

APPENDIX A - Sample Business Plan

BUSINESS PROPOSAL FOR

JOHN SMITH

O/A

JOHN'S AUTO REPAIR

**BOX 357
TIMMINS, SK
S5H 6T7**

**PHONE: BUS: N/A
RES: (306)555-7654**

DATE PREPARED: FEB. 2, 199?

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B1-2	Land & Buildings appraisal Diagram of Layout	Real Estate
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B-2 Year 1- Projected Monthly Sales Summary

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B-3 Projected 3-Year Monthly Sales Summary

N/A

B-4 Year 1- Projected Monthly Expense Summary B4-1

	Legal & Accounting accountant Name registration Environmental Assessment	Signed Estimates from
B4-2	Advertising & Marketing Marketing Notes Estimates Copy of Advertising	Budget Advertising & Signed
B4-3	Bad Debts	N/A
B4-4	Bank Charges/Interest Estimates	Signed
B4-5	Bus. Tax & License Town of Timmins	Letter from
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B4-11	Repairs & Maintenance B4-12 Shop Supplies Estimates Detailed Cost Breakdowns	N/A Signed
B4-13	Telephone Estimates	Signed
B4-14	Utilities Information on Properties Signed Estimates	Background

B4-15	Fuel	N/A
B4-16	Travel & Entertainment.	N/A
B4-17	Management & Staff Smith & Susan Smith Benefit Documentation	Resume - John
B4-18	Miscellaneous	N/A

B-5 Projected 3-Year Expense Summary

N/A

**B-6 Year 1- Projected Monthly Cash Flow
B6**

Loans & Other Sources Documentation	Existing Financing
Arranged Financing Documentation	

B-7 Projected 3-Year Cash Flow

N/A

INTRODUCTION & BACKGROUND

My name is John Smith and I am planning to open an auto repair and towing business in Timmins, Saskatchewan. The business will be a sole proprietorship. I have registered the business name in January of 199? as "John's Auto Repair".

I am a graduate of the Saskatoon Technical Institute and hold a journeyman's license in automotive repair. I also have two years welding experience which I received working at Jimmy's Welding in Tessel, Man. I know the local area well because I have been a shop foreman at Timmins G.M. for the last three years. As well, I operate a small backyard repair business where I am always turning away customers due to lack of time.

It has been my good fortune to purchase a large shop which, with minimal alterations, is very well suited to my business needs. It is large enough to hold a two-bay auto repair as well as an area for overnight storage of semi-tractor units in the winter months. In addition to working for the general public, the large overhead door will allow repair of farm trucks and large machinery.

My prices will be very competitive. The business will be located next door to my residence and I will do most of the work myself. The lack of a 24-hour tow truck service in the area should also make my business profitable.

The local G.M. dealer, my current employer, has been very encouraging because their shop is small and they can't handle the workload. This has given me further confidence to move ahead on this project.

I hope to have all financing in place by April 1, 199? and the business in operation by May 1, 199?.

Project Costs and Financing			
Operating Expenses	\$10,163	Your Investment	\$18,672
Fixed Assets	\$34,239	Existing Debt on Investment	\$400
Inventory	\$5,040	Proposed New Financing	\$30,370
Total Costs	\$49,422	Total Financing	\$49,422

MARKET

Products and/or Service Labor
 Parts
 Towing
 Other Income

Labor

The services which I will offer are quite diverse. I will repair cars, trucks, farm machinery and recreation vehicles. My shop will also offer tire and muffler service.

I am sure to be competitive due to the fact that I will do most of the work myself in a well-equipped shop. I intend to provide my customers with timely, quality service. I will offer a ninety-day full labor warranty. My experience at Timmins G.M. and in my backyard business tells me that there is a definite need for my business in this community.

If, for any reason, I'm temporarily unable to work, I can hire a mechanic on piecework to assure continuity of my service. I will not do as well as when I am working in the business myself, but my loans are insured and my payments will be temporarily suspended. Supply of mechanics is plentiful and my wife and I can supply a temporary employee with room and board.

Competition is as follows:

Main Competition	Present % of Customers	Price Compared To Me - \$30/hr	Other Strengths Or Weaknesses	Their Reaction To You
Timmins G.M. Sales	25%	\$35 per hour	- Small shop - No wish to expand. - Slow turnaround.	Letter of Support - Attached B-2a
Joe's Repair Timmins	10%	\$30 per hour	- Very, very slow - Poor quality - Customers will not take work there.	Concern but no competition.
ADA Auto Timmins	25%	\$35 per hour	- One bay shop. - Slow turnaround. - More work than they can handle.	Very little. Plenty of work and they have regular customers.
Out of town Repair shops	40%	\$30-\$40 per hour	- Inconvenient but quicker because shops in Timmins are too busy and customers must wait too long.	Very little change to each small shop. Hope to keep ½ of this market in town.

Parts

The dependable and economical supply of parts in this type of business is very important. My choice of suppliers is Acme Auto Supply in Saskatoon. Previous experience with Acme has proven that they are a very reliable supplier. Their parts and warranty are equal to brand name parts and are 50 - 75% of the cost. There are numerous other suppliers with similar prices. However, Acme is also offering a 30-day term for payment, which works well for cash flow and saves on COD charges.

For tire suppliers and various other items, I will deal with a variety of suppliers. (List attached B2-2.)

Parts warranty is generally 90 days and I will not charge the customer labor when replacing defective parts.

I have projected a 74% cost of goods rather than supplier's estimate of 69%. They have stated average markup to be 40%. I would rather anticipate higher costs to allow for smaller buying power and price fluctuations.

Freight costs have been included below in the expense section and based on one shipment per day. By keeping good parts records, I can take advantage of Acme's prepaid freight allowance on orders over \$250.

Competition is as follows:

Main Competition	Present % of Customers	Price Compared To You	Other Strengths Or Weaknesses	Their Reaction To You
Timmins G.M. Sales	25%	Higher, only original manufacturer.	Parts are equal quality. Name-brand.	Same as Category 1 - Labor
Joe's Repair Timmins	10%	Higher, must pay C.O.D on all orders.	Doesn't carry inventory.	
ADA Auto Timmins	25%	Similar	Established customer base.	
Out of town Repair shops	40%	Various pricing structures.	Various strengths. Weakness: - customers must travel out-of-town - inconvenient.	

Towing

The 24-hour towing service will be beneficial to my business, both as a source of additional income and as an asset to my shop. It is not practical to rely on other shops to tow vehicles to my business.

My wife and I intend to offer 24-hour towing service. This is unique to the immediate area. After normal working hours, it has been necessary to call a truck from 22 miles away.

I understand that, with 20% of the towing fee going to fuel, profits will not be large. However, I believe it is a much needed service that will complement my business.

Competition is as follows:

Main Competition	Present % of Customers	Price Compared To You - Service Call - \$25 Plus \$1/mile	Other Strengths Or Weaknesses
Timmins G.M. Sales	25%	Service Call - \$30 Plus \$1/mile	- Only usually work for regular customers. - Customers not taking vehicle to them for repair call out of town. - Only available during regular working hours.
ADA Auto Timmins	25%	Service Call - \$30 Plus \$1/mile	
Out of town Repair shops	50%	Service Call - \$25 Plus \$30 - Round trip to Timmins Plus \$1/mile	- Available 24 hours. - Very costly due to mileage paid.

Other Income

As my business grows, I will continue to meet the needs of the community as they arise. At present, I have agreed to provide overnight storage of semi-tractor units during the winter months. I have enclosed a copy of the letter of intent from Randy R. Weslaff, Trucking in B2-4.

In the future, this category will include various types of additional income as the opportunity arises.

Customer Analysis and Marketing

My customers are people who want quality work in a timely fashion at reasonable prices. I am well acquainted with my customer base. They will include anyone with automobiles, heavy equipment or recreation vehicles. For the most part, my customers will come from the immediate area. A small portion will travel from the fringe areas, attracted by a quality operation.

There are 500 households within a 15-mile radius. Statistics show that these households spend an average of \$400 per year on repairs and service. This translates into a potential market of \$2,000,000. Ten percent of this market would equal \$200,000. In addition, the radius of 15-50 miles contains another 20,000 households. One customer in 500 would increase my sales by \$20,000.

As you can see, my estimates of \$80,000 - \$100,000 are quite conservative.

I intend to deal only on a cash basis except when dealing with several commercial customers. They will be given 30 day terms. In my projections, I have stated that 50% of my customers will be accounts receivable. This figure also includes an allowance for work in progress with parts invested but not yet billed to the customer.

Appendix B2 includes eleven letters of support or intent. Examples include:

Timmins Economic Development Committee

Timmins G.M. Sales

Greenfields Alfalfa Dehydrators \$10,000

Mike's Trucking \$5,000

Schmanske Farms \$4,000

Advertising & Promotion

I have allocated 3% of projected sales to advertising and promotion.

Approximately one-half of this will go to newspaper advertising. This has proven effective in rural areas and reaches a radius of 50 miles. I plan to advertise in the weekly business card section and place a bimonthly 3"x 3" ad. The regularity of the business card section promotes customer awareness, consistency and credibility within the community. The bimonthly ads will remind customers of the variety of services offered.

A mail out of coupons for a winter tune-up will be an opportunity to remind potential customers of my business and the need for a tune-up. Another large part (25%) of my advertising budget will go toward sponsorship, donations, tickets, giveaways and meals. Past experience has shown that this is a necessary part of doing business in a small community. It is difficult not to participate in local events when approached by customers. Most businesses state that this type of advertising is worthwhile. The outdoor sign, business cards and the yellow pages are essential for customer convenience and business identification.

OPERATIONS

General Operations

I intend to be open from 8:00am - 6:00pm, six days per week. I will be closed Sundays and the normal religious holidays. We may occasionally need to extend our hours to meet customer needs (harvest and seeding for farmers, emergency breakdowns, etc.)

I have the normal office equipment, all in average to good condition, plus a coffee machine for customer use. The new fax/answering machine is a necessity, especially considering the towing business. It will also reduce time and errors when ordering parts.

The workshop has up-to-date repair and diagnostic equipment. In addition to this, the new pipe bender will be used to make our own piping for exhaust systems. This will save the customer money, provide a better profit margin and be quicker for the customer. The used tire changer will allow the business to offer another service. In summary, our equipment will meet the needs of the community.

Facility & Location

Street Address: #3 - 12th Street, Timmins
Legal Description: Lot 3, Blk 12, Plan AG4321
Appraisal and Assessment attached in B-1b

My place of business will be a 50' x 60' steel-clad building located on a 90' x 120' urban lot adjacent to my residence. The shop is at the rear of the graveled lot, providing plenty of space for driveway and parking. The location is ideally located next to my residence and two blocks from the business section of Timmins.

The building has natural gas heating and is in good condition. Entrances consist of a small side door plus a 14' x 18' overhead. It has a cement floor with a small office and a bathroom that needs to be plumbed.

A few alterations are necessary to start the business. I need to install an additional window and erect shelving for parts inventory. A second, slightly larger overhead door will be installed beside the existing door. I'm also installing a grease pit with a hoist and the resulting damage to the floor will have to be repaired.

The government documents attached state that this property passes all environmental requirements. As well, used oil and antifreeze storage containers and pick-up service will be provided at no cost by H.Y. Disposals from Winnipeg, Manitoba.

MANAGEMENT & STAFF

Management

I intend to run the shop by myself with only one part-time helper.

My job description will be mechanic, manager and all other duties as required. I will be taking a monthly management wage of \$1000 per month in the first year. If cash flow allows, I will draw a bonus of up to \$1000 a month after year one.

I have 18 years of experience as a journeyman auto mechanic. For the past three years, I've been the shop manager at Timmins G.M. I gained welding experience through two years on the job training at Headville Chassis in Alberta. My resume is attached in B4-17.

If, for any reason, I am temporarily unable to work, I can hire a mechanic on piecework for \$17 per hour. This will not be quite as profitable as working myself, but it will provide continuity and pay the bills.

I am planning on obtaining more training in bookkeeping from Greenland College. Although my wife, Susan, is going to be the unpaid bookkeeper for the business, these classes will give me a better understanding of the books.

Staff

The only paid employee in the business will be a student who works after school and Saturdays. He will be paid \$6 per hour and his job will be to clean up the shop, wash and order parts, answer the phone and complete basic mechanical duties. Eventually, after on-the-job training, he may be able to do more advanced tasks. This employee will not be required to have previous experience but should demonstrate mechanical aptitude and a willingness to learn.

Business Support

Accountant	Hallpenny & Company 402-12th St., Timmons	555-5888
Banker	Timmons Mybank Inc. Box 40, Timmons	555-4354
	Lawyer 111 Main St., Timmons	Crookaras & Co. 555-5000
Insurance	Insurance is Us 112 Main St., Timmons	555-6000

PERSONAL FINANCIAL STATEMENT

Your Information

First Name	Middle Names	Last Name	Birthdate day/mo/year	Social Insurance Number
John	Terry	Smith	28 / 09 / 55	555 545 232
Occupation	Employed By	For How Long	Work Phone	Previous Employer
Mechanic	G. M. Sales,	3 years	555-3422	Ted Willis, Headville

Your Spouse's Information

First Name	Middle Names	Last Name	Birthdate day/mo/year	Social Insurance Number
Susan	Francis	Smith	13 / 11 / 57	555 656 232
Occupation	Employed By	For How Long	Work Phone	Previous Employer
Receptionist	Dr. Walker,	3 years	555 -5678	Co-op, Headville
Residence		<input type="checkbox"/> Own <input type="checkbox"/> Rent <input type="checkbox"/> Other _____		

Other Household Information

How Long Here?	Street Address /Box #	City / Town	Province	Postal Code
2 Mos 3	Box 357	Timmins	SK	S5H 6T9
Home Phone #	(306) 555 - 7654	Marital Status	Number of Dependants 3	
Cellular Phone #	(306) 555 - 5432	<input type="checkbox"/> Unmarried <input type="checkbox"/> Married	<input type="checkbox"/> Separated	<input type="checkbox"/> Divorced

Your Main Financial Institution (Bank, Credit Union) *Mybanks Inc.*

Phone #	Street Address /Box #	City / Town	Province	Postal Code
(306) 555 - 9876	Box 765	Timmins	SK	S5H 6T9

Income Sources

Your Monthly Wages	\$1,500
Your Spouse's Monthly Wages	\$1,000
Monthly Rental Received	
Monthly Government Child Employment Insurance	\$300
Pensions <i>Disability (Lost toe)</i>	\$200
Other Government Assistance	

General Information about you and your spouse

Please provide details if you answer Yes to any of the following questions

Have you co-signed or guaranteed a loan or payments for anyone?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you ever had an asset	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you ever declared bankruptcy?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is anyone claiming you owe them	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is anyone taking any legal action against	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you owe any back taxes?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Other Income

Details: Yes, \$200 for last year's house taxes, I have appealed

Total Income \$3,000

my assessment and am waiting for a ruling.

Personal References (Names and Addresses of people who can be called to ask about your character)

Name	Address	Phone Number	Relationship	Occupation
Jerry Smithers	Box 370 Jackson, AB A9O 4T8	(403) 555 - 5634	Past Coworker	Mechanic
Joan Thompson	1117 116 th ST Branville, MB M9U 5Y0	(204) 555-5434	Past Instructor	Teacher
Tom Allan	Box 1387 Headville, SK S7Y 8Y6	(306) 555 - 4323	Friend	Policeman

I, the undersigned, declare that the statements made here and on any attached documents are to the best of my knowledge true and accurate. I consent to allow my financing institution to make any inquiries necessary to reach a decision on this application and to allow them to give out any credit information to credit reporting agencies and anyone with whom I have financial dealings.

Signature **John T. Smith**

Date *April 10, 199?*

Spouse's Signature **Susan F. Smith**

Date *April 10, 199?*

**STATEMENT
OF ASSETS AND
LIABILITIES**

NAME -(You and your spouse)

John & Susan Smith

DATE - *April 10, 199?*

What You Own	ASSETS:	LIABILITIES: What You Owe:	Monthly Payment	Where are assets located or where is the money owed?
Chequing	\$934			
Savings	\$4,300			
Retirement Savings	\$13,000			
Life Insurance Savings Plan				
Stocks & Bonds - attached				
Money Receivable - Tom Tiller	\$800			
Household Items	\$10,000			
Other -				
Car - 1994 Chev Bomber	\$2,000			
½ Ton - 1994 Ford Rover	\$3,000			
Other Vehicles -				
Other Equipment - Auto Repair Tools - Personal Tools	\$4,000 \$2,000	\$400	\$78	TransCredit, Saskatoon 555-7698
Rec Vehicles, Boats, Trailers - 94 - Skidoo	\$3,500			
Real Estate -Residence (Legal Description) - Lot 2, Blk. 12, Plan AG4321	\$40,000	\$33,000	\$432	Timmons Mybanks Inc. 555- 4354
Real Estate - Other (Legal Description, Usage) - Shop 50 X 60 - Lot 3, Blk. 12, Plan AG4321	\$8,000			
Other Bank Loans				
Credit Cards - Visa		\$670	\$57	King's Bank Visa
Taxes Prior to Current Year		\$200	~	Town of Timmons
Other Bills Owing - - -				
Other - -				
TOTALS	\$91,534	\$34,270	\$567	
Net Worth				\$57,264

Signature **John T. Smith**

Date **April 10, 199?**

Spouse's Signature *Susan F. Smith*

Date *April 10, 199?*

Financial Summary Worksheet			
	Invested By Owner	Additional Required	Total Non-Cash Assets
Cash Invested	3292		
Land & Buildings	8000	-	8000
Improvements	700	7068	7768
Equipment & Furniture	3300	6787	10087
Vehicles	3000	4500	7500
Inventory	430	4610	5040
Other Assets	350	534	884
Goodwill	-	-	-
Total Invested	19072		
Less Debt on Invested Assets	400		
True Investment	18672		
Plus Opening Expenses		4163	
Total Additional Required		27662	
Less Cash Invested		3292	
Financing Required for Start-up		24370	
Additional for First Year		6000	
Total Financing Required		30370	
Total Non-Cash Assets			37279
Less Inventory			5040
Total Fixed Assets			34239

Breakdown of Total Financing

Investment by Owner \$18,672

Loans or Debts on Invested Assets

Lender & Address: Trans Omni Credit, Saskatoon, SK (306) 555-9876

Purpose: Purchase of Torque Wrenches

Security: Torque Wrenches

Original Loan Amount: \$800 Payments: \$78 Amount Left Owing: \$400

New Financing Requested

LOAN #1 Lender & Address: Community Loan Fund

C/O Timmins Town Office, Timmins
(306) 555-6588

Purpose: To purchase equipment listed in Worksheet 2-4

Security: Equipment listed in Worksheet 2-4

Terms: 5 -years, monthly payments of \$99, Interest 7%

Amount
Requested:
\$5000

LOAN #2 Lender & Address: Timmins Mybanks Inc. Timmins (306) 555-9876

Purpose: To purchase assets and provide operating capital

Security: First charge on all assets of business except those
used for existing loan, loan #1 and line of credit.

Amount Requested: \$13370

Other Sources Source & Address: Jim Smith

Purpose: Family loan to start business

Security: None

Terms: No interest

Yearly payments of \$500 every April

Amount Requested: \$6000

Line of Credit Source & Address: Timmins Mybanks Inc.

Purpose: Operating Capital

Security: Same as Loan #2

Terms: 14% interest, payable monthly

Amount Requested: \$6000

Total New Financing Requested

\$30,370

Total Financing

\$49,422

Year 1 - Projected Monthly Sales Summary
Period May 1, 199? to April 30, 199?

	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	Total
#1- Labor			3096	3096	2476	2476	3096	3096	3096	2856	3096	3096	3096
		35672											
#2- Parts			3096	3096	2476	2476	3096	3096	3096	2856	3096	3096	3096
		35672											
#3- Towing			215	215	215	215	215	215	215	430	430	215	215
	3010												
#4- Other										172	172	172	172
			774										86
Total Sales			6407	6407	5167	5167	6407	6407	6579	6314	6794	6579	6493
		75128											
Cost of Sales													
#1- Labor													0
#2- Parts			2291	2291	1832	1832	2291	2291	2291	2113	2291	2291	2291
		26397											
#3- Towing		43	43	43	43	43	43	43	86	86	43	43	43
													602
#4- Other													

0

**Total Cost
of Sales**

2334 2334 1875 1875 2334 2334 2334 2199 2377 2334 2334 2334
26999

**Income From
Sales or
“Gross Income”**

4073 4073 3292 3292 4073 4073 4245 4115 4417 4245 4159 4073 48129

**Projected 3-Year Sales Summary
Period May 1, 199? - April 30, 199?**

			Year#
			1
			Year#
			2
			Year#
			3
#1- Labor			35672
			53508
			56183
#2- Parts			35672
			53508
			56183
#3- Towing			3010
			3461
			3634
#4- Other			774
			813
			854
Total Sales			75128
			111290
			116854
Cost of Sales			
#1- Labor			0
			0
			0
#2- Parts			26397
	39596		41575
#3- Towing			602
			692
		727	
#4- Other			0
			0
			0

Total Cost of Sales		26999
		40288
		42302
Income From Sales		
	or "Net Income"	
	48129	71002
	74552	

Year 1- Projected Monthly Expense Summary
Period May 1, 199? to April 30, 199?

	Opening	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	Total
Legal & Accounting	310	50	50	50	50	50	50	50	50	50	450	50	50	1310
Advertising/Promotion	383	120	120	120	120	120	120	292	120	120	120	120	120	1995
Bad Debts					67	67	67	67	67	67	67	67	67	67
		67	67	804										
Bank Charges/Interest	171	15	15	15	15	15	15	15	15	15	15	15	15	351
Bus. Tax & License														0
Delivery & Freight				207	207	207	207	207	207	207	207	207	207	207
			207	2484										
Insurance			802	700	100	634	100	100	100	700	100	100	100	100
		100	3736											
Office Supplies		192	30	30	30	30	30	30	30	30	30	30	30	30
	552													
Property Taxes														
														459
													459	
Rent/Lease			200	50	50	50	50	50	50	50	50	50	50	50
	50	800												
Repairs/ Maintenance	600	300	300	300	300	300	300	300	300	300	300	300	300	4200
Shop Supplies		178	124	124	99	99	124	104	104	114	104	104	104	104
	1486													
Telephone/Fax		425	100	100	100	100	100	100	100	100	100	100	100	100
	1625													
Utilities			130	115	115	115	115	115	115	115	115	115	115	115
		115	1510											
Fuel				172	172	172	172	172	172	172	172	172	172	172
		172	172	2236										
Travel/Entertainment	100	40	40	40	40	40	40	40	40	40	40	40	40	580
Wages - Management		1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	12000

Wages - Staff			465	465	465	465	465	465	465	465	465	465	465
		465	5580										
Wages - Benefits			47	47	47	47	47	47	47	47	47	47	47
	47	564											
Miscellaneous	500	100	100	100	100	100	100	100	100	100	100	100	100
	1700												
Total Expenses			4163	3702	3102	3611	3077	3102	3082	3854	3092	3082	
	3482	3541	3082	43972									

Projected 3-Year Expense Summary
Period May 1, 199? - April 30, 199?

	Year 1	Year 2	Year 3
Accounting & Legal		1310	
		1050	
		500	
Advertising/Promotion		1995	
		1693	
		1777	
Bad Debts			
		804	
		804	
		844	
Bank Charges/Interest			
		351	
		189	
		198	
Bus. Tax & License			0
			320
			336
Delivery & Freight			
		2484	
		3478	
		3651	
Insurance			
	3736		
	3713		3898
Office/Store Supplies			
		552	
		378	
		397	
Property Taxes			
	459		
	482		506
Rent			
		800	
		600	
		600	
Repairs / Maintenance			
		4200	
		3780	
		3969	
Shop Supplies			
	1486		
	2140		2247

Telephone/Fax			1625
			1260
			1323
Utilities			
	1510		
	1449	1521	
Fuel			2236
			2167
			2276
Travel/Entertainment			580
			504
			529
Wages - Management			12000
			12600
			13230
Wages - Staff			5580
			5859
			6152
Wages - Benefits			564
			592
			622
Miscellaneous			
	1700		
	1260	1323	
Total Expenses			43972
			44318
			45899

Year 1 - Projected Monthly Cash Flow
Period May 1, 199? To April 30, 199?

	Opening	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
Opening Cash Balance			0	(1012)	(4065)	(5330)	(5991)	(5705)	(5933)	(5757)	(5978)	(5321)	(4617)	(4298)
				(4048)	0									
Cash In:														
Sales					6407	6407	5167	5167	6407	6407	6579	6314	6794	6579
True Investment/Equity Debt on Investment	6493	6407	75128			400								19472
Loan #1		400		5000										
Loan #2			5000											
Other Sources	13370	13370												
Inventory Decrease		6000												
Accts. Payable Increase													0	
						0								
Total Cash In	43442	6807	6407	5167	5167	6407	6407	6579	6314	6794	6579	6493	6407	119370
Less Cash Out:														
Cost of Sales				2334	2334	1875	1875	2334	2334	2334	2199	2377	2334	2334
Account Receivable	26998			3204	1602	(300)	(310)	558	310	148	(90)	183	(10)	(73)
Cash Expenses	5156													
	43972	4163	3702	3102	3611	3077	3102	3082	3854	3092	3082	3482	3541	3082

Existing Payments

78
78
78
78
78
43

Payments #1

1188

99 99 99 99 99 99 99 99 99 99 99 99 99 433

Payments #2

Other Sources payments

296 296 296 296 296 296 296 296 296 296 296 296 296 3552

Equity/Drawings

500 500

Fixed Assets

34239
34239

0

Inventory Increase	5040	100	100	100	100	100												5540	
Other cash out																			0
Minimum Cash Float			1000																
		1000																	
Total Cash Out	44442	9813	7611	5759	5215	6567	6164	6731	5596	6037	6210	6197	6236	122578					
Net Change		(1000)	(3006)	(1204)	(592)	352	(160)	243	(152)	718	757	369	296	171					
	(3208)																		
Operating Cash Balance	(1000)	(4018)	(5269)	(5922)	(5639)	(5865)	(5690)	(5909)	(5260)	(4564)	(4248)	(4002)	(3377)	(2708)					
Line of Credit Interest	12	47	61	69	66	68	66	69	61	53	50	47	45	715					
Month-end Cash Balance	(1012)	(4065)	(5330)	(5991)	(5705)	(5933)	(5757)	(5978)	(5321)	(4617)	(4298)	(4048)	(3923)	(3923)					

**Projected 3-Year Cash Flow
Period May 1, 199? - April 30, 199?**

	Year 1	Year 2 Year 3
Opening Cash Balance		0
		(3923) 1943
Cash In:		
Sales		75128 111290 11685
		4
True Investment/Equity	19472	
Debt on Investment	400	
Bank Loan #1	5000	
Bank Loan #2	13370	
Other Sources	6000	
Inventory Decrease		
Accts. Payable Increase		
Total Cash In		119370 111290 116854
Less Cash Out:		
Cost of Sales		26998 40288 42302
Account Receivable		5156 2578 129
Cash Expenses		43972 44318 45899
Existing Payments	433	
Bank Payments #1		1188

				1188
				1188
Bank Payments #2				3552
				3552
				3552
Other Sources payments			500	
			500	
			500	
Equity/Drawings				
			0	
			12000	
			12000	
Fixed Assets	34239			
Inventory Increase				5540
				1000
				1000
Other cash out		0		
Minimum Cash Float	1000			
Total Cash Out				
			122578	
			105424	
				106570
Net Change				
				(3208)
				5866
				10284
Operating Cash Balance				(3208)
				1943
				12227
Line of Credit Interest				
			715	
				0
			0	
Month-end Cash Balance				(3923)
				1943
				12227

APPENDIX A - NOTES TO FINANCIALS

A-1 NOTES TO START-UP ASSETS & INVESTMENT

	Purchase		Original
	Price	Value	Present
Cash investment		\$2900	
Money spent towards business:			
Legal - Assessment of land and buildings		\$100	
Telephone calls		\$82	
Name registration			
			<u>\$110</u>
			\$3,292
Land and Buildings Invested			
			Copy of Title attached in B1-2
Shop 50 X 60 - Lot 3, Blk. 12, Plan AG4321			
Land-\$3000 Building-\$5000			
			\$8,000
Building Improvements Invested			
Lumber (40 2x4s, 4 sheets 1/2" plywood)		\$400	
Window (3'x4', triple-pane)	<u>\$300</u>		\$700
To be Purchased Written estimates B1-3			
Labor and digging to install pit and hoist		\$937	
Concrete and installation for pit and shop floor		\$1107	
Rebar		\$184	
Bathroom, sink, plumbing (details in B1-3)			\$2356
Overhead Door (materials & installation)	\$1984		
Allowance for miscellaneous /unexpected costs			
			<u>\$500</u>
			<u>\$7068</u>
			\$7,768

Equipment & Furniture

Invested

Automotive Tools (Details B1-4)			\$7500	\$3000
Desk & chair	\$400	\$150		
Filing Cabinet, Coffee Pot, Adding machine	\$375	<u>\$150</u>	\$3300	
To be Purchased Written estimates B1-4				
Fax Machine (Pertisonic TX-43)		\$388		
Diagnostic Kit (Black&Sims DR545-78)		\$432		
Tire Changer - used (1995 Soner 67)		\$1500		
Welder (Tanison Model # 9876)		\$1800		
Tester (Black&Sims GT657-87)		\$2300		
Cylinder Ridge Cutter		\$95		
Tow Rope		\$40		
Parts Shelving Units 4 @ \$23 plus taxes		\$107		
Test Light		\$25		
Allowance for other small tools and freight			<u>\$100</u>	<u>\$6,787</u>
			\$10,087	

Vehicles

Invested

1994 Chev Ranger ½ Ton	\$7,000	\$3,000	\$3,000	
To be Purchased				
1989 1-Ton Ford diesel Truck / winch				\$4,500
				<u>\$4,500</u>
				\$7,500

		Original			Purchase Present Sub-Total
		Price	Value		Total
Inventory					
Invested					
6 cases oil				\$80	
4 tires and tubes @ \$50					\$200
12 sets points and condensers @\$4				\$48	
8 assorted fan belts average price @\$6				\$48	
1 new battery				\$30	
2 air filters @\$12				<u>\$24</u>	\$430
To be Purchased					
Bearings, seals, miscellaneous	Appendix B1-6a		\$852		
Filters	Appendix B1-6b			\$964	
Gaskets & gasket sets	Appendix B1-6c			\$387	
Electrical Repairs	Appendix B1-6d		\$727		
Tires & Tire Repair	Appendix B1-6e		\$953		
Universal joints & repairs	Appendix B1-6f		\$302		
Exhaust pipes	Appendix B1-6g		<u>\$425</u>	<u>\$4,610</u>	\$5,040
Other Assets					
Invested					
Parts Book --Ford PK34222				\$207	\$150
--Napa DA996688		\$384	\$200		\$350
To be Purchased					
Parts Book --GM GL986				\$207	
--Foreign Models DA5656				\$327	\$534
			\$884		

A-2 NOTES TO YEAR 1 SALES SUMMARY

Category 1: Labor - Billable hours for auto repair. Mostly done by owner/operator.

Sales Based On: An average of 4 billable hours per day.

4 hours X 6 days per week x Shop rate of \$30 per hour X 4.3 weeks per month

Reduced in December to allow 2 days holidays. Reduced by 20% in July and August to allow for slower season. Expecting to be busy immediately because there are several customers waiting.

Customer list and letters of support in Appendix B2.

Cost of Goods Based On: Not applicable - labor supplied by owner/operator.

Category 2: Parts - Materials sold in the process of doing auto repair

Sales Based On: Labor fees per day usually average at equal to parts. Sales for industry as stated in Automotive Repairs "Small Business Stats". Verified this by averaging out \$5000 in labor and the parts it would require. Copy of worksheet and "Small Business Stats" B2.

Cost of Goods Based On: Suppliers stated markup is 40%. Industry Average as stated in small business profiles is 69%. Used 74% to allow for smaller buying power and new suppliers.

Category 3: Towing - Use of tow truck or half ton to haul vehicles

Sales Based On: Average of 2 tow calls per week of basic \$15 plus 10 miles.

$\$15 + (10 \text{ miles} \times \$1 \text{ per mile}) = \$25 \text{ per call}$ $\$25 \times 2 \text{ per week} \times 4.3 \text{ weeks per month} = \215

Doubled in the very cold winter months due to weather conditions. Most shops double or triple this amount in towing, but estimates are conservative.

Cost of Goods Based On: Allowance for fuel. Allowing 5-7 litres of fuel per trip for an estimate of \$5 fuel for every \$25 job. This cost of goods estimate is very high but it allows for running a vehicle in the very cold weather.

Category 4: Miscellaneous Income - Occasional income from other sources

(vehicle storage for truckers, shop rental, etc.)

Sales Based On: Letter of Intent from Randy R. Weslaff, Trucking. He will be renting a bay in the shop approximately 2-3 nights per month during the winter months. He does not have a shop for his semi.

There will probably be other miscellaneous income, but income projections will be based on lower income than expected. $2 \text{ nights} \times \$20 \times 4.3 = 172$

Cost of Goods Based On: Not applicable. Cost for heating building will be included later under utilities.

A-5 NOTES TO YEAR 2 & 3 PROJECTED SALES SUMMARY

Average Increase Year 2 - 50 % unless otherwise stated

Average Increase Year 3 - 5 % cost of living increase unless other wise stated

Category 1 - Labor

Year 2: 6 billable hours per day due to increased customer awareness and time management.

Category 2 - Parts

Year 2: 6 billable hours or \$120 per day due to increased customer awareness and time management.

Category 3 - Towing

Year 2: 10% increase due to increased customer awareness plus 5% cost of living = 15%

Category 4 - Other

Year 2: 5% cost of living increase

A-3 NOTES TO YEAR 1 EXPENSES PROJECTIONS

Accounting & Legal

Start-up: Business Name Registration (paid already) - \$110, Accountant, fee for setting up books - \$200, Bank, legal papers, quote from banker B4-1- \$100
Monthly Based on: Monthly cost to accountant to supervise bookkeeping done by wife - \$50 No cost for wife to do bookkeeping. Year -end accounting and tax preparation - \$400 in February.

Advertising & Promotion

Start-up: Business Cards - \$37, Outdoor Signs - \$283, Yellow Pages, Copy of ad B18-\$63,
Monthly: Newspaper - \$70 /month, Mailouts/Coupons, November - \$112, Postage - \$60, Sponsorship- \$10/month, Donations/Tickets - \$10/month, Giveaways, meals, etc. - \$20/month.
Written estimates and copy attached B4-2.

Bad Debts

Monthly: 4 customers unpaid throughout the first year at an average of \$200 each. Based on past experience, this is higher than usual but have allowed for extra because business is new.
 $\$200 \times 4 \text{ customers} \div 12 \text{ months} = \67

Bank Charges & Interest

Start-up: Cheque printing/account setup - \$35, Loan application fee - \$136, Bank Estimate B4-4
Monthly Costs: Monthly fee for bank account- \$10, Allowance for other bank charges - \$5, Interest on loans included in cash flow bank payments. Not using or accepting credit card, etc.

Business Tax and Licences

Start-up: Not applicable - to encourage people to start new businesses, Timmins does not charge business tax or licenses for the first year. Letter from town B4-5.

Delivery & Freight

Start-up: Not applicable. Start-up orders are large enough that suppliers will pay freight.
Monthly: Average 1 delivery/day at cost \$8 X 6 days/week x 4.33 weeks/month = \$207/month

Insurance

Start-up: Seneca Small Business Insurance Plan - 200 down plus monthly includes property & liability for \$1200 per year. Tow Truck License - \$602 Quotes attached B4-7.
Monthly: Senecan SMB Insurance Plan - \$100 monthly, ½ ton - \$534 in July, Workman's Comp for owner & part-time employee - \$600 May and \$600 November.

Office & Store Supplies

Start-up: Invoices - \$38, Files & Folder - \$27, Envelopes/paper - \$18, Stamps - \$46, Cleaning Supplies - \$28, Allowance for small items - \$35, Detailed Lists and quotes attached B4-8.
Monthly: Estimated costs and discussion with similar businesses.

Property Taxes

Start-up: Not applicable, taxes are already paid for year. Copy of paid taxes in B4-9
Monthly: Current yearly rate(\$438) + 5% for potential increase equals \$459. Due in March.

Rent/Lease

Start-up: Down payment, pipe bender value \$1800, Terms: Rent-to-own -\$200 down plus monthly payments of \$50 Can be canceled upon 30 days notice. ATC Automotive, Templeton, MB.
Monthly: ATC rent-to-own - \$50/month. Contract attached B4-10

Repairs & Maintenance:

Start-up: Allowance for potential repairs on tow truck - \$600. Parts at cost and no cost for labor.
Monthly: ½ ton yearly - \$1000, Tow truck yearly - \$1000, Land & building - \$1000, Other - \$6
Total of \$3600 ÷ 12 month = \$300

Shop Supplies:

Start-up: Initial Purchase for stock - \$178, Detailed List attached B-28

Monthly: 2% of Shop Sales - industry average from Small Business Profiles (B4-12) and verified by personal experience.

Telephone /Fax:

Start-up: Installation charges, quote from telephone company - \$193, Long distance already invested \$82, Long distance arranging setup - \$150

Monthly: Discussion with similar businesses in similar communities. Suppliers are all toll-free.

Utilities

Start-up: Sewer & Water not applicable. Already hooked to personal residence system. Power Hookup - \$35, Power Deposit - \$50, Gas Hookup - \$45

Monthly: Sewer & water already on residence bill and will probably increase monthly by \$5, Power - \$50/month, Gas (heat) - \$60/month. Power/gas estimated on previous owner's usage.

Fuel

Start-up: Cost for 1 tank of fuel (\$40) per week for ½ ton X 4.3 weeks = \$172

Have allowed double existing personal costs(I drive 15 miles to work each day).

Monthly: Same estimate per month as start-up. Tow truck costs included in towing cost of goods. ½ ton truck fuel will probably be less once business is started because the business is home- based and customers travel to the business the of the time.

Travel & Entertainment

Start-up: Meals for start-up travel, very few - \$100

Monthly: Estimate of \$40/month. This type of expense should be very low. Home-based business & customers bring their vehicles to the shop. Very little traveling or entertaining required.

Management/Staff Work Schedule

	Hours
Hours Required: 1 Person Mon-Sat, 8:00am-6:00pm, 10 hours x 6 Days x 4.3 weeks =	258
1 Person Mon-Fri, 4:00pm-6:00pm, 2 hours x 5 days x 4.3 weeks =	43
Sat. 8 hours x 4.3 weeks =	32
	335

	Hours		Cost per Month
Workforce: Owner - 10 hours x 6 Days x 4.3 weeks =	258		\$1000
		time	1 full-
Helper - 18 hours x 4.3 weeks = <u>77</u>	= <u>77</u>	X \$6/hour = <u>\$465</u>	1 part-time
			Total
			335
		\$1465	

Management Wages or Drawings

Start-up: Not applicable - employed until start-up.

Monthly: Existing family requirements of \$1000 per month.

Wages-Staff

Start-up: Not applicable - staff will not be hired until start-up.

Monthly: Part-time employee, student, 2 hours/day after school=10 hours/week, Saturday 8 hours/week per week, Total of 18 hours/ week x 4.3 weeks x \$6 per hour = \$465

Wage Benefits

Start-up: Not applicable

Monthly: Not applicable for owner management wages because they are drawings, not wages.

Based on 10% of staff wages because part-time employees do not have full benefit costs.

Miscellaneous Expense

Start-up: Estimate for unexpected costs.

Monthly: Estimate for unexpected costs. Have estimated high in most other expense categories, so this one should not need to be as high.

A-6 NOTES TO 3- YEAR EXPENSE SUMMARY

Average Increase Year 2 - Less opening costs plus 5 % cost of living increase unless otherwise stated
Average Increase Year 3 - 5 % cost of living increase unless otherwise stated

Legal & Accounting

Year 2: Year 1 (\$1310) less opening (\$310) plus 5% cost of living.

Advertising & Promotion

Year 2 : Year 1 (\$1995) less opening (\$344) plus 5% cost of living.

Bad Debts

Year 2: Same as Year 1. Increased sales but also know my customers better.

Bank Charges/Interest

Year 2: Year 1 (\$351) less opening (\$171) plus 5% cost of living.

Business Tax & License

Year 2: Quote from town office - Attached in B4-5.

Delivery & Freight

Year 2: Year 1 plus 40% increase. Sales increased by 50% but improved ordering skills will result in more volume at less cost.

Insurance

Year 2: Year 1 (\$3736) less business pack down payment (\$200) plus 5% cost of living.

Office Supplies

Year 2: Year 1 (\$552) less opening (\$192) plus 5% cost of living.

Rent

Year 2: Continued monthly payments for pipe bender of \$50 per month. Contract attached B4-10. Year 3 Based on: Final six months of payments for pipe bender of \$50 per month.

Repairs & Maintenance

Year 2: Year 1 (\$4200) less opening (\$600) plus 5% cost of living.

Shop Supplies

Year 2 & 3 : 2% of shop sales (parts & labor).

Telephone/Fax

Year 2: Year 1 (\$1625) less opening (\$425) plus 5% cost of living.

Utilities

Year 2: Year 1 (\$1510) less opening (\$130) plus 5% cost of living

Fuel

Year 2: Year 1 (\$2236) less opening (\$172) plus 5% cost of living.

Travel & Entertainment

Year 2: Year 1 (\$580) less opening (\$100) plus 5% cost of living.

Wages - Management

Year 2: Year 1 plus 5% cost of living. Additional \$1000 per month in drawings if cash flow allows.

Miscellaneous

Year 2: Year 1 (\$1700) less opening (\$500) plus 5% cost of living.

A-4 NOTES TO PROJECTED YEAR 1 CASH FLOW

True Investment / Equity

Monthly Based On: Investment of the money Tom Tiller owes and will be repaying.

Accounts Receivable

John's Monthly Based On: - 50% (half) of his sales will be charged.

- 50% of his charges sales will be paid within the first 30 day
- 40% of his original charge sales will be paid between 30-60 days
- the last 10% will be paid between 60-90 days.

Inventory Increase:

Monthly: Increase of \$100 per month for the first five months for small stock items.

Minimum Cash Float

Start-up: Estimate of amount needed for emergencies.

A-7 NOTES TO PROJECTED 3-YEAR CASH FLOW

Accounts Receivable

Year 2: 50% increase in sales

Year 3: 5% increase in sales

Equity/Drawings

Year 2 & 3: An additional \$1000 per month personal drawings. Withdrawn only if business can afford the extra compensation.

Inventory Increase

Year 2 & 3: \$1000 increase in inventory per year. Will save in freight costs over the long term.