



# Business Plan Outline

This package consists of a basic outline for a business plan. Any individual who intends on becoming an entrepreneur is highly encouraged to put his or her business ideas on paper (hence the term business plan).

Following are a list of categories that make up a basic plan listed in the most commonly used order:

- ◆ **MANAGEMENT PLAN/COMPANY DESSCRIPTION**
- ◆ **FINANCIAL PLAN**
- ◆ **OPERATIONS PLAN**
- ◆ **MARKET ANALYSIS**
- ◆ **MARKETING PLAN**
- ◆ **DESIGN/DEVELOPMENT PLAN**
- ◆ **IMPLEMENTATION**
- ◆ **EXECUTIVE SUMMARY**

## **INTRODUCTION**

### **WHY DO I NEED A BUSINESS PLAN?**

#### **A. WHAT IS IT?**

- 1. An evaluation process to determine the probability of success, but also to decide if  
This is truly what the individual wants to do.**
- 2. It is an ongoing process to be developed and modified as conditions and times change- Business Plans should be used as a management tool.**

#### **B. BENEFITS**

- 1. Discipline in organizing and running the business.**
- 2. Allows you to make your mistakes on paper, instead of “real life.”**
- 3. Analyze your existing business.**
- 4. Determine the feasibility of starting a business.**
- 5. Plan for your company’s future.**
- 6. Raise capital from outside sources- Investors and lenders.**
- 7. Allows you to develop a detailed marketing and operational plan.**

### **BUSINESS PLANS SERVE MANY FUNCTIONS**

**A. Used To Develop Ideas About How A Business Should Operate**

**B. A Way To Refine Strategies And Make Mistakes On Paper Rather Than In  
The Real World**

**C. Can Be Used As a Bench-Mark To Measure Performance Over Time**

**D. Can Be Used To Communicate Your Ideas To Investors From Whom You Hope To Raise Money.**

|                               |
|-------------------------------|
| <b>GO WITH WHAT YOU KNOW:</b> |
|-------------------------------|

**A. You Must Know Your Business And Understand The Key Factors That Influence It.**

- 1. Economic trends**
- 2. Pricing**
- 3. Competition**
- 4. Key Economic Indicators**
- 5. Monetary Policy**
- 6. New Legislation**

## COMPANY DESCRIPTION

- A. **COMPANY BACKGROUND**
- A B. **PRODUCT OR SERVICES**
- B C. **COMPANY MISSION-** In today's climate of planning and goal setting, it is appropriate to limit the scope of the business by writing a good company mission Statement. Mission statements should address the following:
  - 1. **Whom** do we serve
  - 2. **Where** do we perform our function
  - 3. **What** is it that we do

When writing **Mission Statements**, follow these guidelines:

- a. Use simple, concise terminology
- b. Communicate an organizational purpose that can inspire employees
- c. In some way make the attainment of the mission and goals measurable
- d. Be certain that the mission leads the company into the future

## FINANCIAL PLAN

- A. **Amount of dollars needed to start business**
- B. **Sources And Uses Of Funds (see exhibit B)**  
Itemize the use of funds
- C. **Cash Flow Statements (see exhibit C)**  
Daily, monthly, and yearly projection of cash coming "In" less cash going "Out" of Business
- D. **Profit And Loss Statement (see exhibit D)**  
Formula: Revenues- Expenses = Net profit
- E. **Balance Sheet- Assets, Liabilities, Owner's Equity**

1. Assets include (i.e. Cash, Account receivable, Inventory, Fixed assets, and other assets).
2. Liabilities include (Account payable, Note payable, Taxes payable, Current and long-term debt).
3. Owner's Equity includes (Common stock, Paid in capital, Retained earnings).

**F. Complete A Break-Even Analysis**

|                           |                                 |                           |
|---------------------------|---------------------------------|---------------------------|
| BEP =<br>Break Even Point | FC =<br>Fix Cost<br>Priced/Unit | Unit VC=<br>Variable Cost |
|---------------------------|---------------------------------|---------------------------|

**Formula:**  $BEP = \frac{\text{Fixed Cost}}{1 - (\text{variable cost/sales})}$

**Examples:**

Break-even for the Blank Manufacturing Company at \$1,000 in sales.

**Variables Cost/Sales**

$$= 1 - \frac{600}{1,000}$$

$$= 1 - .60$$

$$= .40 \text{ or } 40\%$$

**Break-even Point:**

$$= \$1,500 \frac{\$1,500 (\text{Fixed Cost})}{.40 (\text{Variable Cost/Sales})}$$

$$= \$3,750 \text{ in sales of } 37.5 \text{ blanks (units)}$$

## **INVESTORS LOOK FOR LOW RISK!**

### **A. Risk Is Perceived As Lower When The Following Is True:**

1. You can show capable and experienced management
2. Proven products or service
3. There are orders in hand, or letters of commitment
4. Credible financial plan

## **OPERATIONS PLANS**

### **A. LOCATION**

1. Location can be a major concern for some business, and not for others. The key is accessibility, i.e.: Information services do not necessarily need off the street access, but retailers do.

### **B. FACILITIES**

### **C. WORK FLOW**

### **D. RESOURCES REQUIRED**

### **E. COSTS INVOLVED IN USING THIS LOCATION**

## **MANAGEMENT**

### **A. Legal Form Of Organization- if already in business, gives information on the current organization form. Seek the advice of an attorney and a CPA.**

1. Sole Proprietorship
2. Partnership

3. Corporation - including S Corporation

- a. In general, the need to incorporate is related to the possible tax Advantages and the risk levels enjoyed by this of business. The Higher the level of perceived risk, the more benefit can be derived By incorporating.

B. Include This Additional Information

- 1. Date started
- 2. State of incorporation

C. Owners

## **MARKET ANALYSIS**

A. Need Summary

B. Customer Profile

C. Market Size And Trends

D. Competitive Analysis – **SWOT**

**S** = Strengths  
**W** = Weaknesses  
**O** = Opportunities  
**T** = Threats

E. Sales Forecast

# MARKETING PLAN

- A. Product Or Services Strategy
- B. Pricing Strategy – there are several ways that pricing can be achieved. The common terminology for these is listed below:
  - 1. **Penetration Pricing** – Low price to capture market share – the only problem is that the regaining of investment capital is much slower.
  - 2. **Skimming Price** – High price to get back investment – this attracts competitors into the market, but you make a lot of your investment back quickly.
  - 3. **Cash Discount Pricing** – Like gas stations
  - 4. **Quantity Discount Pricing** – Like Sam’s Club
  - 5. **Cost – plus Pricing** – This is done using the following formulas:
    - a. 
$$\frac{\text{Selling Price} - \text{Cost}}{\text{Selling Price}} = \text{Gross margin}$$
    - b. 
$$\frac{\text{Selling Price} - \text{Cost}}{\text{Cost}} = \text{Markup on cost}$$
  - 1. You must also take into account what the competition is doing before setting a price.
- A. Distribution Strategy
- B. Promotion Strategy
  - a. Personal Selling
  - b. Advertising
  - c. Sales Promotions
  - d. Publicity and Public Relations
- A. Common Errors

## **DESIGN/DEVELOPMENT PLAN**

- A. Development Status
- B. Cost
- C. Future Development Plan
- D. Common Errors

## **IMPLEMENTATION**

### **A. How Are You Going To DO It?**

1. Many brilliant business ideas have failed because of lousy implementation!
2. Set goals- marketing, financial, and physical – Each of these should be realistic and long term, and directed at what you want to happen.
  - A. Develop a set of objectives, which can lead you to the accomplishment of the set goals. These should be sufficiently detailed so as to be useful to you.
  - B. From these goals and objectives sketch an outline for the business plan of how you will implement your business.
  - C. Goals and Objectives should be **SMART**
    1. **S** – Specific
    2. **M** – Measurable
    3. **A** – Accountability
    4. **R** – Realistic
    5. **T** – Have a time table built in

### **A. Tell Us About Your Business!**

1. Company History
- A 2. Products and/or Service
- B 3. Financial Projections
- C 4. Funds Required and Used

## EXECUTIVE SUMMARY

The Executive Summary is a general statement of the purposes and goals of the organization. It is designed for the investor so that the business plan can get past the first screening used by the bank. It should be the last thing written.

1. *The executive summary is a brief overview of the plan (no more than about 2 pages). It is used to introduce the appropriate reader to the business and to let them know whether or not they wish to continue reading. The executive summary is written for bankers and other investors.*
2. *Because readers use this to judge whether or not to continue reading and to move the process beyond the initial screening this is an **EXTREMELY IMPORTANT** part of the business plan.*
3. *The Executive Summary should include a general statement of the purpose and goals of organization, including the Company Mission.*

**SOURCES AND USAGE (Sample format)**

**Total Amount Needed: (A)** \$ \_\_\_\_\_  
**(Equity)**

◆ **Your Funds** \$ \_\_\_\_\_

◆ **Other Investors** \$ \_\_\_\_\_

**Total Equity** \$ \_\_\_\_\_

**Total BBIF Amount Requested:** \$ \_\_\_\_\_

**Use of Funds Needed: (B)**

◆ **Inventory** \$ \_\_\_\_\_

◆ **Working Capital** \$ \_\_\_\_\_

◆ **Equipment/Machinery**

    ❖ **New** \$ \_\_\_\_\_

    ❖ **Used** \$ \_\_\_\_\_

◆ **Land** \$ \_\_\_\_\_

◆ **Building**

    ❖ **Construction** \$ \_\_\_\_\_

    ❖ **Purchase** \$ \_\_\_\_\_

    ❖ **Renovation** \$ \_\_\_\_\_

    ❖ **Leasehold Improvements** \$ \_\_\_\_\_

◆ **Other** \$ \_\_\_\_\_

(Give Details) \_\_\_\_\_

**Total of Funds Needed:** \$ \_\_\_\_\_

**COMPANY FINANCIAL STATEMENT**

**Balance Sheet  
December 31, 20\_\_\_\_\_**

|  |  |  |
|--|--|--|
| <b>ASSETS</b>                            |  |  |
| <b>Cash</b>                              |  |  |
| <b>Marketable Securities</b>             |  |  |
| <b>Accounts Receivable</b>               |  |  |
| <b>Inventory</b>                         |  |  |
| <b>Prepaid Expenses</b>                  |  |  |
| <b>Deposits</b>                          |  |  |
| <b>Total Current Assets</b>              |  |  |
| <b>Gross Fixed Assets</b>                |  |  |
| <b>Less: Depreciation</b>                |  |  |
| <b>Net Fixed Assets</b>                  |  |  |
| <b>Notes Receivable</b>                  |  |  |
| <b>Intangibles</b>                       |  |  |
| <b>TOTAL ASSETS</b>                      |  |  |
|  |  |  |
| <b>LIABILITIES &amp; NET WORTH</b>       |  |  |
| <b>Note Payable – Bank</b>               |  |  |
| <b>Note Payable – Other</b>              |  |  |
| <b>Accounts Payable</b>                  |  |  |
| <b>Accruals</b>                          |  |  |
| <b>Income Tax Payable</b>                |  |  |
| <b>Current Portion – LTD</b>             |  |  |
| <b>Total Current Liabilities</b>         |  |  |
|  |  |  |
| <b>Long Term Liabilities</b>             |  |  |
| <b>Subordinated Officer Debt</b>         |  |  |
| <b>TOTAL LIABILITIES</b>                 |  |  |
|  |  |  |
| <b>Common Stock</b>                      |  |  |
| <b>Paid in Capital</b>                   |  |  |
| <b>Retained Earnings</b>                 |  |  |
| <b>Less: Treasury Stock</b>              |  |  |
|  |  |  |
| <b>TOTAL NET WORTH</b>                   |  |  |
| <b>TOTAL LIABILITIES &amp; NET WORTH</b> |  |  |

**PROFIT & LOSS STATEMENT**  
**(INCOME STATEMENT)**

|                                   |  |  |
|-----------------------------------|--|--|
| <b>REVENUES</b>                   |  |  |
| <b>Sales</b>                      |  |  |
| <b>Less: Costs of Goods Sales</b> |  |  |
| <b>Gross Profits</b>              |  |  |
|                                   |  |  |
| <b>LESS: OPERATING EXPENSES</b>   |  |  |
| <b>Rent</b>                       |  |  |
| <b>Owner Salary</b>               |  |  |
| <b>Telephone</b>                  |  |  |
| <b>Depreciation</b>               |  |  |
| <b>Interest Expenses</b>          |  |  |
| <b>Income Taxes</b>               |  |  |
|                                   |  |  |
| <b>NEW PROFIT (LOSS)</b>          |  |  |

**COMPANY FINANCIAL STATEMENT**

|  |  |  |
|--|--|--|
| <b>ASSETS</b>                            |  |  |
| <b>Cash</b>                              |  |  |
| <b>Marketable Securities</b>             |  |  |
| <b>Accounts Receivable</b>               |  |  |
| <b>Inventory</b>                         |  |  |
| <b>Prepaid Expenses</b>                  |  |  |
| <b>Deposits</b>                          |  |  |
| <b>Total Current Assets</b>              |  |  |
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| <b>Note Payable – Bank</b>               |  |  |
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| <b>Accounts Payable</b>                  |  |  |
| <b>Accruals</b>                          |  |  |
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|  |  |  |
| <b>TOTAL NET WORTH</b>                   |  |  |
| <b>TOTAL LIABILITIES &amp; NET WORTH</b> |  |  |

**PROFIT & LOSS STATEMENT**  
**(INCOME STATEMENT)**

|                                   |  |  |
|-----------------------------------|--|--|
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| <b>Sales</b>                      |  |  |
| <b>Less: Costs of Goods Sales</b> |  |  |
| <b>Gross Profits</b>              |  |  |
|                                   |  |  |
| <b>LESS: OPERATING EXPENSES</b>   |  |  |
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| <b>Depreciation</b>               |  |  |
| <b>Interest Expenses</b>          |  |  |
| <b>Income Taxes</b>               |  |  |
|                                   |  |  |
| <b>NEW PROFIT (LOSS)</b>          |  |  |

