

Business Plan Development

For People With Disabilities

Business Plan Development For People With Disabilities

Produced by:
Social And Enterprise Development Innovations **SEDI**

Building A Bridge -
A Community Building Initiative funded by
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A Business Plan Guide

*Business Plan Development For People With Disabilities -
A Business Plan Guide:*

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ABOUT THE PROJECT PARTNERS

Social and Enterprise Development Innovations



SEDI is comprised of staff and volunteers working in a charitable, not-for-profit context to promote self-employment and assets and savings strategies as viable roads to self-sufficiency for low-income, unemployed and underemployed Canadians. SEDI engages in research and advocacy that support the development of enabling policy, programs and economic independence strategies. SEDI provides administrative and management support to selected programs; creates opportunities for information exchange about best practices and lessons learned; and, provides information and technical assistance to groups and communities interested in developing self-employment and asset and savings initiatives. For more information please visit www.sedi.org.

The Ontario Ministry of Citizenship – Accessibility Directorate of Ontario



The Ontario Ministry of Citizenship is responsible for overseeing a number of areas. Part of its mandate is to enforce human rights legislation, promote equal opportunity and implement provincial strategies to improve accessibility for persons with disabilities, including the Ontarians with Disabilities Act. The Accessibility Directorate of Ontario was formed to manage the implementation of the ODA and it also works in partnership with organizations, businesses and interested individuals to develop voluntary accessibility standards; and, provides public education and community-based accessibility programs to raise awareness and create a greater understanding of the need for accessibility and inclusion. For more information please visit www.gov.on.ca/mczcr.

Toronto Business Development Centre



The Toronto Business Development Centre (TBDC) was established as a mixed-use incubator in August 1990 as an initiative of the city of Toronto with a mandate “To nurture the growth of new and existing businesses by providing the physical facilities, advisory resources and tools appropriate to the venture’s stage of development”. The Centre meets its mandate through three operating divisions: the Business Incubator provides an environment which helps client companies develop into viable businesses entities; the Entrepreneurial Training Programs assist and advise entrepreneurs during the start-up phase of their businesses; and, the Community Programs assist other community organizations in the not-for-profit sector with entrepreneurial training programs targeting multi-cultural communities and disability groups. Since its inception, the Centre has been instrumental in assisting numerous start-up companies to develop and grow. For more information please visit www.tbdc.com.

Acknowledgements

The Ontario Trillium Foundation



The Ontario Trillium Foundation is a catalyst that enables Ontarians to work together to enhance the quality of life in their communities. The Ontario Trillium Foundation builds healthy and vibrant communities throughout Ontario by strengthening the capacity of the voluntary sector through investments in community-based initiatives. The funding it provides is focused on building healthy communities and strengthening volunteerism; increasing accessibility and celebrating Ontario's diversity; and, stimulating economic growth and innovation. The Foundation acknowledges that the people of Ontario are diverse and dynamic, and that community needs differ across the province. The Foundation supports creative initiatives that respond to the real needs of Ontario's varied and evolving communities. For more information please visit www.trilliumfoundation.org.

Pullen & Associates



Pullen & Associates provides development and training support to projects in the business, education and not-for-profit sectors. The group offers significant knowledge of disability programming and small business development, supported by an extensive network of disability and business development organizations. Associates have provided project consulting, program development and training and evaluation services to government programs, such as the Ontario Disability Supports Program (ODSP) and Human Resources & Skills Development Canada's Opportunities Fund.

Jim Pullen, principal associate, has a career history in the financial sector and extensive experience in self-employment development. He has worked extensively in the area of employment equity, particularly in training and development for people with disabilities.

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WELCOME

Welcome to Business Plan Development for People With Disabilities!

Most people give some thought to owning and managing their own business at some point in their lives. Starting a new business is risky at the best of times, but your chances of succeeding will be better if you first spend time evaluating your personal situation and circumstances; and, then taking that information and applying it to the step-by-step business plan development included in this guide.

This guide is designed to provide a business planning tool to assist people with disabilities who have done some initial assessment around starting their own full or part time business, and are now ready to take the next step and develop a comprehensive plan for their business idea.

What is a Business Plan

A Business Plan is a detailed written document that describes the nature of the business, the target market, the resources and qualifications of the owner(s), the advantages the business will have over competitors, the objectives of the business, and much more.

It is a formal document that should be typewritten and reader friendly with attention to style and format.

Reasons for Doing a Business Plan

- Forces you to think through your business idea.
- Helps you judge and evaluate a business idea so there is less risk.
- Shows you where you need help or information.
- Organizes and presents information about your business so you can progress logically and not get off track.
- Increases your self-confidence.
- Lessens the risk of oversights or errors.
- Organizes ideas so you can communicate them to others.
- Increases chances of business success once established.
- Reminds you of good ideas and ways to save time or money, especially important as you get busier.
- Helps you obtain necessary financing.



INTRODUCTION

This Business Plan Guide is supplemental to ‘*Exploring Self Employment Opportunities For People With Disabilities – A Self Assessment Workbook*’, produced by SEDI (Social and Enterprise Development Innovations) in 2002 with the support of the Ontario Ministry of Citizenship.

The Self Assessment Workbook can be reviewed and printed from SEDI Website – www.sedi.org Go to: ‘Resources – Self Employment Opportunities for People with Disabilities’

The *Self Assessment Workbook* is intended to lead prospective self-employed people and entrepreneurs with disabilities in a logical and sequential way through the stages involved in assessing their potential for self employment as a career option. The information and tools contained in the *Workbook* will provide you with a solid base to help you decide whether to pursue self-employment.

The *Workbook* is divided into Sections. Each Section is designed to take you step-by-step in assessing the viability of your business ideas and how your background and experience support your business ideas.

SECTION 1 PERSONAL ENTREPRENEURIAL TRAITS

Various tools to assist you in assessing your personal traits; entrepreneurial similarities; and entrepreneurial readiness.

SECTION 2 BUSINESS KNOWLEDGE & SKILLS

Analysis of background information about your education and work history. Identification of knowledge & skills you have and areas that may need further development.

SECTION 3 BUSINESS IDEA(S)

Development of a description of your potential product(s) &/or service(s), and the features/benefits to your potential customers.

SECTION 4 MARKET RESEARCH

Identification of your target market and potential customers. How to survey prospective customers.

SECTION 5 ACCESS/ACCOMMODATION

Special Needs planning and development of an Accommodation Plan.

SECTION 6 FINANCIAL CONSIDERATIONS

Itemizing anticipated start-up costs. Developing your personal financial profile and assessment of applying for a loan.

SECTION 7 ACTION PLAN

Next Steps in pursuing self employment.

RESOURCES

Listings of Resources that can assist you in developing your Business Plan and starting your business.

After you have completed the *Workbook*, as a further determination that self-employment is right for you, we provide the following Self Employment Readiness Assessment.

SELF EMPLOYMENT READINESS ASSESSMENT	YES	NO
1. Are committed to operating a business.		
2. Have developed a business idea and description of product(s)/service(s).		
3. Have related business experience &/or transferable life/work experience, supported by a resume.		
4. Have done self-assessment utilizing SEDI Self Assessment Workbook (or equivalent proprietary materials).		
5. Have established a need/demand for related product(s)/service(s) and ability to compete, through market research.		
6. Have ideas of how to market the product(s)/service(s).		
7. Have assessed/identified accommodation needs.		
8. Have developed a listing and estimated cost of start-up needs including accommodations.		
9. Have the required resources available or attainable for business start-up.		
10. Have established that the business is able to generate revenue within a reasonable time period, i.e. 3 – 6 months.		

Based on your self-assessment that Self Employment is right for you, your next step will be development of a Business Plan.

To assist you in your Business Plan Development, we have provided references to the applicable Sections of the *Workbook* where it relates to the Business Plan content.

BEGINNING YOUR BUSINESS PLAN

Cover – Title Page

This will include: the Business Name, address, phone number, fax number, email address and the name of the principal owner(s). Also include the date of publication.

Notes:

As you are writing your business plan think of the business as an entity and write in the 3rd Person. This provides a tone of objective professionalism to your plan.

Example:

XYZ Company provides computer consulting services to small businesses. It is a home based business with an emphasis on customer service, etc.

XYZ Company is a retailer of imported gift products. The business is located in a major mall and has an extensive range of products, etc.

Also use the 3rd person when you are referring to yourself in the Business Plan.

Example:

Mary/John Smith, the principal of XYZ Company, has significant experience in computer hardware/software. This is represented by both her/his educational background and work experience.

Peggy/Jim Jones, the owner of XYZ Company, has a diverse background that supports the business. Her/his work experience includes import/export, sales and customer service. She/he previously operated a successful retail business.

*The following page has a **Business Plan – Table of Content**. After completion of the Plan the page numbers of the various sections are inserted.*

Business Plan - Table of Contents

PAGE NUMBER

Executive Summary	<i>Insert Page number</i>
Business Profile	
Management Plan	
Product and/or Service Descriptions	
Long Term Objectives	
Marketing Plan	
▪ Results of Research	
▪ The Market	
▪ Competition	
▪ Marketing Strategies	
○ Product	
○ Pricing	
○ Place	
○ Promotion	
Operations Plan	
Risk Analysis	
Start-Up Requirements	
Action Plan	
Financial Statements	
▪ Sales Forecasts	
▪ Income Statement Forecasts	
▪ Cash Flow Forecasts	
Addendum	
▪ Marketing material	
▪ Survey analysis	
▪ Owner's resume	
▪ Other information supporting business ideas	



EXECUTIVE SUMMARY

The Executive Summary highlights the key points in your Business Plan. It must 'sell' the viability of your business to the reader and make them want to learn more about your plan.

The Executive Summary includes:

- A brief description of the business;
- Who you are and why your background, experience and education make this venture more likely to succeed;
- Key business objectives;
- Key information i.e. who are the customers, major competitors, industry trends;
- Selling strategies; and,
- How much money is needed to start the business, and when the business will break even.

Be concise and precise and highlight the essence of your business in the summary. You want to capture the reader's interest and get them excited about your business!

**The Executive Summary should be written last,
after the Plan has been developed. One page
preferred, two pages maximum**

BUSINESS PROFILE

The Business Profile describes your business clearly. Is this a new business, a franchise or the purchase of an existing business?

The Business Profile identifies:

- The type of business i.e. retail, manufacturing, service;
- Location of business;
- Product(s) you will be selling and/or services you will be providing. Mention your product(s)/service(s) here, but do not provide too much detail as you will be describing your product(s)/service(s) later in the plan;
- Type of business organization (proprietorship, partnership, incorporation);
- Ownership - names of principal owner(s) and percentage of the business each owns;
- History of business (if applicable);
- Relevant dates i.e. start-up, expansion;
- How you determined that this business would be appropriate, profitable and possible;
- What you have done to date on the development of your business. Steps you have taken;
- When you expect to generate the first revenues; and,
- Is the business year-round or seasonal? If seasonal, what you will do during the off season to maintain revenues.

*The next Content segment of your Business Plan is 'Management'. To assist you in developing this Content, refer to Section 2 **Business Knowledge and Skills** of the Workbook (Pages 17 to 21)*

MANAGEMENT PLAN

The Management Plan details your ability to successfully operate your business. Be sure to:

- Outline the credentials of the principal owner(s);
- Remember to include the 3 E's;
 - Education
 - Experience
 - Expertise
- Include non-work related experiences; and,
- Provide a brief description of associates, support personnel and network support.

Use this as a promotional tool that reinforces your business idea(s) and gives credibility to you and the viability of your business

*The next Content segment of your Business Plan is 'Product &/or Service Descriptions'. To assist you in developing this Content, refer to Section 3 **Business Idea(s)** of the Workbook (Pages 23 to 27)*

PRODUCT AND/OR SERVICE DESCRIPTIONS

It is important that you clearly describe why your product(s) and/or service(s) are going to be in demand. Include the following:

- A complete description of the product(s)/service(s) and the benefits to your customers;
- Identify their uniqueness in the market; and,
- If, like many businesses, you have a primary and a secondary product(s) or service(s), segregate them into a primary or secondary list and provide complete descriptions of how the secondary product(s)/service(s) relate to the primary ones. For example, the secondary product(s)/services(s) may only generate small sales, but are offered as a convenience to the customer and are profitable.

LONG TERM OBJECTIVES

Establishing your vision for your business in 3 to 5 years, (in relation to your industry, its size and potential for growth) demonstrates your commitment to your business and its future.

Long Term Objectives/Goals should include:

- Growth Targets (i.e. sales, production, market share);
- Expansion (i.e. employees, location, marketing, products/services offered); and,
- Profitability.

*The next Content segment is the **Marketing Plan**. It will be very helpful to your development of the marketing plan to review Section 4 **Market Research** of the Workbook (Pages 29 to 37), prior to progressing to the next Content segment.*

MARKETING PLAN

The plan describes the market 'place' in which you will operate your business, and what you are going to offer to the customers in that market place in order to make sales and generate profitable income.

Results of Research

- Describe the steps you have taken to research your business, what you found out and how it relates to/and justifies your business idea.
- Identify your potential customers - how many have you talked to, what did you ask, what did you find out, how many are likely to buy from you? Has this research established that there is a 'need' for your product(s) and/or service(s) in the market place?

The Market

- Describe the market segments in which your business will operate, such as geographic, demographic, and product/service usage.
- Within the broader market is there a niche or target market(s) for your product(s)/service(s) - segments you have identified as potential customer group. Be specific and list as many characteristics as you can. What are their needs, how many customers are there?
- Identify trends in the industry. Is it in growth or decline? Outline the immediate and long term outlook of your industry, its size and potential for growth.

Competition

- What distinguishes you from your competition?
- What is your competitive advantage - your unique position in your industry?
- Identify your competitors - direct and indirect:
 - Their strengths and weaknesses;
 - Their market share (if available); and,
 - Their competitive advantage.

MARKETING PLAN (continued)

Marketing Strategies (What you are going to offer and do!)

- Your Product:
 - Include a full description of the Features and Benefits of your product(s)/service(s); and,
 - their uniqueness in the market.
- Your Place In The Market:
 - Identify the location of facilities, hours of operation; will you work at the customer's location or yours;
 - What is the planned geographic area for sales/service; and,
 - How are products delivered (if applicable) or distributed?
- Your Pricing:
 - What price will you charge for your product or service? How did you arrive at that price? Will you offer discounts - when, where, why?
 - How does your pricing strategy relate to your target customer group(s) and your competition?
- Your Promotion:
 - How will you advertise and promote your business? Be specific as to when and what advertising mediums you will use;
 - Will networking be of value – where and when?
 - Do you have the personal selling skills you will require or will you need to develop them?
 - How will you solicit repeat and referral business?

OPERATIONS PLAN

Your Operation Plan describes and details how you intend to 'get the job done'. Your plan provides details on how your business will operate. For example, will you go to clients or will clients come to you? How will you produce and deliver the finished product(s)/service(s) you have sold to your customer? Include the following information:

- Will you be a sole proprietor, a partner or incorporate? If a partner, describe the relationship between the partners, the reason for the partnership, and the ownership percentages;
- Describe any laws, licences or regulations that affect your business and how you will meet these requirements;
- Include the names of your lawyer, accountant and bank;
- Describe operational details about the location you have chosen such as lease arrangements, cost, bylaws and parking. If a home based business - what are the advantages, and why it will work well for you?
- Describe your suppliers, (if applicable) their pricing, discounts and credit terms offered;
- Describe your equipment requirements – office and production. Will you lease or buy?
- Describe the details of the production of your product(s)/service(s). Will you be doing the work or will it be done by employees, out-sourced or sub-contracted. How will you ensure the quality of your product(s)/service(s)?
- Will you need employees? How many and with what skills?

RISK ANALYSIS

With every business, events may occur that can delay the generation of cash flow and income, or in the worst case create liability and bankruptcy. Outline to the best of your current knowledge all of the potential risk factors that you can anticipate and how you intend to deal with them. You need to consider internal risks (within the business) such as the impact of illness or injury to you, a key employee or a partner; and, external risks (outside the business) such as bankruptcy of a key supplier or customer liability to you due to an accident.

You need to identify how you intend to mitigate or overcome these risks and consider the following:

- What type of insurance does the business have or intend to obtain?
- Given the type of industry or sector you operate in, what are the normal protections that are included in contracts?
- How will you manage credit/payments with suppliers and customers?
- What employment/partnership agreements are required?

START-UP REQUIREMENTS

*Prior to developing this Content segment you will want to refer to Section 5 **Access and Accommodation** (Pages 39 to 43) of the Workbook. Section 5 addresses Special Needs Accommodations as an important consideration for Business Success!*

As a person with a disability you may need some form of equipment, services or other special needs accommodation to allow you to participate as fully as possible in the activities of everyday living and in social, cultural and economic life.

This Section of the Workbook addresses the following areas:

- *Physical Access;*
- *Information, Communication, Business Specific Tasks, and Productivity; and,*
- *Occupational Health and Safety*

*Additionally, to assist in your development of this segment you will want to review Section 6 **Financial Considerations** (Pages 45 to 48) of the Workbook. This Section provides assistance to you in assessing the financial considerations of your business start-up.*

As you are developing your Start-up Needs you will want to consider the following:

- Operational needs and costs, i.e. business registration, opening inventory if you are selling a product, office supplies, marketing materials etc.;
- Fixed assets – computer and peripherals, equipment, furniture, vehicles etc.;
- The cost (or value if they are already owned personally and are being put into the business);
- What have you established as your access and accommodation needs; and,
- Will you need a Line of Credit for business operations, if so, in what amount?

ACTION PLAN

You have now developed a significant amount of information on your business idea, why you want to start your business, and the management, marketing and operational requirements for your business. You now need to consider the specifics on when and how you will start the business, and the actions you will undertake to launch your business and introduce your company into the marketplace.

You may want to use the following format for your Action Plan

The following Actions are intended to ensure proper and timely business start-up.

ACTIVITY	START DATE	COMPLETION DATE
Registration of Business	January 1/05	January 15/05
Lease Negotiation and Lease Entry	January 1/05	January 31/05
Insurance Coverage	January 1/05	January 31/05
Leasehold Improvements	January 31/05	February 15/05
Equipment Purchase	January 31/05	February 15/05
Initial Marketing Activities	February 1/05	February 28/05
Business Opening	March 1/05	March 1/05
Grand Opening/Open House	March 15/05	April 1/05

Notes:

The above table is an example and you can use this to list the activities that you believe are necessary for your business start-up.

In addition to your own unique activities, consider the following:

- Registration of the business;
- Registration for Tax i.e. GST, PST;
- Opening bank account;
- Purchase of equipment;
- Set-up of home office; telephone; answering service;
- Business Cards;
- Brochure/Profiles; and,
- Initial inventory.

FINANCIAL STATEMENTS

A significant component of your Business Plan requires that you forecast the financial implications of the start-up and operation of your business. To assist you in developing these we have provided the following in Excel format:

Financial Forecasts - includes the following Financial Statements:

- 2 Years Sales Forecast;
- 2 Years Income Statement Forecast; and,
- 2 Years Cash Flow Forecast.

These Excel spreadsheets have formulas for calculations and various linkages from one spreadsheet to others. The file can be reviewed/printed from SEDI Website – www.sedi.org Go to: 'Resources – Self Employment Opportunities for People with Disabilities'. We also provide '*Financial Forecasts Notes*' to assist you in the development of these business financials.

ADDENDUM

Your Addendums are inserted in your Business Plan after the Financial Forecasts. Ensure that any 'Other Information' you include is relevant to and supports your business initiatives. Depending on how much you include as addendum you may want to do a Table of Contents for Addendums, for example:

- Marketing Material
- Survey Analysis
- Owner's Resume
- Other Information supporting business idea

ADDITIONAL RESOURCES

In addition to this Guide, there are many resources that can be accessed to assist with Business Plan Development:

- Exploring Self Employment Opportunities For People With Disabilities – A Resource Guide.

The Resource Guide can be reviewed/printed from SEDI Website – www.sedi.org Go to: ‘Resources – Self Employment Opportunities for People with Disabilities’.

This Resource Guide provides information about Business Development Organizations, Disability Organizations providing services for people with disabilities and other resources that can assist in business plan development and/or accommodation issues.

- Most banks and large accounting firms have Business Planning publications or CD-ROM’s available.
- On the Internet there are significant resources available. The following resources include: Business Plan Guides, Interactive Business Planning, Samples of Business Plans, and Links to other Business Planning Resources.

Canada Business Service Centre
www.cbsc.org/ibp

Canadian Youth Business Foundation
www.cybf.ca

Small Business Information Canada
<http://sbinfoCanada.about.com/cs/businessplans>

Business Plans.com
www.bplans.com



FINANCIAL FORECASTS NOTES

When you open the file 'Financial Forecasts' you will see, at the bottom of the screen, three Tabs – 1Sales, 2Income, 3CashFlow.

Always, always, start on 1Sales as information is linked forward from your Sales Forecast. All spreadsheets are in Page Break Preview so that Page 1 is Year 1 and Page 2 is Year 2.

SALES FORECAST (Tab 1Sales)

Company Information i.e. Company Name, Address etc., has to be typed only once and it links forward to all pages. This information is centered to the page but you will type it in Column A. Always check the formula bar to be sure that you are in the correct cell.

Cell A3 Company Name (type in your company name and hit Enter)

Cell A4 Address(type in your company address and hit Enter)

Cell A5 City, ON (Type in your company's city, ON and hit Enter)

Cell A6 Postal Code (Type in your company's postal code and hit Enter)

Next you will want to decide what month you will be starting your business and what your Year End will be. For example, if you intend to start your business April 1st, 2005 your year end (12 months) would be March 31st, 2006.

Using this example go to Cell A11 and go up to the Formula Bar and type March 31st, 2006 over December 31st, 2005 and hit Enter

For Year 2 end, go to Cell A49 and go up to the Formula Bar and type March 31st, 2007 over December 31st, 2006 and hit Enter

Now that you have decided, and inserted your Year end for Year 1 and Year 2, you will need to change the months.

Go to Cell C14 and, per the above example, change this first month by typing Apr in this cell and hit Enter. Once you have entered Apr you can auto fill the next eleven months by clicking on Cell C14 and in the bottom right corner of the cell find the bold + and holding down the mouse button drag across the row for the next 11 months. This will fill in all of the months sequentially on all of the pages in this Excel workbook.

To confirm that you have done all of the above correctly, go to Tab 2Income and Tab 3 CashFlow and you should see that Company Information, Year Endings, and Months have been forwarded to these pages as per the 'Links'.

Note: If the information does not appear correctly on the Income and Cash Flow sheets you may want to start over by closing the file and choosing 'No' to 'Save Changes'. Reopen the file and, closely following the above instructions, start again.

You will now begin your Sales Forecasting! Tab 1Sales

Note: All of the Cells in the worksheets that have a '0' indicate that there is a formula that performs a calculation. Prior to developing the worksheets you can click on any Cell with a '0' to view the calculation in the Formula Bar, e.g.

Click on C22 – In the Formula Bar it shows = C20*C21 (Formula is C20 times C21)

Click on C40 – In the Formula Bar it shows = C22+C29+C36 (Formula is the Sum of the 3 Cells indicated)

As you're developing your Financials you may want to click, into Cells with '0', to view the formulas in the Formula Bar.

Your Sales Forecast requires that you determine:

- 1) Products/Services offered
- 2) Pricing, and
- 3) (Units) Number of each product/service that you will sell each month

1) Products/Services offered

This worksheet has three categories (A – C) for you to forecast. Based on your development of your business ideas you will have decided on what you are going to offer and how you can categorize them.

Using a model from *'Exploring Self Employment Opportunities For People With Disabilities – A Self Assessment Workbook'* Page 23 – Example #2 'A Hair Salon', the following is how you would categorize and enter these.

Year 1

Beside **A** in Cell B18 you would enter 'Hair Styling'

Beside **B** in Cell B25 you would enter 'Personal Care Products'

Beside **C** in Cell B32 you would enter 'Facials, Manicures, and Pedicures'

Year 2

Enter corresponding categories on Year 2 worksheet

This worksheet has 3 categories however if you have only 2 products or services that you are offering just enter the 2 categories.

In some instances you will only have one category, e.g. convenience store or video store selling only videos. In this instance the category would be **A** Retail Sales

It is important that you establish and categorize what you are selling before you move forward to the next section, which is to determine 'Pricing'.

2) Pricing

Pricing ranges from: individual product price, average product price, average service price, average sale, hourly rate, daily (per diem) rate, project rate, etc. Based on your market research and your business plans you will have determined pricing models common to your industry.

Where you see the text 'Price' you will want to insert how your pricing is based. Using the previous example of a Hair Salon you would click in the Cell and enter the following:

Year 1

B21 Average Service Price for '*Hair Styling*'

B28 Average Sale for '*Personal Care Products*'

B35 Average Service Price for '*Facials, Manicures, and Pedicures*'

Year 2

Enter corresponding pricing on Year 2 worksheet

Using the example of a convenience store or video store selling only videos you would enter:

Year 1

B21 Average Daily Sales for '*Retail Sales*'

Year 2

Enter corresponding pricing on Year 2 worksheet

Remember that these are examples and you will enter the information as to how you have based pricing for your business relative to the industry.

Now you will need to insert the prices/rates, which you have determined for your products &/or services, in the Cells under each of the 12 months. Continuing to use the Hair Salon example you would complete the following:

Year 1

C21 to N21 Average Service Price for '*Hair Styling*' priced at \$40. In Cell C21 you would type in 40 and hit Enter. Once you have entered the first month you can auto fill the next eleven months by clicking on Cell C21 and in the bottom right corner of the cell find the bold + and holding down the mouse button drag across the row for the next 11 months.

C28 to N28 Average Sale for '*Personal Care Products*' priced at \$15. In Cell C28 you would type in 15 and hit Enter. You would then auto fill the next 12 months as per above.

C35 to N35 Average Service Price for '*Facials, Manicures, and Pedicures*' priced at \$25. In Cell C35 you would type in 25 and hit Enter. You would then auto fill the next 12 months as per above.

Year 2

Enter corresponding prices/rates on Year 2 worksheet. Prior to entering these you may want to consider whether you will leave your pricing the same in Year 2 or plan for an increase in pricing.

Now that you have completed 1) Products/Services offered, and 2) Pricing, you will now need to forecast how many sales of each product/service that you anticipate each month.

3) (Units) Number of each product/service that you will sell each month

This information you will insert beside Unit(s) for each month, i.e.

Year 1 Rows 20, 27, and 34 – Columns C to N and the corresponding rows and columns for Year 2

To complete this you will need to consider your basis for pricing, e.g.

- ◆ Average daily sales (how many days per month will you be open for sales?)
- ◆ Average service/product sale (how many sales do you expect to achieve per month?)
- ◆ Hourly Rate (how many hours do you expect to get paid for per month?)
- ◆ Daily (Per Diem) Rate (how many days do you expect to get paid for per month?)
- ◆ Project Rate (what months do you expect to secure projects and how many per month?)

You will also want to consider any seasonality of your business and the industry, e.g.

- ◆ Hair Salon – Higher sales months are June/July (Weddings) & November/December (Seasonal Festivities)
- ◆ Florist – Higher sales months are February (Valentine's Day), March/April (Easter), May (Mother's Day), & November/December (Seasonal Festivities)
- ◆ Retail Industry – Higher sales months are November/December and slower sales months are January/February. Also type of product(s) you are selling may be seasonal.
- ◆ Business to Business Industry (Commercial Clients) – Slower sales months tend to be January & July/August (Summer Vacations)

Based on the above, your market research, and your knowledge of your industry you will enter how many sales you anticipate, by month, for Year 1 and 2. As you enter the Sales (Units) each month, as per formulas, you will see that calculations are being done. Total per month is the number of units times pricing. Also, TOTAL SALES are being calculated based on monthly input for each category.

TOTAL SALES are being forwarded to Tab 2Income and Tab 3CashFlow as per 'Links'

INCOME STATEMENT FORECAST (Tab 2Income)

An Income Statement is a financial statement that summarizes revenues (Sales) minus the costs of realizing these revenues. It shows the profit or loss during the year by comparing revenues with expenses undertaken to generate those revenues.

The first thing you should notice is that the Total Sales you have projected on your Sales Forecast worksheets have been forwarded, by month, to your Income Statement Forecast Worksheets.

Immediately below Sales is Cost of Sales that you will forecast by month for each year.

Cost of Sales is the costs associated with selling goods. It represents the costs of the product and labour (employee) costs to produce the product, e.g.

- ◆ Manufacturing of product. Cost of Sales would include the cost of raw materials, labour costs to produce the product, and packaging costs for final sale.
- ◆ Purchasing product for resale. Cost of Sales would be the purchase cost of the products.
- ◆ Service and product businesses. Costs of Sales would include only the costs of the product portion of the business' sales.
- ◆ Note: Generally service businesses do not have a Cost of Sales and would include any costs associated with providing the service(s) as Operating Expenses.

It may help to print a hardcopy of your Sales Forecasts to assist you in forecasting your Cost of Sales based on the sales volumes that you have forecasted by month. As you enter Cost of Sales you will see that calculations are performed for Gross Profit

Operating Expenses

This includes a comprehensive list of business expenses. There may be some elements that are not applicable to your business. Just leave these blank. Additionally, there may be an element, applicable to your business, which you need to forecast and it is not listed. Just type your planned element of expense over an element that is not applicable.

Depending on your forecasted business revenues you will want to forecast each element to the nearest \$10., \$50., or \$100. Some of the elements you will forecast as the same amount each month. Others you will forecast higher, lower, or not at all in some months, based on your Sales and your business plans/objectives.

If the forecasted amount in any element is going to be the same for some months, or all of the months, you can auto fill. Once you have entered the first month you can auto fill the next number of months by clicking on the cell and in the bottom right corner of the cell find the bold + and holding down the mouse button drag across the row for the next 11 months, or number of months that your forecasting the amount will be the same.

Contract Payments

You will forecast this element when you anticipate that you will be sub-contracting individuals or businesses to provide services and will be largely based on forecasted sales. It is common to small businesses in their start up phases that they sub-contract services instead of hiring employees with the resultant payroll requirements.

Premises Rental

Rent expensed against your business is applicable only when you are renting premises, outside of your principal residence, to carry on your business. This is not to be confused with when you do your Income Tax Return and you are allowed to claim a portion of your residence expenses against your income if you are operating a home-based business.

Equipment Rental

Will you need to/decide to rent equipment rather than purchase it? An example would be in manufacturing where it may be more feasible to rent expensive production equipment. Also, in some industries high-end equipment is rented based on project needs.

Sales and Marketing

Your Business Plan, including Start-up Needs, will indicate your Marketing and Sales Plans and your Advertising Strategies. You will need to decide, and forecast, how much you need to spend in marketing and promotion (including distribution costs of promotional materials) to compete in the market. You will also want to consider spending more for marketing in slower/off season months. An example would be a landscaping/snow removal business that historically spends more in marketing of their landscaping services in the March/April period.

Office Supplies

Consider the ongoing costs of stationery, file folders, filing systems, printer ink cartridges, postage, etc.

Transportation

Vehicle operating expenses would include: lease costs (if you intend to lease a vehicle), gas, insurance, maintenance, license, and parking. If you are using public transportation you could include the cost of a monthly pass. If using WheelTrans, forecast what your monthly costs for this service would be.

Communications

Includes: telephone, cell phone, internet fees (if applicable to your business), and fax services.

Accommodations

Costs of your accommodations, as per your Business Plan Start-up Needs, and any ongoing accommodation costs.

Insurance

This represents Business Insurance. You may want to contact your Insurance Agent to establish what business insurance you may need and the cost of this.

Legal and Accounting

Include cost of business registration. You will also include any legal fees that you anticipate you may incur depending on your business. Also, depending on your needs, will you require monthly or occasional services of a bookkeeper or accountant?

Depreciation

You might acquire a depreciable property to use in your business, such as:

- Building
- Furniture
- Equipment

You cannot deduct the cost of the property when you calculate your net business income.

However since these properties wear out or become obsolete over time, you can deduct their cost over a period of several years. The deduction for this is 'Depreciation' or as per Canada Customs and Revenue Agency (CCRA) – 'Capital Cost Allowance (CCA)'.

The full amount of any asset you purchase, or bring into your business, over \$250., is not charged against Income and is expected to be depreciated.

There are several classifications and depreciation percentages established by CCRA and you, or your accountant/bookkeeper, will need to determine these when you are completing your Income Tax Return. CCRA's website is www.cra-arc.gc.ca

In your Business Plan – Start-up Needs you have established Fair Market Value (FMV) of assets you are bringing into the business and the Cost of assets you intend to purchase.

As an example, if this totals \$10,000. you would depreciate this amount.

Taking a general classification with a 30 % depreciation rate (Note: CCRA allows only half of the depreciation rate for the year of acquisition or start-up) you would forecast the following:

Year 1	Assets \$10,000.	Depreciation Rate 15% = \$1,500. You would forecast \$1,500. divided by 12 months \$125. in each month for Year 1
Year 2	Depreciated Value \$8,500.	Depreciation Rate 30% = \$2,550. You would forecast \$2,550. divided by 12 months \$210. in each month for Year 2

Interest/Bank Charges

If you intend to obtain a loan only the interest costs are included in you Income Statement Forecast. You can easily obtain the interest amount, based on the amount you intend to borrow, from your lender. Also, this element includes monthly service charges for operating your business account.

Other

There may be an element particular to you business that you will need to include in your forecasting. Just type your element over 'Other' and forecast the amount(s).

As you have been entering your amounts on the worksheets calculations, as per formulas, are being performed for Net Income (Gross Profit minus Operating Expenses).

Income Tax Provision

A formula has been inserted that calculates 20% of your Net Income as a Provision for Income Tax. This is a general percentage and your actual percentage will only be known when you complete your Income Tax Return based on your actual revenues and expenses.

Based on your input of the above, for Year 1 and Year 2, you will now have completed your Income Statement Forecasts and established you Net Income after Taxes.

You may want to print off a hardcopy of these worksheets as it will be helpful in continuing with your Financial Forecasts.

Save the File!

Take a well deserved 'Break'!

After the 'break' you'll begin your Cash Flow Forecast

CASH FLOW FORECAST (Tab 3CashFlow)

A Cash Flow Statement is a financial statement that indicates when and how much money is coming into the business – Cash In (Receipts), and when and how much money is being paid out of the business – Cash Out (Disbursements).

The first thing you should notice is that the Total Sales you have projected on your Sales Forecast worksheets have been forwarded, by month, to your Cash Flow Forecast Worksheets.

Cash In (Receipts)

Cash Sales

This represents monies you receive immediately, for your products/services, in cash, cheques or credit/debit card payment. It also represents payments you receive as down payment for a portion of a contract and when you deliver the product/service you invoice for the balance of the contract. (see next line - Credit Sales Payments)

Credit Sales Payments

This represents payments against invoices. You would forecast the sale the month of completion of the contract but you would not receive payment until the next month (if you are dealing with commercial clients payment term of 30 days is common).

An example would be: In May 5th, 2005 you sign a contract, for \$3,000., with XYZ company. They agree to pay you 50% on signing of the contract and the balance to be invoiced on completion of the project. On May 15th you receive the \$1,500. cheque for signing of the contract. You complete the project on May 24th and send in your invoice for the balance of \$1,500. It is highly unlikely that you would receive payment before the end of May and you would forecast that you would receive this in April. In this scenario you would forecast a sale of \$3,000 in the month of May. In Cash Sales for May you would show \$1,500., and the balance of \$1,500. would be a Credit Sales Payment in the month of April. Remember you are forecasting when Cash comes in and when Cash is paid out. If you are dealing with commercial customers, or individuals who expect credit terms, you need to factor this in.

Owner's Investment

This is the amount(s) you intend to put into the company, from your cash resources, for either start-up, or at other times during the year, to maintain a positive cash balance in your business.

Bank Loans

Amount you intend to/are able to borrow from a Bank.

Other Financing/Funding

Loans from family, friends, investors, or lenders other than the Bank. This would also include any funding/grants that you might receive for business start-up.

As you are inputting the above you will see that calculations are being completed, as per formula, for 'Total Cash In'.

Cash Out (Disbursements)

Contract Payments

You will have forecasted this in your Income Statement Forecast and the explanation for this element is on Page 7.

Employee Salaries

In your Income Statement Forecast have you forecasted a 'Cost of Sales'? Is there a portion of these costs that represents labour (employee) costs to produce the product? If so, you will want to forecast that amount in this element. Also consider whether you intend to have employees, other than for labour cost to produce your product(s), and forecast the expense for these employees.

Material Product Purchase

As above, in your Income Statement Forecast have you forecasted a 'Cost of Sales'? Refer to explanation on Page 6. In this element you will need to forecast: opening inventory to realize sales, cost for replacement of products sold, and if & when you intend to purchase surplus inventory for potential product sales.

Equipment Purchase

If you intend to purchase equipment what month(s) do you plan to do this. In your Business Plan you will have determined equipment 'Needs' in Start-up Needs. You will include the costs of these in this element. Also, your Cash Flow will indicate when you have the surplus to purchase additional equipment, or when you may have to inject more of your cash resources, or obtain a loan to purchase equipment.

Explanations for the following elements are included in the Notes for your Income Statement Forecast and these can be reviewed on Pages 6 to 8:

Premises Rental

Equipment Rental

Sales & Marketing

Office Supplies

Transportation

Communications

Accommodations

Insurance

Legal & Accounting

Loan Payment

If you have indicated in your Cash In (Receipts) that you will be obtaining a loan you will need to forecast the amount of the monthly payment. In the Income Statement Forecast for the element – Interest/Bank Charges you only include the ‘Interest’ on the loan. In your Cash Flow Forecast in the element Loan Payment you include total payment, i.e. principal and interest.

Bank Charges

Represents monthly service charges for operating your business account.

Management Salaries/Draws

This is what you forecast that you will take out of the business to pay yourself. If you are an incorporated company it is considered a Management Salary; if you are a sole proprietorship it is considered a Management Draw. You will only forecast in this element if there is sufficient cash surplus to pay yourself. This is unlikely in the first few months!

Other

There may be an element particular to your business that you will need to include in your forecasting. Just type your element over ‘Other’ and forecast the amount(s).

Income Tax

In your Income Statement Forecast there is an ‘Income Tax Provision’ of 20% of net income (See Page 9 for explanation). You can use this as a basis for forecasting this element. Remember that you are doing a Cash Flow Forecast (when cash is coming in and when cash is being paid out). Income Tax most generally is due April 30th of each year therefore you will forecast your Income Tax amount in April of each year.

As you are inputting in the above elements calculations are being done as per formulas.

Your Cash In minus your Cash Out will give you your Net Cash and your Closing Balance is a cumulative amount month over month.

Your Closing Balance needs to remain in the positive. If it goes into the negative you will need to do 1 of 3 things or a combination of these:

1. Invest more of your own cash resources!
2. Decrease, eliminate or delay expenses (cash out)!
3. Borrow more money!

Congratulations!

With this Cash Flow Forecast you have completed the Financial Forecasts for your Business Plan!

Print off your entire Workbook and review for any changes. Again make sure you ‘Save’ the file!