



# Home Based Business 2009

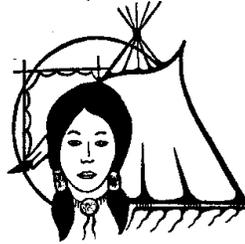
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A Guide for Nishnawbe Women



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Dear Reader:

When Equay-wuk (Women's Group) was founded in 1989, the remote northern communities of Northwestern Ontario suffered from the lack of social and other programs for women, especially those needed to address family violence. In the years since, the northern communities have developed numerous programs and services for women, including shelters, prevention services, and other programs for women and their families.

Equay-wuk (Women's Group) is committed to providing supportive services to women and their families in the remote communities in areas such as: skills training, community wellness, positive parenting, self government, economic independence, and women's leadership.

There are many reasons for developing a home business guide for Nishnawbe women. Within the homes of our communities are some of the best and brightest people our communities have to offer, and the need for economic independence for all those in living in remote communities is great.

Nishnawbe women in Canada represent possibly the greatest potential for growth in small business. Over 50% of the population of the NAN area are womenkind. The populations of the majority of northern communities and their memberships is growing at a fast pace. By using the skilled creativity and innovation shown by our people, business development by women can help to ensure economic independence and contribute to the economic stability of the communities.

We hope that this Manual will help you determine your own ability to start a home business, and we hope that the information contained within is useful to you in the development of your business.

Wishing the best for you and your family,

A handwritten signature in cursive script that reads "Jennifer Derosier".

Jennifer Derosier  
Equay-wuk (Women's Group) Program Director

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# Manual Background

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## Introduction to the Home Based Business Guide

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The *Home Based Business Guide* has been developed as a tool for Nishnawbe women in Northwestern Ontario First Nation communities whom are interested in starting a home-based business. To these women, and to other interested persons, the manual is offered as a source of information and encouragement.

This guide has been developed as a reference for women to answer commonly asked questions about starting a home-based business. A list of agencies, organizations, and online resources are included in Appendix I if further assistance is needed.

The CD-ROM included with the print edition of this manual includes templates to help you develop your business plan and forms you can fill out directly on your computer for various funding programs. The CD also contains other resources that will help you in setting up your business.

Equay-wuk (Women's Group) had previously developed a *Home Based Business Guide* through financial assistance provided by the Ontario Nishnawbe Economic Development Program (2004 Edition).

***Financial assistance for the production and distribution of this Guide was provided by the Nishnawbe Aski Development Fund, Local Initiatives Contribution(2009 Edition).***

## **Equay-wuk (Women's Group) Mission Statement**

Equay-wuk (Women's Group) is committed to empowering women, youth, and families who reside within Northwestern Ontario First Nation communities. Through the guidance of the Creator as we understand Him, Equay-wuk (Women's Group) promotes: love, respect, tolerance, fairness, understanding, and equality among First Nation citizens. We welcome, as members, people of all cultures and races.

Mandate: Equay-wuk (Women's Group) is an Aboriginal women's organization serving women, youth and families who reside within Northwestern Ontario First Nation communities. It is a non-profit, provincially incorporated (1989) organization with charitable status serving Aboriginal people from 31 First Nation communities in Northwestern Ontario. Equay-wuk (Women's Group) is independent from any other women's group in Ontario. Equay-wuk (Women's Group) currently receives financial support from local, regional, and federal government grants.

## **Starting Your Business Planning**

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A phrase like ‘business planning’ can frighten some people, mainly because they don’t feel that they understand business planning. Maybe you feel this way too. There’s no reason to be afraid. You’re reading this manual, so you must have an interest in your own business. It shows that you can do business planning, because that’s essentially what you are doing right now. Planning involves identifying an objective and then finding a way to achieve that objective. And since you are ‘business planning’, you already have a business concept — some kind of idea of what you want to pursue.

### **Stating Your Business Concept**

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You have an idea. It may have been something you’ve always dreamt of doing, or it may have just hit you in a flash. Regardless, you now need to take that idea and use it as a vision statement while you develop your business concept.

In this case, try to think of a vision as something you’ll never forget. It’s a picture of the future, and one that will help to set your goals in order to achieve that vision. If one of your customers asks you what your business is all about, the vision statement should be able to provide an immediate answer. In the long run, it will help to keep you and your business focused on the job at hand — business success. And, if you need the help, it can be a tool to motivate your employees.

Through your vision statement, you start to determine how you’re going to pull this one off. Don’t worry about details right now; instead, try thinking about it more from a distance. Be vague if necessary. Try to summarize what your whole business operation will be about, and clearly state it in a ‘vision statement’ paragraph — think of it as the 20 second opening spiel that you’d need to do when trying to hook a new customer.

Remember that this is a home-based business, and keep in mind that operating out of your home has its limitations. For example, it’s not feasible to mass manufacture products for a global market from your basement, but operating something like an art studio and gallery could be a reality. And also remember that the home-based business

may only be where you start, there might just be an industrial building with your name on it that would help you to service the global market in the future.

As a Nishnawbe woman in one of the remote Ontario First Nations communities, you have to ask yourself if you have what it takes to be an entrepreneur. Starting a new business is challenging, no matter what your concept is. Therefore, you must determine if you have the following personality traits that are needed to be an entrepreneur.

- Self-confident
- Independent, ambitious, and self- motivated
- Self-disciplined and organized
- Creative
- Committed and hard-working
- Realistic and flexible
- Determined and persistent
- Outgoing and a people person

You can see from the list above of the more common personality traits of a successful entrepreneur that it is VERY important to honestly assess your own situation and your reasons for going into business for yourself. *Appendix II: Self Assessment Quiz* contains a list of statements that may help to clarify your reasons for going into business, and help you identify the areas in which you may need support. There is also a web link to an online assessment quiz in *Appendix I: Additional Resources*.

In order to help you be successful in operating your own business, some of the more critical points you'll have to consider are:

- What have you done in the past that will help you run your own business?
- Why do you think you could make this business work?
- Is your product or service in demand?
- Can you afford to start this business?

Below you will find some space for you to write a draft vision statement. To begin, just jot down some points that are important for you to include in the vision of your business. For example: *My business offers unique designs of traditional beadwork for people looking for unique gifts with special meaning.*

**Vision Statement (Draft)**


**Assessing Your Situation**

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***Why do I want to start a business of my own?***

That may be it right there - a business of YOUR own. No one to tell you how to run it, no one to yell at you from the corner office, no one to take credit for your hard work; no one to give you a regular paycheck, and no one else to blame if it all falls apart. Having created your concept's vision statement, you have a good idea of what you want to do in business. Why you want to start is just as important.

Try to think of five good reasons why starting a home-based business is right for you. Each of these reasons should be both significant to you and based on positive emotions (statements like "I just can't stand my boss" or "It's the only option I have" don't count). These reasons should also consider the impact home based business to both you and your family. Try to consider if your good idea for you, at this time.

Next, think up five reasons why you shouldn't open up a home-based business. Use the same approach for these reasons as for the five good reasons you came up with. Since there are always positives and negatives to decisions, your decision to start a home-based business should also be an honest assessment of the positives and the negatives.

Now might be a good time to write down the reasons for and reasons against starting a home-based business.

Reasons For	Reasons Against
1.	1.
2.	2.
3.	3.

### ***How suitable is my home?***

The *Home Based Business Guide* is intended to help and encourage you in establishing a home-based business. Therefore, determining how suitable your home environment is to pursuing your business concept is as important as the business concept itself. Think about these questions before assessing your home:

- Do I have the necessary space? If not, can the extra space be provided?
- Will I be able to concentrate on my business? If not, can I ensure that family and business don't interfere with one another?
- Will customers/clients be comfortable in my home? If not, what will it take to make it so?
- Do I have my family's support?
- Will my business affect my community?

- Is my business legal to operate?

While personal and family considerations are essential parts of business success, they become even more important in a home-based situation. Many home-based businesses fail because there is a lack of understanding from family members about new priorities that come along with running a business, and the effects that the business will have on family life.

Communication is vital in order to have success both with the business and with the family. Talk about your expectations with each family member. Let them voice their opinions and concerns. Talk through the positions that disagree with one another. A good way to get everyone involved is to make a schedule of chores so everyone is clear about what is expected of them; this can alleviate many misunderstandings.

Management of a home life and the business is particularly important for women. They may have to juggle their time and energy between the business and family. Since these can sap all your time and energy, there are risks involved that you may not be aware of until it is too late. As you devote so much of yourself to your business, other parts of your life could suffer. Overworking at the cost of other areas of your life is a risk new business owners should be aware of. If this energy is managed, it could help a business succeed. Ignored, like other addictions, it could cause isolation from family and friends, stress, and in serious cases, lead to family breakdown and business failure.

Assess whether your home is the best place for the business you have in mind. Take a look at some of the potential advantages and disadvantages in the following table:

**Advantages**

- Low risk of expensive mistakes
- Opportunity to use household resources for business use
- Low running costs
- Gradual start-up and growth
- No commuting time or expense
- Reduced child care costs
- Flexibility and independence (increased quality time with family )
- Tax benefits
- Do what you enjoy
- Elimination of office politics
- Full recognition of skills and potential

**Disadvantages**

- Isolation and lack of contact with colleagues
- Increased family stress, with the difficulty of separating business and home life
- Difficulty in establishing solid work habits
- Poor image (you may look more home-like than business-like)
- Conflict with neighbours over noise, traffic, and changed use of space
- Parking problems
- Long hours and hard work

***How suitable am I?***

Although there is no stereotype, entrepreneurs that succeed in developing small businesses possess a number of traits suited to self-employment. For instance, they are hardworking, persevering, and resourceful, and when it is called for they are honest in self-appraisal. Being truthful in what you know you are good at and what you aren't gives you the chance to overcome weaknesses that may hold you back from your successes. You don't have to be perfect — no one is, but it is essential that you recognize your strengths and weaknesses. The last thing you need is to take a step or two in the wrong direction.

Success in business can also depend on your faith in yourself, your self-confidence, and your self-esteem. Self-confidence and self-esteem can be strengthened and developed. Most people gain confidence through their personal and/or career successes and failures.

If you haven't already, take a few moments to fill out the Self Assessment Quiz located in Appendix II. Once you've completed the quiz, take a few moments and read through

your responses again. There is no scoring associated with the quiz — it's meant to get you thinking about your own qualities and whether you are suitable for entrepreneurship.

If you feel there is a need, consider investing some time to build your confidence as part of your preparation for business. Some possible ways include: training yourself to concentrate on your positive attributes and successes, take distance education courses, or join a self help group. For more ideas, approach or call people in various occupations for help and ideas.

***What kind of resources do I have?***

*Internal Resources*

Internal resources are the skills, aptitudes and abilities that you have that can be identified and brought into your home business. They may come from training and education, experience in the work environment, or an innate talent. List your strengths, based on the Self Assessment Quiz and your background; these internal resources can both motivate and support you on your journey to success. Feel free to list more than ten if necessary.

**Strengths and Internal Resources**

1.	6.
2.	7.
3.	8.
4.	9.
5.	10.

### *External Resources*

External resources are people, places and things that you should use to build up the challenges and limitations you have identified through the Self-Assessment Quiz. These resources can be business professionals, such as lawyers, accountants, necessary to overcome acquire certain knowledge, or funders and bank managers. They may be mentors or provide personal support roles. Or, they may be able to train you to overcome the areas you have identified as needing to be developed.

When listing your external resources, make sure that you make note of distance you will need to travel to deal with these resources, and how easy it will be for you to access them. There may also be more than one resource that addresses many areas to develop. Remember that this is all about your success as an entrepreneur — don't be afraid to seek help, when you need it.

<b>Weaknesses</b>	<b>External Resources Needed to Overcome Weaknesses</b>
1.	
2.	
3.	
4.	
5.	

## Developing Your Business Concept

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You've started with an idea. Then, you've created a vision statement of your business in the future, and honestly assessed whether or not a home-based business is possible for you at this time. You're still here, so now it's time to develop your Business Concept. From here on in, you can consider yourself to be writing your Business Plan in one way or another, so be sure to make notes. And keep a notebook, binder or a file folder handy to store all of your notes; it will help you in the long run.

The business concept is the foundation of your business plan. A concept is a mental image, a general idea, or a notion. The business concept (written as your official business plan) gives descriptions of the following, which helps you and other people to understand your business.

- Product or service
- Business (including the business structure or form)
- Industry outlook and trends
- Business goals

As you'll see from the following sections, the business concept evolves from the vague vision statement into a firm description of what your business is, what it does, why it is the best, and how it is going to make money.

### ***What product or service am I going to sell?***

Your business concept will need to identify the main products or services that you intend to market, and detail the purposes that they serve. Your explanation of what is special about your product is important, because it establishes your business advantage — the edge that you're going to have over the competition.

## My Product or Service


## Business Structures

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### *How will I run my business?*

First off, you need to determine which legal form of business in Canada that you are going to operate as. There are four types, each of which has certain advantages, and disadvantages.

- Sole Proprietorship
- Partnership
- Corporation or incorporated company
- Co-operative

For starting a business on reserve land, it is recommended that individuals recognized by the *Indian Act* as Status use an unincorporated business structure. There are numerous tax considerations associated with Section 87 of the *Act* that may affect your choice of business structure.

Below is a chart which summarizes the different types of business structures:

**Sole Proprietorships:**

- Owned and operated by one person.
- Owner earns income and responsible for all debt,
- Can operate in owner's legal name. If using business name, it needs to be registered.

*Advantages:*

- Easy and inexpensive to set up.
- Directly under owner's control.
- Flexible, with few regulations.
- Tax and seizure protection in reserve land for Status Indians under Section 87 of the *Indian Act*.
- Losses can be deducted from other sources of income.
- Wages paid to a spouse is deductible from the income of the business.
- Legally, and in Revenue Canada's perspective, you and your business are one in the same.

*Disadvantages:*

- If the business loses money, creditors can come after personal assets.
- One-person = all the work.
- Difficult to raise \$.
- Difficult to sell business.

**Partnership:**

- A legally binding relationship where each partner takes responsibility and becomes liable for the actions made by the other partners.
- A partnership in Ontario must legally register its name and give information about

the partners.

- Not recommended if you are a Status Indian operating in reserve land.

*Advantages:*

- Easy to setup.
- New partners can be added easily.
- Few formal legal requirements.
- Risk is generally shared among partners.
- Partners can offer mutual support and different skills.
- More sources of capital available.
- Broader management base.
- Easy to change legal structure.

*Disadvantages:*

- Partners and all their assets - personal and business - are at risk for any losses suffered.
- Unexpected personal losses of a partner may affect the business.
- Joint decision making often a challenge.

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**Corporation or Incorporated Company:**

- A corporation is a separate legal identity that allows the owner to be separate from the business in terms of taxes and liability.
- A lawyer is required to set up a corporation.
- Suggested when business makes over \$50,000 /yr.
- Shareholders make up company and are decision-makers.

*Advantages:*

- Limits the liability of owners: personal property cannot be taken for business debts.
- Readily recognized and understood by lending agencies.
- The enterprise has a continuous existence.

*Disadvantages:*

- Requires a lot of paperwork and reporting to the government.
- Expensive to set up; involving lawyer costs and incorporation fees.
- Less privacy regarding financial and other matters.

### **Business Co-operative (Co-op)**

- Incorporated structure.
- Two kinds of cooperatives: the marketing co-op and the worker co-op.

#### **Marketing Co-op:**

- Members are individual producers (for example, of crafts, clothing, and furniture) or providers of a service (such as office work or cleaning) who choose to market their products or services together.
- Each member works from own home.

#### **Worker co-op:**

- Members all work in one business, with one location being used as the primary business site or several members' homes may be used for different functions.
- Members may work together on the same task or be responsible for different aspects of the business.

#### **Advantages:**

- More sources of capital due to members' contributions.
- Greater volume of production possible (because more people are involved).
- Everyone has a stake in the business.
- Co-op members provide mutual support and pool skills.
- Decision making is shared equally.
- Relatively flexible structure (allows for changes in membership and responsibilities).

#### **Disadvantages:**

- Members may be unfamiliar with methods for making decisions together and resolving conflicts.
- Confusion is common regarding the difference between the structure of a business co-operative and the process of working co-operatively.
- Business co-operatives are less familiar to financial institutions.

Here is an opportunity for you to write your proposed business structure. For example, you may want to start a working co-operative with other women in your community who do various types of traditional beadwork.

**My Proposed Business Structure**  
*(The business form, proposed name, number of employees, etc.)*


***What is the business market like?***

Realistically, in order for any business to survive there must be a market for the goods or services it provides. This market may be local, regional, national, or international, but it must be capable of supporting the continued operation of the business.

The first question you must ask yourself is “Do I really know what the industry market is for my business, and how do I fit in?”

What you need to determine is the portion of the market that your business will bear, given the law of diminishing return, and what the actual need for your product or service is. You may experience large sales immediately, but then discover that as time progresses; less and less of your product is required to satisfy the needs of the market

(diminishing returns). This must be accounted for in the development of your business concept, as it will help to keep you afloat in the long run.

Write down what you know of your immediate market conditions: consumer need and product availability, competitors, economic trends locally and regionally, business advisors available in your community.

Don't feel discouraged if you aren't sure about your market. This is a starting point for your marketing plan development, and writing down what you already know will develop into identifying what you have to learn.

***The Market in My Proposed Business***  
***(Proposed consumer, product need, competitors, etc.)***


***What are my business goals?***

There are no easy recommendations to give for setting your business goals. Your personal desires for success will guide this portion of your business concept. You may wish to keep things small, like adding some extra income to your household where possible, or aim for the stars and become Canada's next billionaire. This is your life, your business, your goals.

What is recommended, however, is that you state your business goals for definable periods: 3 months, 6 months, 1 year, and 3 years.

By establishing your business goals as milestones, it will help to keep you realistic about growth and stability. With milestones to reach along your journey, you will be able to identify the smaller, more focused tasks that need to be completed, by breaking down your goals into an achievable work plan. If you only focus on the end result of your big business goals, you may find that you run into problems figuring out how to get the job done.

This might be a good time to write down some of your business goals:

### **My Three-Month Business Goals**


### **My Six-Month Business Goals**


### **My One-Year Business Goals**


### **My Three-Year Business Goals**


## **Researching Your Business**

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### **Choosing Your Business Name**

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The name of a business has a great deal of impact on how the market perceives the business operation. Therefore, put some thought into the choice of a name for your business.

While it is legal to operate under your legal name as a sole proprietor, there are not too many customers who will take a chance on doing business with Jane Smith; J. Smith Consulting may be another thing altogether. The image your business name sends out is important in today's competitive world. You may have the best product or service out there, but if people can't pick you out easily there's a good chance you'll be passed by.

Remember that a business name that is anything other than your legal name must be registered with the *Registrar of Companies* through the Ministry of Consumer and Business Services. Words like 'Limited', 'Incorporated', 'Ltd.', etc. are not useable in a name, unless you register as an incorporated company (at which time you must use one of them).

Federal incorporation also requires that your business name be registered, but the application process ensures that your chosen name will be valid through all provinces and territories.

To register your business name, you can do it online at [http://www.ontario.ca/en/services\\_for\\_business/STEL02\\_039990](http://www.ontario.ca/en/services_for_business/STEL02_039990). The cost is \$60 and you will need a credit card for payment. If you would rather not use the online service, there is a form on the CD-ROM that came with this manual that you can send in with a cheque or money order.

## Intellectual Property – Making Your Mark

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There are some very good ways to distinguish yourself from your competition. You can develop a distinctive word or phrase for your product or service, create a unique corporate logo for your company name, patent a unique design, or do a combination of them as suits your situation.

When describing intellectual property (IP) in regards to business, IP refers to the legal rights to ideas, inventions, and creations that belong to you as an individual. It also covers symbols, names, images, designs, and models used in business. You may not realize it, but your business may be creating IP assets that should be protected.

For example, you may have created a beadwork design to place on a pair of leather mitts. If you register the design as IP, other people will not try to duplicate it and sell it as their own.

Establishing IP protection for your goods, services or brand names is an important thing to consider for the following reasons:

- IP gives you the legal right to and ownership of an intellectual creation. This gives you the right to be the only one who profits from your creative efforts.
- IP prevents your competitors from copying or closely imitating your business' product or service.
- IP can protect your business' distinct identity, image, and ultimately its reputation.
- IP can build customer trust and loyalty by establishing a unique brand name or image.

As a business person, you should consider formally identifying your IP assets as part of your strategic planning.

There are four types of intellectual property that you might consider:

### ***Trademarks***

There are three types of trademarks:

1. Ordinary marks: ®

*These apply to words and/or symbols that distinguish the goods or services of a specific firm. For example: "eat fresh®" is a registered trademark of fast-food chain Subway®.*

2. Certification marks:

*These identify goods or services that meet a standard set by a governing organization. For example: the 'Quality Milk' cow design (Certification #55 7215) owned by Dairy Farmers of Canada, used on dairy and dairy products.*

3. Distinguishing guises:

*Items that identify through the shaping of wares or their containers, or a mode of wrapping or packaging ware. For example: the octagonal bottle used by H.J. Heinz of Canada, Ltd. for their ketchup.*

Because trademarks represent the actual products and services of a producer, as well as their reputation, they are valuable intellectual properties.

In Canada, the best way to protect a trademark from misuse or imitation is to register it with the Canadian Intellectual Property Office; registrations can be filed electronically through their website ([www.cipo.gc.ca](http://www.cipo.gc.ca)).

Applications are examined in detail to make sure they meet all the requirements of the *Trade-marks Act*; the examination process typically takes about a year. Registration, which carries a separate fee, is renewable and initially valid for 15 years; but only in Canada. If you plan to do business internationally, you'll have to register your trademark in the countries you are servicing as well.

Trademark registration is complex, and you should consider hiring an experienced agent. You can find a list of agents on the Canadian Intellectual Property Office website.

### ***Patents***

Patents cover new inventions or any new and useful improvement of an existing invention. Through a patent, the inventor is recognized by the Canadian government to have the right to exclude others from making, using or selling their invention. This period begins on the day the patent is granted, and is in place for a maximum of 20 years after the day on which you filed your patent application. The patent holder is the only person able to make a profit by selling the invention, licensing it, or using it as an asset to negotiate funding. In return for this recognition and protection, the inventor is expected to provide a full description of the invention so that all Canadians can benefit from this advance in technology and knowledge.

## ***Copyrights***

Artists, authors, and writers have exclusive and sole rights to reproduce or copy their own, unique works. Copyright is granted automatically in Canada upon completion of the unique work, and quite a few nations across the globe will recognize your copyright (through international treaties on the subject). The general rule for the duration of copyright is that it lasts for the life of the creator, the remainder of the calendar year in which the creator dies, and for 50 years following the end of that calendar year. After that, the work becomes part of the public domain and then anyone can use it (there are exceptions, which can be researched further on the CIPO website).

A copyright gives you the sole right to produce or reproduce your work. Anyone else trying to reproduce your unique works without your permission is infringing your rights. That means they are violating your rights, and Canada has specific laws in place to deal with such actions. Naturally, if you publish, perform, or copy anyone else's work without their permission, you are infringing their rights.

If you wish to register your copyright with the Canadian government, there is a registration process and small fee which again can be found at the website. You may (for purposes of international protection) start using the © symbol, the year of production, and your name as creator of the work; this informal copyright marking is generally accepted, and is fully valid in Canada when applied to unique works.

## ***Industrial Designs***

An industrial design is the features of shape, configuration, pattern or ornament (or any combination of these features) applied to a finished article made by hand, tool or machine. If it uniquely original, you may apply for protection of your industrial design, thereby preventing its use by anyone else without your explicit permission to do so (including whatever fees come along with that usage). Protection lasts for five years from the date of registration, with one five-year extension allowed.

Industrial designs should be pursued with the assistance of professionals, as drawings and descriptions of the Industrial Design must be clear, concise, and demonstrate originality.

### **Web Site Domain**

If you're creating a website for marketing of (and sales for) your business, you'll want to take some time to consider your domain name. In this tech age, a website is almost demanded by your customers.

As long as it hasn't been registered by someone else, you can register any domain name you want with any one of a large list of suffixes (e.g. myhomebusiness.com; buymystuff.net; beautifulartwork.ca, etc.). Before you choose a domain name, check to be sure it's not the same as or close to the trademark or trade name of another business; lawyers are paid well to protect trademarks and trade names.

Information on registering a domain name can be found at [www.webnames.ca](http://www.webnames.ca), where you can also do a search to see if the name you want is already being used. If it is, you will have to choose a new name. A website name is like a telephone number; there is only one listing that is allowed.

You will have to pay a registration fee to register your website. Registration fees vary depending on the company you are registering with and the length of time you choose, and what kind of domain registration you want. A special section of this manual includes more information about developing a web-based home business is included later on this manual, starting on page 66.

## **Doing Your Market Research**

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Marketing sales is the purpose of most business activity. Marketing, which supports sales, is critical to success. Entire workshops, courses, and books are devoted to explaining its mysteries and skills. This manual can only offer very basic marketing skills - enough to get you started. Marketing is a general name given to all the steps that lead to final sales. It sounds simple enough: marketing is how you get your product or service into the hands of people who are ready to buy, but sometimes the reality of marketing is not quite that simple. It is a weak area for many new small/home businesses.

People who buy a product or service are called consumers, customers, buyers, or "the market." "The market" is a term that is used to describe the group of people in a

position to buy a certain product or service, giving the marketing aspect of a business its name.

Marketing involves all the different stages from getting an idea for a product or service to delivering it to paying customers. These include:

- Finding out what the market wants, will buy, when, and how much they will pay for it.
- Designing products or services to meet those wants.
- Comparing other products and services available for sale to yours.
- Doing market research with potential customers (to test sales potential and profit feasibility of a business idea).
- Presenting products and services in ways attractive to potential buyers.
- Developing a marketing strategy or a coordinated plan for different aspects of marketing.

### ***Your Marketing Strategy***

A marketing strategy is a way to give a marketing orientation to your business. This means you decide to position your product or service in terms of what the buyer needs and wants. Inexperienced business people often make decisions based on what they like or want, leaving the actual customers out of the picture. A marketing orientation brings the customer into the center of the picture.

A marketing strategy is sometimes summarized into the six “P’s”, a framework you can use to make sense of marketing:

1. PRODUCT
2. PRICE
3. PEOPLE
4. PROMOTION
5. PROFIT
6. PLACE

A marketing strategy means applying a to customer orientation to every aspect of your business. Exactly what this means in your situation and business is usually written down as a marketing plan and included as the marketing section of a complete business plan.

### ***Types of Research***

Market research is generally of two types - primary and secondary.

*Primary research* is what you get directly yourself (first-hand information). This form of research is very valuable, as it most often used in person-to-person contact — consumer surveys, supplier and retailer contact, and other similar methods. Primary research is geared to your business needs, because you are the one doing it.

*Secondary research* provides the available statistical and descriptive information, usually published and prepared by other sources. This means getting to a library or on the internet and gathering together everything that you can find on your business's market, and then sifting through it to find the information you really need. Secondary research sources of marketing information are of two main types - printed material and contacts.

There are many different methods for obtaining both primary and secondary information. A selection of these methods is included in the following table.

<b>Sources of Primary Information</b>	<b>Sources of Secondary Information</b>
<ul style="list-style-type: none"><li>• Questionnaires</li><li>• Talking to customers</li><li>• Interviews</li><li>• Conducting focus groups</li><li>• Talking to competitors</li><li>• Assessing/evaluating competitors</li><li>• Talking to suppliers, distributors, retailers, agents, and brokers</li><li>• Talking to consultants, advisors, and mentors</li><li>• Hiring students to complete a survey for you.</li></ul>	<p><u>Printed Material</u></p> <ul style="list-style-type: none"><li>• Census Reports (Statistics Canada, Government of Canada)</li><li>• Trade magazine and journals</li><li>• Libraries and resource centres</li><li>• Books on the industry</li><li>• Published reports and studies</li></ul> <p><u>Contacts</u></p> <ul style="list-style-type: none"><li>• Industry and trade associations</li><li>• Chamber of Commerce</li></ul>

Primary and secondary research sources both give valuable information. Learning how to interpret, evaluate, and use information from various sources is a marketing and business challenge.

Basic guidelines include:

- Using standard and reliable sources
- Trusting your instincts
- Analyzing the information you obtain, and
- Getting professional advice (when you need it)

### ***Doing a Market Survey***

A market survey asks questions of possible customers and the answers guide business decisions. Market surveys are used by existing businesses to get ideas from customers about needed improvements, as well as by new businesses to test market reaction to a product or a service.

A new business with an untried product should undertake at least one test survey before making final decisions - especially which key decision of whether to go ahead with this business idea. Depending on the market response, a product may need to be improved and test marketed a number of times before production begins. The time invested in test marketing will prove worthwhile.

### ***Creating Your Marketing Plan***

A marketing plan is your plan of action - who, what, where, when, and how much. A written marketing plan is usually not more than ten pages. Often it is written in point form, presenting basic facts about the business's approach to marketing. The marketing plan includes details on:

- Market Area: the trading or business area
- Location: the business's physical base
- Customers: the market
- Competition: those selling similar goods or services
- Methods of Selling: ways sales are made
- Servicing and Guarantees: after-sales support
- Image and Position: appearances and impressions
- Advertising: ways to encourage and increase sales

- Promotion: ways to increase market share, sales, and raise profile
- Price: the dollar figure that products or services sell for

### ***Market Area***

Market area is the area of business operation. Market area can be a building, a neighborhood, a region, several communities, towns or cities, the province, the country, or some international territory. One way to keep market area clear is to remember it as a geographical area that can be marked on a map. Within the boundaries of a market area, your target markets are those groups of people most likely to become buyers.

### ***Market Share***

A market area and your target market within it will support a certain level of sales of a given product or service. The portion of total sales that any one competitor has is called market share. Your potential sales volume (how much you can reasonably expect to sell) is your estimated market share. This estimate can be given as the number of sales, the money value of sales, or as a portion of the total market. Estimating market share isn't easy, but it is worth it. To sell your product or service, you have to know how a market is divided, and what share of it you hope to obtain.

Estimating market share involves three main steps:

1. Estimate the total market in the trading or market area you have chosen.
2. Consider your competitors and how much of the total market each competitor has.
3. Decide on a figure for your market share.

Goals may be to take part of your competitors' market share, or to develop a different market. Keep those goals in mind when you estimate what portion of the total market your business expects to secure in the first, second, and third years of operation.

### ***Location***

Business location is included in a marketing plan because it affects sales. If your home-based location has a direct effect on sales, include an explanation of this in your business plan.

### ***Customers: The Market***

A market profile typically uses primary and secondary sources to answer key questions about a potential market. A profile is a picture or an outline. Information that makes up the social profiles of the people in your target market is called demographic information.

Demographic information is available from Statistics Canada and other secondary sources, such as local libraries (rural areas, and some communities). When you are collecting this information yourself, in a test survey for example, use the same ranges for categories of age, income, and education as you find in Statistics Canada publications. As an example, instead of asking the exact age or how much money a person makes annually, ask for the range that applies, such as 30 - 40 years, or \$20,000 - \$30,000.

Business research and experience, once a business is established, yield a steady supply of names and addresses of current and potential customers. This information is the key to the demographic profiles that Statistics Canada has already prepared on the basis of census data. This use of secondary data is a good way to get a general fix on a target market before investing time and energy on a test market survey.

### **Competition**

Your competition is businesses who sell similar products or services to the same customers you have selected as target markets. To market any product or service effectively, you need to know your competition and the advantages they offer. Home-based businesses often look at competition solely as a question of price. Yet a competitive advantage can be gained in other ways such as offering better customer service, a more convenient location, or better parking. Other marketing strategies may include warranties, guarantees, accepting credit or debit cards, or giving customer advice. Crucial to marketing success is keeping the customer in focus.

Take the time to research your competition, with the customer in mind. You can do a competition profile, using industry and trade publications, the Yellow Pages, as well as visiting the competitors' businesses.

A competition profile tells you where our target customers presently buy similar products or services. It includes:

- Names of firms and their locations
- Appearance of business sites, and layout of operations
- History and number of years competition has been in business
- Similar products or services to yours
- Number of employees
- Sales

By studying the competition, you will be able to assess whether you can find a place in the market that does not necessarily reduce the competitors' sales but expands the market to benefit the whole industry. Finding this place in the market is called a *market niche*.

### ***Methods of Selling***

Two main methods of selling, or sales methods, are *direct* and *indirect*.

*Direct Sales:* a business sells directly to its customers. This could be door-to-door, selling at trade or craft fairs, through the mail, or through your website.

*Indirect sales:* a business links with another retailers to sell to customers through a sales outlet, telemarketing or mails orders.

The best sales methods for you depend on your product and our customers, among other things. With indirect sales you won't have to carry stock and you usually make a commission from the customers that you refer to the main sales centre. If you are selling a very specialized product, you are best to sell it directly to your customers yourself.

### ***Servicing and Guarantees***

As part of your business research, begin to watch and read advertisements more carefully. Watch for the number of times that "service" is promoted as a selling feature of a business. It may be described as prompt, friendly, no questions asked, for seven years, etc. Service is a main component of business success.

For your marketing plan, questions of servicing include:

- What after-sales support will you offer?
- How does that compare with your competition?

If you want to stress service as a marketing theme, outline in detail what aspects are special and promote them as feature.

Guarantees spell out what you promise to replace or repair. They are promises that a businessperson must live up to. Be sure you build in the costs of returns (e.g. 5%) or after sales service as part of your variable costs. Then you can cheerfully live up to your guarantee that usually promises certain standards of performance for a set period of time (e.g. promising to replace defective parts for two years).

### ***Image and Position***

What business image are you marketing? Many things affect a business image. Some key ones to think about are:

- The personal style of the business owner and other key contacts.
- Business graphics logo design, business cards, letterhead, packaging, the style of advertising and promotion, and methods of sales.
- Telephone use — how calls are answered and messages followed up.
- Ways people are greeted and served, how well-informed sales people are, whether or not interruptions, by people or the telephone, are accepted during a meeting.
- Whether or not a place of work is physically separated from the rest of the house and the activities going on there.
- Position refers to the image customers have of your business. The secret is to create a business image that enables you to position your business to act as a natural magnet for your intended customers.

A number of factors that customers often look for include:

- Price (cheapest, fair, price for quality, etc.)
- Assortment, quality, fashion
- Location, parking
- Sales personnel
- Convenience
- Location
- Atmosphere
- Service

Your overall position should emphasize those areas that your customers value most and those that make you different from your competition.

Using image in marketing means using a certain image to convince customers that what you are selling is what they want? Who is your ideal customer? What image will best match that customer's situation, given the profile you developed through research?

Quality control is linked to image. Setting and keeping standards of high quality in your business is essential to success. Shoddy goods, poor service, low-quality raw materials, or letting something slip by "just this once" may seem necessary at a particular time, or in the anxiety of starting a new business, but each slip in quality control has an effect on your long-term chances for success. "Just this once" may be exactly that, but it may give you a reputation for poor standards. Negative advertising is very hard to undo.

### ***Advertising, Promotion, and Publicity***

Advertising, promotion, and publicity are often treated as one area of activity for a business. All three activities play a critical role in the success of any business. The selection and mix of these activities requires ongoing evaluation and a thorough tracking of what works and what doesn't work.

New businesses in particular need to get known, which takes money. Research the costs for different advertising and promotion techniques as an ongoing part of your business management activities. Select approaches that make most sense for your situation now, and plan to change strategies as your business gets established. Include

realistic advertising and promotion costs in your expense projections for the first and ongoing years; these costs are necessary to achieve sales.

During the first year, keep track of the responses from different advertising, promotion, and publicity techniques. For your second year of operation, concentrate on the ones that work.

Some advertising activities include:

- Display ads in newspapers
- Display ads in trade journals classified ads in newspapers, trade journals and newsletters
- Direct mail
- Yellow pages and other directories
- Shoppers and flyers

Some promotion activities include:

- Specialty advertising
- Trade shows

Promotion activities will require your imaginative, innovative side. Give it your creative best, keeping in mind that underselling is better than overselling. To work for you, your promotion also has to be consistent with you business image.

### ***Promotion Strategy:***

Because promotion is often used as a general term to include all means of getting a product or service known and purchased by customers, a separate promotion strategy is sometimes considered. A promotion strategy answers these questions, and may be included as a separate part of a business plan:

- How will you get word about your product or service out to the people most likely or you want to encourage buying it?
- How will you inform, persuade, and influence potential buyers? What type of advertising will you use?

- How and where will your product or service be sold, and why does that encourage buyers and sales?
- How will you stimulate people's interest in your product or service and increase their need and demand for it? How will you use sales and current customers in positive promotion?

### ***Price and Pricing:***

Price is a key part of marketing. Setting prices is called pricing. Before you can understand pricing, you have to be clear about costing.

Three main cost areas to consider in pricing are:

- **Supplies and material:** includes all the money spent for supplies and materials to make your product or provide your service. This category is called a variable cost, because the amount you spend varies with how much you produce. Shipping and storage charges are often included as part of variable costs.
- **Overhead:** overhead is a name for all fixed costs in a business - business expenses that must be paid, regardless of sales, such as office expenses, insurance, and interest payments on loans. Another way of understanding overhead is to think of it as the cost category for all business expenses that are NOT supplies and materials or labour/time.
- **Labour/time:** this cost area needs to be assessed as a separate category when determining costs. Labour-related charges should be calculated in two ways: labour/time required in producing the good or providing the service, as well as a salary in the fixed or operating cost of your business. For costing and pricing, a business person needs to know the total time required to produce or to do something, and to cost this time accurately so it is truly reflected in a final price.)

A selling price can be set in different ways, but all involve the same three categories of numbers:

- Total cost of production (includes supplies and materials, overhead, and time/labour)

- Profit or return
- Final selling price

Although different methods treat pricing calculation in different ways, the three sets of figures combine as shown in the formula below:

$$\text{Total Costs of Production} + \text{Profit} = \text{Final Selling Price}$$

### ***Setting Prices:***

Prices for products and services can be set in three main ways:

#### **1. Pricing to the market**

Prices of competitors for similar products or services set the price range that customers will expect. You can use that market price range - what is acceptable to the market - as a guide to set your prices. Businesses or people to whom you sell may also price to the market by telling you what they will pay for your product or service. As you keep records of actual costs, the cost approach to pricing will help you make sure all your costs are covered, which may not be true in a market approach to pricing.

***NOTE:*** Pricing to the market carries with it some dangers. These include underpricing in order to compete or make sales.

#### **2. Pricing to your costs**

Price must cover all costs of goods and services sold, including production costs of supplies and materials, fixed overhead, and time/labour, plus a profit.

Use this formula in setting a price per unit:

$$\text{Total costs of production per unit} + \text{Desired dollar profit per unit}$$

**Calculating Selling Price Per Unit (example)**

Costs of production:

<i>Supplies and materials</i>	<i>\$7.00</i>
<i>Time/labour (2 hrs. @ \$11/hr)</i>	<i>\$22.00</i>
<u><i>Overhead</i></u>	<u><i>\$4.50</i></u>
<i>Total Costs of Production Per Unit:</i>	<i>\$33.50</i>

Percentage rate of profit desired: 30% (or .30)

The desired dollar profit in this case is:

$$0.30 \times \$33.50 = \$10.05$$

The selling price per unit:

$$\$33.50 + \$10.05 = \$43.50$$

Businesses can set different profit rates, for example: 15% profit on supplies/materials, 20% profit on labour/time, and 25% profit on overhead. These more complicated approaches to pricing usually emerge in response to the special needs of a particular business.

**3. 'Break-Even' pricing**

The break-even sales point for a business is when the selling price covers all costs of producing an item or providing a service - with no profit. This third approach to pricing uses a formula to calculate a selling price. The three numbers needed in the break-even pricing formula are: variable cost per unit, fixed costs, and volume. REMEMBER: variable cost is another name for supplies and materials.

The formula for calculating break-even pricing is:

$$\frac{(\text{Variable cost per unit} * \text{Volume}) + \text{Fixed costs}}$$

**Volume**

**Calculating Break-Even Price Per Unit (example):**

- A business's fixed cost or overhead for a year of planned operation is \$20,000.
- The variable cost per unit sold (supplies/materials category of costs) is \$5.00.
- The sales volume expected for the first year of operation is 10,000 units.

<i>Fixed costs for overhead @ one year</i>	<i>\$20,000.00</i>
<i>Variable costs per unit</i>	<i>\$5.00</i>
<i>Volume, sales estimate projected for one year:</i>	<i>10,000 units sold</i>

$$\frac{(\$5.00 \times 10,000) + \$20,000}{10,000} = \$7.00 \text{ per unit}$$

NOTE: Break-even pricing runs a risk of under pricing. For example, if your break-even price turns out to be the same as a competitor's price, and you are pricing to the market, your sales will not include any profit/return to you or to the business. This includes the cost of your labour and time, partly as a cost of production and partly as an operating expense (salary).

**"Rules of Thumb" in Setting Prices:**

- Price is twice labour plus materials, or twice materials plus labour – depending on which is higher.
- Price is materials and labour plus 20% for fixed costs and 25% for profits - this method is not recommended.

Calculating actual costs is the only way to make sure your prices cover your costs. Labour/time expenses in a home-based business are often not included in cost and price figures. These charges are to be covered partly in the costs of production and partly as salary in the fixed/operating or overhead costs.

**Key points to consider in setting prices are:**

- Marketing strategy and your immediate goals.
- Competitors' prices and the market.

- Market demand for the product and consumer buying trends.
- Cover all costs and provide an adequate profit.

## Operations Research

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“Business operations” refers to the many aspects of running a business. These are summarized in the operations section of your business plan, which covers:

- Location (aspects not directly related to marketing)
- Key personnel and staff
- Professional services and resources
- Premises and facilities
- Management and training
- Equipment and methods
- Short and long-range plans
- Materials supplies and sources

### ***First Nation Taxation Considerations***

This Manual has been created to assist in the development of home based businesses; with respect to taxation considerations for these businesses operated by individuals recognized as Status by the *Indian Act*, and those which are not. Again, rely on the professional advice of your lawyer and/or accountant.

The first thing to determine, though, is whether or not your business will be on reserve in the eyes of the taxman.

#### *Is My Business Really on Reserve?*

The Canada Customs & Revenue Agency uses the following guidelines to determine if incomes are to be protected from infringement of treaty rights through taxation:

1. At least 90% of the duties of an Indian employee are performed on a reserve;
2. The employer is a resident on a reserve, and the Indian employee lives on a reserve;

3. More than 80% of the duties of an Indian employee are performed on a reserve, and either the employer is resident on reserve of the Indian employee is resident on a reserve;
4. All employment income of an Indian will be exempt if the employer is resident on a reserve, and is:
  - A. An Indian Band having a reserve, or a Tribal Council representing one or more Indian Bands which have reserves; or
  - B. An Indian organization controlled by one or more such Bands or tribal councils, if the organization is dedicated exclusively to the social, cultural, educational, or economic development of Indians who for the most part live on reserve; and
  - C. The duties of employment are in connection with employers' non-commercial activities carried on exclusively for the benefit of Indians who for the most part live on reserves.

The Canada Customs & Revenue Agency recognizes a business to be resident on a reserve and exempt from business income taxation by examining the following key factors:

1. The location of the business office;
2. The location where records are kept;
3. The location where business transactions with suppliers and customers are arranged;
4. The location where employees report for work and are paid;
5. The location where inventory is ordered and kept; and
6. The location of physical assets, including machinery and equipment.

Since this is your home-based business in a remote Ontario First Nation, you pretty much qualify; but only if you don't legally incorporate your business.

### ***Structuring Your Home-Based Business On-Reserve***

Businesses in Ontario and on reserve land may be established in one of the following manners:

- Sole proprietorships
- Partnerships
- Corporations
- Co-operatives

### *Sole Proprietorships*

Sole proprietorships are typically owned by individuals. For businesses located on a reserve, the guidelines of Canada Customs & Revenue Agency make it wisest to operate as an unincorporated entity. Individuals can take full advantage of section 87 of the *Indian Act*, exempting all income from income tax. If you have employees with status, they will also be exempt from income tax.

Transaction taxes, the GST and RST on goods purchased by the owner or business will also be exempted, but only if the goods purchased are delivered by the vendor's agent or by Canada Post. Purchases made by you and then brought to reserve land afterwards are not.

### *Partnerships*

A partnership is again best operated as an unincorporated entity if the business is located on reserve land.

There are three basic steps to opening a partnership:

1. Registration of the partnership where required by law;
2. Creation of the partnership agreement; and
3. Transfer of capital from the individual partners to the partnership.

Partnerships in Ontario must be registered with the Companies Branch of the Ministry of Consumer and Business Services under the *Business Names Act*. Those with six or more partners must also obtain a partnership identification number from Canada Customs & Revenue Agency and file annual information returns.

This permits either incorporated or unincorporated partners to be involved in the business, and the flexibility for non-Indian partners to profit from the tax-free status by remaining an unincorporated business. The main benefits of the arrangement would be

that debt could be reduced more quickly since no tax would be repayable on the profits allocated the Indian partner.

A partnership may be less advantageous in a situation where partnership profits are shared equally and significant deductions, such as capital cost allowance, are available to the partnership.

Business planning for a partnership involves all aspects of the business and how it will function. This can be particularly important especially if the partners are friends or relatives; nobody starts a business expecting a big disagreement or fight, but it does happen to more people than you'd think.

Another important area that a partnership must consider is the long and short term goals, and how those goals are to be achieved. The question of how profits will be used is also very important. Two main options are that profits be taken out of the business and divided between the partners, or that profits be put back into the business - this is a better option, especially at the start of the business. Partners may want the portion or percentage they receive to change once the business becomes better established.

Home-based business advisors recommend that prospective partners write up a partnership agreement to help clarify terms and conditions.

Written agreements generally include the following information:

- Name of the partnership business
- Names and addresses of the partners
- Business to be done by the partnership
- Capital to be contributed by each partner
- Procedure for adding new partners
- Procedure for a partner to leave
- Procedure for the death, bankruptcy, or retirement of a partner
- Procedure for making decisions
- Procedure for handling disputes
- Responsibilities of partners

- How profits and losses are to be shared
- Terms for ending a partnership
- Name of who will keep financial records
- Methods that will be used to keep financial or other business records
- Any limitations of authority for a partner to act as an agent for the partnership

### *Joint Ventures*

Joint ventures are a special form of partnership, but are not fully recognized by Canadian law as a separate legal entity. It is an arrangement under which two or more parties agree to contribute resources to a project. They may be capital, property, or any combination thereof. The parties agree to share the project's expenses. In exchange the parties are entitled to a share of the project's revenue.

The benefits are as follows:

- No exposure to liabilities of the co-venturer
- Independence of ownership of venture assets
- Income/losses of the project attribute directly to the venturers as governed by the joint venture agreement.

The main disadvantage is the uncertainty whether or not a partnership has been created. A further disadvantage is that the transfer of assets to the project is deemed disposition for tax purposes at the assets fair market value.

### *Corporations*

As a separate legal entity, corporations cannot rely on Section 87 of the *Indian Act*, to exempt them for taxation, even if all the shareholders are status. Section 149 (1) (d) of the *Income Tax Act* exempts from taxation, corporations owned 90% or more by a Canadian municipality (some Bands may qualify as a municipality, but individuals don't).

### ***How Transaction Taxes Apply To On-Reserve Business***

Transaction taxes in Ontario are the Goods & Services Tax (GST) and the Retail Sales Tax (RST).

Most local customers of on-reserve businesses will qualify for GST exemption as well as

RST exemptions. It is very important to keep your tax records in order to maximize the benefits of GST and RST remittance and reporting.

### *GST on Reserve*

Any business that grosses over \$30,000 per annum must register for GST. They must collect the tax on their sales of property and services (unless sales made to Indians or band entities where GST is not payable) claim input tax credits for the GST paid on purchases made in carrying out their business and remit the balance to the taxation department on Excise/GST.

Incorporated businesses owned by band individuals must pay the GST on their purchases of taxable goods and services; as mentioned previously, incorporated companies are independent legal entities and do not qualify for Status consideration regardless of owner Status.

In the instance of partnerships, tax exemption is available for purchases made in either the Indian purchasers own name or the partnership name. Exemption is also applicable to a partnership that has both Native and Non-native participants; if all of the standard GST exemption conditions are met (i.e. property must be acquired on-reserve or delivered to a reserve by the vendor's agent, and proper documentation available for clarification).

### *RST on Reserve*

Any business in Ontario that sells a taxable good or service must obtain an *RST Vendor's Permit* from the Ontario Ministry of Finance; there is no fee and applications can be processed by phone, in person or online. You do not have to obtain a Vendor's Permit if you sell only tax-exempt goods, you provide only tax-exempt services, or you are a wholesaler or manufacturer that makes no retail sales. This applies to on-reserve businesses as well.

Unlike the GST, there is no minimum transaction limit for the Vendor's Permit requirement. You must keep a copy of your Permit at each place of business, and must produce it to anyone upon request.

Sales made by your business and delivered to Status persons for use *on-reserve* will be exempt from the RST. Sales made by your business and taken immediately by the Status consumer *for use on-reserve* will be exempt. Sales made and delivered out-of-province will be exempt. And, unless you deal with non-taxable goods/services or tangible personal property that has its own specific exemptions (again, research your concept); all other sales have to have the RST applied.

Note that if a non-Status person buys something from you, and your business is on reserve, you have to charge that person the RST (as applicable to your product, not your location).

According to the Ontario Ministry of Finance, exempted sales to Status Indians must note the following:

- Card number
- Customer's name
- Band name or number
- Brief description of goods sold

## ***Location***

### *Zoning bylaws*

Zoning bylaws outline what is legal within a city or municipality or regional district. Three main categories of zones are residential, commercial, and, industrial. Zoning bylaws restrict what can happen in each zone with such things as type of activity, size of building, how close a building can be to the street, required number of parking spaces, number of employees, amount of traffic, and size and type of outdoor sign.

Here is a bylaw example, from the town of Sioux Lookout (Bylaw No. 1147), that has typical restrictions on home-based business use:

No accessory building, use, or structure shall be used for any occupation for gain or profit, unless specifically permitted by law.

Where a home occupation or professional office is permitted:

- The profession or occupation shall be carried on by a member of the family residing on the premises who may employ or be assisted by no more than one other person;
- Not more than twenty five percent (25%) of the gross floor area of a dwelling may be devoted to said uses;
- The residential character of the dwelling shall not be changed;
- It shall not create or become a nuisance because of noise, fumes, dust, odour, traffic or otherwise interfere with the enjoyment of the residential amenities of the neighbors; and
- Outside storage or display of materials, containers, or finished products is prohibited, and no mechanical equipment may be used except that of a type used for housekeeping purposes and/or recreational hobbies.
- Home occupation means an occupation for gain or support conducted entirely within a dwelling or accessory building on the same lot by the occupant of said dwelling.

To find out more information about similar bylaws applicable to you, contact the Chief Building Official of your municipality.

For women in the northern communities, contact your Band Council, economic development officers or community development officers for restrictions or BCR's regarding home-based businesses, if any apply.

Do your research on zoning early. Without zoning permission, a home-based entrepreneur simply cannot operate, and although many do operate illegally, the risk of being closed down at any time is a possibility.

You may do all your research and set up the business legally within your current zoning requirements, only to find that the zoning gets changed. Your status then changes to what is called "nonconforming." This means your business can continue to operate, even though it does not conform to or follow new zoning regulations. If such a business stops for a continuous period of six months, it generally loses nonconforming status.

### *Building Regulations and Codes*

Building regulations are important to research if any changes need to be made to the existing buildings. Plumbing or electrical work may require upgrading. The provincial building code applies across the province, although individual First Nations have to adopt its use. Permits are also needed in different areas for certain kinds of work. Always be sure of your basic zoning approval before undertaking any kind of renovation.

### *Agreements with Owner*

If you rent or lease your house, certain agreements may be needed between you and the owner. Starting a home-based business in a place that you don't own is advisable only with full knowledge and permission of the owner.

### *Legal Aspects*

As well as complying with the above laws and regulations, a home-based business needs to consider a business license and health or other permits.

### *Vendor's Permit*

Any business in Ontario that provides a service or sells taxable goods, with exceptions, must obtain a Vendor's from the Ministry of Finance. There are no application or renewal fees for Vendor's Permit, although you must update the Ministry if the business name, telephone number, location, or mailing address changes. If your business name changes due to a legal change (say, if you incorporate a sole proprietorship), your Vendor's Permit will become invalid, and you will need to obtain a new one.

### *Business Licence*

Most Municipalities require and charge a fee for a business license. Your Band may as well, so it is best to check with your local Community Development Officer.

### *Health Inspection and Permit*

Certain businesses, in particular those involving food, require a health inspection and permit. The Health Inspector, an employee of the provincial government, usually works closely with local officials.

## ***Premises and Facilities***

*Premises* means real estate. *Facilities* refer to buildings.

### *Physical Space*

A business needs an appropriate place to work. Assess the space you have and the space you need.

- What physical space does your business need?
- Is that physical space available in your home, or in buildings on the premises: garage, shop, shed?
- Will your work space have to start other functions? What effects might this have on both?
- Are renovations needed to make available space useable?
- Will any renovations involve upgrading power, changing plumbing or wiring? Do the costs make these renovations realistic?
- Is any new construction required by the business? Researching construction costs in your area should give you a cost per square foot that you can use to guide building decisions.
- Do renovations or buildings require building permits?
- How convenient is the space for delivery of materials, or for a customer to enter and leave?
- Will household noise, smells, or activity pose problems?
- Will customers ever come there? Will they be comfortable in the business space?
- What kind of image does your business space present?

### *Planning a Work Space*

Sit with a pen or pencil and graph paper in the physical space you've identified for the business. Draw the workshop or work space, showing furniture and equipment. Connect them with lines or arrows showing the lines of production, how work flows. Use your drawing to decide on telephone lines, electrical service and plug-ins, lighting and fire-proofing. Take the time to draw up different layouts for production space, again paying special attention to the flow of production. Will a certain layout mean unnecessary steps in the production process, or have people doing different jobs

tripping over each other? If you can't make existing space fit production needs, reconsider every option before trying to make things work in too small a space.

### *Organizing a Work Space*

People often say organization can wait because they think other, more important things have to be done first. When organization waits, success often waits too. If you organize yourself and your workspace from the beginning, AND you budget the time to keep it organized, your home-based business has a greater chance of succeeding. Your personal stress and frustration will also be reduced. As you get bigger, you get busier, so NOW is the time to organize.

Ways of getting a home-based place of business organized include:

- Allowing time to keep yourself organized. Setting up systems is only a first step. Sometimes people set up systems and are bewildered when the systems don't work. Remember that systems don't work; people make them work. Maintaining systems takes time, energy, commitment, and the belief that in the long run the return is worth it.
- Having a set place for the things you use and keeping them in that place.
- Assigning a work space to the business, and physical space you've identified for the reserving it for that use without sharing it with other activities.
- Maintaining good security. If your rule for a home-based business is "keep your work separate" from the rest of your life. This is one reason that sharing a home-based business space, even with a personal hobby, is not recommended. Keep supplies, inventory, papers, and especially any hazardous material secure. If you develop a new design or invent something, security takes on different meanings because you want to protect your idea until you develop and market it.

### ***Equipment and Methods***

#### *Minimal Equipment and Furniture*

It is important to have a well set up office. Five pieces of equipment are indispensable: a filing cabinet, in/out file baskets, desk or worktable, good work lamp/lighting, and an

ergonomically correct work chair. Every business has paperwork and the five pieces of equipment named are really pieces of office equipment designed to help you handle your paperwork. Shelving or a bookcase can be an important addition to the basic five.

### *Business Equipment*

Look for used equipment instead of immediately buying it new. Watch for auctions of office equipment in newspapers, trade journals, and mailings about government auctions. A list of equipment essentials and wants will help you prepare to take advantage of used equipment sales.

### *Getting a Business Telephone*

The telephone has been described as a home-based business's lifeline to the outside world. Get a separate telephone line or system for your business. That expense is tax deductible. You can also consider a measured meter line which is cheaper than a regular business telephone line. On a measured meter line, you can receive incoming calls with a limited number of calls going out each month. Perhaps more importantly, it automatically allows you a listing in the Yellow Pages.

### *Using a Business Telephone*

We have become so used to treating the telephone like an everyday part of life that we don't always have a telephone style appropriate for business. Most home telephones are answered in a casual way. This can give an unprofessional start to a home enterprise. Business-like courtesy and accuracy are things to aim for in your own communications. Use fairly formal, businesslike phrases, for example, "of course," instead of "yeah" or "sure." Keep telephone message forms and a pen or pencil near the telephone so you can take messages without interrupting calls. If other people answer the telephone for you, consider laying out how you prefer it to answered, key responses to standard telephone inquiries, and how you like messages to taken, and keep these guidelines by the telephone.

### *Answering Machines, Answering Services, and Cellular Phones*

Making sure customers can keep in touch with you is good business sense. It can be difficult to do when you travel or are always on the go. Answering machines, answering services, and cellular phones are some ways to keep in touch.

### *Computer*

A computer system is generally, considered a basic necessity for efficient and competitive business. A computer system (small business and home) includes a video display terminal (VDT) or monitor, a keyboard, printer, disk drives, and often a CD-ROM or DVD-ROM which allows you to have an audio component with your system.

If you're going to use a computer in your business, make it a priority to take an intensive, short course on the basics before you make any computer-related purchases. The instructor will be able to help you make good decisions about a system and about *programs*, which will do what your business needs.

Areas in which a computer can make a significant difference to a home-based business are:

- Computerizing repetitive clerical tasks.
- Keeping track of expenses and income, including personal *money* used to cover business expenses.
- Improving management procedures, customer services, and delivery, especially in terms of timing and efficiency.
- Enhancing the look of your correspondence, print materials and presentation packages to ensure you are portraying the professional image you want for your business.

### *Fax Machine*

Facsimile (fax) machines let you send letters and other documents, graphics, even photocopies and photographs over telephone lines; fax machine use is so common that many companies give a fax number as well as a telephone number. Prices have come down to a bottom range of as low as \$100. Some fax machines double as photocopy machines, for small numbers of copies, and some are combined with full telephone and answering systems. You should be careful with full service units since if one component malfunctions, it will impact the entire unit and may be costly to repair.

People who don't own a fax machine have access to the technology through public fax services, often available at commercial photocopy and print shop facilities but increasingly available elsewhere. You may not think you need to use a fax machine, but the people with whom you do business may be used *to* immediate action and communication. Knowing your customers and giving them what they expect is important.

### *Photocopier*

As with computers and fax machines, photocopiers have improved in range and quality, and shrunk in size and price in the last few years. A copier should be able to copy on standard and legal size paper, produce clear, clean copies, and perhaps be able to enlarge and reduce images. Expect each additional feature — larger paper, collator, full enlargement and reduction, faster speed — to cause a jump in price.

### *Your Business Equipment Needs*

Consider your own needs by asking:

- What equipment is essential for me to have on site to start this business at home?
- What equipment is needed but not essential for me to have at home?
- What equipment may be of use but is not required for start-up?
- What equipment could I use at another location?

- What equipment could I lease rather than buy, so I can update as technology or by business changes?

An equipment list for a new home-based business is generally restricted to equipment that is essential for success. Research will help you fill out your equipment list with the following information: equipment name, specifications and requirements, sources of new and used equipment, and prices. Standard advice to new home-based business people is to consider leasing equipment during start-up, and to buy or adapt used equipment. This may be particularly important in reducing the amount of debt a business has to carry in its first years, and ensuring that money is available for operating and not tied up in capital equipment.

Be aware, however, that leasing on-reserve can be difficult. Be prepared to provide prior written authorization from your Chief and Council to your lessor, to seize leased property if you default on your payments.

### ***Materials, Supplies and Sources***

Supplies and materials refer to all the things you use to make your product or provide your service. They are one of three main categories of costs, the others being labour/time and overhead. The following steps sum up how to treat “supplies and materials” costs:

- List all the supplies and materials you will need to produce the product or provide the service.
- Estimate how much of each supply and material is needed to provide a certain unit of finished product or available service.
- Consider the total sales you hope to make in the first year of operation, in the same units of finished product or available service. What total amount of supplies and materials does this annual sales volume require? The cost of supplies and materials is a key figure in financial calculations, including pricing.

Other important aspects of this part of business operations are sources, usually called suppliers, and terms of sale. Suppliers do extend credit to their customers, but usually not for at least six months or long enough for a positive relationship to develop on the

basis of your sales volume and payment record. Supplier credit is not a dependable source of financing for new business starts, although terms of sale may work in your favour as suppliers get to know you and offer bulk buying discounts or payment periods of 30 days instead of COD.

## ***Insurances***

### *Some Background on Insurance*

Some insurance is a necessity in most businesses. Insurance is often required as a condition of a loan from a bank. In a sole proprietorship, having enough insurance is particularly essential because you are personally liable for all debts. Without insurance, a situation could occur where personal possessions and assets have to cover an unexpected business debt or accident. Having adequate insurance is one way a business manages possible risks. Standard advice is to only insure against what you can't afford to lose. Don't pay for insuring what you can afford to risk.

You will probably already have some insurance. Start with the same agent, because some business relationship already exists. Treat your insurance agent as a professional resource, someone you go to for advice. In this case, you don't have to pay for the advice because agents receive a commission from the insurance companies whose policies they sell. Ask questions until you're satisfied that you know what each policy option covers, any restrictions, and cost. Be sure to compare options on the degree of protection as well as on cost.

Be honest with your insurance agent; he or she can't give good advice on incomplete information. There is no point paying money only to find that your insurance is void because of some restriction. The goal is for you and the agent to come up with a commercial insurance package that gives you and your business necessary protection for:

- House/business premises
- Vehicle
- Liability
- Business interruption
- Disability

- Partnership
- Product or service

### *Kinds of Insurance*

#### *House/Business Premises Insurance:*

The house insurance you currently hold (rural area, if you own your house) will probably not cover your business venture. It may not even cover equipment or supplies that you collect in the start-up stage. Upgrading present house insurance to cover business use is a necessary cost of doing business. A fire started in your business area could void your household insurance.

#### *Vehicle Insurance:*

Cars and other vehicles used in your business have to be insured for business use. Insurance claims may not be valid if a vehicle is involved in an accident under conditions the policy doesn't cover, for example a vehicle insured for personal use being used for business.

#### *Liability Insurance:*

A standard homeowner's or apartment dwellers policy doesn't protect from personal liability if a person is injured while in a home on business. For a reasonable amount per year, most policies can be extended to cover injuries to business visitors. This broadened insurance policy will NOT cover injuries or damage occurring as part of delivering services or selling products off your premises. Insurance to protect you in accidents that may occur away from the home is available at around \$200. Make sure your liability insurance covers the costs of defending yourself if you are sued.

#### *Business Interruption Insurance (Loss-of Income):*

If your business operation is halted, for example because of a fire in your home, the business bills still have to be paid. Business interruption insurance, also known as loss-of-income insurance, protects you in such a situation. The cost is based on gross business earnings or an estimate (for a new business), and is usually not too high. Usual term lengths are six months and one year.

*Disability Insurance:*

Disability insurance is also called accident and sickness insurance. It can be important protection for a self-employed person, although it is relatively expensive and the payments may not be enough to keep you going in a business in case of disability. Disability insurance protection considerations include:

- How disabled one has to be to receive benefits.
- How long a waiting period there is between opening a claim and receiving the first payment (usually a minimum of three months after an accident).
- How long payments continue.

*Partnership Insurance:*

Whether a partnership is formal or informal, one partner is liable for the actions of another partner. If you have business partners, research options for insurance to protect you against suits arising from action on the part of other partners. This insurance is expensive and not that common in small and home-based partnerships.

*Product or Service Insurance:*

You can buy insurance to protect you against claims, injuries, or damages that occur in connection with your product or service. This is usually expensive. If something about your product or service makes you think you should have this kind of insurance, tell your agent.

*Insurance Claims*

Accurate records of inventory, business equipment, and supplies are necessary as proof of value of loss or damage on any claim against insurance. Keep:

- Receipts of all purchases
- Written inventories of things in each room in which you carry on business activity
- A visual record, using a still camera or video camera

For insurance claim purposes, receipts plus a picture is the best record. Consider storing the record of your insured possessions, or a copy, in a safe place somewhere other than in your house, so if there is an accident, your records won't be destroyed. Send a copy of visual and inventory records to your insurance agent for filing with your policy.

## ***Key Personnel and Staff***

Key personnel in a business are generally the owner/operator, partners, main shareholders, and main management-level employees. A potential lender reading a business plan pays special attention to this section. Do the key personnel have the skills, experience, and capacity to make the business a success? Is the staffing plan realistic? Few new home-based business people have all the skills and expertise they need. What the lender is looking for is an outline of who will take care of essential management and production tasks in the business.

If the businessperson doesn't have certain skills or enough time to do all the production jobs, the business plan has to lay out how these realities will be handled. Options for getting needed expertise or skills include hiring people or obtaining professional advice on an as-needed basis. The second of these options, professional advice, is common in new home-based business starts and is one of the reasons for including a network of professional resources available to the business in your plan.

### *Sharing the Work*

When there's more to do than you can handle, the options are limited. You can:

- Work harder
- Delegate
- Recruit volunteers
- Hire help
- Subcontract work to other people
- Use the time you have more efficiently

### *Professional Services and Resources*

The approach to business planning includes identifying a network of professional advisors: lawyer, accountant, industry expert or business consultant; and consulting with them as part of business planning and start-up.

Without a lot of money for professional fees, you want the time you buy and the money you pay for it to be well spent. Going prepared is a must. The service that professionals provide is advice, if you go unprepared, you may pay for basic information instead of advice. A main reason for doing good research is so that you don't pay professionals for

what you can learn on your own. This manual is designed to help you with much of the basic business research and planning. Consult professionals when you need advice or information beyond what you can research yourself.

Before you go, prepare a written list of the things you need advice on. If these are problems or decisions to be made, sort out possible options and put them in order from best to worst. Ask for the problems or make decisions. Professional advice is exactly that: an opinion given as to what to do. The decision about what to do remains with the businessperson.

Key information about professional services and resources to include in a written business plan:

- Names of professionals and areas of expertise - lawyer, accountant, bookkeeper, industry expert, business advisor, designer
- Relationship of key professionals with the business

### ***Management and Training***

Only in rare cases do people starting in business have all the skills, experience, and knowledge they need. Ongoing training and management development are a part of most successful businesses. Short workshops and seminars make sense for people whose time is very limited. These are available in most communities in the province throughout the year from various sources. Community colleges are good contact points for information, as are local chambers of commerce/boards of trade, industry and business journals, and economic development offices. For the northern communities, the local band office or the Community Development Officer should have information on workshops and seminars. Classroom learning is only one of many options. Other legitimate elements of a training and management plan include: on-the job training, apprenticeships, mentor-learner relationships, independent use of learning materials such as books and videos, regular meetings with people who have experience and expertise they are willing to share. Most important through all these methods is simply asking and being willing to listen.

Build a realistic management and training budget into the financial plan as an essential business cost. Tuition and registration fees, materials and resources, time lost from earning other income, travel and living expenses are all costs; most are tax deductible.

## ***Short and Long-Range Plans***

Short-term business planning is covered in the business planning introduced in this manual. As business experience grows, long-range plans can help guide decisions.

## **Financial Research**

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It takes money to make money. How much money it takes is what your business plan, especially this section on finances, will help you figure out. Where you might get the money and what you need to know to convince someone to invest in or finance your business are other main topics of this chapter.

### ***Some Finance Basics***

#### *Money to Start and Money to Operate*

If you are considering a home-based business and need money, what you are looking for is start-up capital. Capital in business means money. Funding needed to run a business, to keep it going once started, is called operating or working capital. Start-up capital and operating capital are totaled separately for purposes of business finances. Begin to think about them separately now, each one representing a different stage in your business development.

Start-up capital is the total amount of money you need to open your doors for business, and to keep them open until you have sufficient business revenue. Operating capital is the amount required to keep the business going after the start-up. It includes salaries, wages, rent, expenses, supplies, utilities, advertising, depreciation, and interest payments. Small business advisors recommend that start-up expenses include at least six months operating capital, because even though revenue will come in during that time, the start-up phase also brings with it unexpected expenses.

A common problem for small businesses is underestimating how much money is needed, especially for operating. The result is additional stress after start-up, struggling with cash not coming in when it is needed, and making do with insufficient capital. This is easy to understand, because no person or business wants to carry the costs of

unnecessary debt. Keep in mind this familiar pitfall of insufficient operating capital when you look for start-up funds, not just when you are in a financial crisis.

### *Sources of Business Financing: Start-up Capital*

#### Your own money

Most lenders want to know that a businessperson has invested some personal assets into the business. This translates into ownership, called equity. The investment can come from:

- Selling personal assets
- Cutting current personal and business expenses in order to make money available
- Drawings on savings
- Using credit cards to get cash
- Borrowing against life insurance
- Selling holdings, investments
- Cashing in bonds or savings plans

#### Friends and Family

Even with scrimping, saving and careful management, you may not be able personally to provide the financing your business needs. The first source of borrowed money is usually family, relatives, and friends, who as a group make up more than 50% of the loans to home-based businesses. Such loans have the same requirements and pitfalls as all debt situations - and then some. Always get agreements about loans in writing to save later misunderstandings and bad feelings. Make sure that all loans, including those with family and friends, are set up with:

- Proper security
- Any terms or conditions
- Payment schedule

A payment schedule shows when payments will be made on both the principal (the amount borrowed) and the interest (the amount it costs to borrow the principal). In some cases, your family or friends may be willing to lend you money interest free, or to

lend money without repayment until the business gets going. You should still prepare a payment schedule, showing payments deferred or put off until that point. Keep your financial backers, including friends and family, informed of your business's financial picture on a regular basis.

## Financial Institutions and Lenders

Banks, credit unions, and financial institutions like trust companies lend money to individuals and to companies. A loan to an individual is a personal loan. A loan to a business is a commercial loan. Conditions and terms, including *interest* rates, differ for the two kinds of loans. Depending on the amount of risk associated with a new business venture, a banker may only be willing to give a personal loan. A mortgage on a house and property is often required, at least until a business gets established. A personal loan is common in home-based business start-ups.

Home-based and new business people are generally considered a poor risk by lending institutions; both because of the 80% failure rate for new business starts, and because the loans needed are often small. For *these* reasons, provincial and federal levels of government have over the years established various programs of support to this level of business. Such supports have been of three main kinds: direct grants, loans with the government as lender, and loan guarantees. With loan guarantees, the government secures a loan with a lending institution, then makes the loan to a person or business it wouldn't otherwise consider a good enough risk.

Each program has guidelines and conditions a business has to meet to get assistance. The guidelines are called "criteria." If you apply for funding to a government program, the first thing the program officer does is check to see if the application meets the criteria. If not, no matter how good the plan is that supports your proposal or application, it can't be considered. As part of your research, get information about such programs and review them as possible sources of financing. Pay special attention to the criteria so you only consider those opportunities where your situation fits the guidelines. Otherwise you'll be wasting your time.

## *Two Main Kinds of Financing*

### Equity Financing

Equity means ownership. With equity financing, a lender makes money available for use in exchange for an ownership share in the business. This could be as a silent or limited partner (not actively involved in the business) or as a shareholder. Whether equity financing is possible or a good option depends on the business structure and the relationship between the borrower and lender.

### Debt Financing

With debt financing, the lender charges interest for the use or “rental” of money loaned, but does not get a share or equity in the business. Debt financing is familiar to most people because it is the basis of most personal credit. A line of credit, common in business is a type of debt financing. With a line of credit a bank gives a business an upper limit to which it can borrow, for a set interest rate. The business doesn’t get the loan in a lump sum, but draws on the line of credit for funds as it needs them.

Interest is only on paid on the amounts borrowed. It may also be the only financing arrangement that a home-based business needs as a back-up for operating capital.

### Collateral or Security

Collateral is what you have to put up to secure a loan. This security reassures the bank or other lender that if circumstances make it impossible for you to repay, the lender has a right to take some identified thing that covers at least part of the value of your loan. As you consider the different kinds of financing and research available, pay attention to the collateral each requires. The usual collateral for home-based business loans is mortgages and personal guarantees.

### *Managing Loans*

If you successfully get a loan make it a rule of business to keep your lender informed about business developments. Even if things don’t go according to plan - and hardly anything does - better that your banker knows how things stand before you need help.

## ***Doing Your Financial Research***

Don't wait until your business plan is finished before you go to the bankers to talk business. When your business concept is fairly well developed, and you know generally what your financing needs will be, make several appointments at several banks to talk about a business. If your place of residence is in a Northern Community, obviously you'll need to make phone calls and write many business letters. If you have to go this route, always check back with your potential lenders to see if they received your letter. This way they will see that you are serious about your business proposition. Get information about different kinds of loans and interest rates or rental charges for borrowing money. This is important research even when you plan to get necessary financing from other sources.

Banking is a business just like any other business. There are very real differences between what financial institutions offer. Keep good records, and use these first interviews to "test the waters." Contacts at financial institutions will only be able to provide such feedback if you are well prepared with certain questions you want answered. Being well prepared doesn't mean waiting until you are ready for and need the money; it means knowing what questions you need to research at this early stage of your business development. Use the following questions as a guide to general research on financing options:

1. Is a certain balance required in a business account before a loan can be considered?
2. Will the bank give a business a line of credit? If so, with what requirements and conditions?
3. What are current interest rates for the line of credit and other types of loans or financing to be considered?
4. Does the bank have limitations on the number of small loans it grants or the types of businesses to which it gives loans? If so, what is the current situation?
5. What is bank policy on the size or description of cheques deposited in your personal account to be held for collection?

6. Will cheques under that size be credited immediately to your chequing account balance?

The last two questions are important because if you don't have a business account and credit references, the bank may hold ALL cheques for collection until it has some experience with you and your account. This can affect the money you have available and your cash flow because you can't count on using money from deposited cheques immediately.

If your sources of income are yourself, family and friends, use the information you get by researching financial options to get an accurate feel of the marketplace. Influenced as it is by interest rates, time spent researching finances is worth the gains in experience and understanding of the business world.

### ***Get Professional Advice***

If you can only afford professional advice on selected aspects of your business, make financing one of them; especially if you plan to borrow money. Use your research skills to get as much information as you can, and to help you prepare to get the most out of professional advice by being able to ask exactly what you need to know.

### ***Applying for Financing***

#### *The Financing Proposal Package*

If you decide you need a loan, your financial plan moves to center stage. That part of your business plan is explained in detail below. Make sure you are familiar with every part of it. Draw from the complete financial plan the outline of your financing needs and supporting papers, before you go to a lender with a proposal or application for a loan. Think of this as a financial proposal package that helps you go prepared with the following key points of information available separately:

- The specific loan and term being requested
- What it will be used to purchase
- Your amount of equity in the business, and investments by partners, friends or relatives (ownership indicates commitment)

- Cash flow forecasts to detail the amount and timing of cash use and need
- Contact names, addresses, and telephone numbers for the lending institutions and professionals you deal with (accountant, lawyer, bookkeeper, business advisor, etc.)
- A personal net worth of statement (assets/debts) to support a personal guarantee
- Copies of letters of intent, commitments, and potential orders
- Photocopies of your insurance policies, legal agreements and appraisals
- Copies of price lists to support cost and sales estimates (wholesale and retail always on separate pages)
- Any appraisal of fixed assets (property and buildings)

### *Do You Have a Chance?*

A banker looks for four things in any loan or financing application:

1. Character: *Are you the kind of person who pays your bills? Are you reliable? Can you run the business?*
2. Credit: *Do you have a good credit rating?*
3. Capacity: *Can the business generate enough to pay back the bank?*
4. Collateral: *Do you have things of value that can be used to secure or guarantee a loan?*

These things help a banker decide whether or not you and your business are a good risk for a loan. The business plan is the key to convincing a lender that you are a good risk. Consider revising your financial and business plan if the feedback you get suggests you need to. Keeping your goals in mind will keep you from getting discouraged. Failure to get a loan is NOT a failure to set up your business. You may need to change your time frame, but if you are determined to achieve your goals through a home-based business, you'll find a way.

## **Creating a Web-Based Home Business**

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A web-based home business is a business that you create by publishing content on a web page. The content that you publish on the web page is then used to sell products or services that are related to the content of your web site. For example, if you would like to sell crafts that you make, you could develop a website that has pictures of the things that you have made and the prices of each item. You could even have a way for customers to pay for the items (using a secure credit card payment service) to have them shipped to their homes.

Starting your own web-based home business is a great way to create a work-at-home business opportunity. It is a good way to run a business for stay-at-home mom's since your store is always open and you never have to leave the house (except to ship your merchandise and pick up supplies).

The financial cost to develop an Internet home-based business is virtually nothing since you can do all the work yourself, if you really wanted to and lack funds to hire someone. Even people who are lacking in technical computer skills can fully develop their own profitable web-based home business in a relatively short time using such tools as the webpage tutorial program that K-Net offers at <http://tutorials.knet.ca/>. This user-friendly web site will guide you step-by-step in developing a webpage to describe your services and/or products.

### **Taking the Time to Develop a Web-Based Home Business**

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The first step to starting a web-based home business is to make sure you are willing to spend the time to develop it. While a home based Internet business is relatively inexpensive to start, doing it right does take some time and effort on the part of the web publisher (you).

You should count on spending at least 10 hrs a week on developing and maintaining your website (more if it's a larger site with several links).

Here's some advice: For someone new to web publishing and who is serious about starting a web-based home business of their own, start small and then work up. It is

often less overwhelming and far cheaper to design a web site that can be easily expanded later on. By starting small, you will see the results of your efforts faster and be able to start your business sooner.

### ***Affiliate Marketing***

Perhaps you have a consulting business and you teach workshops. There may be some books or CDs that you suggest at your workshops and people are always asking where they can buy them. You can have a link on your website to a bookseller (i.e. [www.amazon.ca](http://www.amazon.ca) ) and every time someone buys an item from this link, you will get either a flat rate per item or a commission on the sales. This is called *affiliate marketing* since any web-based business that sells products of other merchants is called an affiliate.

The good thing about being an affiliate is that you don't have to put out extra money for stock that might not sell. Being an affiliate does not cost you anything and you are able to offer your customers/clients an opportunity to purchase items linked to your business that you don't sell yourself. Affiliate marketing is also a good way for merchants to work together to refer customers and build a customer base for both businesses at the same time.

## **Steps in Creating Your Web-Based Business**

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### ***Step One: Select the Topic***

What will your website be about? Since what you put on your website will make or break your business and the products/services you sell, you have to make sure that you are both knowledgeable and interested in the business you are starting. If you are not interested in the content of your website, you will quickly lose interest in your web-based home business. The fact that you are not interested will also be noticed by potential/current customers and your sales will drop.

### ***Step Two: Creating Your Website***

Before beginning to create the web site, you need to give it a name and you need a domain name to host it.

A domain name is how visitors are able to find your site. When selecting a domain name for your internet home business, try to select a domain name that is close as possible to the "theme" of the business which will make it easy to remember and to type into a browser window (e.g. [buymybeadwork.ca](http://buymybeadwork.ca)). Any domain name you select should follow in a similar fashion and be focused on the theme of your website.

As mentioned earlier in this manual, you need to register your domain name so that people can access your website on the internet. Information on registering a domain name can be found at [www.webnames.ca](http://www.webnames.ca), where you can also do a search to see if the name you want is already being used.

If you choose to make an independent website, you will have to pay to have your domain name registered on the internet. In addition to that you will have paid a monthly fee for the webhost to "host" your website on the internet. Prices for this service vary as explained below.

Once you have selected and registered a domain name for your website, the next step is to go about creating it. When looking at creating a web site, there are three ways to go about it.

1. **Pay someone to design the site.** Pay a web designer to design the web site design for you. You still need to supply the content. This is the quickest way to go, but the most expensive. A drawback to paying web designers is that often you will not be able to update the content yourself, which means continual expenses you wouldn't have if you edited your own website. Check this out as you are getting quotes to have your website designed by someone else.
2. **Design the site yourself using a web design program.** This will mean that you have to have some skill in using computers. With some help and a good program, you will be able to do this on your own. K-Net provides an excellent tutorial system that will walk you through the process of creating a webpage. Microsoft® also has a web design program called SharePoint Designer® program that is available for free download to your computer. This can be found at <http://office.microsoft.com/en-us/sharepointdesigner/FX100487631033.aspx>.

There are other web design programs you can purchase on the internet as well; the price depending on what additional features to add to your website. Remember: basic is always cheaper and a better way to start in the beginning.

Search the internet for web design programs and often the company will offer a free trial version that will give you enough time to develop your site and get it up and running.

3. **Use a comprehensive web business program**, which will designs the site and takes care of all technical details. All you do is put in the content - everything else is taken care of. This is a combination of 1 and 2. For an example of a web business program you can purchase, see: <http://www.webnames.ca/services/webbuilder/about.aspx>.

### ***Step Three: Publishing Your Business Online***

Once you've created your web site and put in all the content, the next step, of course, is to get your web-based home business online so other people can see it. You do this by uploading all the files that were created in developing your web site to your web host (which is usually your internet service provider) or a web hosting company. For an example of such a company see [www.webnames.ca](http://www.webnames.ca).

Your internet service provider will have a web hosting service that you will subscribe to monthly. As mentioned before, K-Net provides website hosting free of charge. This might be a good way to start your business to save funds. But if you can afford to do so, it is a good investment to pay to have your website hosted as an independent site. This way, potential customers will find it easier to find you on the web easier. Contact your internet provider for prices and the types of plans they offer.

### ***Step 4: Setting up a Merchant Account***

To accept payment from your customers from your website, you will need to acquire a *merchant account* where payments from credit cards will be deposited. To get a merchant account, you have three options: you can use a bank, a third-party provider like PayPal, or an independent sales organization. Which option you choose depends on the volume of your sales.

Once you have a merchant account, you'll need a way to actually accept the credit card payments. Here, too, you have several options. If your home-based business has its own website, then setting up an Internet gateway with a shopping cart is one option. Incorporating a shopping cart (which includes the product catalog and purchasing interface) into your website provides the most convenience for your customers. It also

results in fewer lost sales, since customers won't be redirected to other sites for payment, during which time they may change their mind about their purchase decision.

Once you have a merchant account and a shopping cart or similar technology for processing payment, you are well on your way to being able to accept credit cards for your home-based business. Know that there are a variety of companies that cater to home-based businesses who will do everything possible to help you accept credit card payments. Take the time to shop around, being sure that you understand all the associated fees and compare deals until you find the one that is best for your specific needs.

Now you're ready to do business on the World Wide Web. Have fun! This is *your* business – you will get back whatever you put into it.

## Writing Your Business Plan

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### Style and Preparation

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A business plan is a *written* document that forecasts the future of a business. The plan defines what your business does, how and why it can compete successfully in its industry, and how it will be run on a daily basis. Your business plan will also detail financial information on you and your business, through income and expense projections called proformas, to accurately portray your financial stability.

A good business plan is definite necessity, as most business failures are the result of a lack of planning. Writing your plan fully increases your chances of success by forcing you to consider every aspect of your business. It will mark the path of your journey so you can gauge your success. And most importantly, it's what investors need to see in order to determine whether you and your business are good risks.

Your plan should be:

- Concise
- Easy to read

- Complete
- Professional looking

## Components of Your Business Plan

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### ***Executive Summary***

An executive summary is a one-page statement that touches on every aspect of your business. You will have to be brief and to-the-point with all of your summary statements, and everything in the summary has to be backed up by the contents of your business plan.

It should highlight:

- The name and location of your business
- The form of ownership (sole proprietorship, partnership, corporation)
- Details on the product/service you intend to offer
- The reasons your product/service is needed
- The advantages your product/service has over the competition
- What expertise you and any partners bring to the table

If your business plan is being presented to a specific source of financing (e.g. business development grant agency, bank, etc.), should also include financial details of your request as it pertains to their interests. Sometimes 'yes' or 'no' decisions are based on the information you give in your Executive Summary, and how your needs match up with the mission purposes.

### ***Business Description***

Being able to provide a brief, accurate answer to the question "What is your business all about?" is a must.

A complete business description gives:

- Name of business
- Business form or structure
- List of key people (owners, partners, investors, employees, professional advisors)

- Place where business will operate (municipality/region)
- Location at which business will operate (address)
- Contact numbers for the business (mailing address if different from location, telephone and fax numbers)
- Place where business will be registered or incorporated
- Date of business start-up
- Business license number, date and place issued
- Zoning category of business location (rural areas) if applicable
- Federal and provincial tax registration (municipality/region) numbers, as required
- Business logo, design, and business card
- Trade mark or trade name

### ***Management & Ownership***

Taking the list of key people within your business, you should:

- Describe the skills and qualifications of key people and include the resumes of these key people.
- Define the contributions each key person will make.
- Define compensation for each key person in terms of wages and benefits or contract values.
- Provide contact information if key persons are external resources.

### ***Products & Services***

Good ideas for products and services need to be spelled out with details.

Be sure that your Business Concept:

- Names and describes your main products and services, and the purposes they serve;
- Names similar products or services available from competitors, and describes them (particularly any problems that exist);
- Explains why customers will buy this product or service from you instead of something similar from the competition;

- Describes the status of protection (patent, copyright, industrial design) or special features;
- Shows working drawings and designs, if applicable; and
- Names legislation, regulations, and standards that apply to the product or service.

The explanation of what is special about a certain product or service is important because it sets out business advantages, which is the basis on which your business will be able to compete. This is key to effective marketing.

### ***Market Analysis***

The market analysis component of your business plan defines what your target market is, and determines:

- How large the potential market is.
- How many people or businesses are currently using a competitor's product that is the same or similar to the one you are offering or plan to offer?
- How many prospects potentially have any possible use for the product?
- Whether the market is growing, flattening, or shrinking.

In your business plan, you will need to evaluate the typical customers within the market segments you are targeting. There are countless variables to consider when analyzing consumer behavior. Try to focus on those behavioral possibilities that best determine how viable your product will be in your target markets. Investigate the following concerns when creating your market analysis:

- Which features will most appeal to consumers?
- How are choices made between competing products?
- Which marketing promotions or media avenues seem to offer the best vehicles for reaching the consumer base?
- How much disposable income do target consumers have to spend on this product?
- How do your target consumers reach purchasing decisions?

- Are consumers presold on a particular brand before they visit a store or do they buy on impulse?
- What characteristics influence the purchase of one product or service over a competing one?

### ***Sales & Revenue***

Including a Sales & Revenue Strategy is important to the overall usefulness of your business plan. It will define how you will set about making your niche within the target markets.

Your sales strategy needs to be in harmony with your business concept, marketing strategy, and your company's strengths and weaknesses. For example, if you are planning on selling products to other businesses in a highly competitive marketplace, it may be easier if your strategy is to rely on wholesalers or commissioned sales representatives, who already have an established presence and reputation in the marketplace. If your business will be selling high-tech products, you and your sales force will need to be extremely knowledgeable in your product and personable in your handling of customers.

By forecasting the impact of your sales strategy on the marketplace, you can roughly estimate the market penetration (i.e. share of the market) that you will realize.

### ***Marketing Plan***

This section of your business plan will provide an overview of your general promotional plan. Fully list what methods and media you intend to use, and why. If you have developed an advertising slogan or unique selling proposition you may mention it, but it isn't strictly necessary.

You should outline the proposed mix of your advertising media, use of publicity, and other promotional programs. Will you be relying on newspaper ads or business brochures? Explain how your choice of marketing vehicles will allow you to reach your target market. Explain how they will enable you to best convey your product features and benefits.

Be sure that your advertising, publicity, and promotional programs are realistic within your proposed marketing budget. Effective advertising, like radio and TV commercials, relies on message repetition in order to motivate consumers to make a purchase. If your marketing/ promotional budget is limited, try to ensure that your message reaches fewer, more likely business prospects more often, rather than too many people occasionally.

### ***Operations / Implementation Plan***

“Operations” is a catch-all term used to describe any important aspects of the business not described elsewhere in the business plan.

If the start-up is a manufacturing concern, discuss critical elements of the manufacturing process. For retail businesses, discuss store operations. Wholesalers should discuss warehouse operations.

In addition to discussing areas that are critical to operations, briefly summarize how major business functions will be carried out, and how certain functions may run more effectively than those of your competitors. But, don't get into long descriptions of any business or operation practices that will not sell your business plan to financiers.

A discussion of research and development is, obviously, not a requirement for all home-based businesses. If it does apply, however, financial types are going to want to know that research, and development projects are aimed at specific, realistic objectives. And they will want to be assured that an undue portion of the company's resources is not being wasted in this area.

### ***Financial Plan***

The financial plan is the businessperson's answer to the question “Will it make money?”

“Financial statement” is a general name for the different ways businesses present money information. They give information of two main kinds. One kind is figures about your business and situation as it stands now. The second kind of information is one that

looks into the future and makes a “best guess” about some part of the business finances - sales, expenses, and revenue. These are called “projections,” “forecasts,” and “estimates.”

Most of the financial statements supporting a business plan are of this type. To make the most of a financial plan - and to actually manage it instead of having all this work separate from the real life of business - you have to take the time to compare your estimates and forecasts with what actually happens, analyze reasons for differences, and adjust future forecasts in response. This dynamic use of business information can sharpen the edge that good research and planning gives, strengthening a new business’s ability to compete successfully.

The information actually presented in financial statements is quite straightforward, although there is a lot of it called by various names. The approach is to introduce and explain the main statements in a complete financial plan. Few home-based businesses will need them all, at least not in the start-up stage, but a basic understanding of all key financial aspects is a definite business asset. Financial statements covered in this part of a financial plan include:

### ***Estimated Market Share***

Market share is the portion of total sales in an area that each competitor holds. The marketing section of this manual helped establish your target markets, both by region and by groups of most likely buyers in each region.

The financial section uses these figures:

- Total sales, the number made and the dollar value, in the trading or market area, for similar products or services. While this may have to be an estimate, a surprising amount of marketing information is available and may be found through your research, business magazines, and publications specific to your industry.
- Estimate of market share of main competitors (percentage of total market share).
- Estimate of market share projected for the business (every three months) in the first year of operation - include two figures: the number of items and the dollar value.

## ***Sales Forecast***

Forecasting sales is the starting point for financial projections and the basis of business budgeting. List all the products or services your business plans to sell and the UNITS of sale for each. Units are set by the business. A unit for an adventure tour company could be one package tour of two weeks. For a crafts person, a unit may be one wooden item. A unit for a service provider could be one hour of time or a contract. Beginning to think in units is part of learning to work with the building blocks of financial forecasting. Decide now, if you haven't already, what the sales units are for your business.

A sales forecast can be done for your total sales, which is the number and dollar value of units the business hopes to sell in the first year. If you have identified two or three main target groups, a more useful approach may be to forecast sales separately for each of these target groups. For each product/service and customer group, making a sales forecast involves estimating by month for a year:

- Number of units sold (sub-totals for target markets and one overall total)
- Sale price per unit
- Total sales (number of units sold \* sale price per unit)

Your sales forecast will end up totaling a final number of units and a dollar amount that the business expects to sell.

## ***Costs of Production or Services***

Another business term for this financial category is "cost of goods sold." The importance of knowing accurate costs of providing a service is just as important as for products. The section on marketing introduced three main categories of costs, which are as follows:

- Supplies and materials (variable because they depend on how much you use)
- Operating (fixed because you have to pay those costs regardless)
- Time/labour (staff and our own)

These costs are usually figured on separate worksheets, with totals for those sheets used for other financial projections such as break-even analysis.

### ***Supplies and Materials Costs***

1. List all the supplies and materials the business needs to create its product or service.
2. Estimate how much of each supply and material is needed to provide a certain unit of finished product or provide a unit of available service, and the cost. You can also divide total annual supplies and materials costs by total number of units to find the per-unit cost.
3. Consider the total sales you hope to make in the first year of operation. Estimate the number of units you hope to sell, and calculate the total annual supplies and materials costs to achieve that level of sales.
4. Include packaging and delivery costs and the cost of bad debts and returns (3 – 5 % of the value of total sales). Divide this total by the number of units sold for the year.

The two sets of figures you will have at end of providing a service is just as important as for these calculations are:

- Total supplies and materials costs for one year
- Supplies and materials costs for producing one unit of each product or service

If you order in bulk (i.e. enough supplies and materials for one year), you may be able to save money. How would you handle storage? Would the savings from buying bulk be worth putting out that much money at one time, especially at this stage?

### ***Operating Expenses - Non-Labour / Overhead***

Operating expenses — Non-labour/overhead are considered fixed expenses because these things must be paid regardless of sales. Excluding labour, standard business operating expenses usually include:

- Rent
- Utilities-telephone, power, other services
- Car/vehicle
- Transportation

- Supplies (office)
- Maintenance agreements (i.e. photocopier, vehicle)
- Advertising and promotion
- Legal/accounting
- Insurance
- Internet and bank charges
- Depreciation (equipment, furniture, vehicle, etc.)
- Managerial salary
- Other

Adapt the list of standard costs to your situation, and prepare a table of operating expenses — non-labour — by estimating these costs for each month of the year of the operation being forecast.

Forecasts about costs of production — non- labour — will give these figures:

- Total sales of each product and costs (supplies, materials, and overhead) for the year of operation.
- Monthly totals throughout that year (total sales, monthly costs of supplies/materials and overhead).
- Product/service totals for each month and for the year (total sales of each product or service, supplies/materials and overhead costs).

### ***Operating Expenses – Labour***

Operating expenses are a main labour cost, but related operating expenses, such as benefits and taxes, must be calculated too (rural areas). By job title, list all the employees or staff needed to produce the sales volume you have forecast for Year 1. Put the total salary or wage for each employee for each month. Adding these gives you

the total operating expenses - labour - for each month. Adding figures for the month will yield a total for the year.

The three types of payroll taxes are Canada Pension Plan, Employment Insurance, and Worker's Compensation Insurance. Information about these can be obtained from related Government of Canada offices.

### ***Capital Equipment***

Capital equipment in a business means all assets of useful lives of more than one year.

Examples are types of machines, equipment, vehicles, furniture, and computers. Capital equipment, as assets in your business, has value that decreases with use. This loss in value on capital equipment is called depreciation. Contact your nearest Revenue Canada office to get current information on allowable depreciation.

The capital equipment section of your financial plan needs:

- A list of all capital equipment needed to start the business
- Estimated costs for each piece of equipment, new and used
- Sources of equipment
- The useful life (in months) of each piece of equipment
- Monthly depreciation (cost divided by useful life in months) of each item
- Total capital equipment costs and total depreciation on equipment

### ***Start-up Expenses***

Expenses and costs are the same thing. All costs related to getting the business to the point where you have something to sell are summarized as part of start-up expenses. These start-up costs are figured separately from operating costs, which take over once the business opens its doors. Be realistic about the point at which the business can reasonably be expected to generate significant sales.

Start up expenses includes:

- Equipment and furniture
- Supplies and materials

- Inventory: stock or product ready to be sold on the first day of business
- Fees associated with setting up the business (professional fees, charges for producing business plan, costs of secured financing)
- Research costs
- Licenses and permits
- Deposits for public utilities and telephone
- Any renovations
- Marketing plan costs (advertising, promotion, publicity, grand opening, etc.)
- Memberships and subscriptions
- Any employee, staff, and time/labour costs
- Operating money: enough to carry you and your business for as long as it takes to reach a break
- Contingency money: a cushion for the things you overlooked or can't predict

### ***Income Statement***

The income statement is a way to figure out profit or loss, before income tax (rural areas), for each month, and for each year of operation. Projected income statements are usually done by month for the first year of operation and by quarters (every three months) for Years 2 and 3.

To forecast business income, you need these projections, for each month: sales, costs of production, operating expenses (labour and non-labour/overhead), and depreciation on capital equipment.

<b>Costs of Production + Operating Expenses + Depreciation = Total Operating Expenses</b>
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For complete financial projections, you will also need to work out a figure called **gross margin**, which is the cost of production subtracted from sales.

<b>Sales – Cost of Production = Gross Margin</b>
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To find net profit or net loss (before income taxes) for each month, subtract totally operating expense from gross margin.

<b>Gross Margin — Total Operating Expenses = Net Profit (Loss) Before Tax</b>
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### ***Cash Flow***

A cash flow forecast or projection shows how money will come in and go out each month over a period of time, typically a year. The cash flow is the spine of the business plan. Money coming in is shown as revenue, money going out as expenses. The two together shows how cash flows through the business. Expenses and revenue are listed fully in the month they are expected to occur. A cash flow forecast shows when the business may have money going out but none coming in, so it is an important management tool. You can use it to monitor actual expenses against planned expenses. Just as with sales forecasts, cash flow forecasts are usually done for Years 2 and 3 by quarters.

Cash coming in is called cash receipts. Cash going out is called cash disbursements. For cash flow, these are estimated and monitored on a monthly basis. If cash receipts are greater than cash disbursements, the business has a positive cash flow. If the flow goes the other received, the business has a negative cash flow. Cash flow projections total the value of ALL cash receipts and ALL cash disbursements for each month in a 12 month period.

- Cash Receipts  
*Money in: cash sales, accounts receivable, loans outstanding, petty cash. You need TOTAL CASH RECEIPTS for the cash flow statements. You need TOTAL CASH RECEIPTS for the cash flow statements.*
- Cash Disbursements  
*Money out: purchases, salaries, payroll, rent, utilities, capital equipment purchases, accounts payable, loan payments, owner's withdrawals, or dividends. You need the TOTAL CASH DISBURSEMENTS for the cash flow statements.*

Actual cash flow statements (not a projection) are prepared at the end of each month of operation. A monthly beginning cash balance is the starting point for each month's cash

flow figures. After the first month, this figure is brought forward from the previous month as the Cash Balance:

$$\text{Previous Cash} - \text{Total Cash Disbursements} + \text{Total Cash Receipts} = \text{Cash Balance}$$

While the arithmetic is not difficult, you can see why getting organized from the beginning is so important in a business.

### ***Balance Sheet (Net Worth)***

The balance sheet shows the balance between business liabilities and assets, plus your businesses net worth - what you have invested. A bank requires a balance sheet to evaluate what the business owns, outstanding loans, and the capital you have invested in the business. The balance sheet consists of a list of your assets at your cost, your liabilities or debts, and your equity or ownership in the assets. It is snapshot of your business frozen at a point in time, one of the reasons why the date is usually included in the heading on a balance sheet.

**Assets:** Things of value that you or the business own, such as:

- Current assets: these include cash, inventory, prepaid expenses, and accounts receivable
- Fixed assets: items with a useful life over one year

**Liabilities:** Debts or money the business owes. This includes:

- Current liabilities: financial obligations you must meet in a year
- Long-term liabilities: any liability for which payment continues for more than a year

**Net Worth:** The balancing mechanism between assets and liabilities

$$\text{Assets} - \text{Liabilities} = \text{Net Worth}$$

All of this financial information can be very confusing and overwhelming. It might be best to contact an accountant or bookkeeper to learn more about keeping the finances of your business organized.

## Tracking Your Business

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The following section should help you understand the basics of keeping business records.

### Business Systems

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Basic record-keeping systems include:

#### ***Business Reference Manual***

The research you're doing on a home-based business is hopefully all in a binder or portfolio. That information and the decisions you make about your business will be organized in two forms, a written business plan, and a business reference manual. Standard sections for a business reference manual include:

- General business information
- Responsibilities
- Communications
- Typing and word processing
- Travel
- Filing systems
- Equipment and supplies
- Client and customer information

If you only follow one piece of advice given here, make it this one - set up a business reference manual. Advantages include the obvious ones of keeping key information organized and accessible, plus less obvious ones of making delegation easier, increasing efficiency, and reducing unproductive time. A business reference manual really shows its worth when a business expands, needs to train new employees, or upgrades the skills of existing ones.

## ***Filing Systems***

Many people don't know how to set up a filing system, which means they end up using files to store papers but they can't retrieve information. The key to good information management is access and retrieval. Whatever filing system you set up has to be one you can get files from, efficiently, when you need them. The following are some examples of filing systems:

- *Chronological file*  
A chronological file is a running record of everything you send out from your business by date, with the most recent at the front or top. Start a new chronological file at the beginning of each year.
- *Contacts file*  
Use a revolving card file (rolodex), file cards in a plastic or wooden index card box, business cards in a plastic folder, a binder with removable pages arranged alphabetically.
- *Working files*  
Working files is a general name for what are also called current, active, or pending files. The files you need all the time are considered working files, if you use colour, these should be a small number of immediately visible files.
- *Electronic files*  
Maintaining electronic files is easier if a simple system is followed from the beginning of your business computer use. Make sure that the internal clock, built into most business computer systems, is activated and use it to store the file with the date and time the work was done.

## ***Inventory Records***

Much service, retail and business capital can be tied up in stock. Keeping control of that stock is called inventory. It can be a time-consuming task. Inventory records should help. Two methods of keeping records to manage inventory are physical inventory and gross margin. Physical inventory is a counting and listing of the number and value (cost and retail) of all the items on the premises.

This method is obviously very accurate, but time-consuming. It can be expensive to hire people to take inventory, but a physical inventory might only be done once a year. The gross margin method is an estimate, often done before regular physical inventories. Discuss this method with an accountant or bookkeeper.

## Financial Records

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You are legally required to keep these records, and you need them. Financial records tell an owner/operator how efficiently a business is being run, and where changes may be needed to cut costs, maintain quality, or increase return. Within a financial plan is the organizational structure a business needs to keep track of the following:

- Total income and total expenses
- All money owing to the business-accounts receivable
- All money owed by the business purchases and expenses, accounts payable
- Petty cash and deposits
- Journal and general ledger
- Each customers' account (if credit is given)
- Equipment and depreciation allowance
- Inventory
- Payroll record (if a business has employees)

### ***Money Coming In (Accounts Receivable)***

A summary of sales and cash should always be current with these categories:

- Cash receipts, including sales, collections, and miscellaneous income
- Cash on hand, money on premises, cheques, and petty cash

- Total sales, cash and credit

The Accounts Receivable file is the business file in which to put accounts owing money (those paying installments, or at the end of thirty days). It is important to keep this part of the financial records of incoming money up-to- date and active.

### ***Money Going Out (Accounts Payable)***

Keep track of all of your money going out of the business. Pay by cheque, recording payments in a chequebook by date, amount, payee, and purpose. Mark each invoice with payment information. Put these documents in a “Bills Paid” file kept with the accounts payable file. Keep bills not yet paid together in that brightly coloured “Accounts Payable” file.

### ***Petty Cash Fund***

A person starting a home-based business runs a risk of losing any separation between his or her home and work expenses, especially with out-of-pocket expenses. Avoid this by setting up a petty cash fund. Petty means small and what small means depends on how much ready cash you need in the course of business. \$100.00 is usually a reasonable float or starting fund for petty cash. As payments are made for incidental expenses, such as postage, list the item and the cost, and pay yourself back from the business fund. A chronological, itemized list of petty cash expenses per month, without receipts, is accepted by Revenue Canada. When the fund is nearly gone, summarize the items, file the recorded list, write another cheque for the exact amount expended, and cash it to bring the petty cash fund back up to \$100.00.

### ***Journal/General Ledger***

The journal and the general ledger are the heart of your financial record keeping system. A journal is a general, original record of financial transactions. Sales and purchases are entered directly into the journal, daily for businesses with daily activity. For businesses with less regular transactions, entries won't necessarily be every day, but the journal record should always be kept up-to-date.

A ledger is a principal book of accounts into which all transactions are entered into appropriate categories. For straightforward businesses, which most home-based operations are, a journal and general ledger can be combined into one financial record.

There are also a number of easy-to-use computer software programs that are designed to help you in this area of your business.

## **Extending Credit**

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Providing financial arrangements for customers can increase sales. In that way, credit is a sales tool. However, managing credit requires setting up and keeping good records.

### ***Handling Accounts Receivable***

Of particular importance is how you manage your accounts receivable. As with other parts of a credit program, managing accounts receivable means learning to use records. Divide accounts receivable into three categories; 30, 60, and 90 days. A written letter will clean up most 30 and 60 day overdue accounts, while a telephone call can usually clear up 60 and 90 day overdue accounts. A standard recommendation for small businesses is to use a credit collection agency after 60 days and before 90 days.

### ***In-House Credit Program***

It's common in any business to have to wait for payment. Customers are billed or invoiced. Most credit programs charge interest after the allowable payment period. Financial plans have to consider the costs of carrying slow payments as well as bad debts. Payment delays can occur for many reasons. Have a contingency or back-up plan in place for times when payment takes months to arrive.

### ***Credit Cards***

Credit card companies survive on the percentage of card sales that businesses pay them. These percentages run between 3% and 6%, depending on volume and average sale. Businesses with low sales tend to pay a higher rate. A credit card program has these advantages over an in-house program.

- The business owner doesn't have to run a credit check

- You get your money right away; the risk is less
- You save the time needed to bill customers for credit sales
- Most of the buying public have and use credit cards

## **Managing Your Home-Based Business**

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### **Managing Is More Than Coping**

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To manage a business means more than just running it. Not everything is predictable, unexpected changes happen often. The best plans are unable to anticipate the future, that's where a manager comes in. To manage means to direct or to control.

An entrepreneur is a person who uses good information and business understanding to direct and control an operation. This decision-making responsibility is a part of the appeal of a home-based business. It can also be daunting for people whose experience doesn't include being a manager.

Decision-making is a skill, like so many others introduced in this manual, that can be learned and that is strengthened through experience.

A problem with managing a business instead of running it (or letting it run you) is that much of what is involved in good management is invisible. It's easier to work with tangible things, things you get your hands on, things you can physically see, or to talk with someone about daily operations, than it is to do the dogged brain work of managing a business. Much of that brain work involves looking into the future, like your financial plan which is based on projections.

The **four** key projections needed for regular business management are:

#### **1. Business Concept: What are you selling?**

- Estimate all the costs of producing an item or providing a service, and making the business concept available in the market; include supplies and materials, time/labour and overhead.

**2. Marketing: How will you get it to buyers?**

- This includes all marketing and distribution costs (costs of getting your product into the hands of customers).

**3. Operations: How will you run your business?**

- This includes all operating procedures and expenses. You should always be looking to improve efficiency because this is one way to keep costs low and be competitive.

**4. Finances: Will you make money?**

- This means that the money coming in should be more than the money you are spending.

Future gazing can never be accurate, but you will get better at predicting costs, trends and market demand as your business experience grows. Business records give a running record of estimates and reality. The adjustments needed between the two will lessen with time and experience. Factors not anticipated can be added to plans, steadily reducing risk and unpleasant surprises.

## Good Management Works With Business Cycles

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Business cycles in our economy follow a predictable pattern. Understanding and working with those business cycles can prevent you from making costly mistakes. If you don't understand, or worse yet, ignore how business cycles affect the overall economy, you may make the right business decision, but at the wrong time. For example, a business producing custom made windows won't want to expand when housing stats are down and construction is slow. The particular form that these business cycles take in your trading area and industry can be better understood by talking with local people and industry contacts, and by steadily adding to your knowledge of current business affairs.

## Management Skills and Personality

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Personal style is the name given to the general way that a person approaches things. Certain personal styles make managing seem easy, and others make it seem impossible. Management skills can be learned and strengthened, usually most efficiently from an honest assessment of strengths and weaknesses. Refer back to the work you did in the section on “Assessing Your Situation” in this manual. Consider what you’ve learned so far in business research or through experience, and the following tips to assess your present management capacity.

### ***Working with People***

The relationships that connect you to your banker, suppliers, clients or customers, service providers, bookkeeper and other professionals are the lifeblood of your business. Certain relationships have particularly important effects on the success of a home-based business.

- *Family: Finding and keeping a balance between work and home life can be difficult in a home-based business. Earlier sections covered the importance of thinking about this before start-up. It’s just as important to keep the potential effects in mind as your business gets established.*
- *Banker: Two important suggestions are to develop a good working relationship with your banker or lender and to keep backers informed about good and bad business developments.*
- *Suppliers: A solid relationship with suppliers can be built over time, especially if you live up to your end of agreements and pay bills on time. Don’t expect more of suppliers, in terms of credit or special prices, than they at a fair price are the foundation for the best can give. Everyone in business is juggling different demands and pressures.*
- *Customers: Even if you never see them, your relationship with people who buy your product or service is, in the end, the most important one for you and your business. High quality products or services provided at a fair price are the foundation for the best business relationship.*

Keys to managing these relationships include delegating responsibly, and giving credit where credit is due so that family, employees, and business contacts feel recognized and worthwhile.

### ***Managing Your Time***

The way you manage yourself and your business in relation to available time may make the difference between you and the competition. This is particularly true in a home-based business because at home, there are always other competing things to be done. Learning to manage time is continuous, ongoing, and difficult work. But the rewards can be great – reduced stress and pressure, increased productivity, a sense of security and accomplishment, and real management.

Remember: Effective management of time can be the difference between success and failure.

Here are 10 time-management strategies that you may find useful:

1. Practice setting priorities and working on them on a daily and weekly basis. You may want to create a list and divide your tasks under the following headings:
  - A. Must be done
  - B. Should be done
  - C. Could be done
2. Pick one area where you tend to procrastinate and work at changing that. For example, if you put off starting work each morning, set a schedule with a certain starting time and work at following it.
3. Give yourself deadlines and work at following them.
4. Try to develop the habit of handling things once. If something is a priority, deal with it.
5. Try to do the difficult parts of a job first or the things that you're afraid will be difficult. Get the big jobs or unfamiliar tasks out of the way.

6. Divide your work into blocks that you know you can finish in the time you have available. Don't overextend yourself and stick to your set schedule.
7. Don't be paralyzed by your desire for perfection or excellence, or for the "right way" to come to you.
8. Set up a new routine that clearly contrasts with the one you're trying to break. Don't make exceptions until the new habits are established. Take a break, on schedule, without exception may be the key to change.
9. Learn to say "NO." Don't waste time feeling guilty or anxious about what you can't do.
10. Efficiency is doing the job right; effectiveness is doing the right job. Don't become rigid in your approach to time management. A little flexibility will keep you open to opportunities.

## Managing Business Finances

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### ***Where to Look for Operating Capital***

At different times and for different reasons, many businesses need to find an infusion of working capital. This could be due to a boom, a rush of orders, an expansion, a move to another business location, or to tide the business over a period of unexpectedly low sales. Sources for startup capital may also be sources of operating capital — family, friends, and lending institutions. Because an established business has a track record, and tangible or real assets, it can be easier to borrow money for operating than for start-up.

Other possible sources:

- Have customers leave a deposit for orders
- Stagger product deliveries to match sales, so the business isn't stuck with a large inventory
- Take goods on consignment, which means you don't pay until an item sells
- Obtain supplier credit

- Take the full time allowed to pay your bills - in a cash flow crunch, the hope is you will have sold the products when your suppliers bills come due
- Consider sharing the work with a partner
- Sell overdue accounts to a collection agency
- Merge with another company
- Seek venture capital

### ***Taxation and the Home-Based Business***

According to the *Canadian Income Tax Act*, all money you spend for the purpose of gaining or producing income can be deducted from your business and full time employment income. If you work out of your home, you can deduct a portion of your telephone and rent, lease, or mortgage expenses. Check with your accountant.

A reasonable portion of vehicle expenses, office equipment, furniture and supplies, business stationary and relevant books can be deducted. If you already own these, you can transfer them to your business at “fair market value” and still use the tax deduction.

Depreciation of equipment may also qualify as a deduction. Depreciation rates on equipment are set by Revenue Canada as part of taxation laws; these rates are different for different categories of equipment.

Again, if you are operating an unincorporated business (either as a sole proprietorship or partnership) in reserve land and if you have Indian Status under the *Indian Act*, business incomes are tax-exempt. The criteria for exemption have been outlined previously, and it is always recommended to check with your professional assistance (i.e. lawyer and/or accountant).

### ***Goods and Services Tax (GST)***

Every business that has annual sales of \$30,000 or more must register and collect GST on their sales. In addition, they must file a GST return reporting the RST collected on their sales and the GST paid on their purchases. However, if your annual total revenue is less than \$30,000, under legislation you are defined as a “small trader” and you have the option of dropping out of the system. To do so requires no special form; you simply don’t register with the federal government. This means that small traders need not

charge GST on what they sell as long as they continue to stay below the \$30,000 threshold.

You may, however, choose to register even if you are a small trader. While the option of not registering may be attractive to small businesses that fall within the small trader definition, think carefully before choosing it. While claiming to be a small trader and not registering will save you the time and cost of administering (collecting and remitting) GST, it also means that you pay on all supplies and services you purchase for your business cannot be claimed back. As a small trader, you become, in effect, a consumer not a business in the context of GST. In practical terms, this means that all the costs of a small trader (except salaries, on which there is, no GST) will rise significantly under the system. The overall effect on your competitiveness will almost certainly be negative.

Deciding whether to claim small trader status is fairly straightforward. You simply need to calculate your taxable expenses for the year and determine whether the % you paid is worth the cost of registering and doing the paperwork of collecting and administering the GST. You also need to decide whether you can stay competitive if your expenses increase due to having to charge GST.

## Handling Volume

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You've got a great product or service. Your business is on solid foundation. Your marketing program is starting to pay off, with orders first trickling and then rolling in.

For many new businesses, that wave of orders can come crashing down if they are not prepared to handle the volume of success. When you develop your marketing plan, be realistic about what you can handle. As your business gets established, regularly check back to see if you were realistic, or whether you need to make adjustments in what you can produce. Have back up plans for the additional financing, equipment, supplies and labour, the business needs to meet different levels of production volume. Don't promise what you can't deliver.

A difficult aspect of handling unanticipated volume may be learning how to say "NO." Consultants, in particular, often face the dilemma of being offered a contract or project of interest when they are already overextended. Each situation is different, you want to

accept a contract or project that you know will be demanding because of what it might lead to. In other cases, the best thing may be to turn down a tempting contract because your realistic assessment is that you wouldn't be able to maintain quality or produce on schedule as required.

## Taxation Records

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First, a few words about taxation: You pretty much have to pay for it (or, file for it depending on your exemption status), so you might as well get accustomed to using tax records. They have benefits other than avoiding CCRA audits, though.

Good taxation records may be able to help you identify the sources of your income. During the conduct of your business, you may receive cash or property from many different places; if you don't have records showing your income sources, you may not be able to prove that some sources are non-business or non-taxable.

Well-kept records make it easier to identify tax deductions. Good records serve as a reminder of deductible expenses and input tax credits. If you don't record your transactions, you may forget some of your expenses or input tax credits when you prepare your income tax or GST/HST returns.

Well-kept records also make the job of CCRA auditors easier, if they for some reasons see fit to audit your business. If your records are so incomplete that auditors cannot determine your income from them, the auditors will have to use other methods to establish your income. This will cost you time. If your records do not support your claims, they could be disallowed.

Good tax records will help you keep track of your overall financial situation. You need good records to establish your profit or loss, and the value of your business. Information from good records can also tell you what is happening in your business, and why. The successful use of tax records can show you trends in your business, let you compare performance in different years, and help you prepare budgets and forecasts.

Finally, properly prepared books may assist you in securing financing from lenders. Creditors need accurate information about your current financial position before they

give you a loan. You can't give them this information if you don't keep organized records. Also, good records show potential creditors that you know what's going on with your business.

All records such as paper documents, as well as those stored in an electronic medium (e.g., flashdrive, CD-ROM), must be kept in Canada, or made available in Canada at the request of the CCRA. You can keep these documents outside Canada if you get written permission from them first.

### ***What Records Should You Keep?***

Make sure you keep orderly records of all income you receive through your home based business. Also, keep all receipts, invoices, vouchers, and cancelled cheques indicating money going out, including:

- Salaries and wages
- Operating expenses such as rent, advertising, capital expenditures
- Miscellaneous items, such as charitable donations

If you import goods into Canada, your records must substantiate the price you paid for imported goods, and list their origin and description. They must also include any documentation about the reporting, release, payment of duties and taxes.

Whichever accounting or record-keeping method you use, your records must be permanent. They must contain a systematic account of your income, deductions, credits, and other information you need to report on your income tax and GST/HST returns.

Furthermore, you must retain books and records (other than certain documents for which there are special rules) for six years after the goods are imported or exported, for six years from the end of the last taxation year to which they relate for income tax, or for six years from the end of the year to which they relate for GST/HST purposes. The minimum period for keeping books and records is usually measured from the last year you used the records, not the year the transaction occurred, or the record was created. You have to keep every book and supporting record necessary for dealing with an

objection or appeal until it is resolved and the time for filing any further appeal has expired, or until the six-year period mentioned above has expired, whichever is later.

Records must be kept for a period of seven years as it relates to your business, unless permission is granted by the Minister for the early destruction of those records. Ministry of Finance auditors will estimate the value of the Retail Sales Tax owing if complete and accurate records are kept.

## Privacy Concerns

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In January 2004, the Canadian Federal Government enacted the *Personal Information Protection and Electronic Documents Act (PIPEDA)*. This legislation establishes an oversight commission for privacy rights in Canada, and has many specific impacts to the conduct of business.

This act places strict controls on the acquisition, storage, and disclosure of personal information commonly gathered in business activities. The information commonly displayed on business cards (name, address, publicly-listed telephone numbers, and possibly email address, employer, and position) is the limit of personal information that can be kept on an individual. All other information you may require to do business with an individual may be gathered, but only with their consent to the gathering of that information and to how you will use and disclose that information.

Your business will need to develop a privacy policy that dictates how you treat personal information you receive from customers/clients. Personal information includes names and contact information, as well as credit card information and numbers from Status Cards. Listed below are “privacy principles” or “fair information principles” that are included in PIPEDA.

As a business that collects personal information from customers/clients, you will need to develop a privacy policy which includes the following principles:

### **Principle 1 — Accountability**

*The business is responsible for personal information under its control and shall designate an individual or individuals who are accountable for the business's compliance with the following principles.*

### **Principle 2 — Identifying Purposes**

*The purposes for which personal information is collected shall be identified by the business at or before the time the information is collected.*

### **Principle 3 — Consent**

*The knowledge and consent of the individual are required for the collection, use, or disclosure of personal information, except where inappropriate.*

### **Principle 4 — Limiting Collection**

*The collection of personal information shall be limited to that which is necessary for the purposes identified by the business. Information shall be collected by fair and lawful means.*

### **Principle 5 — Limiting Use, Disclosure, and Retention**

*Personal information shall not be used or disclosed for purposes other than those for which it was collected, except with the consent of the individual or as required by law. Personal information shall be retained only as long as necessary for the fulfillment of those purposes.*

### **Principle 6 — Accuracy**

*Personal information shall be as accurate, complete, and up-to-date as is necessary for the purposes for which it is to be used.*

### **Principle 7 — Safeguards**

*Personal information shall be protected by security safeguards appropriate to the sensitivity of the information.*

### **Principle 8 — Openness**

*A business shall make readily available to individuals specific information about its policies and practices relating to the management of personal information.*

### **Principle 9 — Individual Access**

*Upon request, an individual shall be informed of the existence, use, and disclosure of his or her personal information and shall be given access to that information. An individual shall be able to challenge the accuracy and completeness of the information and have it amended as appropriate.*

### **Principle 10 — Challenging Compliance**

*An individual shall be able to address a challenge concerning compliance with the above principles to the designated individual or individuals accountable for the business' compliance.*

A final note on privacy: The legal implications of using another person's personal information in the conduct of your business should be discussed thoroughly with your lawyer.

## **Using Your Business Plan to Evaluate Your Business**

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Your business plan can be the basis of evaluation in two ways. Use it as a part of your ongoing review, as you regularly monitor things in the business. Once a year, do a more formal review of business performance against planned performance. For this annual review, the written business plan will be invaluable. The annual review is the time to check back on the projected progress points laid out in your plans. Did you achieve your goals? Were your projections accurate? Such an annual review is often done as part of completing tax return. What you learn from previous year should be applied to the coming year.

This approach to evaluation shows how useful a written plan can be in managing a business. This manual has given you a framework, and walked you through the information you need to consider about starting a home-based business.

## ***Evaluating your Marketing Strategy***

Having a well-researched and well-written business plan means you have a good foundation to work from. You will continue using your plan even after your business has started by regularly referring to it and making changes to keep it current and updated. Establishing a marketing strategy is an important part of the business planning process; evaluating the market strategy as it progresses is also an important part. It involves watching how all the different parts of your marketing plan work, and how well they fit together to support sales. A focus on the market, regular analysis of your market strategy, and persistence are critical to marketing and to the success of your home-based business. Some ways you can evaluate your marketing strategy are:

- Choose the best places for spending your money
  - *Keep your short and long term business goals clearly in mind when deciding how to allocate your money.*
  - *If you are trying to build a base of customers with a certain profile, choose the methods that are known to work or that you find do work to reach that group.*
  
- Keep track of what is working
  - *Promotions and advertising including “Tell them you saw it in...” allow a business to keep track of the effectiveness of its marketing dollars. Other methods include coding coupons or brochures, and asking customers directly.*
  
- Regularly check what marketing costs are being converted into sales
  - *Stop spending money for things that don’t convert into sales.*
  
- Make sure you budget enough for advertising and promotion
  - *This area of business is often the first victim of a tight budget. However, advertising and promotion are necessary for the customer to find out about the business. Advertising and promotion expenses, therefore, are essential business expenses, and should only be reduced when absolutely necessary.*

Keep your business legal. Organize yourself and your business records. Evaluate your situation and progress regularly; continue to do what works and stop doing what doesn't. Don't lose faith in yourself. GOOD LUCK!

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## **APPENDIX I: Further Resources**

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The *Home Based Business Guide* has been prepared as a starting point for Nishnawbe women in remote Ontario First Nations. Here are some additional resources that you might find useful.

### **Business Start-up and Funding Resources**

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➤ *Nishnawbe-Aski Development Fund (NADF)*

<http://nadf.org/>

Nishnawbe-Aski Development Fund (NADF) is Nishnawbe owned and controlled organization delivering business and financial services to the First Nations of Nishnawbe-Aski Nation. NADF's vision is "To be a sustainable leading Nishnawbe-owned business and financial services organization."

NADF offers the following services:

- business financing,
- business development and support,
- youth entrepreneurship development and support,
- community economic development and support,
- resource sector support and services, and
- contribution financing through Nishnawbe Business Canada.

For more information:

(807) 623-5397

➤ *Nishnawbe Business Canada (ABC)*

<http://www.ainc-inac.gc.ca/ecd/ab/abc/index-eng.asp>

ABC is an Indian and Northern Affairs Canada program that provides support to Nishnawbe entrepreneurs for a range of activities including business planning, start-up, expansion and marketing.

Services for eligible majority-owned Nishnawbe enterprises include:

- financial assistance;
- business information and resource materials; and
- referrals to other possible sources of financing or business support.

A helpful book detailing ABC's services can be downloaded at: <http://www.ainc-inac.gc.ca/ecd/ab/abc/abcnu-eng.pdf>. The Business Proposal Form for funding can be filled in online at: <http://www.ainc-inac.gc.ca/ecd/frms/abc/81-001-eng.pdf>

- *The Nishnawbe Business Development Fund (ABDF)*  
[http://www.bdc.ca/en/iam/Nishnawbe\\_entrepreneur/Nishnawbe\\_fund.htm](http://www.bdc.ca/en/iam/Nishnawbe_entrepreneur/Nishnawbe_fund.htm)

ABDF is a program that provides tools for Nishnawbe entrepreneurs who choose to start their own businesses. The funds are available through a community-based organization.

- *Nishnawbe Ontario*  
<http://Nishnawbeontario.com/sitepages/>

Nishnawbe Ontario is a website that provides links to help you start up a business and also has stories about successful Nishnawbe business owners. Click on the link below to read about Lac Seul Resort: <http://Nishnawbeontario.com/sitepages/content.asp?contentid=148&maincat=Last+Edition>

- *Business Development Bank of Canada (BDC)*  
<http://www.bdc.ca/en/home.htm>

BDC offers specialized capital financing for Nishnawbe entrepreneurs wanting to expand an existing business or start a new one, on or off a reserve in Canada. Financing possibilities include:

- business start-ups;
- fixed assets such as land, buildings, or new/used equipment;
- purchasing a production line or automating your current one;
- increasing support for inventory and receivables to boost sales;
- provide working capital for developing new markets and products;

- development of e-business initiatives such as Internet sites, intranet, or extranet; and
- exploring new export markets.

For more information:

Toll-free: 1-877-232-2269)

E-mail: [info@bdc.ca](mailto:info@bdc.ca)

➤ *Service Ontario: Business Registration and Renewal*

[http://www.ontario.ca/en/services\\_for\\_business/STEL02\\_039990](http://www.ontario.ca/en/services_for_business/STEL02_039990)

Use this website to register your business on-line. The cost is \$60 and is payable by credit card. You can also use this website to register for Ontario Ministry of Revenue for the Retail Sales Tax (RST).

➤ *Canadian Youth Business Foundation (CYBF)*

<http://www.cybf.ca/entrepreneurs/index.php>

CYBF is a national charity dedicated to growing our nation's economy one young entrepreneur at a time. We look at character not collateral, when providing youth, age 18-34, with pre-launch coaching, business resources, start-up financing and mentoring, to help them launch and sustain a successful entrepreneurial business.

➤ *PARO Centre for Women's Enterprise (PARO)*

<http://www.paro.ca/index.php?pid=8>

PARO has helped thousands of women across Northern Ontario to start, grow, or build new business opportunities. PARO offers a diverse portfolio of women-centred programs and resources including:

- Business plan development and business counseling
- Small business loans through peer lending funds
- Professional development workshops and training
- Assistance with grant/loan/funding applications
- Links to employment and training resources
- Networking events

- Retail outlet marketing and training programs
- Incubator facilities offering affordable and shared office space
- Resource Centre with access to computers and the internet
- Mentoring and confidential advisory services

For more information:

Tel: (807) 625-0328

Toll-Free: 1-800-584-0252

Email: [info@paro.ca](mailto:info@paro.ca)

➤ **Northern Ontario Heritage Fund**

[http://www.mndm.gov.on.ca/nohfc/program\\_northern\\_entrepreneur\\_e.asp](http://www.mndm.gov.on.ca/nohfc/program_northern_entrepreneur_e.asp)

NOHF's Northern Ontario Entrepreneur Program: Supporting Entrepreneurship Opportunities across the North is a program that provides northern residents with funding to start their own business.

For more information:

Toll free: 1-800-461-8329.

email: [nohfc.ndm@ontario.ca](mailto:nohfc.ndm@ontario.ca)

➤ **Industry Canada: Programs and Services**

[http://www.cipo.ic.gc.ca/eic/site/ic1.nsf/eng/h\\_00006.html](http://www.cipo.ic.gc.ca/eic/site/ic1.nsf/eng/h_00006.html)

This website has good information, including: programs for funding, instructions about searching if the name you've chosen for your business is already used, an description of information intellectual property rights and tools for financial management.

## Internet Resources

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### A. Online help for writing a Business Plan:

- [http://cgi.scotiabank.com/planwriter/scotia\\_sb.html](http://cgi.scotiabank.com/planwriter/scotia_sb.html)

An easy-to-use interactive planning tool will help you create an effective business plan.

- [http://www.bplans.com/sample\\_business\\_plans.cfm](http://www.bplans.com/sample_business_plans.cfm)

Free sample business plans for a variety of different businesses.

### B. Marketing Resources:

- The Nishnawbe-Aski Arts, Crafts & Photography Website  
<http://arts.knet.ca/>

This website was created for the First Nation artists, crafters, and photographers of the Nishnawbe-Aski territory to showcase their beautiful creations. The current gallery is full of images from artists who have kindly consented to have their beautiful works of art displayed. Through creating a user account, artists can showcase their artwork and add digital photos of their work for potential customers to view online.

- <http://tutorials.knet.ca/>

This user-friendly web site will start you on your journey in creating a webpage to describe your services and/or products. This user-friendly learning tool will guide you through the steps to create a webpage to promote your business. Here's an example of a homepage of web-based business:

<http://www.nativefabric.com/>

- <http://www.webnames.ca/>

This website will help you register your business domain name. Other services available for purchase include:

- web hosting;
- web design;
- a web builder;
- web-name email services; and
- SSL encryption, a security certificate that ensures customers that their payment transactions on your website are secure.

### C. Sites for Women Entrepreneurs

- <http://indiebizchicks.com/wp/>

This dynamic website was created especially for women entrepreneurs. Created by an entrepreneur herself, this site gives you all sorts of ideas about everything from marketing to using social networking via the web to promote your business.

- <http://www.womenhomebusiness.com/>

This website delivers tools, information, and inspiration for women home business entrepreneurs to succeed. The website is developed to inspire women entrepreneurs by giving concrete examples that work. Although it has American content, it still has a lot of useful information.

### D. General Resources for Entrepreneurs

- Online Entrepreneurial Self-Assessment  
<http://www.potentialentrepreneur.ca/client/questionnairenewsection1en.asp>

Are you the entrepreneurial type? Here is a tool to help better measure your entrepreneurial potential. This questionnaire includes 50 statements, and will take about 15 minutes to complete. There are no right or wrong answers. Your honest rating is what counts.

➤ *The Northwest Business Centre*

<http://www.nwbiz.ca/nwbc/>

The Northwest Business Centre: The Northwest Business Centre provides a range of initiatives and programs designed to inspire entrepreneurship as a career – the aim of these initiatives is to motivate emerging entrepreneurs to develop their own entrepreneurial potential. Interactive workshops and seminars, a mentoring program, and services for youth entrepreneurs are some of the services the Centre offers.

➤ *Canadian Intellectual Property Office*

<http://www.cipo.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/home>

This website gives you information about patents, trademarks, copyrights, and industrial designs and how to apply for them.

## APPENDIX II: Self-Assessment Quiz

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Below you will find statements that you will either agree with or not. There is no answer key to this assessment. It is meant as a self-reflection tool to assess yourself and find out what strengths you have in relation to being an entrepreneur, which skills you need to develop and the areas of your life where you may need extra support.

	Yes	No
<b><u>Personal Assessment</u></b>		
1) I have determined my main motivation for starting a home business.	<input type="checkbox"/>	<input type="checkbox"/>
2) I have weighed the advantages/disadvantages of a home-based business.	<input type="checkbox"/>	<input type="checkbox"/>
3) I am a self-starter.	<input type="checkbox"/>	<input type="checkbox"/>
4) I have a high energy level.	<input type="checkbox"/>	<input type="checkbox"/>
5) I like making my own decisions.	<input type="checkbox"/>	<input type="checkbox"/>
6) I usually see the positive side in a situation.	<input type="checkbox"/>	<input type="checkbox"/>
7) I enjoy competitive environments.	<input type="checkbox"/>	<input type="checkbox"/>
8) I have will power and self-discipline.	<input type="checkbox"/>	<input type="checkbox"/>
9) I usually plan out activities ahead of time.	<input type="checkbox"/>	<input type="checkbox"/>
10) I need constant guidance and motivation.	<input type="checkbox"/>	<input type="checkbox"/>
11) I feel comfortable interacting with people.	<input type="checkbox"/>	<input type="checkbox"/>
12) I find it hard to adapt to new circumstances.	<input type="checkbox"/>	<input type="checkbox"/>
10) I get things done on time.	<input type="checkbox"/>	<input type="checkbox"/>
11) I prefer to take a leading role in most situations.	<input type="checkbox"/>	<input type="checkbox"/>
12) I like the challenge of juggling many responsibilities.	<input type="checkbox"/>	<input type="checkbox"/>
13) I usually procrastinate when I have to make decisions.	<input type="checkbox"/>	<input type="checkbox"/>
14) I usually finish what I start.	<input type="checkbox"/>	<input type="checkbox"/>
15) I take calculated risks.	<input type="checkbox"/>	<input type="checkbox"/>
16) I like coming up with new or better ways to do things.	<input type="checkbox"/>	<input type="checkbox"/>
17) I am adaptable to change.	<input type="checkbox"/>	<input type="checkbox"/>
18) I can control feelings of discouragement when faced with obstacles.	<input type="checkbox"/>	<input type="checkbox"/>

- 19) I usually stick to my plans even if others discourage me.
- 20) I like starting new and challenging activities.
- 21) I have self-management skills.
- 22) I have knowledge in the skills and areas of expertise that are critical to the success of my home-based business.
- 23) I generally believe in myself and my abilities.

### My Family and Household

- 24) I thoroughly discussed opening a home-based business with my family and household members.
- 25) I have the support of my family and household members for opening a home-based business.
- 26) We are all prepared to temporarily lower our standard of living in order to start a home-based business.

### Contacts and Resources

- 27) I have business advisors, mentors, and/or coaches.
- 28) I can find or recruit personnel who have the skills I lack.
- 29) I can find teachers to train me in the skills critical to my home-based business that I lack.

### Financial Resources

- 30) What percentage of my net worth am I willing to risk? \_\_\_\_\_%
- 31) I have determined how much of my own money, if any, can be used to start up my home-based business,
- 32) If I require additional investment in my home-based business, I know where and how to get it.
- 33) I can accept the possibility of losing my savings in the home-based business.

## APPENDIX III: Business Assessment

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**Product or service:** Describe your major products or services:

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**'Uniqueness':** Why do your products appeal to customers over those of your competitors?

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**Pricing/cost of goods:** How much does your product/service cost you to produce, including labour, materials, inventory and overhead? Expressed per hour, product unit or job.

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How are your selling prices arrived at, including profit margin and mark-up? In unit price, price per job or hourly rate?

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**Suppliers:** Who are your major suppliers, and what do they supply? How long have you been dealing with them? Where are they located and how long have they been in business?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Customers:** Briefly describe your primary customers (age group, sex, income level, plus any social, cultural or ethnic factors which may influence buying decisions).

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Have you done market research studies on future needs/wants of current customers? Potential new customers? If so, what were the results? How will this influence plans?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

How do you tell customers about your product? Describe your advertising program (newspapers, radio, television, flyers, etc.), including budget.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Facilities:** Describe your plants, offices, warehouses, etc.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Operations:** Describe your operating process, including operating cycle, any seasonal fluctuations in activities/operating assets and labour relations (if applicable):

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What are the major strengths of your business?

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What are the major hurdles facing your business over the next two years?

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Adapted from:

CIBC General Business Assessment, © Canadian Imperial Bank of Commerce, 2005

## APPENDIX IV: Strategic Planning for Your Business

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**Short-term objectives:** How do you see your business one year from now? How will your market share, revenues and profit increase?

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**Medium-term objectives:** How do you see your business in three years?

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**Long-term objectives:** How do you see your business in five years?

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How do you intend to increase your competitive advantage? Will you improve your products/services? Offer new products/services? Other?

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What are your research and development plans? What current research and development projects are underway?

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What are your pricing strategies and how will you adjust them to a changing market?

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Do you intend to expand your market area? How (by creating new business or capturing market share from competitors)?

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**Your facilities and workforce:** How many employees will you need to hire and what skills will be needed to take your business into the future?

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How much longer will your premises serve your business needs? Discuss plans and reasons for replacement of equipment, renovations to buildings or additions to either.

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***Financing or financial support required to achieve objectives***

**Financial objectives**

In the following table, provide highlights of your Two or Three Year Financial Plan, including projected financial statements (with underlying assumptions) and cash flow forecast for the next twelve months.

**a) Three year projected financial forecast**

	Year: 20__	Year: 20__	Year: 20__
Sales			
Net earnings			
Total assets			
Total outside debt			
Owner's equity			

**b) Details of all financing now in place or being requested**

Lender	Present Amount	Proposed Amount	Payments Required	Security Held or Available
Operating loans				
Term loans				
Other loans				
Other lender				
Other lender				
Owners/investors				
Other equity				
<b>Totals</b>				

*Adapted from:*

*Objectives, Strategies, and Plans © Canadian Imperial Bank of Commerce, 2005.4*