

Ferdinand
Indiana



ENTREPRENEUR DEVELOPMENT GUIDELINES PLAYBOOK



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ENTREPRENEUR DEVELOPMENT GUIDELINES PLAYBOOK

As prepared by the Ferdinand Entrepreneurship Pillar and the Ferdinand Chamber Commerce

Introduction:

The following Entrepreneurship development guidelines have been designed by the Ferdinand Community Entrepreneurship Pillar Team and the Ferdinand Chamber of Commerce. Our goal is to assist budding entrepreneurs as they work to take an entrepreneurial idea or dream and nurture it to an entrepreneurial reality within our community or surrounding area. The guidelines are basic and designed to help focus planning efforts on the necessary steps of planning to establish the proper foundations for success. The stated guidelines are designed to make you aware of issues and processes that an entrepreneur should address as he or she develops an entrepreneurial business plan. As you address the individual criteria within each chapter of this guideline booklet, we encourage you to seek professional services in the areas where you find major weaknesses or needs. Although we cannot guarantee success, we know that preparation is a critical criterion for success and that the better prepared a budding entrepreneur is, the greater the chances that his or her entrepreneurial effort will be successful.

As you begin this process, we wish you the best and truly hope you are able to bring your entrepreneurial idea to a reality within our community or surrounding area. If after working through the entrepreneurial guidelines, you still have questions, please contact our community's FHTC Community Coordinator, Chris James, at cjames@ferdinandindiana.org or via telephone at 812-367-2282 for further assistance.

Chapter 1: GETTING STARTED

Questions to ask before you start your Business:

DO YOU POSSESS THE PERSONAL QUALITIES TO BE A SUCCESSFUL BUSINESS ENTREPRENEUR?

Do you have the courage to start your business and the courage to stick with it to make it successful?

Are you willing to make the time commitment to your entrepreneurship efforts to make it successful?

Do you have sufficient management skills to run and manage your entrepreneurship efforts?

Do you have the personal skills to manage employees, your customers, and delegate responsibilities?

Do you have sufficient knowledge and energy to know and develop your market base?

Do you have the knowledge to develop marketing strategies that will provide you with sufficient cash flow to stay in business?

Do you have sufficient investment capital to start your business and sufficient capital reserves to stay in business during down times?

Do you have the passion to make your business successful?

If your answers to the above questions are positive, you then need to proceed through the next steps, and continue to develop your entrepreneurial business plans.

DO YOU FULLY UNDERSTAND THE RESPONSIBILITIES ASSOCIATED WITH BEING A BUSINESS ENTREPRENEUR?

Statistics show that about only 30% of all business initiatives that are started are successful. When we evaluate why 70% of entrepreneurial efforts fail, we find that there are two main reasons associated with causes of failures.

They are: Lack of proper management skills to address the management needs of the entrepreneurial effort.

The lack of capital to establish the business and lack of capital to sustain the business once it has been established.

The following questions are designed to help you better understand the responsibilities that are associated with establishing an entrepreneurial business and with managing an entrepreneurial business.

Do you understand the challenges that are associated with the business adventure that you are about to enter?

Do you fully understand the roles that you will have to accept and play as the sole proprietor of your business?

Have you established goals for short-term needs and long-term needs for this entrepreneurial effort?

Have you established goals to address your personal needs, your economic needs and, your long-term retirement needs?

DO YOU HAVE THE NEEDED PERSONAL QUALITIES TO BE A SUCCESSFUL ENTREPRENEUR?

What are your strengths?

What are your weaknesses?

Do you have the personality traits to deal with people and business vendors?

Are you an individual who can make hard decisions and act on them efficiently?

Have you fully evaluated your chances for being successful?

CAN YOUR PERSONAL LIFE HANDLE THE IMPACT OF BEING AN ENTREPRENEUR?

Will your personal life deal with the fact that as a business owner, you will be physically and mentally engaged in your business 24/7?

Will your spouse and family accept the role and the commitments that you must make to be a successful business entrepreneur?

Can you and your family deal with the uncertainty of your weekly income, rather than weekly pay checks?

How will your entrepreneurial business provide for your personal needs such as health insurance, workmen's compensation, retirement savings, and personal savings?

HAVE YOU EVALUATED WHAT CHANCE YOUR BUSINESS IDEA HAS FOR BEING SUCCESSFUL?

Do you fully understand the business that you are about to establish?

Have you completed your marketing assessments for your business?

Have you evaluated your profitability assessments for your business?

Have you evaluated your financing needs, your capital resources, and the capital reserves that will be needed to establish your entrepreneurial effort and to sustain it until it achieves independence and success?

Have you attained the necessary legal, financial, and professional services that are needed to establish your business and to sustain it?

Have you fully researched your entrepreneurial idea and fully understand your competition and challenges that you will have to address?

Chapter 2: DEVELOPING YOUR BUSINESS PLAN

A business plan should be a written plan of action that takes your conceptual idea from the beginning stage to an operational stage of development. Your business plan should be brief, to the point and thought out in great detail. Your business plan should have the following components.

A. What should be included in your Business Plan?

Cover Page:

This is your title page and it should list the name of your business or company and the preparer of the business plan.

Table of Contents:

Your table of contents should list all the components described in the written business plan

Executive Summary:

Your executive summary should provide an overview of your entire business plan with emphasis on the factors that you believe will make your business successful.

Business Background Section:

This section should provide company specific information such as your business organization, your business history, and the business product or services that your business will develop or provide.

Marketing Plan:

This section should describe the market research, the needs for your products or services, and who your competitors are and will be. This section should describe the advantages that your product or services will have over similar products or services or over competitors. This section should layout the marketing strategies that you will use and the marketing strategies that you will use to support and grow your sales.

Plan of Action:

This section should describe the actions that will be used for management and for operational needs and issues. This section should include your contingency plans for management and operational procedures should you as the proprietor of the business become incapacitated and unable to participate in either the management or operational aspect of your business.

Financial Projections:

This section should list your assumptions in regards to product production rates, sales and sales operations, projected operational cost, projected cash flow, and projected profit projections. This section should explain how your business will do financially with the business assumptions that you have provided.

Appendix:

In this section you should provide supporting documents, statistical analysis data, product marketing materials, personal credentials and resumes and credentials of other key players that will be involved with your business.

B. Why do you need a Business Plan?

Your business plan will only be as good as you use it. Once developed, you must use your business plan to guide you as you address your management, operational, and financial needs.

- Your business plan must be an action document that serves as a blueprint for management needs, operational needs, and financial needs.
- It must be a tracking document that allows you to track your successes and failures in management, in operations, and in finance.
- It should be the document that provides you with guidelines for achieving projections or milestones and it should be a document that allows for comparisons against baseline projections.
- Your business plan should allow you to monitor your progress and allow you to determine when things are going well and when things are not going as planned.
- Your plan should keep you on track or let you know when you must change or alter your plans to deal with situations that were not included in your original planning.

To assist you in the development of your business plan we have included the following business plan outline. The following listed categories are areas that must be explained or defined as you develop your business plan. The information that you include in your business plan will be of great importance to your accountant, lawyer, and banker—so be specific and complete. For free examples of completed business plans you might visit (www.bplans.com). This site is an excellent information site and one that may provide you with excellent information as you address each of the categories listed later in this document.

Business Plan Outline

A. Executive Summary :

- Objectives of your business
- Mission statement of your business
- Keys to Success statement of your business

B. Company Explanation Summary:

- Company ownership defined
- Company History (for ongoing companies) or Start-up Plan (for a new company)
- Company location and facilities statement

C. Products and Services Number to be developed or provided by your company:

- Products and Services statement
- Competitive Comparison statement
- Sales Literature statement
- Sourcing and Fulfillment statement
- Technology statement
- Future Products and Services statement

D. Marketing Analysis Summary:

- Market Segmentation statement
- Target Market Segment Strategy
- Market Needs statement
- Market Trends statement
- Market growth statement
- Industry Analysis statement
- Industry Participants statement
- Distribution Patterns plans statement

- Competition and Buying Patterns statement
- Main Competitors statement

E. Strategy and Implementation Summary Plans:

- Strategy Pyramids Plans statement
- Value Proposition Plans statement
- Competitive Edge statement
- Marketing Strategy Plans statement
- Positioning Plans Statement
- Pricing Strategy Plans statement
- Promotion Strategy Plans statement
- Distribution Patterns Plans statement
- Sales Strategy Plans statement
- Sales Forecast Projections statement
- Sales Programming Plans statement
- Strategic Alliances Plans statement
- Milestone Accomplishment Plans statement

F. Web Plan Summary

- Web site Marketing Strategy Plans
- Development Requirements Plans

G. Management Summary Plans:

- Organizational Structure Plans defined
- Management Team composition plans defined
- Management Team Gaps defined
- Personnel Plans defined.

H. Financial Plans Defined:

- Important Assumptions on Financial Capital flow and growth
- Key Financial Indicators that you will use to evaluate your financial growth and development.
- Break-even Analysis assumptions

- Projected Profit and Loss
- Projected Cash Flow
- Projected Balance Sheet of cost vs. profit
- Business Ratios defined
- Long term plans for continuance and growth.

Chapter 3: Setting up your Finances

One of the major obstacles an entrepreneur must overcome is his or her need for money to finance the development of his or her entrepreneurial idea. Secondly, the need for financing to maintain their business until they have the necessary finances to sustain their business established. The challenge to find and set these financing resources is complicated by the fact that most beginning entrepreneurs do not have sufficient capital. They must rely upon one or several outside financial resources to provide the capital for development of their entrepreneurial idea and for the capital to sustain their entrepreneurial idea once established. Finding the right financial resources is important. You must search for these capital resources and make the correct decisions. If not, you will find yourself in a constant cycle of financial need or financial trouble. Although there are many ways to find and develop your financial resources, we suggest the following steps to help guide your efforts in this area:

Develop a Business Finance Profile

You must project the amount of money needed to start the business.

You must project the amount of money one needed to sustain the business once it is developed into a reality.

You must list the amount of personal capital that you personally have available to put into the business without putting your family's assets at risk.

You must list income from financial sources that will be available from outside resources, such as family, friends, or venture capitalists.

You must list the amount of money you will rely upon from debt financing.

You must list the amount of money you will rely upon through the use of equity funding.

Develop a projected weekly, monthly, and yearly budget

Use your projected business assumptions to develop a weekly, monthly, and yearly operational budget by projecting the cost to the following questions.

What will be your facility rental or ownership cost?

What will be your utility cost?

What will be your personnel cost?

What will be your supply and material cost?

What will be your marketing cost?

What will be your transportation cost?

What will be your government obligation cost?

What will be your miscellaneous cost?

What are your anticipated costs for these services?

As you look to develop your business idea into a reality, it is important that you examine what your initial cash requirements will be for your new adventure. It is important that you forecast your cash requirements and cash flow. Categories for which you will have to project monetary numbers in order to determine your start up cost are as follows:

What will your cost be for hiring professionals?

- **Lawyer**
- **Accountant**
- **Other professional services**

What will your cost be for insurance?

- **Property insurance**
- **Liability insurance**
- **Workmen's compensation insurance**
- **Mortgage insurance**

What will be your cost for advertising and marketing?

What will be your cost for hired employees?

What will be your cost for setting up your office?

What will be your cost of setting up your retail or service center?

What will be your cost for setting up your production or retail facility?

What will be your cost of supply services?

What will be the cost of transportation to get your products to market?

What will be your cost of setting up financing?

What will be your cost of office equipment and supplies?

What will be your cost of maintaining working capital?

What will be your miscellaneous cost?

What will be your weekly, monthly, and annual Cash Flow cycles?

To establish your business and to stay in business, a business entrepreneur must have appropriate and sufficient cash flow. An entrepreneur must manage their cash flow in a proper manner or they will soon find themselves without suppliers, creditors, and employees. They will be out of business.

As a business entrepreneur, it is very important that you have a realistic and complete understanding of what your cash flow will be at all times. In order to have this understanding, you must project your income cash flow and have knowledge of what will affect your cash flow cycles throughout your business year.

Develop a cash flow chart that will outline your cash flow resources and your cash flow cycles as they will occur within your business throughout a business year.

Develop a cash flow budget that projects the cash flow needed to operate and sustain your business per month and for the entire year.

Develop an appropriate marketing plan that will provide the cash flow necessary for staying in business.

Develop a plan for supplementing cash flow financing if a project downturns does not provide sufficient cash flow to cover operational cost.

Develop an organized plan for capturing and handling excess cash when cash flows exceed your project cost of operations. This plan will set aside monies when cash flows exceed your expectations and provide future liquidity when special needs arise.

Develop a Profitability Assessment

An important step for every entrepreneur is to develop a realistic profitability assessment for their business. Although we approach our business adventure with a mental state of being very successful, we must step back from our euphoria of success while we take a realistic look at the worst case scenario. We must be realistic about what our profitability will be for our business establishment during the best and the worst of times. Although we see great successes ahead if we put our entrepreneurial idea into reality, it is best if your profitability assessment underestimates rather than overestimates your profitability. Thus, in this process, using the worst case scenario, determine what your profitability will be for your business enterprise by filling in the monetary number for the following questions.

What will be the real cost in setting up the business?

What will be the real cost of daily operations?

What will be the real cost of professional services?

What will be the real cost of marketing your product or services?

What will be the real cost of financing?

What will be the real cost associated with your cash flow needs?

What will be the real cost associated with maintaining your business?

What will be the cost of maintaining your personal finances to cover your family budget?

What will be the real cost to cover other miscellaneous expenses?

Financial Assessment Planning Worksheet:

I. Your Personal Business Profile:

Projected amount of money needed to establish business _____

Projected amount of money needed for capital reserves _____

Project amount of personal money available to establish your business _____

Projected amount of money that will need to borrow from outside resources to establish your business _____

Projected amount of money that can be raised through debt financing _____

Projected amount of money that can be raised through equity financing _____

Total needed capital to establish business _____

Total of personal capital available for establishing the business _____

Total of capital that must be borrowed to establish business _____

II. Projected yearly business capital needs:

- Yearly cost of facility rental or ownership _____
- Yearly utility cost _____
- Yearly staffing cost _____
- Yearly material supply cost _____
- Yearly transportation cost _____
- Yearly government obligation cost (Taxes) _____
- Yearly employee benefits cost _____
- Yearly marketing cost _____

- **Yearly depreciation and maintenance cost** _____
- **Yearly estimated miscellaneous cost** _____

Total Projected needed yearly income to cover total yearly cost _____

III, Professional Service and Operational Cost

- Yearly cost for lawyer services _____
- Yearly cost for accountant services _____
- Yearly cost for board of directors or advisory board _____
- Yearly cost for property insurance _____
- Yearly cost for Liability insurance _____
- Yearly cost for workmen’s comp insurance _____
- Yearly cost for mortgage insurance _____
- Yearly cost for hired employees _____
- Yearly cost for office supplies _____
- Yearly cost for office equipment _____
- Yearly cost for retail of service centers _____
- Yearly cost for financing needs _____

Total cost associated with Professional services and Operational cost _____

IV. Cash Flow Cycles and Needs

- Projected monthly cash flow flow : Project quarterly cash flow

Jan.	_____	Feb.	_____	March	_____	_____
April	_____	May	_____	June	_____	_____
July	_____	Aug	_____	Sept	_____	_____
Oct	_____	Nov	_____	Dec	_____	_____

- Projected yearly cash flow _____

- Projected monthly production cost Quarterly cost

Jan	_____	Feb	_____	March	_____	_____
April	_____	May	_____	June	_____	_____
July	_____	Aug	_____	Sept	_____	_____
Oct	_____	Nov	_____	Dec	_____	_____

- Projected yearly production cost _____

Total projected cash flow income per week, per month, per year _____

Total projected cash flow needs per week, per month, per year _____

V. Profitability Assessment:

- Projected yearly income _____
- Projected yearly expenses _____
- Projected yearly cost of goods sold _____
- **Projected Yearly net profit** _____

Chapter 4: MARKETING YOUR BUSINESS

Before you proceed with the development of your entrepreneurial idea, it is important that you do your marketing research and develop marketing strategies. What do you personally know about the market which you are about to enter? What kind of market exists for the product OR services that you wish to provide? Is it big enough to support your business and make it profitable? What advantages will you have over present competitors? What will be the best and most effective way to market business products or services that you intend to provide?

Your research should answer the following questions.

Who will be my customers?

**Where should I locate my business so that I am close to my customer base?
Remember the phrase "Location, Location, Location"**

What marketing strategies will be most effective with my customers?

What will my customers be willing to pay for the product or services that I will provide?

Will my charges provide the money for my cash flow needs and make my adventure profitable?

Who will be my competitors and how will I be able to compete with them?

What advantages will I have over my competitors?

What advantages will my competitors have over my business?

Who will be my indirect competitors and what effect will they have on my business?

How will I position myself in the marketplace? Will I go head to head or will I address a specific niche market not being filled by present competitors?

What will be my marketing strategies to attract business?

Why should a present customer leave his or her present vendor and begin to do business with me?

Who will be my main target buyers?

How will I develop future market growth?

What will be the most effective way to market my business?

What will be my returns on low cost advertising?

What will be my returns on telephone directory advertising?

What will be my returns on local printed ads?

What will be my returns on signs and displays?

What will be my returns on higher cost advertising?

What will be my returns on electronic marketing?

What will be my returns on direct mailings?

What will be my returns on special advertising opportunities?

Chapter 5: Staffing your Business

As you begin to implement the development of your entrepreneurial plans and as you maintain your entrepreneurial business after it is established, it is very important that you have the appropriate individual or individuals around to assist.

Professional Staff that must be in place to assist you and your business

- **Preferably an independent professional advisory board**
- **A professional accounting service to prepare your taxes, to track your costs, and determine your profitability assessments**
- **A Professional legal services to provide legal advice and to make sure all legal issues are addressed, also as protection when and if legal actions arise.**
- **A professional banking service to help you set up your financing structures, and to provide lines of credit for your capital needs.**
- **A professional commercial insurance agency to help you evaluate your insurance needs on property insurance, business interruption insurance, liability insurance, key staffing insurance, workers compensation insurance, health insurance, life and disability insurance.**
- **A professional management and marketing consultant to provide basic business advice on pricing, inventory needs, marketing, and advertising.**
- **Working staff and administrative staff: Somewhere along the line decisions will have to be made if you hire a staff. This could be an administrative staff to assist you in managing your business and/or a working staff to assist you in making your products or supplying your services.**

The recruitment and hiring of the appropriate people to assist you, to produce your products, or to provide your services are critical. The right staff that supports you and works with you can make all the difference for your success or failure. Employee cost can quickly overburden an entrepreneurial effort if not managed appropriately. Thus it is important that as the proprietor of your business, you understand the following principles in relationship to staffing.

What will be my guidelines for hiring staffing?

What will be my legal responsibilities to my staffing?

What will be the specific responsibilities or role of each individual staff member I hire?

What criteria will I use to hire staff?

What criteria will I use to interview a potential staff member?

When do I make the job offer?

When do I reduce staff and what processes will I use in making these reductions?

What will be my legal obligations to all hired staff?

How will my staff help promote my business and how will they help me become and remain financially successful?

Do I fully understand all legal restrictions that apply to staff and staffing obligations?

Do I need to hire full time employees or part time employees and what will be the advantages and disadvantages of using each group?

Chapter 6: Your Business Tax Obligations

One of the major obligations that every business entrepreneur faces will be his or her obligations to pay federal and state taxes. Many times the laws associated with these two tax obligations are complicated and difficult to fully understand. If these obligations are fully understood, the knowledge can be used to the entrepreneur's advantage and they will avoid the pitfalls of missed tax payments and numerous problems with state and federal internal revenue services.

Although one may have an excellent understanding of his or her tax responsibilities and obligations, this is one area that every entrepreneur should rely upon professional accounting services and professional legal services. Rather than trying to manage your business financial records, it is important that your records be done appropriately and reflect the true realities of what is happening in your business. We highly recommended that as an entrepreneur, you rely heavily upon your professional services for advice on how to control your taxes, what taxes you will need to pay, and what schedule you will need for paying them.

The following list will be taxes associated with your business. To help you understand your obligations, we have listed the percentage that each will be of your total tax obligations.

Property taxes will be 36.9% of your total tax obligations

Sales taxes will be 23.5% of your tax obligations

Gross receipts taxes will be 7.7% of your tax obligations

Corporate income Tax 7.9% of your tax obligations

Payroll taxes 7.1% of your tax obligations

Excise taxes 4.2% of your tax of your tax obligations

Business and Corporation Licenses 4.2% of obligations

Individual Income taxes 3.8% of your tax obligations

Other business taxes 4.3% of your tax obligations

Chapter 7: Protecting Your Personal Assets

Running a business is a difficult and often risky adventure. Although your plans are well thought out, sometimes even the best laid plans can go wrong, or, perhaps, everything doesn't go as planned and hard times or failure occurs. Should this happen, you will want to have your personal assets protected. It is important that as you develop your business plans you take all precautions necessary to protect yourself and your personal assets. This is especially true should any catastrophe occur with your entrepreneurial effort. For small business owners the process of protecting yourself and your assets is more difficult than if you were a large business owner or a large business corporation. There are definite steps that you as a small business owner can take to protect yourself and to protect your personal assets. They are:

- You must legally exempt your personal assets from your business assets.
- You must limit your liability of your business structure so that it is not associated to your personal assets.
- Reduce your personal exposure to liability risk by reducing your personal vulnerability and by reducing the amount or number of your unprotected assets.
- Have a great working relationship with a legal attorney who constantly monitors and separates your personal assets from your business assets and operations.

Chapter 8: Building your Wealth

The goal of every entrepreneur is to use his or her business entrepreneurial effort to generate financial wealth. Although this is every entrepreneur's dream or goal it does not occur unless one has developed the processes and plans for building wealth. If you as the entrepreneur are to generate entrepreneurial wealth, you will have to have well laid plans to achieve this goal. In order to increase the chances of reaching this accomplishment your financial plans should include the following plans or actions:

- **Begin with a complete inventory of your current assets**
- **Begin with a planned budget for income and expenses**
- **Begin with quantifying goals**
- **Begin with a plan of action that will take you from one goal to the next goal**
- **Begin with a complete knowledge of start up costs, of compensations and benefits that you will be responsible for, cost for insurances, cost of credit and borrowing, cost of legal services, and the cost of your retirement planning**
- **Begin with a will that will designate how your assets will be passed along to benefactors should you die or become incapacitated**

Chapter 9: Transition of Business to the next generation of owners or to a new owner

Although the end of your business is not even a thought as you develop your plans for starting a business, ending or transferring your ownership must be a part of your planning processes. It is important from the very beginning of a business adventure that the business entrepreneur put some thought into how he or she will transition the business to new owners. If properly prepared and thought out, this process can be done smoothly. In doing so you can avoid many hardships and pitfalls that are frequently associated with the transfer of ownership. Well laid plans for transitions also assure that the next proprietor will get off to a great start and their chances of survival and success are greatly increased. Although transition plans are not fully developed during the planning stages it is preferable that somewhere in the operations of your business you have plans for transition established, and have these processes for transitions set up in a legal document. We pose the following questions for consideration as one thinks about the transitioning of his business to a new owner.

Will the business be passed along to a direct heir?

Under what terms will that direct heir be entitled to the business?

What compensations will be made or not made to other heirs?

If sold, how will the assets of the business be sold?

What special arrangement will be made, if any, to the new proprietor, owners, or heir?

If sold, how will assets be distributed to the proprietor or proprietors?

How do we end all legal and financial obligations associated with our business?

Chapter 10: Final Conclusions and Additional Resources to Consult

The entrepreneur guidelines suggested in this planning booklet are just a beginning tool for individuals are investigating the possibility of developing an idea into a business. First, these guidelines offer many areas for thought and, although thought provoking and sometimes complicated, the better a person plans and thinks through his or her entrepreneurial processes, the more likely he or she will be successful. Secondly, we assure that the guidelines listed are not all encompassing; they are just a beginning tool. To fully understand all the obligations associated with business ownership, we encourage you to seek out professional resources to help you and to guide you as you put together the final plans for your entrepreneurial business.

We encourage you to pursue your dream of entrepreneurship. We invite you to become a member of our entrepreneurial community. If at any time our Entrepreneurial Pillar Team or the Ferdinand Chamber of Commerce can be of assistance, please feel free to call upon us as a helping resource.

Listed below are resources that we found very valuable as we put these guidelines together. For more detailed information in regards to each of the chapters presented in our resource booklet, we suggest that you visit these web sites or consult with a resource to see what service they can offer as you develop your business plans.

Business Owners Toolkit	<u>http://toolkit.com</u>
Dubois Strong	<u>www.DCADC.org</u>
Southwest Indiana Wired	<u>http://www.southwestindianawired.com</u>
Quickbooks CPAs & Advisors	<u>www.BKD.com</u>
SCORE (Counselors to America's Small Business)	<u>www.score.org</u>
Radius Indiana	<u>www.radiusindiana.com</u>

Chapter 11: Supplemental Worksheets that may be used to address specific business planning issues.

Note: The following worksheet forms are all available for free at the following web site:
www.score.org/template_gallery.html

Start Up Expenses Worksheet

Sources of Capital

Owners' investment name & percent of ownership	_____	_____
Owners' percent of ownership	_____	_____
Other investor & percent of ownership	_____	_____
Other investor & percent of ownership	_____	_____
Other investor & percent of ownership	_____	_____

Bank Loans

Bank 1	_____
Bank 2	_____
Bank 3	_____
Bank 4	_____
Total bank loans	_____

Other Loans

Loan 1	_____
Loan 2	_____
Loan 3	_____
Total of other loans	_____

Start Up Expenses

Buildings/Real Estate

Purchase	_____
Construction	_____
Remodeling	_____
Other	_____
Total Building/Restate cost	_____

Leasehold Improvements

Lease 1	_____
Lease 2	_____
Lease 3	_____
Total Leasehold Improvements	_____

Capital equipment list

Furniture	_____
Equipment	_____
Fixtures	_____
Machinery	_____
Other	_____
Total Capital Equipment cost	_____

Location and Admin Expenses

Rental _____
Utility deposits _____
Legal and accounting fees _____
Prepaid Insurance _____

Pre-opening expenses _____
Other _____
Total Location and Admin Expenses _____

Opening Inventory needs and cost

Inventory #1 cost _____
Inventory #2 cost _____
Inventory #3 cost _____
Inventory #4 cost _____
Other inventory cost _____
Total Inventory cost _____

Advertising and Promotional Expenses

Advertising _____
Signage _____
Printing _____
Travel/entertainment _____
Other additional category expenses _____
Total Advertising/Promotional Expenses _____

Other Expenses

Other expenses #1 _____
Other expenses #2 _____
Total other expenses _____

Reserve cash for contingencies

Reserve amount #1 _____
Reserve amount #2 _____
Total of reserve cash available _____

Working Capital available

Resource #1 _____
Resource #2 _____
Resource #3 _____
Total working capital available _____

Summary Statement

Sources of Capital

Owners and other investors'	_____
Bank Loans	_____
Other Loans	_____
Total Sources of Funds	_____
Startup Expenses	
Building/Restate	_____
Leasehold improvements	_____
Capital equipment	_____
Location/administration expenses	_____
Opening Inventory expenses	_____
Advertising/promotional expenses	_____
Other expenses	_____
Contingency fund needed	_____
Working capital needed	_____
Total Startup Capital needed	_____

Security and Collateral for Loan Proposals

Collateral Resources and monetary value

Real estate	_____
Stocks	_____
Paid up insurances	_____
Other	_____
Other Partners secured collateral	
Partner #1s pledged collateral	_____
Partner #2 pledged collateral	_____
Other loan guarantors' pledged collateral	
Loan guarantor #1 amount	_____
Loan guarantor #2 amount	_____
Total amount of collateral resources available for loan guarantees	_____

Special note:

Nearly everyone who has ever started a business has underestimated the cost of starting his or her business and then faced the danger of running their business without adequate capital reserves. The key to avoiding this pitfall is to adopt a rigorous approach to your research and planning and put real numbers to your startup cost, your expenses, your contingencies needed, your available working capital, your collateral resources, and other loan resources.

Projected Balance Sheet Worksheet

Assets:
Projected

Beginning

as of mm/dd/yy

as of mm/dd/yy

Current assets:

Cash in Bank

Accounts receivable

Inventory

Prepaid expenses

Other current assets

Total Current Assets

Fixed Assets:

Machinery & equipment

Furniture & fixtures

Leasehold improvements

Land & buildings

Other fixed assets

(less accumulated depreciation on all assets

Total Fixed Assets (net of depreciation)

Other Assets:

Intangibles

Deposits

Goodwill

Other

Total Other Assets

Total Assets

Liabilities and Equity:

Current liabilities:

Account payable

Interest payable

Taxes payable

Notes short term due within 12 months

Other current long-term debt

Other current liabilities

Total Current Liabilities	_____	_____
	_____	_____
Long-term Debt		
Bank loans payable	_____	_____
Notes payable to stockholders	_____	_____
Less: Short-term portion	_____	_____
	(_____)	(_____)
Other long-term debt	_____	_____
Total Long-term Debt	_____	_____
	_____	_____
Total Liabilities	_____	_____
	_____	_____
<u>Owners' Equity:</u>		
Invested capital	_____	_____
Retained earnings-beginning	_____	_____
Retained earnings-current	_____	_____
Total Owners' Equity	_____	_____
	_____	_____
Total Liabilities & Equity	_____	_____
	_____	_____

Note:

A projected balance sheet is a very important part of entrepreneurship planning. The projected balance sheet should be a thoughtful plan detailing what additional resources will be needed by the entrepreneur, where they will be needed, and how they will be financed by the entrepreneur. Your projected balance sheet should provide you an overall look at what your balance sheet will look like at the end of a 12 month period in which you tabulate your Profit & Losses and Cash flow forecast. A projected balance sheet will provide you with an view of how the year's operation will affect assets, debts and owner's equity. A well thought out projected balance sheet is a valuable tool for an entrepreneur and important to his existence and decision making processes.

Bank Loan Request

Writing guide note:

Loan officers who do not yet have the advantage of knowing you will judge you by your writing. Thus you should pay attention to what you say and how you say it. Following you will find a sample of a cover letter for a bank loan request. Note how much information is packed into a short letter, and that it focuses on what a banker would most want to know.

In writing your bank loan request, write as you speak, but just a little more formally. Avoid stand and contractions. Do not try to make it too fancy. Start with a list of the main points you need to get across,; then start explaining your main points. Use only the three basic tenses, past present, and future. Refer to your business by its name. Use "I" or "we" only when referring to the actions of the individual owners.

Write in the active voice and in short sentences.

Sample Loan Request:

Executive Summary:

Your Company's Name is a high-end design and remodeling firm with a reputation for integrity, quality craftsmanship, and excellence in management. It three years annual sales have increased to be well over a million dollars.

Your Company's Name was formed by your name and other owners as an entity type in December of 1997. In 1998 a combination of activities involving residential design, consulting and general construction brought a Gross Sales of \$250,000.00.

The Company experienced steady growth since its inception, and incorporated in March of 1999, (see Appendix 6, Articles of Incorporation.) In 1999 Gross Sales of \$750,000.00 were achieved. In 2000, signed contracts show the Gross Sales are expected to be \$1,300,000.00 (see Appendix 2, current Backlog).

The Company has its address in leased premises at 1234 A Street, Ferdinand Indiana 47532. Its activities fall under the Standard Industrial Classification SIC 1521 ad 1522. The owners are: your name and other owners if applicable.

Your Company's Name is involved in four distinct activities:

1. Architectural Design
2. Residential & Light Commercial Construction
3. Property Services
4. Retail Floor Coverings (see Appendix 4)

Eighty to ninety percent of the Gross Sales are in design and construction. At the moment (May 2009), there are 25 permanent employees on the payroll and 10 subcontracted workers excluding subcontracting companies (see Appendix 1 fore resumes).

The company's Short Term Objectives (within the next three years) are to increase activity in all Divisions, and to achieve annual profit, net after taxes of \$200,000.00 by 2005. Its Long term objectives are: to maintain the level of current business achieved up to 2005, and then to move into historical restorations, more light commercial work, and increase new custom home construction.

To implement these objectives the company needs:

1. A loan of \$100,000.00 at Prime plus 2%. This loan to be used for current near term expenses including _____, _____, and _____. It will be repaid in five years.
2. A line of credit of \$150,000.00 to take advantage of discounts available, avoid associated penalties and expand into high profit areas requiring positive cash flow.

The prospects for *your company's name*, continued growth are excellent, with 2000 construction and design contracts underway already exceeding \$500,000.00. (see Appendix 2 Backlog 2000).

For collateral the company has assets of \$650,000.00 (see Appendix 9 Balance Sheet as of (mm/dd/yy). Additionally, the company's owners are willing to offer as collateral a second mortgage on a residence with an estimated equity value of \$150,000.00. The address of this residence is 1440 Carolina Street, Ferdinand, Indiana 47532

The company's overall objective is to satisfy the market segment that demands integrity and quality construction and to maintain a steady growth in sales volume that will sustain the company for twenty years. *Your Company's name* ,has enhanced its reputation to the point where the company is regarded by many as the recommended choice with their clients due to the excellence of its craftsmen and management.

Market research shows that the population of Ferdinand is increasing. This increase in population growth is being brought about by the community's efforts to retain its youth and the expansion of its high tech industrial research center complex. Demographic estimates published by the State Office of Financial Management in 2000, indicate that an additional 5000 people will need to move into the area within the next ten years. *Your company's name*, intends to pursue this market vigorously. (See appendix 7 for data and anticipated changes in the population in the County)

Financial Objectives:

The financial objective of *your company's name* over the next five years are as follows;

	2009	2010-2015
Sales	\$2,500,000.00	\$7,500,000.00
Net Income after tax	\$850,000.00	\$2,700,000.00

Please review the enclosed business plan and loan proposal, and of course feel free to ask for any additional information or explanations you may want. I will call you in about one week's time to arrange an appointment so that we can discuss the loan in person

I look forward to a mutually profitable relationship with the Ferdinand National Bank.

Sincerely yours,

Breakeven Analysis Worksheet

<u>Cost Description:</u>	Fixed cost (\$)	Variable Cost (\$)
Variable Cost		
Cost of Goods Sold	_____	_____
Inventory	_____	_____
Raw Materials	_____	_____
Direct Labor (Includes Payroll Taxes)	_____	_____
Fixed Cost:		
Salaries (including payroll taxes)	_____	
Supplies	_____	
Repairs & maintenance	_____	
Advertising	_____	
Car, delivery and travel	_____	
Accounting and legal	_____	
Rent	_____	
Telephone	_____	
Utilities	_____	
Insurance	_____	
Taxes (Real estate, etc)	_____	
Interest	_____	
Depreciation	_____	
Other (specify)	_____	
Oth	_____	
er (specify)	_____	
Miscellaneous expenses	_____	
Principal portion of debt payment	_____	
Owners draw	_____	
Total Fixed Costs	_____	
Total Variable Costs		_____

Breakeven Sales level needed to achieve profitability

Note:

By using your Profit and Loss Projections you can enter you expected annual fixed and variable cost into this worksheet.

Fixed costs are those that remain the same regardless of your sales volume. Rent, real estate taxes and insurance are examples of fixed cost.

Variable costs are those that change as your volume of business changes. These cost are normally expressed in percent of sales etc.

The value of this worksheet is that it allows you to forecast your needs for capital and your needs for sales as your business grows and expands.

12 Month Cash Flow Chart Worksheet

Aug,	Sep	Oct,	Pre Start	Jan	Feb	Mar	Apr	May	June	July
cash on hand			EST	Dec.						
at beginning of month			Nov							
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Cash Receipts										
Cash sales			_____	_____	_____	_____	_____	_____	_____	_____
Collections CR accounts			_____	_____	_____	_____	_____	_____	_____	_____
Loans/other cash inj.			_____	_____	_____	_____	_____	_____	_____	_____
Total Cash Receipts			_____	_____	_____	_____	_____	_____	_____	_____
+++++										
+++++										
Cash Paid Out										
Purchases (merchandise)			_____	_____	_____	_____	_____	_____	_____	_____
Purchases (specify)			_____	_____	_____	_____	_____	_____	_____	_____
Purchases (specify)			_____	_____	_____	_____	_____	_____	_____	_____
Gross wages withdrawal			_____	_____	_____	_____	_____	_____	_____	_____
Payroll expenses (taxes etc)			_____	_____	_____	_____	_____	_____	_____	_____
Outside services			_____	_____	_____	_____	_____	_____	_____	_____
Supplies (office & oper)			_____	_____	_____	_____	_____	_____	_____	_____
Repairs & mainten...			_____	_____	_____	_____	_____	_____	_____	_____
Advertising			_____	_____	_____	_____	_____	_____	_____	_____
Car, delivery & travel			_____	_____	_____	_____	_____	_____	_____	_____
Accounting & legal			_____	_____	_____	_____	_____	_____	_____	_____
Rent			_____	_____	_____	_____	_____	_____	_____	_____
Telephone			_____	_____	_____	_____	_____	_____	_____	_____
Utilities			_____	_____	_____	_____	_____	_____	_____	_____
Insurance			_____	_____	_____	_____	_____	_____	_____	_____
Taxes (real estate etc)			_____	_____	_____	_____	_____	_____	_____	_____

Interest	---	---	---	---	---	---	---	---
Other expenses	---	---	---	---	---	---	---	---
Other (specify)	---	---	---	---	---	---	---	---
Other (specify)	---	---	---	---	---	---	---	---
Miscellaneous expenses	---	---	---	---	---	---	---	---
Subtotal	---	---	---	---	---	---	---	---
Loan principal payment	---	---	---	---	---	---	---	---
Capital purchase (specify)	---	---	---	---	---	---	---	---
Other start up cost	---	---	---	---	---	---	---	---
Reserves &/or Escrows	---	---	---	---	---	---	---	---
Owner's withdrawals	---	---	---	---	---	---	---	---
Total cash paid out	---	---	---	---	---	---	---	---
Cash Position end of Month	---	---	---	---	---	---	---	---

ESSENTIAL OPERATING DATA (non cash flow information)

Sales volume \$	---	---	---	---	---	---	---	---
Accounts receivable	---	---	---	---	---	---	---	---
Bad Debt	---	---	---	---	---	---	---	---
Inventory on hand	---	---	---	---	---	---	---	---
Accounts Payable	---	---	---	---	---	---	---	---
Depreciation	---	---	---	---	---	---	---	---

Note:

Line-by-line asks yourself when you should expect cash to come and go. Most entries will be the same as in your Profit & Loss Worksheet although those expenses that are paid quarterly will affect the cash flow and needs during certain months. This cash flow sheet will allow you to see those needs and will allow for you to anticipate your cash flow needs and sales needs.

Competitive Analysis Worksheet

<u>Factor</u>	My Business	Strength	Weakness	Comp..A	Comp..B	Importance to Customer
Products	_____	_____	_____	_____	_____	_____
Price	_____	_____	_____	_____	_____	_____
Quality	_____	_____	_____	_____	_____	_____
Selections	_____	_____	_____	_____	_____	_____
Service	_____	_____	_____	_____	_____	_____
Experience	_____	_____	_____	_____	_____	_____
Company Reputation	_____	_____	_____	_____	_____	_____
Location	_____	_____	_____	_____	_____	_____
Appearance	_____	_____	_____	_____	_____	_____
Sales Method	_____	_____	_____	_____	_____	_____
Credit Policies	_____	_____	_____	_____	_____	_____
Advertising	_____	_____	_____	_____	_____	_____
Image	_____	_____	_____	_____	_____	_____

Financial Diagnostics Worksheet

Note:

This worksheet performs a few tests on your numbers to see if they seem within certain reasonable ranges. This sheet cannot tell you whether your projections are truly well-constructed, only you can do that task correctly, but these tests will at least provide you with an opportunity to look for values that are critically out of range and in need of attention.

Financial Diagnostics:

General Financing Assumptions

	Value	Findings
Owner's Cash Injection into the Business	0.00%	_____
Cash Request as percent of Total Required Funds	0.00%	_____

Loan Assumptions

Commercial Loan Interest Rate	0.00%	_____
Commercial Loan term in Months		_____
Commercial Mortgage Interest Rate	_____%	_____
Commercial Mortgage Term in Months	_____	_____
Loan Payments as a Percent of Projected Sales	_____%	_____

Income Statement

Gross margin as Percent of Sales	_____%	_____
Owner's Compensation Lower Limit Check	\$ _____	_____
Owner's Compensation Upper Limit Check	\$ _____	_____
Advertising Expense Levels as Percent of Sales	_____%	_____
Profitability Levels	\$ _____	_____
Profitability as a Percent of Sales	_____%	_____

Cash Flow Statement

Desired Operating cash Flow Levels	\$ _____	_____
Line of Credit Drawdowns	\$ _____	_____
Accounts Receivable Ratio to Sales	_____%	_____

Balance Sheet

Does the Base Period Balance Sheet Balance?	_____	_____
Does the Final Balance Sheet Balance	_____	_____
Debt to Equity Ratio	_____%	_____

Breakeven Analysis

\$ _____

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Any reference to a specific commercial product, process, or service does not constitute or imply an endorsement by the host or the sponsors of the product, service or its producer or provider