

BUSINESS  
**comox** Wildly  
Economically Sophisticated.  
Unconventional. **valley**



# **Business Planning Workshop**

Welcome

BUSINESS

# Workshop Overview

- Comox Valley Economic Development Society Background
- Invest Comox Valley Business Information Centre Services
- Why Businesses Need to Plan
- Components of the Business Plan

# CVEDS Backgrounder

- CVEDS was formed in 1988
- CVEDS is a non profit organization
- CVEDS receives annual funding from
  - Town of Comox
  - City of Courtenay
  - Village of Cumberland
  - CSRD areas A,B & C
- CVEDS is the first stop for business information services in the Comox Valley

# Our Services

- Business Registration
- Business Planning Assistance
- Financing Information
- Other Information

# One Stop Business Registry



- Name Approvals (\$40)
- Register your business name
  - Proprietorship/Partnership (\$40)
  - Incorporation (Provincial/Federal) (\$351/\$200)
  - Society (\$100)
- Register with
  - Canadian Revenue Agency (No Cost)
    - GST, Payroll, Corporate Income Tax, Import/Export
  - Consumer Taxation Branch (No Cost)
    - PST Account, HRT Account
  - Worksafe (No Cost)
    - Personal Protection Option, Employee Coverage
  - Business Licence (Different for Each Area)
    - Courtenay, Comox, Cumberland & other

# Get your Name Approved

- 3 Name Components
  - Distinctive Elements (Greeny)
    - The cool Name you come up with
  - Descriptive Element (Landscaping)
  - Corporate Designation (LTD.)
    - Incorporations must have these designation at the end of their name

# Get your Name Approved

- Only searches incorporated companies
- They do not search proprietorships/Partnerships
- Cost \$32-\$40
- Contacts
  - Invest Comox Valley 250-334-2427 or [www.businesscomoxvalley.com](http://www.businesscomoxvalley.com)
  - Corporate Registries 250-386-2893

# 3 Ways to Register Your Name

- Proprietorship/Partnership (\$40)
- Incorporations
  - Provincial (\$351)
  - Federal (\$200)
- Non Profit (Society)
  - Proprietorship/Partnership (No Cost)
  - Incorporation (\$100)

# Proprietorship/Partnership

- Proprietorship (1 Person)/Partnership (2+ People)
  - Benefits
    - Lower start up costs
    - Greater freedom from regulations
    - Ease of formation
    - Limited regulations
    - Possible tax advantages
  - Disadvantages
    - Unlimited liability
    - Harder to raise capital
    - Lack of continuity
    - No name protection

# Steps to Becoming a Proprietorship/Partnership

- Get your Name Approved or use your own name
- File your Proprietorship/Partnership Application
  - [www.bcbusinessregistry.ca](http://www.bcbusinessregistry.ca)
- For more information
  - [www.businesscomoxvalley.com](http://www.businesscomoxvalley.com)
  - 250-334-2427

# Incorporations

- Provincial (\$351)
  - Advantages
    - Limited liability
    - Possible tax advantages
    - The ownership is transferable
    - The company can exist indefinitely
    - It is a separate legal entity
    - It is much easier to raise capital
    - You can choose both debt and equity financing
  - Disadvantages
    - Company is closely regulated,
    - More Expensive
    - Charter restrictions
    - Necessary extensive record keeping required
- Federal (\$200)
  - Only useful if you are incorporating in more than one province

# Steps to Incorporating

- Get your name approved or use a number
- Enter into an Incorporation Agreement
- Set up Share Structure
- Read BC Incorporations Act
- File Incorporation Application
  - [www.corporateonline.gov.bc.ca](http://www.corporateonline.gov.bc.ca)

# Incorporation Agreement

- The agreement of each incorporator to take one or more shares of the company
- The signature of each incorporator
- The number of shares of each class being taken by each incorporator
- For more info contact Invest Comox Valley
  - [www.businesscomoxvalley.com](http://www.businesscomoxvalley.com)
  - 250-334-2427

# Setting up Share Structure

- Two kinds of shares:
  - Common
    - Common shares are normally the "residual equity" shares: you get what's left after paying the company's debts and preferred shareholders
  - Preferred
    - Preferred shares are like bonds: they usually have a set value, and pay a set dividend per year

# Setting up Share Structure

- Examples of share rights and restrictions
  - Voting rights
  - Dividend rights
  - Redeem the shares for a fixed amount
  - Company buy back the shares for a fixed amount
  - Convert shares into shares of another class
  - Restrictions on ownership of the shares

# Setting up Share Structure

- Shares can have a "par value" or not.
- Plan the share structure to
  - Provide for future flexibility
  - Meet present needs
- For more info contact a tax advisor or visit [www.businesscomoxvalley.com](http://www.businesscomoxvalley.com)

# Non Profit (Society)

- Proprietorship/Partnership (No Cost)
  - Status before three partners get involved
- Incorporation (\$100)
  - Need three to get incorporated

# Steps to Incorporating a Non Profit Society

- Read BC Society Act
- Get your Name Approved
- Prepare and sign a constitution
  - Name of the Society
  - The purposes of the society (Why it exists)
- Prepare and sign a set of Bylaws
  - State the rules of conduct of the Society

# Steps to Incorporating a Non Profit Society

- Prepare a list of Directors
  - A minimum of 3 directors is required
  - At least 1 must be ordinarily resident of BC
- For more information
  - [www.businesscomoxvalley.com](http://www.businesscomoxvalley.com)
  - Society/Cooperative Association 250-356-8609
  - Invest Comox valley 250-334-2427

# Register with Government Agencies

- **Canadian Revenue Agency (Federal)**
  - GST, Payroll, Corporate Income Tax, Import/Export
- **Consumer Taxation Branch (Provincial)**
  - PST and HRT Account
- **Worksafe (Provincial)**
- **Business License (Municipal)**

# Canada Revenue Agency

- GST (Mandatory once revenue reaches \$30,000)
  - Benefits
    - Input Tax Credits
    - Image
    - Use funds as working capital
  - Cons
    - Additional Paper work
    - Mandatory to collect 6% from every customer
- Corporate Income Tax (Only for Incorporations)

# Canada Revenue Agency

- Payroll
  - Mandatory for Incorporations & Proprietorships/Partnerships with Employees
- Import/Export
- Ways to register
  - Online – [www.bcbusinessregistry.ca](http://www.bcbusinessregistry.ca)
  - Phone – 1-800-959-5525

# Consumer Taxation Branch

- PST Account
  - Mandatory if you sell physical products
- HRT Account
  - Mandatory with more than 4 or more rooms
- Ways to register
  - Online – [www.bcbusinessregistry.ca](http://www.bcbusinessregistry.ca)
  - Phone 1-877-388-4440

# Worksafe

- Personal Protection Option  
(For Proprietorship/Partnership Owners)
  - Rate based on monthly fixed coverage
- Employee Coverage
  - Rates are based on industry
  - Rates are paid based on payroll (Variable)
- Ways to register
  - Online [www.bcbusinessregistry.ca](http://www.bcbusinessregistry.ca) or [www.worksafebc.com](http://www.worksafebc.com)
  - Phone 1-888-855-2477

# Municipal Business Licence

- Mandatory if you are performing a service or selling products in areas in which the municipalities require a business licence
  - City of Courtenay
  - Town of Comox
  - Village of Cumberland
  - Any other area you perform your business
- Ways to register
  - Online – [www.bcbusinessregistry.ca](http://www.bcbusinessregistry.ca)
  - At the City Hall, Town Hall or Village Hall

# Business Planning Assistance

- Business Planning Workshops
- Business Plan Review
- Sample Business Plans

## Financing Information

- 200+ government programs
- Bank financing information
- Other financing information
  - Angel Investors
  - Private Investors

# Other Resources

- Buying/Selling/Franchising Information
- Import/Export Information
- Statistics
- Sector Reports
- Industry Publications
- Computer Access Terminals

# Why Businesses Need to Plan?

- Financing Purposes
  - Financers require a business plan
- Operational Purposes
  - Road map to success
  - Working bible
  - Only 36% surpass their 5<sup>th</sup> year
  - 125 bankruptcies over the past decade
  - Poor Planning = Business Failure

# Components of a Business Plan

- Description of Company
- Description of Product/Services
- Market Analysis
- Marketing Plan
- Operations
- Financial Plan
- Risk Analysis & Contingency Planning
- Support Material

# Company Description

- Nature of your Business
- Management
- Company size & Location

# Nature of your Business

- Type of operation
  - Incorporation (Provincial or Federal)
  - Proprietorship/Partnership
  - Society
- Company Mission & Vision Statement
- Detail your companies Goals
  - Main Goals (Over all Goals)
  - Short Term (Measurable goals within 1 year)
  - Long Term (Measurable goals within 3 years)

# Management

- Skills Inventory
  - Entrepreneurial
  - Industry
- Detail your experience
  - Entrepreneurial
  - Industry
- Add a bio of each management team

# Company Size & Location

- What is the address
- Who are the neighbouring businesses
- What is the size of the facility
- Add a layout of the floor plan
- Is the business going to be home based or commercially based

# Description of Product/Services

- What is your product/service
- Describe your product/services
  - key Benefits
  - Key Features
- What makes it different

# Market Analysis

- Industry Analysis
- Target Market Analysis
- Competitor Analysis

# Industry Analysis

- What is the total industry size
  - Revenue generated
  - Number of companies
- What is the growth potential
- What factors influence the industry growth
- Standards/regulations affect your industry
- Common costs & profit margins
- What are the industry trends
- What are the opportunities & threats

# Target Marketing

- Identify & define your typical customer segments
- Demographic Characteristics
  - Location
  - Age
  - Income
  - Educational Levels
- Psychographic Characteristics
  - Lifestyles
  - Interests
  - Hobbies
- What is the buying criteria of your target market
  - What motivates this group to make purchases
    - Is it price, quality, location
- What is the size of your market
- What percentage of the market share will you take

# Target Population

## Some possibilities:

- Adults
- Children
- Households
- Manufacturing firms
- Wholesalers
- Retailers
- Nonprofit institutions

# Customer Profile Matrix

	<b>Cookie Cutter New Homes (Contractor)</b>	<b>Older Homes (General Homes)</b>	<b>Custom New Homes (Contractor)</b>	<b>Older Homes (Custom homes)</b>
<b>Age</b>				
<b>Gender</b>				
<b>Income Level</b>				
<b>Family Status</b>				
<b>Occupation</b>				
<b>Employment</b>				
<b>Education</b>				
<b>Hobbies</b>				
<b>Social</b>				
<b>Cultural &amp; Ethnicity</b>				
<b>Political Views</b>				
<b>Religion</b>				

# Profiling Competitors

- ***Why Profile your Competitors***
  - Learn your competitions strengths
  - Exploit your competitions weaknesses
  - Better understand your competitions capabilities & intentions
  - Use that knowledge to gain competitive advantage
  - Improve your planning & decision-making
- ***Steps to Profiling your Competitors***
  - Profile both direct & indirect competitors
  - Gather publicly available data
  - Analyze competitor capabilities & intentions
- ***Benefits***
  - Understand your competitors relative costs & capabilities
  - Use this information to guide strategic planning
  - Help make better investment decisions

# Profiling Competitors

- Background
- Finance
- Products
- Markets
- Facilities
- Personnel

# Competitor's Background

- Location
  - Offices
  - Plants ect.
- Describe their Online Presences
  - Informational Website
  - E-Commerce
  - E-Newsletter
- History
  - Dates of Special Events
  - Ownership Changes
  - Organizational Structure

# Competitor's Financials

- Profit Ratios
- Dividends Policy
- Markups
- Financial Statements
- Annual Reports

# Competitor's Products

- Products Offered
- New Products Developed
- R&D Strengths
- Brands
- Brand Awareness
- Brand Loyalty
- Patents & Licenses

# Competitor's Marketing

- Segments Served
  - Market Shares
  - Customer Base
  - Growth Rate
  - Customer Loyalty
- Promotional Mix
  - Promotional Budgets
  - Advertising Themes
  - Ad Agency Used
  - Sales Force
  - Online Promotional Strategy
- Pricing

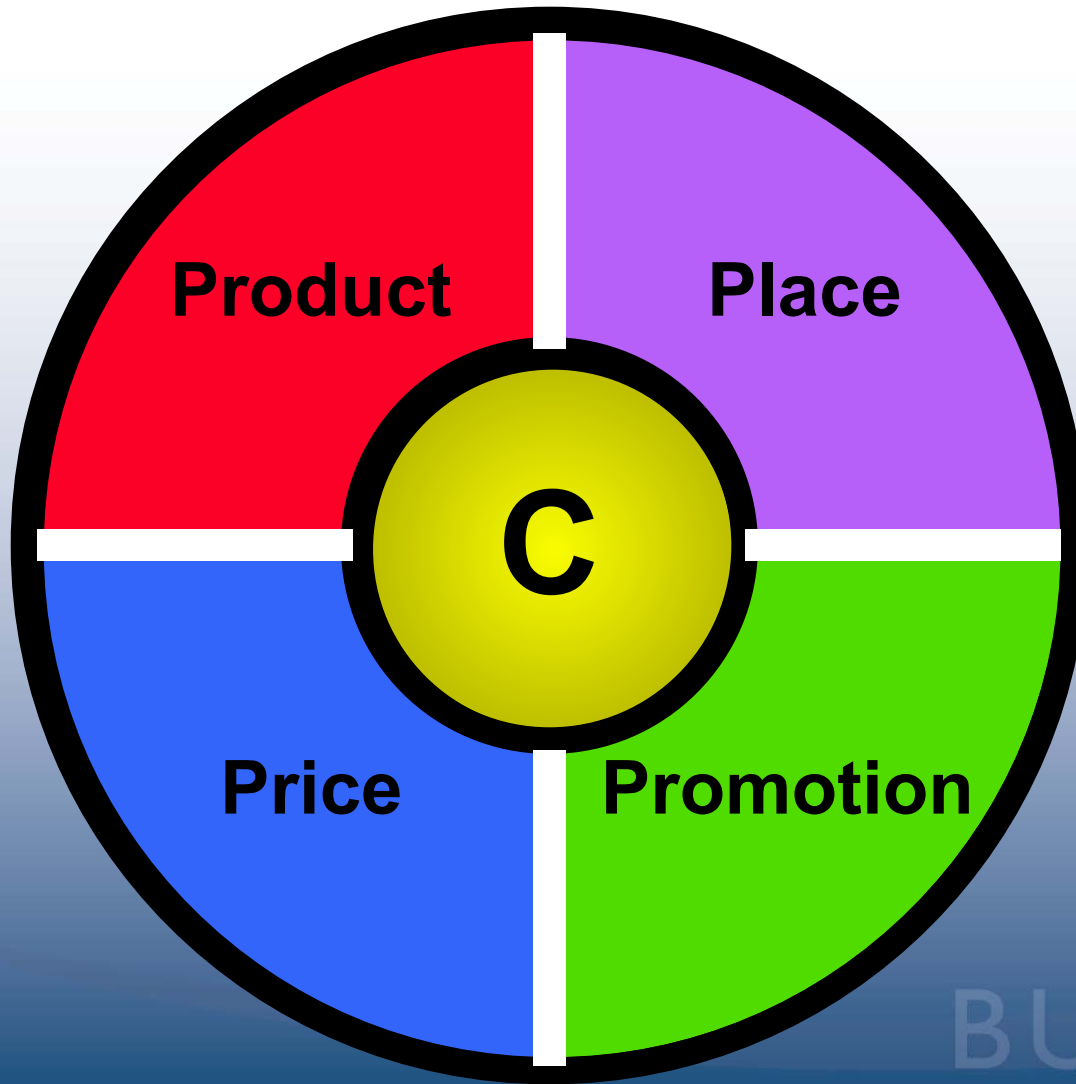
# Competitor's Facilities

- Capacity
- Age
- Location
- Neighboring Companies
- Shipping Logistics

# Competitor's Personnel

- Number of Employees
- Key Employees
- Skill Sets of their Employees
- Strength of Management
- Management Style
- Compensation & Benefits
- Employee Morale
- Retention Rates

# The 4 Ps of the Marketing Mix



# Market Research

- **SECONDARY DATA**
  - Information from second hand sources
- **PRIMARY DATA**
  - Information collected first hand

# Types of Secondary Data

- Internal
  - Sales invoice
  - Salesperson's call reports
  - Salesperson's expense account
  - Credit memos
  - Warranty cards
  - Marketing research reports
- External
  - Directories
  - Periodicals
  - Statistical sources
    - Invest Comox Valley ([www.businesscomoxvalley.com](http://www.businesscomoxvalley.com))
    - BC Stats ([www.bcstats.gov.bc.ca](http://www.bcstats.gov.bc.ca))
    - Stats Canada ([www.statcan.ca](http://www.statcan.ca))
    - Tourism British Columbia ([www.tourismbc.com](http://www.tourismbc.com))
  - Books
  - Magazines
  - Internet
  - Financial records
  - Marketing research reports

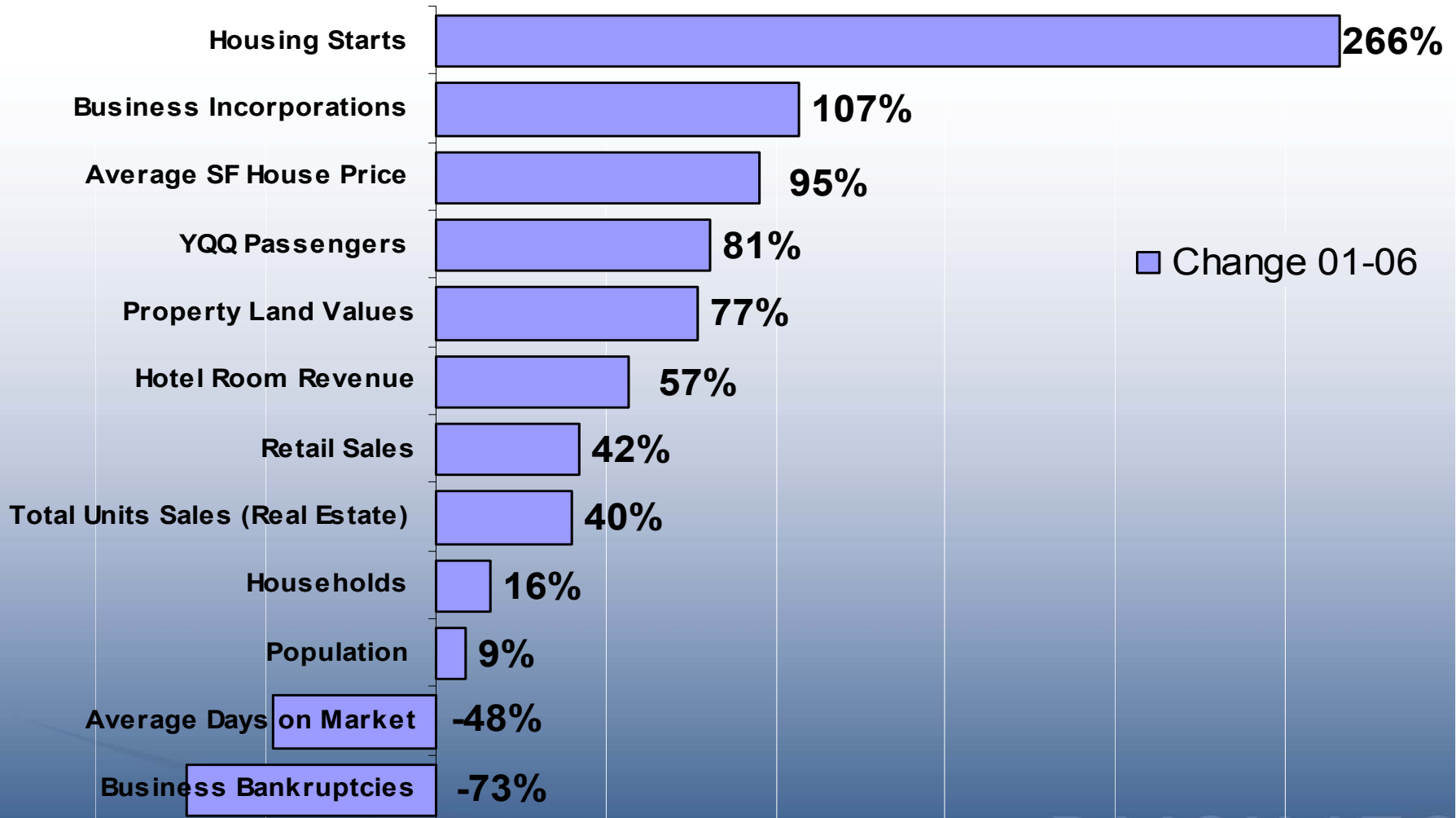
# The Balancing Act with Secondary Data

**Inexpensive**  
**Can be secured**  
**quickly**



**Unknown accuracy**  
**May not fit the**  
**problem**

# Economic Indicators



# Primary Data Often Collected

- Demographic/socioeconomic characteristics
- Psychological/lifestyle characteristics
- Attitudes/opinions
- Intentions
- Motivation
- Behavior

# Collecting Primary Data

- **Communication** - Questioning respondents using a questionnaire
  - Personal Interview (Phone/In person)
  - Written
- **Observation** - watched actions or behaviors

# Personal Interviews

- Advantages
  - High response rate
  - Best for getting response from specific people
  - Allows use of any type of question
  - Sequencing of questions easily changed
  - Allows probing using open-ended questions
  - Allows clarification of ambiguous questions
- Disadvantages
  - Generally narrow distribution
  - Subject to interviewer bias
  - Most expensive method
  - Relatively slow

# Written Interviews

- **Advantages**

- May be only method able to reach certain respondents
- Wide distribution possible
- Respondents work at their own pace
- Best for personal, sensitive questions
- Generally least expensive
- Very short response time for e-mail
- Less interviewer bias than in person

- **Disadvantages**

- Low response rates
- Little control in securing response from specific individual
- Cannot control respondent's speed of survey completion
- Researchers cannot explain ambiguous questions
- Respondents can view entire questionnaire as they respond
- Long response time for mail
- Cannot use visual aids

# Observation

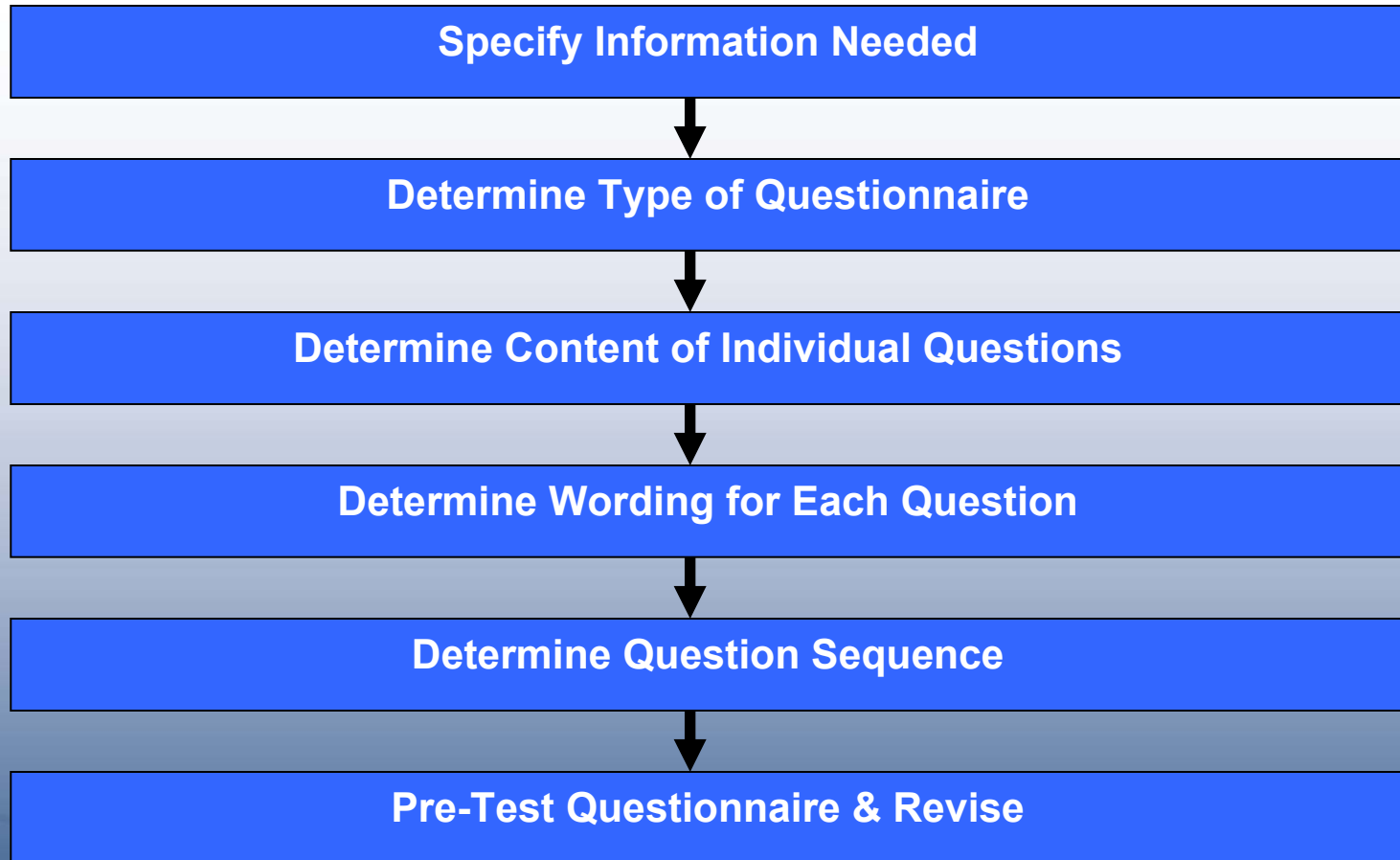
- **Advantages**

- Reveal qualities of group experience in a way that other forms of research cannot
- Help determine questions & types of follow-up research
- Reveal descriptions of behaviors in context by stepping outside the group
- Identify recurring patterns of behavior that participants may be unable to recognize

- **Disadvantages**

- Analysis of observations can be biased
- Some subjects may be previously influenced

# Developing a Questionnaire



# Open-Ended Questions

- How old are you? \_\_\_\_\_
- Can you name three sponsors of the Monday-night football games? \_\_\_\_\_
- Do you intend to purchase an automobile this year? \_\_\_\_\_
- Why did you purchase a Magnavox brand color television set? \_\_\_\_\_
- Do you own a VCR? \_\_\_\_\_

# Choice

- How old are you?
  - Less than 20
  - 20-29
  - 30-39
  - 40-49
  - 50-59
  - 60 or over

# Yes or No Question

- Do you think laws requiring passengers in motor vehicles to wear seat belts are needed?
  - Yes
  - No

# Rating Scale

How would you rate your last experience when eating at ABC restaurant?

•Extremely Poor      Poor      So-So      Good      Extremely Good

How would you rate the quality of the service?

•Extremely Poor      Poor      So-So      Good      Extremely Good

# Ranking Scale

- Rank the following soft drinks from 1 (least liked) to 6 (most liked):

\_\_\_ Coca-Cola

\_\_\_ Mountain Dew

\_\_\_ Seven Up

\_\_\_ Dr. Pepper

\_\_\_ Pepsi

\_\_\_ Sprite

# Branching Questions

A technique used to direct respondents to different places in a questionnaire, based on their response to the question

1. Please answer the following question Yes or No.

Did you, personally, give money to canopy of Care last year? Y or N {If Yes, go to #3.}

# Leading Questions

- A question framed so as to give the respondent a clue as to how he or she should answer.
- Do you feel that limiting taxes by law is an effective way to stop the government from picking your pocket every payday?
  - Yes
  - No
  - Undecided

# Double-Barreled Question

A question that calls for two responses & thereby creates confusion

Are the food & service at the local Pizza Hut good?

- Yes
- No

# Question Wording Guidelines

- Use simple words & questions
- Avoid ambiguous words & questions
- Avoid leading questions
- Avoid generalizations & estimates
- Avoid double-barreled questions

# Question Sequencing Guidelines

- Use simple, interesting opening questions
- Ask broad questions first
- Carefully design branching questions
- Ask for classification information last
- Place difficult or sensitive questions near the end

# Zoomerang.com

- **Zoomerang Basic - Free**
  - A limited-feature trial version of Zoomerang zPro.
  - Ask up to 30 questions
  - Collect up to 100 responses per survey. Results expire after 10 days. Ongoing membership is free.
- **Zoomerang zPro for Business (Annual subscription: \$599)**
  - **The #1 survey software for business professionals:**
  - Unlimited questions & participants
  - Create surveys from over 100 templates - or make your own
  - Customize your survey, images, logos & links
  - Cross-tabulation, filtering & report downloads
  - Premium customer support by phone
- **Zoomerang zPro for NonProfits (Annual subscription: \$350)**
  - Zoomerang zPro online surveys at a special price for registered nonprofit organizations
- **Zoomerang zPro for Education (Annual subscription: \$350)**
  - Zoomerang zPro online surveys at a special price for educators & students

# Identifying Potential Response Errors

- Does the respondent understand the question?
- Does the respondent know the answer to the question?
- Is the respondent willing to provide the true answer to the question?
- Is the wording of the question or the situation in which it is asked likely to bias the response?

# Improving Response Rates

- Respondent interest in topic
- “Foot-in-the-door”
- Interviewer training
- Guarantee of confidentiality
- Response incentives
- Pre-notification
- Personalization
- Sponsor disguise
- Survey length
- Follow-up surveys

# Marketing Plan

- Pricing
- Product Positioning
- Promotional and Advertising
- Sales Strategy

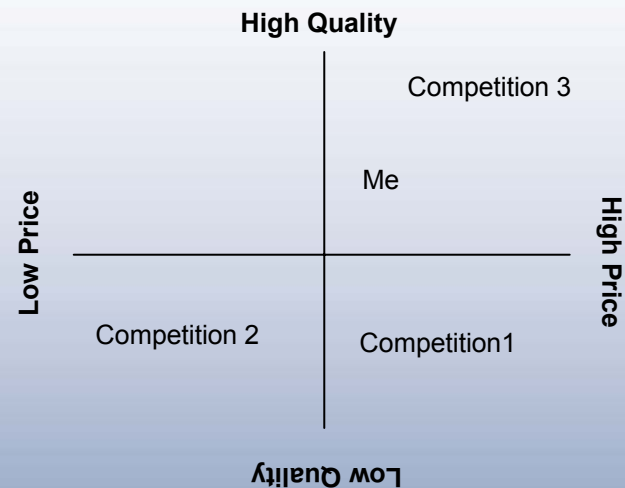
# Pricing

- What is your pricing strategy
- How did you derive at it
- What is your price relative to your costs
- How do your prices compare to your competitors

# Product Positioning

- How is your product/service presented in the market

- Luxury item
- Impulse item
- Necessity item
- Specialty item



- Draw a positioning graph to place your product/service

# Promotion & Advertising

- What is your promotional & advertising strategy
  - Think about your target market & what they are susceptible to
- Give a detail description of the types of advertisements & promotions you will use to reach your target market
  - Media advertising
  - Direct Mail
  - Internet
  - Trade Shows
  - Press Releases
- What are your timelines & associated costs for each type of promotion/advertising
- Include an annual promotion/advertising budget

# Sales Strategy

- What are your sales goals per day/month/year
  - Make sure this is feasible with your research & capacity
- Is there anticipated seasonality in sales
- How will your sales be conducted
- Who will be primarily responsible for your sales
- How much time & money will be allocated for both time & funds
- Outline your company's
  - service policies
  - Guarantees
  - Warrantees
  - Credit & Collections policies
- How will you determine customer satisfaction

# Operations

- Production
- Inventory Management
- Personnel
- Other

# Production

- Describe the process by which your product is made or how the service will be performed
  - What is the production
    - Size
    - Capacity
    - Manufacturing time (Product)
    - Delivery time (Service)
  - Type of materials needed
  - Type of facilities needed
    - Size/space/zoning
    - Manufacturing
    - Warehouse
    - Administrative
  - Necessary equipment needed
  - Locations of the suppliers
  - What are the suppliers
    - Delivery times
    - Methods of shipment
  - What are your policies on
    - Product improvement
    - Research & development
    - Quality control

# Inventory Management

- Anticipated average inventory levels
- Where are your suppliers located
- What are your suppliers
  - Delivery times
  - Method of shipment
  - Credit policies
- What is your inventory turnover cycle

# Personnel

- How many staff do you require
- Do you need subcontractors
- What qualifications do they need
- What is the labour availability of those needed employees
- What will you pay them - Compare to market wage rate
- Will you give them benefits
- How will you train them
- What kinds of personnel policies will you have
- Create Job descriptions & specifications for all positions

# Other

- Hours of Operation
- Required Licenses & Permits
- Environmental Impacts
- Regulatory Responsibilities
- Type of Business Insurance

# Financial Plan

- Historical Financial Statements
- Financial Projections
- Financing Requirements
- Accounts Payable & Receivable
- Accounting Terms
- Four Basic Financial Statements

# Historical Financial Statements

- Existing businesses need to provide
  - Past 3 years balance sheet
  - Past 3 year income statement
- If you are buying a business ask for these from the previous owner

# Financial Projections

- Monthly cash flow projections (3 Years)
  - Realistic estimated
    - Revenues (Sales Goals)
    - Cost of goods sold
    - Operational expenses (Budgets)
- Projected Income Statement (3 Years)
- Balance Sheet (3 Years)
- Breakeven Analysis

# Financing Requirements

- What type of financing do you require
  - Debt or Equity
- What is the amount of financing needed
- What will you use the funds for
- Propose your repayment terms
- List all equipment required with costs
  - Based on quotes/estimates

# Accounts Payable & Receivable

- Create accounts payables & receivables policies
- Existing businesses need to show
  - Current aged accounts payables/receivables

# Assets

- Anything of value held by an organization
- Assets have
  - Potential usefulness
  - Future usefulness
  - Economic Value
- Asset Accounts
  - Cash
    - Includes money & any other form of exchange that a bank accepts for deposit (Coins, currency, cheques, money orders account balances)
  - Accounts Receivables
    - An amount of cash that the business is expecting to receive in the future
  - Prepaid Expenses (Pre paid Insurance/Office-store supplies)
    - An asset that is about to be used up.
    - As these assets are used up the cost of the used assets become expenses
  - Equipment
    - Computers, Printers, desks, chairs ect.
  - Buildings
    - Owned by the organization
  - Land
    - The cost of land is separated from the cost of building

# Liabilities

- Claims against the total assets of an organization
- Claims of nonowners
- Obligations to transfer assets or provide services to others
- Liability accounts
  - Accounts Payables/Notes Payable
    - Promises by a business to pay later for an asset or service already received
  - Unearned Revenues
    - Are liabilities that are satisfied by delivering products or services in the future
    - Magazine subscriptions, gift certificate, airline tickets, rent
  - Other Liabilities
    - Wages payable, taxes payable, Interest payable

# Equity Accounts

- Claims of owners
- 4 types of transactions that affect Owners Equity
  - Investments by Owner
    - (Owners Capital)
  - Withdrawals by Owner
    - (Personal Account/Drawing Account)
  - Revenue
    - (Sales)
  - Expenses
    - (Costs of Doing Business)

# Revenues

- Inflows of assets that result from performing services or selling goods
- Revenues are realized when
  - The service is performed or
  - The goods are delivered

# Expenses

- Any cost of Doing Business
- Fixed Expenses (Costs)
  - A cost that does not vary depending on production or sales levels, such as rent, property tax, insurance, or interest expense.
- Variable Expenses (Costs)
  - A cost of labor, material or overhead that changes according to the change in the volume of production units.
- Total Expenses (Costs)
  - The sum of fixed costs & variable costs

# 4 Basic Financial Statements

- Income Statement
- Statement of Owners' Equity
- Classified Balance Sheet
- Statement of Cash Flows

# Income Statement

- **Net Income (Loss)**=Revenues-Expenses
- Shows period profits or losses
- States revenues & expenses
- A periodic presentation of a business's
  - Sales
  - Expenses
  - Profit or loss

# Income Statement

Z-Mart  
Income Statement  
For the Year ended December 31 2006

Sales			\$321,000
Less: Sales Discounts		4,300	
Sales Returns		<u>2,000</u>	<u>6,300</u>
Net Sales			\$314,700
Cost of Goods Sold		<u>230,400</u>	
Gross Profit from Sales			\$84,300
Operating Expenses			
Selling Expenses			
Amortization Expense, Store Equipment	\$3,000		
Salaries Expense	18,500		
Rent Expense, Selling Space		8,100	
Store Supplies Expense		1,200	
Advertising Expense		<u>11,300</u>	
Total Selling Expense			\$42,100
General & Administrative Expenses			
Amortization Expense, Office Equipment		\$700	
Office Salaries Expense		25,300	
Insurance Expense	600		
Rent Expense, Office Space		900	
Office Supplies Expense		<u>1,800</u>	
Total General & administrative Expense		<u>29,300</u>	
Total Operating Expense			<u>71,400</u>
Income from operations			\$12,900
Other Revenues & Expenses			
Rent Revenue		\$2,800	
Interest Expense		<u>360</u>	<u>2,440</u>
Net Income			\$15,340

# Statement of Owners' Equity

- Changes in owners' interest in assets
- Issuances of new stock
- Retained earnings
  - Net income or loss
  - Dividends

# Statement of Owners Equity

## Z-Mart

Statement of Owners Equity  
For the Year Ended December 31 2006

Carol Finlay, Capital January 1 2006		\$10,000
Add: Investment by Owner	\$30,000	
Net Income	<u>\$1,753</u>	<u>31,753</u>
Total		\$41,753
Less: Withdrawals by Owner		<u>600</u>
Kim Finlay, Capital December 31 2006		\$41,153

# Balance Sheet

- Assets
  - Current
  - Property, plant, & equipment
- Liabilities
  - Current
  - Long-term
- Owners' Equity
  - Common stock
  - Retained earnings

# Balance Sheet

Z-Mart  
Balance Sheet  
December 31 2006

<u>Assets</u>			
Cash		\$18,070	
Accounts Receivable			1,800
Supplies			2,550
Prepaid Expenses			2,300
Furniture		\$26,000	
Less: Accumulated Amortization	<u>375</u>	<u>25,625</u>	
Total Assets			\$50,345
<u>Liabilities</u>			
Accounts Payable		\$200	
Interest Payable	32		
Salaries Payable		210	
Unearned Consulting Revenue	2,750		
Notes Payable	<u>6,000</u>		
Total Liabilities			9,192
<u>Owners Equity</u>			
Carol Finlay, Capital			<u>41,153</u>
Total Liabilities & Owners Equity			\$50,345

# Statement of Cash Flows

- Records the company's cash transactions during the given period.
  - Inflows
  - Outflows
- Three sections
  - Cash Flows from Operating Activities
    - Cash receipts from sales or for the performance of services
    - Payroll & other payments to employees
    - Payments to suppliers & contractors
    - Rent payments
    - Payments for utilities
    - Tax payments
  - Cash Flows from Investing Activities
    - Purchases of property, plant & equipment
    - Proceeds from the sale of property, plant & equipment
    - Purchases of stock or other securities (other than cash equivalents)
    - Proceeds from the sale or redemption of investments
  - Cash Flows from Financing Activities
    - Proceeds from loans, notes, & other debt instruments
    - Installment payments on loans or other repayment of debts
    - Cash received from the issuance of stock or equity in the business
    - Dividend payments, purchases of treasury stock, or returns of capital

# Cash Flow Statement

**Z-Mart**  
**Cash Flow Statement**  
**For the Year ended December 31 2006**

	Month 1	Month 2	Month 3....	Month 12	Total
Starting Balance					\$10,000
Cash Flow from Operating Activities					
Sales					\$321,000
Less: Sales Discounts					4,300
Sales Returns & Allowances					2,000
Salaries Expense					18,500
Rent Expense, Selling Space					8,100
Store Supplies Expense					1,200
Advertising Expense					11,300
Office Salaries Expense					25,300
Insurance Expense					600
Rent Expense, Office Space					900
Office Supplies Expense					1,800
Total Cash Flow from Operating Activities					<u>\$247,000</u>
Cash Flows from Investing Activities					
Rent Revenue					\$2,800
Total Cash Flows from Investing Activities					\$2,800
Cash Flows from Financing Activities					
Interest Expense					360
Total Cash Flows from Financing Activities					<u>(360)</u>
Cash Flow (+/-)					\$259,440

- Excel File

# Risks Analysis

- What is the anticipated reaction by your competitors
- List out all the external risks of your industry & market
  - Economy
  - Weather
  - New competitors
  - Supplier problems
  - Technology
  - Politics
  - Demand Shifts
- List out all the internal risks of your industry & market
  - Sales projections not realized
  - Cost overruns
  - Key personnel turnover
  - Legal issues

# Contingency Planning

- How will each risk will be managed
- What contingency plans will be put into place
- Formulate a proactive and a reactive approach
- Try to come up with two plans for every risk

# Supporting Material

- Photographs
- Samples of your product
- Bios/Resumes of Owners & key management
- Letters of intent or support
- Copies of licenses & permits
- Appraisals for property & equipment
- Copy of partnership agreement or shareholders agreement
- Brochures
- Business card
- New articles about the company/industry/market/product
- Samples of the surveys or questionnaires
- Any other material used to gain information for the plan

Thank You

BUSINESS