

# Business Plan Workbook



Greater Key West Chamber of Commerce

510 Greene Street, 1st Floor

Key West, FL 33040

(305) 294-2587 [www.KeyWestChamber.org](http://www.KeyWestChamber.org)

## Foreword

This business plan workbook is intended to guide business owners through the process of creating a business plan, and may not provide information on everything that should be included in your plan. Each business plan is different, based upon the needs of the owners and/or the intended readers of the plan.

Further information on specific items, research, or financial processes can be found through the Florida Small Business Development Center nearest you.

For more information, visit:

<http://floridasbdc.org/newbusiness/>

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## What Is a Business Plan, and Why Should You Write One?

A business plan is essentially a map to your targeted destination. Ideally, it gets you from your starting point to your goal: from the basic business concept to a healthy, successful business. It gives you a clear idea of the obstacles that may lie ahead, and points out alternate routes.

Business planning is not only a chore, but also an opportunity. While creating your business plan, you may have the chance to:

1. Learn about your industry
2. Learn about your market
3. Gain control over your business
4. Obtain a competitive edge

A business plan is a written document that describes you will run your business. It covers, at a bare minimum, the seven basic areas of business:

1. Product development
2. Marketing
3. Sales
4. Operations
5. Personnel
6. Finance
7. Management

In each of these areas, your business plan will describe:

- The results you want to achieve
- The activities that must be done to achieve them
- The resources required to perform these activities
  - ❖ Money
  - ❖ People
  - ❖ Time
  - ❖ Equipment
- The criteria you will use to evaluate the results
- The reasons that you believe the plan will succeed.

## **A Good Business Plan Can Take You to the Top**

A good business plan for a sound business concept helps you achieve your goals. It saves you time and money by focusing on your activities. No other endeavor will propel you as far forward in your enterprise as building your business plan. The process is challenging, creative, and rewarding. It may even be fun!

Almost everyone knows that you should write a business plan, but very few go to the trouble of doing so. There are several reasons why you should write your business plan.

1. First, it is necessary that you provide a business plan to any prospective lender. The completed business plan communicates your ideas to others and provides the basis for your financing proposal.
2. The process of putting a business plan together forces you to take an objective, critical, unemotional look at your business project in its entirety. To this end, it is quite helpful in preventing you from making a costly mistake.
3. The finished product-your business plan-is an operating tool that, if properly used, will help you manage your business and work effectively towards its success.
4. The business planning process often helps partners, spouses, or others holding a vested interest in the business understand the project more fully. This will enable stakeholders to iron out any differences before they become major problems.

The importance of planning cannot be over-stressed. By taking an objective look at your business, you can identify areas of weakness and strength, pinpoint needs you might otherwise overlook, spot opportunities early, and begin planning how to best achieve your business goals.

Your business plan help you avoid going into a business venture that is doomed to failure. If your proposed venture is marginal, the business plan will help show you why and may help you avoid paying the high price of failure.

Finally, the business plan provides the information needed by others to evaluate your venture. A thorough business plan quickly becomes a complete financing proposal that will meet the requirement of most lenders. No matter who the intended reader is, your business plan will help all interested parties understand

fully and evaluate your business in a more thorough and comprehensive manner.

### **Must a Business Plan Be Written?**

Certainly, you have successfully planned things in the past without writing them down. However, it is a fact of human nature that we take things more seriously when we commit them to paper. It is difficult to remember your business ideas from three months ago when you are up to your ears in today's business problems. From a practical standpoint, you will not be considered for financing from a banker or most other funding sources without a written business plan.

Why should you expect anything less from yourself than what your banker expects from you?

## **Doing the Research**

You will need to do research to prepare your business plan. The better and more comprehensive your research, the more likely your assumptions and projections will be realistic. Listed below are a few suggested research resources:

- ❖ Public libraries
- ❖ Chambers of Commerce
- ❖ Colleges or universities
- ❖ Competitors or similar businesses
- ❖ Customers or potential customers
- ❖ Vendors or suppliers
- ❖ Trade associations

## **Business Plan Outline**

A business plan generally has three parts: A narrative section, a financial section, and a supporting documents section. Not every plan will always look the same, but most will contain these three parts, at a minimum.

### The Narrative

1. The introduction or executive summary
2. The market
3. The competition
4. The location
5. The management
6. The personnel

### The Financial Data

1. Sources and uses of funds
2. Assumptions
3. Pro-forma cash flow statements
4. Pro-forma balance sheets
5. Pro-forma income statements
6. Break-even analysis
7. Collateral listing
8. Interim financial statements and historical statements (if an existing business.)

## Supporting Documents

1. Resumes
2. Personal financial statements
3. References
4. Letters of intent
5. Credit reports and letter of explanation (if you have significant derogatory credit.)
6. Job descriptions
7. Written cost estimates for capital expenditures
8. Income tax returns
9. Market research

## The Narrative

### *Executive Summary or Introduction*

This is a very important section of the business plan and is generally one of the most difficult sections to write. It describes your business (or concept), introduces the business plan, and defines the reasons for writing the plan. It is quite often the only portion of the business plan that a lender's committee may read, particularly if your loan officer is presenting the loan request to a bank's board. It is your first opportunity to shine, grab the reader's attention, and try to generate interest in your project.

*If you cannot describe your business clearly and simply in one or two pages, then you have not done enough research and work.*

Remember that the technical support for your business will be found primarily in the financial data and supporting documentation. In the narrative section, refer to the supporting documentation as necessary. Sometimes, less is more, and too much detail may get in the way of explaining your idea and will confuse your audience.

The executive summary or introduction should ideally be the LAST section that you write, even though it appears first in your business plan. The reason for this is that you want to be sure that you have covered all the sections, done all your research, and fully understand what you are trying to communicate.

### **Generally, you want to explain the following:**

1. What the business is (or will be).
2. What market you intend or expect to service, the size of the market, and your expected market share.
3. Why you can serve that market better than your competition.
4. Why you have chosen your particular location.
5. What management and other personnel are required and available for the operation.
6. Why your investment or someone else's investment (debt or equity) will make your business profitable.

**Questions you should try to answer:**

1. What type of business: retail, wholesale, manufacturing, or service?
2. What is the nature of your product(s) or service(s)?
3. What is the status of the business: start-up, expansion of on-going concern, purchase of an existing business?
4. Business legal form: sole proprietorship, corporation, limited liability company, or partnership?
5. Who are the customers?
6. Why is the business going to be profitable?
7. When will (or did) your business open?
8. What hours of the day and days of the week will you (or do you) operate?

**For a new business:**

1. Why will you be successful in this business?
2. What is your experience in this type of business?
3. Have you spoke with other people in this type of business? What was their response or recommendation to you?
4. What will be special about your business?
5. Have you spoken to prospective trade suppliers? What technical and/or managerial help will they provide?
6. Have you inquired about trade credit? What was the response?
7. If you will be doing any contract work, what are the credit terms? (Reference any firm contract and include it as a supporting document.)
8. Do you have any letters of intent from any prospective suppliers or purchasers? (Reference and include as a supporting document.)

**For a business purchase:**

1. When, where, and by whom was the company founded?
2. Why is the owner selling the business?
3. How did you arrive at a purchase price for the business?
4. What is the trend for sales and profitability?

5. If the business is going downhill, why? How will you turn it around?
6. How will your management team make the business more profitable?

Answering these questions will help you form a written policy for your business. These are rules that you should not deviate from as you manage the business unless you have clear and compelling reasons.

These questions will also help you formulate a mission statement. A mission statement helps to establish direction and lends stability to your business. Direction and stability are as important to a business as to a tightrope walker. Therefore, you should give them a great deal of thought and planning.

## The Market

There are two important maxims to keep in mind for this section:

1. Minimize opportunities for customer dissatisfaction.
2. Marketing wars are never won-they are always lost.

In this section, you will develop a marketing strategy, a plan within a plan. You will want to make sure that you don't lose the marketing war by making avoidable mistakes. Your business succeeds or fails according to how well you satisfy your customer's perceptions, wants, and expectations. This means that you have no choice but to learn who your customers or prospects are, why they buy from you or from someone else, and what you can do about getting more customers.

You must be thoroughly knowledgeable about your market, the people who buy (or will buy) your product or service. You need a stream of customers that will buy your goods, at a price that yields you a profit.

Four basic marketing strategies:

1. Sell old products to old customers. (least risky)
2. Sell new products to old customers.
3. Sell old products to new customers.
4. Sell new products to new customers. (most risky.)

If you do not know who your customers are (or will be), there is no way to find out what they want. You cannot advertise effectively, you can't develop products or services that meet their needs, and you cannot beat your competition.

Segmenting and categorizing your customers and prospects makes sense, even for the smallest businesses. It is a necessity for a business in a rapidly changing market where the experience-based "feel" for the customer is lacking or no longer applies. That "feel" is a poor substitute for segmentation, but it is better than nothing. Aided by segmentation and analysis, your sense of who the market is will become a powerful competitive advantage.

*Generally, explain who needs your product or service, and why.*

Questions you should try to answer:

1. Who, exactly, is your market? Describe them with regards to their characteristics such as age, sex, race, profession, income, etc. Do this for each of your market segments.
2. What is the present size (in units of product, or dollars if available) of the market?
3. What percentage of the market will you have?
4. What is the market's growth potential?
5. As the market grows, will your share increase or decrease?
6. How are you going to satisfy your market?
7. How will you attract and keep this market?
8. How can you expand your market?
9. How are you going to price your service or product to make a profit while being competitive?
10. What price do you anticipate getting for your product?
11. Is the price competitive?
12. What evidence do you have that the customer will pay your price?
13. How did you arrive at your price? Is it profitable?
14. Do you offer any special advantages that may justify a higher price? (You do not have to engage in direct price competition.)
15. Will you offer credit to your customers? If so, is this necessary? Can you afford to extend credit? Can you afford bad debts?

## The Competition

Who are your competitors? Look for companies that are selling the same or similar products or chasing the same or similar customers.

You can learn a lot from your competitors:

- ❖ What do they do better than you?
- ❖ Less well than you?
- ❖ How do they please their customers?
- ❖ What are their pricing policies?
- ❖ Where and how do they advertise? Does it work?

Your suppliers should have information about what your competitors are doing and what non-competitors in your line of business are doing elsewhere (another city or state, for example.) Take a trip and visit a non-competitor in your industry. (Make sure that you make an appointment first.) Small business owners love to talk about their business if you aren't a competitor, you make an appointment in advance, and you let them know beforehand what you are going to ask. You may actually find a wonderful mentor this way!

Information is power. Most small business owners do not actually take the time to collect or analyze competitor information. There is nothing wrong, immoral, or illegal about checking out the competition. Athletes and armies do it all the time, and so should you!

Questions you should answer:

1. Who are your five nearest competitors? List them by name.
2. How will your business operation be better than theirs?
3. How is their business? Is it steady, increasing, or decreasing? Why?
4. How are their operations similar or dissimilar from yours?
5. What are their strengths and weaknesses?
6. What have you learned from watching their operations?
7. How will you keep an eye on the competition in the future?

## Location

Proper site location can help your business make money. If you are going into business, try to locate the ideal site, then figure out how close you can come to it.

Don't go into business in any given spot just because the price is low. Market forces generally fix rent and purchase prices, and a low price usually reflects low desirability. For some operations, this may not matter, particularly if your business is a destination. However, for others, the three most important factors in real estate are location, location, and location.

Once you get started, or if you are already in a good location, keep your eye on changes in your general vicinity. New roads, population changes, and zoning issues can all adversely impact your business. Also, it is a good idea to keep in touch with a real estate professional. It is their business to know what is happening in the marketplace.

Questions you should answer:

1. What is your business address or proposed address?
2. What are the physical features of your building?
3. Is your building leased or owned? What are the terms of the transaction?
4. If renovations are needed, what are they and what are the expected costs? Get quotes, in writing, from more than one contractor, and include them in the supporting documents.
5. What is the neighborhood or district like? Is it stable, changing, improving, or deteriorating?
6. Do zoning regulations permit your type of business? (Check with the municipal offices to be sure. It is not enough to take the realtor or owner's word for it.)
7. What kind of businesses are currently in the area?
8. Have you considered other areas? Why is this the one most desirable location for your business?
9. How does this location affect your operating costs?

## Management

The way you prepare the management section of your business plan depends on whether it is being written for internal use or submission to investors or lenders.

If your business plan is for internal use, emphasize managerial and operational aspects such as structure, style, and personnel issues. If you are preparing the business plan for lender review, focus primarily on the managerial backgrounds of your management team. These summaries should be written in an objective style and should be relatively brief.

You are not writing a resume, although you will include resumes in the supporting documents section.

Management is the key to success for a business. It takes capable people, with appropriate abilities and experience, to develop a structure and style that well uses the personnel and financial resources of the business. That is the primary reason that investors or lenders will scrutinize and verify the backgrounds of your management team.

Questions that you should answer:

1. What is your business background?
2. What management experience have you had?
3. What education have you had (both formal and informal learning experiences) that have a bearing on your managerial abilities?
4. Personal data: age, where you live and have lived, special activities and interests, reasons for going into business, etc.
5. Are you physically suited to the job? (Stamina is important.) Why are you going to be successful in this venture?
6. Why are you going to be successful in this venture?
7. Do you have direct operational experience in this type of venture?
8. Do you have managerial experience in this type of business?
9. Do you have managerial experience acquired elsewhere, such as a different type of business, in civic activities, educational activities, or social activities?
10. Include the above information on ALL your management team.
11. Who does what? Who reports to whom? Who makes financial

decisions?

12. What will management be paid?

13. What other outside resources are available? (Attorneys, CPA's, consultants, etc.)

Note: A personal financial statement **MUST** be included in the supporting documents if you are submitting your business plan as a financing proposal.

## Personnel

Personnel management is an area that most people think they can do by themselves, but few people do well. It doesn't take a human relations expert to place a classified advertisement in the newspaper, talk to the people who send resumes, and tell someone he or she is hired. The trick is to hire someone who will do the job efficiently, effectively, and have them like the job well enough to stay.

The impact of hiring a bad employee cannot be overstated. It causes financial hardship, poor morale, bad service, and stress!

The best thing you can do to develop a productive, quality work environment is to continually educate yourself in the areas of personnel and human relations management. Go to workshops and seminars to stay current on how to develop and maintain a productive staff. Make sure you know all the federal, state, and local laws and tax regulations pertaining to hiring, firing, and maintaining employee files.

Personnel guidelines:

- ❖ Add employees only as they are needed.
- ❖ Hire the person with the right qualifications and characteristics for the job.
- ❖ Make sure that all your employees know EXACTLY what is expected of them. Use a job description. (Include the job description in your supporting documents.)
- ❖ Allow for adequate training.
- ❖ Communicate with your employees openly and honestly.
- ❖ Make sure you meet all the legal and accounting requirements of having employees.
- ❖ Use part-time employees or outside contracted labor when it is appropriate.
- ❖ Make sure that you know the law regarding whether you have an employee or an independent contractor.
- ❖ When in doubt, secure appropriate professional counsel, such as an attorney or CPA.

Questions that you should answer

1. What are your personnel needs now? In the near future? In five years?

2. What skills must your employees have?
3. Are the people you need available? If so, where can you find them?
4. Will your employees be full-time or part-time?
5. Will you pay hourly wages or salaries?
6. Will you provide fringe benefits? If so, what? Have you calculated the cost of these fringe benefits?
7. Will you utilize overtime?
8. Will you have to train people? If so, what will it cost the business?

## **Application and Expected Effect of the Loan**

This section describes what your funding will be used for. It describes how the money will be used, why it is a valuable use of the money, and how you will provide a return on the investment. Even if you plan to finance the business yourself, it is sound business practice to know how well your money works for you.

The objective of this section is to give you and your funding partner a qualitative insight into the expected effect of the loan on the business, and to specify the details of the deal as a starting point for discussion between you and your funding source.

Questions that you should answer:

1. How much capital will your business require?
2. How much is your personal investment? It is worth repeating that it is unlikely you will secure 100% financing from any reputable funding source.
3. How is the loan or investment to be spent? (This can be fairly general, such as working capital, new equipment, inventory, supplies, etc.)
4. What is the specific model name and/or number of your purchase(s)?
5. Who is the supplier?
6. What is the price?
7. How much will you pay in sales tax, freight, installation charges, and any other incidental fees?
8. How will the loan or investment make your business more profitable?

## Sources and Uses of Funds

### Sources of Funds

Personal Equity Injection	\$ _____
Other Equity Injection	_____
	_____
Bank Loan	
SBA Guaranteed Loan	_____
	_____
	=====
Other _____	
Total Sources of Funds	\$ _____

### Uses of Funds

	_____
Land	\$ _____
Building	_____
Equipment	
Renovations	
Inventory	
Working	_____
Capital	_____
Reserve for Contingencies	_____
Other _____	_____
	=====
Total Uses of Funds	\$ _____

## Estimated Personal and Living Expenses

Item: Expense for Month

### Regular Payments

Rent or House Payment	\$ _____
Property Taxes	_____
Car Payments	_____
Furniture/Appliance Payments	_____
Loan Payments	_____
Credit Card	_____
Payments Health	_____
Insurance Other	_____
Insurance	_____

Other \_\_\_\_\_

### Household Expenses

Food	_____
(Groceries)	_____
Utilities	_____
Telephone	_____
Cell Phone	_____
Water/Sewer/Sanitation	_____
Electricity	_____
Gas	_____
Cable or Satellite Television	_____
Internet Service	_____

Other \_\_\_\_\_

### Personal Expenses

Clothing & Laundry	_____
Medical, Dental, & Drugs	_____
Education	_____

Dues & Subscriptions	_____
Tithes or Other Charitable Contributions	_____
Gasoline & Automobile Expense	_____
Travel &	_____
Entertainment	_____
Leisure & Recreation	_____
Miscellaneous	_____
Childcare	_____
Other _____	=====

Total Personal Expenses (Draw Required from Business)	\$ _____
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## Estimated Cash Needed to Start a Business

Instructions: Gather your startup and operating costs as closely as possible. When possible, get quotations from vendors or suppliers. Multiply the first column of monthly operating expenses by the number of months you anticipate to be unprofitable. Add all the numbers together to estimate your total cash needs. Your equity injection should equal approximately twenty percent of the total cash needed to start the business.

Monthly (recurring) expenses:	Monthl y	Extende d
	\$	\$
Salary/draw of owner/manager	_____	_____
All other salaries/wages	_____	_____
Payroll Taxes	_____	_____
Rent (building and equipment)	_____	_____
Advertising	_____	_____
Office expenses	_____	_____
Supplies	_____	_____
Telephone//fax/internet	_____	_____
Other utilities	_____	_____
Insurance	_____	_____
Maintenance and repair	_____	_____
Legal & Professional Fees	_____	_____
Loan principal & interest	_____	_____
Miscellaneous	_____	_____
Inventory replenishment	_____	_____
Taxes	_____	_____
Other _____	_____	_____
	_____	_____
Subtotal:	_____	_____

One-time start-up costs:		
Furniture, fixtures,		_____
equipment Installation of		_____
FFE Remodeling/buildout		_____
Beginning inventory		_____
Deposits with utilities &		_____
others Legal & professional		_____
fees Licenses & Permits		_____
Advertising & promotions for		_____
		_____

opening Other\_\_\_\_\_

Subtotal:

---

Total Cash Needed to Start Business

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## Financials

Just as the narrative section of the business plan tells the story of your business, so does the financial section. The major difference is in the way the story is read, interpreted, and understood. While the banker may just *read* your narrative, you can rest assured that he will actually *analyze* your financial statements.

The first thing that the banker will look for in the pro-forma financial statements will be consistency and clarity. He is looking to make sure that your logic is well grounded, and that you are consistent across all financial statements and between the narrative section and financial statements. In other words, if your narrative says that you will sell a certain amount of product over a given period of time, then your financial statements should reflect the same information.

There are certain financial statements that are required to be in your business plan. The banker must have this information to do a written credit analysis of your plan generally required by all review and approving groups such as a loan committee or the US Small Business Administration. For instance, he must have your income statement to compare you to industry standards for profitability, expenses, and interest-coverage ratio. He must have your balance sheet to determine whether you meet minimum equity requirements.

The cash flow statement helps to assure that you are borrowing a sufficient sum of money so as to avoid bank overdrafts and cash flow discomforts.

### The Pro-forma Cash Flow Statements

When your banker is analyzing the business plan, he will need to see a projection of your cash inflows and outflows each month for a two-year period of time. Cash flow is defined as the movement of cash into and out of a business over a specific period of time.

Cash may come from numerous sources. For instance, even before you start the business, you will likely have some money coming in. This money will likely include both equity injections and debt infusions. In other words, as you prepare to open your doors for the first time, you have to have cash available to do all the things necessary to make your business ready. When you begin making sales, you may have cash coming in from cash sales, cash coming in from the collection of credit sales, and may still have equity and debt infusions.

As you prepare to open your business, you will certainly have cash outflows

such as startup expenses for inventory, remodeling, equipment, loan closing costs, deposits, etc. These cash outflows may not necessarily be counted as expenses to the business in the first accounting period. Therefore, it is necessary to reconcile the changes in the cash balances back to the business profit or loss.

## **The Pro-forma Income Statements**

The pro-forma income statement is the instrument by which you reconcile those changes in cash balances. Some of your cash inflows are not reflected at all on your profit and loss, or income, statement.

For instance, your equity infusions into or withdrawals from the business never count as income or expenses. You are simply making a deposit into or withdrawal from the firm's checking or savings account. Additionally, principal payments on the debt never count as an expense for the business. Since we don't count the loan proceeds as business income, likewise we cannot count the loan principle repayment as a business expense. We will, however, count the interest expense.

Additionally, many of your early cash outflows may be for capital items that last for longer than the current accounting period. In other words, if you buy a computer, it is generally expected to last longer than a year. Therefore, you will write the cost of the computer off over time. This process is called depreciation, and depreciation is counted on the income statement, even though it is a non-cash expense. There may be other cash outflows that do not count as an expense, or other non-cash expenses that count, according to your situation.

## **The Balance Sheet**

The balance sheet is the glue that holds all the other financial statements together. It lists everything that you owe, and everything that you own, and keeps track of those items over time. "Everything that you own" is classified on the balance sheet as assets, while "everything that you owe" is classified as liabilities.

Since those two amounts are seldom exactly equal to each other, we have another classification on the balance sheet called equity. Equities may include money that you pay into the business, capital stock that you purchase to represent your share of ownership in the business, and earnings from the

current or previous accounting periods. Again, what you have on your balance sheet will vary according to your situation and your legal structure.

## The Breakeven Analysis

One of the lesser-known and emphasized financial statements is the breakeven analysis. It is unlikely that your banker will request that you provide a breakeven analysis, but it is still a highly useful tool for your business. It will assist you in answering questions such as:

- ❖ What must my sales be before I begin making a profit?
- ❖ What will happen to my profit if my sales projections fall short?
- ❖ What will happen to my profit if I increase or decrease my prices?
- ❖ What will happen to my profit if I increase or decrease my expenses?

Your breakeven analysis will assist you in determining the point at which you incur neither profit nor loss—in other words, your breakeven point.

To do a breakeven analysis, you must divide all of your expenses into two categories: variable and fixed costs. Your variable costs are defined as those costs that increase or decrease as sales increase or decrease. When you have no sales, these costs are usually zero. Fixed costs, on the other hand, are costs that remain the same no matter what your level of sales. For example, your rent will generally remain the same whatever your level of sales.

Some costs are semi-variable, such as a telephone bill. In that case, you have a certain price for basic service, but the bill generally goes up on a transactional level directly proportional to sales. In most instances, rather than splitting hairs, you should treat semi-variable costs as completely variable costs. For the purpose of this example, we will treat costs as either variable or fixed.

### *The Breakeven Equation*

Breakeven point equals fixed costs divided by your contribution margin, where the contribution margin equals (sales minus variable costs) divided by sales. Let's use this example:

Gross sales	\$1,000
Fixed costs	200

Variable costs                      400

Contribution margin =  $(1,000 - 400)$  divided by  $1,000 = .6$

Breakeven point =  $200$  divided by  $.6 = 333$

In other words, the breakeven point for our highly simplified example is \$333 in sales for that specific accounting period. It is important to note that a breakeven analysis is used simply to estimate your required level of sales to breakeven. As sales and costs increase or decrease, your breakeven point will also likely fluctuate.

### **Assumptions**

Finally, your bank will want to see a written list of your assumptions. Any time that you make any type of projection, you are making broad, sweeping assumptions about any number of things. For instance, to calculate a monthly payment, you will have to assume a certain interest rate and length of term. To calculate depreciation, you will have to assume a certain depreciation schedule. Your assumptions page will tell the intended reader what assumptions you have made in assembling

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Totals
Beginning Cash Balance	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Cash Inflows													
Equity Injections	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Loan Proceeds	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Cash Sales	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
A/R Collections	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Total Cash Inflows	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Cash Outflows													
Inventory	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Management Salaries	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Other Wages	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Payroll Taxes	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Employee Benefits	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Rent	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Insurance	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Utilities	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Telephone	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Office Supplies	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Advertising	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Sales Expenses	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Miscellaneous	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Asset Purchases	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Taxes	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Interest Expense	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Principle Payment	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Other Expenses	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Total Cash Outflows	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Ending Cash Balance	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____

Instructions: Estimate as closely as possible all of your cash inflows and all of your cash outflows for each month. Take your beginning cash balance, add the subtotal of your cash inflows for the month, subtract the subtotal of your cash outflows for the month. This will give you the beginning cash balance for the next month. Repeat the process for each successive month, and then total the amounts for the year. Repeat this process for two (2) years, as you will be required to provide two successive years of monthly cash flow projections.

## Pro-Forma Income Statement Template

### Income

Gross Sales

Less: Returns and

Allowances Less: Discounts

Net Sales

Less: Cost of Goods Sold

Gross Profit

### Less: Expenses

Management

Salaries Other

Wages

Payroll Taxes

Employee Benefits

Rent

Insurance

Utilities

Telephone

Office Supplies

Advertising

Sales Expenses

Miscellaneous

Taxes

Interest Expense

Other Expenses

Depreciation

Expense

Amortization

Expense

Total Expenses

## Net Profit

---

Instructions: From the cash flow template, take your total sales figures. From this, subtract any returns, allowances, or discounts. This will give you your net sales. From this amount, subtract your cost of goods sold. This will give you your gross profit. Next, you should total all your operating expenses from the cash flow statement, as well as any non-cash operating expenses such as depreciation or amortization. You then should subtract the total operating expenses from your gross profit to get your net profit.



Liabilities & Equity Accounts

Current Portion of Long-term Debt

Total Current Liabilities

Long-term Liabilities

Long-term Debt

Total Long-term Liabilities

Equity Accounts

Capital Stock

Paid in Capital

Current Period

Earnings Retained

Earnings

Total Equity Accounts

Total Liabilities & Equity Accounts

_____	
_____	
_____	
_____	_____
_____	
_____	
_____	
_____	
	_____
	_____

## Supporting Documents

Supporting documents are especially important when using your business plan as part of a loan application package. However, many of the items should be included whether you are searching for a loan or using the business plan as a management tool. Your situation will, of course, vary, and you should use your best judgment. As a starting point, consider including these items in the plan:

- 1) Resumes of each business owner or principal involved in the business
- 2) Job descriptions for each employee or position
- 3) Personal financial statements of each business owner or principal
- 4) Credit reports, particularly if you have credit “issues”
- 5) Letters of intent or written references
- 6) Lease agreements or proposals
- 7) Any legal contract you have entered or propose to enter
- 8) Partnership agreements or articles of incorporation
- 9) Floor plans or layouts
- 10) Cost estimates for significant capital expenditures
- 11) Pricing structures
- 12) Supplier lists
- 13) Copies of certificates, awards, etc. (relevant to your business plan)
- 14) Collateral offering sheet
- 15) Appraisals of any significant business asset
- 16) Income tax returns of each principal for the last three years
- 17) Income tax returns for the business for the last three years
- 18) Interim financial statements for the business not more that 90 days old
- 19) Franchise offering circulars
- 20) Advertising or promotional materials

One last piece of advice...

Putting a business plan together requires a lot of effort, research, planning, and work. It is a wonderful process of learning and relearning your business. Once you have created this roadmap-USE IT! Don't just use your business plan as a financing package or to persuade an investor or potential partner. It is intended, and should be, a guide. After all your hard work, don't put it into a drawer or on a shelf to just gather dust. Review it occasionally, update it as necessary, and watch your business continue to blossom.

**PERSONAL FINANCIAL  
STATEMENT**

**U.S. SMALL BUSINESS  
ADMINISTRATION**

As of \_\_\_\_\_, 19\_\_

Complete this form for: (1) each proprietor, or (2) each limited partner who owns 20% or more interest and each general partner, or (3) each stockholder owning 20% or more of voting stock, or (4) any person or entity providing a guaranty on the loan.

Name \_\_\_\_\_ Business Phone \_\_\_\_\_

Residence Address \_\_\_\_\_ Residence Phone \_\_\_\_\_

City, State, & Zip Code \_\_\_\_\_

Business Name of Applicant/Borrower \_\_\_\_\_

ASSETS		(Omit Cents)	LIABILITIES		(Omit Cents)
Cash on hands & in Banks	\$		Accounts Payable		\$
Savings Accounts	\$		Notes Payable to Banks and Others		\$
IRA or Other Retirement Account	\$		(Describe in Section 2)		
Accounts & Notes Receivable	\$		Installment Account (Auto)		\$
Life Insurance-Cash Surrender Value Only	\$		Mo. Payments	\$	
(Complete Section 8)			Installment Account (Other)		\$
Stocks and Bonds	\$		Mo. Payments	\$	
(Describe in Section 3)			Loan on Life Insurance		\$
Real Estate	\$		Mortgages on Real Estate		\$
(Describe in Section 4)			(Describe in Section 4)		
Automobile-Present Value	\$		Unpaid Taxes		\$
Other Personal Property	\$		(Describe in Section 6)		
(Describe in Section 5)			Other Liabilities		\$
Other Assets	\$		(Describe in Section 7)		
(Describe in Section 5)			Total Liabilities		\$
			Net Worth		\$
					\$
<b>Total</b>	\$		<b>Total</b>		\$
<b>Section 1. Source of Income</b>			<b>Contingent Liabilities</b>		
Salary	\$		As Endorser or Co-Maker		\$ _____
Net Investment Income	\$		Legal Claims & Judgments		\$ _____
Real Estate Income	\$		Provision for Federal Income Tax		\$ _____
Other Income (Describe below)*	\$		Other Special Debt		\$ _____

Description of Other Income in Section 1. \_\_\_\_\_

\*Alimony or child support payments need not be disclosed in "Other Income" unless it is desired to have such payments counted toward total income.

**Section 2. Notes Payable to Bank and Others.** (Use attachments if necessary. Each attachment must be identified as a part of this statement and signed.)

Name and Address of Noteholder(s)	Original Balance	Current Balance	Payment Amount	Frequency (monthly, etc.)	How Secured or Endorsed Type of Collateral
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SBA Form 413 (2-94) Use 5-91 Edition until stock is exhausted. Ref: SOP 50-10 and 50-30

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**Section 3.**

Number of Shares	Name of Securities	Cost	Market Value Quotation/Exchange	Date of Quotation/Exchange	Total Value

**Section 4.**

(List each parcel separately. Use attachment if necessary. Each attachment must be identified as a part of this statement and signed.)

	Property A	Property B	Property C
Type of Property			
Address			
Date Purchased			
Original Cost			
Present Market Value			
Name & Address of Mortgage Holder			
Mortgage Account			
Number Mortgage			
Balance			
Amount of Payment per Month/Year			
Status of Mortgage			

**Section 5.**

(Describe, and if any is pledged as security, state name and address of lien holder, amount of lien, terms of payment and if delinquent, describe delinquency)

**Section 6.**

**Unpaid Taxes.**

(Describe in detail, as to type, to whom payable, when due, amount, and to what property, if any, a tax lien attaches.)

**Section 7.**

**Other Liabilities.**

(Describe in detail.)

**Section 8.**

**Life Insurance Held.**

(Give face amount and cash surrender value of policies - name of insurance company and beneficiaries)

I authorize SBA/Lender to make inquiries as necessary to verify the accuracy of the statements made and to determine my creditworthiness. I certify the above and the statements contained in the attachments are true and accurate as of the stated date(s). These statements are made for the purpose of either obtaining a loan or guaranteeing a loan. I understand FALSE statements may result in forfeiture of benefits and possible prosecution by the U.S. Attorney General (Reference 18 U.S.C. 1001).

Signature:

Date:

Social Security Number:

Signature:

Date:

Social Security Number:

PLEASE NOTE:

The estimated average burden hours for the completion of this form is 1.5 hours per response. If you have questions or comments concerning this estimate or any other aspect of this information, please contact Chief, Administrative Branch, U.S. Small Business Administration, Washington, D.C. 20416, and Clearance Officer, Paper Reduction Project (3245-0188), Office of Management and Budget, Washington, D.C. 20503.

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**Good planning, and good luck!**

## **Business Terms Definitions**

<b>Assets</b>	Resources that owned or controlled by a company that have future benefits. These benefits must be quantifiable in monetary terms.
<b>Balance sheet</b>	A list of a company's assets, liabilities, and equity accounts at a particular point in time.
<b>Breakeven</b>	The unit volume where total revenue equals total cost; there is neither profit nor loss.
<b>Capacity</b>	The amount of goods or work that can be produced by a company given its level of equipment, labor, and facilities
<b>Cash flow</b>	The movement of money into and out of a company; actual money received, and actual payments made.
<b>Cash flow statement</b>	A presentation of the cash inflows and outflows for a particular period. These flows may be grouped into the three major categories of cash from operating activities, cash from investing activities, and cash from financing activities
<b>Collateral</b>	Assets pledged in return for loans
<b>Contribution</b>	Total revenue less total variable costs
<b>Conventional financing</b>	Financing from established lenders such as banks, rather than financing from investors, angels, venture capitalists, etc.
<b>Debt financing</b>	Raising funds for a business by borrowing, often in the form of bank loans
<b>Debt service</b>	Money being paid on a loan; the amount necessary to keep a loan from going into default

<b>Disbursements</b>	Money paid out
<b>Equity</b>	Shares of stock in a company; ownership interest
<b>Expenses</b>	Outflows of resources to generate revenue
<b>Fixed costs</b>	Those costs that are not responsive to volume over the relevant range of time
<b>Income statement</b>	A matching of a company's accomplishments (sales) with effort (expenses from operations) during a particular period of time
<b>Leasehold improvements</b>	The changes made to a rented store, office, or plant, to suit the tenant and make the location more appropriate for the conduct of the tenant's business
<b>Letter of intent</b>	A letter or other document by a customer indicating the customer's intention to buy from the company
<b>Liabilities</b>	Commitments to pay out assets (typically cash) to or render services for creditors
<b>Liquidity</b>	The ability to turn assets into cash quickly and easily
<b>Market share</b>	The percentage of a total available customer base captured by a company
<b>Net worth</b>	The total ownership interest in a company, represented by the excess of the total amount of assets minus the total amount of liabilities
<b>Partnership</b>	A legal relationship of two or more individuals to run a company
<b>Profit margin</b>	The amount of money earned after the cost of goods or all operating expenses are deducted, usually expressed in percentage terms
<b>Pro-forma statement</b>	A financial statement detailing management predictions

<b>Receipts</b>	Funds coming into the company, the actual money paid to a company for its products or services; not necessarily the same as a company's actual receipts
<b>Sole proprietorship</b>	Company owned and managed by one person
<b>Variable costs</b>	The costs that are directly responsive to changes in volume over the relevant range of time
<b>Venture capitalist</b>	An individual or firm that invests money into an enterprise
<b>Working capital</b>	The cash available to a company for the ongoing operations of the business