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BUSINESS PLANNING – A GUIDE

Below is an outline for a business plan. Use this model only as a guide when developing the business plan for your business.

After having worked through this Business Planning guide you should be able to:

- Understand the role of the business plan.
- List several reasons for developing a business plan.
- Identify sources where you can get help in developing a business plan.
- Identify the type of information to include in the business plan.
- Prepare an outline for a business plan.

THE BUSINESS PLAN – What It Includes

What goes in a business plan?
The body of the business plan can be divided into four distinct sections:

- The description of the business
- The marketing plan
- The financial management plan
- The management plan. Addenda to the business plan should include the executive summary, supporting documents and financial projections.

DESCRIPTION OF THE BUSINESS

In this section, provide a detailed description of your business. An excellent question to ask yourself is: "What business am I in? " In answering this question include your products, market and services as well as a thorough description of what makes your business unique. Remember, however, that as you develop your business plan, you may have to modify or revise your initial questions.

The business description section is divided into three primary sections, business description, the product or service you will be offering and the location of your business, and why this location is desirable (if you have a franchise, some franchisors assist in site selection).

Business Description

When describing your business, generally you should explain:

- Legalities – business structure: sole trader, partnership, company. The licenses or permits you will need.
- Business Type: wholesale/retail, manufacturing or service.
- What your product or service is.
- Is it a new independent business, a buy-out, an expansion, a franchise?
- Why your business will be profitable. What are the growth opportunities? Will franchising impact on growth opportunities?
- When your business will open (days, hours)? Check regulations.
- What you have learned about your kind of business from outside sources (trade suppliers, bankers, industry associations, other franchise owners, franchisor, publications).

A cover sheet goes before the description. It includes the name, address and telephone of the business and the names of all principals. In the description of your business, describe the unique aspects and how or why they will appeal to customers. Emphasise any special features that you feel will appeal to customers and explain how and why these features are appealing.

The description of your business should clearly identify goals and objectives and it should clarify why you are, or why you want to be, in business.

Product/ Service

Try to describe the benefits of your goods and services from your customer's perspective. Successful business owners know or at least have an idea of what their customers want or expect from them. This type of anticipation can be helpful for beating the competition or retaining your competitiveness.

Describe:

- What you are selling.
- How your product or service will benefit the customer.
- Which products/ services are in demand; if there will be a steady cash flow.
- What is different about the product or service your business is offering.

The Location

The location of your business can play a decisive role in its success or failure. Your location should be built around your customers. Where your business will depend on personal contact with your customers, it should be accessible and it should provide a sense of security. Consider these questions when addressing this section of your business plan:

- What are your location needs.
- What kind of space will you need.
- Why is the area desirable? The building desirable?
- Is it easily accessible? Is public transport available? Is street lighting adequate?
- Are market shifts or demographic shifts occurring?

It may be a good idea to make a checklist of questions you identify when developing your business plan. Categorise your questions and, as you answer each question, remove it from the list.

THE MARKETING PLAN

Marketing plays a vital role in successful business ventures. How well you market your business, along with a few other considerations, will ultimately determine your degree of success or failure. The key element of a successful marketing plan is to know your customers – their likes, dislikes, expectations. By identifying these factors, you can develop a marketing strategy that will allow you to arouse and fulfil their needs.

Identify your customers by their age, sex, income, educational level and residence. At first, target only those customers who are more likely to purchase your product or service. As your customer base expands, you may need to consider modifying the marketing plan to include other customers.

Develop a marketing plan for your business by answering these questions (potential franchise owners will have to use the marketing strategy the franchisor has developed). Your marketing plan should be included in your business plan and contain answers to the questions outlined below:

- Who are your customers? Define your target market(s).
- Are your markets growing? Steady? Declining?
- Is your market share growing? Steady? Declining?
- If a franchise, how is your market segmented?
- Are your markets large enough to expand?
- How will you attract, hold, increase your market share? If a franchise, will the franchisor provide assistance in this area? Based on the franchisor's strategy? How will you promote your sales?
- What pricing strategy have you devised?

Marketing Plan Template and marketing tips, tricks and traps, and a condensed guide on how to market your product or service. Study these documents carefully when developing the marketing portion of your business plan.

Competition

Nations compete for the consumer in the global marketplace as do individual business owners. Advances in technology can send the profit margins of a successful business into a tailspin causing them to plummet overnight or within a few hours. When considering these and other factors, we can conclude that business is a highly competitive, volatile arena. Because of this volatility and competitiveness, it is important to know your competitors.

Questions like these can help you:

- Who are your five nearest direct competitors?
- Who are your indirect competitors?
- How are their businesses: steady? Increasing? Decreasing?
- What have you learned from their operations? From their advertising?
- What are their strengths and weaknesses?
- How does their products or services differ from yours?

Start a file on each of your competitors. Keep manila envelopes of their advertising and promotional materials and their pricing strategy techniques. Review these files periodically, determining when and how often they advertise, sponsor promotions and offer sales. Study the copy used in the advertising and promotional materials, and their sales strategy. For example, is their copy short? Descriptive? Catchy? Or how much do they reduce prices for sales? Using this technique can help you to understand your competitors better and how they operate their businesses.

Pricing and Sales

Your pricing strategy is another marketing technique you can use to improve your overall competitiveness. Get a feel for the pricing strategy your competitors are using. That way you can determine if your prices are in line with competitors in your market area and if they are in line with industry averages.

Some of the pricing strategies are:

- Competitive position
- Pricing below competition
- Pricing above competition
- Service costs and pricing (for service businesses only)
    - Service components
    - Material costs
    - Labour costs
    - Overhead costs

Where GST is applied, purchasing supplies from their source, or as close to the source as possible, will shorten the supply chain, reduce the number of times the GST is applied and marginally reduce the cost of supply. This strategy may provide your business with a competitive edge.

The key to success is to have a well-planned strategy, to establish your policies and to constantly monitor prices and operating costs to ensure profits. Even in a franchise where the franchisor provides operational procedures and materials, it is a good policy to keep abreast of the changes in the marketplace because these changes can affect your competitiveness and profit margins.

A sample Price/ Quality Matrix, review it for ideas on pricing strategies for your competitors. Determine which of the strategies they use, if it is effective and why it is effective.

Advertising and Public Relations

How you advertise and promote your goods and services may make or break your business. Having a good product or service and not advertising and promoting it is like not having a business at all. Many business owners operate under the mistaken concept that the business will promote itself, and channel money that should be used for advertising and promotions to other areas of the business. Advertising and promotions, however, are the lifeline of a business and should be treated as such.

Devise a plan that uses advertising and networking as a means to promote your business. Develop short, descriptive copy (text material) that clearly identifies your goods and services, its location and price. Use catchy phrases to arouse the interest of your readers, listeners or viewers. In the case of a franchise, the franchisor will provide advertising and promotional materials that you and your staff develop. Whether or not this is the case, as a courtesy, allow the franchisor the opportunity to review, comment on and, if required, approve these materials before using them. Make sure the advertisements you create are consistent with the image the franchisor is trying to project. Remember the more care and attention you devote to your marketing program, the more successful your business will be.

THE FINANCIAL MANAGEMENT PLAN

Sound financial management is one of the best ways for your business to remain profitable and solvent. How well you manage the finances of your business is the cornerstone of every successful business venture. Each year thousands of potentially successful businesses fail because of poor financial management. As a business owner, you will need to identify and implement policies that will lead to and ensure that you will meet your financial obligations.

To effectively manage your finances, plan a sound, realistic budget by determining the actual amount of money needed to open your business (start-up costs) and the amount needed to keep it open (operating costs). The first step to building a sound financial plan is to devise a start-up budget. Your start-up budget will usually include such one-time-only costs as major equipment, utility bonds, down payments, rental bonds, etc.

Start-up Budget

The start-up budget should allow for these expenses:

- Personnel (costs prior to opening)
- Legal/ professional fees
- Rental Bond
- Licenses/ permits
- Equipment
- Insurance
- Supplies
- Advertising/ promotions
- Salaries/ wages
- Accounting
- Income
- Utilities
- Payroll expenses

An operating budget is prepared when you are actually ready to open for business. The operating budget will reflect your priorities in terms of how you spend your money, the expenses you will incur and how you will meet those expenses (income). Your operating budget also should include money to cover the first three to six months of operation. It should allow for the following expenses.

Operating Budget:

- Personnel
- Insurance
- Rent
- Depreciation
- Loan payments
- Advertising/promotions
- Legal/accounting
- Miscellaneous expenses
- Supplies
- Payroll expenses
- Salaries/wages
- Utilities
- Dues/subscriptions/fees
- Taxes (GST, PAYG, FBT, etc)
- Superannuation
- Repairs/maintenance

The financial section of your business plan should include any loan applications you have filed, a capital equipment and supply list, balance sheet, breakeven analysis, pro-forma income projections (profit and loss statement) and pro-forma cash flow. The income statement and cash flow projections should include a three-year summary, detail by month for the first year, and detail by quarter for the second and third years.

The accounting system and the stock control system that you will be using are generally addressed in this section of the business plan also. If a franchise, the franchisor may stipulate in the franchise contract the type of accounting and stock systems you may use. If this is the case, he or she should have a system already in-place and you will be required to adopt this system. Whether you buy an "off-the-shelf" package, develop the accounting and stock systems yourself, have an outside financial adviser develop the systems or the franchisor provides these systems, you will need to acquire a thorough understanding of each segment and how it operates. Your financial adviser can assist you in developing this section of your business plan.

The following questions should help you determine the amount of start-up capital you will need to purchase and open a franchise:

- How much money do you have?
- How much money will you need to purchase the franchise?
- How much money will you need for start-up?
- How much money will you need to stay in business?

Other questions that you will need to consider are:

- What type of accounting system will you use?
- What will your sales goals and profit goals for the coming year be? If a franchise, will the franchisor set your sales and profit goals? Or, will he or she expect you to reach and retain a certain sales level and profit margin?
- What financial projections will you need to include in your business plan?
- What kind of stock control system will you use?

Your plan should include an explanation of all projections. Unless you are thoroughly familiar with financial statements, get help in preparing cash flow and income statements and your balance sheet. Your aim is not to become a financial wizard, but to understand the financial tools well enough to gain their benefits. Your accountant or financial adviser can help you accomplish this goal.

Sample balance sheets, income projections (profit and loss statements) and cash flow statements.

THE MANAGEMENT PLAN

Managing a business requires more than just the desire to be your own boss. It demands dedication, persistence, an ability to make decisions and manage both employees and finances. Your management plan, along with your marketing and financial management plans, sets the foundation for and facilitates the success of your business.

Like plant and equipment, people are resources – they are the most valuable assets a business has. You will soon discover that employees and staff will play an important role in the total operation of your business. Consequently, it's imperative that you know what skills you possess and those you lack since you will have to hire personnel to supply the skills that you lack. Additionally, it is imperative that you know how to manage and treat your employees. Make them a part of the team. Keep them informed of, and get their feedback regarding, changes. Employees often have excellent ideas that can lead to new market areas, innovations to existing products or services or new product lines or services that can improve your overall competitiveness.

Your management plan should answer questions such as:

- How does your background/ business experience help you in this business?
- What are your weaknesses and how can you compensate for them?

- Who will be on the management team?
- What are their strengths/ weaknesses?
- What are their duties?
- Are these duties clearly defined?
- If a franchise, what type of assistance can you expect from the franchisor?
- Will this assistance be ongoing?
- What are your current personnel needs?
- What are your plans for hiring and training personnel?
- What salaries, benefits, holidays will you offer? If a franchise, are these issues covered in the management package the franchisor will provide? Check with the NSW Office Of Industrial Relations for Award conditions.
- What benefits, if any can you afford at this point?

If a franchise, the operating procedures, manuals and materials devised by the franchisor should be included in this section of the business plan. Study these documents carefully when writing your business plan, and be sure to incorporate this material. The franchisor should assist you with managing your franchise. Take advantage of their expertise and develop a management plan that will ensure the success for your franchise and satisfy the needs and expectations of employees, as well as the franchisor.

MARKETING PLAN TEMPLATE

THE ENTREPRENEUR'S MARKETING PLAN

This is the marketing plan of ___________________________________

MARKET ANALYSIS

- **Target Market – Who are the Customers?**
  We will be selling primarily to (check all that apply):

		Total Percent of Business.
1. Private sector	____________	____________
2. Wholesalers	____________	____________
3. Retailers	____________	____________
4. Government	____________	____________
5. Other	____________	____________

We will be targeting customers by:

1. Product line/ services.
2. We will target specific lines ___________________
3. Geographic area? Which areas? ___________________
4. Sales? We will target sales of ___________________
5. Industry? Our target industry is ___________________
6. Other ___________________

How much will our selected market spend on our type of product or service this coming year?
$____________

- **Competition**
  Who are our competitors?

NAME____
ADDRESS____
Years in Business____________________________

Market Share________________________________
Price/ Strategy______________________________
Product/ Service______________________________
Features______________________________________

NAME____
ADDRESS_______________________________________
Years in Business__________________________________
Market Share_____________________________________
Price/ Strategy___________________________________
Product/ Service___________________________________
Features____

How competitive is the market?

High ______________________
Medium ______________________
Low ______________________

List below your strengths and weaknesses compared to your competition (consider such areas as location, size of resources, reputation, services, personnel, etc.):

Strengths	**Weaknesses**
1	1
2	2
3	3
4	4

- **Environment**

The following are some important economic factors that will affect our product or service (such as trade area growth, industry health, economic trends, taxes, rising energy prices, etc.):
____
____
____

The following are some important legal factors that will affect our market:
____
____
____

The following are some important government factors:
____
____
____

The following are other environmental factors that will affect our market, but over which we have no control:
____
____
____

PRODUCT OR SERVICE ANALYSIS

- **Description**

  Describe here what the product/ service is and what it does:

  ____

  ____

  ____

- **Comparison**

  What advantage does our product/ service have over those of the competition (consider such things as unique features, patents, expertise, special training, etc.)?

  ____

  ____

  ____

  What disadvantages does it have?

  ____

  ____

  ____

- **Some Considerations**

  Where will you get your materials and supplies?

  ____

  List other considerations

  ____

  ____

MARKETING STRATEGIES – MARKET MIX

- **Image**

  First, what kind of image do we want to have (such as cheap but good, or exclusiveness, or customer-oriented or highest quality, or convenience, or speed, or …)?

  ____

- **Features**

  List the features we will emphasise:

  1. ____
  2. ____
  3. ____

- **Pricing**

  We will be using the following pricing strategy:

  1. Mark-up on cost ________ What % markup?_______
  2. Competitive ________
  3. Below Competition ________
  4. Premium Price ________

  Are our prices in line with our image?
  YES____________ NO___________

  Do our prices cover costs and leave a margin of profit?
  YES____________ NO___________

- **Customer Services**

List the customer service we provide
1. ____
2. ____
3. ____

These are our sales/ credit terms:
1. ____
2. ____
3. ____

Competition offers the following services:
1. ____
2. ____
3. ____

- **Advertising/ Promotion**

These are the things we wish to say about the business:
____
____
____

We will use the following advertising/ promotion sources:

1. Television ____________
2. Radio ____________
3. Internet (website) ____________
4. Direct Mail ____________
5. Personal Contacts ____________
6. Trade Association ____________
7. Newspaper ____________
8. Magazines ____________
9. Yellow Pages ____________
10. Billboard ____________
11. Other__________ ____________

The following are the reasons why we consider the media we have chosen to be the most effective:
____
____
____

PRICE/QUALITY MATRIX

		Quality		
		High	**Medium**	**Low**
Price	**High**	"Rolls Royce" Strategy	"We try harder" Strategy	"Best buy" Strategy
	Medium	"Out performs" Strategy	"Piece of the rock" Strategy	"Smart shopper" Strategy
	Low	"Feature Packed" Strategy	"Keeps on ticking" Strategy	"Bargain hunter" Strategy

MARKETING TIPS, TRICKS & TRAPS

1. Marketing Steps

- Classifying Your Customer's Needs
- Targeting Your Customer(s)
- Examining Your "Niche"
- Identifying Your Competitors
- Assessing and Managing Your Available Resources
  - Financial
  - Human
  - Material
  - Production

2. Marketing Positioning

- Follower versus leader
- Quality versus price
- Innovator versus adaptor
- Customer versus product
- International versus domestic
- Private sector versus government

3. Sales Strategy

Use Customer-Oriented Selling Approach – by Constructing Agreement

- Phase One: Establish Rapport with Customer – by agreeing to discuss what the customer wants to achieve.

- Phase Two: Determine Customer Objective and Situational Factors – by agreeing on what the customer wants to achieve and those factors in the environment that will influence these results.

- Phase Three: Recommend a Customer Action Plan – by agreeing that using your product/ service will indeed achieve what customer wants.

- Phase Four: Obtaining Customer Commitment – by agreeing that the customer will acquire your product/ service.

Emphasise Customer Advantage.

- Must be read: When a competitive advantage can not be demonstrated, it will not translate into a benefit.

- Must be Important to the Customer: When the perception of competitive advantage varies between supplier and customer, the customer wins.

- Must be Specific: When a competitive advantage is specified, it should be able to be translated into a gain for the customer.

- Must be Appealing: When a competitive advantage is proven, it is essential that it is promoted to your customers.

4. Benefits Versus Features

The six “O’s” of organising Customer Buying Behaviour

ORIGINS of purchase:	Who buys it?
OBJECTIVES of purchase:	What do they need/ buy?
OCCASIONS of purchase:	When do they buy it?
OUTLETS of purchase:	Where do they buy it?
OBJECTIVES of purchase:	Why do they buy it?
OPERATIONS of purchase:	How do they buy it?

Convert features to benefits using the “…Which Means…” Transition

Sales Maxim:
“Unless the proposition appeals to their INTEREST, unless it satisfies their DESIRES, and unless it shows them a GAIN – then they will not buy!”

Quality Customer Leads:

Level of need	Ability to buy
Authority to pay	Accessibility
Sympathetic attitude	Business History
One-source buyer	Reputation (price or quality buyer)

Convert Features into Benefits

FEATURES	**“WHICH MEANS”**	**BENEFITS**
Performance		Time Saved
Reputation		Reduced Cost
Components		Prestige
Colours		Bigger Savings
Sizes		Greater Profits
Exclusive		Greater Convenience
Uses		Uniform Production
Applications		Uniform Accuracy
Ruggedness		Continuous Output
Delivery		Leadership
Service		Increased Sales
Price		Economy of Use
Design		Ease of Use
Availability		Reduced Inventory
Installation		Low Operating Cost
Promotion		Simplicity
Lab Tests		Reduced Upkeep
Terms		Reduced Waste
Workmanship		Long Life

Buying Motives

RATIONAL	**EMOTIONAL**
Economy of Purchase	Pride of Appearance
Economy of Use	Pride of Ownership
Efficient Profits	Desire of Prestige
Increased Profits	Desire for Recognition
Durability	Desire to Imitate
Accurate Performance	Desire for Variety
Labour-Saving	Safety
Time-Saving	Fear

Simple Construction
Simple Operation
Ease of Repair
Ease of Installation
Space-Saving
Increased Production
Availability
Complete Servicing
Good Workmanship
Low Maintenance
Thorough Research
Desire to be Unique
Curiosity

Desire to Create
Desire for Security
Convenience
Desire to be Unique
Curiosity

INCOME PROJECTION STATEMENT TEMPLATE

	Industry (%)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total	Annual (%)
Total Net Sales (Revenues)															
Cost of Sales															
Gross Profit															
Gross Profit Margin															
Variable Expenses															
Salaries/Wages															
Payroll Expenses															
Legal/Accounting															
Advertising															
Motor Vehicles															
Supplies															
Subscriptions															
Repairs & Maintenance															
Outside Service															
Miscellaneous															
Total Variable Expenses															
Fixed Expenses															
Rent															
Depreciation															
Utilities															
Insurance															
Licence/Permits															
Loan Repayments															
Miscellaneous															
Total Fixed Expenses															
Total Expenses															

Net Profit(Loss) Before Taxes															
Taxes															
Net Profit (Loss) After Taxes															

INSTRUCTIONS FOR INCOME PROJECTIONS STATEMENT

The income projections (profit and loss) statement is valuable as both a planning tool and a key management tool to help control business operations. It enables the owner/manager to develop a preview of the amount of income generated each month and for the business year, based on reasonable predictions of monthly levels of sales, costs and expenses.

As monthly projections are developed and entered into the income projections statement, they can serve as definite goals for controlling the business operation. As actual operating results become known each month, they should be recorded for comparison with the monthly projections. A completed income statement allows the owner/manager to compare actual figures with monthly projections and to take steps to correct any problems.

Industry Percentage

In the industry percentage column, enter the percentages total sales (revenues) that are standard for your industry, which are derived by dividing

$$\frac{\text{Costs/expenses items x 100\%}}{\text{Total net sales}}$$

These percentages can be obtained from various sources, such as trade associations, accountants or banks (see FMRC Business Benchmarks).

Industry figures serve as a useful benchmark against which to compare cost and expense estimates that you develop for your firm. Compare the figures in the industry percentage column to those in the annual percentage column.

Total Net Sales (Revenues)

Determine the total number of units of products or services you realistically expect to sell each month in each department at the prices you expect to get. Use this step to create the projections to review your pricing practices.

What returns, allowances and markdowns can be expected?
Exclude any revenue that is not strictly related to the business

Cost of Sales

The key to calculating your costs of sales is that you do not overlook any costs that you have incurred. Calculate cost of sales of all products and services used to determine total net sales. Where stock is involved, do not overlook freight costs. Also include any direct labour.

Gross Profit
Subtract the total cost of sales from the total net sales to obtain gross profit.

Gross Profit Margin

The gross profit is expressed as a percentage of total sales (revenues). It is calculated by dividing

Gross profits
Total net sales.

Variable Expenses

Salary/Wages	Base pay plus overtime
Payroll Expenses	Include paid holidays, sick leave, Superannuation
Legal/Accounting	Outside professional services.
Advertising	Include desired sales volume and classified directory advertising expenses.
Motor Vehicles	Include charges if personal car is used in business, including parking, tools, buying trips, etc.
Supplies	Services and items purchased for use in the business.
Repairs & maintenance	Regular maintenance and repair, including periodic large expenditures such as painting.
Outside service	Include costs of subcontracts, overflow work and special or one-time services.

Fixed Expenses

Rent	List only real estate used in business.
Depreciation	Amortisation of capital assets.
Utilities	Water, Electricity and Gas
Insurance	Fire or liability on property or products. Include worker's compensation.
Licence/Permits	Any licences or permit fees required to establish or run the business.
Loan repayments	Interest on outstanding loans.
Miscellaneous	Unspecified: small expenditures without separate accounts.
Net Profit (loss) (before taxes)	Subtract total expenses from gross profit.

Taxes

Net Profit (loss) (after taxes)	Subtract taxes from net profit (before taxes)
Annual Total	For each of the sales and expense items in your income projection statement, add all the monthly figures across the table and put the result in the annual total column.
Annual Percentage	Calculate the annual percentage by dividing

Annual total x 100%
Total net sales.

Compare this figure to the industry percentage in the first column.

BALANCE SHEET TEMPLATE

COMPANY NAME

As of ________________________, 20 _____

Assets

Current Assets

Cash	$___________
Petty Cash	$___________
Accounts receivable	$___________
Stock	$___________
Short-Term investment	$___________
Prepaid expenses	$___________
Long-term investment	$___________

Fixed Assets

Land	$___________
Buildings	$___________
Improvements	$___________
Equipment	$___________
Furniture	$___________
Motor/vehicles	$___________

Other Assets

1.	$_____________
2.	$_____________
3.	$_____________
4.	$_____________

Total Assets	$_____________

Liabilities

Current Liabilities

Accounts Payable $___________

Notes Payable $___________

Interest Payable $___________

Taxes Payable

Income Tax $___________

Sales Tax $___________

Payroll accrual $___________

Long-term liabilities

Notes payable $___________

Total liabilities $___________

Net worth (owner equity) $___________

Sole Trader or Partnership

(name's) equity $__________

(name's) equity $__________

or

Company $____________

Capital stock $____________

Surplus paid in $____________

Retained earnings $____________

Total net worth $____________

Total liabilities
and Total net worth $___________
(Note: Total assets will always equal total liabilities and total net worth)

INSTRUCTIONS FOR BALANCE SHEET

Figures used to compile the balance sheet are taken from the previous and current balance sheet as well as the current income statement. The income statement is usually attached to the balance sheet. The following text covers the essential elements of the balance sheet.

At the top of the page fill in the legal name of the business. Total assets include all net values. These are the amounts derived when you subtract depreciation and amortisation from the original costs of acquiring the assets.

Assets
List anything of value that is owned or legally due the business. Total assets include all net values. These are the amounts derived when you subtract depreciation and amortisation from the original costs of acquiring the assets.

Current Assets

- Cash – List cash and resources that can be converted into cash within 12 months of the date of the balance sheet (or during one established cycle of operation). Include cash on hand and demand deposits in the bank, e.g., cheque accounts and regular savings accounts.
- Petty cash – If your business has a fund for small miscellaneous expenditures, include the total here.
- Accounts receivable – The amounts due from customers in payment for goods or services.
- Stock – Includes raw materials on hand, work in progress and all finished goods, either manufactured or purchased for resale.
- Short-term investments – Also called temporary investments or marketable securities, these include interest – or dividend-yielding holdings expected to be converted into cash within a year. List stocks and bonds, certificates of deposit and term-deposit savings accounts at either their cost or market-value, whichever is less.
- Prepaid expenses – Goods, benefits or services a business buys or rents in advance. Examples are office supplies, insurance protection and floor space.

Long-term Investments
Also called long-term assets, these are holdings the business intends to keep for at least a year that typically yield interest or dividends. Included are stocks, bonds and savings accounts earmarked for special purpose.

Fixed Assets
Also called plant and equipment. Includes all resources a business owns or acquires for use in operations and not intended for resale. Fixed assets may be leased. Depending on the leasing arrangements, both the value and the liability or the leased property may need to be listed on the balance sheet.

- Land – List the original purchase price without allowances for market value.
- Buildings
- Improvements
- Equipment
- Furniture
- Motor vehicles

Liabilities

Current Liabilities
List all debts, monetary obligations and claims payable within 12 months or within one cycle or operation. Typically they include the following:
- Accounts payable – Amounts owed to suppliers for goods and services purchased in connection with business operations.
- Notes payable – The balance of principal due to pay off short-term debt for borrowed funds. Also includes the current amount due of total balance on notes whose terms exceed 12 months.
- Interest payable – Any accrued fees due for use of both short and long-term borrowed capital and credit extended to the business.
- Taxes payable – GST obligations and entitlements, PAYG and FBT as calculated by completing your Business Activity Statement (BAS).
- Payroll accrual – Salaries and wages currently owed.

Long-term Liabilities

Notes payable – List notes, contract payments or mortgage payments due over a period exceeding 12 months or one cycle of operation. They are listed by outstanding balance less the current position due.

Net Worth
Also called owner's equity, net worth is the claim of the owner(s) on the assets of the business. In a proprietorship or partnership, equity is each owner's original investment plus earnings after withdrawals.

Total Liabilities and Net Worth
The sum of these two amounts must always match that for total assets.

MONTHLY CASH FLOW PROJECTION TEMPLATE

Name of Business	
Owner	
Type of Business	
Prepared by	
Date	
Pre-start-up position	

	Year/Month	Cash on Hand (Start of Period)	Total Cash Receipts	Total Cash Available	Total Cash Paid Out	Cash Position (End of Period)
Estimate						
Actual						

1. **Cash on Hand (start of period)**

2. **Cash Receipts**

a. cash sales
b. collections from credit accounts
c. loan and other cash injections (specify)

3. **Total Cash Receipts (2a+2b+2c=3)**

4. **Total cash available (before cash out) (1+3)**

5. **Cash paid out**

a. purchases (stock)
b. gross wages (excludes withdrawals)
c. payroll expenses (taxes, etc.)
d. outside services
e. supplies (office and operating)
f. repairs and maintenance

g. advertising
h. car, delivery and travel
i. Accounting and legal
j. Rent
k. Telephone
l. Utilities
m. Insurance
n. Taxes
o. Interest
p. Other expenses (specify each)
q. Miscellaneous (unspecified)

r. Subtotal

s. Loan principal payment
t. Capital purchases (specify)
u. Other start-up costs
v. Reserve
w. Owner's Drawings

6. Total cash paid out (5a through 5w)
7. Cash position (end of period) (4 minus 6)

Essential operating data (non-cash flow information)
A. Sales Volume (dollars)
B. Accounts receivable (end of month)
C. Bad debt (end of month)
D. Stock on hand (end of month)
E. Accounts payable (end of month)

INSTRUCTIONS FOR MONTHLY CASH FLOW PROJECTION

1. **Cash on hand** (beginning of period) - Cash on hand same a (7), Cash Position, previous period

2. **Cash receipts**
a. Cash sales – All cash sales. Omit credit sales unless cash is actually received
b. Gross wages (including withdrawals) – Amount to be expected form all accounts
c. Loan or other cash injection – Indicate here all cash injections not shown in 2(a) or 2(b) above.

3. **Total cash receipts** (2a+2b+2c=3)
4. **Total cash available** (before cash out (1+3).

5. **Cash paid out**
a. Purchases (stock) – Stock for resale or for use in product (paid for in current month).
b. Gross wages (including withdrawals) – Base pay plus overtime (if any).
c. Payroll expenses (taxes, etc.) – Include paid holidays & paid sick leave.
d. Outside services – This could outside labour and/or material for specialised or overflow work, including subcontracting.
e. Supplies (office and operating) – Items purchased for use in the business (not for resale.
f. Repairs and maintenance – Include periodic large expenditures such as painting and decorating.
g. Advertising – This amount should be adequate to maintain sales volume.
h. Car, delivery and travel – If personal car is used, charge in this column, include parking.
i. Accounting and legal – Outside services including, for example, bookkeeping.
j. Rent
k. Telephone

l. Utilities – Water, Electricity, Gas
m. Insurance – Coverage on business property and products (fire, liability); also worker's compensation.
n. Taxes
o. Interest – Remember to add interest on loan as it is injected (see 2c above).
p. Other expenses (specify each) – Unexpected expenditures may be included here as a safety factor. Equipment expenses during the month should be included here (non-capital equipment). When equipment is rented or leases, record payments here.

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q. Miscellaneous (unspecified) – Small expenditures for which separate accounts would be practical.
r. Subtotal – This subtotal indicates cash out for operating costs.
s. Loan principal payment – Include payment on all loans, including vehicle and equipment purchases on hire purchase.
t. Capital purchases (specify) – Non-expensed (depreciable) expenditures such as equipment, building purchases on hire purchase.
u. Other start-up costs – Expenses incurred prior to first month projection and paid for after start-up.
v. Reserve – Example: insurance, tax or equipment agreement to reduce impact of large periodic payments.
w. Owner's withdrawal – Should include payment for such things as owner's income tax, health insurance, executive life insurance premiums, etc.

6. **Total cash paid out** (5a through 5w).
7. **Cash position** [end of period (4 minus 6)] – Enter this amount in (1) Cash on hand following month

Essential operating data (non-cash flow information) – This is basic information necessary for proper planning and for proper cash flow projection. Also with this data, the cash flow can be evolved and shown in the above form.

A. Sales volume (dollars) – This is a very important figure and should be estimated carefully, taking into account size of facility and employee output as well as realistic anticipated sales (actual sales, not orders received).
B. Accounts receivable (end of month) – Previous unpaid credit sales plus current month's credit sales, less amounts received current month (deduct C below).
C. Bad debt (end of month) – Bad debts should be subtracted from (B) in the month anticipated.
D. Stock on hand (end of month) – Last month's stock plus goods received and/or manufactured current month minus amount sold current month.
E. Accounts payable (end of month) – Previous month's payable plus current month's payable minus amount paid during month.
F. Depreciation – Established by your accountant, or value of all your equipment divided by useful life (in months) as allowed by the Australian Taxation Office.