Parts of the Business Plan
Parts of the Business Plan

There are certain key elements that are required and they are listed below.

1. Cover Page

Should contain the following:

- Business name
- Names of business owners
- Date of plan completion

2. Table of Contents

Lists each section of the business plan and the page that each section is located on

3. Executive Overview

The Executive Overview should summarize the key points of your business plan. It should be written after the rest of the business plan in written and key points from other sections of the plan should be used to piece it together. This section should be a paragraph to one page long.

The Executive Overview should include a brief summarized description of:

- your business idea
- the market opportunity
- the management team
- the target market
- projected sales
- start-up costs and financing requirements

The Executive Overview is usually 1-2 paragraphs long and should give your audience a good grasp of what you plan to do without going into great detail.

Executive Overview Example

Sandra’s Hair Salon will provide hair styling for women in the Uptown Saint John area in a boutique setting. It will be unique in that customers will be treated to a luxury experience by being treated to face massages, hors d’oeuvres and drinks while they await
their hair styling experience. This unique experience is popular in other parts of North America and Sandra’s will lead the way in Saint John by being the first of its kind. The business will focus on serving working women in the uptown area that seek tranquility from their busy work and home schedules.

John Doe and Jane Doe are a husband and wife team who share ownership of the business and will work as hair stylists and managers. They will be applying for a $20,000 bank loan to get the business up and running and project their year one sales to reach $47,000.

4. Business Description

The Business Description should explain exactly what business does and how it does it. Don’t confuse the Executive Overview with the Business Description. Unlike the Executive Overview, the Business Description does not contain key points of the entire business plan. Instead, it should answer the following questions:

- What does your business do?
- What is the opportunity in the market that justifies your business idea?
- Who are the business owners?
- Where is the business located?
- What form of business ownership will the business have? (Sole Proprietorship, Corporation, Partnership)
- What market will be serviced?
- What is unique about the business?
- How will your business be better than your competitors?
- What stage is the business in? (Start-up, Expansion or Diversification)
- What is the size of the business? (Sales Volume, Employees, Size of Facility)

The Business Description should only by 1-2 paragraphs long and no longer than 1 page where possible.

**Business Description Example**

ABC Laundry Soap Inc. will be laundry detergent manufacturer located in warehouse space at Lansdowne Place in Saint John’s North End. John Smith will be the sole owner of the incorporated company that will employ 15 workers that will focus on manufacturing a quality liquid laundry detergent.

Skyrocketing freight prices and the high value of the Canadian dollar have created a great opportunity for a local manufacturer to supply Maritime grocery stores and department stores with an affordable alternative to their current suppliers in the U.S. The challenge the business faces will be to persuade customers that the product has consistent quality and will appeal to their customers. The product will be environmentally friendly and
unique in that it will donate a portion of its profits to the Environment Trust Fund. It is hoped that this will appeal to consumers who are becoming environmentally and socially conscious. The detergent will be packaged in the factory and sold by sales agents throughout Atlantic Canada.

5. Management Profile

The Management Profile should describe the management team by answering the following questions:

- Who are the owners and key managers of the business?
- What role will each person have in running the business?
- What are their backgrounds?
- What are their strengths and skills that they bring to the business?
- Who are the key advisors to the business (lawyers, accounts, consultants, etc.)?
- How much time and money will each owner be contributing to the business?
- How will the management team be compensated?

It is helpful to include resumes of key management in the appendix.

Management Profile Example

Croutons R Us Bakery understands that its’ success depends primarily on a strong management team. Marion Green will lead the baking team because of her strong baking background which includes 10 years of baking experience at Ben’s Bakery and 3 years of management experience. Don Black brings a strong financial background to the business which includes a CA designation and 10 years of managing the finances of a reputable bakery in British Columbia. Tina Reid will be responsible for developing marketing materials and for managing human resources. She brings 6 years of experience in working for a PR firm with her. All members of the team will be working full-time and be paid a yearly salary. Their resumes are located in the Appendix.

Bell’s accounting firm has been retained to look after book-keeping and Jud White has been retained for legal advice.

6. Market Research

Market research is of key importance to understanding the market for any business. It is the gathering of information that helps form conclusions upon which business decisions are made.
A. Customer Profile.

The Customer Profile should describe your target market by addressing the following questions:

- Who are your customers?
- Where do they live?
- How many are there?
- Describe their age, income, population etc.
- Are their numbers growing or declining?
- Are there any trends influencing your target market?
- What influences their decisions to purchase your product or service?

How to gather information for the customer profile:

- Customer Surveys are often used to gain information that is not available through other sources. To find out about how to design and administer Customer Surveys check out: http://www.ehow.com/how_16596_write-survey-questionnaire or
- Demographic information is often available from http://www.statcan.gc.ca/start-debut-eng.html or other publications such as the Financial Post Markets.
- **Canada Business Services for Entrepreneurs** is a great source of information. http://www.canadabusiness.ca/eng/
- Personal observation is a primary source of data that can sometimes be obtained by observing customers as they frequent a competitor’s place of business.
- Suppliers are often a great source of information and know a great deal about customers.

**Customer Profile Example #1**

Green Health Food Supplements is a multi-use product and will focus on three distinct customer segments. The primary target group will be allergy sufferers. This segment is growing at 15% a year with 32,000 potential customers in the Greater Saint John area. Allergy sufferers are known to try many products in their quest to rid themselves of allergy symptoms so they are often quite willing to try new products.

The second target is medical professionals and doctors in particular. This segment is also growing at 15% with 14,200 potential people served by doctors in the local area.
Doctors are quickly beginning to understand the benefits of natural products and are beginning to refer patients to them.

The last group is the health conscious group. This segment is typically making modifications to their diet based on their desire to become healthier and prevent the onset of disease. This niche also is growing at 15% with 48,000 possible customers. Health conscious consumers frequently read about and try new products in their quest to find products that help them feel strong.

**Sample Customer Profile Example #2**

Auto Suds R Us believes that the type of car that a person owns says volumes about their driving, and, therefore their car washing and detailing requirements. Auto Suds R Us has decided to focus on auto dealers and businesses rather than individual car owners because of the company’s location in the local industrial park. Target customers are as follows:

- **Auto Dealerships**: There are five new and used car dealerships within three miles of the proposed location of Auto Suds R Us. These dealerships often use outside car wash services to detail their vehicles before they are put up for sale. Two local dealers have already expressed their intent to use the services of Auto Suds R Us (see letter of intent in appendix). In addition, there us a total of twelve other car dealerships within a seven mile radius of Auto Suds R Us.

- **Local businesses**: Some local businesses have fleets of cars and small vans that must be kept clean to maintain their company image. These businesses will be looking for a cost effective, efficient car washing service to perform this service, and will prefer to use a car wash service during the week rather than during weekends, like the general public.

**B. Competition**

The competitive analysis should analyze the competitive environment you will operate in by profiling the major competitors to your business and how your business will compete effectively with them.

The competitive analysis should:

- Identify major competitors and describe their company in terms of size, location etc. by name and determine their market share
- Evaluate each competitor by listing their strengths and weaknesses including reputation, distribution channels, product quality, price, warranty, image etc.
- Determine how your business will fit into the competitive environment.
- Predict competitor reactions to your entry in to the marketplace.
• Project the market share you hope to capture.

Gathering Information on the Competition

• Talk to competitor’s business owners and employees
• Talk to suppliers
• Talk to previous business owners and employees
• Personal observation
• Analyze competitor’s advertising/marketing
• Question competitor’s customers
• Quote relative articles and statistics

**Competitive Analysis Example**

In today’s childcare market, parents are often looking beyond price willing to pay a little more for quality educational programming that will give their children an advantage at school. Programming, service, certification and reputation are critical success factors in the child care services industry. The Children’s College will compete well in the market by offering a leading edge educational program delivered by certified college-trained instructors.

There is no competitor in the market that is offering a focused, quality educational childcare program. Our educational approach is unique and will be difficult to duplicate by competitors.

**Main Competitors**

Those facilities located within a 5 mile radius are considered to be the company’s main competitors. They are as follows:

1. **South End Church Day Care:**

   South End Church Day Care is located in the basement of the South End Church at 52 Bay Drive. There are 6 employees on staff and they are licensed to take up to 45 children.

   • **Strengths:** Large church congregation. Already established in market.
   • **Weaknesses:** May not appeal to customers of different religious beliefs. The staff don’t have any accredited training. The program offered is play based with no emphasis on education.

2. **Martial Arts Inc. - Kick Kare:**
Martial Arts Inc. is a specialized program based centre that has the capacity for up to 22 children. There are 3 employees on staff and they are located at 50 Oakhurst Avenue.

- **Strengths**: Already established in area. Martial arts offering with child care services.
- **Weaknesses**: Location - outside of middle-income market. Non-educational offering. Building condition - prone to mouse infestation.

3. **In-Home Childcare**:

There are 2 home based childcare businesses that are considered primary competitors. Ella McGrath at 123 Smith Drive and Matilda Green at 34 Elm Street are both have the capacity to look after 8 children.

- **Strengths**: Established in market. "Personal" service.
- **Weaknesses**: Capacity - only allowed a small number of children. Non-professional stigma.

**Secondary Competitors**

1. Licensed Child Care Centers: Merry Go Round Child Care Center and Bloomingdale Academy. While these centers are within the 10-mile radius target area, none are inside a 5-mile radius of the Lake St. Charles community. None of these facilities are nationally accredited.

2. Family Child Care Homes: Ella Reid on Mapleton Row and Amanda Romano on Greendale Blvd. Both of these competitors take very few children and have no formal programming for children.

**C. Sales Projection**

An accurate assessment of the sales you plan to capture is essential to having reasonable financial forecasts.

To calculate your projected sales, you must:

- Determine the number of potential customers in your market
- Determine how much those customers spend on your product or service
- Determine how many of those potential customers you can reasonably obtain

A sales figure must be determined by assuming you will likely be able to capture a very small portion of the existing market.
A rule of thumb is that businesses should generally never anticipate garnering more than 5% of the market in year one unless there are special circumstances such as the purchase of an existing business that already services a large % of the market.

Sales can also be estimated with market surveys asking potential customers how much money they would spend on your product, how much demand there is and how frequently they would buy it. This should help you determine a reasonable number of customers you can count on as well as what they will spend. The projected sales figure you come up with should appear on your cash flow as your total sales.

For more information on how to determine sales projections see the following:
http://sbinfocanada.about.com/od/cashflowmgt/a/salesforecast.htm
http://www.entrepreneur.com/startingabusiness/businessplans/businessplangoachtimberry/article77674.html

Sales Projection Example #1

When you can find an average expenditure figure on your product or service and a relevant population figure, a calculation can be made as follows:

Population living within 10 miles of store 	124,980
Average expenditure per person on product per year 	$122
Estimated market share to be captured 	1.5%

<table>
<thead>
<tr>
<th>Population</th>
<th>Expenditure</th>
<th>Total Market Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>124,980</td>
<td>X</td>
<td>$122</td>
</tr>
<tr>
<td></td>
<td></td>
<td>= $15,247,560</td>
</tr>
</tbody>
</table>

(Source: Statistics Canada Year XXX) (Source: Results of Personal Survey see Appendix)

<table>
<thead>
<tr>
<th>Total Market Size</th>
<th>Market Share</th>
<th>Year One Sales Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>$15,247,560</td>
<td>X</td>
<td>1.5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>= $228,713</td>
</tr>
</tbody>
</table>

Year one projected sales of $228,713 are used to complete the financial section of the business plan.
**Sales Projection Example # 2**

Small family clothing store in Quispamsis:

<table>
<thead>
<tr>
<th># of Households</th>
<th>Average Expenditure per household/year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quispamsis</td>
<td>$3,043</td>
<td>$14,262,541</td>
</tr>
</tbody>
</table>

(Source: Financial Post)  
(Cdn. Demographics 2003)

Total Market Size % of Market to be Captured Total Projected Sales

$14,262,541 x .5% = $71,313

**Sales Projection Example #3**

Service Businesses with Contracts are often difficult because it is difficult to find statistics to support projections. When there are no statistics available to assist with projections, reasonable and conservative assumption may be made as follows:

Assuming that the company can secure 2 small contracts and 1 large contract in year one sales projections are based on the fact that a large contract averages $38,000 in revenue and small contract average $10,000 in revenue. The large contract is projected to be secured by month 6 of business operations and one small contract will be secured by month 1 of business operations while the other will be secured by month 4 of business operations.

Large Contract: $38,000 x (.5 of year one) $19,000
Small Contracts $10,000 x 1 full year 10,000
$10,000 x (.75 of year one) 7,500
7. Marketing

A. Product

This section will require the following:

- A detailed description of your product or service. Concentrate on what makes it different and desirable to your target market.
- An explanation of what your customers will be receiving aside from the actual product or service. Examples could be peace of mind, convenience, image and what it is about your product that makes it this way.
- A logo or slogan that helps define your product/service.
- Pictures or diagrams if appropriate.

Product Example

Coffee Curators will provide the best tasting coffee and related beverages in all of Saint John in a cozy and relaxed environment. Upon entering the shop, customers will be surrounded by upbeat folk music and a homey atmosphere. Board games and casual reading materials will be places throughout the shop to engage customers and encourage them to feel at home.

To complement its quality beverages, the shop will also provide pies, cookies, assorted pastries and a limited sandwich offering. Customers will have their choice of seating in bistro style chairs and tables or in overstuffed couches and chairs arranged to encourage conversation. The company will use the best possible ingredients to make its products and will take great care in product preparation and presentation. A small selection of take-home ground and whole coffee beans will be available for purchase in a pre-packaged format as well.

A sample of the shop’s menu is located in the appendix.

B. Price

Describe what you will charge for your product/service. Explain why you chose this price and how it compares in the marketplace.

Jill’s Jewellery will price its products at a high price point in the marketplace. The high price will enhance the image of the jewellery which is intended to
appeal to customers looking to pay a higher price for a premium product. The industry average mark-up for hemp jewellery is a 500% mark-up on materials. Jill’s Jewellery will use a 700% average mark-up. This will allow for a yearly ½ price sale on old inventory following the Christmas season.

For a full product price list see the appendix.

C. Promotion

Promotion refers to how you will tell your customers what your have to offer.

This section will require you to explain the following:

- What you want to communicate to your customers
- When you plan to communicate to your customers (do a time line)
- What tools you will use to reach your customers
  Examples: business cards, brochures, web sites, public relations, personal selling, advertising on radio, signs, etc.
- Provide mock-ups of advertising etc. if possible
  how much it will cost to promote your product (the costs listed in this section should show up on the cash flow)

Promotional Plan Example

The main marketing tool for KKB will be word-of-mouth referrals. Saint John consumers are remarkably loyal and are known for relying primarily on the opinions of friends and family when making purchase decisions. In order to assist with word-of-mouth referrals, Facebook will be utilized to promote the products among friends, family and colleagues. A website with professional photography will be developed to be used by Facebook users who are interested in items. They will be able to click to the page from Facebook as well as through web searches and directly through its web address.

The Saint John Bride Show will be the venue that KKB will target new brides with KKB’s custom dinnerware sets. KKB will offer a gift registry on their website for newlyweds.

KKB will also donate inventory to local charities and sports teams to create a positive community feeling and local brand loyalty.

A large portion of our collection will be displayed at Sloan’s Studio, where other local made pottery is also carried. A commission of $4/piece for each piece sold will be paid to Sloans.
An annual Spring Fling clearance sale on discontinued items will be held each April.

**Example Promotional Plan Costs**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Month 1</th>
<th>Month 2</th>
<th>Month 3</th>
<th>Month 4</th>
<th>Month 5</th>
<th>Month 6</th>
<th>Month 7</th>
<th>Month 8</th>
<th>Month 9</th>
<th>Month 10</th>
<th>Month 11</th>
<th>Month 12</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>SJ Bride</td>
<td>1,500</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,500</td>
</tr>
<tr>
<td>Website</td>
<td>5,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$5,000</td>
</tr>
<tr>
<td>Donations</td>
<td>40</td>
<td>50</td>
<td>30</td>
<td></td>
<td>20</td>
<td>60</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$200</td>
</tr>
<tr>
<td>Newspaper</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$650</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,000</td>
<td>0</td>
<td>0</td>
<td>200</td>
<td>1,500</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>650</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>$7,350</td>
</tr>
</tbody>
</table>

**Activity**  | **Explanation**
---|---
Bride Show  | For purchase of a booth in Saint John Bride Show.
Website     | C&C website design will design and create a website.
Donations   | Products for local fund raising events.
Newspaper   | To promote a spring fling event to clear outdated inventory.

**Promotional Plan Spending Template**

**D. Place/Location**

This section will require the following:

- A description of the location (size, parking, atmosphere)
- Provide pictures or drawings where possible
- An explanation of why this location is a good one
- Listing of any costs associated with the location

**Place/Location Example**

LMN will be located at 15 Pine Street in the heart of Saint John’s North End retail business district. The location is in the Ridgemount Strip Mall and it is a 1,500 square foot ground level location.

The Ridgemount Strip Mall is a newly completed retail location that has 1,200 daily visitors according to the mall’s management company. It is a prime retail development that will be expanding by 200% over the next 3 years. Rent is $1,500 per month and it includes utilities, snow and garbage removal and janitorial services. A large parking area for up to 50 vehicles is located in front of the store.

A diagram of the store’s layout is located in the appendix.
8. Suppliers/Inventory

Explain where you will be purchasing your supplies, and how you will deal with inventory.

**Supplies/Inventory Example**

Suppliers for raw materials have been sourced in Ontario. The company’s that have agreed to provide beads and hemp are Riverview Trinkets Inc. and Bobbles Ltd. Orders are guaranteed to be shipped within 24 hours and orders in small quantities are available.

Blingy Bracelets will not keep large quantities of bead inventory on hand since styles change frequently and the company will focus on making small quantities of unique pieces.

9. Employees

Explain how many employees you will need, what their jobs will be and how much you will pay them. It should also predict how many hours each employee will have to work and provide job descriptions of key positions.

**Employees Example**

They key to the company’s success will be the service that its employees provide the customers. In order to ensure great customer service, employees will undertake a week long training regime that has been designed by L&L Associates. The detailed regime is located in the appendix.

Twelve full-time employees will be on staff at all times and will be paid for a 37.5 hour work week. Beginning wages will range from $21 to $30 per hour based on the employees experience and the position they hold. The wage will be reviewed and increased at the same rate as the cost of living on an annual basis.

The positions that will be held by employees include 2 management positions, 2 clerical jobs and 8 service technicians. Job descriptions for these positions are located in the appendix.
10. Customer Service

Explain how you will treat your customers and what type of customer service philosophies your company will have. You should also indicate what sort of policies will be in place for dealing with unhappy customers, customer complaints, product or service guarantees.

**Customer Service Example**

Tim’s Tires values its customers and will provide them with a positive experience while their tires are installed. Coffee, television and reading materials will be located in the lounge area along with comfortable seating. Customer appointments will be scheduled to ensure that customers have minimal wait time. A shuttle will be available to take customers to locations within a 7 mile radius if they choose to leave their vehicle and pick it up at a later time.

Customer Satisfaction is the priority of Tim’s Tires. If a customer isn’t satisfied with his tires for any reason, the shop will offer a full refund within 14 days. All problems with the product thereafter will be referred to the tire manufacturer. Tim’s Tires will however offer a 25% discount on the customer’s next tire purchase if the manufacturer has deemed the product faulty.

11. Financial Plan

The financial plan overviews how much money is needed to start the business and if the business will be profitable. *Note that the financial statements may be referred to as Pro Forma which indicates that the figures used are projected figures.*

For an interactive spreadsheet template complete with formulas click here.

**A. Start-Up Costs**

Determining how much it will cost to get the business up and running is the 1st step in developing your financial plan. In this section you must list all expenses you must incur before you open the doors to your business.

These expenses may include:

<table>
<thead>
<tr>
<th>Insurance</th>
<th>Rent Deposits</th>
<th>Business Name Registration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting Fees</td>
<td>Bank Charges</td>
<td>Telephone Purchase/Installation</td>
</tr>
<tr>
<td>Incorporation</td>
<td>Equipment</td>
<td>Initial Inventory Purchase</td>
</tr>
</tbody>
</table>
## Start-Up Cost Example

<table>
<thead>
<tr>
<th>Category</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance</td>
<td>$300</td>
</tr>
<tr>
<td>Rent Deposit</td>
<td>600</td>
</tr>
<tr>
<td>Business Name Search &amp; Registration</td>
<td>550</td>
</tr>
<tr>
<td>Cell Phone Purchase</td>
<td>300</td>
</tr>
<tr>
<td>Incorporation Fees</td>
<td>2,000</td>
</tr>
<tr>
<td>Accounting – Books Set-Up</td>
<td>500</td>
</tr>
<tr>
<td>Bank Charges</td>
<td>75</td>
</tr>
<tr>
<td>Store Signage</td>
<td>$2,000</td>
</tr>
<tr>
<td>Vehicle Signage</td>
<td>600</td>
</tr>
<tr>
<td>Radio – Grand Opening</td>
<td>800</td>
</tr>
<tr>
<td>Newspaper – Grand Opening</td>
<td>750</td>
</tr>
<tr>
<td>Promotional T-Shirts</td>
<td>600</td>
</tr>
<tr>
<td><strong>Start-Up Costs</strong></td>
<td><strong>$12,775</strong></td>
</tr>
</tbody>
</table>

Note: $12,775 would be the amount of financing required for business start-up.

## B. Sources of Funding

This section of the financial plan shows where the money will come from to cover business start-up costs.

### Sources of Funding Example

Assuming start-up costs are estimated to be $12,775 start-up costs would appear in the business plan as follows:
Sources of Funding for Start-Up

ACOA Seed Loan  $5,000
CIBC Bank Loan  5,000
Personal Investment  2,775

Total  $12,775

C. Cash Flow

This is a projection that shows all money that you expect to be coming into the business and going out of the business on a monthly basis. Year-round businesses need to develop a 12 month projected cash flow for years 1 and 2 of business. A blank cash flow sheet is provided for you as well as a sample of a 5 month cash flow that was developed for a summer lawn care business.

Blank Cash Flow Template with active formulas

Simple Summer Business Cash Flow Example

**Sample Year One Cash Flow**

**Summer Lawn Care Business**

<table>
<thead>
<tr>
<th>Cash Receipts</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>Aug</th>
<th>Sept</th>
<th>Oct</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Sales</td>
<td>420</td>
<td>1680</td>
<td>1680</td>
<td>1260</td>
<td>420</td>
<td>0</td>
<td>5460</td>
</tr>
<tr>
<td>Loan</td>
<td>1000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1000</td>
</tr>
<tr>
<td>Personal Cash</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1420</td>
<td>1680</td>
<td>1680</td>
<td>1260</td>
<td>420</td>
<td>333</td>
<td>6793</td>
</tr>
</tbody>
</table>

| Cash Disbursements    | Tools & Equipment | 500 | 0   | 500 |
|                       | Office Furniture  |     0|     |     |
|                       | Wages (drawings)  | 500 | 500 | 500 |
|                       | Rent              |     0|     | 0   |
|                       | Utilities         |     0|     |     |
|                       | Promotion         | 50  |     | 50  |
|                       | Business Licenses | 150 |     | 150 |
|                       | Insurance         |     0|     |     |
|                       | Inventory         |     0|     |     |
|                       | Office Supplies   | 50  |     | 50  |
For further examples of cash flow statements – see the following links:

http://www.hawaiiagconference.org/AG08_Web_Archive/Grow%20Next%20Generation/Twelve%20month%20cashflow%20example.pdf

D. Cash Flow Notes

This is a page of notes that accompanies each cash flow that briefly explains the major cash flow receipts and disbursements that appear on the cash flow sheet.

**Simple Summer Business Cash Flow Notes Example**

**Cash Flow Notes**

**Receipts**

Sales: Based on having 20 customers at $20/lawn varying according to month.

Loan: Based on acquiring $1,000 interest free loan for start-up through SEED program.

Loan Reimbursement: Receipt of 1/3 value of SEED loan.

**Disbursements**

Tools & Equipment: For purchase of lawn mower in month 1 of business.

Wages (Drawings): Plan to pay myself $500 per month while business is operating.

Promotion: For printing of business cards and flyers.

Business License: For business name and registration.

Office Supplies: For bookkeeping materials, paper, calculator etc.

Telephone: For rental of a cell phone.

Loan Payment: Repayment of interest free SEED loan.

Loan Administration Fee: Fee paid for administration of SEED loan.

E. Income Statements

The income statement matches revenues against expenses during a particular time period. A business plan requires income statements to be prepared for years 1 and 2 of business operations.
Revenues and expenses that appear on the income statement are those that occur from regular business operations. They include:

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>Rent</td>
</tr>
<tr>
<td></td>
<td>Insurance</td>
</tr>
<tr>
<td>Interest</td>
<td>Depreciation</td>
</tr>
<tr>
<td>Training</td>
<td>Vehicle</td>
</tr>
<tr>
<td>Leases</td>
<td>Office Supplies</td>
</tr>
<tr>
<td></td>
<td>Inventory</td>
</tr>
</tbody>
</table>

The main difference between a cash flow statement and an income statement is that a cash flow statement shows cash as it is spent whereas an income statement tries to allocate portions of that cost to particular periods of time.

Some examples of this are:

- The full amount paid to purchase equipment, tools or land, vehicles, boats etc. shows up on the cash flow whereas only the depreciation of that item shows up on the income statement.

- The full amount of loan payments shows up in the cash disbursement section of the cash flow statement whereas only the interest charged for the loan appears on the income statement.

Another difference is cash flow statements show an owner’s drawings from the company whereas an income statement only shows wages paid to employees.

**Pro Forma (Projected) Income Statement Example**

**Bill's Convenience Store**

**Pro Forma Income Statement**

For the Year Ended December 31, 20--

<table>
<thead>
<tr>
<th>Revenue:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$76,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost of Goods Sold</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Inventory</td>
<td>$0.00</td>
</tr>
<tr>
<td>Add: Purchases</td>
<td>21,000.00</td>
</tr>
<tr>
<td>Less: Ending Inventory</td>
<td>4,000.00</td>
</tr>
</tbody>
</table>

| Gross Profit | 59,000.00 |

<table>
<thead>
<tr>
<th>Expenses:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent</td>
<td>9,000.00</td>
</tr>
<tr>
<td>Wages</td>
<td>5,000.00</td>
</tr>
</tbody>
</table>
F. Balance Sheets

Balance Sheets indicate what a business owns and owes at a specific moment in time. The “owned” belongings of a business are known as ASSETS while the “owed” portions of the business are known as LIABILITIES and OWNER’S EQUITY (non-incorporated companies) or SHAREHOLDER’S CAPITAL (incorporated companies).

The total sum of everything the business owns (ASSETS) must equal or balance with everything the business owes (LIABILITIES + OWNER’S EQUITY/SHAREHOLDER’S CAPITAL).

\[
\text{ASSETS} = \text{LIABILITIES} + \text{OWNER’S EQUITY} \\
\text{SHAREHOLDER’S CAPITAL}
\]

ASSETS income items such as cash, inventory, furniture, equipment, vehicles and other tangible items owned by the company.

LIABILITIES include loans and accounts payable outstanding to anyone other than the owners of the company.

OWNER’S EQUITY or SHAREHOLDER’S CAPITAL is the amount of the owner’s contribution or holdings in a company.

A Business Plan should include an Opening Balance Sheet to show what the business owes and owns at the time of business start-up and a Year One and Year
Two Closing Balance Sheet to indicate what the business owes and owns at the end of year-end operations.

**Balance Sheet Example**

**Black’s Limousine Service**  
*Opening Balance Sheet  
March 31, 20—*

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>LIABILITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>Loan Payable $107,150.00</td>
</tr>
<tr>
<td>Accounts Receivable 2,500.00</td>
<td>Accounts Payable 2,550.00</td>
</tr>
<tr>
<td>Automobile Supplies 1,200.00</td>
<td>TOTAL LIABILITIES $109,700.00</td>
</tr>
<tr>
<td>Limousines 120,000.00</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OWNER'S EQUITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. Black, Capital $30,000.00</td>
</tr>
<tr>
<td>TOTAL OWNER'S EQUITY $30,000.00</td>
</tr>
</tbody>
</table>

| TOTAL ASSETS $139,700.00 |
| TOTAL LIABILITIES & OWNER'S EQUITY $139,700.00 |

**G. Depreciation**

Depreciation refers to the amount of an asset that is expensed per year. In preparing financial statements, costs incurred to carry on business are expenses that may be expensed by a business on their income statements and claimed for tax purposes. When claiming the expenses related to capital assets, only a portion of the expense known as depreciation is allowed to be claimed.

A general rule of thumb is that assets valued over $200 that are expected to have significant value longer than one year are depreciated while those valuing less that $200 are usually expensed. It is possible to group small related items together and depreciation them such as a large quantity of kitchen cutlery.

Once depreciation is calculated, it is included as an expense on the company’s income statement. The maximum amount of depreciation allowed to be claimed is determined by the Canada Revenue’s Capital Cost Allowance (CCA). [http://www.cra-arc.gc.ca/txbnsst/tpcs/slpntr/rprtnng/cptl/menu-eng.html](http://www.cra-arc.gc.ca/txbnsst/tpcs/slpntr/rprtnng/cptl/menu-eng.html).
Items that are depreciated include:

- Equipment
- Leasehold Improvements
- Vehicles
- Tools
- Structures
- Machinery
- Fixtures
- Furniture

Note that you can usually only claim $\frac{1}{2}$ of the depreciation calculated in the 1st year you acquire the asset.

**Depreciation Table Example**

<table>
<thead>
<tr>
<th>ASSET</th>
<th>ASSET</th>
<th>CCA</th>
<th>CCA</th>
<th>YEAR 1 DEPRE.</th>
<th>YEAR 1 END VALUE</th>
<th>YEAR 2 DEPRE.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer</td>
<td>$2,000</td>
<td>10</td>
<td>30%</td>
<td>$300</td>
<td>$1,700</td>
<td>$510</td>
</tr>
<tr>
<td>Printer</td>
<td>$500</td>
<td>8</td>
<td>20%</td>
<td>$50</td>
<td>$450</td>
<td>$90</td>
</tr>
<tr>
<td>Desk &amp; Chair</td>
<td>$300</td>
<td>8</td>
<td>20%</td>
<td>$30</td>
<td>$270</td>
<td>$54</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,800</strong></td>
<td></td>
<td></td>
<td><strong>$380</strong></td>
<td><strong>$2,420</strong></td>
<td><strong>$654</strong></td>
</tr>
</tbody>
</table>

Note: All assets were acquired in the year leading up the depreciation calculation so only $\frac{1}{2}$ of the depreciation was allowed to be claimed in Year 1.

**H. Full Financial Plan Interactive Template**

This tool has active formulas to assist you in preparing a full set of financial statements. Click Here to access.

**12. Appendix**

This section is where supporting documents such as diagrams, surveys, and photos are located. If they are referred to in the business plan, they should refer to their location in the Appendix.

Things that are often included in the appendix are:
Sample Business Plans

It often helps to see samples of business plans to help you through the process of writing your own business plan.

Here are some websites that provide sample business plans:

http://www.bplans.com/sample_business_plans.cfm
http://www.myownbusiness.org/s2/
http://www.entrepreneur.com/businessplan/
http://www.businessplans.org/businessplans.html

Useful Sites to Assist with Business Planning

Though there are key elements that need to be present in all business plans, there are many variations in the way he material is presented.

http://www.canadabusiness.ca/eng/125/138/
http://www.myownbusiness.org/s2/
http://www.rbcroyalbank.com/sme/bigidea/index.html