



USAID
FROM THE AMERICAN PEOPLE



SECTION B OF BUSINESS PLAN TEMPLATE

**BUSINESS PLAN “CLINIC” FOR PREPARING
A BUSINESS PLAN**



USAID
FROM THE AMERICAN PEOPLE



Based on the preparatory work done in section “A” of the template for preparing a business plan, you are now ready to prepare your business plan using your own inputs/answers from section “A” following the contents summarized below:

- A. Executive Summary
- B. Brief history and ownership structure of the business
- C. Markets and competition
- D. Marketing and selling methods
- E. Products
- F. Manufacturing processes
- G. Historical Trading or export performance
- H. Management and personnel
- I. Financial analysis and underlying performance
- J. Risks and Rewards
- K. Appendices

Follow these guidelines to prepare or upgrade the various sections of your business plan.

A. Executive Summary

Purpose: To provide a concise overview of the major points of the business plan. This should be restricted to a maximum of two sides of an A4 sheet.

Contents: The summary should cover:

- a. The purpose of writing the business plan.
- b. The major elements of the plan including:
 - Key strategies
 - Important actions to be taken
 - Investment or financing required and how it is to be used and repaid
 - Management experience and relevance to proposals; and
 - Expected returns showing potential rewards to the financier

B. History of the Business

Purpose: To let the financier know the major events in your business history to date.



USAID
FROM THE AMERICAN PEOPLE



Contents:

- A brief history of the business
- How the business has developed, highlighting significant successes and their relevance for the future
- The principal reasons for making the decision to pursue this new venture
- Details of present financing of the business, including details of shareholders or partners and any security already given to lenders.

B. Markets and Competition

Purpose: To show the financier that management understands and have given thought to the potential of the product or products and can justify the predicted market share and thus the sales forecasts.

Contents:

- Market summary: size, growth and future prospects
- Your market position i.e. product, territories, customers
- Statistical information from official sources which support your market views
- Your reasons for being in that market and your prospects compared to the market generally
- Customer profile: who, where, why and when they buy
- Typical order size: details of buyer, contracts, firm export orders etc.
- Outside and/or consumer influences on your customer buying habits
- Reliance on large customers/buyers and their stability
- Major competition: who and where?
- How does your company compare to the competition in terms of size, potential and market share?
- Assess the strengths and weaknesses of the competition and their probable response to the proposals in your plan. Show how you have taken these into consideration in your planning.

C. Marketing and Selling Methods

Purpose: This part gives further credence to your market share predictions and plans to achieve it.

Contents:

- Your overall marketing strategy: market share, objectives, image, specialization, unique packaging etc.
- Pricing policy details, i.e. cost or demand based
- Relationship between price, demand, maximum profitability and market share
- Forecast price movements in the market generally



USAID
FROM THE AMERICAN PEOPLE



- Product promotions i.e. trade shows, public relations, promotional literature
- Advertising policy, i.e. trade magazines or journals, agencies, sales incentives
- Predicted level of expenditure on advertising and product promotions and expected benefits from them
- Method of product distribution
- Details of typical order size, credit terms, pre-financing under red clause letter of credit or advance payments vis-à-vis future sales/export expectations
- Endorsements from existing or potential clients
- Certifications from internationally recognized bodies
- Sales force details: number, location, coverage, pay, efficiency and wastage.

D. Products

Purpose: To clarify the nature of products being exported/sold or that you intend to export or sell.

Contents:

- Basic description of main products or services and how they are to be used
- Identify the distinguishing features of your products i.e. quality, price, unique features
- Longevity of each product before replacement
- New or anticipated future developments by competition
- Profitability of each major product
- Current stage of developments by competition
- Profitability of each major product
- Current stage of development of each major product
- Future product plans and planned introduction dates
- Research and development plans in relation to competition and new technologies
- Details of industry standards, copyrights and patents etc.
- Ensure that product details give credibility to your sales forecasts

E. Manufacturing Processes

Purpose: To indicate that production resources relating to the proposal(s) in your plan are either in place or are planned.

Contents:

- Brief simple description of the production process
- Details of existing and planned facilities i.e. land, buildings, plant, machinery, equipment etc.
- Details of existing and planned production capacity including expansion plans



USAID
FROM THE AMERICAN PEOPLE



- Key factors affecting production such as use of templates to ensure consistent production, measures to improve yield and minimize waste.
- Raw materials: dependence on one supplier, alternative sources, lead times, make or buy decisions etc.
- Any production or operating advantages
- Varying costs at different levels of production
- Forecast volume production problems with prototype products

F. Historical Trading Performance

Purpose: This backs up the credibility of the financial forecasts and adds to belief that they are achievable.

Contents:

- Identify key factors affecting the historical performance of your enterprise as reflected in its profit and loss accounts (income statements) and balance sheet
- Discuss any abnormal factors affecting the results
- Discuss reasons for fluctuations in sales, gross profits %, net profit %, retained earnings etc.
- Discuss each major aspect of the balance sheet
- Comment on return on capital %

G. Management and Personnel

Purpose: Capability of management will be one of the key factors in the financier's decision whether or not to finance the business. This section should highlight the ability of management of the enterprise.

Contents:

- The relationship between ownership and management
- Brief details of key manager's personal histories and present roles
- Future management requirements and selection process
- Weaknesses in present team and plans to rectify them. Past mistakes and lessons learned.
- Remuneration policies for key managers; details of performance-related packages and service contracts, etc.
- Brief details of other employees: roles, skills ,pay, pensions, industrial relations, union recognition and future requirements
- Recruitment and training policies
- Existing management information systems and any proposed changes
- Appendices setting out detailed CVs of key employees and a detailed organizational chart.



USAID
FROM THE AMERICAN PEOPLE



H. Financial Analysis and Underlying Assumptions

Purpose: This is a key part of the plan – how your plan translates into bottom-line profits. Forecasts should be in line with the financier’s requirements.

Contents:

- Explain sales forecast assumptions, i.e. how did you arrive at them?
- Relate production and stock holding levels to sales forecasts
- Relate production levels to direct costs of production including direct labour
- Define all variable and fixed overheads as well as assumptions made in projections
- Define cash flow assumptions; i.e. client payment terms, supplier payment terms, stock and work-in-progress levels and discounts
- Taxation assumptions: PAYE, corporation, VAT/NHI
- Define assumptions regarding inflation, exchange rate risks and other significant items in the profit and loss accounts and cash flow projections
- Explain funding assumptions, i.e. loan terms and repayments
- Fixed asset requirements, i.e. how and when to buy them, depreciation rates and whether to lease any fixed assets
- Ensure your figures cross-reference with other parts of the plan.
- Do sensitivity analyses on key assumptions, i.e. the effect on cash flow of a 10% fall in sales or 10% increase in costs.



USAID
FROM THE AMERICAN PEOPLE



I. Risks and Rewards

Purpose: To show the financier that the management recognizes the inherent risks associated with the project and how to minimize them and to point out the rewards, e.g. when can the financier opt out, what collateral will be available as a cushion and what the return on investment of the financier will be.

Contents:

- The inherent risks in each part of the plan and the likelihood of these occurring
- Steps taken to minimize the effects of risks on business performance
- Sensitivity analysis showing the effects of risks on profits and cash flow
- Rewards for the financier if the plan is achieved.

J. Appendices

Purpose: All information necessary to back up your assertions in the business plan should be here and not clutter up the main plan.

Contents:

- CVs of key managers
- Organization charts
- Market studies, articles from trade journals
- Product literature
- Patent, copyright and trademark
- Professional references
- Financial Statements for the last three years
- Latest management accounts
- Financial forecasts, i.e. profit and loss, cash flow, balance sheet plus assumptions for three to five years; and
- Glossary of terms



USAID
FROM THE AMERICAN PEOPLE



**BUSINESS PLAN
TEMPLATE FOR EXPORT-
READY COMPANIES (ERCs)
AND SMALL TO MEDIUM-
SIZED ENTERPRISES
(SMEs)**





USAID
FROM THE AMERICAN PEOPLE



**A SIMPLE GUIDE TO PREPARING A
BUSINESS PLAN FOR EXPORT-READY COMPANIES
AND
SMALL TO MEDIUM-SIZED BUSINESSES**





USAID
FROM THE AMERICAN PEOPLE



1.0 INTRODUCTION

This guide has been designed to help the owners or managers of export-ready companies as well as small to medium-sized enterprises to prepare a sound business plan by following a few simple steps.

There are two main sections of this guide namely, 'Section A' and 'Section B'.

Section A provides a framework of worksheets which are designed to guide the owner or manager of the business preparing its plan to construct various parts of the plan.

Section B is the actual Business Plan where parts of the plan constructed in Section A are brought together to form a coherent whole.

A business plan, which has been well prepared, gives the business a clear pathway or roadmap to making it achieve its objectives including those relating to profitability and accessing finance.

For an ERC and/or a small to medium-sized business to be profitable and/or be able to access finance, the owner or manager has to consider the following questions: What business will be carried out? What goods will be produced for export or sale locally or what service will be rendered? Where is the market? Who will buy? Who represents the competition? What will the marketing and sales strategies be? What organization and methods will be used? How much money will be needed? How will the work involved be done? What management controls will be needed? How should these be carried out? When should the plan be revised and where should one go for help during implementation of the plan?

2.0 WHAT IS A BUSINESS PLAN?

A business plan allocates resources and measures the results of actions expected to be taken in a specified period. It involves the setting of realistic goals and making logical decisions in order to run a business successfully. A business plan:

- Specifies a clear path to follow. A plan with goals and action steps allows you to guide your business through turbulent and often unforeseen economic conditions and problems related to exporting to foreign markets such as the U.S. and EU;
- Gives your banker or other source of funding a good insight into the condition and direction of the business so that your business can be more favorably considered for a loan or overdraft/facility; and
- Tells you what to do and how to do it in order to achieve goals of your business;
- Informs partners of the business including suppliers, buyers, members of staff and other stakeholders about operations and goals of your business.



USAID
FROM THE AMERICAN PEOPLE



3.0 METHODOLOGY

Write down in the space provided for each relevant question/topic in Section A of this guide your answer or contribution. To help you decide, think of answers to the various sub-questions listed under each main question/topic.

After editing your answer or contribution in Section A, and after group reviews and presentations, transfer your final output to the relevant section of the Business Plan in Section B of this guide.

4.0 WHAT BUSINESS AM I (OR ARE WE) ENGAGED IN?

In preparing your business plan, the first question to consider is: What business am I or are we really in? This question may appear simple or obvious at first because you may say to yourself “If there is one thing I know it is surely what business I’m in (or we are in)” Well the answer to this seemingly easy question is not as simple as it appears. Many businesses have collapsed or gone broke because owner-managers did not define their businesses clearly or properly and ended up being in several businesses at the same time. This resulted in these businesses lacking focus to profitably concentrate on their main line of business.

Decide what business you are in and write it down in the space below:

NOTE:

To help you decide, consider the following questions:





USAID
FROM THE AMERICAN PEOPLE



What do you export?

What do you buy?

What do you sell locally or what service(s) do you render?

Which of your lines of products or services yields the greatest profit?

What goods or services do people frequently ask you for?

What is it that you are trying to do better or more of or differently from your competitors?

5.0 MARKETING

When you have decided what business you are in, you are ready to consider another important part of your business plan. **Marketing.** This is because when you decided what business you're really in, you just made your first marketing decision. You must therefore now consider other marketing considerations. You have to know your product(s) or service(s), your market, your customers (buyers) and the competition.

What product(s) or service(s) will you be marketing/exporting? Write these in the space below:

-
1.
 2.
 3.
 4.
 5.
 6.
 7.
 8.

5.1 MARKET AREA / TARGET EXPORT MARKETS

Where and to whom are you going to sell your product? Describe the market area/export markets you will serve in terms of geographical location and customer/buyer profile:





USAID
FROM THE AMERICAN PEOPLE



5.2 COMPETITION

5.2.1 Who are your principal competitors (local as well as foreign where applicable)? List those competitors who sell or operate in your market area/target export market segments, estimate their percentage of market penetration and sales in that market. Finally, estimate their potential loss of sales or revenue as a result of your entry into the market.

Name of Competitor	Location of Market	Estimated % Share	Estimated Sales	Estimated Sales he/she Will Lose Because of You
1 _____	_____	_____	¢ _____	_____
2 _____	_____	_____	¢ _____	_____
3 _____	_____	_____	¢ _____	_____

5.2.2 How do you rate your competition? Try to find out the strengths and weaknesses of each competitor. After this write your opinion of each of your principal competitors, his/her principal products, facilities, marketing characteristics, and new product development or adaptability to changing market conditions.

Have any of your competitors recently closed operations or have they withdrawn from your market area or target export market segment? (State reasons if you know them):



USAID
FROM THE AMERICAN PEOPLE



5.3 ADVANTAGE(S) OVER COMPETITORS/OTHER EXPORTERS DEALING IN YOUR PRODUCTS.

On what basis will you be able to capture your projected share of the market? Below is a list of characteristics which may indicate the advantage(s) your products(s) enjoy over those offered by your competitors. Indicate the advantage(s) by placing a check mark in the proper space. If there is more than one competitor, you may want to make more than one checklist. Attach these to the worksheet.

Analyze each characteristic. For example, a higher price may not be a disadvantage if the product is of higher quality than your competitor's. You may want to make a more detailed analysis than is presented here. If you wish to spell out the specifics of each characteristic and explain where your product is disadvantaged and how this will be overcome, attach it to this worksheet. Also, the unique characteristics of your product can be the basis for your advertising and sales strategy.

Remember, the more extensive your planning, the more your business plan will help you.

Product(s)	Product No.1	Product No. 2	Product No.3
Price _____	()	()	()
Unique Nature _____	()	()	()
Durability _____	()	()	()
Quality _____	()	()	()
Speed to market _____	()	()	()
Product Certification(s) _____	()	()	()
Packaging _____	()	()	()
Work Place Conditions _____	()	()	()
Size or weight _____	()	()	()
Styling or appearance _____	()	()	()
Fair Trade _____	()	()	()
Organic Product _____	()	()	()
Other characteristics not listed (State Characteristic)			
_____	()	()	()
_____	()	()	()
_____	()	()	()
_____	()	()	()

What else, if anything else, is unique about your product(s) _____





USAID
FROM THE AMERICAN PEOPLE



5.4 DISTRIBUTION/ SHIPPING/ METHODS OF REACHING EXPORT MARKETS

How will you get your product to the ultimate consumer? Will you sell it or export directly using your own sales staff or indirectly through middle-men, such as buyer's agents, manufacturer's agents, brokers, wholesalers, and so on. (Use the blank space below to write a brief statement of your method(s) of distribution and/or manner of export/sales):

What does this method of distribution cost you? How do you track transportation and handling costs to the port or point of shipment? _____

Do you plan to use special marketing, sales, or merchandising techniques? Describe them here:

List your buyer(s) or customer(s) by name, the total quantity they buy from you, and the amount (U.S. Dollars, Pounds Sterling, and Euro etc.) that they spend for each of your products.

Names of Principal Buyers/Customers	Total Export Quantity or Volume	Amount (state Currency)
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____





USAID
FROM THE AMERICAN PEOPLE



5.5 MARKET TRENDS.

What has been the sales trend in your target export market for your principal product(s) over the last 2 years? What do you expect it to be 5 years from now? Be ready to indicate the source of your data and the basis of your projections in your plan.* Industry and product statistics are usually indicated in U.S. Dollars or the currency you earn from your export markets. Units, such as numbers of customers, numbers of items sold, etc., may be used, but try to relate them to the amount of your sales in US Dollars or other currencies.

S A L E S / E X P O R T S

Last Year	Current year	Two Years time	Five years time
1. _____	_____	_____	_____
2. _____	_____	_____	_____
3. _____	_____	_____	_____
4. _____	_____	_____	_____
5. _____	_____	_____	_____

* This is a marketing research problem. It will require you to do some digging in order to come up with a market projection. Trade associations, journals, chambers of commerce, internet searches will probably be your most helpful sources of information.

List the name and address of trade associations which serve your industry and indicate whether or not you are a member.

List the name and address of other organizations, governmental agencies, industry associations, etc., from which you intend to obtain management, technical, economic, or other types of information and assistance.





USAID
FROM THE AMERICAN PEOPLE



5.6 SHARE OF THE MARKET (This is likely to be insignificant if you are exporting to major western markets unless you have a very unique product)

What percentage of total sales in your export or other market do you expect to obtain for your products after your facility is in full operation?

Products or Products Category	Local Market (%)	Export Market (%)
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

5.7 SALES VOLUME

What sales volume(s) do you expect to reach or achieve with your products?

	Total Sales	Product(s) 1	Product(s) 2
First Year	¢ _____	¢ _____	¢ _____
Units	_____	_____	_____
Second Year	¢ _____	¢ _____	¢ _____
Units	_____	_____	_____
Third Year	¢ _____	¢ _____	¢ _____
Units	_____	_____	_____

6.0 PRODUCTION

Production is the work that goes on in a factory or other production facility that results in the end-product(s) that you export or sell. In making your business plan, you have to consider all the activities that are involved in turning raw materials into finished products. The work blocks which follow are designed to help you determine what production facilities and equipment you need.



USAID
FROM THE AMERICAN PEOPLE



6.1 MANUFACTURING OPERATIONS

List the basic operations, for example, cut, trim and sew; machine and assemble; process palm oil, peel cashew, pack, label etc., which are needed in order to make and export or sell your product.

6.2 RAW MATERIALS

What raw materials or components will you need, and where will you get them from?

Material/Component	Source	Price	Comments (Location, delivery, financing, etc.)
_____	_____	¢ _____	_____
_____	_____	¢ _____	_____
_____	_____	¢ _____	_____
_____	_____	¢ _____	_____
_____	_____	¢ _____	_____

What amount of raw materials and/or components will you need to stock?



USAID
FROM THE AMERICAN PEOPLE



Are there any special considerations concerning the storage requirements of your raw materials? For example, will you use chemicals which can only be stored for a short time before they lose their potency? Will your raw materials deteriorate or be infested?

6.3 EQUIPMENT

List the equipment needed to perform the manufacturing operations. Indicate whether you will lease or buy the equipment and the cost to you.

Equipment	Buy	Lease	Your Cost
<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>

Generally, your workplace conditions must be safe, clean and hygienic. Your equipment, facilities, and methods of operation must comply with the Occupational Safety and Health Law in Ghana as well as applicable regulations in your export markets.



USAID
FROM THE AMERICAN PEOPLE



6.4 LABOR SKILLS

List the labor skills needed to run your equipment/production, marketing, accounts, administration and human resource management:

Skill Classification/Type	Availability	Number of Persons Needed	Pay Rate
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

List the indirect labor, for example material handlers, packers, cleaners, and so on, that is needed to keep your production facility operating:

Skill Classification	Number of Persons Needed	Pay Rate	Availability
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

If persons with these skills are not already on your payroll, where will you get them and how soon?





USAID
FROM THE AMERICAN PEOPLE



6.5 LAND / BUILDINGS / SPACE

How much space or what will you need in terms of land and buildings to make the product? Include restrooms, storage space for raw material(s) and for finished products, and employee parking facilities if appropriate. Do you have adequate land / buildings / space?

Do you own this land/ building / space?	Yes_____	No_____
Will you buy this land/ building / space?	Yes_____	No_____
Will you lease or rent this land / building / space?	Yes_____	No_____
How much will it cost you?	_____	

6.6 OVERHEADS

List the overhead items which will be needed in addition to indirect labor and include their cost. Examples are: tools, supplies, utilities (power, water, telephone) office help, payroll taxes, holidays, vacations, and salaries for your key personnel (Sales Manager, Production Manager, Accountant and Foremen/Supervisors).





USAID
FROM THE AMERICAN PEOPLE



7.0 HOW MUCH FINANCING (MONEY) IS NEEDED?

Money is a tool you use to make your plan work. Money is also a measuring device. You will measure your plan in terms of Ghana Cedis or U.S.Dollars, if necessary, and outsiders, such as bankers and other lenders, will do the same.

When you determine how much money is needed to start (or expand) your business, for pre-or post shipment finance, you can decide whether to move ahead and if so determine the sources of finance. If the cost is greater than the profits which the business can make, there are two things to consider. Many businesses do not show a profit until the second or third year of operation. If this looks like the case with your business, you will need the plans and financial reserves to carry you through this period. On the other hand, maybe you would be better off putting your money into stocks, bonds, or other reliable investments rather than taking on the time consuming job of managing a small business.

If you are an exporter, will you be able to sustain your activities, including paying your staff until your export proceeds arrive?

If you are like most businessmen or businesswomen, your new business or expansion will require a loan. The burden of proof in borrowing money is upon the borrower. You have to show the banker or other lender how the borrowed money will be spent. Even more important, the bank needs to know how and when you will repay the loan.

To determine whether your plan is economically feasible, you need to pull together three sets of financial statements:

- (1) Income Statement (Showing expected sales/export revenues and expense figures for 12 months with further projections over the term of the loan),
- (2) Cash flow figures for 12 months. (Up to 3-5 year projections may be required)
- (3) Current balance sheet. (Projections may be required)

Pay a visit to your banker. Remember, your banker or lender is your friend or partner. So, meet with your banker regularly. Share all the information and data you possess with your banker. If the bank is to really help you, they need to know not only your strengths but also your weaknesses.

7.1 INCOME STATEMENT (EXPECTED SALES/EXPORT REVENUES AND EXPENSES)

To determine whether your business can make its way in the market place, you should estimate your sales/export revenues and expenses for 12 months (or more as dictated by the nature of your specific financing needs). The sections which follow are designed to help you in this task.

7.2 CASH FLOW FIGURES

Estimates of future sales/export revenues will not pay an owner-manager's bills. Cash must flow into the business at the proper times if bills are to be paid and a profit realized at the end of each year. To determine whether your projected sales and expense figures are realistic, you should prepare a cash flow forecast for the 12 months or the period covered by your estimates of sales/export revenues and expenses.

The form that follows is designed to help you estimate your cash situation and to get the appropriate figures on paper.



USAID
FROM THE AMERICAN PEOPLE



**PROJECTED STATEMENT OF SALES AND EXPENSES FOR
ONE YEAR**

TOTAL JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC

A. Net Sales

B. Cost of Goods Sold

1. Raw Materials

2. Direct Labor

3. Manufacturing Overhead

Indirect Labor

Factory Water, Light, and Power

Insurance and Taxes

Depreciation

Total Cost of Goods Sold _____

C. Gross Margin (Subtract B from A)

D. Selling and Administrative Expenses

4. Salaries and Commissions

5. Advertising Expenses

6. Distribution and Selling Expenses

7. Other General Administrative Expenses

8. Miscellaneous Expenses



USAID
FROM THE AMERICAN PEOPLE



Total Selling and Administrative Expenses

E. Net Operating Profit (Subtract D from C)

F. Interest Expense

G. Net Profit before Taxes (Subtract F from E)

H. Estimated Income Tax

I. Net Profit after Income Tax (Subtract H from G)

ESTIMATED CASH FORECAST

JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC

(1) Cash in Hand (Start of Month)														
(2) Petty Cash (Start of Month)														
(3) Total Cash(add (1) and (2))														
(4) Receipts from Debtors/Accounts Receivable														
(5) Other Money Expected to be Received														
(6) Total Receipts (add (4) and (5))														
(7) Total Cash and Receipts (add (3) and (6))														
(8) All Cash Disbursements														
(9) Cash Balance at End of Month in Bank Account and Petty Cash (subtract (8) from (7) *														

* This balance is your starting cash balance for the next month.





USAID
FROM THE AMERICAN PEOPLE



7.3 CURRENT BALANCE SHEET FIGURES

A balance sheet shows the financial condition of a business as at a certain date. It lists what a business has, what it owes, and the investment of the owner. A balance sheet enables you to see at a glance your assets and liabilities.

Use the blanks below to draw up a current balance sheet for your company.

CURRENT BALANCE SHEET

For

_____ (Name of your company)

as at

_____ (Date)

ASSETS

(GHC)

CURRENT ASSETS

Cash and Near Cash _____

Accounts Receivable _____

Inventory/Stocks _____

Work-in-Progress _____

(A) Total Current Assets _____

LIABILITIES

(GHC)

CURRENT LIABILITIES

Accounts Payable _____

Accrued Expenses _____

Short Term Loans _____

Total Current liabilities _____

FIXED ASSETS

Land _____

Building _____

Equipment _____

Plant & Machinery _____

(B) Total Fixed assets _____

LONG-TERM LIABILITIES & EQUITY

Long Term Loan(s) _____

Mortgage _____

Owner's Equity _____

Less

(C) Depreciation _____

(for all fixed assets) _____

(D)= (B-C) Net Fixed Assets _____

TOTAL ASSETS (A+D) _____

TOTAL LIABILITIES _____

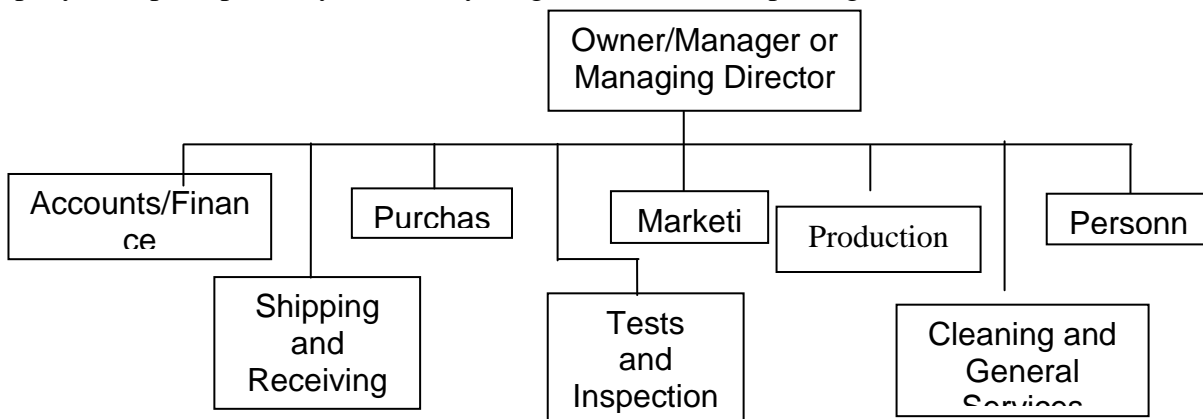


Note: The second training module will deal with developing these financial statements in accordance with International Financial Reporting Standards.

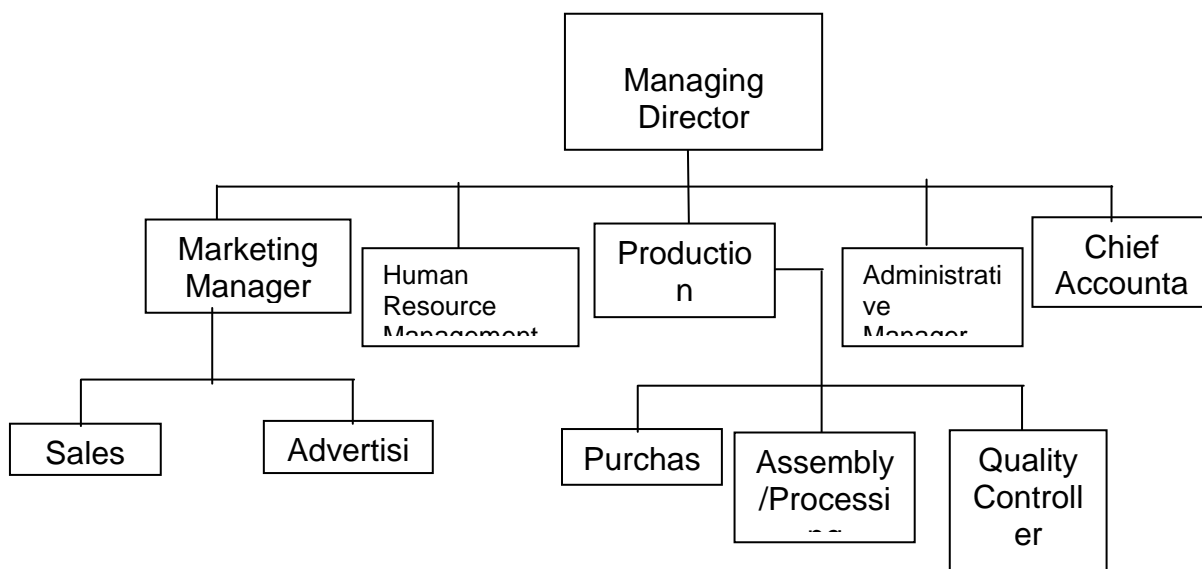
8.0 GETTING THE WORK DONE

Your manufacturing business or production facility is only part way home when you have planned your marketing and production. Organization is needed if your plant/machinery is to produce what you expect it to produce in a timely manner and at consistent quality levels to meet the requirements of western buyers. Organization is essential because you as the owner-manager, probably, cannot do all the work. In such a case, you will have to delegate work, responsibility, and authority. A helpful tool in getting this done is the organization chart. It shows at a glance who is responsible for the major activities of a business. However, no matter how your operation is organized, keep close control of or monitor closely the financial management of your enterprise. Examples are given here to help you in preparing an organization chart for your business.

In the beginning, the Managing Director or owner/manager of a small manufacturing company/enterprise probably does everything or has all staff reporting to him.



As the company grows in size, the organization may begin to look something like the chart below.

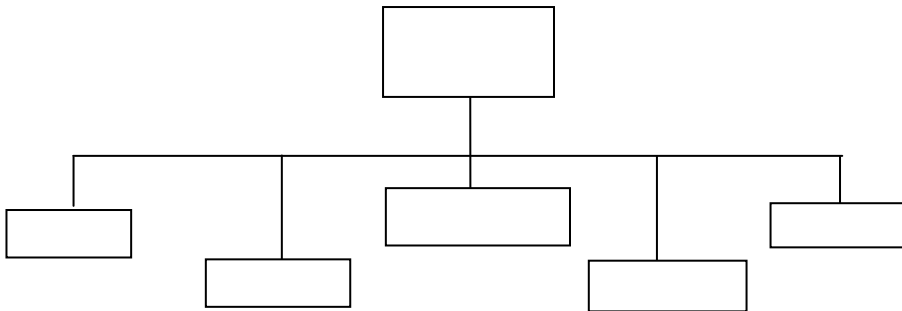




USAID
FROM THE AMERICAN PEOPLE



In the space on the next page or on a separate sheet of paper, draw an organization chart for your business.



It is important that you recognize your weaknesses and threats to your business early in the planning process and plan to get assistance wherever you need it. You also need to know your strengths and opportunities available to your business and how to capitalize on them. This may be done by using consultants on an as-needed basis, by hiring the needed personnel, or by retaining a lawyer, accountant, talking to WATH, your banker or the Access to Finance Project staff.

The work block below lists some of the areas you may want to consider. Adapt it to your needs and indicate who will take care of the various functions and what are your internal strengths and weaknesses as well as opportunities and threats from your operating environment.

Strengths

Weaknesses

Manufacturing/Production _____

Marketing _____

Administration _____

Accounting _____

Personnel _____

Organization _____

Leadership _____

Other (Give Details):

_____	_____
_____	_____
_____	_____
_____	_____



USAID
FROM THE AMERICAN PEOPLE



Threats

Opportunities

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

9.0 MAKING YOUR PLAN WORK

To make your plan work you will need feedback. For example, the year end profit and loss statement shows whether your business made a profit or loss for the past 12 months.

But you cannot wait for 12 months before you know the true position of your business on profitability. To keep your plan on target you need results at frequent intervals. A profit and loss statement at the end of each month or at the end of each quarter is one type of frequent feedback. However, the Profit and Loss Statement may be more of a loss than a profit statement if you rely only on it. In addition, your cash flow projection must be continuously updated and revised as necessary. You must set up management controls which will help you to ensure that the right things are being done from day to day and from week to week.

The management control system which you set up should give you precise information on: inventory, production, quality, sales, collection of accounts receivable, and disbursements. The simpler the system, the better. Its purpose is to give you and your key people current information in time to correct deviations from policies, procedures, or practices. What you should be after are facts with emphasis on trouble spots.

9.1 INVENTORY CONTROL

The purpose of controlling inventory is to provide maximum service to your customers and also not to tie up too much capital in stocks. Your aim should be to achieve a rapid turnover of your inventory. The fewer Cedis or funds you tie up in raw materials inventory and in finished goods inventory, the better. Or, inventory, the faster you can reinvest your capital to meet additional consumer needs.

In setting up inventory controls, keep in mind that the cost of the inventory is not your only cost. There are inventory costs, such as the cost of purchasing, the cost of keeping inventory records, and the cost of receiving and storing raw materials.

9.2 PRODUCTION

In preparing this business plan, you have estimated the cost figures for your manufacturing operation. Use these figures as the basis for standards against which you can measure your day-to-day operations to make sure that inefficiencies do not nibble away at profits. These standards will help you to keep machine time, labor man-hours, process time, delay time, and down time within your projected cost figures. Periodic production reports will allow you to keep control of potential drains on your profits





USAID
FROM THE AMERICAN PEOPLE



and should also provide you feedback on your overhead expenses.

9.3 QUALITY CONTROL

Poorly made products will certainly cause a company to lose customers/buyers. In addition, when a product fails to perform satisfactorily, shipments can be rejected or held up, inventory is increased, and payments withheld resulting in a severe financial strain on your business. Moreover, when quality is poor, it's a good bet that waste and spoilage on the production line are greater than they should be. The details-checkpoints, reports, templates, checklists etc.-of your quality control system will depend on your type of production system. In working out these details, keep in mind that their purpose is to answer one question: What needs to be done to see that the work is done right the first time and consistently afterwards? Will you have to do extensive quality control on raw materials? This is an added expense you must consider.

9.4 EXPORTS/SALES

To keep on top of exports/sales, you will need answers to questions, such as: How many units did we sell? What was the value in monetary terms? What products were sold? At what price? What delivery dates were expected? What delivery dates were promised? What delivery dates were achieved? What credit and/or payment terms were negotiated with customers/buyers?

It is also important that you set up an effective collection system for "accounts receivable," so that you don't tie up your capital in aging accounts.

9.5 DISBURSEMENTS

Your management controls should also give you information about amounts of money your company pays out. In checking on your bills, you do not want to be "penny-wise and pound-foolish". You need to know that major items, such as paying bills on time to get the supplier's discount, are being handled according to your policies. Your review system should also give you the opportunity to make judgments on the use of funds. In this manner, you can be on top of emergencies as well as routine situations. Your system should also keep you aware that tax moneys, such as payroll income tax deductions, are set aside and paid out at the proper time.

9.6 BREAK EVEN

Break-even analysis is a management control device because the break-even point shows how much you must sell under given conditions in order to just cover your costs with NO profit and NO loss.

In preparing to start or expand a manufacturing business you should determine at what approximate level of sales a new product will pay for itself and begin to bring in a profit. The same holds true for existing businesses and their products.

Profit depends on sales volume, selling price, and costs. So, to figure out your break-even point, first separate your fixed costs, such as overheads, rent or depreciation allowance, from your variable costs per unit, such as direct labor and materials.

The formula for calculating break-even is:

$$\text{Break-even volume} = \frac{\text{total fixed cost}}{\text{Selling price} - \text{variable cost per unit}}$$



USAID
FROM THE AMERICAN PEOPLE



For example, Ajax Handicrafts Enterprise has determined its fixed costs to be GHC100,000 and variable costs to be GHC50 per unit. If the selling price per unit is GHC100, then the break-even volume of the enterprise is

$$\text{Break-even volume} = \frac{\text{GHC}100,000}{\text{GHC}100 - \text{GHC}50} = 2000 \text{ units}$$

On page 10 of this *template* you estimated your expected sales for each product and total sales. Try on your own to compute the break-even point for each.

10.0 KEEPING YOUR PLAN UP TO DATE

The best made business plan gets out of date because conditions change. Sometimes the change is within your company, for example, several of your skilled operators may quit their jobs. Sometimes the change is with customers/buyers. Their desires and tastes shift. For example, a new idea may be responsible for your niche market but market trends can change suddenly. Sometimes the change is technological as when new raw materials and components are put on the market.

In order to adjust a business plan to account for such changes, an owner-manager must:

- (1) Be alert to the changes that come about in his company, in his industry, in his market, and in his community.
- (2) Check his plan against these changes.
- (3) Determine what revisions, if any, are needed in his plan.

You may be able to delegate parts of this work. For example, you might assign your production manager the task of watching for technical changes as reported in trade journals for your industry or you can observe changes in style, packaging, fashion etc. during trade shows. Or you might do internet searches for latest trends or discuss with your buyer to keep you abreast of significant changes that occur in your markets.

But you cannot delegate the hardest part of this work. You cannot delegate the decisions as to what revisions will be made in your plan. As owner-manager you have to make those judgments on an on-going basis.

When judgments are wrong, cut your losses as soon as possible and learn from the experience. The mental anguish caused by wrong judgments is part of the price you pay for being your own boss. You get your rewards from the satisfaction and profits that result from correct judgments.

Sometime, serious problems can be anticipated and a course of action planned. For example, what if sales are 25 percent lower than you anticipated or costs are 10 percent higher? You have prepared what you consider a reasonable budget. It might be a good idea to prepare a “problem budget” based on either lower sales, higher costs, or a combination of the two.

You will also have to exercise caution if your sales are higher than you anticipated. The growth in sales may only be temporary. Plan your expansion. New equipment and additional personnel could prove to be crippling if sales return to their normal level.

Keep in mind that few owner-managers are right 100 percent of the time. They can improve their overall position by operating with a business plan and by keeping that plan up to date.