



“Πώς να Συντάξετε το Πρώτο σας Επιχειρηματικό Σχέδιο (Business Plan)”

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How to develop your first Business Plan – A practical approach

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Abstract: As first-time entrepreneurs begin to examine the opportunities presented by creating a for profit business, a key step in planning is to examine and fully develop the three components of business planning: 1) The Feasibility Study; 2) The Business Plan, and 3) The Market Analysis and Strategy. In this paper we focus solely on the practical side and the minimum information required to get them started on creating their first business plan and avoid common mistakes in order to attain reasonable chances of obtaining financing from Investors, Banks, Venture Capitalists or Business Angels.

Key Words: Business Plan, Communication, Management, Planning. Presenting your: Business Goals, Marketing Activities, Method of Production, Managerial Strengths, and Financial Results for a Specific Time Period.

1. Introduction:

As first-time entrepreneurs begin to examine the opportunities presented by creating a for profit business, a key step in planning is to examine and fully develop the three components of business planning: 1) The Feasibility Study; 2) The Business Plan, and 3) The Market Analysis and Strategy. In this paper we focus solely on the Business Plan.

A business plan is a written document that defines the business' goals, marketing activities, method of production, managerial strengths, and expected financial results for a specific time period. First-time entrepreneurs face having to navigate through the maze of massive information on how to create their first business plan. The Small Business Administration organization in the US identifies the business plan as a tool with three basic purposes: to communicate, manage and plan.

1.1 Business Plan is used to communicate the business idea

First-time entrepreneurs must be able to effectively communicate the business idea to people who may have an interest in the business, e.g. the investors and the board of directors. The plan is used to attract investment capital, secure loans, and to attract strategic business partners. The business plan must be a realistic look at every phase of business and it must show that the organization has thoroughly thought out ways to overcome potential problems or obstacles. A business plan can show whether a business has a realistic ability to generate a profit. It also allows you to track, monitor, and evaluate progress.

1.2 Business Plan is used as a Management tool

The plan is also used as a management tool that establishes timelines and milestones that the organization wishes the business to accomplish. By comparing actual accomplishments to set goals, the organization will be able to gain a clear picture of what aspects of the business are succeeding and also which areas need additional focus on into the future.

1.3 Business Plan is used to Plan the various phases of the business

A well-prepared plan will identify hardships and obstacles that will need to be avoided or overcome to make the business successful. Creating a plan that outlines where the organization wants the business to go, prepares for successfully leading the business in the future.

2. Preliminary Thoughts on your New Business

The Internet makes it incredibly easy to launch a Web site relatively quickly — maybe a little too quickly. Given how easy it is to do so, it might be tempting to hastily assemble your Internet-based business without spending the time to do your homework first. But just like a classical business, successful Web companies also require lots of research, planning and a very sound business plan — and that takes time. Of course, developing a business plan is time well spent, given that it forces you to systematically take a critical, intense look at your proposed company and how it will operate. Without such a plan, for instance, assuming you want to sell T-Shirts over the internet, you might have sort of casually assumed that you can charge about \$20 per T-shirt because that's what most Internet T-shirt sites charge. But you should ask yourselves: do they really charge that much? Are the sites charging this price operating in the same market as your business, and are they appealing to the same customer base that your site will reach? Do they charge extra for customization? Should you? For that matter, should you even be establishing a business catering to this particular niche? Are the needs of this niche already met by other businesses? These are the types of issues that you'll be forced to consider as you do your research to assemble a business plan. Of course, a business plan also is essential if you're seeking financing from a bank or other financial institution, and don't forget that a business plan will be helpful down the road if you decide to sell your company. Think of the business plan as a sales tool: First, it sells you on whether the business will work; then it sells a bank on the concept; and finally, it sells possible business partners and employees on the concept.

3. Initial Research and Information Gathering

The research required for your business plan comes in two forms: primary and secondary. Primary research means developing your own statistics and information firsthand, while secondary research refers to data that others have already compiled. Many trade publications do annual surveys about every type of market, and you may find this secondary research helpful in developing your business plan. In developing your business plan, you'll find it immensely helpful to get an understanding of your competition. For instance, if you're going to offer sports T-shirts, type the words "sports T-shirts" into a search engine, and see what kind of results you get. Are there hundreds or thousands of sites offering something similar? If so, what can you do differently? Your business plan also should include a strategy for inventory. You need to decide how much inventory you'll carry, and in what sizes and colors. Will you keep a huge surplus on hand, in anticipation of receiving a flurry of orders, or will you keep a minimal inventory and order from suppliers or decorate as needed? As you check the competition's sites, look at their prices, inventory, and selection. What image are they portraying, and how

will your image compare? What types of customer service policies do they have? What's their turnaround time and delivery method? How is their site's architecture organized? Have they received attention from media outlets? Where do they advertise? Check in detail into their site, and get a full understanding of what they do and how they do it. You can even find out how much traffic they're attracting by using a toolbar from Alexa, available at alexa.com. While Alexa provides only a rough estimate, not a precise measurement, it will still give you a sense of how much traffic they're getting — in other words, how formidable your competitors are. The Alexa toolbar, which is a free download, also gives information such as a site's owner and contact information.

4. Summary of Business Plan Contents

Now you are ready to develop your business plan, but before you do, you need to decide what type of business – from a Tax perspective – you want to create. Why is that important? Because the way that a business is structured has an effect on the amount of managerial control that an owner has as well as the legal and financial liability, their ability to raise capital, and their income tax reporting requirements. Therefore, it is important to carefully research the different organizational structures a business can have before deciding on the form of the business. All types of business forms have advantages and disadvantages (see Figure 4.1 Below), and it is important to consider all the implications of each form to ensure that the organization chooses the most advantageous business form for its situation.

Type of Business:	Advantages:	Disadvantages:
Sole Proprietorship: Only one owner	Simplicity Complete control Minimal tax reporting requirements Easy to start and end	Managerial capacity limited to the owner's experience Ability to raise capital limited to the owner's financial resources Higher liability and risk for creditors Unlimited personal risk
Partnership: Two or more individuals Should be organized with the help of an attorney	Easy to organize Combined managerial skills Increased availability of equity capital	Unlimited liability for each partner Termination upon death or withdrawal of any partner Decision making authority is divided (may cause discord)
Corporation Chartered by the state	Personal financial liability limited to the extent of investment Perpetual life Ownership easily transferred Equity is raised by selling stock	Large expenses to incorporate Governmental regulation Increased tax liability (corporation and owners are taxed)
Chapter S Corporation: Type of corporation Chartered by the state	All advantages of a corporation	No double taxation for the corporation and owner
Joint Venture: Similar to a partnership but usually limited to a single project that will be completed in a set time period	Similar to the advantages of a partnership	Similar to the disadvantages of a partnership

Figure 4.1: Choosing the Right Type of Business

Source: First Nations Development Institute (2004) at www.firstnations.org

When deciding what form the business will take, it is important to consider the advantages of maintaining at least a majority ownership (51% or more) of the business.

Now that you know what type of Business you want to create, your business plan should have the following components:

- **Executive summary.** This section explains the fun fundamentals of your business plan, such as a definition of your products and customers. It also says what you think the future holds for the business. Although you want to keep it short, this section is where you're really selling the plan as a whole.
- **Market analysis.** Explain what the competition does, the market size and potential, etc.
- **General company description with a mission statement.** While it's somewhat redundant with the executive summary, this section explains the company goals, and its strengths.
- **Products and services.** Describe the range of offerings your company will provide.
- **Pricing.** You could roll this into another section, such as "products and services," given that it's likely to be fairly straightforward information.
- **Marketing and sales plan.** This critical component requires an explanation of the competition, your competitive advantage, your strategy for attacking the market, tools that you'll use to reach customers, and any other information that reveals how you'll sell product.
- **Operational plan.** Detail your production plan, including how many employees you'll hire, decorating processes, suppliers you expect to use, credit policies, etc.
- **Management or organization chart.** List the owners, along with their resumes (Curriculum Vitae), and show how their expertise will help the venture.
- **Financials.** This section details your profit and loss projections, projected cash flow and operating budget, as well as a request for funds.
- **Appendix.** Cite any sources you've used to compile the plan, such as industry studies.

Be sure to include information specific to Internet-based businesses, such as how you'll use banner ads and search engine optimization to drive traffic, for instance.

A business plan's length varies widely — anywhere from 20 to 50 pages, depending on the information it contains. Regardless of length, keeping it readable by using quick bits instead of endless, droning paragraphs will ensure that your readers absorb the information you provide. Also be thinking about what visuals you can include such as photos, charts, and graphs.

Remember, your business plan is essentially a roadmap to your future success. Spend enough time detailing the map so that you get exactly where you want to be. And given how rapidly the business world is always changing, especially on the Internet, keep the plan updated frequently. Think of it as a work in progress — just like your business. Good resources to tap as you start working on your business plan include sba.com, entrepreneur.com and bplans.com, which offers sample business plans.

5. Calculating the Break-Even Point

By calculating the break-even point of sales, a business will be determining the volume of sales needed to achieve in order to cover all costs. When the calculated break-even sales volume is compared to the projected sales volume, it is possible to assess the risk associated with the business. This comparison is referred to as the *margin of safety*. For example, if the break-even sales volume were 90% of the projected sales amount, there would be a questionable 10% margin of safety associated with the business venture. A margin of safety this high would be considered a relatively risky proposal. On the other hand, if the break-even sales were calculated to be at 65% of projected sales, there would be a 35% margin of safety and the business may be considered to be low in risk.

When calculating the break-even sales point, the following formula is used:

BE= VC + FC, where

BE= Break-even sales

VC= Variable costs, expressed as a percentage of sales

FC= Fixed costs, in absolute dollar amount

A critical factor in determining the break-even sales volume is classifying costs into two categories: variable and fixed. When assessing risk, it's a good idea to include the loan principal payments and owner's withdrawal accounts into the fixed cost category. Also, non-cash expenses, like depreciation, are excluded from the fixed costs, as they don't require actual cash payments.

Computations for the break-even sales volume for the Fictional Harokopeio Quality Company are listed below:

Variable Costs	% of Sales (\$37,500)	Fixed Costs	Amount
Cost of Sales (\$21,040)	56.11%	Admin & Gen.	\$500
Maint. & Repairs (200)	0.53%	Insurance	\$1000
		Lot Rent	\$1200
		Loan Prin. & Int.	\$3036
		Withdrawal	\$6000
TOTAL	56.64%		\$11,736

The break-even sales equation is:

$$\begin{aligned} \text{BES} &= \text{VC} + \text{FC} \\ \text{BES} &= 56.64\% \text{ of Sales} + \$11,736 \\ \text{BES} &= .5664 \text{ S} + 11,736 \\ .4336 \text{ S} &= \$11,736 \\ \text{BES} &= \$11,736 / .4336 \\ \text{BES} &= \$27,066 \\ & \quad (72.18\% \text{ of the projected } \$37,500 \text{ sales}) \end{aligned}$$

This figure shows that a bit more than \$27,000 in sales needs to be made in the first year to cover all the costs associated with operating the business.

6. Mistakes to Avoid

6.1 The plan is poorly written. Spelling, punctuation, grammar and style are all important when it comes to getting your business plan down on paper. Although investors don't expect to be investing in a company run by language majors, they are looking for clues about the underlying business and its leaders when they're perusing a plan. When they see one with spelling, punctuation and grammar errors, they immediately wonder what else is wrong with the business. But since there's no shortage of people looking for capital, they don't wonder for long -- they just move on to the next plan. Before you show your plan to a single investor or banker, go through every line of the plan with your spell check -- which should catch spelling and punctuation errors, and have someone you know with strong "language teacher" skills review it for grammar problems.

Style is subtler, but it's equally important. Different entrepreneurs write in different styles. If your style is "confident," "crisp," "clean," "authoritative" or "formal," you'll rarely have problems. If, however, your style is "arrogant," "sloppy," you may turn off potential investors, although it's a fact that different styles appeal to different investors. No matter what style you choose for your business plan, be sure it's consistent throughout the plan, and that it fits your intended audience and your business. For instance, I once met a very-low-risk banker who funded a Greco-Roman-Persian restaurant business concept partly because the plan was -- like the restaurant concept -- upbeat, trendy and unconventional.

6.2 The plan presentation is sloppy. Once your writing's perfect, the presentation has to match. Nothing annoys investors more than inconsistent margins, missing page numbers, charts without labels or with incorrect units, tables without headings, technical terminology without definitions or a missing table of contents. Have someone else proofread your plan before you show it to an investor, banker or venture capitalist. Remember that while you'll undoubtedly spend months working on your plan, most investors won't give it more than 10 minutes before they make an initial decision about it. So if they start paging through your plan and can't find the section on "Management," they may decide to move on to the next, more organized plan in the stack.

6.3 The plan is incomplete. Every business has customers, products and services, operations, marketing and sales, a management team, and competitors. At an absolute minimum, your plan must cover all these areas. A complete plan should also include a discussion of the industry, particularly industry trends, such as if the market is growing or shrinking. Finally, your plan should include detailed financial projections -- monthly cash

flow and income statements, as well as annual balance sheets -- going out at least three years.

6.4 The plan is too vague. A business plan is not a novel, a poem or a cryptogram. If a reasonably intelligent person with a high school education can't understand your plan, then you need to rewrite it. If you're trying to keep the information vague because your business involves highly confidential material, processes or technologies, then show people your executive summary first (which should never contain any proprietary information). Then, if they're interested in learning more about the business, have them sign non-compete and non-disclosure agreements before showing them the entire plan. [Be forewarned, however: Many venture capitalists and investors will not sign these agreements since they want to minimize their legal fees and have no interest in competing with you in any case. And do consult a lawyer to protect your inventions and get the proper patent protection before you send your business plan to potential investors.]

6.5 The plan is too detailed. Do not get bogged down in technical details! This is especially common with technology-based startups. Keep the technical details to a minimum in the main plan -- if you want to include them, do so elsewhere, say, in an appendix. One way to do this is to break your plan into three parts: a two- to three-page executive summary, a 10- to 20-page business plan and an appendix that includes as many pages as needed to make it clear that you know what you're doing. This way, anyone reading the plan can get the amount of detail he or she wants.

6.6 The plan makes unfounded or unrealistic assumptions. By their very nature, business plans are full of assumptions. The most important assumption, of course, is that your business will succeed! The best business plans highlight critical assumptions and provide some sort of rationalization for them. The worst business plans bury assumptions throughout the plan so no one can tell where the assumptions end and the facts begin. Market size, acceptable pricing, customer purchasing behavior, time to commercialization -- these all involve assumptions. Wherever possible, make sure you check your assumptions against benchmarks from the same industry, a similar industry or some other acceptable standard. Tie your assumptions to facts. A simple example of this would be the real estate section of your plan. Every company eventually needs some sort of real estate, whether it's office space, industrial space or retail space. You should research the locations and costs for real estate in your area, and make a careful estimate of how much space you'll actually need before presenting your plan to any investors or lenders.

6.7 The plan includes inadequate research. Just as it's important to tie your assumptions to facts, it's equally important to make sure your facts are, well, facts. Learn everything you can about your business and your industry -- customer purchasing habits, motivations and fears; competitor positioning, size and market share; and overall market trends. You don't want to get bogged down by the facts, but you should have some numbers, charts and statistics to back up any assumptions or projections you make. Well-prepared investors will check your numbers against industry data or third party studies -- if your numbers don't jibe with their numbers, your plan probably won't get funded.

6.8 You claim there's no risk involved in your new venture. Any sensible investor understands there's really no such thing as a "no risk" business. There are always risks. You must understand them before presenting your plan to investors or lenders. Since a business plan is more of a marketing tool than anything else, I would recommend

minimizing the discussion of risks in your plan. If you do mention any risks, be sure to emphasize how you'll minimize or mitigate them. And be well prepared for questions about risks in later discussions with investors.

6.9 You claim you have no competition. It's absolutely amazing how many potential business owners include this statement in their business plans: "We have no competition." If that's what you think, you couldn't be further from the truth. Every successful business has competitors, both direct and indirect (read a summary of Michael Porter's "Competitive Advantage"). You should plan for stiff competition from the beginning. If you can't find any direct competitors today, try to imagine how the marketplace might look once you're successful. Identify ways you can compete, and accentuate your competitive advantages in the business plan.

6.10 The business plan is really no plan at all. A good business plan presents an overview of the business -- now, in the short term, and in the long term. However, it doesn't just describe what the business looks like at each of those stages; it also describes how you'll get from one stage to the next. In other words, the plan provides a "roadmap" for the business, a roadmap that should be as specific as possible. It should contain definite milestones -- major targets that have real meaning for your business. For instance, reasonable milestones might be "signing the 100th client" or "producing 10,000 units of product." The business plan should also outline all the major steps you need to complete to reach each milestone.

6.11 The closing steps. Once you know what mistakes not to make as described above, be sure you described all of the steps needed to make the business a reality. Think about building your management team, hiring salespeople, setting up operations, getting your first customer, protecting yourself from lawsuits, outmaneuvering your competition, cash flow and what measures you can take to minimize your expenses and maximize your revenue, etc. Investigate everything you can about your proposed business before you start the business. Be sure to consult multiple sources since many times the experts will disagree. Is your product or service something people really want or need, or is it just "cool?" Study your market. Is it growing or shrinking? Could some sort of disruptive technology or regulatory change alter the market in fundamental ways? Why do you think people will buy your product or service? If you don't have any customers or clients yet, you'll need to convince investors that you have something people really want or need, and more important, that they'll buy it at the price you expect. Obtain as much feedback as you can from trusted friends, colleagues, and potential investors or lenders. You'll quickly find that almost everyone thinks they're an expert and they all could do a better job than you. This may be annoying, but it's just part of the feedback process. You'll know when you're done when you've heard the same questions and criticisms again and again and have a good answer to almost everything anyone can throw at you. Find a professional you trust to help guide you through the entire process, fill in knowledge gaps (for instance, if you know marketing but not finance, you should hire a finance expert), provide additional, unbiased feedback, and package your plan in an attractive, professional format. Writing a business plan is hard work -- many people spend a year or more writing their plan. In the early, drafting stages, business plan software can be very helpful. But the hard part is developing a coherent picture of the business that makes sense, is appealing to others and provides a reasonable road map for the future. Your products, services, business model, customers, marketing and sales plan,

internal operations, management team and financial projections must all tie together seamlessly. If they don't, you may not ever get your business off the ground.

7. A Sample Business Plan Outline

Business plans are generally outlined in the following manner and include these important elements:

7.1 Cover sheet: Name of business, owner(s), address(es), phone number(s), and date.

7.2 Statement of purpose: Briefly state the objectives of the business plan, including the amount, type, terms, and proposed uses of financing requested.

7.3 Table of contents:

Executive Summary: Summarize the key points and major findings in the business plan sections that follow. The executive summary is typically the last item written in a business plan.

Description of the Business

- **Business Concept:** Identify the type of business (agriculture, construction, service, or retail), current status (startup, expansion, or buyout), and ownership form (sole proprietorship, partnership, corporation, joint venture, or cooperative) of the business.
- **Product/Service Description:** Describe the major products or services you will sell.
- **Key Production Factors:** Identify factors that will have an impact on your business production cycle (raw materials, utilities, transportation and labor availability; environmental and safety considerations; technical and equipment requirements).
- **Location and Physical Facilities:** Discuss regional, local, and site specific location factors as well as existing or proposed facilities.
- **Status of Current Operations (for existing business expansions and buyouts):** Highlight existing products, historic and current financial indicators (sales and profits), and employment statistics for the business.
- **Tribal and Other Local Benefits:** Expected revenues, employment and other beneficial impacts of your business on the economy.
- **Relationship to Tribal Economic Development Strategy:** Applies to businesses that are tribally sponsored and reservation-based projects.

Market Analysis

- **Market Description:** Outline the key market determinants (price, quality, service, methods of delivery); local, regional, or national market area; type of market sector (private and/or public).
- **General Market Trends:** Summarize the overall economic conditions and the specific (industry and business) market trends in the area your business is in.
- **Competition:** Identify the relative strengths and weaknesses of your main competitors and the basis for successful competition with them (better prices, quality, service, etc.).
- **Market Projections:** Project the market share and sales volume you project for your business in your target market.

Organization and Management

- **Legal Form of Organization:** Describe the organizational form you have chosen for your business (sole proprietorship, partnership, corporation, joint venture, or cooperative) as well as the legal and financial implications of your choice.
- **Management Plan:** Outline key management position descriptions and reporting relationships within the organization. This should include the names of key management personnel, a brief description of qualifications, and an organizational chart depicting reporting relationships.
- **Training Plan:** For startup and expansion plans, indicate the training needs encountered by the business and how they will be addressed (seminar, workshop, etc.).

Financial Analysis

- **Capital Requirements:** Indicate the amount of funding needed for startup, expansion, or buyout.
- **Structure of Financing:** Equity and debt financing secured or requested to meet the business's capital requirements.
- **Financial forecasts:** Forecast the balance sheets, statements of operations, and statements of cash flows for the next three years.
The forecasted statements of operations and cash flows should be presented on a month-by-month basis for the first year and on an annual basis for the second and third years.
- **Explanatory Notes to Financial Forecasts:** Identify the key assumptions that the financial forecasts are based upon.
- **Key Financial Ratios and Measures of Performance:** Include debt/equity and debt coverage ratios, rate of return on equity and assets, accounts receivable, and inventory turnover rates.
- **Break-even Analysis:** Calculate the volume of sales needed to cover all costs (or breakeven) for the business.
- **Historic Financial Statements:** If the business already exists, provide actual balance sheets and statements of operations for the past three years.

Supporting Documents

Include detailed product descriptions, photographs and promotional materials, tentative buy/sell agreement, cost quotes from suppliers, appraisals of business equipment and property, letters of intent to hire, resumes of key personnel, organizational documentation, lease agreements, loans payable, loan amortization schedules, and tax returns of principals for last three years Personal financial statement (all banks have these forms). For franchised businesses, a copy of franchise contract and all supporting documents provided by the franchiser.

8. Conclusion

First-time entrepreneurs face having to navigate through the maze of massive information on how to create their first business plan. This paper provided a summary of the major contents that a business plan should have, together with advice and common mistakes to avoid. Understanding that the business plan is the most important of the company's documents is the first step to remember to use it to communicate, manage and plan. The

Business plan creation process requires some skills and a systematic approach to complete successfully all the steps of the document. In a world where there is a scarcity of financial resources available for investment in new businesses, it is essential that the Business Plan convince investors that your business plan and your management team are a good risk for them to take. The Essentials presented in this paper cover everything you need to create a good and professional business plan.

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- [4] Claude Maire, (1992) Le Business-Plan, Construire et utiliser un plan de developpement. Editions d'Organisation, Paris, France.

10. Internet Resources:

- 1) E-Business Plan in Greek on the internet:
Επιχειρηματικό Σχέδιο (Business Plan) και Διαδίκτυο
http://www.go-online.gr/ebusiness/specials/article.html?article_id=185
- 2) Business plan software and 60 free business plans
<http://www.bplans.com/>
- 3) USA Small Business Administration
(Programs and services to help you start grow and succeed)
<http://www.sba.gov/smallbusinessplanner/index.html>
- 4) Business Plan Center with a Library of Real Business Plans
(Business Plan Software, Samples, and Strategy)
<http://www.businessplans.org/>
- 5) Business plan from Wikipedia, the free encyclopedia
http://en.wikipedia.org/wiki/Business_plan
- 6) Business Plan Archive
An archive of business plans from both successful and unsuccessful businesses.
<http://www.businessplanarchive.org/>
- 7) Trial & free software & Excel templates for business plan, financial projection plans, cash flow forecasting plus business planning tools, models, samples, etc.
<http://www.planware.org/>
- 8) American Express Small Business Plan Resources
http://home3.americanexpress.com/smallbusiness/tool/biz_plan/index.asp
- 9) Business plans most common mistakes
<http://www.businessnation.com/library/articles/pages/Articles/134-FatalMistakes.doc>
- 10) Choosing the Right Business Structure
<http://www.entrepreneur.com/article/0,4621,310501,00.html>
- 11) Cover all the bases in your business plan

<http://www.inc.com/articles/2000/05/19082.html>

12) Frequently Asked Questions about Business Plans

http://sbinformation.about.com/library/blbplanfaqindex.htm?PM=ss12_sbinformation

13) Growing your business- business plan

<http://www.womanowned.com/growth/bizplan/businessplan.htm>

14) Manufacturer/Service/Retailer's Business Plan examples

http://www.toolkit.cch.com/text/P02_9000.asp

15) Startup Journal

<http://www.startupjournal.com>

16) Wall Street Journal Business Plan Tools

<http://www.bplans.com/contentkit/?affiliate=wsj>

17) Yahoo Small Business

<http://smallbusiness.yahoo.com>

11. Glossary:

Balance sheet- summarization of the business's assets, liabilities, and owner's equity accounts.

Break Even Analysis- a mathematical equation that determines the volume of sales that will allow your business to cover all its costs exactly. No profit is made.

Business plan- a written plan that defines your business goals, marketing activities, method of production, managerial strengths, and expected financial results for a specific time period

Capitalization requirements- the amount of funding required to cover initial costs until the business can sustain itself

Competitive Advantage or Edge- a way that a business operates differently than competitors that gives it an advantage in the consumer's mind

Depreciation- the amount of money that a business charges to expenses for a useful asset (cost of asset/useful life of asset=annual depreciation)

Direct costs (variable)- costs that will differ depending on the volume of business production (labor, material, supplies, utilities)

Financial statements- reports that are prepared to summarize the financial condition of the business; usually include balance sheet, statement of operations (or profit/loss statement), and cash flows statement.

Indirect (fixed) costs- costs that remain constant regardless of the business activity level (advertising, telephone, travel, general/ administrative expenses, depreciation, insurance)

Margin of Safety- the difference between the break-even point of sales and the projected sales volume

Market segment- a distinct group of customers within a larger market who are similar to each other and differ from others in the greater market

Primary data- data that has been designed and collected specially for your project (surveys, questionnaires)

Secondary research- research that has been designed for a different purpose but still provides valuable insight to your endeavor

Statement of cash flows- report that tracks the change in the cash account due to inflows and outflow for a period of time

Statement of operations (or profit/loss statement)- report that summarizes the business income and expenses showing profit or loss for a period of time

Target market- the group of people you select to be your customers; the people you think will desire your product/service

Useful life- the estimated amount of time you expect the asset to be in use for the business

Unappreciated Value- the value of an asset that hasn't been increased to reflect market price