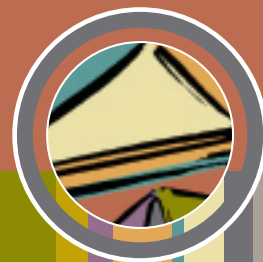




Writing a business plan
maximizes your
chances of success
and ensures your company
will be managed effectively

MANAGEMENT SUCCESS

WRITING A BUSINESS PLAN





WRITING A BUSINESS PLAN

Writing a business plan is a demanding exercise that requires you to reconcile your project with reality...

Step 1

Introduction

Many entrepreneurs do not prepare a business plan before striking out on their own. This partially explains why 50% of businesses fold by their second year of operation and 90% don't make it to the 10-year mark.

A business plan allows you to structure your project on paper in order to identify shortcomings before you get going. A business plan is also an indispensable tool for managing your company.

Preparing a business plan is an essential planning step before launching or expanding a business. Its purpose is to plan your activities for the next two to three years in order to ascertain whether your investment will be profitable. The business plan is your professional road map that tells you how your company will move from point A to point B (where is it headed and how will it get there?).

Transforming your business idea into reality requires effective planning in terms of finances, operations, marketing and management. How do you see your company growing? What are your long-term objectives? To clearly convey your vision of the company's future, you must record your thoughts and intentions.

A business plan is an important reference document not only when starting a business but throughout its existence. It helps you define your company's corporate image. You must draft it with great care and pay particular attention to its general look. Keep in mind that business planning is an ongoing process.

It is a common misconception that business plans are written for the sole purpose of obtaining financing. A business project is a major challenge in one's life. Think of the planning that goes into buying a house, getting married, or taking a trip: people often take more than a year to prepare and plan the details. Starting a company is certainly more costly and more laborious. It only makes sense to devote the time, energy and resources required to ensure its success.



APPENDIX 3 Business Plan Guide



PREPARED BY¹:

CLD de Laval

1555 Chomedey Boulevard, suite 110

Laval, QC H7V 3Z1

Telephone: 450 978-6990

Fax: 450 978-5970

¹ The masculine form is used to simplify the text.

Here some helpful tips for the compilation of your business plan:

- Use verbs in the present tense in order to show that you are taking action. **Do not use verbs in the future tense.**
- Use **impersonal terms** as the entrepreneur, Mr. or Mrs./Miss. X, it, she, the business, instead of I, me and we. This disconnects you from the project and makes you sound more objective in relation to the project.
- **Be affirmative, clear and precise:** This means that your business plan must be composed in a uniform and understandable manner. Be brief and concise. Bring facts (quotations, statistics, etc.) together that support your explanations and pull your summaries together to establish the link between your conclusions and the realities of today's market. Do not take anything for granted, explain your reasoning in detail so that the reader would be able to understand it, form their own opinion and be convinced that you are capable of undertaking your own business.
- Any quotation, statistics and term references must be indicated at the bottom of the page or indexed in a bibliography. You can also put the documented notes as an annex.
- **Be methodical:** note numbers and titles of sections and sub-sections. This allows the readers to easily pinpoint themselves throughout the business plan. Do not forget to include a table of contents and proper page numbering.
- **Be dynamic:** use numbered pictures, charts and graphs, (not at all forms must be used) and insure that they are well titled and numbered to facilitate the reading of your document.
- Since this document directly reflects your business, pay special attention to **spelling and grammar, to sentence structure and to the cleanliness of your presentation.**

Contact People

Entrepreneur/Business Owner

Name:
Address:
Telephone:
E-mail:

Entrepreneur/Business Owner

Name:
Address:
Telephone:
E-mail:

Accounting Firm

Firm Name:
Contact:
Address:
Telephone:
E-mail:

Financial Institution

Institution Name:
Account Manager:
Address:
Telephone:
E-mail:

Business Mentor

Company:
Contact:
Address:
Telephone:
E-mail:

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EXECUTIVE SUMMARY

The executive summary is an essential tool in your business plan. It allows the reader to have an overview of the project (**two-page maximum**). Several professionals, such as bankers, private investors, capital risk corporations, lawyers, accountants and notaries use this summary in order to model a first impression of the project. It is therefore important to bare much emphasis on the added value of your project in this section, while limiting yourself to the essential information.

The business plan must be completed before you can compose the summary. It is essential that the summary be precise, exact and convincing. You must show the practicability and profitability of the project. Furthermore, the reader must be convinced that you are aware of the risks and threats of the market, and that you are capable of undertaking your own business with success. It is your time to sell your business project.

We recommend that you summarize the following elements:

- ✓ the nature of the project;
- ✓ the company's mission statement and objectives;
- ✓ management team;
- ✓ the products and/or services offered;
- ✓ the market in which your business will evolve (industry);
- ✓ the target customer and their needs
- ✓ the competition;
- ✓ labor planning (key employees);
- ✓ company's competitive advantage;
- ✓ project costs;
- ✓ entrepreneur's investment;
- ✓ financial forecasts and needs (start-up financing and cash assets needed);
- ✓ forecasted financial returns for the first two years of business operations.

1.0 PROJECT PRESENTATION

OBJECTIVE: To allow the reader to obtain precise information on the nature of the project before beginning the market analysis.

1.1 PROJECT NAME

- ◆ What is your the name of your business?
If there is no name yet chosen, please state some name options (3).
- ◆ What is its present or forecasted address?
- ◆ What are its telephone numbers (office and cellular)?
- ◆ What is its fax number?
- ◆ What is its E-mail address?
- ◆ What is its Web site (URL) address?

1.2 BUSINESS FORMS

- ◆ What is the legal status of your business? Sole proprietorship or partnership (registered), a business owned by shares or a corporation (provincial or federal incorporation).
- ◆ What date did you obtain your registration or incorporation? **Include a copy of your official documents in an annex.**
- ◆ Explain the reasons for your choice. Consult the following Internet site:
www.barreau.qc.ca/fondation/rapports/vosdroits.html
- ◆ If your business is a corporate entity, or a partnership indicate the business share distribution. In the following table:

Name of shareholders or partners	%age of shares

- ◆ If your business is a business owned by shares or by individuals, a partner's agreement or a shareholder's agreement must be written in order to protect all partners in case of misunderstanding, death, separation from spouse, or any other event that could affect your business. **Join a copy of the agreement as an appendix.**

1.3 MISSION STATEMENT

The mission statement allows the reader of the business plan to know the business objectives. The mission statement is the heart of the business. It sets you apart above the others. It is defined in three steps:

- 1) start with an action verb (Ex : To offer a service, make, conceive, sell, distribute a product);
- 2) describe the business activities;
- 3) who are the products and/or services intended for.

◆ The ideal mission statement is usually stated in one sentence. It is composed in clear and precise terms for the reader.

◆ Here are some examples:

- *To conceive, make, install and maintain electronic equipment for food chain manufacturers and for small bakeries.*
- *To conceive, create and sell user-friendly accounting software for small service and retail businesses.*

1.4 PRODUCTS AND/OR SERVICES OFFERED

Briefly name and describe each of the products and/or services offered. *You will have to complete this task in detail in the marketing strategy section.*

1.5 BUSINESS OBJECTIVES

◆ What is the bottom line in performance that you wish your business to achieve? **Have realistic targets, they represent your knowledge pertaining to your industry.**

Short-term (less than 1 year)

- In what month is the profit threshold reached?
- What are the sales figures and profit for the first year of business operations?
- How many regular or repeat clients would you like to have by the end of the year?

Mid-term (2 to 4 years)

- What changes will you be making to your product and/or service?
- What type of partnership will you develop (joint venture)?
- Do you predict that you will change your work location within mid-term plans?

Long-term (more than 5 years)

- What is your profit margin goal?
- Would you like to export? If so, when? What countries will be aimed at?
- How many employees do you foresee having?

- ◆ What are the primary steps that you have taken and/or will have to take in order to start your business (in chronological order).

Example:

Activities	To complete on:	Date completed:
Market research		
Contacts (accountants, lawyers, insurance companies, etc.)		
Obtainment of finances		
Incorporation, registration		
Retail work space		
Purchased goods		
Advertising, trade shows		
Labor hiring		
Official opening		

2.0 ENTREPRENEUR(S)

OBJECTIVE: To allow the reader to become familiar with the entrepreneur(s) as well as the roles and the tasks that they occupy in their business.

2.1 IDENTIFICATION

- ◆ Identify each entrepreneur;
- ◆ Include your curriculum vitae as an annex;
- ◆ Include your personal balance sheet as an annex.

Name		Name	
Address		Address	
City		City	
Telephone		Telephone	
Cellular		Cellular	
Fax		Fax	
Email		Email	

2.2 ENTREPRENEUR'S ROLES AND TASKS

- ◆ What is each entrepreneur's role? (*President, manager, secretary*)
- ◆ What are each entrepreneur's tasks?
- ◆ How many hours per week do you forecast for each respective task?

Entrepreneur's Name		
Roles		

Tasks	# of hours/week	
Management, administration		
Solicitation, representation		
Production		
Accounting		
Buying		

2.3 ENTREPRENEURS' EXPERIENCE

- ◆ The following sub-section serves the purpose of linking your experience with your business' future projects. Be sure to include previous employment, education, any achievements and activities completed pertaining to your business. Explain how all of this allows you to start up your business. *A half page is sufficient to state your points. Do not summarize your entire C.V. The goal is to show the reader that you are competent and have the knowledge and entrepreneurial skills to achieve your project idea.*

2.4 MENTOR

- ◆ Who is your mentor?
 - This person must be first off a business contact. Ideally, your mentor must be or must have been in business. It is important to not choose a mentor that is a supplier or a customer in order to not create a conflict of interest.
- ◆ In what aspects of your business will this person help you?
For example:
 - human resource management;
 - networking;
 - inventory management;
 - financial management.
- ◆ Include your mentor's curriculum vitae as an annex.

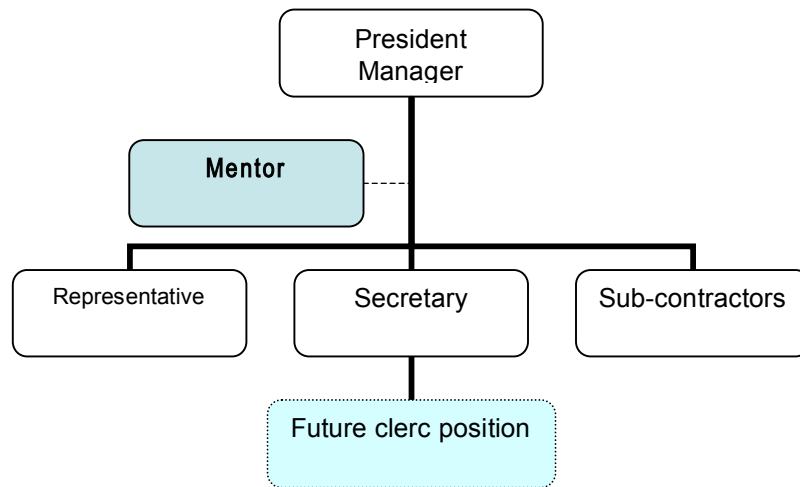
2.5 CONTACTS

- ◆ Show that the entrepreneur maintains relationships with several resource people/contacts, for example, an accountant, a lawyer, a CLD counselor, a manufacturer in the industry in question, a president of an association relative to their business, etc.
- ◆ Indicate the names, professional titles and phone numbers of these contacts and explain their degree of implication.

2.6 ORGANIZATIONAL CHART

- ◆ Explain the organizational “structure” of your business for the first two years of in business;
- ◆ Advisory positions (mentor) are to be shown by dotted lines;
- ◆ Forecasted positions are to be shown by dotted-lined boxes.

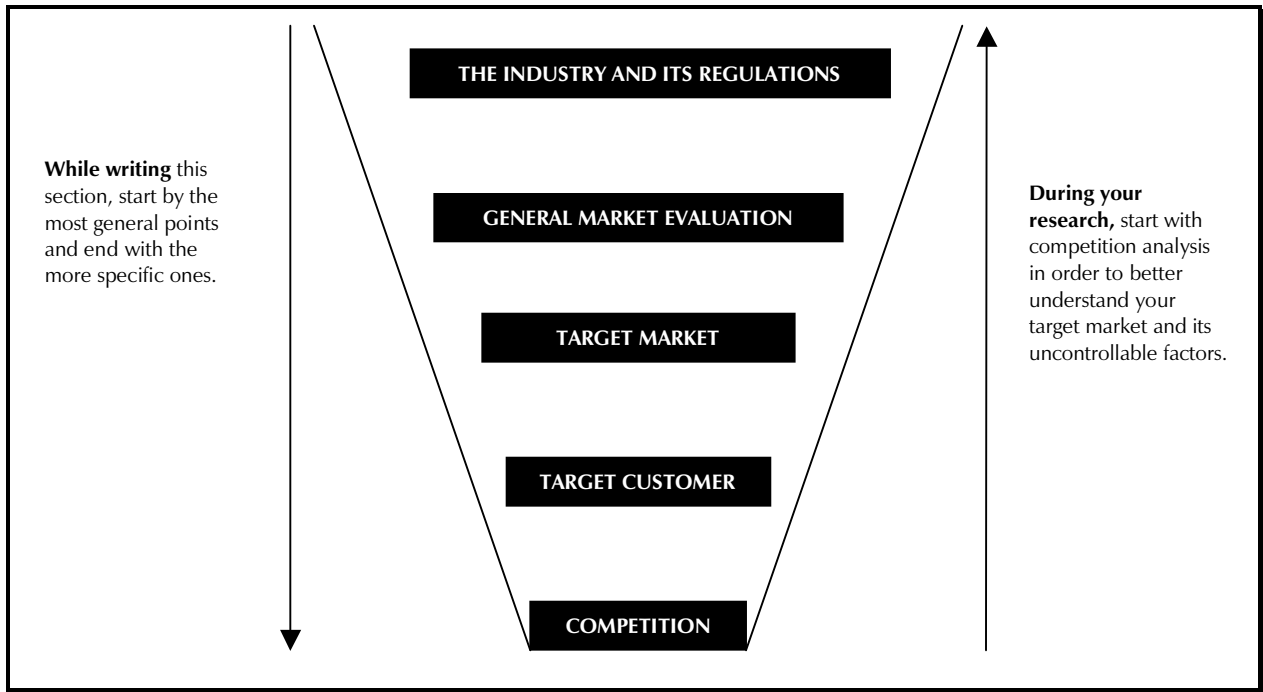
Example:



3.0 MARKET RESEARCH

OBJECTIVE: To establish an effective marketing plan and to know the present and potential issues of the market in which your business will evolve in (trends, opportunities, threats), in relation to its product and/or service.

Logic Behind Market Research



SOURCES: The following, are secondary sources that are necessary for your market research. This is not an exhaustive list.

Steps for undertaking market research

- 1) **Collecting primary data:** carry out your research by means of quotation requests, competitor visits, polls carried out on potential customers and suppliers.
- 2) **Consult the Internet:**
 1. www.strategis.ic.gc.ca
 2. www.infoentrepreneurs.org ☎ 514-496-info
 3. www.stat.gouv.qc.ca ☎ 1-800-463-4090
 4. www.statcan.ca ☎ 1-800-263-1136
 5. www.exportsource.gc.ca
 6. Search engines: will allow you to surf the Internet.

You must perform your research by using key words, of names of professional associations, businesses (suppliers, competitors, experts) and of magazines. Use French and English key words in order to obtain maximum information. Some useful search engines are:

- i. www.google.ca
- ii. www.yahoo.ca
- iii. www.toile.qc.ca

7. Useful search engine: www.copernic.com

3) Communicate with key people:

1. municipal, regional and governmental organizations;
2. associations;
3. competitors;
4. specialized industry magazines;
5. suppliers;
6. experts in the field.

4) Go to the library to find pertinent newspaper and specialized magazine articles dealing with your industry. Most university libraries have databases where you can find detailed information specific to your industry.

Writing recommendations

- 1) Using your knowledge of the market, state your conclusions.
- 2) Based on the data that you collected at the time of your research, bring forward facts that confirm your conclusions. In the case where you notice that your ideas on the market are unsure, deepen your knowledge to better understand the dynamics of the industry before starting your business.
- 3) Lastly, make conclusions so that the reader can understand the connection between your knowledge and the realities of the market.

3.1 THE INDUSTRY AND ITS REGULATIONS

- ◆ Explain what is happening in your industry to show that you understand your market's present state of being. Ensure that the reader has the necessary information that will allow him/her to form an opinion. Include the following:

Policies and jurisdictions:

How do issues and political decisions, such as federal, provincial and municipal laws, affect your industry?

Economic issues:

In what way do economical realities (recession, inflation, fluctuating rates) influence your industry? What seasonal cycles is your industry made up of?

Social issues:

What social tendencies is your industry made up of? (Physical activities, spirituality, divorce rates, single-parent families, well being at work).

Technology:

What technical advancements are most susceptible or likely to affect your industry?

Environment:

What environmental norms govern your industry?

- Please note that there is a possibility that some of these variables have no influence over or on your industry. However it is important to take note of all those that may or may not affect your industry in order to best understand the realities of the market in which you will become an entrepreneur.
- ◆ Is your industry in a phase of introduction, growth, maturity or decline?
- ◆ Does the market offer business opportunities? What indicators reflect a need for your product or service in today's market?

3.2 GLOBAL MARKET EVALUATION

- ◆ Evaluate the global market of the economical potential of your industry in the territory where you plan to evolve. Do so in a quantitative manner (in terms of dollars).
- ◆ You must use representative, logical and, as recent-as-possible statistics. If this is not available for your sector, use data that is available for Laval, Montréal or Quebec.

Example: 137 359 households in Laval
 70 190 households that have computers*
 \$264 on average is spent per household on computer products

Potential Market: $70\ 190 \times 264 \$ = 18\ 530\ \160 on computer product expenditures.

*56.7% of the population possessed a computer in 2002; according to the Quebec institute of Statistics.

3.3 TARGET MARKET

It is important to properly establish and identify your target market. It will support your entire marketing strategy, which you will use to sell your product and/or service. This section is the most important one in your business plan because it influences all the others.

- Target your potential clients: In this section, you must make a list of potential customers that will buy your product and/or service. Furthermore, you must indicate the reasons for which they would be interested in your business. This is an important brainstorming session because it will enable you to evaluate all the possible potential buyers in order to make an enlightened and informed choice when determining your target audience for the following section.

Example: A computer support business:

<i>- manufacturing businesses for their automated systems</i>	<i>- office businesses for their computer farms</i>
<i>- organizations for their computer management services</i>	<i>- government for their database management systems</i>
<i>- municipalities for their computer systems, tax payments and other</i>	<i>- business retailers for their cash register and accounting systems</i>
<i>- service businesses to manage their accounting and customer database systems</i>	<i>- autonomous workers for their desktop and laptop computers</i>
<i>- elderly people to help them develop their computer aptitudes and knowledge</i>	<i>- families with children for help with their personal computer system, internet and internet parental management</i>
<i>- baby boomers to help them remain up-to-date of new technologies to keep them active in the workforce</i>	<i>- professional couples for their personal computer systems and for keeping them connected remotely with their office systems</i>
<i>- universities, and other schools for their systems used in class and in administration</i>	<i>- students, to complete their work on time</i>
<i>- software manufacturers, for their customer support</i>	<i>-etc...</i>

3.4 TARGET CUSTOMER

Indicate a few target customers that your business will concentrate on and describe them according to the following elements:

- 1 - Individuals (age, sex, revenue, profession, number, etc.)?
 - Businesses (activities, revenue, number of employees, etc.)?

- 2 - What are the customers' characteristics of each of your targets?

Example: Who usually makes the final buying decisions (CEO, production manager, controller, parent and child)?
 Who are the users of your product and/or service?
 Does your target audience have preferences (brand names)?
 What is their purchasing frequency?
 Where do they purchase?
 What types of attitudes do they have regarding your product and/or service?
 Are they impulse buyers? Staple buyers? Thought buyers?
 What is your target audience's purchasing frequency for your product and/or service (occasional, annual, repetitive)?

3 - Now, allocate a market percentage pertaining to your industry for each type of customer.

- Baby-boomers	55%
- Young families	45%
Total	100%

4 - Next, try to calculate your potential revenue by taking the number of people that your target customer is made up of, and multiplying it by the average annual spending for your business' type of product and/or service.

Example: 21801 baby-boomers
 19812 young families (25-35 years of age)
 41613 target customer households
 51.1% of them have a computer

Therefore, there are 21 264 potential client households who have an average spending of \$264 on computer electronics.

◆ Include a list of potential clients, letters of intent or completed contracts.

3.5 COMPETITION

◆ Who are your direct and indirect competitors?

◆ The following outlines what is meant by direct and indirect competition:

Direct competitors: offer the same product and/or service, fill the same needs and have the same client base.

Indirect competitors: offer a different product and/or service, however fill the same needs and have the same client base.

Example: A pedal boat business competes with a kayak business. Name your competitors (addresses and telephone numbers), and state each of their strong and weak points.

To better analyze your direct competition, complete the following table by using the criteria that your target customer will use to evaluate their decision at the time of their purchase.

Example: For a business opening up in the pastry industry, it is important to analyze the criteria of product freshness since the target audience grants much importance to this criterion.

CRITERIA COMPETITORS	Product/ Service	Price	Strengths/ Weaknesses	Direct/ Indirect	Location
Your Business					
Competitor A					
Competitor B					
Competitor C					

4.0 MARKETING STRATEGY

OBJECTIVE: describe your action plan in order to get your target customer to hear about your business and for your business to stand out above your competitors.

4.1 PRODUCT AND/OR SERVICE STRATEGY

- ◆ Give a detailed description of your product and/or service according to the following elements:

Physical characteristics: Materials, options, physical characteristics (color, form, packaging, style), functionalities, quality, performance.

Other characteristics: Payment methods, guarantees, installations, toll-free numbers, free updates, technical support, replacement parts, manuals, training, delivery milestones, post-sales service, all elements included in your service.

Certifications, accreditations: Specific certification, number of customers using the product and/or service, success stories, prizes won, accreditations, published items on the product and/or service, news or radio reports. Ex: ISO, HACCP, FDA, Health Canada.

** Include in an annex, photos and/or technical drawings of your product(s), if applicable.*

4.2 POSITIONING STRATEGY

- ◆ State your positioning strategy with the use of a visual graphic to help compare your business to your competition. This tool, called a perception graph, allows the reader to analyze your business' positioning according to its product and/or service through the eyes of your target customer. Here are the steps to follow:

a) Purchasing criteria description: you must mark on the axis, the two purchasing criteria considered to be the most important ones by your target customer at the time of their purchasing decision. You must describe what each axes represents above the perceptual graph. Explain why these criteria are important to your customer.

Note: choose criteria that are more specific than price versus quality.

b) Perceptual graph: You must position your business on this graph in accordance with the two axis and mark your competitors' positioning as well.

c) Competitive advantage explanation: It is important to conclude this section by explaining the positioning of your business in order to outline the competitive advantages of the product and/or service in relation to your selected target customer.

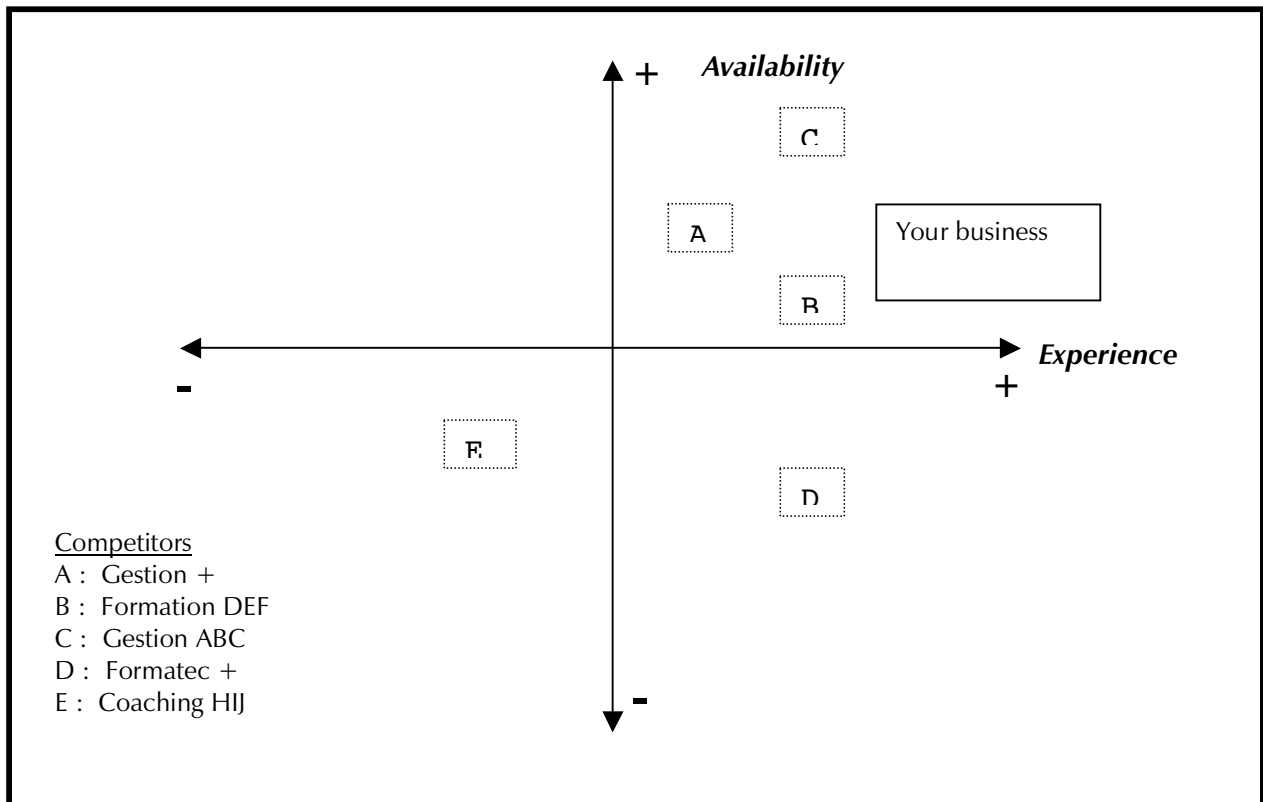
Example: product and/or service A or target audience

Management consultation services:

a) Purchasing criteria description:

- a. **Availability:** the client needs to resolve problems dealing with daily management of his/her company, quickly. The consulting firm must be able to have a quick availability schedule in order to help the client achieve timely solutions to the problems;
- b. **Experience:** in order for the client to feel that they can trust the proposed solutions offered by the consulting firm, the client gives much importance to the number of years of experience that a consultant has, in order to obtain proper advice.

b) Perceptual graph



c) Competitive advantage explanation:

The firm has a pool of experienced consultants in five industries; the bakery industry, data processing, automotive industry, accounting and horticulture industries. Furthermore, all the consultants have signed an agreement concerning the priority in their availability to quickly execute their consultations. Due to these two strong points and all of their accomplished consultations to date, the firm has built a credible reputation for themselves.

4.3 PRICING STRATEGY

- ◆ How have you established your pricing?
 - By costs:
 - For a service-based business:
 - the number of hours needed to complete a contract;
 - traveling expenses;
 - other office expenses.
 - For a manufacturing-based business (costing):
 - for raw material costs;
 - transportation costs;
 - direct labor costs;
 - other manufacturing expenses (ex : %age of rent for production).
 - By profit margins;
 - A combination of both.
- ◆ Have you considered your competition?
- ◆ What is the price that your client is willing to pay (psychological price)?
- ◆ Explain the credit policies, payment terms, discount and rebate policies that you offer your clients.

For manufacturing-based businesses only, in the table below list your product(s) including its (their) selling price(s), manufacturing costs and the gross profit margins.

Product	Price	Cost	%age of gross profit margins

4.4 COMMUNICATION STRATEGY

- ◆ What are your communication objectives?

What is your business' corporate image (name, logo, slogan, colors)? Make sure that they are adapted to your target customer.
- ◆ What steps have been taken to deal with intellectual property and/or
 - precedence of patent filing date;
 - patents, trademarks, copyright laws?
- ◆ What forms of advertising and/or publicity will you use?

Examples: Newspapers, magazines, radio, television, business cards, leaflets, catalogs, billboards, signs, Internet, etc. (manners in which to get known).

- ◆ What promotional materials will you use?
Examples: special pricing, samples or free trials, prize offers, high-fidelity programs, etc. (promotional tools that will help increase sales).
- ◆ Have you performed or will you be executing any PR (public relations) activities?
Examples: professional associations, conferences, trade shows, chamber of commerce, seminars, etc.
- ◆ How will you execute your communications plan?
Example: produce an *activities* calendar.

Complete the table below in order to determine the required annual budget.

Activities	Goal	Frequency/Year	Cost/Year 1	Cost/Year 2
Total annual budget				

4.5 DISTRIBUTION STRATEGY

(MANUFACTURING-BASED BUSINESSES ONLY)

- ◆ What is your distribution network?
Example: Specialized distributors, wholesalers, retailers, supermarkets, franchises, independent stores, etc. Justify your choices according to your marketing objectives.
- ◆ Have you established any contact with potential distributors?
- ◆ What business procedures have you taken into consideration (consignment – sales commissions, gross profit margins requested by the distributor, payment terms and milestones, etc.)?

4.6 SALES STRATEGY

- ◆ Who will take care of sales? How many hours per week do you foresee spending on sales? Which sector and target audience will you begin your solicitation with?
- ◆ Do you plan to have traveling or on-site salespeople? What is the commission policy for the salespeople?
- ◆ How are the current and future sales markets divided up between your representatives?
 - by territory?
 - by type of product?
 - other?

(IF APPLICABLE)

- ◆ Where and for what reasons have you or will you choose the location of your business office? Will clients be coming to your office?

Examples:

- low costs;
 - strategic location;
 - road access, zones, parking;
 - area and its environment;
 - competitive absence or presence;
 - services in close proximity;
 - traveling time;
 - lease;
 - public transit availability for the employees.
- ◆ Is the location you have chosen for your business office large enough to accommodate future growth?

5.0 TECHNICAL ANALYSIS

OBJECTIVE: to show the project's feasibility by using the entrepreneur's resourcefulness and know-how.

5.1 PRODUCTION

- ◆ Manufacturing-based businesses:
 - Can you describe the steps or procedures, manufacturing methods, product components and required timelines? Production calendars? Quality control?
 - What technologies will be used?
 - Will you need sub-contractors? If so what would be the costs involved?
 - What are your product's delivery milestones?

- ◆ Commercial and service-based businesses:
 - What are the main steps needed to carry out in order to bring forward your service to your client?
 - Do you need sub-contractors? Have you contacted any sub-contractors? If so what costs are involved in using their services?

5.2 PRODUCTION CAPACITY EVALUATION

- Following your technical analysis (Section V), evaluate your capacity in terms of unit production or of sales. Do you have all the human resources, materials and financial resources to attain these results?

5.3 INVENTORY

- ◆ Manufacturing-based Businesses:
 - What raw materials will you be using for your manufacturing process?
 - What quantities must you keep in inventory (raw materials and/or stock)? What are inventory start-up costs? Are there any re-stocking delays?
 - Who are your main suppliers? Make a list, including their coordinates. What are your credit terms?

Equipment	Far Market Value	Acquired	To acquire	Date of acquirement
		<input type="checkbox"/>	<input type="checkbox"/>	
		<input type="checkbox"/>	<input type="checkbox"/>	
		<input type="checkbox"/>	<input type="checkbox"/>	

5.5 HUMAN RESOURCES

- ◆ Describe your employee hiring structure. Use the following table:

Position	# of people	Hourly rate	Hours/week	Annual salary

- ◆ What are the main qualifications that a hired employee must have? Define the tasks and responsibilities of each employee. Give details by activity type: sales, production, etc. (necessary experience, technical expertise, abilities). Detail the number of hours worked per week by each employee (full-time, part-time or on call).
- ◆ What will your laborers be paid (by employee and in total)? When will your employees begin working (month, year)?
- ◆ What dates do you foresee hiring each of your employees?
- ◆ As an employer, are you registered to carry out deductions at source? And to the CSST?
- ◆ Have you prepared for a group insurance plan and the costs involved?

5.6 WORK SPACE FLOOR PLAN LAYOUT

(IF APPLICABLE)

- ◆ Make a floor plan layout of your workspace with approximate measurements, room divisions, room names, equipment placement, etc. Must you modify your workspace in order to make it operational? If so, draft a layout of the space improvements. Detail the necessary budget for the renovations and your installation costs into the space. Also include any municipal regulations that you must abide by.

6.0 FINANCIAL ANALYSIS

OBJECTIVE: to show the business profitability and realistic financial forecasts.

6.1 REQUIRED START-UP FUNDS.

- ◆ Enumerate and describe the necessary investments needed for the proper functioning of your business and include their costs. The sum of these necessary assets must be equal to the total financial resources.

PROJECT COST AND FINANCING / OPENING BALANCE SHEET

NECESSARY ASSETS		FINANCIAL SOURCES	
Short term assets		Loans	
Working capital		Credit line(s)	
Pre-paid expenses		<u>Long term</u> :	
Start-up inventory		- cash donations	
Promotional supplies		- bank loans	
Office supplies		- mortgage (20 % of costs)	
Deposit (telephone, electricity)			
Total short term assets	\$	Total loans	\$
Long-term assets		Owner(s) Investment	
Land		Asset transfers	
Building (see annex ___)		Cash	
Automotive equipment		Inventory :	
Furniture			
Computer equipment			
Equipment and materials			
Signs		Total investments	\$
Incorporation		Grant(s)	
Other :			
Total long-term assets	\$	Total grant(s)	\$
Total necessary assets	\$	Total financial sources	\$

- Start-up costs represent obligatory expenses to start up a business.

LIST OF ASSET TRANSFERS

	Market value (\$)
<i>Furniture</i>	
Furniture for operating activities	
Office furniture	
<i>Automotive equipment:</i>	
<i>Computer equipment:</i>	
<i>Equipment and materials</i>	
<i>Sign</i>	
<i>Building</i>	
Life span: _____	
<i>Leasehold improvements</i>	
Lease span: _____	
<i>Incorporation</i>	
<i>Total capitalization:</i>	

6.2 FORECASTED REVENUE

- ◆ What is the forecasted revenue for the first and second year in business? Determine a market hypothesis, relative to sales, and explain what your forecasts are based on related to your market research and your production capacity.

	YEAR 1		UNITS / # OF CLIENTS
Product and/or service 1	_____	\$	_____
Product and/or service 2	_____	\$	_____
Product and/or service 3	_____	\$	_____
Total sales:	_____	\$	_____

	YEAR 2		UNITS / # OF CLIENTS
Product and/or service 1	_____	\$	_____
Product and/or service 2	_____	\$	_____
Product and/or service 3	_____	\$	_____
Total sales:	_____	\$	_____

- ◆ What are the seasonal effects on the variations of sales for your business? Detail sales by type or product and/or service (if needed). Produce realistic forecasts.

6.3 FORECASTED FINANCIAL STATEMENT

Cash Flow Year 1

	YEAR 1												
	Total	1	2	3	4	5	6	7	8	9	10	11	12
Cashed sales													
Owner(s) Investment													
Bank loan 1													
Bank loan 2													
TOTAL REVENUE													
Raw materials or services													
Social benefits (global)													
Loan interest													
Capital													
Credit line interest													
Insurance													
Electricity/heating													
Rent													
Maintenance/repairs													
Telephone													
Traveling expenses													
Business furniture													
Advertising/promotion													
Taxes and permits													
Bank fees													
Other administration expenses 1													
Professional fees													
Sub-contractors													
Labor													
Drawings													
Salaries/Entrepreneurs													
Salaries/Sales													
Other administration expenses 3													
Registration/incorporation													
Capital assets													
Other sales expenses 1													
TOTAL EXPENDITURES													
Starting cash (without credit line)													
Revenue - Expenditures													
Ending cash balance (without credit line)													
Credit line													
Ending cash balance (with credit line)													

Cash Flow Year 2

	YEAR 2												
	Total	1	2	3	4	5	6	7	8	9	10	11	12
Cashed sales													
Owner(s) investment													
Bank loan 1													
Bank loan 2													
TOTAL REVENUE													
Raw materials or services													
Social benefits (global)													
Loan interest													
Capital													
Credit line interest													
Insurance													
Electricity/heating													
Rent													
Maintenance/repairs													
Telephone													
Traveling expenses													
Business furniture													
Advertising/promotion													
Taxes and permits													
Bank fees													
Other administration expenses 1													
Professional fees													
Sub-contractors													
Labor													
Drawings													
Salaries/Entrepreneurs													
Salaries/Sales													
Other administration expenses 3													
Incorporation/incorporation													
Capital assets													
Other sales expenses 1													
TOTAL EXPENDITURES													
Starting cash (without credit line)													
Revenue - Expenditures													
Ending cash balance (without credit line)													
Credit line													
Ending cash balance (with credit line)													

2-year Income Statement

Year 1

Year 2

Products		
Services		
Sales of products		
Total Products		
Cost of goods sold		
Production salaries		
Production fringe benefits		
Sub-contractors		
Opening inventory		
Purchases		
Ending inventory		
Total costs of goods sold		
Gross profit margin		
Other products		
Grants		
Total other revenues	\$	\$
Revenue expenditures		
Operation expenses		
Maintenance and repairs		
Production equipment rentals		
Rent production		
Production electricity and heating		
Miscellaneous production expenses		
Total revenue expenditures	\$	\$
Sales expenditures		
Salaries and sales commissions		
Sales fringe benefits		
Traveling expenses		
Representatives		
Fees – associations, conferences, trade shows		
Advertising and promotions		
Miscellaneous sales expenses		
Total sales expenses	\$	\$
Administration expenditures		
Salaries		
Administration fringe benefits		
Telecommunications		
Office supplies and expenses		
Office equipment rentals		
Rent		
Electricity and heating		
Permit taxes		
Insurance		
Professional fees		
Total administration expenditures	\$	\$
Financial fees		
Bank fees		
Short-term loan interest		
Long-term loan interest		
Total financial fees	\$	\$
Amortization/Depreciation		
Total expenditures	\$	\$
Net income before taxes	\$	\$

2 Year, Year-end Forecasted Balance Sheet

Ending	Year 1	Year 2
ASSETS		
<u>SHORT-TERM:</u>		
CASH		
CLIENT ACCOUNTS		
OTHER RECEIVABLES		
INVENTORY		
INCOME TAX REFUNDS		
PRE-PAID EXPENSES		
TOTAL SHORT-TERM ASSETS	\$	\$
 <u>LONG-TERM</u>		
LAND		
BUILDING		
AUTOMOTIVE EQUIPMENT		
COMPUTER EQUIPMENT		
EQUIPEMENT		
OFFICE FURNITURE		
LEASEHOLD IMPROVEMENTS		
INCORPORATION		
OTHER ASSETS		
OTHER ASSETS		
OTHER ASSETS		
TOTAL LONG-TERM ASSETS	\$	\$
TOTAL ASSETS	\$	\$
LIABILITIES		
<u>SHORT-TERM</u>		
BANK OVERDRAFT		
BANK LOAN		
ACCOUNTS PAYABLE		
OTHER ACCOUNTS PAYABLE		
TAXES TO PAY		
SHORT-TERM PORTION OF LONG-TERM DEBTS		
TOTAL SHORT-TERM LIABILITIES	\$	\$
 <u>LONG-TERM LIABILITIES</u>		
LOAN 1		
LOAN 2		
TOTAL LONG-TERM LIABILITIES	\$	\$
TOTAL LIABILITIES	\$	\$
SHAREHOLDER'S EQUITY		
COMMON SHARES		
EVALUATION SURPLUS		
RETAINED EARNINGS		
 TOTAL SHAREHOLDER'S EQUITY	 \$	 \$

N.B : If the business is already in operation, you must submit your income statements and **end of year balance sheets for the last three years.**

2-Year Profit Threshold Calculations (Break-even point)

	<u>YEAR 1</u>	<u>YEAR 2</u>
Variable expenses	0	0
Fixed expenses	0	0
Sales	0	0
Variable expenses / Sales	0	0
Break-even point	0	0

To calculate break-even point:
$$\frac{\text{Fixes expenses}}{1 - (\text{Variable expenses/Sales})}$$

Fixed expenses: Administration and finance expenses
Variable expenses: Cost of goods sold and sales expenses

7.0 ANNEXES TO SUBMIT

- Owner(s) Personal Balance Sheet
- Entrepreneur and key-employees' curriculum vitae
- Diplomas and study certificates (copy)
- Mentor's curriculum vitae
- Registration documents (copy)
- Status of by-laws : federal or provincial incorporation (copy)
- Associate and/or shareholder agreement(s)
- Newspaper and magazine articles (market research)
- Statistics
- Surveys (questionnaires and answers)
- Letters of intent
- Supplier and competitor lists
- Potential or present client list
- Trademark and copyright certificates, obtained patent slips, precedence of patent filing date; legal status (copies)
- Photos and technical drawings of product(s)

PERSONAL BALANCE SHEET

Name: _____ Date: _____

ASSETS		LIABILITIES AND EQUITY	
CASH ON HAND	\$	Liabilities (credit companies, credit cards, individuals, other)	Principal due or debt owed
Deposits (bank or other)	\$	Monthly payments _____ \$	
Stocks (listed value)	\$	Monthly payments _____ \$	
Bonds	\$	Monthly payments _____ \$	
Life insurance (surrender value)	\$	Monthly payments _____ \$	\$
Automobile (market value)		Monthly payments _____ \$	
Brand: Year:	\$	Monthly payments _____ \$	\$
Real estate property (market value)	\$	Mortgage loan: Interest rate ____%	
		Monthly payments _____ \$	\$
Furniture and personal belongings	\$	Payable taxes	\$
Other assets	\$	Other liabilities	\$
	\$	Total liabilities	\$
	\$	Net equity	\$
TOTAL ASSETS	\$	TOTAL LIABILITIES AND EQUITY	\$

1) Other revenue sources: Do you have any other sources of income? If so, what are they? What capital do you dispose of?

2) Other pertinent information: _____

I certify that all the information hereby stated is exact and complete.

SIGNATURE
E

DATE
