



SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL

## **Companies Committee** **Workshop – Key Messages & Conclusions**

**Tuesday 28<sup>th</sup> July 2020**

**2pm via Skype for Business**

**Present:**

**Companies Committee Members**

Councillor Graham Jeal (Chairman)	Councillor Louise Clack	Councillor Ian Stokes
Councillor John Dawson (Vice-Chairman)	Councillor Philip Knowles	Councillor Mark Whittington
Councillor Ashley Baxter	Councillor Susan Sandall	

**Cabinet Members**

	<b>Council Role</b>	<b>Company Role</b>
Councillor Kelham Cooke	The Leader of the Council	Chairman of ISK
Councillor Barry Dobson	The Deputy Leader of the Council	Director of ISK
Councillor Annie Mason	Cabinet Member for Communities	-
Councillor Dr Peter Moseley	Cabinet Member for Commercial & Operations	Chairman of ESK & Chairman of ESK (Commercial Services)
Councillor Robert Reid	Cabinet Member for Housing & Planning	-
Councillor Adam Stokes	Cabinet Member for Finance & Resources	-
Councillor Rosemary Trollope-Bellew	Cabinet Member for Culture & Visitor Economy	-

## Other Members

Councillor Bob Adams	Councillor Linda Wootten	
----------------------	--------------------------	--

## Officers

	<b>Council Role</b>	<b>Company Role</b>
Karen Bradford	Council Chief Executive	Director of ISK
Shahin Ismail	Council Director (Law & Governance)	-
Gary Smith	Council Strategic Director (Commercial & Operations)	-
Paul Thomas	Council Strategic Director (Growth)	Director of ISK
Mark Jones	Council Community Resilience Lead	Director of ESK & Director of ESK (Commercial Services)
Ian Yates	Council Assistant Director (Commercial & Operations)	Director of ESK & Director of ESK (Commercial Services)
Steve Bowyer	-	Chief Executive of ISK

## Key Messages & Conclusions

The workshop was intended to clarify the Companies Committee's expectations and requirements from the Council's companies, specifically around the information and frequency of reporting to the Committee. It was explained that the Companies Committee represents the shareholder to provide advice and recommendations on strategic oversight and direction to the Council's companies.

The Companies Committee has an important role to play and it requires good quality and relevant information – including financial – to be reported to the Committee so that they can make informed decisions and satisfy themselves around the strategic performance of the companies. Cllr Jeal and Cllr Dawson proposed the following as a guide.

<b>Entity</b>	<b>Reporting Requirement</b>	<b>Frequency</b>
<b>Gravitas Housing</b>	<ul style="list-style-type: none"><li>• Business plan</li><li>• Management accounts</li><li>• AGM notes</li></ul>	<ul style="list-style-type: none"><li>• 6 monthly</li><li>• 6 monthly</li><li>• Annually</li></ul>
<b>Invest SK</b>	<ul style="list-style-type: none"><li>• Business plan (including the Stakeholder management &amp; communication strategy)</li></ul>	<ul style="list-style-type: none"><li>• 6 monthly</li></ul>

	<ul style="list-style-type: none"> <li>• Management accounts</li> <li>• AGM Notes</li> </ul>	<ul style="list-style-type: none"> <li>• 6 monthly</li> <li>• Annually</li> </ul>
<b>Environment SK &amp; Environment SK (Commercial Services)</b> (taken together as one)	<ul style="list-style-type: none"> <li>• Business plan</li> <li>• Management accounts</li> <li>• Sales figures</li> <li>• AGM notes</li> </ul>	<ul style="list-style-type: none"> <li>• 6 monthly</li> <li>• 6 monthly</li> <li>• 6 monthly</li> <li>• Annually</li> </ul>
<b>Wherry's Lane Management Company</b>	<ul style="list-style-type: none"> <li>• Annual accounts</li> <li>• AGM notes</li> </ul>	<ul style="list-style-type: none"> <li>• Annually</li> <li>• Annually</li> </ul>
<b>Auber's Ridge Management Company</b>	<ul style="list-style-type: none"> <li>• Annual accounts</li> <li>• AGM notes</li> </ul>	<ul style="list-style-type: none"> <li>• Annually</li> <li>• Annually</li> </ul>
<b>East Midlands Building Consultancy</b>	<ul style="list-style-type: none"> <li>• Abridged Business Plan</li> <li>• Financial figures</li> </ul>	<ul style="list-style-type: none"> <li>• Annually</li> <li>• Annually</li> </ul>
<b>Deliver SK</b> – not established	<ul style="list-style-type: none"> <li>• N/a</li> </ul>	<ul style="list-style-type: none"> <li>• N/a</li> </ul>
<b>Homes SK</b> – not established	<ul style="list-style-type: none"> <li>• N/a</li> </ul>	<ul style="list-style-type: none"> <li>• N/a</li> </ul>

**Conclusion for recommendation:** The table above is used to update the Companies Committee work programme.

If required, the frequency of the Companies Committee meetings would be increased to meet the timescale of reviewing and scrutinising the business plans and accounts.

Cllr Jeal talked through the template business plan which he offered as an example of what he as Chairman of the Companies Committee would expect. There were various comments on the template and it was reaffirmed that it is not the role of the Companies Committee to get involved in operation detail and this is not the intention of the template. It was also recognised that some companies may be delivering services and benefits which may be intangible and non-profit related. With this in mind, each company should apply proportionality in how they interpret and complete it.

The Chairman asked if there were any other points or suggestions that the workshop attendees wished to raise. There were a number noted before the meeting and some Members began to introduce suggestions but these were withdrawn during the meeting. The committee remains open to suggestions in the future if Members can build a case to require such information.

**Conclusion for recommendation:** The appended business plan template is adopted as the Companies Committee's preferred default template.

It was reiterated that the day to day duties and operations of the companies must be left to the company directors and the staff they employ to manage the company. Directors have a duty under s172 Companies Act 2006 to act in good faith and to exercise their powers diligently. This duty is owed to the company and not directly to its shareholders.

It is not appropriate to fetter directors in terms of seeking to influence or get involved in the operation detail or delivery of the company.

The overriding objective was to enable the Companies Committee to have sufficient information, including financial information, to enable them to fulfil their remit on behalf of the Council. Whilst recognising the need to protect commercial confidentiality, the Council's companies should be operating and working with the Companies Committee in an open and transparent way

Following a query, it was confirmed that the Information Commissioner has the view that local authority wholly owned companies are subject to the Freedom of Information Act 2000, especially when handling information from the Council. It was also explained that Council companies may not be subject to the same procurement rules as local authorities, depending on their functions, but they remain accountable and ought to seek to operate with transparency.

It was requested that the Companies Committee are notified of director changes and any relevant declarations of interest.

The meeting closed at 4:45pm

### **Companies Committee Terms of Reference**

*The Terms of Reference of the Companies Committee are to:*

- (1) Consider proposals on the creation of any new company or joint venture, and make recommendations to Cabinet as to the need, desirability and business objectives of the new entity prior to its creation;*
- (2) Approve and monitor Strategic Business Plans of any new company/joint venture together with any substantive changes to those plans;*
- (3) Have oversight on an annual basis of the Strategic Business Plans of existing companies/joint ventures and to consider any substantive changes to those plans;*
- (4) Receive reports and evaluate strategic performance, including financial performance, against Strategic Business Plans;*
- (5) Make recommendations to the Cabinet on:
  - a. Appropriate skills and expertise at Board level;*
  - b. The strategic objectives;*
  - c. The strategic direction**
- (6) Approve the appointment of company directors, subject to the Articles of Association of the company concerned.*



SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL

# ABC Ltd

## Business Plan

Version	Purpose	Author	Date
1.0	Document Creation	Mr Smith	Jan 2000

# Table of Contents

I.	<b>Executive Summary .....</b>	<b>6</b>
	Highlights	
	Milestones	
	Keys to Success	
II.	<b>Background of Business .....</b>	<b>6</b>
	Company Ownership/Legal Entity Structure	
	Business Location / Company Assets	
	Products and Services	
	Suppliers	
	Debt	
	Management	
	Org Chart	
	HR Strategy	
	Financial Management	
	SWOT Analysis	
III.	<b>Marketing and sales .....</b>	<b>9</b>
	Market Landscape Summary	
	Market Analysis	
	Detailed Market Segmentation	
	Competition	
	Pricing	
IV.	<b>Actuals and Projections .....</b>	<b>11</b>
V.	<b>Appendix.....</b>	<b>13</b>
	Start-Up Expenses	
	Cash Flow	
	Income Projection Statement	
	Profit and Loss Statement	
	Balance Sheet	
	Break-Even Analysis	
	Miscellaneous Documents	

# Executive Summary



Abc Ltd project the creation of a company valued at \$100,000,000 within 5 years form an investment of \$X. We will achieve this by doing X, Y and Z

*[It is tough to write an objective like this for many of our companies, but with a bit of thought it is not impossible:]*

Abc Ltd project the creation of a company generating £200k in gross profit within 5 years on a sales on GBP2million. We will achieve this with a relentless focus on delivering X and Y.

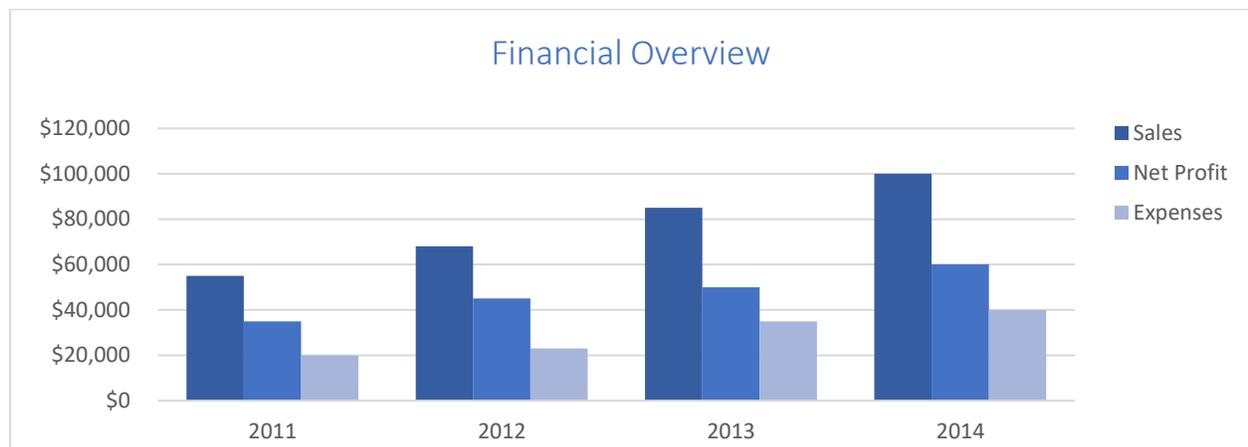
Abc Ltd project the creation of a company that will drive up the ratable value of the district by £xmilion within 5 years. We will achieve this by delivering a, b and c

Tyr to make this Strategic Measurable Achievable Realistic and Timely SMART

## Highlights

Summarize key business highlights. For example, you might include a chart showing sales, expenses and net profit for several years.

Add a clear Strategy. Show day one momentum or something that makes this business different to other similar businesses and why this one will deliver or achieve results over and above competitors.



## Milestones



For example, include a timeline of the milestones you hope you to achieve – make these SMART.

## Keys to Success



Describe unique or distinguishing factors that will help your business plan succeed. What gives you day one momentum.

## Background of Business



Give a positive, concise, and fact-based description of your business: what it does, and what is going to make it unique, competitive and successful. Describe special features that will make your business attractive to potential customers and identify your company's primary goals and objectives.

## Company Ownership/Legal Entity Structure



*Detail the legal entity structure and any future changes to the legal entity structure. If it is limited by Teckal arrangements, explain this but don't suggest that the company is defined by this. If this involves tax planning, explain this with reference to the shareholding*

## Business Location / Company Assets



- *Where is the business located,*
- *What assets does it have (Hard and soft)*

## Products and Services



- *Detail existing Products and Services*
- *Detail any other products that the company may be considering*
- *Detail demand levels and price sensitivity for the above*
- *Detail delivery constraints, demand elasticity/characteristics*

## Suppliers



*If information about your suppliers—including your financial arrangements with them—*

*Detail any supply constraints*

*Relationships with suppliers or monopsonistic (one buyer) arrangements or monopolistic tendencies within the industry*

## Debt



*Are you carrying any debt, how much, how did you get it, why did you get it, where did you get it, what did you promise to get it? Show an application process. How much did it cost, how was it or will it be used, what is the path to debt freedom.*

## Management



*How will your background or experience help you to make this business a success? How active will you be and what areas of management will you delegate to others?*

*Describe any other people who will be/are managing your business, including the following:*

- *What are their qualifications and background? (Brief Resumes can be included in an Appendix.)*
- *What are their strengths or areas of expertise that support the success of your business?*
- *What are their responsibilities and are those clearly defined (particularly important in partnership agreements)?*

- *What skills does your management team lack that must be supplied by outside sources or by additional hiring?*
- *Evidence of success*

*If your business has employees, describe the chain of command. What training and support (such as a handbook of company policies) will you provide to employees? Will you provide any incentives to employees that will enhance the growth of your company?*

*include information about operating procedures.*

*What reporting infrastructure is there? Daily meetings, weekly meetings. KPIs performance matrices?*

## Org Chart



*Detailed org chart, who are the key employees, qualifications and experience. Detail reporting lines, key performance indicators of business areas. Skill gaps and weaknesses should be outlined here. If there are key reliance on outsourced partners, this should be detailed along with financial*

- *What are their qualifications and background? (brief Resumes of key employees can be included in an Appendix.)*
- *What are their strengths or areas of expertise that support the success of your business?*
- *What are their responsibilities and are those clearly defined (particularly important in partnership agreements)?*
- *What skills does your management team lack that must be supplied by outside sources or by additional hiring?*

*If your business has employees, describe the chain of command. What training and support (such as a handbook of company policies) will you provide to employees? Will you provide any incentives to employees that will enhance the growth of your company?*

## HR Strategy



*Are there any ongoing or upcoming HR issues, who is involved and who is the HR manager responsible for performance appraisal. Assessment process, how good employees are developed and how unsuitable employees are freed up*

*Detail remuneration strategy*

## Financial Management



*As you write this section, consider that the way company finances are managed can be the difference between success and failure.*

*Based on the particular products or services you intend to offer, explain how you expect to make your business profitable and within what period of time. Will your business provide you with a good cash flow or will you have to be concerned with sizeable Accounts Receivable and possible bad debts or collections?*

*The full details of your start-up and operating costs should be included in the Appendix. However, you can reference appropriate tables, charts, or page numbers as you give a brief, summary accounting of your start-up needs and operating budget.*

- *Start-up needs should include any one-time only purchases, such as major equipment or supplies, down-payments, or deposits, as well as legal and professional fees, licenses/permits, insurance, renovation/design/decoration of your location, personnel costs prior to opening; advertising or promotion*
- *Once you are ready to open your business, you will need an operating budget to help prioritize expenses. It should include the money you need to survive the first three to six months of operation and indicate how you intend to control the finances of your company. Include the following expenses: rent, utilities, insurance, payroll (including taxes), loan payments, office supplies, travel and entertainment, legal and accounting, advertising and promotion, repairs and maintenance, depreciation, and any other categories specific to your business.*

You can also include information (or cross-reference other sections of this business plan if covered elsewhere) about the type of accounting and inventory control system you are using

## SWOT Analysis



Briefly outline what you believe are the 3 main Strengths, Weaknesses, Opportunities and Threats to this business, with mitigation strategies where necessary.

## Marketing and sales



Sales and Marketing is what define all successful businesses. This is the one operational area where shareholders will want to understand a lower level of detail.

## Market Landscape Summary



- All businesses sit within a competitive landscape – detail who else is offering the service, how big the industry is
- Acquisition targets
- Rate the competitors and how this company intends to differentiate itself or find space within the competitive landscape

## Market Analysis



What is your target market? (Who is most likely to buy your products or use your services?) What are the demographics? What is the size of your potential customer base?

Where are they? How are you going to let them know who and where you are and what you have to offer?

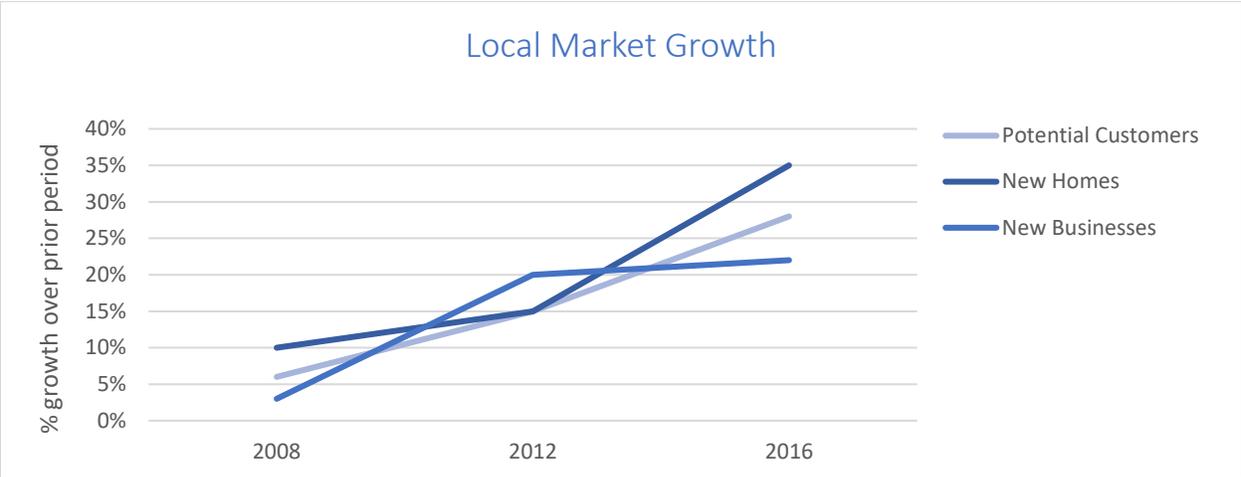
If you believe that you have something new, innovative or that isn't generally available: How do you know that there is a market for it—that people are willing to pay for what you have to offer?

Consider the market you are trying to reach: Is it growing, shrinking or static?

What percentage of the market do you think you will be able to reach? How will you be able to grow your market share?

If you have consultancy analysis of the market this is where to show it

Note: You might include a chart, such as the one that follows, to demonstrate key points about your market potential at-a-glance.



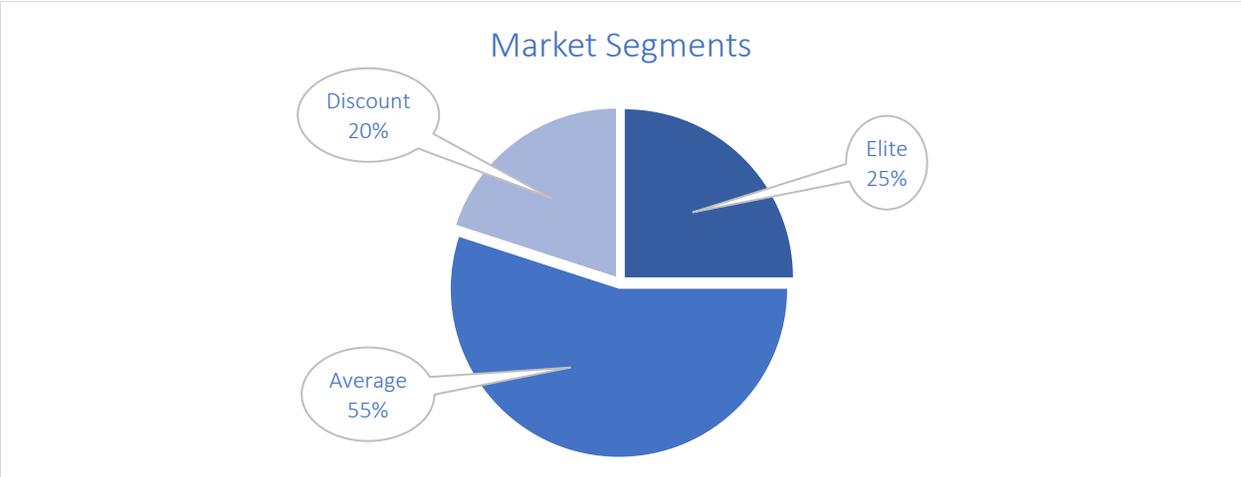
### Detailed Market Segmentation

**i** *Is the target market segmented? Are there different levels within the same type of business, each offering a difference in quality, price, or range of products?*

*Is this market segmentation governed by geographic area, product lines, pricing, or other criteria?*

*Into which market segment will your primary business fall? What percentage of the total market is this segment? What percentage of this segment will your business reach?*

*Note: A pie chart is a good way to demonstrate part-to-whole relationships, such as the percentage of the target market that falls into each major segment. To change the shape of the data labels, right-click a label and then click Change Data Label Shapes.*



### Competition

**i** *Who else is doing what you are trying to do?*

*Briefly describe several of your nearest and greatest competitors. What percentage of the market does each reach? What are their strengths and weaknesses? What can you learn from the way they do business, from their pricing, advertising, and general marketing approaches? How do you expect to compete? How do you hope to do better?*

*What indirect competition will you face, such as from internet sales, traditional retail, or international imports?*

*How will you keep abreast of technology and changing trends that may impact your business in the future?*

## Pricing



*How have you developed your pricing policy?*

*Which of the following pricing strategies might best suit your business? Retail cost and pricing, competitive position, pricing below competition, pricing above competition, multiple pricing, price lining, pricing based on cost-plus-markup, or other?*

*What are your competitors' pricing policies and how does yours compare? Are your prices in line with industry averages?*

*How will you monitor prices and overhead to ensure that your business will operate at a profit?*

*Have you performed secret shopper analysis – what were the findings.*

*Have consultants advised on pricing*

*How do you plan to stay abreast of changes in the marketplace, to ensure that your profit margins are not adversely affected by new innovations or competition?*

## Advertising and Promotion



*How do you intend to promote your business?*

*Which of the following advertising and promotion options offer you the best chances of successfully growing your business?*

*Directory services, social networking websites, media (newspaper, magazine, television, radio), direct mail, telephone solicitation, seminars and other events, joint advertising with other companies, sales representatives, word-of-mouth, direct sales or other?*

*How will you determine your advertising budget? What other budgets will you use for promotion – brochures, digital advertising*

*How will you track the results of your advertising and promotion efforts?*

*Is there a seasonality to your marketing or promotion – how will this be managed*

*Brainstorm marketing, advertising and promotional opportunities? Show that you have thought about this laterally*

## Strategy and Implementation



*Now that you have described the important elements of your business, you may want to summarize your strategy for their implementation. If your business is new, prioritize the steps you must take to open your doors for business. Describe your objectives and how you intend to reach them and in what time parameters.*

*Planning is one of the most overlooked but most vital parts of your business plan to ensure that you are in control (as much as possible) of events and the direction in which your business moves. What planning methods will you utilize?*

## Sample Sales Pitch



*Detail a sample sales pitch, who would do it, how would they do it, what is included, what is the follow up, what are the lessons, how will this be refined.*

## Actuals and Projections



*Targets and Facts.*

## **Actuals**



*Detail actual sales, costs (split out the larger costs), turnover figures. Specify which figures are net or gross*

*Balance sheet, management accounts, cashflow statements and should be added to the appendices. If there are actual financials available – these must be made available*

## **Target Sales**



*Give 5 year sales projections in as detailed a way as possible. These should be realistic*

## **Cost control**



*How is this business controlling costs, where is it spending money?*

*5 year expense projections in as detailed a way as possible*

*Taxation strategy*

## **'Moonshot'**



*If all the stars align – what is the best case. Give assumptions that have driven you to this best cases scenario*

## **'Meltdown'**



*If you do everything above and things go badly wrong – how am I going to get my money back, how is it protected and what is the worst that can happen. Detail important creditors that may need paying before I get my money back*

## **Exit Strategy**



*Is there an exit strategy, what options have been considered? Organic growth forever, listing on the London Stock Exchange, trade sale, management buy out*

*This is where some wild 'take over the world' ideas can be placed.*

## **Business Plan Review Strategy**



*Detail how this plan is reviewed and how it will be kept on track*

## Appendix

---

### Start-Up Expenses

Business Licenses	
Incorporation Expenses	
Deposits	
Bank Account	
Rent and location expenses	
Interior Modifications	
Equipment/Machinery Required:	
Category 1	
Category 2	
Category 3	
<i>Total Equipment/Machinery</i>	
Insurance	
Office expenses	
Brochures	
Pre-Opening Advertising	
Other (list):	
Item 1	
Item 2	
<b>TOTAL STARTUP</b>	

**Cash Flow**

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Starting cash												
Cash In:												
Cash Sales												
Receivables												
<i>Total Cash Intake</i>												
Cash Out (expenses):												
Rent												
Utilities												
Payroll (incl. taxes)												
Benefits												
Loan Payments												
Travel												
Insurance												
Advertising												
Professional fees												
Office supplies												

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Postage												
Telephone												
Internet												
Bank fees												
<i>Total Cash Outgo</i>												
<b>ENDING BALANCE</b>												

## Income Projection Statement



The Income Projection Statement is another management tool to preview the amount of income generated each month based on reasonable predictions of the monthly level of sales and costs/expenses. As the monthly projections are developed and entered, these figures serve as goals to control operating expenses. As actual results occur, a comparison with the predicted amounts should produce warning bells if costs are getting out of line so that steps can be taken to correct problems.

The Industrial Percentage (Ind. %) is calculated by multiplying costs/expenses by 100% and dividing the result by total net sales. It indicates the total sales that are standard for a particular industry. You may be able to get this information from trade associations, accountants, banks, or reference libraries. Industry figures are a useful benchmark against which to compare the costs/expenses of your own business. Compare your annual percentage with the figure indicated in the industry percentage column.

The following is an explanation for some of the terms used in the table that follows:

- **Total Net Sales (Revenue):** This figure is your total estimated sales per month. Be as realistic as possible, taking into consideration seasonal trends, returns, allowances, and markdowns.
- **Cost of Sales:** To be realistic, this figure must include all the costs involved in making a sale. For example, where inventory is concerned, include the cost of transportation and shipping. Any direct labor cost should also be included.
- **Gross Profit:** Subtract the cost of sales from the total net sales.
- **Gross Profit Margin:** This is calculated by dividing gross profits by total net sales.
- **Controllable Expenses:** Salaries (base plus overtime), payroll expenses (including paid vacations, sick leave, health insurance, unemployment insurance and social security taxes), cost of outside services (including subcontracts, overflow work and special or one-time services), supplies (including all items and services purchased for use in the business), utilities (water, heat, light, trash collection, etc.), repair and maintenance (including both regular and periodic expenses, such as painting), advertising, travel and auto (including business use of personal car, parking, and business trips), accounting and legal (the cost of outside professional services).
- **Fixed Expenses:** Rent (only for real estate used in business), depreciation (the amortization of capital assets), insurance (fire, liability on property or products, workers' compensation, theft, etc.), loan repayments (include the interest and principal payments on outstanding loans to the business), miscellaneous (unspecified, small expenditures not included under other accounts or headings).
- **Net Profit/Loss (Before Taxes):** Subtract total expenses from gross profit.
- **Taxes:** Inventory, sales, excise, real estate, federal, state, etc.
- **Net Profit/Loss (After Taxes):** Subtract taxes from net profit before taxes.
- **Annual Total:** Add all monthly figures across the table for each sales and expense item.
- **Annual Percentage:** Multiply the annual total by 100% and divide the result by the total net sales figure. Compare to industry percentage in first column.

	Ind. %	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Annual Total	Annual %
Est. Net Sales															
Cost Of Sales															
Gross Profit															
Controllable Expenses:															
Salaries/Wages															
Payroll Expenses															
Legal/Accounting															
Advertising															
Travel/Auto															
Dues/Subs.															
Utilities															
Misc.															
<i>Total Controllable Exp.</i>															
Fixed Expenses:															
Rent															
Depreciation															
Insurance															
Permits/Licenses															
Loan Payments															
Misc.															
<i>Total Fixed Expenses</i>															
<i>Total Expenses</i>															
Net Profit/Loss Before Taxes															
Taxes															
<b>NET PROFIT/LOSS AFTER TAXES</b>															

## Profit and Loss Statement



This table essentially contains the same basic information as the income projection statement. Established businesses use this form of statement to give comparisons from one period to another. Many lenders may require profit and loss statements for the past three years of operations.

Instead of comparing actual income and expenses to an industrial average, this form of the profit and loss statement compares each income and expense item to the amount that was budgeted for it. Most computerized bookkeeping systems can generate a profit and loss statement for the period(s) required, with or without budget comparison.

### Profit and Loss, Budget vs. Actual: ([Starting Month, Year]—[Ending Month, Year])

	[Starting Month, Year]—[Ending Month, Year]	Budget	Amount over Budget
Income:			
Sales			
Other			
<i>Total Income</i>			
Expenses:			
Salaries/Wages			
Payroll Expenses			
Legal/Accounting			
Advertising			
Travel/Auto			
Dues/Subs.			
Utilities			
Rent			
Depreciation			
Permits/Licenses			
Loan Repayments			
Misc.			
<i>Total Expenses</i>			
<b>NET PROFIT/LOSS</b>			

## Balance Sheet



Following are guidelines for what to include in the balance sheet: (For use in established businesses)

- **Assets:** Anything of value that is owned or is legally due to a business. Total assets include all net values; the amounts that result from subtracting depreciation and amortization from the original cost when the asset was first acquired.

### Current Assets:

- **Cash**—Money in the bank or resources that can be converted into cash within 12 months of the date of the balance sheet.
- **Petty Cash**—A fund of cash for small, miscellaneous expenditures.
- **Accounts Receivable**—Amounts due from clients for merchandise or services.
- **Inventory**—Raw materials on hand, work-in-progress, and all finished goods (either manufactured or purchased for resale).
- **Short-term Investments**—Interest or dividend-yielding holdings expected to be converted to cash within a year; stocks, bonds, certificates of deposit and time-deposit savings accounts. These should be shown at either their cost or current market value, whichever is less. Short-term investments may also be called “temporary investments” or “marketable securities.”
- **Prepaid Expense**—Goods, benefits or services that a business pays or rents in advance, such as office supplies, insurance or workspace.
- **Long-term Investments**—Holdings that a business intends to retain for at least a year. Also known as long-term assets, these are usually interest or dividend paying stocks, bonds or savings accounts.
- **Fixed Assets**—This term includes all resources that a business owns or acquires for use in its operations that are not intended for resale. They may be leased rather than owned and, depending upon the leasing arrangements, may have to be included both as an asset for the value and as a liability. Fixed assets include land (the original purchase price should be listed, without allowance for market value), buildings, improvements, equipment, furniture, vehicles.

### Liabilities:

- **Current Liabilities:** Include all debts, monetary obligations, and claims payable within 12 months.
- **Accounts Payable**—Amounts due to suppliers for goods and services purchased for the business.
- **Notes Payable**—The balance of the principal due on short-term debt, funds borrowed for the business. Also includes the current amount due on notes whose terms exceed 12 months.
- **Interest Payable**—Accrued amounts due on both short and long-term borrowed capital and credit extended to the business.
- **Taxes Payable**—Amounts incurred during the accounting period covered by the balance sheet.
- **Payroll Accrual**—Salaries and wages owed during the period covered by the balance sheet.
- **Long-term Liabilities**—Notes, contract payments, or mortgage payments due over a period exceeding 12 months. These should be listed by outstanding balance less the current position due.
- **Net Worth**—Also called owner’s equity. This is the amount of the claim of the owner(s) on the assets of the business. In a proprietorship or partnership, this equity is each owner’s original investment plus any earnings after withdrawals.

Most computerized bookkeeping systems can generate a balance sheet for the period(s) required.

Note: Total assets will always equal total liabilities plus total net worth. That is, the bottom-line figures for total assets and total liabilities will always be the same.

Assets	
<b>Current Assets:</b>	
<b>Cash:</b>	
Petty Cash	
Accounts Receivable	
Inventory	
Short-Term Investment	

Liabilities	
<b>Current Liabilities:</b>	
Accounts Payable	
Notes Payable	
Interest Payable	
Taxes Payable:	

Prepaid Expense	
Long-Term Investment	
Fixed Assets:	
Land	
Buildings	
Improvements	
Equipment	
Furniture	
Automobiles/Vehicles	
Other Assets:	
Item 1	
Item 2	
Item 3	
<b>TOTAL ASSETS:</b>	

Federal Income Tax	
State Income Tax	
Self-Employment Tax	
Sales Tax (SBE)	
Property Tax	
Payroll Accrual	
Long-Term Liabilities	
Notes Payable	
<b>NET WORTH/OWNER'S EQUITY/RETAINED EARNINGS</b>	
<b>TOTAL LIABILITIES:</b>	

## Break-Even Analysis



Use this section to evaluate your business profitability. You can measure how close you are to achieving that break-even point when your expenses are covered by the amount of your sales and are on the brink of profitability.

A break-even analysis can tell you what sales volume you are going to need in order to generate a profit. It can also be used as a guide in setting prices.

There are three basic ways to increase the profits of your business: generate more sales, raise prices, and/or lower costs. These should be stress tested as to how they affect sales. All can impact your business: if you raise prices, you may no longer be competitive; if you generate more sales, you may need added personnel to service those sales which would increase your costs. Lowering the fixed costs your business must pay each month will have a greater impact on the profit margin than changing variable costs.

- *Fixed costs: Rent, insurance, salaries, etc.*
- *Variable costs: The cost at which you buy products, supplies, etc.*
- *Contribution Margin: This is the selling price minus the variable costs. It measures the dollars available to pay the fixed costs and make a profit.*
- *Contribution Margin Ratio: This is the amount of total sales minus the variable costs, divided by the total sales. It measures the percentage of each sales dollar to pay fixed costs and make a profit.*
- *Break-even Point: This is the amount when the total sales equals the total expenses. It represents the minimum sales dollar you need to reach before you make a profit.*

## Miscellaneous Documents



In order to back up the statements you may have made in your business plan, you may need to include any or all of the following documents in your appendix:

- *Brief resumes*
- *Contracts*

- *Legal documents*
- *business tax returns*
- *Miscellaneous relevant documents.*
- *Photographs*