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Notes

Revised December 2016



Things you need to consider when starting a business:

- Choosing Your Form of Business Organization: Corporation, Partnership, Sole Proprietorship or Co-operative
- Naming Your Business and Registering the Name
- Business Plan
- Banking (loans, lines of credit, credit cards, Interac)
- Insurance (liability, vehicle, property, content)
- RST Form (commonly known as PST)
- GST Form
- Licences and Permits
- Location/Zoning (lease or purchase space, or home-based business, occupancy permit)
- Taxation
- Employees (Workers Compensation, Employment Standards, Wage Deductions, CPP, EI)
- Advertising/Marketing
- Bookkeeping
- Business Communications (phone/cellular/pager/answering system)

Other Considerations:

- Lawyer, Accountant, other professional services
- Pricing and distribution
- Website
- Computer/printer needs – hardware and software
- Supplies, Inventory control
- Vehicle
- Office supplies and stationery
- Photocopier, fax, telephone services
- Office space (home-based or commercial)
- Office furniture
- Join your local Chamber of Commerce

# Business Planning Workbook



This document was created by the Aboriginal Business Service Network with funding provided by Community Futures Manitoba. Additional materials from Community Futures East Interlake Business Planning Workbook have been used with permission.

The Aboriginal Business Service Network (ABSN) is a national initiative dedicated to improving access to business information for new and existing Aboriginal entrepreneurs.

Community Futures is a national rural program that strengthens and diversifies rural communities. Community Futures organizations support community-based economic development projects and provides financing, business counselling and training to local entrepreneurs. Community Futures operates under the direction of local volunteers in an accountable, efficient and effective manner. Community Futures is supported by Western Economic Diversification Canada.

## **Disclaimer:**

While the information in these documents will be adequate to complete a loan application for many financial institutions, we recommend that you contact your lender directly to determine their specific requirements.



**Aboriginal Business  
Service Network**





## 1. What kind of person is an “Entrepreneur”?

Entrepreneurs live in cities, towns and remote areas. They come from different backgrounds, cultures and places. They are different ages, male and female, young and old.

But they do have a few things in common.

Entrepreneurs:

- see opportunities where others see problems.
- never give up. If they fail, they learn from their mistakes and try again.
- are always trying something different or learning something new.
- do not stop when they encounter a problem. To them, problems are simply puzzles for them to solve.
- like to be in control of a project from start to finish.
- want to be in control of their destiny and refuse to let someone else decide their success.
- have confidence in their skills and abilities.
- work hard at what they do because they love doing it.

## 2. Before you begin, have a plan!

A business plan is a written presentation of your business idea and contains all the steps you will take to start the business as well as develop it in the future. The business plan has two purposes:

- a. It is a personal road map of what you need to do and how you will do it.
- b. It shows lenders, suppliers, investors and anyone else involved in your business that you have a plan to succeed.

There is no single business plan that works for everyone. Each business is unique and will require its own specialized plan. This book is a general guide to show you what you need to think about and the kind of information you need to include in a business plan. There are no right or wrong answers. This is your plan for your business.



## 3. Will your idea work?

What is your business idea? Describe it in as much detail as you can. Use another page if necessary.

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Why did you choose this type of business to start?

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What skills do you have that would help you in the business? What do people say you are good at?

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Will this be a seasonal business (such as snow clearing or fishing) or a year-round business?

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When will you be open for business? Will you be open in the evening or on weekends?

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**What makes your business different from other similar businesses?** Why would a customer buy from you rather than someone else - for example, is your product or service less expensive? Do you provide better quality? Is your product or service so unique that no one else offers it? Do you guarantee your work and no one else does?

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**Do people need your product or service or do they want to have it?** For example, a senior citizen may need someone to shovel their snow for them because they can't do it. A family may want someone to clean their house so they have more free time for other activities.

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**Will you make money?** See section 16: The Business Plan – Cash Flow (Page 38).



## 4. How will you set up your business?

Before you begin your business, you need to decide how you will set it up. You have three choices: sole proprietorship, partnership or incorporation. There is also the franchise which we will discuss on the next page. Each has its benefits and drawbacks. We have highlighted certain words you need to be aware of and provided their meaning, as well as other important terms, on the page 44 & 45 of this booklet.

	Pros	Cons
<b>SOLE PROPRIETOR</b>		
<ul style="list-style-type: none"> <li>You are the only person involved</li> <li>Usually a very small business with few or no employees</li> <li>You have no separate legal status from the business</li> </ul>	<ul style="list-style-type: none"> <li>Any profits are yours</li> <li>Very easy to set up</li> <li>Not expensive to set up</li> <li>May be tax benefits</li> </ul>	<ul style="list-style-type: none"> <li>You carry all risks</li> <li>You and your business are one and the same. You are responsible for all the <b>debts</b>. This means the bank can <b>seize</b> your personal <b>assets</b> such as your house and your car if you <b>default</b> on payments.</li> </ul>
<b>PARTNERSHIP</b>		
<ul style="list-style-type: none"> <li>You and one or more people are all involved in operating the business</li> </ul>	<ul style="list-style-type: none"> <li>Easy to set up</li> <li>All the partners contribute the skills, time, knowledge and assets</li> <li>May be tax benefits</li> </ul>	<ul style="list-style-type: none"> <li>Disagreements between partners can cause problems – written Partnership Agreement strongly recommended</li> <li>Because all the partners are equally responsible for <b>debts</b>, a bad decision made by one partner means all the partners pay for it.</li> </ul>
<b>CORPORATION</b>		
<ul style="list-style-type: none"> <li>You and your business are two separate entities</li> <li>This setup is often used by business owners with a lot of <b>assets</b> or <b>debts</b> (such as restaurants or gyms).</li> </ul>	<ul style="list-style-type: none"> <li>May be tax benefits</li> <li>Because you are separate from your business, you are only responsible for the personal assets you use as security for the business. The business is responsible for everything else.</li> </ul>	<ul style="list-style-type: none"> <li>More expensive and complicated to set up</li> <li>There is more paperwork to complete on a regular basis and more regulations you need to comply with</li> </ul>



It is important to look at your options carefully. If you are a Status Indian, there may be tax implications under Section 87 of the *Indian Act*. If you are starting a business in a First Nation community, do you have permission from Chief and Council (“Band Council Resolution” or “BCR”) to locate your business on the reserve?

Some other things to think about when it comes to setting up your business:

1. You can incorporate at any time, so you may start off as a sole proprietor and decide to incorporate in the future.
2. You can incorporate provincially or federally. If you plan on doing business only in Manitoba, then provincial incorporation will be the best way to go. If you plan on doing business in other provinces, then you may want to look into incorporating federally.
3. In order to get a business telephone, business bank account or other service for your business, you may have to provide the paperwork that shows you have either registered a business name, partnership or corporation.

I am going to set up my business as a \_\_\_\_\_

because \_\_\_\_\_

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## *The Franchise*

Very briefly, we’ll talk about franchises. This is a different form of business where you purchase the rights to operate the local division of an existing business. You are known as the “franchisee” and the company that owns the franchise is called the “franchisor”. The business itself is the “franchise”. The cost to purchase a franchise can be as low as \$5,000 and as high as a million dollars. Examples of well-known franchises include Quiznos, Fabutan, Pizza Hut, 7-Eleven, McDonalds and Tim Horton’s.

In a sense you own the business - you run the day-to-day operations, hire staff, and can make a good profit. However, the owner of the franchise still has control of certain aspects of the business. For example, the franchisor may be in charge of the advertising campaign for all the franchises. Whether you like the campaign or not, it’s what you have. The franchisor can also tell you which suppliers you must use, even though you may have found a supplier who is cheaper to buy from.

If you decide to purchase a franchise, you sign a “Franchise Agreement” which is a contract that outlines items such as how you will run the business, for how long and what percentage of earnings you must give back to the franchisor.

Franchises are very complex and we are only pointing out a few things that make them different from starting our own business from scratch. However, if you have a solid business plan, the money to





purchase a franchise and you select the right one for your market, the sky's the limit when it comes to profits.

If you want to learn more about franchises, a great place to start is the Canadian Franchise Association's web site at [www.cfa.ca](http://www.cfa.ca).

## 5. How much money will you need?

When you start a new business, do not expect to make a large profit right away. That is because it takes time for people to find out about you, hire your services or buy your goods, and then pay for them. We always suggest that you set aside enough money to live on for a couple of months just in case it takes some time for your business to take off.

To help you decide how much money you will need for your new business, answer the following questions.

What do you need to buy in order to start your business and how much will it cost you? For example, how much will it cost for any licences you need? If you are going to rent space, do you need to give a damage deposit? Do you need to buy a computer?

The worksheet on page 33 will help you decide how much money you need to start the business.

### *What are lenders looking for?*

Many entrepreneurs are disappointed when they try to get funding and are turned down. Usually this is a result of failing to prove to the lender that you are serious about the business, are willing to use your money to help finance it, and are prepared to stick with it through good times and bad times. Your overall plan needs to show lenders that taking a chance on your business will not leave them with a loss.

What lenders want to see is what is commonly known as "the 5 Cs of credit". These are:

1. Character
  - Can you provide good personal references, employment references and credit references?
  - Can you show that once you take on an obligation, you see it through to the end?
  - Can you show that you have the skills, knowledge and experience needed for the business?
2. Capital/Cash
  - Do you have any cash to put towards the business? No one will give you 100% of the financing. A business is a risk - that risk must be shared.
3. Collateral
  - These are assets you own that will secure the loan. A lender wants to see the real value of the asset in case it has to be sold to pay the debt.





## *Where to get funding for your business*

In addition to the cash you have to put towards your business, you still may find you need funding from other sources. Funding can come from different areas:

1. Family or friends.
2. Bank or credit union.
3. A grant, loan or non-repayable contribution from a government department, a Band Council or other Aboriginal organizations that fund business development.
4. Angel Investor \*
5. Venture Capitalist \*\*

For a complete list of organizations who fund Aboriginal business, please contact the Aboriginal Business Service Network:

### **Aboriginal Business Service Network**

Phone: (204) 944-8438 or toll free 1-888-303-2232

Fax: (204) 956-9363

Email: [dsmith@cfmanitoba.ca](mailto:dsmith@cfmanitoba.ca)

Internet: [www.absnmanitoba.ca](http://www.absnmanitoba.ca)

Now you are ready to take your information and put it into your business plan.

\* Angel investors will usually require that you have already started the business and can show the business is making a profit.

\*\*Venture Capitalists usually loan large amounts of money for new technology ventures that have a good chance of making large profits very quickly. Funding from venture capitalists is very difficult to obtain and in return for the funding, you will have to give up control of your business.



## 6. The Business Plan – Executive Summary

Business Name: \_\_\_\_\_

RST/PST Registration Number: \_\_\_\_\_

GST Registration Number: \_\_\_\_\_

Street Address of Business: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Fax Number: \_\_\_\_\_

Cell Phone Number: \_\_\_\_\_

Website: \_\_\_\_\_

E-mail Address: \_\_\_\_\_

What type of business is it?

- |  |                                      |
|--|--------------------------------------|
| <input type="checkbox"/> Sole Proprietorship | <input type="checkbox"/> Partnership |
| <input type="checkbox"/> Corporation         | <input type="checkbox"/> Franchise   |

What is your nine-digit business number?

\_\_\_\_\_

What date did you register or incorporate your business?

\_\_\_\_\_

Name of Owner, Partner, or Shareholder	Position/Title (Manager, Chair, etc.)	Percentage of Ownership (51%, 100%, etc.)



## 7. The Business Plan - A Description of Your Business

Describe your product or service in detail.

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How is your business different from others that are similar to yours? What are the key features that would convince someone to buy your product or service instead of your competitors?

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Describe current trends within your industry. Can you think of any social or economic changes that might affect your business in the future? For example, if you publish a newspaper, you may want to consider that more and more people get their news on the Internet, and fewer people will purchase newspapers. You may decide to make your paper available online to ensure that you keep on making money into the future.

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Who will supply you with your product? Or, who will provide you with the materials to make your product? Who will supply you with any goods you need to provide a service? Are they reliable? Can you get what you need when you need it?

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Do you plan to expand your business in the future by adding new products or providing more services? For example, if you have a dog grooming business, you may want to expand by selling related products such as dog shampoos and conditioners, toys, beds, leashes, etc.

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Do you have, or are you planning to get, a Patent, Trademark, Copyright or Industrial Design to protect your product or service (see Definitions on page 44 & 45)?

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## 8. The Business Plan – Marketing Your Business

### *Market Research*

Research is necessary for you to understand your customer. It also allows you to make assumptions on your financial projections and is something that lenders and investors will want to see.

The following section explains different methods you can use to research your customer.

#### **PRIMARY RESEARCH**

Primary research is information you gather for your own needs. The most commonly used methods of primary research are:

Personal Interview or Questionnaire - Whether you talk to people directly or put your questions on paper, this method is inexpensive and you get answers right way.

Telephone Surveys - The best way to cover a large area and get quick feedback. Have your questions ready ahead of time and then select two numbers from each page of the telephone directory and begin your calls.

Test Market - This method is used mainly to test customer response to a new product or service, its price or its packaging. It's usually done on a small scale to see whether it's worth your while spending the time and money to go ahead with your business idea.

Focus Groups - A casual meeting of 8 - 10 people in your target market (i.e. seniors, teens, etc.) who are asked specific questions about the product or service and encouraged to discuss what appeals to them and what turns them off. These groups often point out issues you may not have thought of and provide immediate feedback on your product or service.

Personal Observation - You are the detective. You watch people's buying habits and talk to store clerks to gather information on why customers purchase a certain product or service.

#### **SECONDARY RESEARCH**

This involves using information that is already available such as demographics and environmental influences.

Demographics - Statistical data that provides information about your potential market. Demographics include population counts (including breakdowns in sex, age, income, occupation, education levels) and household data (homeowners, renters, what they purchase, etc.).

Environmental Influences - Although they are usually beyond our control, they affect what consumers purchase. Knowing what influences buyers can help you prepare for sudden opportunities or setbacks. For example, if you are thinking of operating a salmon farm but the media is encouraging consumers to buy fresh salmon over farmed salmon for nutritional reasons, your business may flounder. Changes to



government regulations, cultural changes and technology can all influence people's buying habits and affect your business.

## *Selling Techniques*

Your market area is made up of many different people who may want your product or service. Your goal is to convince these people to buy what you are offering. To do this, you need to understand why people buy the things they do.

We know from many years of research that people buy goods and services to satisfy their personal needs. At the top of the list is the need to satisfy basic physical requirements. Examples include food, shelter, clothing, safety and transportation.

Once the basic physical needs are met, customers then try to satisfy their emotional needs such as prestige, pleasure and convenience. Products in this category include certain brand names, beauty products, chocolate and jewellery.

The third level satisfies intellectual needs and the need for greater personal achievement. Items at this level are generally not material items but experiences such as seminars, retreats, spas and adventure travel.

Satisfying the customer's need is your main goal. The way you approach customers is through "features and benefits".

## *Features and Benefits*

All customers want to know one thing: "What's in it for me?"

Answer this question and you have a new customer. But it's not that easy. You need to show the customer how the features and benefits of your product or service will satisfy their needs.

A **feature** is an outstanding quality that adds value to your product.

A **benefit** is how that feature satisfies the customer's need.

For example, people purchasing a car have many different needs. Those looking for a family car want different things than a single person looking for a car. Those looking for a family car may be thinking mainly of features such as airbags, low gas mileage and extra cargo space because of the benefits such as safety, money savings and convenience. The single person may be looking for features such as leather seats, a high-quality stereo and a certain name brand because of the benefit of driving a luxury automobile such as prestige and pleasure.





## *Who are your customers?*

What research have you done that shows you have a product or service that people will pay for? For example, have you looked at surveys or statistics? Or, have you just heard people talk about how they wish a certain product or service was available in the area?

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Is your product or service something people need or something that they may want? This will affect who your customers are. For example, if you open a salon that offers manicures and pedicures, women with extra spending money may want it and come in on a regular basis. If you start a plumbing business, most people will need your services at some point, but you will not have the same customers on a weekly or monthly basis.

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Describe your typical customer. How many of them live in your immediate area and how many live in other towns and cities nearby? Are they male or female? What is their age? Where do they live in relation to your business? How much money do they make? How often would they need your product or service?

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## *Advertising, Promotion, Publicity and Public Relations*

What's the difference among them?

**Advertising** is when you make people aware of your business. You may produce a website, a brochure, a business card or pay to have an ad placed in the local paper.

**Promotion** is more like a reminder of your business. You may offer customers a coupon or have a "2-for-1" sale. The ongoing activities associated with advertising, sales and public relations are often considered aspects of promotion.

**Publicity** is when the media, such as a radio station or newspaper, asks to interview you for a show or wants to write a story about your business. This does not cost you anything but the rewards are endless.

**Public Relations** is how you and your staff present yourself to the public. Remember that you, and your staff, represent your business at all times. Good public relations is greeting your customers with a smile rather than frown. It is donating goods or services from your business to a local charity auction. It is positively reinforcing your business in peoples' minds.

These are not "one-time" events. You must continue to advertise and promote your business as well as keep up good public relations and look for opportunities for free publicity.

How will you advertise your business?

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How can you generate publicity for your business?

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What will you do to promote your business?

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Are there certain times of the year that would be best for you to advertise? For example, if you operate a fishing lodge, you may want to start advertising early in the year when people are booking holidays and making their vacation plans.

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## *Promotional Ideas*

- Balloons
- Billboards
- Brochures
- Bus and taxi signs
- Business cards
- Business lunches
- Calendars
- Charitable/community events
- Classified ads
- Contests
- Coupons
- Direct mail
- E-mail
- Flyers
- Folders and binders
- Free trials or information sessions
- Home parties
- Internet
- Letterhead and envelopes
- Magazine ads
- News releases
- Newsletters
- Newspaper ads or inserts
- Personal letters
- Postcards
- Referral incentives
- Sales calls
- Samples
- Sidewalk signs
- Signs at sporting events
- Signs on buildings/in windows
- Skywriting
- Special events
- Sponsorships
- Stuffers
- Talks and presentations
- Television
- T-shirts
- Two-for-one offers
- Vehicle signs
- Videos/DVDs

How much money do you estimate it will cost to advertise or promote your business each month?  
(Enter the total amount on page 33 in the space marked B-1.) \$ \_\_\_\_\_



## 9. The Business Plan – Location

Location is one of the most important, yet often overlooked, aspects to your business. If customers can't find you, they won't come. If there is no parking for them, they will not come. If you are too far away, they may find someone closer. If you are not near a bus stop, they may not be able to come.

Location is also important to you. If you frequently need supplies, you want your supplier close to you. If your biggest competitor is in a certain shopping mall, you may want to be in a different mall. If your business is too far from your home, will you be able to get there on time every day to open up? Will your business create a lot of noise or generate fumes? Do you need a lot of space for vehicles, inventory or machinery? Will customers come to your location all the time, sometimes, once in a while or never? If you had to expand, could you do it or would you have to move to a larger space?

You profiled your customers in Section 8. Based on your answers, where should you locate your business so it is convenient for your customers?

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Let's put aside your customers for a moment and focus on you. What would be the best location for your needs?

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Now, if you had to choose a location that works for both you and your customers, where would it be and why?

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## 10. The Business Plan – Your Competitors

In most businesses, there will be competition. There are two types of competitor for your business - direct and indirect.

A direct competitor sells the exact same product or service that you do. For example, if you operate a beauty salon, there may be one or more in the area offering everything that you do.

An indirect competitor is one that may offer different products or services but compete for your customers. For example, if you operate a store selling natural health care products, your indirect competitors could be a spa, a drugstore that sells vitamins, a gym, a supermarket that sells organic food, herbalists, a vendor with a kiosk in a mall selling magnetic bracelets, or anyone else selling a product or service that may fulfill the customer's need for a healthier lifestyle.

### *Who are your competitors?*

Competitor's Name	Location	Strengths	Weaknesses	Direct or Indirect

Now that you have thought about your competitors, answer the following questions.

Is your market area growing or shrinking? For example, is the population increasing or decreasing. Is the traffic increasing or decreasing? Why is this happening? Do you expect it to continue?

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Are there enough customers in the area for both your business and your competitors' business?

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How will your business stand out from your competitors? Why will customers choose you instead of them?

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Do you see any difficulties in entering the market? If so, what are they and how will you overcome them?

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## 11. The Business Plan – Operations

### *Inventory Controls*

How often will you have to replace your inventory? How much do you plan to keep on hand? If your business requires a large amount of inventory or different types of product, how will you keep track of it?

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## *Ongoing Monitoring and Planning*

How will you keep track of your sales? How will you track your customers to see who is a new customer or a repeat customer? How will you monitor monthly sales?

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## *Bookkeeping and Financial Controls*

Who will do your accounting? How often will you produce financial statements? How will you protect yourself against employee theft? How will you protect your assets? How often will you count inventory?

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## *Suppliers*

Who are your main suppliers? Who are your alternative suppliers if your main supplier(s) cannot deliver?

Main Supplier(s)	Location	Method of Transporting Goods	Length of Time to Transport Goods	Credit Terms, Discounts

Alternative Supplier(s)	Location	Method of Transporting Goods	Length of Time to Transport Goods	Credit Terms, Discounts



## Location

In Section 9 we talked about the reasons for choosing a certain location. In the operations section, we talk about the cost of where you have chosen to locate.

Are you planning to:

- locate your business on land and/or buildings you own?
- purchase land and/or buildings?
- rent/lease land and/or buildings?
- operate a home-based business?

### 1. Land/Buildings You Own

Estimated value of the land \$ \_\_\_\_\_  
(insert this amount in section D-1 on page 34)

Estimated value of the buildings \$ \_\_\_\_\_  
(insert this amount in section D-2 on page 34)

Monthly mortgage payments \$ \_\_\_\_\_  
(insert this amount in section B-8 on page 33)

### 2. Purchase Land and/or Building(s)

Cost to purchase the land \$ \_\_\_\_\_  
(insert this amount in section A-1 on page 33)

Cost to purchase the building(s) \$ \_\_\_\_\_  
(insert this amount in section A-2 on page 33)

Monthly mortgage payments \$ \_\_\_\_\_  
(insert this amount in section B-8 on page 33)

### 3. Rent/Lease Land and/or Buildings

Cost per month for rent \$ \_\_\_\_\_  
(insert this amount in section B-8 on page 33)

### 4. Home-Based Business

If you are planning to operate a business out of your home, a percentage of your expenses can be deducted from your business income. Contact Entrepreneurship Manitoba at 204-945-8200 or toll free 1-855-836-7250





Other fees associated with the property:

1. What are the utility costs per month?  
(hydro, water, etc.) \$ \_\_\_\_\_  
(insert this amount in section B-14 on page 33)
2. Are there any other monthly fees  
associated with the space?  
(i.e. repairs, maintenance, etc.) \$ \_\_\_\_\_  
(insert this amount in section B-10 on page 33)
3. What are the yearly taxes on the property  
(if applicable)? \$ \_\_\_\_\_  
Divide this number by 12. (insert this amount in section B-4 on page 33)

## Equipment

Do you already own the equipment that you will use for your business? If so, list the items and their value.

Equipment	Serial Number	Age	Estimated Value
Total Value of Equipment (insert this amount in section D-3 on page 34)			\$

Will you need to purchase equipment for your business? If so, list the items you need and their cost.

Equipment	Estimated Cost
Total Value of Equipment (insert this amount in section A-4 on page 33)	\$



## Renovations

If you are purchasing the property, you can make any renovations you can afford. If you are renting the property, check with the owner to see if you can renovate the space and, if so, what renovations you can undertake or if the owner is willing to do certain renovations for you.

Project	Cost
Construction	
Electrical/plumbing/heating upgrades	
Replace doors/windows	
Flooring (tile, carpet, vinyl)	
Paint/wallpaper	
Contractor fees (if you are hiring someone to do this)	
Other Renovations	
Total Cost of Renovations (insert this amount in section A-3 on page 33)	\$

## Furniture and related office equipment

Item	Cost
Furniture (desks, chairs, filing cabinets, etc.)	
Computers, printers, scanners, software	
Photocopier, fax machine, shredder	
Paper, pens, file folders, etc	
Decorative accessories (pictures, ornaments, etc.)	
Other	
Total Cost of Furniture (insert this amount in section A-5 on page 33)	\$

## Telecommunications

Service	Cost
Telephone (landline)	
Cell Phone	
Internet	
Cable / Satellite hookup	
Fax machine	
Total Cost of Telecommunications (insert this amount in section B-12 on page 33)	\$



## Vehicles

List all the vehicles and related equipment (i.e. trailers) that you need to **purchase**.

Vehicles & Related Equipment (i.e. Trailers) For Purchase	Monthly Payment
Total Cost (insert this amount in section A-6 on page 33)	\$

List the vehicles and related equipment that you will **lease** for your business and the monthly lease payment:

Vehicles & Related Equipment (i.e. Trailers) For Lease	Monthly Payment
Total Cost (insert this amount in section B-2 on page 33)	\$

## Insurance

Do you need insurance coverage for:

- |                                       |  |
|---------------------------------------|--|
| <input type="checkbox"/> Building(s)  | <input type="checkbox"/> Contents  |
| <input type="checkbox"/> Vehicle(s)   | <input type="checkbox"/> Business Interruption   |
| <input type="checkbox"/> Liability    | <input type="checkbox"/> Life and disability insurance for the owner(s) of the company |
| <input type="checkbox"/> Other: _____ |  |
| <input type="checkbox"/> Other: _____ |  |

Annual Cost of Insurance: \$ \_\_\_\_\_

Divide this number by 12 and insert this amount in section B-9 on page 33)



## Regulations

If you need help finding the licences and permits your business will need, visit the BizPal website at [www.bizpal.ca](http://www.bizpal.ca) or call Entrepreneurship Manitoba at 204-945-8200 or toll free 1-855-836-7250

Do you require any licences or permits to operate your business? What are they?

Type of Licence or Permit	Estimated Cost
Total Cost of Licensing/Permits	\$
Divide this number by 12 (insert this amount in section B-3 on page 33)	\$

## Owner(s), Management and Staff

One of the most important aspects of starting a business is recognizing what you can and cannot do yourself. For example, if you are a talented wood carver but working with numbers is not one of your strengths, consider hiring a bookkeeper. If you spend 12 hours a day doing plumbing work in people's homes, you will not have the time to run an office and may need to hire someone to answer phones, take care of bills, etc. There are very few people who are able to do everything associated with operating a business, so know your strengths and be honest about the areas you need help with.

What skills and qualifications do you have that will help you operate your business? If you are in a partnership, what skills and qualifications will the partner(s) contribute?

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## Skills of Owner(s):

Now that you know what you and/or your partners are bringing into the business, you have to decide whether you will hire people to fill in the gaps and, if so, how many people you will need. Sometimes more than one job can be done by a single employee. For example, your office manager may also be able to do your day-to-day bookkeeping. In other cases, if the work requires the employee to have specific skills such as customer service, you may need to hire someone just for that purpose. You may also want to consider whether you need your employees on a full-time basis or if you can start off by hiring people on a part-time basis.



	We can DO IT	We can LEARN IT	We will HIRE SOMEONE to do it
Accounting/Taxation			
Planning/Organizing			
Customer Service			
Financial Management			
People Management			
Advertising/Promotion			
Decision-Making			
Cost Control			
Management Skills			
Legal Aspects			
Pricing			
Other			

## Staff Summary

Estimate how many employees you will need, their duties and how much you will pay them. Do not include the owner(s).

Position/Title	Duties/Skills	# of Staff Required	Pay (per month)
Total Number of Staff			
Total Estimated Salaries (insert this amount in section B-6 on page 33)			\$



## *Employee Benefits*

Employee benefits are costs in addition to the wages you pay to your staff. Consider what benefits you will offer to your employees.

- |   |  |
|---|--|
| <input type="checkbox"/> Employment Insurance   | <input type="checkbox"/> Canada Pension Plan   |
| <input type="checkbox"/> Vacation Pay           | <input type="checkbox"/> Worker's Compensation |
| <input type="checkbox"/> Dental/Health Benefits | <input type="checkbox"/> Other:                |

Annual Cost of Insurance: \$ \_\_\_\_\_  
(insert this amount in section B-7 on page 33)

Depending on what kind of business you operate, some benefits are required.

Most businesses fall under the provincial *Employee Standards Code* (ESC). However, if you are operating your business in a First Nation community you may fall under the jurisdiction of the federal *Canada Labour Code* (CLC), which has different rules.

For example, some of your income and income-related contributions such as Canada Pension Plan (CPP), Employment Insurance (EI), or employees may be tax exempt under section 87 of the *Indian Act*. In addition, you may not have to register for Workers Compensation, there may be different licences and permits, or you may have different insurance requirements.

For more information on benefits, contact the Canada Revenue Agency toll free 1-800-959-5525

## 12. The Business Plan - Financial Summary

The most important stage when planning your business is the budget. This includes your cash flows, costs and revenues which we will explain in more detail on the following pages.

This portion of the business plan is often known as the "reality check". This is where you will see if your idea will work, how much it will cost and how much money you will need to make from the business. It is the one place where you must be completely honest about your expenses and predicted sales.

Although this part of the plan may seem like a lot of work, it will help you see whether or not your business will succeed before you spend the time and money to start it.



Here are some things to keep in mind:

- When calculating your costs, include everything that you may need to purchase. If you need office supplies, price everything from furniture to paperclips. If you are starting a restaurant, price out every item from the ventilation system to the deep fryer to the napkins to the rolls of paper used in the cash register.
- Decide where you will get financing and include how you are expected to repay the loan.
- Find the statistics you need to properly estimate your income and expenses. Web sites you can visit include:
  - ✓ Financial Performance Data – [www.sme.ic.gc.ca/epic/site/pp-pp.nsf/en/Home](http://www.sme.ic.gc.ca/epic/site/pp-pp.nsf/en/Home)  
(Provides detailed financial and employment information on more than 600 types of businesses in Canada. It also includes “performance benchmarks” to help small businesses see how they measure up against their competition.)
  - ✓ Statistics Canada - [www.statcan.gc.ca](http://www.statcan.gc.ca)  
(Provides statistics on population, gender, income and more.)
  - ✓ Business InfoCentre at the World Trade Centre Winnipeg - [www.wtcwinnipeg.com](http://www.wtcwinnipeg.com)

## *Preparing Financial Statements*

Financial statements can be a tough task for anyone. On the following pages we have provided templates of the different types of financial statements you will need for your business. If you have never prepared financial statements, we recommend that you seek help. To find someone in your area who can assist you, contact the Business Info Centre at the World Trade Centre Winnipeg – at 204-984-2272 or 1-800-665-2019 or visit [www.wtcwinnipeg.com](http://www.wtcwinnipeg.com) or contact Entrepreneurship Manitoba at 204-945-8200 or toll free 1-855-836-7250



## 13. The Business Plan - Personal Cash Flow

A personal cash flow is one of the most important documents you have because it shows you how much money you will need to make in the business to support you and your family. In order to know how much you will need, you must first know what you pay every month for food, shelter, clothing and all related expenses.

(A) Monthly Income (including Child Tax Credit, part-time job, etc.)		\$
Rent or Mortgage	\$	
Loan Payments (other)	\$	
Credit Card Payments	\$	
Property/School Taxes	\$	
Home Insurance	\$	
Electricity	\$	
Heating	\$	
Water	\$	
Telephone	\$	
Cell Phone	\$	
Internet	\$	
TV/Cable/Satellite	\$	
Car Payments	\$	
Auto Insurance	\$	
Auto Repairs and Fuel	\$	
Life Insurance	\$	
Medication	\$	
Groceries/Restaurants	\$	
Clothing	\$	
Recreation/Entertainment	\$	
Other		
Other		
(B) Total Monthly Expenses		\$
(C) Net Monthly Surplus (A) – (B)		\$

If the net monthly surplus (C) is negative, this is the minimum monthly salary you will need to draw from the business in order to survive.

Do this for each owner. Multiply the minimum monthly salary of each owner by 3.

Estimated total monthly salaries of all owners (x 3) \$ \_\_\_\_\_  
 (Enter this amount in section B-5 on Page 33).





## 14. The Business Plan - Start-up Costs

Fill in any blanks that may not have been covered in the previous pages. If any section does not apply to your business, leave it blank.

(A) Capital Costs		
Land	\$	(A-1) (see page 24)
Building(s)	\$	(A-2) (see page 24)
Renovations	\$	(A-3) (see page 26)
Equipment Purchases	\$	(A-4) (see page 25)
Office Equipment/Supplies	\$	(A-5) (see page 26)
Vehicles & Related Equipment	\$	(A-6) (see page 27)
Capital Costs Sub-Total (A-1 to A-6):		\$ (A)
(B) Operating Costs (for 1 month unless otherwise noted)		
Inventory	\$	
Advertising/Promotion	\$	(B-1) (see page 19)
Vehicle Lease Payment	\$	(B-2) (see page 27)
Fees/Licences	\$	(B-3) (see page 28)
Property Taxes	\$	(B-4) (see page 25)
Owner(s) Salary (3 months)	\$	(B-5) (see page 32)
Other Salaries/Wages (3 months)	\$	(B-6) (see page 29)
Employee Benefits	\$	(B-7) (see page 30)
Rent/Mortgage	\$	(B-8) (see page 24)
Insurance	\$	(B-9) (see page 27)
Maintenance/Repairs	\$	(B-10) (see page 25)
Office Expenses (postage, courier, etc.)	\$	(B-11)
Telephone/Cell/Internet/Cable/Fax	\$	(B-12) (see page 26)
Legal Fees/Accounting	\$	(B-13)
Utilities	\$	(B-14) (see page 25)
Other Operating Costs	\$	(B-15)
Operating Costs Sub-Total (B-1 to B-15):		\$ (B)
(C) Start-up Costs		
Capital Costs Sub-Total (A) + Operating Costs Sub-Total (B) = (C):		\$ (C)



(D) Your Investment – List the estimated value of equity items you are bringing into the business.		
Land	\$	(D-1) (see page 24)
Building(s)	\$	(D-2) (see page 24)
Equipment	\$	(D-3) (see page 25)
Cash	\$	(D-4) (see page 10)
Other equity (investments, etc.)	\$	(D-5) (see page 10)
Money from friends or relatives	\$	(D-6) (see page 10)
Applicant Investment Sub-Total (D-1 – D-6):		\$ (D)
Total Amount of Funding Required (C) – (D):		\$ (E)

(Place the amount in (E) in the section “Loans” in Month 1 on the Cash Flow Sheet on page 38)

## 15. The Business Plan - Forecasting Sales

An important aspect of the financial plan is the ability to estimate the money you plan to make through sales of your product or service.

Your forecast, or estimate, will be based on the market research we talked about in Section 8. This was your primary and secondary research that was done to help you understand what potential customers are looking for. You will also use the information you gathered on your competitors in Section 10 to help you decide what the best price would be.

This step is basically calculating what you believe to be a reasonable amount of money that you can make each month in sales. If you overestimate your sales, you could be in financial trouble very early on. So, make sure that you have done your research and be very conservative with your numbers.

There are two methods that can be used to forecast your sales:

- Top Down Method which is based on market potential
- Bottom Up Method which is based on your production capacity

A third way of calculating your sales is known as the “Break-Even Method”. It is based on how much you must sell to be able to pay your bills.

### *Top Down Method*

Please answer the following questions using the numbers you found when researching your market.

1. How many people live in the area you plan to sell in? \_\_\_\_\_
2. From the number you provided above, how many of those people are specifically in your target market? \_\_\_\_\_
3. From the number you provided in question 2, how many of those people would potentially buy your product or service? \_\_\_\_\_



4. How often would they buy your product or service? \_\_\_\_\_
5. Multiply how much you would charge by the number you came up with in question 4 above.  
\_\_\_\_\_
6. Your potential sales are the numbers you came up with in question 5 above multiplied by question 3. \_\_\_\_\_

## EXAMPLE:

Someone starts a lawn care service called "Yard Buddy".

1. The company has picked Winnipeg as the area they plan to sell in. Based on their research, the area has 20,000 homes. This includes houses, condominiums and apartments.
2. The company's target market is houses. They are not interested in condominiums and apartments. Houses make up 20% of all homes in Winnipeg.  $20\% \text{ of } 20,000 = 4,000$  houses.
3. Based on market research, Yard Buddy estimates that 4% of people that live in a house will use this service.  $4\% \text{ of } 4,000 = 160$  houses.
4. They estimate that their service will be used once a week for the months of the year that Winnipeg does not have snow or overly cold weather (18 weeks).
5. Yard Buddy will charge \$30 per visit to each house.  $\$30 \times 18 \text{ visits} = \$540$  per year per house.
6.  $\$540 \times 160 \text{ houses} = \$86,400$ .

**\$86,400 is the annual sales forecast using the Top Down Method.**

Based on these figures, there is the potential for a very high annual income. However, this is more work than one person is able to do. The owner of Yard Buddy will now have to decide how much he is able to do on his own. He can calculate this using the Bottom Up Method.

## *Bottom Up Method*

The Bottom Up Method is based on your own production capacity.

1. How many hours will you work per day? \_\_\_\_\_
2. How many days per month will you work? \_\_\_\_\_
3. How much of your product or service can be produced? \_\_\_\_\_
4. How much will it cost each customer? \_\_\_\_\_



## EXAMPLE:

The owner of Yard Buddy is willing to work 8 hours per day. He estimates he can service 3 yards per day. He will not work on weekends. So, he will work 21 days each month.

Total number of yards each day: 3

Cost per yard: \$30

The calculation is 3 yards x \$30 per yard = \$90 per day

\$90 per day x 21 days per month = \$1,890 per month

\$1,890 per month X 4.5 months = \$8,505 per year

**\$8,505 is the annual sales forecast using the Bottom Up Method.**

Although this amount seems like a good income, we haven't included how much it will cost Yard Buddy to provide this service. To balance the income and expenses, we use the Break Even Method.

## *Break Even Method*

This method is a quick "reality check" to find out the minimum amount of sales needed to cover all your expenses. Before we can do this, you will need to understand your fixed costs and variable costs.

**Fixed costs** are what it costs you to operate your business. They are "fixed" because they don't change no matter how much money you are making. Fixed costs are often items such as rent, utilities, telephone and insurance.

**Variable costs** are what it costs you to provide your product or service. They are "variable" because they can change depending on how much or how little you sell. Variable costs are items such as inventory, materials and labour.

So the formula is:

$$\frac{\text{Fixed Costs (Overhead)}}{\text{Unit Selling Price} - \text{Variable Costs (Your Cost per Unit)}} = \text{Break Even Point}$$

## EXAMPLE:

Yard Buddy's fixed costs are truck payments, loan payments, insurance and cell phone. They add up to \$10,000 per year.

Yard Buddy will service each yard for \$30. This is the unit selling price.

The cost to Yard Buddy for providing his service is \$14 per yard. This is his variable cost. This includes gas and maintenance for the truck, mower and weed wacker as well as garden supplies such as fertilizers and pest control.



The calculation is:

$$\frac{\$10,000 \text{ (Yard Buddy's Fixed Costs)}}{\$30 - \$14 \text{ (Unit Cost Minus Variable Cost)}} = 625$$

This tells us that Yard Buddy must service 625 yards per year to break even.

Using the bottom up method, Yard Buddy was only planning to service 283.5 yards per year.  
(3 yards per day x 21 days per months x 4.5 months per year = 283.5 yards per year.)

Therefore, in order to break even he will have to consider charging more per lawn, decreasing costs or working more hours/days per month or a combination of them all.

## 16. The Business Plan - Cash Flow

---

Think of a cash flow statement as “cash in” and “cash out” of your business. It tracks when you will get paid for your sales and when you have to pay your expenses. By keeping track of the cash flow, you can make sure you have money in your bank account. Remember, no money = no business!

In some businesses, you will get paid right away. For example, think of a restaurant. Someone has a meal and they pay for it as they are leaving. In other businesses, you may have to wait before you get paid. For example, if you are a consultant, you may produce a report for a client but you do not get paid for 30 days. Also, if your business is seasonal, your sales will go up and down depending upon the time of the year.

Your expense payments will also differ. Certain expenses you must pay right away, such as insurance. Other payments, such as inventory, can be made at a later date if you and your supplier have an arrangement. For example, your supplier may give you 30 days to pay for the goods after receiving them.

On the following three pages, we have created a sample Cash Flow Statement for one year. You can use this sample year after year by simply adding the date to the top of the page in the space provided.



## 12 Month Cash Flow

<b>CASH IN:</b>	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	<b>TOTAL</b>
Cash Sales	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
Collections on Accounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
Owners Investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
Other Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
<b>(A) TOTAL CASH</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>CASH OUT:</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
Opening Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
Inventory Purchases	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
Advertising	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
Automobile	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
Bank Charges	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
Professional Fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
Rent	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
Taxes and Licenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
Telephone/ Internet	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
Utilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
Wages and Benefits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
Principle (Owners) Draw	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
Loan Payments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
Office Supplies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
<b>(B) TOTAL CASH OUT</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>(C) Net Monthly Cash (A - B)</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
<b>(D) Beginning Cash Balance-see note</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
<b>(E) Ending Cash Balance (C+D)</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	



## 17. The Business Plan - Projected Balance Sheet

Preparing financial statements can be a tough task! It is recommended that you get assistance, to find someone in your area that can help you, contact the Canada/Manitoba Business Service Centre at 1-800-665-2019 or 204-984-2272.

PROJECTED BALANCE SHEET – FIRST THREE YEARS OF OPERATIONS			
	Year 1	Year 2	Year 3
<b>ASSETS</b>			
Cash			
Accounts Receivable			
Furniture/Equipment			
Land/Buildings			
Vehicle(s)			
Other			
(A) Total Assets	\$	\$	\$
<b>LIABILITIES</b>			
Accounts Payable			
Business Loan(s)			
Other			
(B) Total Liabilities	\$	\$	\$
<b>EQUITY</b>			
Cash			
Beginning Equity			
Plus: Investment			
Less: Withdrawals			
Plus: Profit for the Period			
(C) Total Equity	\$	\$	\$
(D) Total Liabilities and Equity (B + C)	\$	\$	\$

Assets must equal Total Liabilities and Equity (A = D)

NOTES: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_



## 18. The Business Plan - Projected Income Statement

An Income Statement adds up all of your revenue (or income) over a period of time and then subtracts the total cost of operating your business. The remainder is your profit at the end of the period. This is also referred to as the “bottom line”.

Projected Income Statement	Year 1	Year 2	Year 3
<b>REVENUE</b>			
Sales			
Other Income			
A) Total Revenue	\$	\$	\$
B) Cost of Good(s) Sold			
C) Gross Profit (A – B)	\$	\$	\$
<b>EXPENSES</b>			
Advertising/Promotion			
Automobile Expenses			
Bank Service Charges			
Insurance			
Loan Interest (no principal)			
Office Supplies			
Professional Fees			
Rent/Mortgage			
Telephone/Internet			
Travel			
Wages and Benefits			
Depreciation			
Utilities			
Maintenance			
Contingency			
Other			
D) Total Expenses			
E) Net Income (before taxes) (C – D)	\$	\$	\$
F) Taxes @ ___%			
G) Net Income After Tax (E – F)	\$	\$	\$







## 20. The Business Plan - Supporting Documents

In addition to your business plan, attach all documents to support your idea. Do not provide the originals. Keep these in a safe place and only attach photocopies.

I am attaching:	Yes	No	N/A
Partnership Agreement			
Shareholders' Agreement			
Joint Venture Agreement			
Articles or Certificates of Incorporation			
Business Name Registration			
Resumes for yourself and those in management positions			
Employment Contracts			
Detailed list of existing and proposed equipment			
Evidence that your building(s) meet all safety and building codes			
Licences/permits			
Land lease			
Any appraisals or valuations of your land, building(s) and equipment			
Accepted Offer to Purchase			
Firm price contracts for equipment and/or building(s)			
Firm price contracts for leasehold improvements			
Firm price contracts and/or quotes for building renovations			
Evidence your cash contribution is accessible			
Personal net worth statement			
Evidence that other sources of financing have been approved			
Franchise agreement			
Vendor's financial statement for the last three years (if you buy an			
Maps of the area			
Diagram of the floor space			
Structure of the business and surrounding businesses			
Insurance quote			
Patents, copyrights, trademarks or industrial design documentation			
Data supporting your ability to meet sales goals, customer surveys and			
Band Council Resolution			
Other:			
Other:			
Other:			



## 21. The Business Plan – Assistance

The following organizations can help Aboriginal business people research and prepare a business plan.

### **Community Futures Manitoba**

Community Futures Manitoba offers programs and services to help entrepreneurs in rural and Northern Manitoba. Call or visit Community Futures Manitoba on the web to find the office in your area.

Phone: (204) 943-2905 or 1-888-303-2232

Email: [info@cfmanitoba.ca](mailto:info@cfmanitoba.ca)

Internet: [www.cfmanitoba.ca](http://www.cfmanitoba.ca)

### **Business InfoCentre at the World Trade Centre Winnipeg**

219 Provencher Blvd., 3rd floor  
Winnipeg, MB R2H 0G4

T: 204-984-2272 or 1-800-665-2019

Website: [www.wtcwinnipeg.com](http://www.wtcwinnipeg.com)

Email: [cbn@wtcwinnipeg.com](mailto:cbn@wtcwinnipeg.com)

### **Entrepreneurship Manitoba**

250 - 240 Graham Ave.  
Winnipeg MB R3C 0J7

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## 22. The Business Plan – Definitions

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When you start your business, you will often hear the following words, especially if you apply for a loan. It is important that you understand what each one means.

**Appreciate/Appreciation** - this term refers to an asset that increases in value over time. The most common example is a house. You may have bought your house five years ago for \$85,000, but now it is worth more than what you paid.

**Asset** - Something of value that you or your company owns. Examples include land, buildings, equipment, cash and investments.

**Copyright** - protects literary, artistic, dramatic or musical works (including computer programs), as well as the performance, sound recording and communication signals of these works.

**Debt** - Something you owe and are obligated to pay back. It could be money, but it can also be goods or services.

**Default** - When you or your company owe something by a certain date but do not pay it. For example, if you or your company do not make some or all of your payments on a loan, you are said to be in default.

**Depreciate/Depreciation** - This term refers to an asset that loses its value over time. The most common example is a vehicle. You may have paid \$25,000 two years ago for a new vehicle, however, it is worth less than that now and, as time goes on, it will continue to lose its value.

**Equity** - the portion of a loan given for land, buildings or equipment that you have paid. For example, if you get a loan of \$10,000 to buy equipment and you have paid \$6,000 back to the lender, your equity is \$6,000.

**Expenses** - This is the money you owe to others for a service they provided or a product they supplied.

**Grant** - Money provided for a specific purpose that does not have to be paid back. Usually, it is a small amount. Grants are mainly found in the arts area. It is sometimes referred to as a non-repayable contribution.

**Industrial Design** - protects the visual features of shape, configuration, pattern or ornament (or any combination of these features), applied to a finished article of manufacture. Examples include a spoon, fabric patterns, chairs, etc.

**Interest** - an additional cost added to a loan. It is usually a percentage of the loan.

**Loan** - money that is given to you on the condition that you pay a certain amount back every month (or some other period of time). When you get a loan, you are usually charged interest.

**Non-repayable contribution** - see "Grant".



**Patent** - protects new inventions (process, machine, manufacture, composition of matter) or new and useful improvements made to an existing invention.

**Profits** - This is the money you are left with after you pay all your debts. For example, if you earn \$5,000 in one month cutting people's grass, but have to pay \$200 to the bank for the loan on the lawn mower and \$300 for gas plus \$500 for the lease on your truck, then your profit for that month is \$4,000.

**Receivables** - This is what is owed to you for the work you did or a product that you sold.

**Security** - When you or your company apply for a loan, you will often be required to offer one or more of your assets as security. This is done so the person or organization lending you the money has some way of getting their money back if you don't make all of your payments. Examples of items used as security are houses, buildings or land that you own. Equipment can also be used as security. For example, if you get a loan to buy a tractor, the tractor will be used as security. If you default on the loan, the person or organization who loaned you the money can then take the tractor and sell it.

**Seize** - If you do not make the payments on a loan, the bank can take (or seize) any assets you used as security to get the loan in the first place.

**Trademark** - a word, symbol or design (or any combination of these features) that distinguishes the products or services of one person or organization from others. For example, the words "Coca Cola", the color of the words and the way they are written are all part of the trademark

