

(TITLE PAGE)

(Name of Principals)

(Name of Venture)

Business Plan

For the period 200x – 20xx

(Current date)

Month, 200x

Prepared by:

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY	1
2. INTRODUCTION.....	2
2.1. PURPOSE.....	2
2.2. DESCRIPTION OF THE PRODUCT/SERVICE.....	2
2.3. BACKGROUND	2
2.4. SCOPE	2
2.5. ASSUMPTIONS	2
2.6. DEFINITIONS.....	2
3. SITUATIONAL ANALYSIS.....	3
3.1. BUSINESS MISSION	3
3.2. BUSINESS STRUCTURE AND MANAGEMENT	3
3.3. MARKET ENVIRONMENT.....	3
3.4. PLANT & EQUIPMENT	3
3.5. SKILLS ASSESSMENT.....	3
3.6. RISK ANALYSIS.....	4
4. OPERATIONAL PLAN.....	5
4.1. KEY BUSINESS OBJECTIVES.....	5
4.2. MARKETING.....	6
4.3. FINANCIAL PLAN	7

APPENDICIES

1. EXECUTIVE SUMMARY

The Executive Summary expresses the whole business plan succinctly in one or two pages.

This section should be compiled last, because it highlights and summarises the key issues from the whole plan. Read through each section of your plan and identify the key issue(s) in point form. You can break this section up with sub-headings to improve readability, although it commonly appears without sub-headings.

It is likely to be the most read section of your report. Bank managers etc are likely read this section and then go straight to your operational and financial plan.

Include in this section your key objectives and graphs of your key financial projections, such as

Objective 1 – (Define your objective)

- (List components of the objective) (indicate time frame if appropriate)
-
-
-

Objective 2 – (list as many key objectives as are in the plan)

- (List components of the objective) (indicate time frame if appropriate)
-
-
-

Financial Summaries

Graphically summaries of key financial projections, including:

- *Profit and Loss / Cash Flow*
- *Balance Sheet*

2. INTRODUCTION

2.1. Purpose

State the purpose of the plan in the introduction section, including what you want to achieve from the process of writing the plan.

It is also relevant to include the following sections.

2.2. Description of the product/service

Include details such as:

- *distribution rights, licence, franchise*
- *patent or design rights*
- *requirements to bring the product/service to market readiness*
- *where you expect the product/service to be used.*

2.3. Background

Particularly if this document is going to be read by a possible finance source, it can help to provide some background to

- *The reasons for starting the new business*
- *Details of the proprietors (with full resume in the appendix)*
- *Business background should you be purchasing an on-going concern*

2.4. Scope

2.5. Assumptions

2.6. Definitions

3. GENERAL ANALYSIS

3.1. Business Mission

Define your business mission. This is a general statement that incorporates the

- *Values of the organization*
- *Purpose of the product/service and need it fulfills*
- *The market served*
- *Commitment to customers*
- *Commitment to shareholders*
- *Goals*
- *The nature of the business*

3.2. Business Structure and Management

The proposed business and operational structure.

The structure could be a sole proprietor, partnership or limited private company.

Operational structure includes the staffing and duties of the key personnel.

Include details of the professional counsel you will be using, such as accountants, consultants, legal advice.

Describe the relationship of partners and experience that they bring to the venture. (Full CV to be included in Appendix.)

3.3. Market Environment

Include details on:

- *The competition*
- *Entry and exit barriers*
- *Pricing and service standards in the industry*
- *Industry or organization sales figures that are available*

3.4. Plant & Equipment

Outline the requirements of the business venture

3.5. Skills Assessment

Assess the skills required for the business, and those currently held by the proprietors.

Identify areas of training and professional development required.

3.6. Risk Analysis

Consider the Strengths, Weaknesses, Opportunities and Threats of the Start-up and operational situations as you see them. The SWOT analysis will identify a number of threats and weaknesses. Record the SWOT details in the Appendix.

In this section identify those threats and weaknesses in terms of the threats they pose to the success of your venture. Undertake a Risk Analysis by developing strategies for dealing with the weaknesses and threats identified.

While you will not be able to create guarantees, the process of analysing your risks can help early identification and proactive action.

4. OPERATIONAL PLAN

4.1. Key Business Objectives

Using the data collected in the previous section, develop goals and objectives.

Goals and objectives should be devised using the “SMART” system:

- *S – Specific*
- *M – Measurable*
- *A – Achievable*
- *R – Results orientated*
- *T – Time line*

Objective 1 – (Define your objective)

- (List components of the objective) (indicate time frame if appropriate)
-
-
-

List as many objectives as you feel are necessary and relevant.

4.1.1. Implementation Strategy

Create a timeline of your objectives, allocating tasks to on a monthly basis for the first year of operation, then on a yearly basis for the next 2-3 years. Present summarized version in the body of the report, and a fully detailed version in the Appendix.

200x-200x

<u>Development</u>	<u>Brief description & rationale</u>	<u>Cost</u>
	•	
	•	
	•	

4.2. Marketing

Develop a marketing plan including details on the following sections.

4.2.1. Market Research

Outline the market research already done in order to compile the business plan and any other information to be researched in the future.

4.2.2. Positioning in the Market

Define the market niche or position that your product/service will take to differentiate you from your competitors. What will be your unique selling point.

4.2.3. Pricing Strategy

Outline your pricing structure and strategy behind determining that position. Discuss your competitors, target market sensitivity and positioning strategy.

4.2.4. Target Market

Create a profile of the typical and most common type of customer for your product or service. Include:

- *Demographics*
- *Motivation – why they want your product*
- *When they will buy*
- *Their buying patterns*
- *How much they will buy*
- *How much they will spend and level of price sensitivity*
- *Communication channels to reach this group*

4.2.5. Distribution

How your product or service will reach the market place. Include any licensing or franchising arrangements.

If you provide a service outline your degree of customer contact, whether work will be done on site or in another location, and who will be providing services directly with the customer (ie proprietors or employees).

4.2.6. Promotional Strategy

A promotional strategy should define the promotional activities and create a timeline and budget for these events.

Define specific strategies for the next 12 months dealing with:

Advertising to

- *New business*
- *Repeat business*
- *Past clients*

Packaging or Customer Service

Publicity

4.2.7. Sales Targets

These should be inline with your promotional strategies and the capacity of your business infrastructure.

4.3. Financial Plan

The financials are arguably the most important section of your business plan. If the financials do not present a sustainable position, then the venture is fundamentally flawed.

One of the most critical elements of running your own business is a mastery of the financial aspects – both at the planning phase and once operating.

This section is a combination of hard numeric data on forecasts of start-up capital, cash flow, profitability and equity, and descriptive explanations of pertinent points for each. The forecasts should be collated using the implementation strategies and budgets of earlier sections. Using a package such as Excel the forecast documents can be quite elaborate with dynamic links to help you test “what if” situations.

From a presentational view point include graphs or charts in the body of the report for each of the following sections, along with text to explain the key issues and trends. The charts of raw data should be contained in the Appendix.

4.3.1. Historical Figures

If you are buying into an established business include actual historical figures for the past 3 years.

4.3.2. Start-up Capital

Itemise the uses of start-up capital, budgeted amount, and amount needed through financing.

4.3.3. Assessment of Financial Viability of Proposed Business

Analyse the viability of the big picture, prior to getting into the detail of the cash flow projections. To do this:

- Determine the profits needed to provide adequate wages and return on your investment. (ie \$40,000 wages and 30% annual return on owner's equity)
- Calculate the sales level needed to earn this profit. (ie if profit margin is 10% your business would need to make \$800,000 sales for \$80,000 profit).
- Ask if the sales levels are achievable.
- Calculate a break even position, above which profits start to be realised.
Break Even is where Sales equal Fixed Costs plus Variable Costs.

4.3.4. Cash Flow/Cash Position

Analysis of revenues against itemised expenditure:

- monthly basis for the first 12 months
- quarterly for the second year
- annually for the following 2-3 years

Remember to factor in taxation and drawings.

Discuss strategies and terms of trade to deal with accounts receivable.

4.3.5. Profit and Loss

Forecasts as per the cash flow position but adjusting for taxation, drawings and depreciation into account to determine bottom line profit/loss.

4.3.6. Balance Sheet

Forecast equity position for the first 3-5 years of operation.

4.3.7. Ratio Calculations

Using the forecast figures analyse them in terms of financial ratios such as:

- Profitability
 - Return on Assets %
 - Return on Sales %
- Debt
 - Debt to Assets
 - Quick Assets Ratio or Current Assets Ratio
 - Times Interest Earned
- Partners Equity
 - Return on Equity

Provide detail on financial strategies that will be used to ensure achievement of forecasts, and to deal with any variations. These could include alternative finance sources such as overdraft provision.

4.3.8. Personal Wealth Position

Outline your personal wealth position by creating a personal balance sheet for the Appendix. Use the report body to elaborate and explain that current position and trend over the past 3 years.

APPENDIX 1 – CURRICULUM VITAE OF PROPRIETORS

In addition to the CV it is also useful to include a skills assessment of each of the key personnel.

Skills Category	Grading of Skills				
	Underdeveloped			Well Developed	
List of relevant skill categories	1	2	3	4	5
			X		
				X	
				X	
				X	
			N/A		

APPENDIX 2 – SWOT ANALYSIS

STRENGTHS

WEAKNESSES

-

OPPORTUNITIES

THREATS

-

APPENDIX 3 – TIMELINE OF GOALS & OBJECTIVES

First Year Operation

	<u>Development</u>	<u>Brief description & rationale</u>	<u>Cost</u>
January		•	
February		•	

200x-200x

<u>Development</u>	<u>Brief description & rationale</u>	<u>Cost</u>
	•	
	•	
	•	

Continue for as many years as goals are relevant. Usually about 3-5 yearly projections.

APPENDIX 4 – MARKETING IMPLEMENTATION PLAN & BUDGET

APPENDIX 5 – FINANCIALS

Historical Profit & Loss and Cash Flow figures

PROFIT AND LOSS

Projections required for the first 5 years of operations.

As for Cash Flow except:

- *Tax payable is determined on profit/loss situation*
- *Depreciation is a line item*

BALANCE SHEET

Projections required for the first 5 years of operations.

Also create a personal balance sheet, or assets and liabilities statement.

Assets

- *Cash at Bank*
- *Accounts Receivable*
- *Prepayments*
- *Real Estate*
- *Plant & Machinery*
- *Stock*

Liabilities

- *Overdraft*
- *Creditors*
- *Provision for tax*
- *Hire Purchase*
- *Long term loans*

Equity

- *Capital & Reserves (ie initial start up capital)*
- *Drawings*
- *Retained Earnings*

RATIOS

Profitability

$$\text{Return on Assets \%} = \frac{\text{Earnings before Interest \& Tax (EBIT)}}{\text{Assets}}$$

$$\text{Return on Sales \%} = \frac{\text{Earnings before Interest \& Tax (EBIT)}}{\text{Sales}}$$

Debt

$$\text{Debt to Assets} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

$$\text{Quick Assets Ratio} = \frac{\text{Quick Assets}}{\text{Quick Liabilities}}$$

$$\text{Current Assets Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{Times Interest Earned} = \frac{\text{EBIT}}{\text{Interest Charges}}$$

Partner's Equity

$$\text{Return on Equity} = \frac{\text{Net Income for Shareholders}}{\text{Shareholder's Equity}}$$