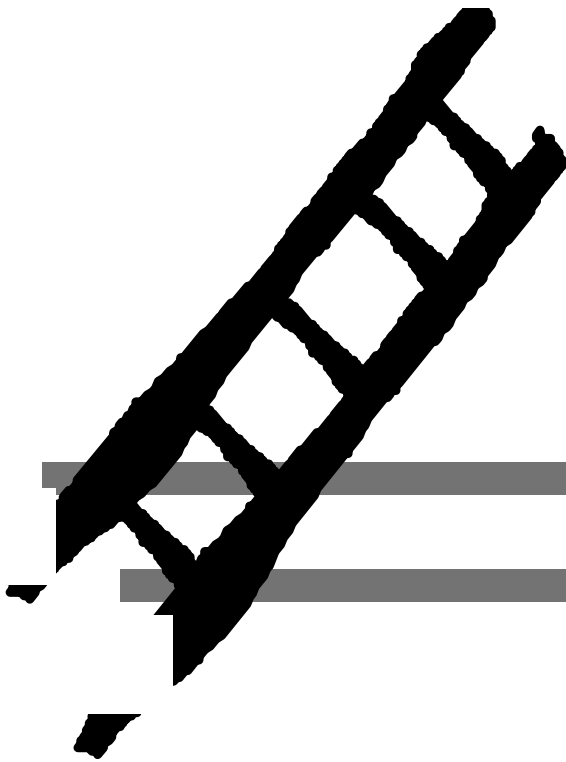


PLANNING YOUR BUSINESS



A
BEC
Guide

Using this Guide

This Guide to preparing a business plan is designed to lead you through the process of compiling a plan as you go. Information on the left describes the material you need to provide in the spaces on the right page.

Complete what you can and then consult your BEC Business Facilitator for assistance with the items of which you are unsure. Your BEC may also be able to provide the document for you on disk.

The plan is written focusing on sole traders or partnerships and references to items such as “drawings” will need to be eliminated if you are adopting a Company structure. If you are manufacturing goods additional tables and information will be required.

Acknowledgements & Disclaimer

This document has been developed utilizing various resources used throughout the New South Wales Business Enterprise Centre network.

Whilst every endeavour has been taken to provide a comprehensive guide to starting a small business, no responsibility is taken for decisions made utilizing the guide. The material is copyrighted to the BEC network and Department of State & Regional Development. All rights reserved.

Information contained herein is subject to change.



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The Business Plan

The Business Plan is a written statement of the goals and objectives of a business. It should:

- ✓ cover the necessary steps to be taken to achieve those goals and objectives;
- ✓ include information which justifies and explains the proposed strategy;
- ✓ provide the information needed by others to understand your venture;
- ✓ check the viability of the proposed business;
- ✓ include alternate strategies;
- ✓ combine all elements into a logical format;
- ✓ help you understand the various factors for success or failure;
- ✓ be used continuously to monitor actual results and identify problems;
- ✓ be regularly updated; and
- ✓ be compiled by you with reviews by your Accountant or Business Advisor.

In *How to Organise and Operate a Small Business*¹, John English states that:

A business plan is like a map. It tells you what to expect and what alternative routes you can take to arrive at the same destination... Planning helps you to work smarter rather than harder. It keeps you future oriented and motivates you to achieve the results you want.

Presentation

The packaging and format of your plan should create an initial favourable impact. Consider the use of coloured paper, easy to read uncluttered print, and the final presentation of the document by having it bound. These enhancements are low cost and create a lasting impression for the reader.

As you compile your plan, decide whether your content can be better expressed in the following ways: Graphs, Maps and Location Charts (floor plan/regional map/target market area); Pictograms & Diagrams; Logo or page mark. Use these tools not only enhance your document but also save a lot of writing.

The Cover Sheet

The first page or cover sheet of your plan will provide information on your business name, location, contact numbers, structure, people involved.

¹ English, John W., *How to Organise and Operate a Small Business in Australia*, Allen & Unwin, Sydney, 1995

BUSINESS PLAN

BUSINESS NAME:

ADDRESS:

TELEPHONE:

TYPE OF BUSINESS:

COMMENCEMENT DATE:

NAMES OF OWNERS:

OWNERSHIP/MANAGEMENT STRUCTURE:

DATE PREPARED:

CONFIDENTIALITY STATEMENT

The information, data and drawings embodied in this business plan are strictly confidential and are supplied on the understanding that they will be held confidentially and not disclosed to third parties without the prior written consent of this business' principals.

Purpose

The start of a business plan describes the purpose of your business. The description is often prepared in terms of vision, mission and goals.

Executive Summary

Whilst positioned at the beginning, the Executive Summary is prepared last, providing an overview of the content detailed in the plan. Remember that an executive summary is only a summary, and should only be a page or so long. It is likened to a book cover, that most readers will make a pre-judgment based upon it, so be positive and leave a good impression.

Vision Statement

The Vision Statement describes the synoptic of how the business will look. It is a picture, an imaginative insight as to where you expect the business and yourself to be in five years. You need to review this regularly.

Mission Statement

Mission Statements describe the business of the business: what is the charge, the role, the purpose of the business.

The Goals of the Organisation

Short term and long term objectives are set to achieve your vision and mission goals. They must be specific, measurable, achievable, realistic and timely (SMART).



PURPOSE

EXECUTIVE SUMMARY

Vision Statement

Mission Statement

Short term Goals

- 1.....
.....
- 2.....
.....
- 3.....
.....

Long term Goals

- 1.....
.....
- 2.....
.....
- 3.....
.....

Organisation & Management

The second section provides information on the organisation as it exists - or as you expect it to exist - what structure you will establish and how the activities of the business will be managed.

Included will be:

- ✓ **Business history & position** Provide detail on the history – if any – and establishment of the business, including information on where the business is placed in comparison to competitors and peers.
- ✓ **Stakeholder information** Sole Trader/Partnership/Company information with descriptions of owner/manager/stakeholders of the business and their skills and experience which are relevant to the business. Stakeholders include any person who has a “stake” in your business, such as family, lenders, silent partners, suppliers, employees etc.
- ✓ **Situation analysis** This needs to cover both internal and external issues which affect the business’ activities. Internal factors may include existing resources, contracts, commitments, skills and experience of staff/management, etc. External factors which may affect your business are listed on page 9.
- ✓ **SWOT Analysis** List the Strengths, Weaknesses, Opportunities and Threats and then develop strategies for each one.



Strengths Those parts of the business that make us grow. They tend to be internal. They need to be enhanced - not left idle (because they tend to end up becoming weaknesses).

Weaknesses Those parts that need improvement. They tend to be internal. They need to be overcome.

Opportunities Those parts that can bring us growth financially, qualitatively and quantitatively. They tend to be external. They need to be made to happen.

Threats Those parts that bring us down. They tend to be external. They need to be overcome, along with perceptions that people have which act as barriers to development.

- ✓ **Internal Resources** are those resources that already exist which may be utilised to help develop your business.
- ✓ **External Issues** relevant to the business are those factors which may have an impact upon your business both positively and negatively and what influence they exert.

ORGANISATION & MANAGEMENT

Business History & Position

Stakeholders Involved

Situation Analysis

SWOT ANALYSIS	Item	Strategy to enhance or overcome
Strengths		
Weaknesses		
Opportunities		
Threats		

Internal Resources:

External Issues relevant to the business:

Influence:

Changing Markets:

Increasing Competition:

Industry Restructure:

Political/Legal Changes:

Economic Uncertainty:

Social Changes:

Technological Developments:

Ecological Concerns:

Organisational Structure

As you establish your business, you will develop the organisational structure under which you will operate. If you are a one person business, the entire structure is you. As soon as there is another person involved, responsibilities are split and need to be delegated. The decisions as to who is responsible for what will form the basis of your structure.

In this section include:

- ✓ An organisational structure (using organisation charts). This shows the lines of responsibility and communication channels.
- ✓ Staff Positions and Job Descriptions.
- ✓ Details of necessary experience of owner/s and staff and availability of staff.

Personnel

Key personnel positions need to be detailed with an indication/estimate of the cost of employing that person. Take into account that staff have Annual Leave, Sick Leave entitlements and that you will be required to pay a percentage (currently 7%) into a Superannuation fund for each staff member who earns above the Superannuation threshold (currently \$450 per calendar month). Ensure that you include a Workers Compensation Insurance premium estimate in your cash flow.

When calculating the cost of employing staff, the following might be included: Gross Wages = Take Home Pay + PAYG withholding Taxation; sick pay, holiday pay and leave loading, long service leave, Superannuation, bereavement leave, maternity leave, bonuses, commissions, travel allowance, award allowances, leave without pay.

Resumes

Include personal resumes / overviews of owners of the business and key personnel, highlighting any relevant experience and qualifications.

Training

Develop a training plan and identify training options and availability. Remember training is an investment, not a cost.

Safety Plans

Your safety plan will provide information on location of the First Aid kit, Occupational Health and Safety issues to be overcome, emergency plans and contacts to cover emergency situations which may occur in the work place.

Business & Professional Services

You will develop your Business Team as you establish your business. They are there to help you succeed and therefore need to be people you respect and trust and feel you can discuss all aspects of your business. Typical Business Team Members are listed.

Many people new to business find themselves anxious about buying professional services. It is wise to prepare for your meetings so that you get the best value from the meeting. Your Mentor or BEC Business Facilitator will be able to help you prepare.



ORGANISATIONAL STRUCTURE

Personnel

Position	Annual Gross Wage	Leave Loading	Superannuation	Workers Comp	Total
Total					

Key Personnel (resumes attached):

Name:

Position:

Training

Staff Position/Skill Area	Training Course	Provider

Safety Plans

Business & Professional Services

Service	Name	Address	Contact details (Phone/Fax/Mobile email)
Solicitor			
Accountant			
Bank Manager			
Financial/Bus Adviser			
Mentor			
Industry Association			
BEC			

Deleted: :

Development Plans

Establishment Costs

These are costs that occur once only at the time of start up. It is important to assess the tax implication of the timing of purchase, as if paid before the business commences, they may not be tax deductible. They may include:

- Licence Fees
- Registration of business name
- Bonds for rent and utilities
- Insurances
- Equipment
- Vehicles
- Council Fees - DA's etc
- Legal fees
- Rent in advance
- Fitout of premises
- Furniture
- Signage

Design Specifications/Layout

A plan of your business layout, photos of premises and location can also be attached.



Location Expenses

Location expenses could include: Bonds for Utilities and Rent, Rent, Rates, Land Tax, Cleaning, Garbage, Security, Merchandising, Council and Government requirements. These are only costs pertaining to the accommodation site and surrounds and will need to be later used in the cash flows as components of overheads.

Approvals and Licences

Detail all approvals and licences required for operation of your business. If already obtained, include the documentation or applications already lodged.

Improvements and Future Plans

Identify any requirements for improving, developing and implementing the following:

- Facilities
- Location
- Any modifications needed
- Capital equipment needs
- Replacement of equipment needs

As these improvements are to take place in the future, they need to be costed into the cash flow forecasts.

Timing

Use a time line or calendar to indicate:

- the time required for production or setting up the business.
- the timing and relationship of events necessary to open the business.
Such items as:
 - Power supply connection date;
 - Signage;
 - Stock arrival;
 - Lease signing and receiving keys.

DEVELOPMENT PLANS

Establishment Costs

Item	Cost	Date Due
Licence Fees		
Registration of business name		
Bonds for rent and utilities		
Insurance		
Equipment		
Council Fees – DA's etc		
Legal fees		
Rent in advance		
Fit-out of premises		
Furniture		
Signage		
Stock		
Total		

Business Location

Location Expenses

Type	Space (sq. m)	Costs – Mthly	Extras	Costs – Annual
Total				

Approvals and Licences

Improvements and Future Plans

Timing

Policies

This should indicate the policies to be developed for: employing staff, measuring performance, discipline procedures, money handling, absentee, theft, leave, confidentiality, security, accident or any policy relevant to the business.

By having these policies in place you are providing a clear indication of what the appropriate procedures are and of what is expected of staff.

Asset Register

Your asset register will be a valuable document for your accountant in determining and claiming depreciation on each asset at the end of the financial year. Once again, the work you do now in setting up these documents, will save you work in the future. At this stage you need to identify which assets you already own and can bring to the business, and which assets you will need to invest in and when you will need to invest.

➤ Existing Assets

Detail existing assets that you already own that will be utilised in this business, their age and replacement year.

➤ Assets Required

Create a wish list of plant/equipment you require & prioritise the investments by time.

Insurance

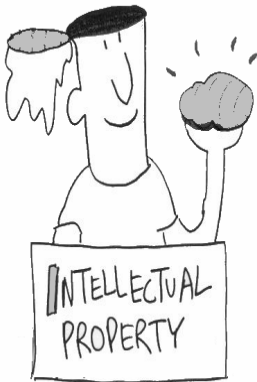
Insurance for business is very important. There are only 3 compulsory insurances, however, your risk exposure needs to be assessed for each of the other insurance categories available. Quotes may be obtained from insurance agents/brokers and business packs are available.

➤ Compulsory

Third Party Person (CTP), Workers Compensation, Superannuation.

➤ Non-compulsory

Public Liability, product liability, professional indemnity, fire, flood, storm & tempest, building and contents, fidelity, goods in transit, directors, key person, partnership, sickness & accident, plate glass, money: on premises/in transit/at home, loss of profit (coverage for circumstances like Melbourne's Gas crisis, Auckland's electricity crisis), comprehensive motor vehicle, tenant liability, burglary/theft, electronic, machinery breakdown, construction, disability.



Intellectual Property

Intellectual property covers a wide range of items which you might need to protect. They include: Trade marks, patents, copyrights, plant designs, electrical circuits, invention ideas, recipes, methods and any intellectual intelligence that may tangibly make the business successful. They need to be recorded.

Business Development

Detail the developments planned over the next five years to make the business grow.

Policies

Policy	Required By	Responsibility

Existing Assets – Asset Register

Item	Date of purchase	Purchase Price	Introduction Value	Replacement Year	Depreciation Rate/Amount
Total Value					

Assets Required

Item	Trade-in Value	Date of purchase	Purchase Price	Replacement Year	Depreciation Rate
Total Value					

Insurance

Policy	Premium	Date of Purchase
Total		

Intellectual Property

Date	Item	Version	Identifying marks	Nature of IP	Value

Business Development

Year	Objective	Cost	Responsibility
1			
2			
3			
4			
5			
Total			

Product/Service Profile

This section provides information on the product or service to be offered. It includes information such as:

- Description of your main/secondary/tertiary product/service – including physical features and associated benefits these features may provide to your clients. Eg: Easy-care wool [feature] is machine washable and the benefit is no dry cleaning bill.
- How it came to be - invention, innovation, needs basis.
- Where it will be used: the market or industry which will utilise your product/service.
- Other products/services that compete against yours.
- Unique selling position - advantages over competition and what makes your product/service better.
- Future opportunities/development for the product and the trends of use.
- Product Assurances/Warranties: quality assurances, replacement policies, etc.

If the product/service is in development stage, discuss the degree of work and time that will be needed to bring it to the market.

Can the product be offered in other ways e.g. food – it can be dried, frozen, taken away, cryovaced, sold as a single packaged item or in bulk.

If it is a service can it be presented in other formats e.g. consulting, teaching, write a manual or a workbook, present it on audio or video, seminars, workshops or a lecture circuit.



PRODUCT/SERVICE PROFILE

Product/Service

Main:

Secondary:

Tertiary:

Features

Benefits

Product/Service History

Competing Products/Services

Uniqueness

Product/Service Development Opportunities

Product/Service Assurances & Warranties

Market Research

Market Research provides information on the market place and the people you expect to exchange money for your product/service. It is gained by gathering information from a variety of sources and assessing this information in terms of potential to satisfy and meet the demand of these clients and generate profits from the whole process.

Common sources of information include: Australian Bureau of Statistics; Industry Associations – eg Retail Traders Association; Magazines & Publications; Benchmarks; Local Governments; Business Networks; and Yellow Pages. Your local library and the Internet will provide avenues for sourcing this information.

Another way of obtaining information is to ask those who you expect to be interested in your product or to ask your existing clients. This can be done by use of a survey. If you wish to compile your own survey, take care and test run your series of questions before approaching the public or selected interviewees.

The information you gather will also form the basis of your Marketing Plan which will detail the how, when, where, why and to whom you will pitch your product. Information is gathered in the following terms:

Target Market

Clearly identify who are the consumers of your product or services in terms of age, sex, location, habits, life style and what percentage of the population they equal. This will help segment your targets and later, define how to inform them of your product/service.

Determine if a market exists by locating information on the size of the market, who currently supplies the market and what the buyers preferences are – why, when, where and how do they buy. This will help identify possible ‘niche’ areas that you may be able to fulfill.

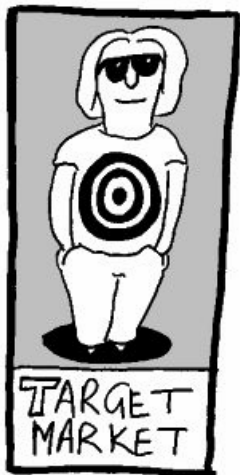
Estimate the share of the overall market that you might expect to ‘win’.

Competitors & Peers

Your possible competitors and peers need to be identified and assessed to determine their impact on your proposed activities. Included in your assessment will be information on:

- Who competitors are and where they are located.
- Their strengths and weaknesses.
- The threats they pose to your business.
- Their price and quality policies and effect on your position.
- What technologies and promotion utilised.
- How they are perceived in the market.
- Their reaction to your marketing strategy.

Be careful here. Many small businesses have been started because of poor existing suppliers, only to find the poor existing supplier pulls their socks up and maintains their market position because the customers remain loyal. Be realistic in your assessments . . .



MARKET RESEARCH

Demographics *(Statistics on population by age, sex, number/size of households, etc)*

Geographics *(Location to be serviced)*

Psychographics *(What decision process do people go through who buy the product or service)*

Market Size, Potential & Share *(Size of market, trends and predictions and expect share)*

Competitors & Peers

Aspects most likely to change customers from competitors

Overview of Your Marketing Strategy

Remember that you have described in detail what products/services you are offering to the market place. This information is now built on in terms of how you will offer the products/services to the market place. Your Marketing Plan will provide:

- Details on your target market by segments including customer profile, location, etc as determined by your market research.
- An overview of the marketing mix [known as the “five P’s”].
- Information on your distribution process.
- A linkage to sales forecasts.

Target Market

This will provide an overview on your prospective client groupings (market segments), where they are located and anything else specific or relevant to their grouping.

Marketing and Promotion Techniques

The definition of marketing is to **create** and **maintain** customers.

Price

- Show an analysis of how you have determined your prices/mark-up. Include price lists, product build, etc.
- Explain your pricing strategy for capturing a share of the market, what the market will bear, etc.

Position

Describe where you pitch yourself at the market and explain why and how. Information might include location, quality versus quantity, positioning, etc.

Product

Explain the nature of your product/service.

- How you want it perceived – image, presentation/packaging/decor.
- The benefits of your product/service.
- Discuss the variety of products needed to meet the market segment.

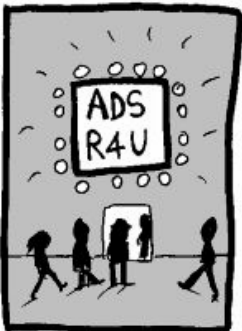
Promotion

Detail the promotional activities you will undertake to complete your marketing mix by informing your target market of your product, its price and position.

- Publicity – free press.
- Public relations – sponsorship, service groups.
- Sales promotions eg trade shows.
- Personal selling – sales staff.
- Advertising.

People

- The customer profile.
- The mix of the other “4 Ps” combine to address your customers’ (People) needs.



MARKETING PLAN

Target Market

Customer Profile

Main

Secondary

Tertiary

Location of Customers

Main

Secondary

Tertiary

Marketing and Promotion Techniques

➤ Price

➤ Position

➤ Product

➤ Promotion

Publicity:

Public Relations:

Sales Promotions:

Personal Selling:

Advertising:

Customer Profile

Customer Relations Tactics

Describe the customer benefits you will offer eg. hours of trade, packaging, delivery, credit and/or after hours service.

Service and Warranty Policies

Explain your warranty period, refund policies etc.

Marketing Budget

After deciding what forms of promotion you are going to use, and when they will be used, the costs need to be assessed. Then you will be able to detail the implementation of your marketing plan by listing your projected expenditure for each month for each type of promotional activity. These figures will then be included in your cash flow forecasts under Advertising or Promotions. One rule-of-thumb suggests 5% of your turnover should be spent on marketing budget.



Measuring Your Promotional Outcomes

Since you will be spending precious money on promoting your products/services, it is important that you measure the response received. This can be done by asking clients where they heard of you, tracking clients sales and results over a set period.

Forecasting Sales

You may arrive at sales estimates by:

- knowing the size of the market and estimating your potential share of it based on your marketing strategy and the competition;
- What is the seasonality of your product; (do you sell more in winter than summer, what can be done to sell more product/s in the “off season”)
- seeking figures for similar businesses; and
- source opinions from suppliers.

Calculate how many sales you need to make per day at a typical price per item. Based on these findings you will be able to complete a Sales Forecast table.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Sales*													
Total													

*Number of sales anticipated for any one product/service and average sale \$ value.

Justify your figures as completely as possible. These figures become your income figures in your cash flow forecasts.

FINANCIAL PLAN

Personal Financial Requirements

This forms the basis of your personal budget and will detail what your weekly commitments/ requirements are, and what income sources you have to meet these.

Personal Financial Position

How much you are “worth” will determine how much you can borrow. This can be calculated by listing how much you own (assets) and how much you owe (liabilities). The difference is your net worth.

Quick Financial Check

Before going too far it is useful to make a quick check to see if the business idea can earn sufficient money to meet the owner’s and the business’ financial needs.

A “bottom up” approach is based on how much you need to earn each week, what return on your investment you expect, what the operating expenses for having the business open will be, and what the cost of stock will be if you are trading in stock. Eg:

Owner’s income needs	\$600 per week
+ 20% Return on Investment of \$10000	+ \$40 per week
=	= \$640 per week
+ Operating Costs	+ \$460 per week
Total required after stock	= \$1100 per week
= Gross Profit* required	\$1100 per week
Av. Gross Profit Margin** expected = 45%	\$1100 = 45% GPM
Sales Required = $\frac{\text{GProfit}}{\text{GPM\%}}$ = \$1100 / 45%	\$2444 per week



*Gross Profit = Sales less Cost of Goods Sold (stock cost traded).

**Gross Profit Margin = Gross Profit as a percentage of Sales. Averages may be available for the industry you are working in, refer Business Benchmarks or an Industry Association.

How much money/cash do you need to pay your regular GST payments?

FINANCIAL PLAN

Personal Financial Requirements

Expenses: \$ per week

- ◆ Mortgage/Rent
- ◆ Electricity/Gas/Water
- ◆ Phone
- ◆ Food/Entertainment
- ◆ Motor Vehicle
- ◆ Loans/Credit Cards
- ◆ Holiday/Travel/Gifts
- ◆ Clothes
- ◆ School
- ◆ Other

Total Expenses \$.....

Income: \$ per week

- ◆ Investments.....
- ◆ Business
- ◆ Other Work.....
- ◆ Other.....

Total Income\$.....

Personal Financial Position

Assets (Owned)

- ◆ House
- ◆ Motor Vehicles
- ◆ Investments
- ◆ Bank Balances
- ◆ Other:

Total Owned:

Liabilities (Owed)

- ◆ Mortgage
- ◆ Loans
- ◆ Credit Cards.....
- ◆ BankOverdraft.....
- ◆ Other.....

Total Owing:

Net Worth: Assets – Liabilities = \$.....

Quick Financial Check

Owner's 'Wage'/Drawings + Return on Investment of \$..... @% =	\$..... per wk + \$..... per wk = \$..... per wk	You need from the business
Operating Costs	\$..... per wk	
Total = Gross Profit required	\$..... per wk	You + business need
Average gross profit margin expected =%	\$..... = ..% GPM	
Sales Required = $\frac{\$.....}{.....\%}$	\$..... per wk	Can these be achieved?

REQUIRED FINANCE

This determines what funds are required before the business becomes self sufficient.

Cost of Establishment

Establishment Costs have been calculated (*page 11*).

Expenses required until profitable

Look at the Cash Flow Projection before any funds are borrowed or existing bank balances are carried into the business. It is the total of all the months' overhead expenses while there is a minus figure in the balance carried forward, plus 1 month.

Purchases required until profitable

Look at the Cash Flow Projection before any funds are borrowed or existing bank balances are carried into the business. It is the total of all the months' purchases while there exists a minus figure in the balance carried forward, plus one month.

Receipts

Look at the Cash Flow Projection before any funds are borrowed or existing bank balances are carried into the business. It is the total of all the months' receipts while there exists a minus figure in the balance carried forward, plus one month.

Personal Funds

This is the total of existing personal funds which you are going to invest into the business, plus the existing bank balance (if any).



REQUIRED FINANCE

This determines what funds are required before the business becomes self sufficient.

Preliminary Establishment costs	\$.....
+ Expenses required until profitable	+ \$.....
+ Purchases required until profitable	+ \$.....
= Sub Total	= \$.....
- Receipts	- \$.....
= Sub Total	= \$.....
- Personal Funds	- \$.....
= Estimated FINANCE REQUIRED	= \$.....

Viability Questions

1 Can the business generate sufficient funds to repay borrowings?

Amount borrowed	\$.....
Time period years	
Interest per year \$.....	
+ Total Interest	\$.....
= Total to repay	\$.....
How much per year?	\$.....

2 Will your original objectives be met? Yes No

3 Will your lifestyle be improved? Yes No
compromised? Yes No

4 Do you still want to go ahead? Yes No

(It is OK to say no, because now you are making this decision from an informed basis.)

Action Plan

Your Action Plan will detail the actions needed to pursue the various goals you have set for the business. These could relate to establishment steps, performance outcomes, lifestyle requirements.

Goals

Where do we want to be or go. Generally refers to a direction - like the objectives, however, a little more specific. Must have a time. (Eg: Generate \$.... Per month within 5 years; Have x number of sales etc.)

Strategies

Each goal may be made up of several strategies. Steps you must take to achieve the goal.

Timeframe

Date to be completed

Responsibility

Who is responsible for operation and undertaking and outcome of this strategy.



GOAL	STRATEGIES	TIME-FRAME	RESPONSIBILITY

Cash Flow Projections/ Budgets



Of all the financial information associated with a small business, you (as the person with the most to gain or lose) must understand the Cash Flow, and you must understand it even before you start your business.

A Cash Flow Budget contains your prediction of money coming in, money going out, balance left, in a monthly, weekly or quarterly format. The Calendar Month is often used for predicting/reporting the financial activities of a business. The Cash Flow is set out showing:

Income

Sales income and any other income you hope/expect to achieve. This can be classified by departments/product or service areas.

- Expenses

All expenses or amounts spent/expected to be spent during the period. Typically this will include items like: advertising, phone, electricity, fees & charges, insurance, freight; wages, Superannuation, Workers Compensation; rent, motor vehicles, equipment repairs, acquisition and stock purchases.

= Surplus/Deficit

Outcome for the period/month.

+ Opening Balance

Moneys brought forward from the previous period/month.

= Carry Forward Balance

Equals money in the bank, being carried forward to the next period/month.

Once the predictions are completed, the actual monthly outcome can be determined and compared – showing Budget : Actual : Variance.

A blank Cash Flow form is attached in Appendix 1. It is recommended that projections for at least two full years are completed prior to commencing a business. A computer makes this work easy. Allow an expense line for contingencies or “Murphy’s Law”. People often find the expenses much easier to calculate than income. Your work on sales forecasting earlier will help with projecting income levels from your various products and services. The bottom line is that the income generated will need to cover the money spent in running the business.

Other Financial Reports

The Profit & Loss Statement This records the performance of the business taking into account items such as depreciation of assets owned by the business, and taking out personal drawings, asset purchases, and loan principal repayments which are all considered to be your choice for where to allocate the profits of the business.

The Balance Sheet

This records the financial position of the business balancing out assets and liabilities with the equity of the owners from their initial investment and subsequent use of excess funds (profits) earned by the business.

APPENDIX 1: CASH FLOW BUDGET

CASH FLOW FOR:												YEAR:	
Cash Inflow	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
Sales (less GST)													
Other Income													
GST													
Total Inflow													
Cash Outflow													
Stock Purchases													
Accountant													
Advertising													
Bank Fees & Charges													
Drawings													
Electricity/Gas													
Freight/Cartage													
GST Postage													
Insurance													
Interest Paid													
Lease Payments													
Loan Repayments													
Motor Vehicle Expenses													
Rent & Rates													
Repairs & Maintenance													
Stationery & Printing													
Sundries													
Superannuation													
Tax Provision (income tax)													
Telephone													
Wages (including PAYG)													
Total Outflows													
Opening cash													
Net surplus (deficit)													
Closing cash													