

## Business Plan Basics:

### The Executive Summary AKA "The Hard Sell":

- Tells the short story of **WHAT** you need, **WHAT** you intend to do, **HOW** and **WHERE** you intend to do it, **WHEN** you intend to do it and **WHY** you intend to do it. Instilling in the reader a willingness to do it with you!
- 
- Brief introductory statement and if this includes a monetary request, how much and what for (matches the Sources & Uses).
- Body of the story briefly describing your concept (refer to page or section in BP), need for your concept (perhaps refer to a survey or letters of interest in your exhibits), why you believe the plan will achieve success and an flexibility that your concept or plan offers in the event it needs to be modified.
- Conclusion – Key elements of your plan that make it worthy of consideration

### The Business Plan:

- Table of contents that matches the sections and schedules in the plan for ease of reader reference
- Concise Executive Summary (1 page)
- Concise narrative sections related to Sources & Uses (that balance), concept/idea, market, competition, niche, etc.
- SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats)
- Significant Assumptions page (Bullet Points) immediately in front of Projections
- 3 years of Projections by month
- Best and Worst Case Projections (Break Even good idea in this section)
- Trusted Advisors
- Management Resume'

### "Extras" (for pursuing financing, not for competition purposes)

- Personal Financial Statement
- Last 3 years Federal Tax Returns

### Boiling The Business Plan down to 7 elements of "The Pitch"

- |                  |                      |
|------------------|----------------------|
| 1. The Problem   | 5. Team              |
| 2. The Solution  | 6. Financial Summary |
| 3. Target Market | 7. Milestones        |
| 4. Competition   |                      |

## Significant Assumptions

Your Significant Assumptions should enable a reviewer to understand and calculate how you arrived at the figures presented in your projections. Whenever possible use actual quotes for expenses vs. estimates. Examples:

- **Gross Revenues** = X customers per day at an average sale of X dollars per customer at X number of days open annually.
- Number of daily customers projected from x percentage of daily traffic count provided by NYS DOT (or other appropriate means of estimating)
- Seasonality = (provide brief description of seasonal impact on sales if any)
- Hours of operation per week = X
- **Cost of Goods Sold (COGS)** based on initial inventory purchase plus replacement during the year. Pricing provided by distributor, wholesaler, etc.
- **Gross Profit Margin** = x% based on industry norm taking into consideration mix of products to be sold. (Example in the restaurant industry a typical Gross Profit Margin is 67% with COGS of 33%)
- **Payroll/Wages** = # of employees at x per hour at x hours per week
- **Owners Draw/Salary** = x per week, month, etc. based on personal income and expense needs.
- **Rent Expense** = x dollars per square foot plus common area charges of x dollars (if possible, provide lease agreement, quote from landlord, realtor, etc.).
- **Interest Expense** = Based on x borrowings at x interest rate for x number of years.
- **Insurance Expense** = Quote provided by agent for liability, hazard, business interruption coverage, etc.
- **Utilities** = Documented from landlord, NYSEG Quote, etc.

## METHOD TO DETERMINE CASH FLOW PROJECTIONS & FINANCIAL FEASIBILITY

- Determine Startup Costs – Should also include 3 to 6 months of operational expenses. Some ventures need more. Price lists and estimates should be attached as supporting documentation.
- Calculate monthly operational expenses. This will also require research.
- Forecast monthly revenues. This will be based on market research and contacting prospective customers.
- Subtracting monthly expenses from beginning working capital will provide end of month cash.
- In projecting cash flow, if you have negative totals, you have to rethink your idea including startup and monthly expenses. Cash flow must always be positive for a business to be financially feasible.
- Cash flow is not the same as net income.
- You may have some monthly losses in income projections, but consistent losses are a negative sign.
- If you are unable to determine financial feasibility prior to business startup, your venture may be seriously speculative and at risk.
- The following calculations will help you determine how much money you need to start your business, and if you will have sufficient cash flow. Note that your cash flow will vary from month to month. To get a clearer picture, cash flow should be projected by month for one to two years.

### STARTUP COSTS

<b>Name &amp; Description</b>	<b>Estimated Costs</b>
Renovations/Leasehold Improvements .....	_____
Equipment .....	_____
Include delivery and installation	
Signs .....	_____
Supplies/Services .....	_____
Not for resale or use in production. E.g. office supplies	
Advertising.....	_____
For opening	
Licenses/Permits .....	_____
Telephone/Utility Deposits .....	_____
Insurance down payment.....	_____
Up-front Legal/Professional fees.....	_____
Initial Inventory .....	_____
For resale or materials	
Rent Deposit.....	_____
Bank Fees .....	_____
Other .....	_____
<b>Total Start-up Costs.....</b>	<b>_____</b>

**WORKING CAPITAL/MONTHLY EXPENSES**

Purchases.....  
Materials or inventory for resale or production. \_\_\_\_\_

Salary Expenses (employees) ..... \_\_\_\_\_

Salary Overhead.....  
Payroll Taxes \_\_\_\_\_

Owner's Draw or Salary ..... \_\_\_\_\_

Contracted Services .....  
e.g. Janitorial \_\_\_\_\_

Advertising..... \_\_\_\_\_

Insurance..... \_\_\_\_\_

Loan Payment ..... \_\_\_\_\_

Accounting and Legal Services..... \_\_\_\_\_

Repairs and Maintenance .....  
Building and equipment \_\_\_\_\_

Supplies.....  
Items not used for resale \_\_\_\_\_

Real Estate Taxes .....  
If other taxes are included – specify. This is not sales tax. \_\_\_\_\_

Telephone..... \_\_\_\_\_

Travel Expenses.....  
Standard mileage rates, hotels, car rentals, etc. \_\_\_\_\_

Building Rent ..... \_\_\_\_\_

Utilities..... \_\_\_\_\_

Freight and Shipping/Postage..... \_\_\_\_\_

Other .....  
Be specific. \_\_\_\_\_

**Total Expenses** ..... \_\_\_\_\_

## PROJECTED INCOME

### Suggestions to project income:

- Contact prospective customers to determine sales potential.
- Assess your competition.
- Identify your market niche
- Conduct customer surveys
- Determine how much you need to earn and how many customers you will need. Are your calculations feasible? Are there enough customers? How do you know they will come to you? Research will prove this.

Your projected monthly income must equal or exceed expenses in order to have consistently positive cash flow.

**Beginning Cash + Monthly Revenues - Monthly Expenses = End of Month Cash**

**Based on your research, you would determine monthly income the following ways:**

- Estimated number of customers x average sales = estimated monthly sales
- Estimated number of billable hours x hourly rate = estimated monthly sales
- Estimated number of units sold x price = estimated monthly sales

Sample Inc.  
PROFORMA CASH FLOW FORECASTS  
Joe Sample

02/24/16

YEAR 1	START-UP	MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5	MONTH 6	MONTH 7	MONTH 8	MONTH 9	MONTH 10	MONTH 11	MONTH 12	TOTAL
CASH ON HAND	10,000	46,900	45,904	45,246	44,526	42,288	40,793	38,647	36,322	34,827	33,331	31,006	29,461	10,000
<b>CASH RECEIPTS</b>														
Cash Sales	0	10,125	10,125	10,125	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	10,125	112,500
Credit Accounts	0	0	3,375	3,375	3,375	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	34,125
Loans or Grants	100,000													100,000
<b>TOTAL CASH RECEIPTS</b>	<b>100,000</b>	<b>10,125</b>	<b>13,500</b>	<b>13,500</b>	<b>12,375</b>	<b>12,000</b>	<b>13,125</b>	<b>246,625</b>						
<b>TOTAL CASH AVAILABLE</b>	<b>110,000</b>	<b>57,025</b>	<b>59,404</b>	<b>58,746</b>	<b>56,901</b>	<b>54,288</b>	<b>52,793</b>	<b>50,647</b>	<b>48,322</b>	<b>46,827</b>	<b>45,331</b>	<b>43,006</b>	<b>42,586</b>	<b>256,625</b>
<b>CASH PAID OUT</b>														
Merchandise Purchases	3,000	3,038	6,075	6,075	5,738	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,738	67,463
Gross Wages	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	26,000
Payroll Expense	0				780			780			780			2,340
Outside Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Supplies	100	0	0	12	12	12	12	12	12	12	12	12	12	220
Repairs & Maint.	0	0	0	50	0	0	0	50	0	0	50	0	0	200
Advertising	2,500	200	200	200	200	200	200	200	200	200	200	200	200	4,900
Car & Travel	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accounting & Legal	1,000	100	100	100	100	100	100	100	100	100	100	100	100	2,200
Lease/Rent	750	750	750	750	750	750	750	750	750	750	750	750	750	9,750
Telephone	100	100	100	100	100	100	100	100	100	100	100	100	100	1,300
Utilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance	650	0	0	0	0	0	650	0	0	0	0	0	0	1,300
Interest	0	500	493	486	478	471	464	456	449	442	434	427	419	5,519
Other														
[Real Estate Taxes....]	0	0	0	0	0	0	0	0	0	0	0	0	0	0
[Other.....]	0	0	0	0	0	0	0	0	0	0	0	0	0	0
[Other.....]	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>10,100</b>	<b>6,687</b>	<b>9,718</b>	<b>9,773</b>	<b>10,158</b>	<b>9,033</b>	<b>9,676</b>	<b>9,848</b>	<b>9,011</b>	<b>9,004</b>	<b>9,826</b>	<b>9,039</b>	<b>9,319</b>	<b>121,192</b>
Loan Princ. Pmt	0	1,433	1,440	1,448	1,455	1,462	1,469	1,477	1,484	1,492	1,499	1,507	1,514	17,680
Capital Purchases	50,000													50,000
Deposits	0													0
Reserves	0													0
Owner's Withdrawl	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	39,000
<b>TOTAL CASH PAID OUT</b>	<b>63,100</b>	<b>11,121</b>	<b>14,158</b>	<b>14,220</b>	<b>14,613</b>	<b>13,495</b>	<b>14,145</b>	<b>14,325</b>	<b>13,495</b>	<b>13,495</b>	<b>14,325</b>	<b>13,545</b>	<b>13,833</b>	<b>227,872</b>
<b>CASH POSITION</b>	<b>46,900</b>	<b>45,904</b>	<b>45,246</b>	<b>44,526</b>	<b>42,288</b>	<b>40,793</b>	<b>38,647</b>	<b>36,322</b>	<b>34,827</b>	<b>33,331</b>	<b>31,006</b>	<b>29,461</b>	<b>28,753</b>	<b>28,753</b>
<b>NET SALES VOLUME</b>		<b>13,500</b>	<b>13,500</b>	<b>13,500</b>	<b>12,000</b>	<b>13,500</b>	<b>150,000</b>							

© NYS SBDC 2004

SBA =  
Startup

## Local Resources

Small Business Development Center  
222 Water St. 3<sup>rd</sup> Floor  
Binghamton, NY 13901  
(607) 777-4024

SCORE  
Greater Binghamton Chamber of Commerce  
49 Court St. (Metrocenter)  
Binghamton, NY 13901  
(607) 772-8860

<https://www.score.org/resources/financial-projections-template>

**City**  
BINGHAMTON LOCAL DEVELOPMENT CORP.  
City of Binghamton Economic Development  
38 Hawley St.  
Binghamton, NY 13901  
(607) 772-7161

### County

The Agency  
60 Hawley St.  
Binghamton, NY 13901  
(607) 584-9000

### State

Empire State Development  
44 Hawley St.  
Binghamton, NY 13901  
(607) 721-8605

### Federal

US Small Business Administration (SBA)

<https://www.sba.gov/category/navigation-structure/starting-managing-business>

<https://www.sba.gov/tools/business-plan/1>