Business Plan

Cover Sheet

Begin the Plan with a Cover Sheet. This shows the company name, logo, address and owner/president.

Table of Contents

Use tabs and number the pages so that the plan can be easily read and referenced.

Executive Summary

This is your commercial! In two to four pages you must summarize the key elements of your plan. You should discuss the company, its principals/key employees, what kind of business, what are you products and services, where the business is going to be located, what are your forecasted sales and profits, the amount of money you will need and for what purpose. Also, what funds you and/or your owners have or will invest in the business. Discuss your exit strategy. Note: The Executive Summary should be written last. In this way you can assess your total plan and determine the major elements that you would like to incorporate into the Summary. Note: If you are an existing business, you should discuss the financial performance of your business for the past one to three years and why and for what purpose you are seeking funding at this time.

Business Description and Management
In this section, you describe the company in more detail. Ownership and who are the principal owners (own 20% or more). Highlight your mission statement. Briefly describe your business and your experience/expertise. Describe your major products or services. Briefly discuss your customer target base/population. Discuss where you expect your business to be in the next three to five years. Discuss the key assumptions you have made in the plan and your exit strategies. Discuss business location and lease details. Discuss the type of business entity (sole proprietorship, partnership, corporation or Limited Liability Company). Key employees: Accountant, Attorney, and other key advisors. Discuss the type of Business insurance you have, health insurance, and other benefits. Discuss other provisions you have made for the company and company employees. Also, you must discuss existing contracts or other agreements that you have or will enter into.

Marketing

In this section, you are to discuss your products or services strategy. Discuss in detail. Discuss the key assumptions you have made in your marketing plan. Your customers and how you plan to sell your products or services. Discuss the industry both national and local trends and your particular location’s advantages. Use statistics that can justify your sales strategy and marketing approach. Talk about demographics and industry. Include relative marketing data that you used to project sales/costs etc. Discuss your pricing, your competition. What they do well and what they do which can work to your advantage. Discuss advertising. Discuss short-term and long-term business strategies.

Financials

In this section, you must prepare the five following statements:
- Statement of Use of Funds
- Profit and Loss Statement
- Balance Sheet
- Cash Flow
Break-Even Point

The numbers you use with the above statements must relate to your financial assumptions, the marketing plan and pricing strategy.

1. Statement of Use of Funds

State the amount of funding and for what purpose. Make a chart for Start up Costs and Working Capital. Be specific and list all start up cost by category. The start costs must reflect the total amount you need to “open the doors”. For example, lease, inventory, equipment, renovations, insurance, legal fees, and license fees. Also, you must show your working capital needs and this should agree with your cash flow statement. If you are an existing business, you must indicate the reason you are seeking funding and how the funding obtained will produce positive results or assistance for your business. For example, you need a line of credit to supplement slow accounts receivable and cash flow problems, or to purchase/upgrade equipment.

2. Profit and Loss Statement

The following format should be used:

Sales/Revenue
Less:
Cost of Goods
Gross Margin
Less:
Operating Expenses
   Variable Costs
   Auto Expense
   Office Supplies
   Full or Part-time Salaries
   Repairs/Maintenance
   Legal Fees/Accounting Fees
   Special Promotions
Advertising
Travel and Entertainment Expense
Miscellaneous
**Fixed Costs** (Expenses that have to be paid with or without sales)
Rent/Utilities
Salaries/Taxes
Insurance
Interest Expenses
Equipment Leases
Auto Lease
Total Operating Expenses
Net Profit before Taxes

3. Balance Sheet

The Balance Sheet shows the financial strength of your business. The balance sheet shows your Assets, Liabilities, and Equity.

Assets = Liabilities + Equity

Use this format:

**Assets**
Current Assets
Cash
Accounts Receivable
Inventory
**Fixed Assets**
Equipment
Buildings
Less: Accumulated Depreciation
Land/Property
Total Assets

**Liabilities**
Current Liabilities
Accounts Payable
Taxes Payable
Notes Payable (current)
**Long-Term Liabilities**
Notes Payable
Stakeholders Notes
Total Liabilities

**Equity**
Common Stock/Investment
Paid in Surplus
Retained Earnings
Total Equity
Total Liabilities
Note: Assets = Liabilities + Equity

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4. Cash Flow Statement

This statement reflects the amount of cash that you are required to pay out and the amount of cash you receive into your business each month. You have to do this for the first year and show your projections monthly. The difference between Cash in and Cash out will give you a positive or negative cash flow position. This will, also, indicate the estimated working capital you will need for your business during the initial stages.

**Use this format** (Project cash for one Year)

Prior Month Cash Balance
Cash in (Current Month)
Sales
Other
Total Cash In
Less:
Cash Out
Operating Expenses (Paid)
Inventory Purchased
Loan Payments (Principal and Interest)
Miscellaneous
Total Cash Out
Cash Balance Positive (or Negative)

Note: Make sure you carry the cash balance over to start the next month’s cash projections.

5. Break Even Analysis

The break-even analysis determines when your business will reach the break-even point. This is, when your sales and expenses will be equal and when your business should start to turn to profitability.
To calculate the break-even point, use the following guidelines:

Sales less Variable Expenses = Total
Total less Fixed Expenses = Break-Even

Example:
Sales = $1,000 (100 Chairs @ $10 a Chair)
Variable Expenses = $400
Fixed Expenses = $600
$1,000 less $400 = $600
$600 less $600 (Fixed Expenses) = 0. Break-even is 100 chairs.

Example:
Sales = $800 (80 Chairs @ $10 a Chair)
Variable Expenses = $320
Fixed Expenses = $600
$800 less $320 = $480
$480 less $600 = ($120)

These two examples show that in order to break even, you would have to sell 100 chairs.
Anything less than 100 chairs, and you will not reach the break-even point and have negative cash flow.

Appendix
Use this section for the following:

- Personal Financial Statement (You and other principal owners (20& or more)…your Assets and Liabilities.
- Also, include the past three years of your professional and business tax returns (existing business).
- You must, also, include the deeds for any property you own.
- Photo ID (Your License or Passport) must be large enough to read clearly.
- If you are buying a franchise, you must include the franchise agreement.
- Also, include your work and earnings history.
- Include a resume’ of yourself and key employees.
- Include any documentation (research, market data, etc.) that would add credibility and/or support to your business, assumptions, and key staff, etc.
- If you are purchasing an existing business, you must have the tax returns and financial statements for the business being purchased.

Author: Alfonso J. Izzi
Revised January 2008

ABC Corporation
Statement of Use of Funds

<table>
<thead>
<tr>
<th>Description</th>
<th>Security Deposit/Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start-up Costs</td>
<td>Fees</td>
</tr>
<tr>
<td>Construction</td>
<td>Video Surveillance</td>
</tr>
<tr>
<td>Furniture &amp; Fixtures</td>
<td>Grand Opening Promotions</td>
</tr>
<tr>
<td>Inventory</td>
<td>Professional Fees</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Costs</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Permits/Licenses</td>
<td>20,000</td>
</tr>
<tr>
<td>Business Insurance</td>
<td>10,000</td>
</tr>
<tr>
<td>Office Supplies/Computer</td>
<td>5,000</td>
</tr>
<tr>
<td>Total Start-up Costs</td>
<td>6,000</td>
</tr>
<tr>
<td>Working Capital</td>
<td>3,000</td>
</tr>
<tr>
<td>Total Funds Required</td>
<td>3,000</td>
</tr>
<tr>
<td>Less: Owners Investment (Details Below)</td>
<td>1,000</td>
</tr>
<tr>
<td>SBA Loan Required</td>
<td>$225,000</td>
</tr>
<tr>
<td></td>
<td>45,000</td>
</tr>
<tr>
<td></td>
<td>$270,000</td>
</tr>
<tr>
<td>Owners Investment</td>
<td>55,000</td>
</tr>
<tr>
<td>Construction</td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>$215,000</td>
</tr>
<tr>
<td>Fees</td>
<td></td>
</tr>
<tr>
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<td>$25,000</td>
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<tr>
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<td>10,000</td>
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<tr>
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<td>$55,000</td>
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</table>

ABC Corporation
Pro Forma Balance Sheet
2006
000’s
## Assets

<table>
<thead>
<tr>
<th>Current Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
</tr>
<tr>
<td>Petty Cash</td>
</tr>
<tr>
<td>Inventory/Supplies</td>
</tr>
<tr>
<td>Franchise Fee</td>
</tr>
<tr>
<td>Total Current Assets</td>
</tr>
<tr>
<td>Security Deposit</td>
</tr>
<tr>
<td>Fixed Assets</td>
</tr>
<tr>
<td>Equipment</td>
</tr>
</tbody>
</table>

Accumulated depreciation

Accumulated amortization

Net Fixed Assets

Total Assets

## Liabilities

<table>
<thead>
<tr>
<th>Current Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
</tr>
<tr>
<td>SBA Loan</td>
</tr>
<tr>
<td>Total Current Liabilities</td>
</tr>
</tbody>
</table>

## Long-Term Debt:

<table>
<thead>
<tr>
<th>SBA Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Liabilities</td>
</tr>
</tbody>
</table>

## Equity

<table>
<thead>
<tr>
<th>Retained Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid in Capital:</td>
</tr>
<tr>
<td>Joe Doe</td>
</tr>
<tr>
<td>Total Equity</td>
</tr>
</tbody>
</table>

## Total Liabilities & Equity

<table>
<thead>
<tr>
<th>$65</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>50</td>
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</tbody>
</table>

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