

Headwaters RC&D Area, Inc.
Small Business Development Center (SBDC)
Butte, MT



Business Planning Guide

Why Do A Business Plan?

If you are applying for a loan, a business plan is essential. It is the document that sells you and your business idea to the people who make decisions about lending money. It shows that you understand more than just the products and services you offer, you understand who your customers are, how you're going to reach the customers, where you fit in the marketplace, and that you've realistically projected sales and expenses. Even if you don't need a loan, a business plan is critical to your success. For people who take the time to answer these questions about the business, their chances of success greatly increase.

CHECKLIST FOR SUBMITTING LOAN PACKAGES

The loan package must include the following materials **FOR ALL BUSINESSES:**
Incomplete plans will be returned to business applicant without review. (This is typically the information that is also required by banks.)

BUSINESS PLAN OUTLINE

- Check if completed.
1. Narrative Section
 - Cover Page
 - Table of Contents
 - Proposal Summary (Executive Summary)
 - Business Description
 - Marketing Plan
 - Merchandising or Distribution Plan
 - Production Plan (for manufactures only)
 - Administrative Plan
 - Risk Factors and Contingency Plans

2. Financial Section
 - Sources and Uses of Funds
 - Three Year Cash Flow Projections (by the month)
 - Notes of explanation (explain how income and expense items were determined)
 - Three Year Income Statements (profit & loss) projections-annual
Notes of explanation
 - Starting Balance Sheet – (beginning assets, liabilities & owner equity in the business) and
Balance sheet for the end of year one
 - Notes of explanation
3. Appendices/Exhibits Section
 - Previous two years personal tax returns
 - Personal financial statement
 - Authorization release for credit check and child support payment status
 - Resumes
 - Personal and Business references
 - List of collateral to be used for the loan
 - Copies of outstanding loan documents (if applicable)
 - Capital equipment list and history (if applicable)
 - Personal budget showing all sources of income and expenditures (if requested)
 - Articles of Incorporation with By-laws (if applicable)
 - Map showing location of business and competitors
 - Organization charts (if applicable)
 - Any other items directly related to your business

**ADDITIONAL ITEMS FOR EXISTING BUSINESS OR PURCHASE OF
EXISTING BUSINESS**

1. Narrative Section
 - ❖ No additional items needed
2. Financial Section
 - ❖ No additional items needed
3. Appendices/Exhibits Section
 - Previous three years tax returns of the business.
 - Financial statements – current/interim balance sheet and income statement. (These must be no older than 90 days from the date of loan submission). Also needed are two previous years balance sheets and income statements on the business.
 - Samples of marketing materials – business cards, brochures, statements, ads, flyers, price lists, etc.
 - Leases, contracts.
 - Proof of fulfilling legal requirements for your type of business – for example, insurance and authority for transportation business; medical license for health care providers.

BUSINESS PLAN OUTLINE

I. BUSINESS DESCRIPTION

- A. The Business
 - B. History
 - C. Form and Ownership
 - D. Industry Trends
 - E. Management, Personnel and Advisors
- II. THE MARKETING PLAN
- A. Production and Services
 - B. The Market
 - C. Competition
 - D. Marketing Strategies
- III. THE OPERATIONS PLAN
- A. Materials
 - B. Sources of Supply
 - C. Methods of Production
- IV. THE FINANCIAL PLAN
- Investment required
- A. Cash Flow Projections
 - B. Financial Statements
 - C. Supporting Documents
 - D. Expected Effect of Loan
- V. ATTACHMENTS (Examples – you may not need all of these – ask your consultant if you have questions)

- Resumes
- Job Descriptions
- Personal Financial Statement
- Leases
- Contracts
- Letters of Intent to Purchase
- Legal Documents
- Product Endorsements
- Brochures, Business Cards, Statements, Advertising and Other Promotional Items.

This is an outline of the information needed in the business plan. The following pages offer detailed information on each of the sections. The questions in this outline will help you develop the information you need. Consider them, and then write your plan in short paragraphs.

BUSINESS DESCRIPTION

Describe your business. Give a clear and concise description of your business. Summarize the following information. (Suggested length: a short paragraph on each main heading)

The Business

- What is the Business?
- Where is it located? Is location important or irrelevant to your business success?

History

- How and why was the business founded?
- How long have you been in business?
- What is your growth history (sales, volume, customers)?

Industry Trends

- What are the current trends in this type of business? For example, is the market growing or the type of customers changing? Has there been a change in production process? Does the demand for your product or service exceed the present supply?

Management, Personnel and Advisors

- Who will manage the business and what is their background? (May attach personal resume)
- What employees will you have, if any, and what are their job responsibilities and skill requirements? (Include their titles and who they report to in the business)
- ♦ List your business advisors' names, addresses, phone numbers, and expertise. Also list contracted or estimated fees for each advisor or representative. (Include your accountant, lawyer, business consultants, friends, etc.)

THE MARKETING PLAN

Summarize your market research and describe how you are going to sell your product or service. This section will include descriptions of your products and services, the market, the competition and your marketing strategies. Because this is the heart of your business plan, it is broken down into individual sections, and more detailed instructions are offered for each section. Emphasis should be on what you are presently doing, unless expansion is planned in the near future.

PRODUCTS AND SERVICES

Clarify exactly what your business offers, and your business' future direction.

(Suggested length: one or two paragraphs)

- Describe the products and services you offer. What are their special or unique features? What benefits do your products and services provide customers? What customer needs do your products and services meet?
- If you are planning an expansion, describe any new products and services you plan to offer in the future. Are they an extension or expansion of your current offerings, or are they completely different? Will they change the definition of your business? Are they additional offerings for current customers or will new groups buy them?

- Add any other information about your products and services you think is important.

THE MARKET

Describe your target market: the people buying or most likely to buy your products and services. If you have more than one target market, please describe each market. Focus your marketing efforts on individuals or organizations who are your best customers.
(Suggested length: one or two paragraphs for each target market)

For products and services aimed at individuals:

- Describe their general characteristics (these are demographics). How old are they? What sex are they? Where do they live and work? What is their income level? What other characteristics do they share?
- Describe your market's behavior patterns. Where do they shop? What do they read? What else do they buy?
- Describe their attitudes (these are psychographics). What are their life styles? Interests? Beliefs?
- How large is your market? Provide some numerical estimates based on your market research. Provide information on the number of customers you expect to serve each week or each month. Is the market growing or shrinking?
- Describe other market you want to have in the future.

For Products and Services Aimed at Organizations or Other Businesses:

- Describe the organizations' characteristics. What size are they (employees, sales)? Where are they located? What industries do they represent? What other characteristics do they share?
- ♦ Describe their shared behavior patterns. What do they buy now? How do they buy similar services? What do they read?
- ♦ How large is your market? Provide some numerical estimates based on your market research. Provide information on the number of customers you expect to serve each week or each month. Is the market growing or shrinking?
- ♦ Describe other organizational markets you want to have in the future.

COMPETITION

Describe the competition, both direct and indirect. Direct competition is the businesses offering products and services similar to yours. Indirect competition is those offering products and services which are substitutes for yours.

The goal is for you to identify others competing for the same markets, pick up good competitive practices and avoid competitors' errors. (Suggested length: one or two paragraphs)

- ◆ Describe how customers choose your products and services. Which of these factors is most important: price, quality, reputation, appearance, awareness or special features.
- Describe direct competition to your products and services. List your main competitors. What do they charge? What special features and benefits do they offer? Why do customers buy from the competition? What is the income level of your competitors clients?
- Describe indirect competition to your products and services. Who specifically offers them? What do they charge? What special features and benefits do they offer?

EXAMPLE OF INDIRECT COMPETITION – A Mexican restaurant competes directly with other Mexican restaurants. It competes indirectly with other types of restaurants. Indirect competition also includes eating at home and other forms of entertainment such as movies and concerts.

MARKETING STRATEGIES

This section ties together the previous sections. It describes your marketing strategies: where you fit in the market place, how you plan to package your products and services, how you plan to price and distribute them and how you will advertise, promote and sell them. You need to present a specific plan to reach your market and sell your product.

(Suggested length: one or two paragraphs about each main topic area)

Positioning

- Compared to your competition, where do you fit in the market place? Compare your price, quality, special features, image, location, and income level of your customers.

Packaging

- List all of the ways you present your products and services in the marketplace.
- What image will you convey? Is it consistent with your positioning? Are your brochures, stationary, business cards, advertising, location, product packages and other ways of presenting your products consistent with your prices, quality, special features and the markets you serve?

Distribution

- List the ways you will get your products to your customers.
- What are the requirements of each distribution method? Include the requirements of you and of middle people.

Pricing

- What is the price of your product/service? How many do you have to sell to break even each month?
- ◆ Describe how your prices compare to your competition's prices.

- ◆ Is your market willing and able to pay your prices?
- ◆ Are your prices consistent with your image and plans?

Promotion, Advertising, and Direct Selling

- ◆ Describe how your market learns about or will learn about your products and services. Include specific promotions, advertising and direct sales methods you plan to use.
- How many people can you reach with these methods? How much will it cost?
- ◆ Include a specific plan. When do you plan to accomplish each step of the marketing plan? What are your sales goals connected with these marketing strategies?
- ◆ What will you do if that doesn't work? List any other strategies you plan to use in the future.

EXAMPLE: The business owner will make five sales calls per week and expects to close one account sale each week. Sales packets cost \$2.50 each. Average size of an account is \$100 per month. This sales plan will continue until 40 ongoing accounts are secured; then sales calls will be made as needed to maintain this account size. If this method is unsuccessful, a professional sales representative will be hired on commission.

THE OPERATIONS PLAN

This section describes how the work is done and the materials involved.

THIS SECTION IS NOT NEEDED FOR MOST SERVICE BUSINESSES.
(Suggested length: two paragraphs)

Materials

- What materials are needed to produce the product or provide the service?

Source of Supply

- Who are your suppliers? Do you have alternative suppliers in case of a problem with one supplier? Does the supplier have the right price and reliable delivery?

Methods of Production

- ◆ Describe the production process required to make your product. Include the work space and tools required and the labor process involved in production.
- ◆ How do you monitor quality?

ADMINISTRATIVE PLAN

- A) Data Processing/Computer Applications/Information Systems
- B) Legal and Insurance

SAMPLE DRAFT

ADMINISTRATIVE PLAN

Mr. Honsel and Mr. Wright are responsible for the various administrative and research tasks within the company. This includes production tracking, sales, government reporting requirements, landowner and government agency relations, and miscellaneous computer-generated letters and reports.

Ms. Dodge and Ms. Daniel's work part-time in the office. Their duties include bookkeeping, record-keeping, correspondence, word processing, telephone, and other miscellaneous duties as needed.

Mr. Honsel generally does not train employees since most of the area workers are experienced in oil field operations.

Ms. Dodge currently uses an IBM-clone 486 computer with Pacioli software. This system currently handles all of Mr. Wright's spreadsheet and word processing.

Legal counsel is provided by Mr. Harrington in Butte and company accounting is currently done by Mr. Bringhurst in Billings.

General liability and vehicle insurance for Mr. Wright is purchased from the Daniel's Insurance Company.

Risk Factors and Contingency Plans

("Critical Exposures" and Potential "Bad Surprises")

Critical Risks and Problems

Every business has its risks. The purpose of this section is to force you to think about the major risks in your undertaking and to plan how you will address those potential problems. If you are trying to raise money, you might wonder how wise it is to point out potential problems to investors. They are going to think of them anyway, so you may as well come right out and show that you have thought about them and have some kind of game plan for dealing with them. The following list of questions is by no means exhaustive of the type of risks that businesses

**Describe
how you
would deal
with
potential
problems**

face, but they are fairly common ones.

- What if competitors react by dropping prices?
- What happens if sales projections are not met?
- Can costs be substantially higher than projected?
- Is there a good chance that supplies will be hard to come by?
- Will it be difficult to get good people to join the organization?
- What if a patent is not obtained?

Describe the three or four most critical risks in your proposed venture, and state what you will do if each occurs. Try to state how you would deal with each potential problem and survive and succeed in spite of it.

Critical Risks and Problems

Every business faces risks, and every potential investor knows it. Typical problems are: competitors dropping prices; unmet sales projections, unanticipated or higher costs; difficulty finding suppliers; lack of good personnel; denial of patent. Describe here the three or four most critical risks in your venture, and your plan for succeeding in spite of the problems.

E. Risk Analysis and Alternative Plans of Action

- A. Sales projections prove wrong – CFM will be a very flexible operation. Production can be modified to meet market trends and needs. If sales are slow in the retail sales of custom furniture CFM will sell to other retailers in neighboring cities. Custom building of cabinets and other work for remodeling and new home building would also be an area to bolster sales and profits.
- B. Manufacturing costs become too high – In this case CFM would discontinue its own production lines and produce only custom work. Other manufactures lines would be increased to compensate for our reduced lines.
- C. Competition destroys your marketplace position – CFM would do all it could to combat the competition. Advertising and promotions would be reevaluated as would the reasons for CFM lost market share and declining sales.
- D. Needed labor is unavailable – Wages would be increased to a more competitive level and management would step in to help ease the stress from the shortage.

Supply deficiencies develop – Other sources of materials would be developed if all of CFM’s suppliers were deficient. It is unlikely that all suppliers would be deficient, however, new materials could be used in production that were more abundant.
- E. Needed capital is unavailable – Other means of financing would be looked at such as investors, family and friends, equity financing and other means of obtaining funds.
- F. Product liability occurs – Insurance will be set up to take care of any product liability claims.
- G. Problems with management or personnel arise – Weekly meetings will be held to facilitate

work between management and personnel. If large problems arise they will be instructed of their duties and mediation will be held to take care of the problem. If this proves ineffective, then new employees will be brought in to take the place of the ones that do not wish to work as production workers.

- H. Product development takes longer than anticipated – A buffer will be built in the initial time line to allow another month for development of the product.
- I. Salvaging Assets – All equipment used in production, office furniture, delivery truck, raw materials and finished goods could be sold in the case that this venture was unsuccessful.

Risk Factors

Projections. This Prospectus contains certain financial projections. Although no representations can be made that the circulation or advertising levels indicated by the projections will be achieved or that projected costs or cash flow will correspond even approximately to actual costs or cash flow, those projections reflect the current estimates of management of the results that are likely if circulation or advertising can be increased and the costs controlled as reflected herein. These projections are subject to the uncertainties inherent in any attempt to predict the results of operations for the next five years, especially where a new business is involved.

Additional Capital. Assuming the test projections are successful and publication of the magazine is commenced, it is estimated that at least \$1 million of new capital will be required before positive cash flow is achieved. There are no commitments for any of these funds, and no assurances can be given that terms and conditions of such additional financing, Partners in the Partnership will be given the right to participate in this additional financing. To the extent this right is not exercised, a substantial dilution of the partners' interest will probably result.

Staff To commerce publication of the new magazine, it will be necessary to recruit a new staff. A full staff has not yet been recruited, and no assurance can be given that a qualified staff can be hired on reasonable terms.

Taxation For the tax treatment of gains or losses to Limited Partners of the Partnership, see "Federal Income Tax Consequences."

General Risk Starting a new magazine is a highly speculative undertaking and has historically involved a substantial degree of risk. The ultimate profitability of any magazine depends on its readers and advertisers in relation to the cost of production, circulation, and distribution. Appeal to readers and advertisers is impossible to predict and depends upon the interaction of many complex factors.

Competition The magazine business is highly competitive. In promoting the sale of *Venture*, management will be competing with many established companies having substantially greater financial resources.

Suitability Because of the lack of liquidity of an investment in this program and the high degree of risk involved, the purchase of limited partnership interests of the Partnership should be considered only by persons who can afford a total loss of their investment.

THE FINANCIAL PLAN

The purpose of this section is to attach dollar figures to the plan you've presented. Cash flow helps you understand the cycles of your business and when you may need additional cash. Financial statements let you know how your business stands at a given point in time. Are you making any money in this business? Does this plan make sense from a financial standpoint? Is this business a good investment? Your consultant expects to help you prepare and understand these documents. Please pay close attention to the GUIDELINES FOR FINANCIAL PROJECTIONS on the next page.

Sources and Uses of Funds

- ❖ Clearly states the source of funds for the business (equity and loan funds) followed by a detailed explanation of how the funds will be used (refer to the outline and examples on pages 15, 16, and 17).

Cash Flow Projections

- ❖ Cash flow projections describe the cash you expect to take in through the sale of products and services and the cash you expect to pay out for raw materials, operating expenses and capital purchases by month. If your business has been in existence, you need the previous year's actual cash flow expenditures and one year of projected cash flow. If your business is new, you will need one year of projected cash flow by the month and the second and third years by the quarter. Both worksheets are attached. Figures used in your cash flow projections must correlate with your income statement projections.
- ❖ Include assumptions and explanations.

Financial Statements-Income Statement (P&L) and Balance Sheet

- ❖ If your business is new, you need three year's projected income statement. A worksheet is attached. Each year will be an annual summary.
- ❖ If you are an existing business you need income statement and balance sheets for the three years you were in business as well as current year's projections. Also need projected income statements for three years – annual.
- ❖ Include opening balance sheet. Your projected situation just after opening your business; that is, after you have received your financing and purchased your major assets. Include projected balance sheet at the end of year one.
- ❖ Include assumptions and explanations for income statements and balance sheets.

Supporting Documents

- ❖ Present a list of your business equipment and its value.

- ❖ Please fill out a personal financial statement.
- ❖ If your business is a partnership or corporation, attach written agreement and copies of incorporation or association.
- ❖ Copies of leases, contracts, other pertinent legal documents.

GUIDELINES FOR FINANCIAL PROJECTIONS

Here is a list of suggestions for your financial projections.

1. Do not use straight-line projections if they do not reflect the reality of your business. If you have seasonal fluctuations in your income and expenses, reflect that in your cash flow. It may materially affect the size loan you need.
2. For expansions, if you reflect more than a 10% growth in sales per year, be prepared to justify why the amount you state is valid.
3. Be sure that sales and inventory change are in appropriate relation to each other. That is, for example, if you project increased sales volume, make sure you show increased inventory purchases.
4. Be sure to include pricing information and how you arrived at your pricing, including price per unit, number of units sold/produced, etc.
5. Over estimate your expense and under estimate your income. Be conservative.
6. Do not have a substantial “other” or “miscellaneous” category. If “other” becomes a substantial amount, break it down into specific categories.
7. Include a narrative or footnote of your income and expenses. Explain how you arrived at these numbers.
8. Emphasize real world research. Call the phone company and see how much the installation, monthly charge and yellow pages listing will actually be. Talk to suppliers. Talk to businesses in other communities similar to yours and find out what start up sales volumes you might expect. Look at industry statistics and find out what percentage of gross sales you might need to be spending on advertising.

Sources and Uses Of Financing

This section is another critical financial forecast – what will be the sources of your initial financing? The next step – how will you use this financing to buy the assets needed to open your doors for business?

This section will not be used if you already own an existing business.

Step 1:

Fill in the cash amounts to be invested by the various owners.

Step 2:

Fill in the market value of the non-cash assets to be invested by the various owners. Examples include equipment, vehicles and buildings.

Step 3:

Fill in the bank loans to your business – both short-term (one year or less) and long-term.

Step 4:

Fill in the amounts of personal loans which are likely secured by your personal assets (your home for example).

Step 5:

Fill in any Small Business Administration loans or loans from any other sources.

Step 6:

Fill in the amounts of cash used to buy various assets in the Uses of Financing section.

Step 7:

Fill in the non-cash assets contributed by the owners (use the same amounts that you listed in the Sources of Financing section).

Step 8:

Total both sections (Sources and Uses) – they should equal.

Sources of Financing

| | |
|--|----------|
| Investment of cash by owner #1 | \$ _____ |
| Investment of cash by owner #2 | _____ |
| Investment of non-cash assets by owner #1 | _____ |
| Investments of non-cash assets by owner #2 | _____ |
| Bank loans to business – short-term | _____ |
| Bank loans to business – long-term | _____ |
| Bank loans – personal | _____ |
| Small Business Administration loans | _____ |
| Other (specify) | _____ |
| Total Sources of Financing | \$ _____ |

Uses of Financing

| | |
|---|----------|
| Land | \$ _____ |
| Buildings | _____ |
| Equipment | _____ |
| Remodeling | _____ |
| Initial inventory | _____ |
| Working capital to pay operating expenses | _____ |
| Non-cash assets contributed by owners (use same amount as in Sources) | _____ |
| Other assets (specify) | _____ |
| Total Uses of Financing (Sources and Uses must equal each other!!) | \$ _____ |

EXAMPLE

Sources and Uses of Cash

Statement

This statement indicates how you plan to secure funds to start your business and how you intend to spend them. Both your sources and uses should be categorized. For example, if you plan to borrow money to purchase a building, a truck and equipment, these loans should be listed as

separate items because the interest rates and repayment terms will be different for each. For the purpose of this analysis, 25% owner equity/investment is assumed. Your sources of cash must always equal your uses. If they don't, you probably haven't calculated your equity properly.

SOURCES AND USES OF CASH, JANUARY 1997

| SOURCES | |
|--|-----------------|
| Owner's investment | \$14,675 |
| Loans | |
| Working capital (a) | 16,780 |
| Capital equipment (b) | |
| Computer & register equipment | |
| Leasehold improvement (b) | |
| Opening inventory (b) | 27,245 |
| Total Sources | \$58,700 |
| USES | |
| Working capital (c) | \$16,780 |
| Additional start-up costs (d) | 3,575 |
| Purchase register & computer equipment (e) | 6,200 |
| Purchase capital assets (f) | 13,645 |
| Leasehold improvements (g) | 3,500 |
| Opening inventory (h) | 15,000 |
| TOTAL USES | \$58,700 |
| Notes: | |
| (a) Working capital loan to be repaid in 12 months, per loan agreement in Appendix F | |
| (b) Combined commercial loan through All-City Bank, per loan agreement in Appendix F | |
| (c) See "Working Capital" from Start-Up Cost Estimate | |
| (d) See "Additional Start-Up Costs" from Start-Up Cost Estimate | |
| (e) See "Equipment (Register & Computer)" on Capital Asset List | |
| (f) See "Equipment (Other), Store Fixtures, and Furniture" on Capital Asset List | |
| (g) See "Leasehold improvements" on Start-Up Cost Estimate | |
| (h) See "Beginning inventory" on Start-Up Cost Estimate | |

Projected 3 Year Income Statement

Name _____ Date _____

Address _____

| | YEAR | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> | <input style="width: 100%;" type="text"/> |
|---|------|---|---|---|
| INCOME | | | | |
| Gross Receipts | | _____ | _____ | _____ |
| Merchandise Cost | | _____ | _____ | _____ |
| Gross Profit | | _____ | _____ | _____ |
| EXPENSES | | | | |
| Office Salaries (if Corporation) | | _____ | _____ | _____ |
| Employee Wages | | _____ | _____ | _____ |
| Payroll Expenses | | _____ | _____ | _____ |
| Outside Services | | _____ | _____ | _____ |
| Supplies | | _____ | _____ | _____ |
| Repairs and Maintenance | | _____ | _____ | _____ |
| Advertising | | _____ | _____ | _____ |
| Car, Delivery, Travel | | _____ | _____ | _____ |
| Accounting & Legal Fees | | _____ | _____ | _____ |
| Rent | | _____ | _____ | _____ |
| Telephone | | _____ | _____ | _____ |
| Utilities | | _____ | _____ | _____ |
| Insurance | | _____ | _____ | _____ |
| Taxes (real estate, etc.) | | _____ | _____ | _____ |
| Miscellaneous (unspecified) | | _____ | _____ | _____ |
| | | _____ | _____ | _____ |
| | | _____ | _____ | _____ |
| Interest | | _____ | _____ | _____ |
| Depreciation | | _____ | _____ | _____ |
| Total expenses | | _____ | _____ | _____ |
| NET PROFITS BEFORE TAX | | ===== | ===== | ===== |
| Less Income Taxes | | _____ | _____ | _____ |
| NET PROFIT AFTER TAX | | ===== | ===== | ===== |
| Total Annual Owner Draws (if sole proprietorship) | | _____ | _____ | _____ |
| Total Annual Principal Payments | | _____ | _____ | _____ |
| Total Annual Cash (unfinanced) Capital Purchases | | _____ | _____ | _____ |
| Total Annual Cash (unfinanced) Inventory <i>Increases</i> | | _____ | _____ | _____ |

Balance Sheet

The balance sheet can be compared to a picture of your financial condition on a *particular* day. This statement is a list of your assets (at your cost), your liabilities (your debts), and your equity in those assets.

You are going to prepare a balance sheet at the **start-up** date of your business. You should include the assets and liabilities on the day you are ready to open your doors for business. After completing your start-up balance sheet then you should complete your **end of year 1** balance sheet making the appropriate changes to each account based on your first year projections.

Step 1:

Fill in the amounts for each of the Current Assets and calculate the Total Current Assets.

Step 2:

Fill in the amounts for Fixed Assets – Land, Buildings, and Equipment – at the price you paid for these items.

Step 3:

Fill in a zero (0) on the lines for the Accumulated Depreciation below both Buildings and Equipment for your start-up balance sheet. The Book Value is equal to the cost minus the Accumulated Depreciation. Now calculate Total Fixed Assets. At the end of your first year you will need to make adjustments to your accounts including the deduction of Accumulated Depreciation.

Step 4:

Calculate the Total Assets (Total Current Assets + Total Fixed Assets).

Step 5:

Fill in the amounts for each liability and calculate the required totals as you did in Steps 1, 2, and 3.

Step 6:

Calculate the Owner's Equity (Total Assets – Total Liabilities).

Step 7:

Fill in the amounts of Total Liabilities + Owner's Equity. This amount should equal the amount for Total Assets.

Balance Sheet – Start-up

Prepared as of: _____

Assets:

Current Assets

| | | |
|----------------------|--|----------|
| Cash | | \$ _____ |
| Accounts Receivable | | _____ |
| Inventory | | _____ |
| Prepaid Expenses | | _____ |
| Other current assets | | _____ |
| Total Current Assets | | \$ _____ |

Fixed Assets

| | | |
|----------------------|----------|----------|
| Land | | _____ |
| Buildings | \$ _____ | _____ |
| Less accum. depr. | - _____ | _____ |
| Book value-building | | _____ |
| Equipment | | _____ |
| Less accum. depr. | - _____ | _____ |
| Book value-equipment | | _____ |
| Other fixed assets | | _____ |
| Total Fixed Assets | | \$ _____ |

Total Assets

\$ _____

Liabilities

Current Liabilities

| | | |
|---------------------------|--|----------|
| Accounts payable | | \$ _____ |
| Federal & State taxes | | _____ |
| Other current liabilities | | _____ |
| Total Current Liabilities | | \$ _____ |

Long-term Liabilities

| | | |
|-----------------------------|--|----------|
| Notes payable to bank | | \$ _____ |
| Mortgages payable | | _____ |
| Other long-term liabilities | | _____ |
| Total long-term liabilities | | \$ _____ |

Total Liabilities

\$ _____

Owner's Equity

\$ _____

Total Liabilities + Owner's Equity

\$ _____

Balance Sheet – End of Year 1

Prepared as of: _____

Assets

Current Assets

| | | |
|----------------------|--|----------|
| Cash | | \$ _____ |
| Accounts Receivable | | _____ |
| Inventory | | _____ |
| Prepaid Expenses | | _____ |
| Other current assets | | _____ |
| Total Current Assets | | \$ _____ |

Fixed Assets

| | | |
|----------------------|----------|----------|
| Land | | _____ |
| Buildings | \$ _____ | _____ |
| Less accum. depr. | - _____ | _____ |
| Book value-building | | _____ |
| Equipment | | _____ |
| Less accum. depr. | - _____ | _____ |
| Book value-equipment | | _____ |
| Other fixed assets | | _____ |
| Total Fixed Assets | | \$ _____ |

Total Assets \$ _____

Liabilities

Current Liabilities

| | | |
|----------------------------|--|----------|
| Accounts payable | | \$ _____ |
| Federal & State taxes owed | | _____ |
| Other current liabilities | | _____ |
| Total Current Liabilities | | \$ _____ |

Long-term Liabilities

| | | |
|-----------------------------|--|----------|
| Notes payable to bank | | \$ _____ |
| Mortgage payable | | _____ |
| Other long-term liabilities | | _____ |
| Total Long-term Liabilities | | \$ _____ |

Total Liabilities \$ _____

Owner's Equity \$ _____

Total Liabilities + Owner's Equity \$ _____