

# **BUSINESS PLAN TEMPLATE**

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## A. WHAT IS A BUSINESS PLAN

A Business Plan is a complete description of the business, providing information about the service or product, marketing, operations and finances. The plan brings your main ideas into focus, helps you to work out what you want to achieve and how you are going to do this. The implementation of the plan is just as important as the plan itself.

An effective plan helps you identify if there is a market for your product or service. It also helps you determine who your competition is and what your advantage is over them. The plan will assist in estimating your expenses, revenue and profit. This will finally tell you whether the idea is worth pursuing or not.

The plan should demonstrate that the business venture is viable and that all those involved in the project, from management to employees and consultants, are able to deliver on the plan.

All commitments should be formally put in writing, as far as possible. These would include contracts with customers for the supply of goods and services, letters of intent from customers, lease agreements, offers to purchase and so on.

## B. COMPONENTS OF A BUSINESS PLAN

### 1. Executive Summary

- Background/history of the business.
- Products/services being offered.
- Outline of expansion plan/start-up.
- Other material issues such as new business secured, change in market forces affecting the business, key risks, mitigating factors, etc.

### 2. Legal Requirements

- Business name
- Legal entity of the business (Private Company, Personal Liability Company, Not-for Profit, etc). Registration documents and registration number(CM1, CM22, CK1, CK2 etc.).
- Owner and shareholder details
- Directors details
- Experience of owner, shareholders and directors

- Registration of the business with the South African Revenue Services (SARS) for income tax and value added tax (VAT)
- BBBEE certification
- Bank Account details
- Licenses, if required
- Registered proof of address of the company.
- Tax Clearance Certificate (existing business).
- FICA documents for all shareholders and the company.

### 3. Shareholders and management

- Detailed CVs of all shareholders/members, directors, senior management and key personnel (include ID numbers, contact details, education and work experience).
- Details of shareholders' involvement in the business.
- Motivation that management has the necessary experience to successfully manage all aspects of the business, including manufacturing, operations, administration, human resources, finance and marketing.
- Signed (or at least draft) shareholders agreement.
- Signed (or at least draft) shareholders agreement.
- Amount of funds that shareholders will be injecting into the project as their own contribution and the source of these funds.
- Balance sheets of all shareholders (including individuals, companies or trusts, etc.).
- Other business interests of shareholders and directors.
- Details of any other professionals assisting management, such as auditors or lawyers.

### 4. Broad-Based Black Economic Empowerment

BBBEE ratings certificate:

- If you are an existing business with a turnover of more than R5 million.
- If you do not have a rating, please do a self-assessment at <http://bee.thedti.gov.za>
- Remember that your BBBEE rating is not necessarily dependent on ownership alone.

### 5. Business Overview

Provide a description of the proposed business. This must include what your product or service is and how you are going to deliver it. It must explain which part of the market you are going to target and how you are going to achieve the financial forecasts in the

first year. Please explain your reasons for starting the business and how you are going to make it a success.

## 6. Product or Service

Please provide a detailed description of your product. What makes your product/service different? Please provide advantages and disadvantages. Are there any new products that could provide the same service?

## 7. Market research

- A detailed marketing strategy and market research:
- Over and above general market research, it is vital that there is a specific marketing strategy in place that encompasses how the business is going to attract market share and achieve projected turnover levels.

### 7.1 The Market

- Please explain the need for your product/service.
- What research have you done?
- Who have you spoken to?
- Please explain which particular sector of the market you are targeting and what are the trends?
- What is the size of the market?
- What is your expertise in this sector of the market?
- What are the needs of this market?
- Demand vs. supply
- Sustainability of demand

### 7.2 Competition

- Competitor analysis
- Who is your competition?
- What products or services do they offer?
- How is your business different from your competitors?
- Please do a SWOT analysis: **S**trengths and **W**eaknesses of the company, and external **O**pportunities and **T**hreats.
- Competitive edge of the business. Please explain why customers will use you rather than your competitors?

### 7.3 Environment

- What are the business conditions currently?
- Are there any political issues?
- How can you address these?
- Are there any new technologies that may make your product obsolete?
- Future developments (technological, new market entrants, alternate products etc.);

### 7.4 Supplier Information

- Who are your suppliers?
- Who are their competitors?
- What is the difference in prices, discounts, delivery times, credit and reliability of the above?
- Please explain why you have chosen your suppliers?
- Do you have to pay cash or can you open an account with the supplier?

## 8. Marketing

### 8.1 Marketing Strategy

- What is your unique selling point? What makes your product/service different from your competitors and will make customers want your product or service?
- When assessing the above consider:
  - Price
  - Product
  - Place/location/where you are selling
  - Promotion/marketing
  - People/customers
- Please highlight your strengths and weaknesses.
- Other networks and relationships created

### 8.2 Branding

- Have you chosen a name?
- Does anyone else have the same name?

### 8.3 Advertising and Promotion

- What kinds of advertising will you be using? Eg local newspaper, flyers, sms etc

- Will you be doing any other advertising eg business cards?

#### 8.4 Pricing

- What are you charging for each product or service? This may change once you have a look at all your costs. This will help you determine whether your business is profitable.

### 9. Operations

#### 9.1 Production process description and process flow diagram.

- A copy of the factory/building layout.
- A detailed bill of materials, together with recent quotations for all raw material input costs.
- Details of any registered processes (patents, trademarks etc.) if applicable.

#### 9.2 Management

- Who will manage the business?
- What skills and experience do they have?
- How will they cope with the key areas of production, sales, marketing, administration and finances?
- How much time and money will the management team invest?
- What share of the business will they have?
- Please include their detailed cv's.

#### 9.3 Staff (Other)

- How many staff will be needed?
- Name the different positions
- What skills will they need?
- How will they be recruited?
- Outline of the employment contracts, Human resource policies, future HR needs, other HR issues
- Organograms
  - Group structure (if there is more than one company).
  - Hierarchy of staff.
- Cost-to-company breakdown of all salaried, waged, part-time and contract employees, historical and going forward:

- Number of staff and their cost-to-company by occupational level.
- Please include details of all staff, from part-time to director level.
- Ensure that staff numbers are adequate and in line with production capacity and forecasts.
- Ensure that salaries and wages are preferably market-related and not below minimum wage guidelines for the industry
- Details of any key and/or specialist skills and transfer of skills programme.
- Bargaining council compliance certificates where applicable.

#### 9.4 Premises

- Where will the business operate from and why?
- What advantage does this location give you over your competitors?
- If you are working from home will you need any authorisation from the municipality?
- Lease agreement or Offer to Purchase/Purchase and Sale agreement.
- Proof that all necessary regulatory approvals have been obtained or at least applied for i.e. Environmental Impact Assessments (EIA), rezoning of property if required, etc. If these have not been obtained, please provide indicative timing for such approvals.
- Motivation of the site in terms of logistics regarding raw material supply, target market etc.
- Availability of bulk services to the site such as water, electricity etc.
- For land and buildings to be purchased, a recent valuation is necessary. This will need to be performed by a registered valuator.
- Current quotations for all building work to be performed. This should preferably be approved by a quantity surveyor or another suitable person in the construction industry.
- Technical drawings for all building work to be performed - this should be done by a qualified architect and the necessary municipal approval obtained.

#### 9.5 Regulations

- What are the regulations that you will need to adhere to, eg. Employment regulations/minimum wage rate/sector or industry regulations?
- Have all relevant approvals have been obtained (e.g. environmental impact assessment (EIA), rezoning of property).

## 9.6 Contractual Overview

- Key terms of
  - Purchase agreements
  - Capital equipment agreements
  - Sales contracts

## 10. Finance

### Financial information and forecasts

- Historical financial statements for two years (audited/draft where applicable) and latest management accounts (not older than three months).
- Detailed five-year income statement, balance sheet and cash flow forecasts. Show monthly forecasts for the first 12 months.
- Amount of funding applied for and the application of these funds.
- Copies of agreements with other financiers for existing loans, including security offered for these loans.
- Details of overdraft facilities in place and security offered for these.

### 10.1 Start-up Costs

- Are you acquiring an existing business?
- Are you buying a franchise?
- Are you starting a new business?
- List all the things, and the associated costs, that you will require for the first three months of the business. This must include the capital expenditure and operating costs.
- Capital Expenditure (Capex):
  - Buildings cost
  - Plant and Equipment
  - Furniture and Fittings
  - From the above, list those that you already have
  - Quotations from suppliers for all fixed assets to be purchased (not older than 3 months).
  - Terms and conditions of payment for machinery to be purchased (deposits, progress payments etc.).
  - Ensure that the fixed assets to be purchased are sufficient to meet production forecasts from a capacity point of view.

- Be sure to budget adequately for other 'soft assets' such as office furniture, photocopy and fax machine as well as other equipment which are not directly related to the production process.
  - Copies of all warranties and guarantees, repairs and maintenance agreements relating to the assets to be acquired.
- Please provide details of contributions (both financial and other) by the different shareholders
  - What are the industry norms with reference to the percentage of salaries and wages to turnover/sales.

### 10.2 Sales Forecast

- For existing businesses, full details of existing contracts being serviced and remaining periods on these contracts.
- For existing businesses, full details of major customers and non-contract based work done over the past 12 months
  - How do you know that they will buy from you?
  - How will they pay you? Now or on credit?
  - If on credit, what are the terms?
- Projected turnover levels need to be based on secured contracts, letters of intent and/or detailed market research.
- Copies of all contracts with customers (these may still be in draft form), letters of intent from potential customers and market research to be provided.
- Turnover levels projected without any marketing backup or based purely on verbal agreements will be significantly discounted, which could result in the business forecasts being non-viable.

### 10.3 Break-Even Analysis

- A break-even analysis determines at what sales level you will be able to cover all your costs and begin making a profit.
- How much are you going to sell your product or service for/ What is the Selling Price of the product or service?
- What is the Cost Price of the product or service/ How much does it cost to produce the product or service?
- What are your fixed monthly costs/overheads? These include rent, insurance and any other regular fixed costs. This excludes those amounts that you included under Cost of Sales above.

#### 10.4 Income Statement

- Please note that this is an example. Please include the costs specific to your business.
- Sales projections should tie in closely with any contracts and letters of intent obtained from potential customers and marketing research performed. Sales should be conservatively phased into expected levels over a reasonable period to allow for the time it will take to penetrate the market.
- Cost of sales to be accurately costed and budgeted for per product item. What is the increase in both Sales and Cost of Sales over the next 2-3 years? What are the reasons for the increase?
- Take all possible expenses into account. Expenses frequently omitted include:
  - Depreciation- Depreciation of assets should be calculated in line with company depreciation policy. It may be easier to use SARS depreciation rules.
  - Security costs;
  - Insurance costs;
  - Bank, audit, legal and IT related charges;
  - Interest costs; and
  - Royalties and commissions.
- All expenses in the income statement should be adequate for the size of the business and its operations. For example, the salaries and wages bill should be directly linked to the number of staff (including directors) to be hired, multiplied by their total cost-to-company.
- Interest rates on all new loans should be budgeted for at a minimum of prime.
- Normal company tax to be factored into the income statement. Taxation should be calculated in terms of tax laws of the country, and taking into account allowances applicable to the industry.

Revenue:						
	Gross Sales					
	Less:	Sales Returns and Allowances				
	Net Sales (A)					
Cost of Goods Sold:						
	Beginning Inventory					
	Add:	Purchases				
		Raw Materials				
		Transport				
		Direct Labor				
		Indirect Expenses				
		Total (B)				
	Less:	Ending Inventory (C)				
	Cost of Goods Sold (D)		(B-C)			
	Gross Profit (Loss)	(E)	(A-D)			
Expenses:						
	Advertising					
	Marketing (eg brochures, business cards, entertainment etc)					
	Bad Debts					
	Bank Charges					
	Commissions					
	Contract Labor					
	Credit Card Fees					
	Delivery Expenses					
	Depreciation					

	Dues and Subscriptions				
	Insurance				
	Interest				
	Maintenance				
	Miscellaneous				
	Office Expenses				
	Operating Supplies				
	Payroll Taxes				
	Permits and Licenses				
	Postage				
	Professional Fees (eg. Accountant)				
	Property Taxes				
	Rent				
	Cleaning				
	Repairs				
	Telephone/cellphone				
	Travel				
	Utilities (Water, electricity)				
	Vehicle Expenses (eg. Petrol, wear and tear)				
	Wages (eg. wages, transport, food, training, bonuses)				
	Total Expenses	(F)			
	Net Operating Income (G)		(E-F)		
	Other Income:				

	Gain (Loss) on Sale of Assets				
	Interest Income				
	Total Other Income	(H)			
	Net Income (Loss)		(G+H)		

## 10.5 Balance Sheet

- As per the Income Statement, please note that this is merely an example. Please include your company specific assets and liabilities
- Include all existing assets and liabilities as well as those that will be brought into the company as per the current application for finance.
- For new loans, budget on realistic payback periods (usually five years, but will depend on the company's cash flow forecasts and may vary based on the industry).
- Working capital levels (debtors and creditors) to be budgeted for in terms of company's payment policies or as negotiated with debtors and creditors.
- Stock to be budgeted for based on anticipated stock levels to be held (include raw materials, work in progress and finished goods).
- Owners' contribution towards the business to be included as shareholders'/members' loans. This needs to be unencumbered, interest-free and with no fixed repayment terms.
- Non-distributable reserves must be based on valuations performed by a registered valuator.
- Details on value and nature of goodwill to be provided.

<b>Assets</b>							
<b>Current Assets:</b>							
Cash							
Accounts Receivable							
Less: Reserve for Bad Debts							
Merchandise Inventory							
Prepaid Expenses							
Notes Receivable							
<b>Total Current Assets</b>	(A)						
<b>Fixed Assets:</b>							
Vehicles							
Less: Accumulated Depreciation							
Furniture and Fixtures							
Less: Accumulated Depreciation							
Equipment							
Less: Accumulated Depreciation							
Buildings							
Less: Accumulated Depreciation							

Land						
<b>Total Fixed Assets</b>	(B)					
<b>Other Assets:</b>						
Good will						
<b>Total Other Assets</b>	(C)					
<b>Total Assets</b>	(D)		(A+B+C)			
<b>Liabilities and Capital</b>						
<b>Current Liabilities:</b>						
Accounts Payable						
Sales Taxes Payable						
Payroll Taxes Payable						
Accrued Wages Payable						
Unearned Revenues						
Short-Term Notes Payable						
Short-Term Bank Loan Payable						
<b>Total Current Liabilities</b>	(E)					
<b>Long-Term Liabilities:</b>						
Long-Term Notes Payable						
Mortgage Payable						
<b>Total Long-Term Liabilities</b>	(F)					
<b>Total Liabilities</b>	(G)		(E+F)			

<b>Capital:</b>							
Owner's Equity							
Net Profit							
<b>Total Capital</b>		(H)					
<b>Total Liabilities and Capital</b>		(G+H)					

## 10.6 Cash Flow

- This is critical and looks at money flowing in and money flowing out.
- This needs to capture the income and expenses for the first twelve months of operations
- Outline of Cash Flow:





## 10.7 Project Risks and Mitigants

- What are the risks associated with your business? Consider internal and external risks.
- How can you prevent or minimize these risks?

