BUSINESS **LAUNCHPOINT**

PLANNING FOR YOUR SUCCESSFUL BUSINESS

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A Planning Tool For Your Successful Business

One of the primary reasons many small businesses fail is lack of planning. While this is not the only reason, it is one of the easiest pitfalls to avoid. Simply put, having a business plan can place you and your business on a clear path for success.

There are three main reasons for writing a business plan. First, the plan requires a thorough investigation of factors which may affect the business success. Second, a business plan improves the ability to identify opportunities and problem areas and define and develop strategies for business success. Third, a business plan enhances the ability to secure financing by providing an organized overview of the business for lenders and/or investors.

Business Launchpoint will help you gather information essential to completing business planning. Thoroughness, clarity and rationality of the plan are all factors which will play key roles in successful financing, starting and operating a business. Business Launchpoint is written to cover a variety of business types. Although not all parts of each section will be necessary for each individual's business plan, the information found on the following pages will help build a strong foundation for an existing business or help a concept grow.

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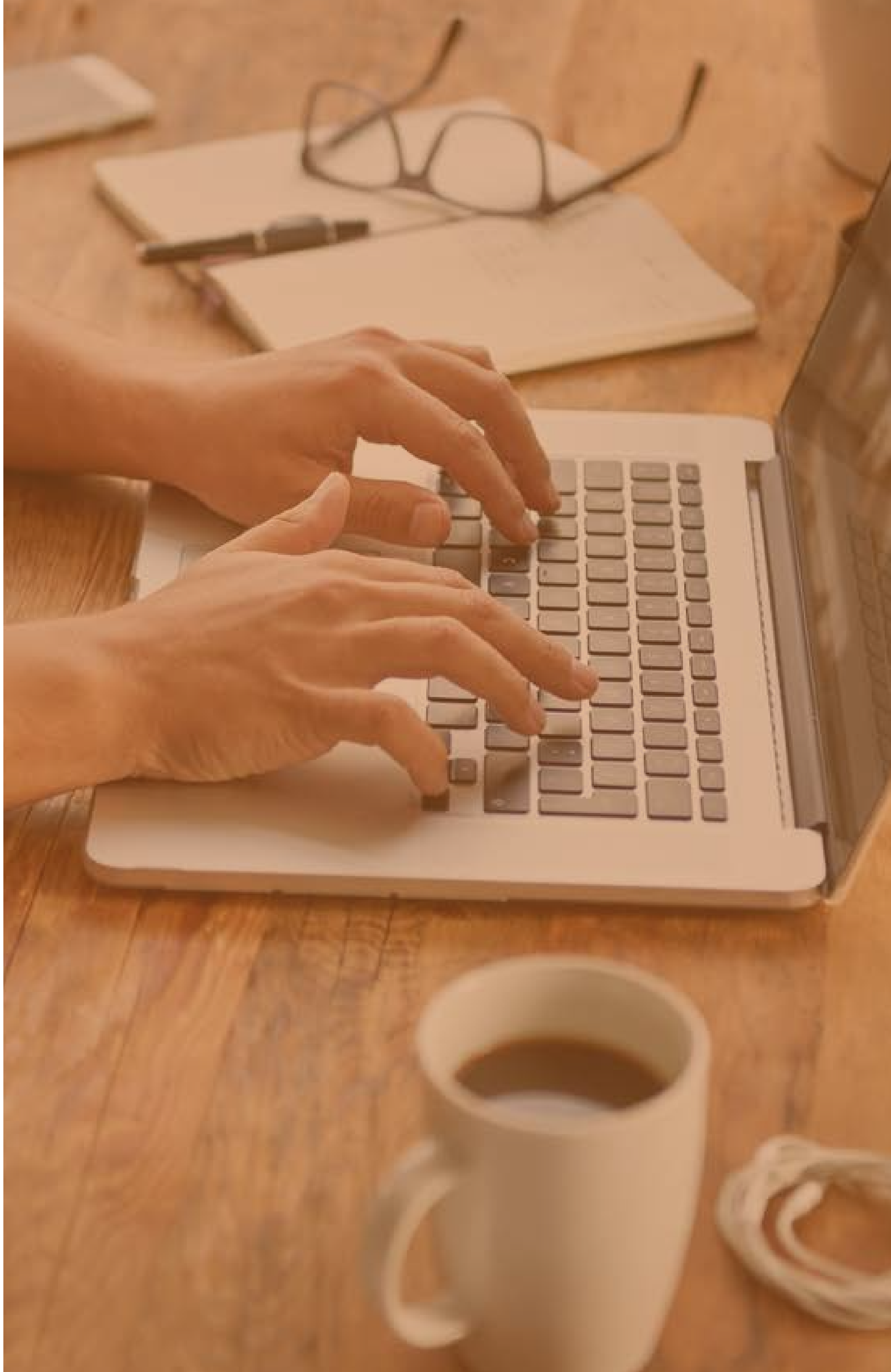
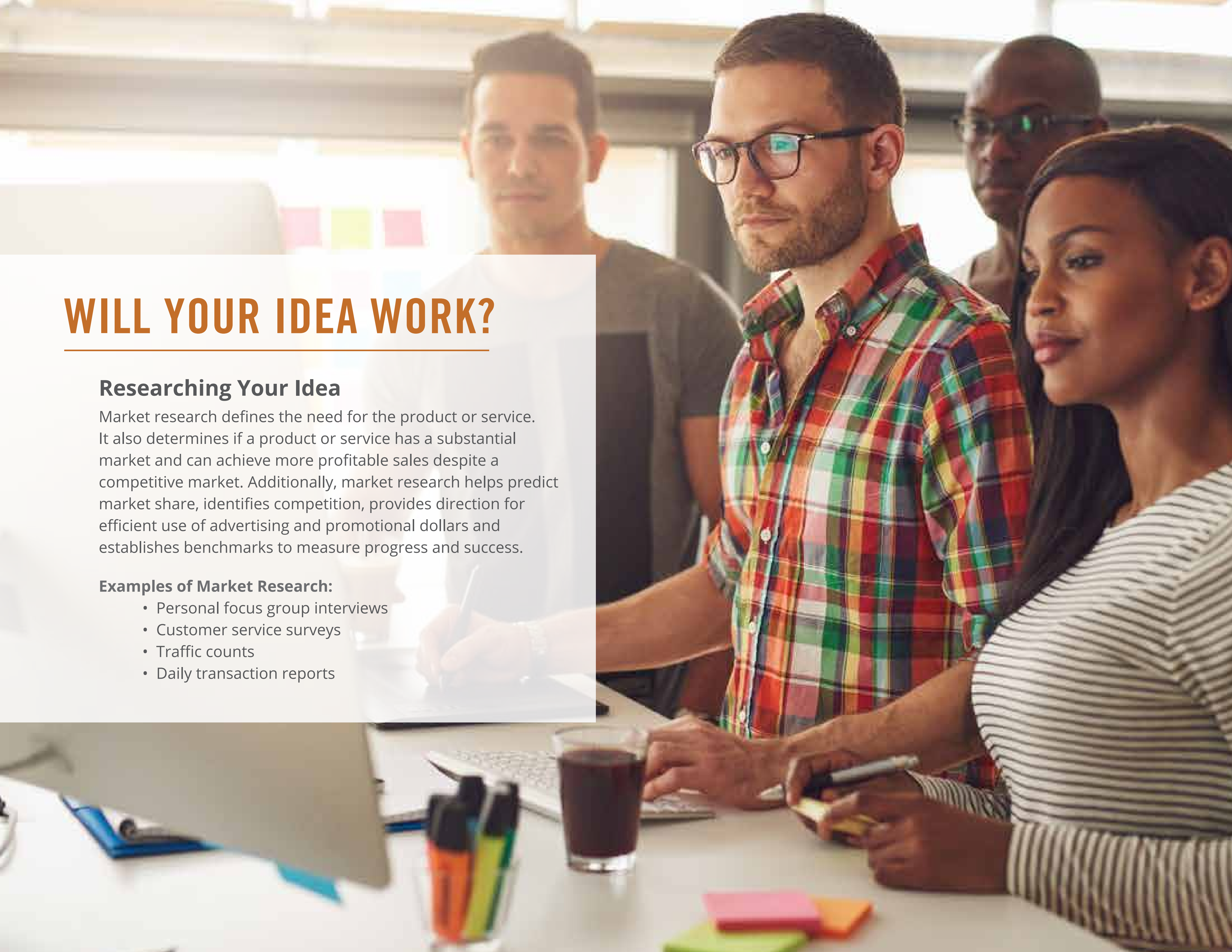




WILL YOUR IDEA WORK?

Researching Your Idea

Market research defines the need for the product or service. It also determines if a product or service has a substantial market and can achieve more profitable sales despite a competitive market. Additionally, market research helps predict market share, identifies competition, provides direction for efficient use of advertising and promotional dollars and establishes benchmarks to measure progress and success.

Examples of Market Research:

- Personal focus group interviews
- Customer service surveys
- Traffic counts
- Daily transaction reports

BUSINESS ANALYSIS

This section is to guide the process of analyzing a business as compared to the competition. The best way to do this is through a SWOT analysis.

S W O T

STRENGTHS

Strengths are positive internal factors a company might possess to help accomplish its overall mission, goals and objectives. Examples include a strong sales force, specialized skills or knowledge, etc.

WEAKNESSES

Weaknesses are negative internal factors which might interfere with the accomplishment of the overall mission, goals or objectives. Examples might include a weak sales force, lack of capital, poor management skills and lack of knowledge.

OPPORTUNITIES

Opportunities are positive external forces which can assist a company achieve its mission, goals and objectives. Examples include a niche in the market, trends in the market, etc.

THREATS

Threats are negative external forces which may interfere with a company's ability to achieve its mission, goals and objectives. Examples include an economic recession, rising interest rates, government regulations, etc.

4 PUTTING A PLAN TOGETHER

There are three main reasons for preparing a written business plan:

Requires the entrepreneur to thoroughly investigate the factors which will have a bearing on the success of the business.

Provides insight into the entrepreneur's ability to define and develop stratgeies for critical areas of the business.

Helps the entrepreneur secure financing, by providing an organized overview of the venture for lenders and investors.

What Will You Need For Your Business Plan?

Executive Summary

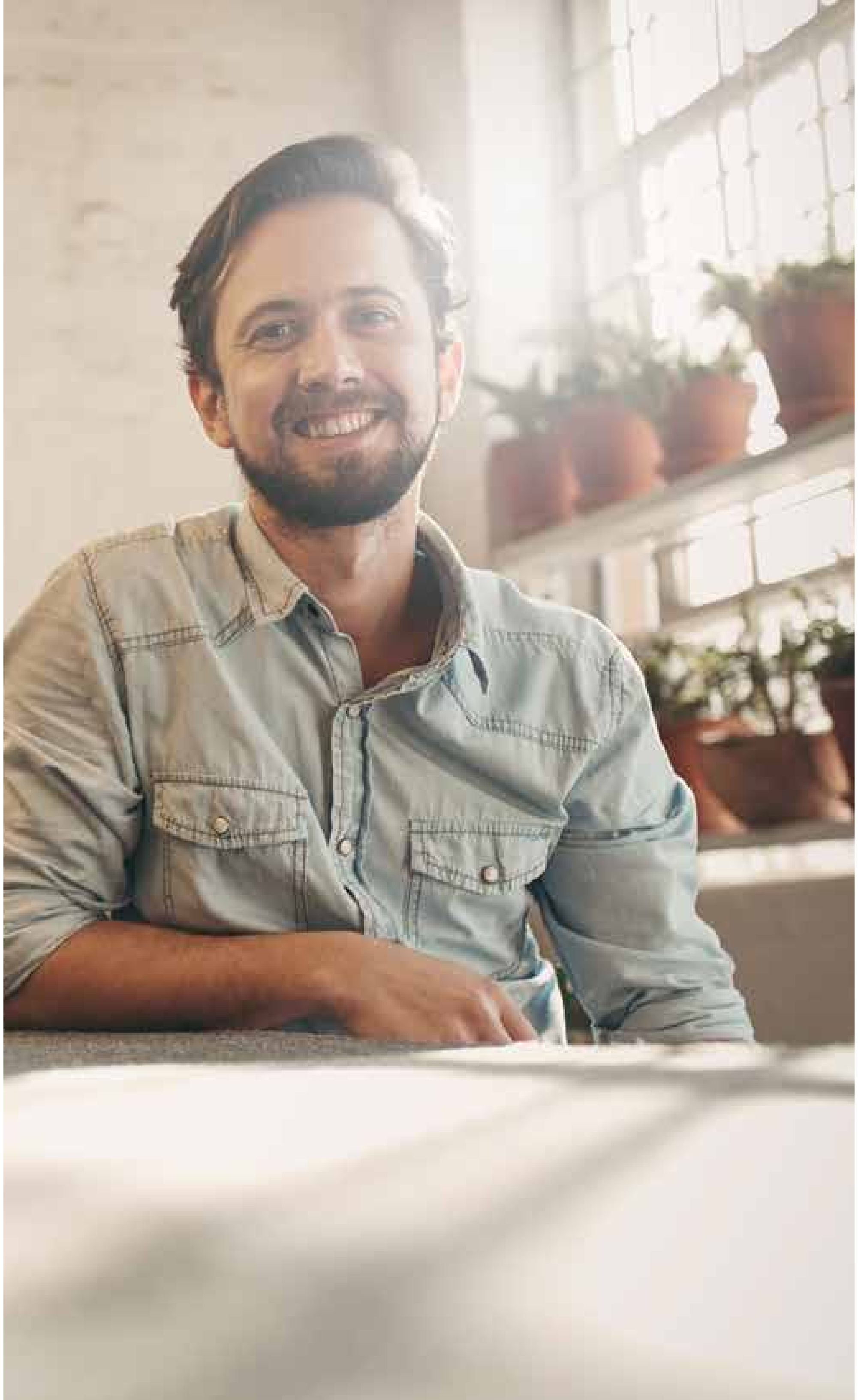
This is the first section of the business plan document but should be written last. It is a summary of all the working parts of the business plan and, in two pages or less, explains the important points of the business.

The executive summary is written for the entrepreneur's own use. Although outside funding is unlikely for a new business, the executive summary is important to potential lenders, investors or other interested parties.

The executive summary must capture the reader's attention quickly; otherwise, the remainder of the business plan may not be read.

Items to include are:

- Company name, address and phone number
- Brief description of the business
- Brief description of target market
- Brief description of strategy to make the business a success
- Brief description of owners and key people, including names, contact information and experience
- Brief analysis of financial needs of the business, including planned use of borrowed/invested funds



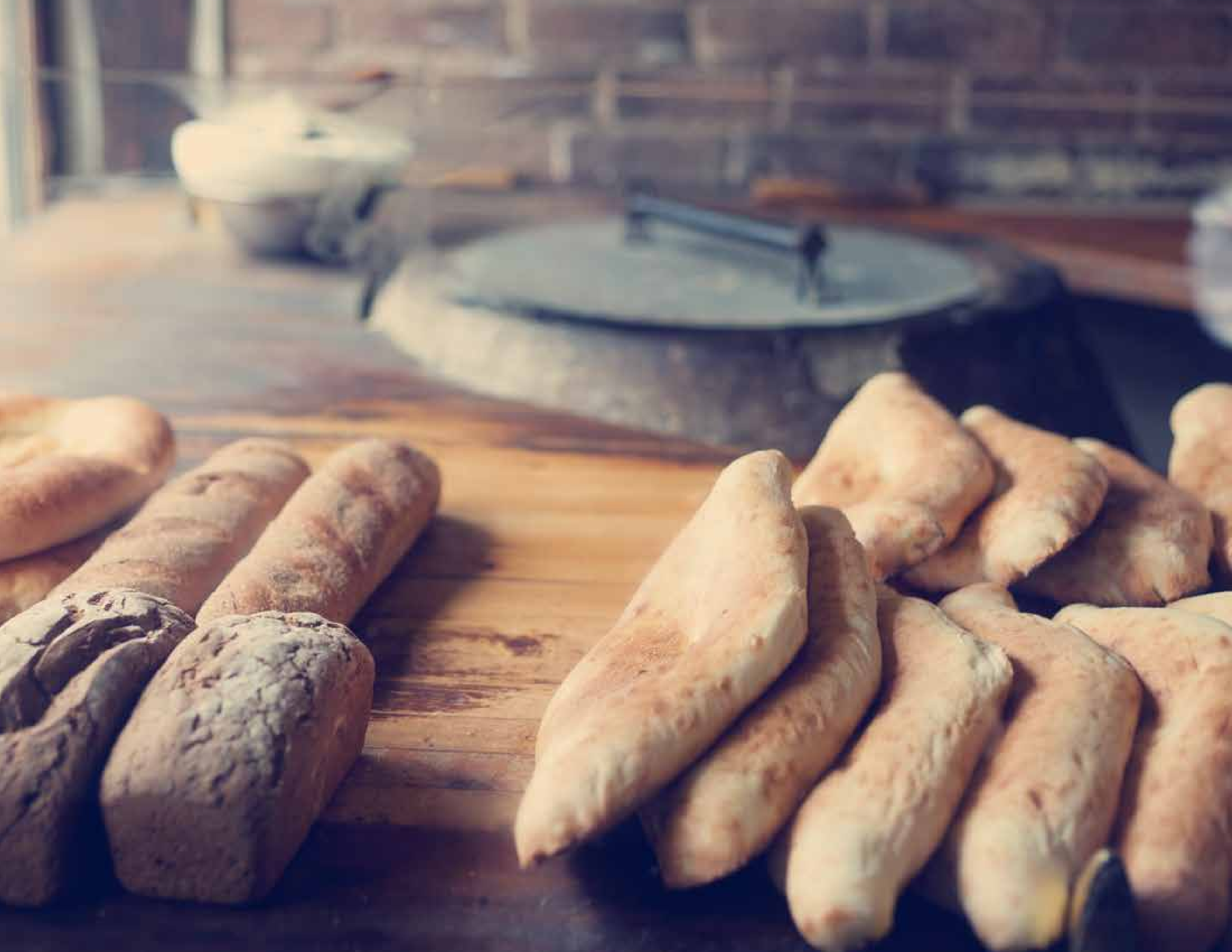
Marketing Positioning and Image

This section includes items to consider to gain a competitive edge in the marketplace.

1. What will make the business unique to potential customers?
2. Describe the image your company plans to project.
3. How will your business compete effectively to capture a place in the market?
4. How will price, quality and customer service affect your position?
5. Will the businesses products or services be low-cost, high-end or somewhere in the middle?
6. How will new markets or products be developed?

- **Vision:** What success looks like at some point in the future.
- **Mission:** What the business does and the target audience.
- **Goals:** What the business must do to be successful and improve: For most businesses, focus on no more than three-to-five goals tied directly to the business vision and mission. As one goal is completed, move on to others.
- **Objectives:** How goals are achieved.
- **Actions:** Identify the steps, processes, milestones and person responsible for every objective.

- Goals and objectives should be SMART:
  - **S**pecific
  - **M**easurable
  - **A**ction-oriented
  - **R**ealistic
  - **T**ime-bound



The Process

Launching a new business is an enormous process involving many smaller details, including the location of the business, facilities, space requirements, equipment, labor force and production. This section helps the entrepreneur plan a foundational strategy to launch their business or product.

Location

1. Describe the planned location of the business.
2. Discuss the advantages and disadvantages of the site in terms of:
   - Wage rates
   - Labor availability
   - Proximity to customers and suppliers
   - Access to wholesalers, distributors and transportation
   - State and local taxes and laws
   - Utilities
   - Zoning

Facilities and Improvements

1. Describe the facilities currently used, if it's an existing business.
2. If the business is new, describe how and when the facilities will be acquired to start the business.
3. Discuss how and when space and equipment will be expanded to the capacity required for future sales projections.
4. Discuss any plans to add to or improve existing space.
5. Explain future equipment needs and indicate the cost and timing of such acquisitions.

The Products or Services

1. Description:
   - What products or services are to be sold?
     - Include features and benefits.
   - How will customers use the product or service?
     - Will the product or service provide a benefit or fulfill a need?
   - Emphasize any unique features of the product or service.
     - Highlight differences between what is currently on the market and what the new enterprise will offer.
   - Define the current state of the product or service development.
     - Include a photograph, if applicable.
   - For manufacturers:
     - Describe the production process.
     - What raw materials are required?
     - How much time is required to manufacture the product?
     - What will be the plant layout?
     - How will the overall manufacturing process flow from raw materials to finished product?
   - Proprietary Position:
     - Describe patents, trade secrets or other proprietary features.
     - Discuss any advantages to achieve a favorable position in your industry.
2. Production Process
   - Describe the process involved in the production of the product or service.
   - Show the cost/volume information at various sales levels with a breakdown of material, labor, purchased components and overhead.
   - Manufacturers should briefly describe the approach to quality control, production control and inventory control.

Management

The management team is the key to turning a good idea into a successful business.

1. What management skills are needed to operate the business?
   - Does the management team have the necessary management skills?
2. List the management team.
   - Key management personnel and their primary duties
   - Board of directors or advisors, if applicable
3. Describe the management team.
   - What is the commitment of the management team?
   - What are the skills of the management team?
     - Technical, managerial, or business

Organization

In a descriptive table and relational chart, diagram the key roles in the business and the individual(s) who will fill each position.

- Management
- Operations

- Discuss any current or past situations where the management personnel have worked together.
  - Indicate how their skills complement each other to create an effective management team.

Key Personnel

Describe the exact duties and responsibilities of each key member of the management team.

1. For each individual, include a brief statement of career highlights, focusing on his or her ability to perform the assigned role.
2. Include a complete resume for each member as a supplement to the business plan.

Management Compensation and Ownership

Determine and list management salaries.

1. Set forth stock ownership plans for key personnel.
2. Determine whether to offer key personnel equity investment, performance-dependent stock options or bonus plans.

Board of Directors

Discuss the company's philosophy regarding the size and composition of a board of directors.

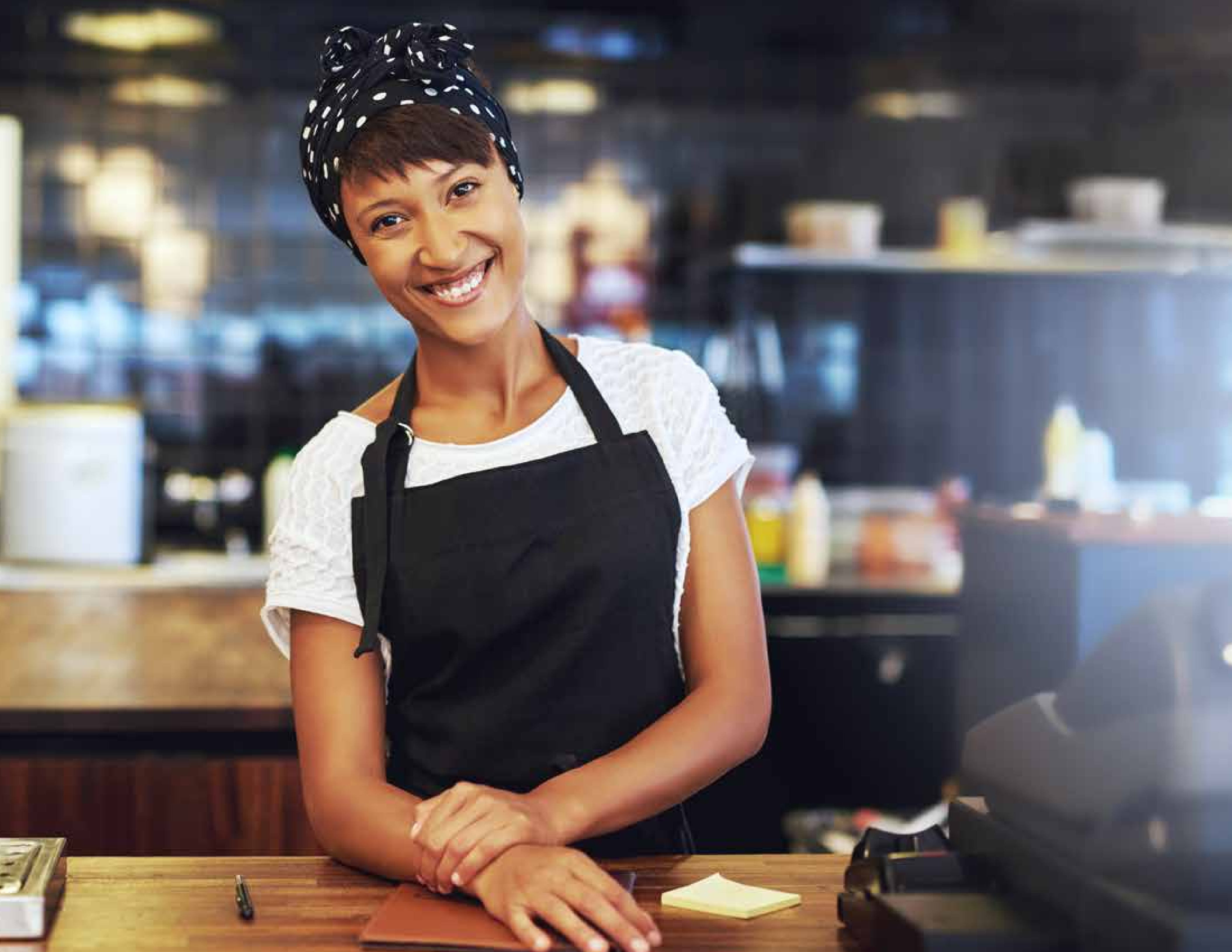
1. Identify proposed board members.
2. Include a short statement about each member's background.

The Industry

1. Briefly describe the background of the industry.
2. What is the current status and the outlook for the future of this industry?
3. Discuss new products and developments.
4. Discuss new markets and customers.
5. Discuss any other trends which could affect the industry.

The Company and Its Vision

1. What is your company's overall mission (mission statement)?
2. Discuss your general business goals and objectives.
   - Goals address the question "Why am I in business?"
   - Objectives are the specific targets for those goals.
3. Briefly describe what makes the business unique.
   - What factors distinguish the company from others in the same industry?
4. Discuss ownership and the business formation of the company.
   - Consult an attorney and accountant for the best business formation for the business .
   - You will want to consider the following:
     - Sole proprietorship, partnership, or corporation



10 REACHING CUSTOMERS

Marketing

The purpose of starting a business is for it to successfully grow. It will need to attract, and then retain, a large base of satisfied customers. When thinking about marketing the business, keep in mind there are two guiding principles which will help create value for the customer.

1. As a business, all efforts should be directed toward satisfying customer needs. Marketing efforts must be geared to how your business meets those needs (anticipating better than the competition).
2. There are at least two different ways to look at sales.
   - Have a maximum sales volume – going for every potential sale possible, regardless of the cost of obtaining the sale.
   - Have a profitable sales volume – looking for customers who are willing to purchase the product/service at a price which is more profitable.

   A profitable sales volume is more important than a maximum sales volume in long-term business growth.

In order to best use these principles, your small business must:

- Determine the needs of your customers through market research.
- Analyze your competitive advantages to develop a market strategy.
- Select specific markets to serve by target marketing.
- Determine how to satisfy customer needs by identifying a market mix.

How Does This Impact Your Business?

Market Mix

A good marketing program contains five key components. When considering each component, think differentiation.

1. **Products/Services:** Product strategies might include focusing on one narrow product line, developing a highly specialized product or service or providing a product/service package, containing unusually high-quality service.
2. **Price:** Pricing is one of the most important decisions made when starting a business. The price must be right to penetrate the market, maintain market position and produce profits. The right price is crucial. However, don't overlook how a small business can command higher prices because of personalized service. To determine price, calculate production costs and add a percentage for profit. Consider overhead, promotional and advertising expenses and delivery costs. Inherent price limitations in the marketplace, as well as variations of internal costs, weigh heavily in determining price. Remember, pricing must be in line with major competitors offering similar products and services. Most importantly, when determining price, will the product and price be on the high end, low end or somewhere in the middle?
3. **Place/Distribution:** A manufacturer or wholesaler must decide how to distribute their products. Working through established distributors or manufacturers' agents is often easier for small manufacturers. Retailers should understand advertising and rent can be reciprocal. A low-cost, low-traffic location means spending more on advertising to build traffic. In the plan, describe the methods used to make sales and distribute the product or service. Traditional channels include salespeople, agents, distributors, direct mail services and dealers. Modern online sales happen through content marketing which involve solving customer problems, providing value, creating connections and forming relationships to build an audience.

4. Packaging: Proper packaging defines your brand, attracts the customer, effectively communicates product attributes, identifies the brand and seller, lists ingredients and makes the product easier to handle. Poor packaging creates an impression of inferiority and lessens sales. Great package design decreases costs associated with storage, labor, shipping and pilferage.

5. Promotion: Though different, advertising and promotion work hand-in-hand to generate sales. The schedule and cost for each should be included in your business plan. Advertising concentrates on delivering a message through print and/or digital media, while promotion relies on direct customer involvement and response. In both areas, to narrow the target market, concentrating specifically on the group most likely to purchase the product or service.

Target Market

By concentrating efforts on one, or a few, key market segments, ways will be found to reach those customers most likely to purchase from the business. There are four primary ways to segment a market:

1. Geographic Segmentation - Serving the needs of customers in a particular area
2. Demographic Segmentation – Understanding customers' characteristics (age, education, income, gender, etc.)
3. Customer Segmentation - Identifying the people most likely to buy the product/service
4. Psychographic Segmentation – What makes customers buy a particular product?

Your Specific Market

1. How many customers does the market contain, and what are their potential annual purchases?
2. Describe the seasonal fluctuations and potential annual growth of the total market for the product or service.
3. Discuss factors affecting growth, including industry and economic trends, government policy and population shifts.
4. Summarize what makes the product or service saleable as it relates to current and potential competition.
5. Discuss which customers would be major purchasers in the future and why.

Competitive Advantage

Competitive advantage may best be described as what a business does better than its competition. This may be offering customers greater value, or it may be offering customers lower prices or higher quality. Competitive advantage is the reason behind brand loyalty – why customers prefer a particular product or service.

Creating a Marketing Strategy

Once you know a business's competitive advantage, identify specific customer groups the business can serve better than target competitors. The strategy should be to put all efforts into focusing on product offerings, prices, distribution, promotional efforts and services toward those specific customer groups (segments). Look for unmet customer needs the business can adequately fill profitably and service.

4 Ways to Market Your Business For Free

1

Create Local Awareness

Gaining coverage in local papers, trade magazines and websites can greatly increase name recognition and educate people about your business and drive new customer acquisition. Research publications and writers who cover your industry and then craft a "pitch" around your business to pique their interest.

2

Increase Lead Generation And Engagement Wth E-mail Marketing

According to a survey by Ascend2, e-mail is the most effective digital marketing platform delivering the best return on investment and the least difficult to execute. Do-it-yourself free services, such as MailChimp, allow small-business owners to send marketing e-mails, automated messages and targeted campaigns to customers.

3

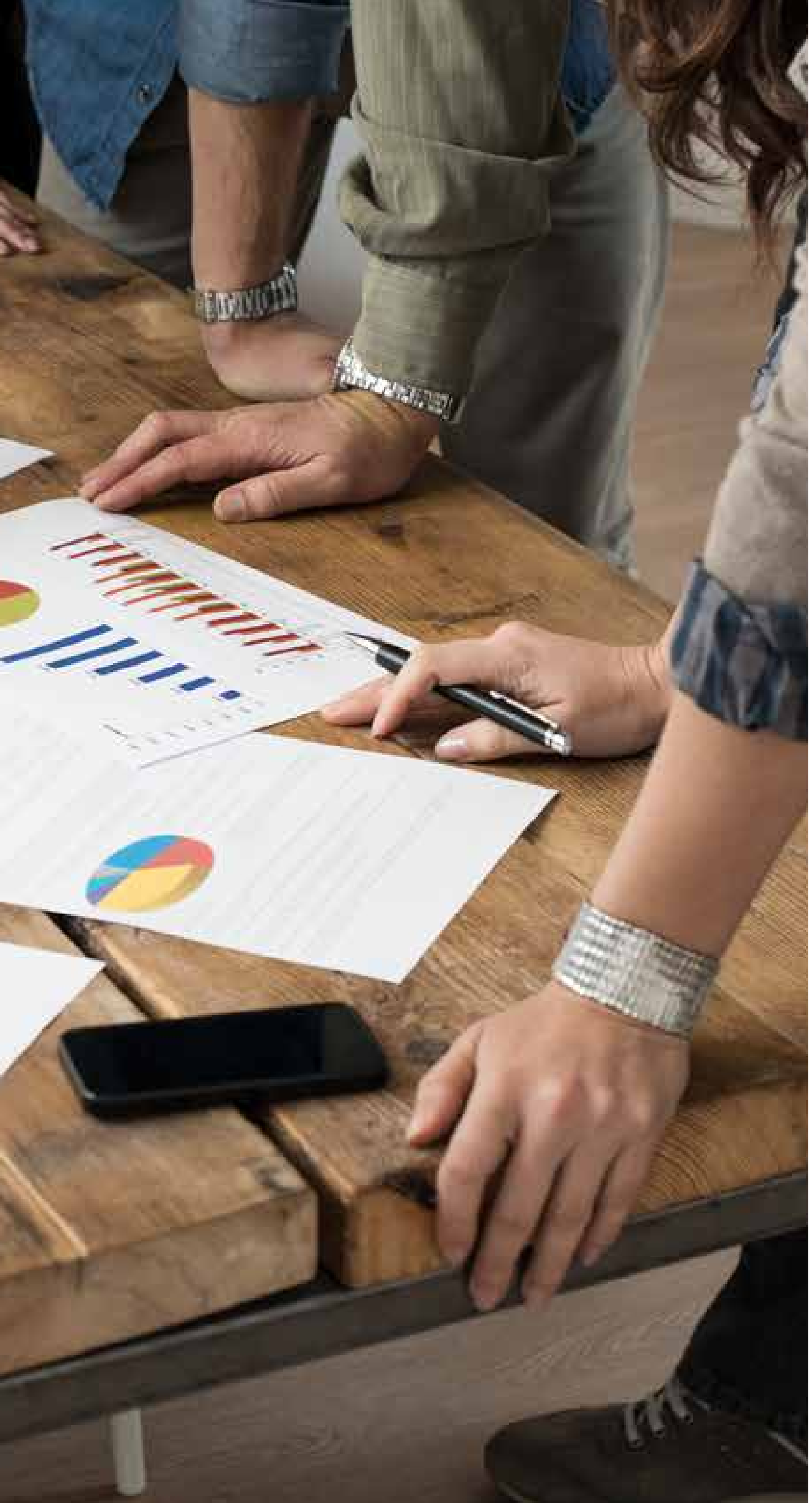
Leverage Social Media

Social media offers a massive network of potential customers through sites such as Facebook, Twitter, LinkedIn, Instagram, Pinterest and others. The goal is to provide followers with something useful, interesting and shareable. Start small, post a few times a week, and learn your audience. Once you have an understanding of who is consuming your content - and what they are interested in - you can start ramping up your efforts.

4

Stand On The Shoulders of Your Customers

Satisfied clients can be a business's best marketing tool. Actively engage pre-existing clients through public relations, social media and e-mail. For example, pitching your business and a satisfied customer to a writer can be mutually beneficial for both parties. Once you have customers as spokespeople, let them share positive experiences and tell the company's story for you.



UNDERSTANDING FINANCES

Developing financial pro-formas or projections are a vital aspect of the business plan. Remember to take the time to thoroughly research projections, so they will be as realistic as possible. Be liberal with expenses and conservative with revenues.

Too often, people try to determine start-up costs without considering costs of operation after the business has opened. In order to finance the business properly, determine whether additional cash is needed at the outset to support periods of operating losses, often occurring during the early months of operation. With this in mind, start the pro-forma with the cash flow statement.

A cash flow statement is nothing more than a presentation of the monthly cash receipts and cash disbursements you expect to incur while operating the business. Address this on a monthly basis, as many businesses pay for goods and expenses in one month but do not collect the money until the following month or longer. Numerous businesses fall into this cash-flow trap. Also, many are fixed expenses. Fixed expenses are those expenses which stay the same regardless of the sales level. Fixed expenses can include rent, insurance, salaries, contract obligations or other costs.

The Cash Flow Worksheet

While some businesses may generate "unearned" revenues such as rents, interests or similar incomes, the primary concern of most small businesses is sales.

1. Sales revenue is income a business receives by selling goods and services to others. The business may sell more than one type of goods and services, so keep sales figures separated by product or service. Notice on the worksheet (Table 1, Page 15) how sales are typically lower during the early months of operation. It will take time to develop a customer base, so it is necessary to borrow enough at the outset to carry the business through this building period. The first step is to post your projected monthly revenues to your cash flow statement.

2. Cash Receipts reflect when cash is received for the goods sold. Some sales may be for cash, meaning you received those funds at the time of sale. However, some sales may be on credit, and mail invoices for sales may be required. If this is true, a business must "carry" the outstanding cash as accounts receivable. Some of this cash may be received in 30 days, 60 days or longer. Some of the accounts receivable may never be collected. Consider all of these variables when preparing the cash receipts section of your cash flow statement. The actual receipt of the cash determines whether there are funds to pay bills.

3. Disbursements are the payments a business will have to make each month for expenses. Be careful and realistic while considering these disbursements. The cash flow example on the following page identifies some of the more common expense categories, but each business will experience its own specific expenses. In our example, "material purchases" is to be paid to suppliers to replace the goods that were sold. The amount is based upon "sales" and the cost of those sales. Research should have identified a "cost of goods sold" percentage. If the percentage was 50 percent, for example, the cost of goods sold will be exactly one-half of gross sales. If the cost was 25 percent, the cost of goods sold will be one-fourth of gross sales.

Remember an increase in sales may bring about an increase in certain disbursements. Sales increases may mean a need to hire additional labor, thus creating higher wages and benefits. Additional sales may also mean higher utility costs, higher material costs and increases in other variable costs.

4. Net cash flow reflects the difference between receipts and disbursements - positive or negative - for the current month. The cumulative cash flow, or current position, is determined by adding the present month's cash flow to the previous month.

An example of a cash flow statement is shown on the next page. Note the numbers in the narrative match the numbers on the worksheet. For example, "Disbursements" - No. 3 in the text - is also No. 3 on the worksheet. (See Table 1).

TABLE 1: CASHFLOW WORKSHEET EXAMPLE

	MONTH	1	2	3	4	5	6	7	8	9	10	11	12
	SALES												
	Sales 1	$ 10,000	$ 11,000	$ 11,500	$12,000	$12,500	$ 13,000	$ 15,000	$ 17,500	$19,000	$21,500	$23,000	$25,000
1	Sales 2	5,000	5,500	5,775	6,000	6,200	6,500	7,500	8,500	9,500	10,500	11,500	12,500
	Sales 3												
	Less Returns												
	TOTAL SALES	$ 15,000	$16,500	$17,275	$18,000	$18,700	$19,500	$ 22,500	$26,000	$28,500	$31,500	$34,500	$37,500
	CASH RECEIPTS												
	0-30 Days	$ 11,250	$12,375	$12,956	$13,500	$14,025	$14,625	$ 16,875	$19,500	$21,375	$23,625	$25,875	$28,125
	30-60 Days	0	3,750	4,125	4,319	4,500	4,675	4,875	5,625	6,500	7,125	7,875	8,625
2	Over 60 Days												0
	Equity Proceeds	100,000	0	0	0	0	0	0	0	0	0	0	0
	Loan Proceeds	300,000	0	0	0	0	0	0	0	0	0	0	
	TOTAL RECEIPTS	$411,250	$16,125	$17,081	$17,819	$18,525	$19,300	$21,750	$25,125	$27,875	$30,750	$33,750	$36,750
	DISBURSEMENTS												
	Material Purchases	$ 6,250	$ 6,875	$ 7,194	$ 7,500	$ 7,800	$ 8,125	$ 9,375	$10,875	$11,875	$13,125	$14,375	$15,625
	Labor	3,500	3,500	3,500	3,500	3,500	3,500	4,700	4,700	4,700	4,700	4,700	4,700
	Management	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
	Payroll Tax	636	636	636	636	636	636	780	780	780	780	780	780
	Benefits	250	250	250	250	250	250	250	250	250	250	250	250
	Advertising	500	500	500	500	500	500	750	750	750	750	750	750
	Truck/Auto Expense						25	25	25	25	25	25	25
	Contributions												
	Charge Card												
	Dues & Subscriptions	25	25	25	25	25							
	Freight	126	126	126	126	126	126	200	200	200	200	200	200
	Insurance	275	275	275	275	275	275	275	275	275	275	275	275
	Legal & Accounting	100	100	100	100	100	100	100	100	100	100	100	100
	Office Supplies	35	35	35	35	35	35	50	50	50	50	50	50
3	Shop Supplies	45	45	45	45	45	45	65	65	65	65	65	65
	Travel												
	Phone	150	150	150	150	150	150	200	200	200	200	200	200
	Utilities	450	450	450	450	450	450	525	525	525	525	525	525
	Repairs												
	Tax/License	55	0	0	0	0	0	0	0	0	0	0	0
	Rent/Lease												
	Miscellaneous	150	150	150	150	150	150	200	200	200	200	200	200
	Principal Payment	671	678	684	691	698	704	711	718	725	732	739	746
	Interest Payment	2,792	2,785	2,779	2,772	2,765	2,759	2,752	2,745	2,738	2,731	2,724	2,717
	Land and Building	325,000	0	0	0	0	0	0	0	0	0	0	0
	Machinery and Equipment	35,000	0	0	0	0	0	0	0	0	0	0	0
	Furniture and Fixtures	10,000	0	0	0	0	0	0	0	0	0	0	0
	Additional Inventory	10,000	0	0	0	0	0	0	0	0	0	0	0
	Utility Deposits	2,500	0	0	0	0	0	0	0	0	0	0	0
	Other Assets	1,500	0	0	0	0	0	0	0	0	0	0	0
	Income Taxes	0	0	0	0	0	0	0	0	750	0	0	1,000
	TOTAL	$401,810	$18,380	$18,699	$19,005	$19,305	$19,630	$22,758	$24,258	$26,008	$26,508	$27,758	$30,008
4	**NET CASH FLOW**	$ 9,440	($ 2,255)	($ 1,618)	($ 1,186)	($780)	($ 330)	($ 1,008)	$867	$ 1,867	$ 4,242	$ 5,992	$ 6,742
	CUMULATIVE CASH FLOW	$ 9,440	$ 7,185	$ 5,567	$ 4,381	$3,601	$ 3,271	$ 2,263	$ 3,130	$ 4,997	$ 9,239	$15,231	$21,973

Sources and Uses of Funds

Having completed the cash flow worksheet, the entrepreneur now has some idea of what sales and operating expenses might be. This will help determine how much financing is needed.

5. Sources of Funds

After identifying financing needs, address where the source of funding will be generated. Either the investor or investors must provide the necessary capital, or the business must make arrangements to borrow the funds. In most cases, both sources of funds will be used. The example (Table 2) shows the entrepreneur has injected $100,000 of private funds. That is 25 percent of the entire project cost, which is approximately what a bank requires. The remaining 75 percent, or $300,000, was arranged through two separate loans: one long-term loan for the land and building and a second, shorter-term loan for the equipment, machinery and fixtures.

6. Use of Funds

Make a list of what is needed to purchase to begin operations and determine the cost of each item. The Sources and Uses of Funds Statement shown in Table 2 gives some of the more common required before commencing operations. Bids need to be secured for any construction, while pricing lists should be provided for equipment, machinery and inventory. Be sure to ask the local utility company if any deposits are required. Also, refer to the cash flow statement to see if the business must prepare for a period of cash shortage.

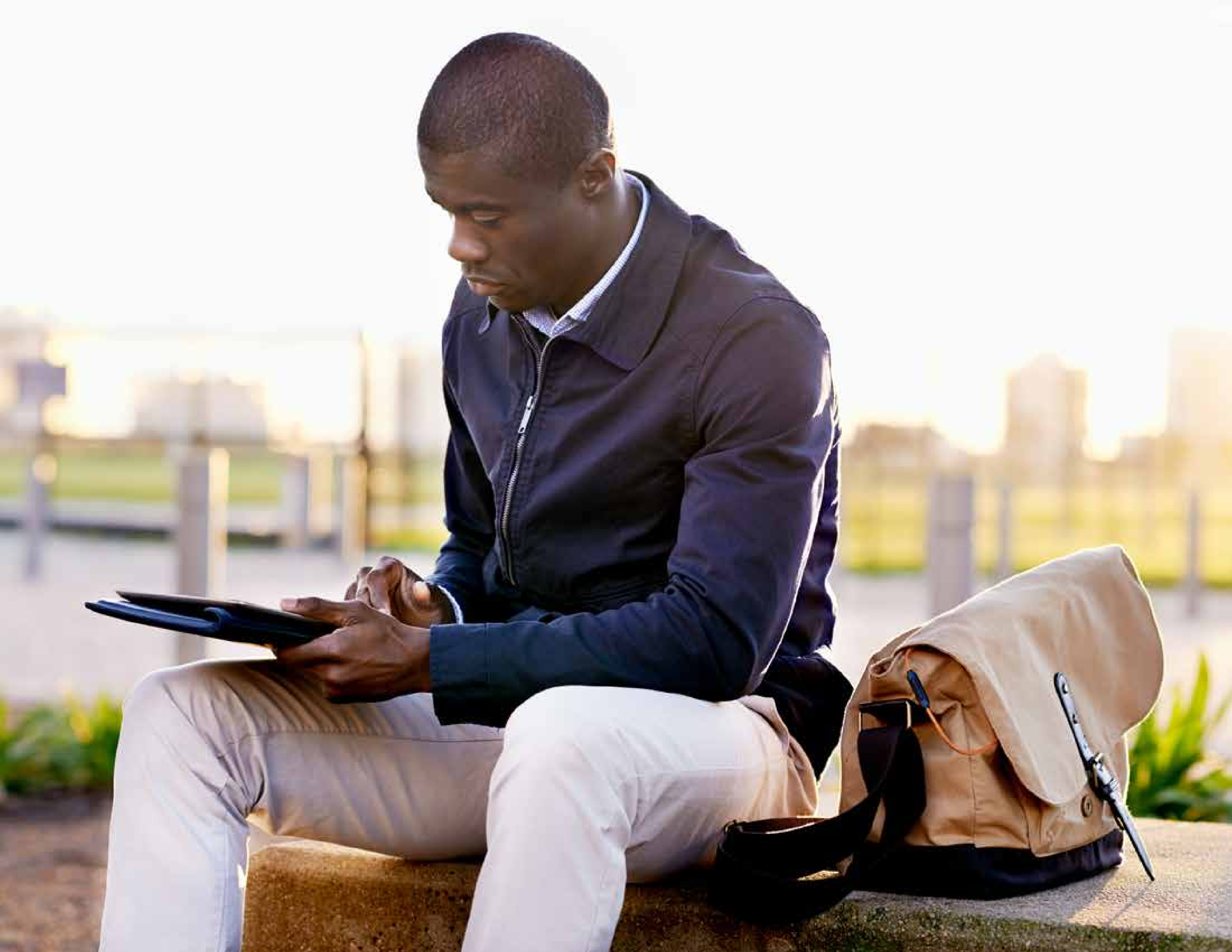
7. Cash Balance (Working Capital)

The funds remaining after the initial purchases (Uses of Funds) represent working capital. As shown by the cash flow statement, this additional capital is necessary as a cushion to absorb the negative operating cash flow in months 2 through 7 of operation, according to the examples of the Cash Flow Worksheet in Table 1. Note the numbers in the narrative match the numbers on the Sources and Uses of Funds Statement.

Table 2

Sources and Uses of Funds Statement

5	**SOURCES OF FUNDS**	
	Owner's funds	$100,000
	Loan 1	250,000
	Loan 2	50,000
	Total	$400,000
6	**USE OF FUNDS**	
	Land	$ 75,000
	Building	250,000
	Equipment	10,000
	Machinery	25,000
	Renovations	
	Inventory	10,000
	Furniture	10,000
	Deposits	2,500
	Other	1,500
	Total	$384,000
7	**CASH BALANCE**	
	(Working Capital)	$ 16,000



The Income Statement (Profit and Loss Statement)

The Income Statement is entitled "Projected Income Statement" in this illustration because the financial situation is built on certain assumptions which have not actually occurred.

8. Sales Total monthly sales for each category, as shown on the cash flow statement. This figure reflects total projected annual gross sales. From this figure, deduct any refunds given to customers for returned merchandise. This sum represents total net sales.

9. Cost Of Goods Sold This is the cost of the products sold to your customers. Beginning inventory ($10,000) is added to any purchases made during the report period ($118,994) to identify the amount of goods available for sale. Suppose the business did not sell everything available for sale. At the end of this period, the business counted inventory on hand and found $10,000 of inventory remaining on the date the report was prepared. Goods available for sale, minus ending inventory, produces the total cost of goods sold (total material costs). In the example, this amounts to $118,994 ($128,994 minus $10,000 of ending inventory).

10. General and Administrative Expenses (G&A) These are the annual totals of the expenses as listed on the cash flow statement. Note there are some changes. Payment of the principal portion of notes is not considered an expense. The payment will be accounted for later on balance sheet but does not appear on the income statement. Also, note the addition of an expense category termed "Depreciation expense." The depreciation expense is not considered on the cash flow statement because checks are not written for depreciation. The purpose of depreciation is to account for assets which will begin to wear out as they are used. A certain piece of equipment may be expected to last 10 years, for example. If the equipment costs you $1,000 at purchase and will be worn out or worthless in 10 years, it "depreciates" $100 per year. In our example the building, equipment, machinery, etc., is depreciated by $11,400 per year. The business doesn't actually write a check for the $11,400, but assets have devalued by that amount.

11. Net Income (Pre-Tax) Net sales minus material costs and operating costs (G&A) gives the net income of the business. However, this amount does not include the payment of taxes on the profit made.

12. Taxes There is a profit operating the business, you will be expected to pay both state and federal income taxes. This aspect should be discussed thoroughly with an accountant.

13. Net Income (After Tax) After taxes have been paid, the remaining profit, known as net income, belongs to the business as retained earnings. Net income may be positive, as shown in this example (having more income than expenses) or negative (having more expenses than income). The amount of profit (positive or negative) belongs to the business and is shown as retained earnings (See "Equity" in Table 4.)

An example of the Income Statement is shown on the next page. Note the numbers in the narrative match the numbers on the Projected Income Statement.

TABLE 3: PROJECTED INCOME STATEMENT

YEAR ONE

	SALES		
	Sales 1	$190,500	66.73%
	Sales 2	94,975	33.27%
8	Sales 3	0	0.00%
	Gross Sales	$285,475	
	Less returns	0	0.00%
	NET SALES	$285,475	100.00%
	COST OF GOODS SOLD		
	Beginning Inventory	$10,000	
9	Material Purchases	118,994	
	Goods Available	128,994	
	Less Ending Inventory	(10,000)	
	TOTAL MATERIAL COST	$118,994	41.68%
	G&A EXPENSES		
	Labor	$49,200	17.23%
	Management	21,600	7.57%
	Payroll tax	8,496	2.98%
	Benefits	3,000	1.05%
	Advertising .	7,500	2.63%
	Truck/auto expense	0	0.00%
	Contributions	0	0.00%
	Charge card	0	0.00%
	Dues & subscriptions	300	0.11%
	Freight	1,956	0.69%
	Insurance expense	3,300	1.16%
10	Legal & accounting	1,200	0.42%
	Office supplies	510	0.18%
	Shop supplies	660	0.23%
	Travel expense	0	0.00%
	Phone expense	2,100	0.74%
	Utility expense	5,850	2.05%
	Repairs	0	0.00%
	Tax/license	55	0.02%
	Rent/lease	0	0.00%
	Other expense	2,100	0.74%
	Interest expense	33,059	11.58%
	Depreciation expense	11,400	3.99%
	TOTAL G&A	$152,286	53.34%
11	**NET INCOME (PRE-TAX)**	$14,195	4.97%
	INCOME TAX		
	Federal	$1,500	
12	State	$250	
	TOTAL INCOME TAX	$1750	0.61%
13	**NET INCOME**	$12,445	4.36%

The Balance Sheet

The balance sheet is a comparison of the assets, liabilities and equity of the business. The one shown in Table 4, page 20 is a basic example of a small business balance sheet. The Balance Sheet is entitled “Projected balance sheet” in this illustration because the financial situation is built on certain assumptions which have not actually occurred.

Assets

14. Current Assets

These are assets considered “liquid” or easily converted into cash. The cumulative cash of the business is listed along with the ending inventory and accounts receivable – as well as other similar assets – to form the current assets portion. The ending inventory is a listing of the goods held for sale at the end of the accounting period. The accounts receivable is a listing of what is owed to the business by customers for previous purchases.

15. Fixed Assets

The second category of assets is fixed assets. This is a listing of the assets which are long-term in nature (brick-and-mortar-type assets.) These assets depreciate in value over a longer period. Depreciation ($11,400) for past periods is deducted from the sum of these assets and shown on the balance sheet as accumulated depreciation.

16. Other Assets

This is a catchall section for other assets such as deposits held by utility companies.

17. Total Assets

This is simply the sum of current, fixed and other assets.

Liabilities

The liabilities sections address what a business owes to others.

18. Current Liabilities

Current liabilities are bills and accounts which must be paid within the next year (short-term notes or accounts payable are examples). Also considered a current liability is the portion of any long-term note which must be paid during the upcoming year. This figure may be provided by a banker, accountant or an amortization schedule of notes payable.

19. Long-Term Liabilities

Long-term liabilities are the long-term financial commitments the business has made to the bank or other debt holders. If additional debt is not incurred, the "loans payable" section will decrease each year by the amount of principal payments made during the period. In the example in Table 4, the original debt of $300,000 – as shown in the Sources and Uses of Funds Section – is now reduced to a balance due of $291,503. Therefore, $8,497 in principal was paid during the first year of operation ($300,000 minus $291,501). Also, note $9,447 is deducted and shown as less current principal. This is because it is the portion of long-term principal will be paid during the upcoming year. It is considered to be a current liability and is listed under the category.

Equity

20. Total Liabilities

This is the sum of long-term liabilities.

21. Equity

The equity section reflects the original investment, as well as the accumulation of profits of the business (retained earnings).

22. Total Liabilities & Equity

The sum of liabilities and equity when added together should equal assets. Do they balance? If not, there is an error in one of the sections. An example of the balance sheet is shown on the right. Note the numbers in the narrative match the numbers on the Projected Balance Sheet in Table 4.

TABLE 4 : PROJECTED BALANCE SHEET

		YEAR ONE
14	**CURRENT ASSETS**	
	Cash	$ 21,973
	Ending Inventory	10,000
	Accounts Receivable	9,375
	Other	0
	TOTAL CURRENT ASSETS	$ 41,348
15	**FIXED ASSETS**	
	Land	75,000
	Building	250,000
	Equipment	10,000
	Machinery	25,000
	Renovations	0
	Furniture & Fixtures	10,000
	Other	0
	TOTAL FIXED ASSETS	$370,000
	LESS ACCUMULATED DEPRECIATION	11,400
	NET FIXED ASSETS	$358,600
16	**OTHER ASSETS**	
	Deposits	$2,500
	Other	1,500
	TOTAL OTHER ASSETS	$ 4,000
17	**TOTAL ASSETS**	$403,948
18	**CURRENT LIABILITIES**	
	Notes Payable	$0
	C/P Long-Term Debt	9,447
	Other	0
	TOTAL CURRENT LIABILITIES	($ 9,447)
19	**LONG-TERM LIABILITIES**	
	Loans Payable	$291,503
	Less Current Principal	9,447
	TOTAL LONG-TERM DEBT	$282,056
20	**TOTAL LIABILITIES**	$291,503
21	**EQUITY**	
	Owner's Funds	$100,000
	Retained Earnings	12,445
	TOTAL EQUITY	$112,445
22	**TOTAL LIABILITY & EQUITY**	$403,948

We hope the Business Launchpoint is helpful as you work toward the goal of starting or growing a business. This guide is intended as an overview to help navigate through many of the important steps for a successful business plan. In addition to Mississippi Development Authority's Entrepreneur Center, many additional resources are available and may be found on the following websites.

Resources

The Entrepreneur Center at MDA

www.msenetworks.org

Minority and Small Business Development at MDA

www.mississippi.org/home-page/business-services/minority-women-owned-business

SCORE local and national mentor resources

www.score.org

U.S. Small Business Administration

www.sba.gov/offices/district/ms/jackson

MS Small Business Development Center

www.mssbdc.org

Innovate Mississippi

www.innovate.ms

the Entrepreneur Center
@ Mississippi Development Authority

601.359.3593 | www.mississippi.org | www.msenetworks.org