

Business Plan

(Not required if you have already prepared a formal business plan using another format)

IF SPACE PROVIDED IS INSUFFICIENT PLEASE ATTACH A SEPARATE SHEET.

1. Business Profile

| | |
|---------------------------------------|--------------------------|
| Company Name | Company Telephone Number |
| Company Address | |
| City | Postal Code |
| Date Business Registered/Incorporated | |

Form of Ownership

Sole Proprietor Partnership Corporation (list below shareholders & % ownership for each)

_____ % Ownership
_____ % Ownership
_____ % Ownership

Classification of Business

Retail Food Tourism Manufacturing Service
 Construction Wholesale other - (specify)

Will your involvement in this business be Full-time Part-time

If part-time, please explain how your business will be able to operate full-time.

2. Objectives

Describe in detail what your business will do. What product or service will be provided?

3. Competition and Suppliers

Who are your competitors, where are they located, and how long have they been in business?

Business Plan

Explain why your customers will prefer your product or service over your competitors. Try to base all statements on fact.

Who are your major suppliers (if applicable), where are they located and what are their credit terms?
Can you change your suppliers easily if required? Are there transportation costs?

4. Customers

What market research have you conducted to determine how many potential customers are in the areas you plan to operate?

Please provide both details of the research and the results (e.g. surveys, statistical data).

What are the characteristics of your typical customers (i.e. age, location, education, etc.)?

How will you inform customers about your service or product?

What form of advertising would be most effective for your business (business cards, radio, newspaper, pamphlets, direct mail/calling)?

How much do you intend to spend on advertising and have you budgeted for this expense?

5. Price and Costs

What does it cost you to offer your product(s) or service(s) to your customers? Cost may be expressed per unit, job or hour.

Provide a breakdown of how you determined your cost including materials, labour, inventory, and overhead costs.

Business Plan

What price will you charge customers for your product(s) or service(s)? Provide a breakdown of how you arrived at your prices.

(Include your costs and markup or profit margins.) How does your price compare to the competition?

What level of sales would you have to reach to just cover your expenses (break-even point)?

Have you made provisions for contingency costs in your pricing? (e.g. warranty/servicing)?

6. Operating Requirements

What government regulations, licenses, permits, and insurance pertain to your business and have they been obtained?

Identify your business requirements such as size and type of premises, equipment, furniture and fixtures. Will they be leased or purchased, and will deposits be required? Is there sufficient parking? Is it properly zoned?

Will franchises, patents, trademarks, and licensing agreements be important factors in your business?

Explain, including financial details.

7. Personal

What skills and/or knowledge are you bringing to the business? (Please complete attached Item "A" – Personal Resume).

What other skills are required to operate your business and who will provide them? List any business or technical advisors.

Business Plan

How many employees will you have to hire?

| Number of Employees at: | Start-up | | Year 3 | |
|-------------------------|------------|------------|------------|------------|
| | Full-time: | Part-time: | Full-time: | Part-time: |
| | | | | |

8. Financial

Itemize major expenditures to show total start-up/project costs including funds required for day-to-day operations (working capital).

| ITEMS | COST |
|-------|-------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

Total Start-up Cost \$ _____ A

What is the source of your cash equity contribution? (e.g. savings, borrowed) _____ Amount \$ _____

What is the amount of the Oxford Small Business Centre loan you are applying for? Amount \$ _____

Other sources of funding (name). (Business Improvement Loan, Family, Youth Foundation Loan, etc.)
 _____ Amount \$ _____

Total Funds \$ _____ B

A = B

Have you ever been self-employed? Have you taken any entrepreneurial training courses?

If the new business fails how would you repay the loan?

Business Plan

9. Cash Flow

Please prepare and submit a projected Cash Flow statement. A glossary of terms along with an explanation of the cash flow statement is provided for your convenience.

A sample cash flow in Excel format is available on our Website www.osbsc.on.ca in the Business Financing/ Application Process section.

Business Plan

Glossary of Terms - *Cashflow Forecast*

Cash Disbursements - Funds paid out.

Cash Equity Contribution - Funds invested by owner into business.

Cash from Sales - Funds received from selling your product or service. If you provide credit, then money collected depends on collection policy.

Cash Receipts - Funds received from various sources.

Competition - Businesses selling to the same target market as your business.

Cumulative (to date) - Total of each and every month's surplus and/or deficit.

Direct Expenses - Funds paid for materials and labour used in making your product or service. Also called Cost of Goods Sold.

Drawings - Funds withdrawn by owner to pay for living expenses.

Indirect Expenses - Funds paid for rent, utilities, advertising, etc. Also known as overhead.

Initial Costs - Also called Start-up costs and are those expenses which are normally one-time events such as renovations, equipment, and first purchase of inventory.

Equity - Your contribution to the business in terms of cash or assets.

Estimated Sales - Anticipated sales (\$) of your product or service.

Gross Profit - Difference between sales and cost of goods sold.

Mission Statement - One or two sentences stating the objectives of your business.

Market Share - That portion of the target market which you are able to sell your product or service.

Marketing - How you inform your target market about your business.

Monthly Deficit - Current month's cash receipts are greater than disbursements.

Net Income - Profit or loss after including owner draw and loan payments.

Overhead Costs - Those costs which occur regardless of how much product or service you sell (ie. rent, utilities, advertising, etc.).

Product Positioning - The image you are trying to attain with your product or service. Includes aspects of price, quality, etc.

Target Market - That part of the market which is your business' potential customers.

Business Plan

Explanation of Projected Cash Flow Statement

Definition:

The projected cash flow statement (PCFS) is simply your best guess of the revenue and associated costs of providing your product or service. The PCFS has a period of 1 year and, each month must be individually estimated. The end result (ie. Net Cash Position) represents your forecasted bank account balance.

Cash In:

Cash can be introduced into the business in several ways. First and most obviously, cash enters the business in the form of sales (#'s 1 and 2 on the PCFS). There are 2 rows for sales as some businesses offer a product and a service (ie. sell and service toasters) or, offer two main products (ie. food and liquor sales in a restaurant). However, most businesses have only one source of income. In this case, it is an excellent idea to use the second sales row for additional information (ie. number of hours, clients, units sold) if applicable.

You should also reflect the credit terms (if any) allowed customers. If the terms are cash only, the row labeled Cash from Sales (#3) is merely the sales total. If however, you allow 30 days to pay, then sales made in month 1 will be collected the next month (ie. sales of \$1,000 in month 1 will not be recorded as cash coming into the business until month 2).

Cash is also introduced into the business through owner's equity and loan monies. Owner's equity is simply cash invested into the business by the owner (ie. from savings). Conversely, loan monies are borrowed funds and usually require a corresponding payment.

Cash Out:

Cash leaves the business either through direct expenses (Cost of Goods Sold - CGS) or, indirect expenses (overhead). CGS are expenses that relate directly to sales revenue. As an example, a toaster must be manufactured before it can be sold. Before it can be made, wiring, plastic and metal must be obtained. These items are your materials or, CGS. In most cases, the CGS represents a fixed percentage of sales (ie. 30%). Many businesses require a large purchase of initial inventory when they begin operations and this purchase is recorded as an indirect expense (ie. use the blank row). Only materials used in items that are sold in the current month are to be recorded as direct expenses. Also, the estimated labour costs for production workers is considered a direct expense. Administrative labour costs are more accurately reflected under indirect expenses (ie. use a row that is not applicable to your business).

In general, indirect expenses will occur whether or not sales are made. The most common of these are listed. Show these expenses as they occur. For example, if insurance costs your business \$1,200/year, and is paid twice a year, each payment is recorded as it occurs rather than as an expense of \$100/month in each month.

Net Cash Position:

To calculate the net cash position for the first month, you take the total cash in (#6) and subtract total direct expenses (#7) and total indirect expenses (#8). The resulting total is a forecast balance of your business' bank account. This total is carried forward and recorded under the next month's column in the row called opening cash balance. The entire process is repeated until you have completed projections for 12 months.

Helpful Hint:

Cash flow projections should be based upon previous industry experience as well as appropriate research (ie. contacting utilities, insurance companies, newspapers, etc.). Be realistic, overly optimistic projections will not add to your presentation. Keep in mind that if the outcome of your forecast is a negative net cash position, you must have some means to deal with this situation (ie. line of credit, overdraft, owner investment).