

Standardized Business Planning Guide

For use with the “Standardized Business Plan Workbook”, or the “Standardized Business Plan Software”

This Guide contains step-by-step instructions that explain how to fill out the “Business Plan Workbook” and the “Business Plan Software”. The instructions are separated into six parts, or “Modules”, in order to provide the business owner with a manual that he/she can take home and work through on his/her own.

These step-by-step “Modules” are:

- Module 1: Introduction to Business Planning***
- Module 2: The Introduction and Business Description***
- Module 3: The Marketing of the Business***
- Module 4: The Operation of the Business***
- Module 5: The Financial Side***
- Module 6: Risk Analysis and Appendices***

The Business Plan Workbook is included at the end of this guide and the Business Plan Software can be found on the guide’s companion disc.

Module 1: Introduction to Business Planning

What is a business plan?

The business plan is a written summary of your business venture. It details:

- Your company and its services
- Your short and long-term objectives
- The who, when and how of the business operation
- Your customers and how you reach them
- Your suppliers and your competitors
- How much money you need to operate the company and how much money you intend to make

How is it useful?

First and foremost, you complete your plan for yourself.

Business plans build confidence and certainty. You owe it to yourself to thoroughly investigate your business idea. By the end of the business plan process, you should have answers for any concerns, and hopefully these answers will be positive. However, you may find that one or more of your concerns were legitimate and through your research you prove why your idea will not be successful. This helps avoid costly mistakes and provides opportunities for the best use of your time, financial and other resources. It helps you successfully launch and effectively manage your business.

Use it as your game plan and a guide. It is the process of research and thought where the real value of business planning happens. The plan lets you “play out” the details on paper.

For the new or existing business owner it is a road map, with a business plan the owner will be more likely to create or expand a profitable business. Without it, the owner may become lost in a sea of decisions with no clear direction.

Secondly, use it as a tool to help secure your financing.

The business plan is also a document used by bankers and other investors to decide on whether or not they will finance a new business. A business plan is essential to convince outside parties to invest or lend money to your company

Where do I start?

The process of writing the plan begins with research, and information gathering. Once this is done, you must interpret it, tailor it, and organize it into the “Business Plan Format”.

Some resources that are readily available that can provide valuable information for your plan can include:

- Trade Journals
- Newspapers
- Reputable Websites
 - Strategis
 - Statistics Canada

Local agencies such as Community Development Corporations, and Community Futures Development Corporations can also provide assistance during your research phase.

How is it written?

Business plans are written so that they are clear, concise, and easy to navigate. The plan is written in a general report format, with bold headings separating each section. Font, spacing and alignment must be consistent.

Business plans are written from a third person point of view. Avoid personalizing your content by using I, me, my business etc. Instead, use terms such as “the Owner”, “the Business”, or simply use the business name.

For example:

“ABC Company will become a reputable and profitable company by building a loyal customer base within the first year. The owner plans to accomplish this by delivering a consistent and high standard of customer service”.

Try to write the plan so that the reader will have a good understanding of the business, what you want to do, and how it will succeed. By the time the reader has gone through the plan, they should have a clear understanding of your business, and be left with few questions.

Module 2: The Introduction and Business Description

Component #1: Title Page

The title page is the first page that the reader will see. It should contain all necessary information to describe what the document is, who the document is for, and the contact information for the business, as well as the person who can answer questions about the business or the plan, usually the owner.

The figure to the right is the layout of the title page as used in the business-planning workbook.

Your title page does not have to look the same as this. As long as the necessary information is there, you are free to add a logo, use any font you want etc. as long as the page remains clear and easy to read.

Title Page

BUSINESS PLAN

Last Revised

Business Contact:

Business Name	
Business Address	
Phone	
Fax	
E-Mail	
Website	

Presenter Contact:

Name	
Address	
Phone	
Alt. Phone	
Fax	
E-Mail	

Component #2: Executive Summary

The “Executive Summary” is usually written when the business plan is complete, and about to be submitted to a reader. This section gives a brief outline of the contents of the business plan. This section should be short, clear, and concise. It is usually about one page in length for a small business.

The Executive Summary is an introduction to the document. It can be used to gain interest from a reader, and encourage them that the rest of the document is worth reading.

This section is similar in form and purpose to the back of a soft cover novel. It gives a summary of what the book is about, and why the reader should buy in.

The Executive Summary contains only the critical parts of your business plan and does not contain any descriptive information. Inform your reader about all the critical issues of your business but not the background information. It should contain a short summary of each of the following:

- Business Description
- Market
- Operations
- Financial plans

Example:

The following is an example of financial plans as would be written in the Executive Summary:

“In the first year, ABC Company is expected to generate gross revenues of \$70,000, with projected expenses of \$50,000 resulting in a gross first year profit of \$20,000. The business will require a total of \$15,000 to start the venture. \$10,000 represents start-up costs, while \$5,000 will be used for working capital until a self-sustaining cash flow can be reached. The owner/operator will be contributing a total of \$2,000 in cash and \$ 5,000 in already purchased assets required for the business”.

Component #3: Table of Contents

The “Table of Contents” is pretty self-explanatory. It is a list of what is contained within the following document. This section is very necessary as it gives the reader a navigation tool that makes it easy to find the information that is important to them. It is rare that an individual will be interested in all sections of the business plan or that they will read the document from cover to cover. The document should be well separated (segmented) into sections that have distinct characteristics. The standard sections of a business plan will include:

1. Executive Summary
2. Business Description
3. Management
4. Marketing Plan
5. Operational Plan
6. Financial Summary/Plan

These are sections that have their own specific components that are logically grouped together. These sections can also be broken up into subsections if it makes sense. Until the document is complete, and ready to be submitted to a reader, there is no point in writing the table of contents, as page numbers will be constantly changing.

Page numbers indicating where the sections are found are a necessity in any table of contents. Without these, the page would be useless and navigational qualities would be lost.

Component #4: Business Description

The business description is meant to give a broad overview of your business. In this section, you will describe the legal form of your business (how you will be registered in the eyes of the law and the government). You will also describe the industry that you are in, and any history that is involved. A very important part of the “Business Description” is the “Products and/or Services” that you will be providing. This includes the types of goods or services that the business will provide, as well as any aftercare etc. You can’t be too detailed in this section.

Form of Business Organization

Decide what form of business organization that you will be taking. Will your business be a:

Sole Proprietorship:

A sole proprietorship is a business owned and operated by one individual and is not a legal entity under the law. The individual owns the assets of the business, and the revenue and expenses are included in his/her income tax return. The advantages of sole proprietorship include its ease of formation and organization. It is simple and inexpensive to create and dissolve. The basic requirements of creation are a name registration and licensing with all relevant authorities.

There are three main disadvantages of a sole proprietorship. (1) Sole proprietors face unlimited liability; the owner is held personally responsible for all debts of the business, (2) Raising of capital; one person acting alone may not be able to raise the capital required to launch and operate the business, and (3) tax rates for a sole proprietor may be higher than those of a corporation, depending on the income level of the owners.

Partnership:

A partnership occurs when two or more individuals join to establish the business enterprise. Each partner has part ownership of company assets and responsibility for liabilities. The rights, responsibilities, and obligations of partners should be detailed in a partnership agreement. The major advantage of the partnership is that it is simpler and less expensive to form than the corporation, while allowing for the pooling of both talent and capital.

There are several disadvantages to a partnership. A partner is liable jointly with other partners for all debts and obligations as well as any negligent act in the ordinary course of business. The greatest risk of all is that any partner can contractually obligate the firm. A final disadvantage of the partnership is its relatively limited life. It is difficult to change ownership, as the partnership must be dissolved and reconstituted each time a partner wants to retire or dies.

Corporation:

A corporation is recognized by law as having rights and duties similar to those of an individual. A corporation is responsible for its own debts. Typically, the shareholders of a corporation are protected from the liabilities of the business.

Business Plan Workbook
See “*Business Planning Guide*” for Instructions and Examples

However, when a corporation is small, creditors often require personal guarantees of the principal shareholders before extending credit.

There are a number of advantages to incorporating, most of which are related to taxation. The primary advantage (1) is the owner is liable only for the amount he/she has paid or owes for their shares. A second advantage (2) is the ease of transfer of ownership. This ease of transfer also allows for perpetual succession of the corporation. The corporation has separate existence from the shareholders. Another advantage (3) is the ease of raising additional capital. Issuing additional shares to bring in capital to a corporation which could be used to finance expansion or operations. The final and biggest advantage of incorporation is (3) taxation. The income tax matters are complex and plentiful.

Consulting a professional to determine whether incorporation would be beneficial to your company is the simplest method of establishing your possible tax advantages.

There are also disadvantages to incorporation. (1) It can be very costly to incorporate, (2) that there are annual requirements, which make the corporation a more cumbersome form of organization to administer.

Types of corporations can include **Non-Profit Corporations**, **Co-operatives** and **Franchises**.

Notes:

Once you have decided on your form of business organization, make some notes on how the business is set up, for example, how many partners are there? How is the corporation structured; how many shareholders are there? Etc. This can be demonstrated by drawing out an “Organizational Chart”.

Industry Description and Trends

Describe the industry and the trends of the industry as it relates to your business. This section will describe the history of the industry, its current position, and what the future will bring.

Current Position & Future Outlook

Where The Business Is Now

In this section, describe briefly the situation of the business.

For example: “ABC Company” is a new business that is currently in the process of forming. The business and name have been registered, and all licenses and permits have been obtained. The business is currently seeking financial assistance in order to purchase the inventory necessary to start-up”. Etc.

Where The Business Will Be Five Years From Now

This section details what you will accomplish month by month for the first year. Summarize these activities into milestones such as “Financing in place by January 1st, Materials & Supply contracts signed by February 1st, Production begins February 5th and Sales Plan begins March 15th “.

Also describe in general, where you see the business in the four years after that. These milestones can be general, such as **“An increase in sales, expansion of the office space, penetrate the Japanese marketplace”**.

Products and Services

In this section, you will give a detailed description of what your business will be selling. For instance, if you are in the auto industry, explain your position within that industry. Maybe you sell only high performance cars, or commercial trucks etc. Also describe everything that goes along with your product, including warranties, extended aftercare, service, etc.

Other product or service description points could include the prestige, or reputation attached to the product or service. For example, **“not only will the customer be buying an alarm system with it’s own maintenance and security staff, and 24 hour help line, they will also be purchasing peace of mind, and a sense of security”**. Or if a person buys a Jaguar, they are also buying prestige, and bragging rights.

Component #5: Management Summary

The management summary gives a brief outline of the individuals that will be involved in managing the business. In order to ensure that the reader is confident that the business will be properly run, individuals will be named, with their roles and responsibilities clearly defined. Then outline the skills and qualifications that will be used in carrying out those duties.

Some areas of management include:

- Marketing management
- Operations managers
- Human resources management
- Financial management

All of these areas will have to be addressed and covered by one or more people. It is a good idea to attach full resumes of each individual at the back of the document in the “Appendices”. This will back up what you have written, and will go into more detail about the individuals if the reader wants to know.

If private consultants and accountants will be used, include who they are and where they work in the Management section as well.

See the next page for an example

Example:

Management Team

ABC Company has a strong management team behind it. The management team consists of:

- Joe Schmoe – Human Resources and Marketing
- Sheila Aussie – Production and Operations

Description of Roles and Responsibilities

Human Resources and Marketing: Hiring, training and disciplining staff, budgeting, developing marketing strategies, and designing marketing materials.

Production and Operations: Management of quality control, technology, and inventory, as well as supervising and identifying training requirements of production staff

Description of Skills and Qualifications

Joe Schmoe – 25 years experience in the human resources field, with 15 years experience in the production industry. Graduate of Special University with a BA; Marketing diploma from Prairie College, with 3 years experience

Sheila Aussie – 20 years experience working in production, 3 years in a management capacity; up to date on current production techniques, and the use of modern technology in production

****Note: Support such as Business Advisors, Counselors, and Chartered Accountants can also be added to this section if applicable***

Module 3: The Marketing of the Business

Component #6: The Marketing Plan

This section will detail the research you did to convince yourself that you had a good business idea and it is viable. This section will describe how you plan on turning your business idea, products and services into sales.

Marketing is: The process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals

Description of the Target Market Area

First, you must describe where you will be providing services/products. This area can be described in any way that will make sense to your business. Areas can be defined and segmented by government districts, natural boundaries, population clusters, neighborhoods or even by drive time etc. And remember, you can use more than one area to describe the entire market region.

For example:

“ABC Company will provide services to individuals within a 60km radius of the business, and the City of Winnipeg”.

Maps or drawings can be included in this section, and can help clarify and help the reader visualize and familiarize themselves with the area.

Description of the Target Consumer

Now that you have described the target market area, it is time to describe your target consumer. Who are you going to sell your products to? What are the characteristics of these individuals? Segment, sort, and describe these people into major groups that are relevant to your business.

Culture, heritage, language, income levels, age groups etc. are areas that can be segmented.

Competitive Summary

Describe your competitors.

Write a brief summary based on the Strengths and Weaknesses of your competitors, what are the Opportunities for you and Threats (SWOTs) that the competition pose for your business. Include factors such as length of time in business, location, ownership, services and products offered, whether they stress quality, price or service, customer loyalty and prices. You want to determine why people use them.

Consider the “indirect competition”. For example, if you open a bar, your direct competitors are other bars but your indirect competition is all other forms of entertainment such as movie theatres, bowling alleys and video rental stores.

In the business plan workbook, and software, the competitive analysis is set up in the form of a table. Although this is not necessary, it is a simple way to develop a basic analysis.

See next page for example.

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See “Business Planning Guide” for Instructions and Examples

Example:

Competitor's Name	Location	Description	Strengths	Weaknesses
DEF Company	33 Rue de la Pomme, Winnipeg, MB R2K 00P	Sells economy widgets on a Global Scale.	Cheap Product, well established, large customer base	Product only lasts 5 years, not much customer support or service
XYZ Incorporated	66 Nowhere Road, Winnipeg, MB R3T S0S	Sells a product that can substitute a Widget	Longer life, than a typical widget, free delivery and installation for Winnipeg customers	Small supply, Expensive, difficult to install, needs an adaptor, free installation does not apply to individuals outside of Winnipeg

Advertising & Promotion

You have discussed the Who and the Where, now comes the How. How will you communicate to the people in the places that you have a product or service that they should purchase, and how will you convince them to give you money for your product or service? Advertising and promotion are the way in which you:

- Decide what you want to say
- Examine the message
- Decode the message
- And send the message

To send your message, how or what methods are you using? Publicity, giveaways, discounts, coupons, charities, media, paid advertising, word-of-mouth?

How are you going to get your customers to buy your products or services? How do you intend to keep them coming back for more?

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See “Business Planning Guide” for Instructions and Examples

Under the umbrella of promotion you can choose your methods from the following:

- Advertising:
 - Newspapers, radio, TV, outdoor signs, magazines, Internet?
- Publicity:
 - How can you get some free coverage?
- Public Relations:
 - Your involvement in the community as a “caring business”, e.g. sponsor a team, support causes
- Personal Selling Strategies:
 - What will your selling strategy be? Does it involve product demonstrations/prototypes?
- Promotions:
 - Sales, discounts, special introductory offers, grand openings, coupons

When you have chosen the media that will carry your messages, determine the frequency or at what time of year will the various forms of promotion occur.

How much will it cost you? Does this match the amount you have allowed in your budget?

Sales and Distribution

How are you going to physically transact with your customer so that the product is delivered, and the payment is made?

Will you have to transport, or deliver the product? Will you use a truck, train, plane, boat or a combination of these?

When will the customer pay? Will they pay upon delivery, when the deal is made, or five months down the road? How will they pay? Will they use cheque, cash, or credit? If they can pay you after the job has been done, what will your terms be? Will you charge interest after a certain amount of time?

An example of terms:

2/10, n/30. – This means, if the customer pays within 10 days, they will receive a 2% discount, otherwise the total is due within 30 days.

Pricing

How will you price your product or service? What is your pricing strategy? Will you be considered top of the market, or competitively priced? Discounts or lower prices offered to attract customers to use your business.

Use price lists if you offer many products or services. Summarize this in this section, and attach the details in appendices. How did you calculate this? Show what your costs of providing the product or service are and how you calculated it.

What is your mark-up?

What is your selling price for the products and services offered?

Example:

ABC Auto Repairs will charge a fee to customers of parts plus labour. Price on parts will be charged at a 100% markup, and labour will be charged at a rate of \$75 per hour. This pricing is competitive with other auto repair shops in the area.

ABC will provide a superior service, by using modern tools and equipment, which will result in less shop time needed for repairs, thereby decreasing overall cost to the customer resulting in a high value for the customer.

Module 4: The Operation of the Business

Component #7: The Operational Plan

Location/Premises Specifications

This section describes the location of your business and how it will accommodate your clients, and the products or services that you will be providing. This is important, whether you are describing a large production facility, or a small home office.

Describe your business’s physical location. Describe the strengths of this location, and its weaknesses. In other words, what does it have, and what does it need? Some questions that you might want to ask yourself are:

- Is the location convenient for customers, or is it hard to find?
- What about deliveries; is your location close to, and accessible to your suppliers?
- Is the location (or proposed location) serviced i.e. water, sewer, hydro, gas, phone etc.

These and other valid points should all be addressed within this section.

Supplier Summary

In this section, identify your major suppliers. Of concern to the reader is that a scarcity of supplies will not adversely affect your business. Address alternate suppliers and discounts you negotiate for larger volumes. Also identify the payment terms to these suppliers.

List your suppliers, their addresses, phone numbers and your contact or sales representative. Can you support/use local suppliers?

Describe the terms of credit available to you, i.e. 2/10, delivery terms, unit and volume prices or discounts.

When selecting suppliers you may wish to include their reputation, reliability, quality of service and flexibility. List more than one supplier for each of the

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products you buy so that you continually evaluate the best products and prices available to your business. This helps to keep your prices competitive and leading edge.

Like the “Competitive Summary”, the “Supplier Summary” can be laid out in a simple table. This keeps things clear, and easy to read.

Employment Summary

Describe the number of employees and the duties and pay scales of each one. Identify any employee contracts signed or to be negotiated. If special skills are required, describe how future employees will be sourced.

Pertinent Regulations

These are the regulations that are applicable to your business. Most businesses have to abide by many of the same regulations if they are operating in Manitoba, or Canada. The contact information and a general description of some regulatory bodies have been included in the workbook for your convenience.

There will be additional regulations for some businesses that have not been included in the workbook. For example, restaurants will have to conform to a strict set of health codes, lodges and outfitters will have to conform to the guidelines set out by Manitoba Conservation etc. These businesses should refer to materials such as “Starting a Small Business in Manitoba”, which is available through the Canada/Manitoba Business Service Centre and its resource centres that are located throughout the province.

Determine how the rules apply to you and your business, and fill in the blanks as you progress.

Include in this section, any additional rules and regulations that may be specific to your business. Make copies of documentation and attach them to the appendices of your plan.

*It is VERY important that you address these issues before starting your business. Some of the processes involved with license approvals etc. can take a very long time and can potentially screw up all of your plans.

Business Name Registration:

Regulatory body governing business name registration:

- Consumer and Corporate Affairs
Companies Office
Room 1010 – 405 Broadway
Winnipeg, MB R3C 3L6
Phone: (204) 945-2500
Toll Free: 1-888-246-8353
E-mail: companies@gov.mb.ca
Website: http://www.gov.mb.ca/cca/comp_off/index.html

Once you have reserved and registered your business name, indicate what that name (legal) is in your plan. Also include your business number (BN), which will be assigned by the Companies Office.

This nine-digit business number (BN) is recognized and used by Canada Customs and Revenue, as well as Manitoba Finance.

Applying for accounts such as GST and Payroll as well as applying for a PST number are easily done once you have a business number in place.

Staff/Payroll:

Regulations relevant to staffing a business are governed by the following authorities:

- Manitoba Labor & Immigration
The Employment Standards Division
Beausejour Office
Box 500, 639 Park Avenue
Beausejour Manitoba R0E 0C0
Phone: (204) 268-6042
Fax: (204) 268-5045
<http://www.gov.mb.ca/labour/standards>
- Payroll Deductions Account & Business Number (BN)
Canada Customs and Revenue Agency
Tax Services Office
325 Broadway
Winnipeg, MB R3C 4T4
Phone: 1-800-959-5525
Website: <http://www.ccra-adrc.gc.ca>

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Books with payroll deductions tables can be ordered from CCRA, and are changed and updated annually.

- Workers' Compensation Board of Manitoba
Website: <http://www.wcb.mb.ca/>

In most cases, workers' compensation coverage is mandatory if you employ workers. To confirm if your business requires workers compensation coverage or not, call the Registration Unit in Winnipeg at 954-4775. Outside Winnipeg, call toll-free, 1-800-362-3340, extension 4775. Registrations can usually be done right over the phone.

When you contact the WCB, you will be asked to describe your firm's business activities; indicate who the owner(s) of the company are; and provide information regarding your workers earnings.

Once you have found out the rules and regulations regarding Staff/Payroll that apply to your business, write a simple summary that is brief, but descriptive.

Taxation:

- GST Account & Business Number (BN)
Canada Customs and Revenue Agency
Tax Services Office
325 Broadway
Winnipeg, MB R3C 4T4
Phone: 1-800-959-5525
Website: <http://www.ccr-aadrc.gc.ca>

*A GST account MUST be opened by any business that has sales of \$30,000+. Once you have your 9-digit Business Number, simply call CCRA and request a GST Account. There may be advantages to you registering prior to earning \$30,000; it is a good idea to consult with an accountant on this subject prior to opening for business.

- PST Number
Manitoba Finance
Taxation Division
101-401 York Avenue
Winnipeg, MB R3C 0P8
Phone: 1-800-782-0318

*PST must be charged on any goods resold to an end consumer; if you purchase wholesale, and resell with a markup, you will need a PST number, which must be registered with Manitoba Finance. Contact the department regardless, and describe your business. They will tell you if you must register a PST number.

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This provincial tax has a lot of conditions, and can get confusing. For example, PST does not only apply to retailers; plumbers and electricians must have a PST number to cover materials that they use in their services.

***Notes:**

Add any notes that you may feel are important in this area i.e. have you registered? Will you need to register, etc?

Zoning:

Be sure to call your local municipal office to make sure that your business property is properly zoned. If changes to the zoning are required, the process may take a fair amount of time, and will have to be considered during your planning.

Home-based businesses must be extra careful to make sure they can run their business out of their house. A business can be quickly shut down by an angry neighbour if proper procedures are not followed.

Business Licenses and Taxation:

Each municipality or community in Manitoba controls business licensing and taxation. Contact your local government office, and find out what you will have to pay to run your business. This may turn out to be nothing, or may be a business license, as well as increased property taxes, or business taxes. Depending on where you live, this can drastically affect the viability of your business.

Patents/Trademarks/Copyrights:

Patents, trademarks and copyrights are your way of protecting your designs and ideas. For instance, if you have created a logo that you don't want anyone else to use, you can trademark it; this gives you exclusive rights to this logo. Patents will be applicable for industrial designs, and copyrights protect documents and images. More information and forms can be accessed by contacting Industry Canada. *(you also have to be sure that you are not infringing on anybody else's designs etc.)

- Industry Canada
Canadian Intellectual Property Office
Client Services Centre
Place du Portage I
50 Victoria Street
Room c-229, 2nd Floor
Hull, Quebec

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K1A 0C9
Phone: (819) 997-1936
Fax: (819) 953-7620
Website: <http://cipo.gc.ca>
E-mail: cipo.contact@ic.gc.ca

Other Industry Specific Regulations

This is where you indicate rules and regulations specific to your industry and business. For example, health codes, liquor licenses, permits and credentials needed etc.

MAKE SURE YOU HAVE COVERED ALL YOUR BASES.

Insurance Coverage

In this section, you will describe what is included in the insurance package that will cover your business. Contact a commercial insurance agent, and set up an appointment to discuss the nature and risks of your business. The advice of a lawyer can also help in this area. You can shop around for insurers and find what suits you and your business.

Remember that insurance is a blanket that should protect you, but not smother you. Some agents may try to sell you more insurance than you require, so be careful.

Once you have determined the plan that is right for you, describe the package and write down all of the vital details pertaining to the insurer, and costs etc.

Module 5: The Financial Side (sole proprietorship)

Component #8: The Financial Summary

The financial summary is a description of the business’ financial position, and projections of what will happen over the next few years.

Forecasting for a new business can be difficult at first glance. After all, how could you accurately predict your business finances, when you’ve never even opened your doors? It’s simple you don’t! This exercise is not about accuracy; it is about “reasonably predicting & planning” for your business operations.

This means:

- Use your common sense
- Apply what it is you do know
- Find out what you don’t know
- Ask others who might know

You then take this information and make an assumption. An assumption is your best guess based on the information you have collected. Your ability to accurately forecast financial statements is increased by your ability to make assumptions.

Remember, the task is not to be 100% accurate, but to be confident that your forecasts are reasonable and that you can back them up.

For businesses that have been in business for a period, and that have a history and track record, forecasting is based on similar things, however, should use their past financial history as well. This means, base your projections on past performance, with adjustments made on assumptions.

Financial projections are important planning tools to ensure that you see your business as a whole. Although each financial projection is completed for a different reason, each one will help you:

- Learn more about your business
- Choose between alternative courses of action
- Measure your performance, and
- Plan for the coming years

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It is important to complete your financial projections to ensure that you:

- Are financially prepared for seasonal changes in your business
- Are properly financed
- Do not run short of money to operate
- Do not tie up too much money in inventory
- Are able to revolve your line of credit

Project Costs

First and foremost, determine your project costs. How much is it going to cost you to start up the business that is described in this plan?

First of all, make a list of everything that will be needed to start the business. This list can be made up of items you already own, and will be investing into the business, items you will have to buy or build, and expenses that you will be incurring during the start up phase (until the business will be self-sustaining).

Assign costs to each of the items on this list. Be as accurate as possible in this area, and get quotes and official prices on as much as you can. If you have to estimate a cost, be generous.

*****DO NOT UNDERESTIMATE PROJECT COSTS*****

Start-Up Costs/ Capital Requirements

Your Start-Up Costs may include the following:

- Premises
- Equipment
- Fixtures
- Initial Inventory
- Promotions
- Signage
- Legal Fees

Current Financial Situation

Figure out your net worth

Take the value of everything you own including the cash in your bank account, your home, your vehicles and investments, and subtract everything you owe including credit card debt, loans, and your mortgage. The remainder is your net worth. This amount will also give you an idea as to your financial ability to start the business.

What is your cash investment?

How much cash will you be investing into the business or project? This amount must be available to the owner. The total amount available to the owner is shown as “Cash” on the Net Worth Statement.

Add this figure to your workbook

Capital investments

What Capital investments will be made, and what is the estimated value of these items? If you are going to use a commercial building, or perhaps equipment or tools that you already own, estimate it’s current value, and include it both in the “Project Costs”, as well as the “Owner’s Capital Investments” sections. This will show that you are making a significant contribution to the business.

Add this figure to your workbook

What will the business’ cash balance be at the beginning of this project?

This amount should be enough to cover operations until the business becomes self-sufficient. This is known as “Operating Capital”. It is simply the cash reserve of the business.

Add this figure to your workbook

Additional Financing

How much cash is required in the form of a loan*, line of credit, investment etc. (how much debt will the business be incurring?)? This will cover the remaining portion of the “Project Costs” and the cash needed to top up the beginning cash balance.

Add this figure to your workbook

***Note: From time to time, banks will cover small loan requests with a personal loan to the owner, which the owner would then invest into the business**

Projected Cash Flows

Cash flows are a month-by-month breakdown of the financial activity of your business. This is simply **CASH IN VS CASH OUT** and is often compared to the “blood flow” of the business.

The month-by-month cash flow gives a detailed breakdown of how the business will respond to trends and cycles of the industry during the year.

You are about to determine how much cash will go into your business, against how much cash will leave your business during the first three years of operation.

Making Assumptions:

Your ability to accurately forecast income & expenses is increased by your ability to make assumptions. Assumptions are not guesses in the dark, but are specific things you can assume based on:

- Your knowledge of your industry,
- Facts you have gathered from others in your type of business (www.sme.ic.gc.ca)
- Seasonal fluctuations of sales (which months are better than others)
- Price fluctuations in your costs of raw materials, supplies or product
- Awareness of upcoming legislative or changes to regulations

CASH IN Sales Forecast

There are two methods used in figuring out a realistic estimate of total potential sales; Top-Down and Bottom-Up.

Method A - Top Down Method

In this method you rely heavily on accurate Statistic Canada information pertaining to your market area.

- Step 1:** Define your geographical boundaries of your market or where you feel you will be doing most of your business. This could be an entire city, town, RM or a combination of many towns, cities and RMs. Attain a map of the area and visually draw in your boundaries.
- Step 2:** Now estimate the number of people or families that will be living in your market area. Statistics Canada information is available at your local library at Community Futures Development Corporations, Canada/Manitoba Business Service Centre and on-line.
- Step 3:** Once you have found the number of individuals or families living in your market area then find out how much each individual or family spends annually on the good or service your business will be providing. This information can be obtained also through Statistics Canada.
- Step 4:** The next step is to calculate your total market potential.
- (# of people in your market area) x (\$ amount each spends on the good or service) = Total Market Potential**
- Step 5:** The next step is to estimate the market share you will have in your market area. This is done by identifying your competitors inside your market area. To find this information use the **Manitoba Business Directory** available at your local library or Canada/Manitoba Business Service Centre Library.
- Step 6:** Once you have identified the competition in your market area you can then calculate a competitor's full share of the Total Market Potential. This is done by taking the Total Market Potential and dividing it by the number of competitors plus your new business.
- Step 7:** The number you have calculated in Step 6 is the competitors full share of the Total Potential Market defined in your market area. You are now part of that competitor share but ask yourself this question, "Would a new competitor entering the market now get a full share of the potential market in the first two or three years? The answer is probably No. Therefore you should adjust your final market share according to your estimate of what a newcomer should really expect.

Business Plan Workbook
See “Business Planning Guide” for Instructions and Examples

Method B - Bottom Up Method

Statistics Canada does not have information on all types of business and sometimes different approaches have to be taken when figuring out the Potential Sales for a new company. For Example: You want to open an Ice Cream Stand. Statistic Canada will not have information specifically for Ice Cream Stands. However, using the Bottom-Up Method you can still estimate your Potential Sales.

Step 1: Define your market or where you feel you will be doing most of your business. Attain a map of the area and visually draw in your boundaries and location.

Step 2: Now estimate the number of people or traffic that will be passing-by your business daily. This information can be obtained by actually counting the number of people who pass by your site location. If the site location is on a Highway, contact Manitoba Highways to get a car count of the number of traffic that passes by the site location.

Step 3: Once you have estimated the people or car traffic that passes by per day then calculate the average percentage of customers that you feel will enter your Ice Cream Stand.

Step 4: The next step is to calculate what the average sale of one customer at your Ice Cream Stand will be.

Step 5: Once that is complete, calculate your average daily sales.
(Step 3) x (Step 4) = Average Daily Sales

Step 6: Now, find out how many days you are planning to be open.

Step 7: Calculate your Annual Sales:
(Step 5) x (Step 6) = Potential Annual Sales

Owner’s Investment

Included in the “Cash In” Section of the Cash Flow Sheet is the cash investment of the owner. This is the cash that you will be taking out of your personal bank account and adding to your business’s bank account. This is only cash, and will not include any capital investments that you will be making. Add any cash investments that you see yourself making throughout the months.

Loan

Loan amounts will likely be equal to the amount of additional money that you will require to start up. Enter the amount of the loan that you anticipate receiving in the month, or months that the lender will actually give you the cash.

CASH OUT Expenses - Direct Expenses

Direct expenses (costs) refer to those costs that tend to rise and fall as sales increase and decrease. The principal factors are the cost of raw materials and the cost of labour. It is important to determine what percentage of total sales is consumed with direct costs.

For example:

You make chairs. When making these chairs, you use a specific design, and always use the same materials.

Your Direct Costs for each chair might be:

- Wood - \$45.00
- Fabric - \$14.00
- Screws - \$2.00
- Labour - \$50.00
 - Each chair takes 2 hours to make, at \$25 per hour

Your total direct costs would be \$111.00 per chair.

So for every dollar you make, how much will go to direct costs?

If your chair is priced at \$250, then your direct cost is 44%. This percentage is determined by dividing direct costs into the selling price. So, for every dollar earned, \$0.44 goes to direct costs.

Expenses - Operating Expenses

Most items under this heading are the types of expenditures that every business anticipates. Typical costs of operating your business will include monthly expenses such as:

- Advertising and Promotional Expenses
- Rent and Lease Expense
- Bank Charges and Interest Expense
- Fuel and Oil Expense
- Office Supplies Expense (pens, paper, staplers, stamps etc.)
- Etc.

It is often difficult to estimate your monthly expenses in the first year of business because you have no idea of what to expect. However, there is information available to assist you.

“Performance Plus” Small Business Profiles are available on the internet through Industry Canada. The address is www.sme.ic.gc.ca.

How it works:

Small Business Profiles is designed to help new business understand how much money they will likely be spending on operating costs. The information has been developed using all participating businesses in Canada which have been categorized by their specific industry.

Asset Purchases

This section includes the cash that you will be spending on things that are not considered a “Business Expense”. This will include purchases of things that have a significant value and maintain this value for a significant period of time. Some items that would be considered asset purchases include:

- Buildings and Land
- Vehicles
- Equipment such as photocopiers, computers and shop equipment

****Note: the general rule is that if something has a value of \$200 or more, and will maintain its value for more than a year, it is considered an asset***

Debt Principal Repayment

This is the amount of the loan that you will repay on a monthly basis. This amount does not include the interest that you are paying. The interest of the loan will be separated and included in the expense section.

Owner’s Withdrawals

This outflow of cash is the opposite of “Owner’s Investment”. It is the amount of cash that you will be taking out of your business bank account for personal use. In effect, this is your paycheck. Based on your personal living expenses, determine how much you will need to take out of the business on a monthly basis, and enter these numbers into your cash flow.

Projected Income Statement

Transfer the “income” and “expense” information from the Cash Flow Forecast and place them in the appropriate lines on the “Projected Income Statement”. This is where you will see if your business is profitable.

Projected Balance Sheet

Transfer the information you have gathered from the Cash Flow and place it in the appropriate lines on the “Projected Balance Sheet”. Include the value of any assets, and liabilities that you will incur, as well as changes to the owner’s equity values.

Break Even Sales

"Break-Even Sales" is the volume of sales necessary to cover all expenses. Once calculated, it should represent the minimum acceptable sales level for the first year. If sales drop below this level you will be losing money.

Module 6: Risk Analysis and Appendices

Component #9: Risk Analysis

What can go wrong, and how will you deal with it? This section will address the “what ifs”. What can go wrong and how will you deal with it? What if the power goes out, if a competitor moves into town or if you receive complaints? Your plan will be stronger if you already anticipate ways of dealing with major risks and a contingency plan is things should happen. “What ifs” usually include the all-important what if sales fall behind projections or greatly exceed them.

A last critical element of risk assessment is to write down what you will do if the business fails at the end of the first year. How will you minimize your financial exposure and meet your financial obligations. Identify the cost to you of closing the business at the end of the first year.

Example:

Potential Risk	Potential Solution
Owner Sickness, resulting in inability to run the business	Family members will be trained casually to cover the business during recuperation; insurance policies will be put in place to cover financial burdens
Vehicle breakdown resulting in inability to deliver goods	A vehicle will be rented from CKY Company in Winnipeg; this company rents ¾ ton trucks at \$70 per day

Component #10: Appendices

It is a good idea to refer to parts of your business plan or appendices that support your claims and to validate your business idea/plans with letters of support. For example, Chamber of Commerce or customer/client base supporting the need for your business venture.

The attached business plan provides operational details for all facets of the business. Letters of support are provided and the appendices contain summaries of completed research.

The appendix is the place to include any information that does not fit directly into other sections of your plan. Detailed or technical information is often included in the appendices.

Examples:

- Functional Resume of owner(s)
- Letters of intent from suppliers
- Market research
 - Statistical Information relating to the industry
 - Statistical Information relating to the market

- Letters of intent form target market or customer base
- Contracts
- Price lists showing wholesale and retail amounts
- Samples of advertising, business cards or pictures of product
- Financial forecasting worksheets

The Appendices should be clearly labeled. You can buy numbered tabs at your local office supply store; these are good for indexing the appendices so that information is easy to find.

BUSINESS PLAN WORKBOOK

Last Revised	
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1. Title Page

Business Contact:

Business Name	
Business Address	
Phone	
Fax	
E-Mail	
Website	

Presenter Contact:

Name	
Address	
Phone	
Alt. Phone	
Fax	
E-Mail	

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5. Management Summary

Management Team¹

Description of Roles and Responsibilities

Description of Skills and Qualifications

¹ If necessary, include an organizational chart in the appendix

Competitive Summary

Competitor's Name	Location	Description	Strengths	Weaknesses

Pertinent Regulations

Business Name Registration:

Regulatory body governing business name registration:

- Consumer and Corporate Affairs
Companies Office
Room 1010 – 405 Broadway
Winnipeg, MB R3C 3L6
Phone: (204) 945-2500
Toll Free: 1-888-246-8353
E-mail: companies@gov.mb.ca
Website: http://www.gov.mb.ca/cca/comp_off/index.html

This Business Name is: _____

This process will assign the business a nine-digit business number (BN), which is recognized by Canada Customs and Revenue, as well as Manitoba Finance.

Business Number: _ _ _ _ _

Staff/Payroll:

Regulations relevant to staffing a business are governed by the following authorities:

- Manitoba Labor & Immigration
The Employment Standards Division
Beausejour Office
Box 500, 639 Park Avenue
Beausejour Manitoba R0E 0C0
Phone: (204) 268-6042
Fax: (204) 268-5045
<http://www.gov.mb.ca/labour/standards>
- Payroll Deductions Account & Business Number (BN)
Canada Customs and Revenue Agency
Tax Services Office
325 Broadway
Winnipeg, MB R3C 4T4

Business Plan Workbook
See “Business Planning Guide” for Instructions and Examples

Zoning:

Zoning is governed by the local government (Town Council or Rural Municipality).
Currently, the business location is zoned:

Commercial	<input type="checkbox"/>
Residential	<input type="checkbox"/>
Agricultural	<input type="checkbox"/>
Other: _____	<input type="checkbox"/>

Necessary changes to current zoning includes:

Business Licenses and Taxation:

Each municipality or community in Manitoba controls business licensing and taxation. The requirements for this business location are:

Patents/Trademarks/Copyrights:

Any necessary Patents, Trademarks and Copyrights will be registered through:

- Industry Canada
Canadian Intellectual Property Office
Client Services Centre
Place du Portage I
50 Victoria Street
Room c-229, 2nd Floor
Hull, Quebec
K1A 0C9

Current Financial Situation

Owner's Net Worth (of all owners/shareholders)

\$

Owner's Cash Investment into the business:

\$

Owner's Capital investments into the business

Item Description	Current Value
	\$
	\$
	\$
	\$
	\$
	\$
Total	\$

Business' beginning cash balance

\$

Financing Required

\$

Cash Flow Forecast Year 1

Business Name:													
Projected monthly cash flow for the first year of operations													
	Mo 1	Mo 2	Mo 3	Mo 4	Mo 5	Mo 6	Mo 7	Mo 8	Mo 9	Mo 10	Mo 11	Mo 12	Total Year
Cash In													
Sales													
Loan													
Owner's Invest													
Total Cash In													
Cash Out													
Direct Expenses													
Operating Expenses													
Debt Repayment													
Owners Withdrawals													
Total Cash Out													
Net Monthly													
Net Cash													

Cash Flow Forecast Year 2

Business Name:													
Projected monthly cash flow for the second year of operations													
	Mo 13	Mo 14	Mo 15	Mo 16	Mo 17	Mo 18	Mo 19	Mo 20	Mo 21	Mo 22	Mo 23	Mo 24	Total Year
Cash In													
Sales													
Loan													
Owner's Invest													
Total Cash In													
Cash Out													
Direct Expenses													
Operating Expenses													
Debt Repayment													
Owners Withdrawals													
Total Cash Out													
Net Monthly													
Net Cash													

Cash Flow Forecast Year 3

Business Name:													
Projected monthly cash flow for the third year of operations													
	Mo 25	Mo 26	Mo 27	Mo 28	Mo 29	Mo 30	Mo 31	Mo 32	Mo 33	Mo 34	Mo 35	Mo 36	Total Year
Cash In													
Sales													
Loan													
Owner's Invest													
Total Cash In													
Cash Out													
Direct Expenses													
Operating Expenses													
Debt Repayment													
Owners Withdrawals													
Total Cash Out													
Net Monthly													
Net Cash													

10. Appendices

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____
- 6. _____
- 7. _____
- 8. _____
- 9. _____
- 10. _____