



Your Business Plan

A Fact Sheet for Small-Scale Business Owners

A business plan is your most important tool if you're considering starting a new business or expanding an existing one. Why is the business plan so important? The business plan is a comprehensive document that communicates to others the production and marketing intentions of the business operator, as well as the projected financial assumptions and facts, and provides the initial feasibility analysis—both physical and financial—of your proposed business. Business plans are used primarily as planning documents for operators, but financial institutions also use them for specific information to support loan applications.

Key Elements of a Business Plan

There are many acceptable formats for a business plan. The following outline describes a business plan format that has been used successfully in Maine.

Outline for Developing a Business Plan ¹

I. Cover Letter (if the business plan is submitted as part of an application for a loan or credit)

- A. Applicant name and address
- B. Amount and purpose of loan
- C. Term and source of repayment
- D. Collateral offered

II. Table of Contents

- A. Executive Summary
- B. Description of Business
- C. Market Analysis
- D. Competition
- E. Market Strategy

- F. Management Plan
- G. Sources and Uses of Funds
- H. Manufacturing Plan
- I. Financial Data

III. Executive Summary

- A. Mission statement and goals (short-term and long-term)
 - (1) Financial goals
 - (2) Nonfinancial goals
- B. Description of your proposed business
 - (1) Describe your product or service.
 - (2) Support with diagrams, illustrations, or pictures (if available).
- C. Summary of your proposed marketing method
 - (1) Describe the market segment (or submarket) you are aiming to reach.
 - (2) Outline the channel you plan to use to reach this market segment (retail, wholesale, distributors, mail order, other).
- D. Summary of your financial estimates
 - (1) State the dollars in sales you aim for in each of the first three years.
 - (2) State the estimated profit for each of the first three years.
 - (3) State the estimated starting capital you will need.

IV. Description of Business

- A. Include your mission statement and goals.
- B. State the type and form of your business.
- C. Describe the location and plant description.
- D. Describe the product(s) or service(s).
- E. Develop a timetable for your business plan implementation.

V. Market Analysis

- A. Describe your market.
- B. State your market size.
- C. Estimate your market's growth potential.
- D. Estimate industry trends.
- E. Describe pricing of your product(s) or service(s).
- F. Develop a customer profile.

VI. Competition

- A. Identify your nearest competitors.
- B. Assess their strengths and weaknesses.
- C. Describe the advantages your business will have.
- D. Describe how you will remain competitive.

VII. Marketing Strategy

- A. Identify your methods of selling products: direct, through distributors, retail chains, mail order, Internet, etc.
- B. Describe how your products will be serviced.
- C. Estimate the kind of advertising anticipated. Identify and estimate costs.

VIII. Management Plan

- A. Include personal histories of your business's owners (resumes).
- B. Include your organizational chart.
- C. List your duties and responsibilities and those of your employees.
- D. List your staffing plan—include the number of employees, and their salaries, fringe benefits, training needs, etc.

IX. Sources and Uses of Funds

- A. List the items to be purchased, such as real estate, equipment, franchise, etc.
- B. Include current contractor and supplier estimates, including installation, freight, and contingency costs.
- C. List proposed sources of funds, including owner's cash injection, proposed bank financing, and funds from any other sources.
- D. Include working capital needs, if applicable.

X. Manufacturing Plan (if applicable)

- A. Production and operating functions
 - (1) How will your production scheduling be accomplished?
 - (2) How will your product line and product inventory be accomplished?
 - (3) How will your resource acquisition be scheduled?
 - (4) Will you need to have a capital budgeting plan for equipment?

XI. Financial Data

- A. Historical Balance Sheets (three years, if available)
- B. Current Balance Sheet (less than 90 days old)
- C. Historical Profit and Loss Statements (three years, if available)
- D. Personal Financial Statements of principals with more than 20 percent ownership in the business
- E. Cash Flow for one year, month-by-month, for first year after receipt of loan or start of business (provide annual cash projections for three years and include assumptions)
- F. Projected Balance Sheets for three years (include assumptions)
- G. Projected Profit and Loss Statements for three years (include assumptions)
- H. Deviation Analysis for price increases or decreases (three previous years if available)

I. Tax return forms:

- ▶ Profit or Loss From Business (Sole Proprietorship) Schedule C (Form 1040C)
- ▶ U.S. Corporation Short-Form Income Tax Return (Form 1120-A)
- ▶ U.S. Income Tax Return (Form 1120)
- ▶ U.S. Income Tax Return for an S Corporation (Form 1120S)
- ▶ U.S. Partnership Return of Income (Form 1065)
- ▶ Partner's Share of Income, Credits, Deductions, etc.
- ▶ Schedule K-1 (Form 1065)

J. Capital equipment list

A business plan is an outstanding opportunity for you to present your business ideas, skills, abilities, and opportunities in the most positive and enthusiastic manner.

¹ Adapted from *Business Answers*, Maine Department of Economic and Community Development (2005). For a copy of *Business Answers*, write or call: Maine Department of Economic and Community Development, State House Station #59, Augusta, ME 04333, 1-800-872-3838.

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Published and distributed in furtherance of Acts of Congress of May 8 and June 30, 1914, by the University of Maine Cooperative Extension, the Land Grant University of the state of Maine and the U.S. Department of Agriculture cooperating. Cooperative Extension and other agencies of the U.S.D.A. provide equal opportunities in programs and employment. 10/05

SAMPLE FORMAT

Balance Sheet
Your Company

December 31, 20XX

ASSETS

Current Assets:

Cash \$ _____
Accounts Receivable (net) \$ _____
Merchandise Inventory \$ _____
Supplies \$ _____
Prepaid Expenses \$ _____

Total Current Assets \$ _____

Fixed Assets:

Land \$ _____
Fixtures & Leasehold Improvements \$ _____
Building (Freezer) \$ _____
Equipment \$ _____
Trucks \$ _____
Less: Accumulated Depreciation \$ _____

Total Net Fixed Assets \$ _____

TOTAL ASSETS \$ _____

LIABILITIES AND NET WORTH

Current Liabilities:

Accounts Payable \$ _____
Current Portion Long-Term Debt \$ _____

Total Current Liabilities \$ _____

Long-Term Liabilities:

Notes Payable \$ _____
Bank Loan Payable \$ _____
Other Loan Payable \$ _____

Total Long-Term Liabilities \$ _____

Total Liabilities \$ _____

Net Worth: Owner's Equity \$ _____

TOTAL LIABILITIES AND NET WORTH \$ _____

SAMPLE FORMAT

Annual Pro Forma or Historical Income Statement Your Company

January 1, 20XX – December 31, 20XX

| | |
|---------------------------------|---------|
| Net Sales | \$_____ |
| Less: Cost of Goods Sold | \$_____ |
| Gross Margin | \$_____ |
| Operating Expense: | |
| Salaries & Wages | \$_____ |
| Payroll Taxes & Benefits | \$_____ |
| Rent | \$_____ |
| Utilities | \$_____ |
| Maintenance | \$_____ |
| Office Supplies | \$_____ |
| Postage | \$_____ |
| Automobile & Truck | \$_____ |
| Insurance | \$_____ |
| Advertising | \$_____ |
| Interest | \$_____ |
| Legal & Accounting | \$_____ |
| Depreciation | \$_____ |
| Other | \$_____ |
| TOTAL OPERATING EXPENSE | \$_____ |
| PRE-TAX PROFIT (LOSS) | \$_____ |
| LESS: TAXES | \$_____ |
| NET PROFIT (LOSS) | \$_____ |

SAMPLE FORMAT

Monthly or Annual Pro Forma or Historical CASH FLOW

Your Company

| | Pre-Start-Up | Month _____ | | Month _____ | | Annual | |
|----------------------------------|--------------|-------------|--------|-------------|--------|-----------|--------|
| | Actual | Projected | Actual | Projected | Actual | Projected | Actual |
| CASH RECEIPTS | | | | | | | |
| Cash Sales 1 | | | | | | | |
| Cash Sales 2 | | | | | | | |
| Proceeds from Loan | | | | | | | |
| Other Cash Receipts | | | | | | | |
| TOTAL CASH RECEIPTS | | | | | | | |
| CASH PAYMENTS | | | | | | | |
| Advertising | | | | | | | |
| Material Purchases | | | | | | | |
| Bank Service Charges | | | | | | | |
| Car & Truck Expenses | | | | | | | |
| Commissions | | | | | | | |
| Dues & Publications | | | | | | | |
| Employee Benefits | | | | | | | |
| Freight | | | | | | | |
| Insurance | | | | | | | |
| Principal Payment | | | | | | | |
| Interest Payment | | | | | | | |
| Laundry & Cleaning | | | | | | | |
| Legal & Professional Fees | | | | | | | |
| Office Expenses | | | | | | | |
| Maintenance | | | | | | | |
| Rent on Business Property | | | | | | | |
| Supplies | | | | | | | |
| Travel | | | | | | | |
| Meals & Entertainment | | | | | | | |
| Utilities: | | | | | | | |
| Water | | | | | | | |
| Telephone | | | | | | | |
| Power | | | | | | | |
| Salaries & Wages | | | | | | | |
| Other Payments | | | | | | | |
| Draw | | | | | | | |
| Taxes | | | | | | | |
| TOTAL CASH PAYMENTS | | | | | | | |
| SUMMARY | | | | | | | |
| Starting Balance | | | | | | | |
| Plus: Total Cash Receipts | | | | | | | |
| Less: Total Cash Payments | | | | | | | |
| Equals: Ending Balance | | | | | | | |