

Basic Considerations for Going Into Business

Business _____

Contact Person _____

Address _____

City , State and Zip _____

Phone _____ Type of Business _____

Please be sure to read through this material and prepare as much as possible prior to your first counseling session. Success of you proposed project is dependent upon the information that you prepare and provide.

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Basic Steps - Going Into Business

1. Phone the Minnesota Small Business Assistance Office (651) 296-3871 or the Northwest Regional Small Business Development Center (218) 755-4900 or (888) 738-3224, and ask for a free copy of "A Guide to Starting a Business in Minnesota."
2. Visit sba.gov or deed.state.mn.us to acquire additional information and publications on starting a new business and various other business related topics.
3. If you intend to hire employees in your business, phone the Minnesota Department of Economic Security: (651) 296-6141 or in Bemidji (218) 755-4900 and ask for a free copy of "Unemployment Insurance Information for Employers."
4. Phone the Internal Revenue Service for free "Tax Guide for Small Business" (Publication #334), call (651) 297-4213 or 1-800-829-1040. For forms only, call 1-800-829-3676, Tax Education Workshops free at (651) 297-4213 or 1-800-829-1040.
5. Prepare a business plan to include: description of your business, identify your profit centers (areas from which income is generated), who your market is, how you will price your product cash flow projections, who your customer will be, who your competition is, and the location of your business.
6. Interview and select an accountant - an accountant is more than a tax person - they must have a full knowledge of cash flow, business planning and how to obtain financing.
7. Secure the necessary capital (bank loan, sell stock, etc.).
8. Determine the type of business organization: sole proprietorship, partnership or corporation.
9. Register your business name (file Certificate of Assumed Name) and/or file articles of incorporation with Minnesota Secretary of State - (651) 296-2803. Publish notice in newspaper. www.sos.state.mn.us
10. Secure business licenses and permits. Check local and State.
11. Obtain Sales and Use Tax Permit (if applicable): (651) 282-5225 or 1-800-657-3605. Must display at business location. Register for IRS Business I.D. Number (816) 926-5999 for Minnesota or 1-800-829-1040. Register for MN Business I.D. Number (651) 282-5225 or 1-800-657-3605 (Form MBA).
12. Establish a bank account (separate from personal).
13. Obtain needed facilities - equipment, furnishings, supplies and inventory.
14. Recruit personnel - establish job descriptions and training programs.
15. Print business cards - stationery, invoices, statement forms.
16. Market your business - implement marketing portion of business plan.
17. Obtain needed business insurance.

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Business Plan Outline

Before starting a new business or expanding an existing business, you should develop a business plan. The business plan will serve many purposes. It will help you define the purpose of your business and organize it. It will help you determine the business's growth patterns, and it will help you anticipate problems before they arise, thus enabling you to more effectively deal with them. The business plan is an agreement on how your management team plans to carry out certain functions to achieve business plan results. It will serve as a means of measuring the company's performance. Lastly, the business plan is a document you will need when raising capital from banks, private investors, or other sources.

The business plan should be neatly typed in narrative form with correct spelling, punctuation and grammar. It should be approximately 3 to 5 pages plus appendices.

General Guidelines

Some points to remember when preparing your business plan:

- Be honest – do not try to hide limitations and weaknesses.
- Write in easy to understand terms. Avoid jargon.
- The plan should represent the company's image and should convince the lender you understand all aspects of the business.
- The plan should provide the lender with an understanding of your business and how you will use the loan.
- A major focus of evaluation will be the company's management team.
- **The successful plan should answer at least three questions.**
 - **Where are we now?**
 - **Where do we want to be?**
 - **How do we get there?**

I. Business Description (1 or 2 paragraphs)

- a. Business name and address
- b. Mission Statement
- c. History of the Company/Current Status
- d. What type of business are you planning or what will expansion accomplish?
- e. What products or services will you sell?
- f. What type of opportunity is it (new, part-time, expansion, seasonal, year-round)?
- g. Why does it promise to be successful? What features give you a competitive edge?
- h. What are the growth opportunities?
- i. What is the state of development (i.e. need further research and development, prototype built, ready for production, copyrights, trademarks, patents)?

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II. Marketing Analysis and Strategy – Also refer to the Situational Analysis and Market Objective Exercise on following pages.

- a. Identify customers
Who are your potential customers?
Why are you unique?
- b. Market size and industry trends
How will you attract and hold your share of the market?
How will you promote sales?
What industry trends will affect your business?
Will your sales be seasonal?
What are your competitive advantages?
- c. Identify competitors
Who are your competitors?
How are their businesses prospering?
- d. Geographic location
Where will the business be located?
What factors will influence your choice of location?
How will your building contribute to your marketing strategy?
- e. Pricing Strategy
Can you make a profit? (Perform Breakeven Analysis)
What prices will be charged for products or services?
Low, medium or high end price strategy?
- f. Market Mix
Are you reliant upon one or two major customers/industries?
What is your mix of product lines?

III. Operational Plan

All Organizations

- a. Facilities and improvements
What features will your location have?
What will your building/store layout feature?
- b. Labor force
How many employees will you need?
What will they do?
What are your plans for employee hiring, salaries and wages, benefits, training, and supervision?

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- c. What are the hours of operation?
- d. Are there requirements of regulatory agencies?
- e. Do you have patents, copyrights, trademarks?
- f. What are your operational advantages?

Retail and Service

- a. What is the description of your product lines or services?
- b. What dollar amount of inventory is necessary to operate (retail)?
- c. Are there professional license requirements? (ie CPA, etc)

Manufacturing

- a. Describe your production methods and production processes.
- b. What raw materials are needed, including inventory levels, as well as key suppliers?
- c. Describe your quality control programs.
- d. What is your production capacity?

IV. Organization and Management Plan

- a. Organization
What legal form of ownership will you choose? Why?
- b. Key management personnel
If incorporated, who will be your Board of Directors?
Who will manage the business?
What qualifications will you look for in a manager? (Resumes)
Who/How will you manage finances and record keeping?
- c. Management compensation and ownership
- d. Supporting professional services
What consultants or specialists will you need?
Why will you need them?

V. Executive Summary (Written last, but placed at beginning)

The executive summary should summarize the key points in your plan critical to the success of your venture. It is the first exposure a reader will have to your idea so it is important that it really "sell" your venture. For many lenders, the summary is all they might read to decide whether to even consider your proposal. It should be at least one page but no more than three pages in length.

Most important – even though it is read first, the executive summary should be written last. The best way to write an effective summary is to write the full business plan and then abstract only the most important details.

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Loan Package Checklist

If you are applying for a business loan, the following is a list of items that will most likely be requested:

- 1. Business Plan:
 - a. Description of Business
 - b. Marketing Plan
 - c. Manufacturing/Operations Plan
 - d. Organizations and Management Plan

- 2. Financial Statements:
 - a. Year-to-date business financial statements including income statement and balance sheet
 - b. Business financial statements/Business Tax Returns for the last 3 years
 - c. Schedule of Existing Debt

- 3. Summary of Project Costs:
 - a. Sources and uses of funds
 - b. Bids and estimates for project

- 4. Collateral:
 - a. Collateral Analysis
 - b. Detailed listing of all existing assets

- 5. Projections:
 - a. Monthly cash flow - minimum 12 months
 - b. Earnings projections for second year
 - c. Assumptions used in cash flow projections

- 6. Copy of all legal documents, such as:
lease or purchase agreement, partnership agreement, sworn construction statement, appraisals,
articles of incorporations etc.

- 7. Personal financial statements of owners, officers, and any partner with 20% or more
ownership

- 8. Brief resume of management, owners, and officers

- 9. Personal tax returns for last 2 years

- 10. Appraisals

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Financial Information Needed To Do Projections

1. Month-by-month sales for past 2 years
2. Three year Income Statements and Balance Sheets or Business Tax Returns
3. Year-to-date Income Statement and current Balance Sheet
4. Workers compensation insurance percentage and general business payment required
5. List of existing
 - a. Equipment and vehicles
 - b. Inventory
6. Bids and estimates for all project costs
 - a. Building and land
 - b. Equipment
 - c. Inventory
7. Detailed Depreciation Schedule from accountant
8. Debt Schedule

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Summary of Project Costs

NOTE: A separate electronic Excel-Based spreadsheet is available for this form.

Uses of Funds:

1.	Land Cost	\$ _____
2.	Building Cost	\$ _____
3.	Equipment and Furniture	\$ _____
4.	Leasehold Improvements	\$ _____
5.	Inventory	\$ _____
6.	Closing Costs	\$ _____
7.	Other _____	\$ _____
8.	Other _____	\$ _____
9.	Other _____	\$ _____
10.	Other _____	\$ _____
11.	Cash as Working Capital	\$ _____
Total Uses of Funds		\$ _____

Non-Cash Sources:

Total Non-Cash Sources _____

Sources of Funds:

Bank _____

Other _____

Equity _____

Total Sources _____

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Revenue and Expense Worksheet

This worksheet is intended to capture the revenue and expense streams of your business for year one and year two. Please estimate income streams and expenses to the best of your ability. Attach notes, figures or narrative showing how you arrived at your estimation. Estimates can be monthly or yearly, however they must be consistent.

Revenue:	<u>Year One</u>	<u>Year Two</u>
Gross Sales/Revenue	_____	_____
Cost of Goods Sold	_____	_____
Purchases	_____	_____
Freight on Purchases	_____	_____
Direct Labor	_____	_____
Total Cost of Goods Sold	_____	_____
Gross Profit	_____	_____
Expenses:		
Wages: Office	_____	_____
Wages: Shop	_____	_____
Outside Services	_____	_____
Supplies	_____	_____
Repairs and Maintenance	_____	_____
Advertising - Promotion	_____	_____
Car, Delivery and Travel	_____	_____
Accounting and Legal	_____	_____
Rent	_____	_____
Telephone	_____	_____
Utilities	_____	_____
Insurance	_____	_____
Taxes (Real est. etc.)	_____	_____
Other Expense - Specify	_____	_____
Commission	_____	_____
Trucking/Shipping	_____	_____
Equipment Rental	_____	_____
Miscellaneous	_____	_____
Short Term Principal Payments	_____	_____
Other Start-up Costs	_____	_____
Total Expenses	_____	_____
Net Profit	_____	_____
Less Owner Withdrawals	_____	_____
Net Profit Remaining for Loan Payment	_____	_____