

The Business Plan Outline

These items are in the order they would appear in a finished business plan. Some sections like the cover page, table of contents and executive summary should actually be created later in the process. These sections are noted with an asterisk (*).

Cover Letter* -

If you are sending the business plan to the bank in the mail include an introductory cover letter.

Cover Sheet*

Full formal name of company ►►►
(Logo if you have one)

Legal ownership status ►►►►►
(Sole Proprietorship, Partnership,
S-corporation, LLC, etc.)

Full street address ►►►►►►►
(mailing address if different)

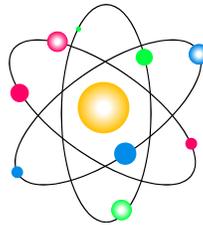
Phone, Fax, e-mail, web site, etc. ►
(home phone number optional)

Principal contact name and title ►►

Date the plan ►►►►►►►►►►►

Business Plan / Financing Proposal

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A Virginia S-Corporation

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Wile E. Coyote
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August 12, 200X

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Executive Summary*

This section is the most important section in the Business Plan in that it is read first and provides the reader with a comprehensive overview of your business.

Complete all other sections of your Business Plan **before** you write the Executive Summary, as it should contain a synopsis of the other sections, telling your story in a clear and logical fashion. The Executive Summary should not require more than two pages.

Information to be included:

- Name and type of entity
- Location and facility description
- Indicate whether a startup or existing business
- Brief description of the company, products, or services
- Owner(s) or other sources and amount(s) to be invested
- Brief summary of sales and profits (losses) from the last few years (if applicable) or first year's expectations (if a startup)
- Information on the market, your target market, competition and how you will promote and sell the product or service

The last section can include (if applicable):

- Amount of funding required, how it is to be used, and loan term
- Assets to be used as collateral
- How will the loan be repaid? Primary and secondary sources

Business Description

Company Profile

- Name, Address, Phone, etc.
- Owners (Duties, Backgrounds, Percentages, Positions, etc.)
- Legal form of business (Sole Proprietorship, Partnership, Corporation, LLC, etc.)
- History and/or start date of the business
- Recent sales and profit figures
- Business location and description of the physical facilities
- Classification of business (Retail, Wholesale, Manufacturing, Service, etc.)
- Business Advisors (Lawyer, Accountant, Banker, Insurance Agent, Industry Contacts)

Market Description and Analysis

Product or Service

- **Clearly** describe your product or service.
- Does it possess superior quality?
- Superior customer service?
- Differences that set you apart
- Features and Benefits:
 - Features are the Attributes
 - Benefits are what sell the product/service!
- What additional service will you provide?
- Explain any special training needed to sell or use it.
- Include all relevant regulations and laws that may affect its sale or use.
- Proprietary position (Patents, Copyrights, etc.)

Note: Although the written business plan should present the following subsections in the order shown, you will most likely have determined your target market first (see “Target Market” section below).

Marketing Research



Preliminary industry research will provide an overview of the possibilities for your business. Use charts, graphs, and tables if they can make the presentation clearer and more impressive.

- **Primary Data:** Marketing research that you conduct yourself:
- Telephone survey
 - Mailed questionnaire
 - Personal interviews
 - Focus groups

- **Secondary Data:** Information researched by the business through other sources accessed by internet search:
 - Industry Associations
 - Government Research Reports
 - Industry Profiles

Market Analysis & Strategy

- ❖ Description of total market
- ❖ Indicate what strategies are needed to sell to this market (price, promotion tools, communication messages, and distribution methods)
- ❖ Point out any political influences or factors
- ❖ Describe market coverage (local, regional, national, international)
- ❖ Industry Trends
 - ◆ Past - Brief explanation of product/service history
How long has the product been in existence?
 - ◆ Present - What is happening now in the market place?
 - ◆ Future - What developments do you see for the future?
Is the industry in an upswing/downswing?
Are there any societal trends or tastes that will influence the industry?



Target Market

- Develop a profile of your typical customer.
 - What customers form your core market?
 - Market segmentation.
 - Where are they found? Define your serviceable trade area (include a map).
 - Why will they purchase your product or service rather than another?
- Is there a large enough target market to support your product/service & generate a profit?
- Demographic Analysis
 - Age
 - Sex
 - Socioeconomic background
 - Income levels
 - Generational considerations
- Psychographic Analysis (Life-style)
 - Buying patterns
 - Consumer habits

Competitive Analysis

- List your nearest and strongest competitors.
 - How are their businesses doing?
 - How will your business be better than the competition?
 - What are strengths/weaknesses of your competitors?
 - What have you learned from looking at the competition?

 - Operational strengths and weaknesses
 - What does your product/service offer over the competition?
 - Locally or nationally owned and operated?
 - Their pricing strategy
 - Product/Service comparison – could be in the form of a comparison chart
 - Length of years in business
 - How do they advertise?
- How you intend to exploit the competitive advantage?
 - Don't trash the competition; they are probably doing something right.
 - Stress advantages of price, quality, warranties, service, and distribution.
 - Prepare a “knockoff” chart that compares your business to your core competitors. This quickly shows how your business will differentiate itself from the pack. **See examples on the next three pages.**
 - Show competitor locations on the map for “Serviceable Trade Area.”

Pricing Strategy

- Set objectives for the pricing strategy.
- Prices to be charged for the products or services.
- Low, medium, or high end price strategy?
- Market acceptance of your price.
- Can you make a profit at your selling price?
- Will you be discounting your pricing on a regular basis?
- Will you give trade or volume discounts?
- Break-even level. (Put a more expansive break-even analysis in the financial section. See the “Break-Even Analysis” on page 32.)



How Does Your Business Compare?*

(5 = superior - 1 = poor)

	My Business	Competition 1	Competition2	Competition 3	Competition 4
Products	4	4	2	2	2
Price	3	5	2	2	2
Quality	5	5	5	4	4
Selection	4	4	2	2	1
Service	5	2	3	3	1
Reliability	5	3	4	3	3
Stability	3	5	3	3	4
Expertise	5	4	2	2	2
Company Reputation	5	5	4	4	4
Location	5	2	5	5	4
Appearance	5	2	3	3	3
Sales Method	5	3	3	3	3
Advertising	4	5	3	3	4
Image	5	3	3	3	4
Total Score	63	52	44	42	41

*The data was gathered from an independent consumer group in June 2012. The participants in the survey have shopped at all four locations above. Scores were given based on the consumer's experience with each business.

EXAMPLE

Comparison of Primary Competition

(For a Sports Training Facility)

LEGEND

	=	Not offered
	=	Limited offering
	=	Full offering

	My Business	Competition 1	Competition 2	Competition 3	Competition 4
Miles from My Business	N/A	13	1	15	3
Vision Training					
Strength & Conditioning					
Fastpitch Programs					
Group Lessons					
Individual Lessons					
Clinics					
Camps					
Birthday Parties					
Pitching Machines					
Pro Shop					
Facility Lighting					
Age Ranges:					
3-7					
8-12					
13-18					
18+					
Parking					
Safety of Vicinity					

EXAMPLE

Competition Price Analysis

(For a Sports Training Facility)

Programs	My Business	Competition 1	Competition 2	Competition 3	Competition 4
Born to Play <3-7 yr> (per session)	\$15	N/A	N/A	\$10	N/A
Rookie Class <8-12 yr> (per session)	\$15	\$13	\$10	\$14	\$15
After School Academy <13-18 yr> (per session)	\$15	N/A	N/A	\$30	N/A
Birthday Party (per person)	\$20	N/A	N/A	\$18	N/A
Individual Lesson (1 hr.)	\$75	\$85	\$70	\$70	N/A
Individual Lesson (1/2 hr.)	\$45	\$50	\$40	N/A	N/A
Buddy Lessons (2p/hr.) PP	\$55	\$55	\$50	\$60	\$60
Buddy Lessons (3p/hr.) PP	\$45	\$40	\$40	N/A	\$45
Combo/Hitting/Pitching Classes	\$20	\$29	\$42	\$41	\$30
Diamond Strength Classes (1/2 hr. session)	\$20	N/A	\$30	N/A	N/A
Windmill Pitching Classes (1 hr.)	\$20	N/A	\$42	N/A	N/A
Specialty Camps (per day)	\$25	\$37	\$45	\$56	\$32
Summer Camps (5 days)	\$200	\$165	N/A	N/A	N/A
Tunnel Rentals (1 hr.)	\$50	\$60	\$80	\$60	N/A
Full Facility Rentals	\$225	\$225	N/A	\$200	\$150
Membership (Annual Cost)	\$480	\$225	N/A	N/A	N/A

EXAMPLE

You could also indicate any additional, indirect or secondary competition here, if applicable.

Promotional Strategy



- What promotional methods will you use and why? Remember to specifically match your promotions and advertising to the generation(s) targeted. You will need to research the benefits and cost of each method. Prepare a timeline chart showing the specific tactics you will use and their related costs on a monthly basis for the first twelve months of your marketing plan (see tactical examples immediately below and chart on next page).

- Newspaper
- Penny Saver
- Radio
- Television
- Direct Mail
- Flyers
- Brochures
- Direct Selling
- Trade Magazines
- Networking
- Business Cards
- Word-of-mouth

Web Design & Development

Mobile web/Smartphone apps
Hosting (Platform Selection)
Design & Maintenance

Internet marketing

Social Media Marketing
eCommerce
Search Engine Optimization/Marketing (SEO/SEM)
Internet Advertising
Social Advertising (Facebook, Twitter, LinkedIn)
E-mail Marketing
For Retailers: www.tripadvisor.com and QR Codes

- Detail how you are going to sell the product or service.
- What is **Y**our **S**elling **P**roposition (YSP)?

YSP is the benefit, appeal, or promise that you hold out to potential customers that no other competitor offers. But unless it motivates your prospect to take action, it is worthless.

Example of **YSP**:

Spring Lawnmower Tune-Up Special
\$29.95

“If it doesn’t start on the first pull, the tune-up is on us!”

- Cost analysis of advertising
 - What is your yearly budget?
 - Is it an amount developed from a zero base or a percentage of projected sales?
 - Complete promotional spending and timing chart (tie in with pro formas).

The Marketing Schedule – One-Year Presentation:

- A project flow chart.
- Work breakdown structure indicating all significant project components
- Project schedule of monthly tasks/milestones
- A network diagram, which visually depicts implementation
- A detailed budget – Monthly breakdown

Marketing Calendar First 6 Months in Business for Coffee Shop
(Should be Extended an Additional 6 Months and Totaled for Annual Costs)

	July	August	September	October	November	December	6 Mo. Cost	% of Total @ 6 mo.
Events and Promotions		Grand Opening; Provide Free Samples	Drawing for a free Pound of Coffee. Free Samples	Drawing for a free Pound of Coffee. Free Samples	Drawing for a free Pound of Coffee. Free Samples	Drawing for a free Pound of Coffee. Free Samples		
Cost		\$1,130.00	\$30.50	\$30.50	\$30.50	\$30.50	\$1,252.00	9.77%
Web Page	Develop web page; update monthly		Look for local businesses and community orgs. to cross-link sites					
Cost	\$25.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$85.00	0.66%
Direct Marketing	Mail Grand Opening notices	Coupon redemption	Mail "Free Cup of Coffee" coupons	Redemption of coupons				
Cost	\$4,172.00	\$70.00	\$4,172.00	\$70.00			\$8,484.00	66.23%
Advertise	Grand Opening Ad in Local Papers	Ads in Local Papers	Ads in Local Papers	Ads in Local Papers	Ads in Local Papers	Ads in Local Papers		
Cost	\$393.00	\$393.00	\$393.00	\$393.00	\$258.00	\$258.00	\$2,088.00	16.30%
Publicity	Pre-Opening Publicity; Signage; Invitations	Press Release about opening to Local Papers						
Cost	\$500.00	\$0.00					\$500.00	3.90%
Monthly Newsletter			Post to bulletin board and email to customers	Post to bulletin board and email to customers	Post to bulletin board and email to customers	Post to bulletin board and email to customers		
Cost			\$25.00	\$25.00	\$25.00	\$25.00	\$100.00	0.78%
Community		Provide coupons and sample ground coffee to places like school faculty, police and fire depts.		Provide coupons and sample ground coffee to places like school faculty, police and fire depts.		Provide coupons and sample ground coffee to places like school faculty, police and fire depts.		
Cost		\$50.00		\$50.00		\$50.00	\$150.00	1.17%
Businesses			(1) Provide coupons & sample ground coffee to area businesses. (2) Cross promos with local businesses		(1) Provide coupons & sample ground coffee to area businesses. (2) Cross promos with local businesses	(1) Provide coupons & sample ground coffee to area businesses. (2) Cross promos with local businesses		
Cost			\$50.00		\$50.00	\$50.00	\$150.00	1.17%
Monthly Cost	\$5,090.00	\$1,655.00	\$4,682.50	\$580.50	\$375.50	\$425.50	\$12,809.00	100.00%

EXAMPLE

Extend this for an additional six months.

Operations Plan

Distribution

- Methods and costs to get the product or service into the ultimate customer's hands.
- Target Area (Local, regional, state-wide, national, or international distribution)
- Sales Force Distribution
- Sub-Distributors, Dealers, Consignment, etc.

Location Synopsis

- Is the address important?
- What are the physical features?
- Is it leased or owned?
- Is renovation required?
- List of improvements and costs (put contractors' quotes in appendix section).
- What other types of businesses are in the area (retail, service, wholesale etc.)?
- Why is this location right for the business?
- What are the operating costs for this location (rent, electricity, sewage, phone, etc.)?

Logistics

- Current floor plans and expected future space plans for production and selling.
- Task/time charts and schedules.
- Describe the timing and sequential steps to bring the company up to full speed. Take it month by month for the first year and quarterly for the next couple of years. Make sure the cost and timing of these events are reflected in the pro forma statements.
- Show:
 - ⇒ Completion of Prototypes
 - ⇒ Significant contracts and orders
 - ⇒ When key people are to be hired
 - ⇒ Physical expansions or moves
 - ⇒ Opening of branches
 - ⇒ Trade show or convention dates
 - ⇒ Major equipment purchases, and so on.

Suppliers

- Names and locations of suppliers
- Terms and conditions of purchase
- Contact person
- Trade volume discount
- Minimum order requirements
- Product availability
- Shipping restrictions
- Exclusive rights to the product

Operating Regulations

(Federal, State, Local, Industry)

- Taxes
- Licenses required
- Zoning
- Insurance and/or bonding requirements
- Is there a need for Patent, Copyright or Trademark?
- Association fees

Human Resources

- **Management**
The quality of the management team often determines the potential success of the company. Background information of key personnel should include career highlights, accomplishments, and positions held. (Full resumes should be exhibits in the Appendix.)
- Organizational structure and chart
- Job description, roles and responsibilities of employees
- Service and employee contracts
- Details on advisors and associates
- Future human resource requirements

Risks, Problems & Future Plans

- Discuss high-profile, success-threatening risks and possible solutions or strategies to address them.
- Where do you want the company to be in the future (new products or services)?

Business Financial Information and Analysis

For Existing Businesses:

- **Income Statements, Balance Sheets, and tax returns from the last three years.**
- **Interim Financial Statements** (Year-to-date). Must be less than 90 days old as of the application date. To be safe, try to make them less than 30 days old when you put the package together.
- Include Accounts Receivable and Accounts Payable Aging Schedules.
 - Make sure all the dates on the interim financial statements match
 - All numbers on the supporting statements must agree with the Income Statement and Balance Sheet
- **List of all business obligations and terms**

Information Required/Recommended For All Businesses:

- ❖ **Complete list of Start-up Costs** (for start-up or expanding businesses). Cite sources for your estimates. (See examples on following pages.)
- ❖ **Pro Forma Statements** (projections) on a monthly basis for two years and on an annual basis for three to five additional years. Include detailed explanations for projected numbers (assumptions).
 - ❖ **Income Statements** (See Work Sheet #1 and #2, and their explanations/samples)
 - ❖ **Cash Flow Statements** (See Work Sheet #3 and its explanation/sample)
- ❖ **Pro Forma Balance Sheets** (Worksheet enclosed)
- ❖ **Personal Financial Statements** for all individuals owning 20% or more of the business. (See enclosed SBA Personal Financial Statement).
- ❖ **Break-Even Analysis**

The following pages describe how to construct preliminary projections. Your sales forecasts must be supported by past history, industry averages, demographic evidence, statistical evidence, survey results, seasonal trends, economic indicators, and marketing events scheduled.

The Alexandria Small Business Development Center is available to assist with the completion of your business plan. In order to have the most productive meeting possible, please compile as much information as you can before scheduling an appointment.

PLEASE NOTE THAT THE FOLLOWING INSTRUCTION PAGES SHOW INDICATORS AND/OR CALCULATIONS THAT PERTAIN TO SPECIFIC LINES IN THE SPREADSHEETS.

DO NOT SHOW THESE NUMBERS ON YOUR SPREADSHEET!

Start-Up Costs

Category	Cost	Note
Construction and Renovation		
Front of House Renovation & Construction	604,987	See Tab D for Builders' itemized estimates and IFC's conservative composite estimate
Back of House Renovation	604,987	
Equipment and Furnishings		
Kitchen Equipment	77,430	See Tab E: Kitchen Renovation and Reintegration Estimate (from ECR, Inc.)
A/V, Security, Surveillance, Fire Detection	80,000	See Tab E: Equipment List (GC Pro quote)
Point of Sales (POS) System	9,000	Linc Systems
Dining Tables and Chairs (incl Bar/Order Area)	41,000	Including sofas and easy chairs
Pool table (1) and foosball tables (2)	8,000	
Decoration Budget	30,000	
Smallwares	12,000	
Subtotal	257,430	
Development Costs		
Insurance (2 months)	1,910	See quote at Tab G
Accounting	1,000	
Legal Fees (start up)	5,000	Legal services to date \$3,488 (Subscription Agreement, Operating Agreement, Location Acquisition, Landlord Submission) and pending additional start up (\$1,522)
Architectural and Design Costs	7,000	Architect: Floor plan and mechanical drawings in hand; blueprints for permits pending; See scrolls (included)
General & Office	3,000	
Uniforms	1,000	
Subtotal	18,910	
Other Pre-Opening Expenses		
Partner Salaries		Operating partner and 3 working partners (one mo.)
Hourly Labor (training)	2,185	7 full days of training for 5 regular employees (\$7/hr); plus 3 days PT training for 3 servers (\$5/hr)
Initial Inventory	27,905	First month Cost of Sales + \$10,000
Lease cost (one month) or Security Deposit	17,572	Based on 2004 annual rate (incl. "Triple Net") plus 3% 2005 increase and 3% 2006 increase; to be negotiated w/landlord.
Initial Advertising, Promotional Materials, Logo, menu, Website	33,116	Pre-open and first month surge; reduce with lincolutions web set up
License and Permit Fees	3,450	B-Pro \$850; Food Service \$40; ABC \$220; others \$200; current tenant shows \$3452 for 2004
Pre-Opening utilities (July/Aug)	6,052	Previous tenant actuals for two months, estimated
Subtotal	90,279	
Summary		
Prior owner buyout - asset and good will offer	200,000	Price agreed per letter of intent (5/12) and acquisition agreement in negotiation (5/27)
Construction/Renovation	604,987	
Equipment/Furnishings	257,430	
Development Costs	18,910	
Other Pre-Opening Costs	90,279	
TOTAL OPENING COSTS	1,171,606	
Working Capital	128,394	
TOTAL START UP COSTS	1,300,000	

Start-Up (One-Time) Costs Assumptions

Description	Cost	Assumptions
Facility Improvements	102,000	Property improvements/buildout (\$10k). Landlord to provide \$100k buildout. Cage/netting material & hardware (\$10k), turf (\$55k), wall padding (\$15,k) external signage (\$4k), mirrors (\$1k) & Pro Shop fixtures (\$5k), and visitor stadium seating (\$2k).
Equipment	62,300	<i>Facility/Instruction Eqmt:</i> Four pitching machines (\$10k), wall signate/instructional posters (\$2.5k), instructional equipment (\$20k), strength & conditioning (\$2.5k). <i>Electronic eqmt:</i> computers, printers, copiers, networking, phone system, tv's, digital video camera, sound system. <i>Other eqmt:</i> refrigerator, microwave, and alarm system.
Office Furniture	18,000	Reception counter, stools, conf/party room tables & chairs, staff desks and chairs
Rent/Utilities deposits	14,500	Lease security deposit (\$13,400) and utilities deposits
Insurance prepay	2,500	25% prepayment on policies
Franchise Fee	45,000	One time franchise fee to operate business for 10 years
Advertising (pre-open)	4,200	See Marketing Plan
Opening Inventory-Pro shop	15,000	Franchise products, apparel, bats, gloves, equipment
Legal & Professional Fees	29,750	Land use/Zoning/loan closing attorney (\$20k), accountant (\$2k), SBA Loan fee (\$7,750)
License & permits	6,690	Zoning special permit (\$5.5k), other business permits
Labor	12,810	Includes 2 full time employees for two months, payroll expenses at 10% payroll and a health care benefit, misc hours of part time employee expenses
Working Capital	102,250	Covers 5-1/3 months fixed cost of operations
Total	415,000	

FUNDING SUMMARY	
Owner Contribution	115,000
Term Loan	300,000
Total Startup Projection	415,000

Sample

Breakdown of Start-up Costs

FACILITY IMPROVEMENTS

Leashold (or property) improvements	10,000
Turf Material & installation	55,000
External Signage	4,000
Wall Padding	15,000
Mirrors	1,000
Cage/Netting & Hardware for 8 cages	10,000
Pro Shop fixtures	5,000
Visitor Stadium Seating (20)	2,000
Subtotal	102,000

OFFICE FURNITURE

Party Room Tables (4)	1,000
Party Room Chairs (20)	2,000
Business Office Desks (3) and Chairs	5,000
Other Furniture	10,000
Subtotal	18,000

EQUIPMENT

Primary Facility Equipment

Iron Mike Pitching Machines (4)	10,000
Instructional Tools & Equipment	20,000
Strength and Conditioning Equipment	2,500
Wall Signage and Instructional Posters	2,500
Subtotal	35,000

Electronic Equipment

Reception PC/Bus Office/Student PC (3)	5,000
Software	5,000
Network (Router, cables, wireless)	500
All in One Laser Printer/Fax/Copier	1,000
Voice Mail system w/4 ext+install	2,000
Credit Card Terminal	500
TV/DVD/VHS combo for training	500
Digital Video Camera	1,500
Flat panel TVs (2)	4,000
Security digital camera internet system	2,000
Stereo System with Speakers	1,000
Subtotal	23,000

Other Equipment

Refrigerator/Kitchen sink-cabinet/MW	2,000
Alarm System	1,500
Miscellaneous equipment	800
Subtotal	4,300

Total Equipment 62,300

FRANCHISE FEE

Franchise Fee	45,000
Subtotal	45,000

LEGAL AND PROFESSIONAL FEES

Attorney	20,000
SBA Loan Fees	7,750
CPA	2,000
Subtotal	29,750

LICENSES AND PERMITS

Occupational/Business Licenses	1,000
Zoning-Special Permit Fee	5,250
Fairfax County Business License	50
Other - company filing fees	390
Subtotal	6,690

LABOR COSTS

Payroll for 2 FT employees for 2 months	11,100
Payroll Taxes	1,110
Health Care Benefit	600
Subtotal	12,810

ADVERTISING (Pre July 1, 2007)

League Partnerships	1,400
Direct Mail	1,000
Email	200
Newspaper	1,000
Public Relations	200
Web Marketing	400
Subtotal	4,200

PRO SHOP INVENTORY

Products	5,000
Apparel, Bats, Ball, gloves, equipment	10,000
Subtotal	15,000

INSURANCE PREPAYMENTS

General Liability	1,250
Other Insurance	1,250
Subtotal	2,500

RENT/UTILITIES DEPOSITS

Lease security deposit	13,400
Electricity	250
Telephone	100
Water	250
Other Utility	500
Subtotal	14,500

Total Estimated Startup Costs	312,750
Working Capital Requirements	102,250
TOTAL STARTUP COSTS	\$415,000

Instructions for Constructing the Pro Forma Statements - Worksheet #1:

The first worksheet is used to calculate the total fixed monthly operating cost amount, which will be entered on line 7 of the Income Statement Worksheet #2. Round to full dollar.

Notes-

1. Wages - Only the monthly wages that will be about the same every month. Use a formula. For example: 4 employees x 40 hours x \$5.15 per hour x 4.33 weeks in an average month = \$3,568 per month.
2. Payroll Taxes - Rule of Thumb: 11% of wages. Example: \$3,568 x .11 = \$392.
3. Outside Services – Monthly fees for pest control, trash removal, laundry, cleaning, etc.
4. Advertising – If you are budgeting a fixed amount enter here. If you are budgeting a percentage of sales, enter under variable expenses.
5. Rent – Base rent is a fixed expense. In some cases, a lease also stipulates a percentage of gross sales which is a variable expense.
6. Telephone – Unless you telemarket or receive 800 number orders, estimate a fixed amount.
7. Utilities – Estimate a fixed amount unless you foresee huge seasonal fluctuations.
8. Insurance – Get a quote. Enter here only if you pay premiums monthly.
9. Total – Enter this number on line 7 of Worksheet #2.

Monthly Fixed Cash Disbursements

Category	Amount	Explanation
Employee Wages (Note #1)		
Payroll Taxes (2)		
Outside Services (3)		
Supplies		
Repairs and Maintenance		
Advertising (4)		
Car, Delivery, Travel, Freight		
Accounting and Legal		
Rent (5)		
Telephone (6)		
Utilities (7)		
Insurance (8)		
Other Expenses (Specify):		
Total Fixed Monthly Operating Expenses (9)		

Worksheet 1: Example

Monthly Fixed Cash Disbursements

Category	Amount	Explanation
Employee Wages	\$3,568	4 employees x 40 hours x \$5.15 x 4.33 weeks = \$3,568 per month
Payroll Taxes	392	\$3,568 x 11% (Incl. FICA, Medicare, FUTA & SUTA)
Outside Services	50	Pest control, trash removal, cleaning service
Supplies	75	Misc. boxes, ribbons, etc.
Repairs and Maintenance	50	General maintenance
Advertising	250	Yellow Pages Ad
Car, Delivery, Travel, Freight	50	Average of \$50 monthly local delivery costs, stamps, etc.
Accounting and Legal	50	Bookkeeper
Rent	750	5 year lease including common fees/60 months
Telephone	100	Estimate based on similar businesses
Utilities	150	Estimate from Virginia Power based on square footage and use of facilities
Equipment Lease	200	Point of sale Computer System
Total Fixed Monthly Expenses	\$5,685	

Instructions for Income and Cash Flow Statements - Worksheet #2:

Provide a separate sheet detailing the assumptions used to calculate each line item. This should be written prior to any numbers entered on the projections. The lender will use this information to judge your business thought processes. Place it before all financials.

- Assign Months to the columns based on when you anticipate opening. For example if you plan on opening in July, the projections will run from July through June.
- Research the seasonality of your business month-by-month. (Some retailers do nearly half of their business in November and December.)

Income Statement

1 a	Actual cash sales receipts
1 b	Sales billed to customers on account (Accounts Receivable). On the Income Statement, these amounts are recorded when billed. You will record this amount on the Cash Flow pro forma when the checks are actually received.
2	Total Sales - Add lines 1a and 1b. The Income Statement portion is done on the accrual method of accounting. This means that sales and expenses are recorded when the transaction occurs regardless of whether you received or paid the actual cash at the same time.
3	Subtract Cost of Goods Sold (CoGS). For now, estimate the percentage your inventory costs you in relation to the amount you charge. A typical retailer “keystones” the inventory or doubles the cost which means that CoGS is 50%. Some restaurants can expect CoGS to be 25% to 35%. It is important to distinguish CoGS from actual inventory purchases because it is a more accurate determination of profitability during a period of time. You will record the actual cash payment you made for those goods on the Cash Flow pro forma. CoGS matches the cost of inventory that goes out the door with the sales that came in. Most service businesses will not have a CoGS and will simply skip this line.
4	Total Sales minus CoGS = Gross Profit
5	Variable Monthly Operating Expenses are expense items that change in direct proportions with your sales volume. This could include extra labor after a certain point, the fees a credit card company charges, a royalty paid to a franchisor, etc. For example, 5% franchise royalty on \$12,500 sales is $\$12,500 \times .05 = \625 . Marketing and advertising is an expense usually not in direct proportion to sales volume.
6	Periodic Operating Expenses are items paid annually, quarterly, or randomly. An example is a quarterly insurance premium.
7	Fixed Monthly Operating Expenses – Enter the total from Worksheet #1.
8	Total Cash Operating Expenses – Add all items from line 5 through 7.
9	Non-Cash and Non-Operating Expenses are tax deductible but do not necessarily represent “real” money. In accrual accounting you deduct interest only, not the entire debt payment. This amount will come from a loan amortization table. Leave depreciation blank for now until you speak with an accountant about the expected life of the asset. Owner’s salary/withdrawals are a luxury for start-up businesses. (You get one if there is any money left.)
10	Total Expenses – Add lines 8 and 9a and 9b.
11	Net Profit – This is the projected operating profit before income taxes for your business (and may be prior to any withdrawals or owner’s salary).

Worksheet #2

Income Statement

Income Statement Data	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	12 month Total
(1) Sales:													
(a) Cash sales receipts													
(b) Billed to customer on account													
(2) Total sales (1a + 1b)													
(3) Cost of goods sold													
(4) Gross profit (2 - 3)													
(5) Variable monthly operating expenses:													
(a)													
(b)													
(c)													
(d)													
(6) Periodic operating expenses:													
(a)													
(b)													
(c)													
(d)													
(7) Fixed monthly operating expenses (from income worksheet #1)													
(8) Total cash operating expenses (5 + 6 + 7)													
(9) Non-cash or non-operating expenses:													
(a) depreciation & amortization													
(b) interest on loan													
(c) owner's salary/withdrawal													
(10) Total expenses (8 + 9a + 9b + 9c)													
(11) Net profit before income taxes (4 - 10)													

Worksheet #2 Income Statement – Example (Be sure to check the current minimum wage schedules.)

Income Statement Data	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	12 month Total
Sales:													
Cash sales receipts	24,310	25,908	22,990	11,909	11,453	13,572	24,597	33,063	71,935	9,584	8,873	11,806	270,000
Billed to customer on account	2,701	2,879	2,554	1,323	1,273	1,508	2,733	3,674	7,993	1,065	986	1,312	30,001
Total sales	27,011	28,786	25,545	13,233	12,725	15,080	27,330	36,737	79,928	10,649	9,859	13,117	300,000
Cost of goods sold	14,856	15,833	14,050	7,278	6,999	8,294	15,031	20,205	43,960	5,857	5,422	7,215	165,000
Gross profit	12,155	12,954	11,495	5,955	5,726	6,786	12,298	16,532	35,967	4,792	4,436	5,903	134,999
Variable monthly operating expenses :													0
Advertising	810	864	766	397	382	452	820	1,102	2,398	319	296	394	9,000
Freight & Postage	68	72	62	33	32	38	68	92	200	27	25	33	750
Credit Card Fees	169	180	160	83	80	94	171	230	500	67	62	82	1,878
Periodic operating expenses:													
Insurance	500			500			500			500			2,000
Legal & Accounting	550	50	50	250	50	50	250	50	50	250	50	50	1,700
Misc. Taxes, Licenses, Fees	100			300					250				650
Dues & Publications		50					50						100
Fixed monthly operating expenses	5,650	67,800											
Total cash operating expenses	7,846	6,867	6,691	7,214	6,195	6,286	7,511	7,125	9,049	6,814	6,084	6,210	83,892
Non-cash or non-operating expenses:													
Interest on Loan	1,250	1,247	1,244	1,241	1,238	1,235	1,232	1,228	1,225	1,222	1,219	1,215	14,796
Depreciation & Amortization	458	458	458	458	458	458	458	458	458	458	458	458	5,496
Owner's Salary/ Withdrawal	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
Total expenses	11,055	10,072	9,893	10,413	9,391	9,479	10,701	10,311	12,232	9,994	9,261	9,383	122,185
Net profit before income taxes	1,100	2,882	1,602	-4,458	-3,665	-2,693	1,597	6,221	23,735	-5,202	-4,825	-3,480	12,814

Instructions for Cash Flow Statement - Worksheet #3:

12	Beginning Cash Balance – If you are starting a business start with zero. If you have an existing business, enter your present cash balance.
13a	Sales and Receipts – Enter the same figure from line 1a, worksheet #2.
13b	Accounts Receivable Collections – Enter the amount of cash you anticipate receiving from customers for sales made on Accounts Receivable.
13c	Cash in From Owner’s Injection – Enter your investment.
13d	Loan Proceeds – Enter the amount of the business loan you are requesting.
14	Available Cash Balance – Add lines 12 through 13d.
15a	Inventory Purchases – Enter the anticipated payments for merchandise received. If you cannot obtain trade credit, then C.O.D. payments will be made when you receive the inventory rather than in 30 to 60 days.
15b	Total Cash Operating Expenses – From line 8 on Income Statement.
15c	Debt Service – Principle and Interest Payments from amortization table. Use a separate line for different loans if you have more than one.
15d	Capital Purchases – If you anticipate buying major equipment in the near future, enter the amount in the month you will make the purchase. Generally, this capital expenditure will be depreciated.
15e	Owner’s Draw – Enter the absolute minimum amount of cash you must withdraw from the business to meet personal expenses.
16	Initial Loan Uses – These items should come from the Source & Application of Funds Statement (Building, Equipment, Inventory, Misc. Fees and Start-Up Expenses).
17	Total Cash Outflows – Add all lines from 15a through 16d.
18	Ending Cash Balance – Subtract line 17 from line 14. This is the approximate amount of cash you will have on hand at the end of the month. Enter this same figure as the beginning cash balance for the following month.

Cash Flow Statement Worksheet #3

Instruct. #	Cash Flow Data	Start-Up	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
(12)	Beginning Cash													
(13)	Cash Inflows:													
(a)	Cash Sales (from line 1a)													
(b)	Cash in from Prior Month's Sales													
(c)	Cash in from Owner's Injection													
(d)	Cash in from Loan													
(14)	Total Cash Available for Use (Add 11 thru 13d)													
(15)	Cash Outflows:													
(a)	Merchandise Purchase Payments													
(b)	Total Cash Operating Expenses (from line 8-Income Statement)													
(c)	Debt Service													
(d)	Equipment Purchases													
(e)	Owner's Draw													
(16)	Initial Loan Uses:													
(a)														
(b)														
(c)														
(d)														
(17)	Total Cash Paid Out													
(18)	Ending Cash													

Cash Flow Statement Example

Worksheet #3

(If not a start-up, eliminate "Start-Up" column information)

Cash Flow Data	Start-Up	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March
Beginning Cash		15,000	18,352	25,632	31,609	20,909	9,994	5,466	5,830	14,777	57,754	53,245	47,451
Cash Inflows:													
Cash Sales		24,310	25,908	22,990	11,909	11,453	13,572	24,597	33,063	71,935	9,584	8,873	11,806
Cash in from Prior Month's Sales			1,351	2,790	2,717	1,939	1,298	1,390	2,121	3,203	5,833	4,529	1,025
Cash in from Owner's Injection	20,000												
Cash in from Loan	150,000												
Total Cash Available for Use	170,000	39,310	45,611	51,412	46,235	34,301	24,864	31,453	41,014	89,915	73,171	66,647	60,282
Cash Outflows:													
Merchandise Purchase Payments		10,000	10,000	10,000	15,000	15,000	10,000	15,000	15,000	20,000	10,000	10,000	15,000
Total Cash Operating Expenses (from Income Statement)		7,846	6,867	6,691	7,214	6,195	6,286	7,511	7,125	9,049	6,814	6,084	6,210
Debt Service		1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612
Equipment Purchases									1,000				
Owner's Draw		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Initial Loan Uses:													
Build Out Costs/Leasehold Impr.	50,000												
Equipment	20,000												
Initial Inventory	75,000												
Misc. Start-up Expenses	10,000												
Total Cash Paid Out	155,000	20,958	19,979	19,803	25,326	24,307	19,398	25,623	26,237	32,161	19,926	19,196	24,322
Ending Cash	15,000	18,352	25,632	31,609	20,909	9,994	5,466	5,830	14,777	57,754	53,245	47,451	35,960

Pro Forma Balance Sheet

Balance Sheet	ProForma/Beginning
Assets:	
Current Assets	
Cash	
Accounts Receivable	
Inventory	
Total Current Assets	
Fixed Assets	
Real Estate	
Fixtures and Equipment	
Vehicles	
(Less Accumulated Depreciation)	
Net Fixed Assets	
Prepaid Expenses	
Other Assets - Deposits	
Total Assets	
Liabilities:	
Current Liabilities	
Notes Payable (Principal bal. due in 1 st yr.)	
Accounts Payable	
Accrued Expenses	
Taxes Owed	
Total Current Liabilities	
Long Term Liabilities	
Notes Payable (due after one year)	
Other Liabilities	
Total Long Term Liabilities	
Total Liabilities	
Net Worth (Assets – Liabilities)	
Capital Stock/Investment Equity	
Retained Earnings	
Total Liabilities and Net Worth (should equal total assets)	

Break-Even Analysis

You can use simple break-even analysis to determine the minimum amount of volume you need to do to pay all the bills. This can be the first step in a personal feasibility study. If you determine that you can at least break even, you can use the formula to estimate sales goals and formulate marketing efforts to achieve these goals.

1. Add up fixed expenses

This includes every expense you must pay to open your doors for business regardless of whether you have any sales or not. Fixed costs remain relatively constant as the quantity produced or sold varies. This would include rent, electricity, indirect labor (base salaries), loan payments, phone, etc.

2. Calculate your variable costs percentage

This includes expenses that vary directly with sales and would include cost-of-goods-sold (CoGS), sales commissions, credit card fees, direct labor (e.g., manufacturers), etc.

Some expenses are fixed up to a certain point and then become variable. For example, a store could require a minimum payroll to simply open the doors and then as the sales level fluctuates, part-time help could be called in or sent home. The part-time flexible payroll could be categorized as variable. For example:

Cost of Goods Sold	38%
Commissions	7%
<u>Direct Labor</u>	<u>8%</u>
Total Variable Cost Percentage	53%

3. Simple Calculation

If your fixed costs are \$3,000 per month and your variable costs are 53%, break-even is calculated as follows:

$$\begin{aligned} \text{Contribution margin} &= 1 - \text{variable cost \%} \\ &= 1 - .53 = .47 \end{aligned}$$

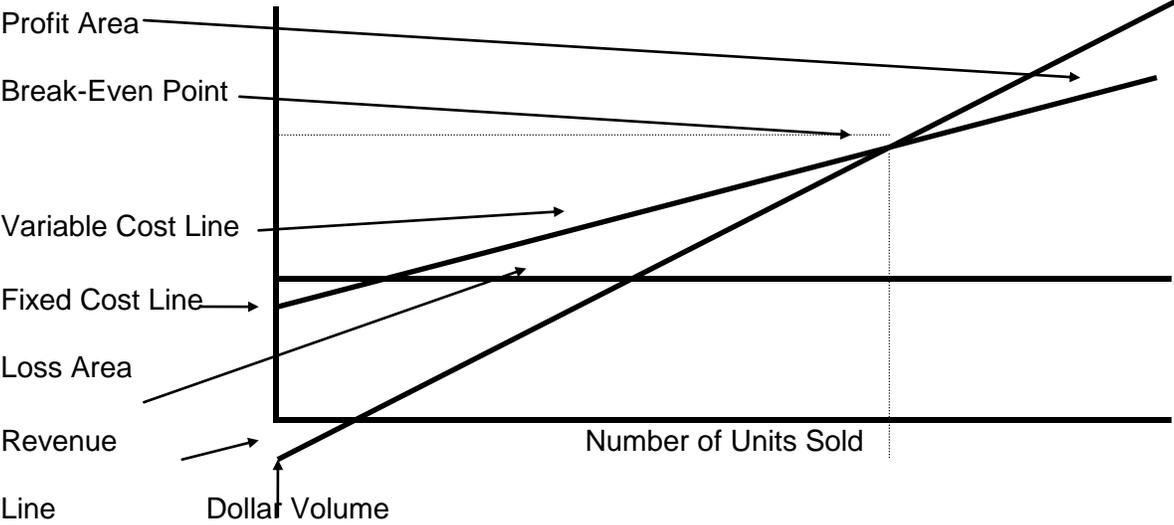
$$\begin{aligned} \text{Break-even \$ volume} &= \text{Fixed costs} / \text{Contribution margin} \\ &= \$3,000 / .47 = \$6,382.98 \end{aligned}$$

If your goal is to make a \$1000 profit, add that amount to fixed costs:

$$\begin{aligned} &(\$3,000 + \$1,000) / .47 \\ & \$4,000 / .47 = \$8,510.63 \end{aligned}$$

Seemingly minor changes in expenses or prices can have a significant impact on the dollar volume a small business must achieve. Break-even analysis is often shown in graphic format:

Break Even Analysis



Additional Information Required For Existing Businesses:

- ⇒ **Last three fiscal years Financial Statements (accompanied by CPA letter, if possible):**
 - **Income Statements**
 - **Balance Sheets**

- ⇒ **Business Tax Returns (Schedule C, 1120, 1120S, etc.)**

- ⇒ **Interim Financial Statements (Year-To-Date)**
 - **Income Statement**
 - **Balance Sheet**
 - **Accounts Receivable Aging Schedule**
 - **Accounts Payable Aging Schedule**

- ⇒ **List of all business obligations**

Personal Financial Information

Financial Statement

For an official SBA form, you may go to:

www.SBA.gov: [Home](#) > [Tools](#) > [Forms](#) > [Small Business Forms](#) > [Financial Assistance Forms](#)
(<http://www.sba.gov/tools/Forms/smallbusinessforms/fsforms/index.html>).

Scroll down to, or search for, “413 **Personal Financial Statement.**” The document can be saved.

If you prefer, use the facsimile copy of the same form, from the next two pages.

PERSONAL FINANCIAL STATEMENT

U.S. SMALL BUSINESS ADMINISTRATION

As of _____,

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

Name	Business Phone
Residence Address	Residence Phone
City, State, & Zip Code	
Business Name of Applicant/Borrower	

ASSETS	(Omit Cents)	LIABILITIES	(Omit Cents)
Cash on hand & in Banks	\$ _____	Accounts Payable	\$ _____
Savings Accounts	\$ _____	Notes Payable to Banks and Others	\$ _____
IRA or Other Retirement Account	\$ _____	(Describe in Section 2)	\$ _____
Accounts & Notes Receivable	\$ _____	Installment Account (Auto)	\$ _____
Life Insurance-Cash Surrender Value		Mo. Payments	\$ _____
Only (Complete Section 8)	\$ _____	Installment Account (Other)	\$ _____
Stocks and Bonds (Describe in	\$ _____	Mo. Payments	\$ _____
Section 3)	_____	Loan on Life Insurance	\$ _____
Real Estate (Describe in Section 4)	\$ _____	Mortgages on Real Estate	\$ _____
Automobile-Present Value	\$ _____	(Describe in Section 4)	\$ _____
Other Personal Property (Describe in	\$ _____	Unpaid Taxes	\$ _____
Section 5)	\$ _____	(Describe in Section 6)	\$ _____
Other Assets (Describe in Section 5).	\$ _____	Other Liabilities	\$ _____
		(Describe in Section 7)	\$ _____
		Total Liabilities	\$ _____
		Net Worth	\$ _____
Total	\$ _____	Total	\$ _____

Section 1. Source of Income	Contingent Liabilities
Salary	As Endorser or Co-Maker
Net Investment Income	Legal Claims & Judgments
Real Estate Income	Provision for Federal Income Tax
Other Income (Describe below)*	Other Special Debt

Description of Other Income in Section 1.

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

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

Name and Address of Noteholder(s)	Original Balance	Current Balance	Payment Amount	Frequency (monthly, etc.)	How Secured or Endorsed Type of Collateral

Facsimile of SBA Form 413 (3-05) **Previous Editions Obsolete**
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