



# SMALL BUSINESS is BIG BUSINESS



## YOUR GUIDE TO BUSINESS PLAN DEVELOPMENT

*Business Starts*  
**HERE**

## A Roadmap for Success

Planning a trip often requires a map to figure out the best route to your destination. A business plan is simply a roadmap for your business— it is a way for you as the prospective business owner to communicate ideas to discover the best route to a successful business venture. The development of a business plan allows you to make mistakes on paper before it costs you money, and it allows you to try different options before settling on what works best for your business. Business plans should change with your changing business environment to ensure that you are driving toward your destination.

# THE COMPONENTS OF A BUSINESS PLAN

## 1. Table of Contents

## 2. Executive Summary

## 3. The Business

3.1.1 The Company

3.1.2 The Industry

3.1.3 Management

## 4. The Opportunity

4.1.1 The Product or Service

4.1.2 The Market

4.1.3 Competition

4.1.4 Marketing

## 5. Production & Operations

5.1.1 Location

5.1.2 Facilities

5.1.3 Materials/Supplies

5.1.4 Personnel

5.1.5 Set Up

5.1.6 Operations

## 6. Financial Data

6.1.1 Startup Costs

6.1.2 Required Investment

6.1.3 Cash Flow Projections

6.1.4 Other Financial Data

## SECTION 1

# TABLE OF CONTENTS

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The Table of Contents simply provides the reader with section headings and page numbers of your business plan for easy reference. This section is important to include as it allows the reader to locate any information required with ease.

## SECTION 2

# EXECUTIVE SUMMARY

APPROX 1-2 PAGES IN LENGTH

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The Executive Summary is usually written after the business plan has been completed. This section summarizes your business idea and should include a brief description of the business and its management team, products and/or services offered, the amount of money required and what it will be used for, and the opportunities for growth. Remember that this section is intended to touch on the key elements of your plan and should not be longer than two pages in length.

## SECTION 3

# THE BUSINESS

APPROX 3-4 PAGES IN LENGTH

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The purpose of the business section is to provide the reader with background information on the company, as well as profile the industry and its current status. Try to answer this question: why would the reader be interested in financing/supporting this project in this industry?

### 3.1.1 The Company

This section should describe the company, its structure (sole proprietorship, partnership or corporation) and its status (start-up, expansion). Information that may be included here is rationale behind the business name, projected number of employees and any other information on the company that may be of relevance or interest to prospective readers.

### 3.1.2 The Industry

This section describes the industry that your business will be involved in and should include information (and statistics) on the current status and future prospects for the industry. It is important to conduct research on the industry your business is in—its history, competition, recent industry breakthroughs, customer base and so on. Industry information can often be located by contacting provincial associations and organizations who can often assist or point you in the right direction.

### 3.1.3 Management

The experience, talent and skills of the management team are very important to making your business case. In this section, list the owners and management team who will be involved in the business. What strengths do they bring to the business? Be brief—include resumes for the management team in the appendix of your business plan. It is a good idea to list each position within the business and the people responsible for each position. Is there a Board of Directors and/or professional advisors? If so, list their roles and responsibilities. Does your business have a plan for succession (who will take over the business when you move on and/or retire)?

## SECTION 4

# THE OPPORTUNITY

APPROX 5-6 PAGES IN LENGTH

The purpose of the opportunity section is to outline your business idea and is considered the 'heart of the business plan'. It is important to clearly illustrate your business's products and/or services and make a case as to why your business can supply these products and/or services in a competitive or specialized market (niche). It is important that the reader understands the opportunity that you are proposing—be creative with the use of diagrams and other aids to make your case whenever possible.

### 4.1.1 The Product or Service

This section should outline what your product or service is and what it is used for. Is this a new idea and if so, has it been protected by copyright, patent or other legal means? It is important to also describe any unique or distinct features and discuss its longevity in the marketplace—will your product or service become obsolete at some point? Will there be future research and development work to continue to improve or increase product lines and service provision? Again, the use of diagrams, studies, photographs and other aids may be useful to assist in making your business case.

### 4.1.2 The Market

This section provides the reader with a sense that you, as the business owner, understand who your customers are and what they are willing to spend. The information provided in this section will allow you and the reader to determine whether your projected sales targets can be reached. This section should identify who your potential customers are, how your products and/or services meet the needs of your customers, as well as the use of statistical data on total market size to determine your market share.

### 4.1.3 Competition

Your competitors are an important factor in determining the feasibility of your business plan. Be sure to identify:

- any major competitors and their market shares;
- if competitor sales are increasing, decreasing or remaining constant (and list why);
- the strengths and weaknesses of your company versus your company's competitors (based on their size, reputation, location, distribution channels and other important information);
- the strengths and weaknesses of your products and services versus your competitors (price, promotion, distribution, quality, warranties and so on); and
- what you have learned from watching your competition.

### 4.1.4 Marketing

Your marketing strategy should use the information gathered in The Market section above and illustrate how your product will be sold (personal selling, on-line transactions, retail, wholesale etc). It is important to discuss your marketing strategy—how will you reach the customers you have identified above? List all pertinent information such as product/service features that will be emphasized, how it will be advertised and promoted (newspaper, radio, trade shows, door-to-door and so on). It is also advisable to identify any key seasons that may require more advertising and promotion and adjust your cash flow statement accordingly.

## SECTION 5

# PRODUCTION & OPERATIONS

APPROX 3-4 PAGES IN LENGTH

The production and operation of your business is another key factor in building your business case. It is important to illustrate to the reader that you, as the business owner, understand the industry you are in and how to run your operation in the most cost-effective manner.

### 5.1.1 Location

Describe the location of your business and discuss the advantages and disadvantages (if any) of the site. It is important to discuss your location's proximity to markets, suppliers, transportation routes and available labour. Depending on the nature of your business, it may also be important to include any provincial and municipal laws that may apply— including zoning.

### 5.1.2 Facilities

In this section, please describe the facilities in use or to be acquired—is the building owned or leased (please state the terms of the arrangements). Briefly describe your facilities—you may want to include diagrams and floor plans to fully illustrate your facilities to the reader. Other important information to include may be a real estate appraisal (if the building is being purchased), any future plans for renovations and any potential environmental liabilities that may arise.

### 5.1.3 Materials/Supplies

The availability of materials often affects the turnaround time that a business can get its products manufactured and sold. Please describe any risks associated with your materials/supplies. Can supplies be obtained from only one source? Are your supplies perishable? Does your facility have the storage capacities required for your supplies? Are there complementary supplies (items that could be used instead of another if the prices of your supplies increase)? For example: canola oil can be substituted for vegetable oil in many recipes.

### 5.1.4 Personnel

Describe the personnel requirements for your business. What positions will you create to assist with your business needs and what are the training needs and skills required for each position? Indicate the compensation that will be provided for each position including salaries, overtime, health and pension benefits.

### 5.1.5 Set Up

Discuss how long it will take to acquire your facilities, equipment, hire your personnel and so on. How long will it take to produce your first line of products/services? Do you need any special licenses or permits?

### 5.1.6 Operations

What will your business's hours of operation be? Will it be open on holidays and weekends? Have you, as the business owner, considered when inventory will be replenished, when the manufacturing process will occur or when supplies will be reordered?

## SECTION 6

# FINANCIAL DATA

APPROX 3-4 PAGES IN LENGTH

This section will determine the profitability potential of your business idea through financial analysis. It is this information that should be looked at very closely to assure that the business idea has the ability to generate profits and repay a loan should financial assistance be required. Remember that you must be able to justify the numbers that you include in your projections—for example, if you estimate that your busiest month will fall in December, your sales projections should reflect this and vice versa.

### 6.1.1 Startup Costs

It is important to first determine what you will require to start your business—what equipment, land and buildings will you purchase and what other supplies are required? It is a good idea to itemize each startup purchase required into a list along with the price of each item. This is very important for those potential business owners requiring financing—your lender will want to see what you are using loan funds for and what they may take as security on the loan. Be sure to include written estimates when available for verification purposes.

### 6.1.2 Required Investment

In this section, list the total amount of funding required—what will you, as the business owner, contribute to the project? Are there outside parties willing to invest in your business idea? What will you require from a lender? It is important to state the use of funds in each case—what funds will be used for equipment, renovations, inventory, working capital and so on? Please note that there are very few financial institutions willing to provide 100% financing for business loans.

### 6.1.3 Cash Flow Projections

A cash flow statement identifies monthly inflows and outflows of cash. A cash flow statement reveals to the reader and the business owner whether a company will have enough money to meet its needs on a monthly basis. Financial institutions require a minimum one-year to three-year cash flow statement, depending upon the magnitude of the venture and financing required. Please see [Appendix A](#) for a detailed look at a cash flow statement.

### 6.1.4 Other Financial Data

Other financial data may be required in order to clearly depict your business's financial picture. Two financial statements that are commonly required in addition to the cash flow statement are the balance sheet and the income statement. The **balance sheet** is a snapshot of what you own and what you owe on a specific date and contains two sections: assets and liabilities. Both the assets and the liabilities section must balance with one another (for example, if I show \$300,000 in assets, there must be \$300,000 in liabilities). The **income statement** is a financial statement that reveals whether a business has earned a profit or has suffered a loss after a specified period and may also be known as the profit and loss statement. Please see [Appendix B](#) for a detailed look at these statements.

**EXPLANATION OF TERMS- CASH IN****(AS ILLUSTRATED ON ACCOMPANYING PROJECTED CASH FLOW STATEMENT)**

<b>CATEGORIES 1 TO 6</b>	Identify the major services and/or products your business will offer and break them into separate, distinct groups. This information should be directly related to the products/services section of your business plan.  To estimate your sales by category, you may find it easier to first identify the number of units you plan to sell, then it is just a matter of multiplication to convert the units into dollars.  Once this has been done, you <b>estimate</b> the amount of money you will make in each of these categories and enter them under months 1 through 12.
<b>COSTS OF GOODS &amp; SERVICES</b>	The cost of goods and services is where you will show the direct costs incurred in the making of your product/service. For example, let's say a product you sold for \$1,000.00 actually cost \$400.00 to create. The total cost of goods and services would be \$400.00.  The costs attributed to services are somewhat different, as they are very limited. The costs of the wages paid to the staff who did the service work are <b>not</b> included here as they will be shown in the expense section under wages, but there are support items for the service work that should be included, such as materials utilized.
<b>CASH FROM SALES</b>	Simply add categories 1 to 6 and subtract the cost of goods and services.
<b>OPENING CASH</b>	Total amount of cash you are contributing to the business.
<b>LOAN MONIES</b>	Total amount of any loan monies to be received from a bank or other lending institution.
<b>SHAREHOLDERS LOAN</b>	All the money put into the business by owner(s).
<b>RUNNING CASH BALANCE</b>	There will be no figure on this space for month one; however, for months 2 to 12, this figure is the net cash figure from the previous month.
<b>TOTAL \$ IN</b>	Add 8 through 12 on the projected cash flow statement.

**EXPLANATION OF TERMS- CASH OUT**

<b>MANAGEMENT DRAWINGS</b>	Personal drawings from the business.
<b>LABOUR AND BENEFITS</b>	Labour expenses and benefits for all staff.
<b>ADVERTISING</b>	Includes all costs for advertising and promotion of the business. Costs can be minimized by identifying the business's target market and developing a specific, targeted advertising campaign to capture that target market.
<b>INSURANCE</b>	Fire, theft, liability insurance for all aspects of the business such as equipment, building, vehicles, etc.
<b>PROFESSIONAL FEES</b>	Legal and accounting costs for the start-up and operation of your business.
<b>OFFICE SUPPLIES</b>	Includes items such as postage costs, envelopes, paper, pens/pencils, invoice forms, file folders, etc.
<b>RENT</b>	Building/facility rental or lease costs.
<b>TAXES AND LICENSES</b>	Business taxes and licensing for your business.
<b>TELEPHONE</b>	Estimated monthly bill; remember to allocate cash for deposits before hook-up and installation charges under this category.
<b>UTILITIES</b>	Estimated monthly expenses for heating, electricity, water, sewer, garbage, etc. Remember that many utility companies require a deposit before hook-up.
<b>REPAIRS AND MAINTENANCE</b>	For building and all equipment (exception: vehicles- identified under vehicle expenses).
<b>VEHICLE EXPENSES</b>	Fuel, oil and repairs for all company vehicles.
<b>TRAVEL &amp; PROMOTION</b>	Food, accommodation, entertainment, cost of trade shows and other promotional events.
<b>BAD DEBTS</b>	Always put in an allowance in the 12 <sup>th</sup> month for bad debts. A figure of 2% to 4% of the total in your income categories would be approximate for a start-up business. Once you have an established business, this figure may drop.
<b>LOAN PAYMENTS</b>	Total monthly payment (principal and interest) on loan payments directly attributable to the business.
<b>MISCELLANEOUS</b>	Always allow a small cushion for error.
<b>TOTAL EXPENSES</b>	Total of cash out (expenses) as listed.
<b>NET CASH POSITION</b>	<b>Total Cash In minus Total Expenses= Net Cash</b> This amount at the end of each month will be transferred up to become the Running Cash Balance for the next month.
<b>NOTE:</b>	The "*"s in the month 12 Net Cash Position space and the End Total space (13 <sup>th</sup> and 14 <sup>th</sup> columns) indicate that these figures should be identical. If they do not agree, there has been an error in calculation in the body of the cash flow statement.

# PROJECTED CASH FLOW STATEMENT FOR OPERATING YEAR ( )

CASH IN:	START UP	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	TOTAL
1) _____														
2) _____														
3) _____														
4) _____														
5) _____														
6) _____														
7) Cost of Goods & Services														
8) Cash from Sales (add 1 to 6 minus 7)														
9) Opening Cash														
10) Loan Monies														
11) Shareholders Loan														
12) Running Cash Balance														
13) Total \$ In (add 8 to 12)														
CASH OUT:														
Management Drawings														
Labour & Benefits														
Advertising														
Insurance														
Professional Fees														
Office Supplies														
Rent														
Taxes & Licenses														
Telephone														
Utilities														
Repairs & Maintenance														
Vehicle Expenses														
Travel & Promotion														
Bad Debts														
Loan Payments														
Bank Charges														
Miscellaneous														
14) Total Expenses														
15) Net Cash Position (13 minus 14)														*

NOTE: 12) THE RUNNING CASH BALANCE IS THE NET CASH POSITION FROM THE PREVIOUS MONTH \* MUST BE EQUAL

## THE BALANCE SHEET

The balance sheet shows what you own and what you owe on a specific date. A balance sheet consists of a heading that includes the legal name of the business and the 'as of' date. The 'as of' date relates to the close of business date that the balance sheet was prepared. The balance sheet also contains a body that is divided into two sections: assets and liabilities & owners' equity. These sections must balance or equal one another. An example of a balance sheet for the A+ Widget Company is shown below.

A+ WIDGET COMPANY BALANCE SHEET DECEMBER 31, 2002			
ASSETS			
<b>Current Assets</b>			
Cash		\$10,000	
Accounts Receivable		1,050	
Widget Inventory		2,000	
Office Supplies		<u>550</u>	
Total Current Assets			\$13,600
<b>Plant and Equipment</b>			
Office Equipment	\$1,800		
Less Accumulated Depreciation	<u>480</u>		
		1,320	
Buildings	95,000		
Less Accumulated Depreciation	<u>9,300</u>		
		85,700	
Land		<u>40,000</u>	
Total Plant and Equipment			<u>127,020</u>
Total Assets			\$140,620
LIABILITIES			
<b>Current Liabilities</b>			
Accounts Payable		\$3,000	
Accrued Wages		5,300	
Sales Tax Payable		<u>900</u>	
Total Liabilities			\$9,200
OWNERS' EQUITY			
D.R. Strangelove, capital		\$100,000	
Emelia Bedelia, capital		<u>31,420</u>	
Total Owners' Equity			<u>131,420</u>
Total Liabilities and Owners' Equity			\$140,620

## THE INCOME STATEMENT

The income statement shows whether or not your business has made a profit within a specified reporting period, and is also referred to as a profit and loss statement or operating statement. The income statement, like the balance sheet, consists of a heading and a body. The body of the income statement is different than that of the balance sheet; it shows the revenue and expenses for your business. An example of an income statement for the RST Company is shown below.

RST COMPANY INCOME STATEMENT FOR THE YEAR ENDED JANUARY 1, 2003		
REVENUE		\$500,000
<b>COST OF GOODS SOLD</b>		
Inventory, beginning of the year	\$65,000	
Direct Labour	163,000	
Materials and Supplies	152,000	
Inventory, end of year	<u>(105,000)</u>	
		<u>275,000</u>
GROSS PROFIT		225,000
<b>EXPENSES</b>		
Advertising and Promotion	20,000	
Depreciation, equipment	12,500	
Utilities	43,200	
Insurance	2,000	
Professional Fees	15,000	
Salaries and Benefits	95,000	
Office Supplies	<u>5,000</u>	
		<u>192,700</u>
NET INCOME BEFORE TAXES		32,300
less income tax @ 19%		<u>6,137</u>
NET INCOME		\$26,163



# COMMUNITY FUTURES SOUTHWEST...

## EMPOWERING COMMUNITIES AND INDIVIDUALS TO THRIVE THROUGH ECONOMIC DEVELOPMENT

At Community Futures Southwest, we work with communities and individuals to develop and strengthen economies. This is achieved through three service areas: technical assistance, financial assistance and community economic development initiatives. We believe that Southwest Saskatchewan is a thriving, vital community.

### Technical Assistance

We will assist you in the development of a business plan, marketing plan, or feasibility study. We provide assistance with cash flow, payroll and bookkeeping inquiries.

### Financial Assistance

Business owners who are starting or expanding businesses in the Community Futures Southwest service region may be eligible for loan funds or loan guarantees. Loans approved are to a maximum of \$125,000.00. As a developmental lender, Community Futures Southwest only lends to companies that have been unable to obtain assistance through other financial institutions.

### Small Business Loans

Community Futures Southwest offers small business loans. The maximum loan that may be granted is \$15,000.00 through the SBLA program. These loans are limited to lending for capital and inventory purchases and are amortized over a maximum of five years.

### Community Economic Development

Our organization is a facilitator of economic development in rural communities. Dedicated to enhancing and growing Southwest Saskatchewan, Community Futures Southwest is available to speak at community functions, and to assist in the creation and implementation of community economic initiatives.



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