PART ONE: THE BUSINESS PROJECT

The objectives of the business plan is to give an overall view of the business project. Although it is the first thing read, it is the last part prepared. It is a summary of all the sections of the business plan and should provide the reader with a positive picture of your business.

1.1 General description

This is a summary of the business idea. Give a brief description by answering these questions:

- **What?** The idea, the business activities, products and/or services.
- **Where?** The physical location of your business and why you chose it.
- **Why?** What is the competitive advantage of your business? Why will customers choose your business?
- Who? Who will buy your product/service? Who are the targeted customers? What is the potential sales volume?
- **How?** How will you advertise your business?
- **How much?** 1) How much profit will you make?
  2) The cost of the project and financing required?
- **When?** The planned start-up date.

1.2 Business Mission

In one or two sentences, give the mission of the business. Here are some examples:

Production of high quality wood furniture:

Conception, production and sale of high quality wood furniture of exclusive design.

Retail of clothes and equipment for skiing:

Sale of clothes, equipment and accessories of medium quality for downhill and cross-country skiing.

1.3 Structure of the Organization

Description of the business

Give the name and address of the business
Identify the legal structure (proprietorship, partnership, corporation) of the business and why you chose this.

Job Description

Give a brief (one or two sentences only – you will be doing full job descriptions later) description of the responsibilities of each promoter and employee.

Organization chart

Present a chart showing the different levels of responsibilities.

1.4 Objectives

Give your short term and long term objectives.

Examples:

- Promote the business to potential clients
- Reach the break-even point before the end of the first year of operations
- Make a profit of $20,000 for the first year
- Have gross sales of $150 000 for the second year of operation
- Reimburse all personal loans within three years.
- Develop a market for exportation
- Hire one full time and one part time employee in third year

1.5 Schedule

Give a step-by-step schedule for the start-up of the business, with dates

Example:

- Registration of business incorporation
- Rent of space
- Buy the equipment
- Buy the inventory
- Advertising
- Official start-up date

PART TWO: THE PROMOTERS

This section of the business plan presents the promoters and their contributions to the business as well as their roles in the project.

2.1 Resume

Give a brief introduction of yourself as it relates to the business

If you already have a resume, please include it and go on to section 2.2.

If you don't have a resume already completed, fill out this section.

2.2 Personal Balance Sheet

The personal balance sheet is a list of all the things you own (assets) and all the things you owe (liabilities)

For the assets: Use the market value of each item (the price that you could sell it for) and not the price you paid for it.

For the liabilities: Use the balance owed on the loans, mortgages and debts. In brackets show the monthly payment.

Example:

Bank loan ($300 per month) = 10,000

2.3 Ownership

This section applies if your are going to operate as a partnership or corporation. Otherwise, just state that the business is a proprietorship.

Give the names and % of partnership (or shares)of each promoter. Also present the form of investment of each promoter (money, assets, etc)

Attach a "contract between partners" to this business plan.

A written contract outlines the rights and responsibilities of each promoter. It establishes the rules of conduct for the business, how it will be financed, how to handle the arrival of new partners or shareholders, the retirement or death of partners of shareholders and how to proceed in case of major conflict between partners. Also list the sharing of property before and after the partnership is formed. It is best to draw up this contract at the start of the business while everyone has the best intentions and the partners are in agreement about the direction of the business.

PART THREE: MARKETING

This section will demonstrate the market and the potential sales of the business. This section will also help to position your business according to your competitors.

If you have access to the Internet, you can get a lot of information on market trends, product ideas, marketing ideas etc.

You can also contact Stats Canada or the Statistique Quebec for information.

Magazine articles, resource books, encyclopedia, your chamber of commerce, suppliers, and retail and manufacturing associations, will all have useful information. Contact your town hall for statistics on population, businesses, etc.

Keep a record of all the sources that you use so that if someone asks you can prove you did not make it up. Include a list of reference sources in the Appendix of your plan.

3.1 Product or Service

Describe all of your products and services and their characteristics (quality, durability, style, maintenance, warranty, packaging, etc.) Think of preparing a catalogue – what can people buy from your business.

3.2 Market Analysis

Global Market

Describe the area or region that your business will serve. (Nord du Quebec, Quebec, Canada, etc)

With the help of statistics, show the importance and the evolution of your product or service in the past few years. Explain the tendency of the potential market.

You want to determine the current demand for your product or service in the area that you want to operate. If there is no demand there is no market.

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Consider doing a formal or informal survey of potential clients.

Target Market

Describe the group of consumers that are most likely to purchase your product (age, sex, religion, profession income, etc.) Determine where the majority of your clients will come from (town or municipality) and what % of sales they represent.

Also describe the reasons that usually motivate your potential clients to purchase the product (quality, price, originality etc) and state the purchase habits of these customers (wholesale, shop in specialized boutiques, buy on sale, etc)

Understanding your target customer will have a tremendous impact on how you plan an advertising campaign.

Competitor Analysis

In order to define your product, set your prices, or create an advertising campaign, you must understand who the major and minor players are in your industry. In order to succeed you will have to do one or both of the following:

- Obtain part of your competition's market share
- Create new customers or demand

Therefore it is important to understand what you are up against.

Using the tables supplied, list all potential (direct and indirect) competitors in order of importance. This includes those that are registered businesses and those who are not. For each competitor, identify their strengths and weaknesses in terms of market share, price, profitability, product quality, range of products, advertising, expertise, length of time in business etc.

Your competitors are not just in the Nord du Quebec. They are everywhere you wish to sell your products and everyone your potential customers would buy from.

If you think that there is no competition then consider the possibility that there is no demand for your product or service or that it cannot be provided profitably.

Do a similar analysis of your own business. What are your strong points (as compared to the competitions weak points)? Why would a customer prefer your business? What will be better about your business? What are your weak points (as compared to the competition's strong points)?

3.3 Marketing Strategy

Distribution

Explain how you plan to get your product to your customer. Do you plan to sell directly to your customer, by mail, over the internet, at tradeshows? If you are selling on commission or will have a delivery service explain how it will work.

Advertising and Promotion

- What are your advertising aims?
- What will your ads say?
- Which media will you use: radio, newspaper, pamphlets, etc.
- Is there any free advertising that you could take advantage of?
- Will you have business cards?

Explain how you intend to promote your product or service and the cost for each method. Create a calendar of your promotion activities (what will be done, when and how much it will cost per month).

How will you determine if your advertising is working? Customer feedback, surveys, repeat sales, etc.

To survive an entrepreneur must be constantly promoting the business. Selling your product or service is the most important element of your plan. It won't matter how great your products or service is the most important element of your plan. It won't matter how great your product is if nobody knows about it.

Price

In order to set a price for your product or service you need to know two things. How much it costs you to produce the product and what the competition is charging.

Research all of the cost involved in producing your product or supplying your service. Example:

Hamburger bun	$0.15
¼ lb. hamburger	$0.40
Slice of tomato	$0.10
Slice of onion	$0.05
Lettuce	$0.01
Hydro for cooking (5 min.)	$0.05
Wages for cook (6min@6/hr)	$0.60
Total Cost:	$1.36

Give examples of prices fro the same product or service from your competitors.

Explain how you set your prices (hourly rat, % of markup, % of cost etc.)

Do you allow credit? If so, what are the terms and conditions?

Customer Service Policy

How will you keep your customers happy?
Describe your customer service policy. What kind of guarantee will you offer? How do these policies compare to those of your competitors?

PART FOUR: THE OPERATIONS

This section will help you plan the day to day operations of your business as well as help you analyze your needs in personnel.

If the sections below do not apply to your business go to the next section.

4.1 Production

Describe the production process, main equipment used and raw materials necessary.

Determine production capacity of your business using the following parameters: square footage required, number of employees, number of hours worked.

Example of Production capacity:

In my location of 500 sq. m, using the equipment mentioned, the business will be able to produce 150 office chairs a day, with a production team of seven employees working eight hours a day. This production capacity will allow for annual sales of approximately $750.000.

4.2 Suppliers

Give a complete list of all of your suppliers:

Name; Address; Days for delivery; Do you pay for shipping?; Minimum order?; Your suppliers payment policies?

It is best to have more than one supplier. Always have a back-up plan.

4.3 LOCATION

Describe the location selected for the business. Include a map or drawing if appropriate. Justify your choice based on the criteria previously stated.

Include a plan of the layout. What alterations need to be made to the premises?

Provide proof that your location and your buildings conform to all municipal by-laws and health and safety codes if applicable.

4.4 HUMAN RESOURCES

Employees and Key Positions

Using the organization chart in section 1.3, create job descriptions for each position.

What are the qualifications for each job, and what are the duties and responsibilities? How many hours a week of work and what is the salary or hourly rate you will pay?

Do this for your position in the company as well. If you had to replace yourself, how would you advertise the position?

How many jobs will have been generated in two years from start-up?

External Consultants

Identify the persons whose services you will use to help you in your business. These are not employees or contract workers. They are specialists who you will 'hire' once in a while.

For example:

Lawyer, accountant, tax specialist, management consultant, advertising agency, etc.

4.5 Risk Management

It is important that your business plan contain no surprises and that you have thought of all the risks in starting your own business.

Identify the potential risks (un-met deadlines, difficulties with financing, expenses higher than anticipated, car breaks down, computer crashes, difficulties in increasing sales, and give a possible solution or way of avoiding the problem.

PART FIVE: THE FINANCIAL STATEMENTS

This last section brings together all aspects of your business plan in a financial form. Here you will determine whether or not your business is profitable.

5.1 Start Up Costs

List all of the costs involved in getting your business started. What do you have to buy, to renovate, or to pay for, between now and when you start your business?

- Land
- Building
- Equipment/Machinery
- Vehicle
- Renovations
- Inventory
- Incorporation costs
- Cash on Hand etc…

If you are buying an existing business, ignore this section and attach the Financial Statements for the last three years.

5.2. Opening Balance Sheet

A Balance Sheet is a picture of your business at a certain date. It shows everything your business owns (assets), everything your business owes (liabilities) and how much you have invested in your business (equity).

Thus the Opening Balance Sheet is a picture of your business on the day that it starts.

<u>Assets</u>

Make a list of everything you own, or will have acquired by the starting date, that will be used in your business. Capital Assets are items that will last more than one year. Use the price you paid for items, or greater should be listed individually. Others should be grouped i.e. hand tools $200.

Cash: The amount in your business bank account and on hand

Inventory: Items that you will have on hand, for resale.

Capital Assets: Items that will be used in the business examples include office supplies such as computer, fax machine, telephones, machinery.

Vehicle: If the vehicle will be used full time in the business.

Land: for the business.

Buildings: used exclusively for the business.

Liabilities

List all the debts that the business has on the day it opens. For loans be sure to include personal loans, bank loans, and finance company loans. Give details for each loan: How much; how long; what rate; monthly payment.

- Credit card debts
- Line of credit used
- Short term (one year) loans
- Long term (longer than one year) loans

Equity

Fro the opening balance sheet only – Equity is calculated by subtracting the total of all liabilities from the total of all assets.

Equity = Assets – Liabilities

This represents the amount of money that you have invested in your business.

5.3 Cash Flow Forecast

The Cash Flow forecast is a management tool used to predict the money coming into a business and the money flowing out. Think of it as a cash register. All the money you collect for sales goes in and all the money you spend on purchases and expenses goes out. It allows you to determine the level of cash required to keep the business going.

At the beginning of a business expenses are usually higher than sales. In this case you will need to have a source of cash (either from a loan or through a line of credit) to keep things going until sales pick up. In addition, a portion of your sales may be on credit. So your sales figures for one may be great but if you don’t actually get paid until the following month you won’t have the cash available to pay your bills.

RECEIPTS (Cash in to the Business)

Sales

Analyze the sales in terms of cash that will be received.

Examples:

Jan 15 sale $300: terms 50% immediately, 50% in 30 days. The cash flow would show $150 in January for this sale and $150 in February.

Feb 20 sales $500: terms customer billed at end of month, account due in 30 days from billing.

The cash flow would show $0 in February and $500 in March for this sale. Take the total for each month and place it on the Cash Flow Forecast sheet.

Loans

If you get a loan, then enter the amount of the loan. If the loan is to finance the purchase of equipment and the amount is never actually deposited in your account, you have still received it. (In this case there will be an entry of an equal amount on the disbursement side).

Line of Credit

If you have established a line of credit for you bank account, then show the amount that will be used each month i.e. deposited in your account.

Personal Investment

I you use your own money for a business expense, whether it is cash transferred from a savings account, credit card purchases, or out of pocket, show the amount here.

Grant

If you receive a grant include it here. (This does not include any money you receive under the STA program).

Sale of Capital Assets

I you sell any of your businesses assets (see definition above) show the sale amount here. If you trade in any assets show the value of the trade and in disbursements show the total value of the purchase. Give details of the sale in the footnotes.

DISBURSEMENTS (Cash Out of the Business)

Purchase of Capital Assets

Show the purchase of assets (see definition above) in the month that you paid for them. This includes assets whose purchase is financed by a loan or grant. Give details of the purchase in the footnotes.

Loan Payment

Show the total loan payment (principle and interest). In a footnote give the details of the loan – from where, how much, how long and what rate.

Line of Credit Payment

Show the payments you make to pay off your line credit.

Owners Withdrawal

Show the amount of money you take out of the business for yourself. This includes money that you withdraw from the bank account and cash sales that you do not deposit in your bank account.

Variable Expenses

Variable expenses are those that vary directly with sales. If you are selling widgets then it costs more to buy 10 for resale then to buy 5. If you are running a home cleaning business then your vehicle expenses go up the more houses that you clean because you are using it more often.

Fixed Expenses

Fixed expenses are those that will stay the same no matter how large your sales are. Your rent will be the same wh4ether you have $100 in sales or $1000 in sales for the month.

Wages and Fringe Benefits

Wages or salary is the amount you pay an employee per hour or week or month. Fringe benefits are the additional costs that an employer has on top of the wages paid. These include employer's portion of Employment Insurance and Quebec Pension Plan, as well as CSST (workers compensation) and QHIP (health insurance). Generally speaking you should allow 15% of the wages as an amount for fringe benefits. This could be higher depending on the CSST premiums.

A word of caution, Revenue Canada has very strict guidelines as to whether a person is an employee or a contract worker. It does not depend on the agreement you reach with each other but on the work relationship between you. When in doubt, contact Revenue Canada for a ruling. They have forms that can be filled in and mailed back. Revenue Canada can review your business files for more than one year and decide that a person should have been an employee. In this case you will both owe the government money for past years. It is better to be safe than sorry.

Cash on Hand at Beginning of Month

For the first month, the amount is the amount you indicated in your opening balance sheet. For all other months, it will be the amount on hand at eh end of the previous month.

Cash Receipts for Month

Enter the total cash received for the month as calculated above.

Cash Disbursements for the Month

Enter the total cash disbursed for the month, add the cash receipts for the month, and subtract the disbursements to arrive at the cash on hand at the end of the month. This number must always be positive. You can't spend what you don't have. If you do get a negative number then you will have to go back and rework the figures. Do you need to use more of your line of credit? Are you expenses too high? Should you put off purchasing a piece of equipment for a couple of months?

5.4 Income Statements (Based On Cash Flow Forecast)

The Income Statement shows how the business performed over a give period (usually one year). The difference between Sales and Expenses will be either a profit of a loss for that period.

Transfer the yearly totals from Sales, Variables Expenses and Fixed Expenses to the Income Statement.

Adjustment to Loan Payment: From Sales, Variable Expenses and Fixed Expenses to the Income Statement.

Adjustment to Loan Payment: From a loan schedule determine how much of the payment was interest and how much was principal. Enter the interest amount on the appropriate line of the income statement.

<u>Depreciation of Assets</u>

As described above, capital assets are items that you purchase that will last more than one year and/ or cost more that $500. Because they are used for more than one year, we want to spread the cost of them out over their lifetime. That way the Income Statement more accurately reflects the true costs for the period.

There are several ways of calculating depreciation, but there is only one acceptable way for Income Tax purposes. It is generally easier for a small business to use the Revenue Canada method in which assets are divided into various categories and a percentage of their costs is deductible each year. Consult a resource person or contact Revenue Canada for more information.

<u>Income Taxes</u>

If you business is incorporated, then there a re specific tax rules that apply. Contact a resource person or Revenue Canada for details.

For a proprietorship or a partnership, the net profit of the business is included in the calculation of your personal income tax return. There is no separate business return. There is a schedule (form) that is filled out and becomes part of your personal return. The taxable amount is the net profit of the business not the amount that you withdraw from it.

5.5 BALANCE SHEET (Based on Cash Flow Forecast)

The Balance Sheet is a picture of your business at the end of the period used for the Income Statement. It shows the overall state of your business as time progresses.

Cash on Hand

Enter the cash on hand at the end of the last month of the yearly cash flow.

Inventory

Normally you would actually take a count of the inventory on hand at the end of the year. Fro this balance sheet – add your opening inventory to the total of the purchases made for the year and subtract the amount sold. Remember to subtract the value that you paid for the merchandise, not the sales value. For the second year the opening inventory is the previous years closing inventory i.e. the value on the balance sheet.

Capital Assets

Enter the value calculated by adding the capital assets on the Opening Balance Sheet to the value of assets purchased during the year, and subtracting the value of assets sold during the year. For the second year the opening balance is the value from the Balance Sheet for the first year.

Depreciation – enter the value used in the Income Statement.

Line of Credit Owing

Calculate the balance owing at the end of the year: Start with the opening balance, add the total Line of Credit from the Cash Receipts and subtract the total Line of Credit Payment from the Cash Disbursements.

Loans Payable

Calculate the balance owing on a loan at the end of the yea. For each year take the total loan payment from the Cash Flow Sheet, subtract the interest paid (as calculated and used on the Income Statement) to arrive at the amount of principal paid for the year. Subtract this from the opening balance of the loan to get the amount owning at the end of the year.

Equity

Opening Balance: For the first year, use the figure from the opening balance sheet, for other years use the closing balance from the previous year.

Owner's Investment: The total from the Cash Flow Statement that you put into your business.

Owners Withdrawal: The total from the Cash Flow Statement that you took out of your business.

Current Earnings: The net profit or loss for the year, from the Income Statement. The number will be positive if there was a profit and negative if there was a loss.

Grant: The total from the Cash Flow Statement.

Closing Balance   Opening Balance + Owners Investment – Owners Withdrawal + Current Earnings

Checkpoint: If you have done everything correctly then the Total Assets = Total Liabilities + Equity i.e. it Balances!

ADDITIONAL NOTES TO Balance SHEET
Normally when one is preparing a Income Statement and a Balance Sheet the method used is called accrual accounting. This differs from cash accounting in that sales and expenses are recorded at the time they happen whether or not any cash changes hands.

To complete your balance sheet add a note with the amount of sales you have made that, at year's end you have not yet been paid for. (This is referred to as accounts receivable). Similarly, add a note with the amount of purchases that you have made that you have not paid for at year's end. (This is referred to as Accounts Payable).

Also add a note as to what method you used to calculate the depreciation of your capital assets.

Break Even Points

Analysis of the break-even poi t is a very important management tool for any entrepreneur. It makes it possible to determine the level of sales at which the business suffers no loss, yet makes no profit. The break-even point is reached when income from sales equals the total amount of fixed and variable costs.

A= TOTAL FIXED COSTS B= TOTAL VARIABLE COSTS C=1-B
TOTAL SALES FOR YEAR

Sales needed to reach break-even point = A / C

PART SIX: APPENDIX

Attach all relevant documents and all those which will enhance your business plan, such as:

Bibliography of all references used and sources of all statistics

- Your resume
- Partnership agreement
- Detailed implementation schedule
- Product sketches, pictures, a menu
- Copies of business cards, pamphlets, invoices, letterhead, ads, etc.
- If you survey potential customers, include a copy of the questionnaire.
- Letter of intent (yes I will use your service/buy your product and pre-orders are particularly good to have because they show that there is a definite market for your business.
- Proof of confirmation to municipal by-laws