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Canadian
Aboriginal
Economic
Development
Strategy

Stratégie
canadienne de
développement
économique des
Autochtones

ABORIGINAL BUSINESS DEVELOPMENT PROGRAM

Business Planning Workbook

Business Plans

Plans d'affaires



Industry, Science and
Technology Canada

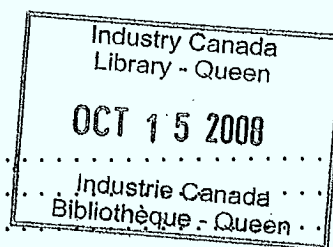
Aboriginal Economic
Programs

Industrie, Sciences et
Technologie Canada

Programmes économiques
des Autochtones

Canada

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Why Prepare a Business Plan?

Starting or operating a business provides many rewards to the entrepreneur and the community. But it also requires considerable planning and attention to details. You will require information about many factors important to your business and you will have to take many decisions. A business plan sets these out in a detailed and orderly fashion.

Failing to Plan = Planning to Fail!

A business plan is a lot of work -- why should you prepare one? The facts are clear. In order to run your business, you will need to know the answers to all relevant questions in this guide. For example, will your suppliers offer you 30 days' credit or must you pay cash on delivery? If you must pay C.O.D. and you haven't planned for that, you'll have cash shortages right away. Running the business will be a great deal easier if your plan is well researched and understood before your money is invested and before you open the doors to your customers. The most important factor in a business's success or failure is adequate preparation. It is far easier, and less costly, to correct mistakes made "on paper;" it is much harder to correct them after you are in business.

Three groups will use your business plan: you, lending institutions and investors.

- You are the prime user of the business plan; it can help you address the weaknesses and capitalize on the strengths of your business.
- Lending institutions will be interested in how you can repay your loan and provide adequate security.
- Investors will want to know how and when they can get their money back from the business.

Traps to Avoid

- Don't "fall in love" with your idea before you do your business plan. Try to use the business plan to improve your idea, change your approach or let it go altogether. After completing your plan, if you find that you haven't even modified your approach, you should have another look.
- If you are using the help of a consultant or advisor to prepare the plan, make certain you are actively involved in the planning and you fully understand every aspect of it. After all, whose business is it?

About This Guide

The guide is designed for applicants seeking **ABDP assistance between \$15,000 and \$100,000**. Some sections may not apply to a given business opportunity; therefore, the guide is designed to be tailored to fit your business opportunity. For instance, instead of completing Part 2 yourself, have your accountant work with you to develop the necessary information in Part 2 as it relates to your business.

Meet with your Aboriginal Business Development Program (ABDP) Development Officer

Before you begin preparing your business plan, make sure you meet with an ABDP Development Officer to:

- review this guide together and customize it to fit your needs
- decide whether you need consulting help to prepare the business plan and, if so, make the necessary arrangements. Note: if you need help from a consultant, it is still extremely important that you be actively involved in preparing the business plan with the consultant.
- set a target date for completing the business plan.

Business Plan completion date: _____

Date Business Plan submitted to
Aboriginal Business Development Program: _____



Part 1: Developing a Business Plan

Business History and Organization

1. What form of business is it? Indicate with an "X".

☐ Sole Proprietorship ☐ Partnership ☐ Corporation ☐ Joint Venture

2. Who owns the business? Give the names of the owners of the business, their percent ownership, and whether or not they are aboriginal, their title or position and how long they have held the position.

Name	Percent Ownership	Aboriginal Yes/No	Title/Position	Years in Position

3. Has the business or its owners received previous funding under any of the following programs?

	Amount	Year
<input type="checkbox"/> ABDP (Aboriginal Business Development Program)	\$ _____	19__
<input type="checkbox"/> NEDP (Native Economic Development Program)	\$ _____	19__
<input type="checkbox"/> SARDA (Special Agricultural and Rural Development Agreement)	\$ _____	19__
<input type="checkbox"/> NDA (Northern Development Agreement)	\$ _____	19__
<input type="checkbox"/> NEDSA (Northern Economic Development Sub Agreement)	\$ _____	19__
<input type="checkbox"/> Other federal, provincial or territorial government assistance programs	\$ _____	19__

If so:

- Indicate who received the assistance and what it was for.

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- Describe the current status of such projects. Are they profitable? If they are no longer operating, explain why.

The Project

Describe the project. Provide a brief outline of the key features of the project below.

1. If the project involves the expansion or change of ownership of an existing business, give the history of the existing business. Attach historical financial statements.

Incorporation Date _____ Start Date _____

2. Describe your proposed business project.



3. What key factors will make your business a success? Examples: customer service, quality.

Products and Services

In this section you will identify up to seven categories of products and/or services that your business sells, answer key questions about each of these categories, then review them to make sure they are compatible. It is important to think of your business in terms of these categories as you make decisions, for example, about inventory, advertising and pricing.

Identify up to seven categories of products and services you sell.

1.

2.

3.

4.

5.

6.

7.

Answer the following questions for each category.

- Who are your customers for each product or service?

1.

2.

3.

4.

The Business Plan

5. _____

6. _____

7. _____

● **Why will customers purchase these products or services?**

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

● **Who are your main suppliers for each product?**

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____



- Do you have alternative suppliers if your primary source is disrupted? Who are they?

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____

- What are your potential suppliers' payment terms? Examples: C.O.D., 30 days' credit.

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____

Review for compatibility

Do your seven categories fit together well into a total business concept? What business are you really in? Are you in too many markets? If you are a producer, are the production needs of your products too different from each other or too complex? It is important that these categories blend smoothly into a cohesive business concept. Make revisions if necessary.

The Business Plan

Location

Location is an extremely important factor for many businesses. For most retail and many small service businesses, location is critical to success. Customer access is very important when evaluating a location. For wholesale and manufacturing businesses, the availability of resources such as labour, materials, transportation, and utilities can be important features of a location.

Describe the location of your business.

1. What is the address of your business?

2. What features make this a good location for your business?

3. What other nearby businesses will help you attract customers?

Describe the appearance of your business.

1. Describe your building. How old is it?



2. Will the appearance of other nearby businesses attract or encourage customers?

Determine the future needs of your location.

- Could you expand the facility if required? ☐ Yes ☐ No

Prepare visual aids to show location to outsiders

It is often easier to describe your location to an outsider through use of maps, pictures, and a diagram of the layout.

- Take pictures of your business and the businesses surrounding it.
- On a copy of a map of the area, indicate the location of your business and any major reference points.
- Draw an accurate diagram of your floor space. Show the location of equipment, furniture, and fixtures.

Place these visual aids in an envelope marked **Location** and attach the envelope to the Business Plan.

Your Market Analysis

To learn about potential customers you must conduct market research. There are many sources of information that explain how to do it. To begin, check the following booklets available from the Aboriginal Business Development Program:

- Do-It-Yourself Feasibility Study booklets for:
 - new restaurant ventures
 - new retail ventures
 - new motel/hotel/resort ventures
 - new construction ventures
 - new manufacturing ventures.
- The Source Book - Royal Bank of Canada Publication

The book is designed to help you locate information in your province or territory. You'll find useful names and addresses of companies, organizations, associations, government departments such as ISTC-Business Service centres, libraries, Chambers of Commerce, Boards of Trade. You'll find lists of pamphlets, books and periodicals that cover the range of small-business-related topics.

Customers

Describe your typical customers.

If you're selling to industries or other businesses, answer the following questions:

1. List your major customers, their location, number of employees and the main products or services they sell.



2. Who makes the purchasing decision in the companies you're targeting?

3. What are the key criteria in making the buying decision?

4. What price would they be willing to pay for your services?

5. What are the specific needs of the users of your product or service?

If you're selling to consumers, answer the following questions:

1. Where do potential clients live?

2. What is their age? level of education? annual income?

The Business Plan

3. How many people make up the average household?

4. What are their current buying habits?

5. How do they use their leisure time?

6. Do they have specific needs or wants that aren't being fulfilled?

7. What do they like and not like about the products or services of your potential competitors?



8. Where is the best place to locate a business?

9. What distance are typical customers willing to travel to buy from you?

Determine the number of potential customers.

How many of the potential customers you described previously live within your local geographical area? State the source of this information.

The Business Plan

Determine the number of potential customers that will purchase from you.

You need to seriously consider your competition, both in numbers and in quality. (You will address these issues in a coming section.) You also need to realize that some potential customers will not purchase the product or service from you or a competitor.

- | | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> |
|--|----------------------------------|---------------|---------------|
| 1. Estimated number of potential customers in your market area. | _____ | _____ | _____ |
| 2. Percentage of customers that will purchase products or services from your business. | x _____ % | x _____ % | x _____ % |
| 3. Your Total Potential Customers
(Multiply #1 X #2) | ===== | ===== | ===== |
| 4. Other: If items 1, 2 and 3 above do not apply, describe your total potential customers. | _____

_____ | | |

Determine your average customer sales per year.

Trade association or industry publications are good sources of data for the information needed in this section.

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
1. How many purchases will the average customer make from you during a year?	_____	_____	_____
2. How much will the average customer spend for each purchase?	x\$ _____	x\$ _____	x\$ _____
3. Expected Annual Customer Sales (Multiply #1 x #2)	\$ _____	\$ _____	\$ _____

4. Other: If items 1, 2 and 3 above do not apply, describe your projected annual customer sales.

The Business Plan

Determine your annual sales volume.

You now know the number of customers and the average amount each customer will spend per year. Multiply these two figures together to calculate your expected annual sales volume.

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
1. Your Total Potential Customers	_____	_____	_____
2. Expected Annual Customer Sales for each purchase x\$	_____	_____	_____
3. Expected Annual Sales	\$ _____	\$ _____	\$ _____
4. Other: If items 1, 2 and 3 above do not apply, describe your projected annual sales.	_____ _____ _____ _____		

Evaluate the annual sales volume figure.

Does the number you calculated in the previous step make sense? If not, go back to the first step and take a look at the estimates you have made.

Estimate Your Annual Sales Range:

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Low	\$ _____	\$ _____	\$ _____
Most Likely	\$ _____	\$ _____	\$ _____
High	\$ _____	\$ _____	\$ _____



Market Trends

1. If this is an existing business, has your business experienced an increase or decrease in sales over the past two years? If yes, explain why.

2. Is the local economy dependent on any one plant, business or industry, such as mining or a pulp mill? If yes, explain how your business may be affected if this business closes or slows down.

3. Is the business affected by peak periods? Is it seasonal?

Analyze the Competition

A key to the success of your business is establishing your share of the market. In this section you will identify your competitors and compare your business to your three major competitors. Be honest with yourself. The purpose is to help identify areas where you have a competitive advantage as well as areas for potential improvements. You will have to do some legwork and research but don't short cut this step. It is very important to know your competition well.

Identify your major competitors.

Competitor's Name	Location	Estimated Market Volume	Estimated Market Share (%)
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

1. If this is an existing business, has your competition's market share recently changed dramatically?
If yes, why?

2. What is the intensity of competition in your target market?

☐ High ☐ Medium ☐ Low



-
3. What makes your business's product or service different from the competition?

4. Do your competitors offer a broad or narrow range of products or services?

5. Do your competitors concentrate on quality or volume?

6. Are your competitors' prices considered low, medium or high?

Compare your business to the competition.*

A number of factors that can affect your business success are explained below. On the next page, compare your business to your three competitors.

1. Products - Which products do the job better?
2. Price - How consistent are the prices?
3. Quality - How long does the product last? How good are the materials and workmanship?
4. Product selection - How complete is the product line? What options are available?
5. Customer service - How polite and thorough is the service?
6. Product service - How quickly and effectively is the product serviced?
7. Reliability - How frequently does the product require service or repair?
8. Expertise - How knowledgeable is the staff?
9. Image/Reputation - How important or useful is the company or product name?
10. Location - How effective is the location? Consider accessibility, parking, convenience, and visibility.
11. Layout - How efficiently is the space utilized?
12. Appearance - How closely does the appearance match the customer's expectations?
13. Sales methods - How polite and effective at making sales is the staff?
14. Credit policy - Can customers use a variety of payment methods?
15. Availability - How quickly does the customer receive the product?
16. Management - How actively involved in the business is the store owner?
17. Longevity/Stability - How stable is the business? In general, older businesses are considered more stable.
18. Advertising - How much does the business advertise? Those who advertise are more visible than those who don't.
19. Other
20. Other

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What factors are most important in your business?

Determine the importance of each of the factors listed below. Assign **1** to the top priority area, **2** to the second, etc. until you have ranked all by priority.

For each area of comparison rank you and your three competitors on a scale of **1** (best) to **4** (worst).

Factors	You	A	B	C	Priority
1. Products	_____	_____	_____	_____	_____
2. Price	_____	_____	_____	_____	_____
3. Quality	_____	_____	_____	_____	_____
4. Product selection	_____	_____	_____	_____	_____
5. Customer service	_____	_____	_____	_____	_____
6. Product service	_____	_____	_____	_____	_____
7. Reliability	_____	_____	_____	_____	_____
8. Expertise	_____	_____	_____	_____	_____
9. Image/Reputation	_____	_____	_____	_____	_____
10. Location	_____	_____	_____	_____	_____
11. Layout	_____	_____	_____	_____	_____
12. Appearance	_____	_____	_____	_____	_____
13. Sales methods	_____	_____	_____	_____	_____
14. Credit policy	_____	_____	_____	_____	_____
15. Availability	_____	_____	_____	_____	_____
16. Management	_____	_____	_____	_____	_____
17. Longevity/Stability	_____	_____	_____	_____	_____
18. Advertising	_____	_____	_____	_____	_____
19. Other (specify) _____	_____	_____	_____	_____	_____
20. Other (specify) _____	_____	_____	_____	_____	_____

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The Business Plan

1. From your entries in the list above, identify the key success factors in your business. Then, assess how you stack up against your competition.

2. What changes will improve your competitive position?

3. What are the prospects of new competition entering the market?

☐ Low ☐ Medium ☐ High

Marketing Strategy

You have now identified your potential market, described your competition, and identified the factors that are important to your success. In light of the key success factors, what marketing strategy do you need to follow? In this section, you will describe your marketing strategy in terms of your pricing and promotional approach to capture your market share.

Define your pricing strategy.

In the following questions, all references to products also apply to services.

1. How do you calculate the price for each product? Do you follow your competitors' pricing or do you look at your costs and apply a mark-up? If you need help in this area, talk to your accountant or development officer.



-
2. Which product sales are very sensitive to price changes?

3. Do you have any control over prices? If so, describe.

Define your promotional strategy.

1. What advertising media will you use? Examples: newspaper, radio, yellow pages, signs.

2. What media will you use during different seasons of the year?

The Business Plan

3. How important are signs?

4. Are you planning to promote your business heavily for the first six months? Explain.

Define your customer services.

1. Is service important? What aspects of service are key?

2. What special customer services do you offer?

3. How will you ensure that you deliver the quality of service your customers want?



-
4. Do your employees require service training? If so, what is your training plan and what will it cost?

5. Is credit important in your business? What is your credit policy?

The Business Plan

Effective use of your advertising dollars is critical to the success of your business. Complete the relevant categories of this advertising budget and then use it!

Advertising Budget													
	Month												
	1	2	3	4	5	6	7	8	9	10	11	12	Total
Radio													
Newspaper													
Yellow Pages													
Weekly Shopper													
Magazine													
Direct Mail													
Billboard													
Signs													
Speciality Ad Items													
Other													
TOTAL													



Management

Identify the key employees.

1. Who are the key employees? What are their titles or positions in the business?

2. Have these people worked together before? If so, explain.

Develop a resume for each owner and key employee.

Complete the attached personal resume worksheet. Each resume should contain the person's name and title.

Identify any outside consultants and advisors.

Most enterprises need outside help at one time or another but particularly during the start-up phase. Examples: finance, tax, legal, insurance, accounting, computers, human resources, management consulting, planning and so on. By using advisors, owners can concentrate on managing the business, leaving the ever-changing rules and regulations to the professionals.

For advisors to be of maximum benefit you must be prepared to accept their advice. This valuable advice might not be as expensive as you think and it can pay off in the long run. The ABDP can provide financial assistance toward the cost of business advisors.

Complete the business skills matrix

The following exercise helps you identify the areas of business expertise where you need to seek assistance. For each skill area, check the adequate knowledge column with an **I** to indicate that an insider (owner or key employee) has the skill or an **O** to indicate an outsider has the skill. For each skill area where you have not indicated adequate knowledge, check either the assistance needed or education needed column with an **X**.

Management Skills	Adequate Knowledge	Assistance Needed	Education Needed
Accounting & taxes			
Planning			
Organizing			
Financial management			
People management			
Time management			
Personal selling			
Promotion			
Decision-making skills			
Cost controls			
Personnel policies			
Pricing			



Business Support Checklist

1. Implementation of the Business Plan

Check the boxes where you require outside consultants and assistance:

- ☐ 1. Finalize financing
 - ☐ confirm equity
 - ☐ arrange commercial financing
 - ☐ arrange other financing
 - ☐ help ensure that pre-disbursement conditions are met for commercial lenders, ABDP
- ☐ 2. Negotiate
 - ☐ partnership, shareholders' agreement
 - ☐ leases
 - ☐ insurance coverage
 - ☐ other
- ☐ 3. Establish supply source, credit terms
- ☐ 4. Acquire
 - ☐ inventory
 - ☐ equipment
 - ☐ furniture and fixtures
- ☐ 5. Construction of facilities
 - ☐ construction management
 - ☐ manage cost overruns
 - ☐ equipment installation
 - ☐ layout of store, business
- ☐ 6. Price merchandise
- ☐ 7. Hire staff
- ☐ 8. Establish accounting systems
 - ☐ bookkeeping systems
 - ☐ monthly cash flow
 - ☐ monthly operating projections
- ☐ 9. Marketing and advertising
- ☐ 10. Establish credit, collection policies

- ☐ 11. Make ABDP payment claims
- ☐ 12. Train client on above (specify)

II. On-Going Operations

- ☐ 1. Prepare monthly income and cash flow statements
- ☐ 2. Compare actual to projections
- ☐ 3. Revise monthly financial projections
- ☐ 4. Advise client on corrective action
- ☐ 5. Analyze accounts receivable, collections
- ☐ 6. Set up inventory controls
- ☐ 7. Set up operating cost controls
- ☐ 8. Carry out general troubleshooting
- ☐ 9. Train client to understand the above

III. Assessment of Business Performance

Provide client and ABDP with:

- ☐ Business performance assessments every ____ months for the first year and every ____ months for ____ years thereafter.

Consultant Proposal

Prepare a business support plan to address each business support component identified. Include a description of the work to be completed, the resource people to be used, the number of days, the schedule, and estimated costs. Include the names and telephone numbers and relevant qualifications of all resource people assigned, such as an accountant, XDO and consultants. Attach documentation.

List all of your existing and planned business advisors.

The business advisors you plan to use should address areas where your management skills are lacking. Discuss the needs of your business with your ABDP Development Officer.

Business Advisors			
	Name	Company	Telephone
Accountant, Bookkeeper			
Tax Advisors			
Bankers			
Solicitors			
Insurance Agents			
Consultants			
Other			

Labour

Provide the following information:

1. For full time employees before and after the project:

Full-time Employees					
Category	Wage Rate	No. of Aboriginal		No. of Non-Aboriginal	
		Before	After	Before	After
Production staff					
Sales staff					
Office staff					
Management					

2. For part time employees before and after the project:

Part-time Employees					
Category	Wage Rate	No. of Aboriginal		No. of Non-Aboriginal	
		Before	After	Before	After
Production staff					
Sales staff					
Office staff					
Management					



3. Are training programs in place or being planned? If so, provide general details.

4. Is employment seasonal? If so, explain.

Details of the Project Costs

Land and Buildings

1. Location: _____
 2. Approximate land size: _____
 3. Building dimensions: _____
 4. Age of the building: _____
 5. Condition of the building: _____
 6. Zoning: _____
 7. Structure of the building: _____
 8. Is the building designed for a special purpose, such as a gas station, or is it a general purpose building?

 9. What type of utility services exist? _____
 10. Are parking facilities adequate? ☐ Yes ☐ No
 11. Is there the possibility of future expansion? ☐ Yes ☐ No
 12. Does the building meet fire, licensing and zoning codes for the type of business being operated from it? ☐ Yes ☐ No
-

If you plan to purchase, rather than lease, the land or buildings, provide the following additional information:

1. What is the purchase price? Land: \$_____ Building: \$_____

2. Was an appraisal done? ☐ Yes ☐ No

- If yes, please attach

- If not, how was the purchase price established? _____

3. Is there an accepted offer to purchase? ☐ Yes ☐ No

- If yes, please attach

If you plan to construct or renovate a building, or make leasehold improvements, provide the following additional information:

1. Describe the type of construction work:

2. What is the total cost of construction? \$_____

3. What is the name of the contractor? _____

4. Provide a copy of the estimate or quotation.

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If you plan to lease the land or buildings, provide the following information:

1. When does the lease expire? _____
2. Are there any renewal options? ☐ Yes ☐ No If so, provide details.

3. Amount of the annual rent: \$ _____
4. Is the lease triple net? Triple net means you are responsible for costs such as taxes, insurance and utilities. ☐ Yes ☐ No
5. Are there any common area costs? ☐ Yes ☐ No If so:
 - What is the estimated amount per year? \$ _____
 - What does it cover? _____
6. Has a lease or intent to lease been signed? ☐ Yes ☐ No
 - If yes, provide copy of signed lease.
 - If not, how have you made sure the land or buildings will be available under the terms and conditions you envision?



Equipment

If you plan to purchase equipment, provide the following information:

1. Fill in information for each of piece of equipment.

Type of Equipment	Model Number	Serial Number	Age	Condition	Cost
Total Cost					

2. How was the purchase price established?

3. If the asset is "used" make sure that a mechanic or repair person has inspected the equipment for mechanical problems.

Livestock

If you plan to purchase livestock, provide the following information:

1. List the type, number of livestock and cost.

Type of Livestock	Number of Livestock	Cost
Total Cost		

2. How was the purchase price set?



Other

If you plan to purchase other assets, provide the following information:

1. List the type, number and cost.

Other Assets	Number	Cost
Total Cost		

2. How was the purchase price set?

Contributed Assets

If you or other non-arms-length parties are contributing assets to the business, provide the following information:

1. Fill in information for each asset.

Type of Assets	Model Number	Serial Number	Age	Condition	Cost
Total Cost					

2. Who is contributing the assets? _____

3. How was the value of the assets established?



Share Purchase and Change of Ownership

If the project involves purchasing the shares or assets of an existing business, provide the following information:

NOTE: Never sign an offer to purchase or other contract without the advice of a lawyer and/or professional accountant. Your ABDP officer must also be contacted before you make any legal commitments. If you enter into a legal commitment without prior authorization, ABDP will not be able to provide financial assistance toward the costs. Your ABDP officer will have other suggestions for you to consider when buying a business. Discuss this with your officer. You can obtain a checklist of questions you should consider from your ABDP officer.

1. What is the purchase price? \$ _____
2. Is it a ☐ share or an ☐ asset purchase?
3. Why is the present owner selling? _____

4. Was a business valuation done? ☐ Yes ☐ No
 - If yes, please attach
5. Is there an accepted offer to purchase or a draft copy? ☐ Yes ☐ No
 - If yes, please attach

Operating and Working Capital

1. Are there interest costs during construction? ☐ Yes ☐ No
 - If so, what is the estimated amount? \$ _____
2. What is the estimated amount of interest cost relating to bridge financing of ABDP funds?
\$ _____
3. Is there prepaid rent? ☐ Yes ☐ No
 - If so, what is the estimated amount? \$ _____
4. Are there prepaid insurance costs? ☐ Yes ☐ No
 - If so, what is the estimated amount? \$ _____
5. Are there legal and accounting fees at start-up? ☐ Yes ☐ No
 - If so, what is the estimated amount? \$ _____
6. Are there inventory requirements? ☐ Yes ☐ No
 - If so, what is the estimated amount? \$ _____
7. Identify any other prepaid operating expenses.

8. Are these amounts included in the project costs? ☐ Yes ☐ No

- If not, how will you cover them? _____

9. Are these amounts included in the projections and cash flows? ☐ Yes ☐ No
-
- _____



10. Are there adjustments to the purchase price due to a change of ownership? If so, specify below.

Item	Dollar Amount
Property taxes	_____
Insurance	_____
Provincial sales tax	_____
GST	_____
Land transfer tax	_____
Other (specify) _____	_____

11. Are there advertising and promotion costs at start-up as described in your promotional plan?
Examples: Grand opening, door prizes. ☐ Yes ☐ No

If so, what is the estimated amount? \$_____

The Business Plan

Business Advisors

- Are there business advisor costs? ☐ Yes ☐ No
 - If yes, what is the estimated amount? \$ _____

Cost Overruns

Indicate whether the following costs are firm, such as an offer to purchase, or firm price contracts, or whether they are estimates or quotes.

	Firm	Estimates
Land		
Building		
Building Renovations/Leaseholds/Construction		
Livestock		
Equipment		
Operating and Start Up Costs		
Changes of Ownership		
Other Assets		

1. What is the possibility of an overrun?
☐ Low ☐ Normal ☐ High
 2. What are your reasons for this assessment? _____

 3. What is the likely amount of an overrun? \$ _____
 4. What additional resources do you have to cover an overrun? _____

-



Details of Financing

1. Identify the amount and sources of new cash you are investing in the business.

- Amount: \$ _____
- Source of the contribution. Examples: Savings, personal loans. _____

2. If the contribution is coming from savings, provide supporting documents.

3. If the contribution is coming from a personal loan or a loan from a relative, provide the following information:

- Amount: \$ _____
- Name of Lender: _____
- Repayment terms. Examples: Monthly payment, interest rate.

- Can you repay the personal loan from sources outside the business? ☐ Yes ☐ No

If not, have the payments been taken into account in projecting management salaries and owners drawings? ☐ Yes ☐ No

- Maturity date: _____
- Security pledged against the loan: _____
- Provide supporting documents for the loans.

The Business Plan

4. Provide the following information about commercial financing:

- Amount of the: Line of Credit: \$ _____
Long term loan: \$ _____
- Name of lender: _____
- Repayment terms. Examples: Monthly payment, interest rate, whether the payments are blended or straight line.

• Maturity date: _____

• Security pledged against the loan: _____

- Is it confirmed? ☐ Yes ☐ No If not:

Is the proposed lender prepared to consider lending the above amount under the repayment terms and interest rates you stated?

☐ Yes ☐ No

What was the lender's initial response to your project? _____

5. Does the financing include cash from operations? ☐ Yes ☐ No

If so, provide the following information:

- Amount: \$ _____
- Do the latest financial statements show that this money is available now in cash? Yes No

If not, does the projected monthly cash flow show that this money will be available?

☐ Yes ☐ No



- Does the projected monthly cash flow show that the business can meet all its operating requirements without these funds?

☐ Yes ☐ No

6. Does the financing include sweat labour?

☐ Yes ☐ No

If so, provide the following information:

- Amount: \$ _____

- Who is providing the labour? _____

- How was the value arrived at? _____

7. Does the financing include other sources of financing? Examples: Provincial Government or Tribal Council contributions.

☐ Yes ☐ No

If so, provide the following information:

- Amount: \$ _____

- Name of source: _____

- Contact person and phone number: _____

- Is it repayable?

☐ Yes ☐ No

If so, provide the following information:

- Repayment terms. Examples: Monthly payment, interest rate, whether the payments are blended or straight line.

- Maturity date: _____

- Security pledged against the loan: _____

- Is it confirmed? ☐ Yes ☐ No

If not, provide the following information:

Is the proposed source prepared to consider
lending the above amount under the repayment
terms and interest rates you stated?

☐ Yes ☐ No

What is their initial response to your project? _____



Financing from ABDP

8. Calculate the total amount of ABDP financing with your ABDP Development Officer.

	Total Costs			
Start-up and Operating Costs				
Legal & Accounting Costs	_____			
Advertising & Promotion Costs	_____			
Other:				
_____	_____			
		<u>% of ABDP Assistance</u>		<u>ABDP Assistance</u>
SUB-TOTAL COSTS	\$ _____	X _____%	=	\$ _____
Capital Costs				
Land	\$ _____			
Building	_____			
Renovation or Leasehold Improvements	_____			
Equipment	_____			
Other:	_____			
_____	_____			
		<u>% of ABDP Assistance</u>		<u>ABDP Assistance</u>
SUB-TOTAL COSTS	\$ _____	X _____%	=	\$ _____
Business Support Costs				
Business Advisor	\$ _____			
Other:				
_____	_____			
		<u>% of ABDP Assistance</u>		<u>ABDP Assistance</u>
SUB-TOTAL COSTS	\$ _____	X _____%	=	\$ _____
Other Costs				
Other:				
_____	_____			
		<u>% of ABDP Assistance</u>		<u>ABDP Assistance</u>
SUB-TOTAL COSTS	_____	X _____%	=	\$ _____
TOTAL ABDP FINANCING				\$ _____

9. Besides ABDP funds does any other sources of financing require bridge financing? ☐ Yes ☐ No

If so, provide the following information:

- Who is providing the bridge financing? _____
- Contact name and phone number: _____
- What are the terms and conditions of the loan? _____

- Is it confirmed? ☐ Yes ☐ No If not, provide the following information:

- Is the proposed source prepared to consider the amount? ☐ Yes ☐ No
- What is their initial response to your project? _____



Costs and Financing

Calculate your total costs and financing.

Costs

Eligible

Capital Costs

Land	_____
Buildings	_____
Livestock	_____
Equipment	_____
Infrastructure	_____
Renovations	_____
Other _____	_____
Sub-Total	_____

Operating Costs

Start-up Operating Expenses	_____
Sub-Total	_____

Aftercare Costs

Business Support	_____
Sub-Total	_____

Other

_____	_____
_____	_____
Sub-Total	_____

Total Eligible Costs \$ _____

Ineligible

Labor and Sweat Equity	_____
Goodwill	_____
Inventory	_____
Other	_____
_____	_____
_____	_____

Total Ineligible Costs \$ _____

TOTAL PROJECT COSTS \$ _____

Financing

ABDP Contribution

- Capital	_____
- Operating	_____
- Business Support	_____
- Other _____	_____
Sub-Total	_____

Applicant Investment

- Cash	_____
- Sweat Equity	_____
- Contributed Assets	_____
- Other _____	_____
Sub-Total	_____

Commercial Financing

Bank: Line of Credit	_____
Bank: Long Term Loan	_____
Sub-Total	_____

Other Financing Sources

_____	_____
Sub-Total	_____

TOTAL FINANCING \$ _____

Part 2: Financial Data

The **Financial Data** section of the Business Plan demonstrates your success and future viability in dollar amounts. It outlines where your business has been, where it is at and where it is going.

If you do not understand the Financial Data section, contact your accountant to complete this section. You should, however, complete the assumption section yourself. This will provide you with a more intimate knowledge of your own financial data and will provide your accountant with the information necessary to prepare your projections.

Financial Statements for the last three years provide a perspective from which a lender can draw conclusions about the business and its financial operations. You can prepare the financial statements without a sophisticated accounting system.

Assumptions to Projections

The key to making a financial forecast is to get as much factual information as possible on the market potential and total costs of your proposed product or service. Always be realistic in making your assumptions.

The Projected Income Statement

An income statement shows the profit and loss performance of a business over a given period, usually a year. It details the business's revenues and expenses over that period.

When you prepare this statement, consider all the factors likely to affect revenues and expenses during the planning period. Include information on the following topics:

- What is your projected sales growth? Consider seasonal trends.
- What about additional expenses, overheads and production costs associated with a projected increase in sales? Examples: Higher sales commissions, increased labour costs, rent for storage space to handle increased inventory.
- Have you considered other costs associated with the purchase of any new equipment in addition to the purchase price? Examples: Installation, financing, production, business interruption and depreciation.
- Ask your accountant for advice on the best methods and rates to use for depreciation and amortization expenses.
- If new loans are part of your Plan, have you considered the added interest expense? Is the projected interest rate reasonable?

Review the projected income statement with your accountant or bookkeeper.

Completing the Projected Income Statement

The items contained in a typical projected income statement are listed below along with explanations on how to calculate the more complicated items.

Assumptions

Sales

Start your financial projections by forecasting the sales of your product or service. Sales forecasting is extremely important, so always make realistic estimates. Review Your Market Analysis section before completing this item.

On the lines below, list each category of product or service you sell. Estimate the market total, the percent market share and the amount you can sell, following the example below. Total your year one sales and estimate the increase in sales for years 2 and 3.

Example: As a result of a market survey or contracts, the market for groceries/clothing/hardware has been estimated at \$1,379,000/\$212,400/\$70,500 of which a 65%/40%/55% market share is estimated, or \$896,359/\$84,960/\$38,775. Year one sales total \$1,020,085. Sales are increased by 5% for years 2 and 3.

Cost of Goods Sold

If your business sells a product, calculate the cost of goods sold. For example, you might sell a product for \$50 (the retail price), but your cost for this product might be \$30 (which includes material purchases, direct labour for processing, freight, etc.). Skip this item if your business sells only a service - you have no cost of goods sold.

Calculate the Cost of Goods Sold*

	<u>Historical</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
+ Inventory at beginning				
+ Purchases				
+ Direct labour				
+ Freight				
= SUB-TOTAL	<u> </u>	<u> </u>	<u> </u>	<u> </u>
- Less inventory at end of year	<u> </u>	<u> </u>	<u> </u>	<u> </u>
= COST OF GOODS SOLD	<u> </u>	<u> </u>	<u> </u>	<u> </u>

* Attach detailed schedules of assumptions and calculations.

The cost of goods sold can also be calculated as a percentage of sales based on historical performance or industry averages as reported by Dun & Bradstreet. Example:

Groceries	78.9%
Clothing	57.0%
Hardware	68.9%

Check historical performance or industry averages and enter percentages for your products here.

Bad debts

Bad debts assumptions can be calculated as a percentage of sales, on historical performance or industry averages.

Interest

Calculate interest based on the actual interest costs you owe on loans and estimated bank charges. Also, identify the bank.

Bank Charges

Calculate bank charges on estimated bank service rates.

Professional fees

Base your assumption for professional fees on estimates from your accountant, lawyer, business consultant, etc. Include your business support plan costs here.

Financial Data

Automobile & travel expense

Calculate your automobile and travel expense costs assumption as a percentage of sales, based on historical performance, the industry average or on a detailed monthly budget.

Business tax, fees, licenses, etc.

Base your assumptions of business tax, fees, licenses on estimates from various authorities where you would pay these costs or based on historical performance. Also, identify the authorities.

Property tax

Base your property tax assumption on estimates from various authorities where you would pay these costs or based on historical information. Also, identify the authorities.

Management salaries

POSITION	NO.	RATE	TERM full-part time	WAGE AMOUNT
Manager				
Asst. Mgr.				

Total \$

Other salaries & wages

POSITION	NO.	RATE	TERM full-part time	WAGE AMOUNT

Total \$

Financial Data

Employee Benefits

In the two tables above, you budgeted for salaries and wages. In this item budget amounts for mandatory and optional employee benefits. Ask your accountant or economic development officer and your insurance agent for assistance in completing this section.

A x B = C

MANDATORY	RATE	TOTAL WAGE & SALARIES COSTS	EMPLOYEE BENEFIT COSTS
Canada Pension Plan	<u>2.2 %</u>		
Unemployment Insurance	<u>%</u>		
Vacation Pay	<u>4.0 %</u>		
Workers Compensation	<u>%</u>		
TOTAL MANDATORY			

OPTIONAL	RATE	TOTAL WAGE & SALARIES COSTS	EMPLOYEE BENEFIT COSTS
Medical Insurance			
Life Insurance			
Company Pension Plan			
TOTAL OPTIONAL			

GRAND TOTAL			
-------------	--	--	--

Rent

Base your rent assumption on your rental contract. Also, identify the source.



Insurance

Base your insurance assumption on the quotation from your insurance agent. Also identify the source.

Maintenance and repairs

Calculate the cost you assume for maintenance and repairs expense as a percentage of sales, based on historical performance or the industry average.

Telephone

Calculate your telephone expense as a percentage of sales, based on historical performance or the industry average. Include cost of hookups plus deposits if required.

Utilities

Calculate your utilities assumptions as a percentage of sales, based on historical performance, on the industry average, or on estimates from utility companies (Hydro, water, waste and sewage disposal). Include costs of hookups plus deposits if required.

Financial Data

Supplies

Calculate your supplies expense assumption as a percentage of sales, based on historical performance or the industry average.

Freight

Calculate your freight expense assumption as a percentage of sales, based on historical performance, the industry average or estimates from freight companies. This calculation is essential in remote areas.

Office Expenses, postage

Calculate your office expense assumption as a percentage of sales, based on historical performance or the industry average.

All other operating expenses

Provide a detailed breakdown of all other assumptions concerning operating expenses.



Depreciation

Depreciation is defined as the estimated amount a fixed asset decreases in value over the estimated useful life of the asset. Depreciation is computed annually, for tax and accounting purposes. There are different ways to calculate depreciation. Two widely used methods are (1) the straight-line method and (2) the declining method (Capital Cost Allowance).

(1) Straight-line Method:

$$\text{Annual Depreciation} = \frac{\text{Asset cost - scrap or salvage value}}{\text{Estimated useful life in years}}$$

* Example: If an asset such as a vehicle costs \$25,000 and has a useful life of 5 years and a scrap or salvage value of \$5,000, the yearly depreciation amount would be \$4,000.

TYPE OF ASSETS	ASSET COST	SCRAP or SALVAGE VALUE	ASSET COST DEPREC.	ESTIMATED USEFUL LIFE IN YEARS	YEARLY DEPREC. AMOUNT
* example	\$25,000	(\$5,000)	\$20,000	5 yrs.	\$4,000
Building	\$	(\$)	\$		\$
Equipment	\$	(\$)	\$		\$
Vehicle	\$	(\$)	\$		\$
Leaseholds	\$	(\$)	\$		\$
Furniture	\$	(\$)	\$		\$
	\$	(\$)	\$		\$

TOTAL YEARLY DEPRECIATION AMOUNT \$

Financial Data

(2) Declining Method (Capital Cost Allowance)

The declining method of capital cost allowance (CCA) is Revenue Canada's equivalent to depreciation. Revenue Canada establishes a set of percentages for different groups of assets. For tax purposes, only use one-half the CCA rate in the first year of owning the assets.

*Example: The CCA allowance for an automotive vehicle is currently 30% a year. Multiply the maximum rate allowed (30%) by the un-depreciated balance. Using the \$25,000 vehicle example, calculate the capital cost allowance as follows:

YEAR	VALUE AT BEGINNING OF YEAR	CCA RATE	CCA YEARLY AMOUNT	VALUE AT END OF YEAR
1	\$25,000	30%	\$7,500	\$17,500
2	\$17,500	30%	\$5,250	\$12,250
3	\$12,250	30%	\$3,675	\$ 8,575

Use the CCA method to calculate your assets in the tables below.

YEAR 1

TYPE OF ASSET	VALUE AT BEGINNING OF YEAR	CCA RATE %	CCA YEARLY AMOUNT	VALUE AT END OF YEAR
Building	\$	%	\$	\$
Equipment	\$	%	\$	\$
Vehicle	\$	%	\$	\$
Leasehold	\$	%	\$	\$
Furniture	\$	%	\$	\$
	\$	%	\$	\$

TOTAL YEAR ONE (1) DEPRECIATION AMOUNT

\$ _____

YEAR 2

TYPE OF ASSET	VALUE AT BEGINNING OF YEAR	CCA RATE %	CCA YEARLY AMOUNT	VALUE AT END OF YEAR
Building	\$	%	\$	\$
Equipment	\$	%	\$	\$
Vehicle	\$	%	\$	\$
Leasehold	\$	%	\$	\$
Furniture	\$	%	\$	\$
	\$	%	\$	\$

TOTAL YEAR TWO (2) DEPRECIATION AMOUNT \$

YEAR 3

TYPE OF ASSET	VALUE AT BEGINNING OF YEAR	CCA RATE %	CCA YEARLY AMOUNT	VALUE AT END OF YEAR
Building	\$	%	\$	\$
Equipment	\$	%	\$	\$
Vehicle	\$	%	\$	\$
Leasehold	\$	%	\$	\$
Furniture	\$	%	\$	\$
	\$	%	\$	\$

TOTAL YEAR THREE (3) DEPRECIATION AMOUNT \$

Financial Data

Other Income

Provide a detailed breakdown of other income and identify the source, such as ABDP operating assistance, ABDP business support assistance, ABDP training assistance, Other.

Tax Rate

Income tax rates: Arbitrarily set a low rate of 25% on net operating income below \$200,000, and a high rate of 50% on net operating income above \$200,000. Rates can vary by province and within individual businesses as well. Consult your accountant.

Projected Income Statement

Have your accountant complete the following Projected Income Statement.

Projected Income Statement				
	Historical	Year 1	Year 2	Year 3
Sales				
Cost of Goods Sold				
Gross Margin				
Expenses				
Business Support Plan				
Advertising & Promotion				
Automobile & travel expense				
Bad debts				
Business tax, fees, licenses, etc.				
Property tax				
Professional fees				
Management salaries				
Other salaries & wages				
Employee benefits				
Rent				
Insurance				
Bank charges & Interest				
Maintenance & repairs				
Freight				
Telephone				
Utilities				
Office expenses, postage				
All other operating expenses				
Depreciation and amortization				
Total Expenses				
Net Profit from Operations				
Other Income				
ABDP contributions for business plan, business support, operations				
Net Profit Before Tax				
Estimated Tax Rate (%)				
Net Profit After Tax				

The Cash Flow Budget vs The Income and Expense Statement

There is a basic distinction between a Monthly Cash Flow Budget and Monthly Income and Expense Statement forecast.

The Monthly Cash Flow Budget shows all **cash receipts** the business expects to receive from every source and all **cash payments** the business expects to make. The Monthly Income and Expense Statement shows sales made and expenses to be incurred over a period of time. In many cases the monthly and annual income and expense statement will record income before cash has actually been received (a credit sale). It does not show changes in the cash position of the business, and does not necessarily show all cash transactions, such as additional investment by the owner, dividends or payments on long term debt.

The following example shows the difference between these two financial tools:

If you expect to sell \$100 worth of goods in March and receive payment in cash at the time of sale, the \$100 will appear as a sales receipt in your Cash Flow Budget for March. However, if you expect to sell \$100 worth of goods in March on 30-day terms and collect the \$100 in April, the \$100 will appear as a sale in your March Income and Expense Statement but will not appear as a cash receipt in your Cash Flow Budget until April.

In summary, the monthly Income and Expense Statement will provide an estimate of the profitability of a business over a period of time. It cannot indicate what form that profitability will take. Specifically, will the profit show up in cash? Or in receivables? **The monthly Income and Expense Statement will not indicate whether there will be sufficient cash during the period to meet the obligations of the business.**

The purpose of a **Monthly or Annual Cash Flow Budget** is to determine, as closely as possible, just how much cash is needed to meet obligations. Since only cash payments and receipts are recorded, not promises, and not ultimate profitability, the cash flow budget will show the actual monthly flow of cash through the business. With this information you will be in a position to know whether you have enough funds to make planned capital expenditures and to pay suppliers when bills are due; whether extended credit terms are necessary, or whether you need a new or increased line of credit.

Completing A Cash Flow: General Instructions

Step 1:

From your Balance Sheet for the last period, enter those figures which will carry over into the next period and affect the Cash Flow. These include: Accounts Receivable; Accounts Payable; Closing Bank Balance - Cash; as well as any Tax Liabilities recorded, and all receipts or payments in the preceding months that will affect the cash position of the business. Then, allocate these figures to the specific months when the cash transaction will occur.



Step 2:

Complete the Monthly Income and Expense Statement for the first projected year, which is the period to be covered by the Monthly Cash Flow. (Refer to the Income and Expense Statement section that you completed for your information.) If you have more than one product or service, separate out the sales figures for greater clarity. (Example: A service station might show separate sales for gasoline, tires and accessories, and service labour.)

The monthly Income and Expense Statement forecast serves as a guide to help you allocate monthly income and outflow and to make sure that all financial activities of the business are accounted for on the monthly Cash Flow Budget.

Step 3:

Once you have recorded the overall financial activity of the business on the Monthly Income and Expense Statement forecast, break these transactions down further to show the actual or anticipated date on which they will occur. For example, your monthly Income and Expense Statement might record a total expense of \$1,000 for insurance but this premium might be paid once, during a specific month, or in monthly or quarterly instalments. To be accurate, your monthly cash flow budget must anticipate your monthly cash requirements and reflect this timing.

Important Detailed Considerations:

Seasonal Breakdown

From the sales recorded on your Income and Expense Statement, you must break the total down into monthly income following the cycle of your business. The cycle in your business reflects your business fluctuations throughout the year. Example: A restaurant at the beach will be busiest during the summer and might even close during winter.

Monthly Receipts Breakdown

In most cases the monthly sales recorded in your completed monthly Income and Expense Statement will be partly cash and partly Accounts Receivable, depending on your credit policy and collection period. (**ACCOUNTS RECEIVABLE: Money owed to the business by the customers who purchased goods on credit.**) Therefore, you must break down your monthly forecast sales on your monthly Income and Expense Statement further and allocate sales made in the current month to successive months depending on your average collection period.
Example:

Monthly Sale from Income & Expense	<u>Jan</u> \$1,000			
Monthly Cash Flow Statement		<u>Jan</u>	<u>Feb</u>	<u>Mar</u>
- Cash	50%	\$ 500		
- 30 days	30%		\$ 300	
- 60 days	20%			\$ 200
- 90 days	0%			

Financial Data

While January sales of \$1,000 are recorded on the monthly Income and Expense Statement, receipts are collected over three months on the monthly Cash Flow Budget.

Decide what assumptions to make about collecting your accounts receivable by assigning percentage rates to each month:

A/R collection percentage rates:

- Cash	- current month	___%
- 30 days	- second month	___%
- 60 days	- third month	___%
- 90 days	- fourth month	___%

Step 4:

Now write down what type of expenses your business will pay out each month. If your program involves additional borrowing, remember to include the interest and principal related to this new debt.

ACCOUNTS PAYABLE: The amounts owed to suppliers for purchases made on credit to cover inventory, expenses such as utilities or taxes. In your Income and Expense Statement, you have determined the amount of material purchases necessary to meet your sales targets in the Cost of Goods Sold section. Depending on the cycle of your business, allocate purchases by month, and then further break them down according to your suppliers' terms of payment. If purchases made in January must be paid in 30 days, record them in Accounts Payable as a February payment. If you receive terms of 60 or 90 days, enter these figures in Accounts Payable for March and April.

Break down all expenses according to your suppliers' terms of payment.

Write down the assumptions you make about paying your accounts payable by assigning percentage rates to each month.

A/P payment percentage rates:

- Cash	- current month	___%
- 30 days	- second month	___%
- 60 days	- third month	___%
- 90 days	- fourth month	___%

Note: The total receipts and disbursements in the monthly cash flow are not equal to the total income and expenses on the forecast Income and Expense Statement because of the difference in timing.

IF YOU HAVE ANY DIFFICULTIES COMPLETING THIS CASH FLOW, CONTACT YOUR ABDP DEVELOPMENT OFFICER, COMMUNITY ECONOMIC OFFICER OR YOUR ACCOUNTANT.

Projected Income and Expense													
	Month												
	1	2	3	4	5	6	7	8	9	10	11	12	Total
Sales													
Cost of goods sold													
Gross Margin													
Expenses													
Advertising & promotion													
Automobile & travel expense													
Bad debts													
Business tax, fees, licenses, etc.													
Property tax													
Professional fees													
Management salaries													
Other salaries & wages													
Employees benefits													
Rent													
Insurance													
Bank charges & interest													
Maintenance & repairs													
Freight													
Telephone													
Utilities													
Offices expenses, postage													
All other operating expenses													
Depreciation & amortization													
Total Expenses													
Net Profit from Operations													

Continued on next page . . .

Other Income													
ABDP contribution for business plan, business support, operations													
Net Profit before Tax													
Estimated Tax Rate (%)													
Net Profit after Tax													



Cash Flow Projection			
	Year 1	Year 2	Year 3
Cash Receipts			
Cash sales			
Collection of accounts receivable			
Loan proceeds			
Other cash receipts			
Sale of assets			
ABDP contribution			
Cash equity			
Other contributions			
Total Cash Receipts A			
Cash Disbursements			
Accounts payable			
Purchase of materials or stock			
Purchase of fixed assets			
Bad debts			
Advertising and promotion			
Automobile and travel expense			
Business tax, fees, licenses, etc.			
Professional fees			
Property tax			
Management salaries			
Other salaries and wages			
Employee benefits			
Rent			

Financial Data

Cash Flow Projection			
	Year 1	Year 2	Year 3
Insurance			
Bank charges and interest			
Payment on loans, mortgages			
Maintenace and repairs			
Freight			
Telephone			
Utilities			
Office expenses and postage			
All other operating expenses			
Income tax payments			
Total Cash Paid Out B			
Cash Surplus or (Deficit) (A-B)			
Opening Cash Balance C			
Closing Cash Balance D			

Note: Line "C" is a carry-forward from line "D" in the previous year.

Cash Flow Projection													
	Month												
Cash Receipts	1	2	3	4	5	6	7	8	9	10	11	12	Total
Cash Sales													
Collection of Accounts Receivable													
Loan Proceeds													
Other Cash Receipts													
Sales of Assets													
ABDP's Contribution													
Cash Equity													
Other Contribution													
Total Cash Receipts A													

Cash Disbursements														
Accounts Payable														
Purchase of materials or stock														
Purchase of fixed assets														
Bad debts														
Advertising and promotion														
Automobile and travel expenses														
Business tax, fees, licences, etc.														
Property tax														
Professional fees														
Management salaries														
Other salaries and wages														
Employee benefits														
Rent														
Insurance														
Bank charges and interest														
Payment on loans/mortgages														
Maintenance and repairs														
Freight														
Telephone														
Utilities														
Office expenses and postage														
All other operating expenses														
Income Tax payments														
Total Cash Paid Out B														
Cash Surplus or (Deficit) (A - B)														
Opening Cash Balance C														
Closing Cash Balance D														

NOTE: Line "C" is a carry-forward from line "D" in the previous month.



Projected Balance Sheet

The balance sheet is a snapshot of the financial position of a business at a particular point in time - as opposed to over a period of time. It shows what the company owns, what it owes and its net worth on the date when the Balance Sheet was prepared. Using a series of projected balance sheets, or "snapshots," the reader can determine the business's worth over a period of time.

Assumptions to Balance Sheet Projections

When you prepare this statement, consider the assumptions underlying your financial plans and their effect on assets, liabilities and owners' and shareholders' equity (your investment plus accumulated profits).

- Do accounts receivable reflect your current credit policy? For example, if your terms are net 30 days, are your customers paying within 30 days? Should you be allowing for 45 days in your Plan to reflect real experience?
- Do you have enough inventory to fill planned orders?
- Have you adjusted figures for fixed assets and accumulated depreciation to reflect any plans for adding equipment or leaseholds?
- For long-term debt, such as mortgages or debentures, what is the current portion of the principal payable each month?
- Do trade payables reflect your established arrangements with suppliers? For example, do you usually pay within 35 days?
- Have retained earnings been adjusted monthly to reflect the planned profits or losses carried forward from the income statement?
- Are there any "hidden values" in your balance sheet? Be sure to inform your banker of market values of assets such as land, stocks, bonds and licenses.

Financial Data

Accounts Receivable

Accounts receivable is money owed to the business by customers who purchase goods on credit.

Names of Debtors	Total Amount	Current Amount	31-60 Days	61-90 Days	Over 90 Days
Total Amount					
Percentage	100%	%	%	%	%

Accounts payable is money owed to suppliers for purchases on credit. Accounts payable also includes money owed for other expenses like utilities or taxes.

Names of Creditors	Total Amount	Current Amount	31-60 Days	61-90 Days	Over 90 Days
Total Amount					
Percentage	100%	%	%	%	%

The current portion of long-term debt consists of the amounts due on long- and medium-term debt over the next 12 months.

Mortgages and notes: _____

Loans from shareholders: _____

Other loans: _____

Financial Data

Projections

Balance Sheets						
	Historical		Projected			
	19	19	Opening	Year 1	Year 2	Year 3
Assets						
Current						
Cash and bank accounts						
Accounts receivable						
Inventory at lower of cost or market						
Prepaid expenses						
Other current assets						
Total Current Assets(A)						
Fixed Assets						
Land						
Buildings						
Livestock - breeding						
Furniture & equipment						
Infrastructure						
Leaseholds/renovations						
Other assets						
Total Fixed Assets						
Less Accumulated Depreciation						
Total Assets						
(continued)						

Balance Sheets						
	Historical		Projected			
	19	19	Opening	Year 1	Year 2	Year 3
Liabilities						
Current						
Bank loans						
Accounts payable						
Taxes payable						
Current portion of long-term debt						
Other current liabilities						
Total Current Liabilities(B)						
Long Term						
Mortgages & notes payable						
Loans from shareholders						
Other loans of a long-term nature (ABDP repayable)						
Total Long-Term Liabilities						
Shareholders' Equity						
ABDP capital assistance						
Capital - preferred shares						
- common shares						
- retained earnings						
Total Shareholders' Equity						
Total Liabilities & Shareholders' Equity						
Working Capital (A-B)						

Financial Data

Supporting Documents

In addition to the business plan, provide whatever supporting documents your ABDP Development Officer requires.

Note: Provide copies of the documents; keep the originals in your records.

Required

Copy of the Partnership Agreement	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Copy of the Shareholder's Agreement	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Copy of the Joint Venture Agreement	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Copy of the Articles or Certificate of Incorporation	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Resumes of the persons identified for key management positions	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Copy of the management contract	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Detailed list of existing and proposed equipment	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Evidence the building meets licensing codes	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Copy of the land lease	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Copy of the appraisal for the land, building and equipment	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Copy of the accepted offer to purchase	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Firm price contracts and cost quotations for the equipment and building to be purchased	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Firm price contracts and cost quotations for leasehold improvements	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Firm price contracts and cost quotations for building renovations	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Copy of the Opinion of Value for the business acquisition	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Copy of the Estimate of Value for the business acquisition	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Evidence your cash contribution is available	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Personal net worth statements of the owners and shareholders	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Evidence that other sources of financing have been approved	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Copy of the franchise agreement	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Vendor's financial statements for the last three years	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Copy of maps of the area	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Copy of a diagram of the floor space	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Structure of the business and the surrounding businesses	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Insurance Quote	<input type="checkbox"/> YES	<input type="checkbox"/> NO

☐ YES ☐ NO

☐ YES ☐ NO

☐ YES ☐ NO

☐ YES ☐ NO

Personal Resume

Prepare a separate resumé for each key individual on your administrative and technical teams.

Name _____

Telephone _____

Address _____
(Present) _____ (How long?) _____

If less than five years, provide previous addresses.

(Former) _____ (How long?) _____

(Former) _____ (How long?) _____

Social Insurance Number _____

Date of Birth _____

Employment _____
(Present) _____ (How long?) _____

(Former) _____ (How long?) _____

(Former) _____ (How long?) _____

List all responsibilities, experience, education and background directly related to this business.

Please attach resumé for all key individuals on your administrative and technical teams.

Venture Feasibility: Return on Investment

Question: "Is it worthwhile?"

Now that you have determined sales, costs, and profits, you are in a position to take a hard look at the venture. There are two things in particular that you should look for:

- the minimum value of Total Sales you will require to cover your expenses. This will give you an indication of how much risk is involved in the venture (Break-Even Sales).
- the rate of return on your investment (Return on Investment).

Follow these steps to find an answer.

1. Calculate the Gross Profit percentage (subtract Cost of Goods Sold percentage from 100%).
2. Find Total Expenses (Cash Operating Expenses, Interest, and Depreciation).
3. Use the following formula:

$$\text{Break-Even Sales} = \frac{\text{total expenses}}{\text{gross profit percentage}}$$

4. Express "Net Profit after Taxes" as a percentage of the investment (the money invested in the business) to arrive at an approximate Return on Investment.

$$\text{Return On Investment} = \frac{\text{net profit after taxes}}{\text{investment (personal plus others)}} \times 100$$

Question: "Should I go ahead with the venture?"

The decision on whether to go ahead with the venture is the final and most important decision you will have to make.

Follow these steps to make a decision.

1. Review the information on Break-Even Sales and Return on Investment.
2. Compare Break-Even Sales with the Total Sales Target.
3. Compare the Return on Investment figure with the return you would receive from a fixed deposit.
4. Make the decision based on the scores you calculate below.

From the statements below, select the one that applies:

Score

- | | | |
|--------------------------|---|----|
| <input type="checkbox"/> | Total Sales Target is greater than Break-Even Sales by 5% or more. | 10 |
| <input type="checkbox"/> | Total Sales Target is greater than Break-Even Sales by 5% or less. | 5 |
| <input type="checkbox"/> | Total Sales Target is less than Break-Even Sales. | 0 |
| <input type="checkbox"/> | Return on Investment is at least 10 percentage points more than the rate of interest you would get on a fixed or term deposit. | 10 |
| <input type="checkbox"/> | Return on Investment is between 5 and 10 percentage points more than the rate of interest you would get on a fixed or term deposit. | 8 |
| <input type="checkbox"/> | Return on Investment is between 1 and 5 percentage points more than the rate of interest you would get on a fixed or term deposit. | 5 |
| <input type="checkbox"/> | Return on Investment is less than the rate of interest you would get on a fixed or term deposit. | 0 |

5. Total the score.

6. Check the score on the scale below:

←	unfavorable	→	←	favorable	→
0	5	10	15	20	

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