term debt	-	-
Total Long-term Debt	$ -	$ -
Total Liabilities	$ -	$ -
Owners' Equity		
Invested capital	$ -	$ -
Retained earnings -	-	-
Retained earnings - current	-	-
Total Owners' Equity	$ -	$ -
Total Liabilities & Equity	$ -	$ -

Notes on Preparation - Projected Balance Sheet

Projecting your balance sheet can be quite a complex accounting problem, but that does not mean you need to be a professional accountant to do it or to benefit from the exercise. The desired result is not a perfect forecast, but rather a thoughtful plan detailing what additional resources will be needed by the company, where they will be needed, and how they will be financed. Using your last historical balance sheet as a starting point, project what your balance sheet will look like at the end of the 12 month period covered in your Profit & Loss and Cash Flow forecasts. How will the year's operations affect assets, debts and owners' equity? For example, if you are planning significant sales growth in the coming year, go through the balance sheet item by item and think about the probably effects of assets.

Ex. ASSETS: Inventory and Accounts Receivable will have to grow. New equipment may be needed for increased production. You may draw down on cash to finance some of this.

Now, since a balance must balance, you need to consider the effects on the other half of the statement, liabilities and equity.

Ex. LIABILITIES & EQUITY: Some of the growth may be financed by profits retained in the business as Retained Earnings. Your Profit & Loss Projection will tell you how much might be available from that source. Funds may be contributed by the owners through contributions of more Invested Capital or loans to the company (Notes Payable to Stockholders). Suppliers may provide some of the financing via increased Accounts Payable. The rest will have to be financed by borrowing, which can be: Short term loans (due within 12 months) such as a line of credit or by Long Term Debt (maturity greater than 12 months).

Technical Tips:

1. Your firm's balance sheet no doubt has more lines than this template. For clarity and ease of analysis, we recommend you combine categories to fit into this compressed format

2. As always for projections, we recommend that you condense your numbers. Most people find it useful to express the values in thousands, rounding to the nearest hundred dollars; for example, $11,459 would be entered as 11.5.

3. In the Fixed Assets section, the "LESS accumulated depreciation"

figure is the total of all depreciation accrued over the years on all fixed assets still owned by the company. Be sure to enter it as a negative number so the spreadsheet will subtract it from Total Fixed Assets.

4. In Owners' Equity, "Retained Earnings-Beginning" is retained earnings as of the last historical balance sheet or the end of the last fiscal year. "Retained Earnings-Current" is net profit for the period of the projections, less any owner's draw (for partnerships and proprietorships) or dividends paid (for corporations).

Breakeven Analysis

Enter your company name here

Cost Description		Fixed Costs ($)	Variable Costs (%)
Variable Costs			
Cost of Goods Sold			0.0%
Inventory			0.0%
Raw Materials			0.0%
Direct Labor (Includes Payroll Taxes)			0.0%
Fixed Costs			
Salaries (includes payroll taxes)	$	-	
Supplies	$	-	
Repairs & maintenance	$	-	
Advertising	$	-	
Car, delivery and travel	$	-	
Accounting and legal	$	-	
Rent	$	-	
Telephone	$	-	
Utilities	$	-	
Insurance	$	-	
Taxes (Real estate, etc.)	$	-	
Interest	$	-	
Depreciation	$	-	
Other (specify)	$	-	
Other (specify)	$	-	
Miscellaneous expenses	$	-	
Principal portion of debt payment	$	-	
Owner's draw	$	-	
Total Fixed Costs	$	-	
Total Variable Costs			0%

Breakeven Sales level = 0

Notes on Preparation - Breakeven Analysis

Using figures from your Profit and Loss Projection, enter expected annual fixed and variable costs.

Fixed costs are those that remain the same regardless of your sales volume. They are expressed in dollars. Rent, insurance and real estate taxes, for example, are usually fixed.

Variable costs are those which change as your volume of business changes. They are expressed as a percent of sales. Inventory, raw materials and direct production labor, for example, are usually variable costs.

Under the variable expenses column, use whole numbers as a percentage, not decimal numbers. For example, use 45%, rather than .45%.

For your business, each category of expense may either be fixed or variable, but not both.

Suggestions

The categories of expense shown above are just suggestions. Change the labels to reflect your own accounting systems and type of business. Breakeven is a "big picture" kind of tool; we recommend that you combine expense categories to stay within the 22 lines that this template allows.

One of the best uses of breakeven analysis is to play with various scenarios. For instance, if you add another person to the payroll, how many extra sales dollars will be needed to recover the extra salary expense? If you borrow, how much will be needed to cover the increased principal and interest payments? Many owners, especially retailers, like to calculate a daily breakdown. This gives everyone a target to shoot at for the day

Business Plan

Name & Address of Business

Applicable Phone Numbers

Optional: Picture of business, company Logo, etc.

Prepared Month/Year

OWNERS

Your Business Name
Address Line 1
Address Line 2
City, ST ZIP Code
Telephone
Fax
E-Mail

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I. Table of Contents 1

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II. Executive Summary

Write this section last.

We suggest that you make it two pages or fewer.

Include everything that you would cover in a five-minute interview.

Explain the fundamentals of the proposed business: What will your product be? Who will your customers be? Who are the owners? What do you think the future holds for your business and your industry?

Make it enthusiastic, professional, complete, and concise.

If applying for a loan, state clearly how much you want, precisely how you are going to use it, and how the money will make your business more profitable, thereby ensuring repayment.

III. General Company Description

What business will you be in? What will you do?

Mission Statement: Many companies have a brief mission statement, usually in 30 words or fewer, explaining their reason for being and their guiding principles. If you want to draft a mission statement, this is a good place to put it in the plan, followed by:

Company Goals and Objectives: Goals are destinations—where you want your business to be. Objectives are progress markers along the way to goal achievement. For example, a goal might be to have a healthy, successful company that is a leader in customer service and that has a loyal customer following. Objectives might be annual sales targets and some specific measures of customer satisfaction.

Business Philosophy: What is important to you in business?

To whom will you market your products? (State it briefly here—you will do a more thorough explanation in the Marketing Plan section).

Describe your industry. Is it a growth industry? What changes do you foresee in the industry, short term and long term? How will your company be poised to take advantage of them?

Describe your most important company strengths and core competencies. What factors will make the company succeed? What do you think your major competitive strengths will be? What background experience, skills, and strengths do you personally bring to this new venture?

Legal form of ownership: Sole proprietor, Partnership, Corporation, Limited liability corporation (LLC)? Why have you selected this form?

IV. Products and Services

Describe in depth your products or services (technical specifications, drawings, photos, sales brochures, and other bulky items belong in Appendices).

What factors will give you competitive advantages or disadvantages? Examples include level of quality or unique or proprietary features.

What are the pricing, fee, or leasing structures of your products or services?

V. Marketing Plan

Market research - Why?

No matter how good your product and your service, the venture cannot succeed without effective marketing. And this begins with careful, systematic research. It is very dangerous to assume that you already know about your intended market. You need to do market research to make sure you're on track. Use the business planning process as your opportunity to uncover data and to question your marketing efforts. Your time will be well spent.

Market research - How?

There are two kinds of market research: primary and secondary.

Secondary research means using published information such as industry profiles, trade journals, newspapers, magazines, census data, and demographic profiles. This type of information is available in public libraries, industry associations, chambers of commerce, from vendors who sell to your industry, and from government agencies.

Start with your local library. Most librarians are pleased to guide you through their business data collection. You will be amazed at what is there. There are more online sources than you could possibly use. Your chamber of commerce has good information on the local area. Trade associations and trade publications often have excellent industry-specific data.

Primary research means gathering your own data. For example, you could do your own traffic count at a proposed location, use the yellow pages to identify competitors, and do surveys or focus-group interviews to learn about consumer preferences. Professional market research can be very costly, but there are many books that show small business owners how to do effective research themselves.

In your marketing plan, be as specific as possible; give statistics, numbers, and sources. The marketing plan will be the basis, later on, of the all-important sales projection.

Economics

Facts about your industry:

- What is the total size of your market?

- What percent share of the market will you have? (This is important only if you think you will be a major factor in the market.)
- Current demand in target market.
- Trends in target market—growth trends, trends in consumer preferences, and trends in product development.
- Growth potential and opportunity for a business of your size.
- What barriers to entry do you face in entering this market with your new company? Some typical barriers are:
  - High capital costs
  - High production costs
  - High marketing costs
  - Consumer acceptance and brand recognition
  - Training and skills
  - Unique technology and patents
  - Unions
  - Shipping costs
  - Tariff barriers and quotas
- And of course, how will you overcome the barriers?
- How could the following affect your company?
  - Change in technology
  - Change in government regulations
  - Change in the economy
  - Change in your industry

Product

In the Products and Services section, you described your products and services as you see them. Now describe them from your customers' point of view.

Features and Benefits

List all of your major products or services. For each product or service:

- Describe the most important features. What is special about it?
- Describe the benefits. That is, what will the product do for the customer?

Note the difference between features and benefits, and think about them. For example, a house that gives shelter and lasts a long time is made with certain materials and to a certain design; those are its features. Its benefits include pride of ownership, financial security, providing for the family, and inclusion in a neighborhood. You build features into your product so that you can sell the benefits.

What after-sale services will you give? Some examples are delivery, warranty, service contracts, support, follow-up, and refund policy.

Customers

Identify your targeted customers, their characteristics, and their geographic locations, otherwise known as their demographics.

The description will be completely different depending on whether you plan to sell to other businesses or directly to consumers. If you sell a consumer product, but sell it through a channel of distributors, wholesalers, and retailers, you must carefully analyze both the end consumer and the middleman businesses to which you sell.

You may have more than one customer group. Identify the most important groups.

Then, for each customer group, construct what is called a demographic profile:

- Age
- Gender
- Location
- Income level
- Social class and occupation
- Education
- Other(s) - specific to your industry

For business customers, the demographic factors might be:

- Industry (or portion of an industry)
- Location
- Size of firm
- Quality, technology, and price preferences
- Other(s) - specific to your industry

Competition

What products and companies will compete with you? List your major competitors: (Names and addresses)

Will they compete with you across the board, or just for certain products, certain customers, or in certain locations?

Will you have important indirect competitors? (For example, video rental stores compete with theaters, although they are different types of businesses.)

How will your products or services compare with the competition?

Use the Competitive Analysis table on the following page to compare your company with your two most important competitors. In the first column are key competitive factors. Since these vary from one industry to another, you may want to customize the list of factors.

In the column labeled Me, state how you honestly think you will stack up in customers' minds. Then check whether you think this factor will be a strength or a weakness for you. Sometimes it is hard to analyze our own weaknesses. Try to be very honest here. Better yet, get some disinterested strangers to assess you. This can be a real eye-opener. And remember that you cannot be all things to all people. In fact, trying to be causes many business failures because efforts become scattered and diluted. You want an honest assessment of your firm's strong and weak points.

Now analyze each major competitor. In a few words, state how you think they compare.

In the final column, estimate the importance of each competitive factor to the customer.

1 = critical; 5 = not very important.

Table 1: Competitive Analysis

Factor	Me	Strength	Weakness	Competitor A	Competitor B	Importance to Customer
Products						
Price						
Quality						
Selection						
Service						
Reliability						
Stability						
Expertise						
Company Reputation						
Location						
Appearance						
Sales Method						
Credit Policies						
Advertising						
Image						

Now, write a short paragraph stating your competitive advantages and disadvantages.

Niche

Now that you have systematically analyzed your industry, your product, your customers, and the competition, you should have a clear picture of where your company fits into the world.

In one short paragraph, define your niche, your unique corner of the market.

Strategy

Now outline a marketing strategy that is consistent with your niche.

Promotion

How will you get the word out to customers?

Advertising: What media, why, and how often? Why this mix and not some other? Have you identified low-cost methods to get the most out of your promotional budget? Will you use methods other than paid advertising, such as trade shows, catalogs, dealer incentives, word of mouth (how will you stimulate it?), and network of friends or professionals?

What image do you want to project? How do you want customers to see you?

In addition to advertising, what plans do you have for graphic image support? This includes things like logo design, cards and letterhead, brochures, signage, and interior design (if customers come to your place of business).

Should you have a system to identify repeat customers and then systematically contact them?

Promotional Budget

How much will you spend on the items listed above?

Before startup? (These numbers will go into your startup budget.) Ongoing? (These numbers will go into your operating plan budget.)

Pricing

Explain your method or methods of setting prices. For most small businesses, having the lowest price is not a good policy. It robs you of needed profit margin; customers may not care as much about price as you think; and large competitors can under price you anyway. Usually you will do better to have average prices and compete on quality and service.

Does your pricing strategy fit with what was revealed in your competitive analysis? Compare your prices with those of the competition. Are they higher, lower, the same? Why?

How important is price as a competitive factor? Do your intended customers really make their purchase decisions mostly on price?

What will be your customer service and credit policies?

Proposed Location

Probably you do not have a precise location picked out yet. This is the time to think about what you want and need in a location. Many startups run successfully from home for a while.

You will describe your physical needs later, in the Operational Plan section. Here, analyze your location criteria as they will affect your customers.

Is your location important to your customers? If yes, how?

If customers come to your place of business:

Is it convenient? Parking? Interior spaces? Not out of the way? Is it consistent with your image?

Is it what customers want and expect?

Where is the competition located? Is it better for you to be near them (like car dealers or fast food restaurants) or distant (like convenience food stores)?

Distribution Channels

How do you sell your products or services? Retail
Direct (mail order, Web, catalog) Wholesale
Your own sales force

Agents

Independent representatives

Bid on contracts

Sales Forecast

Now that you have described your products, services, customers, markets, and marketing plans in detail, it's time to attach some numbers to your plan. Use a sales forecast spreadsheet to prepare a month-by-month projection. The forecast should be based on your historical sales, the marketing strategies that you have just described, your market research, and industry data, if available.

You may want to do two forecasts: 1) a "best guess", which is what you really expect, and 2) a "worst case" low estimate that you are confident you can reach no matter what happens.

Remember to keep notes on your research and your assumptions as you build this sales forecast and all subsequent spreadsheets in the plan. This is critical if you are going to present it to funding sources.

VI. Operational Plan

Explain the daily operation of the business, its location, equipment, people, processes, and surrounding environment.

Production

How and where are your products or services produced? Explain your methods of:

- Production techniques and costs
- Quality control
- Customer service
- Inventory control
- Product development

Location

What qualities do you need in a location? Describe the type of location you'll have.
Physical requirements:

- Amount of space
- Type of building
- Zoning
- Power and other utilities

Access:
Is it important that your location be convenient to transportation or to suppliers? Do you need easy walk-in access?

What are your requirements for parking and proximity to freeway, airports, railroads, and shipping centers?

Include a drawing or layout of your proposed facility if it is important, as it might be for a manufacturer.

Construction?
Most new companies should not sink capital into construction, but if you are planning to build, costs and specifications will be a big part of your plan.

Cost:
Estimate your occupation expenses, including rent, but also including maintenance, utilities, insurance, and initial remodeling costs to make the space suit your needs. These numbers will become part of your financial plan.

What will be your business hours?

Legal Environment

Describe the following:

- Licensing and bonding requirements
- Permits
- Health, workplace, or environmental regulations
- Special regulations covering your industry or profession
- Zoning or building code requirements
- Insurance coverage
- Trademarks, copyrights, or patents (pending, existing, or purchased)

Personnel

- Number of employees
- Type of labor (skilled, unskilled, and professional)
- Where and how will you find the right employees?
- Quality of existing staff
- Pay structure
- Training methods and requirements
- Who does which tasks?
- Do you have schedules and written procedures prepared?
- Have you drafted job descriptions for employees? If not, take time to write some. They really help internal communications with employees.
- For certain functions, will you use contract workers in addition to employees?

Inventory

- What kind of inventory will you keep: raw materials, supplies, finished goods?
- Average value in stock (i.e., what is your inventory investment)?
- Rate of turnover and how this compares to the industry averages?

- Seasonal buildups?
- Lead-time for ordering?

Suppliers

Identify key suppliers:

- Names and addresses
- Type and amount of inventory furnished
- Credit and delivery policies
- History and reliability

Should you have more than one supplier for critical items (as a backup)? Do you expect shortages or short-term delivery problems?

Are supply costs steady or fluctuating? If fluctuating, how would you deal with changing costs?

Credit Policies

- Do you plan to sell on credit?
- Do you really need to sell on credit? Is it customary in your industry and expected by your clientele?
- If yes, what policies will you have about who gets credit and how much?
- How will you check the creditworthiness of new applicants?
- What terms will you offer your customers; that is, how much credit and when is payment due?
- Will you offer prompt payment discounts? (Hint: Do this only if it is usual and customary in your industry.)
- Do you know what it will cost you to extend credit? Have you built the costs into your prices?

Managing Your Accounts Receivable

If you do extend credit, you should do an aging at least monthly to track how much of your money is tied up in credit given to customers and to alert you to slow payment problems. A receivables aging looks like the following table:

	Total	Current	30 Days	60 Days	90 Days	Over 90 Days
Accounts Receivable Aging						

You will need a policy for dealing with slow-paying customers:

- When do you make a phone call?
- When do you send a letter?
- When do you get your attorney to threaten?

Managing Your Accounts Payable

You should also age your accounts payable, what you owe to your suppliers. This helps you plan whom to pay and when. Paying too early depletes your cash, but paying late can cost you valuable discounts and can damage your credit. (Hint: If you know you will be late making a payment, call the creditor before the due date.)

Do your proposed vendors offer prompt payment discounts?

A payables aging looks like the following table.

	Total	Current	30 Days	60 Days	90 Days	Over 90 Days
Accounts Payable						

VII. Management and Organization

Who will manage the business on a day-to-day basis? What experience does that person bring to the business? What special or distinctive competencies? Is there a plan for continuation of the business if this person is lost or incapacitated?

If you'll have more than 10 employees, create an organizational chart showing the management hierarchy and who is responsible for key functions.

Include position descriptions for key employees. If you are seeking loans or investors, include resumes of owners and key employees.

Professional and Advisory Support

List the following:

- Board of directors
- Management advisory board
- Attorney
- Accountant
- Insurance agent
- Banker
- Consultant or consultants
- Mentors and key advisors

VIII. Personal Financial Statement

Include personal financial statements for each owner and major stockholder, showing assets and liabilities held outside the business and personal net worth. Owners will often have to draw on personal assets to finance the business, and these statements will show what is available. Bankers and investors usually want this information as well.

IX. Startup Expenses and Capitalization

You will have many startup expenses before you even begin operating your business. It's important to estimate these expenses accurately and then to plan where you will get sufficient capital. This is a research project, and the more thorough your research efforts, the less chance that you will leave out important expenses or underestimate them.

Even with the best of research, however, opening a new business has a way of costing more than you anticipate. There are two ways to make allowances for surprise expenses. The first is to add a little "padding" to each item in the budget. The problem with that approach, however, is that it destroys the accuracy of your carefully wrought plan. The second approach is to add a separate line item, called contingencies, to account for the unforeseeable. This is the approach we recommend.

Talk to others who have started similar businesses to get a good idea of how much to allow for contingencies. If you cannot get good information, we recommend a rule of thumb that contingencies should equal at least 20 percent of the total of all other start-up expenses.

Explain your research and how you arrived at your forecasts of expenses. Give sources, amounts, and terms of proposed loans. Also explain in detail how much will be contributed by each investor and what percent ownership each will have.

X. Financial Plan

The financial plan consists of a 12-month profit and loss projection, a three-year profit and loss projection, a three-year cash-flow projection, a three-year projected balance sheet, and a break-even calculation. Together they constitute a reasonable estimate of your company's financial future. More important, the process of thinking through the financial plan will improve your insight into the inner financial workings of your company.

12-Month Profit and Loss Projection

Many business owners think of the 12-month profit and loss projection as the centerpiece of their plan. This is where you put it all together in numbers and get an idea of what it will take to make a profit and be successful.

Your sales projections will come from a sales forecast in which you forecast sales, cost of goods sold, expenses, and profit month-by-month for one year.

Profit projections should be accompanied by a narrative explaining the major assumptions used to estimate company income and expenses.

Research Notes: Keep careful notes on your research and assumptions, so that you can explain them later if necessary, and also so that you can go back to your sources when it's time to revise your plan.

Three-Year Profit Projection

The 12-month projection is the heart of your financial plan. The Three-Year Profit projection is for those who want to carry their forecasts beyond the first year.

Of course, keep notes of your key assumptions, especially about things that you expect will change dramatically after the first year.

Projected Cash Flow

If the profit projection is the heart of your business plan, cash flow is the blood. Businesses fail because they cannot pay their bills. Every part of your business plan is important, but none of it means a thing if you run out of cash.

The point of this worksheet is to plan how much you need before startup, for preliminary expenses, operating expenses, and reserves. You should keep updating it and using it afterward. It will enable you to foresee shortages in time to do something about them—perhaps cut expenses, or perhaps negotiate a loan. But foremost, you shouldn’t be taken by surprise.

There is no great trick to preparing it: The cash-flow projection is just a forward look at your checking account.

For each item, determine when you actually expect to receive cash (for sales) or when you will actually have to write a check (for expense items).

You should track essential operating data, which is not necessarily part of cash flow but allows you to track items that have a heavy impact on cash flow, such as sales and inventory purchases.

You should also track cash outlays prior to opening in a pre-startup column. You should have already researched those for your startup expenses plan.

Your cash flow will show you whether your working capital is adequate. Clearly, if your projected cash balance ever goes negative, you will need more start-up capital. This plan will also predict just when and how much you will need to borrow.

Explain your major assumptions, especially those that make the cash flow differ from the Profit and Loss Projection. For example, if you make a sale in month one, when do you actually collect the cash? When you buy inventory or materials, do you pay in advance, upon delivery, or much later? How will this affect cash flow?

Are some expenses payable in advance? When?

Are there irregular expenses, such as quarterly tax payments, maintenance and repairs, or seasonal inventory buildup, that should be budgeted?

Loan payments, equipment purchases, and owner's draws usually do not show on profit and loss statements but definitely do take cash out. Be sure to include them.

And of course, depreciation does not appear in the cash flow at all because you never write a check for it.

Opening Day Balance Sheet

A balance sheet is one of the fundamental financial reports that any business needs for reporting and financial management. A balance sheet shows what items of value are held by the company (assets), and what its debts are (liabilities). When liabilities are subtracted from assets, the remainder is owners' equity.

Use a startup expenses and capitalization spreadsheet as a guide to preparing a balance sheet as of opening day. Then detail how you calculated the account balances on your opening day balance sheet.

You should also add a projected balance sheet showing the estimated financial position of the company at the end of the first, second, and third years. This is especially useful when selling your proposal to investors.

Break-Even Analysis

A break-even analysis predicts the sales volume, at a given price, required to recover total costs. In other words, it's the sales level that is the dividing line between operating at a loss and operating at a profit.

Expressed as a formula, break-even is:

Break-Even Sales = Total Fixed Costs / Variable Costs/100%

(Where fixed costs are expressed in dollars, but variable costs are expressed as a percent of total sales.)

Include all assumptions upon which your break-even calculation is based.

XI. Appendices

Include details and studies used in your business plan; for example:

- Brochures and advertising materials
- Industry studies
- Blueprints and plans
- Maps and photos of location
- Magazine or other articles
- Detailed lists of equipment owned or to be purchased
- Copies of leases and contracts
- Letters of support from future customers
- Any other materials needed to support the assumptions in this plan
- Market research studies
- List of assets available as collateral for a loan

XII. Refining the Plan

The generic business plan presented above should be modified to suit your specific type of business and the audience for which the plan is written.

For Raising Capital

For Bankers

Bankers want assurance of orderly repayment. If you intend using this plan to present to lenders, include:

- Amount of loan
- How the funds will be used
- What this will accomplish—how will it make the business stronger?
- Requested repayment terms (number of years to repay). You will
- probably not have much negotiating room on interest rate but may be able to negotiate a longer repayment term, which will help cash flow.
- Collateral offered, and a list of all existing liens against collateral

For Investors

Investors have a different perspective. They are looking for dramatic growth, and they expect to share in the rewards:

- Funds needed short-term
- Funds needed in two to five years
- How the company will use the funds, and what this will accomplish for growth.
- Estimated return on investment
- Exit strategy for investors (buyback, sale, or IPO)
- Percent of ownership that you will give up to investors
- Milestones or conditions that you will accept
- Financial reporting to be provided
- Involvement of investors on the board or in management

For Type of Business

Manufacturing

- Planned production levels
- Anticipated levels of direct production costs and indirect (overhead) costs—how do these compare to industry averages (if available)?
- Prices per product line
- Gross profit margin, overall and for each product line
- Production/capacity limits of planned physical plant
- Production/capacity limits of equipment
- Purchasing and inventory management procedures
- New products under development or anticipated to come online after startup

Service Businesses

Service businesses sell intangible products. They are usually more flexible than other types of businesses, but they also have higher labor costs and generally very little in fixed assets.

- What are the key competitive factors in this industry?
- Your prices
- Methods used to set prices
- System of production management
- Quality control procedures. Standard or accepted industry quality standards.
- How will you measure labor productivity?
- Percent of work subcontracted to other firms. Will you make a profit on subcontracting?
- Credit, payment, and collections policies and procedures
- Strategy for keeping client base

High Technology Companies

High-tech companies sometimes have to operate for a long time without profits and sometimes even without sales. If this fits your situation, a banker probably will not want to lend to you. Venture capitalists may invest, but your story must be very good. You must do longer-term financial forecasts to show when profit take-off is expected to occur. And your assumptions must be well documented and well argued.

- Economic outlook for the industry

- Will the company have information systems in place to manage rapidly changing prices, costs, and markets?
- Will you be on the cutting edge with your products and services?
- What is the status of research and development? And what is required to:
    - Bring product/service to market?
    - Keep the company competitive?
- How does the company:
    - Protect intellectual property?
    - Avoid technological obsolescence?
    - Supply necessary capital?
    - Retain key personnel?

Retail Business

- Company image
- Pricing:
    - Explain markup policies.
    - Prices should be profitable, competitive, and in accordance with company image.
- Inventory:
    - Selection and price should be consistent with company image.
    - Inventory level: Find industry average numbers for annual inventory turnover rate (available in RMA book). Multiply your initial inventory investment by the average turnover rate. The result should be at least equal to your projected first year's cost of goods sold. If it is not, you may not have enough budgeted for startup inventory.
- Customer service policies: These should be competitive and in accord with company image.
- Location: Does it give the exposure that you need? Is it convenient for customers? Is it consistent with company image?
- Promotion: Methods used, cost. Does it project a consistent company image?
- Credit: Do you extend credit to customers? If yes, do you really need to, and do you factor the cost into prices?