Business Plan Guide

Introduction

A business plan is a business development map. Not only does it show your end destination, but it maps out your travel path. It sets out realistic goals and a stable path.

Business Plan Guidelines

Every business venture can benefit from the preparation of a carefully written business plan. The purpose of the business plan is to:

1. Help you think through the venture and ensure that you have considered all options and anticipated any potential difficulties.
2. Serve as an operating guide as you turn your ideas into a viable business.
3. Aid in arranging strategic alliances and obtaining contracts.
4. Convince potential funding programs managers, lenders and investors that the proposed venture has merit and that you are in control of the project.

The following pages provide a suggested outline of the material that should be included in your business plan. However, the final product will need to be tailored to fit the circumstances of your business.

Writing the Plan

The hardest part of writing a business plan is getting started. The thought of writing a document of this length may seem overwhelming to many people. This is why it is recommended that you use the bite-size approach to writing your business plan.

Set aside a specific period of time each day to sit down and write a few paragraphs or pages. If you are not able to fully answer a question, write a few short notes that immediately occur to you, and think further about what the question suggests. As you continue to write and do more research, you can go back and add things you have previously missed. You may not find it possible to answer every question; however, you should be aware of these issues as they may affect your venture in the future.

As you progress through the writing of the plan, you may find the direction of your business, and business plan, changing. This suggests issues have been seriously considered and dealt with. It is better to recognize needed changes when your business is in the planning stage than when the business is already underway and your investment is at stake. Many good business plans go through several revisions and take up to six months to complete. The key is to not try to complete the entire plan at once.

In addition, as changes in the business environment occur (i.e. new competition, new product design), a company's business plan should be modified to reflect the new environment. A business plan is not a static document. The business plan should evolve as the business grows.

Think of your business plan as a sales document. After all, it must convince you and other readers that your venture has the potential to be successful. Your enthusiasm, dedication and confidence in the project should be evident to the reader, to the point that they will share your view.

Putting it All Together

The operation's management team should develop as much of the business plan as possible. Much of the information, data retrieval and the setting of objectives and targets can be completed by the management team. These objectives and targets will be used to measure the success of the business by investors, lenders, employees and management.

Hire a qualified consultant to: a) review the draft plan, or b) work with the management team to design the plan. A consultant can help identify problem areas and can ensure a high quality business plan is developed which is acceptable to lenders, partners and investors. Select a consultant who: a) has experience in the industry (particularly if the management team has little previous related experience), b) has excellent references, and c) sees a consultant's role as part of a management team designing a business plan.

Business Plan Guide

1. Cover

State the business' name, address, phone and fax numbers. Give your plan a businesslike appearance by printing it on high-quality paper and by having it professionally bound.

2. Title Page

Repeat the business name, address and phone and fax numbers, and add the names and addresses of the principal owners. Also indicate the date of issue of the plan and the copy number. Copy numbers allow you to control the number of copies distributed and keep track of who has received copies.

3. Executive Summary

The executive summary should be written after the business plan is complete. The executive summary is a brief (one to two pages) summary of the main topics covered within the business plan. This section may be the most important part of your plan. Investors will read the summary to decide whether to read the entire plan. For this reason, your summary should be convincing, attract the reader's interest and, at the same time, be brief. Your executive summary should cover the following items:

1. What is the purpose of the plan (operating guide, financing proposal or both)?
2. What type of business are you entering?

3. What type of business structure have you chosen (ie. sole proprietorship, partnership or corporation)?
4. What is the management/key employee background?
5. What are your products or services and how are they unique?
6. Is your technology patent protected?
7. What market is to be served and what is its size?
8. Does your marketing strategy represent anything new or different from the competition?
9. What is the projected financial return?
10. What type of financing is required?
11. What collateral will be offered to secure the loan?
12. How will investment funds be used?

4. Table of Contents

A single page is recommended, listing section headings with corresponding page numbers.

5. Business Objectives

This section clearly identifies the long- and short-term objectives that will contribute to the overall mission. These objectives will give the operation direction for future activity and provide a benchmark against which to measure the success of the operation.

> The mandate of the XYZ organization is to produce and distribute high-quality bird food items to the Canadian market. Continued market penetration will be pursued through a commitment to the research and development of new products and new uses for existing products. Other information should include:
>
> - growth targets (eg. sales, production, capacity to produce, market share);
> - product quality and service;
> - research, development and adoption of new production and marketing methods;
> - comparative profitability (eg. return to owners or investors profit/investment); and
> - maintaining control over your company's resources.

What is the company's mission statement?

Your company's mission statement outlines the purpose of your business and your plans for its future. It includes such things as the basic products, businesses and markets you intend to pursue. This statement should be general and no longer than one paragraph in length.

What short- and long-term goals have been set?

List both the long-term and more specific short-term goals of the company. List these goals in their order of importance. Short-term goals (less than one year) should be very specific. Long-term goals may be more general.

Guidelines for Developing Goals:

Although not every goal may follow the criteria listed below, the following guidelines may help you to develop more meaningful goals. Goals should:

- begin with the word "to" and followed by an action verb;
- describe the result you are trying to achieve;
- include a target date;
- be realistic (not too easy or too difficult to achieve); and
- be specific enough to be easily measured.

Examples:

Short-term

- To produce 200,000 kilograms in year 1.
- To sell 10% of total production to the U.S. market in year 1.

Long-term

- To capture 25% of the Saskatchewan market for our product by year 5.
- To increase production volume to 1,000,000 kilograms by year 5.

6. Description of the Business

In this section of the plan, discuss your business' name, location and the line of business you will be entering.

What type of business are you in (merchandising, manufacturing, or service)?

Describe your proposed business operation. You may mention your product(s) here, but do not give much detail since you will be describing your product(s) later in the plan.

What is the current status of the business (research and development, start-up, expansion or takeover of an existing business)?

Where will your business be located and why was that location chosen?

Describe the location of the business and discuss any advantages and/or disadvantages of this site. These may include things such as labour availability, closeness to customers or suppliers, utilities, zoning, etc. Also, mention whether the land will be leased or owned. If leased, what are the terms of the lease contract?

What is the proposed business name and is it registered?

When deciding on your business' name, consider what would appeal to your customers. Your business name can become an effective advertising tool and will give the customer a sense of what the business is about. Once you have decided upon a suitable name for your company, contact Saskatchewan Justice, Corporations Branch to register your name. The Corporations Branch can inform you if the selected name has already been registered by another business.

What licenses or permits will you be required to obtain?

Check municipal, provincial and federal regulations to determine what licenses and permits are necessary for your business to operate.

7. Industry and Market Analysis

This section of the business plan will analyze the environment in which your business will compete. Many people find the market analysis section the most difficult part of the business plan to complete. However, it is absolutely essential that you understand the market in which you will sell your product.

Market analysis should be done first before a business commences, and should be ongoing throughout the life of the business. The market analysis will demonstrate that there is a market for your product, and that this market is large enough for your business to earn a reasonable profit, now and in the future. Financial investors will want assurances that you have realistically considered all the potential opportunities and threats relating to your business, such as:

- consumer preferences;
- product supply and demand;
- production practices and technology;
- traditional payment arrangements; and
- regulations.

What percentage of the market do you expect to capture, initially and in the long-term?

Consider how your company plans to grow. Do you plan to develop new customers or win customers away from your competitors? Be realistic in terms of how many of the competitor's customers can be convinced to purchase your product in the short-term as customers may be loyal to existing brands. Ask yourself:

- how, when and where they purchase;
- the quality demanded;
- packaging requirements;
- supply requirements;
- service level demanded;
- the price they are willing to pay;
- how they are willing to pay; and
- other related issues.

Will the foreign market be affected by tariffs, political instability, lack of patent protection or currency exchange?

If the greatest percentage of your sales will occur in a foreign country, be aware of the country's importing history, as well as future trends. Countries that have trade policies that support importation of products provide a good opportunity for the Canadian exporter. Protectionist nations may not be so receptive, and added tariffs may make your products uncompetitive in that country. Consider the following:

- consumer and supplier loyalty;
- price,
- payment arrangements;
- reputation;
- technology;
- customer service;
- warranty/ return policy;
- experience;
- location;
- financial stability;
- quality;
- other related areas;
- competitor's ability to decrease their prices;
- competitor's ability to increase promotional efforts;
- Competitors who can develop new technology and adapt the quality of their products;
- high startup costs;
- available technology;
- availability of skilled labour;
- brand loyalty; and
- established contracts with suppliers or middlemen.

Is this advantage sustainable in the long-term?

You will want to demonstrate that your product is not only different from the competitors, but that it will not be quickly duplicated. The greater the barriers, the easier it will be to sustain your advantage. A competitive advantage can also be sustained through continuous product developments through research and development.

Provide a brief overview of the industry.

Consider how long the industry has been in existence, major changes that have taken place and situations that have affected this industry.

Are any future short- and long-term trends evident?

Based on history and recent developments, consider what the outlook is for the industry.

A very important trend, and one which must be addressed, is the market growth potential. Ideally, you will want to be entering a market that is growing. You can identify these trends by reading industry journals or asking suppliers or customers what changes they foresee. Once these trends have been identified, you should decide how your business will accommodate them.

What consumer needs are not currently being met?

What do consumers want that no one is currently providing? Needs may relate to things such as special features, quality levels, service, price availability, or greater selection. These are areas on which you should focus when developing your product. Further into the business plan, you will want to show how your product meets these needs.

Briefly describe your target market in terms of its common characteristics, including: age group, sex, income level, lifestyle and any other factors which may influence buying decisions.

Identifying your target market involves segmenting the entire market based on these common characteristics and other factors. You may also consider: level of education, marital status, career, personality, and ethnic and religious background. By segmenting the market, you can focus your marketing efforts on the segment(s) which are the most likely to purchase your product. You can get much of this information from Statistics Canada (Census Divisions and Subdivisions Profiles), Canada Post (Demographic and Income Statistics for Postal Statistics), city planning departments (neighbourhood profiles), Saskatchewan Health and various market research reports and trade journals.

What is the size of the entire target market (number of consumers, geographic area)?

Defining the size of your target market will assist you in calculating the required level of production, distribution channels, promotion strategy and other marketing decisions. Information can be gathered from a number of different sources, including industry and trade associations and journals, Statistics Canada publications, other producers, suppliers, university libraries and business resource centres and Saskatchewan government business and agricultural advisory services.

What factors affect the consumer's decision to buy?

Research your planned consumer's demographics such as age, sex, marital status, earning and spending capacities, etc. What segment of the population are you going to focus your marketing efforts on? What are the consumer preferences? Such as:

- how, when and where they purchase;
- the quality demanded;
- packaging requirements;
- supply requirements;

- service level demanded;
- the price they are willing to pay;
- how they are willing to pay; and
- other related issues.

Is the market primarily domestic or foreign?

Will the greatest amount of sales occur in Canada or a foreign country? Information on foreign markets can be obtained from government agencies in other countries. For more information on international trade, contact one of the regional offices of Industry Canada (located in Regina and Saskatoon).

Assess the Competition:

Entrepreneurs tend to be quick to minimize the significance of competitors. They often believe that competitors offer inferior products or services. However, it is important to understand why customers buy from other producers and to learn from this. You must be sure to evaluate each competitor objectively in order for your plan to have credibility in the eyes of investors. Consider the following questions in your evaluation:

i) How many competitors are there and who are they?

Establish which competitors are the largest and/or the fastest growing to appreciate where the strongest competition may come from. Recent entries are of importance as they may only have a small share of the market currently, but may have an advantage which will help them quickly become market leaders. State the percentage of market share each competitor controls in terms of revenues and volume sold.

ii) What are the competitors' strengths and weaknesses?

Why do people currently buy from your competitors? What are they not doing well that will cause their customers to buy from you? Be realistic and try to back up your claims where possible.

iii) How will the competition react to your entry?

Competitor reaction is of critical importance, especially if the competitors are financially stable and able to decrease prices and/or increase promotion. By anticipating their reaction, you can develop an action plan of your own.

iv) Are there any barriers which may discourage additional competitors from entering the market?

Discuss if and how your company will overcome these barriers.

v) Is there any indirect competition in the form of a substitute for this product?

Substitute products refer to those that are different from your product, but have potential to serve as a partial replacement (i.e., popcorn or another snack food may serve as a substitute for potato chips).

What is your "competitive advantage" with respect to the competition?

This is one of the most important questions you will have to answer. Your business must have a competitive advantage in order to be successful. Consider areas where your product (and/or service) differs from the competitors. Also, examine competitor weaknesses and your company's strengths. It may not be enough to just say that your product (service) is different, or even better. You must show that the customer actually wants or needs this different or improved product.

Who are the raw materials suppliers and where are they located?

List the major suppliers and identify those you are considering. Location is important because of shipping costs and delivery time.

i) Do the suppliers have a history of being efficient and reliable?

Consider how long they have been in business, their turnaround time from when the order is received to when the order is shipped, and their return policy for damaged items. You may wish to get information on major suppliers from the Better Business Bureau of Saskatchewan Inc. if the supplier will have a major impact on your business success.

ii) Do you have any letters of intent from prospective suppliers?

Letters of intent show commitment on the part of suppliers to provide your business with the needed raw materials. These letters should be mentioned and included in the Supporting Documents section at the end of the business plan.

iii) If your business success will rely on one or two major suppliers, what plans have you made to diversify?

When evaluating suppliers, you should consider an alternate supplier in the event problems arise.

8. The Marketing Plan

A marketing plan is an overall company program for selecting a particular market segment and then satisfying the segment through the best marketing mix. A marketing plan requires that all aspects of the marketing mix be considered including the product planning, pricing, distribution and promotion.

A. Product:

i) What is the nature of your product and how is it unique?

Describe the features, functions, warranties, and any other benefits to the consumer of your product. Demonstrate how your product meets the needs of the customer. Include any diagrams, illustrations and pictures in the supporting documents section if they will improve understanding and heighten interest. Avoid highly technical terms and diagrams with which the reader may not be familiar.

ii) What steps in the product/technology development process have been completed?

In this process each step of product/technology development is linked with a marketing step and is then evaluated to decide if the process should be continued, stopped, or modified. Comment on test marketing results, product/technology modifications, as well as the projected launch date of the product/technology.

B. Price:

i) What price will you charge for your product(s) and on what is this price based?

When deciding upon the price you will charge, you should take into account a number of different factors such as: your costs, product demand, desired profit levels, competitor prices and also the price the market will bear. Because costs tend to be underestimated, you must calculate them very carefully, including not only raw material and distribution costs, but also costs related to the day to day running of the business.

Proper cost calculation is of particular importance as it is much more difficult to raise prices, if costs are greater than expected, than it is to decrease them.

ii) What prices do your competitors charge?

Research your competition not only just on direct price but also for other price support initiatives, such as:

- volume discounts;
- warranty programs;
- credit policies;
- coupon programs; and
- other related items.

iii) How will you use discounts, rebates, etc. in your pricing strategy?

State what type of discounts or rebates (if any) you will use, how often, and when you plan to use them. Some examples are volume discounts, coupons, and mail in rebates. Discounts and rebates can be especially effective when introducing a new product to the market, or when trying to convince competitor's current customers to try your product. However, overuse of these strategies may make some customers reluctant to purchase your product at its regular price.

iv) How will you deal with credit sales?

Describe your credit policy. What credit policy is most commonly used in your industry? Customer payment terms are especially important for start-up businesses, as cash outflow can be very high in the first few years. Cash received must at least equal cash outflow for the business to operate. For this reason, your business will want to develop a payment policy that ensures cash is continually coming in.

C. Distribution/Place

i) How will you get your product(s) to the consumer?

Once you have identified the target market, you must then determine the most effective and efficient way to get your product to the consumer. The way in which you move your product to your target market makes up your distribution channel. Consider if you are near available distribution channels and also we will be responsible for shipping costs.

You should first determine the standard practice in this industry. Shipping costs will affect the price you are able to charge for your product (i.e. if you pay for shipping, your price should reflect this added expense).

Consider when the bulk of your sales occur; perhaps there is a specific time of the month or year when the greatest percentage of sales will be made, or if the sales are evenly distributed. If sales will be seasonal, your promotional efforts should be concentrated just prior to and during this seasonal rush.

Consider the distance between your business and the distribution channel(s) you propose to use. Compared to the competition, are you close to, or far from, these channels? This may be viewed as a competitive advantage or a disadvantage to your business due to associated shipping costs.

D. Promotion and Selling

i) What promotional methods will you use?

Once you have determined your target market, you must determine the most effective way to motivate them to buy, based on their buying patterns and needs. This decision must also be based on the cost related to each method, as well as the estimated rate of return (how much business you will gain as a result of the promotion). Some options for reaching the desired market are: direct sales, television, newspaper, magazine and radio ads, billboards, publicity and public relations, sales promotions or electronic marketing.

ii) What is your promotional budget?

A generally accepted method for determining the promotional budget is applying a percentage of sales or profits formula. The percentage is based on past or estimated future sales or profits. You should also consider competitors' budgets (industry averages may be more readily available through trade magazines and associations, Statistics Canada and financial institutions), your available resources, and the cost of promotion required to achieve the level of sales you have forecast. During the introduction of the new product, your promotional budget may be somewhat higher than after the product is established, in order to raise awareness of your product.

iii) What are your forecasted sales quantities for the next five years? Use optimistic, pessimistic and most likely scenarios.

Consider how many units of your product you can expect to sell each year. The purpose of discussing best- and worst-case situations is to demonstrate to yourself and to the investor that even in the tough times your business can make it and that in the good times your business can be very successful.

iv) Is your product packaging functional or promotional?

Functional packaging protects the product until the customer buys and uses it, aids in display and can lower shipping costs (eg. odd-shaped packaging takes more space when shipping). Promotional packaging is a competitive tool to help influence your customer's buying decision. You should contact the Canadian Food Inspection Agency (CFIA), if applicable, to determine if the packaging or labeling is affected by any provincial or federal legislation.

9. Production Plan

This section of the business plan outlines the production targets, capacity and costs associated with each step of the production process. The production section will help your organization make decisions regarding the actual operations and will ensure that all process costs and related issues are considered.

How much money will be allocated to future research and development?

This is important since the potential investor will want to see that your business is looking toward the future. Consideration should be given to: the speed of technology change, the competitors' budgets in this area, the goals of your company and your available funds.

What are your production targets (i.e. units, kilograms) for the first five years?

It is important to determine in advance, the quantity you plan to produce in order to ensure alignment between production and the sales forecast. You will also want to ensure sufficient supply of raw materials for this level of production.

What is the total production capacity?

What is the greatest number of units your business could produce if demand was sufficient? The easiest way to determine this may be to break down the entire operation into separate processes and determine each process' capacity. If you can produce considerably more than your forecasted sales, you may want to consider how your business can reach other markets with your product.

What quality control measures will be utilized?

How will you ensure that the quality of your product remains consistent? Will you have periodic quality checks? Will you reward employees for producing consistently high-quality products?

When product quality is below standards, companies lose customers. Poor quality is also an indication of excess waste on the production line. Extensive use of quality control and assurance procedures is an expense that must be considered when setting prices. If your business will sell its products in foreign markets, the International Standards Organization should be contacted for certification.

> **i) What is the estimated life of this technology (i.e. Will new technology make it obsolete)?**
>
> To answer this question, you should know if new technology in this industry has been developing slowly or rapidly. If technology has been developing quickly, your research and development costs may have to be relatively high to remain competitive.

Are the cost and availability of the raw materials consistent or do they fluctuate?

Talk to potential suppliers and other industry people to determine raw material cost patterns. Evaluating these fluctuations will ensure accurate production cost projections, and will help ensure that materials are available for peak processing periods.

Include a process flow diagram to show the order and cost of each major step in the production process.

A process flow diagram is a listing of each of the steps in the production process in the order they occur. Costs are assigned based on the time (labour) required to complete the process and input costs related to that process.

10. Management

A strong management team is the key to a successful business. Investors will look for a committed management team with a balance of marketing, technical, operational and financial skills, and experience. Show that your management team has these necessary skills or is making efforts to attain them.

What are the business and management skills of the key management participants?

List management personnel and the position they will fill in this business venture. Emphasize the skills and abilities each person brings to the operation.

Does your management team have direct operational or managerial experience in your business field?

If the management team has direct experience in this proposed business area, it should be stated. Support this experience by listing accomplishments related to other successful ventures.

Describe your organizational structure and include a brief description of each person's responsibilities.

Include an organizational chart if your group is very large. It is necessary for the company to determine the relationship between the key management roles. In addition, show who has authority and responsibility for the successful completion of each business function. An organizational chart may make this area easier for you to explain, and easier for the reader to understand.

What plans have been made to increase the level of expertise in management?

Address the areas where your management resources are not as strong as they should be and show how you plan to fill these gaps. Consider using other management resources, such as consultants.

11. Personnel

This section details the staffing needs of the operation as well as training costs and employee benefits.

What are your anticipated personnel needs?

How many full- and part-time staff members will you need?

Are competent staff available?

Indicate whether there is a sufficient pool of qualified people in your area to staff your venture. Will you have to attract workers from other communities?

What amount of training will be required and at what cost?

Consider if you will have to train these employees, or if the positions require a low level of skill. If training is necessary, state the costs associated. You should also consider how this will affect product quality and competitiveness in the short and long-term.

Will incentives of any kind be used to motivate staff?

Will bonuses be awarded to staff for attaining certain quality, production or sales levels?

What type of employee benefits will be offered and at what cost to the company?

Benefits include things such as medical and dental plans and can be a significant expense for a business with a large staff. On the other hand, these benefits may increase employee satisfaction and commitment.

12. Supporting Professionals

Supporting professional services which are reputable and capable not only provide professional assistance, but can significantly add to the credibility of your business. In addition, properly selected professional services can help you establish good contacts in the business community, identify potential investors and secure financing.

State the legal (including patent counsel), accounting, advertising, banking and any other service organizations you have chosen for your venture.

13. Community and Environmental Plan

A community plan outlines the process that will be used to inform the public about the project and involve them in its development. An environmental plan addresses the steps and plans for dealing with environmental concerns. Experience has shown that if the community does not understand the development, or has been misinformed about a proposed business, opposition may develop which could seriously jeopardize the project.

What are the sources of potential support and opposition to the project in the community?

If you anticipate a great level of support for your project in the community in which you will do business, it should be stated here. If you anticipate opposition, state why, and how you will deal with this.

Will your operation have any environmental impact?

Discuss possible waste disposal or pollution problems and how your business will deal with them. Is an environmental assessment necessary, and if so, what are the results?

Are there any restrictions that might limit the level of production or expansion of the business?

Determine if environmental restrictions or local zoning regulations will inhibit the long-term growth of your company.

14. The Financial Plan

The financial plan is not only a valuable operating tool for your organization, but it is also an important part of the investors' evaluation of your business. It should represent your best estimate of future operations. The purpose is to indicate the financial potential of your venture and its capital needs.

Any significant assumptions, such as interest rates, exchange rates, returns and allowances, should be noted. Explaining the basis for your assumptions will add credibility to your projections.

You may feel that it is unnecessary to make financial projections five years in advance; however, high start-up costs often make new ventures unprofitable in the first few years. With realistic assumptions based on the direction you expect your business to take, you can demonstrate to the reader the long-term profitability of your business opportunity.

You may need assistance from an accountant to complete your financial statements since some calculations and assumptions are intricate. Do as much work as possible yourself before going to an accountant. For more information on financial planning, you may wish to contact financial institutions or business resource centres.

Sources of funding

List the programs from which your business will obtain funding. Various funds make money available for the development of marketing or business plans, product or market development, or marketing and capital spending.

Break-even analysis

The break-even analysis shows the volume of product you must sell in order to cover your costs with no profit or loss. Fixed costs are those which you would incur whether you produced any products or not, such as rent. Variable costs are those which are directly linked to the level of production, such as the cost of raw materials and labour.

$$\text{Break-even point (Units)} = \frac{\text{Fixed Costs}}{\text{(Sales Price per unit - Variable Costs per unit)}}$$

Cash-flow projections (monthly for the first year and then yearly for the next four years).

For a new business, the cash-flow forecast can be more important than forecasts of profits. Cash flow statements detail when the company expects to receive cash from sales and when the company expects to pay its bills. Obviously, businesses must bring in at least as much cash as they pay out; however, in the short-term, cash payments usually exceed cash receipts. With cash-flow projections, you can determine how much credit will be needed and when. The following example provides a template for cash-flow projections.

CASHFLOW CHART

	MONTH												
	1	2	3	4	5	6	7	8	9	10	11	12	Total
Cash sales	___	___	___	___	___	___	___	___	___	___	___	___	___
Receipts from other credit sales	___	___	___	___	___	___	___	___	___	___	___	___	___
Other sales receipts	___	___	___	___	___	___	___	___	___	___	___	___	___
A) TOTAL SALES RECEIPTS	___	___	___	___	___	___	___	___	___	___	___	___	___
Sale of assets	___	___	___	___	___	___	___	___	___	___	___	___	___
Term loan receipts	___	___	___	___	___	___	___	___	___	___	___	___	___
Equity injections received	___	___	___	___	___	___	___	___	___	___	___	___	___
Grants and misc. received	___	___	___	___	___	___	___	___	___	___	___	___	___
Other	___	___	___	___	___	___	___	___	___	___	___	___	___
B) TOTAL OTHER RECEIPTS	___	___	___	___	___	___	___	___	___	___	___	___	___
C) TOTAL CASH INFLOW (A + B)	___	___	___	___	___	___	___	___	___	___	___	___	___
Supplies and inventory purchases	___	___	___	___	___	___	___	___	___	___	___	___	___
Labour (payroll)	___	___	___	___	___	___	___	___	___	___	___	___	___
Transportation	___	___	___	___	___	___	___	___	___	___	___	___	___
Packaging materials	___	___	___	___	___	___	___	___	___	___	___	___	___
Other direct costs	___	___	___	___	___	___	___	___	___	___	___	___	___
D) TOTAL DIRECT COSTS PAID	___	___	___	___	___	___	___	___	___	___	___	___	___
Management Salary	___	___	___	___	___	___	___	___	___	___	___	___	___
Promotion/advertising	___	___	___	___	___	___	___	___	___	___	___	___	___

Office costs	___	___	___	___	___	___	___	___	___	___	___	___	___
Professional fees	___	___	___	___	___	___	___	___	___	___	___	___	___
Insurance	___	___	___	___	___	___	___	___	___	___	___	___	___
Interest paid	___	___	___	___	___	___	___	___	___	___	___	___	___
Other general expenses	___	___	___	___	___	___	___	___	___	___	___	___	___
E)TOTAL GENERAL EXPENSES	___	___	___	___	___	___	___	___	___	___	___	___	___
Capital purchases paid	___	___	___	___	___	___	___	___	___	___	___	___	___
Principal payment on loans	___	___	___	___	___	___	___	___	___	___	___	___	___
Dividend payments	___	___	___	___	___	___	___	___	___	___	___	___	___
Other disbursements	___	___	___	___	___	___	___	___	___	___	___	___	___
F) TOTAL OTHER DISBURSEMENTS	___	___	___	___	___	___	___	___	___	___	___	___	___
G) TOTAL CASH OUTFLOW (D+E+F)	___	___	___	___	___	___	___	___	___	___	___	___	___
H) NET CASHFLOW (C-G)	___	___	___	___	___	___	___	___	___	___	___	___	___
I) CASH FROM PREVIOUS PERIOD	___	___	___	___	___	___	___	___	___	___	___	___	___
J)CUMULATIVE CASH FLOW (H+I)	___	___	___	___	___	___	___	___	___	___	___	___	___

Projected annual income statements for the next five years.

The income statement presents the reader with the forecasted results of earnings activity over a period of time. Include written comments on increases in net income over the five-year period, reasons for any losses, and reassurance that projections are as accurate as possible. SALES RECEIPTS (A) and DIRECT COSTS PAID (D) are carried over from the cash flow analysis.

Year	1	2	3	4	5
Sales					
Cost of goods sold:					
A. Inventory at beginning					
B. Direct costs of goods manufactured					
C. SUBTOTAL (A+B)					
D. Less inventory at end					
Cost of goods sold (C-D)					
GROSS PROFIT (Sales – Cost of Goods Sold)					
EXPENSES:					
Accounting and legal					
Advertising					
Automobile expenses and travel					
Business tax, fees, licenses					
Property taxes					
Management salaries					
Other salaries and wages					
Employee benefits					

Rent					
Insurance					
Interest, bank charges					
Maintenance and repairs					
Freight					
Telephone					
Utilities					
Office expenses, postage					
All other operating expenses					
Depreciation					
TOTAL EXPENSES					
NET PROFIT BEFORE TAX					

Projected balance sheets for the next five years.

The balance sheets are used to show the assets required in the operation of your business and, through liabilities, how these assets are to be financed. As its name implies, the balance sheet must always be in balance. Assets must equal liabilities plus owners' equity.

Year	1	2	3	4	5
ASSETS					
Current assets:					
Cash					
Accounts receivable					
Interest receivable					
Inventory					
Prepaid insurance					
Total current assets (A)					
Non-current assets:					
Land					
Building and equipment					
less: accumulated depreciation					
Net building and equipment					
Total non-current assets (B)					
TOTAL ASSETS (A+B)					
LIABILITIES AND OWNERS' EQUITY **Current liabilities:**					

Accounts payable					
Salaries payable					
Income tax payable					
Notes payable					
Total current liabilities (C)					
Long-term debt:					
Bank loan					
Other long term debt					
Total long-term debt (D)					
Total liabilities (C+D)					
Owners' equity:					
Share capital and/or contributed surplus					
Retained earnings					
Total owners' equity (E)					
TOTAL LIABILITIES AND OWNERS' EQUITY (C+D+E)					

Sensitivity Analysis ("What-if" scenario)

The sensitivity analysis considers 'what if' things do not go exactly as predicted. It measures the impact on a business of a percentage change in a single variable. These variables may be changes in: market price, labour costs, raw material costs, distribution costs, etc. Ideally, you will have your financial statements on a computer spreadsheet. To perform a sensitivity analysis, input a percentage increase or decrease in one of the variables to determine its effect on the viability of the company. For example, you may want to calculate the impact on your business of a 10-percent increase in distribution costs.

Listing of capital equipment, cost, and date to be purchased.

15. Plan of Action Schedule

This section of the plan outlines the timing and interrelationship between each major event in your first year of operation.

16. Risk Assessment

In this section you will want to recognize potential problems relating to your venture, and take steps to decrease the likelihood and impact of their occurrence. Be realistic and honest when identifying potential risks. Nothing is more damaging to a venture than having an investor discover negative factors the entrepreneur did not know about, does not want to discuss or has casually dismissed. Identifying and analyzing potential problems before they happen will make the venture look more attractive. It will also enable your operation to deal effectively with them if they occur.

What potential internal and external risks exist for this business?

Internal risks are weaknesses within your company over which you have control, such as not being able to secure a qualified manager. External risks are those potential situations over which your business has little or no control, such as increased shipping costs.

> **i) How will your business minimize the potential impact of these risks?**
>
> **ii) What plans have you made in the event that the problem materializes?**
>
> For example, if a qualified manager could not be secured, you could consider training a less-qualified manager. If shipping costs increased, you could consider other distribution methods or channels.

In the event that the business fails, what type of exit strategy has been considered?

No new business owner likes to consider this possibility; however, if factors beyond your control force you to discontinue your business, you should consider what can be done to lessen the problems this situation presents.

What type of insurance does the business have?

List the major insurance coverage policy areas such as fire, theft, vandalism, business interruption, key-person, etc.

17. Supporting Documents

Supporting documents back up claims made previously in the business plan. Include the following documents and any other information which you feel will strengthen your business plan.

A. Personal resumes of all management personnel.

B. Personal financial statements for all principals.

C. Letters of intent from prospective suppliers and customers.

D. Letters of reference.

E. Copies of all leases, contracts, agreements, deeds or other legal documents.

F. Detailed drawings, descriptions and photos of the operation and products.

G. Copies of technology rights.

GLOSSARY

Accounts Payable: An amount owing to a creditor, usually arising from the purchase of goods or services, that is to be paid within a 12-month period or within the normal operating cycle. Examples include, amounts owed to suppliers on account, or property taxes and interest.

Accounts Receivable: An amount owed to the business, usually arising from the sale of goods or services.

Brand: A name, term, symbol, sign, design or a unifying combination of these that identifies and distinguishes a product or service from its competitors.

Brokers: Agent intermediaries whose major role is putting buyers and sellers in contact with one another and assisting with contractual arrangements. Brokers do not take title of goods.

Capital: Often used to mean total assets of a business.

Commodity Trader: One who trades in movable articles of trade or convenience.

Distribution Channel: The various marketing institutions and their interrelationships responsible for the physical and title flow of goods from the producer to the target market.

End Consumer: The person who actually consumes the product. This person need not be the actual purchaser of the product.

Large Chain Retailers: A series of stores under a common management or ownership which sells goods in small quantities, especially to end consumers.

Marketing Mix: The company's blend of product planning, pricing, place (distribution) and promotion-better known as the 4 P's of marketing.

Market Segmentation: Dividing end consumers of a particular product into groups based on common characteristics such as age, sex, income level or lifestyle.

Target Market: A group of customers with common characteristics to whom an organization wishes to appeal.

Tariffs: Taxes on imported products.

Volume discounts: Discounts used to encourage customers to buy in large amounts.

Wholesaler: One who sells goods in bulk, especially for resale. The wholesaler takes title of goods.