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Since 1977, the Nebraska Business Development Center (NBDC) has provided more than 2,000 businesses with consulting assistance each year. NBDC is a cooperative program of the U.S. Small Business Administration (SBA) and the University of Nebraska at Omaha (UNO). For more information visit our website at [www.nbdc.unomaha.edu](http://www.nbdc.unomaha.edu).

I. Business Consulting

NBDC’s planning and assessment assistance helps to get a new business started or to improve an existing business. NBDC’s staff of trained consultants includes MBAs, MBA candidates, leaders from the Nebraska business community, and faculty from its participating colleges and universities. NBDC works with:

- Individuals who wish to start a company,
- Businesses that are planning to expand or pursue new business opportunities, and
- Businesses that are experiencing operational or financial difficulties.

NBDC offers a host of services through its many programs. Basic consulting is free, confidential, and tailored to individual client needs. Basic consulting services include business plan and start-up assistance, financial projections and analysis, secondary market research, strategic planning, marketing plan development, and loan application assistance. In special circumstances, there is a fee for some of our services. (See page 3 for the contact information of the consulting office in your area.)

On-site QuickBooks software consulting is also available through NBDC for a fee. A consultant will advise you on how to properly set up your QuickBooks bookkeeping system.

II. EntrepreneurShop

EntrepreneurShop is a consulting/training center and retail outlet for business owners and is located at 10868 West Dodge Road in the Old Mill Centre. The West Omaha location provides business consulting and seminars in finance, accounting, marketing, management, start-up and business plan writing. It also offers business development books, tapes, and ready-to-use software. Consulting services are offered by NBDC consultants by appointment between the hours of 8 a.m. and 5 p.m., Monday-Friday.

III. Business and Technology Training

NBDC operates the oldest and largest information technology training program in Nebraska. Its staff of training specialists include full-time instructors, many with advanced degrees, and contract trainers, who provide quality instruction and experience in practical application. NBDC’s management courses are taught by consultants from the business community and university faculty.

NBDC’s Business and Technology Training provides high quality training in business application software and management fundamentals. Training is available downtown at the Peter Kiewit Conference Center and midtown at the Nebraska Furniture Mart’s Mega Mart. Training is also provided on a contract basis at corporate training facilities throughout Nebraska. On-site,
customized computer training is also available to businesses of all sizes. NBDC quickly responds to demands for new technologies and increased skill levels by continually adding to courses.

Course offerings and schedules for NBDC’s Business and Technology Training may be obtained by calling (402) 595-2900 or visiting the website at https://www.nbdc.unomaha.edu/NBDCstore/store.cfm.

IV. Procurement Technical Assistance Center (PTAC)

NBDC’s Procurement Technical Assistance Center (PTAC) provides assistance to Nebraska businesses pursuing government contracts. Consultants help businesses determine their potential for marketing services and products to government agencies and assist them in successfully obtaining and fulfilling contracts. NBDC procurement services are partially funded by the U.S. Department of Defense. They help you fill out the appropriate forms necessary to do business with the Government. For additional information call (402) 595-1900 or (402) 595-3511.

V. Nebraska Manufacturing Extension Partnership (NMEP)

In partnership with the Nebraska Department of Economic Development and the Nebraska Food Processing Center at the University of Nebraska-Lincoln, NBDC provides technical and management assistance to Nebraska manufacturers. Assistance is provided in employee training, productivity, technology, regulatory compliance, quality standards, marketing, business planning and feasibility analysis, workflow process, and supplier relations. NBDC offers training and certificate and endorsement programs in lean enterprise. NBDC-NMEP helps Nebraska manufacturers become more efficient and competitive in what they do. NBDC consultants in the NMEP program are located in Omaha, Lincoln and Norfolk.

VI. Pollution Prevention and Control

The Pollution Prevention Regional Information Center (P2RIC.org) is a unique referral and information retrieval service operated by NBDC with a grant from the U.S. Environmental Protection Agency (EPA). P2RIC.org is an interactive website that fosters improved resource sharing between the programs, businesses and agencies that provide waste reduction services in EPA Region 7 (Nebraska, Iowa, Kansas, Missouri). In addition to online search capabilities, P2RIC.org provides a librarian and research services to assist clients.
**LIST OF NBDC OFFICES**

NBDC operates ten service centers. Consulting services may vary at each center. PTAC and NMEP consulting is available only through designated centers and is provided statewide.

To request business consulting services, complete the online Request for Consulting form at [http://www.nbdc.unomaha.edu/consulting/growth/assistance.cfm](http://www.nbdc.unomaha.edu/consulting/growth/assistance.cfm) or contact your regional office.

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<tr>
<th>OMAHA – PNTB</th>
<th>KEARNEY – C</th>
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<tr>
<td>University of Nebraska at Omaha</td>
<td>University of Nebraska at Kearney</td>
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<tr>
<td>1313 Farnam-on-the-Mall, Suite 230 Omaha, NE 68182-0248</td>
<td>West Center Bldg. #135 Kearney, NE 68849-4440</td>
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<tr>
<td>(402) 595-2381</td>
<td>(308) 865-8344</td>
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<th>LINCOLN – CP</th>
<th>NORTH PLATTE – C</th>
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<tr>
<td>Chamber of Commerce Bldg</td>
<td>Mid Plains Community College</td>
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<tr>
<td>1135 “M” St., Suite 200</td>
<td>1101 Halligan Drive</td>
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<tr>
<td>Lincoln, NE 68508-0324</td>
<td>North Platte, NE 69101</td>
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<tr>
<td>(402) 472-3358</td>
<td>(308) 534-5115</td>
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<th>WAYNE – C</th>
<th>SCOTTSBLUFF – C</th>
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<td>Wayne State College</td>
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<tr>
<td>Gardner Hall</td>
<td>1620 Broadway, Suite 201 Scottsbluff, NE 69361</td>
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<tr>
<td>1111 Main St. Wayne, NE 68787</td>
<td>(308) 635-7513</td>
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<td>(402) 375-7575</td>
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<th>NORTH OMAHA – P</th>
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<td>Northeast Community College</td>
<td>Omaha Business &amp; Technology Center</td>
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<tr>
<td>801 E. Benjamin Ave., Rm. 113WA</td>
<td>2505 N. 24 St., Suite. 103</td>
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<tr>
<td>Norfolk, NE 68702-0469</td>
<td>Omaha, NE 68110</td>
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<tr>
<td>(402) 644-0580 or (402) 564-0105</td>
<td>(402) 595-3511</td>
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<th>ENTREPRENEURSHOP - CB</th>
<th>Nebraska Furniture Mart MEGA MART – T</th>
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<tr>
<td>10868 W Dodge Road</td>
<td>Technology Training</td>
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<tr>
<td>Omaha, NE 68154</td>
<td>7311 Jones Street</td>
</tr>
<tr>
<td>(402) 595-1158</td>
<td>Omaha, NE 68114</td>
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<td>(402) 595-2900</td>
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**Legend:**
- C – Business Consulting services,
- P – PTAC assistance,
- N – NMEP consulting,
- T – Technology Training labs/classrooms,
- B – Business Training classrooms.
1. **How should I legally organize my business?**
   There are five different possible organizational structures: Sole Proprietorship, Partnership, C-Corporation, S-Corporation, and Limited Liability Company. See the section on *Legal Organizations* (pages 6-7) for the advantages and disadvantages of each structure.

2. **How do I know if I need a business license or a special permit for my business? If I do, where do I get these documents?**
   See the section on *Business Licenses and Permits* (pages 8-9) and call the applicable agencies listed.

3. **What steps should I follow to create a new business?**
   There are between one and six steps to follow in the creation of a new business depending on the legal structure you choose for your business. See the section on *Steps to Start a Business in Nebraska* (pages 10-11).

4. **How do I know if the business name I’ve chosen is legal to use? How do I register a trademark?**
   The Nebraska Secretary of State will provide all the needed information. See the section on *Incorporation, Name and Trademark Registration* (page 12).

5. **Do I need to withhold Federal and State taxes from my employees?**
   Yes, if you are paying wages to employees. See the section on *Identification Number* (page 13).

6. **Once I have my Federal and State Identification Numbers, which taxes am I responsible for?**
   You are responsible for income taxes, self-employment and/or employment taxes, excise taxes, and State sales & use taxes. See the section on *Taxes* (pages 14-15).

7. **What kind of insurance do I need to protect my business?**
   You may need liability, inventory, employment practices, specialized errors-and-omissions, loss of business data coverage, and in-home business insurance. See the section on *Business Insurance* (pages 16-17).

8. **If I hire employees, what do I need to know about Employment Law?**
   You need to be familiar with the regulations concerning wages and hours worked, who may work, and when, safety regulations, pensions and welfare benefits. See the section on *Employment Requirements for Most Employers* (pages 18-20).

9. **How do I get a loan for my business?**
   Write a business plan, have a good idea of how much you want to borrow, and assess your business’ ability to repay the loan. Usually, business loans will require a minimum of 25-30% equity. You should apply to a commercial lender. The lender will determine from your personal credit history, your business plan, and your financial projections whether or not you need a SBA guarantee. See the sections on *Funding Options for Your Venture* (pages 27-28) and *What Bankers and Investors Look For When Granting Funding* (pages 29-31). To write your business plan and prepare your financial projections, refer to the section on *Business Plan Content* (pages 36-60).
NEW BUSINESS CHECKLIST

☐ Identify a business opportunity that suits your skills and preferences.

☐ Conduct research to assess the market conditions of your business.

☐ Assess the total amount of expenses you will incur at the place of business (rent, utilities, renovations, signs, etc.).

☐ Estimate the amount of the loan you need to borrow (at least 25-30% of total expenses should be funded with your own money).

☐ Write a business plan and develop financial projections to help assess the feasibility of the proposed venture (See section on Business Plan Outline).

☐ Submit your completed business plan and financial projections to a lender or investor to obtain the necessary funding.

According to your legal structure and type of business:

☐ Obtain a state license or local permit, if required.

☐ Obtain federal and state tax withholding information.

☐ Obtain federal and state identification numbers.

☐ Obtain sales tax permits and tax returns.

☐ Depending on your legal structure (partnership, corporation, LLC), contact the Secretary of State to file the appropriate paperwork.

☐ Register your business name with the Secretary of State and County Clerk.

Once your business has been set-up:

☐ Know how and when to pay estimated income tax.

☐ Open a separate checking account for your business.

☐ Select an insurance company and agent.

☐ Select an accountant and set up a bookkeeping system. (Call NBDC if you need QuickBooks training and consulting).

For more information, please refer to the University of Nebraska at Lincoln Web site at http://www.ianr.unl.edu/pubs/consumered/nf289.htm and the SOHO Guidebook at CCH Inc.’s Web site at http://www.toolkit.cch.com/ for a complete checklist on starting a business.
Discuss with your attorney and accountant the appropriate legal structure for your business. Business owners have the choice among five basic legal structures:

- The Sole Proprietorship
- The Partnership
- The C-Corporation
- The S-Corporation
- The Limited Liability Company (LLC)

Factors to consider when choosing a legal structure:

- The amount of government regulations
- Transferability and continuity of ownership interest
- Management control
- Profit and loss distributions
- Liability of business owner(s)
- Ease of establishing and terminating the business
- Tax treatments

The following page contains a table that summarizes the main characteristics of each legal entity. This table format allows for a quick overview and comparison of the five legal forms of organizations available to business owners.

For detailed information, please refer to the following Web sites: the Nebraska Department of Economic Development at http://assist.neded.org or IRS at http://www.irs.gov.
<table>
<thead>
<tr>
<th><strong>Separate Legal Entity</strong></th>
<th><strong>Sole Proprietorship</strong></th>
<th><strong>General Partnership</strong></th>
<th><strong>C-Corporation</strong></th>
<th><strong>S-Corporation</strong></th>
<th><strong>LLC</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. Personal and business assets and liabilities are merged together.</td>
<td>No. Personal and business assets and liabilities are merged together.</td>
<td>Yes. The business is a separate legal entity.</td>
<td>Yes. The business is a separate legal entity.</td>
<td>It depends. No, if only 1 member. Yes, if at least 2 members.</td>
</tr>
<tr>
<td><strong>Ownership</strong></td>
<td>Only 1 owner.</td>
<td>At least two partners.</td>
<td>At least one shareholder.</td>
<td>From 1 to 75 shareholders.</td>
<td>At least 1 member.</td>
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<tr>
<td><strong>Legal Liability</strong></td>
<td>Unlimited.</td>
<td>Unlimited.</td>
<td>Limited to the investment contributed to the business.</td>
<td>Limited to the investment contributed to the business.</td>
<td>Limited to the investment contributed to the business.</td>
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<tr>
<td><strong>Tax Treatment</strong></td>
<td>Profits are taxed at the individual income tax rate and individual is also liable for self-employment tax.</td>
<td>The business itself does not pay taxes, but each partner records his/her share of profits on his/her personal income tax return.</td>
<td>Corporate profits are subject to double taxation both as income to the corporation and as dividends distributed to stockholders.</td>
<td>Corporate profits are subject to personal income taxation. Corporation itself does not pay taxes, but files an informational tax return mentioning each shareholder’s portion of the corporate income.</td>
<td>If only 1 member, the business profits are taxed as in the sole proprietorship. If at least 2 members, the business profits are taxed as in the partnership. Unless set up as a corporation.</td>
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<tr>
<td><strong>Owner(s) Compensation</strong></td>
<td>The owner can take an owner’s draw.</td>
<td>Depending on the partnership agreement, partners can receive a reasonable salary.</td>
<td>Managers can receive a reasonable salary.</td>
<td>Managers can receive a reasonable salary.</td>
<td>The member(s) can take an owner’s draw if the LLC is set up as a sole proprietorship or receive a reasonable salary if it is set up as a partnership.</td>
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<tr>
<td><strong>Profit Distribution</strong></td>
<td>Profits after tax can be retained or distributed to the sole proprietor.</td>
<td>Profits after tax can be distributed to partners based on the agreement or can be reinvested in the company.</td>
<td>Profits after tax can be distributed as dividends or reinvested in the company.</td>
<td>Profits after tax can be distributed to shareholders based on their contributions or reinvested in the company.</td>
<td>One member, profits are distributed as in the sole proprietorship. Partnership rules apply if 2+. Unless set up as a corporation.</td>
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<tr>
<td><strong>Initial Filing Requirements</strong></td>
<td>The business owner must file with the Secretary of State in Lincoln.</td>
<td>The business owner(s) must file with the the Secretary of State in Lincoln.</td>
<td>The business owner(s) must file with the Secretary of State in Lincoln.</td>
<td>The business owner(s) must file with the Secretary of State in Lincoln.</td>
<td>The business owner(s) must file with the Secretary of State in Lincoln.</td>
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Each business should verify with the city, county, and state offices to ensure that all licensing requirements are met. Some businesses are required to hold special licenses for tax programs. Nebraska has several Tax Assistance Offices to help you with the necessary licensing and forms.

One place to start for information on licenses is the Department of Labor – Nebraska Workforce Development website at http://www.dol.state.ne.us/nwd/pdf/lco.pdf. This document, Licensed Occupations in Nebraska, requires Adobe Acrobat Reader. There is a table of contents with a list of business types. The information provided in this publication comes directly from licensing agencies throughout Nebraska, with all information being current and based on practices as of January 1, 2003. All attempts have been made to obtain a complete listing of occupations requiring certification or licensure in Nebraska; however, due to a number of factors including legislative changes or additions, reporting differences between licensing agencies and variations in occupational titles, some occupations may have inadvertently been omitted.

For the Department of Regulation & Licensure of the Department of Health and Human Services go to http://www.hhs.state.ne.us/.

For Child Care licensing go to http://www.hhs.state.ne.us/crl/childcare.htm.

For Food Service Establishments go to http://assist.neded.org/foodregs.html.

The Nebraska Department of Economic Development’s Online Business Toolkit offers additional information http://assist.neded.org.
For all types of legal structure, a business owner should follow the subsequent steps:

1) Obtain a local business license if necessary (see section on Business Licenses and Permits, page 8).
2) Obtain a Taxpayer Identification Number such as a Social Security Number (SSN) or an Employer Identification Number (EIN). Contact the IRS at (800) 829-3676 or the Social Security Administration at (800) 772-1213 to get a Form SS-4 (Application for Employer Identification Number).
3) Apply for Nebraska Tax Programs. Call the Nebraska Department of Revenue at (800) 742-7474 to request a copy of Form 20: Nebraska Tax Application.
4) Contact the IRS to secure information on the Federal tax regulations that will apply to your business (Web site: http://www.irs.ustreas.gov/)
5) Contact the Social Security Administration at (800) 772-1213 for insurance information (FICA).
6) Open a separate checking account for the business.

For specific types of legal structure, a business owner should follow the subsequent steps:

A) For a Sole Proprietorship:
   1) Register the name of your company. Call the office of the Secretary of State at (402) 471-4079 to obtain an application for State Registration of Trade Name.
   2) No formalities are required to start a company as a sole proprietorship.

B) For a partnership:
   1) Register the name of your company. Call the office of the Secretary of State at (402) 471-4079 to obtain an application for State Registration of Trade Name.
   2) No formalities are required to start a company as a partnership. However, it is highly recommended to have a written partnership agreement to reduce risks of conflicts among partners.

C) For a C or S-Corporation:
   1) File the articles of incorporation with the Nebraska Secretary of State and pay the fee based on the par value of the corporation’s capital stock. Contact the Secretary of State – Corporate Division at (402) 471-4079 to verify the fee amount.
   2) Publish a notice of incorporation in a legal local newspaper of general circulation for three consecutive weeks.
   3) File one copy of the affidavit of publication with the Nebraska Secretary of State, and keep another copy for your own records.
   4) Buy a corporate seal and hold organizational meetings. One way to accomplish this step is by purchasing a corporate outfit kit. These kits are advertised in lawyer’s trade journals or are available for purchase via mail order, bookstores, public libraries, etc.
   5) File the annual report and pay the filing fee based on the capital stock each year with the Nebraska Secretary of State.
   6) Contact your financial institution to handle the issuance of stock for your business (i.e. stock value and procedure).
D) For a Limited Liability Company (LLC):

1) Register the name of your company. Call the office of the Secretary of State at (402) 471-4079 to obtain an application for State Registration of Trade Name.

2) File the articles of organization with the Nebraska Secretary of State and pay the filing fee. Contact the Secretary of State – Corporate Division at (402) 471-4079 to verify the fee amount.

The information above has been compiled from various sources. Please refer to these sources for more detailed information.

- The Nebraska Department of Economic Development – Business Assistance Toolkit: http://assist.neded.org/
- The Nebraska Department of Revenue: http://www.nol.org/home/NDR/
- The SBA – Starting Your Business: http://www.sba.gov/starting/

### Agencies to contact by types of business

<table>
<thead>
<tr>
<th>Types of Business</th>
<th>IRS</th>
<th>Dept. of Revenue</th>
<th>Dept. of Labor</th>
<th>SSA</th>
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**Legend:**

- IRS: Internal Revenue Service
- SSA: Social Security Administration
- INS: Immigration and Naturalization Services
- SBA: Small Business Administration
- *Contact OSHA when sub-contracting
INCORPORATION, NAME AND TRADEMARK REGISTRATION

The Secretary of State's office registers domestic corporations, foreign corporations, limited partnerships, out-of-state corporations doing business in Nebraska, trade names, trademarks, and service marks.

To register state trade names, trademarks, and corporation names, contact:

Nebraska Secretary of State
P.O. Box 94608
State Capitol, Suite 2300
Lincoln, Nebraska 68509-1608
Tel: (402) 471-4079
Fax: (402) 471-3666
Rules and Regulations (402) 471-2385

To check on currently registered federal and state(s) trademarks, contact:

Existing Business Assistance Division
Nebraska Department of Economic Development
P.O. Box 94666 - 301 Centennial Mall South
Lincoln, NE 68509-4666
(402) 471-3111 or (800) 426-6505

This will verify that the business name you plan to use is not already being used by someone else. Note that you may need to contact another office if you plan to do business in multiple states.

To register a business name nationally, contact the Patent and Trademark Office. This office has a complete Web page with directions on how to register your trademark. It also contains registration forms. The Web site is http://www.uspto.gov.

| General Trademark or Patent Information | (703) 308-HELP |
| Automated (Recorded) General Trademark or Patent Information | (800) PTO-9199 |
| Automated Line for Status Information on Trademark Applications | (703) 305-8747 |
| Assignment & Certification Branch (Assignments, Changes of Name, and Certified Copies of Applications and Registrations) | (703) 308-9723 |
| Trademark Assistance Center | (703) 308-9000 |
| Information Regarding Applications Based on International Agreements or for Certification, Collective, or Collective Membership Marks | (703) 308-9000 |
| Trademark Trial and Appeal Board | (703) 308-9300 |
| Assistant Commissioner for Trademarks | (703) 308-8900 |
I. **Federal Tax Identification Number**

A Federal Tax Identification Number also known as an Employer Identification Number (EIN), is a nine-digit number that the IRS assigns to business entities. The IRS uses this number to identify taxpayers when filing various business tax returns. Your business is required to have this number whether you intend to have employees or not. The only exception is with sole proprietors without employees; they can use their social security number, however; keep in mind that suppliers may request a number other than your social security number. EINs are used by employers, sole proprietors, corporations, partnerships, non-profit organizations, trusts and estates, government agencies, certain individuals and other business entities.

To obtain an EIN you must complete an SS-4 form. This form is available online at [http://www.irs.gov/pub/irs-pdf/fss4.pdf](http://www.irs.gov/pub/irs-pdf/fss4.pdf) (please note that not all business entity types may use this method) or contact the Philadelphia IRS Center (this office services Nebraska) by calling Toll-Free 1-866-816-2065 Attn: EIN Operation or fax the form to 215-516-3990. Please note that it must be faxed from your personal fax number.

For additional information go to the Internal Revenue Service’s website at [www.irs.gov](http://www.irs.gov).

II. **State Identification Number**

In addition to the federal tax identification number, any business located in or transacting business in Nebraska and paying wages or sales taxes must withhold Nebraska State tax. This identification number must be obtained prior to the payment of the first wages subject to Nebraska withholding. To apply for the Nebraska employer identification number, contact:

For Omaha:
Nebraska Department of Revenue
Sales and Income Tax
1313 Farnam Street
Omaha, NE  68102
(402) 595-2065
(800) 742-7474

For State:
Nebraska Department of Revenue
Tax Payer Assistance
301 Centennial Mall South
14th & M
Lincoln, NE  68509
(402) 471-2971 or  (800) 742-7474


The employer identification number, both federal and state, is a permanent number. If the legal entity of the enterprise changes, then a new number must be obtained. A certificate will be issued to the business with the appropriate identification number. This certificate must be kept in your permanent records.
Small business tax workshops, designed for the self-employed and small business owners, explain how Federal taxes relate to their businesses. Many workshops are jointly sponsored by the IRS and one or more of the following organizations: Nebraska Department of Revenue, Small Business Administration, Social Security Administration and other organizations involved with the self-employed, and small business communities. Contact these agencies for more information, or watch for announcements of upcoming workshops.

The IRS offers seminars for small business owners called the Small Business Tax Education Program (STEP). These seminars provide information on the various tax treatments of the different legal structures, what records must be kept, how to fill out and make tax deposits, important contact numbers, and a tax information kit. Most programs are offered free or charge a minimal fee. To find out when and where the next seminar will be held, call (402) 221-3501 or (800) 829-1040.

I. Federal Taxes

a) Income Tax
Every business must file an annual income tax return. Which forms to use depends on how you structure your business. Sole proprietors, partners, or shareholders of a S-Corporation pay as they go by making quarterly payments of estimated taxes during the year.

b) Self-Employment Tax
The self-employment tax is the social security tax for individuals who work for themselves, such as sole proprietors, self-employed farmers, and members of a partnership. It consists of both the employee and employer contributions to employment taxes. The tax is figured and reported on a Schedule SE form, which is attached to and filed with the individual’s Form 1040.

c) Employment Taxes
You are required to pay employment taxes whenever you employ personnel. These taxes include federal income tax, social security tax, and federal unemployment tax (FUTA).

d) Excise Taxes
Some excise taxes are imposed on the production, importation, use, or sale of certain goods. Some are imposed on services or the sale or use of certain types of businesses. To determine your business’s excise tax liability, contact the Internal Revenue Service.

II. State Taxes

Nebraska Department of Revenue Taxpayer Assistance Offices will assist you with the applicable tax program for your business as well as issue the appropriate permits and identification number, if needed. Call (402) 471-2971 or (800) 742-7474 for information.
a) Income Taxes

If you are withholding at the federal level, you need to withhold at the state level as well. The Nebraska Department of Revenue will issue a Withholding Certificate at no charge. Once you have obtained your tax forms for the first year of your business, you will automatically be added to a mailing list for the following years.

b) State Sales and Use Taxes

The Sales Tax rate is imposed on all gross receipts as you incur the sale regardless of when you will actually collect the cash. Every retailer must display the sales tax permit to collect and use the taxes.

The Consumer Use Tax is imposed on taxable use of any personal property purchased at retail when the sales tax was not paid. There is one permit for the sales and use tax. It is the responsibility of every retailer to collect and remit taxes.

Income Taxes by Types of Business

<table>
<thead>
<tr>
<th>Sole Proprietorship</th>
<th>Federal personal income tax return to report Net Income from the business (Form 1040C or 1040C-EZ).</th>
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<tr>
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<td>File Federal Schedule C to report profit/loss of the business.</td>
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<tr>
<td></td>
<td>File State personal income tax return to report Net Income from the business (Form 1040N).</td>
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<tr>
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<td>File Schedule SE (Self-Employment) to report self-employment taxes.</td>
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<tr>
<th>Partnership</th>
<th>Federal personal income tax return for each partner to report Net Income from the business (Form 1065).</th>
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<tr>
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<td>File State income tax for each return partner to report Net Income from the business (Form 1065N)</td>
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<td>File Schedule K-1 to report self-employment taxes on partnership distribution considered as net self-employment income.</td>
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<th>S-Corporation</th>
<th>File each individual owner’s Federal personal income tax return to report Net Income from the business (Form 1120S)</th>
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<td>File State income tax return for each owner to report Net Income from the business (Form 1120SN)</td>
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<tr>
<td></td>
<td>File Schedule K-1 to report self-employment taxes on partnership distribution considered as net self-employment income. (S-Corporations are treated like Partnership taxes)</td>
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<th>C-Corporation</th>
<th>File each individual owner’s Federal personal income tax return to report Net Income from the business (Form 1120 or 1120A)</th>
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<td>File State income tax return for each owner to report Net Income from the business (Form 1120N)</td>
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<th>LLC</th>
<th>If only one member: report the Net Income of the business on the Federal and State income tax return (Form 1040 &amp; 1040N)</th>
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<td>If at least two members: report the Net Income of the business on each individual member’s Federal and State income tax return (Form 1065 &amp; 1065N)</td>
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We recommend that you contact an insurance broker for a detailed explanation of the various types of business insurance. It would also be worth your while to find a broker who has the same risk perception as you. This will ensure that you and your broker are looking for the coverage that is optimal for your business. In general, most businesses will need to consider some of the following types of insurance:

I. **Business Owner Package Policy (BOP)**

Some businesses prefer not to purchase separate property and liability coverage, so they purchase a comprehensive package that lumps them together. This package can provide significant savings for the business. Read the fine print to ensure that the amount and the limitations of coverage are suitable for your business.

II. **Property Insurance**

This type of insurance protects your business against loss or damage to your assets. Assets usually refer to all the physical property of the business, including the building, the computer, the desk, and chairs.

III. **Liability Insurance**

This insurance covers your business mistakes related to negligence or failure to use reasonable care. Certain businesses also require a specialized liability insurance called **Errors & Omissions** insurance. How much liability insurance do you require? This is not an easy question and one that you should figure out with the help of an insurance broker.

   a) **Comprehensive General Liability**

   This covers four types of injuries: bodily injury that results in actual physical damage or loss, property damage or loss, personal injury, and advertising injury.

   b) **Umbrella Insurance**

   This acts as an excess liability policy, providing additional coverage above that of primary policies. It also provides insurance in areas where the primary policy does not cover.

IV. **Fleet Insurance**

If your business owns one or more vehicles then you will need commercial automobile insurance. Even if you do not own the vehicles but your employees use their own vehicles for business purposes, you may want to purchase some non-owned and hired auto liability coverage.

V. **Worker’s Compensation**

This insurance provides benefits for employees who sustain job-related injuries. Most states including Nebraska require that you hold this type of policy. This type of insurance can be obtained from a private carrier or a state fund.
VI. Health Insurance

The best option for a small business that wants to offer health benefits is to join a larger association like Omaha’s Chamber of Commerce Insurance programs. These programs offer health benefits to member businesses with an employee base between 3 and 50 employees. They provide significant savings for the small business that would otherwise not have the option of offering this benefit to employees. There are other similar group insurance plans for small businesses. For example, your industry association may offer a similar package, or by becoming a member of your local Chamber of Commerce, you may qualify to participate in a group program.

VII. Home Businesses

With the recent increase of home-based businesses, some carriers offer an insurance package for business owners operating from their home. Such insurance packages include general liability coverage, lost income due to damage to the house, and limited coverage for loss of valuable records.

Web site sources:
Buyer Zone Web site: http://www.buyerszone.com/bus_ins/
Insurance Information Institute Web site: http://www.iii.org/home.html
EMPLOYMENT REQUIREMENTS FOR MOST EMPLOYERS

The following information was taken from the Department of Labor’s Small Business Handbook. For more details, visit the Department of Labor’s Web site at http://www.dol.gov.

I. Wages and Hours

The Fair Labor Standards Act (FLSA) prescribes minimum wage and overtime pay (and record keeping) standards affecting most private and public employment.

- Employers must pay covered employees a minimum wage of not less than $5.15 an hour effective July 1, 2003.

- Youths under 20 years of age may be paid a minimum wage of not less than $4.25 an hour during the first 90 consecutive calendar days of initial employment with their employer.

- Employers may not displace any employee to hire someone at the youth minimum wage. (Employers may pay employees on a piece-rate basis and under some circumstances consider the tips of employees as part of their wages.)

- While not placing a limit on the total hours which may be worked, the Act requires that covered employees, unless otherwise exempt, be paid not less than one and one-half times their regular rates of pay for all hours worked in excess of 40 in a work week.

- Tipped employees are paid a minimum wage of $2.13 per hour.

II. Who May Work, and When

- Child Labor provisions of the FLSA (non-agriculture) include restrictions on the hours of work and occupations for youths under age 16, and set forth seventeen hazardous occupation orders for jobs declared by the Secretary of Labor to be too dangerous for minors under age 18 to perform.

- Immigrant Labor is regulated by the Immigration and Nationality Act (INA). Under the INA, employers may legally hire workers only if they are citizens of the U.S. or aliens authorized to work in the United States. The INA requires that employers verify the employment eligibility of all individuals hired after November 6, 1986.

- The Immigration Nursing Relief Act of 1989 (INRA) was enacted to provide relief for the shortage of registered nurses by legalizing current non-immigrant registered nurses and ensuring employer efforts to attract and develop more U.S. employees to the nursing profession. Contact ESA’s Wage and Hour Division for more details.

III. Workplace Safety and Health

The Occupational Safety and Health Act (OSHA), which is administered by the Department of Labor’s (DOL) Occupational Safety and Health Administration (OSHA) regulates safety and
health conditions in most private industries (except those regulated under other federal statutes, e.g., transportation). Many private employers are regulated through states operating under OSHA-approved plans.

It is the responsibility of employers to become familiar with standards applicable to their establishments, to comply with the standards, and to eliminate hazardous conditions to the extent possible. Compliance may include assuring that employees have and use personal protective equipment when required for their safety or health. Employees must comply with all rules and regulations that are applicable to their own actions and practices.

IV. Americans with Disabilities Act (ADA)

This Act applies to entities employing 15 or more people. Employers may not discriminate against any qualified individual with a disability in any aspect of employment. Employers need to make “reasonable accommodations” for individuals with disabilities.

What is “reasonable accommodation”? If a person with a disability is qualified to perform the duties of the job with some modifications, there may be a need for “reasonable accommodation”, unless it poses an “undue hardship” on the employer.

Examples of reasonable accommodations are: accessible facilities, job restructuring (allowing time off for medical visits), part-time or modified work schedule, acquisition or modification of equipment/devices, modifications of examinations, training materials, and policies. This list is not exhaustive.

During the interview process, some practices are prohibited by the ADA. Questions like: “Do you have any physical or mental impairment that would preclude you from performing your duties?” are prohibited. Instead, an employer should explain in extreme detail, all the functions of the job and then ask: “Can you perform these duties?”

Also, the Act puts limitations on pre-employment medical exams; a medical exam can be required after an offer for employment has been extended and only if all new employees are subject to the same process.

V. Pensions and Welfare Benefits

The Employee Retirement Income Security Act (ERISA) regulates certain activities of employers who have pension or welfare benefit plans. The statute also provides an insurance mechanism to protect retirement benefits through a requirement that employers pay annual pension benefit insurance premiums to the Pension Benefits Guarantee Corporation (PBGC).

- Pension Plans must meet a wide range of fiduciary, reporting, and disclosure requirements, with regulations defining such concepts as the value of plan assets, what is adequate consideration for the sale of assets, the effects of participants having control over the assets in their plans, etc.

- Welfare Benefit Plans also must meet a wide range of fiduciary, reporting, and disclosure requirements. In addition, the Pension and Welfare Benefits Administration (PWBA) manages the disclosure and notification requirements for the continuation of health care provisions that were enacted as part of the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). These provisions cover group health plans of employers with 20 or more employees.
employees on a typical business day in the previous calendar year. COBRA gives separated participants and beneficiaries an election to maintain, at their own expense, coverage under the employer's health plan for a limited period of time.

- Pension Insurance information can be obtained from the Pension Benefits Guarantee Corporation by writing PBGC, Coverage and Inquiries Branch (25440), 2020 K Street, NW, Washington, DC 20006-1860, or by calling (202) 778-8800.

VI. **Miscellaneous Requirements for Most Employers**

- The Labor-Management Reporting and Disclosure Act (LMRDA) (also known as the Landrum-Griffin Act) deals with the relationship between a union and its members. It provides for safeguarding of union funds, reporting and disclosure of financial transactions, and administrative practices of union officials, labor consultants, etc.

- Provisions protecting employees from discharge or other discriminating actions are built into most labor and public safety statutes, e.g., the FLSA, the OSHA, ERISA, many environmental protection statutes, etc. These provisions protect employees who exercise their rights under these Acts to complain about employers, ask for information, etc. Remedies can include back wages and reinstatement.

- The Family and Medical Leave Act requires employers of 50 or more employees to provide up to 12 weeks of unpaid, job-protected leave to eligible employees for the birth/adoption of a child or for the serious illness of the employee or a family member.

- Veteran's Reemployment Rights ensure that those who served in the armed forces have a right to reemployment with the employer they were with when they went in service, including protection for those called up for the Reserves or National Guard.

- Plant closings and layoffs may cause employers to become subject to the Worker Adjustment and Retraining Notification Act (WARN) which provides for early warning to employees of proposed layoffs or plant closings. Questions on WARN may be addressed to DOL's Employment and Training Administration (ETA).

- The Employee Polygraph Protection Act (EPPA) prohibits most uses of lie detectors by employers on their employees. This Act is administered by the Wage and Hour Division of ESA.

- Garnishment of Wages by employers is subject to regulation under the Consumer Credit Protection Act. This Act is administered by the Wage and Hour Division of ESA.
The use of the Internet has tremendously increased over the last few years. As a result, many businesses have created a Web site to increase opportunities to reach potential customers. Since the development and maintenance of a Web site is affordable to small businesses, such businesses have also become involved with online business.

If you plan to develop a Web site for your new or existing business, you should take the following steps:

- Develop a Web site. You should consider the level of complexity and security that is appropriate for your business. You can do it yourself or contact a professional service company. Most of the Internet Service Providers (ISP) are able to design a Web site for their customers. Designers charge between $35 and $100 per hour depending on the complexity of the job for the Web page design. The total price is expected to be about $1,000 - $3,000.

- Contact an Internet Service Provider who will host the commercial Web site. Most of the ISP’s charge between $35 and $100 per month for hosting your commercial Web site depending on the complexity of the site.

- Register a domain name (i.e. name of the site) also known as the URL address. You can do it yourself or ask your ISP to do it for you. For registering a domain name, most providers charge $70 to $150 for the first 2 years and a comparable fee thereafter. To register a domain name by yourself on the Internet, it costs $70 for the first 2 years and $35 a year thereafter. It is the cheapest way to register the domain name. It is self-explanatory and easy to follow. You can register at [http://www.networksolutions.com/](http://www.networksolutions.com/). Try to develop a name for the site that will attract the attention of browsing customers and that is descriptive of your site and business.

- Submit your site to the search engines. You can do it yourself or ask your ISP to do it. Some of the service providers will submit your site for a one-time fee of about $200 - $300 per Web page. Free submission of your Web site address (URL) to seven main search engines, such as Excite, HotBot, Lycos, AltaVista, InfoSeek, NetFind, and WebCrawler can be done at [http://siteowner.linkexchange.com/](http://siteowner.linkexchange.com/). This will attach the Web site to the main search engines, so when a person looks for keywords that also appear on your site, search engines will be able to list your site. Utilize descriptive and easy-to-use keywords to submit to search engines. This will help search engines to open the site to the right customers.

If you plan to use the Internet to generate sales, you should be concerned with security issues. There are several options available on how to set up the sales processing on a Web site. They vary by level of security provided and, hence, by price to set them up. Credit Card sales processing ability can be incorporated into a commercial Web site. The options are as follows:

- Your site can present an order form for customers to complete and submit, which does not require any credit card information (i.e. the form is sent to the seller's e-mail address). It requires a minimal level of security or no security at all and a low additional fee to develop. The seller, then, makes a follow-up call to confirm an order and obtain payment information.

- Your site can present an order form requiring the input of basic credit card information. The customer prints the order form from the site and sends it to the seller via a fax machine. This
requires a minimal level of security or no security at all and does not require any additional fee to develop.

- Your site can present an order form requiring the input of basic credit card information. The customer can complete and submit the order via the Internet. This method requires a substantial level of security to protect credit card information, an additional fee to develop, and a yearly fee to support the security system (about $500). After the seller receives the order (to the specially set-up database or his e-mail account), he/she physically calls in to check the validity of the credit card to process the sale.

- Your site can present an order form requiring the input of basic credit card information. The customer can complete and submit the order via the Internet. The order is automatically connected to the credit card processor (such as First Data), where the credit card information is checked for validity. Then, the completed and checked order comes to the seller’s database, where it is recorded. This option requires a substantial level of security, a high fee to develop, and a yearly fee to support the security system (about $500).

The main goal of a Web site is to promote a company’s products or services. A successful site can provide the following benefits:

- It increases a firm’s exposure to potential customers (i.e. increase of name recognition);
- It builds a good image of a company that is up-to-date with technology (i.e. creation and maintenance of a favorable reputation);
- It creates and maintains long-term relationships with customers (i.e. creation and maintenance of customer loyalty);
- It increases opportunities for potential sales (i.e. increase of revenues).

It is important to note, however, that you should not publish a Web site solely to generate sales because the Internet is not yet a reliable vehicle for this purpose. Instead, you should use a Web site to convey valuable quality information that interests a targeted audience (i.e. potential customers). If the targeted audience is interested in your products or services, sales are likely to follow.

It is essential that you build your Web site the most effective way the first time. Otherwise, you will spend a lot of money updating your site. To increase the success of your Web site, you should consider the following guidelines:

- Set specific goals for your Web site (i.e. explain why you want to build a Web site and what you intend to accomplish with it).

- Think about keywords that would best describe your products or services. Use these keywords in the title, the meta-tags, and the body text of your Web site. These keywords will allow your Web site to be highly ranked in search engine databases if you plan on using search engines as an advertising tool.

- Include valuable and quality information that is relevant to your audience. Most Internet users browse the Web to search for information. Thus, it is crucial that the contents of the Web site provide interesting information for the audience your firm is targeting. Otherwise, people will not visit your site and will certainly not come back if they have been disappointed by their first visit.

- Continually change the content of your Web site to bring visitors back to your site. Think of your Web site as a source of information where visitors expect updated information to satisfy
their curiosity in a number of topics. If the content of your site is never changed, people are not likely to come back since they have already read the information they needed.

- Make your Web site easy and fast to download. Internet users’ patience is relatively short. They will go and visit another site if yours takes too long to download. For instance, do not include too many items such animated gifs and Java applets that would slow down the downloading process.

- Make your Web site an interactive site. Have the visitors participate and be involved in your Web site to retain their attention and encourage them to come back. For instance, create a contest with a winning prize. The contest should be relevant to the content of the Web site to create and maintain a professional image of the company. You need to build credibility. Another example of interactivity could be a chat room, forum, or discussion group that would allow people interested by similar topics to share ideas and opinions online.

- Include a newsletter in your site. Offer visitors the option to sign up for a free newsletter that will be sent directly to them by e-mail. You will need to create a form for visitors to sign-up for membership. This information will be used to create a mailing list. Send this newsletter periodically to members of your mailing list. The content of the newsletter should provide newsworthy information to members, and it should be related to topics concerning your core activity(ies).

- Use your Web site for marketing research. Provide online surveys to your customers to find out priceless information about them. You will be able to use this information to better reach your customers (not only for the Web site but also for all marketing strategies).

Having a Web site will not benefit your company if nobody knows about it. You should be aware that you will need to invest time and money in advertising your Web site to increase visibility and traffic. Use the following guidelines to promote your Web site and enhance traffic. Note that you should apply the guidelines that are the most relevant to your business. What works for one site does not necessarily mean that it will work for another site.

- Include your Web site URL and e-mail address in all your business literature such as business cards, invoices, brochures, stationary, and promotional items.

- Advertise your presence on the Internet in traditional media such as print ads, and press releases. Mention your Web site address and offer some incentives to bring visitors to your home page (i.e. give them a good reason to check out your site). Make sure the content of the ad or press release is newsworthy and attracts the readers’ attention.

- Provide online contact between your customers and your business through email. Make sure to provide fast responses to customers’ emails. As mentioned earlier, Internet users do not have a lot of patience, and they do not need much discouragement to never visit your site again. Prompt customer service is a key to long term relationships with customers.

- Use Newsgroups to advertise your Web site. First, you can simply post an ad on newsgroup sites that relate to your topics of interest if you know they accept unsolicited advertising. Do not advertise in newsgroups that do not accept unsolicited ads because the consequences can be unpleasant for your Web site. Secondly, you can try to make contacts to individuals through newsgroups. This technique consists of responding to a discussion thread about a topic that concerns your business. When providing the answer, include a short description of your business, your URL, and your e-mail address. This method is a good way to prospect
for people interested in your product. The last technique is to search for individuals participating in a newsgroup that are interested in the core activity(ies) of your business. If you find an individual who asked “Can somebody tell me what companies sell product X?”, you could reply to this question by providing a description of your product and contact information. It is important to note that these techniques are mainly used by companies that sell products or services nationally or internationally.

- Link your Web site to Web sites related to your products/services and industry-. For instance, your company Web site should be linked to Trade Associations in your industry. It is likely that you will have to become a member of these associations to be able to link your site to theirs. Check with these organizations to find out the conditions to be linked to their sites.

- Other Web sites that your company can be linked to are governmental agencies and professional organizations related to your industry. Links to a Web site should be free in most cases as long as you agree to link back these other sites as a win-win situation. It is recommended that you contact these companies to discuss their policies for linking your Web site to theirs.

In conclusion, it is important to stay in touch with current trends in the Internet world to assure the success of your Web site. You should continuously check out other Web sites to see the new trends in Web page layouts and contents. You want to make sure that your Web site conveys a positive image of your company in regards to information technology.
There are several websites that offer resource directories. Entrepreneurs should visit these sites to find out if there is additional assistance or special programs that meet the needs of the business.

- Nebraska Economic Development Organizations: [http://assist.neded.org/affprogs.html](http://assist.neded.org/affprogs.html)
FUNDING OPTIONS FOR YOUR VENTURE

I. **Personal Savings**

The first place an entrepreneur should look for start-up money is in his/her own pocket. If the potential business owner is applying for a loan, he/she will be required to come up with at least 20%-30% of the amount needed to start the business. Funds may also be obtained through friends and relatives but it is recommended that the arrangement be considered strictly business with details settled up front and a contract written before funds are acquired.

II. **Small Business Administration (SBA) Loan Guarantees**

The US Small Business Administration 7(a) Loan Guaranty Program can fund the varied long-term needs of small businesses when necessary financing is unavailable on reasonable terms through normal lending channels. Private lenders, usually banks, make loans that are guaranteed up to 90 percent by the SBA. The borrower makes loan payments to the lender.

The two most popular loan guarantees are the 7(a) loan and the Low Doc loan. The Low Doc is limited to loans of $150,000 or less. It is a one-page application. The SBA relies mainly upon the strength of the applicant’s character and credit history. The lender may require additional information.

SBA Contact Information:
11145 Mill Valley Road
Omaha, NE  68154
(402) 221-4691

III. **Venture Capital**

Venture capitalists loan money to businesses or take an equity position in a business in exchange for the business using the investor’s money. The venture capitalist’s goal is to obtain a return on his or her investment. Venture capitalists usually like to see a 20%-30% return on the investment.

Web site Sources:
• Garage.com: [http://garage.com](http://garage.com)
• The Entrepreneur's Web Site For Financing Resources: [http://www.capital-connection.com/venturecapital.html](http://www.capital-connection.com/venturecapital.html)

IV. **Private or Angel Investors**

These are wealthy individuals that invest in businesses. They are often entrepreneurs themselves and, therefore; they have substantial business experience. Angels usually invest their money locally and look for businesses they know something about so that they can use their knowledge and experience to assist the business. Angels’ return on investment requirements tend to be lower than those of professional venture capitalists and are willing to wait longer to cash out of their investment.
V. Factoring

This is a method where accounts receivable are sold at a discount for cash. Usually factoring firms are third party collectors. These firms pay the business in advance for the receivables and then they collect directly from the customer. Using factoring to increase cash flow can be an expensive way to get money. Recently, some Nebraska banks have started programs where they purchase receivables. As with any business arrangement, it is recommended that you fully understand the program and how it works before getting involved.

VI. Leasing

Rather than purchasing new equipment, leasing may be a less expensive option. Leasing allows the business owner to access items that are essential to the growth of the business without having the initial cash outlay.

VII. Local Funding Sources

Local economic development associations, Certified Development Companies, Business Incubators, and Enterprise Zones may have special programs or financing available for your area.
WHAT BANKS AND INVESTORS LOOK FOR WHEN GRANTING FUNDING

I. Loan for a New Business

To consider a loan request for a new business, bankers and investors usually require the following information:

- Formal business plan
- Statement of what the loan will be used for
- Collateral and owner’s equity to secure the loan
- Your investment in the business
- Projections of income, expense, and cash flow
- Three years of personal income tax returns if ownership is 20% or more
- Signed and dated personal financial statement if ownership is 20% or more
- Guarantor’s financial statement (if applicable)
- Good credit history
- No bankruptcy in the last 5-7 years
- Lease details
- Personal resumes
- Expertise/experience in the area of the business
- Management experience

If the proposed business consists of buying an existing business, the accounting and tax records should be obtained from the previous owner. Care should be taken to verify the accuracy of these figures. An independent accountant should audit the books to verify that they paint a true picture of the firm’s performance.

Bankers and investors use this information to evaluate the business’ potential for success. Good communication between lenders, investors, and the firm is required to keep this information current. This up-to-date information is needed, so shortcomings may be recognized early and appropriate corrective action taken.

Another key factor lenders consider when evaluating a loan application is the amount of equity that the owner(s) are putting into the business. Although there is no hard and fast rule on equity, it is common for bankers to require that at least 25-30% of the total capitalization be owner’s equity. This is especially true for new businesses. Less equity capital may be required for growing businesses that have an established record of profitable performance. For example, if you need $80,000 for your business, the bank may require a minimum of $20,000 in owner’s equity to accept the $60,000 loan.

One of the other critical factors lenders evaluate is an indication that the company is selling products or services in a sufficiently large and growing market (i.e. Demand is strong enough to support the existence of a new firm in the market). It is also helpful if the firm is offering a truly unique product or service to its target market. Such a firm will probably not face as much price competition as a firm that carries products similar to competitors.

Investors and lenders also weigh the managerial factors very heavily. Experience in business is extremely important, especially in the relevant industry. If a person has no experience in the
industry he/she is proposing to enter, lenders frequently advise the person to talk with people engaged in a similar business in a different geographical location. Frequently, prospective business owners are advised to work for someone else in the industry for several years to obtain the necessary experience. A business’s short-term and long-term objectives are looked at closely to determine if the owner is aware of the large amount of time required to manage the proposed venture and if he/she is realistic in his/her expectations of what can be taken from the firm.

New business start-ups are risky for both the entrepreneur and the banker. Banks will look for alternative ways to get repaid if the business fails. If you answer “No” to any of these statements, then you may need to go through another source of funding.

- We have access to cash to invest in the business (generally 25-50% of total needs).
- We can provide the bank with collateral other than business assets for the loan, such as real estate, marketable securities, cash, letters of credit, etc.
- We can demonstrate an alternative source of repaying the loan, should the business fail to cover our payment obligations (i.e. second income or guarantor).1

1 Taken from the Financial Readiness Checklist published by Hayes & Associates, CPA. Omaha, NE.

**II. Loan for an Existing Business**

For an existing business, bankers and investors need the following:
- Formal business plan
- Statement of what the loan will be used for
- Collateral and equity to secure the loan
- Your investment in the business
- Guarantor’s financial statement (if applicable)
- History statement on the business
- Current (within 60 days) Balance Sheet
- Current (within 60 days) Income Statement
- Year-end statements if different from above
- Three year’s tax returns on the business
- Schedule of term debts
- Aging of accounts payable and receivable
- Lease details
- Good credit history
- No bankruptcy in the last 5-7 years
- Personal resumes
- Expertise/experience in the area of the business
- Management experience

The first step is to gather all this information. The next step for an existing business is to convince the bank that you are a good credit risk. If you can answer “Yes” to all of the following

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1 Taken from the Financial Readiness Checklist published by Hayes & Associates, CPA. Omaha, NE.
questions then you are in good shape. However, a “No” answer does not automatically disqualify you from receiving the loan. These are just issues that will be raised by the banker that you need to think about.

- We have been in business at least three years.  
- We currently show a profit year-to-date.  
- We were profitable at the end of our last fiscal year.  
- Our company has a positive net worth.  
- Our company is current with all federal and state taxes.

Yes_____  No_____
Yes_____  No_____  
Yes_____  No_____  
Yes_____  No_____  
Yes_____  No_____

Source: “A Guide to Doing Business in Nebraska”. 
How To Write A Business Plan
LETTER OF ENGAGEMENT

For newly opened or start-up businesses seeking NBDC assistance with a business plan and financial projections, please compile and complete the following and then deliver this information to the EntrepreneurShop when you have all of the items requested.

► A Request for Consulting 641 Form. This form is attached or can be obtained through the EntrepreneurShop or NBDC website. Please fill out the front of the form, sign, and date it. Also, if you are already in business, please fill out the top quarter of the back side of the form.

► This Letter of Engagement attached to the 641 Form.

► A business plan draft (NBDC business plan outline is preferred however, others are accepted). The plan should include a company profile, customer description, market analysis, competitive analysis, marketing plan, operations detail, human resources description and executive summary. Some resources to assist in the preparation of a business plan: NBDC’s Keys to Starting a Business book (this book can be purchased through the EntrepreneurShop for $12 or it can be downloaded free of charge from the NBDC website [www.nbdc.unomaha.edu](http://www.nbdc.unomaha.edu)), EntrepreneurShop start-up classes (ask for details or visit the NBDC website [http://assist.neded.org](http://assist.neded.org), SBA’s website [www.sba.gov](http://www.sba.gov), and SCORE. A variety of business plan writing books and information can be found in local bookstores, including the EntrepreneurShop, and on the Internet.

► A list of start-up costs. These are all the things that need to be purchased or paid for before opening the business: legal fees, deposits, inventory, supplies, equipment, fixtures & furnishings, improvements to the building/spaces, promotional materials, grand opening advertising, etc. Be detailed.

► A list of assets and their purchase values. Again, be detailed and list them in categories of like items i.e. Kitchen equipment: microwave, warmer, fryer, etc or Furnishings: tables, chairs, display racks, etc. Include model and serial numbers of assets already purchased when available. Include age of the asset if known.

► A list of monthly business expenses. Please indicate if the expense is paid monthly, quarterly, or yearly. This includes: rent, utilities, telephone, payroll, supplies, insurance, advertising/promotion, professional fees, etc.

► An estimation of sales by month. One of the easiest ways to do this is to estimate the numbers of customers/clients and the average dollar amount they will spend per day, month, or year. If your product or service is seasonal, please include that information. Please explain how you arrived at these numbers.

► A determination of cost of goods/services sold. This is the average amount that the good or service costs you.

► A list of other information including
1) The amount of equity (dollars) you will invest in the business. Keep in mind that a bank typically wants equity to be at least 20%-30% of the total needed.
2) A note about your credit history. Please state if you have filed bankruptcy in the last 5-7 years.
3) Any additional information you feel is needed to assist you.

When we receive your package of information, it will be reviewed and you will be contacted. The review of information will be done in the order it is received. If the information is complete, the consultant will determine how we can best serve you. This includes help in refining your business plan, developing financial projections using the numbers you provide, and/or answering any additional questions you may have.

As a potential client of the Nebraska Business Development Center, I understand that the consulting and funding resources of NBDC are limited and that I must provide the information listed above to receive consulting services. I agree to provide the requested information to the best of my ability and to the expectations of the consultant, and request that an ongoing case be started for my business venture. If I fail to provide the information in a complete fashion, I understand that NBDC may not be able to provide the best services available.
**INFORMATION RESOURCES**

Here are some resources to help you along the way.

www.nol.org/business/  This is Nebraska Online for Business. It is a guide to locating forms, permits, licenses and government services in the State of Nebraska.

http://assist.neded.org/  This is the Nebraska Dept of Economic Development's Business Toolkit.

www.nebs.com  This is the Nebs company website. Click on the tab that says Business Tools and you will find business plan, newsletter, and direct mail tools. You will also find a lease vs. buy analysis, a business start-up preparation analysis, and a loan amortization calculator.

www.toolkit.cch.com/  This is CCH Business Owner's Toolkit, Total Know-how for Small Business. It includes a vast amount of general information on everything from starting a business, finance, and marketing to building wealth, protecting your assets, and getting out of business.

www.nolo.com  This is NOLO Law for All. It offers lot of good legal and general information as well as books on the subject.

www.businessownersideacafe.com  Business Owner's Idea Cafe is a fun little website that offers some interesting articles and info on grants.

www.census.gov  The U.S. Census Bureau

www.cwbyadams.com  Adams Small Business Resources offers quite a few links to business info websites.

www.fedstats.gov  This is a gateway to statistics from over 100 U.S. federal agencies.

www.missouribusiness.net/  This is the Missouri Business Development Network website. It has a lot of useful information and links to other helpful sites.

www.office depot.com  This is Office Depots' website. Click on Business Center for a variety of business information from start-up to going out of business.

www.businesstown.com  Again this is a website with a variety of information. Their motto is All Business No Bull.

www.business.gov  U.S. Business Advisor website is sponsored by the SBA and provides a number of links.

www.quickmba.com  The Quick MBA website motto is Knowledge to Power Your Business. It includes 'book knowledge' type information on a variety of business areas.

http://business.superpages.com/business  SuperPages is a website by Verizon and it is like an Internet Yellow Pages. It is a great site to research competitors, suppliers, and potential business clients/customers.

Of course there is www.sba.gov and www.nbdc.unomaha.edu that I hope you would include as well.

www.equifax.com  For inquiries into your credit. Cost $8 for credit report.
BUSINESS PLAN CONCEPT

Writing a business plan is a good starting point for anyone with a business idea. The business plan helps a prospective business owner to detail his/her idea by thinking through all the implementation steps. This process helps the entrepreneur to see on paper whether the business has a chance to succeed. The business plan is also written with bankers and investors in mind when the entrepreneur is looking for financing.

The goal of the business plan is to communicate to yourself and others the “story” of your business from the beginning to the end: a description of the products and services that will be or are sold, the way the business will operate or currently operates, and the vision and goals of your business. If another party reads your business plan and has a clear understanding of what your business is all about, it means your business plan is soundly written.

It is important to think of yourself as an investor in your business. As a rational person, you would want to know everything about a business before you invest your money. The business plan will help you to learn everything you need to know about your business. Think of the business plan as a strategic communication tool for your business.

In summary, writing a business plan allows an entrepreneur to:

• Think about the business in detail.
• Focus on specific issues of the business that are not always apparent to a new entrepreneur.
• Be prepared to answer specific questions about the business when contacting a lender for a business loan.

A business plan should be written in third person. Words such as “I”, “we”, “my”, and “our” should not be used. Instead, consider using words and phrases such “management”, “the owner”, “the company”, “Mr. Smith”, etc. In this aspect, it might help to pretend you are reporting on the business for a business magazine.

The following section presents an outline of a business plan. Each part of the business plan contains a description of the content and some questions to consider. These questions will help you figure out what you should include in each part. You should incorporate these questions in a paragraph format for your business plan.

Note: Refer to the Glossary for definitions of business terms, at the end of the Start-up Guide.
BUSINESS PLAN OUTLINE

I. TITLE PAGE

II. EXECUTIVE SUMMARY

III. COMPANY PROFILE

IV. MARKET RESEARCH AND ANALYSIS
   a) Customer Description
   b) Market Analysis
   c) Competitive Analysis

V. MARKETING PLAN
   a) Marketing Objectives
   b) Products and Services
   c) Pricing
   d) Promotion
   e) Place (Location and Distribution)
   f) Ongoing Marketing Evaluation

VI. OPERATIONS
   a) Business Operations
   b) Facility
   c) Office equipment
   d) Business Forms
   e) Accounting and Bookkeeping System
   f) Suppliers

VII. HUMAN RESOURCES MANAGEMENT
   a) Local Labor Market Conditions
   b) Personnel Management
   c) Outside Assistance

VIII. FINANCIAL PLAN
   a) Sources and Uses of Funds
   b) Depreciation Schedule
   c) Sales and Cost of Goods or Services Sold Schedules
   d) Loan Amortization Schedule
   e) Income Statement
   f) Cash Flow Statement
   g) Balance Sheet
   h) Breakeven Analysis
BUSINESS PLAN CONTENT

I. Title Page

This page should include the title of the document, the name of the business, the logo if applicable, the address and telephone number of the business, and the name(s) of the owner(s).

II. Executive Summary

The executive summary is a condensed version of the entire business plan. It should be no longer than two pages. It may be easier to compose this section after the plan has been written in its entirety. Summarize the plan’s most important points from every section in the Executive Summary.

The Executive Summary should address the following questions:

- Give the name and location of your business.
- What type of business do you plan to have or already have?
- Introduce yourself to the reader (i.e. Are you the current owner, the potential buyer…?)
- What is the industry/market of your business? Summarize the most relevant industry/market facts that demonstrate that demand for your products/services is strong enough to justify the existence of your business.
- What is unique about your products/services and what proprietary rights does the business have? (i.e. patents, licenses, royalties, distribution rights, franchise agreements, etc.)
- What is the current stage of development for the venture (i.e. start-up, initial operations, expansion, rapid growth, or stable operations)?
- What is or will be the legal form of the organization (i.e. proprietorship, partnership, limited partnership, S-corporation, or C-corporation) and why?
- Who will be the key management personnel and what skills do they have that will help the business? (Include name, title, and qualifications of each person.) List outside personnel such as accountants or lawyers as well.
- Are sales constant or variable throughout the year(s) (i.e. market seasonality)?
- How long will it take the business to reach break-even? Explain how long it will take this venture to generate profits.
- Who is requesting the funds?
- For what purpose are the funds being requested (i.e. start a new business, buy an existing business, purchase additional equipment for business expansion, etc.)?
- What are the expected benefits of this investment to your company?
- How will the funds be repaid?
- How much equity are you investing in the business?
- What collateral will be used to secure a loan (i.e. equipment, inventory, and home)?
- Summarize the financial projections. Indicate financial milestones.
III. Company Profile

- History of your company:
  - Is it a start-up business? If so, when do you plan to open it?
  - If it is an existing business, how long has it been in existence? What has its progress been?
  - Where is your business located or where will it be located?

- Structure of your company:
  - Who are the owners and investors and what is their proportion of ownership?
  - What is the legal structure?

- Type of business: retail, wholesale, service, manufacturing, contracting, professional, importing/exporting, etc.

- Mission of the company: a mission statement defines the reasons for the existence of the business.

- Long-term goals: What do you plan for your business between 5 and 10 years from now?

- Description of the products and/or services your company is selling. Keep this section short because you will describe your products/services in more detail in the Marketing Plan section.

IV. Market Research and Analysis

This section of the business plan consists of three main parts: customer description, market analysis, and competitive analysis. Start with a description of your potential customers. Findings from the market analysis section might reveal other opportunities for your business. Thus, you might want to reconsider the contents of your Customer Description section if you discover new market potentials in the Market Analysis section.

a) Customer Description

- Who are your potential customers? If they are individuals, define the demographic characteristics of your customers (i.e. sex, age, income, education, occupation, household size, and ZIP code of residence) as well as lifestyle or other relevant characteristics. If your customers are businesses, define your customers in term of statistical information (i.e. sales volume, number of employees, regional locations, main activities, main customers, etc.).

- Do you anticipate various product uses for different types of customers? If so, who are your primary and secondary target markets? (A primary target market is the group to whom your product is sold the most.)

- Can you list potential customers in each group (at least in the primary target market)?

- Is the primary target market stable, growing, or decreasing?

- What is the basis of the purchase decisions of the customers: price, quality, service, personal contacts, political pressures, or some combination of these factors?

b) Market Analysis

- What is your geographic market area? From what towns/parts of the city do your customers come from?

- What is the size of the different market segments (primary and secondary target markets) in terms of number of people and amount of products/services sold to them?

- According to potential distributors, dealers, sales representatives, and other relevant sources, what are the current and past trends affecting the market you plan to enter?
• How easy or difficult is it to enter and exit the market for your type of business?
• What are the major external factors affecting market growth (i.e. social, economic trends, governmental/legal, societal, and environmental factors)?
• How much money is spent on your product or service within your geographic market area?
• Describe the potential annual growth of the total market for your products or services for each major customer group. Total market projections should be made for at least the next five years.

**c) Competitive Analysis**

Use a table format to list and compare the major competitors affecting your business. This table will allow you to summarize their strengths and weaknesses and pinpoint the most threatening competitors. The table should compare competitors based on criteria that are relevant to your organization. Here are some criteria to consider when analyzing competitors:

- Area of business
- Products/services sold
- Location
- Price
- Target market(s) served
- Physical appearance of the location
- Reputation/image
- Customer service
- Warranty policy
- Expertise of the owners and/or employees
- Visibility of advertising (i.e. name recognition)
- Number of years in business (i.e. experience)
- Market share

**Table Sample:**

<table>
<thead>
<tr>
<th>Name of Competitors</th>
<th>Type of business</th>
<th>Location</th>
<th>Products or services sold</th>
<th>Price</th>
<th>Target market(s) served</th>
<th>Other criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABC Company</td>
<td>Coffee shop (+)</td>
<td>Downtown (-)</td>
<td>Drinks only (-)</td>
<td>$1-$5 per drink (+)</td>
<td>Students (+)</td>
<td>Etc.</td>
</tr>
<tr>
<td>XYZ Company</td>
<td>Coffee shop (+)</td>
<td>132nd &amp; Maple (+)</td>
<td>Drinks &amp; pastry (+)</td>
<td>$2-$5 per drink (-) $1-$3.5 per pastry (+)</td>
<td>Females from 16-50 years old (+)</td>
<td>Etc.</td>
</tr>
</tbody>
</table>

In each cell, evaluate the strengths (+) and weaknesses (-) of each competitor on the relevant criteria. After the table is completed, analyze which will be your strongest and the weakest competitors based on the number of (+) and (-). This table will allow you to define the most and least threatening companies that compete with your business.
V. Marketing Plan

According to the Marketing Mall of the Women’s Business Center, “a marketing plan helps you establish, direct, and coordinate your marketing efforts. It forces you to assess what’s going on in your marketplace and how it affects your business. It also provides a benchmark for later measurement. […] A marketing plan contains information about your company and its products, marketing objectives and strategies, as well as how you will measure the success of your marketing activities. It describes all the marketing activities you’ll perform during a specified time period (usually one year). You’ll also include any background information and research results you used to select those marketing activities. Finally, you’ll document the costs associated with your planned marketing activities as well as the measurements you’ll use to determine success.”

A marketing plan is composed of six sections: marketing objectives, products and services, pricing, promotion, place, and on-going marketing evaluation. Product, Price, Promotion, and Place constitute the four elements of the marketing mix, also known as the 4 P’s. Each section should describe the different strategies you plan to take when approaching your customers, as well as the costs involved with each marketing activity.

a) Marketing Objectives

The main objective of a company is to increase its profits in many ways, one of which is increasing its sales. However, it is important for a business to have specific marketing objectives, so the owner knows exactly how the business will expand. Marketing objectives can be defined in terms of sales (sales volume, sales percentages), market share, number of customers, image/reputation, name recognition, or brand awareness.

To be effective, marketing objectives must follow three conditions. They must be specific, measurable, and have a deadline. These conditions will allow you to measure the effectiveness of your marketing strategies and take corrective actions if the objectives have not been met.

b) Products and Services

This section should provide a detailed description of the products and/or services sold to your customers. You can group the products and services by category or brand if it is relevant to your business. It is important that the following issues be addressed in this section:

- Product/service positioning and image
- Proportions of sales revenue for each type of product/service
- Benefits of your products/services
- Level of quality for each type of product/service
- Seasonality of your products/services
- Economic value of your products/services: necessity or discretionary (i.e. luxury) products/services?
- Propriety rights of your products/services (patents, copyrights, trademark, etc.)
- Warranty policy

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c) Pricing

The pricing policy is one of the most important decisions you will have to make. The “price must be right” to penetrate the market, maintain a market position, and produce profits. Devote ample time to considering a number of pricing strategies, and convincingly present the one you select. It is important to know that, in many cases, price can reflect a perceived quality or value of a product or service.

Price can be calculated with the following equation: \[ \text{Price} = \text{image} + \text{service} + \text{product} + \text{overhead} + \text{profit} + \text{risk} \]. Many factors can influence this equation, thus affecting pricing policies. Such factors are:

- Perceived value to customer (i.e. product, brand recognition, customer service, and specialized expertise)
- Price sensitivity, a.k.a. price elasticity (i.e. if the price of a product rises or drops, does demand for that product significantly increase, decrease, or remain unchanged?)
- Quality
- Product differentiation
- Competition
- Services accompanied with core product or service
- Location
- Target market
- Marketing objectives
- Cost of Goods or Services Sold

The following questions should be addressed when you describe your pricing strategy in your business plan:

- How will you price your products/services?
- What is the reasoning behind this pricing policy?
- How does your pricing strategy compare with your competitors (i.e. price positioning: low, medium or high price range)?
- If the price is higher than competition, justify it on the basis of newness, quality, warranty, service, etc.
- How much profit will you generate from this pricing strategy?
- Do you plan on implementing a discount policy? If so, what will your policy be?
- Will you accept credit cards?
- Will you offer customer credit (i.e. deferred payment)?

d) Promotion

Before promoting your products or services, think of the image concept you would like your products or services to be associated with. Think of visual designs that would help convey that image (i.e. logo, signage, packaging, etc.).

This section should explain how you plan on reaching your customers. It describes the tactics you will implement to achieve your marketing objectives. In other words, what marketing
activities will you use to promote your company and the products/services you provide to your target market(s)?

Marketing expenses should be perceived as an investment and should generate a good return on the investment. The dollars spent on marketing strategies should be recovered by sales generated by these marketing tactics. Keep in mind that when you start a new business, your marketing budget will be limited. Do not rely on the misconception that mass media such as TV and radio are the best methods to promote the launching of a new business. These media are expensive and might not necessarily target the right audience for your business. You do not have to spend a lot of money in marketing to promote your company successfully. Lastly, some marketing tactics require more of your other resources (i.e. time and energy) than dollars.

Here are some marketing tactics you can consider to promote your business and products/services:

- **Mass Media Advertising:**
  - TV, radio, and press advertising
  - Outdoor advertising (billboards and public transportation)
  - Yellow Pages advertising

- **Direct marketing (DM):**
  - Letters and postcards
  - Brochures and flyers
  - Newsletters

- **Public Relations (PR):**
  - Public speaking (i.e. seminars, conferences, and workshops)
  - Press releases and news segment
  - Interview show
  - Community services (publicity)
  - Sponsoring of local events
  - Membership to general and trade associations (i.e. chamber of commerce, better business bureau, and industry-specific associations)
  - Offering a class through a Community College

- **One-on-one Selling:**
  - Salesforce activities (sales representatives)
  - Salesforce training
  - Presentation materials
  - Personal letters
  - Customized proposals
  - Telemarketing

- **Sales Promotions**
  - Promotional items (i.e. magnets, pens, coffee mugs…)
  - Promotional sales (i.e. “buy one get the second at half price,” contests, lottery, discounts, rebates, etc.)
  - Coupons

- **Other Types of Advertising:**
  - Tradeshows
  - Web site
  - Co-advertising with other businesses
  - Advertising in church bulletin boards, grocery stores, and other retail locations
  - Referrals and word of mouth
  - Signage (indoor and outdoor)
To implement these marketing activities, you have the choice between executing the process yourself (do-it-yourself advertising) or using an outside source such as a consultant, an advertising agency, a printing shop, or a direct mail company. This choice will depend on your time and budget.

After selecting the marketing activities you will use to promote your business and products/services, you need to calculate the cost of each activity. These costs can be integrated in a media planning table. A media planning schedule is a document that presents all of the marketing activities planned for one year with the costs associated with each activity. This document will help you to know exactly what marketing expenses you can anticipate in the short run and when they will occur. Use the sample presented below to complete your media planning. Note that this sample only shows two months worth of marketing activities, but a full document should be completed for one year (12 months worth of marketing activities).

Media Planning Sample

<table>
<thead>
<tr>
<th>Marketing Activities</th>
<th>Month 1</th>
<th>Month 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Week 1</td>
<td>Week 2</td>
</tr>
<tr>
<td>Yellow Pages Ad</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newspaper Ad</td>
<td></td>
<td>$100</td>
</tr>
<tr>
<td>Brochures</td>
<td>$500</td>
<td></td>
</tr>
<tr>
<td>Direct Mail campaign</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promotional items</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**e) Place (Location and Distribution)**

This section addresses two issues: the business location and the distribution of your products and services. First, you need to explain your choice of business location. Then, you need to explain how you will distribute your products or services to your customers.

1) **Business Location**

To write this section, you need to answer the following questions:

- Are you going to need an office or retail space, or are you going to operate a home-based business?
- What is the reasoning behind this choice (office/retail space vs. home-based business)?
- What criteria will influence your choice of business location?
  - Closeness to your target market
  - Closeness to your competitors
  - Attractive rent and/or utility rates
  - Low crime rate in the area
  - Appealing traffic patterns (cars and/or pedestrians)
  - Ease of accessibility
  - Good visibility
  - Good local business climate
  - Attractive tax rates and tax incentives
- Based on the above criteria, where will you locate your business if you decide to rent an office or retail space?
2) **Distribution**

In this section, you need to explain how you plan to distribute your products and/or services to your customers? You can choose among several options. You may simply distribute your products/services yourself or you may use a combination of resources such as:

- A salesforce
- A shipping company (i.e. Postal services, Federal Express, and UPS)
- Delivery services
- Distributors
- Retail outlets
- Independent contractors
- Web sites

**f) Ongoing Marketing Evaluation**

Evaluating your marketing strategies is crucial to your business. First, you will discover which activity has been successful and which has not. Second, this information will help you plan your future marketing activities. Obviously, if you find out, for instance, that advertising in a particular newspaper was not effective in generating sales, you may decide not to place an ad in the same newspaper or decide to change the style or focus of the ad itself in your next marketing plan. Lastly, this information will allow you to save money in the long term because your experience in marketing your products/services will allow you to make better-informed decisions for your future marketing plans.

To complete this section, you will need to answer the following questions:

- What methods will you use to track customer satisfaction (i.e. surveys, customer complaints, referrals from customers, etc.)?
- What methods will you use to track the effectiveness of your marketing activities (surveys, change in sales, change in market share, change in name recognition, customers’ comments on advertising, etc.)?
- What communication methods will you use to facilitate feedback from your customers (i.e. post office, phone number, 800-number, email, answering services, Web site, etc.)?
- Do you plan to develop a customer database? If so, what software will you use to develop your database? What format will you use to present the information collected? What type of information will you collect? How are you going to collect this information? How are you going to use the information you collect in your database?

**VI. Operations**

**a) Business Operations**

In this section, you should mention the hours and days the business will be open. If your business differs from the norm, you should explain the reason(s) for this difference.

**b) Facility**

For this section, you need to address the following issues:

- Description of the facility (i.e. size and lease/buy status)
- Improvements of the facility:
  - Office walls
- Special lighting fixtures
- Heating, cooling, and ventilating
- Display area (shelving, carpeting, display windows)
- Storage area
- Point of purchase displays
- Security improvements (alarms, lights)
- Parking

Note: you should contact your utilities company to obtain some advice about your facility improvements.

- Facility regulations: if a license is required, check with licensing agencies for regulations on your facility.
- Waste management and pollution control/prevention: as a business owner, you need to decide how you are going to manage waste and whether you will focus on pollution control or pollution prevention. Pollution control consists of treating and/or disposing of industrial byproducts and discharge to the air, water, or land after production has occurred. On the other hand, pollution prevention consists of limiting the generation of byproducts during the production process. It is important to note that taking a proactive approach to environmental management, based on pollution prevention rather than control, enables companies to reduce costs, decrease liability risks, and improve operating efficiency.

  c) Office Equipment

In this section, you should describe all the office equipment (office furniture, hardware, and software) needed to operate the business. This list of equipment can include purchases or contributed capital (equipment donated to the business by the owner). This list should also contain the cost and date of purchase for each piece of equipment.

  d) Business Forms

In this section, you need to describe the different business forms that you will use to operate your business. Examples of standard forms are recruiting applications, personal records, and invoices. This section will help you to organize the operations of your business.

  e) Accounting and Bookkeeping System

It is important that you describe the accounting and bookkeeping system that you will use for your business because it will influence your business operations. For accounting and bookkeeping systems, you have the choice among three options:

- Do-it-yourself system (i.e. use of QuickBooks)
- Customized system with a CPA
- Manual recording system (least recommended method)

If a business owner decides to delegate the accounting and bookkeeping tasks to another employee or a CPA, he/she should still be involved with this aspect of the business. The owner is the main decision-maker of the business. Therefore, he/she needs to be aware of the accounting and financial status of the business to make educated decisions.

  f) Suppliers

If your business is involved with suppliers, you should consider the following issues:

- List of suppliers (name, address, goods/services supplied, and terms of sales)

3 Northeast Waste Management Officials’ Association, “Pollution Prevention and Profitability.”
VII. **Human Resources Management**

a) **Local Labor Market Conditions**

In this section, you should address the following issues:

- Description of the local labor market conditions that would affect your business (i.e. unemployment rate, employee mobility, wages and salary rates, and standard benefits offered).
- Description of the hiring strategy used to recruit the best employees for your business (i.e. newspapers advertising, Web site advertising, university employment offices, employment agencies, etc.). Refer to the Department of Labor for labor market information.

b) **Personnel Management**

In this section, you should address the following issues:

- Owner(s)/manager(s)’ experience and expertise in management and the industry of the business. You should include a copy of the owner(s)/manager(s)’ resumes as an attachment to the business plan. Many financial institutions read business owners’ resumes to estimate their past experience in management and the industry of the business.
- Job description of each employee including the owner(s)/manager(s). A job description should include the job title, duties, responsibilities/decision-making, requirements, compensation package (i.e. pay, fringe benefits, and incentive programs), and full-time vs. part-time status associated with a position.
- Job training. What type of training and orientation will you offer to new employees? What type of continuous training will you offer to current employees to expand their skills and increase their expertise? In other words, what training programs will you and your employees use to keep up with the expertise, technology, and management needed for your business? What types of other informative sources will you and your employees use to stay informed on the latest issues (i.e. trade magazines, associations, trade organizations, etc.)?

c) **Outside Assistance**

You should provide a list and description of the individuals and organizations that will or are helping you with the operations of your business. Examples of outside sources are:

- Consultant (SBDC, SCORE, Chamber of Commerce)
- Insurance agent
- CPA/accountant
- Lawyer
- Advertising agency
- Employment agency
- Banker
- Relatives or friends
- Trade associations
VIII. Financial Plan

This section should include a summary of the financial projections. This summary should describe the feasibility of the business in terms of sales, growth, net income, cash flows, expenses, etc. The potential lender for your business will examine this section of the business plan in great detail to assess the viability of your business. The viability of your business will determine the final decision of the lender to accept or reject the loan application.

To show a realistic picture of the business feasibility, it is recommended to prepare financial projections for a minimum of three years. Three years of projections will allow the business owner as well as the lender to assess the development of the business. The projections will indicate the evolution of sales, expenses, and cash flows and determine the viability of the business.

If you would like an NBDC consultant to help you prepare the financial projections for your business, you will need to provide the following information:

- Sources and Uses of Funds (see page 49).
- A list of assets owned by your business (see Depreciation Schedule page 49-50). For this list, you need to provide a list of all of the assets purchased or contributed to the business, including the cost and date of purchase of each item.
- A list of revenues and expenses incurred by the business.

However, if you would like to prepare the financial projections of your business on your own, you need to complete the following financial statements:

- Sources and Uses of Funds
- Depreciation Schedule
- Sales and Cost of Goods or Services Sold Schedules
- Loan Amortization Schedule
- Income Statement
- Cash Flow Statement
- Balance Sheet
- Breakeven Analysis

Each statement is described in terms of concept definition and steps to follow to complete the statement. Moreover, most financial statements are accompanied by a sample statement to illustrate the layout of the statement. Templates of each statement are provided in an appendix for your convenience (at the end of the Start-up Guide). Feel free to use these templates to prepare your financial projections.

Remember to list your assumptions as you prepare your financial statements. You will need to explain to the lender on what assumptions you have based your financial statements to justify the end-results of your projections. Of course, it is important that you only use reasonable assumptions to make your business venture as realistic as possible. Example of assumptions are the number of employees, their wages, sales, cost of goods or services sold, operating expenses, loan terms, assets contributed and/or purchased, owner’s equity, etc.

a) Sources and Uses of Funds

This document describes what funds are used to finance your business and how the funds will be used to operate your business. Sources of funds can come from a business loan and the owner’s
equity. Examples of uses of funds are start-up expenses, purchase of equipment, inventory, and working capital. Uses of funds will vary with the nature of your business.

To complete this document, you need to take the following steps:

- Provide a list of the sources of funds. Remember that most financial institutions require the owner’s equity to be a minimum of 25-30% of the total amount needed.
- Provide a list of how the funds will be used. Note that the sum of the sources of funds should equal to the sum of the uses of funds.

### Sample of Sources and Uses of Funds

<table>
<thead>
<tr>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sources and Uses of Funds</td>
</tr>
<tr>
<td>Sources of Funds</td>
</tr>
<tr>
<td>Business Loan</td>
</tr>
<tr>
<td>Owner's Equity</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
</tr>
<tr>
<td>Uses of Funds</td>
</tr>
<tr>
<td>Start-Up Expenses (Corporation fees, advertising campaign, pre-paid utilities and rent expenses)</td>
</tr>
<tr>
<td>Purchase of Equipment</td>
</tr>
<tr>
<td>Inventory</td>
</tr>
<tr>
<td>Working Capital</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
</tr>
</tbody>
</table>

b) **Depreciation Schedule**

This document lists all the assets owned by the business. Such assets can be buildings, vehicles, office equipment, software, hardware, and other fixed assets. The list of assets depends on the type of business. The assets presented in the sample table at the end of this section are some of the most common ones.

This Depreciation Schedule is used to calculate the depreciation expense for each asset. This depreciation expense will show in the operating expenses of the Income Statement. Depreciation is calculated with the straight-line method that has the following formula:

\[
\text{Depreciation Expense} = \frac{(\text{Total Cost of the Asset}) - (\text{Residual Value of the Asset})}{\text{Expected Life of the Asset}}
\]

The residual value of an asset for a small business is usually equal to $0 because the asset will be totally used up, thus completely depreciated.

The sample table is based on a new business scenario. Since the business is at the start-up phase, the owner purchases all the assets at the opening of the business. Therefore, no accumulated depreciation is to be taken into consideration. In the case of an existing business that has owned assets for a few years, the business owner will have to take accumulated depreciation into account to reflect the current usage of those assets.

If a business owner donates assets to the business, these assets should be considered as contributed capital and not purchases. Like purchased assets, contributed assets should also be depreciated. The purchased assets are listed as one-time purchases in the Cash Flow Statement, whereas the contributed assets will show only as contributed capital in the Balance Sheet (under the Owner’s Equity section).

To complete this document, you need to take the following steps:

- Provide a detailed list of ALL the assets purchased and contributed to the business.
- Provide the purchase price for all purchased assets and the current market value of contributed assets.
• Provide an estimated expected life for each asset.
• Calculate the depreciation expense for each asset by using the straight-line depreciation method. Use the following formulas:

\[
\text{Depreciation Expense per month} = \frac{\text{total cost}}{\text{expected life in years}} \times \frac{1}{12} \\
\text{Depreciation per year} = \text{depreciation expense per month} \times 12
\]

Note: NBDC consultants or your accountant will help you determine the useful life of an asset and the calculation of the monthly depreciation expense.

Sample of a Depreciation Schedule

<table>
<thead>
<tr>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Depreciation Schedule</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets</th>
<th>Unit Price</th>
<th>Quantity</th>
<th>Total Cost</th>
<th>Expected Life (# of years)</th>
<th>Depreciation Expense per month</th>
<th>Depreciation Year 1</th>
<th>Depreciation Year 2</th>
<th>Depreciation Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desk</td>
<td>$200</td>
<td>2</td>
<td>$400</td>
<td>5</td>
<td>$7</td>
<td>$80</td>
<td>$80</td>
<td>$80</td>
</tr>
<tr>
<td>Chairs</td>
<td>$50</td>
<td>3</td>
<td>$150</td>
<td>5</td>
<td>$3</td>
<td>$30</td>
<td>$30</td>
<td>$30</td>
</tr>
<tr>
<td>Computers</td>
<td>$1,300</td>
<td>2</td>
<td>$2,600</td>
<td>3</td>
<td>$72</td>
<td>$867</td>
<td>$867</td>
<td>$867</td>
</tr>
<tr>
<td>Fax/Printer</td>
<td>$500</td>
<td>1</td>
<td>$500</td>
<td>3</td>
<td>$14</td>
<td>$167</td>
<td>$167</td>
<td>$167</td>
</tr>
<tr>
<td>Software</td>
<td>$250</td>
<td>3</td>
<td>$750</td>
<td>2</td>
<td>$31</td>
<td>$375</td>
<td>$375</td>
<td>$375</td>
</tr>
<tr>
<td>File Cabinets</td>
<td>$100</td>
<td>3</td>
<td>$300</td>
<td>5</td>
<td>$5</td>
<td>$60</td>
<td>$60</td>
<td>$60</td>
</tr>
<tr>
<td>Vehicle</td>
<td>$10,000</td>
<td>2</td>
<td>$20,000</td>
<td>7</td>
<td>$238</td>
<td>$2,857</td>
<td>$2,857</td>
<td>$2,857</td>
</tr>
<tr>
<td>Signage</td>
<td>$300</td>
<td>1</td>
<td>$300</td>
<td>3</td>
<td>$8</td>
<td>$100</td>
<td>$100</td>
<td>$100</td>
</tr>
</tbody>
</table>

**TOTAL ASSETS:** $25,000

$378 $4,535 $4,535 $4,535

**c) Sales and Cost of Goods or Services Sold Schedules**

The sales schedule should describe the revenues generated from sales. The most basic formula to calculate sales is the following: \(\text{Total sales} = \text{unit price} \times \text{number of units sold}\). However, the methods used to calculate sales will vary with the activity of the business. Note that there is no unique formula or method to calculate the total sales on a monthly or yearly basis.

When you are ready to calculate your sales schedule, think of reasonable assumptions that will help you figure out your total monthly and yearly sales. You should consider the following issues:

• The unit price per product or service.
• The number of units sold of each product or service.
• The number of estimated customers buying products or services on a monthly or yearly basis.
• The average purchase amount per customer.
• Any seasonality that may affect monthly sales throughout the year.

Good sales estimates can be obtained by calling competitors if they are willing to share such information or by looking at industry figures.

Note that the total monthly and yearly sales will show on the Income Statement and the Cash Flow Statement.
The Cost of Goods or Services Sold schedule should describe the direct costs associated with the sales of these goods or services. If your business sells products, the financial statement should be titled “Cost of Goods Sold” or COGS. If your business provides services, the financial statement should be titled “Cost of Services Sold” or COSS. Examples of direct costs included in either of these two schedules are:

- **Direct labor** (i.e. wages and salaries of employees working only on the production of a product or the delivery of a service).
- **Direct Materials** (i.e. any material specifically used for the production of a product or the delivery of a service).
- **Direct Overhead** (i.e. any overhead expense specifically used for the production of a product or the delivery of a service).

To calculate the total COGS or COSS directly associated with the production of a product or the delivery of a service, add all the direct costs involved in the production of this product or the delivery of that service. Again, there is no specific formula or method to calculate this figure because it varies with the activity of the business.

Note that the total monthly and yearly COGS or COSS will show in the Income Statement and the Cash Flow Statement. This figure is actually subtracted from the sales figure to obtain the gross margin on sales in the Income Statement.

**d) Loan Amortization Schedule**

This document calculates the payment schedule of the business loan, if the business needs to repay a loan. Contact your banker or an NBDC consultant to help you prepare that schedule. You will need their assistance to calculate the monthly loan payment.

The following page shows a sample of a Loan Amortization Schedule. This document was prepared on an Excel spreadsheet. The monthly loan payment is calculated with a complicated formula that cannot be used manually. However, once the monthly loan payment is computed, you can calculate the other elements of the table.

*Monthly interest payment* = previous month balance of the loan x (interest rate / 12 months).
*Monthly principal payment* = monthly loan payment – monthly interest payment.
*Monthly balance of the loan* = monthly balance of the loan in the previous period – monthly principal payment of the current period.
### Sample of a Loan Amortization Schedule

**Company Name**

<table>
<thead>
<tr>
<th>Loan Amortization Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start: Month1-Year1</td>
</tr>
<tr>
<td>Monthly Loan Payment</td>
</tr>
<tr>
<td>Interest Rate</td>
</tr>
<tr>
<td># payments</td>
</tr>
<tr>
<td>Present Value</td>
</tr>
</tbody>
</table>

**Month1-Year1**

<table>
<thead>
<tr>
<th>Monthly Interest Payment</th>
<th>Monthly Principal Payment</th>
<th>Monthly Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>$385</td>
<td>$894</td>
<td>$37,606</td>
</tr>
<tr>
<td>$376</td>
<td>$903</td>
<td>$36,704</td>
</tr>
<tr>
<td>$367</td>
<td>$912</td>
<td>$35,792</td>
</tr>
<tr>
<td>$358</td>
<td>$921</td>
<td>$34,871</td>
</tr>
<tr>
<td>$349</td>
<td>$930</td>
<td>$33,941</td>
</tr>
<tr>
<td>$339</td>
<td>$939</td>
<td>$33,002</td>
</tr>
<tr>
<td>$330</td>
<td>$949</td>
<td>$32,053</td>
</tr>
<tr>
<td>$321</td>
<td>$958</td>
<td>$31,095</td>
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<tr>
<td>$311</td>
<td>$967</td>
<td>$30,140</td>
</tr>
<tr>
<td>$301</td>
<td>$977</td>
<td>$29,149</td>
</tr>
<tr>
<td>$291</td>
<td>$987</td>
<td>$28,162</td>
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<tr>
<td>$282</td>
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<td>$27,165</td>
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<td>$272</td>
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<td>$26,158</td>
</tr>
<tr>
<td>$262</td>
<td>$1,017</td>
<td>$25,141</td>
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<tr>
<td>$251</td>
<td>$1,027</td>
<td>$24,124</td>
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<td>$241</td>
<td>$1,038</td>
<td>$23,108</td>
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<td>$231</td>
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<td>$22,100</td>
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<td>$220</td>
<td>$1,058</td>
<td>$21,100</td>
</tr>
<tr>
<td>$210</td>
<td>$1,069</td>
<td>$20,100</td>
</tr>
<tr>
<td>$199</td>
<td>$1,080</td>
<td>$19,100</td>
</tr>
<tr>
<td>$188</td>
<td>$1,091</td>
<td>$18,100</td>
</tr>
<tr>
<td>$177</td>
<td>$1,101</td>
<td>$17,100</td>
</tr>
<tr>
<td>$166</td>
<td>$1,112</td>
<td>$16,100</td>
</tr>
<tr>
<td>$155</td>
<td>$1,124</td>
<td>$15,100</td>
</tr>
<tr>
<td>$144</td>
<td>$1,135</td>
<td>$14,100</td>
</tr>
<tr>
<td>$133</td>
<td>$1,146</td>
<td>$13,100</td>
</tr>
<tr>
<td>$121</td>
<td>$1,158</td>
<td>$12,100</td>
</tr>
<tr>
<td>$110</td>
<td>$1,169</td>
<td>$11,100</td>
</tr>
<tr>
<td>$98</td>
<td>$1,181</td>
<td>$10,100</td>
</tr>
<tr>
<td>$86</td>
<td>$1,193</td>
<td>$9,100</td>
</tr>
<tr>
<td>$74</td>
<td>$1,205</td>
<td>$8,100</td>
</tr>
<tr>
<td>$62</td>
<td>$1,217</td>
<td>$7,100</td>
</tr>
<tr>
<td>$50</td>
<td>$1,229</td>
<td>$6,100</td>
</tr>
<tr>
<td>$38</td>
<td>$1,241</td>
<td>$5,100</td>
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<tr>
<td>$25</td>
<td>$1,254</td>
<td>$4,100</td>
</tr>
<tr>
<td>$13</td>
<td>$1,266</td>
<td>$3,100</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$7,535</strong></td>
<td><strong>$38,500</strong></td>
</tr>
</tbody>
</table>

**p.m.**

|               | $209 | $1,069 | $1,279 |

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*Business Start-up Guide Page 52*
e) Income Statement

The Income Statement is a financial statement showing the revenues earned by a business, the expenses incurred in earning these revenues, and the resulting Net Income or Loss. A Net Income is earned when revenues exceed expenses, and a Net Loss is incurred if expenses exceed revenues. The purpose of an Income Statement is to record sales and the matching expenses as they are incurred even if no actual cash is exchanged.

An Income Statement includes the following items:

- Total Sales on a monthly and yearly basis.
- Total COGS or COSS on a monthly and yearly basis.
- Gross Margin on Sales = Total Sales – Total COGS or COSS.
- Operating Expenses: indirect costs incurred in operating the business.
- Depreciation Expense on assets on a monthly and yearly basis (this expense is included in the Operating Expenses).
- Total interest expense on a business loan on a monthly and yearly basis.
- Pretax Profit or Loss: Net Income or Loss before taxes.

To prepare an Income Statement, you need to take the following steps:

- Report the total monthly and yearly sales (Note: the sum of the 12 monthly sales correspond to the yearly sales) from your Sales Schedule on the Sales component of the Income Statement.
- Report the total monthly and yearly COGS or COSS (Note: the sum of the 12 monthly COGS or COSS figures correspond to the yearly COGS or COSS) from your COGS or COSS Schedule on the COGS or COSS component of the Income Statement.
- Calculate the Gross Margin on Sales by subtracting the total COGS or COSS from the total Sales, on a monthly and yearly basis.
- Prepare a list of all the Operating Expenses your business will incur on a monthly and yearly basis. Such expenses vary according to the activity of the business. The most common expenses among businesses are: Accounting Fees, Advertising, Auto Expense, Depreciation Expense, Insurance, Office Expense, Payroll Taxes, Rent, Telecommunication Expense, Utilities, and Wages & Salaries.
- Estimate the monthly and yearly cost of each operating expense you selected in the above list.
- Calculate the total operating expenses by adding all the operating expenses together, on a monthly and yearly basis.
- Report the Monthly Interest Payment from your Loan Amortization Schedule on the Interest Expense component of the Income Statement on a monthly and yearly basis.
- Calculate the Pretax Profit or Loss with the following formula:
  Pretax Profit or Loss = Gross Margin on sales – Total Expenses – Interest Expense.

Note that the Depreciation Expense was classified as an Operating Expense. This figure can be obtained from the Depreciation Schedule table, under the Per Month Average line (Note: this line refers to the total monthly depreciation expense for each year).
## Sample of an Income Statement

### Income Statement for Period Ending of Year 1

<table>
<thead>
<tr>
<th></th>
<th>Month 1</th>
<th>Month 2</th>
<th>Month 3</th>
<th>Month 4</th>
<th>Month 5</th>
<th>Month 6</th>
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<th>Month 8</th>
<th>Month 9</th>
<th>Month 10</th>
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<td>$883</td>
<td>$892</td>
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<td>$911</td>
<td>$921</td>
<td>$931</td>
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</tr>
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</table>
f) **Cash Flow Statement**

The Cash Flow Statement is a financial statement that accounts for the increase or decrease in a company’s cash during a period by showing where the company got cash and how it used it. The Ending Balance is greater than the Beginning Balance if cash inflows exceed cash outflows, and it is less than the Beginning Balance if the cash outflows exceed cash inflows. The purpose of the Cash Flow Statement is to record the cash inflows and outflows in the months in which they actually occurred.

The Cash Flow Statement is closely related to the Income Statement since many accounts are reported in both statements. However, the COGS or COSS are classified as a cash outflow (Cash Paid Out) because they represent a cash expense to the business. The depreciation expense does not show in the Cash Flow Statement because it is not a cash expense. Also, a new account, called Loan Payment, is added to the Cash Flow Statement. This new account includes the principal and interest payment of the business loan. Consequently, the Interest Expense does not show in the Cash Flow Statement since it is already included in the Loan Payment.

A Cash Flow Statement includes the following items:

- A **Beginning** column that represents the sources and uses of funds before the operations of the business start.
- Beginning Balance of the cash account for each month, which also is the Ending Balance of the prior month.
- The Total Sales on a monthly and yearly basis.
- The Total Cash Available.
- The Cash Paid Out, including the total monthly and yearly COGS or COSS and all the operating expenses.
- The Ending Balance of the cash account for each month.

To prepare a Cash Flow Statement, you need to take the following steps:

- In the **Beginning** column, report the sources of funds (i.e. Loan and Owner’s Equity) from the Sources and Uses of Funds document to the Cash Flow Statement in the appropriate cells.
- In the **Beginning** column, report the uses of funds (i.e. Start-up Expenses, New Equipment, and Inventory) from the Sources and Uses of Funds document to the Cash Flow Statement in the appropriate cells (i.e. One-Time Purchases).
- Note that Working Capital is not listed here because the remaining cash balance at the end of the **Beginning** period will represent the amount of Working Capital. This amount is reported as the Beginning Balance of Month 1.
- In the **Beginning** column, calculate the Cash On Hand = Total Sources of Funds – Total One-Time Purchases.
- In the **Beginning** column, the accounts listed under Cash Paid Out have no costs attributed to them because the business has not started its operations yet. Thus, the Total Cash Paid Out is equal to $0.
- For Months 1-12, the Beginning Balance for each month is equal to the Ending Balance of the previous month.
- For Months 1-12, report the monthly and yearly Sales from the Income Statement to the Cash Flow Statement in the appropriate cells.
- For Months 1-12, calculate the Total Cash Available = Beginning Balance + Sales.
For Months 1-12, report the monthly and yearly COGS or COSS from the Income Statement to the Cash Flow Statement in the appropriate cells under Cash Paid out.

For Months 1-12, report all the Operating Expenses from the Income to the Cash Flow Statement in the appropriate cells under Cash Paid out. Note that Depreciation Expense and Interest Expense should not be reported to the Cash Flow Statement whereas the Loan Payment should be added. Report the Monthly Loan Payment from the Loan Amortization Schedule to the Cash Flow Statement in the appropriate cells under Cash Paid Out.

For Months 1-12, calculate the Total Cash Paid Out by summing all the accounts under this category.

For Months 1-12, calculate the Ending Balance = Total Cash Available – Total Cash Paid Out.

(A sample of a Cash Flow Statement is provided on the following page.)
Sample of a Cash Flow Statement

### Company Name

#### Cash Flow Projections for Year 1

<table>
<thead>
<tr>
<th></th>
<th>Beginning</th>
<th>Month 1</th>
<th>Month 2</th>
<th>Month 3</th>
<th>Month 4</th>
<th>Month 5</th>
<th>Month 6</th>
<th>Month 7</th>
<th>Month 8</th>
<th>Month 9</th>
<th>Month 10</th>
<th>Month 11</th>
<th>Month 12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Balance</strong></td>
<td>$0</td>
<td>$15,000</td>
<td>$15,321</td>
<td>$15,642</td>
<td>$15,964</td>
<td>$16,285</td>
<td>$16,606</td>
<td>$16,927</td>
<td>$17,249</td>
<td>$17,570</td>
<td>$17,891</td>
<td>$18,212</td>
<td>$18,534</td>
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<td><strong>Sales</strong></td>
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<td>$15,000</td>
<td>$15,000</td>
<td>$15,000</td>
<td>$15,000</td>
<td>$15,000</td>
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<td>$15,000</td>
<td>$15,000</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td><strong>Total Cash Available</strong></td>
<td>$0</td>
<td>$30,000</td>
<td>$30,321</td>
<td>$30,642</td>
<td>$30,964</td>
<td>$31,285</td>
<td>$31,606</td>
<td>$31,927</td>
<td>$32,249</td>
<td>$32,570</td>
<td>$32,891</td>
<td>$33,212</td>
<td>$33,534</td>
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<tr>
<td><strong>One-Time Purchases</strong></td>
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<tr>
<td>Start-Up Expenses</td>
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<td>$150</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
</tr>
<tr>
<td>Utilities</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
</tr>
<tr>
<td>Wages &amp; Salaries</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$1,500</td>
</tr>
<tr>
<td><strong>Ending Balance</strong></td>
<td>$15,000</td>
<td>$15,321</td>
<td>$15,642</td>
<td>$15,964</td>
<td>$16,285</td>
<td>$16,606</td>
<td>$16,927</td>
<td>$17,249</td>
<td>$17,570</td>
<td>$17,891</td>
<td>$18,212</td>
<td>$18,534</td>
<td>$18,855</td>
</tr>
</tbody>
</table>
g) Balance Sheet

The Balance Sheet is a financial statement reporting the assets, liabilities, and owner’s equity of a business on a specific date. The left side of the statement lists all the assets owned by the business, whereas the right side lists all the liabilities owed and the equity owned by the business. Both sides should be equal. Think of the Balance Sheet as a picture of your business taken at one point in time, which shows the financial situation of your operations. Everything the business owns (assets) needs to equal how the business paid for them (liabilities and equity).

A Balance Sheet includes the following items:

- **Left Side:**
  - Current Assets: cash, inventory, and other short-term assets that can be liquidated within one year.
  - Long-Term Assets: equipment, property, plant, and other long-term assets that are not be liquidated within one year.
  - Other Assets: assets that cannot be classified under the two previous categories

- **Right Side:**
  - Current Liabilities: debts that will be paid within one year.
  - Long-Term Liabilities: debts that will be paid in two years or more.
  - Owner’s Equity: retained earnings, and contributed capital owned by the owner(s) of the business.

To prepare a Balance Sheet, you need to take the following steps:

- Report the Ending Balance of Month 12 of that year from the Cash Flow Statement to the Cash account of the Balance Sheet, under the Current Assets category.
- Report the ending balance of the Inventory account at the end of the year to the Inventory account of the Balance Sheet, under the Current Assets category.
- Report the Total Equipment category from the Depreciation Schedule document to the Total Equipment account of the Balance Sheet, under the Long-Term Assets category.
- Report the total Depreciation for the corresponding year from the Depreciation Schedule document to the Accumulated Depreciation account of the Balance Sheet. For the following years, add the Accumulated Depreciation from the previous years to the Depreciation of the current year.
- Calculate the Total Long-Term Assets = Long-Term Assets – Accumulated Depreciation.
- Calculate the Total Asset = Current Assets + Long-Term Assets + Other Assets.
- Calculate the Current Liabilities = sum of the Monthly Principal Payment for the next 12 months in the Loan Amortization Schedule (Months 13-24 for Balance Sheet Year 1; Months 25-36 for Balance Sheet Year 2; Months 37-48 for Balance Sheet Year 3; and so on).
- Calculate the Long-Term Liabilities = the Monthly Balance of the loan remaining after the current liabilities have been taken into account (Month 24 for Balance Sheet Year 1; Month 36 for Balance Sheet Year 2; Month 48 for Balance Sheet Year 3, and so on).
- Calculate the Total Liabilities = Current Liabilities + Long-Term Liabilities.
- Calculate the Contributed Capital account of the Balance Sheet under the Owner’s Equity category. If you have contributed some cash to the business, report the Owner’s Equity from the Sources and Uses of Funds documents to the Contributed Capital of the Balance Sheet. If you have contributed some assets to the business, refer to the Depreciation Schedule document to differentiate the assets purchased by the business from those you donated to the business. If you have contributed both cash and assets, add these two amounts under the Contributed Capital of the Balance Sheet.
- Report the Total Pretax Profit or Loss from the Income Statement to the Retained Earnings of the Balance Sheet under the Owner’s Equity category. Retained Earnings accumulate from
years to years for the following years. So, add the Retained Earnings of the previous year to the Pretax Profit or Loss from the Income Statement for the current year.

- Calculate the Total Liabilities and Owner’s Equity = Total Liabilities + Total Owner’s Equity.
- Verify that the Total Assets are equal to the Total Liabilities & Owner’s Equity.

Sample of a Balance Sheet

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities &amp; Owner’s Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets:</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$18,855</td>
</tr>
<tr>
<td>Inventory</td>
<td>$5,000</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>$23,855</td>
</tr>
<tr>
<td>Long-Term Assets:</td>
<td></td>
</tr>
<tr>
<td>Total Equipment</td>
<td>$25,000</td>
</tr>
<tr>
<td>Less: Accumulated Depreciation</td>
<td>$4,535</td>
</tr>
<tr>
<td>Total Long-Term Assets</td>
<td>$20,465</td>
</tr>
<tr>
<td>Other Assets</td>
<td></td>
</tr>
<tr>
<td>Total Other Assets</td>
<td>$0</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$44,320</td>
</tr>
<tr>
<td>Current Liabilities:</td>
<td></td>
</tr>
<tr>
<td>Business Loan</td>
<td>$12,773</td>
</tr>
<tr>
<td>Total Current Liabilities</td>
<td>$12,773</td>
</tr>
<tr>
<td>Long-Term Liabilities:</td>
<td></td>
</tr>
<tr>
<td>Business Loan</td>
<td>$14,392</td>
</tr>
<tr>
<td>Total Long-Term Liabilities</td>
<td>$14,392</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$27,165</td>
</tr>
<tr>
<td>Owner’s Equity</td>
<td></td>
</tr>
<tr>
<td>Contributed Capital</td>
<td>$11,500</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>$5,655</td>
</tr>
<tr>
<td>Total Owner’s Equity</td>
<td>$17,155</td>
</tr>
<tr>
<td>Total Liabilities &amp; Owner’s Equity</td>
<td>$44,320</td>
</tr>
</tbody>
</table>

h) Breakeven Analysis
The Breakeven Analysis is a technique for evaluating the relationship between a firm’s fixed costs, variable costs, profits, and sales. The operating breakeven point is the volume of sales at which the business revenues just equal its operating costs. It can be measured in terms of either units or dollars.

The breakeven analysis tells the business owner how much sales must be generated to cover both fixed and variable expenses. It is a simple calculation once the income statement has been developed. A business must be able to operate to at least the breakeven point, otherwise, the business venture should not be attempted. The breakeven formula is:

Breakeven sales = fixed costs + variable costs, or
Breakeven sales = the point at which pretax profit equals ZERO.
To prepare the breakeven analysis for each year, you need to take the following steps:

- Report the yearly sales from the Income Statement.
- Report the yearly COGS of COSS from the Income Statement.
- Subtract the COGS or COSS from the Sales to get the Gross Margin on Sales. Gross Margin on Sales % = Gross Margin / Sales.
- Report the yearly total Operating Expenses from the Income Statement.
- Report the yearly total Interest Expenses from the Income Statement.
- Calculate the Total Fixed Costs = Total Operating Expenses + Total Interest Expenses.
- Calculate the yearly Breakeven Sales = Total Fixed Costs / Gross Margin on Sales %.
- Calculate the monthly Breakeven Sales = yearly Breakeven Sales / 12 months.

### Sample of a Breakeven Analysis Statement

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Breakeven Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ Amount</td>
</tr>
<tr>
<td>Sales</td>
<td>$180,000</td>
</tr>
<tr>
<td>Less:</td>
<td>$120,000</td>
</tr>
<tr>
<td>Gross Margin on Sales</td>
<td>$60,000</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$50,335</td>
</tr>
<tr>
<td>Total Interest Expenses</td>
<td>$4,010</td>
</tr>
<tr>
<td>Total Fixed Costs</td>
<td>$54,345</td>
</tr>
<tr>
<td>Breakeven Sales</td>
<td>$163,036</td>
</tr>
<tr>
<td>Breakeven Sales Per Month</td>
<td>$13,586</td>
</tr>
</tbody>
</table>
The most difficult process in the writing of a business plan is to sort out all of your thoughts and to begin writing them down. No entrepreneur, no matter how talented, will have all the information stored in his/her mind. A fair amount of research is required to complete a comprehensive business plan. Some of the better sources are listed below:

I.  **Industry/Market Information**

- **Business Rankings Annual.** New York, NY: Gale Research.
- **Nebraska Business Directory.** Omaha, NE: American Business Directories.
- **Small Business Sourcebook.** Ed. Kathleen E. Maki. Detroit, MI: Gale Research.
- **Standard & Poor’s Industry Surveys.** New York, NY: Standard & Poor’s.
- **Yellow Pages.** by US West Dex Inc. and McLeod USA Publishing Company.

Note: Most of these books are updated on a yearly basis.
Check industry association(s) for your business. They have a wealth of information about the industry you plan to enter.

II.  **Demographic Information**

- **Census of Population and Housing.** U.S. Census Bureau. U.S. Department of Commerce.
- **Consumer Preference Study.** Omaha, NE: Omaha World Herald.
- **The Lifestyle Market Analyst.** The Polk Company, Des Plaines, IL: SRDS.
- **The Sourcebook of Zip Code Demographics.** Omaha, NE: CACI Marketing Systems.
III. Web sites

- Bureau of Business Research (UNL): [http://www.bbr.unl.edu/](http://www.bbr.unl.edu/)
- Dun & Bradstreet: [http://www.dbisna.com](http://www.dbisna.com)
- Entrepreneurial Edge Online: [http://www.edgeonline.com/](http://www.edgeonline.com/)
- MoneyHunter: [http://www.moneyhunter.com](http://www.moneyhunter.com)
- Nebraska Department of Economic Development: [http://assist.ded.state.ne.us/index.html](http://assist.ded.state.ne.us/index.html)
- Nebraska Home-Based Business Association: [http://www.nhbba.org/](http://www.nhbba.org/)
- Nebraska Web site: [http://www.wjoyner.com/mainmenu.htm](http://www.wjoyner.com/mainmenu.htm)
- Omaha General Info: [http://www.novia.net/~sadams/Omaha_Pages/General_Pages/Omaha_Pages.html](http://www.novia.net/~sadams/Omaha_Pages/General_Pages/Omaha_Pages.html)
- SBDC Research Network: [http://www.smallbiz.suny.edu/entre.htm](http://www.smallbiz.suny.edu/entre.htm)
- State of Nebraska: [http://www.state.ne.us/](http://www.state.ne.us/)
- University of Nebraska at Omaha Library: [http://revelation.unomaha.edu](http://revelation.unomaha.edu)

IV. Periodicals

- American Demographics
- Business Periodical Index
- Entrepreneur
- Inc.
- Small Business Computing
- Success
BUSINESS TERMS GLOSSARY

- **Accounting**
  The process of identifying, measuring, and communicating economic information to permit informed judgements and decisions by users of that information.

- **Accounts Payable**
  The liability representing the amount of credit purchases by the business for goods and services that remain unpaid at the end of a given accounting period.

- **Accounts Receivable**
  The assets representing the amount of credit sales for which funds remain uncollected at the end of a given accounting period.

- **Accrual Accounting**
  Process of identifying revenues and expenses with corresponding time periods, regardless of the timing of cash exchanges.

- **Accumulated Depreciation**
  The total aggregate amount of depreciation that has been taken on an asset as of any given time.

- **Advertising**
  Media used to promote and encourage people or businesses to buy a product or service.

- **Amortization**
  The portion of the cost of an intangible fixed asset charged as an expense for each period (similar to depreciation for a tangible asset).

- **Animated GIF (Graphics Interchange Format)**
  A type of GIF image that is animated by bringing together several images into one single GIF file.

- **Assets**
  All valuable resources, properties, or property rights owned by a business.

- **Bad Debt Expense**
  The amount of credit sales, predicted to be uncollectible, estimated over the period of sales.

- **Balance Sheet**
  Financial statement providing information about a business’s economic resources and the claims against those resources by owners and creditors.

- **Benchmarking**
  Rating a company’s products, services, and practices against those of the leaders of the industry.

- **Benefits of a Product or Service**
The emotional or other end results that a product or service provides to consumers.

- **Bookkeeping**
  It is the routine record-keeping part of accounting; financial information is recorded in an information system (book ledger or computer).

- **Brand Name**
  A term, symbol, design, or combination thereof that identifies and differentiates a business products or services.

- **Breakeven Analysis**
  A technique for evaluating the relationship between a firm’s fixed costs, variable costs, profits, and sales. The operating breakeven point is the volume of sales at which the business’s revenues equal its operating costs. It can be measured in terms of either units or dollars.

- **Bulletin Board Service**
  An electronic message center serving specific interest groups.

- **Business License**
  A license required by a state and/or local government (city or county) for a given profession.

- **Business Permit**
  A permit required by a state and/or local government (city or county) for a business engaging in a particular industry.

- **C-Corporation or Corporation**
  A distinct legal entity that is separate from the individual(s) who own(s) it. The owner(s) of this entity is/are called stockholder(s). Corporations have been referred to as C-Corporations to distinguish them from S-Corporations.

- **Capital**
  Funds, including owner’s equity and loans, which are needed for the base of the business. They are used to purchase fixed assets and other current assets to operate the business.

- **Capital Equipment**
  Equipment used to manufacture a product, provide a service, or to sell, store, and deliver merchandise.

- **Capitalization**
  The total funds invested in a business, including equity, debt, and retained earnings.

- **Cash**
  Cash plus investments such as money market accounts, marketable securities, and other negotiable instruments.

- **Cash-Basis Accounting**
  Process of identifying cash receipts and cash payments with corresponding time periods.

- **Cash Flow**
The actual movement of cash within a business: cash inflows minus cash outflows.

- **Cash Flow Statement**
  A financial statement that accounts for the increase or decrease in a company’s cash during a specified period by showing the sources and uses of cash.

- **Cash Inflows**
  Cash flowing into the business from whatever source.

- **Cash Outflows**
  Also called disbursement, it refers to cash flowing out of the business (i.e. bill paying and investment).

- **Cash Sales**
  Sales where payment is made at the time of purchase.

- **Chat Room**
  A virtual room or channel where a chat session takes place.

- **Collateral**
  Fixed assets owned by the business to secure a loan.

- **Commodity**
  A basic or staple item such as milk that is usually bought on a price basis.

- **Competition**
  Businesses competing for the same market dollars. It can be direct (businesses offering similar products or services to the same markets) or indirect (businesses offering similar products or services to different markets).

- **Competitive Analysis**
  A structured analysis of the potential competitors to find out which businesses are considered as major competitors to a business and how they differ or do not differ from that business.

- **Contributed Capital**
  Assets donated by the owner to the business.

- **Copyright**
  Legal protection provided to the authors of original works of authorship that are fixed in a tangible form of expression (literary work, musical work, dramatic work, pantomime and choreographic work, pictorial, graphic and sculptural work, motion pictures and audiovisual work, sound recording work, and architectural work).

- **Cost of Goods or Services Sold (COGS or COSS)**
  All direct costs (direct labor, direct material, and direct overhead) associated with the production or sale of a product or the delivery of a service.

- **Current Assets**
Cash or other assets that will produce cash or be used to produce revenue within one year (i.e. accounts receivable and inventory).

- **Current Liabilities**
  Business obligations to creditors that will require the business to pay cash (i.e. accounts payable) or to provide goods or services within one year.

- **Current Market Value of an Asset**
  The monetary value of an asset (new or used) on the market today.

- **Customer Base**
  The customers who are loyal repeat customers to a business or brand.

- **Customer or Marketing Database**
  An organized collection of pertinent data about new and existing customers on a computerized medium, which drives relevant marketing strategies and activities. Such a database allows a company to better understand its customer base and be able to apply this knowledge to acquire new customers, retain existing customers, generate more business from existing customers, and create long-term loyalty.

- **Debt**
  Debt refers to borrowed funds, generally secured with a note, which in turn may be secured by a lien against property or other assets.

- **Demand**
  Individuals or businesses that desire to buy a product or service and have the ability to pay for it.

- **Demographics**
  The statistical study of human populations with respect to specific factors such as sex, age, marital status, income, occupation, family size, education, etc.

- **Depreciation**
  The portion of the cost of a tangible fixed asset (except land), charged as an expense for each period.

- **Direct Marketing**
  Marketing goods or services directly to consumers who are the most likely to purchase these items.

- **Discount**
  A deduction from the stated or list price of a product or service.

- **Discretionary or Luxury Products or Services**
  Products that do not satisfy basic physiological needs such as food, clothing, and shelter. These products are purchased by discretionary income, which is the disposable income left after the purchase of necessity goods or services.

- **Discussion Thread**
  A series of online messages that have been posted as replies to each other.
• **Distribution**  
  Delivery or conveyance of a good or service to a market.

• **Distribution Channel**  
  The chain of intermediaries linking the producer of a good or service to the consumer.

• **Domain Name**  
  A name that identifies the name of a Web site. Domain names are often used in the URL (Uniform Resource Locator) to locate a Web site on the World Wide Web. Examples of domain names are microsoft.com, cnn.com, and cocacola.com.

• **Electronic Mail (E-mail)**  
  The transmission of messages over communication networks such as the Internet.

• **Entrepreneur**  
  An innovator of a business enterprise who recognizes opportunities to introduce a new product or service, a new process, or an improved organization, and who raises the necessary money, assembles the factors for production, and organizes an operation to exploit the opportunity.

• **Equity Capital (Owner’s Equity)**  
  Long term funds provided by the business owner(s). In the Balance Sheet, equity capital consists of Retained Earnings and Contributed Capital. In a loan context, owner’s equity consists of cash that the owner(s) will bring into the business to secure the loan.

• **Excise Tax**  
  An internal tax levied on the manufacture, sale, or consumption of a commodity within a region.

• **Expected Life of an Asset**  
  The estimated period of time over which the business anticipates deriving benefits from the use of an asset.

• **Expenses**  
  The outflows or other uses of assets during a period that result from the delivery of goods or the provision of services by the business.

• **Financial Statements**  
  Comprehensive reports on the status of the business as a whole.

• **Fixed Assets**  
  Properties, buildings, fixtures, equipment, goodwill, and other resources owned by the business. These assets are depreciated to reflect the usage of these resources and their loss in value.

• **Forum**  
  An online discussion group (same as newsgroup) provided by online services or bulletin board services.
• **Funds**
  Cash, working capital, and economic resources that can be used to acquire assets, reduce debt, and finance other transactions.

• **Graphic Interchange Format (GIF) File**
  A type of a graphic file used by the World Wide Web.

• **Gross Margin or Gross Profit**
  Total sales minus total cost of goods or services sold.

• **Guaranty**
  A pledge by a third person to repay a loan in the event the borrower cannot.

• **Hardware**
  Devices used as instructional equipment (i.e. computer, fax, telephone, etc.).

• **Hypertext Markup Language (HTML)**
  The authoring language used to create Web pages on the World Wide Web.

• **Income Statement**
  Financial statement reporting the profitability of a business during a specific period of time.

• **Income Taxes**
  Also called business profit taxes, come from three different sources: Federal taxes, State taxes, and Local taxes. These taxes are calculated on the total Net Income generated at the end of a full year.

• **Industry**
  A distinct group of productive and profit-making organizations specialized in one activity.

• **Interest Expense**
  The excess of the total amount paid to a lender over the amount borrowed.

• **Internet**
  A global network connecting million of computers and providing a wealth of information.

• **Internet Service Provider (ISP)**
  A company that provides access to the Internet for a monthly fee.

• **Inventory**
  Supply of goods on hand or on order which customers will purchase from the business.

• **IRS**
  Internal Revenue Service.

• **Java Applet**
  A program designed to be executed from within another application, using the Java programming language.
• **Job Description**
  A detailed description of a job position. It contains a job title; a list of duties, tasks, and functions to be performed; a list of skills, abilities, and knowledge required; a list of responsibilities and decision-making; a compensation package, the number of hours worked, and the person to report to.

• **Leasing**
  Obtaining a contractual right to possess and use fixed assets under the terms of a lease contract.

• **Legal Liability**
  The liability a company or individual has to repay a business debt. Legal liability can be limited (a business owner is only liable for his/her financial contribution to the business) or unlimited (a business owner is personally liable for the debts of the business).

• **Liabilities**
  Money owed by the business.

• **Life-Style**
  A pattern of living that is comprised of an individual’s activities, interests, and opinions.

• **Limited Liability Company (LLC)**
  A distinct legal entity separate from the individual(s) who own(s) it. It has the same tax benefits as the sole proprietorship, the partnership, and the S-Corporation.

• **Loan**
  Debt money for businesses that need to finance their operations.

• **Logo or Logotype**
  A distinctive company signature, trademark, typeface, motto, etc.

• **Long Term Liabilities**
  Debts or obligations owed by the business for longer than one year.

• **Long Term Objectives**
  Objectives set for the next 5 to 10 years.

• **Market**
  A set of potential or real buyers or a place in which there is a demand for a given product or service. It is comprised of actual and potential buyers of a product or service.

• **Market Demand**
  The total volume purchased in a specific geographic area by a specific customer group in a specified time period under a specified marketing program.

• **Market Share**
  A business’s percentage of share of a market in which it operates.

• **Market Seasonality**
  The yearly fluctuation of demand in a specific market.
• **Marketing**  
Process of creating customers for a product or service in sufficient numbers and rapidly enough to make a business successful and profitable.

• **Marketing Mix**  
The set of product, place, promotion, and price variables that a company controls and manages to bring a product or service into the marketplace.

• **Marketing Plan**  
A short, detailed plan that lays out the steps for a business to take to achieve sales and marketing goals.

• **Marketing Research**  
The systematic design, collection, analysis, and reporting of data regarding a specific marketing situation.

• **Media Planning Schedule**  
A document that presents all the marketing activities planned for one year and the costs associated with each activity.

• **Mission Statement**  
A short statement explaining the purpose of a business and what it wants to accomplish and be famous for.

• **Monthly Loan Payment**  
The monthly payment for a loan including the principal and the interest.

• **Necessity Products or Services**  
Products or services that satisfy basic physiological needs such as food, clothing, and shelter. These products or services are necessary for survival.

• **Newsgroup**  
An online discussion group (same as Forum).

• **Notes or Loans Payable**  
Money owed by the business to repay a loan to financial institutions, suppliers, or other individuals.

• **Net Income**  
The excess of a business total revenues over its total expenses during a period of time.

• **Office Equipment**  
Equipment used for the operation of an office (i.e. furniture, storage units, etc.).

• **Online**  
When users are connected to a computer service through a modem.
• **Online Service**
  A business that provides its subscribers with a wide variety of data transmitted over telecommunications lines. Online services provide an infrastructure in which subscribers can communicate with one another, either by exchanging e-mail messages or by participating in online conferences (forums).

• **Operating Expenses**
  The expenses a business incurs in selling its products or services and in administrating the entire range of its activities.

• **Owner’s Draw**
  Fixed cash amount withdrawn on a regular basis by the business owner for personal living expenses. This draw is deducted from the Net Income of the business and can be considered as remuneration. It is different from salary pay because the owner did not enter into a legally binding contract with him/herself to hire him/herself and pay him/herself a salary.

• **Overhead**
  A general term for costs of materials and services not directly adding to or readily identifiable with the product or service sold.

• **Partnership**
  A legal relationship created by the voluntary association of two or more persons to share ownership and management of a business for profit; a type of business organization in which two or more persons agree on the amount of their contributions (capital and effort) and on the distributions of profits, if any.

• **Patent**
  A legal protection provided to the creators of a new invention.

• **Payroll or Employment Taxes**
  Employment taxes deducted from employees’ wages and salaries (i.e. Social Security and Medicare taxes). The business contributes to 7.65% of the total payroll taxes, the employees pay 7.35%. However, if the business owner is self-employed, he/she will have to pay the total contribution of 15%. The percentage of payroll taxes paid by the company is calculated on the total monthly wage and salary expenses.

• **Perception**
  The process of selecting, organizing, and interpreting information received through the five different senses (sight, hearing, touch, smell, and taste).

• **Periods (n)**
  The number of units of time (i.e. years, months, days) of a loan.

• **Pollution Control**
  Consists of treating and/or disposing of industrial byproducts and discharge to the air, water, or land after production has occurred.

• **Pollution Prevention**
  Consists of limiting the generation of byproducts during the production process.
• **Positioning**
  A marketing method based on determining what market niche a business should fill and how it should promote its products or services in light of competitive and other forces. Product or service positioning is the position of that product or service in the mind of the consumer.

• **Potential Customers**
  Consumers who are likely to purchase a product or service from a business.

• **Price**
  The exchange of value of a product or service from the perspective of both the buyer and the seller.

• **Price Elasticity**
  The change in demand for a product or service caused by the change in price of that product or service. If demand for a product or service changes significantly with slight changes in price, the product or service is considered to be elastic with respect to price. If no significant volume changes occur, even with significant price changes, the product or service is considered to be inelastic.

• **Pricing Policy or Strategy**
  A guiding philosophy or course of action designed to influence and determine pricing decisions.

• **Principal**
  The amount borrowed by a payer of a loan or note.

• **Product**
  Anything capable of satisfying needs, including tangible items, services, and ideas.

• **Product Differentiation**
  The way a product differentiates itself from the competition in terms of product characteristics, packaging, price, quality, image, target market, etc.

• **Profit**
  The excess of the selling price over all costs and expenses incurred in making a sale. It is also the reward to the entrepreneur for the risks assumed by him/her in the establishment, operations, and management of a given business.

• **Promotion**
  The communication of information by a business to influence the attitudes and behaviors of potential buyers.

• **Proprietary Right**
  Right of ownership of a tangible or intangible asset.

• **Publicity**
  Any non-paid, news-oriented presentation of a product, service, or business entity in a mass media format.
• **Questionnaire or Survey**  
  A data-gathering instrument used to collect information; a research method in which people are asked questions.

• **Receivables**  
  Credit sales, where payment is postponed and credit is granted to customers, which will eventually turn into cash. Cash from receivables is counted as cash inflows when the cash comes in, not when the credit is extended to customers.

• **Retailing**  
  Businesses and individuals engaged in the activity of selling products to final consumers.

• **Retained Earnings**  
  A component of equity in a business, which represents accumulated profits in excess of losses and payments to owners.

• **Residual Value (Salvage Value)**  
  The amount of cash or trade-in consideration that a business expects to recover on retiring or selling a particular asset.

• **Revenues**  
  The total selling price of goods or services transferred by a business to its customers during a given period.

• **S-Corporation (Sub-Chapter S)**  
  A corporation that has elected, under Sub-Chapter S of the IRS Tax Code (by unanimous consent of its shareholders), not to pay any corporate tax on its income and, instead, to have the shareholders pay taxes on its income, even if it is not distributed.

• **Salaries or Wages Payable**  
  Money owed by the business to pay salaries and wages to its employees.

• **Sales**  
  Income generated from selling products or services to customers.

• **Sales and Uses Tax**  
  Tax due on the gross receipts from retail sales in a region (usually state and city).

• **Sales Promotions**  
  Marketing activities that stimulate consumer purchasing in the short-term.

• **SBA**  
  Small Business Administration.

• **SCORE**  
  Service Corps of Retired Executives.

• **Search Engine**
A program that searches Web sites in the World Wide Web for specified keywords and provides a list of Web sites based on the keywords chosen.

- **Self-Employment Tax (SE Tax)**
  Employment tax (Social Security and Medicare Taxes) for sole proprietors who work for themselves. The rate for this SE tax is higher than for the employment tax because it includes both the company’s and the employee’s contribution to Social Security and Medicare taxes (15% vs. 7.65%).

- **Separate Legal Entity**
  The owner(s) and the business are separate entities under the Law.

- **Service Mark**
  Word used to identify and distinguish a service rather than a product.

- **Software**
  Programs, procedures, and related documentation associated with a computer system.

- **Sole Proprietorship**
  A type of business organization in which one individual owns a business. Legally, the owner is the business, and personal assets are typically exposed to liabilities of the business.

- **Sources of Funds**
  Inflows of financial resources to a business.

- **SSA**
  Social Security Administration.

- **Straight-Line Depreciation Method**
  The depreciation method that allocates an equal amount of an asset’s cost to each year of an asset’s expected life.

  \[ \text{Depreciation} = \frac{\text{Acquisition Cost} - \text{Residual Value}}{\text{Expected Life}} \]

- **Suppliers**
  Individuals or businesses that provide resources needed by a client company for retail or production of goods and services.

- **Target Market**
  The specific individuals, distinguished by socioeconomic, demographic, and/or interest characteristics, who are the most likely potential buyers for the goods or services of a business.

- **Taxes Payable**
  Money owed by the business to pay government taxes.

- **Trademark**
  Word, symbol, unique name, design, logo, slogan, or some combination of these used by a company to identify its products or services.

- **Trade Name**
Word used to designate a company rather than a product or service.

- **Uniform Resource Locator (URL)**
  The global address of Web sites published on the World Wide Web.

- **Uses of Funds**
  Outflows of financial resources of a business.

- **Venture Capital**
  Capital invested or available for investment in the ownership of a new enterprise.

- **Web Page**
  A document on the World Wide Web that is identified by a unique URL (Uniform Resource Locator).

- **Web Page Design**
  The art of creating a Web site or an individual Web page, using the programming language called HTML (Hypertext Markup Language).

- **Web Site**
  A site or location on the World Wide Web that contains various documents and files. Each Web site is owned and managed by an individual or an organization.

- **Web Site Development**
  The art of creating and maintaining a Web site, using the programming language called HTML (Hypertext Markup Language).

- **Wholesaling**
  Businesses and individuals engaged in the activity of selling products to retailers, organizational users, or other wholesalers.

- **Word-Of-Mouth Advertising (WOM)**
  Relying on current satisfied customers to tell their friends and associates about a business (both positive and negative experiences). Negative WOM has usually a stronger impact on company’s sales than positive WOM. Unhappy customers share their negative experience with 11-20 individuals, while satisfied customers share their positive experience with only a few individuals.

- **Working Capital**
  The collection of financial resources represented by all current assets less all current liabilities.
APPENDIX

BLANK FINANCIAL FORMS

These documents are to be fill out by you (the client).
They will be used by the NBDC consultant in creating financial projections.
## Monthly Unit Sales Amount
- number of goods or services sold each month

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<th>Product/Service</th>
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## Unit Sales Price
- average price of goods or services to customer

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**OR**

## Total Sales Per Month
- dollar amount of sales per month

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### Cost of Goods Sold

**Cost of Goods Sold-as a percentage of revenue**

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<td>Product/Service 3</td>
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**OR**

**Cost of Goods Sold-average dollar cost per good or service**

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**OR**

**Cost of Goods Sold-total price paid to supplier for goods, cost of raw materials, or direct costs of providing service to customer**

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## General and Administrative Expenses

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### Notes
- YR 2 percent increase indicates the percentage increase over the previous year.
- The table is designed to track monthly and annual expenses for general and administrative purposes.
- Additional categories such as benefits, electricity, water, gas, telephone, trash removal, etc., are included for detailed expense tracking.
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<th>Major/Minor Equipment</th>
<th>Other Uses of Funds</th>
<th>Inventory</th>
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<th>Organizational Expenses</th>
<th>Other Uses of Funds</th>
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* Costs include installation costs
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