

# **Writing a Business Plan**

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## **Business Plan Outline**

- I. **Cover Sheet:** Name of Business, names of principals, address and phone number of business (or owner, if start-up).  
**Table of Contents** with page numbers.  
**Executive Summary** (one to two pages maximum).
  
- II. **The Business**
  - A. Description of the Business
  - B. The Market
  - C. The Competition
  - D. Location of the Business
  - E. Management
  - F. Personnel
  - G. Application and Expected Effect of Loan or Investment
  
- III. **Financial Data**
  - A. Sources and Applications of Funding
  - B. Capital Equipment List
  - C. Pro-forma Cash Flows
    - Three Year Summary
    - Detail by Month, First Year
    - Detail by Quarter Second Year and Third Year in summary
  - D. Pro-forma Balance Sheets
    - Three Year Summary
    - Detail by Month, First Year
    - Detail by Quarter Second Year and Third Year in summary.
  - E. Pro-forma Income Statements (Profit & Loss Statements)
    - Three Year summary
    - Detail by Month, First Year
    - Detail by Quarter Second Year and Third Year in summary
  - F. Breakeven Analysis
  - G. For an Existing Business
    - Income Statements for Past Three Years
    - Balance Sheets for Past Three Years
    - Tax Returns for Past Three Years
  
- IV. Supporting Documents (Appendix)

Personal resumes, job descriptions, personal financial statements, credit reports, letters of reference, letters of intent, copies of leases, bids on construction, quotes, contracts, legal documents, and anything else of relevance to the plan which does not fit elsewhere.

## **A. DESCRIPTION OF THE BUSINESS**

### GENERALLY EXPLAIN:

1. What the business is (or will be).
2. What market you intend to service, the size of the market and your expected share.
3. Why you can service that market better than your competition.
4. Why you have chosen your particular location.
5. What management and other personnel are required and available for the operation.
6. Why your investment or someone else's money (debt/equity) will make your business profitable.

### QUESTIONS:

1. Type of business: primarily retail, wholesale, manufacturing or service?
2. What is the nature of the product(s) or service(s)?  
Status of business: start-up, expansion of a going concern, take-over of an existing business?
3. Business form: sole proprietorship, partnership, corporation?  
Who are the customers?  
Why is your business going to be profitable?  
When will (did) your business open?  
What hours of the day and days of the week will you (are you) in operation?

### FOR A NEW BUSINESS:

1. Why will you be successful in this business?
2. What is your experience in this type of business?
3. Have you spoken with other people in this kind of business? What was their response?
4. What will be special about your business?
5. Have you spoken with prospective trade suppliers to find out what managerial and/or technical help they will provide?
6. Have you asked about trade credit?  
If you will be doing any contract work, what are the terms? Reference any firm contract and include it as a supporting document.
7. Do you have letters of intent for prospective suppliers of purchases?

### FOR A TAKE-OVER:

1. When and by whom was the business founded?
2. Why is the owner selling it?
3. How did you arrive at a purchase price for the business?
4. What is the trend of sales?  
If the business is going downhill, why? How can you turn it around?  
How will YOUR management make the business more profitable?

## **B. THE MARKET**

Generally explain who needs your product or service, and why:

### QUESTIONS:

1. Who exactly is your market? Describe-characteristics: age, sex, profession, income etc., of your various market segments.
2. What is the present size of the market?
3. What percent of the market will you have?
4. What is the market's growth potential?
5. As the market grows, does your share increase or decrease?
6. How are you going to satisfy your market?
7. How will you attract and keep this market?
8. How can you expand your market?
9. How are you going to price your service, product or merchandise to make a fair profit and, at the same time, be competitive?
10. What price do you anticipate getting for your product?
11. Is the price competitive?
12. Why will someone pay your price?
13. How did you arrive at the price? Is it profitable?
14. What special advantages do you offer that may justify a higher price (you don't necessarily have to engage in direct price competition).
15. Will you offer credit to your customers (accounts receivable)? If so, is this really necessary? Can you afford to extend credit? Can you afford bad debts?

## **C. THE COMPETITION**

### QUESTIONS:

1. Who are your five nearest competitors? List them by name.
2. How will your operation be better than theirs?
3. How is their business: steady? increasing? decreasing? Why?
4. How are their operations similar and dissimilar to yours?
5. What are their strengths and weaknesses?
6. What have you learned from watching their operations?
7. How do you plan to keep an eye on the competition?

## **D. LOCATION OF THE BUSINESS**

### QUESTIONS:

1. What is your business address?
2. What are the physical features of your building?
3. Is your building leased or owned? State the terms of your contract.
4. If renovations are needed, what are they and the expected cost? Get quotes in writing from more than one contractor and include as supporting documents.
5. What is the neighborhood like (stable, changing, improving, deteriorating)?
6. Does the zoning permit your type of business!

7. What other kind of businesses are currently in the area?
8. Have you considered other areas? Why is this one the desirable site for your business?
9. How does this location affect your operating costs?

**E. MANAGEMENT**

QUESTIONS:

1. What is your business background?
2. What management experience have you had?
3. What education have you had (both formal and informal learning experiences) that has a bearing on your managerial abilities?
4. Personal data: age, where you live and have lived, special abilities and interests, reasons for going into business.
5. Are you physically suited to the job? Stamina is important.
6. Why are you going to be successful at this venture?
7. Do you have direct operational experience in this type of business?
8. Do you have managerial experience in this type of business?
9. Do you have managerial experience acquired elsewhere - whether in totally different kinds of businesses, or as an offshoot of club or team membership, civic or church work, etc.?
10. Include the above information on all the members of your management team.
11. Who does what? Who reports to whom? Where do final decisions get made?
12. What will management be paid?
13. What other resources will be available (accountant, lawyer)?

Note: A personal financial statement must be included as a supporting document in your plan if it is a proposal for financing. Include your resume as a supporting document.

**F. PERSONNEL**

QUESTIONS:

1. What are your personnel needs now? In the near future? In five years?
2. What skills must they have?
3. Are the people you need available?
4. Will, your employees be full or part-time?
5. Will you pay salaries or hourly wages?
6. Will you provide fringe benefits? If so, what? Have you calculated the cost of these fringe benefits?
7. Will you utilize overtime?
8. Will you have to train people? If so, at what cost to the business?

**G. APPLICATION AND EXPECTED EFFECT OF LOAN OR INVESTMENT**

QUESTIONS:

1. How much capital will your business require? How much will be your personal investment?
2. How is the loan or investment to be spent? (This can be fairly general-working capital, new equipment, inventory, supplies).
3. What is the specific model name and/or number of your purchasers
4. Who is the supplier?

5. What is the price?
6. How much will you pay in sales tax, installation charges, freight fees?
7. How will the loan or investment make your business more profitable?

**Financial Data**

**A. SOURCES AND APPLICATIONS OF FUNDING**

**Sources**

Bank Loan	_____	
SBA Loan	_____	
Personal Equity Investments	_____	
Outside Equity Investments	_____	
Other:	_____	
<b>Total</b>		\$ _____

**Applications**

Building	_____	
Equipment	_____	
Renovations	_____	
Inventory	_____	
Working Capital	_____	
Reserve for Contingencies	_____	
Other:	_____	
<b>Total</b>		\$ _____

**B. CAPITAL EQUIPMENT LIST**

Major Equipment/Machinery	Model	Cost or List Price
1. _____	_____	\$ _____
2. _____	_____	\$ _____
3. _____	_____	\$ _____
	Subtotal:	\$ _____
Minor Equipment		
1. _____	_____	\$ _____
2. _____	_____	\$ _____
3. _____	_____	\$ _____
	Subtotal:	\$ _____
Other Equipment		
1. _____	_____	\$ _____
2. _____	_____	\$ _____
3. _____	_____	\$ _____
	Subtotal:	\$ _____
<b>Total</b>		\$ _____

**C. PRO-FORMA CASH FLOW**

THREE-YEAR SUMMARY

	YEAR I 20__	YEAR II 20__	YEAR III 20__
<u>Beginning Cash Balance</u>	\$	\$	\$
Cash Receipts			
Cash Sales			
Accounts Receivable			
Loans			
Other:			
<u>Total Cash Receipts</u>			
<u>Cash Disbursements:</u>			
Merchandise/Inventory			
Salaries/Wages			
Commissions			
Outside Labor			
Payroll Taxes			
Advertising/Promotion			
Car & Delivery			
Office Supplies			
Legal			
Accounting			
Operating Supplies			
Bad Debts			
Rent			
Repairs/Maintenance			
Utilities			
Insurance			
Taxes & Licenses			
Loan Payment (Principal)			
Loan Payment-(Interest)			
Miscellaneous			
<u>Total Cash Disbursements</u>	\$ _____	\$ _____	\$ _____
<b><u>Ending Cash Balance</u></b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>

Detail should include Monthly projected cash flows for the first year, Quarterly Cash Flows for the second year and third year as a sum total.

**D. PRO-FORMA BALANCE SHEET**

**ASSETS**

Current Assets

Cash	\$	
Accounts Receivable		
Inventory		
Supplies		
Prepaid Expenses		
<b>Total Current Assets</b>		\$ _____

Fixed Assets

Land	\$	
Building		
Less: Acc. Depreciation		
Equipment		
Less: Acc. Depreciation		
Leasehold Improvements		
Less: Acc. Depreciation		
Vehicles		
Less: Acc. Depreciation		
<b>Total Fixed Assets</b>		\$ _____

**TOTAL ASSETS** \$ \_\_\_\_\_

**LIABILITIES & NET WORTH**

Current Liabilities

Notes Payable	\$	
Accounts Payable		
Income Taxes Payable		
Current Portion LTD		
Other-		
<b>Total Current Liabilities</b>		\$ _____

Long-Term Liabilities

Mortgage Payable	\$	
Notes Payable		
Loans Payable		
Other:		
<b>Total Long-Term Liabilities</b>		\$ _____

Net Worth: Owner's Equity	\$	
<b>TOTAL LIABILITIES &amp; NET WORTH</b>		\$ _____

Detail should include Monthly projected Balance Sheets for the first year, quarterly for the second and in total for the year for the third.

## FINANCIAL DATA

### D. PRO-FORMA INCOME STATEMENTS

#### THREE-YEAR SUMMARY

	YEAR I	YEAR II	YEAR III
	20__	20__	20__
<b>SALES</b>	\$		
Less: Cost of Goods Sold			
<b>GROSS PROFIT</b>	\$		
<b>OPERATING EXPENSES:</b>	\$		
Salaries, Wages			
Commissions			
Outside Labor			
Payroll Taxes			
Advertising & Promotion			
Car & Delivery			
General & Admin.			
Legal & Accounting			
Operating Supplies			
Bad Debts			
Rent			
Repairs & Maintenance			
Utilities			
Insurance			
Taxes & Licenses			
Depreciation			
Interest			
Miscellaneous			
<b>TOTAL OPERATING EXP.</b>	\$		
<b>PROFIT (LOSS) PRE-TAX</b>	\$		
<b>TAXES (estimated)</b>	\$		
<b>NET PROFIT (LOSS)</b>	\$	\$	\$

Detail should include Monthly Pro-forma Income Statements for the first year, quarterly for the second; third year in summary.

## F. BREAKEVEN ANALYSIS

### Information needed:

Variable costs as % of Sales

Fixed costs (in \$) for the period you are forecasting

Expected gross profit margin on sales. (This 1.00 – variable cost as a decimal)

### Formula to determine:

Sales needed to break even (in \$) = Fixed Costs (in \$) / (1-variable cost as a decimal)

### For example, if you know or expect:

Fixed costs for your business to be \$90,000 for the year;

Variable costs to be 60% of your selling price (60% is the same as .60 of 1.00 if you convert it to a decimal); this gives you a gross profit margin of 1.00-.60 = .40 on your sales.

You then set up a formula (see above, “Formula to determine”) to calculate the amount of sales which you need in order to breakeven (or cover all of your costs both fixed and variable for the forecast period).

The formula for this example is:

Sales to breakeven in \$ = \$90,000 / (1.00 -.60)

Sales to breakeven in \$ = \$90,000 / .40

Sales to breakeven = \$225,000

\$225,000 in sales volume will exactly cover your fixed costs of \$90,000 plus \$135,000 of variable costs that you spent to get to that sales level. See computations below:

$$\$225,000 \times .6 = \$135,000$$

$$\$135,000 + 90,000 = \$225,000$$

(Your breakeven point-no profit or loss)

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### **Helpful Hints:**

Be neat and grammatically correct. Have someone else proofread your work BEFORE you go to the bank. Number your pages and the appendix. Make sure your assumptions are well supported and make sense. Compare the numbers you generate and make sure they agree with your assumptions regarding sales and costs. Compare your numbers with industry averages and see if they make sense. Be conservative on sales figures and generous on expense items.

### **For further assistance:**

[www.sbdc.uga.edu](http://www.sbdc.uga.edu) or (770)-531-5681