

N. P. PRISCHEPA

BUSINESS PLANNING



**MINISTRY OF EDUCATION AND SCIENCE, YOUTH AND
SPORT OF UKRAINE
STATE ESTABLISHMENT
LUHANSK TARAS SHEVCHENKO NATIONAL UNIVERSITY**

N. P. Prischepa

Business planning

Text-book

(for help for foreign students of all forms of study
specialties “Management of Organization” and “Marketing”)

**Luhansk
SE “LNU of Taras Shevchenko”
2012**

УДК 658.001.14(075.8)
ББК 65.291.231.1я73Англ
Р49

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Prischepa N. P.

Р49 Business planning: text-book (for help for foreign students of all forms of study specialties “Management of Organization” and “Marketing”) / N. P. Prischepa. – Luhansk: Publishing House of the SE “LNU of Taras Shevchenko”, 2012. – 121 p.

The manual is aimed to form the complex of theoretical knowledge and practical skills in preparing a business plan in accordance with international standards of development of business projects with the use of computer systems.

The manual is created for the students of the specialties “Management of Organization”, “Marketing” and the ones who are specialized in Economics, Business and Management.

УДК 658. 001.14(075.8)
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*Recommended for typing by educational and methodological congress
of Luhansk Taras Shevchenko National University
(Protocol number 8 from 14 march 2012 year)*

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Introduction

The process of any planning, and therefore, making of a business plan, is completed by preparing a plan, in this case - a business plan.

A concept "business plan" is just "entering" in the economic lexicon of our businessmen.

This text-book is worked out in accordance with the demands of the standart syllabus of the course "Business Planning". It covers all content modules for preparing a specialist with the qualification "Manager" of the specialties "Management of Organization" and "Marketing".

The aim of the course "Business Planning" is the formation of systematic understanding of business planning, understanding of business plan preparation and its use in practice. Prerequisites (competencies necessary for successful course completion) are courses: "Economy", "Principles of Management", "Operations Research", "Marketing", "Statistics", "Economics of enterprise", "Risk- management".

The main goal of this text-book is to provide theoretical and practical skills in preparing a business plan in accordance with international standards of development of business projects with the use of computer systems.

This text-book contains theoretical basis of business planning (general concepts, content and structure), Methodical instructions for undergraduate thesis accomplishment in discipline "Business Planning", practical example of a business plan and List of use and recommended literature.

The manual is created for the students of the specialty "Management of Organization", "Marketing" and the ones who are specialized in Economics, Business and Management.

1. BUSINESS PLAN: GENERAL CONCEPTS, CONTENT, STRUCTURE

1.1. General concepts, methodical grounding of a business plan

The process of any planning, and therefore, making of a business plan, is completed by preparing a plan, in this case - a business plan.

In the scientific and educational literature business plan is defined as:

- a special tool of management that is widely used almost in all fields of modern market economy, regardless of scale, ownership and spheres of the enterprise activity [13, 184];

- generally accepted means of management, the functional form of continuity planning [15, 207];

- standard document for most countries with developed market economy in which conception is grounded in details intended for realization of the real investment project, and its basic descriptions are pointed [9, 143];

- a document that highlights the purpose and business objectives of the project, characteristics of products (services) offered on the market, market research, resources for the project, organization of its implementation, economic efficiency. It has a complex character, it contains elements with the feasibility study of production, combines the current and perspective planning; implies the multiplicity of calculations in relation with the nomenclature of products and services, production volumes, profit margins and others; counted on the market conditions of management, given to investors or clients which will co-operate with an enterprise [2, T.1, 751].

A concept "business plan" is just "entering" in the economic lexicon of our businessmen. Meanwhile, foreign businessmen have

already recognized that without a plan they can not start any important commercial event.

The question is not about a "Five-Year Plan" and not about the past techpromfinplans. In general, if to put the planned documents, which were used by socialistic enterprises and business plan together, then, at first sight, they have much in common. It is an operation with the same categories: price, prime price, production and realization volumes, profitability, etc.

And the structure between them has also much in common: the goal and means of its achievement are determined. It is possible to suspect, that the idea of appearance of business plans is transformed from the bowels of the planned economy.

But, if the planned economy was based on legislative performance, which was the basis for regulatory planning, business plans are based on such market categories as demand, suggestion, and competition.

If the planning system covered all areas of activity (production, science, education, health, culture), business plans are used where the market relations take place, if it is possible to get an income, where the utility and profitability are present.

In foreign practice the opening of business without such a plan, probably, will be a failure. Moreover, as this practice shows, a business plan is required to all those who give money for the project (to the bankers, investors and employees which wish to know the prospects and understand better the tasks and the main thing it is necessary, to analyze the ideas, check them for rationality, reality).

The personal participating of the leader in drafting the business plan is so important, that some investors renounce to look at requests about giving the money at all, if it becomes known that a business plan was from the beginning and to the end prepared by a consultant outside, and only signed by a leader.

This does not mean that you should not use the services of consultants, engagement of experts is not banned by investors. We speak about the other thing, that preparing a business plan requires

the personal participation of the leader of the enterprise or a person who is going to open a business.

Beginning the work a leader designs the future activity as though checking its durability and project, and himself if he has enough strength to bring this plan to success and move on. Moreover, it is necessary to attract specialists in industry of technique and technology to the development of business plans, especially where it comes to creating a new production.

Today talking about business plans is extremely relevant because of three reasons:

- firstly, market economy begins to gain speed, a new generation of entrepreneurs has come. Most of them have never managed any commercial enterprise before and therefore they do not always clearly imagine all the range of issues that are expecting them;

- secondly, changing market conditions will put the experienced managers in front of the necessity of the other way to calculate their future steps and to prepare for the unusual case as a struggle against competitors;

- thirdly, receiving the investments largely depend on the ability to justify the application, quality of the calculations, reasoning resulted in the proposed drafts;

A business plan is called to help in solving all these problems. It is a document which replaced the usual techpromfinplan.

The manual describes how to prepare a business plan. Recommendations given for are beyond the scopes of simple consideration of that, how it is necessary to behave while preparing enterprise suggestions. It is explained why that or other information is necessary, how it is better to present it.

The entrepreneur, who develops a business plan, should realize how especially susceptible are those, who will read the document, and make decisions about the financing of the project.

Many businesses underestimate the importance of writing a business plan. They do not understand how the presence of a carefully developed business plan can help new businesses to get capital, to determine the prospects for the future and also to make tables which make it possible to estimate, how the business develops.

This guide is not only considered important aspects of the business plan but also offer specific help in its preparation. Organizing a new enterprise in business is a serious task.

Although statistics on the failure rate of new businesses changing, indicates that the risk is quite large, especially in first few years. Under these conditions there are difficult problems. In the light of this, businessmen must operate confidently, that foresees meticulous preparation of business plan.

The process of writing a business plan will force the entrepreneur to study carefully each element of his alleged risk employment which needs to devote yourself, and in which a lot of weaknesses and gaps may be, the removal of which have to pay significant attention.

Where it is impossible to manage with such problems, and where their circle is very wide, the fact of this will allow the entrepreneur to take decision about waiver of creation the enterprise before money will be invested to it.

Business people are generally configured to act, but not to make suggestions. They prefer to be on a battle-field, "on the edge of Business", but not to sit at a rear and develop a plan. And most of them meet with difficulties when it is needed to expound distinctly the understanding of business that is often for them the "second nature".

Therefore, training and preparing a business plan becomes a heavy duty for them, which, however, they must perform. And no matter how hard the present case is, the business plan is absolutely necessary for any enterprise.

It performs three functions:

Firstly, it can be used to develop the concept of doing business. There is an opportunity to elaborate a strategy to avoid mistakes and still "on paper" and not in reality, having considered the company from all marketing, finance and production activities.

Second, the business plan is a tool through which the entrepreneur can estimate the actual results of the company for a specified period.

For example, the financial section of a business plan can be used as a basis for budgeting and careful production activity control for that, how well the company adheres to it.

Such a plan can and should be the basis for the new plan. After some time (and afterwards periodically) it should be checked out with a business plan, to find out what indicators the enterprise have avoided, and whether these deviations can be considered favorable or adverse, and also to define how business must develop in future.

Finally, the third purpose of the business plan is the involvement or "gaining" resources. Most investors will not invest money in business without being acquainted with the business plan. If the entrepreneur will appeal to potential investors with ideas, but without a ready business plan, he will be asked to prepare an appropriate plan and come again. Or, worse, a potential source of money does not accept such a businessman seriously and doesn't offer him to come again.

Anyway a business plan must be made, if a businessman wants to be dealt with. The business plan is a document called a course highlight, which should keep the company within the specified time period.

Most businesses make business plans for one year. The main attention is paid for the future 12 months and less specifically considered activity in the next two or four years. And only in rare cases, business plans can cover a period more than five years because

by its nature a business plan is a "hybrid" document: partially - pragmatic basting, partially - advertising mean; its maintenance and tone of exposition must be strictly self-possessed. Information must be exact and at the same time, give sense of optimism and enthusiasm.

Although it is necessary to recognize the risks but much attention shouldn't be paid to them. The tone of exposition must be a business tone.

At the same time, interested people who will respond to positive and exciting presentation will read a business plan, but turn it away, if it is boring, hasty and badly constructed.

So a business plan with successful and good graphic art, smart and attractive description of a business has more chances to attract attention, than that, which looks inexpressive, grey. Business plan is a constantly recurring process, because understanding and conclusions arising from these considerations must be always reviewed. Actually, the process of preparation of a business plan never must be closed.

To get financing, it is necessary, at least, few months. If agreements are concluded in three months, it is considered in the business world that it's very quickly. Terms look more realistic in six or more months.

Some potential sources of funding can request to bring a plan in accordance with new terms, fresh ideas or last financial indexes if the company has already conducted their business. Although the company is formally makes a new business plan annually, its implementation is controlled constantly, and clarification is made as often as possible, perhaps, quarterly or even monthly.

Business plan as an "estimated" document. Many ideas about the business plan associated with the idea of enterprise just starting out. However, it is not entirely true. Businesses that have already passed the stage of formation should also make business plans, and Western companies do it.

A business plan for an already formed business performs several functions. First of all it is the method of achievement consensus and consistency in the enterprise. At that time, as at the starting enterprises one or two persons engaged in preparing a business plan, at the mature enterprise, especially at large, several people make this work.

At that time, when the business plan held a series of discussions and modifications and adopt its final form almost all those who were involved in working on it will look at an enterprise from positions of this plan.

Complaints can often be heard from the leaders of already existing small businesses, that is because of excessive concerns with everyday driving, it's too little time for planning.

This circumstance deserves regret, because permanent work of making plans for small enterprise is more important than for a large one. In many cases, business plan for any enterprise is the first experience in strategic planning.

In contrast to how many people think, strategic planning can not only be conducted in the framework of small enterprises, but also have a vital value as this enterprise often has no resources, that would allow him to fix its position in the case of any errors admission.

At the same time a business plan is a guidance for implementation. It can be used to test ideas, for enterprise management and as a tool for predicting performance. A plan can be specified to the extent of introduction of these ideas to life, when you see how accurate its calculation indexes were. Thus, there is early warning system, which allows in time to take measures for the decision of nascent problems.

In developing the business plan of the enterprise, which formed, have an advantage in comparison with initial. The data they used for calculations have relied upon their performance. And the plans that they outline for the future, sprout roots in their past strategy, absorbing issues which led to success or what the enterprise learned from its mistakes. If a company wants to survive, it must successfully

answer many questions, arising in connection with the development of business plan. Or it should transfer them into the category of questions which "can not answered now, but should get a response in future." It also happens that the main issue is lost.

Towards the creation of any case raises a number of significant difficulties, in which the lack of proper approach may cause the serious situation. They include: the organization of management, mining capital, development and marketing of the products, maintain a gross profit at a reasonable level and protect businesses from unwanted influences from the outside. According to statistics, 75% of all new ventures in business collapse in the first few years because of one or several reasons, including the influence of the unknown "factor X"(figure 1.1):

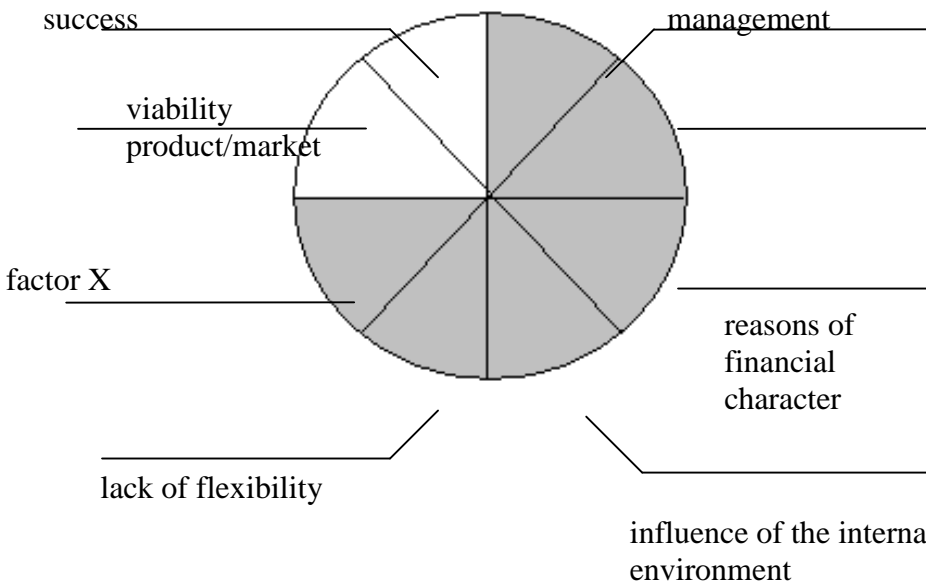


Fig. 1.1. The relationship between case of unsuccessful business and success of new enterprises

Success in the absence of failures - it is a half of success formula. The scheme shows the relationship between case of unsuccessful business and success of new enterprises. Shaded part of the circle corresponds to failures. It is divided into sectors that correspond to functional ones, which can be attributed to committing serious mistakes. Probably 3:1 ratio for success and failure is close to reality. Although each of the sectors shaded is of the same size and therefore does not reflect a statistically significant correlation among the failures associated with each functional area, the whole picture is instructive. To that extent in which the entrepreneur pays attention to every functional area, it reduces the likelihood of fatal errors and increases your chances of success (at hit in not shaded sector).

In case of difficulties entrepreneur should investigate the status of business and identify possible problems. Every time when an entrepreneur reveals and solves the problem, he thus escapes from one variable which can lead to collapse and thus increases the chances of success. Most problems can be solved by careful elaboration of plans.

Looking back: a business plan as a measure of progress. Constant refinement of bringing the business plan in correspondence with changing conditions create the possibility of its use for the second main goal - as a measure of evaluation the actual results of the enterprise.

Last year business plan can show to the company which strategy was effective, and which is not and how much effective was one or another way of its realization.

Simplicity of the plan is a benefit which facilitates its implementation. But often items which looked simple on the paper when a preliminary business plan was preparing, appear to be difficult for practical implementation. Learning the actual results of work in comparison with the business plan, can identify strengths and weaknesses of organization (sometimes this applies to performers), separate outlined plans from what happened.

The financial part of the previous business plan can be used as a mean of business objective observation. Financial basting made in preparing the plan became the basis for budget, in which the company tried to work. Departures from calculations reveal areas where the judge or the necessary resources were false, or control during the plan was inadequate.

In addition to management, the business plan is used as a tool for monitoring. Lenders and investors will notice the difference between planned and actual results of the enterprise. They will be interested in reasons for these deviations.

Professional economists, accountants and lawyers who work with entrepreneurs on preparing a business plan and capital raising providing, often advise their clients to make realistic basting. Entrepreneurs do not need to aspire to be superman and risk a breakdown of a plan, when a more modest claims can take the following guidelines, which are easier to reach and even surpass, that would satisfy creditors and ensure investors in a normal level of profit.

Raising capital: a business plan as a tool for financing. Most of experts put this role of business plan at the first place. Although we consider it after all the others, but we believe it to be extremely important. Finally, if the entrepreneur can not get money, everything else will not look convincing. However, the attraction of money is an important issue, it is just one of many other problems.

The idea that the main role of the business plan is to attract money can be a source of concern for the entrepreneur. Such approach can lead entrepreneur to make a plan which will be overly focused on high performance, but get rid of objectivity, which is necessary for the fulfillment of two other functions.

It is better to develop an objective business plan and get financing because this business involves a great risk, than to think that risk is lower. A plan with overly inflated basting can be conscious or

unwitting deception of creditors and investors, as a fate card house ready for it.

The risk that you can eventually end up in bankruptcy court will be taken into account and this risk must be avoided. Exactly in the sphere of bringing money business plan is going between the necessity of objective analysis of future enterprise and the necessity to serve advertising business goals.

Besides clarity of exposition and clarity in building, business plan should be at the level of complexity that allows the readers to understand and should be written in such style that would demonstrate creator's enthusiasm about the prospective business.

Involvement of professionals. Though we consider that the business plan must always be made by entrepreneur, it can be appropriate to use professional knowledge of economists, consultants and lawyers. Tips and tricks can also be helpful for those who are not directly involved in the process.

The professionals can ask objective questions related to the plan that were not considered by entrepreneur yet or that he simply did not think about it or intuitively considered obvious answer. The professionals can often indicate the real extent of problems which seemed small to entrepreneur, to contain false or overstated ambitions, to help get more clarity in the presentation of points of the plan. Interested individuals will learn the business plan of "due diligence" that is deep enough before they give a loan or invest money for the project.

So the originators from the outset should follow the same line, and professionals can become a catalyst. You must eliminate the gaps and drawbacks of a plan. You must be prepared to answer the questions of interested readers, and it's better if the answers would be already in the business plan. If a question set can not be answered immediately, it should be foreseen in the text in advance.

To develop a business plan - is not a difficult task, if the entrepreneur really copes with his business. Lots of information is

directly at his disposal, it's enough to "reach out and take." There are facts that are obvious to him. However, determining the comparative value of all available information and the best way of its use cause considerable difficulties, rapid and objective professional opinion helps much to improve in this notion.

The role of a business plan is to attract money. Since most business plans are made by the people who are looking for financial resources, ultimately the quality of these plans is determined by the ability to excite the people to whom they are addressed (reviewers). In this regard, it is important to realize that business plan is really just the beginning gathering of capital gathering. This is the first document that a potential investor or lender will get.

If the business plan is able to convey the basic purposes and methods of business to the reader's mind, it must attract attention. If someone who reads it, wants to get more information, he will not be ashamed to ask for details.

The business plan should be used as a tool for negotiation. In preparing the business plan entrepreneur must specify what he wants to receive from the investor, but also must clarify what he is going to give. He throws like a trial balloon. Remember, finally, that **the business plan - a confidential document**. It should be given only to those who really need it, for example, team managers, professional consultants and potential funding sources. There is no reason to print a large number of instances of a business plan, as well as be plump, heavy volumes.

First, it is difficult and expensive to make clarification. Secondly, it means that the plan would be seen by lots of people. Potential investors will feel it, if they understand that "business plan is offered at all angles." Initially, the business plan should be send to not less than three but not more than ten possible sources of funding. Business plans should never be send them one by one, waiting for a response from the one before you send it to the next potential investor. This approach may take years of waiting for success.

While deciding whom to send the plan, employers should carefully examine what kind of sources of funds have interests in his work: some banks invest only certain geographic areas, and investors fund only certain types of businesses. Each organization may have people or departments that deal with business plans. They can be assigned to geographic areas, groups of businesses and so on. It is important that business plan came to the right place, and ideally - to the most competent person.

The business plan will be read by employees of the enterprise, and by those who do not work in it. The inner circle is usually limited to managers and the Board of Directors. Outside readers - mostly those who are sources of funding, although the business plan will inspect also the professional advisers, and in some cases - suppliers, distributors (wholesalers) and other persons whose interests are connected with the interests of the company. They may wish to get acquainted with the plan to understand what the business will be connected with, and what they can do for it.

However, here we concentrate on those who read the business plan in terms of funding opportunities for this business. There are two types of funding sources: lenders and investors. By lenders we usually understand the commercial banks, although after the changes made in order that regulates loan facilities and other financial institutions, most of them also began to provide loans on a commercial basis (pension funds, insurance companies, credit unions, etc.).

Before the traditional definition of banking has changed dramatically, most of these institutions primarily engaged in providing loans secured by real estate.

This is because lenders and investors have different interests in business, which they finance. Lenders are interested in the ability of companies to turn their debt. It's not important whether the company reaches success or not - the lender, of course, is satisfied only by assuring to give him a reward in the form of regular payments of principal and interest.

Although the borrower, as a result of the expansion of its activity, may become a more respectable client for the bank, for the latter it does not mean improving its position on the rungs of business, commensurate success reached by enterprise. As for investors, they are guaranteed a solid rate of return, because they "have an interest" in the enterprise in return for their investment. Hence, they are ready to take on more risk, if it is possible to obtain greater profits.

Loans and business reputation, cash flow, collateral, the share of equity. One of the characteristics subjected to objective evaluation and therefore always viewed by lenders - is applicant's credit history. Do not make mistakes in this regard, although the credit history in terms of commercial loans - a street with one-sided movement. A low credit rating can often be a "knockout" for business that has really good potential.

On the other hand, the "good" credit history can mean little to the case. If an applicant regularly repays the debt, this doesn't mean that he is able to run the business.

Finally, even in the presence of objective credit history, banker's decision is based on intuition: Is the competitor a capable man? Will he conduct his business honestly and honestly inform the bank about its financial condition? To which extent the bank can be sure that this person will successfully manage the business and make a monthly payment of debt service?

Cash flow. Banks should ensure that the flow of funds will be adequate to provide customers service maintenance of debt throughout the loan term. For most loans interest is paid monthly, beginning with the first month, and principal, as a rule, too. In some cases, payments of principal may be deferred, but for a period not exceeding one year.

For the banker to have the guarantee, business should be quite strong, able to service debt and meet the obligations associated with it. Thus the businessman should have enough money to create a "cushion" in case of unforeseen circumstances. Employers should remember that forecasts can not be absolutely accurate, and therefore

they should be ready for deviations. Lenders always want to be sure that the possible limits of error into account and provided all the necessary measures are foreseen.

Effective cash flow forecasting requires sound judgments and intuitions. However, the entrepreneur should make such a forecast cash flow (with an eye on industry norms and standards) and give a logical explanation if the business plan foresees the deviations from these norms.

Additional protection. Any lender that knows the benefit of the case, decides to grant loans only on the basis of strong collateral. However, any business will try to find a lender for loans with the best possible types of collateral. In such cases, of course, we speak about the lender's collateral interest is by providing him by the right use of material assets in case of non-payment or transfer his mortgage or equipment. Problems related to personal liability and repayment of loans, are difficult, and it would be useful to consult a lawyer before you set up a contract.

The share of equity. Requirements of lenders according to the quantity of the own funds, which the entrepreneur should invest, differ. However, almost all of them require a significant commitment from him in the case. This is called the necessity of confidence in the fact that the fate of the entrepreneur is closely linked to the success of the enterprise, and, consequently, the success of the financing. It also reduces the risk of lender's potential loss a total value of the transaction. Creates a "cushion" that allows the lender to get "unharmful" in the bankruptcy of a client.

In addition, for different sectors are characterized by different ratio between debt and equity, which is usually called the "carrying power" or "leverage". Some branches have traditionally had a high volume of this ratio, when borrowed capital in three to four times greater than their own because of the high degree of success and (or) the presence of high-quality collateral.

Terms debt. Term debt - time for which the obligation is amortized, usually depends on the life of the asset purchase covered by this loan, but may experience some deviation from this principle.

If the lender really wants to make a deal, he must take some patience in trying to build the structure of the debt agreement that has economically justified and sufficient cash flow for debt amortization. Loans to establish working capital are paid promptly. Conversely, loans for purchase of real property are repaid within the maximum long term.

It is important to remember, that longer term, is the smaller the monthly payments of principal and interest also. However, if the number of monthly payments will be higher – more interest will be charged, and ultimately the total amount of payments will be higher.

Many banks are ready to introduce a moratorium on payment of the original principal amount of debt that is over a certain period they require payment of interest only. Often these indulgences take place during the formation or expansion of business, when costs exceed revenues. Sometimes visionary lender extends this ban to 12 months. There are also cases where it provides more long term in order to help businesses survive hard times. However, except some cases, a moratorium on payments of interest is not established. Violation of obligations to pay interest, usually means a default on. When all the non-fulfillment of such obligations outstanding balance must be immediately paid entirely.

Bank rate. Most business loans now available on variable interest rate usually varies with the "prime-rank" (ie a "prima-rate" that banks set for their best customers). This rate is designated as "prime-rank" plus "x" percentage points. Often the "x" ranges from 0.5 to 2 points, but can reach up to 3 or even up to 4 points depending on the risk and other factors that are taken into account by the lender. This rate may change as often as "prime-rank" because the size of monthly payments can vary. Practice setting variables of interest rates on credit has become predominant in the late 70-ies of XX century.

When these rates were volatile, and commercial lenders have decided that it is better to shift the costs of this instability directly to the borrower, than compensate them at setting fixed interest rates at the loans.

There is no doubt in that fact that a lot of other contracts, rules and restrictions on lending, which will reduce the freedom of entrepreneurs management, so that he, for example, can not increase salaries to leading managers or can not get new financing without the consent of the lender.

Speaking generally about the differences between the lenders and investors we should note that the first in his analysis of potential business more pay attention to numbers and as a result is more short-sighted as focused on the early years of the of business existence, when it is rather about the viability and not on potential. They require that cash flow to be sufficient for the debt repayment, and often focus on "bottom bar", not possible "top bar" business. This is due to structure their remuneration.

Unlike investors, lenders are not as co-owners in business. One of the main advantages of business financing by debt rather than investment, is that lenders often make decisions more quickly than the investor does. There is nothing worse than expected adoption of certain decisions by lender, and even general funding decision within two to three months from the date when he first saw the business plan. As venture capitalists, this time is doubled or even tripled. (At such time frame is assumed that entrepreneurs and financiers still didn't know each other.).

Investors. Here we are talking about venture capitalists, financial sources that these days attracts most attention. Most of those who form the business plan, primarily configured it to venture capitalists. This refers to managers, professional venture capital funds. They decide to which company should invest. Typically, these people are looking for young, rapidly growing, operating enterprises that operate continuously, not made for one transaction, and performing

operations with real estate. Usually the original venture investors - wealthy individuals or a group of people who are not connected directly to the formal foundations - still constitute the largest part of the venture capital financiers.

Investors study the reputation of the potential entrepreneur even more exactly than the lenders do. Often this is because they enter into agreements less and have more time in advance to study the situation. Some investors, who themselves once started as entrepreneurs have a "sixth sense" with regard to business skills.

After reading these explanations, one would think that a well-prepared business plan is a guarantee of security in any trouble. Nothing of the kind. Even carefully drawn picture of the future of business does not replace the sixth sense of the entrepreneur. This is a good tool to show their capabilities in the hands of masters.

The structure of the business plan as its content is not regulated and determined the specificity and scope of the investee. Therefore, the content and structure may vary depending on whom the business plan will be presented to, what is its mission and for what purpose it was designed. Within the business plan, for example, focused on attracting investment to productive activities, tend to produce the following components:

1. Cover Sheet

2. Content of business plan

3. Summary

4. Branch, the company and its products (services)

- 4.1. Current situation and trends in the industry
- 4.2. Description of product (service) of enterprise
- 4.3. Patents, trademarks and other proprietary
- 4.4. Strategy for growth of enterprise

5. Market Research

- 5.1. General characteristics of the product market
- 5.2. Target market business

- 5.3. Location of enterprise
- 5.4. Assessment of the external factors impact

6. Marketing Plan

- 6.1. Marketing Strategy
- 6.2. Projected sales

7. Production plan

- 7.1. Main production operations
- 7.2. Machinery and equipment
- 7.3. Raw materials and components
- 7.4. Production and non-production facilities

8. Institutional Plan

- 8.1. The form of business organization
- 8.2. The need for personnel
- 8.3. Business owners and management team
- 8.4. Organizational chart of
- 8.5. HR Policy and Strategy

9. Risk Assessment

- 9.1. Types and Risk Assessment
- 9.2. Ways of responding to threats on business

10. Financial Plan

- 10.1. Gains and losses
- 10.2. Planned cash flow
- 10.3. Planned balance
- 10.4. Financial ratios

11. Add [17, 43-44]

Naturally, this structure - the approximate scheme of a business plan. It may not be so detailed, or vice versa - more difficult - depending on the characteristics of a particular business plan.

1.2. Summary

The business plan starts usually from the end, that is, with resume. Although the resume is written only after the main sections business plan are pointed out.

Work on a resume is extremely important because if the summary does not make a good impression on those to whom you apply for investments, the less likely they are to read your business plan and even less – to give money.

Volume of summary should not exceed four A4 pages and must be written as if you tried to explain all the great benefits of your project a first passerby who happened to you on the street.

Hence - the simplicity and clarity of presentation, minimum of technical terms. The maximum attention should be paid to explanation what you're going to do, thereby, in what your future product will be different from competitors' products, and why buyers will be willing to buy it.

Last page of resume should be devoted to the main financial results that you expect from your project in the future. You must bring convincing data on projected sales for the coming years, proceeds from sales, production costs, gross profit and profitability of investments in your case, and finally, the period during which you are guaranteed to return the money you want to borrow (if you decide to apply for a bank loan). Structure of resume might look like this.

The objectives of business plan:

- a) request for a loan;
- b) a request for partial or full funding for non-repayment basis;
- c) a proposal for partial participation in the operation of facility;
- d) other.

1.2.1. The essence of the proposed investment project:

- a) The concept of the proposed business, its product (service);
- b) the prospects of the proposed business;

1.2.2. The form of investment:

- a) the acquisition in running (exploited) object that does not require significant additional investment (in privatization or other forms);
- b) The acquisition of exploited facility with an aim to expand;
- c) the acquisition of operated facility for the modernization (technical upgrading and introduction of more modern technology);
- d) the other forms of investment (specify).

1.2.3. The degree of investment project elaboration:

- a) The availability of project-intent with basic financial and economic indicators;
- b) The availability of typical project documentation and budget of the project;
- c) The availability of individual documents and budget of project which is performed by the initiator with the expert opinion of independent auditor.

1.2.4. The necessary total investment for the project implementation:

- a) The amount of investment in national currency in prices at the moment of business plan presentation;
- b) The amount of necessary investments in U.S. dollars (transferring is realized at the current exchange rate of the National bank of Ukraine at the moment of business plan developing).

1.2.5. The period of investment realization to the affection operation of the facility. Indicate term of investment from beginning period to receiving profit from its operation: for short and medium investment projects - in months, for long-term - in years.

1.2.6. It is possible the term of the object operating life. Indicate the term from the beginning of the effective operation of the facility to the next expansion or modernization, which demand essential amount of investment (in years).

1.2.7. Average annual income in process effective operation of the facility, given to the actual value:

- a) The amount of gross income, UAH. and USD;
- b) The amount of gross profit, UAH. and USD;
- c) The amount of net profit, UAH. and USD;
- d) The amount of cash flow, is given to the actual value.

Bringing the performance indicators of investments and cash flow (and if necessary the others) to the actual value is according to their estimates in U.S. dollars. And normative coefficient of bringing ("standard discount rate") to the actual cost expressed in U.S. dollars, made of 12% per year. In short and medium term investment project - is reduced by payback in months, and long-term - in years.

1.3. Characteristics of the industry in which project is realized

1.3.1. Scope, in which investment project is realized:

- a) production;
- b) trade;
- c) provision of services;
- d) other (indicate).

1.3.2. The sector (subsector), in which investment project is realized. Specified according to the current classification of economy of Ukraine.

1.3.3. The correspondence of the investment project of brunch direction to the problem of structural reorganization of the economy of Ukraine in the future period:

- a) complies fully;
- b) responsible in part;
- c) is not responding.

1.3.4. Trends in demand growing for the industry production:

- a) demand for produce of branch will grow significantly;
- b) demand for produce of branch is expected to be stable;
- c) demand for produce of branch will be reduced.

1.3.5. The development of market relations in the branch:

- a) the level of privatization of the industry;
- b) the product coverage of the field of state order
- c) the degree of state regulation of prices for industry products.

1.3.6. The average level of industry profitability for the last reporting period:

- a) The level of net income used for capital (the amount of fixed and current assets), in percent;
- b) the level of net income to operating expenses (expenses), in percent;
- c) the level of net income to total output (trade, services) as a percentage.

1.4. Product Description

The main point of the business plan begins with a section, in which product or service is described that you want to offer your coming buyers, and for the sake of production which conceives the whole project.

No one simply gives money to build the plant of chemical fibers or to open workshop to repair watches. It will require boundary clarity from you and, first of all, answers to questions such as:

◆ What needs are called upon to satisfy your product, service?

◆ What is so special of it, and why consumers will differentiate it from goods and services of rivals?

◆ Which patents or author's certificates protect the peculiarity of your product or technology?

Very important point is a visual image of the product or merchandise which is achieved by your technology. It is difficult to get money for an idea that has not yet appeared in least one example

of a new product. Exactly this obstacle is regularly faced by our scientists and engineers in negotiations with foreign businessmen.

The success of the business plan should include the obligatory photo or a very good picture of your product that allows you to get clear enough presentation of it.

The same section of the business plan should contain approximate estimation of price at which you can sell your goods and costs which its production requires. From here the oriented amount of income that must bring each unit of goods will follow.

The main thing is to describe clearly the main quality of your product, the advantages of its design and even (however exotic it may sound to our business manager) – features of packing in which it would be sold.

All this is important for the product designed for sale at the world market, and now plays an increasing role at the home market.

The same section describes the organization of service of your good – if it is a technical product. The following is the structure of this section:

1.4.1. The name of product (service). The name of product or service is indicated (for new types of products or services their destination is described).

1.4.2. Excellent qualitative features of the product (service):

- a) functionality;
- b) quality;
- c) design;
- d) other signs (indicate).

1.4.3. Competitiveness of the product (service) with obvious analogues on the market:

- a) of the qualitative criteria;
- b) of the level of prices;
- c) of the guarantees provided;
- d) of provided after-sales services;
- e) of other parameters (specify).

1.4.4. The total life cycle of the product (service).

The estimated total term of the product life cycle of the product (service) is specified until the appearance of a more advanced type of product (service) on the market.

1.4.5. Possibility of constant improvement of product (service):

- a) of technology, which provides and the level of technique;
- b) with a small investment to improve technology and the park of technical facilities.

1.4.6. The form of legal protection product (service):

- a) a patent;
- b) copyright;
- c) the trademark;
- d) the other forms of legal protection (specify);
- e) doesn't require special legal protection.

1.5. The place of object

1.5.1. The name of the region. Indicate the name of the area of the Ukraine or the name of the country in which an investment project is realized.

1.5.2. The name of the settlement. Indicate the name of the area in which the object is located. In urban areas indicate the exact address (street, house number), legal address of the object.

1.6. The assessment of sales market

For the most important part of business plan and its preparation neither the means, nor the strength, nor the time should be spared.

The experience shows that the failure of most commercial projects was associated with a very weak market study and reassessment of its capacity. Therefore, preparing 6.5 pages of text

in this section, you have to collect and study large amount of rough information. Remind that a typical market research process involves four stages:

- determine the type of data you need;
- search the data;
- analysis of data;
- implementation of measures which allow the use of this data to your business.

The first data that you will need - future buyers of the products and your niche market. It is a mistake to think that the advantage of your product is so obvious that all residents of a specified region or all enterprises of this or industry will want to buy it.

You must seriously study and predict the market, and therefore, search for answers to questions about who, why and how will buy your products tomorrow, after tomorrow, and generally next two years.

And if you will be able to define approximately the price at which buyers will be agree to buy your products without paying attention to the proposals of competitors or will refuse of buying such products in general; we can say that you have fulfilled the maximum program in the field of market research.

Naturally, according to this information about your possible competitors: their product quality, approximate prices and conditions of sale.

And it must be shown in the business plan so that the investor had the possibility evaluate the completeness of your market situation vision.

The development plan of this section is extremely difficult because it is very difficult to find accurate summary of market research.

Foreign businessmen a simpler way: they can get needed data in local trade and in its industrial and trade associations. This kind of association - Free Union enterprise or manufacturing trade –

spread in the entire world. We are only making first steps. Meanwhile, a small apparatus such associations always lead to useful work on generalization of the conditions of supply, production and marketing of products manufactured by enterprises - members of the association.

All members of association provide the information voluntarily and liberally.

And just as free (all expenses are paid by membership fees) receive regular summary review of how demand for produce of branch changes which shifts in its structure, what happens with the prices of resources that are acquired by industry. Thus, the total demand in the summary picture of the market is so large that for it satisfaction competitor enterprises agree to share their business information.

In this section you should inform your potential partners and investors about everything you know about the competition in that market, which should receive your products.

You will have to answer the following questions:

- ◆ who are the largest producers of similar goods?
- ◆ what are their affairs on sales, income, introduction of new models, technical service (if it comes about machines and equipment). How much attention and resources do they devote for advertising their products?
- ◆ what do their products present- the main characteristics policy, quality, design, thought buyers?
- ◆ What is the level of prices for competitors? What is (at least in general terms) their price policy?

Answering on these questions, you should keep away from terrible mistakes in the business plan – it's to hide the reality.

It seems, what is the reason to praise your competitors' products in its own business plan, rising doubts of the bank or investors for a breakthrough success in this market?

Should better to keep silent about sth., but point out all the real or hidden weaknesses of competitors.

If you want a foothold in this industry for a long time, the most expensive for you should be your own reputation. The thing is not in ethical norms (although they are also not the last thing in today's business, at least in relations between partners), the point is in your decency.

It is possible that you (in this or that section of the business plan) will possibly mislead future "readers" and obtain the money from them.

Well, if your trick will dispense, and investors will not begin consideration of why their funds have been used so poorly? In other case, you will gain the reputation of low-enterprises businessman, and even of a deceiver.

And then getting the next portions of credit or investment donation (without it any "growing" the entrepreneur cannot dispense), will appear to you more complicated, and the most important - more expensive.

Do not forget that the first principle of the money market is very simple - the riskier investments, the more it costs the borrower, because the investor lays in the interest rate provision of insurance against failure.

It is better to evaluate your competitors objectively. But do not be afraid of them, and indicate gaps in their strategies to them or qualitative characteristic of goods will open for you a real chance to reach success.

Then respect of investors and a better chance of receiving money will be guaranteed to you.

Finally, the creation of the business or implementation of new investment project -is not the purpose itself, the main task - to get high income and gain good reputation.

And if you do not see meaningful ways to successfully battle with competitors still on the planning stage, it is likely you will not find them and then when the current case will not leave you time to think.

The approximate structure of this section:

1.6.1. the characteristics of potential buyers (customers):

a) the characteristics and the number of retail customers;

b) the characteristics and the number of wholesalers.

1.6.2. The current volume of demand (sales) for the product (in service) in the domestic market (the last three years). The data set in tabular form (Table 1.1).

Table 1.1

*The volume of demand (sales) of the reporting period
(in natural units of measurement)*

The type of market	years of the reporting period								
	20__ .			20__ .			20__ .		
	Total demand, including sales satisfy	Including satisfied		General amount of demand and sale	Including satisfied		General amount of demand and sale	Including satisfied	
		Domestic production	Imports		Domestic production	Imports		Domestic production	Imports
Regional (area in which realization of the project is planned)									
National (in general in Ukraine)									

1.6.3. The predicted possible size of sale of a product (services) on internal and foreign markets for next five years. Data is cited in the tabular form (table 1.2).

Table 1.2.

The predicted possible size of sale of a product (services) (in assess prices dimension)

Sale regions	Predicted period (years)				
	200__ year	200__ year	200__ year	200__ year	200__y ear
The area in which project realization is expected					
Other Ukrainian areas					
Other states CIS					
Other foreign countries (recalculate)					
As a whole in all regions					

1.6.4. The predicted possible size of sale of a product (services) in the internal and world markets. Data is cited in the tabular form (table 1.3).

Table 1.3.

Modern and predicted price level (UAH, USD)

Type of market	Modern price level		Predicted price level in USD				
	UAH	USD	200__ year	200__ year	200__ year	200__ year	200__y ear
Internal (average price level at the market of Ukraine)							
External (average level of world prices)							

1.6.5. The predicted possible competition level in the internal market:

a) number of the enterprises letting out a similar product (render similar services) in area, Ukraine ;

b) Relative density of the basic enterprises in scope sales of the given product (services) in region, in Ukraine at present;

c) predicted relative density of the enterprises-competitors, in scope sales of the given product (services) in region, in Ukraine in future period.

1.6.6. Other features characterizing modern position and prospects of market development of the given product (services).

1.7. Marketing strategy

In this section you should explain to potential partners and investors basic elements of the marketing plan (this is, by the way especially important document for your internal use).

To marketing plan basic elements are:

1. Diagram of goods distribution.
2. Price formation.
3. Advertisement.
4. Methods of sales stimulating.
5. Organization of an after sales service for clients (for the technical goods).
6. Formation of public thought about your enterprise and goods.

Each of these points includes complex questions, answers to which you must know in order not to fall into inconvenient position during the consideration of business- plan with the future partners.

But, of course, it is not necessary to squeeze all these components into a business - plan itself.

Here on 3-4 pages you should present the basic: how you will sell your goods - through your own firm stores or through the wholesale commercial organizations; how you will determine prices of your goods, what level of profitability for the inserted means you hope to obtain; how you will organize advertisement and how much money approximately you are going to devote to this; how you will attain a constant increase in the volumes of sale - due to the expansion of area of sale or due to the search of new forms of buyers attraction; as you will organize service, and how much

resources there will be needed for this; how you will attain good reputation of your production and enterprise itself in the eyes of community (that is called “public relations”).

By the way, if your business plan supposes realization of goods abroad in the given section it is desirable to cite the data about estimation of goods patent purity by patent engineers in the countries where you are going to sell them. Thus, it is necessary to answer these questions:

1.7.1. Expediency of development and realization of effective marketing strategy of the given product (service):

a) The marketing strategy development of the given product (service) is inexpedient;

b) The marketing strategy development on the given product (service) is reasonable only in separate directions;

c) The marketing strategy development of the given product (service) is reasonable in all directions.

1.7.2. Predicted target indicators of marketing strategy:

a) Market segment capture of the area in volume _____ ;)

b) Market segment capture of Ukraine in volume _____ ;)

c) Export ___ % of a product (service) to the CIS countries;

d) Export ___ % of a product (service) to other countries;

e) Other target indicators (specify).

1.7.3. Availability of developed effective marketing strategy separate directions:

a) Availability of the developed marketing strategy of penetration to the separate regional markets;

b) availability of the developed marketing strategy of sale organization of a product (service) and creation of a sales wholesale and retail network;

c) Availability of the developed effective price strategy at separate stages of a product lifecycle (service);

d) Availability of the developed marketing strategy of an after sales service for buyers;

e) Availability of the developed marketing strategy of effective advertizing campaign realization at separate stages of a product lifecycle (service).

1.8. The production plan

This section of the business plan is usually prepared only by those businessmen who are going to be engaged in production. The main task here - to prove to your potential partners that you can really produce the necessary quantity of goods in necessary term and of high quality.

Today for our businessmen this, unfortunately, is the heaviest section of economic communications, unreliability of suppliers and impossibility to receive qualitative completing items and materials for own production are capable to beat off desire to be engaged in business even at the most proof.

"And in general, why it is necessary to write about all this? - Some readers will ask, this is my personal task how production is organized. Investors should interested only, whether I can return this money and pay percent or dividend on them.

But such logic doesn't convince anybody already. Financiers all over the world study all details of a production cycle of borrowers - certainly, not to offer them the decisions, but to estimate qualification of a firm management and validity of its plans. To satisfy this interest, you need to answer a set of questions. Only

answers on basic questions should be included in the business plan, and details it is possible to give in the additions, the volume of which is unlimited.

What are basic questions, which it is necessary to answer in this part of business-plan?

First of all:

- Where goods will be manufactured - in the existing or created enterprise?
- What production capacities will be necessary for this, and how they will be grow from year to year?
- Where and from whom, on what conditions raw material, materials and completion will be bought? What is the reputation of these suppliers, and does the work experience with them already exists? • Is production cooperation foreseen and with whom?
- Is the limitation of production volumes or supplies of resources possible?
- What equipment will be needed, and where it is planned it to buy it? Can problems arise in this case and of what kind?

Data of this division is desirable to be cited for 2-3 years forward, and for the large enterprises - for 4-5 years. The diagram of production flows in your enterprise here can become a very useful element.

In this diagram it must be clearly shown, where from all types of raw material and component product will arrive, in what shops, and how they will be altered into the production, how and where this production will be supplied from your enterprise.

In this diagram compulsorily must be the place for the processes of quality control. It is also impossible to omit this question in the text.

Here you had to report, at what stages and by what methods quality control will be carried out, and what standards will be used in this case.

Finally, to complete this part of business-plan is necessary by estimation of possible expenditures of production and their dynamics for prospect.

In this case you must not forget, also, about the expenditures, connected with the utilization of withdrawals and the protection of environment. Unpleasant surprises from the side of government organs and community are possible.

By the way, for the new enterprises in the business- plans at times is separated special section - “Location”.

This is especially important for the enterprises, which create great pollution budgeting and for the small enterprises of trade, service and public nutrition.

STRUCTURE

Planned is volume and structure of the production of the product (services, which they are allowed):

1.8.1. Planned total volume of output of product (assignment of services) on the average annually on leaving to the design capacity:

- a) Quantity of ones, thousands;
- b) Summary volume in the national currency in the prices of the moment of the assignment of business-plan, UAH;
- c) Summary volume, dol. USA.

1.8.2. Planned assortment structure of the release of product (assignment of services) on the average annually on leaving to the design capacity:

- a) Quantity for each product line group, thousand units;

b) Summary volume in the national currency for each product line group, UAH;

c) Summary volume for each product line group, dol. USA.

1.8.3. Planned volumes of product output (assignment of service) in the separate years for future five-year period.

Data is cited in the tabular form (table 1.4).

1.9. The material provision of product (service) output by the basic factors of production

1.9.1. The material provision of product (service) output by the basic types of raw material, materials, power resources. Data is cited in a table form (table 1.5.).

1.9.2. The material provision of product (service) output by modern technology:

a) technology that responds to modern standards;

b) acquisition of home patents, licenses, “know-how “ is needed;

c) acquisition of foreign patents, licenses, “know-how“ is needed.

1.9.3. The material provision of product (service) output by modern equipment:

a) equipment that responds to the requirements of modern technology is needed;

b) acquisition of modern equipment, that is released by the enterprises of Ukraine is needed;

c) acquisition of modern equipment, that is produced abroad is needed.

Table 1.4.

Volumes of product output (assignment of service) of the forecasted period

The product line groups of product (variety of services)	Unit of measurement	Years of the forecasted period				
		200__ year	200__ year	200__ year	200__ year	200__y ear
1-----	gm.; doll. USA					
2-----	gm.; doll. USA					
3-----	gm.; doll. USA					
4-----						
5-----						
Etc.						
In all						

1.9.4. The material well-being of producing of product (service) by certain houses (apartments):

- a) houses (apartments) are needed;
- b) additional expansion of present houses (apartments) by an area ___ m² is needed;
- c) an acquisition of houses (apartments) by an area ___ m² is needed;
- d) a new construction of houses (apartments) by an area ___ m² is needed;

1.9.5. The material provision of product (service) output by workers of certain qualification. Data is cited in a table form (table 1.6.).

1.10. Management of business project realization

The question in this division of business plan is about that, with whom you are going to organize the business, and how you plan to put right work.

Thus a starting point must be qualifying requirements that is you must specify: which specialists (what profile, with what education, what experience) and with what salary you will need for the successful conduct of businesses.

Accordingly, you will have to specify, how you are going to attract these specialists: on permanent work or as by-workers (external experts), or you are going to take advantage of services of some organization on hire such kind of professionals.

In that case, if a part of staff is already employed, you should give short biographic certificates about your employees, emphasizing on present qualification, past operational experience and his utility for your enterprise.

Table 1.5.

The material provision of product (grant of favour) output by the basic factors of production (in natural units of measuring)

Main types of raw material, materials, power resources, necessary for products (services) output	Unit of measure	Average annual necessity	Designed volume of delivery			
			From a region in which object is situated	3 other regions of Ukraine (specify)	3 other states of CSI (specify)	3 other foreign states (specify)
<i>Raw material resources</i>						
1.						
2.						
Etc.						
<i>Materials</i>						
1.						
2.						
Etc.						
<i>Power resources</i>						
1.						
2.						
Etc.						

Table 1.6.

The material provision of product (grant of favour) output by workers of certain qualification (figures)

Categories of workers	Necessary amount of workers	Possibility of satisfaction of necessity in workers at place of object location	Possibility of preparation of necessary workers in place	Necessity in attracting of workers of certain qualification from other settlements
1. Workers				
2. Specialists of middle qualification				
3. Specialists of high qualification				
4. Specialists of higher qualification				
5. Leaders				
Altogether				

Here you must point the organizational scheme of your enterprise, from which it will be clearly visible, who and in what activity will engaged, what services will co-operate, and how you are going to coordinate and control your activity.

Whereas because of an organizational mess quite often even promising projects crash, such kind of information also interests investors and bankers.

It is expedient to consider the question of payment and stimulation of labour of leading staff.

In this division, that is especially important for new enterprises, you must specify that form, that is planned to conduct business in it.

Practically the question is about the pattern of ownership and legal status of organization: private enterprise, cooperative store, state enterprise, society and etc.

Each of these forms has their features, pluses and minuses, that also can influence success of your project, and that is why is important for your investors and partners.

Concrete filling of division the "Legal plan" depends on the selecting by you form of organization. One thing is, if you are a state enterprise and you have a necessity to explain the system of your subordination and limit of chief interference with economic activity.

And other - if you are going to create a joint-stock company, and you have to explain future distribution of equity between possible stockholders.

STRUCTURE OF DIVISION

1.10.1. An organizational-legal form of investment project realization:

a) within the framework of an operating organizational-legal form of project initiator;

- b) within the framework of an operating organizational-legal form of investor;
- c) creation of the new company with limited liability;
- d) creation of new joint-stock company of the closed type;
- e) creation of new joint-stock company of an open type;
- f) creation of the new enterprise of the other legal form (specify).

1.10.2. An organizational structure of an object management on the stage of its exploitation (in case of new enterprise creation). Data is given as a scheme.

1.10.3. Competence of candidature on position of leader of investment project:

- a) education;
- b) basic speciality;
- c) general work experience;
- d) experience of work on the enterprises of certain industry;
- e) experience of work is in business corporations;
- f) age.

1.10.4. Possibility of investment project independent realization:

- a) project can be realized by own forces;
- b) realization of project requires attraction of contractors and subcontractors.

1.10.5. Description of the set contractors and subcontractors brought over to project realization:

- a) duration of work in industry;
- b) experience of work with analogical investment projects;
- c) experience of work with the analogical volumes of investment resources;
- d) level of progressiveness of the technology of works applied by them;
- e) level of progressiveness of the used park of mechanisms;
- f) level of qualification of shots;

- g) forms of connection with the suppliers of materials, necessary for realization of project;
- h) business reputation.

1.11. Estimation of risks and form of insurance

The concept of risk, its estimation, prognostication and even its management - a thing that is unfamiliar for our businessmen, although their everyday activity is connected with such level of risk, when any western businessman would not even think to take on.

And as for the methods of "civilized" handling the commercial risks - they are really not many known yet.

Certainly, the different level of analysis is possible here.

For large projects, the careful calculation of risks is needed with the use of special, unfortunately, difficult enough, mathematical vehicle of probability theory.

The analysis of risk with the help of especially expert methods is sufficient for simpler (and cheaper) projects.

The main here - is not a complication of calculations and not an exactness of calculations of probability of failures to the second sign after a comma, but the ability of authors of business plan in good time to guess all types of risks, with which they can clash, sources of these risks and the moment of their origin.

And then to work out measures for reduction of these risks and minimization of losses, that they can cause.

The deeper you will work out this problem, the higher will be the trust to you of potential partners and investors.

Trust is not to a person, who asserts optimistically, that his business is without risk of loss, but to whom, who is able in good time to foresee "difficulties" on the way and explain, how he is going to construct the "car" and conduct it on the road, in order not to fly up in a ditch.

Assortment of risks, unfortunately, is very wide: from fires and earthquakes to the strikes and international conflicts, changes in

the tax adjusting and vibrations of rates of exchange. Certainly, the probability of every kind of risk is different, the same as the amount of losses, which they can cause.

That is why, it is necessary even approximately to estimate that, what risks are the most credible, and what they (in case of their realization) can treat in.

From here it will be possible to make a bridge and answer a question: how to decrease risks and losses?

Strictly speaking, this answer must consist of two divisions, firstly, it is necessary to specify the organizational measures of risks prevention, and in the second - to offer the program of ensuring against risks.

For example, at the risk of failures in the chart of railway transportations of materials and components, it would be possible to work out the alternative program of transporting necessary wares by the instrumentality of motor transport. As for the insurance, then here a theme for conversation is so volume, that we touch it only shortly.

Unfortunately, in our country the system of insurance is developed extremely poor, that strikes our foreign colleagues who got used to secure each their step: from the purchase of equipment to possible depreciation of currency assets through the speculative vibrations of courses of currencies.

We will hope, that in the nearest years our insurers will manage to create the modern system of commercial insurance, and then it will be possible simply to specify in business plans, what types of insurance policies and on what sums will be planned to purchase.

STRUCTURE OF DIVISION

1.11.1. The main types of risks related to investment project realization:

- a) a risk of substantial delay of the beginning of project realization (delays in receipt of license; ill-timed taking of area etc.);
- b) a risk of ill-timed completion of building and construction works from a project;
- c) a risk of substantial appreciation of the designed estimate value of building and construction works, foreseen by a project;
- d) a risk of failure to appear on the pre-arranged volumes of output of product (services) in connection with imperfection of technology, use of out-of-date equipment, falling of demand, high level of competition etc.;
- e) a risk of failure to appear on the pre-arranged foreign markets through inflexibility of export policy of the state (licensing, quota, custom adjusting, currency adjusting etc.);
- f) a risk of decline of the pre-arranged level of net income through the increase of level of running expenses; a decline of the forecast standard of prices on a product (favour); inflexibility of the tax system and increase of rates of tax payments and etc.

1.11.2. The estimation of risk level of the investment project on the whole on the basis of estimation of level of risks on their separate kinds after the operating methodologies, used for insurance or by an expert way :

- a) a minimum level of risk (considerably below industry average or regional averages);
- b) a middle level of risk (nearby value or appropriate to industry average or regional averages levels);
- c) a high level of risk (that exceeds industry average or regional averages levels);

1.11.3. Possible forms of insurance for risks in investment project:

- a) development of effective prophylactic measures for the expected risks prevention;

- b) distribution of negative consequence of risks among participants and performers of investment project;
- c) creation of reserve (insurance) of financial funds;
- d) external insurance of separate types of risks (to enumerate the types of risks and volumes of insurance);
- e) receipt of legislative guarantees of protecting from the separate types of risks;
- f) other forms of insurance of risks.

1.11.4. The possibility of program exit on the separate stages of investment project realization at expectation (offensive) of unfavorable terms of activity:

- a) rapid program exit on any stage of investment project realization is possible;
- b) program exit only on the stage of completion of building or modernization is possible;
- c) program exit to complete realization of investment project is complicated.

1.12. The financial plan

This section of the business plan is intended to summarize materials of the previous parts and to present them at cost expression. It is necessary to prepare at once some documents, namely:

- the forecast of volume of realization;
- the balance of a monetary expenses and earnings;
- the table of incomes and expenses;
- the summary balance of assets and liabilities of enterprise;
- the schedule of achievement of break-even.

The list is probably a bit unusual for the domestic businessmen, but standard for the world practice, based on a

different system of accounting. We hope that these forms of reporting and planning will be familiar to our business executives soon, as well as present forms of quarterly account reporting.

The forecast of volume of realization is intended to give an idea of that market niche that you expected to win with your own products.

It is usually accepted to make such forecast for three years forward and for the first year the date is resulted monthly; for the second year – quarterly; and in the third year - a total sum of sales for 12 months.

It is supposed that for initial period of manufacture the future buyers are already known, there is a preliminary agreement with them about sales volumes.

Starting from the second year it is usually necessary to be engaged in looking – ahead to estimations.

There is nothing terrible – no one expects the presence of stock of orders for a few years ahead, but it is important that the estimates were realistic and preparing them, we must be honest, especially with oneself. Finally, considering these figures of realization, and it is necessary to buy the equipment, to spend money for advertizing, to employ new workers, to place own financial resources.

The balance of a monetary outlay at the enterprise is a document, allowing to estimate, how much money it is necessary to place into the project, and broken down by time, i.e. before implementation and therein.

It is necessary for a businessman to be serious for planning of monetary streams very seriously.

The main task of a monetary outlay - to check up synchronism of earnings and expenditure of means and thus to check up future liquidity of the enterprises under the realization of this project.

And the important information follows from here for definition of a total cost of all project.

Indeed, if production sale is associated with long-time dead means in settlements with buyers, i.e. in a accounts receivable, that for liquidity maintenance it will necessary to do at first regular additional “injections” of means in settlements with buyers, whose sum will increase requirements of investment.

It necessary to say that problems with liquidity is the weightiest reason of commercial failures of businessmen in market economy.

The formation of a real market mechanism will force both bankers and businessman to take planning of monetary streams more seriously, study carefully the balance of public incomes and earnings, showing monthly (for the first year), quarterly (for the second year), and as a whole for a year (for the third year) articles and investments of means and their receipt from realization of production.

The table of incomes and expenses is a document with enough simple structure. The articles are included in it:

1. The incomes of sales of the goods
2. The production costs of the goods
3. The total profit on sale
4. The general production expenses(by kinds)
5. The net profit.

The purpose of this document is to show how the profit will be formed and change for the first year - monthly, for the second year – quarterly, for the third - per year.

The summary balance assets and liabilities of enterprise is recommended to make at the beginning and at the end of the first year of the project.

It is considered that this document is less important than the balance of a monetary outlay and earnings, however it is impossible to do without it in the business plan.

For example, it is usually studied carefully by experts of commercial banks to estimate, what sums are planned to be enclosed

into assets of different types and for what account of liabilities the businessman is going to finance acquisition or creation of these assets.

The schedule of achievement of break-even is the scheme showing influence on profit of volumes of output, sale price and production cost price (in breakdown on conditionally constant and conditionally variable expenses).

Thus, by means of this schedule it is possible to find a so-called the break-even point, i.e. that volume of output at which the curve showing change of a gain from realization (at the set price level), will be crossed with a curve showing change of the cost price of production.

Obviously, that at this volume of output the break-even of manufacture will be reached and further increasing of volumes of realization will lead to the appearance of the profit.

It will be quiet good if some variants of such schedule will show in the business plan correspondence to different price levels in production, and explain which of them can consider as the most realistic taking into account the information from section “a market estimation”.

Having found out everything what is said in the previous sections of the business plan, it is possible to start a part which is called “the Financial plan”.

STRUCTURE OF THE SECTION

1.12.1. The schedule of a stream of the investments connected with realization of building, expansion, modernization, privatization of object. For the first year it is developed monthly, and for the second year - quarterly.

Date is presented in the tabular form (tab.1.7).

Table 1.7

Planned investments
(thousand UAH, thousand dollars USA)

<i>activities</i>	<i>1st year by months</i>				<i>2nd year by quarters</i>			<i>3rd year</i>		<i>Etc.</i>
1. The volume of investments for building (expansion, reconstruction, technical re-equipment) of the object, everything, including:										
1.1. Direct and indirect expenses according to the developed system.										
1.2. An overhead charge of the contractor										
1.3. An overhead charge of the investor on control of realization of the project										

Continui Table 1.7

2. The volume of investments into circulating assets, altogether										
3. The volume of the insurance (reserve) fund on project realization										
Total amount of necessary investments										

1.12.2. The plan of incomes and the expenses connected with realization (operation) of the investments project. For the first year it is developed monthly, and for the second year - quarterly.

1.12.3. The break-even point of the project. The data presented in graphical form.

1.12.4. Provision of return and recoupment of investments:
 a) the term of returning borrowed funds (by kinds);
 b) the period of a recoupment of total amount of investments.

1.13. The financial strategy

In this section it is necessary to state the plan of reception of ways for creation or expansion of your enterprise.

The first question: how many means in general are necessary for realization of the given project?

The second question: whence is it planned to receive this money and in what way?

And the third question: when is it possible to expect full return of the enclosed means and reception of the income by investors?

The answer to the first question comes up from the previous section of the business plan - "the financial plan". But the answer to the second question - a theme of special conversation.

The advantages are given through credits to financing for the projects connected with expansion of manufacture on already operating (and successfully operating) manufactures.

On the one hand, from such enterprises bankers won't demand the raised payment for the credit, as the risk of contributions is small here, and on the other hand, there will be no problem to find material maintenance of credits: it can be already available assets.

Sometimes attraction of means of partners and shareholders seem to businessmen undesirable because of possibility to get rid of controlling interest, which size is usually in 51 %.

In this case it is worth to say the following.

First of all, the controlling interest can also be much less than 51%. At strongly sprayed capital for control over the enterprise it can be sufficient share package in 10-15% of a share capital.

In the second place - the psychology "dog in the manger" seldom leads to success (though there are also exceptions. For example, any shareholder from outside wasn't supposed by the late billionaire Hunt into the enterprise).

What benefit will you receive if you are a potential individual owner of the enterprise existing only on paper?

Isn't it better to enter into business of well-founded investors from outside to realize the projects?

At last, as to the third aspect of section "The financial strategy" – estimation of terms of returning borrowed means, it demands carrying out and inclusion in the business plan of special calculations.

The formulas of these calculations can be found in corresponding directions.

1.13.1. Sources of financing of the investments project (For the first year it is developed monthly, and for the second year - quarterly.).

Date is resulted in a tabular form (tab. 1.8).

Table 1.8.

*Sources of financing of investment project
(thousand. UAH., thousand. doll. USA)*

Indices	The 1 st year				The 2 nd year quarterly					The 3 rd year	Etc.	
	1 st	2 nd	Etc.	Sum total	1	2	3	4	Sum total			
1. Own investment resources (sum total)												

Continui Table 1.8

2. Dept investment resources – sum total, including:												
- dept capital stock												
-dept equity capital												
- other dept sources (indicate)												
3. Loan investment resources – sum total, including:												
- bank loans												
- dept issuance												
- other loan resources (indicate)												
Sum total												

1.13.2. Volume of attracting foreign investors:

- a) amount of funds raised from the CIS countries, UAH;
- b) amount of funds raised from the other countries, doll.USA or UAH.

1.13.3. The contribution of foreign investors to the financing and realization of the project:

- a) money deposit in foreign currency;
- b) property contribution;

- c) providing loans to foreign banks;
- d) transfer of right to use patents, licenses “know-how”;
- e) providing training for the effective operation of the project;
- f) conditions of export sales of product;
- g) promotion of marketing infrastructure;
- h) other form of participation.

Apart from the above table, business plan can be added the other documents of interest to the investor.

MINISTRY OF EDUCATION, SCIENCE, YOUTH AND SPORT
OF UKRAINE
STATE ESTABLISHMENT
LUHANSK TARAS SHEVCHENKO NATIONAL UNIVERSITY

Institute of Economics and Business

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**Methodical instructions for
undergraduate thesis accomplishment
in discipline “Business Planning”**

APPROVED

at the department meeting
Protocol № 1 dated 25.08.2011

Luhansk 2012

Introduction

Business plan plays an important role in organization and economics of entrepreneurship. Taking into account the correlation between “entrepreneur” and “business” (business includes prohibited activities, such as drug trafficking, arms trade, etc.), it is more correct to talk about compiling of a business plan. This name (i.e. business plan) has firmly established in the conceptual framework, because of this we will use it.

Business plan is needed for:

Entrepreneur as a landmark in his activity;

Future associates and employees;

Bankers and investors whose services it is necessary to use;

Consultants, so they have ability to suggest something, identify weak points;

Providers, because a good plan assures them in possibility of cooperation with us.

Business plan is the basic document, under the authority of which the partners and investors give money. For the compiling of it the USA firms demand from \$2000 to \$40000. But business plan can be written yourself.

In methodical instructions are given the materials for business plan individual compiling for any entrepreneurship by students who study the discipline “Business Planning”.

Methodical instructions for undergraduate thesis accomplishment

Accomplishment of the undergraduate thesis is the basic mean of knowledge digestion by students on any subject. The purpose of working out a business plan is to give students the maximum opportunity for personal and professional qualities development, formation of a future specialist creative personality.

During the work on undergraduate thesis students learn the elements of one's own work organization, obtain the habitude of self-education.

The work of students on undergraduate projects can be carried out in the library, computer class and at home. Individual processing of the corresponding scientific literature and periodicals is also recommended for students.

Content of tasks to the undergraduate thesis is determined in consideration with the specific character and subject matter of discipline "Business Planning", its role, importance, didactic purpose in realization of educative-professional programme, as well as teacher's methodological recommendations.

The student must fully accomplish the methodical instructions, complete the content part of the undergraduate thesis correctly, carry out its defense.

2.1. Requirements to the undergraduate thesis

1. Students accomplish the work individually, following the methodical instructions and requirements for arrangement as well as remarks of a discipline teacher .

2. Work should be on sufficient theoretical level: student must disclose the subject matter, structure and content of business plan, using personal approaches and theoretical knowledge which the student mastered while studying the discipline "Business Planning".

3. Precision and specificity in determining the main points of work.

4. The work is printed in Ukrainian on A4 sheets in accordance with such requirements: top – 20 mm, bottom – 25 mm., left – 25 mm., right – 10 mm. Font - 14 in two intervals.

Exterior design of undergraduate thesis and its content see in supplement.

2.2. Subject matter and principles of a business plan

Business plan is a document that contains complex grounding of activity development strategy (program) of all enterprise spheres on the basis of current and advanced planning of such activity.

The main functions of a business plan, in which its essence opens in an integrated manner, are:

- 1) Provide comprehensive assistance to lenders and investors concerning the company, especially its stability and its effectiveness;
- 2) Objectivation of the entrepreneurship main goal;
- 3) A brief description of entrepreneurship, including manufacturing process;
- 4) Characteristics of the goods or services, their quality;
- 5) Grounding of the enterprise development forecast;
- 6) Complex market research;
- 7) Determination of enterprise viability in conditions of internal and external competition;
- 8) Grounding of enterprise effectiveness based on expenditure, prices and expected profit evaluation, which is the prerogative of the financial plan;
- 9) Evaluation of managerial personnel (entrepreneurs, managers, etc.) professional level, effectiveness of their work.

The principles of a business plan compiling are:

- a) qualitative and meaningful design (layout, quality cover, distinct drawings, photographs, calculations and so on);
- b) a distinct orientation on the recipient (creditor or investor);
- c) a thorough characteristics of a specific market segment (niche), consumer needs, and the advantages when purchasing goods and services of an enterprise;
- d) credibility in realization the basic idea, particularly in enterprise work effectiveness (profit earning) and the timely credits repayment etc.

Thus, the creditors must be convinced in acquittal of loan agreement conditions, and investors - in obtaining high profit norm.

The process of a business plan development has its own internal logic. The main stages of business plan development are the following:

Stage I: Selection of products or services that will be offered on the market.

Stage II: Identifying the market of your future business.

Stage III: Selection of your future business location.

Stage V: Determination of production parameters (premises, equipment, suppliers of materials, quality control);

Stage VI: Development of price and trade policy, choice of advertising and promotion means;

Stage VII: Objectivation of business organization form, characteristics of firm owners, determination of personnel quality, organizational structure and work payment.

Stage VIII : Description of potential risks and search of actions that could help to avoid them.

Stage IX : Evaluation of future profits and losses, financial situation analysis and development of financial statement.

Stage X : Printing the output that contains the basic regulations of your business.

2.3. Structure and content of a business plan

The main structural elements of the business plan are:

1. *Introduction* (volume - about 2 - 2.5 pages). Contains a short description of the proposed project, goods and services that will be produced, suppliers of materials, raw materials and components, markets, thorough assessment of the costs, damages and profits, using the latest etc.

2. *General characteristics of an enterprise.* Provides an indication of its legal form, date and place of registration, names of the founders and information about enterprise's provenance (purchased or built by the founders, was a subsidiary, plans to continue the previous output, to increase them, etc.).
3. *Description of entrepreneurship (business).* At first there is noted the scope of enterprise activity (manufacturing, scientific research, trade, etc.), then - the analysis of situation in the industry, potential competitors and consumers.

Then the nature of production is determined (seasonal, permanent, designed for mass production of cheaper or more expensive products, but of a higher quality and in smaller amounts, etc.). On this basis, justifying the need for loans or investments, the timing of their acquisition, the expected value of profits from investments (including investments).

4. *Description of goods or services.* Provides a complex summary analysis of the quality of goods and services, which the company plans to produce, or answers on the question "What products should be manufactured?". Parameters of the product quality are their technical and economic characteristics, reliability, durability, ecological compatibility, aesthetics and so on, because of which they differ from other goods and services - analogues, the benefits for consumers (in price or consumer properties). In addition, in this section indicate existing patents in the company, licenses, describe the office room and its computer equipment.
5. *Production plan.* Includes description of the production process, production technology, production facilities, state of the art, indicating the presence of allied enterprises, suppliers of raw materials, business location, transport and

communications infrastructure and others. In particular, characterizing the divisions, the sequence of the technological cycle, level of the production safety, its environmental (impact on pollution).

6. *Marketing Plan*. Provides: a) reduced description of the marketing strategies (setting the goals, planning and organization of the marketing activities, means of achieving the goal, sustainable ways to promote each of the goods and services to the specific market, competitive tactics, etc.); b) a comprehensive analysis of the market (the main competitor companies in the industry, their strengths and weaknesses, grounding the forecast of the development of the competition, suppliers, the quality of legislation, the impact of the government regulation, the calculations of the planned sale, etc.) c)

Analysis of the pricing policy depending on the lifespan of the product, promoting it, or provides development of the marketing policy and ways of its implementation (transportation, formation of the intermediary firms, construction of the shops, organizing of the after-sale service, active and sustainable using of advertising, etc.).

7. *Institutional Plan*. Contains information about the managerial apparatus of the enterprise (especially about the leaders without the direct production, service marketing, finance, chief of the staff); about organizational structure of the managerial apparatus (the interaction of the various services and units); about control and coordination of their activities, about founders and major shareholders, measure of their responsibility, and changes that should be held due to changes of the production plan and other parts of the business plan (choice of management strategies and methods for its implementation).

8. *Assessment of the risk and insurance.* Provides determination of the riskiness degree of this entrepreneurship (business), particularly highlights its weaknesses. For this purpose a classification of possible risks is suggested (supply and sales, production, investment, credit, interest, marketing, etc.), their probability, assessment of the predicted losses, the main risk management measures, including their neutralization.

A specific type of risk is appearing of a new, more advanced technologies, that causes obsolescence of existing means of labor , increasing the costs of production (compared to competing enterprises), and therefore the complications of selling products. In order to neutralize the individual risks, all types of the insurance, insurance companies, the conditions and terms of insurance, stating the names of insurance companies, numbers of policyholders must be pointed out.

9. *Financial plan.* Contains statistical (digital) grounding of the earlier sections of a business plan.

The main financial and accounting documents, in which a statistical basis is implemented, a plan of income and expenditure; plan of receipts and payments; prediction of the expected profits, investment, the amount of dividends (if it is a public corporation), foreign borrowing, operational plans (reports) for each product and market for each period; a balance sheet, which summarize the enterprise.

10. *Legal Plan.* Provides protection of the intellectual property rights, providing legal advice to individual departments, offices, businesses, partners, and protects the interests of the enterprise in front of supply and sales agency, creditors and other entities.

Total rationally composed business plan should be up to 40 pages without additions.

2.4. Procedure of compiling a business plan

Preparing a business plan begins with correct design of the title page, which must include:

- 1) A complete official name of the company (according to the registration documents) and its brand, if it is available;
- 2) Organizational and legal form of the company (limited liability company, public corporation, etc.);
- 3) A legal address of the enterprise that is specified in the documents for registration;
- 4) Mailing address of the company, which does not always coincide with the legal address;
- 5) Telephone numbers, fax numbers and e-mail;
- 6) Names and positions of employees who will act on its behalf (contracting entity);
- 7) The cost of the project;

On the next page of the business plan cite its detailed contents pointing-out a page for each section.

1. Summary
 - 1.1. The purpose of a business plan.
 - 1.2. Basic information about the company, founders and leadership.
 - 1.3. Needs in finances, sources and purpose of the financing.

- 1.4. Brief description of business, its target market segment and competitive environment. Advantages of the proposed goods and services over competitors.
 - 1.5. Components of the confidence in the success business and the components of the trust in business.
 - 1.6. The main financial suggestions.
2. Legal status of the company.
 - 2.1. Full and abbreviated name of the company.
 - 2.2. Code of the USREOU.
 - 2.3. Legal and mailing address, bank details, telephone management, fax, telex, telephone.
 - 2.4. Number, date and authority of the enterprise's registration.
 - 2.5. Full name and legal address of the organization (association, association group, corporation, etc.), in which the company is included.
 - 2.6. Ownership.
 - 2.7. The list of companies with defining their contribution to authorized capital.
 - 2.8. Managers of enterprises and their phone service.
 - 2.9. Basis of the proposed organizational and legal form of the enterprise and its prospects for the future.
 - 2.10. Symbols of the company.
3. Main directions and goals of the enterprise.
 - 3.1. Meeting the needs and interests of the target markets.
 - 3.2. The main purpose of the company's activities.
 - 3.3. Additional activity goal.
4. Historical information about the activity of enterprise.
 - 4.1. Stages of enterprise development.
 - 4.2. Specialization of enterprise activity.

- 4.3. Characteristics of production, sale of goods and services.
- 4.4. General conclusions about the current state of enterprise.
- 4.5. Description of land, facilities and production space.
- 4.6. Characteristics of machinery and equipment.
- 5. Types of business, products and services.
 - 5.1. Area of enterprise activity. Description of products and services.
 - 5.2. Distinctive features or unique character of products and services.
 - 5.3. The use of the technology, its progressiveness, the level of personnel qualification.
 - 5.4. Availability of licenses and patents.
 - 5.5. Prospects for improvement of products and services.
- 6. Markets and characteristics of the competitive environment.
 - 6.1. Clientage and buyers of the enterprise.
 - 6.2. Segments of the market.
 - 6.3. Market size and its growth.
 - 6.4. Historical and current division of the market and its future changes.
 - 6.5. Probable sales of enterprise products and services on the markets.
 - 6.6. Offers of service maintenance organization.
 - 6.7. Special characteristics of the market.
 - 6.8. The presence and degree of competition and other factors of influence.
 - 6.9. Strengths and weaknesses characteristic of competitors.
 - 6.10. Competitive advantage and confidence in success.
 - 6.11. Measures to increase the competitiveness of goods and services.
- 7. Plan of marketing activities.
 - 7.1. Marketing services of the company.

- 7.2. The essence of the marketing strategy.
 - 7.3. Estimated volume of sales.
 - 7.4. Sales and distribution channels of goods.
 - 7.5. Price policy.
 - 7.6. Servicing.
 - 7.7. Measures for stable positioning of goods and services on the market and struggle with competitors.
 - 7.8. Budget data on the costs of marketing activities.
 - 7.9. Further marketing strategy.
-
8. Prospects for business.
 - 8.1. Stages of business development.
 - 8.2. Anticipated difficulties and risk.
 - 8.3. Improving the quality of products and services.
 - 8.4. Development of products and services in future.
-
9. Plan of production activities.
 - 9.1. Description of the manufacturing process and suggestions for its improvement.
 - 9.2. Plan of production (selling goods or providing services).
 - 9.3. Industrial cooperation and the use of subcontractors.
 - 9.4. Planned expenditure on production of specific products and services, their profitability.
 - 9.5. Means to provide quality of products and services.
-
10. Technical and technological plan.
 - 10.1. Availability and use facilities according to the type of products and services.
 - 10.2. Means of creating the necessary facilities.
 - 10.3. Technical and technological issues that require resolution.
 - 10.4. The list, sources and timing of obtaining necessary equipment, means of mechanization and automation to increase capacity.

10.5. The list, performers, terms of modernization and complete overhaul of equipment.

10.6. The cost of these works and their payback periods.

11. The plan of capital construction, expanding and reconstruction.

11.1. Construction and commissioning of new facilities.

11.2. Expanding and reconstruction of existing productions.

Topics for the undergraduate thesis on "Business Planning"

The result of student's independent work of accomplishing the undergraduate thesis is the development and execution of a specific business plan, creation or modernization of enterprises of any sector and ownership (the student's choice).

The basic model of business plans includes the following developments:

1. Creating a new company to produce goods (services).
2. Replacement of equipment (physical depreciation) on the current company without a change in output.
3. Replacing obsolete equipment (obsolescence) with a view to reducing production costs.
4. Increasing the production (services).
5. The modernization of the enterprise to produce new goods.
6. Solving environmental problems of existing enterprises.
7. Other types of business plans: building a new workshop, warehouse, office, etc., buying recycled products for processing or sale, purchase new transport, etc.

The student has the right to choose another type of business plan for project.

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UNIVERSITY**

Institute of Economics and Business

Department of Management

**Undergraduate thesis accomplishment
in discipline “Business Planning”**

Student 4 Man - full name

Scientific chief – PhD, docent
Prischepa N. P.

Luhansk 2012

3. EXAMPLE: SPORT BAR BUSINESS PLAN

Plan

3.1. Executive Summary

- Objectives
- Mission
- Keys to Success

3.2. Company Summary

3.3. Market Analysis Summary

3.4. Strategy and Implementation Summary

3.5. Management Summary

3.6. Financial Plan

3.7. Appendix

3.1. Executive Summary

Take Five Sports Bar and Grill has established a successful presence in the food and beverage service industry. The flagship location in suburban Anytown (Medlock Bridge) will gross in excess of \$2 million in sales in its first year of operation.

First year operations will produce a net profit of \$445,000. This will be generated from an investment of \$625,000 in initial capital. Since 10 months of operations have already been completed the confidence level for final first year numbers is extremely high. The first 10 months of start-up costs, sales revenues, and operating expenses are actual.

Expansion plans are already underway. Owner funding and internally generated cash flow will enable additional stores to open. Sales projections for the next four years are based upon current planned store openings. Site surveys have been completed and prime locations have been targeted for store expansion.

The sales figures and projections presented here are based upon an additional four store locations at the most premium sites available in the Anytown Metro market area as well as a prime resort location in Destin, Florida.

Management has recognized the rapid growth potential made possible by the quick success and fast return-on-investment from the first location. Payback of total invested capital on the first location will be realized in less than 18 months of operation. Cash flow becomes positive from operations immediately and profits are substantial in the first year.

3.1.1. Objectives

Take Five has the objective of opening additional stores in Anytown Metro at Ashford-Dunwoody, Lawrenceville, Buckhead, and East Cobb.

Additionally, a store will be opened on the beach at Destin, Florida, a year-round resort destination.

The management of Take Five has demonstrated its concept, execution, marketability, and controls, and feels confident of its ability to successfully replicate the quick ramp-up of the Medlock Bridge location to additional venues.

The following objectives have been established:

- Have all five stores operational by Year 3 with a sequential time-line of openings.

- Maintain tight control of costs and operations by hiring quality management at each location and utilizing automated computer control.

 - Keep food cost under 32% of revenue.

 - Keep beverage cost under 21% of revenue.

 - Select only locations that meet all the parameters of success.

 - Grow each location to the \$3 to \$5 million annual sales level.

3.1.2. Mission

Take Five Sports Bar and Grill strives to be the premier sports theme restaurant in the Southeast Region. Our goal is to be a step ahead of the competition. We want our customers to have more fun during their leisure time.

We provide more televisions with more sporting events than anywhere else in the region. We provide state-of-the-art table-top audio control at each table so the customer can listen to the selected program of his or her choice without interference from background noise.

We combine menu selection, atmosphere, ambiance, and service to create a sense of "place" in order to reach our goal of over-all value in a dining/entertainment experience.

3.1.3. Keys to Success

The keys to success in achieving our goals are:

Product quality. Not only great food but great service.

Managing finances to enable new locations to open at targeted intervals.

Controlling costs at all times without exception.

Instituting management controls to insure replicability of operations over multiple locations. This applies equally to product control and to financial control.

3.2. Company Summary

The key elements of Take Five's restaurant store concept are as follows:

Sports based themes--The company will focus on themes that have mass appeal.

Distinctive design features--All stores will be characterized by spectacular visual design and layout. Each store will display a collection of authentic sports memorabilia.

High profile locations--The company selects its store locations based on key demographic indicators, including traffic counts, average income, number of households, hotels, and offices within a certain radius.

Celebrity events--The company stores will be distinguished by the promotional activities of sports celebrities and by media coverage of appearances and special events.

Retail merchandising--Each store will include an integrated retail store offering premium quality merchandise displaying the company's logo design. In addition sports memorabilia will be sold.

Quality food--Each Take Five store will serve freshly prepared, high quality, popular cuisine that is targeted to appeal to a variety of tastes and budgets with an emphasis on reasonably and moderately priced signature items of particular appeal to a local market.

Quality service--In order to maintain its unique image the Company provides attentive and friendly service with a high ratio of service personnel to customers and also invests in the training and supervision of its employees.

3.2.1. Company History

Take Five Sports Bar and Grill was founded in 1995 by Joseph Smith to capitalize on the ever growing market demand for high end technology enhanced sports theme restaurants. Take Five has promoted its brand through the operation of its existing location at Medlock Bridge Road and State Bridge Road in Anytown, Georgia. The flagship location provides a unique dining and entertainment experience in a high-energy environment. Customer acceptance has been proven. Regular and repeat customers cross many age demographics and families are frequent diners.

Take Five has promoted heavily with tie-ins to Anytown professional teams and celebrities. Take Five Sports Bar and Grill is the radio home for the live Monday Night XYZ Anytown Falcons coaches show featuring June Jones and Jeff George. This show is broadcast during the hour preceding the telecast of "Monday Night Football".

In addition, Take Five hosts the Anytown Hawks sports talk show on ABC 750 AM featuring guard Steve Smith and the radio voice of the Hawks, Steve Holman.

The Anytown Braves celebrated their World Series championship party at Take Five the night they won the Series.

The following table and chart illustrates the rapid sales success of the first Take Five location. The period covered is the initial opening from August through December 1995.

Table 3.1

Balance Sheet, Total Capital and Liabilities

Past Performance			
	FY 1993	FY 1994	FY 1995
Sales	\$0	\$0	\$634,900
Gross Margin	\$0	\$0	\$394,000
Gross Margin %	0.00%	0.00%	62.06%
Operating Expenses	\$0	\$0	\$301,000
Inventory Turnover	0.00	0.00	20.00
Balance Sheet			
	FY 1993	FY 1994	FY 1995

Continui Table 3.1

Current Assets	Cash	\$0	\$0	\$67,136
	Inventory	\$0	\$0	\$15,197
	Other Current Assets	\$0	\$0	\$17,310
	Total Current Assets	\$0	\$0	\$99,643
	Long-term Assets			
	Long-term Assets	\$0	\$0	\$475,495
	Accumulated Depreciation	\$0	\$0	\$29,713
Total Assets	Long-term Assets	\$0	\$0	\$445,782
	Total Assets	\$0	\$0	\$545,425
	Current Liabilities			
	Accounts Payable	\$0	\$0	\$20,040
	Current Borrowing	\$0	\$0	\$0
	Other Current Liabilities (interest free)	\$0	\$0	\$40,826
Total Liabilities	Current Liabilities	\$0	\$0	\$60,866
	Long-term Liabilities	\$0	\$0	\$0
	Total Liabilities	\$0	\$0	\$60,866
	Paid-in Capital	\$0	\$0	\$625,000
	Retained Earnings	\$0	\$0	(\$218,401)
	Earnings	\$0	\$0	\$77,960
	Total Capital	\$0	\$0	\$484,559
Total Liabilities	Capital and Other Inputs	\$0	\$0	\$545,425
	Payment Days	0	0	0

3.2.2. Company Ownership

Take Five Sports Bar and Grill is a privately held Georgia company. Joseph A. Smith is the principal owner. It is Mr. Smith's intention to offer limited outside ownership in Take Five on an equity, debt, or combination basis in order to facilitate a more rapid expansion of the Take Five concept.

Mr. Smith holds an MBA in Finance from Anytown University. He has held executive level positions in finance with General Electric and Holiday Inn Worldwide. He is previously experienced in the restaurant industry, having opened Smith's Italian Restaurant in 1993, which still operates successfully under his ownership.

3.2.3. Company Locations and Facilities

The company units will range in size from 6,000 to 9,000 square feet and will seat from 225 to 400 persons. Each Take Five Sports Bar and Grill will feature authentic sports memorabilia such as Michael Jordan's game jersey to Jimmy Connor's signed tennis racquet.

Each store will be equipped with state-of-the-art audio and video systems to enable the customer to enjoy the game of their choice. Every restaurant will be built to existing specifications, clean looking, open, and pleasing to the customer.

Unit locations are as follows:

Medlock Bridge--This unit is located at one of the busiest intersections in North Fulton County. It is surrounded by four major country clubs, upper middle class neighborhoods, office complexes, and shopping. It encompasses 6,000 sq. ft. of space and has been open since August 1995.

Ashford-Dunwoody--This unit will open in late summer 1996. Size will be 7,200 sq.ft. The location is one and one-half miles north of Perimeter Mall. Within a three mile radius there is 20 million square feet of professional office space. Also, an abundance

of upscale apartment complexes adjoins the unit. Major chain hotels are located nearby. Perimeter Mall is one of the regional upscale shopping destinations.

Lawrenceville (New Market)--This site will occupy 6,500 square feet and is scheduled to open in the Spring of 1997. It will be built as a free standing building on a 2+ acre parcel at the intersection of Rt. 120 and Rt. 316. Adjacent to the property is an 18 screen movie theater opened by AMC in March 1996.

This is the largest theater AMC has built in the Anytown area. New Market Mall has as master anchors Target, Home Depot, and Marshalls among others. The demographics are very favorable with no competition from other sports bar restaurants.

Peachtree and Piedmont (Buckhead)--This unit will be in the heart of Buckhead which is Anytown's most comprehensive business and entertainment center. In addition to retail space being constructed at this sight the unit will be adjacent to a 200+ room America's Suite Hotel.

Buckhead is one of the nation's largest and fastest-growing mixed use urban areas. It includes a dynamic combination of concentrated offices, retail, hotel, shopping, restaurant/entertainment, and residential development.

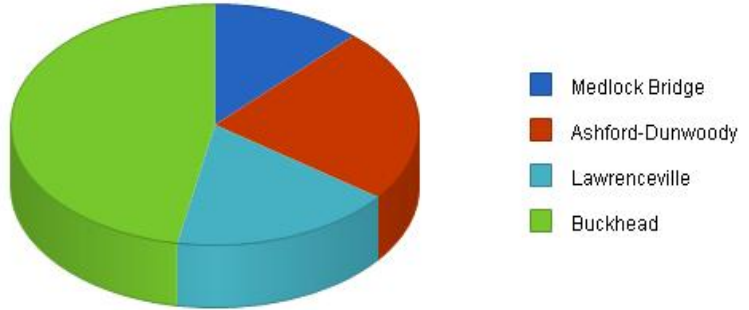
3.3. Market Analysis Summary

Market segmentation is shown in the next section.

3.3.1. Market Segmentation

Market segmentation data is presented in the chart and table below.

Market Analysis (Pie)



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Table 3.2

		<i>Potential Customer</i>			
		1996	1997	1998	1999
Potential Customers	Growth				
Medlock Bridge	10%	22,000	24,200	26,620	29,282
Ashford-Dunwoody	6%	42,400	44,944	47,641	50,499
Lawrenceville	8%	32,400	34,992	37,791	40,814
Buckhead	5%	84,000	88,200	92,610	97,241
Total	6.39%	180,800	192,336	204,662	217,836

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3.4. Strategy and Implementation Summary

Our strategy is based on serving our niche markets well. The sports enthusiast, the business entertainer and traveler, the local night crowd, as well as families dining out all can enjoy the Take Five experience.

What begins as a customized version of a standard product, tailored to the needs of a local clientele, can become a niche product that will fill similar needs in similar markets across the Southeast.

We are building our infrastructure so that we can replicate the product, the experience, and the environment across broader geographic lines. Concentration will be on maintaining quality and establishing a strong identity in each local market. The identity becomes the source of "critical mass" upon which expansion efforts are based. Not only does it add marketing muscle but it also becomes the framework for further expansion using both company owned and franchised store locations. Franchises will first be marketed in late 1997 or early 1998.

3.4.1. Marketing Strategy

A combination of local media and event marketing will be utilized at each location. Radio is most effective, followed by local print media. As soon as a concentration of stores is established in a market, then broader media will be employed.

The strategy of live broadcasting and pro sports tie-ins has been most effective in generating free publicity for the flagship location

which has been more effective than any advertising that could have been purchased.

3.4.1.1 Marketing Programs

Take Five will create an "identity" oriented marketing strategy with executions particularly in local media. Radio spots, print ads, and in-store promotions are designed for transplantation to other markets. A portion of the ad and promo budget is set aside to develop these programs.

3.4.1.2. Pricing Strategy

All menu items are moderately priced. An average customer ticket is between \$10 and \$20 including food and drink. Tickets are considerably larger for game day visitors. Our average customer spends more than the industry average for moderately priced establishments. We tend to believe that this is due to our creating an atmosphere that encourages longer stays and more spending but still allows adequate table turns due to extended hours of appeal.

3.4.1.3. Promotion Strategy

We promote sports, sports, and more sports. The universal appeal of sports and sports marketing has never been higher. A high growth area such as Anytown has an annual influx of new residents from many other parts of the country. This trend is true in the Sunbelt in general.

Many new residents and many existing ones are fans of teams in other markets.

Take Five is a place for all. Each patron can watch his or her game of interest. The enabling technology is the benchmark for Take Five.

Advertising budgets and sports event promotion is an on-going process of management geared to promote the brand name and keep Take Five at the forefront of sports theme establishments in each local marketing area.

In addition, funds are budgeted to launch franchise sales activity and lead generation. These funds amount to 20% of projected franchise sales.

3.4.1.4. Sales Strategy

The sales strategy is to build and open new locations on schedule in order to increase revenue. Each individual location will continue to build its local customer base over the first three years of operation.

The goal is \$3 to \$5 million in annual sales per unit. A unit will be considered mature once it has passed the \$3.5 million mark in annual sales.

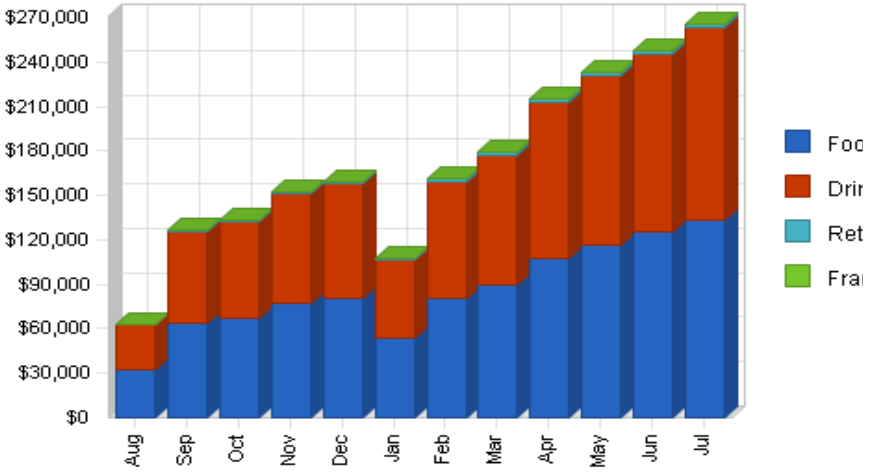
The following sections illustrate the combined sales forecast:

3.4.1.5. Sales Forecast

The following chart and table shows the rapid sales ramp-up for our first location in only its first twelve months of operation. The two million dollar sales volume represents somewhat less than 50% of the revenue potential of the location.

All sales forecasts and projections have this first year as their basis for each new store.

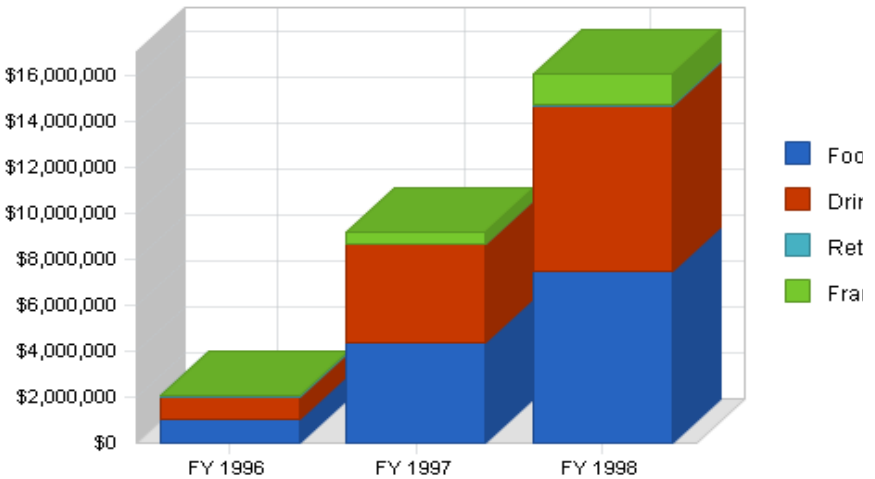
Sales Monthly



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Sales by Year



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Table 3.3

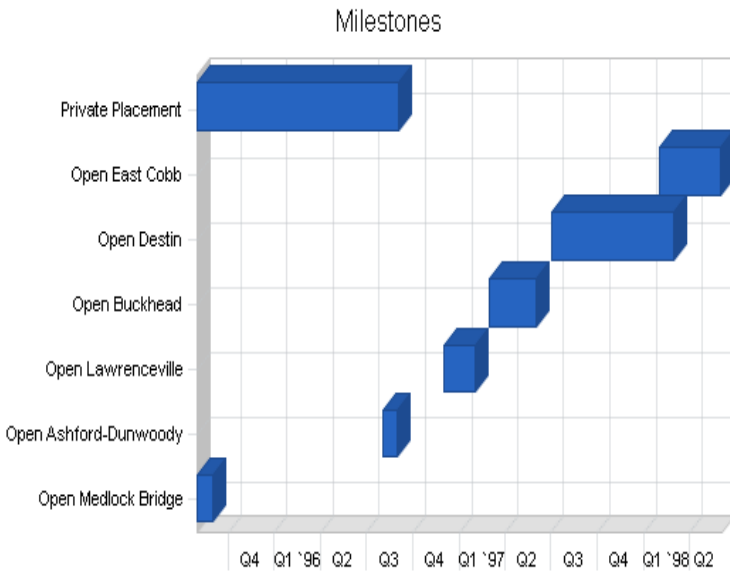
Sales Forecast and Total Sales

Sales Forecast			
	FY 1996	FY 1997	FY 1998
Sales			
Food	\$1,026,242	\$4,411,500	\$7,497,000
Drinks	\$998,276	\$4,238,500	\$7,203,000
Retail	\$17,926	\$48,000	\$84,000
Franchise Fees	\$0	\$500,000	\$1,300,000
Total Sales	\$2,042,444	\$9,198,000	\$16,084,000
Direct Cost of Sales	FY 1996	FY 1997	FY 1998
Food	\$349,013	\$1,449,910	\$2,548,980
Drinks	\$219,561	\$932,470	\$1,584,660
Retail	\$9,064	\$24,000	\$42,000
Franchise Fees	\$0	\$125,000	\$260,000
Subtotal Direct Cost of Sales	\$577,638	\$2,531,380	\$4,435,640

3.4.2. Milestones

The following table lists important milestones, with projected dates, management, and budget responsibility.

The milestone schedule indicates our emphasis on planning for implementation.



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Table 3.4

Milestones

Milestones					
Milestone	Start Date	End Date	Budget	Manager	Department
Open Medlock Bridge	8/1/1995	8/30/1995	\$625,000	JS	Exec
Open Ashford-Dunwoody	8/1/1996	8/30/1996	\$700,000	JS	Exec
Open Lawrence-ville	12/1/1996	2/1/1997	\$1,000,000	JS	Exec
Open Buckhead	2/28/1997	6/1/1997	\$700,000	JS	Exec
Open Destin	7/1/1997	3/1/1998	\$1,500,000	JS	Exec
Open East Cobb	2/1/1998	6/1/1998	\$600,000	JS	Exec
Private Placement	8/1/1995	9/1/1996	\$82,500	LC	Finance
Totals			\$5,207,500		

3.5. Management Summary

At the present time Joseph Smith runs all operations for Take Five Sports Bar and Grill.

Other key personnel are the management at each location. Candidates have already been identified for the first additional

Anytown area location. There is not expected to be any shortage of qualified and available staff and management from local labor pools in each market area.

3.5.1. Organizational Structure

Future organizational structure will include a director of store operations when store locations exceed five and/or the Florida store opens. This will provide a supervisory level between the executive level and the store management level. A full time accountant has already been added.

Also, a sales/marketing director has been added to oversee the expansion effort both to support the growth of existing business and to execute the franchise expansion strategy. Their salaries are included in the projections.

Operations of individual stores will be the responsibility of the general manager.

3.5.2. Management Team

Joseph Smith

Personal Data:

Born 11/19/53 Philadelphia, Pa.

Married 17 years--two children ages 10 & 13

Excellent Health

U.S. Air Force--1971 to 1975, Vietnam veteran, Communication Surveillance, Top Security Clearance

Education:

LaSalle University, MBA Finance, BS, Finance

Professional Experience:

RCA/GE--1978-1988:

Finance, Strategic Planning, Corporate Development

Scientific Anytown--1988-1990:

VP Finance, Electronic Systems Group

Holiday Inn Worldwide--1990-1993:
 Strategic Planning and Corporate Development, reporting to the
 CFO

Resigned in 1993 to open and operate Smith's Italian Restaurant

3.5.3. Management Team Gaps

Specific opportunities exist in the store operations supervisory area (not needed initially) and in franchise sales development (not needed initially).

It is expected that these people can be recruited when needed in the Anytown market. Anytown is now home to more than 40 franchise company headquarters.

Store managers are readily available when needed. Food service managers are plentiful.

3.5.4. Personnel Plan

The following personnel table outlines the projected staff requirements for the first three years of operation.

Table 3.5

Personnel Plan

Personnel Plan			
	FY 1996	FY 1997	FY 1998
Total Payroll	\$484,800	\$2,800,000	\$4,850,000
Name or Title or Group	\$0	\$0	\$0
Total People	12	67	115
Total Payroll	\$484,800	\$2,800,000	\$4,850,000

3.6. Financial Plan

The over-all financial plan for growth allows for use of the significant cash flow generated by operations.

Equity/debt infusion of \$1.5 to \$2 million allows for more rapid expansion of store starts than could be accomplished from cash flow alone. Outside investment capital also allows a buffer of excess cash so that the expansion plan can be revised on short notice.

Every opportunity will be seized to accelerate expansion past the critical dates in this plan if cash flow from new stores exceeds projections.

It is management's intent to build equity in the brand name and in its franchise. Other models exist in the recent past of successful IPO's on similar concepts.

3.6.1. Important Assumptions

The financial plan depends on important assumptions, most of which are shown in the following table.

The key underlying assumptions are:

We assume a slow-growth economy, without major recession.

We assume access to equity capital and financing sufficient to maintain our financial plan as shown in the tables.

We assume the continued popularity of sports in America and the growing demand for sports theme venues.

Table 3.6

General Assumptions

General Assumptions				
		FY 1996	FY 1997	FY 1998
Plan Month		1	2	3
Current Interest Rate		8.50%	8.50%	8.50%
Long-term Rate	Interest	10.00%	10.00%	10.00%
Tax Rate		33.00%	33.00%	33.00%
Other		0	0	0

3.6.2. Key Financial Indicators

The most important indicator in our case is inventory turnover. In the restaurant business turnover exceeds 50, with product being purchased and sold often within the week.

Food costs must be kept below 32%.

Beverage costs must be kept below 21%.

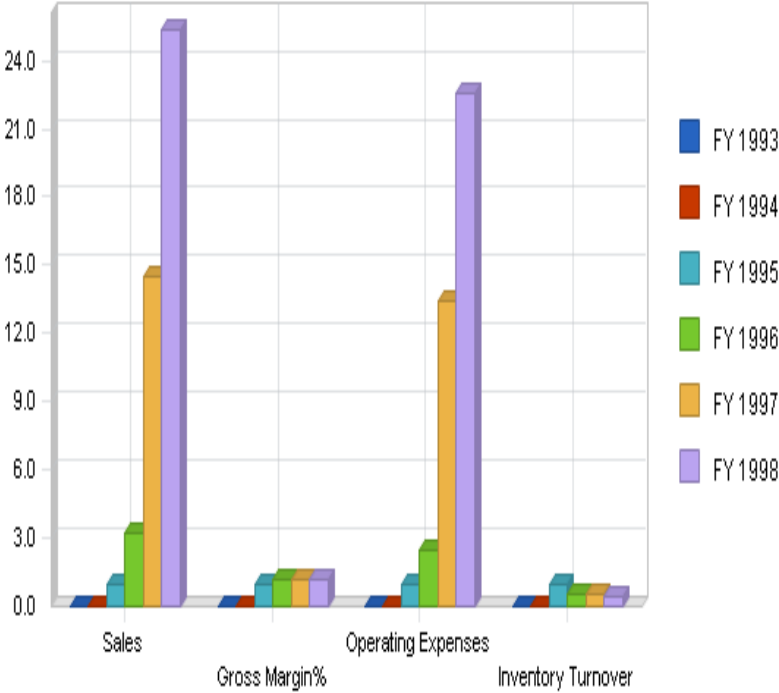
Above all, controls must be instituted and maintained over multiple store locations.

Take Five now uses state-of-the-art restaurant management control and inventory systems. All systems are computer based that allow for accurate off-premises control of all aspects of food and beverage service business.

The systems used are point-of-sale from HSI and inventory and recipe management from VIP. Both systems are PC based and have become industry standards.

Management's background in corporate finance indicates understanding of the importance of these control systems.

Benchmarks



3.6.3. Break-even Analysis

The break even analysis is based upon fixed costs at the Medlock Bridge location. This location exceeded required volume to break even in only its second month of operation.

At \$15 per average ticket the break even volume at Medlock Bridge is attained less than one full seating per day. The industry average is between 3 and 4 turns of seating capacity.



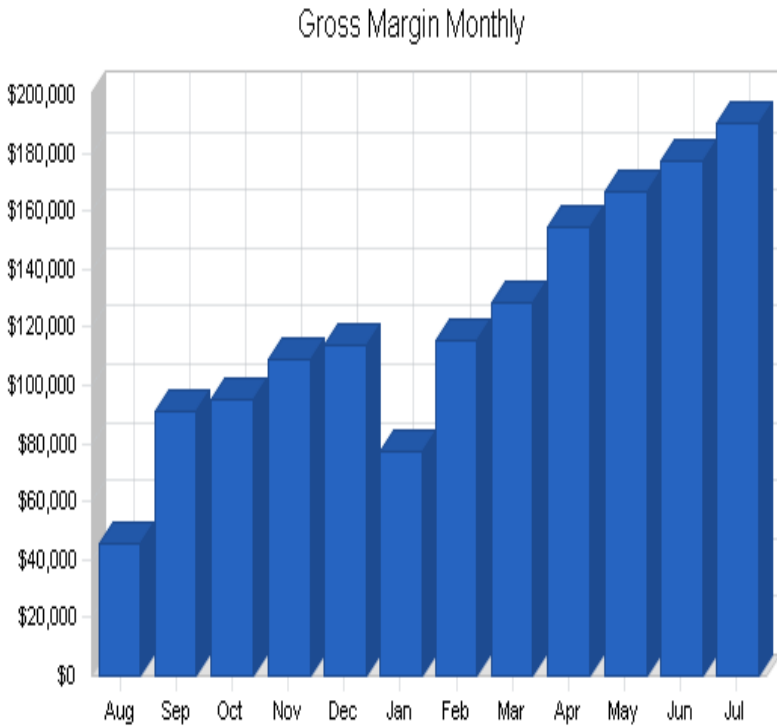
Table 3.7

Break-even Analysis

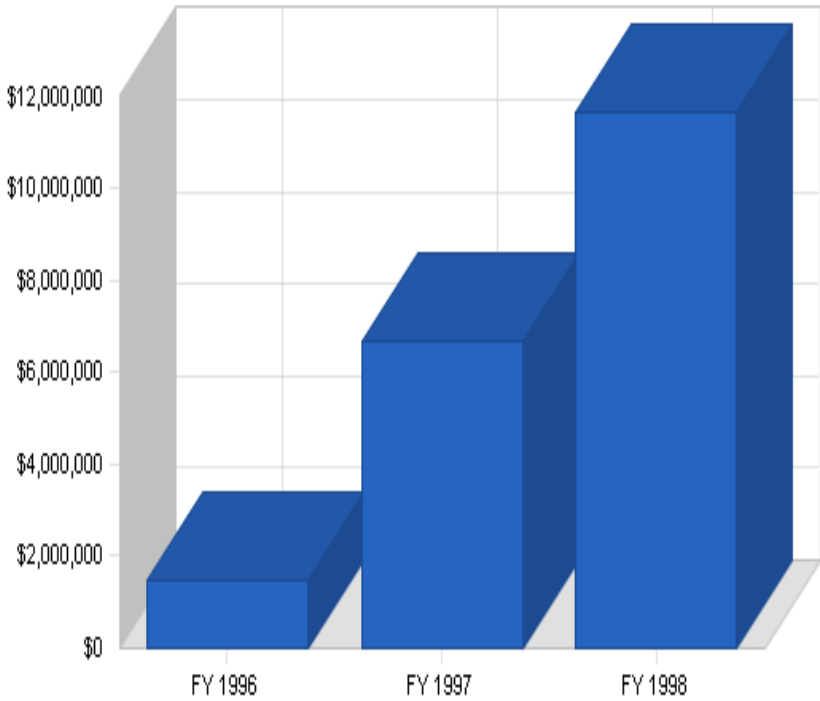
Break-even Analysis	
Monthly Revenue Break-even	\$86,205
Assumptions:	
Average Percent Variable Cost	28%
Estimated Monthly Fixed Cost	\$61,825

3.6.4. Projected Profit and Loss

We project rapid expansion of sales and profits. Net profits remain above 16% of sales even in the most aggressive expansion period.



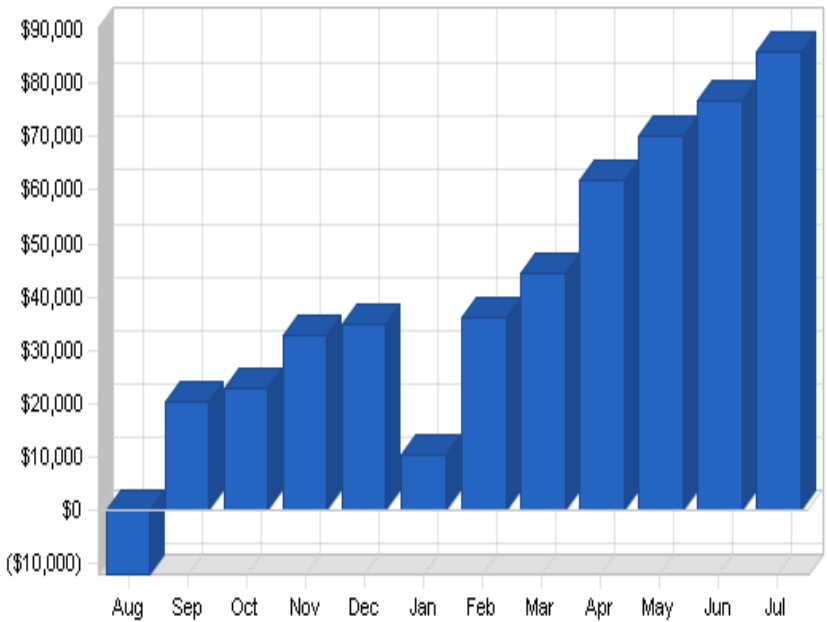
Gross Margin Yearly



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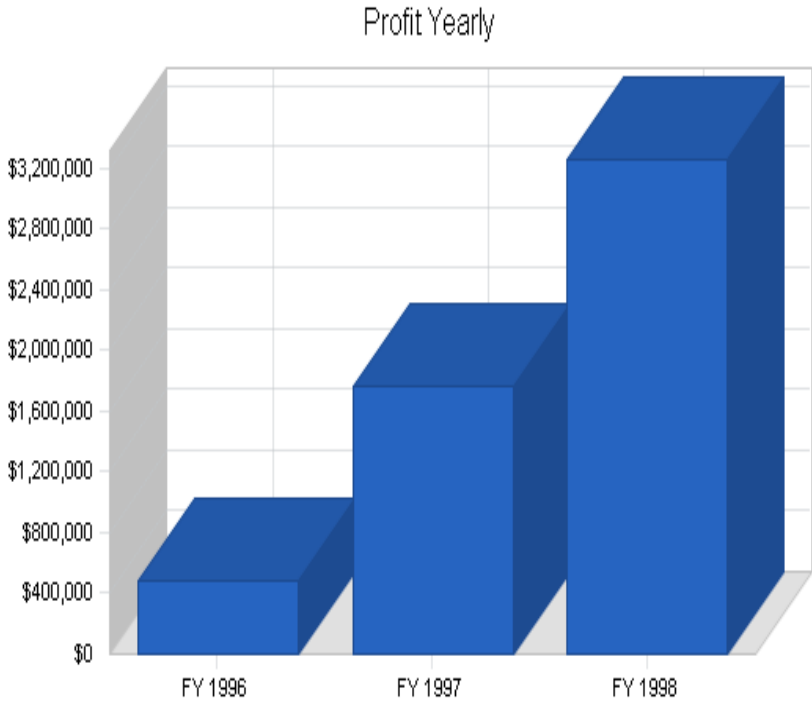
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Profit Monthly



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Table 3.8

Pro Forma Profit and Loss

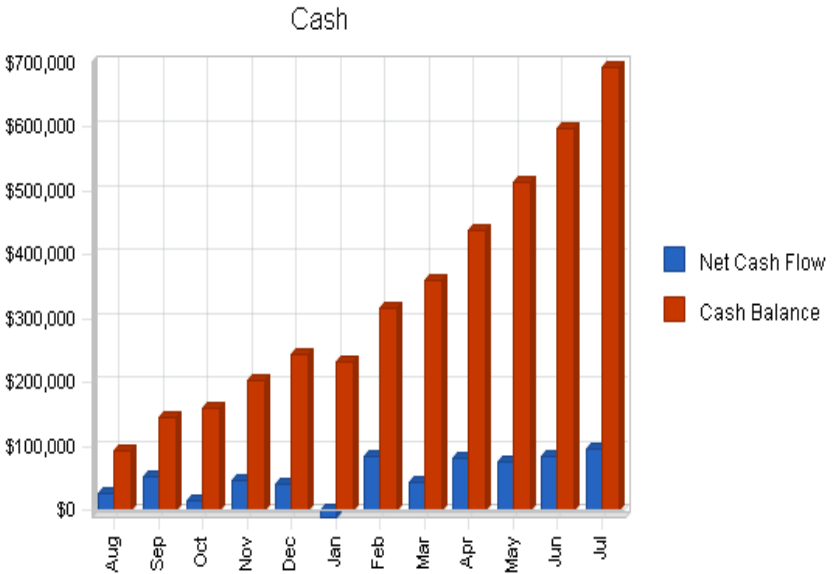
Pro Forma Profit and Loss			
	FY 1996	FY 1997	FY 1998
Sales	\$2,042,444	\$9,198,000	\$16,084,000
Direct Cost of Sales	\$577,638	\$2,531,380	\$4,435,640
Other Costs of Sales	\$0	\$0	\$0

Continui Table 3.8

Total Cost of Sales	\$577,638	\$2,531,380	\$4,435,640
Gross Margin	\$1,464,806	\$6,666,620	\$11,648,360
Gross Margin %	71.72%	72.48%	72.42%
Expenses			
Payroll	\$484,800	\$2,800,000	\$4,850,000
Marketing/Promotion	\$69,500	\$512,000	\$860,000
Depreciation	\$69,996	\$280,000	\$320,000
Rent	\$52,800	\$197,000	\$460,000
Utilities	\$28,800	\$150,000	\$180,000
Insurance	\$36,000	\$96,000	\$125,000
Payroll Taxes	\$0	\$0	\$0
Other	\$0	\$0	\$0
Total Operating Expenses	\$741,896	\$4,035,000	\$6,795,000
Profit Before Interest and Taxes	\$722,910	\$2,631,620	\$4,853,360
EBITDA	\$792,906	\$2,911,620	\$5,173,360
Interest Expense	\$0	\$0	\$0
Taxes Incurred	\$238,560	\$868,435	\$1,601,609
Net Profit	\$484,350	\$1,763,185	\$3,251,751
Net Profit/Sales	23.71%	19.17%	20.22%

3.6.5. Projected Cash Flow

We expect to manage cash flow with an additional investment totaling \$1.5 to \$2 million. All additional requirements can be met from internally generated funds. With investment coming in during late 1996 and mid 1997 there is no point at which future cash flow appears to be in danger.



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Table 3.9

Pro Forma Cash Flow

Pro Forma Cash Flow			
	FY 1996	FY 1997	FY 1998
Cash Received			
Cash from Operations			
Cash Sales	\$2,042,444	\$9,198,000	\$16,084,000
Subtotal Cash from Operations	\$2,042,444	\$9,198,000	\$16,084,000
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
New Investment Received	\$625,000	\$0	\$0

Continui Table 3.9

Subtotal Cash Received	\$2,667,444	\$9,198,000	\$16,084,000
Expenditures	FY 1996	FY 1997	FY 1998
Expenditures from Operations			
Cash Spending	\$484,800	\$2,800,000	\$4,850,000
Bill Payments	\$956,310	\$4,387,636	\$7,663,212
Subtotal Spent on Operations	\$1,441,110	\$7,187,636	\$12,513,212
Additional Cash Spent			
Sales Tax, VAT, ST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0
Purchase Other Current Assets	\$0	\$0	\$0

Continui Table 3.9

Purchase Long-term Assets	\$600,000	\$0	\$0
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$2,041,110	\$7,187,636	\$12,513,212
Net Cash Flow	\$626,334	\$2,010,364	\$3,570,788
Cash Balance	\$693,470	\$2,703,833	\$6,274,621

3.6.6. Projected Balance Sheet

As shown in the balance sheet in the table, we expect a healthy growth in net worth, from approximately \$1 million at present to more than \$8 million by the end of the third year of operations.

Table 3.10

Pro Forma Balance Sheet

Pro Forma Balance Sheet			
	FY 1996	FY 1997	FY 1998
Assets			
Current Assets			
Cash	\$693,470	\$2,703,833	\$6,274,621
Inventory	\$82,577	\$361,877	\$634,103
Other Current Assets	\$17,310	\$17,310	\$17,310

Continui Table 3.10

Total Current Assets	\$793,357	\$3,083,020	\$6,926,034
Long-term Assets			
Long-term Assets	\$1,075,495	\$1,075,495	\$1,075,495
Accumulated Depreciation	\$99,709	\$379,709	\$699,709
Total Long-term Assets	\$975,786	\$695,786	\$375,786
Total Assets	\$1,769,143	\$3,778,806	\$7,301,820
Liabilities and Capital	FY 1996	FY 1997	FY 1998
Current Liabilities			
Accounts Payable	\$134,408	\$380,886	\$652,149
Current Borrowing	\$0	\$0	\$0
Other Current Liabilities	\$40,826	\$40,826	\$40,826
Subtotal Current Liabilities	\$175,234	\$421,712	\$692,975
Long-term Liabilities	\$0	\$0	\$0
Total Liabilities	\$175,234	\$421,712	\$692,975

Continui Table 3.10

Paid-in Capital	\$1,250,000	\$1,250,000	\$1,250,000
Retained Earnings	(\$140,441)	\$343,909	\$2,107,094
Earnings	\$484,350	\$1,763,185	\$3,251,751
Total Capital	\$1,593,909	\$3,357,094	\$6,608,845
Total Liabilities and Capital	\$1,769,143	\$3,778,806	\$7,301,820
Net Worth	\$1,593,909	\$3,357,094	\$6,608,845

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3.6.7. Business Ratios

These business ratios are future estimates based upon current assumptions. Industry Ratios are based on Standard Industry Classification code, 5813, Drinking Places.

Table 3.11

Ratio Analysis

Ratio Analysis				
	FY 1996	FY 1997	FY 1998	Industry Profile
Sales Growth	221.70%	350.34%	74.86%	5.96%

Continui Table 3.11

Percent of Total Assets				
Inventory	4.67%	9.58%	8.68%	3.68%
Other Current Assets	0.98%	0.46%	0.24%	45.65%
Total Current Assets	44.84%	81.59%	94.85%	54.09%
Long-term Assets	55.16%	18.41%	5.15%	45.91%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	9.91%	11.16%	9.49%	16.08%
Long-term Liabilities	0.00%	0.00%	0.00%	25.02%
Total Liabilities	9.91%	11.16%	9.49%	41.10%
Net Worth	90.09%	88.84%	90.51%	58.90%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	71.72%	72.48%	72.42%	31.07%
Selling, General & Administrative Expenses	48.00%	53.31%	52.20%	10.33%
Advertising Expenses	3.43%	3.04%	1.99%	3.13%
Profit Before Interest and Taxes	35.39%	28.61%	30.18%	3.91%

Continui Table 3.11

Main Ratios				
Current	4.53	7.31	9.99	1.70
Quick	4.06	6.45	9.08	1.14
Total Debt to Total Assets	9.91%	11.16%	9.49%	53.41%
Pre-tax Return on Net Worth	45.35%	78.39%	73.44%	7.14%
Pre-tax Return on Assets	40.86%	69.64%	66.47%	15.34%
Additional Ratios	FY 1996	FY 1997	FY 1998	
Net Profit Margin	23.71%	19.17%	20.22%	n.a
Return on Equity	30.39%	52.52%	49.20%	n.a
Activity Ratios				
Inventory Turnover	10.91	11.39	8.91	n.a
Accounts Payable Turnover	7.97	12.17	12.17	n.a
Payment Days	28	20	24	n.a
Total Asset Turnover	1.15	2.43	2.20	n.a
Debt Ratios				
Debt to Net Worth	0.11	0.13	0.10	n.a

Continui Table 3.11

Current Liab. to Liab.	1.00	1.00	1.00	n.a
Liquidity Ratios				
Net Working Capital	\$618,123	\$2,661,308	\$6,233,059	n.a
Interest Coverage	0.00	0.00	0.00	n.a
Additional Ratios				
Assets to Sales	0.87	0.41	0.45	n.a
Current Debt/Total Assets	10%	11%	9%	n.a
Acid Test	4.06	6.45	9.08	n.a
Sales/Net Worth	1.28	2.74	2.43	n.a
Dividend Payout	0.00	0.00	0.00	n.a

3.7. Appendix

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Total Payroll	\$40,40	\$40,40	\$40,40	\$40,40	\$40,40	\$40,40	\$40,40	\$40,40	\$40,40	\$40,40	\$40,40	\$40,40
Name or Title or Group	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total People	12	12	12	12	12	12	12	12	12	12	12	12
Total Payroll	\$40,40	\$40,40	\$40,40	\$40,40	\$40,40	\$40,40	\$40,40	\$40,40	\$40,40	\$40,40	\$40,40	\$40,40

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Sales	\$63,00	\$127,00	\$133,30	\$152,4	\$159,00	\$107,10	\$161,13	\$179,	\$214,	\$232,7	\$247,4	\$265,5
Direct Cost of Sales	\$17,71	\$35,871	\$37,895	\$43,11	\$45,039	\$30,200	\$45,538	\$50,5	\$60,7	\$65,77	\$70,10	\$75,07
Other Costs of Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cost of Sales	\$17,71	\$35,871	\$37,895	\$43,11	\$45,039	\$30,200	\$45,538	\$50,5	\$60,7	\$65,77	\$70,10	\$75,07

Total Operating Expenses	\$63,03	\$60,533	\$61,033	\$60,53	\$62,033	\$61,533	\$61,533	\$62,0	\$62,0	\$62,53	\$62,53	\$62,53	
Profit Before Interest and Taxes	(\$17,)	\$30,596	\$34,372	\$48,75	\$51,928	\$15,369	\$54,059	\$66,4	\$92,0	\$104,4	\$114,7	\$127,8	
EBIT-DA	(\$11,9	\$36,429	\$40,205	\$54,58	\$57,761	\$21,202	\$59,892	\$72,2	\$97,9	\$110,2	\$120,6	\$133,7	
Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Taxes Incurred	(\$5,85	\$10,097	\$11,343	\$16,08	\$17,136	\$5,072	\$17,	\$21,9	\$30,3	\$34,	\$37,87	\$42,2	
Net Profit	(\$11,8	\$20,499	\$23,029	\$32,66	\$34,792	\$10,297	\$36,0	\$44,4	\$61,6	\$69,96	\$76,89	\$85,69	
Net Profit/Sales %	-	18.87	16.14%	17.28%	21.43	21.88%	9.61%	22.48%	24.85	28.72	30.06%	31.08%	32.28%
	%			%				%	%				

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Навчальне видання

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Business planning

Бізнес-планування

Навчальний посібник

(на допомогу іноземним студентам
денної та заочної форм навчання
спеціальностей „Менеджмент організацій” та „Маркетинг”)

Англійською мовою

Метою навчального посібника є формування комплексу теоретичних знань та практичних навичок складання бізнес-плану відповідно до міжнародних стандартів із застосуванням комп'ютерних систем розробки бізнес-проектів.

Навчальний посібник „Бізнес-планування” адресовано студентам спеціальностей „Менеджмент організацій” та „Маркетинг”, а також всім особам, хто спеціалізується в економіці, бізнесі і менеджменті.

За редакцією автора
Комп'ютерний макет – Прищепи Н. П.
Коректор – Крисало О. В.

Здано до склад. 14.02.2012 р. Підписано до друку 14.03.2012 р.
Формат 60×84/16. Папір офсет. Гарнітура Times New Roman.
Друк ризографічний. Ум. друк. арк.7,03. Наклад 300 прим. Зам. № 50.

Видавець і виготовлювач

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Свідоцтво суб'єкта видавничої справи ДК № 3459 від 09.04.2009 р.