

# **Business Plan**

**Name of Business**

**address (street, city, state, zip)**

**Telephone Number including FAX, e-mail, WEB address, etc.**

**Prepared by:**

**Name of Owner(s)**

**A Business Logo if you have one**

**Submitted to (only for financing)**

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## **EXECUTIVE SUMMARY**

Your Executive Summary

## **BUSINESS DESCRIPTION**

key business description

## **VISION STATEMENT**

key vision statement

## **VISION TRIGGER**

key vision trigger

## **MISSION STATEMENT**

key mission statement

## **BUSINESS OBJECTIVES**

key business objectives

## **INDUSTRY ANALYSIS**

key industry analysis

## **BUSINESS OPERATIONS**

key business operations

## **MARKETING**

### ***Product/Service***

key product/service

## ***Price***

key price

## ***Place***

key place

## ***Promotion***

key promotion plan

## **COMPETITIVE ANALYSIS**

key competitive analysis

Exhibit I  
Competitive Analysis

## **LEGAL STRUCTURE**

key legal structure

## **MANAGEMENT EXPERTISE**

key management expertise

## **SUPPORT PERSONNEL**

key support personnel

## FINANCIAL INFORMATION

### Financial Objectives

key financial objectives

#### *Monthly Living Expenses*

**Exhibit 2, Monthly Living Expenses**--key monthly living expenses

#### ***One-Year Cash Flow Projection***

The items in **Exhibit 3, One-Year Cash Flow Projection**, have been arranged in a specific way: sources of cash (cash receipts), cash needed to purchase assets (equipment), cash needed to pay expenses (rent), cash needed to pay liabilities (payroll taxes), and owner's draw.

### Sources of Cash

1. **Personal Funds**--key personal funds
2. **Loan Proceeds**--key loan proceeds
3. **Cash Receipts from Business**--key cash receipts from business

### EXHIBIT 2 MONTHLY COST OF LIVING

|                 | MONTHLY EXPENSES |
|-----------------|------------------|
| NAME OF ACCOUNT |                  |

|  |  |
|--|--|
|  |  |
| <b>Regular Monthly Payments</b>  |  |
| Rent or house payments (including taxes)                               |  |
| Car payments (including insurance)                                     |  |
| Appliance payments   |  |
| Loan payments  |  |
| Health, life and other insurance premiums                              |  |
| Miscellaneous  |  |
| <b>Total</b>   |  |
| <b>Household Expense</b>   |  |
| Telephone  |  |
| Utilities  |  |
| Miscellaneous  |  |
| <b>Total</b>   |  |
| <b>Personal Expense</b>  |  |
| Clothing, cleaning, laundry, shoe repair                               |  |
| Medical and dental   |  |
| Education and training   |  |
| Automobile expenses  |  |
| Spending allowance   |  |
| <b>Total</b>   |  |
| <b>Food Expenses</b>   |  |
| Food at home   |  |
| Food away  |  |
| <b>Total</b>   |  |
| <b>Tax Expense</b>   |  |
| Federal and State  |  |
| Personal property  |  |
| Other taxes (except house)   |  |
| <b>Total</b>   |  |
| <b>Total personal monthly cost of living expenses</b>                  |  |
| <b>Subtract monthly income from sources other than business</b>        |  |
| <b>Grand Total – the minimum monthly draw needed from the business</b> |  |

**EXHIBIT 3  
ONE-YEAR CASH FLOW PROJECTION**

|    |  |  |
|----|--|--|
|    | <b>Sources of Cash</b>                 |  |
| 1  | Personal Funds                         |  |
| 2  | Loan Proceeds                          |  |
| 3  | Cash Receipts from Business            |  |
|    |  |  |
|    | <b><i>Total Sources</i></b>            |  |
|    |  |  |
|    | <b>Uses of Cash</b>                    |  |
| 4  | Equipment and Supplies                 |  |
| 5  | Vehicles Purchase/Lease                |  |
| 6  | Real Estate                            |  |
| 7  | Furniture and Fixtures                 |  |
| 8  | Security Deposits (Rent and Utilities) |  |
| 9  | Signs                                  |  |
| 10 | Leasehold Improvements                 |  |
| 11 | Cost of Goods Sold                     |  |
| 12 | Telephone and Other Utilities          |  |
| 13 | Lease/Rent                             |  |
| 14 | Business License Fee                   |  |
| 15 | Insurance Premiums                     |  |
| 16 | Office Expenses                        |  |
| 17 | Legal and Accounting                   |  |
| 18 | Advertising and Promotion              |  |
| 19 | Real Estate and Other Taxes            |  |
| 20 | Miscellaneous Expenses                 |  |
| 21 | Payroll Taxes and Benefits             |  |
| 22 | Payroll (including withholdings)       |  |
| 23 | Loan Payments (Principal and Interest) |  |
| 24 | Owner's Draw                           |  |
|    | <b><i>Total Uses</i></b>               |  |
|    | <b>Net Cash Flow for the Year</b>      |  |

## ***Uses of Cash***

4. **Equipment and Supplies**--key equipment and supplies  
(Each item should be listed together with its estimated cost)
5. **Vehicle Purchase/Lease**--key cost of purchasing/leasing a vehicle
6. **Real Estate**--key down payment and other costs of acquiring real estate
7. **Furniture and Fixtures**--key furniture and fixtures
8. **Security Deposit (Rent and Utilities)**--key deposits required for leasing property, utility service, etc.
9. **Signs**--key signs that you will own and can remove
10. **Leasehold Improvements**--key leasehold improvements
11. **Cost of Goods Sold**--key purchase of goods needed in the business telephone and
12. **Other Utilities**--key electric, gas, water, sanitation, and telephone expenses

13. **Lease/Rent**--key lease terms
14. **Business License Fee**--key business license to operate business
15. **Insurance Premiums**--key insurance premiums
16. **Office Expenses**--key office expenses
17. **Legal and Accounting**--key legal and accounting
18. **Advertising and Promotion**--key advertising and promotion
19. **Real Estate and Other taxes**--key real estate and other taxes
20. **Miscellaneous Expenses**--key miscellaneous expenses
21. **Payroll Taxes and Benefits**--key payroll taxes and benefits
22. **Payroll (including withholdings)**--key payroll

23. **Loan Payments (Principal and Interest)**--key loan payments

24. **Owner's Draw**--key owner's draw

## **SUMMARY**

key summary

## **Chapter 1**

### **LAUNCHING YOUR BUSINESS:**

### **LETTING YOUR DREAMS TAKE FLIGHT**

## **INTRODUCTION**

You are considering launching your business and becoming one of the millions of courageous entrepreneurs who have started and built a successful business. You are preparing to let your dreams take flight to achieve the goals of independence and self control that you have always wanted. But, have you filed a flight plan? Have you written down your business idea and the path to achieving it? If you have not, it is essential that you do!

The purpose of this chapter is to give you a general outline of a business plan with a brief description of all of its essential parts. Subsequent chapters will expand upon specific parts of the business plan such as marketing, accounting, finance, legal, and general business management. In essence, this chapter is an overview of your route of flight with all of the steps you need to take. The process of creating a business plan forces you to look at your business in its entirety.

Your plan should- answer these key questions:

- a. Who are You?
- b. What is your Company?
- C. What do you sell?
- d. Who will buy?
- e. Why will they buy?

- f. How is your financial health?
- g. Why is it so important to see your venture as a whole?

Most people who have business ideas deal with them haphazardly. Putting a business plan together, and writing down specifics, allows you to step outside your business and make realistic, objective decisions.

By taking an objective look at your business, you can identify areas of strengths and weaknesses. You can pinpoint needs or details you might overlook. A business plan will give you enough information to help you spot some problems before they arise. Planning will help you determine how you can best achieve your business goals.

The importance of planning cannot be overemphasized. It is the key to unlocking the door to success. Once you open that door, what do you find? About a thousand more doors with all kinds of problems. The only way you can effectively handle those problems in a business is to have a logical, well-organized business plan.

A finished business plan becomes an operating tool that will help you manage your business and work toward its success. The final, completed plan is the chief instrument for communicating your

ideas to others -- business people, bankers, partners, family, etc.

When preparing your plan, it is important to give yourself time and privacy to do some creative thinking. Once you have gathered some information and know quite a bit about your business, give yourself enough time to bring out the facts in a clear way. This is the time to set up your planning goals, objectives, targets, and develop a marketing outline, an operations outline, and a financial plan. Decide how much money you will require, when you are going to borrow it, how much time you are going to be putting in, and the time frame you will need after start-up to break even.

Blocks of time are crucial to you. Set aside certain time periods, perhaps every Thursday night or Saturday morning. It is tough to find the time if you are working for someone or are already running a business. Trying to plan a new business creatively seems virtually impossible, but it is necessary that you discipline yourself to do this.

Set up a time line for completing your business plan. Begin planning on a certain date. Talk to certain people by a certain date.

Have each section completely written by a certain date. Set a certain date for completion of the entire plan.

Your written plan should be long enough to cover your subject thoroughly. If you go much above forty pages, including supporting

documents, review your plan and see whether you can get rid of some fat. Typically, as long as you are brief and to the point, less is more because, in as few words as possible, you have made an impact. Double check that you have not promised anything you can not deliver. If you are well under twenty pages, it is possible that you need to do a little more research to make sure that you have covered everything.

As you read the following sections, keep in mind that you need to do all you can to enhance your chances for raising capital or otherwise increase benefits for your small business.

The key word that you should keep in mind is proof! You must give evidence throughout your business plan that your business has a good chance of success.

Another important fact to keep in mind when preparing your plan is that you will not be creating it in the same order that it is presented. It is important that you do the proper research before you actually write the business plan. The following is the order of a business plan as it should appear in the final version:

### **COVER PAGE**

Your business plan should have a cover. A plain, professional cover is preferable to a flashy one. Your cover should include these

specific items:

- a. Name of the business
- b. Address
- c. Telephone number
- d. Name of owner(s)
- e. Logo (A professional, attractive logo can be used to dress up the cover page)
- f. Submitted to

## **EXECUTIVE SUMMARY**

The Executive Summary is a brief three to four page snapshot that highlights the key points in your plan. It is a "stand alone" section of the plan that explains what you want and why without exaggeration. This is very important. All too often, what the business owner wants is buried in the body of the business plan. Make it clear and be specific. Tell your story with enthusiasm demonstrating the uniqueness of your idea and the promise that it holds for success. Include the following in the Executive Summary:

- a. Name of the business and the legal form of operation, e.g., sole proprietorship.

If your plan's primary purpose is not to obtain a loan or equity funding, then the Executive Summary should be designed to explain the operation of the business. The business should be clear to the

readers. You should prepare the Executive Summary after you have prepared all other materials except the Table of Contents.

- a. Company name and type
- b. Goals or objectives of the plan
- c. How the plan will be implemented

## **TABLE OF CONTENTS**

The Table of Contents displays the major sections of the plan, lists the key subheadings, and identifies the pages of each topic. You prepare the Table of Contents as your last step.

## **THE BUSINESS**

### **DESCRIPTION OF THE BUSINESS**

The description of your business is a concise summary of where your business is at the present time. This is a very important section because the words that you use here are the same words that you will be using to describe your business to family, friends, suppliers, customers, and sources of financing. For example, you must tell:

- a. The nature of your business or what it will be if it is a start-up situation
- b. How you plan to run it
- c. Why you think it will be successful

This section should show that you understand the business.

### **VISION STATEMENT**

There is a phrase that is repeated frequently in business: If you do not know where you are going, any road will take you there. This is why pilots are required to file a flight plan that has starting and ending points with a route along the way. A vision statement is a paragraph describing where your business should be in five years. Think about your business five years from now. Describe, in writing, what you see. Your vision statement will be a powerful force encouraging you to achieve your dream.

### **VISION TRIGGER**

A vision trigger is a brief four to seven word phrase that summarizes what the business is all about, e.g., "Ready to wear when promised" is the vision trigger for a dry cleaning chain. It is the business' commitment to customers that their garments will be "ready to wear" at the time both the customer and the business agreed upon. The vision trigger is also a description of the essence of the business that promotes easy recall by customers. Many companies are now including their vision trigger in their marketing and promotion materials.

## **MISSION STATEMENT**

Your vision statement is your five-year goal. Your vision trigger is a brief summary of your business. Your mission statement is your path to your goal. Your path is constructed with paving blocks that together comprise essential elements of your business. For example, your customer-market, product-service, geographic area that you will serve, business philosophy, concern for public image, and other elements that are important. Write a brief sentence or two about each of these elements.

For example:

**Customer-market** - We will serve middle-income customers in the greater Madera market area.

**Studio67** is a great place to eat, combining an intriguing atmosphere with excellent, interesting food that is also very good for the people who eat there. We want fair profit for the owners, and a rewarding place to work for the employees.

## **BUSINESS OBJECTIVES**

Business objectives are mile markers along your path to your goal. They are measures of your progress toward your goal. Each business has different objectives and strategies. For example:

- a. Cash break-even at the end of the first year.
- b. Net income before taxes of \$50,000 after the third year.

One way to check to see that you have well written objectives is to ask if they are SMART objectives:

S = Specific

M = Measurable

A = Attainable

R = Realistic

T = Timeline

## **INDUSTRY ANALYSIS**

The purpose of the industry analysis is to determine if the wind of opportunity is at your back or in your face. In other words, are trends helping or hindering you? Are market conditions favorable or unfavorable for your business? You must research your industry by reading trade publications, searching the Internet, talking to trade associations, everywhere you can get facts about your industry and the place where you intend to do business.

This section must be written with clear evidence of the trends. You must be able to provide proof. Present statistics for the industry. Discuss the growth potential of the market. Is it increasing or decreasing? Is it a fad? Is it seasonal? Is the market always there,

always the same? Does it simply grow with the population? What are the factors affecting the growth of the market, and of market share?

Who are the potential customers for the business' product or service? Where are they located? What are their characteristics? How large is the market? What percentage of that market is the business' share? It is critical to identify the target market. The reader must have a high level of confidence that you have looked at your industry and the wind is clearly at your back!

## **BUSINESS OPERATIONS**

The operations of the business should be described using the main functions of the business. For example, major headings might be: marketing, competitive analysis, location analysis, management expertise, support personnel, and financial information.

## **MARKETING**

Marketing can be described using the basic marketing functions: product, price, place and promotion.

- a. **Product.** You will be selling a product or a service. You need to describe what you are selling in such a clear and unambiguous way that potential customers can see value.

What separates your product or service from the many competitors? Why should people buy from you? What are your special features and benefits?

b. **Price.** You need to describe the rationale behind your pricing. How did you derive your prices? How do competitors price their products and services? Where do you fit into the overall pricing hierarchy (lower end, middle or high end)?

c. **Place.** State exactly where you plan to establish your business or where it is located if it is an ongoing business. Note the community and the district within which the business will be located and the limits of the geographic area the business will serve.

Describe special features of the neighborhood of your building and of the other businesses in the area. Consider the physical features of your business and wherever possible relate them to your profit potential. What floor are you on? What kind of window space do you have? How many square feet of space do you have? Do you have air conditioning and heating? Are you on the corner? Is your street one way, two or four-lane? Is there ample parking? Have you done a traffic count and analyzed flow?

State whether the location is leased or owned. If you plan to lease, include a copy of the lease in the supporting documents. Note the length of the lease, projected increases, maintenance agreements, and whether a janitorial service is involved. Some leases are known as triple-net, which means basically you can not call the landlord for repairs, but are responsible for everything in the building: landscaping, air conditioning, plumbing, etc.

- d. **Promotion.** Explain your promotional methods. This will mean that you describe each of the promotional methods you will use, why you will use them, and their cost. A convenient way of doing this to prepare a 12 month and 3 year sales forecast together with the promotional costs associated with this forecast.

## **COMPETITIVE ANALYSIS**

You should know as much about your competitors' businesses as you do your own. We suggest two approaches. First, write a page about each of your four or five major competitors with their business name and address, and owner, if known. How do their operations differ from yours? Use a map to show their locations. What are their strengths and weaknesses? What can you do to take advantage of their weaknesses?

Second, use **Table 1, Sample Competitive Analysis**, to make a detailed comparison of the main features of your competitors plus your business. Your goal is to show the reader how your business will differ from the competition and how your choices will produce a profit. Be specific in showing how your business will gain a competitive edge. The bottom line in this section is writing a statement explaining how your business is going to be better for specific reasons and state these reasons.

Table 1  
Sample Competitive Analysis

| ITEMS                | YOUR FIRM                           | FIRM A                             | FIRM B                          | FIRM C                          | FIRMD                              |
|----------------------|-------------------------------------|------------------------------------|---------------------------------|---------------------------------|------------------------------------|
| Summer Hours         | 8am-10pm                            | 8am-10pm                           | 7:30am-11pm                     | 7:30am-11pm                     | 7am-10pm                           |
| Winter Hours         | 9am-7pm                             | 9am-9am                            | 8am-9pm                         | 8am-7:30pm                      | 8am-7pm                            |
| Days Open            | 7 days a week                       | 6 days a week<br>Closed Sunday     | 7 days a week                   | 6 days a week<br>Closed Monday  | 6 days a week<br>Closed Monday     |
| Price Level          | Moderate                            | Low                                | Low                             | Moderate                        | High                               |
| Specialty            | Apparel for all ages                | Apparel for men and women          | Apparel for all ages            | Apparel for all ages            | Apparel for women                  |
| Credit               | Yes                                 | No                                 | No                              | Yes                             | Yes                                |
| Free Pressing        | Yes                                 | No                                 | No                              | No                              | Yes                                |
| Alterations          | Yes                                 | No                                 | No                              | Yes                             | Yes                                |
| Shoe Sales           | Yes                                 | No                                 | No                              | Yes                             | Yes                                |
| Discounts            | Senior                              | Volume                             | Volume                          | No                              | No                                 |
| Delivery             | Yes                                 | No                                 | No                              | Yes                             | Yes                                |
| Methods of Promotion | Yellow Pages<br>Newspaper<br>Flyers | Yellow Pages<br>Newspaper<br>Radio | Yellow Pages<br>Newspaper<br>TV | Yellow Pages<br>Newspaper<br>TV | Yellow Pages<br>Newspaper<br>Radio |

## **LEGAL STRUCTURE**

You should cover these areas related to your legal structure: 1) Type of legal agreement; 2) Who owns the firm's property; and 3) The rights, duties, and powers of the firm's employees and officers.

## **MANAGEMENT EXPERTISE**

You should cover four areas in this section of your plan: 1) personal history including education; 2) related work experience; 3) salary, duties and responsibilities of key personnel; and 4) outside resources available to the business.

## **SUPPORT PERSONNEL**

You should discuss your support personnel. What are your needs? Are personnel available? Is seasonal, temporary, full-time or part-time help needed?

## **FINANCIAL INFORMATION**

This section is critically important to your business. Because of this, you need to prepare a detailed financial analysis. You should first describe the financial statements you will be discussing. You should also explain the purpose of each financial statement and how you will use it.

## **CASH FLOW PROJECTIONS**

The cash flow projection is a critical tool for a new or growing business. The projection shows how much cash will be needed, when it will be needed and where it will come from. The projection will reveal when you need extra cash to pay expenses. By identifying needs early, you can arrange for additional cash at the best possible time--before it is needed.

### **Development of Financial Objectives**

The first step in preparing cash flow projections is stating your financial objectives for the business. These financial objectives must be specific--not just "to be profitable." For a new business, objectives stated in terms of cash flow are more useful than goals stated in terms of profit. It is possible for a business to show a profit and yet be in a negative cash position. For example, your financial objectives might be:

- a. Owner draw \$2,500 per month in Year 1.
- b. Cash flow break-even by end of Year 1.
- c. Owner draw \$3,000 per month in Year 2.
- d. Owner draw \$4,000 per month in Year 3.

### **Sources of Information**

There are many outstanding sources of information. The ones that will probably be the most useful to you are listed below:

- a. Data from trade associations, technical journals
- b. SBA resources such as SCORE and SBDC's
- c. Other persons in similar businesses
- d. Real estate agents
- e. Accountants and/or bookkeepers
- f. Major suppliers
- g. Robert Morris Associates (found in a library)
- h. Internet
- i. Sample business plans published by business magazines such as Money and Entrepreneur
- j. Personal experience

### **Time Line for Required Filings**

You need to establish a time line when you will make the necessary filings for licenses and permits including, but not limited to:

Fictitious Business Name Statement (including newspaper publication), Opening Business Bank Account, Sales Tax Permit (if selling products), Federal and State Employer ID numbers (if hiring employees), Workers Compensation Insurance (if hiring employees), a state business license (if business activity requires one), and city business license (if business activity requires one).

## **Accounting System**

If your business is going to be a success, you must estimate, control, and spend your cash with care. A bookkeeping system is necessary.

You will probably not mention the following two items in your business plan, but you will have to do them as part of your financial operations:

1. Create a "Chart of Accounts." You will use these account labels when you create your cash flow projections. The "chart" will require more labels if you sell inventory rather than just provide services. The "chart" will require even more accounts if you intend to hire employees.
2. Address several items as part of your accounting system,
  - a. How are you going to separate cash receipts? Are you going to use a cash report journal?
  - b. Are you going use a purchase journal? Will you separate your stations by department and use department keys to track sales? Are you going to use PLU keys.

- a. How are you going to accumulate (summarize) all of the data for the month into financial statements? Are you going to use a computer based general ledger or total each account manually onto a manual general ledger?
  
- d. Are you going to be using a van or computer in your business or engage in business travel, meals, or entertainment? If so, are you going to be using a daily log, or other system to document the business use so you can gain a tax deduction?

**Step 1. Determine Your Personal Monthly Cost of Living.**

**Table 2**

**Determining Your Monthly Cost of Living**

This form helps you determine your minimum monthly draw from your business. You should use this form as a guide, adding or subtracting items that do not apply to you. **Do not use dollar signs or cents when preparing this and other financial statements.**

## Regular Monthly Payments

|   |       |       |
|---|-------|-------|
| Rent or house payments (including taxes)  | _____ |       |
| Car payments (including insurance)        | _____ |       |
| Appliance payments                        | _____ |       |
| Loan payments                             | _____ |       |
| Health, life and other insurance premiums | _____ |       |
| Miscellaneous                             | _____ |       |
| Total                                     |       | _____ |

## Household Expense

|               |       |       |
|---------------|-------|-------|
| Telephone     | _____ |       |
| Utilities     | _____ |       |
| Miscellaneous | _____ |       |
| Total         |       | _____ |

## Personal Expense

|  |       |       |
|--|-------|-------|
| Clothing, cleaning, laundry, shoe repair | _____ |       |
| Medical and dental                       | _____ |       |
| Education and training                   | _____ |       |
| Automobile expenses                      | _____ |       |
| Spending allowance                       | _____ |       |
| Total                                    |       | _____ |

## Food Expenses

|              |       |  |
|--------------|-------|--|
| Food at home | _____ |  |
|--------------|-------|--|

Food away \_\_\_\_\_  
Total \_\_\_\_\_

Tax Expenses  
Federal & State \_\_\_\_\_  
Personal property \_\_\_\_\_  
Other taxes (except house) \_\_\_\_\_  
Total \_\_\_\_\_

Total personal monthly cost of living expenses \_\_\_\_\_

Subtract monthly income from sources other than  
your business \_\_\_\_\_

**GRAND TOTAL - THE MINIMUM MONTHLY DRAW  
NEEDED FROM YOUR BUSINESS \_\_\_\_\_**

## **ONE-YEAR CASH FLOW PROJECTIONS**

Your need for a cash flow projection may be different from another person's. If you are going to self-fund your business, you probably need only a one-year projection.

**Step 2. Preparing a One-Year Cash Flow Projection.** This is a very critical step because you must carefully plan your cash inflows and outflows, particularly during the first three months of your business. This is the time when you have many cash needs for such things as security deposits, rent, equipment, and so forth. Be conservative. Underestimate your cash inflows and overestimate your cash outflows. Each item in the cash projection must be annotated and explained. Include the source for your information. This is done so another person such as a banker, investor, or family member can read and understand it.

### **Table 3**

## One-Year Cash Flow Projection

### Sources of Cash

- |                                |       |       |
|--------------------------------|-------|-------|
| 1. Personal Funds              | _____ |       |
| 2. Loan Proceeds               | _____ |       |
| 3. Cash Receipts from Business | _____ |       |
| Total Sources                  |       | _____ |

### Uses of Cash

- |   |       |
|---|-------|
| 4. Equipment/Supplies                   | _____ |
| 5. Vehicle Purchase/Lease               | _____ |
| 6. Real Estate                          | _____ |
| 7. Fixtures                             | _____ |
| 8. Security Deposits (Rent and Utility) | _____ |
| 9. Signs                                | _____ |
| 10. Cost of Goods Sold                  | _____ |
| 11. Leasehold Improvements              | _____ |
| 12. Telephone and Utilities             | _____ |
| 13. Rent                                | _____ |
| 14. Business License Fee                | _____ |
| 15. Insurance Premiums                  | _____ |
| 16. Business Cards and Stationery       | _____ |
| 17. Legal and Accounting                | _____ |
| 18. Advertising                         | _____ |

|  |       |       |
|--|-------|-------|
| 19. Real Estate and Other Taxes                        | _____ |       |
| 20. Miscellaneous Expenses                             | _____ |       |
| 21. Payroll Taxes                                      | _____ |       |
| 22. Payroll Wages (including Withholdings)             | _____ |       |
| 23. Loan Payments (Principal and Interest)             | _____ |       |
| 24. Owner's Draw                                       | _____ |       |
| Total Uses   |       | _____ |
| <u>Net Cash Flow for the Year (Sources Minus Uses)</u> |       | _____ |

## **SAMPLE ITEMS IN A ONE-YEAR CASH FLOW PROJECTION**

The items listed below are sample or representative items usually found in a one-year cash flow projection. You may want to add or delete items to fit your special situation. It is very important that you describe or annotate each of items for your own or another person's reference. Include the source for your information.

The items are arranged in a specific way: sources of cash (cash receipts), cash needed to purchase assets (equipment), cash needed to pay expenses (rent), cash need to pay liabilities (payroll taxes), and owner's draw. (See Table 3, One-Year Cash Flow Projection).

### **SOURCES OF CASH**

1. **Personal Funds.** You will be expected to invest equity into the business. Possible sources of cash include personal savings, gifts from family and friends or a second mortgage on a house.
2. **Loan Proceeds.** It is not expected that you personally finance all of the cash needed in your business. A loan is a normal business practice. State the amount of the loan needed and its terms.

3. **Cash Receipts.** This is the primary source of cash for the business. You must explain and justify, in detail, your estimate of cash receipts. This explanation should include information (1) about the number of products/hours of services to be sold, (2) price of the products/services, the (3) number of customers (on average) the business intends to have/serve/"get" on a daily/weekly/monthly basis, and (4) about how much revenue the business can obtain (on average) from each customer.

**Total Sources.** Total of sources of cash.

## **USES OF CASH**

4. **Equipment/Fixtures/Supplies.** Total of equipment, fixtures, and supplies needed to start and operate the business. Each item should be listed together with its estimated cost.
5. **Vehicle Purchase/Lease.** Cost of purchasing/leasing a vehicle.
6. **Fixtures.** Display cases, shelves, furniture, and other items needed to conduct business.

7. **Security Deposits.** Deposits required for leasing property, utility service, etc.
8. **Signs.** Signs that you will own and can remove.
9. **Cost of Goods Sold.** Purchase of goods needed in the business.
10. **Leasehold Improvements.** In contrast to equipment and fixtures, leasehold improvements cannot be removed when you vacate leased space. Improvements include built-in counters, shelves, and partitions. Other leasehold improvements will be painting, carpeting, and other improvements you make to the building. Signs are included as another item. You will need to list each item and estimate its costs.
11. **Telephone and Utilities.** This category includes electric, gas, water, sanitation, and telephone. This amount is based on monthly averages.
12. **Business Rent.** If the space will be leased, you need to state the lease terms.
- 13 **Business License.** You must obtain a business license to

operate a business.

14. **Insurance Premiums.** Your need to be insured will begin when you first start preparing the store space. You will need workers' compensation, liability, property, and other types of insurance.
15. **Business Cards and Stationery.** Items needed to conduct and promote your business.
16. **Legal and Accounting.** It is important to get professional advice even before starting the business and to maintain excellent records.
17. **Advertising.** Every business has to make its presence known. in some way: yellow pages, newspapers, television, radio, flyers, coupons, personal contacts.
18. **Real Estate and Other Taxes.** Real estate and other taxes not reported in another item.
19. **Miscellaneous Expenses.** Costs not reported elsewhere. You might estimate a percentage of your total costs.

20. **Payroll Taxes.** This item should be a percent of the payroll expenses and should include the employer's share of FICA, federal unemployment, and state employee taxes.
21. **Payroll Wages (Including Withholdings).** You will need to hire employees. Determine the number of employees and their rates of pay.
22. **Loan Payments (Principal and Interest).** You should enter payments based on amount and terms of your loan.
23. **Owners' Draw.** This is the amount you will need from the business for your living and other personal expenses. You will determine this amount from Table 2.

**Total Uses.** Total of uses of cash.

**Net Cash Flow for the Year (Sources Minus Uses)** You subtract the uses of cash from the sources of cash.

### **BALANCE SHEET**

The main control documents the business will use are balance sheets, cash flow statements and projections, and income statements. For most businesses, it is also useful to include a break-even analysis. These documents are not complicated, and they can be used to monitor performance, give good financial

information, increase profits, and avoid money-wasting pitfalls.

If the business is new, the balance sheet is likely to be your personal financial statement. You may also want to project a business balance sheet for the end of your first year.

### **BREAK-EVEN ANALYSIS**

The break-even analysis shows how much money the business needs to make to stay in business. A break-even analysis lets you know whether it is necessary to do some advertising, cut back on personnel, hire more salespeople, etc. It is a tool for monitoring business goals.

### **INCOME STATEMENTS**

You may not need to prepare projected income statements because for most small businesses there are few differences between the cash flow and income projections. You should obtain professional help in preparing income statements.

### **SUMMARY**

The business summary is the most important and perhaps the most difficult part of the business plan. This is where you can bring together the different parts. If your points make sense and leave the reader with the conclusions you want drawn, then you have

done your job. The tone should be positive. The reader should have a feeling of confidence in the plan. This feeling will be enhanced if the writing is clear, direct, brief, and to the point.

## **SUPPORTING INFORMATION**

This is the section that allows you to add important information. There are two important factors: the documents must be relevant, and, for best results, they should be thought of as a marketing tool.

## **RESUME**

A resume (one page) is important. Cite experience and capabilities that contribute directly to your understanding and operation of the business. Include your education, volunteer activities, or outside activities.

## **LETTERS OF INTENT**

### **LETTERS OF RECOMMENDATION**

Include two or three letters of reference from people who know you. These can be business or community leaders, friends, or business associates. A reference letter should be short, saying how long the person has known you, and something about your good character.

## **SPECIAL AWARDS, ACHIEVEMENTS**

This is the section where you will mention any special awards or achievements. For example, if you are going to open a bakery shop and have won prizes for your specialty bake goods, this is where you will list your achievements.

## **NEWSPAPER AND MAGAZINE CLIPPINGS**

If you or your business have favorable publicity for business, public service, or civic awards, include copies of news clippings as part of your supporting documents. Also, include news items that relate to your business.

## **ADDITIONAL RELEVANT INFORMATION SUPPORTING YOUR BUSINESS**

This section may include: a building lease; a franchise agreement, a purchase agreement; copies of licenses and permits; plans, specifications and cost breakdowns; a partnership agreement; and articles of incorporation.

