Business Plan Workbook

Some of the questions in this workbook may not be relevant to your project. If help is required in completing this questionnaire, please feel free to contact our office and speak to an Account Manager. If more space is required, please attach additional pages.

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AMDI Business Plan Workbook

1.0 OVERVIEW

What is a Business Plan?

A business plan is a working tool used to assist an entrepreneur when developing a new product/service idea or when expanding an existing business. Basically, it provides three functions. **One**, is an action plan that describes who, how, when, why and where the business will develop and expand. **Two**, it assists the entrepreneur to *organize his/her thoughts*, *providing a clear sense of direction* and *identifying ways to achieve specific goals and objectives*. **Three**, it is the *key document that supports a loan application for financing*.

Planning is the most important task that needs to be undertaken prior to establishing or expanding a business. Consequently, Apeetogosan (Métis) Development Inc. has prepared this Business Plan Workbook to serve as a working tool when formulating an action plan and developing a business plan.

This workbook is designed to:

- Help clients *prepare a plan of action* for the start-up or expansion of their business/project.
- *Compile information* to be used in a business plan. This will be a basis for both the Account Manager and the client to monitor the progress of the business plan and to make any necessary adjustments.
- Assist you when working with the Account Manager.
- *Assist the Account Manager in preparing a loan proposal* to present to Apeetogosan (Métis) Development Inc. for financing consideration.

Your business plan should contain the following components:

- Description of the Business
- Ownership & Management
- The Market & Industry
- Marketing Plan & Strategy
- Pricing
- Project Costs & Financing
- Financial Statements & Projections (at least three (3) years)

2.0 DESCRIPTION OF THE BUSINESS

Name of Your Business: ____

2.1 What is the *business* and what *product(s) or service* will you offer?

____

2.2 *When* do you plan to start, purchase, or expand your business?

____

2.3 Where is the *business located and why? Is it accessible* (near customers, visible, parking, ease of access, etc.)?

____

____

2.4 *Hours* of the day your business will operate:

____

2.5 If doing *contract work*, comment on *contracts you have secured* to date or are working on obtaining:

____

____

____

2.6 Will your business will be *seasonal or year round?* If seasonal, specify the period during the year your business will operate:

____

2.7 *Describe working relationships* with other businesses relevant to your business (other businesses that will support you):

____

____

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2.8 If purchasing an existing business, *explain why the owner is selling it, how long it has been in operation, how you arrived at a purchase price, what the trend of sales has been, and if the business is failing how you plan to turn it around.* If the business is not failing how do you plan to maintain or improve the level of success?

2.9 What are some of the *potential risks and problems* associated with your type of business? How do you intend to resolve or minimize these?

2.10 What *key factors* will you focus on to make your business a success?

2.11 Other *relevant information* that describes your business and its product or service:

3.0 OWNERSHIP & MANAGEMENT

3.1 OWNERSHIP

Business form:

Incorporated ☐ Partnership ☐ Sole Proprietorship ☐

Joint-venture ☐ Other ______________________________

Name of Owner	% of ownership	Youth? (Under 35 years) Date of Birth (D/M/Y)
______________________	_______	______________________
______________________	_______	______________________
______________________	_______	______________________
______________________	_______	______________________

3.2 MANAGEMENT

1. What experience do you have in this type of business? …in any type of business?

____

____

____

2. Who will manage the business and how will the bookkeeping be maintained?

Management: ____

Bookkeeping: ____

3. What are the *strengths* AND *weaknesses* of each owner?
~ Areas where relevant training has been obtained or is needed; qualifications or the lack of qualifications, etc.

Strengths: ____

____

____

Weaknesses: ____

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4. What *training or support network* do you have available that could assist in eliminating the weaknesses identified above?

4.0 MARKET & INDUSTRY OVERVIEW

4.1 MARKET

The more you understand your customers, the better your chances of success!

1. Who will be your *typical customer*? (i.e. youth, computer literate, 40+ age group, males, females, geographical location, etc.)

2. What characteristics do your customers display? (i.e.; social class, lifestyle, buying habits, income, etc.)

3. How many customers will you have? (Many customers that buy few, or a few customers that buy many?)

4. How do you meet your customers' needs?

5. Have you done any research to see if people are interested in purchasing your product/service?

6. How much are they willing to pay for your product/service? Is your price within this range?

4.2 INDUSTRY & COMPETITION

1. What factors are influencing growth or decline in your industry? (i.e.; income levels, environment or health conditions, technology breakthroughs, etc.)

2. What are the barriers to entry? (What costs will be incurred to compete in the industry? i.e.; copyrights & patents, high R&D/marketing/production costs, etc.)

3. What government regulations (i.e.; zoning, permits, licenses, etc.) exist that you must consider?

> Direct competition: Companies serving the same customers and providing similar benefits i.e.; Seattle's Best Coffee Co. directly competes with Starbucks Coffee Co.
>
> Indirect competition: Other companies in the product category and other products satisfying the same needs i.e.; other beverage companies (like Orange Julius) are indirect competition to coffee companies.

4. List the names of your *competitors* and where they are located in proximity to your operation. Comment on their *strengths and weaknesses*, how their business is doing, the *similarities* with your business and *what you learned* from watching their operations.

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5. Describe the advantage you have over your competitors (what makes your product/service better?). How do you plan to obtain a share of the market?

____

____

____

5.0 MARKETING PLAN & STRATEGY

5.1 MARKETING

1. Type of advertising you will use:

Type	Cost	Month it will be used
Business Cards	____________	____________________
Direct Mail	____________	____________________
Flyers	____________	____________________
Magazine	____________	____________________
Newspaper	____________	____________________
Packaging	____________	____________________
Radio	____________	____________________
Sign	____________	____________________
Website (Internet)	____________	____________________
Yellow Pages	____________	____________________
Other	____________	____________________

2. List any *advertising that you have already completed* for your business.

3. Describe *how you will attract and keep your market*? How can you expand your market?

4. Identify and explain any professional help you need to market your business.

6.0 PRICING

There are various ways to decide on a pricing strategy. *The most common mistake is setting a selling price that is too low.* This mistake occurs through either failing to see all the costs associated with the product, or attempting to undercut the competition.

Here is some information on costing, mark-up and break-even that may help in determining your pricing strategy.

Variable Costs: Expenses that vary directly with sales; those costs that are incurred only if sales are made. (i.e. materials, commissions, shipping, etc.)

Fixed Costs: Expenses that do ***not*** vary with sales; they occur whether or not any sales are made. (i.e. Salaries, rent, insurance, utilities, depreciation, etc.)

Break-even Sales: This is the amount of sales needed to cover all of your expenses (Revenues = Expenses).

1. We will use the following information to demonstrate break-even sales. (You will need to calculate these figures for your business.)

   a) Annual Fixed Costs $100,000
   b) Product Selling Price...................... $4.00
   c) Variable Costs per item................. $3.00

2. Next, calculate your *Variable Costs per item* ***(c)*** as a *percent* of your *Product Selling Price* ***(b).*** In this case our "Variable Cost percentage" is:

$$\frac{c)\ \text{Variable Cost per item}}{b)\ \text{Product Selling Price}} = \frac{\$3.00}{\$4.00} = 0.75 = 75\%$$

What does this mean? Well, for every $1.00 of sales, 75 cents goes to variable costs. That leaves 25 cents ($1.00 - $.75 = 25 cents) to cover fixed costs.

3. So now we have to answer the question, "how many 25-cents do we need to cover $100,000 of fixed costs?" The answer is $400,000 ($100,000 ÷ .25 = $400,000). This means that you need sales of at least $400,000 to break-even, or you need to sell $400,000 of your product to cover all of your costs.

******Can you meet this sales level? If not, you will need to raise your price or reduce your costs.*

We will use the following sample numbers to illustrate **Gross Profit Margin** and Mark-Up.

Item selling price:	$1.50
Item cost:	– $1.00
Gross Profit	$.50

To demonstrate Gross Profit Margin, we will assume we only sold one item.

Gross Profit Margin (GPM) $= \frac{\text{Total Gross Profit}}{\text{Total Sales}} = \frac{\$.50}{\$1.50} = .33 = 33\%$

For every $1 of sales, the company produces 33 cents of Gross Profit.

Mark-up $= \frac{\text{Item Selling Price} - \text{Item Cost}}{\text{Item Cost}} = \frac{\$1.50 - \$1.00}{\$1.00} = 50\%$

****__Therefore, it requires a 50% mark-up to produce a 33% gross profit margin.__**

Pricing Strategy

1. How did you calculate the price for your product or service?

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2. Are you offering a competitive price and will it cover *all* costs?

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3. What price are your competitors charging for their product or service?

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7.0 PROJECT COSTS & FINANCIAL PROJECTIONS

PROJECT COSTS

APPLICANT EQUITY

Identify what you are investing in the business:

Cash	$____________
Contributed Assets (computer, vehicle, office equipment)	$____________
Other	$____________
***Total Applicant Equity:**	**$____________**

PRE-OPERATING COSTS:

Legal	$____________
Insurance	$____________
Advertising	$____________
Other__________________	$____________
****Total Pre-op costs:**	**$____________**

Sources of Funds:		Use of Funds (costs):	
*Applicant's Equity	$____________	Land	$____________
AMDI Financing	$____________	Building	$____________
Other	$____________	Equipment	$____________
	$____________	Operating Capital	$____________
		*Pre-op. Costs	$____________
		Training	$____________
		Other	$____________
			$____________
TOTAL SOURCES OF FUNDS:	**$____________**	**TOTAL USE OF FUNDS:**	**$____________**

Note: *Total Sources of Funds = Total Use of Funds (Project Costs)*

REVENUE/SALES PROJECTIONS

What are your anticipated annual sales per year (allowing for seasonal fluctuations)? Use the table below as a guideline to assist you with your calculations. A sample has been provided.

REVENUE PROJECTION

SAMPLE ~ Manufacturing Business with 2 products (Jackets & Sweaters)

Seasonal Trends	# of Months (A)	# of sales/month (B)	Price $ (C)	Revenue $ (A) X (B) X (C)
Peak	2			
Jackets		80	100	8000
Sweaters		20	50	600
			Season Total 1	$ 8600
Moderate ~ High	4			
Jackets		50	100	3000
Sweaters		10	50	300
			Season Total 2	$ 3300
Moderate ~ Low	4			
Jackets		25	100	2500
Sweaters		10	50	300
			Season Total 3	$ 2800
Low	2			
Jackets		15	100	1500
Sweaters		8	50	240
			Season Total 4	$ 1740
	12		Total Revenue (1+2+3+4)	$ 16,440

This company has a 2-month Peak season (2 months where the sales are the highest.).

This company usually sells 80 jackets and 20 sweaters in their peak season.

This company has a 2-month low season (2 months where the sales are the lowest.).

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REVENUE PROJECTION

Seasonal Trends	Months (A)	# of sales/month (B)	Price $ (C)	Revenue $ (A) X (B) X (C)
Peak				
			Season Total 1	$
Moderate - High				
			Season Total 2	$
Moderate - Low				
			Season Total 3	$
Low				
			Season Total 4	$
			Total Revenue (1+2+3+4)	$

Annual Sales

If the above formula does not apply to your business, describe the estimated projected annual sales. Also include how you came up with these assumptions and projections.

Income Statement Projections

Complete the following income statement or provide us with prepared financial statements. This table is a guideline and may not be completely compatible with your business. Feel free to change/add/delete to suit your business. Annual expenses can be calculated at estimated monthly cost X 12.

INCOME STATEMENT PROJECTIONS

	Year1	Year2	Year3
Revenues			
Product Sales			
Services			
Other Revenue			
Miscellaneous			
Total Revenue (A)			
Expenses (variable or direct costs)			
Fuel			
Materials			
Commissions			
Purchases			
Subtotal Direct Costs (B)			
Expenses (Fixed costs)			
Accounting & legal			
Bank Charges			
Advertising			
Loan interest			
Office and general			
Depreciation / Amortization			
Licenses and fees			
Repairs & Maintenance			
Insurance			
Freight			
Utilities			
Telephone			
Rent			
Management Wages			
Wages and benefits			
Subtotal Adm. & General (C)			
Net Income before taxes: (Revenue–Expenses = A – (B + C))			

For an existing business, please provide financial statements for the last 3 years.

8.0 CASH FLOW STATEMENT

A cash flow statement presents its readers with a timeline of when the anticipated cash receipts from sales will be received and when the bills will be paid. It is **not** an estimate or projection of your sales and expenses. Rather it is an important tool in helping a business with its cash management. It is not uncommon for a business to be making profits and yet be in trouble because there is not enough ready cash to pay the bills when they are due. You won't be in business for long if the bills go unpaid so managing your cash is a vitally important part of managing your business.

WHERE TO START:

The first step in preparing a cash flow is to estimate sales on a monthly basis. Sales from previous years can be used to forecast sales for the coming year. There are many yardsticks by which a business can estimate its sales. A relatively conservative or low forecast can be used to determine the financial results of bad times. An optimistic forecast will show the strain on working capital which may result from better than expected operations. Finally the most probable sales forecast at the centre remains the anchor point about which plans are made.

If the business is new or the industry has gone through a dramatic change, there are a number of yardsticks that can be used to estimate sales. The basis can be a similar-sized operation operating in a comparable market. A product supplier may be able to provide useful information in this respect; however, be cautious, his objective is to increase sales for himself. There are also trade and statistical publications available in libraries and bookstores as well as numerous websites on the Internet, which have a wealth of information at your fingertips.

NOTE: When preparing a cash flow the purpose is to forecast cash receipts and to schedule payments, and to forecast the use of operating funds (line of credit) when necessary from the bank. This line of credit is arranged with the bank in advance (usually annually). The cash flow forecast illustrates the need and timing for money. It also illustrates when cash receipts will reduce or eliminate the need. Estimate what amount of your sales will be cash and what amount will be credit. If last year's sales were 10% cash and 90% credit and you do not plan to change your credit policies, chances are that the same proportions will occur again this year. If you sell on credit, take into account when you can expect to collect the accounts receivable.

The next step is to plan for accounts payable on a monthly basis according to your sales projections. For example, if you pay your invoices on a 30-day basis, then the cash expenditures for January's purchases will be made in February. If you can obtain trade credit for longer terms, then cash outlays can be further delayed.

CASH FLOW WORK SHEET:

Now that total cash collections and total cash payments on goods purchased have been estimated, use the cash flow work sheet to list all cash transactions for the month. Remember-only list the actual cash you are expecting to receive or spend in the appropriate monthly column. An explanation of each entry is included below.

REVENUE: ~ Cash Receipts / Sales Cash Flow:

Cash Receipts: It is not acceptable to merely divide your projected annual sales by 12 and use an equal sales figure each month. You must anticipate the cyclical nature of your business and project sales showing their peaks and valleys to mirror this pattern.

Accounts Receivable: If you sell products on credit terms or with instalment payments, you must be careful to enter only the part of each sale that is collectible in cash in the specific month you are considering (realized accounts receivable). Any amounts to be collected after 30 days will be termed collections or Accounts Receivable and will be shown in the month in which it will be collected. On your cash flow worksheet, be certain to carry over any accounts receivable from a previous operating period into the cash flow for the opening months. Likewise, remember to carry out the same treatment to your accounts payable for a previous period.

Other Cash Receipts: This figure should include all other cash receipts not included under cash sales receipts, and accounts receivable.

Total Cash Receipts: This should be the total amount of cash sales receipts, accounts receivable and all other cash receipts.

LESS COST OF GOODS SOLD ~ Product (Material/Supplies):

Each month must show only **the cash you expect to pay out that month** to your trade suppliers. For example, if you have 30-day terms, cash payout for January purchases will be recorded in February. If you can obtain trade credit for longer terms, then cash outlays will appear two or even three months after the stock purchase has been received and invoiced. On the other hand and **this is *vitally* important:**

- if you do not have trade credit **or**
- if your period of trade credit is shorter than your sales cycle, **and**
- you have a need to acquire goods in advance of your month of sale, **then**
- when you are forecasting higher sales in future months, you will need sufficient inventories in advance and you will need cash to meet this demand.

If you are a manufacturer, labour costs (wages), which are part of the cost of sales, must be paid for as services are rendered; accordingly, the cash outlay often does not coincide with the cash inflow from the matching sale of manufactured goods.

Net Revenue: This figure is the Total Cash Receipts figure minus the Cost of Goods Sold.

EXPENSES – Cash Disbursements:

Enter the amount of your monthly outflow for expenses; this is the actual outlay during the month. For example, your Operating Forecast might record a total expense of $1,000 for insurance but this premium might be paid once a year in a specific month or in instalment form, possibly monthly, possibly quarterly. If your Cash Flow Budget is to accurately anticipate your monthly cash requirements this timing of events is of major importance.

A word of caution. If your cash flow requires a pre-payment of a significant expense at the beginning of the month (e.g. rent), it would be prudent to record the cash flow in the previous month in order to prevent you from deluding yourself that the cash inflow from current month sales will be used to meet this cash requirement.

Rental/Lease Expenses: This is the amount of money that you must pay each month to rent or lease the premises to carry on your business. It can be a storefront, warehouse or a personal residence.

Salary/Wage Expenses: This is the amount of wages and benefits paid to all employees per month and should include holiday pay, EI premiums, CPP premiums, group insurance etc. as applicable.

Owner's Salary: This is the amount of money that will be taken out of the business by the owner including management salary, and drawings etc.

Loan/Mortgage Payments: This figure should include any loans or mortgages associated with the start-up and operation of the business and should include the principal as well as the interest paid on a month by month basis.

Telephone Expenses: This figure should include any expenses associated with telephone, cell phone, pager, fax and Internet costs for the month.

Utilities: This amount should include all expenses relating to heat, light and power costs.

Professional Fees: This is any money that you pay for professional services such as bookkeeping/accounting fees and lawyer expenses.

Advertising/Promotion Expenses: This figure should include any print or media advertising expenses incurred for the month such as for newspaper ads, radio, television, yellow page ads, and any other promotional expenses such as tradeshows, promotional lunches, and promotional freebee items.

Equipment Lease/Rental Payments: This figure should include all lease or rent payments related to the cost of leasing or renting any equipment or vehicles utilized in your business.

Business Taxes, Fees, & Licenses: This figure relates to any expenses incurred for business licensing and fees including municipal business license, federal or provincial licensing and any other association licenses. Fees should include charges for memberships, loan and service fees. Business taxes should include the amount of business taxes paid, and should be accounted for in the month they actually occur.

Insurance: This amount should include any business or personal insurance including fire insurance, liability insurance, life insurance, loan insurance etc.

Bank Charges: Should include all banking charges including service charges, overdraft charges, Visa/Mastercard/InterAct commissions, etc. This amount should not include bank loan interest, which is already covered under loan payments.

Transportation & Travel: This will include all expenses relating to the use of vehicles to carry on your business including, fuel, oil, repairs, and insurance. It should also include any costs associated with travel for purposes relating to the business, such as meals and accommodation.

Office/Shop Supplies: All supplies purchased for business purposes including stationary, janitorial supplies, paper supplies, clothing etc., and excluding the product you sell.

Property Taxes: This amount should be the relevant property taxes paid relating to business usage and should be allocated to the appropriate time frame it is deducted in.

Purchase of Fixed Assets: This category should reflect any purchases of fixed assets relating to the business such as computer equipment, furniture etc.

Freight Expenses: This amount relates to any costs associated with shipping or receiving supplies or products for use in the business.

All Other Operating Expenses: This relates to all other expenses that are not already categorized and would include such things as security alarm charges and postage.

Contingencies 10%: This section is reserved for unplanned expenses. No matter how hard you try to plan for everything there is always something that you don't count on or miss. The way to account for this expense is to add together all expenses listed above this item and take ten percent of that total.

TOTAL EXPENSES: This is the total amount of all cash paid out.

Surplus/Deficit: This is the Net Revenue minus Total Expenses. This number will indicate how much you have made or lost before taxes during the current month.

SUMMARY/CONCLUSION:

A Cash Flow Budget and ongoing analysis assist in financial planning, inventory purchases and formulating bill payment and credit and collection policies. It also serves as an early indicator when expenses are getting out of line. It is one of the most important tools an owner/manager has to control his or her business. A Cash Flow Budget can tell you:

- what cash is needed as well as when it is needed
- what cash your business may have available to buy fixed assets, build up inventory or
- whether it should borrow the money
- whether surplus cash should be invested more profitably outside the business, for a time, until it is needed or whether it is available to pay out bonuses or dividends

No matter how time-consuming it may seem, a Cash Flow Budget is indispensable in planning the future of your business. It is essential in managing one of your business's most vital assets – cash.

Finally, it is important to stress once again that ***a Cash Flow Budget is an ongoing business tool*** that needs to be revised as the situation changes. A computer spreadsheet is very ***useful*** for this purpose. After each month has been completed, put the actual cash flow figures next to the budgeted figures and compare them. If the actual figures vary significantly from the budgeted figures, ***determine why***. It may be necessary to revise the budget for succeeding months and in extreme situations to rethink particular aspects of the business operation.

A 'cash flow worksheet' is attached separately for your use.

9.0 SUPPORTING DOCUMENTS

Copies of the following documents (if applicable) should be provided to your Account Manager along with your completed 'Loan Application Form' and business plan or workbook:

Two (2) Pieces of Identification (ex. Copy of Métis card and Drivers License)	☐
Confirmation of the 'Cash Equity' (copy of last bank statement)	☐
Resumes for Owners and Key Personnel	☐
Confirmation that taxes are up to date (personal or corporate) (i.e.: last GST remittance / tax return)	☐
If Incorporated:	
- Certificate of Incorporation	☐
- Articles of Incorporation	☐
- Last Annual 'Corporate Return' filed (if available)	☐
List of the Equipment to be purchased with the purchase price(s)	☐
Estimates or Quotations for the purchases of Equipment	☐
Applicable Purchase Agreements	☐
Insurance Quote(s)	☐
Rental or Lease Agreement of Location	☐
Permission from Landlord to operate home-based business	☐
Report/Evaluation of Used Assets Contributed	☐
Confirmation of work or contracts related to the operation of the business	☐
Letters of Support	☐
Relevant Photo or maps	☐
For Existing Businesses:	
- Historical Financial Statements (for last 3 years preferably)	☐
For Start-Up Businesses	☐
- Your projected financial statements for the next two or three years. They should be supported with your notes on how they were prepared. (i.e. sales rates charged, number of operating hours per month, hours and rates for wages, etc.)	