LIFTOFF Business Plans

LIFTOFF Business Planning

Introduction to Planning Guide

To promote our **LIFTOFF** tools, methodology and services, this is a free guide to introduce concepts of how business planning is used to launch a new business venture. For enquiries on featured content please email me:

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547						
548			**Pro-Forma Financial Statements**			
549						
550	Projected Balance Sheet:					
551	*Enter first year:*	2018	2019	2020	2021	2022
552						
553	**Assets - Current**					
554	Cash	$ 1,666.67	$ 10,059.43	$ 7,839.87	$ 6,194.52	$ 6,017.20
555	Accounts Receivable	$ 4,075.48	$ 7,268.24	$ 7,641.44	$ 8,035.96	$ 8,453.16
556	Inventory (Reusable Product)	$ 2,126.43	$ 3,792.45	$ 3,986.48	$ 4,190.43	$ 4,404.82
557	Inventory (Supplies)	$ -	$ -	$ -	$ -	$ -
558	Prepaid Expenses	$ -	$ -	$ -	$ -	$ -
559	**Total Current Assets**	$ 7,868.58	$ 21,120.11	$ 19,467.78	$ 18,420.91	$ 18,875.18
560	**Assets - Long Term**					
561	Land & Buildings	$ -	$ -	$ -	$ -	$ -
562	Less: Accumulated Depreciation	$ -	$ -	$ -	$ -	$ -
563	Furniture & Fixtures	$ -	$ -	$ 3,000.00	$ 3,000.00	$ 3,000.00
564	Less: Accumulated Depreciation	$ -	$ -	$ (600.00)	$ (1,200.00)	$ (1,800.00)
565	Equipment & Machinery	$ 5,000.00	$ 30,600.00	$ 30,600.00	$ 30,600.00	$ 30,600.00
566	Less: Accumulated Depreciation	$ (1,666.67)	$ (8,533.33)	$ (15,400.00)	$ (20,600.00)	$ (25,600.00)
567	**Total Fixed Assets**	$ 3,333.33	$ 22,066.67	$ 17,600.00	$ 11,800.00	$ 6,200.00
568	Research & Development	$ -	$ -	$ -	$ -	$ -
569	Goodwill	$ -	$ -	$ -	$ -	$ -
570	Total Assets - Other	$ -	$ -	$ -	$ -	$ -
571	**Total Long Term Assets**	$ 3,333.33	$ 22,066.67	$ 17,600.00	$ 11,800.00	$ 6,200.00
572						
573	**Total Assets**	$ 11,201.91	$ 43,186.78	$ 37,067.78	$ 30,220.91	$ 25,075.18

Business Planning Concepts

You do not actually need any software tools to write a business plan to start a new business venture. **LIFTOFF Business Plans** simply offers tools to make planning a lot easier. Naturally we recommend that you consider a subscription for our tools rather than to go about the work of drafting a business plan by yourself, but if that is what you want then this guide will help you through the process of doing that. This guide is organized in 6 chapters, as follows:

- **WHY START A BUSINESS?**

  The first chapter steps through the VISION and MISSION statements to help you think about why you want to start a business, and what motivates you.

- **WHAT IS YOUR PLAN FOCUS?**

  The second chapter helps you to be clear on what the attributes of your business will be. We look at how the sections of a business plan come together.

- **WHO IS YOUR COMPETITION?**

  The third chapter looks at the competitive environment in which your business will operate, to help you plan for your strategy to successfully compete.

- **HOW IS THE PLAN REALISED?**

  This chapter helps you to organize the business venture on paper, so you do not leave anything to chance.

- **WHEN WILL WE SEE PROFITS?**

  Here we get down to the financial statements, the meat of the business plan for stakeholders and investors or lenders.

- **WHERE DO WE GO NEXT?**

  This is where we itemize the step-by-step inputs and calculations for the plan.

WHY START A BUSINESS?

This may seem like a silly question, but what is your true reason for starting your own business venture? Many entrepreneurs know what they do not like about their employment situation and they decide it would be better to be independent, which is not an actual inspiration for accomplishing something that changes the world. A template format is used to make it easier for you to enter the information to start:

Vision Statement:

This is a description of where you want the company to be, a purpose and values for your business.

A vision represents how you see your company years into the future. It inspires a team working on growing that business after you have started it so that the goals can be achieved, which is their reason for working at the company. While change is inevitable, the vision should remain a clear foundation for change, stated in clear and unambiguous terms, so that people will understand what to expect from your business. That implies the vision must be reasonably attainable and aligned with the company values and culture.

Mission Statement:

This is a description of what the company does to differentiate it from competitors, based on how you expect to achieve the above vision.

A Mission statement is based on the present and how you expect to achieve your vision. It communicates broad goals to stakeholders in the company and defines key measures of success: it may change, but it remains consistent. It stays true to the core company values, client needs, and overall Vision. The mission gives a clear focus for what people must do in the present, to achieve that future vision, while staying true to the company culture.

A useful template for the mission statement is:

> "***company name***" helps "***our ideal customers***" achieve "***primary benefits***" by delivering "***products/services***" produced by "***how you provide products/services***" in order to offer "***primary benefits for customers***" so that they "***how this improves life for customers***".

The "**elements**" above are defined in the next sections of the business plan so you can expand on what your mission statement is based on:

Our ideal customers are:

Describe your ideal customers:

the primary targets of your mission statement

For marketing we tend to refer to ideal customers as "avatars" or representatives of the types of customers we would like to serve. It is often best to "niche down" to specific avatars so that you can create a cohesive marketing message to reach those prospects.

Primary benefits for customers:

Describe what benefits customers derive from your products or services.

Remember that they look for what they get out of doing business with you, which translates into the benefits they see as a result of that business relationship. This is a prerequisite to achieving a repeat business opportunity with these customers.

Our products / services are:

List the major products / services categories detailed later in the business plan.

You do not identify details of the product. Dress shoes defines a large category, as an example, while ladies' dress shoes narrows things down further. You can further classify product lines as appropriate to outline what niche(s) your business will be focused on.

How we provide products/services:

Explain how you intend to provide these products or services to your customers.

This may be one of the more critical sections to complete, because it addresses the potential scope and work effort inherent in the business you want to start. Once a foundation is established, it can be challenging to move in another direction.

The delivery of products or services is becoming increasingly specialized, such as "drop-shipped via Amazon" as opposed to "sold in my retail store", for example. You may also decide to offer a one-on-one personal approach to your customers' needs, such as providing consulting services. It is not easy to put this into words, but imagine you want to seek financing, how would the financier understand what you are asking financing for unless you can clearly explain the nature of a business you want to establish. If you provide special services, such as stretching shoes to make them fit, then that should be added to how you offer these services.

Primary benefits for customers: Describe how customers will use the products or services for personal or business needs.	

To carry on with dress shoes, you may emphasize the comfortable fit of the special leathers used to make those shoes. Your customers will be able to wear them for a longer time without experiencing discomfort, because you emphasize both form and function. You may focus on the quality of the product, so that customers can enjoy their shoes for a much longer time than with ordinary shoes, whatever you can describe as real or ***tangible benefits*** that your customers will recognize.

This improves life for customers by: Describe how the products or services will improve life from the customers' viewpoint.	

Again with the dress shoes example, you can extoll the comfort that allows clients to wear these shoes for the whole day and not feel as though their feet are pinched or that the special design prevents calluses from being formed or how other issues may be prevented by that design. This can be a critical difference for customers if they must wear these shoes for the whole day, such as on the job.

Many entrepreneurs are so focused on starting a business that they skip thinking about "WHY" they start their business, so that they can express a Unique Selling Proposition (USP) that enhances the appeal of their business. If you find it hard to put into words, then imagine how difficult it will be for prospective customers to recognize what they get out of doing business with you.

Now you have clearly expressed your "WHY", the next step will be to consider the focus of your business plan: the reason for going through this planning process in the first place. A word to the wise: do not rush the "WHY" stage, many people go for a franchise opportunity just to have a business, not realizing that they actually buy a relatively mundane job in the process.

WHAT IS YOUR PLAN FOCUS?

Objectives of the plan:

Describe what you want this business plan to accomplish: such as:

Is it to obtain financing for working capital to implement the start-up project? It is important to be realistic about taking a fresh idea to the bank in the expectation of quick loan financing, because that is not how things work. Is it simply to establish a solid foundation for creating a new business venture? This is more realistic when you first start out, because any potential request for financing would depend on the steps you take to minimize the risk of investing in your business venture.

It is important that the reader understands what you are after, so they can read and interpret the document from a proper perspective. There are many different sources of financing other than banks, but to find a source that matches what your needs are you must provide the background to identify those needs.

Description of the project:

Describe that start-up project and how you plan to launch your business:

Will you use rented office space, a leasehold, or a purchased plant? There are any number of things that you can focus on for financing, but most important are those items that represent collateral value that make it easier to find financing, such as a leasehold improvement, or equipment that you may lease instead of buy. Show what you plan to do in order to be able to launch the business.

Business History:

Summarize what you have done so far to prepare yourself for launching this business.:

Explain how you are proposing to launch based on this business plan by describing the steps completed leading up to the creation of this business plan. This shows a level of comprehension, that you did not merely download a business plan that you edited to pull the wool over the banker’s eyes. Specifically, include any experience in business management, to show that you are well-prepared to take on this new business challenge.

Nature of Operations:

Describe the type of business you plan to launch, like software development.

It might also be creative production, retail/wholesale, manufacturing, etc., but you will probably show a tie-in between your previous experience and the operations your proposed business will engage in. If there is no clear link to prior history, you may want to clarify how you expect to be able to clarify how you feel prepared for this business. That may very well be based on an established side-hustle or hobby, or even on the fact that you have just completed training programs that prepared you for this type of business operation.

Products and/or Services:

List the major products and/or services categories summarized in the vision statement.

Here we can provide more detail as required, as a lead-in to the business plan, so potential stakeholders can develop a better understanding of what the business will be about. This also illustrates how well you are focused on the business, that you are not planning to include everything plus the kitchen sink to dilute your ability to deliver quality results.

Management:

List the members of your management team with their roles and responsibilities.

A capable management team reduces the overall risk in the venture. You may create and append summary resumes for each person listed, to explain their qualifications.

Projects:

Describe production project(s) you have ready to implement when financing is arranged.

It is important to show that you can to hit the ground running when you have the financing for the business arranged, as that is another aspect of reducing the risk of investing in your venture.

Risk Assessment:

A financier wants to assess the risk exposure in your venture.

Stay one step ahead by provide a contingency plan to minimize the risk exposure, below. Find out how to express risks in a plan by talking to your financial advisor and note how they perceive what risks are inherent in your plan. Based on that assessment you can then add a contingency plan with action steps that describe how you minimize the potential impact of those risks.

Contingency Plan:

List action steps that reduce the potential impact of those risks.

Ask your advisor about the options for putting a financier's concerns to rest. Some contingency plans are a detailed project plan with remediation steps. **LIFTOFF project plans** let you segment initiatives for specific risk exposures. You may want to use a project plan for launch activities management as well.

Ratio Analysis:

Risk assessments are often based on a ratio analysis, a process that transforms your financial projections into indicators that can then be compared to the norms for businesses in your specific industry group. We get to the financials later in this business plan, but we summarize the assessment in this introduction so that those stakeholders that are focused on the financial data get oriented to seeing the data in the proper context. Unless you have the training to do this yourself, it is best to speak to a business advisor on what ratios are most applicable to present in this risk assessment.

Financial projections are just that: a description of your expectations for financial results, they are not guarantees of wealth. You must come across as realistic with respect to your outlook. Of all business ideas people conceive, it is estimated that less than 5% will transform into an attempt to get that business started. Up to 50% of business start-ups will fail in their first year of business. Up to 90% of the same business start-ups will fail in their first 5 years of business, which seems to be a "tipping point" for survival. Businesses that have operated for 5 years of more have a much greater likelihood of prospering for the long haul.

The difference appears to be planning: the more detailed your plan covers what it takes to succeed the more likely you will be able to succeed. That is why we always recommend you look for a trusted advisor, and why it is best to use professional business planning tools, like **LIFTOFF Business Plans**, that enable you to create a more complete set of plans to dig deeper into what it takes to make your venture thrive and grow into a successful business.

WHO IS YOUR COMPETITION?

Before you can identify your direct competitors, you must understand the arena in which you will be competing. This is typically established as follows:

Demographic Factors:

The business environment summarizes details normally found in a marketing plan

Demographic factors reflect attributes of an ideal customer base (or "avatar"). You can specify attributes like gender, age group, or ethnic for example. There are many other factors you may consider relevant to your plan. Demographic data may be obtained from a local Economic Development department in your town or regional area.

Economic Factors:

Economic factors include the buying power of people in your business area.

You may also note consumption habits that are relevant to your plan. You cannot easily succeed with an upscale store in a low-income neighborhood. This is not being snobbish but being realistic about how local people tend to spend money.

Social Factors:

Social factors make prospects an identifiable group, which is then easier to track.

Social factors are typical associations/affiliations that prospects share. You may see an affinity for social media platforms useful to reach out to them.

Cultural Factors:

How do you plan to accommodate specific cultural factors?

For example: food, or fashion, or fitness, or sports preferences. By tapping into cultural factors, you make it easier to reach prospects as well. Many prospects do find it comforting to do business with vendors that understand what they prefer.

Major Industry Forces

There are many factors that present barriers to you starting a business in a chosen industry. The purpose of this information is to demonstrate that you have done the homework required to be confident that entry into the industry is possible.

Suppliers:

Who are the main players in you industry and how will you relate to them?

Can you count on these suppliers to help you or hinder you in accomplishing your mission? In this box, list each product or service category you need, and for each category list a reference to the most likely supplier beside it. Some suppliers have contracts with potential competitors of yours that may limit their ability to become your supplier as well, so do not merely list names, make sure you have verified if they are willing and able to be a supplier to you.

Distributors:

Who are the main distributors of the products or services that you offer?

Unless you work directly with consumer prospects, determine how you expect your output to be brought to market via (a) distribution channel(s). Will the distributors work with you to get output to market via established channels? In this box, list each category your produce and the distributor names, again making sure that you have verified they are willing and able to be a distributor for you.

Clients:

Are there primary clients you can count on in your business start-up phase?

Are they interested before you even approach a broader marked (if possible)? For business-to-business operations it is important to have primary clients lined up (or at least expressing interest) because the sales volume per client is high and usually the number of clients you work with is much lower than in a business-to-consumer relationship. For business-to-consumer it is a little less certain, but you can check on how similar businesses are doing in your target market area. It takes effort to do your research, but always keep in mind that clients are the most important part of a business operation. It is no fun having a business full or products and nobody interested in buying from you.

Other:

What other industry forces may positively or negatively affect your start-up?

This is, in effect, a risk assessment of those industry forces that can undermine a successful business launch. Like other risk assessments, it is important that you develop a contingency plan (or exit plan) for dealing with these risks should they materialize to affect your business venture.

Industry Attributes

There are many factors that must have attracted you to this industry. Provide the background information to share with stakeholders to explain what your perception of the industry and of its potential are:

Nature of Industry:

Describe the general nature of the industry that you will be working within.

What is this industry about, what does it do, how does it affect people in general, and other relevant information that explains what attracted you to this industry as a focus for your business plan? It is important to share your choice, rather than to make it seem like you made a random decision that stakeholders cannot grasp.

Trends in the Industry:

What are industry trends in terms of market potential and customer demand?

Is the long-term demand expected to grow over your 5-year plan horizon?   Is the long-term demand expected to reach a maturity/decline stage within this term? It helps to be able to paint a picture of long-term prosperity, but you can also give a reason why you want to cash in on a short-term opportunity that is quite lucrative and has potential to propel you into other opportunities down the road.

Sometimes an investor may see value in a 3-year opportunity that doubles their money before they bail out, which then gives you the opportunity to grow a cash reserve for yourself. That will enable you to start your ideal dream business with the experience of managing a business behind you. Of course, most entrepreneurs will aim for a long-term prosperity opportunity that survives a 5-year tipping point.

Market Attributes

Typically, you will focus on a niche within the larger market opportunity. In this section you should identify that niche focus and how this is relevant within the big picture: what will make you unique within the marketplace to attract customers?

Market Segments:

Within the industry market space, what specific segments do you plan to target?

After launch, which segments do you plan to eventually expand into? For example, a restaurant may add home delivery of prepared food take-out. They may also offer food pre-packaged with enclosed cook at home instructions. These are ways to branch out within the specific niche market segments to expand the potential range of prospects you might appeal to. How does this translate into the market segments you are considering?

Products and/or Services:

What products or services are relevant to a launch (these are the base items)?

What do you plan to add later, financed by cashflow from the launched business? You can list related products or services clients use that are a competition to what you initially start out with as your core products or services but identify when (or at what stage) you will consider adding these additional products or services.

Pricing and Distribution:

What are the general pricing and distribution ranges in these market segments?

How does that influence **your** options for pricing and distribution? List point-form responses that show your awareness of the marketplace, and rationale for being in a different price-point category (if applicable).

Note: Later in this guide we address areas of competition, where pricing can lead to specific competition that is detrimental to the health of all companies that get involved in this tug of war. Here you focus on what is the accepted norm for the industry, and how you expect to conform or differentiate based on a unique set of products or services. For example, you can upscale quality at the same price competitors charge for a lower quality equivalent.

Market Trends

For many types of businesses there are overarching trends and conditions that can affect how you operate your business.

Major Trends:

What trends do you see in your industry that may affect your market segments?

How would you respond to emerging changes based on your company vision? Can your vision persist even as changes are introduced? For example, can you operate your business in compliance with increasing emphasis on environmental standards?

Regulations:

What are the most important regulations that might affect how you do business?

How do you establish information systems like CRM (to manage compliance)? For example, Restaurants have food handling and food storage regulations to comply with. This part of a business plan shows that you have done the homework to prepare for the nature of the business you are envisioning.

Implications:

What are the implications of major trends and regulations for your business?

Here you can identify the major preparation steps that are part of the launch plan for your business venture, to be compliant with those regulations. For example, it may be a provision to implement recycling as part of your operations.

Risk Factors:

What are specific compliance risks to be addressed in your business launch?

Here you can identify those risks, as well as what contingency plans you developed to mitigate the impact of those risks. Using our restaurant example, you will have to submit to regular inspections to confirm that your business is up to standards, so to may establish operating procedures to ensure that these standards are kept up as a normal part of business operations.

Planned Response:

List how can you compensate for risks by taking specific compliance actions.

Here is where you itemize the specific actions for each risk that you identified above. You may want to use this as the input to an action plan within your overall launch plan to take care of all these issues before you open your business.

Competition

Unless you have a truly unique product or service that nobody else can offer (which comes with its own unique challenges like prospects not knowing what to make of it), you must wrestle prospects away from doing business with your competitors. Competitors will not sit back and let you get away with that, so you can expect the necessary push-back to prevent you from becoming a major competitor. Here you explore what this means for your planned business venture. We tend to explain an example in terms of a retail business (to make it easily understood), but the same concerns apply in different forms for any kind of business venture.

Type of Competitors:

What local businesses do similar things to the business you plan to launch?

Is your business concept sufficiently different from the competition? Might your prospects consider your business as a substitute for the competition? When you look to be similar, there is a tendency for prospects to stick to a vendor they know rather than to explore new vendors. In a general sense you can list all different businesses that have products or services that appear identical to yours. There are also general competitors, like Walmart or Amazon.com, that can create difficult to deal with competition, unless you can identify what makes you a unique vendor.

Direct Competitors:

Who are the direct competitors you reflected in the SWOT analysis following?

You want to focus on your ability to outperform the stiffest competition, so here we identify the specific competitors that are in your market area offering similar things that you offer, that make it difficult for prospects to differentiate between vendors. Prospects tend to hedge their bets and go to a familiar vendor first.

SWOT Analysis

In this analysis you identify **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats in reference to your ability to compete against the other vendors listed above. Here is where we can express our competitive position:

Potential Strengths:

What are your relative strengths (or Unique Selling Proposition - USP)

How do you outperform the primary direct competitors you have listed above? Are they competitors that offer more or less similar products or services? Are they in a position to respond to whatever products or services you introduce to the market?

Potential Weaknesses:

What are potential weaknesses beyond launching in a competitive market?

Be realistic about what you can deliver to outperform the competition, and what a competitor can do to pull the rug from under you. They start with the advantage of an established business that prospects are familiar with, so how do you expect to break into the market and lure those prospects away from them?

Potential Opportunities:

How do you differentiate yourself from your local competitors?

Do you create unique opportunities they cannot easily duplicate? For example, we offer **LIFTOFF Business Plans** in competition with other software on the market, so we differentiate ourselves with a more professional foundation and focus, plus intellectual property (IP) in the form of a solid methodology and software (based on Excel™ with VBA programming) that offers unique advantages to prospects.

Potential Threats:

What actions can your competitors take to undermine your business launch?

How would that impact accomplishing the goals you have set for yourself?

Our Competitive Advantage: What is your competitive advantage to reduce the risk of a business launch?	

This does not mean you must be stronger: it may mean a better-defined niche. Will you appear like a specialist who is competing with generalists? For example, with **LIFTOFF Business Plans** prospects can dig much deeper into business plans, marketing plans, and project plans. They have access to simulation tools to search for risks and opportunities, they can operate the system on their own PC and keep their plans indefinitely, as well as share their plans with advisers. They can import actual accounting data to track actual results against plan, and, as their business grows, they can create distributed planning and budgeting structures that typically are required for big corporate entities that our competitors cannot address.

Sales and Marketing Plan

It is not enough to design and implement the best products or services unless it is with a real expectation that you can, in fact, sell and market those products or services to consumers (or other businesses). While there never are guarantees in sales and marketing, you can do a lot to reduce the uncertainty in your launch:

Potential Vendors: List potential vendors you approached to ensure access to needed supplies.	

Some vendors are bound to existing customers that see you as a competitor, and those competitors can block vendors from being reliable suppliers to you. List as many alternative vendors you can consider as substitutes for a preferred vendor. If possible, have agreements in place before you launch your business.

Potential Customers: Try to pre-book potential major customers that are highly interested.	

Try to get committed orders for your offers to them once you have launched. Depending on pre-launch sales you can add rows to this table for all sales. Pre-launch customers represent good references for financiers. Of course, it depends on the nature of your business if this is a realistic objective.

Sales and Marketing Details

Advertising and Promotion:

Outline plans for advertising and promotion of your new business.

Show how you attract potential customers to do business with you. Normally we break this out in further detail in a Marketing Plan. This section merely summarizes those results in the Business Plan, and (if you have it) the marketing plan becomes a supporting document should stakeholders ask for details.

Note: The area of advertising and promotion represents major operating expenses for a business. You must reflect those in the financial plans, following. You may have to get some input on cost factors depending on how you plan to advertise and promote your business, which is unique to your venture, and out of scope for this general guide on business planning.

Pricing and Distribution:

Outline competitive pricing and distribution options for your market.

Keep in mind that price competition can be a dangerous strategy. Once you start, prices tend to only go down to erode your profit margins and they can lead to loss of income over time. Many companies instead establish a policy of meeting their competitors' published prices (including promotions and deals) to remove incentive for prospects to take their business elsewhere they find a cheaper version.

Customer Service Policy:

Outline planned customer service and satisfaction policies for your business.

Will these minimize a perceived risk that potential customers see in doing business with you? Review these plans with a business advisor and summarize them in this section. If you wonder at all, remember that it is much cheaper to maintain your existing clients so they may buy from you again in the future, than to attract new clients that may show an interest without ever buying from you. Marketing is the major expense for many companies, and it is surprising how many companies cut corners on customer service to make sure those customers will take their business elsewhere whenever they might be in need for new products.

HOW IS THE PLAN REALISED?

In this part of the business plan we look at the make-up of the business and what facilities are required to operate the business. There are several sections that make up this information:

Operating Plan

We cannot emphasize enough that the operating plan for a business venture will be affected by the operating location you select. With **LIFTOFF Business Plans** we account for this by allowing you to generate multiple versions of a business plan to reflect different locations. Keep this in mind as you create a manual plan, since one size does not generally fit all, but instead you must adapt to each location with a potentially different bottom-line result.

Location:

Describe where you plan to locate your business, such as in a shopping mall.

Consider potential restrictions based on zoning bylaws and landlord conditions. A shopping mall attracts attention because of the higher space lease costs. You may create a separate business plan for potential locations, to compare costs. A busy mall is more expensive but generates more sales volume from ready traffic.

Size and Capacity:

Describe your potential output based on the size of a business location.

Analyze the implied production capacity for that business location. While this can be a lot of work, the **LIFTOFF Marketing Plan** can assist in analyzing your space requirements to determine if a given location is suitable for your business model.

Location Advantages:

Explain the advantages of your business operating out of this location.

Why do you consider this location a good business investment? There must be a reason to select one location over another, and it is best to evaluate this after some thought about what the location does for you, such as the quality of prospects that it attracts, the ease of access to the location, the volume of traffic, and so on.

Location Disadvantages:

Explain the potential drawbacks of a location for the planned business.

Consider the maximum size and capacity, customer parking, deliveries access, etc. If you acquire vacant space for a restaurant, is it a conforming use of space? You may need zoning approval and landlord buy-in to make leasehold improvements. Not just any space can be transformed into a workable restaurant, for example.

Ownership

Here are several categories to list ownership of assets and related items:

Equipment:

List the equipment you must acquire (not rent, as that is an operating expense).

In the detailed **LIFTOFF Business Plans** we categorize equipment based on the CCA classifications that apply to depreciation, which can greatly affect your expense analysis. You may also be able to lease (or rent) certain equipment, perhaps with an option to buy later, as part of your start-up financing. It is useful to go over this list with an adviser who can help you to evaluate the pros and cons of different options based on your financial situation.

Furniture & Fixtures:

List the furniture and fixtures needed to work in that production environment.

Only add items that are reasonable prerequisites to get the business launched.

Future Expenditures:

List additional equipment, furniture & fixtures to be acquires in future years

You can expand once the business reaches a defined level of income stability. Here you show potential financiers that you are cautious about over-investing.

Technology Requirements:

List specific technology needed to support business operation (eg. Point Of Sale system).

Prerequisite technology is highly dependent on the type of business you start. As things stand, internet-based technology is virtually a prerequisite for any kind of business venture to break into the marketplace.

Research & Development:

List any research, learning, or tooling required before we can start production.

If this must be acquired, identify sources of existing R&D available to you. Note that governments may offer grants for R&D expenditures.

Environmental Compliance:

List specific regulations we must comply with to operate the business venture.

This can be broad, such as safe disposal of production waste, grease traps, etc., for a restaurant. You should seek advice on compliance issues before you invest in the core parts of your business launch.

Additional Information:

Any additional information you want to disclose as part of your business plan.

In this section you can itemize goodwill from purchasing an existing business, or in reference to a franchise purchase, or your ownership in intellectual property that creates a barrier to your competitors. Sometimes entrepreneurs account for this as an asset but speak with an advisor before you reflect these "assets" on your balance sheet. Note that you are free to create several "additional information" sections to your business plan if you feel that the specialized nature of your concept requires further information for potential stakeholders or investors.

Human Resources Plan

If you are planning to employ individuals (on payroll, or on contract) in a business you must include a Human Resources Plan to prepare for the liabilities that are part of dealing with employees:

Employees:

List key employees or contractors you lined up to launch your business.

Trained resources are instrumental in getting the business off the ground. Identify individuals by name and add a brief summary of their skills. You can create an appendix with summary resumes for each of these resources.

Policies & Procedure:

For a business start-up you can purchase a set of proven policies & procedures.

It is expensive and time-consuming to develop this documentation from scratch. Reference the nature of your P&P documentation and have a copy for review. A review copy for financiers should include a cover page and table of contents.

Vacation Program:

Define vacation policies in days relative to seniority or industry experience.

Explain extensions based on years on the job, and potential "floater" days. Identify what conditions may trigger special allowances you expect to offer, like maternity leave, or bereavement leave.

Performance Criteria:

Explain how you evaluate employee performance to trigger raises or promotions.

When you buy a set of P&P you will typically get a set of guidelines on how to set and use performance criteria to promote employee retention and other factors.

Training and Development:

Explain what policies you plan for employee training and development.

This area can be an important aspect of employee satisfaction, and trained staff is paramount to quality assurance within your operations. You cannot plan to simply implement a revolving door to accommodate the hiring of trained employees each time you upgrade your operating technology, for example.

Remuneration:

Define the compensation tiers for different levels of employees in the business.

Establish wage ranges within those tiers to reflect experience and seniority as part of your compensation standards. It is best to have a consistent plan that ensures you can maintain your position relative to the industry for compensating employees at a level that promotes retention so your business benefits from that experience.

Benefits Policies:

Itemize planned benefits for employees, to attract and retain qualified staff.

Benefits are an important part of why employees stick with their employer rather than to start the qualifying process over again elsewhere. Make sure they find the benefits package attractive enough to stay with you.

Action Plan

List planned actions to take during the initial start-up vs. later years.

You can use **LIFTOFF Project Plan** to outline these actions in greater detail, and you can also add contingency plans depending on the success of your operations. However, any Project Plan is recommended if you have many actions to track. Use this business plan section to focus on the major milestones only, so that those are the ones tracked by investors and other stakeholders in your business.

Description of products and services

Create a list of all the products and services you identify in this business plan:

Product 1:	**Description:**
Product 2:	**Description:**
Product 3:	**Description:**
Product 4:	**Description:**
Product 5:	**Description:**
Product 6:	**Description:**
Product 7:	**Description:**
Product 8:	**Description:**
Product 9:	**Description:**

WHEN WILL WE SEE PROFITS?

It is important to illustrate when we see the venture become profitable. We don't necessarily expect it to be profitable right away, that is why we must show several years worth of forecast, but we can only allow red ink for a limited time before we end up having to close the doors.

Pro-forma Financial Statements

What this means is that we provide stakeholders with financial information that is presented in the form of formal financial statements, but with projected data. This is what the Assets side of the balance sheet looks like:

Years:			
Assets - Current			
Cash			
Accounts Receivable			
Inventory			
Prepaid Expenses			
Total Current Assets:			
Assets – Long Term			
Building & Land			
Less: Accumulated Depreciation:			
Furniture & Fixtures			
Less: Accumulated Depreciation:			
Major Assets: Equipment			
Less: Accumulated Depreciation:			
Minor Assets			
Less: Accumulated Depreciation:			
Total Fixed Assets:			
Research & Development			
Goodwill			
Total Assets – Other:			
Total Long-Term Assets:			
Total Assets:			

For the purpose of this guide, to keep the examples readable, we only use 3 years, but in **LIFTOFF Business Plans** a balance sheet will show 5 years. Most investors accept 3 years to start, based on this kind of presentation. We will explain these items and related calculations below the next part of the financial statements, to reflect the Liabilities and Owner's Equity parts of the accounting equation:

Total Assets = Total Liabilities + Owner's Equity

If this does not look familiar to you, it might be useful to check into basic accounting first, because you need it to run your business.

Liabilities - Current			
Bank Loans – Line of Credit			
Accounts Payable			
Accruals + current LTD			
Taxes Payable			
Total Current Liabilities:			
Liabilities – Long Term			
Long Term Debt (Asset Purchases)			
Long Term Debt (R.E. Mortgage Fin.)			
Total Long-Term Liabilities:			
Owner's Equity			
Beginning Capital			
+ Contributions			
- Draws			
Total Equity:			
Total Liabilities:			

We call this the balance sheet because the total liabilities (which includes equity) must balance to total assets on the previous page. We did not put titles on top of the columns because (in actual statements) this is one continuous form. If you create this form in MS-Word or MS-Excel, you may want to reflect 5 years instead of 3 years used to make this template easier to read in this document.

Note that if you expect to take some time to turn a profit you must have savings to cover your cost until cash flow starts and revenues outpace costs. One reason for multiple "what if" analyses is to figure out what that reserve should be. If you use **LIFTOFF Business Plans** you will be able to benefit from built-in simulation to try different combinations of assumptions that will help you identify the risks and opportunities in the business venture.

Next we take a closer look at the details of how to complete these statements:

Assets - Current	Current assets are those that reflect the current year only. These include:
Cash	Cash is the balance of the bank account for the business (all accounts combined) that has the highest liquidity, meaning it can be used directly to pay bills.
Accounts Receivable	A/R is the amount that customers owe if they pay on credit terms. We typically to get paid within 30 to 60 days.
Inventory	Inventory is the value of saleable goods that we have on hand.
Prepaid Expenses	If we take advantage of discounts, we can pay bills before they are due. For example, we can pre-pay property taxes and may get a small discount.
Total Current Assets:	This is the total value of assets that can be converted to cash in order to pay bills as required. We call this liquidity.
Assets – Long Term	Long-term assets are used by a business for a longer time period. For taxation we should adhere to CRA (or IRS, etc.) rules on depreciation, or CCA (Capital Cost Allowance), that could change in time:
Building & Land	This asset class encompasses real estate in general, which does not actually drop in value other than for accounting use.
Less: Accumulated Depreciation:	CCA rules require a 25-year life applied, and only 50% of the CCA is allowable in the (first) year of acquisition. CCA rules are based on straight-line depreciation.
Furniture & Fixtures	This asset class recognizes the need for periodic replacement due to wear and tear of furniture and fixtures in use.
Less: Accumulated Depreciation:	CCA rules require a 5-year life applied, and only 50% of the CCA is allowable in the (first) year of acquisition. CCA rules are based on straight-line depreciation.
Major Assets: Equipment	This asset class recognizes the need for periodic replacement due to wear and tear of operating equipment in use.

Less: Accumulated Depreciation:	CCA rules require a 5-year life applied, and only 50% of the CCA is allowable in the (first) year of acquisition. CCA rules are based on straight-line depreciation.
Minor Assets	Other assets, like PC equipment, have a much shorter useful life expectancy from a CCA perspective.
Less: Accumulated Depreciation:	CCA rules require a 3-year life applied, and only 50% of the CCA is allowable in the (first) year of acquisition. CCA rules are based on straight-line depreciation.
Total Fixed Assets:	The total fixed assets value is the sum of all assets (at purchased value) less the amounts of accumulated depreciation. This is also how CRA requires assets to be reported for tax reasons, so this is not extra work for the entrepreneur.
Research & Development	R&D represents intellectual property of the business, that has value as an asset but recognizing the consumption of that asset requires accounting advice. For the purpose of a business plan we keep it as a non-depreciating asset.
Goodwill	Goodwill is acquired by purchasing the business with an existing customer base that will deplete over a set number of years as determined by an accountant.
Total Assets – Other:	We look at other assets as non-liquid, we cannot use them for any other purpose, but still include them in the long-term assets total, below.
Total Long-Term Assets:	The total of long-term assets reflects the assets lasting longer than the current budget year.
Total Assets:	This is the total of all assets that we then compare to total liabilities in the financial statement.

Liabilities - Current	Current liabilities are amounts owed by the company in the current budget year.
Bank Loans – Line of Credit	Most bank loan and line of credit terms are current liabilities that are callable in the current budget year.
Accounts Payable	Payables are purchases on vendor credit that are payable in 30 – 60 days terms in most cases.
Accruals + current LTD	Accruals are liabilities for commitments made on current services, and current LTD is that portion of long-term debt to be repaid in the current budget year.
Taxes Payable	These are the amounts set aside to pay for tax liabilities in the current year.
Total Current Liabilities:	This is the total of the above current liabilities that are due this year.
Liabilities – Long Term	Long term liabilities are payable over an extended term, longer than the current budget year.
Long Term Debt (Asset Purchases)	Long term debt on asset purchases are typically loans on different terms due in several periodic payments as monthly or annual installments. These loans are usually secured by the asset values.
Long Term Debt (R.E. Mortgage Fin.)	Long term debt on real assets is usually in the form of a mortgage deed that is payable over several installments and are backed by the real assets.
Total Long-Term Liabilities:	This is the total of long-term liabilities.
Owner's Equity	Equity is the ownership of the company in monetary terms. The amount is the total assets, less current liabilities and long-term liabilities.
Beginning Capital	Beginning capital is the amount that the owner invests in the business when it is first started, or the balance at the start of a new budget year.
+ Contributions	Profits contribute to the capital value of the business.
- Draws	Draws (payments to the owner) reduce the capital value of the business.

Total Equity: This is the net value of the business at the end of a budget year.

Total Liabilities: Total liabilities include equity to create a balance at the end of the budget year.

Ratios and Performance Metrics

It is difficult to evaluate financial information in isolation and to compare companies in the same industry to see if the results are good or bad. That is why analysts will convert the financial information into "Ratios and Performance Metrics" that reflect how the company is doing. Below is a form you can use to reflect the ratios, that is followed by an explanation of how you can calculate those ratios. Just doing this will make the business plan more valuable as an assessment tool. You should use the same number of columns as we used for the balance sheet:

Years:			
Profit Margin			
Gross Profit Margin			
ROA = Return on Assets			
ROE = Return on Equity			
ROI = Return on Investment			
Equity Multiplier			
Receivables Turnover			
Average Collection Period			
Inventory Turnover			
Inventory Holding Period			
Accounts Payable Turnover			
Accounts Payable Period			
Capital Assets Turnover			
Total Assets Turnover			
Current Ratio			
Quick Ratio (Acid Test)			
Debt to Total Assets			
Debt to Equity			
Times Interest Earned			
Fixed Charge Coverage			

Note that you do not need to calculate all rows, you may want to confirm which of these ratios an investor is looking for, although it does not take too much effort if you use **LIFTOFF Business Plans** to generate this information. On the following pages we will explain how to calculate these ratios, and what they are normally used for in a financial analysis of a real business. Remember, actual businesses in your field provide annual financial statements that are converted to ratios and then summarized into minimum, maximum, average, and mode results to serve as the guides for investors to evaluate your business plan numbers.

Profit Margin	**Net Income / Sales** This is the primary evaluation metric used to test how your business plan compares to the industry average.
Gross Profit Margin	**Gross Profit / Sales** A variation of the above.
ROA = Return on Assets	**Operating Profit / Net Operating Assets** This is the "before cost of capital" ROI for a company as the rate of return on the total amount of capital invested in net operating assets.
ROA = Return on Assets	**(Net Income / Sales) x (Sales / Total Assets)** An alternate way of calculating ROA.
ROE= Return on Equity	**Net Income / Equity** This takes a narrower viewpoint of equity owners in the company.
ROI = Return on Investment	**Earnings / Total Investments** The basic analysis tool to assess capital investment performance as a simple percentage. Earnings can also be expressed as profits, income, or gain for the investment period.
Equity Multiplier	**Total Assets / Equity** Evaluates the use of leverage in the operations of a business.
Receivables Turnover	**Credit Sales / Accounts Receivable** This provides a measure of how long on average the receivable accounts stay open, which reflects on the efficiency of debt collection.
Average Collection Period	**Accounts Receivable / (Credit Sales / 30)** Reciprocal of Receivables Turnover.
Inventory Turnover	**Sales / Inventory** Shows sales per dollar of inventory and measures the efficiency of inventory management. Walmart has a 7 times inventory turnover.

Inventory Holding Period	**Inventory / (Cost of Goods Sold / 30)** Reciprocal of Inventory Turnover
Accounts Payable Turnover	**Cost of Goods Sold / Accounts Payable** Reflects the effective use of trade credit relative to bank credit. Standard = 12 times
Accounts Payable Period	**Accounts Payable / (Purchases / 30)** Reciprocal of accounts payable turnover.
Capital Assets Turnover	**Sales / Capital Assets** Measures if an appropriate amount of capital is used to support sales. The benchmark is 5.4 times.
Total Assets Turnover	**Sales / Total Assets** Similar to above, the benchmark is 1.5 times.
Current Ratio	**Current Assets / Current Liabilities** This ratio reflects the working capital and ability to quickly meet cash requirements.
Quick Ratio (Acid Test)	**(Current Assets – Inventory) / Current Liabilities** Similar to above, separating assets management from inventory management.
Debt to Total Assets	**Total Debt / Fixed Assets** This ratio is usually expected to be 33% - 50% to be prudent about cash management.
Debt to Equity	**Total Long-term Debt / Equity** This variant is calculated only with long-term debt obligations (including the current portion due).
Times Interest Earned	**IBIT / Interest** Income Before Interest & Taxes level of coverage to interest obligations should exceed 7 times.
Fixed Charge Coverage	**IBIT / (Interest + Other Fixed Obligations)** This measures the company's ability to meet fixed obligations (which includes interest payments) with a target level of 5.5 times.

There is more depth to the ratio analysis than we can cover in this primer, but for an introduction to business planning this will suffice. What you should do is find a source of target ratios that industry sources or government agencies publish from time to time, and then calculate those that provide the most meaningful feedback with respect to how your business venture compares to industry averages. This is what an investor (or banker or financier, etc.) will do when you present the plan to obtain financial support. It is much better to detect weaknesses first, than to be rejected and told to sharpen your pencil to revisit the planning effort. Fewer than 5% of new business ventures manage to accumulate enough start-up capital to get to the launch stage, and 50% of those are at risk of failure in their first year.

Profit and Cashflow Analysis:

Product 1:			
Product 2:			
Product 3:			
Product 4:			
Product 5:			
Product 6:			
Product 7:			
Product 8:			
Product 9:			
Gross Revenue:			
Franchised:			
Fixed Fees:			
Franchise Fee / Gross Revenue Ratio:			
Franchise Fee:			
Gross Expenses:			
Annual Staffing Cost Estimates:			
Operating Leases:			
Office Space Rental / Lease:			
Operating Expenses:			
Cost of Goods Sold - COGS:			
Interest Expenses:			
Total Costs:			
Gross Profit:			
Depreciation:			
Deferred Taxes:			
Non-Operating Items:			
Non-Cash Items:			
Cash Flow from Operations:			
Estimated taxation:			
Net Profit:			

Depreciation:			
Deferred Taxes:			
Non-Operating Items:			
Non-Cash Items:			
Accounts Receivable:			
Accounts Payable:			
Long-term Debt Repayment:			
Net Cash Flow:			
Operating Line of Credit			
Operating Line of Credit Interest: 10%			
Net Cash Flow after Line of Credit:			
Cash Flow Deficiency:			
Working Capital Objective			
Months billing / collections:			
Working Capital Financing:			
Interest on financing: 5%			

The "profit and cashflow analysis" is a critical support schedule that shows how well your business venture will be perceived. This is what financial decisions are based on more than the balance sheet (that nonetheless always comes first). What this analysis does is to sidestep sunk costs: most new business ventures take time to become profitable, and what is important is the potential down the road. We use a financial analysis to anticipate how far down the road that prosperity is.

When it comes to not seeing a rosy picture, the winning strategy is to get out with the least pain from sunk costs. It is a gambler's concept that losing ain't bad since it gets you closer to winning: it has no place in business planning. However, sunk costs are irrelevant to decisions about future opportunities when the payback looks good, so long as you have the financial power to continue treading water. You can see that in many large organizations that bleed red ink for many years but continue to operate despite that loss – the key is to know what causes that red ink.

If you use a business plan to expand on an existing business then it makes sense to ignore overhead expenses you already cover in that existing business, and thus concentrate on the potential marginal contribution to profit. The same holds true of you decide to close marginal branches when, as a result, the overhead costs for the overall business will now be allocated across fewer branches, which can result in more branches becoming marginal (this is a classic death spiral when companies do not use business plans properly for restructuring decisions).

Operating Costs and Expenses

Fixed Production Costs:

Product 1:			
Product 2:			
Product 3:			
Product 4:			
Product 5:			
Product 6:			
Product 7:			
Product 8:			
Product 9:			

Variable Production Costs:

Product 1:			
Product 2:			
Product 3:			
Product 4:			
Product 5:			
Product 6:			
Product 7:			
Product 8:			
Product 9:			
Cost of Goods Sold - COGS:			

You can add additional rows as required to cover all your product lines or services.

Operating Expenses:

Sales Commission:			
Other direct selling expenses:			
Traveling Costs:			
Repairs and Maintenance:			
Utilities & Taxes:			
Advertising Costs:			
Shipping & Delivery Costs:			
Sales Expenses:			

Other Expenses:

Professional Fees:			
Telecommunications:			
Office Expenses (rent, etc.):			
Insurance & Taxes (non-income):			
Bank Charges:			
Bad Debt:			
Shipping & Delivery Costs:			
Other Expenses total:			

Annual Staffing Cost

Production Staffing Cost:			
Office Staffing Cost:			
Benefits:			
Payroll Taxes:			
Annual Staffing Cost Estimates:			

Total Operating Cost

Total Operating Expenses:			

Total Operating Expenses are the sum of:

- Cost of Goods Sold - COGS
- Sales Expenses
- Other Expenses total
- Annual Staffing Cost Estimates

In this manual business plan, you must carefully estimate cost amounts for each category. Using **LIFTOFF Business Plans** many of these costs can be calculated by using input parameters that can be easily manipulated with the simulation tools to identify the risks and opportunities in the venture, for each location that you may consider. This frees you from having to complete the detailed estimates that a pen-and-paper plan requires, and it enables more possibilities to consider many alternatives rather than to create "the plan" out of the starting gate.

To appreciate the benefit from automation, complete the steps in the next section that allow you to input and calculate the proper values for your plan. You may be wise to take a copy before you start, or even better, to copy the template into an Excel™ worksheet. Use the calculations as specified in the next pages to let Excel™ do the heavy lifting and to ensure calculations happen in the right order

WHERE DO WE GO NEXT?

The information in the Pro-Forma Financial Reports is organized in the order of the balance sheet, followed by a ratio analysis. followed by supporting schedules that provide the details. In the summary following we will step through what must be calculated first (something that is almost automatic with Excel™ worksheets). For reference we append line number to the right of the table.

Years:	The sample model reflects 3 years of data, but we recommend that you do your analysis over a 5 years period.	1
Assets - Current		2
Cash	Input Estimate	3
Accounts Receivable	Input Estimate	4
Inventory	Input Estimate	5
Prepaid Expenses	Input Estimate	6
Total Current Assets:	Sum of rows (3 thru 6)	7
Assets – Long Term		8
Building & Land	Sum of the real asset purchases	9
Less: Accumulated Depreciation:	Computed straight-line depreciation	10
Furniture & Fixtures	Sum of furniture&fixtures purchases	11
Less: Accumulated Depreciation:	Computed straight-line depreciation	12
Major Assets: Equipment	Sum of major equipment purchases	13
Less: Accumulated Depreciation:	Computed straight-line depreciation	14
Minor Assets	Sum of small equipment purchases	15
Less: Accumulated Depreciation:	Computed straight-line depreciation	16
Total Fixed Assets:	Sum of rows (9, 11, 13, 15) minus sum of rows (10, 12, 14, 16)	17
Research & Development	Estimated value of R&D investment	18
Goodwill	Estimated value of Goodwill	19
Total Assets – Other:	Sum of rows (18, 19)	20
Total Long-Term Assets:	Sum of rows (17, 20)	21
Total Assets:	Sum of rows (7, 21)	22
Liabilities - Current		23
Bank Loans – Line of Credit	Sum of rows (77, 83)	24
Accounts Payable	Input Estimate	25
Accruals + current LTD	Input Estimate	26
Taxes Payable	Input Estimate	27
Total Current Liabilities:	Sum of rows (24 thru 27)	28

Liabilities – Long Term		29
Long Term Debt (Asset Purchases)	Input Estimate	30
Long Term Debt (R.E. Mortgage Fin.)	Input Estimate	31
Total Long-Term Liabilities:	Sum of rows (30, 31)	32
Owner's Equity		33
Beginning Capital	Fetch row 37 of prior year / input	34
+ Contributions	Calculate rows (76 – 3)	35
- Draws	Estimate draws taken from equity	36
Total Equity:	Calculate row 34 + 35 - 36	37
Total Liabilities:	Sum of rows (28, 32, 37)	38
Product Revenues:		
Product 1:	Input Estimate	39
Product 2:	Input Estimate	40
Product 3:	Input Estimate	41
Product 4:	Input Estimate	42
Product 5:	Input Estimate	43
Product 6:	Input Estimate	44
Product 7:	Input Estimate	45
Product 8:	Input Estimate	46
Product 9:	Input Estimate	47
Gross Revenue:	Sum of rows (29 thru 37)	48
Franchised:	Input Estimate	49
Fixed Fees:	Input Estimate	50
Franchise Fee / Gross Revenue Ratio:	Calculated rows (52 / 48) x 100	51
Franchise Fee:	Sum of rows (49, 50)	52
Gross Expenses:	Calculate as a % of row 48	53
Annual Staffing Cost Estimates:	Fetch from row 124	54
Operating Leases:	Input Estimate	55
Office Space Rental / Lease:	Input Estimate	56
Operating Expenses:	Fetch from row 111	57
Cost of Goods Sold - COGS:	Fetch from row 103	58
Interest Expenses:	Fetch from rows 78+84+126	59
Total Costs:	Sum of rows (52 thru 59)	60
Gross Profit:	Calculate rows (48 – 60)	61
Depreciation:	Calculate rows (10+12+14+16)	62
Deferred Taxes:	Input Estimate	63
Non-Operating Items:	Input Estimate	64
Non-Cash Items:	Sum of rows (62 thru 64)	65

Cash Flow from Operations:	Calculate rows (61 – 65)	66
Estimated taxation:	Input Estimate	67
Net Profit:	Calculate rows (66 – 67)	68
Depreciation:	Fetch from row 62	69
Deferred Taxes:	Fetch from row 63	70
Non-Operating Items:	Fetch from row 64	71
Non-Cash Items:	Sum of rows (69 thru 71)	72
Accounts Receivable:	Fetch from row 4	73
Accounts Payable:	Fetch from row 25	74
Long-term Debt Repayment:	Input Estimate on assets bought	75
Net Cash Flow:	Calculate rows (72+73+74+75+68)	76
Operating Line of Credit	Copy from row 80 of prior year	77
Operating Line of Credit Interest: #%	Calculate row 77 x #% (input)	78
Net Cash Flow after Line of Credit:	Calculate Rows (76–77+78)	79
Cash Flow Deficiency:	Calculate Rows (-79)	80
Working Capital Objective		81
Months billing / collections:	Input Estimate on collections	82
Working Capital Financing:	Calculate rounding up row 82	83
Interest on financing: #%	Calculate row 83 x #% (input)	84
Fixed Production Costs:		
Product 1:	Input Estimate	85
Product 2:	Input Estimate	86
Product 3:	Input Estimate	87
Product 4:	Input Estimate	88
Product 5:	Input Estimate	89
Product 6:	Input Estimate	90
Product 7:	Input Estimate	91
Product 8:	Input Estimate	92
Product 9:	Input Estimate	93
Variable Production Costs:		
Product 1:	Input Estimate	94
Product 2:	Input Estimate	95
Product 3:	Input Estimate	96
Product 4:	Input Estimate	97
Product 5:	Input Estimate	98
Product 6:	Input Estimate	99
Product 7:	Input Estimate	100

Product 8:	Input Estimate	101
Product 9:	Input Estimate	102
Cost of Goods Sold - COGS:	Sum of rows (85 thru 102)	103
Operating Expenses:		
Sales Commission:	Input Estimate	104
Other direct selling expenses:	Input Estimate	105
Traveling Costs:	Input Estimate	106
Repairs and Maintenance:	Input Estimate	107
Utilities & Taxes:	Input Estimate	108
Advertising Costs:	Input Estimate	109
Shipping & Delivery Costs:	Input Estimate	110
Operating Expenses:	Sum of rows (104 thru 110)	111
Other Expenses:		
Professional Fees:	Input Estimate	112
Telecommunications:	Input Estimate	113
Office Expenses (rent, etc.):	Input Estimate	114
Insurance & Taxes (non-income):	Input Estimate	115
Bank Charges:	Input Estimate	116
Bad Debt:	Input Estimate	117
Shipping & Delivery Costs:	Input Estimate	118
Other Expenses total:	Sum of rows (112 thru 118)	119
Annual Staffing Cost		
Production Staffing Cost:	Input Estimate	120
Office Staffing Cost:	Input Estimate	121
Benefits:	Input Estimate	122
Payroll Taxes:	Input Estimate	123
Annual Staffing Cost Estimates:	Sum of rows (120 thru 123)	124
Total Operating Cost		
Total Operating Expenses:	Sum rows (124, 119, 111, 103)	125
Interest on asset purchase financing	Input Estimate	126

Order of inputs & calculations:

Because we structured the worksheets in the order that they should appear in the formal business plan, we must go back and forth to calculate the correct values for each of the line-items in the worksheets. Of course, **LIFTOFF Business Plans** uses Excel™ to do this automatically. Just follow the actions within each of the ordered steps below, in sequence within each step, and everything should fall into place to deliver the bottom-line results.

Step1: Input Estimates:

a) Estimate 120-124 = Annual Staffing Cost (if any)
b) Estimate 112-119 = Other Expenses
c) Estimate 104-111 = Operating Expenses
d) Estimate 085-103 = Cost Of Goods Sold
e) Estimate 039-048 = Gross Revenues
f) Estimate 049-050 = Franchise costs
g) Estimate 055-058 = Operating lease / Office space lease
h) Estimate 063-064 = Deferred taxes & Non-Operating Items
i) Estimate 067-067 = Taxation
j) Estimate 075-075 = Long-term Debt Repayment
k) Estimate 082-082 = Months billing / collections
l) Estimate 126-126 = Interest on asset purchase financing
m) Estimate 036-036 = Estimate draws taken from equity
n) Estimate 003-006 = Cash, Accounts Receivable, Inventory, Pre-paid Expenses
o) Estimate rows (9, 11, 13, 15) = Assets purchased
p) Estimate rows 018-019 = Goodwill, R&D investments
q) Estimate 025-026 = Accounts Payable, Accruals + current LTD
r) Estimate 030-031 = Long-term Debt
s) Estimate 034-034 = Beginning Capital: First year only

Step 2: Calculate Amounts & Column Totals:

a) Sum of rows (120 thru 123)
b) Sum of rows (112 thru 118)
c) Sum of rows (104 thru 110)
d) Sum of rows (85 thru 102)
e) Sum rows (124, 119, 111, 103)
f) Sum of rows (29 thru 37)
g) Calculate rows 83 thru 84
h) Calculate rows 10, 12, 14, 16 = Capital Cost Allowance
i) Calculate row 17 = Sum rows (9, 11, 13, 15) minus sum rows (10, 12, 14, 16)
j) Sum of rows 18 thru 19 = Total Assets – Other
k) Sum of rows (17, 20) = Total Long-Term Assets
l) Calculate row 32 = Total Long-Term Liabilities: Sum of rows (30, 31)
m) Calculate row 52 = Sum of rows (49, 50) Franchise Fee
n) Calculate row 51 = Calculated rows (52 / 48) x 100 Franchise Fee Ratio
o) Calculate row 53 = Gross Expenses: Calculate as a % of row 48

Step 3: Fetch Data Items:

a) Fetch for row 54 = Annual Staffing Cost Estimates: from row 124
b) Fetch for row 57 = Operating Expenses: from row 111
c) Fetch for row 58 = Cost of Goods Sold - COGS: from row 103
d) Fetch for row 73 = Accounts Receivable – from row 4
e) Fetch for row 74 = Accounts Payable – from row 25

Step 4: Calculate Totals:

a) Calculate row 60 = Total Costs: Sum of rows (52 thru 59)
b) Calculate row 61 = Gross Profit: Calculate rows (48 – 60)
c) Calculate row 62 = Depreciation: Calculate rows (10+12+14+16)
d) Calculate row 65 = Non-Cash Items: Sum of rows (62 thru 64)
e) Calculate row 66 = Cash Flow from Operations: Calculate rows (61 – 65)
f) Calculate row 68 = Net Profit: Calculate rows (66 – 67)
g) Calculate row 21 = Total Long-Term Assets: Sum of rows (17, 20)

Step 5: Input Pending Estimate:

a) Estimate row 067 = Estimated taxation: based on Cash Flow from Operations

Step 6: Fetch Data Items:

a) Fetch for rows 69 - 71 = Non-Cash Items: from rows 62 – 64
b) Fetch for rows 27 – 27 = Taxes Payable: from rows 67

Step 7: Calculate Final Totals:

a) Calculate row 76 = Net Cash Flow: Calculate rows (72+73+74+75+68)
b) Calculate row 77 = Operating Line of Credit: copy from row 80 of prior year
c) Calculate row 78 = Line of Credit Interest: Calculate row 77 x #%
d) Calculate row 79 = Net Cash Flow after Line of Credit: Calculate Rows (76–77+78)
e) Calculate row 80 = Cash Flow Deficiency: Calculate Rows (-79)
f) Calculate row 07 = Total Current Assets: Sum of rows (3 thru 6)
g) Calculate row 22 = Total Assets: Sum of rows (7, 21)
h) Calculate row 24 = Bank Loans – Line of Credit: Sum of rows (77, 83)
i) Calculate row 28 = Total Current Liabilities: Sum of rows (24 thru 27)
j) Calculate row 34 = Beginning Capital: Fetch row 37 of prior year
k) Calculate row 35 = Equity: Contributions: Calculate rows (76 – 3)
l) Calculate row 37 = Total Equity: Calculate row 34 + 35 – 36
m) Calculate row 38 = Total Liabilities: Sum of rows (28, 32, 37)

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