

HOW TO WRITE A BUSINESS PLAN

Managing and Planning Series

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INTRODUCTION

There are two main purposes for writing a business plan. The first, and most important, is to serve as a guide during the life of your business. It is the blueprint of your business and will serve to keep you on the right track. To be of value, your plan must be kept current. If you spend

the time to plan ahead, many pitfalls will be avoided and needless frustrations will be eliminated. Second, the business plan is a requirement if you are planning to seek loan funds. It will provide potential lenders with detailed information on all aspects of the company's past and current operations and provide future projections.

The text of a business plan must be concise and yet must contain as much information as possible. This sounds like a contradiction, but you can solve this dilemma by using the Key Word approach. Write the following key words on a card and keep it in front of you while writing:

Who What Where When Why How How Much

Answer all of the questions asked by the key words in one paragraph at the beginning of each section of the business plan. Then expand on that statement by telling more about each item in the text that follows.

There is no set length to a business plan. The average length seems to be 30 to 40 pages, including the supporting documents section. Break the plan down into sections. Set up blocks of time for work with target dates for completion. You may find it effective to spend two evenings per week at the library where the reference materials needed will be close at hand. It takes discipline, time and privacy to write an effective business plan.

You will save time by compiling your list of supporting documents while writing the text. For example, while writing about the legal structure of your business, you will realize the need to include a copy of your partnership agreement. Write partnership agreement on your list of supporting documents. When compiling that section of your plan, you will already have a list of necessary documents. As you go along, request any information that you do not have, such as credit reports.

With the previous considerations in mind, you are ready to begin formulating your plan. Read through this entire publication to get an overall view of the business planning process.

COVER SHEET

The first page of your business plan will be the cover sheet. It serves as the title page of your plan. It should contain the following information:

- Name of the company
- Company address
- Company phone number (include area code)
- Logo (if you have one)
- Names, titles, addresses, phone numbers (include area code) of owners
- Month and year in which the plan is issued
- Name of preparer

The following example will serve as a guide.

ABC CORPORATION

372 East Main Street
Burke, BY 10071
(207) 526-4319

John Smith, President (207) 814-0221
724 South Street
Jamestown, NY 10081

Mary Blake, Vice President (207) 764-1213
86 West Avenue
Burke, NY 10071

James Lysander, Secretary (207)842-1648
423 Potrero Avenue
Jessup, NY 10602

Tandi Higgins, Treasurer (207) 816-0201
321 Nason Street
Adams, NY 10604

Plan prepared September 1992
by Corporate Officers

STATEMENT OF PURPOSE (MISSION STATEMENT)

The statement of purpose is also called the *mission statement* or *executive summary*. If your lender were to read only this information, he or she would know the name and nature of your business, its legal structure, the amount and purpose of your loan request and your plan for repayment. Use the key word approach mentioned earlier. Be concise and clear. The statement of purpose is contained on one page. Although it is positioned after the cover sheet, it is most effectively written after the plan has been completed. At that time, all the information and financial data needed are available.

If you are writing your plan for a lender, be specific about the use of funds. Support the amount requested with information such as purchase orders, estimates from suppliers, rate sheets and marketing results. Include this information in the supporting documents section. Address the question of loan repayment. You want to show the lender your company's ability to meet payments of interest as well as principal. Some investors like to see two ways out, i.e., two different sources of repayment. When you have answered the key word questions, you are ready to present that information in one or two concise paragraphs. A sample statement of purpose

follows.

STATEMENT OF PURPOSE

ABC CORPORATION, an S-Corporation established in 1985, is a tool and die company that manufactures specialized parts for the aerospace industry and is located at 372 East Main Street, Burke, N.Y. The company is seeking growth capital in the amount of \$50,000 for the purpose of purchasing new and more modern equipment and for training existing personnel in the use of that new equipment.

Funding is needed in time for the equipment to be delivered and in place by 11 January 1993. There is a two-month period between order placement and delivery date.

The modernized equipment will result in a 35 percent increase in production and a 25 percent decrease in the unit cost. Repayment of the loan and interest can begin promptly within 30 days of receipt and can be further secured by real estate, which is owned by the company and which has a 1990 assessed valuation of \$185,000.

THE BUSINESS

The first major section of your plan covers the details of your business. Begin this section with a one-page summary addressing the key elements of your business. The following text will expand on each area presented in the summary. Use the key word system to help you write concisely. Address all of the topics as they relate to your business in an order that seems logical to you. Include information about your industry in general, and your business in particular. Be prepared to back up statements and justify projections with data in the supporting documents section.

Legal Structure

State the reasons for your choice of legal structure. If you are a sole proprietor, you may include a copy of your business license. If you have formed a partnership, include a copy of your partnership agreement in the supporting documents section. Your agreement should include provisions for partners to exit and for the dissolution of the company. It must spell out the distribution of the profits and the financial responsibility for any losses. Explain the reasoning behind the terms of the agreement. If you have formed a corporation, explain why this legal form was chosen and how the company will operate within the corporate structure, and include a copy of the charter and articles in the supporting document section.

If you plan to change your legal structure in the future, make projections regarding why you would change, when the change would take place, who would be involved and how the change would benefit the company.

Description of the Business

This is the section of the plan in which you go into greater detail about your business. Answer the key word questions regarding the business's history and present status, and your future projections for research and development. Outline your current business assets and report your inventory in terms of size, value, rate of turnover and marketability. Include industry trends. Stress the uniqueness of your product or service and state how you can benefit the customer. Project a sense of what you expect to accomplish three to five years into the future.

Products or Services

Give a detailed description of your product from raw materials to finished item. What raw materials are used, how much do they cost, who are your suppliers, where are they located and why did you choose them? Include cost breakdowns and rate sheets to back up your statements. Although you may order from one main supplier, include information on alternate suppliers. Address how you could handle a sudden increase of orders or a loss of a major supplier.

You may hear a lender refer to the worst case scenario. This means that the lender wants you to be able to anticipate and solve potential problems. It is also to your advantage to think in terms of alternatives and to prepare for the unexpected so that your business can continue to run smoothly. Some businesses fail because they become too successful too soon. Therefore, it is also good to plan for the best case scenario. If you are inundated with orders, your business plan should contain information needed to hire staff and contact additional suppliers.

If you are providing a service, tell what your service is, why you are able to provide it, how it is provided, who will be doing the work and where the service will be performed. Tell why your business is unique and what you have that is special to offer to your customers. If you have both a product and a service that work together to benefit your customer (such as warranty service for the products you sell) be sure to mention this in your plan. Again the key words come into use. List future services you plan to add to your business. Also, anticipate any potential problem areas and work out a plan for action.

You should state any proprietary rights, such as copyrights, patents or trademarks, in this section.

Location

If location is important to your marketing plan, you may focus on it in the marketing section. For example, if you are opening a retail shop, your choice of location will be determined by your target market. If you are a manufacturer and ship by common carrier, your location is not directly tied to your target market so you can discuss location in the business section. You may

begin this topic with a sentence such as "ABC Corporation is housed in 25,000 square feet of warehouse space located at 372 East Main Street, Burke, NY. This site was chosen because of accessibility to shipping facilities, good security provisions, low square footage costs and proximity to sources of supplies."

Now expand on each reason for choosing that location and back up your statements with a physical description of the site and a copy of the lease agreement. Give background information on your site choice and list other possible locations. You may want to include copies of pictures, layouts or drawings of the location in the supporting document section.

Use the worksheet on page 4 as a guideline for writing a location (site) analysis. Cover only those topics that are relevant to your business. If you need assistance, contact the SBA resource center nearest you (see Information Resources).

LOCATION ANALYSIS WORKSHEET

1. Address:
2. Name of realtor/contact person:
3. Square footage/cost:
4. History of location:
5. Location in relation to target market:
6. Traffic patterns for customers:
7. Traffic patterns for suppliers:
8. Availability of parking: (include diagram)
9. Crime rate for area:
10. Quality of public services (e.g. police, fire protection)
11. Notes on walking tour of area:
12. Neighboring shops and local business climate:
13. Zoning regulations:
14. Adequacy of utilities (get information from utility company representatives):

15. Availability of raw materials/supplies:
 16. Availability of labor force;
 17. Labor rate of pay for the area:
 18. Housing availability for employees:
 19. Tax rates (state, county, income, payroll, special assessments):
 20. Evaluation of site in relation to competition:
-

Management

This section describes who is behind the business. If you are a sole proprietor, tell about your abilities and include your resume. Be honest about areas in which you will need help and state how you will get that help. Will you take a marketing seminar, work with an accountant or seek the advice of someone in advertising?

If you have formed a partnership, explain why the partners were chosen, what they bring to the company and how their abilities complement each others. Experience, background and qualifications will be covered in their resumes in the supporting documents section.

If your business is incorporated, give detailed information on the corporate structure and officers. Include a resume for each officer and describe each one by answering the following questions: Who are they? What are their skills? Why were they chosen? What will they bring to the organization?

Personnel

Who will be doing the work? Why are they qualified? How will they be hired? What is their wage? What will they be doing? Outline the duties and job descriptions for all personnel. Explain any employee benefits. If you are inundated with orders for your product or items to be serviced, do you have a plan for increasing personnel?

Methods of Record Keeping

Tell what accounting system will be used and why the system was chosen. What portion of your record keeping will be done internally? Who will be responsible for keeping those records? Will you be using an outside accountant to maximize your profits? If so, who within your company will be skilled at reading and analyzing financial statements provided by the accountant? It is important not only to show that your accounting will be taken care of, but that you will have some means of using your financial statements to implement changes to make your company more profitable. After reading this section, the lender should have confidence in your company's

ability to keep and interpret a complete set of financial records.

Insurance

Insurance is an important consideration for every business. Product liability is a major consideration, especially in certain industries. Service businesses are concerned with personal liability, insuring customers' goods while on the premises or during the transporting of those goods. If a vehicle is used for business purposes, your insurance must reflect that use. If you own your business location, you will need property insurance. Some types of businesses require bonding. Partners may want life insurance naming each other as the beneficiary. Consider the types of coverage appropriate to your business. Tell what coverage you have, why you chose it, what time period it covers and who the carrier is. Keep your insurance information current.

Security

According to the U.S. Chamber of Commerce, more than 30 percent of business failures result from employee dishonesty. This concerns not only theft of merchandise, but also theft of information.

Address the issue of security as it relates to your business. For example, if you are disposing of computer printout data, a small paper shredder may be cost-effective. Anticipate problem areas in your business, identify security measures you will put into practice, tell why you chose them and what you project they will accomplish. Discuss this area with your insurance agent. By installing security devices you may be able to lower certain insurance costs along with protecting your business.

Summary

You have now covered all the areas which should be addressed in the business section. Use the key words, be thorough, anticipate any problem areas and be prepared with solutions, and analyze industry trends and be ready to project your business into the future. When you have completed the business section, you are ready to begin developing the marketing section.

MARKETING

The second major section of your business plan covers the details of your marketing plan. A good marketing plan is essential to your business development and success. Include information about the total market with emphasis on your target market. You must take the time to identify your customers and find the means to make your product or service available to them. The key here is time. It takes time to research and develop a marketing plan, but it is time well spent. Most of the information you need will be found in your public library and in the publications of the U.S. Department of Commerce, the U.S. Small Business Administration (SBA) and the U.S. Census Bureau. Remember that you need a clear understanding of who will purchase your product, who will make use of your service, why they will choose your company and how they will find out about it.

Begin this section with a one-page summary covering the key elements of your marketing plan. The following text will expand on each area presented in the summary. Back up statements and justify projections with data in the supporting documents section. Again, the key word approach will help you to thoroughly cover each area. The topics may be covered in any order that seems logical to you.

Target Market

The target market has been defined as that group of customers with a set of common characteristics that distinguish them from other customers. You want to identify that set of common characteristics that will make those customers yours. Tell how you did your market research. What were your resources and your results? What are the demographics of your target market? Where do your customers live, work and shop? Do they shop where they live or where they work? If you are in the business of video cassette recorder (VCR) repair, how many VCRs are owned within a certain radius of your shop? Would in-home service be cost-effective and a benefit to your customers? Back up your findings with U.S. Census Bureau reports, questionnaires and test marketing results. State how you feel you can serve this market in terms of your resources, strengths and weaknesses. Focus on reasonable, believable and obtainable projections regarding the size of your potential market. (See Information Resources.)

Competition

Direct competition is a business offering the same product or service to the same market. Indirect competition is a company with the same product or service but with a different target market. Evaluate both types of competitors. You want to determine the competitors' images. To what part of the market are they trying to appeal? Can you appeal to the same market in a better way? Or can you find an untapped market?

Use the worksheet to compile, organize and evaluate information on your competition. Your analysis of this information will help you plan your market entry. What is the competition's current market share (what percent of the total customer base is theirs)? Can you tap into this share or will you need to carve out your own market niche?

COMPETITOR PROFILE WORKSHEET

Item	Competitors		
	1	2	3
1. Name of Competitor(s):			
2. Location:			
3. Products or services offered:			

4. Methods of distribution
(wholesale, retail, marketing
reps, personal selling,
corporate sales):

 5. Image
Packaging:
Promotional materials:
Methods of advertising:
Positioning (customers'
perception of quality of
product or service):

 6. Pricing structure:

 7. Performance (past and present):

 8. Market share (by number, type and location of customers):

 9. Strengths (The strengths of the competition become your strengths):

 10. Weaknesses (Looking at the weaknesses of
the competition can help you find ways of
being unique and of benefiting the customer.):
-

After completing this section you or your lender will know who your competitors are, where they are located, what products or services they offer, how you plan to compete, how your customers can access your business and why you can provide a unique and beneficial service or product.

Methods of Distribution

Distribution is the manner in which products are physically transported to the consumer or the way services are made available to the customer. Distribution is closely related to your target market.

Establish the purchasing patterns of your customers. If you are selling a product, do your customers purchase by direct mail, buy through catalogues or make in-store purchases? Will you sell directly or through a manufacturer's representative? If you are shipping the product, who will absorb the shipping costs and what carrier will be used? Use the key words to answer questions regarding your distribution plan. Back up your decisions with statistical reports, rate sheets from shippers, contracts with manufacturer's representatives or any other supporting documents. If you are involved in a service business, will you provide in-shop service? Will you make service calls, and, if so, how will mileage costs be handled? What is your planned response time to fill your customers' needs?

List the pros and cons of the various methods of distribution and give reasons for your choices. Keep in mind the worst case scenarios mentioned above. Present alternatives. For example, if United Parcel Service, your major shipper, were to go on strike, how would you distribute your products? If your mobile service van were to break down, do you have a vehicle which could be used as backup? Provide for a smooth business flow.

Advertising

Advertising presents the message to your customer that your product or service is good and desirable. Tailor your advertising to your target market. Your marketing research will have spelled out which television and radio stations and which publications are of interest to your target market. Those are the ones you will use. Analyze your competitors' advertising in these publications. Be ready to back up your decisions. Include copies of your promotional materials, such as brochures, direct mail advertisements and flyers. Tell the lender where you will put your advertising dollars, why you chose those methods, how your message will reach your target market, when your advertising campaign will begin, how much your plan will cost and what format your advertising will take.

Pricing

Your pricing structure is critical to the success of your business and is determined through market research and analysis of financial considerations. Basic marketing strategy is to price within the range between the price ceiling and the price floor. The price ceiling is determined by the market; it is the highest cost a consumer will pay for a product or service and is based on perceived value. What is the competition charging? What is the quality of the product or service you are offering? What is the nature of the demand and what is the image you are projecting? The price floor is the lowest amount at which you can offer a product or service, meet all your costs and still make your desired profit. Consider all costs -- raw materials, office overhead, shipping, vehicle expense, taxes, loan and interest payments and owner draws are a few. The profitable business operates between the price ceiling and the price floor. The difference allows for discounts, bad debt and returns. Be specific about how you arrived at your pricing structure and leave room for some flexibility.

Positioning -- predetermining the perceived value in the eyes of the consumer -- can be accomplished through promotional activities. To be successful, you must decide what your product or service offers that your competitor's does not and promote it as the unique benefit. Very few items on the market have universal appeal your product or service cannot be all things to all people. However, if you position your product or service properly, prospective purchasers or users will immediately recognize its benefits to them.

Product Design

Packaging and product design can play a major role in the success of your business. It's what

first catches the customer's eye. Consider the tastes of your target market in the ultimate design of your product and your package design. Decide what will be most appealing in terms of size, shape, color, material and wording. Packaging attracts a great deal of public attention. Be advised of the Fair Packaging and Labeling Act, which established mandatory labeling requirements. The U.S. Food and Drug Administration (FDA) has strict procedures for the labeling of items falling within its jurisdiction. The packaging guidelines can be obtained from the FDA or found in the library.

Use key words to answer questions regarding your product design and packaging. Include sketches or photographs. Also include information on any proprietary rights, such as copyrights, trademarks or patents.

Timing of Market Entry

The timing of your entry into the marketplace is critical and takes careful planning and research. Having your products and services available at the right time and the right place depends more on understanding consumer readiness than on your organizational schedule. The manner in which a new product is received by the consumer can be affected by the season, the weather and holidays. Early January and September are the best times to mail flyers and catalogs, as consumers seem to be more receptive to mail order purchasing in those months. The major gift shows are held in the summer months (June, July, August) and again in January and February. Most wholesale buying takes place at these shows. November and December are not good months for introducing new service businesses unless they relate in some way to the holiday season. Spring is a better time to introduce a service. Trade journals and trade associations in your field can provide the information you need on the timing patterns of your industry. Tell the lender when you plan to enter the market and how you arrived at your decision.

Location

If your choice of location is related to your target market, cover it in this section of your business plan. List the reasons for your choice. What is the character of the neighborhood? Does the site project your business image? Where is the competition in the area? What is the traffic pattern? What are the terms of the lease? What services, if any, does the landlord provide? What is the occupancy history of your location? Did any companies in the area go out of business within the past few months? If so, try to find out if it was related to location. Is the area in which you plan to locate supported by a strong economic base? What alternate sites were considered?

These are some of the questions to be considered. Refer to Location in the business section for additional information.

Industry Trends

Be alert for changes in your industry. New technology may bring new products into the marketplace that will generate new service businesses. Read trade journals and industry reports in your field. Project how your market may change and what you plan to do to keep up.

FINANCIAL DOCUMENTS

You are now ready to develop the third area of your plan. Financial records are used to show past, current and projected finances. In this section we will cover the major documents you will want to include in your business plan. They will consist of both pro forma (projected) and actual financial statements. Your work will be easier if these are done in the order presented.

- Summary of Financial Needs
- Application of Loan Funds
- Cash Flow Statement (Budget)
- Three-year Projection
- Break-even Analysis
- Actual Performance Statements:
 - Balance Sheet
 - Income (Profit and Loss) Statement
 - Loan Application/Financial History

Summary of Financial Needs

If you are applying for a loan, your lenders and investors will analyze the needs of your business. They will distinguish among the three types of capital to be used as follows:

Working capital -- Used to meet fluctuating needs that are to be repaid through cash during the business's next full operating cycle, generally one year.

Growth capital -- Used to meet needs that are to be repaid with profits over a period of a few years. If you seek growth capital, you will be expected to show how the capital will be used to increase your profits enough to be able to repay the loan within several years (usually not more than seven).

Equity capital -- Used to meet permanent needs. If you seek equity capital, it must be raised from investors who will take the risk in return for some combination of dividend returns, capital gains or a specific share of the business.

Keeping the above in mind, you must now prepare a summary of financial needs. This document is an outline telling why you are applying for a loan and how much you need.

SUMMARY OF FINANCIAL NEEDS

- I. ABC Corporation is seeking a loan to increase

its growth capital in the following areas of production:

- A. Equipment (new and more modern)
- B. Training of personnel in operation of above.

II. Funds needed to accomplish above goal will be \$50,000.

- A. See "Use of Funds" for distribution of funds and backup statement.

Uses of Funds Statement

The potential lender will require a statement of how the money you intend to borrow will be used. It will be necessary for you to tell how you intend to disperse the loan funds. Back up your statement with supporting data.

You must be sure that your supporting data can be easily found by the loan officer who is examining your application. If you do not have your information well organized and retrievable, your application may be refused for the simple reason that the material cannot be found. It will be necessary to have a well written table of contents.

USES OF FUNDS

1. DISPERSAL OF LOAN FUNDS

ABC Corporation will use anticipated loan funds in the amount of \$50,000 to modernize its production equipment. This will necessitate the purchase of two new pieces of equipment and the training of present personnel in the operation of this equipment.

2. BACKUP STATEMENT

- a. The equipment needed is as follows:
 - (1) High-speed F-34 Atlas Press
(purchase price -- \$32,900)
 - (2) S71 Jaworski Ebber (purchase price -- \$2,800)
- b. The training is available from the manufacturer as a three-week intensive program (cost: 10 employees @ \$1,200 = \$12,000).

- c. The remaining \$2,300 will be used for the first monthly installment on loan repayment -- a period of low production due to employee training.
- d. The equipment will result in a 35 percent increase in production, a 25 percent decrease in unit cost, and a net profit increase sufficient to repay the loan and interest within three years with a profit margin of 15 percent.

Note: Refer to page 17* of the production plan of ABC Corporation. See pages 27 and 28* of the marketing section for market research and projected trends in the industry.

When writing your business plan be sure that your production plan includes a description of the equipment, how the work will be done, by whom and at what cost.

The market research will show projected needs for your product, and thus show how increased production will result in increased sales and ultimately in the capability to enable you to repay the loan.

(*The page numbers are hypothetical and do not refer to page numbers in this book.)

Cash Flow Statement (Budget)

Cash flow statements are the documents that project what your business plan means in terms of dollars. They show cash inflow and outflow over a period of time and are used for internal planning. If you have been in business for some time, worksheets can be put together from the actual figures of income and expenses of previous years combined with projected changes for the next period. If you are starting a new business, you will have to project your financial needs and disbursements. Your profit at the end of the year will depend on the proper balance between cash inflow and outflow. The cash flow statement identifies

- ! When cash is expected to be received.
- ! How much cash will be received.
- ! When cash must be spent to pay bills and debts.
- ! How much cash will be needed to pay expenses.

It also allows the manager to identify the source of necessary cash, i.e., will it come from sales and services rendered or must it be borrowed? Be sure that your projections take into account receivables and how long it will take your customer to pay. The cash flow statement deals only with actual cash transactions and not with depreciation and amortization of goodwill or other noncash expense items.

A cash flow statement can be prepared for any period of time. It is recommended that you match the fiscal year of your business. It should be prepared on a monthly basis for the next year and revised not less than quarterly to reflect actual performance in the preceding three months of operations.

In preparing your cash flow statement, it might be useful to compile several individual budgets. They could be as follows:

1. Cost of sales budget.
2. Fixed expenses budget.
3. Variable expenses budget.

Two worksheets can be used in developing a cash flow statement:

Sources of cash worksheet -- Contains all the financing sources for the business.

Cash to be paid out worksheet -- Identifies how much cash is expected to be spent to pay expenses and obligations.

Note: Projections in the two worksheets must be made for the same time period (monthly, quarterly or annually).

Once you have completed the two worksheets, you are ready to transfer the information into your cash flow statement. You will need to think your way through each month, projecting what amount from each category of the worksheets will be appropriate to what month. For example, if your total sales amount to \$100,000, you will have to project the individual amounts that will probably occur in each month.

SOURCES OF CASH WORKSHEET

(Cash Flowing Into Your Business)

Cash on Hand	\$ _____
Sales-Revenues	
Sales	_____
Service Income	_____
Deposits on sales or services	_____

Collections on accounts receivable	_____
Miscellaneous income	
Interest income	_____
Sale of long-term assets	_____
Liabilities	
Loans (banks, finance companies, SBA, etc)	_____
Equity	
Owner investments (sole proprietor or partnership)	_____
Contributed capital (corporation)	_____
Venture capital	_____
Total Cash Available	_____

CASH TO BE PAID OUT WORKSHEET

(Cash Flowing Out of Your Business)

Start-up costs	
Business license (annual expense)	_____
DBA filing fee (one time cost)	_____
Other start-up costs	
_____	_____
_____	_____
_____	_____
Inventory purchases	
Cash out for items for resale or services	_____
Variable expenses (controllable)	
Advertising	_____
Freight	_____
Packaging costs	_____
Parts and supplies	_____
Sales salaries	_____
Misc. direct expenses	_____
Total direct expenses	_____
Fixed expenses (overhead)	
Insurance	_____

Licenses & permits	_____	
Office salaries	_____	
Rent expense	_____	
Utilities	_____	
Misc. indirect expenses	_____	
Total indirect expenses		_____
Assets (long-term purchases)		
Cash to be paid in current period		_____
Owner equity		
Cash to be withdrawn by owner		_____
Total cash to be paid out		\$_____

Completing Your Cash Flow Statement

The vertical columns of a cash flow statement represent the twelve months, preceded by a total column. Horizontal rows on the statement contain figures for the sources of cash and cash to be paid out copied from the two previous worksheets and from individual budgets.

The figures are projected for each month, reflecting the flow of cash in and out of your business for a one-year period. Begin with the first month of the business cycle and proceed as follows:

1. Project the beginning cash balance. Enter under the first month of the business cycle.
2. Project the cash receipts for the first month.
3. Add beginning cash balance and cash receipts to determine total cash available.
4. Project the direct, indirect and interest expenses for the first month.
5. Project monies due on taxes, long-term assets and loan repayments. Also project any amounts to be drawn by owners.
6. Total all expenses and draws. This is total cash paid out.
7. Subtract total cash paid out from total cash available. Enter the result under cash balance/deficiency. If the result is negative, be sure to bracket this figure.
8. Project loans to be received and equity deposits to be made. Add to cash balance/deficiency to get ending cash balance.
9. Carry forward the ending cash balance for January as February's beginning cash balance.
10. Repeat the process through the last month of the business cycle.

To complete the total column, proceed as follows:

1. Enter the beginning cash balance for the first month in the first space of the total column.
2. Add the monthly figures for each category horizontally and enter the result in the

- corresponding total category.
3. Compute the total column in the same manner as each of the individual months. If you have been accurate in your computations, the December ending cash balance will be exactly the same as the total ending cash balance.

Note: If your business is new, you will have to base your projections solely on market research and industry trends. If you have an established business, you will also use your financial statements from the previous tax years.

A *quarterly budget analysis* should be used as a record to compare your cash flow statement (or budget) with your business's actual performance. Its purpose is to let you know whether or not you are operating within your projections and to help you maintain control of all phases of your business operations. If your analysis shows that you have gone over budget in some areas you will have to compensate by adjusting your cash flow statement with future cuts in those or other areas. If properly used, a cash flow statement can prove to be an invaluable tool to help you reach your financial goals.

Your cash flow statement can be compiled on a month-by-month basis and then compared with actual monthly performance. The SBA's Form 1100 (4-82) is very useful in this regard; for a free copy, contact your local SBA office. Prepared in this manner, your statement can provide an annual projection for your next fiscal year.

Three-year Income Projection

The *three-year income projection* is a pro forma income statement (profit and loss statement for more information, see Income Statement, page 18). The difference is that the three-year projection only includes income and deductible expenses while the cash flow statement includes all sources of cash and cash to be paid out.

There are various opinions as to what period of time should be covered in estimating income and expenses, i.e., whether it should be on an annual or monthly basis. If this income projection is for the purpose of obtaining a loan, talk to the lender about his or her specific requirements. If the projections are for your own use, a three-year projection is suggested with annual rather than monthly projections.

Sources of Information

Information for a three-year income projection can be found in your cash flow statement, sales forecast and individual budgets, and your business and marketing analyses if you are new in business. Again, if you are an established business, you will also be able to use past financial statements to help determine future projections for your business. Be sure to take into account fluctuations anticipated in costs, efficiency of operation, changes in the market and any other factors. Increases and decreases in income and expenses are only realistic. These changes should be reflected in any projections. Remember, too, that industry trends can cause decreases in both income and expenses. An example of this might be the computer industry, where competition has increased greatly and standardization of components has caused a decrease in both the cost

and the sales price of certain items.

Break-even Analysis

The break-even point is the point at which a company's expenses exactly match its sales or service volume. It is the point at which the business will neither make a profit nor incur a loss. The break-even point can be calculated in either mathematical or graph form. It can be expressed in total dollars or revenue exactly offset by total expenses or in total units of production (cost of which equals exactly the income derived by sales).

To apply a break-even analysis to a business operation, two types of expenses must first be projected: fixed costs and variable costs. Fixed costs do not vary with sales or output. Variable costs vary in direct proportion to the output. The greater the volume of sales, the higher the cost. For purposes of the break-even analysis, make sure to include cost of sales in your variable costs figure.

Sources of Information for a Break-even Analysis

All of your figures can be derived from your three-year projection. In fact, by now you should be able to see that each financial document in your business plan builds on the ones done previously. It should be a simple matter to retrieve the figures to plug into the following formula.

Mathematically

An example of calculating the break-even point using a mathematical formula is shown below.

Formula:

$$\text{B-E point sales (at break-even point)} = \text{fixed costs} \\ + [1 - \text{variable costs expressed as \% of total sales}]$$

Terms used:

B-E point sales = volume of sales at break-even point
Fixed costs = fixed expenses, depreciation, interest
Variable costs = cost of sales and variable expenses
Sales revenues = income from sales of goods/services
over a specified period

Values used:

B-E point sales (S) = ?
Fixed costs = \$25,000
Variable costs = \$45,000
Sales revenues = \$90,000

Computation:

$$S \text{ (at break-even point)} = \frac{\$25,000}{1 - (\$45,000/90,000)}$$

$$S = \frac{\$25,000}{(1-0.50)}$$

$$S = \frac{\$25,000}{(.50)}$$

$$.50S = \$25,000$$

$$S = \$50,000 \text{ (break-even point in terms of revenue exactly offset by total expenses)}$$

Graphically

A firm's sales at break-even point can be plotted as in the following break-even analysis graph.

Using the same figures as in the above formula, draw three lines in the graph: horizontal line at point representing fixed costs (25); total expenses (TC = FC + VC) line from left end of fixed cost line sloping upward to point where total (fixed plus variable) costs on vertical scale (7) meet total sales revenues on the horizontal scale (9); total revenues (sales) line from zero through a point describing total revenues (sales) on both scales (9).

The point on the graph where the total expenses line intersects the total sales revenues line is the break-even point. This business estimates that it will break even when sales volume reaches \$50,000. The triangular area below that point represents company losses. The triangular area above and to the right of the point represents potential profit.

Actual Performance Statements

Actual performance statements are those financial statements reflecting the activity of your business in the past. If you are a new business owner, you have no business history. Your financial section will end with the projected statements and a personal financial history. If you are an established business, you will include the following actual performance statements:

- Balance sheet
- Profit and loss (income) statement
- Business financial history or loan application

Balance Sheet

The *balance sheet* is a financial statement, usually prepared at the close of an accounting period, that shows the financial position of the business as of a fixed date. It is a picture of your firm's financial condition at a particular moment. By regularly preparing this statement, you will be able to identify and analyze trends in the financial strength of your business and thus implement timely modifications.

Categories

All balance sheets must contain three categories -- assets, liabilities and net worth -- that have been established by a system known as generally accepted accounting principles. The three are related in that at any given time a business's assets equal the total contributions by its creditors and owners.

Assets = Anything your business owns that has monetary value.

Liabilities = Debts owed by the business to any of its creditors.

Net worth (capital) = An amount equal to the owner's equity.

The relationship between these terms is simply illustrated in the following accounting formula:

$$\mathbf{Assets = Liabilities + Net Worth}$$

Examined as such, it becomes apparent that if a business possesses more assets than it owes to creditors, its net worth will be a positive value. Conversely, if a business owes more money to creditors than it possesses in assets, the net worth will be a negative value.

Format

The balance sheet also must follow an accepted format. By so doing, anyone reading the balance sheet can readily interpret it.

All assets are divided under three headings:

Current assets -- Assets that can be converted into cash within one year of the date on the balance sheet.

Long-term investments -- Stocks, bonds and special savings accounts to be kept for at least one year.

Fixed assets -- The resources a business owns and does not intend for resale (land, buildings, equipment, automobiles, etc.).

Liabilities are divided into current and long-term liabilities:

Current liabilities -- Those obligations payable within one operating cycle.

Long-term liabilities -- Outstanding balance less current portion due (e.g., mortgage, vehicle).

Net worth is documented according to the legal structure of the business:

Proprietorship or partnership -- Each owner's original investment plus earnings after

withdrawals.

Corporation -- The sum of contributions by owners or stockholders plus earnings retained after paying dividends.

BALANCE SHEET

COMPANY NAME

As of _____, 19____

Assets		Liabilities	
Current assets		Current Liabilities	
Cash	_____	Accounts Payable	_____
Petty Cash	_____	Notes Payable	_____
Accounts Receivable	_____	Interest Payable	_____
Inventory	_____	Taxes Payable	
Short-term Investments	_____	Fed. income tax	_____
Prepaid expenses	_____	State income tax	_____
		Self-employment	_____
		Sales tax (SBE)	_____
		Property tax	_____
Long-term investments	_____	Payroll accrual	_____
Fixed assets		Long-term liabilities	
Land	_____	Notes payable	_____
Buildings	_____	Total liabilities	_____
Improvements	_____		_____
Equipment	_____	Net worth (owner equity)	
Furniture	_____	Proprietorship	_____
Automobiles/ vehicles	_____	or Partnership	
		(name's) equity	_____
		(name's) equity	_____
		or	

Other assets		Corporation	
		Capital stock _____	
1.	_____	Surplus paid in _____	
		Retained earnings _____	
2.	_____		_____
3.	_____	Total net worth	_____
	_____		_____
Total assets	_____	Total liabilities and net worth	_____

(Total assets will always equal total liabilities and total net worth)

Income Statement

The income (profit and loss) statement shows your business financial activity over a period of time, usually your tax year. In contrast to the balance sheet, which shows a picture of your business at a given moment, this statement can be likened to a moving picture, which shows what has happened in your business over a period of time. The income statement is an excellent tool for assessing your business. You will be able to pick out weaknesses in your operation and plan ways to run your business more effectively and thereby increase your profits. For example, you may find that some heavy advertising you did in March did not effectively increase your sales. In following years, you may decide to use your advertising funds more effectively by using them at a time of increased customer spending. Along the same vein, you might examine your income statement to see what months have the heaviest sales volume and plan your inventory accordingly. Comparison of the income statements from several years will give you an even better picture of the trends in your business. Do not underestimate the value of this particular tool when planning your tactics.

Development

The income statement shows where your money has come from and where it was spent over a specific period of time. It should be prepared not only at the end of the fiscal year, but at the close of each business month. It is one of the two principal financial statements prepared from the ledgers and records of a business. All profit and loss statements contain income and expense account balances. The remaining asset, liability and capital information provides the figures for the balance sheet.

At the end of each month, the accounts in the general ledger are balanced and closed. Balances from the revenue accounts and the expense accounts must be transferred to your profit and loss statement.

Format

A profit and loss statement must also follow an accepted format and contain the following categories:

Income

- Net sales (gross sales returns and allowances).
- Cost of goods sold (see IRS Form 1040, Schedule C for computation).
- Gross profit (net sales cost of goods sold).

Expenses

- Selling expenses (direct, controllable, variable).
- Administrative expenses (indirect, fixed, office overhead).

Total expenses

Income from operations (gross profit total expenses)

- Other income (interest income)
- Other expenses (interest expense)

- Net profit (loss) before income taxes
- Income taxes (federal, state, self-employment)
- Net profit (loss) after income taxes

Two sample income statements are shown for your use. The first is divided into 12 months. Fill it in monthly after balancing your ledgers. At the end of the year, this form will provide an accurate picture of your financial activity. The second form can be used for your monthly and annual profit and loss statements.

INCOME STATEMENT

(Also known as Profit and Loss Statement)

For the year ____ J F M A M J J A S O N D

INCOME

- 1. Net Sales _____
- 2. Cost of Sales _____
- 3. Gross profit (1 minus 2) _____

EXPENSES

- 1. Variable exp. (controllable)
 - a. Advertising _____
 - b. Freight _____
 - c. Packaging costs _____
 - d. Parts & supplies _____
 - e. Sales salaries _____
 - f. Misc. direct expenses _____
 - g. Legal fees _____

2. Fixed expenses (overhead)	
a. Insurance	-----
b. Licenses & permits	-----
c. Office salaries	-----
d. Rent	-----
e. Utilities	-----
f. Misc. indirect expenses	-----
g.	-----
TOTAL EXPENSES	-----
INCOME FROM OPERATIONS (gross sales minus expenses)	-----
OTHER INCOMES (interest)	-----
OTHER EXPENSES (interest)	-----
INCOME BEFORE TAXES	-----
INCOME TAXES	-----
NET INCOME	-----

INCOME STATEMENT

For the period beginning _____ and ending _____

Income

1. Net sales (gross-- returns @ allowance)	_____
2. Cost of Sales	
a. Inventory (Jan. 1)	_____
b. Purchases	_____
c. Cost of goods available for sale [(a)+(b)]	_____
d. Deduct inventory (Dec.31)	_____
3. Gross profit on sales	_____

Expenses

1. Variable expenses (control- lable)(selling)	
a. Advertising	_____
b. Freight	_____
c. Packaging costs	_____
d. Parts & supplies	_____
e. Sales salaries	_____
f. Misc. direct expenses	_____

2. Fixed expenses (overhead)	
(administrative)	
a. Insurance	_____
b. Licenses & permits	_____
c. Office salaries	_____
d. Rent expense	_____
e. Utilities	_____
f. Misc. indirect expenses	_____
Total expenses	_____
Income from operations (gross profit less expenses)	_____
Other income	_____
1. Interest income	_____
Other expenses	_____
1. Interest expenses	_____
Net profit (loss) before taxes	_____
Income taxes	_____
Net profit (loss) after income taxes	_____

Business Financial History

The financial history is the last of the financial statements required in your business plan. It is a summary of financial information about your company from its start to the present.

If you are a new business, you will have only projections for your business. If you are applying for a loan, the lender will require a personal balance sheet. This will be of benefit in that it will show the lender the manner in which you have conducted your personal business and be an indication as to the probability of succeeding in your new business.

If you are using your business plan to apply for a loan, your business financial history and the loan application are the same. This document should be completed last, but placed first in the financial section of your plan. When you indicate that you are interested in obtaining a business loan, the institution considering the loan will supply you with an application. The format may vary slightly. When you receive your loan application, be sure to review it and think about how you are going to answer each item. Answer all questions and, by all means, be certain that your information is accurate and that it can be verified if the need should arise.

Information Needed and Sources

As you complete your business financial history or loan application, it should become immediately evident why this is the last financial document to be completed. All of the information needed will have been compiled in earlier parts of your plan and in the completed

financials. To help you with your financial history, the following is a list of information usually included and the source you will refer to for that information:

Assets, liabilities and net worth -- You should be able to recognize these three as balance sheet terms. Go back to your balance sheet and bring these figures forward.

Contingent liabilities -- These are debts you may come to owe in the future (e.g., default on cosigned note or settlement of a pending lawsuit).

Inventory details -- Information about inventory is derived from your inventory record. Also, the business section should have a summary of your current policies and methods of evaluation.

Income statement -- This is revenue and expense information. Depending on the period of time to be covered, you will transfer the information from your most recent annual profit and loss statement or from a compilation of several if required by the lender.

Real estate holdings, stocks and bonds -- Refer back to the business portion of your plan. You may also have to go through your investment records for more comprehensive information.

Sole proprietorship, partnership or corporation information -- There are generally three separate schedules on the financial history one for each form of legal structure. You will be required to fill out the one that is appropriate to yours. In the business section, you will have covered two areas that will serve as the source of this information -- legal structure and management. Your supporting documents may also contain some of the information that you will need.

Audit information -- Refer back to your business section under record keeping. You may also be asked questions about other prospective lenders, whether you are seeking credit, who audits your books and when they were last audited.

Insurance coverage -- You will be asked to provide detailed information on the amounts of different types of coverage (i.e., merchandise, equipment, public liability, earthquake, automobile, etc.). Your business section contains coverage information that can be brought forth to the financial history.

Summary

The financial documents covered in this section will probably be sufficient for both your own use and that of potential lenders. Some lenders may not require all documents and other lenders may require additional documents. The important thing to note in compiling any financial statements is that the information must be correct and that you must have records to support your figures.

Remember, you can use the information in your business plan not only to aid you in dealing with a lender, but also to assist you on an on-going basis. If you have done your homework, the financial documents you have prepared will be invaluable to you in the assessment of your operation and may very well be the determining factor in whether or not you succeed in your

business!

SUPPORTING DOCUMENTS

Now that you have completed the main body of your business plan, you will need to include a separate section for any additional records that should be included to support your plan. Supporting documents are the records that back up the statements and decisions made in the three main parts of your plan. As you are compiling the first three sections, it is a good idea to keep a separate list of the supporting documents that you mention or that come to mind. For instance, discussion of your business location might indicate a need for demographic studies, location maps, area studies, leases, etc. If you are considering applying for a loan to purchase equipment, your supporting documents might be existing equipment purchase agreements or lease contracts. By listing these items as you think of them, you will have a fairly complete list of all of your supporting documents by the time you reach this part of your task. You will be ready to sort them into a logical sequence and add any new ones that come to mind.

The following are several documents that you will want to include.

Personal Resumes

If you are a sole proprietor, include your own resume. If your business is a partnership, there should be a resume for each partner. If you are a corporation, include resumes for all officers of the corporation. A resume need not and should not be a lengthy document. Preferably, it should be contained on one page for easy reading. Include the following categories and information:

Work history -- Name of employers or businesses with dates of employment. Begin with most recent. Include duties and responsibilities.

Educational background -- Names of schools and dates you attended them, degrees earned, fields of concentration.

Professional affiliations and honors

Special skills -- e.g., relate well to others, able to organize, willing to take risks, etc.

Personal Financial Statement

The owner(s) should include a statement of personal assets and liabilities. This information can be compiled in the same manner as a balance sheet. Use the same format and list all assets and liabilities to determine net worth. If you are a new business owner, your personal financial statement will be a part of the financial document and may be a standard form supplied by the potential lender.

Credit Reports

Credit ratings are of two types, business and personal. You can ask your suppliers or wholesalers to supply you with letters of credit. Personal credit ratings can be obtained through credit bureaus, banks and companies with whom you have dealt on a basis other than cash.

Copies of Leases

Include all lease agreements currently in force between your company and a leasing agency. Some examples are the lease agreement for your business premises, equipment, automobiles, etc.

Letters of Reference

These are letters recommending you as a reputable and reliable business person worthy of being considered a good risk. There are two types of letters of reference: business references, or those written by business associates, suppliers and customers; and personal references, or those written by nonbusiness associates who can assess your business skills (not friends or relatives).

Contracts

Include all business contracts, both completed and currently in force. Some examples are current loan contracts, papers on prior business loans, purchase agreements on large equipment, vehicle purchase contracts, service contracts and maintenance agreements.

Legal Documents

Include all legal documents pertaining to your business. Some of these are articles of incorporation, partnership agreements, copyrights, trademark registrations, patents, insurance policies, property and vehicle titles, etc.

Miscellaneous Documents

These are all the documents (other than the above) that are referred to, but not included, in the business and marketing sections of your business plan. A good example would be those records related to selecting your location that may have been finalized as the result of developing a location plan. A potential lender who may be particularly interested in your location information will be able to find the location plan in your supporting documents and examine your demographic studies, maps, area studies on crime rate, income, etc.

Please note: All supporting documents need not be included in every copy of your business plan. You need to include only that information you think will be needed by the potential lender. The rest of the information should be kept with your copy of the plan and be easily accessible should it be requested by the lender.

PUTTING YOUR BUSINESS PLAN TOGETHER

Your plan should be put together in a professional manner. To create a favorable impression, it

should be as follows:

Appearance -- Use a plastic spiral binding or covers purchased from your local stationery store. Use blue, brown or black covers. Bankers are usually conservative.

Length -- Be concise! Usually, you should have no more than 30 to 40 pages, including your supporting documents. When you are writing each section, think of it as being a summary. Include as much information as you can in a brief statement. A potential lender does not want to have to wade through volumes of words to get the information needed.

Presentation -- Do your best to make your plan look presentable. However, do not go to the unnecessary expense of paying for typesetting and high-powered computer graphics. These might be considered frivolous by some lenders a first impression that might indicate you would not use their loan wisely.

Table of contents -- Be sure to include a table of contents in your business plan. It will follow the statement of purpose. Make it detailed enough so the lender can locate any of the areas addressed in the plan. It must also list the supporting documents.

Number of copies -- Make copies for yourself and each lender you wish to approach. Keep track of each copy. Do not try to work with too many potential lenders at one time. If your loan is refused, be sure to retrieve your business plan.

When you are finished, your business plan should look professional, but the lender should know that it was done by you. It will be the best indication a lender will have to judge your potential for success. Be sure that your business plan represents your best efforts.

KEEPING YOUR BUSINESS PLAN CURRENT

Making Revisions

If your business plan is going to be effective either to the business or to a potential lender, it will be necessary for you to update it on a regular basis. Changes necessitating revisions can be attributed to three sources: changes within the company, changes originating with the customer and technological changes. Neglecting to allow for these changes will doom your operation to decreased profits and probable failure.

Implementing Changes

As the owner, you must be aware of changes in your industry, market and community. First you must determine what revisions are needed. You will have to compare your plan with the changes discussed above. You can use your employees to help keep track of business trends applicable to their expertise. However, the final judgment as to revisions will rest with you, the owner. You may make errors, but with experience, your percentage of correct decisions will increase and your reward will be higher profits.

Anticipating Problems

Try to see ahead and determine what possible problems may plague you. For example, you may have to deal with costs that exceed your projections. At the same time, you may experience a sharp decline in sales. These two factors occurring simultaneously can portend disaster if you are not ready for them. Also, be cautious when things are too good. The increased profits may only be temporary. A product or service that is in demand this year may not be popular next year. You might think about developing an alternate budget based on possible problems. Awareness of changes in your industry and revision according to those changes will benefit you greatly.

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APPENDIX: INFORMATION RESOURCES

U.S. Small Business Administration (SBA)

The SBA offers an extensive selection of information on most business management topics, from how to start a business to exporting your products.

SBA has offices throughout the country. Consult the U.S. Government section in your telephone directory for the office nearest you. SBA offers a number of programs and services, including training and educational programs, counseling services, financial programs and contract assistance. Ask about

- *SCORE: Counselors to America's Small Business*, a national organization sponsored by SBA of over 11,000 volunteer business executives who provide free counseling, workshops and seminars to prospective and existing small business people. Free online counseling and training at www.score.org.
- *Small Business Development Centers (SBDCs)*, sponsored by the SBA in partnership with state governments, the educational community and the private sector. They provide assistance, counseling and training to prospective and existing business people.
- *Women's Business Centers (WBCs)*, sponsored by the SBA in partnership with local non-government organizations across the nation. Centers are geared specifically to provide training for women in finance, management, marketing, procurement and the Internet.

For more information about SBA business development programs and services call the SBA Small Business Answer Desk at 1-800-U-ASK-SBA (827-5722) or visit our website, www.sba.gov.

Other U.S. Government Resources

Many publications on business management and other related topics are available from the Government Printing Office (GPO). GPO bookstores are located in 24 major cities and are listed in the Yellow Pages under the bookstore heading. Find a "Catalog of Government Publications" at <http://catalog.gpo.gov/F>

Many federal agencies offer Websites and publications of interest to small businesses. There is a

nominal fee for some, but most are free. Below is a selected list of government agencies that provide publications and other services targeted to small businesses. To get their publications, contact the regional offices listed in the telephone directory or write to the addresses below:

Federal Citizen Information Center (FCIC)

[Http://www.pueblo.gsa.gov](http://www.pueblo.gsa.gov)

1-800-333-4636

The CIO offers a consumer information catalog of federal publications.

Consumer Product Safety Commission (CPSC)

Publications Request

Washington, DC 20207

http://www.cpsc.gov/cpsc/pub/pubs/pub_idx.html

The CPSC offers guidelines for product safety requirements.

U.S. Department of Agriculture (USDA)

12th Street and Independence Avenue, SW

Washington, DC 20250

<http://www.usda.gov>

The USDA offers publications on selling to the USDA. Publications and programs on entrepreneurship are also available through county extension offices nationwide.

U.S. Department of Commerce (DOC)

Office of Business Liaison

14th Street and Constitution Avenue, NW

Washington, DC 20230

<http://www.osec.doc.gov/obl/>

DOC's Business Liaison Center provides listings of business opportunities available in the federal government. This service also will refer businesses to different programs and services in the DOC and other federal agencies.

U.S. Department of Health and Human Services (HHS)

Substance Abuse and Mental Health Services Administration

1 Choke Cherry Road

Rockville, MD 20857

<http://www.workplace.samhsa.gov>

Helpline: 1-800-workplace. Provides information on Employee Assistance Programs Drug, Alcohol and other Substance Abuse.

U.S. Department of Labor (DOL)

Employment Standards Administration

200 Constitution Avenue, NW

Washington, DC 20210

The DOL offers publications on compliance with labor laws.

U.S. Department of Treasury

Internal Revenue Service (IRS)

1500 Pennsylvania Avenue NW

Washington DC 20230

<http://www.irs.gov/business/index.html>

The IRS offers information on tax requirements for small businesses.

U.S. Environmental Protection Agency (EPA)

Small Business Ombudsman

1200 Pennsylvania Avenue NW

Washington, DC 20480

<http://epa.gov/sbo>

Hotline: 1-800-368-5888

The EPA offers more than 100 publications designed to help small businesses understand how they can comply with EPA regulations.

U.S. Food and Drug Administration (FDA)

5600 Fishers Lane

Rockville MD 20857-0001

<http://www.fda.gov>

Hotline: 1-888-463-6332

The FDA offers information on packaging and labeling requirements for food and food-related products.

For More Information

A librarian can help you locate the specific information you need in reference books. Most libraries have a variety of directories, indexes and encyclopedias that cover many business topics. They also have other resources, such as

- **Trade association information**
Ask the librarian to show you a directory of trade associations. Associations provide a valuable network of resources to their members through publications and services such as newsletters, conferences and seminars.
- **Books**
Many guidebooks, textbooks and manuals on small business are published annually. To find the names of books not in your local library check Books In Print, a directory of books currently available from publishers.
- **Magazine and newspaper articles**
Business and professional magazines provide information that is more current than that found in books and textbooks. There are a number of indexes to help you find specific articles in periodicals.
- **Internet Search Engines**

In addition to books and magazines, many libraries offer free workshops, free access to computers and the Internet, lend skill-building tapes and have catalogues and brochures describing continuing education opportunities.