

## **Writing the Plan**

What goes in a business plan? The body can be divided into four distinct sections:

1. Description of the business
2. Marketing
3. Finances
4. Management

Addenda should include an executive summary, supporting documents, and financial projections.

Although there is no single formula for developing a business plan, some elements are common to all business plans. They are summarized in the following outline:

### **Elements of a Business Plan**

1. Cover sheet
2. Statement of purpose
3. Table of contents
  - a. The Business
  - b. Description of business
  - c. Marketing
  - d. Competition
  - e. Operating procedures
  - f. Personnel
  - g. Business insurance
4. Financial Data
  - a. Loan applications
  - b. Capital equipment and supply list
  - c. Balance sheet
  - d. Breakeven analysis
  - e. Pro-forma income projections (profit & loss statements)
    - Three-year summary
    - Detail by month, first year
    - Detail by quarters, second and third years
    - Assumptions upon which projections were based
  - f. Pro-forma cash flow

### **Supporting Documents**

Tax returns of principals for last three years  
Personal financial statement (all banks have these forms)

For franchised businesses, a copy of franchise contract and all supporting documents provided by the franchisor

- Copy of proposed lease or purchase agreement for building space
- Copy of licenses and other legal documents
- Copy of resumes of all principals
- Copies of letters of intent from suppliers, etc.

### **Using the Plan**

A business plan is a tool with three basic purposes: communication, management, and planning.

As a communication tool, it is used to attract investment capital, secure loans, convince workers to hire on, and assist in attracting strategic business partners. The development of a comprehensive business plan shows whether or not a business has the potential to make a profit. It requires a realistic look at almost every phase of business and allows you to show that you have worked out all the problems and decided on potential alternatives before actually launching your business.

As a management tool, the business plan helps you track, monitor and evaluate your progress. The business plan is a living document that you will modify as you gain knowledge and experience. By using your business plan to establish timelines and milestones, you can gauge your progress and compare your projections to actual accomplishments.

As a planning tool, the business plan guides you through the various phases of your business. A thoughtful plan will help identify roadblocks and obstacles so that you can avoid them and establish alternatives. Many business owners share their business plans with their employees to foster a broader understanding of where the business is going.

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