

**Southern Methodist University**  
**Big iDeas Business Plan Program**  
**Business Proposal Submission Form**

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**Primary Contact:**

**Name**

**SMU Email Address**

**Local Address**

**Cell phone**

**Year in School**

**School/College**

**Major**

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**Business Partner(s):**

**Name**

**SMU Email Address**

**Local Address**

**Cell phone**

**Year in School**

**School/College**

**Major**

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## **Table of Content**

- I. Name of Business**
- II. Ownership of Business**
- III. Information on the Business**
  - a. Mission Statement**
  - b. Product and Services**
  - c. Location and Hours of Operation**
  - d. Inventory and Supplies**
- IV. Market Analysis**
- V. Marketing Strategy**
  - a. Adverting**
  - b. Promoting**
  - c. Sale Strategy**
- VI. The Competition**
- VII. Operations**
- VIII. Management Plan**
  - a. Employees**
- IX. Financial Analysis**
  - a. Projected Business Start-up Costs**
  - b. Projected Business Operating Costs**
  - c. Projected Profit and Loss Statement**
- X. Appendix with Attachments of other documents of importance**

## **I. Name of Business**

Sample: The business will be known as "ABC Child Care."

## **II. Ownership of Business**

Sample: The business will be formed as a Texas corporation with two stockholders: Mary Smith and Jane Wood. Each stockholder will own 50% of the issued stocks and equal to their individual paid-in capital.

## **III. Information on the Business**

### **a. Mission Statement:**

Sample: To provide quality child care services to the ever expanding residential area surrounding Main Street, Anytown. ABC Child Care focuses on providing full services with an emphasis on convenient hours, as well as, educational and social skills development.

### **b. Products and Services**

Sample: The purpose of the business is a child care center that will provide services to the Anytown residential, commercial, and industrial community located within a three-mile radius of the proposed center location.

- Types of products or services: What types of products or services are you offering?
- Distinctive qualities: How is your product or service distinctive?
- Additional products or services: Are there any supplementary or spin-off products or services that you may offer in the future?

### **c. Location and Hours of Operation**

Sample: The proposed business location will be at 1100 Main Street, Anytown, which is currently owned by Mrs. Smith. The undeveloped land includes two lots zoned as B-4 "General Business District." The business hours will be from 6:00 p.m. Monday through Friday. The center will be closed New Year's Day, July 4th, Thanksgiving, and Christmas.

#### **d. Inventory and Supplies**

Sample: Inventory will be limited to consumable office, cleaning and kitchen supplies. Office and cleaning supplies will be replenished on as-needed basis. Kitchen supplies, consisting of food items for meals and snacks, will be purchased weekly.

### **IV. Market Analysis**

Sample: The Anytown area is rapidly expanding through residential and commercial development. ABC Child Care specifically targets the working population with children ages six weeks to twelve years who live or work within a three-mile radius of the proposed center location. Potential exists for services to parents working evening shifts or weekends at commercial and industrial firms in the Anytown area.

- Include results from any research you have conducted in your respective marketplace.
- Who is the potential buyer and describe them?
- Do you see other potential customers in the University community?

### **V. Market Strategy**

- Advertising**
- Promoting**
- Sale Strategy**

Sample: ABC Child Care will be promoted in various local media. Clients have already begun promotion by word of mouth. Response has been favorable. Formal advertising is planned to begin three months before the center is scheduled to open.

- Pricing structure & strategy: What is it and why? Discuss your pricing strategy in relation to the market. How does your price compare to the competitions?
- Promotion strategy: What is your strategy to promote the product or service?
- Advertising? Direct-mail marketing? Internet marketing? Personal networking?
- Distribution plan (if applicable): How will you do it?

### **VI. The Competition**

Consider what competition currently exists. When answering these questions, provide names.

- Identify your competition: Who is competing for your customers?
- Your advantage over the competition: What is your specific advantage over the competition?
- Price comparison: How do your prices compare?

## **VII. Operations**

The operations section is the most technical portion of your plan. Please explain your business process: Walk us through a typical customer transaction, step by step.

## **VIII. Management Plan**

Sample: Mrs. Smith will be responsible for the overall operation of ABC Child Care, while Mrs. Wood will be responsible for the accounting/recordkeeping and administration of the center. The selection and retention of employees, as well as the expenditure of funds will be jointly shared.

- Explain how your team's skills complement one another and how the combination will lead your venture to success.
  - If you plan to run it yourself, describe how you can do it all and why you are qualified.
- a. Employees** (if applicable)

## **IX. Financial Analysis**

Sample:

- a. The financial projections are based on monthly revenues of \$14,030 during the first month of operation and are expected to increase to \$17, 183 by the end of the first year of operation. These projected revenues would give the corporation a gross profit of \$155,000 a before tax net income of \$9,308, and positive cash flow of \$17,029 during the first year.
- b. Initial enrollment is expected to be 34, increasing to 44 by the end of the first year.
  - To effectively manage your finances, plan a sound, realistic budget by determining the actual amount of money needed to open your business (start-up costs) and the amount needed to keep it open (operating costs). The first step to building a sound financial plan is to devise a start-up budget. Your start-up budget will usually include such one-time-only costs as major equipment, down payments, etc.

The start-up cost budget could include the following expenses for example.

### **a. Projected Start-up Costs**

- Occupancy
- Licenses/permits
- Equipment
- Insurance (if applicable)
- Supplies
- Advertising/promotions

An operating cost budget is prepared when you are actually ready to open for business. The operating cost budget will reflect your priorities in terms of how you spend your money, the expenses you will incur and how you will meet those expenses (income). It should allow for the following expenses for example.

**b. Projected Operating Costs**

- Employees & payroll expense
- Insurance (if applicable)
- Rent
- Loan payments
- Advertising/promotions
- Legal/accounting
- Miscellaneous expenses
- Supplies
- Dues/subscriptions/fees
- Taxes
- Repairs/maintenance

**c. Projected Profit and Loss Statement**

The profit and loss statement is valuable as both a planning tool and a key management tool to help control business operations. It enables the owner/manager to develop a preview of the amount of income generated each month and for the business year, based on reasonable predictions of monthly levels of sales, costs and expenses.

As monthly projections are developed and entered into the income projection statement, they can serve as definite goals for controlling the business operation. As actual operating results become known each month, they should be recorded for comparison with the monthly projections. A completed income statement allows the owner/manager to compare actual figures with monthly projections and to take steps to correct any problems.

- Below you will find Profit and Loss templates that can be used. The line items on the templates are just examples. Make sure to have line items that are specific to your business operations.

**Total Net Sales (Revenues)**

Determine the total number of units of product or service you realistically expect to sell each month at the prices you expect to get. Use this step to create the projections to review your pricing practices. What returns or sales can be expected?

## **Cost of Sales**

The key to calculating your cost of sales is that you do not overlook any costs that you have incurred. Calculate cost of sales of all products and **services** used to determine total net sales. Where inventory is involved, do not overlook transportation costs.

## **Gross Profit**

Subtract the total cost of sales from the total net sales to obtain gross profit.

## **Gross Profit Margin**

The gross profit margin is expressed as a percentage of total sales (revenues). It is calculated by dividing gross profits by total net sales

## **Variable Expenses** (this is not necessarily a comprehensive list)

- Salary expenses.
- Payroll expenses - Include payroll taxes, social security taxes and benefit expenses (if applicable).
- Outside services-Includes special or one-time services.
- Supplies-Services and items purchased for use in the business.
- Repair and maintenance that is not included in rent
- Advertising
- Delivery
- Accounting and legal - outside professional services.

## **Fixed Expenses**

- Rent (assume a range of \$100-\$200.month for 9 months)
- Insurance (if applicable)
- Loan repayments - Interest on outstanding loans.

## **Net Profit (loss)**

### **Net Profit (loss) (before taxes)**

- Subtract total expenses from gross profit.

### **Taxes (if any)**

### **Net Profit (loss) (after taxes)**

- Subtract taxes from net profit (before taxes)

**ABC Child Care**  
**Profit and Loss Statement (Income Statement)**  
**August 1-31, 2011**

<b>Income</b>		
Gross Sales	346,400	
Less returns and allowances	1,000	
<b>Net Sales</b>		<b>345,400</b>
Cost of Goods		
Merchandise Inventory, January 1	160,000	
Purchases	90,000	
Freight Charges	2,000	
Total Merchandise Handled	252,000	
Less Inventory, December 31	100,000	
Cost of Goods Sold		152,000
<b>Gross Profit</b>		<b>193,400</b>
Interest Income	500	
<b>Total Income</b>		<b>193,900</b>
<b>Expenses</b>		
Salaries	68,250	
Utilities	5,800	
Rent	23,000	
Office Supplies	2,250	
Insurance	3,900	
Advertising	8,650	
Telephone	2,700	
Travel and Entertainment	2,550	
Dues & Subscriptions	1,100	
Interest Paid	2,140	
Repairs & Maintenance	1,250	
Taxes & Licenses	11,700	
<b>Total Expenses</b>		<b>133,290</b>
<b>Net Income</b>		<b>\$60,110</b>

**ABC Child Care**  
**Profit and Loss Statement (Income Statement)**  
**August 1-31, 2011**

<b>Revenues</b>		
		<b>% of Sales</b>
<b>Total net sales (revenues)</b>	<b>\$10,000.00</b>	100.0%
Cost of sales	\$6,290.00	62.9%
<b>Gross profit</b>	<b><u>\$3,710.00</u></b>	37.1%
<b>Expenditures</b>		
		<b>% of Sales</b>
<b>Variable expenses</b>		
Salaries/wages	2,000.00	20.0%
Payroll expenses	200.00	2.0%
Legal/accounting	500.00	5.0%
Advertising	500.00	5.0%
Office supplies	1,000.00	10.0%
Delivery	200.00	2.0%
Dues/Subscriptions	20.00	0.2%
Purchase of Inventory	500.00	5.0%
Miscellaneous	50.00	0.5%
<b>Total variable expenses</b>	<b><u>\$5,350.00</u></b>	53.5%
<b>Fixed expenses</b>		
Rent	200.00	2.0%
Insurance	200.00	2.0%
License/permits	40.00	0.4%
Loan payments	200.00	2.0%
Miscellaneous	300.00	3.0%
<b>Total fixed expenses</b>	<b><u>\$940.00</u></b>	9.4%
<b>Total expenses</b>	<b><u>\$6,290.00</u></b>	62.9%
<b>Net profit (loss) before taxes</b>	<b><u>\$3,710.00</u></b>	37.1%
<b>Taxes</b>	1,000.00	10.0%
<b>Net profit (loss) after taxes</b>	<b><u>\$2,710.00</u></b>	27.1%