

**- INSERT YOUR BUSINESSS LOGO -**

# Business Plan

[enter business name]

[enter address]

[telephone]

[website]

[email address]

[BN]

Prepared on [date]

By [name of author]

[author’s contact info]

We recognize the Small Business Development Corporation of the Government of Western Australia for the business plan template upon which this one was based.

## Purpose

Why are you writing this plan: is it to secure finance, as a management tool or an operational guide for the business?

If you are writing this to support financing, include the name of the financial institution on the front cover, along with your desired loan/equity option details. i.e. term of loan and security pledged to support the loan. As well you might include a short paragraph on this page to outline what you plan to do with the funds that are advanced to you. Include a spending schedule and a short outline of how you will repay the funds (out of cash flow, other financings, share issue, etc.)

Always date the plan on the cover and include the author’s name and contact information.

## Summary

Although it appears at the beginning of the plan, the summary is usually written last.

It provides a broad overview of your business and what distinguishes your products or services from your competitors. It may include a statement about your business values and ethics along with your key objectives and any critical factors to the success of your business venture.

Try to keep the summary to around a page and a half, and include a brief overview of the following:

* the business and its proprietors;
* the products and services on offer, the benefits they provide, and who will buy them;
* the business’s overall objectives and competitive advantage;
* the marketing strategy;
* the operational performance [if already operating] stating sales, profits and markets; and
* key figures from the financial forecasts.

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# The Business

## Mission statement

A mission statement is aimed at your customers and should sum up in simple terms what you do, how you do it and why.

## Business objectives

Business objectives define in specific terms what the business is aiming to achieve.

Your objectives should be measurable and include a mix of short and long-term goals.

It’s a good idea to include your personal objectives in this section which should underpin your reasons for going into business. This is also where you outline your exit strategy for the business which may include passing the business on to your children, seeking investors or partners or selling the operation to fund your retirement.

Consider how your exit strategy fits with your business and personal objectives.

Name, address and contact details

[Enter here the trading name of the business]

[Street address]

[Postal address – if different]

[Telephone number]

[Fax number]

[Website address]

[Email]

[Business Number]

## Description of business activity

Enter here a short description of the business including what type of goods or services it provides, to what type of market your products are aimed and how big that market is currently .

## Start date

Enter here when the business began or is going to begin active operations.

## Opening Investment

List the capital the business started with and specify the amount provided by each owner if there’s more than one. If monies were borrowed to start the business, state the amount borrowed and from whom. Finally include some measure of the sweat equity put into the business and by whom, even though it doesn’t technically have any financial value.

## Business structure

State here which legal structure the business operates under: i.e. sole proprietor, partnership, limited company or social enterprise (community contribution company.) List the name of the sole proprietor, the partners or the company’s shareholders and directors – whichever is applicable.

Outline the rationale behind your chosen structure and how the structure you’ve chosen will best support your business objectives.

You may also wish to include any plans for a change in structure in the future – i.e. going from sole proprietor to limited company – depending on the level of business growth you’re expecting to see over time.

If the structure is complex you may want to include an ownership diagram.

## Competitive advantage

Explain the uniqueness of your product or service, why there is a need or demand for it and what benefits it offers your potential customer.

Compare your products to the offerings of your competitors and state what makes your product superior or different.

You might want to include a SWOT analysis as part of this section which is a method by which to examine the **s**trengths, **w**eaknesses, **o**pportunities and **t**hreats faced by your business.

## Owner or owners’ profiles

If you’ll be using your plan as a tool for obtaining finance or investment, most banks and potential investors will want assurance that the people responsible for running the business are qualified and competent.

Provide an overview of your experience and expertise along with any special skills and industry knowledge you bring to the business. Include any formal qualifications along with specific training you’ve undergone.

Highlight any prior successes you’ve had in running a business, or in this particular field.

Be sure to include the relevant details for each owner along with the relevant skills and attributes of any other key personnel.

## Major clients

If appropriate for your business, provide a list of major clients to help demonstrate your experience, capability and performance.

Always seek permission before publishing client details in any of your publications, flyers, website or a business plan.

[Client 1]

[Client 2]

[Client 3]

## Licences and registrations

Provide a list of any leases, licences, permits, patents and/or registrations that the business holds.

The business holds the following licences:

[Licence 1]

[Licence 2]

[Licence 3]

## Business advisors

Potential investors and/or partners will want confirmation that your business is supported by a professional team of qualified advisors such as accountants, solicitors, bankers, insurance brokers and relevant industry associations.

Include the business name and address of each contact along with any professional memberships you hold which may include chambers of commerce, various institutes and industry associations.

Bank [Name]

[Institution Name]

[Address]

[Address]

[Telephone and fax numbers]

[email address and website]

Accountant [Name]

[Address]

[Address]

[Telephone and fax numbers]

[email address and website]

Lawyer [Name]

[Address]

[Address]

[Telephone and fax numbers]

[email address and website]

Insurance broker [Name]

[Address]

[Address]

[Telephone and fax numbers]

[email address and website]

Advisors [Name]

[Address]

[Address]

[Telephone and fax numbers]

[email address and website]

Industry Associations [Name]

[Address]

[Address]

[Telephone and fax numbers]

[email address and website]

## Current performance

Provide key figures under this heading – more detailed information is provided in the financial section of the business plan.

If your business is a start-up, base this section on your financial projections.

Gross revenue $............ last year $...............]

Gross profit $............ (..%) [ast year $............... (..%)

Net profit $............ (..%) last year $............... (..%)

# Industry analysis

## NAICS category:

In Canada, the NAICS is used for producing and analyzing industry statistics. If you’re not sure which NAICS category your business comes under visit the Statistics Canada’s website at [www.statcan.gc.ca/eng/subjects/standard/naics/2012/index](http://www.statcan.gc.ca/eng/subjects/standard/naics/2012/index).

Once you’ve identified which category your business comes under, list the code and provide the description shown in NAICS.

Then under the following headings, identify important trends or issues with the potential to affect your business’s operation and how you plan to overcome them.

## Political Climate

Examples – only address those which apply to your situation:

* Government leadership and political stability
* Municipal, provincial and federal elections
* International relations
* Employment laws
* Industrial Relations unrest
* Environmental regulations
* Trade restrictions and tariffs
* Taxation policy – rebates and incentives
* Competition regulation
* Consumer protection
* New or proposed government policies, regulations and laws
* War and terrorism

## Economic Climate

Examples – only address those which apply to your situation

* Local, provincial and national economic outlook
* Interest rates and inflation
* Exchange rates
* Unemployment rates
* Consumer confidence
* Global economic outlook
* Availability of raw materials/resources
* Skills shortages
* Government spending

## Social Climate

Examples – only address those which apply to your situation

* Income distribution
* Demographics – aging population, lower birth rates,
* Education levels
* Fashion
* Work / Family balance
* Growing concern for the environment
* Attitudes towards health and safety
* Growth in multiculturalism
* Standards of living
* Increase in single-parent families
* Residential trends – inner city living, urban sprawl

## Technological Climate

Examples – only address those which apply to your situation

* Technology and equipment costs
* Rate of technology transfer
* Life cycle and speed of technological obsolescence
* Efficiencies available
* Support and training available
* Research and development
* Intellectual property and new inventions

## Industry Description

This is where you provide an overview of the industry in which your business will operate and a summary of your business’s position within that industry.

Include details about the size of the industry, its key markets/clients, the major players within the industry, the level of growth it’s experiencing and any significant trends that have affected its performance, or are likely to in the future.

## Competition

Here is where you explain how your business fits within the industry, including details about your point of difference, the competition, your expected level of market share, any possible barriers to entry and how you plan to address them.

## Key success factors

List any critical factors to the success of your business venture.

# Marketing plan

Follow this standard step-by-step process to devise a marketing plan for your business:

* Analyse and describe your product or service by presenting a product range analysis, a competitor analysis and a SWOT analysis. Then present your competitive advantage, based on this analysis.
* Identify and segment your market.
* Determine your marketing objectives – what you will do to achieve them.
* Determine your marketing activities or strategy – your marketing mix – in relation to product, price, promotion and place.

Use the following headings:

## Market and situation analysis

### Competitive environment/Competitor analysis

What are your competitors doing? How many competitors do you have? What is your advantage over your competitors? Is the market large enough to support you and your competitors?

Compare the features, benefits and advantages of your product or services over your competitors’ offerings of the same, similar or substitute products.

Use the following table to compare the attributes of your business with your significant competitors.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Business attribute | Your business | Competitor 1 | Competitor 2 | Competitor 3 |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

### Product range analysis

Use the following table to show the contribution of each product or service to total sales and gross profit. For some businesses, you may wish to include the size of the market and your market share.

The following product range analysis shows the contribution of each product classification to both total sales and total gross profit.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Product | % of total sales | % of total gross profit | Quality | Market size | Market share |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

### SWOT [Strengths, Weaknesses, Opportunities and Threats] Analysis

Do a SWOT analysis to identify the internal and external factors which will affect your business in both a positive and negative way. Internal factors are strengths and weaknesses and external factors are opportunities or threats. The following are examples of each area:

|  |  |
| --- | --- |
| Strengths (e.g.): | Weaknesses (e.g.): |
| * Superior customer service, * excellent store location * a unique product. | * Poorly trained staff * undifferentiated product or service * poor stock management system. |
| Opportunities (e.g.): | Threats (e.g.): |
| * Entering a young developing market * introduction of a government grant to increase consumption of your product (i.e.: solar power) * acquiring distribution rights for a complimentary product. | * New competitor entering your market * new regulations * increased trade barriers. |

## Market segmentation and customer analysis

### Market Segmentation

When you look closely at your market you’ll find that your consumers fall into different groups or ‘segments’. Although all of your customers use your product or service they will value different aspects of it such as price, design, or ease of access. You can segment your market by customers that have shared values.

For example, if you were selling electronic calculators your market could be segmented by how consumers use it i.e.: scientific, office, student and general use. Each of these segments will have different requirements and the price they are willing to pay for your product may vary.

By understanding the needs of each segment you can tailor your marketing mix to deliver what your customer values. Each segment will offer growth and profit opportunities so the trick is to deliver the best offer to the best segment.

### Target market/segment characteristics

You can profile your target market/segments using four categories:

Geographic: location, population size or climate

Demographic: age, gender, family size, family life cycle or income

Psychographic: social class, lifestyle, motivation or personality

Behavioural: product benefits, frequency of use or brand loyalty

### Market research findings

Provide an overview of your market research findings. This could include:

* products and services and their customer fit
* customer profiles
* customer characteristics; and
* customer needs and wants

## Objectives and goals

### Mission Statement

A mission statement is aimed at your customers and should sum up in simple terms your business purpose – i.e.: what you do, how you do it and why. Try to contain your mission to a single sentence. For example Nike’s mission is “Bring inspiration and innovation to every athlete\* in the world (\*if you have a body, you are an athlete).”

### Objectives

Your mission is then broken down into achievable objectives. Achieving each objective should take you a step closer to achieving your mission. Working on the Nike theme an objective might be: “NIKE’s consumer-focused category strategy is driving growth through increased market place capacity and penetration.”

### Goals

Your goals outline how you are going to achieve your objectives. They should be easy to measure and evaluate. In our example a goal might be: “to grow the brand in all six of our geographies including driving mid-single-digit growth through broader expansion in its developed geographies.”

## Strategies and tactics

### Pricing strategy

When developing your pricing strategy consider the following:

* your customers sensitivity to changes in price;
* what revenue you need to break even; and
* what the price says about your product i.e. value, quality and prestige.

### Product strategy

When developing your product strategy, consider the following:

* what level of quality and consistency does the product have;
* how many features does it have and can they be removed or added; and
* does the design and/or service deliver what the customer values?

### Placement strategy

When developing your placement/distribution strategy, consider the following:

* what distribution channels and methods you will use;
* whether you’ll have a retail outlet and where it will be located; and
* the geographic area your product/service will be available in.

### Promotion strategy

Your promotional strategy will ensure that consumers find out about your product or service. There are four main promotional tools:

* advertising;
* selling;
* sales promotion; and
* public relations.

### People strategy

Think about the people who sell your product or service and are involved in its delivery. Your people strategy is not just about your internal staff, it also covers associates and strategic partners, channel partners and suppliers.

### Process strategy

Your process strategy is concerned with the planning, development, implementation, documentation and review of the systems that help you achieve the other aspects of your marketing strategy. If you have the right processes you’ll have the right product, in the right quantity to the right place at the right time.

### Priorities, responsibilities and timeframes [what/who/when]

Assign responsibilities to yourself and staff to make sure your strategy gets implemented. Make sure you set timelines so that everyone knows when action points need to be achieved.

# Operational strategy

Describe in this section the internal operations and processes that enable the business to achieve its short and long term goals. Summarise how the business works along with the premises, plant, equipment and people required to produce or provide your products and services.

In writing this section of the business plan, you should also consider and review your risk management policies, internal controls, how you could use technology to operate more efficiently, and any security issues.

## Location and premises

Detail the size and facilities required and whether you plan to buy or lease a property, the costs involved, where your operation will be based and why, along with a description of the building’s layout, décor and design.

If you’re leasing, specify the term or duration of the lease, options held, key dates, rent, outgoings and other payments under the lease, rental per square metre, anticipated increases in rent over the term of the lease and the name of the owner and managing agent.

If you own the premises, provide ownership details, current value and any security held over the premises.

If you’re operating a home-based business, describe the area of the home being used. Mention if the arrangement is adequate or not and any plans to move in the short or long term.

Describe the premises: location, zoning, geographical and demographical surrounds, passing vehicle and pedestrian traffic, facilities, fit-out, equipment, parking, the condition of the building, how long the business has been there, the area occupied, accessibility and visibility. You may wish to include the age of the building and any interesting historical or tourist features.

Include any plans for alterations, extensions and moves and comment on the overall suitability of the accommodation.

You may wish to include a photograph here, or in the appendix along with a floor plan.

Here is where you might also list the business’s days and hours of operation

## Plant and equipment

Here is where you detail your plant and equipment requirements.

If you’re starting a business, list under this heading the plant and equipment and any other assets you need or have acquired to establish your business. List items individually, or by type.

If the business has been operating for at least one financial year, include both the cost price and the written down value, which is the cost price less decline in value [often referred to as depreciation]. You may prefer to present this information in summary form and attach more detail in an appendix.

Provide a separate listing of plant, equipment and other assets to be purchased over the next three years. Note that these purchases would be included in cashflow forecasts, and that the assets and their decline in value [depreciation] would be reflected in forecasted statements of financial performance and financial position.

Use the tables below to present this information.

Plant, equipment and other fixed assets at written down value (cost less decline in value or depreciation) at …………… [date]. A more detailed schedule, showing purchase date and cost price of major items, is attached as appendix A.

Schedule of plant, equipment and other fixed assets at ………… [date]

|  |  |
| --- | --- |
| Asset | Written down value $ |
|  |  |
|  |  |
|  |  |
|  |  |
| Total |  |

Schedule of assets to be purchased over the next three years

|  |  |  |  |
| --- | --- | --- | --- |
| Asset | Year 1  $ | Year 2  $ | Year 3  $ |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| Total |  |  |  |

## Inventory

Under this heading include information on the logistics of buying, controlling, costing, delivering and merchandising inventories.

List all the materials required to produce your products and services, where you plan to source the materials and how the finished product will be stored, tracked and delivered.

## Major suppliers

In keeping with the type of information provided under “professional support”, here is where you outline your key suppliers including details about:

* where they are located
* what they supply and in what quantities
* the cost and availability of materials
* their credit and delivery policies
* their history and reliability

You may also wish to list a back-up supplier for critical items and whether you expect to encounter shortages or fluctuating prices, and if so, how you plan to deal with this.

You may also wish to outline your buying policies in your business plan, or, as below, simply mention why your major suppliers were chosen.

You could also use the table below to present information on major service providers to your business.

Major suppliers, are listed below.

|  |  |  |  |
| --- | --- | --- | --- |
| Product | Supplier | Contact details | Terms of trade |
| Product type 1 |  |  |  |
| Product type 2 |  |  |  |
| Product type 3 |  |  |  |
| Product type 4 |  |  |  |

## Number of days stock to be held

If applicable for your business, use the table below to calculate and present the forecasted number of days that stock is to be held over the next three years.

The forecasted number of days that stock is to be held for the next three years is shown below:

|  |  |  |  |
| --- | --- | --- | --- |
| Item | Forecast Year 1  $ | Forecast Year 2  $ | Forecast Year 3  $ |
| Closing stock |  |  |  |
| Cost of goods sold |  |  |  |
| Number of days stock on hand at year end:  average stock on hand x 365 days  cost of goods sold | days | days | days |
| Industry benchmark for number of days stock on hand – from FMRC Business Benchmarking | days | days | days |

## Stock-turn rate

The stock-turn rate measures how quickly stock is sold and replaced in an operating period. Using the table below, calculate and present the forecasted stock-turn rate for the next three years.

The forecasted stock turnover figures for the next three years are shown below:

|  |  |  |  |
| --- | --- | --- | --- |
| Item | Forecast Year 1  $ | Forecast Year 2  $ | Forecast Year 3  $ |
| Cost of goods sold |  |  |  |
| Average stock value for the period [opening stock + closing stock divided by 2] |  |  |  |
| Stock-turn rate:  cost of goods sold  average stock value | [number] | [number] | [number] |
| Industry benchmark for stock-turn | [number] | [number] | [number] |

## Reorder points

Under this heading, describe how often and when inventories are ordered. Mention how reorder points have been established.

## Shrinkage

Describe here the systems you have in place to identify, quantify and minimise shrinkage – the loss of inventory as a result of theft, damage, loss and accounting errors. Issues to consider include strong internal controls, policies and systems, employee awareness, training and compliance programs and appropriately placed signs and mirrors.

## Pricing of products/fee structure

Describe here the price structure of the products or services that you sell. If you sell a number of lines, the information could be presented in a table as shown below.

Mark-up, gross profit, gross profit margin and gross profit margin contribution of each category of our products is as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Product | Forecast sales  $ | Forecast cost price  $ | Mark-up  % | Gross profit  $ | Gross profit margin  % | Gross profit contribution of product  % |
| Group 1 |  |  |  |  |  |  |
| Group 2 |  |  |  |  |  |  |
| Group 3 |  |  |  |  |  |  |
| Group 4 |  |  |  |  |  |  |
| Total | $ | $ | % | $ | % | 100% |

## Merchandising

If you are retailing (from retail premises, via a website, party plan or some other method), or wholesaling from a showroom, include some information on how you merchandise your products.

Provide information on window, in-house and website displays. Do you organise innovative, fresh, unusual promotions linked to season, events and colour schemes? How do you differentiate your business, your website, your premises and your products?

## Fee Structure

If you provide services, rather than sell products, provide your price structure. Depending on what type of business you operate, this could be a schedule of your hourly rate or your rate for special services, one-off jobs and ongoing clients. Include an explanation of how you determined your fees and charges.

If operating a one person service business you may wish to use the following table to present this information.

|  |  |  |
| --- | --- | --- |
| Item |  | $; weeks; hours |
| Annual profit required |  | $ |
| Add annual running costs |  | $ |
| Total revenue required (a) |  | $ |
|  |  |  |
| Weeks worked per year |  | weeks |
| Hours worked per week |  | hours |
| Total hours worked (100%) |  | hours |
| Chargeable hours available ( %) (b) |  | hours |
| Hourly charge out rate (revenue required divided by chargeable hours) (a/b) |  | $ |

## Personnel [human resources] strategy

If you plan to employ staff, now or in the future, you need to specify the type of employment arrangement you’re going to use, the number of staff you intend to employ, the positions they’ll hold and the duties they’ll perform.

Include the positions filled by owners and family, even if they are not paid a commercial wage or salary for their contribution.

The laws that govern employment conditions differ according to the type of arrangement – i.e. full-time, part-time, casual or contract – and whether your employees come under the provincial or federal legislation.

The fines and penalties for mistakes in relation to employee benefits such as source deductions, workers’ compensation, holiday pay and sick leave can be costly, so it’s important to consult the relevant experts to ensure you get it right from the beginning. Provide the name of any contract or industrial agreement covering your employees and once you’ve checked that you’re complying with all the legal requirements of an employer, including having in place workers’ compensation insurance, making superannuation contributions and providing a safe work place, you will be able to make a statement to this effect in the business plan.

Other issues to consider include office space and furniture requirements, company vehicles, communication networks (computers and cell phones), employer matching of payroll deduction amounts and the extra administration costs in relation to managing all of this.

Given the importance of a good team in achieving business success, it’s worth taking some time to formulate policies in relation to recruitment and retention, performance management, remuneration structures and any opportunities for career advancement and training. This section of your plan can prove to be a valuable tool in both attracting and retaining good staff.

Depending on the size of your business, you may also with to outline its organizational structure which should clearly demonstrate who reports to whom and the different levels of accountability and responsibility within the business.

There are alternatives to employing staff such as outsourcing, engaging sub-contractors or using the services of a labour hire firm [often referred to as a temp agency].

In addition, complete the following summary of positions in the business in table format.

Summary of positions

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Position Title | \*\*Contract | Status | Rate of pay  $ | Benefit-costs\*  $ | Total costs  $ | Job descript in place? |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Total |  |  | $ | $ | $ |  |

\*\* Detail the contract for organized labour agreements.

\* Benefit-costs: pension, medical, dental, employment insurance; workers compensation insurance, holiday pay, other benefits.

## Strategic alliances

If you have arrangements with other businesses to contract out work or joint venture on major contracts, provide information on these arrangements in this section.

## Environmental strategy

Document here what you do or plan to do to minimise the impact of your business on the environment, be it due to legislation, regulations, necessity or choice. Remember that many environmentally friendly strategies can save you money and win the approval of clients and customers.

# Financial strategy

Although it’s usually the last part of your business plan, the financial strategy is often the most important section in determining the viability of your business proposition and whether you’ll be able to secure any funding or investment.

This section of your business plan details the financial strategy you have in place to achieve your business objectives and includes information in relation to:

* the financial resources required to set up and open the business [if starting a new business];
* the financial resources required to operate the business; and
* forecasts on the business’s performance based on anticipated turnover and running costs at this level of activity.

As a general guide, this section should cover the following:

* financial objectives
* capital structure
* cash flow forecasts
* statement of financial performance [profit and loss] forecasts
* statement of financial position [balance sheet] forecasts
* breakeven analysis.

## Financial objectives

Here is where you list the business’s financial objectives which may include a range of targets in relation to profit, debt reduction, investment and growth, and the timeframe in which you expect to achieve them. Your objectives should include a mix of short-term, medium term and long-term goals.

Set **SMART** objectives – **S**pecific, **M**easurable, **A**ctionable, **R**ealistic and **T**imed].

Financial objective 1

Financial objective 2

Financial objective 3

## Capital structure: debt equity ratio and working capital

In this section provide brief, general information on the capital and borrowings of the business, and show the calculation of its debt equity ratio and working capital.

### Debt equity ratio

The debt equity ratio = total liabilities   
 owners’ equity

### Working capital

Working Capital = Current assets – current liabilities

Ensure that the cash flow forecasts demonstrate that sales income will cover bank loan repayments and all other commitments.

## Sales, purchases, debtor collections and payments forecasts

Include a summary of these forecasts in the main body of the business plan, using the table below, and include the complete forecasts for three years in the appendix to the business plan.

Sales, purchases, debtor collections and payments to creditors forecasts

Detailed forecasts are provided in the appendix to this business plan. A summary of key figures is provided below.

|  |  |  |  |
| --- | --- | --- | --- |
| Item | Year 1  $ | Year 2  $ | Year 3  $ |
| Sales |  |  |  |
| Increase over previous year’s sales – estimated at |  |  |  |
| Purchases |  |  |  |
| Purchases as percentage of sales | % | % | % |
| Payments to trade creditors |  |  |  |
| Debtor collections |  |  |  |

## Cash flow forecasts

A cash flow forecastshows how and when cash will flow in and out of your business. It helps you plan expenditure and when you’re likely to require an injection of funds to cover monthly bills and payments or the cost of capital and raw materials. You may need to apply for a line of credit [overdraft] or a short-term loan to cover these expenses if your cash flow projection demonstrates a potential short-fall in your bank balance.

Include a summary of your cash flow forecasts in the main body of the business plan, using the table below, and include the complete forecast for three years in the appendix.

Cash flow forecasts for three years are provided in the financial statements in the appendix to this business plan. A summary of key figures is provided below.

| Item | Year 1  $ | Year 2  $ | Year 3  $ |
| --- | --- | --- | --- |
| Inflows of funds |  |  |  |
| Sales |  |  |  |
| GST charged |  |  |  |
| Outflows of funds |  |  |  |
| Expenses |  |  |  |
| GST on expenses |  |  |  |
| GST remittances to CRA |  |  |  |
| Loan repayments |  |  |  |
| Proprietors’ drawings |  |  |  |
| Bank balance at year end |  |  |  |

## Income statement and balance sheet forecasts

An Income Statement [sometimes referred to as a profit/loss statement] – provides a snapshot of your business’s income, expenses and profit for a specific period in time, such as a financial quarter, six months or a financial year. The Income Statement demonstrates the profitability of your business by showing the income minus expenses, which equals your profit or loss i.e.: income – expenses = profit/loss.

The Balance Sheetdemonstrates your business's net worth at a particular point in time – often at the end of an accounting period. It comprises three categories:

Assets – are objects the business owns that have monetary value

Liabilities – are debts to creditors

Equity – is what remains when total liabilities are subtracted from the total assets

Include a summary of your income statement and balance sheet forecasts in the main body of the business plan, using the tables below, and include the complete forecasts for three years in the appendix.

A forecast income statement for the three years is included in the financial statements in the appendix to this business plan. A summary of key figures is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Item | Year 1  $ | Year 2  $ | Year 3  $ |
| Sales |  |  |  |
| Gross profit |  |  |  |
| Gross profit margin | % | % | % |
| Expenses |  |  |  |
| Net profit |  |  |  |

## Balance sheet

Forecast statements of financial position for the three years are provided in the financial statements provided in the appendix to this business plan. A summary of key figures is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Item | Year 1  $ | Year 2  $ | Year 3  $ |
| Current assets |  |  |  |
| Non-current assets |  |  |  |
| Current liabilities |  |  |  |
| Working capital [current assets – current liabilities] |  |  |  |
| Total liabilities |  |  |  |
| Net assets [total assets – total liabilities] |  |  |  |

## Breakeven analysis

Your breakeven point is that point at which income from sales covers all costs, including overheads. At this point the business will make neither a profit nor loss. Sales volume below this point will result in a loss, while sales above this point will render a profit.

Using the table below, provide comments and an analysis of your current breakeven point and how this may change over the next three years, with changes in gross profit and expenses. Provide the sales figure in excess of the breakeven figure for the current year plus the three forecast years.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Item | Current year  $ | Forecast Year 1  $ | Forecast Year 2  $ | Forecast Year 3  $ |
| Gross profit margin | % | % | % | % |
| Total fixed costs |  |  |  |  |
| Breakeven sales |  |  |  |  |
| Sales |  |  |  |  |
| Sales exceed breakeven by |  |  |  |  |
| Sales exceed breakeven by [%] | % | % | % | % |

# Appendices

Include in the appendix an income statement and balance sheet for the current and previous year, if available and for the next three years, forecasted financial statements, in the following order:

* balance sheets
* income statements
* cash flow forecasts
* purchases and payments to creditors forecasts
* sales and debtor collections forecasts.

Communicate your business plan to the reader concisely and clearly; include in the appendix items that, while important, would be better covered in summary in the main body of the plan and detailed here. Start each appendix on a new page.

Section 5

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