

**SUGGESTED "BUSINESS PLAN" OUTLINE**

**- NEW BUSINESSES (LESS THAN 2 YEARS OPERATING) -**

**Purposes:**

- To help in obtaining commercial credit
- To serve as "Measuring Scale" of operation
- To assist managerial planning

**Cover Sheet:** Business name and address, names of principals, and business phone number

**1. The Business**

- A. Description
- B. Brief history
- C. Type of organization, date organized, and principals
- D. Management, including a brief background on each principal (If management differs from owners, include background of both managers and owners.)
- E. Location
- F. Market

**2. Business Activity**

- A. Type of business
- B. Product
- C. Volume (by sections)
- D. Number of Employees
- E. Sales policies and distribution methods
- F. Territories covered
- G. Prospects and expectations
- H. Credit Terms
- I. Competition

**3. Facilities**

- A. Description of plant and equipment, and whether facility is owned or leased.
- B. Adequacy or plans for expansion

**4. Financial Data**

- A. Historical financial reports for existing business (if operating but less than 2 years old)
  - Current balance sheet
  - Balance sheet and income statements for last three years
  - Accounts receivable and payable
  - Schedule of existing debts
  - Historical (3 Year) Business Tax Returns
- B. Balance sheet and income statement projections
  - Three year summary
  - Explanation
- C. Pro-forma cash flow for three years
- D. Break-even analysis
- E. Collateral available

**5. Personal Information**

- A. Financial information.
- B. Income.
- C. References.
- D. Historical (3 Year) Personal Tax Returns.

**6. Supporting Information and Documents**

- A. Leases
- B. Contracts

## **COVER SHEET**

This is simply a sheet of paper with the name and address of the business, the name of the owner(s), and contact information such as, telephone number, fax number (if any) and e-mail address (if any). You should also type or stamp the word CONFIDENTIAL on the bottom hand corner of the page.

## **STATEMENT OF PURPOSE**

Tell the reader exactly why you wrote the plan. "The company is seeking a loan in the amount of \$..... to be used to purchase ..... as part of an expansion (or start up) of the company's ..... business." This sentence can be used as your opening line on your Executive Summary if it is short enough.

## **EXECUTIVE SUMMARY**

This is your most important section of the business plan. It should be written last because you'll be pulling the best information from the other sections to create highlights of your plan. This is the only section where you'll be able to share your vision of the business, tell why you're the person or team to implement the plan, and why you will be successful. If your executive summary doesn't capture the attention of your reader, he or she may never read the nuts and bolts of the rest of your plan. Try not to go over two pages unless you have some extraordinary information that needs to be shown.

## **TABLE OF CONTENTS**

This is simply the sections of the business plan (the outline) listed with the page numbers after each section to make it easier for people to turn to specific places in the plan.

## **THE BUSINESS**

### **Description of the Business**

This section describes your business and the industry. It should include the current status of the business (start-up, existing, and acquisition), the business structure (sole-proprietor, partnership, limited liability company corporation) and the ownership structure (Are you the only owner? If not, list all owners and their percentage ownership in the business.)

### **Location and hours of the business**

Where is your business located and what hours will you be opened? If location is important to the business, explain the advantages and the benefits of the location (foot traffic; closeness to highways.)

### **Products and Services**

Tell the reader about the products and services that your business provides. The reader should be able to easily understand your business. Tell which of your products are most profitable and which have special or unique features.

### **Marketing Analysis and Competition**

This section is one of the most important. You must demonstrate that you are knowledgeable not only about your business but also the industry in general. First, describe the industry and any trends in the industry. You will need to research this info in trade publications, on the Internet, or from your experience. Secondly, discuss your target customers. Who are they? Who'll be the most likely to buy from you? Thirdly, what is the size of your market area and how many potential customers do you think are in it. Lastly, identify your competitors, explain why you are better or how you are different, and tell why you think their customers will do business with you.

### Marketing Plan

Now that you've identified your market, you need to explain how you can get these customers to buy from you. Write about how you will reach these customers. Will you use advertising brochures that you send to them (direct mail)? Will you use radio, telemarketing, newspapers, e-commerce, or something else? How much will it cost? How many customers do you think you'll be able to reach? Are there special customers (niche markets) that you're looking to reach? Will this advertising reach them?

### Management and Personnel

A business is only as strong as the people running it. You need to show who will be running the business, their qualifications (background and experience), and their responsibilities. Include the resumes of owners and key personnel. If you have other employees, list their responsibilities and cost to you. You will also want to include those professionals who will be helping you. Attorneys, Accountants, Counselors, etc. are people that you should identify as part of your team.

### THE FINANCIAL DATA

This is the most important part of your business plan. This section will show how your business is going to perform. This can be the most difficult part of your plan to do well. If you are so inclined, you can have your accountant help you do this (but the key word is help. You must understand the financial aspects of your business to be successful). It takes a lot of thought about your business and honest evaluation of your sales and expenses. The finished product will show you whether you'll have enough money to run your business and whether you can make enough money to make a living. Remember; don't let this section overwhelm you. You can do it.

### Sources and Uses of Funds

This section is brief, simply list where monies are coming from to fund the project or start-up of the business ("Sources") and how you will spend the Sources to complete the Project or start up the business ("Uses"). This package includes a worksheet ("Financing Information") that can be used to detail the sources and uses of funds.

### Pro-Forma Income Projections (profit and loss statement)

This section requires you to project (estimate) future sales/income and expenses based on the business plan going forward. Existing businesses can use their historical financial information as a starting point to project future sales and expenses. If you are a start-up, you won't have any prior numbers to work from. You'll have to give your best estimates on what they will be. You have to be realistic. Do some research to support your estimates! Get quotes for expense items to make sure your estimates are reasonable. This is a guideline for your business's ability to be profitable.

The business may not show profitability in its first year. However, it should be profitable within a reasonable amount of time or it may be showing you that the business can't support you. Use the attached Projected Profit and Loss Worksheet to help you calculate your first year. Other years do not need to be broken down month by month. They can be done in a single column listing the same categories that were used on the worksheet.

### Pro-Forma Cash Flow Projections

This section is the most important for you. (Its' importance can not be stressed enough). Cash Flow Projections tell you whether you'll have enough cash to allow your business to continue running during the critical beginning stages or heavy growth stages. The government estimates that most small businesses that file for bankruptcy are actually profitable when they file. These businesses just run out of money needed to run day-to-day operations.

Use the attached Cash Flow Budget Worksheet to calculate your cash flow. Since there are technically no sales in your first month of business (there are sales but they don't get registered until month number two), you'll start Month 1 Beginning Cash Balance with the Working Capital amount you calculated in the Sources & Uses Section. Add the appropriate expenses underneath and you'll be able to calculate how much money will be left for the start of month two.

Remember, you'll have to buy inventory or materials to replace what you sold in the previous month, so that amount will have to be plugged into the next month. Keep doing each month's calculation until you finish the first year. Each month you'll take the Available Cash Balance and subtract all the expenses from it, which will give you the Beginning Cash Balance for the next month. This tells you if you have enough cash on hand to keep your business running smoothly.

### **Break-even Analysis**

This section will show you what level of sales will be needed to cover all of your fixed expenses. This will tell you at what point you start to produce profits. It requires you to determine two numbers. The first is your fixed cost. These are expenses you must pay every month regardless of your sales volume. Fixed costs include rent, insurance, interest, office supplies, maintenance fees, administrative costs, etc. Total your Fixed Costs and divide the total by your Average Gross Profit Margin. Simply put, your Gross Profit is the amount of profit you make on a sale.

The Gross Profit Margin is your Gross Profit shown as a percentage of your total sales. For example, you sell an item for \$25.00. The item costs you \$15.00. Your Gross Profit is \$10.00 (\$25.00 sale minus \$15.00 cost). Your Gross Profit Margin is calculated by dividing Gross Profits by Sales Price. In this example, the Gross Profit Margin is 40% (\$10 div. by \$25). Your Average Gross Profit Margin is the average estimated gross Profit Margin on all sales of all products. This is also expressed as a percentage. Now that you know your Fixed Costs and your Average Gross Profit Margin, you can complete your break-even analysis. The formula is as follows:

$$\frac{\text{Fixed Costs}}{\text{Profit Margin}} = \text{Break-even Point}$$

For example, if you have \$1000 per month in Fixed Cost and your Average Gross Profit Margin is 40%, then your Break-even point would be \$1000 divided by .40 or \$2500. This means that you have to sell \$2500.00 to break even for the month.

### **Financial Assumptions**

This section explains how you came up with the numbers you used in your financial projections. The numbers that you are using can't be just made up. They must come from your research. Any part of the financial projections that is not obvious to the reader should be explained.

Here are some examples of assumptions you may make when creating financial projections.

GROSS SALES	Projected sales are based on the sale of 20 (product) per week at \$63 each as my research (copy enclosed) has indicated. The sales are projected from industry research in markets with my demographic size.
COST OF GOODS SOLD	The cost of goods sold is based on a 60% markup on inventory.
PAYROLL	Payroll expense is calculated by the owners' salary of \$24,000 and 3 part time people working 15 hours a week at \$7.00 per hour.

At the end of your assumptions, discuss the potential risks that your business could face (new technologies, new competitors, etc.) and how you plan to deal with it.

### **Supporting Documents**

This section should contain any other relevant information regarding your business. Incorporation papers, owner resumes and any letters of recommendation, copies of leases, or contracts, owners personal financial statements, two years of owners tax returns, or anything else to support your business.