

TEST YOUR POTENTIAL AS AN ENTREPRENEUR

Do you have what it takes to be a success in your own business? Below is a list to 20 personality traits. Consider each carefully – and then score yourself by placing a check under the appropriate number with 0 being the lowest and 7 being the highest.

	0	1	2	3	4	5	6	7
I have the ability to communicate.	—	—	—	—	—	—	—	—
I have the ability to motivate others.	—	—	—	—	—	—	—	—
I have the ability to organize.	—	—	—	—	—	—	—	—
I can accept responsibility.	—	—	—	—	—	—	—	—
I can easily adapt to change.	—	—	—	—	—	—	—	—
I have decision-making capability.	—	—	—	—	—	—	—	—
I have drive and energy.	—	—	—	—	—	—	—	—
I am in good health.	—	—	—	—	—	—	—	—
I have good human relation skills.	—	—	—	—	—	—	—	—
I have initiative.	—	—	—	—	—	—	—	—
I am interested in people.	—	—	—	—	—	—	—	—
I have good judgment.	—	—	—	—	—	—	—	—
I am open-minded and receptive to new ideas.	—	—	—	—	—	—	—	—
I have planning ability.	—	—	—	—	—	—	—	—
I am persistent.	—	—	—	—	—	—	—	—
I am resourceful.	—	—	—	—	—	—	—	—
I am self-confident.	—	—	—	—	—	—	—	—
I am a self-starter.	—	—	—	—	—	—	—	—
I am a good listener.	—	—	—	—	—	—	—	—
I am willing to be a risk taker.	—	—	—	—	—	—	—	—

Entrepreneurship Myths/Misconceptions

- I will receive free money or loans because I am a minority, woman, veteran, or ex-convict.
- I'll get rich quick and won't have to 'put up' with people.
- I will be my own boss, be free to do whatever I want, and no one will tell me what to do.
- I will work less and be able to have more free time if I am an owner versus an employee.
- It doesn't matter what my family thinks about me going into business.
- If I know how to do the work, then I can run the business.
- I plan to hire someone to run my business for me.
- If I build it, they will come. Whenever I turn the key on the door, there will be a line of people waiting to buy my products.
- I know my idea will work because my friends and family thought it was a great idea.
- I don't need to write a business plan because I have contracts with my customers.
- There is no competition in my area.
- The lack of a product or service in an area is the most important indicator of a need for it.
- The way to succeed is to have the lowest prices in town.
- This restaurant I'm buying did poorly because the owner's prices were too high.
- Incorporating my business will protect me from all liability.
- Advertising is a good place to start when cutting expenses.
- If I attend a tax education seminar, the IRS will audit my return.
- If I attend an environmental management seminar, DEP will visit me.
- If I attend an OSHA seminar, I will be visited.
- I do not have to put any money down if I borrow from a bank.
- There is no way I am going to put my house at risk by using it as collateral for a loan.
- I am buying a successful business, so the bank will only look at the profitability of the existing business.
- If I don't pay the payroll taxes I can just declare bankruptcy and they will go away.
- I have to be a risk-taker to be an entrepreneur.

Identifying Startup Ideas

It is critical to determine whether an idea for a new business actually represents a good opportunity. Many people have ideas about new products or services that seem like winners—but just because something is a good idea does not mean it is a good opportunity, as you will see. In fact, those who become infatuated with an idea sometimes underestimate the difficulty of tapping into market interest in that idea or building the company required to capture it.

To qualify as a good investment opportunity, a product or service must meet a real market need, such as a problem for which the entrepreneur offers a sensible solution. If consumers are convinced that the benefits of a product or service are worth the price they will have to pay to get it, they will likely want to buy it—assuming they know about it and can afford it. All of these factors are critical. Amar Bhide, an entrepreneurship expert and professor at Columbia University, put it this way: “Startups with products that do not serve clear and important needs cannot expect to be ‘discovered’ by enough customers to make a difference.”

Many popular frameworks highlight important factors to consider when deciding whether a new business idea can lead to a promising business opportunity. Some of the more important features of these approaches follow.

Market factors. The product or service must meet a clearly defined market need; furthermore, the timing must be right. Even when the concept is good, success requires a window of opportunity that remains open long enough for an entrepreneurship to take advantage of it. If the window closes before the enterprise can get established, it is unlikely to survive for long.

Competitive advantage. In practical terms, a competitive advantage exists when a firm offers a product or service that customers perceive to be superior to those offered by competitors. It follows that the business must be able to achieve an edge that can withstand challenges from rival businesses. Many startups fail because entrepreneurs do not understand the nature and importance of a competitive advantage.

Economics. The venture needs to be financially rewarding, allowing for significant profit and growth potential. Its profit potential must be sufficient to allow for errors and mistakes and still offer acceptable economic benefits. At a minimum, the enterprise must offer a reasonable path to profitability—no business can operate for long when it is losing money. And without adequate growth, the business will not be able to provide sufficient returns to attract investors, if they are ever needed.

Management capability. The fit between entrepreneur and opportunity must be good. In other words, a business idea is an opportunity only for the entrepreneur who has the appropriate experience, skills, and access to the resources necessary for the venture’s launch and growth. For example, offering suborbital space tourism services is out of reach for most entrepreneurs, but not for Sir Richard Branson, an extraordinary and very well-funded British entrepreneur who has set up Virgin Galactic, with plans to offer space flights to the general public before the end of the decade. Launching the world’s first “space line” is a challenging but promising business opportunity for Branson, but it is at best a dream for nearly every other entrepreneur.

Fatal flaws. There must be no fatal flaw in the venture---that is, no circumstance or development that could, in and of itself, make the business unsuccessful. John Osher, serial innovator and entrepreneur, estimates that nine out of ten entrepreneurs fail because their business concept is deficient. In his words, “They want to be in business so much that they often don’t do the work they need to do ahead of time, so everything else right, and fail because they have ideas that are flawed.” It is important to look (honestly) for potential weakness in your own setup ideas. No matter how awesome the startup concept may seem to be, moving forward is pointless if it uses a manufacturing process that is patent protected, requires startup capital that cannot be raised, ignores environmental regulations, or is unsound in some other way.

Feasibility Analysis

Areas to be Analyzed and Questions to Ask

Business Concept

1. Who is the customer?
2. What is the product/service being offered?
3. What does the value chain look like?
4. Which distribution channel alternatives are available, and which customers will be served by them?
5. Are there ways to innovate in the distribution channel?
6. What is the business model, or how will the business create and capture value?

Industry and Market/Customer

1. What are the demographics, trends, patterns of change, and life-cycle stage of the industry?
2. Are there any barriers to entry? If so, what are they?
3. What is the status of technology and R&D expenditures?
4. What are typical project margins in the industry?
5. Who are opinion leaders in the industry and how do they affect the industry?
6. What are distributors, competitors, retailers, and others saying about the industry?
7. What are the demographics of the target market?
8. What is the profile of the first customer? Are there other potential customers?
9. Have you talked with customers?
10. Who are your competitors, and how are you differentiated from them?

Product/Service

1. What are the features and benefits of the product or service?
2. What product development tasks must be undertaken, and what is the timeline for completion?
3. Is there potential for intellectual property rights?
4. How is the product or service differentiated from others in the market?

Founding Team

1. What experience and expertise does the team have?
2. What are the gaps and how will you fill them?

Financial Needs Assessment

1. What are your start-up capital requirements?
2. What are your working capital requirements?
3. What are your fixed cost requirements?
4. How long will it take to achieve a positive cash flow from the revenues generated?
5. What is the break-even point for the business?
6. What equipment is needed for your business?
7. Do you currently have any of this equipment and what condition is it in?
8. If you need to purchase equipment can you save start-up costs by purchasing good used equipment?
9. What supplies will you need for starting and their cost?
10. Who will be your primary supplier(s)? Who will be your secondary supplier(s)?
11. Will your business be home based and is your home large enough to allow for growth?
12. Will you need a separate building for the business?
13. How large will the building need to be and what special requirements will it need? (i.e. special wiring, plumbing, temperature and humidity control, etc.) /
14. Are there other considerations such as zoning, or environmental regulations?

Estimating The Cost Of A Startup

Because the costs of starting a business are often underestimated, new entrepreneurs should consider completing, at a minimum, a few basic pro forma financial statements even before they attempt to estimate how much money they will need. It is also important to take your personal expenses into account for a realistic picture of what the business needs to support. Try preparing the following estimates for initial setup and projected monthly costs.

Initial Setup Costs

Use the following worksheet to prepare an itemized estimate of how much it will cost to get your business set up. These will all be pre-opening expenses. Some may be recurring costs.

Schedule A: Initial Setup Costs		
Advertising	\$ _____	Promotion for opening the business
Beginning inventory	\$ _____	The amount of inventory needed to open
Building construction	\$ _____	The amount per contractor bid and other
Cash	\$ _____	Requirements for the cash register
Decorating	\$ _____	Estimate based on bid if appropriate
Deposits	\$ _____	Check with the utility companies
Fixtures and equipment	\$ _____	Use actual bid on all F and E
Installing fixtures and equipment	\$ _____	Use actual bids
Insurance	\$ _____	Bid from insurance agent
Lease payment	\$ _____	Bid from real estate agent
Licenses and permits	\$ _____	Check with city or state offices
Miscellaneous	\$ _____	All other
Professional fees	\$ _____	Include CPA, attorney, engineer, etc.
Remodeling	\$ _____	The amount per contractor bid
Rent, equipment	\$ _____	Amount to be paid before opening
Services	\$ _____	Cleaning, accounting, etc.
Signs	\$ _____	The amount per contractor bid
Supplies	\$ _____	Office, cleaning, etc. supplies
Unanticipated expenses	\$ _____	Amount for unexpected costs <i>(10 percent of total is suggested)</i>
Other	\$ _____	
Other	\$ _____	
Other	\$ _____	
Total Setup Dollars Needed	\$ _____	Total Schedule A (Pre-Opening Costs)

The First 90 Days Projected Monthly Costs

Prepare an itemized statement identifying both (1) your personal living costs and (2) the anticipated monthly costs of operating the business for the first three months. Include the following items plus any other expenses that you deem appropriate for your individual situation.

(1) Personal Living Costs

Make a family budget. Look at your family's fixed and variable living expenses. It's important to know the amount of personal costs that you'll have to cover during the startup phase of your business.

Schedule B: Personal Living Expenses				
<i>Family Income</i>	<i>Month 1</i>	<i>Month 2</i>	<i>Month 3</i>	<i>Total</i>
Wages (take-home)	\$	\$	\$	\$
Wages (take-home)—Spouse	\$	\$	\$	\$
Interest and dividends	\$	\$	\$	\$
Miscellaneous	\$	\$	\$	\$
Total Income	\$	\$	\$	\$
<i>Family Expense Budget</i>	<i>Month 1</i>	<i>Month 2</i>	<i>Month 3</i>	<i>Total</i>
Auto expenses (gas, maintenance, etc.)	\$	\$	\$	\$
Auto insurance	\$	\$	\$	\$
Auto payment	\$	\$	\$	\$
Beauty shop & barber	\$	\$	\$	\$
Cable TV	\$	\$	\$	\$
Charity	\$	\$	\$	\$
Child care	\$	\$	\$	\$
Clothing	\$	\$	\$	\$
Credit card payments	\$	\$	\$	\$
Dues and subscriptions	\$	\$	\$	\$
Electricity	\$	\$	\$	\$
Entertainment	\$	\$	\$	\$
Gas company	\$	\$	\$	\$
Gifts	\$	\$	\$	\$
Groceries & outside meals	\$	\$	\$	\$
Health insurance	\$	\$	\$	\$
Home repairs	\$	\$	\$	\$
Homeowner's insurance	\$	\$	\$	\$
Household	\$	\$	\$	\$
Income tax (additional)	\$	\$	\$	\$
Laundry and dry cleaning	\$	\$	\$	\$
Life insurance	\$	\$	\$	\$
Medical and dental	\$	\$	\$	\$
Miscellaneous	\$	\$	\$	\$
Mortgage payments	\$	\$	\$	\$
Other debt payments	\$	\$	\$	\$
Rent	\$	\$	\$	\$
School expenses	\$	\$	\$	\$
Telephone bill	\$	\$	\$	\$
Tuition	\$	\$	\$	\$
Vacations	\$	\$	\$	\$
Water, sewer, trash collection	\$	\$	\$	\$
Other	\$	\$	\$	\$
Total Expenses	\$	\$	\$	\$
Net Cash Remaining (Needed)	\$	\$	\$	\$
Total Schedule B				

(2) Estimated Business Operating Costs

At a minimum, estimate monthly income and expenses for your business's first 90 days of operation. Different kinds of businesses have longer roads to profitability, so be honest about this and avoid under estimating your needs.

Schedule C: Business Operating Costs (First 90 Days)					
<i>Estimated business income</i>	<i>Month 1</i>	<i>Month 2</i>	<i>Month 3</i>	<i>Total</i>	Notes
Total Income	\$	\$	\$	\$	
<i>Monthly expenses</i>	<i>Month 1</i>	<i>Month 2</i>	<i>Month 3</i>	<i>Total</i>	Notes
Advertising	\$	\$	\$	\$	
Bank service charges	\$	\$	\$	\$	
Business insurance	\$	\$	\$	\$	Exclude the amount from Schedules A or B
Credit card fees	\$	\$	\$	\$	
Delivery charges	\$	\$	\$	\$	
Dues and subscriptions	\$	\$	\$	\$	
Health insurance	\$	\$	\$	\$	Exclude the amount from Schedules A or B
Inventory	\$	\$	\$	\$	
Lease payments	\$	\$	\$	\$	Exclude the amount from Schedules A or B
Loan payments	\$	\$	\$	\$	Principal and interest payments
Miscellaneous	\$	\$	\$	\$	
Office expenses	\$	\$	\$	\$	
Payroll other than manager	\$	\$	\$	\$	
Payroll taxes	\$	\$	\$	\$	
Professional fees	\$	\$	\$	\$	
Rent	\$	\$	\$	\$	Exclude the amount from Schedules A or B
Repairs and maintenance	\$	\$	\$	\$	
Salary of owner or manager	\$	\$	\$	\$	Only if applicable first 90 days
Sales tax	\$	\$	\$	\$	
Supplies	\$	\$	\$	\$	
Telephone	\$	\$	\$	\$	
Utilities	\$	\$	\$	\$	
Other	\$	\$	\$	\$	
Total Expenses	\$	\$	\$	\$	
Net Cash Remaining (Needed)	\$	\$	\$	\$	Total Schedule C

Recap of Costs	
Initial Business Setup Dollars Needed (from Schedule A):	\$ _____
Operating Dollars Needed for First 90 Days (from Schedule C):	\$ _____
Total Dollars Needed for Setup and First 90 Days (sum of A + C):	\$ _____ \$ _____
Additional Personal Cash Needed or Available (from Schedule B):	\$ _____
Net Cash Needs for Personal and Business Survival during Startup and First 90 Days:	\$ _____

Basic Steps To Starting A Small Business

Section 1:

- Step 1. **Define the Business:** For whom, doing what, how and where
- Step 2. **Choose a Business Name.** If you are planning on using a web site then you should consider registering your trade name and logo with the U.S. Patent and Trademark Office. You can do the basic research at www.uspto.gov but will ultimately have to do a formal filing. The last thing that you want to happen is to receive a letter from some lawyer telling you to stop using the name you have chosen as it is trademarked.
- Step 3. **Choose and Register Your Legal Structure:** The choices of legal structure for a business are:
 Sole Proprietorship (Trademark filing is optional with Secretary of State)
 The following are registered with the Secretary of State, www.sos.state.nm.us who clears the name only in the state.
 Partnership
 Limited Partnership
 Limited Liability Partnership
 Corporation (C-Corporation)
 Limited Liability Company
- C corporations who wish to elect S corporation status should complete IRS form 2553 once their C corporation registration has been filed.
- Step 4. **Obtain your Federal Employers Identification Number (FEIN) from the IRS:** The application forms, **SS-4**, are available at www.irs.gov , by telephone, fax, the local IRS office or contact your closest SBDC for further assistance.
- Step 5. **Register with the State Taxation and Revenue for CRS tax number:**
<http://www.tax.newmexico.gov/Businesses/register-your-business.aspx>
- Step 6. **Obtain your Business License and Other Applicable Licenses**
- Step 7. **Report New Hires to the New Mexico New Hires Directory:** Federal and State law requires employers to report newly hired and re-hired employees in New Mexico to the New Mexico New Hires Directory.
<http://newhire-reporting.com/NM-Newhire/default.aspx>
- Step 8. **As soon as you start paying employee wages you need to fill out form ES802 on line with the New Mexico Department of Workforce Solutions.** <http://www.dws.state.nm.us/Business/Publications/Forms>
- Step 9. **If you have employees, contact the IRS and your State Taxation and Revenue Office or a tax accountant for the appropriate forms and rates for the following:** State Unemployment Tax (SUTA), Federal Unemployment Tax (FUTA), Federal Income Tax (FIT), State Income Tax (SIT) if applicable, Social Security Withholding (FICA), Medicare withholding, Immigration and Naturalization Service (INS) Form I-9 for Employment Eligibility Verification.
- Step 10. **Check with an Attorney Regarding Leasing Agreements, Contracts, Patents, Copyrights, Intellectual Property and Licensing Agreement Requirements.**
- Step 11. **Determine the Necessary Guidelines for Compliance with Title I and Title III of the Americans With Disabilities Act (ADA):** The latest information on this can be obtained on the following web site:
http://www.ada.gov/2010_regs.htm
- Step 12. **Establish a Business Bank Account:** If you plan to accept credit cards it may be necessary to setup a Merchant account.
- Step 13. **Check your Insurance Coverage:** The following are some, but not all, insurance policies you might consider:
- | | |
|---|---|
| Property and Liability
Business Interruption
Product and professional liability
Comprehensive general liability (umbrella policy)
Motor vehicle | Life and Health: Basic and Major Medical
Disability Income and Key Person
Insure major equipment for replacement value
Worker's Compensation: Required with 3 or more Employees, contractors with no employees |
|---|---|

Section 2:

Patents/Trade names/Trademarks

U.S. Patent and Trademark Office
1-800-786-9199

www.uspto.gov

Office of the Secretary of State New Mexico State Capital

325 Don Gaspar, Suite 300
Santa Fe, NM 87501
(505)8273600
N.M. Toll Free (800) 477-3632
Forms: www.sos.state.nm.us

If issuing securities:

Form: Form J Notice of Claim Exemption; Fee \$350
Regulation and Licensing: Security Division
Plaza San Miguel
725 St. Michaels Drive
(505) 827-7140

Internal Revenue Service

2945 Rodeo Park Drive E. Suite 2
Santa Fe, N.M. 87505
1-800-829-4933 (Phone application)
1-859-669-5760 (Fax. application)
Forms available: www.irs.gov

N.M. Taxation and Revenue Department

Manuel Lujan Building
1200 S. St. Francis Dr.
Santa Fe, N.M. 87505
(505) 827-0946
Register online:
<http://www.tax.newmexico.gov/Businesses/register-your-business.aspx>

City of Santa Fe Business Licenses

200 Lincoln Avenue
Santa Fe, N.M. 87501
Building Inspections: (505) 955-6646
http://www.santafem.gov/doing_business_with_the_city#apply

County of Santa Fe Business Licensing

County Court House
102 Grant Avenue
Santa Fe, N.M. 87501
Building & Development Services, John Salazar 986-6229
jmsalazar@santafecountynm.gov
http://www.santafecountynm.gov/growth_management/building_development_services/permit_applications

Department of Workforce Solutions

301 W. DeVargas 2nd Floor
Santa Fe, N.M. 87501
(505)827-7437/7438
Forms Available: www.dws.state.nm.us

Copyrights and Intellectual Property

U.S. Copyright Office
Public Information Office (202) 707-3000
www.copyright.gov

Worker's Compensation Administration

810 West San Mateo, Suite A2
Santa Fe, NM 87505
(505)476-7381
<http://www.workerscomp.state.nm.us/about.php>

Occupational Safety and Health Admin. (OSHA)

827 Camino De Los Marquez, Suite 3
Santa Fe, N.M. 87502
(505) 827-4230
http://www.nmenv.state.nm.us/Ohsb_Website/index.htm

District 2 Environmental Department

#4 Calle Medico
Santa Fe, N.M. 87505
(505)827-1840
http://www.nmenv.state.nm.us/NMED/field_op.html

Construction Industries Division

Toney Anaya Building:
2550 Cerrillos Road
P.O. Box 25101
Santa Fe, N.M. 87504-5101
(505) 476-4700

Regulation and Licensing Department

P.O. Box 25101
725 St. Michaels Dr.
Santa Fe, N.M. 87504
(505) 827-7003 Fax. (505) 827-1157
www.rld.state.nm.us

New Mexico New Hires Directory

<http://newhire-reporting.com/NM-Newhire/default.aspx>

For specific occupational licenses contact the appropriate division of the Regulation and Licensing Department

Business Plan Outline

The following pages provide a suggested outline of the material that should be included in your business plan. Your final plan may vary according to your needs or because of the individual requirements of your lender.

What Are the Benefits?

Every business can benefit from the preparation of a carefully written plan. There are two main purposes for writing that plan:

1. To serve as a guide during the lifetime of the business. It is the blueprint of your business and will provide you with the tools for analysis and change.
2. A business plan is a requirement if you are planning to seek a loan. It will provide potential lenders with detailed information on all aspects of your company's past and current operations and provide future projections.

I. Cover Sheet

Serves as the title page of your business plan. It should contain the following:

- Name of company
- Company address
- Company phone number (include area code)
- Logo (if you have one)
- Names, titles, addresses, phone numbers (include area code) of owners.
- Month and year your plan was issued
- Name of preparer

II. Statement of Purpose or Executive Summary

Write this last. This is the summary of your business plan objectives. Use the key words (who, what, where, when, why, how, and how much) to briefly tell about the following:

- What your company is (also who, what, where and when).
- What your objectives are
- If you need a loan, why you need it
- How much you need
- Why you will be successful
- How and when you plan to repay your loan.

III. Table of Contents

A page listing the major topics and references

IV. The Business

Covers the details of your business. Include information about your industry in general, and your business in particular. Address the following:

- Legal structure—Tell what legal structure you have chosen and state reasons for your choice.
- Description of the business—Detail your business. Tell about your history, present status and future projections. Outline your product or service in terms of marketability. Project a sense of what you expect to accomplish in the next few years.
- Products or services—Give a detailed description of your products from raw materials to finished items. Tell about your manufacturing process. If you provide a service, tell what it is, how it is provided and why it is unique. List future products or services you plan to provide.
- Location—Describe site and why it was chosen. (If location is important to your marketing plan, focus on this in the marketing section below).
- Management—Describe who is behind the business. For each owner, tell about responsibilities and abilities. Support with resumes.
- Personnel—Who will be doing the work, why are they qualified, what is their wage, what are their responsibilities.
- Methods of record keeping—What accounting system will you use? Who will do your record keeping? Do you have a plan to help you use your records in analyzing your business?
- Insurance—What kinds of insurance will you need? What will these cost and who will you use for a carrier?
- Security—Address security in terms of inventory control and theft of information.

V. Marketing

Covers the details of your marketing plan. Include information about the total market with emphasis on your target market. Identify your customers and tell the means to make your product or service available to them.

- *Target market*—Identify characteristics of your customers. Tell how you arrived at your results. Back up information with demographics, questionnaires and surveys. Project size of your market.
- *Competition*—Evaluate indirect and direct competition. Show how you can compete. Evaluate competition in terms of location, market and business history.
- *Methods of distribution*—Tell about the manner in which products and services will be made available to the customer. Back up decisions with statistical reports, rate sheets, etc.
- *Advertising*—How will your advertising be tailored to your target market? Include rate sheets, promotional material and time lines for your advertising campaign.
- *Pricing*—Pricing will be determined as a result of market research and costing your product or service. Tell how you arrived at your pricing structure and back it up with materials from your research.
- *Product design*—Answer key questions regarding product design and packaging. Include graphics and proprietary rights information.
- *Timing of market entry*—Tell when you plan to enter the market and how you arrived at your decision.
- *Location*—If your choice of location is related to target market, cover it in this section of your business plan. (See location in the business section of this outline.)
- *Industry trends*—Give current trends, project how the market may change and what you plan to do to keep up.

VI. Financial documents

These are the records used to show past, current and projected finances. The following are the major documents you will want to include in your business plan. The work is easier if these are done in the order presented.

- *Summary of financial needs*—This is an outline indicating why you are applying for a loan and how much you need.
- *Sources and uses of funds statement*—It will be necessary for you to tell how you intend to disperse the loan funds. Back up your statement with supporting data.
- *Cash flow statement (budget)*—This document projects what your business plan means in terms of dollars. It shows cash inflow and outflow over a period of time and is used for internal planning. Cash flow statements show both how much and when cash must flow in and out of your business.
- *Three-year income projection*—A pro forma income statement showing your projections for your company for the next three years. Use the pro forma cash flow statement for the first year's figures and project the next according to economic and industry trends.
- *Break even analysis*—The break-even point is when a company's expenses exactly match the sales or service volume. It can be expressed in total dollars or revenue exactly offset by total expenses or total units of production (cost of which exactly equals the income derived by their sales). This analysis can be done either mathematically or graphically.

NOTE: *The following are actual performance statements reflecting the activity of your business in the past. If you are a new business owner, your financial section will end here and you will add a personal financial history. If you are an established business, you will include the actual performance statements that follow.*

- *Balance sheet*—Shows the condition of the business as of a fixed date. It is a picture of your firm's financial condition at a particular moment and will show you whether your financial position is strong or weak. It is usually done at the close of an accounting period, and contains assets, liabilities and net worth.
- *Income (profit and loss) statement*—Shows your business financial activity over a period of time (monthly, annually). It is a moving picture showing what has happened in your business and is an excellent tool for assessing your business. Your ledger is closed and balanced and the revenue and expense totals transferred to this statement.
- *Business financial history*—This is a summary of financial information about your company from its start to the present. The business financial history and loan application are usually the same. If you have completed the rest of the financial section, you should be able to transfer all the needed information to this document.

VII. Supporting documents

These are records that back up the statements and decisions made in the three main parts of your business plan. Those most commonly included are as follows:

- *Personal resumes*—Should be limited to one page and include work history, educational background, professional affiliations and honors and special skills.
- *Personal financial statement*—A statement of personal assets and liabilities. For a new business owner, this will be part of your financial section. https://www.sba.gov/sites/default/files/forms/SBA_Form_413_7a-504-SBG.pdf
- *Credit reports*—Business and personal from suppliers or wholesalers, credit bureaus and banks. The free credit report site established by Congress is www.annualcreditreport.com.
- *Copies of leases*—existing or pro-forma agreements with any landlords.
- *Letters of reference*—Letters recommending you as being a reputable and reliable businessperson worthy of being considered a good risk. (Include both business and personal references.)
- *Contracts*—Include all business contracts, both completed and currently in force.
- *Legal documents*—All legal papers pertaining to your legal structure, proprietary rights, insurance, titles, etc.
- *Miscellaneous documents*—press, location plans, demographics, industry reports. Prepare a glossary of terms used in the business if it is technology-oriented or otherwise highly specialized.

Putting Your Plan Together

When you are finished your business plan should look professional, but the lender needs to know that it was done by you. Make sure the story told by the narrative is consistent with the story told in the projections. Remember, you are the expert in your field and it is your job to help the lender or investor understand how you will be successful. Include only the supporting documents that will be of immediate interest to your potential lender. Keep the others in your own copy where they will be available on short notice. Make copies for yourself and each lender you wish to approach. Do not give out too many copies at once, and keep track of each copy. If your loan is refused, be sure to retrieve your business plan.

For more detailed explanations of each section of the business plan outline, check out the SBA articles and business planning tool at <https://www.sba.gov/writing-business-plan>

Questions To Be Answered In A Business Plan

1. Description of the Business

- a. What type of business are you planning?
- b. What products or services will you sell?
- c. What type of opportunity is it (new, part-time, expansion, seasonal, year-round)?
- d. Why does it promise to be successful?
- e. What are the growth opportunities?

2. Marketing Plan

- a. Who are your potential customers?
- b. How will you attract and hold your share of the market?
- c. Who are your competitors? How are their businesses prospering?
- d. How will you promote sales?
- e. Who will be your best suppliers? Why?
- f. Where will the business be located?
- g. What factors will influence your choice of location?
- h. What features will your location have?
- i. How will your building contribute to your marketing strategy?
- j. What will your building layout feature?

3. Organization Plan

- a. Who will manage the business?
- b. What qualifications will you look for in a manager?
- c. How many employees will you need? What will they do?
- d. What are your plans for employee hiring, salaries and wages, benefits, training, and supervision?
- e. How will you manage finances?
- f. How will you manage recordkeeping?
- g. What consultants or specialists will you need? Why will you need them?
- h. What legal form of ownership will you choose? Why?
- i. What licenses and permits will you need?
- j. What regulations will affect your business?

4. Financial Plan

- a. What is your total estimated business income for the first year?
Monthly for the first year? Quarterly for the second and third years?
- b. What will it cost you to open the business and sustain it for eighteen months of operation?
- c. What will be your monthly cash flow during the first year?
- d. What will your personal monthly financial needs be?
- e. What sales volume will you need in order to make a profit during the first three years?
- f. What will be the break-even point?
- g. What will be your projected assets, liabilities, and net worth on the day before you expect to open?
- h. What will the capital value of your equipment be?
- i. What will your total financial needs be?
- j. What will your potential funding sources be?
- k. How will you use the money from lenders or investors?
- l. How will the loan be secured?

SOURCE: M. Catherine Ashmore and Sandra G. Pritz, comp., “Developing the Business Plan,” Level 2. Research and Development Series no. 240 BB 3. *Programming for Acquiring Competence in Entrepreneurship (PACE)*, Revised (Columbus: The National Center for Research in Vocational Education. The Ohio State University, 1982)

Marketing Plan Outline

What is a Marketing Plan?

It is the plan that is devoted to getting your product or service to your customer or “target market.”

It is the 3 “R” process: **1) Research, 2) Reach & 3) Retain**

In this plan you must take the time to identify your customers and find the means to make your product or service attractive and available to them.

1. Target Market

Who are my customers?

economic level

sex

age

What are my customers needs?

lifestyle

buying habits

location

How do I meet those needs?

2. Competition

Identify and evaluate competition.

Who

Location

Products and services

Methods of distribution

Image

Pricing

Business history and current performance

Market share

Strengths

Weakness

3. Methods of Distribution

Is the manner in which products are physically transported to the consumer and the way services are made available to the customer. *Ask the following questions:*

If a product:

Do your customers purchase by direct mail?

Do they buy through a catalog? in-store?

Do you sell through a rep?

Are you shipping the product?

If a service:

Do you provide in-shop service?

Do you do house calls?

What is your response time to your customer?

List the pros and cons of each distribution method.

Identify cost and who absorbs it.

4. Promotion

Means to get the message to your customer.

Paid advertising

Publicity

Community involvement

Directory listing

Direct Mail

Social Media, Guerrilla Marketing

5. Pricing

Set your price between the price ceiling and floor.

What is your competition charging?

What is the nature of the demand?

What is the image you are projecting?

What are the costs?

Manufacturing

Variable expenses

Office overhead

Interest expenses

Tax expenses

Profit

6. Product Design

Consider the taste of your target market. Consider quality, safety and technical standards.

Size

Shape

Color

Material

Wording

Trademark and copyright or patent considerations.

7. Timing of Market Entry

Timing of your entry into the market is critical and takes careful planning

Have products and services available at the right time.

Check trade journals and associations to determine timing patterns of your industry.

Example: If your main venue is the Yellow Pages and it comes out in November, time it accordingly.

8. Location

Your choice of location is related to your target market.

Is it located to attract the target market or customers?

List reasons for your choice of location.

What is the character of the neighborhood?

Does the site project your business image?

Where is your competition located?

What services does the landlord provide?

What is the occupation history of the site selected?

Is it related to the location?

Is there a strong economy to support your business by your location?

9. Industry Trends

Be alert to industry trends. A wise business owner will follow industry trends, analyze the economy, project the "best and worst case scenarios."

Read trade and professional association journals and industry reports for your field.

Project how your industry will change.

What new products and services are being developed?

Be aware of economic and financial forecasts.

Questions To Be Answered In A Marketing Plan

- 1. Who are your customers? Primary, secondary “target” markets. Describe them as carefully as possible by:**
Demographics:
 - Income
 - Age
 - Sex
 - Geographical location-do you sell out of state, export?
 - Tourists, localsPsychographics:
 - Buying habits and buying decisions
 - What do your primary market customers have in common?
- 2. What are your customers unmet needs? (Look for what’s missing.) The more specific you are on this the easier the next step will be.**
- 3. Why and how can you meet these needs better than existing or potential competitors? Take stock of your talents, experience and ideas, but be realistic. Take stock of your product characteristics.**
 - Quality comparisons
 - Follow up/service comparisons
 - Price comparisons
 - Availability comparisons
 - Guarantee comparisons
 - Location comparisons
 - Convenience comparisons
 - Delivery comparisons
 - Reliability comparisons
- 4. Describe in detail the characteristics or features of your product/service that will meet your customer’s needs. FACT / ADVANTAGE / BENEFIT**
- 5. Identify your direct and indirect competitors: What are their strengths and weaknesses: How will you exploit their weaknesses and overcome their strengths? What do you offer that they don’t?**
- 6. How will you promote your product/service? How do you know how much of each one to use or which combination will be effective?**
 - Advertise (which media?)
 - Referral bonus
 - Sales promotion-Is this compatible with your strategy?
 - Social Media
 - Promotional Give-away's
 - Publicity (press releases, articles)
 - Selling force (includes sales reps on commission) - training
- 7. How will you price your product/service? What do your competitors charge? IF you have no control over price, how will you control your costs?**
- 8. How will you distribute your product?**
 - Direct to customer
 - Through an intermediary (e.g., distributor)
 - Mail order (Will you maintain your own list? Purchase lists?)
 - Why did you select this channel; this is, what is the cheapest, most effective way to reach potential customers? More than one?
- 9. Where is your business located?**
 - Why is this the right location:
 - Do you know the potential customer traffic of this location?
 - How critical is the location for your business?
- 10. What are your plans to get feedback from your customers to ensure you continuously are meeting their needs? How will you get your current, satisfied customers to help you find new customers? (Asking customers as**

you ring up the sale, why they chose that product? What do they like about it? Each customer, if asked, can offer valuable information.) Can you utilize a site like **YELP**?

Internal Financial Controls

Purpose of an Internal Control System

- a. Minimize potential loss due to theft (intentional)
- b. Minimize potential losses due to error (unintentional)
- c. Increase the efficiency of your operation

A Good Internal Control System

- a. Provides for the segregation of duties so that people responsible for the custody of business assets (cash, inventory, etc.) are not the same individuals responsible for record keeping and recording transactions
- b. Is as simple as possible
- c. Includes controls that are based on job descriptions, not people
- d. Provides for final review and authorization by you, the owner
- e. Is enforced and applied consistently
- f. Is changed or enhanced as the business changes

Control Procedures – General

- a. Receive bank statement direct and unopened, review it, check out unusual items
- b. Use a double entry bookkeeping system (One Write System)
- c. Understand all aspects of your record keeping system
- d. Have procedures that require your approval/authorization
- e. Look at everything before you sign it
- f. Never use your personal account for the business
- g. Restrict access to cash
- h. Evaluate account balances

Control Procedures – Cash Receipts

- a. Someone other than the bookkeeper (owner or receptionist) should:
 1. Open the mail and list all cash receipts
 2. Stamp all checks "*For Deposit Only*"
- b. Deposits should be made daily whenever possible
- c. Someone other than the person opening the mail should record the receipts to the accounts receivable ledger
- d. Cash sales should be controlled by a cash register and/or pre-numbered cash receipts forms
- e. Bank reconciliation should be done monthly by someone not responsible for cash transactions (best to do it yourself!)

Control Procedures – Cash disbursements

- a. Cash disbursements (except petty cash) should be by pre-numbered checks
- b. Unused checks should be safeguarded
- c. A check protector can prevent alteration
- d. All voided checks should be mutilated and retained
- e. Check signers should be limited
- f. Supporting documents should be attached and reviewed when you sign the checks

Control Procedures – Inventory

- a. Physical counts should be made periodically and reconciled to the books
- b. Someone other than the bookkeeper should be responsible for inventory quantities
- c. Install physical safeguards – locks, fences, etc.

Control Procedures – Payroll

- a. Maintain personnel files noting rates and increases (approval required)
- b. Use time clocks or time sheets
- c. Approve, sign and distribute paychecks

Authorize, Verify, Approve, Review!