

Writing a Business Plan - One Step at a Time

A step-by-step system for new entrepreneurs.

Booklet 4 - Start-up and Monthly Expenses



The following pages contain worksheets to assist you in collecting information to calculate your start-up and monthly expenses. Don't forget to obtain as many written estimates as possible.

You may not be present when bankers or board members are studying your business plan. If you explain how you arrived at your figures carefully, the "Based On" section will answer any questions they may have.

If you are purchasing an existing business, you'll need to compare your projections to at least three years of past financial statements. You have a right to obtain this information from anyone expecting to sell a business. If the previous owners will not supply past financial statements, ask yourself what they are hiding.

NOTE: This manual has been designed for as many different businesses as possible. You may find that some of these categories do not apply to your business or that you will need some that have not been included. Feel free to change the worksheets to fit your needs.

Worksheets

- | | | | |
|------|-------------------------|------|---------------------------|
| 4-1 | Accounting & Legal | 4-11 | Repairs & Maintenance |
| 4-2 | Advertising & Promotion | 4-12 | Shop Supplies |
| | Budget | 4-13 | Telephone/Fax |
| | Based On | 4-14 | Utilities |
| 4-3 | Bad Debts | 4-15 | Fuel |
| 4-4 | Bank Charges & Interest | 4-16 | Travel & Entertainment |
| 4-5 | Business Tax & License | 4-17 | Management & Staff |
| 4-6 | Delivery & Freight | | Management Wages/Drawings |
| 4-7 | Insurance | | Wages - Staff |
| 4-8 | Office & Store Supplies | | Wage Benefits |
| 4-9 | Property Taxes | 4-18 | Miscellaneous Expense |
| 4-10 | Rent/Lease | | |

4-1 Accounting & Legal

Legal Forms of Business:

If you are starting a business by yourself, you are a “**sole proprietorship**” and the income from your business goes on your personal income tax. You are “your business”.

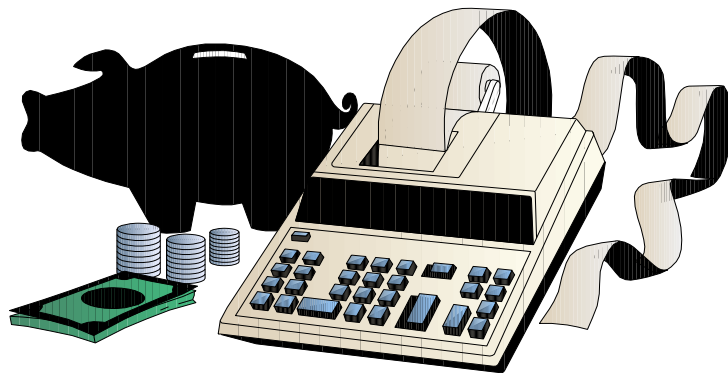
If you have a business name that is different from your name, it is necessary to have it registered with your provincial or state government. You can use your telephone book to find the proper government department. You can start by looking for Consumer or Corporate Affairs, Small Business or something similar.

Instead of working alone, you may decide to go into business with one or more partners. In this case, your business would be called “**a partnership**” and must also be registered with the government department described above. This type of arrangement should not be entered into without serious thought. Each partner is personally responsible for any business decision or debt made by their partners. You and your partners will need to have a lawyer help you with a “**partnership agreement**”, outlining each partner’s rights and responsibilities and provide for the possible break-up of the partnership. This cost should be included in legal expenses.

Another legal form of business is a “**corporation**”. This is usually done for tax reasons when a business has a fairly large taxable income or to separate business activities from personal activities. Forming a corporation is more complicated and expensive than a proprietorship or partnership. Most small businesses do not start as a corporation. Instead, they operate their business for a while and consider becoming a corporation at a later date. If you are considering doing this immediately, you should contact an accountant and a lawyer to learn the costs involved and receive information concerning the pros and cons of such a step.

Accounting:

You will need to keep careful track of the money going in and out of your business. The only way to make good business decisions is to base them on accurate up-to-date business information. You will need to talk to an accountant to find the costs of setting up your bookkeeping system, regular monthly accounting, tax calculation, and year-end tax preparation.



This worksheet will include any costs relating to lawyers, accounting, or bookkeeping.

Examples:

- Legal costs for borrowing money. Your lender will need to do credit searches, register property and/or loans.
- Registering your Business name.
- Incorporation costs, partnership agreements.
- Leases (rental contracts).
- Legal fees to purchase or sell property.
- Costs to set up your bookkeeping system, regular bookkeeping, tax calculations and year-end preparation of financial statements and income tax.

Sources of Information:

- Your lender, your lawyer or your accountant.

John will be operating as a sole proprietorship. The fee to register his business name, “John’s Automotive Repair”, is \$110. His wife, Susan, can do his bookkeeping throughout the year, but he needs an accountant for set-up, supervision throughout the year, and year-end. His banker has informed him that the legal costs to register loans against his building and other property will probably cost him about \$100 .

Start-up Accounting & Legal Costs:

Based on: Business Name Registration (paid already) \$110
Accountant - fee for setting up books 100
Bank - legal papers - quote from banker 100

Total Start-up Accounting & Legal	\$310
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Monthly Accounting & Legal Costs:

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.

Mo#1	Mo#2	Mo#3	Mo#4	Mo#5	Mo#6	Mo#7	Mo#8	Mo#9	Mo#10	Mo#11	Mo#12
<i>May</i>	<i>June</i>	<i>July</i>	<i>Aug</i>	<i>Sept</i>	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>	<i>Apr</i>
50	50	50	50	50	50	50	50	50	450	50	50

4-2a John's Advertising & Promotion - Based On	
Newspaper	<i>Business package #4 - Timmins News - Weekly business card ad and 2 3"x3" ads per month for \$70 /month</i>
Flyers/Mailouts	<i>Coupons - Spring and fall tune-ups - November - 1500 for \$112</i>
Postage for Flyers	<i>Canada Post bulk rates - For coupon mailout -1500 for \$60</i>
Magazines	
Trade Shows	
Television	
Radio	
Sponsorship	<i>\$10 per month budgeted</i>
Donations/Tickets	<i>\$10 per month budgeted</i>
Business Cards	<i>Start-up printing costs - 500 for \$37</i>
Display Equipment	
Signs	<i>Outdoor signs - M.S. Signmakers - \$283</i>
Commissions	
Yellow Pages	<i>Paid to telephone company at start-up - Copy of ad B-18</i>
Giveaways, meals, etc.	<i>\$20 per month budgeted</i>
Other:	
	<i>Written estimates and copies attached</i>

4-2a Advertising & Promotion Costs - Based On	
Newspaper	
Flyers/Mailouts	
Postage for Flyers	
Magazines	
Trade Shows	
Television	
Radio	
Sponsorship	
Donations/Tickets	
Business Cards	
Display Equipment	
Signs	
Commissions	
Yellow Pages	
Giveaways, meals, etc.	
Other:	

4-3 Bad Debts

This category is used to estimate cheques, charge sales or customer disputes that cannot be collected.

Sources of Information:

- Other businesses similar to yours.
- Allowing for a certain number of customers that may not pay their bills.

Most people would like to believe that this will not happen to them but it usually does. When doing your projections, it is better to make allowance for this and be pleasantly surprised if it does not happen.

John's Bad Debt Expense

Start-up bad debt : *Not applicable*

Monthly Bad Debt Costs:

Based on: *4 customers unpaid throughout the first year at an average of \$200 each.*
\$200 x 4 customers ÷ 12 months = \$67 Based on past experience, this is higher than usual but I have allowed for extra because business is new.

Mo#1	Mo#2	Mo#3	Mo#4	Mo#5	Mo#6	Mo#7	Mo#8	Mo#9	Mo#10	Mo#11	Mo#12
<i>May</i>	<i>June</i>	<i>July</i>	<i>Aug</i>	<i>Sept</i>	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>	<i>Apr</i>
67	67	67	67	67	67	67	67	67	67	67	67



4-7 Insurance

The costs of obtaining business and liability insurance may be in the form of start-up costs or monthly payments.

Examples:

- Business Insurance covering:
 - 1) Property (replacement of inventory, tools, equipment, building)
 - 2) Liability (insurance that pays for damage to someone or someone's property caused by your business). This is often overlooked but is very important.
- Vehicle (License and/or package policy).
- Building - Property and Liability.
- Employee Injury Insurance - Required by law for anyone employing staff.
- For partnerships or corporations, life insurance to cover buy-out in case of death.
- Sickness or Disability Insurance for owner/operator that pays if the owner/operator cannot work and the bills keep coming.
- Key-Man Insurance to cover loss of people necessary to your operation.
- Loan Insurance to cover loan payments in case of death, illness or injury.

Sources of Information:

- Insurance agencies. Shop around! Rates vary considerably and a good insurance agent will help you find the level of insurance you require.

Start-up Insurance Costs:

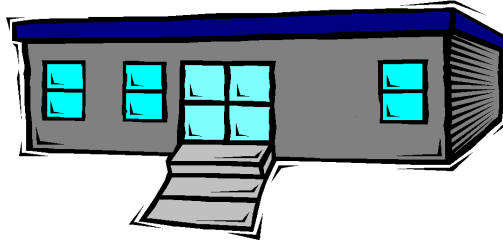
Based on: Seneca Small Business Insurance Plan - \$200 down plus \$100 monthly
Includes property & liability for \$1200 per year.
Tow Truck License - \$602
Quotes attached

Total Start-up Insurance	\$802
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Monthly Insurance Costs:

Based on: Senecan SMB Insurance Plan - \$100 monthly
1/2 ton \$534 in July
Workman's Compensation for owner & part-time
employee - \$600 May and \$600 November.

Mo#1	Mo#2	Mo#3	Mo#4	Mo#5	Mo#6	Mo#7	Mo#8	Mo#9	Mo#10	Mo#11	Mo#12
May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
700	100	634	100	100	100	700	100	100	100	100	100



4-9 Property Taxes

This category only applies if your business owns land or buildings. If you are purchasing property, you may have to pay the owners a portion of this year's taxes before you can take possession.

Sources of Information:

- Current owners.
- City/town office, municipal/county office.

John is using a building he owns, so he will only need to record yearly taxes in the month they will be paid.

Start-up Property Tax Costs:

Based on: Not applicable, taxes are already paid for year.

Total Start-up Property Taxes	-
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Monthly Property Taxes costs:

Based on: Yearly rate(\$438) + 5% for cost of living for potential increase equals \$459. Due in March of each year. Copy of paid taxes attached

Mo#1	Mo#2	Mo#3	Mo#4	Mo#5	Mo#6	Mo#7	Mo#8	Mo#9	Mo#10	Mo#11	Mo#12
<i>May</i>	<i>June</i>	<i>July</i>	<i>Aug</i>	<i>Sept</i>	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>	<i>Apr</i>
										459	

4-12 Shop Supplies

Shop supplies are used to produce your product or deliver your service. It should include the original cost of the supplies as well as a monthly cost to replenish them.

Examples:

- Grease, cleaners, rags, paper towels.
- Sand paper, putty, saw blades, small nails or screws.
- Cutting blades, grinder wheels, welding rods, acetylene, oxygen.
- Bags, till tape, boxes.
- Needles, sterile gloves, solutions.

Sources of Information:

- Business source journals.
- Your past experience as an employee.
- Similar businesses.

John will need to purchase grease, cleaning solutions, rags and paper towels for his business.

Start-up Shop Supplies Costs:

Based on: Initial Purchase for stock \$178
Detailed List attached

Total Start-up Shop Supplies	\$178
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Monthly Shop Supplies Costs:

Based on: 2% of Shop Sales - industry average from Small Business Profiles (B-28) and verified by personal experience.

Mo#1	Mo#2	Mo#3	Mo#4	Mo#5	Mo#6	Mo#7	Mo#8	Mo#9	Mo#10	Mo#11	Mo#12
<i>May</i>	<i>June</i>	<i>July</i>	<i>Aug</i>	<i>Sept</i>	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>	<i>Apr</i>
124	124	99	99	124	124	124	114	124	124	124	124

4-17 MANAGEMENT & STAFF

Complete the following worksheets. You may need to change them slightly for your business. Once completed, they can be used to calculate your monthly wage and salary costs by adjusting for highs and lows during the year.

John's Management & Staff Work Schedule for an Average Month

Title	Hours for Mon.	Hours for Tues.	Hours for Wed.	Hours for Thurs.	Hours for Fri.	Hours for Sat.	Hours for Sun.	Total for Week	Hours X 4.3 weeks/m
Owner	10	10	10	10	10	10	-	60	258
Helper	2	2	2	2	2	8	-	18	77
Total									335

Summary of Management and Staff Costs in Average Month

Title	Position	Full/Part Time	# of Positions	Hours per week	Positions X Hours X 4.3 w/m	Wage per Hour	Average Cost/ Month
Owner	Management	Full	1	60	258	N/A	\$1000
Helper	Staff	Part	1	18	77	\$6	\$462
Total			2	78	335		\$1462

4-17 MANAGEMENT & STAFF

Your Management & Staff Work Schedule for an Average Month

Title	Hours for Mon.	Hours for Tues.	Hours for Wed.	Hours for Thurs.	Hours for Fri.	Hours for Sat.	Hours for Sun.	Total for Week	Hours X 4.3 weeks/m
Total									

Summary of Management and Staff Costs in Average Month

Title	Position	Full/Part Time	# of Positions	Hours per week	Positions X Hours X 4.3 w/m	Wage per Hour	Average Cost/ Month
Total							

Note: Average Hours Per Month should be equal on Work Schedule and Average Cost.

Glossary

business source journals - book or catalogues that provide business information

commissions - the fee paid to a salesperson for each sale made

credit searches - to check the history of payments or debts by a person or business

guarantees - promise made by a government department, person or business to pay off a loan if the borrower fails to pay

maintenance - upkeep or servicing

previous - past, coming before

registered - to enter your name in a formal government list

replacement - to buy another in place of

replenish - fill up again

specific - having to do with one subject

sponsorship - to agree to give support to a cause or an organization

underestimate - to estimate too low