**V. Operational Plan**

*Explain the daily operation of the business, its location, equipment, people etc.*

* **Daily operation**

What will be your business hours?.....................................................

* **Location**

Describe type of building (need of space, parking places…), where?

1. How much you will pay for rent?.........................................................EUR/month; EUR per year
2. Do you need easy walk‐in access?..................................................

* **Initial equipment**

What kind of inventory will you keep: materials, supplies, goods…, which suppliers you will have?

|  |  |
| --- | --- |
| Initial Inventory | Costs in EUR |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
| **Total inventory costs** |  |

* **People**

1. How many employees you will have in a start?...........................(without owners)
2. What work will they do?
3. Their salaries?

|  |  |  |  |
| --- | --- | --- | --- |
| **Working position** | **Number of employees** | **Salary per month in EUR** | **Salary per month in EUR(total) = number of employees \* salary per month per employee** |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| **Total costs per staff/month** | | **EUR** | |
| **Total costs per staff per first year (12\*month)** | | **EUR** | |

**VI a) Management and Organization**

Who will manage the business on a day‐to‐day basis? What experience does that person bring to the business? What special or distinctive competencies?

|  |  |  |  |
| --- | --- | --- | --- |
| Name | Position in company | Experience | Competencies |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

**VI b) Personal Financial Statement**

**Their salaries?**

|  |  |  |
| --- | --- | --- |
| **Name** | **Position in company** | **Salary per month in EUR** |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
| **Total costs per management/month** | **EUR** | |
| **Total costs per management/year (12\*month)** | **EUR** | |

**Summary of personal costs in first year**

|  |  |
| --- | --- |
| **Total costs per staff per first year** | **EUR** |
| **Total costs per management/year** | **EUR** |
| **Total personal costs** | **EUR** |

**All planned personal and inventory costs you will copy into budget.**

**PART 2 – WEEK 2**

**VIIa) Start-up expenses and capitalization**

You will have many startup expenses before you even begin operating your business. It’s important to estimate these expenses accurately and then to plan where you will get sufficient capital. This is a research project, and the more thorough your research efforts, the less chance that you will leave out important expenses or underestimate them. Give sources, amounts, and terms of proposed loans. Also explain in detail how much will be contributed by each investor and what percent ownership each will have.

To determine how much seed money you need to start, you must estimate the costs of doing business for the first months. Some of these expenses will be one-time costs such as the fee for incorporating your business or the price of a sign for your building. Some will be ongoing costs, such as the cost of utilities, inventory, insurance, etc. While identifying these costs, decide whether they are essential or optional. A realistic startup budget should only include those things that are necessary to start a business. These essential expenses can be divided into two separate categories: fixed and variable. Fixed expenses include rent, utilities, administrative costs and insurance costs. Variable expenses include inventory, shipping and packaging costs, sales commissions, and other costs associated with the direct sale of a product or service. The most effective way to calculate your startup costs is to use a worksheet that lists both one-time and ongoing costs.

**Use the table with costs examples**.

|  |  |  |  |
| --- | --- | --- | --- |
| **1/Startup Expenses-one time expences** | | | |
| Legal | | | - € |
| Logo design | | | - € |
| Initial website design | | | - € |
| Insurance | | | - € |
| Salaries before start (project preparation people) | | | - € |
| Rent/Security deposit | | | - € |
| Computer and office equipment | | | - € |
| Training | | | - € |
| Pre-opening marketing | | | - € |
| Office supplies | | | - € |
| Other (explain) | | | - € |
|  | | | - € |
| **Total Expenses** | | | **- €** |
|  | | |  |
| **2/Startup Assets** | | | |  |
| Cash in the bank | | - € | |
| Starting inventory –from table V, Initial equipment | | - € | |
| Office furniture | | - € | |
| Company labels | | - € | |
| Plant and equipment | | - € | |
| Land | | - € | |
| Buildings | | - € | |
| Other assets – cars, machines…. | | - € | |
|  | | - € | |
| **Total Assets** | | **- €** | |
|  | |  | |
| **3/Monthly operational costs** | | | |
| Rent of buiding | - € | | |
| Utilities (electricity…) | - € | | |
| Salaries (from table VII) | - € | | |
| Inventory, Stock | - € | | |
| Marketing costs | - € | | |
| All other | - € | | |
| **Total Monthly costs** | **- €** | | |
| Number of months | Choose number of months which you want to cover from first loan | | |
|  |  | | |
| **Total Startup Costs** | **=1+2+(months \*table 3)**  **- €** | | |

**A NEED FOR CAPITAL**

|  |  |
| --- | --- |
| **1/YOUR TOTAL START UP COSTS(from previous table)** | **AMOUNT €** |
| **2/TOTAL CAPITAL REQUIREMENT (the same amount as in 1)** | **AMOUNT €** |
| **CAPITAL YOU WILL GET FROM:/SOURCES OF your CAPITAL** | **AMOUNT €** |
| * *You* |  |
| * *Family* |  |
| * *Friend* |  |
| * *Investor* |  |
| * *Loan* |  |

**VIIb) Financial Plan**

The financial plan consists of a 12‐month profit and loss projection, a four‐year profit and loss projection (optional), a cash‐flow projection (optional for the course), a projected balance sheet, and a break‐even calculation. Together they constitute a reasonable estimate of your companyʹs financial future. More important, the process of thinking through the financial plan will improve your insight into the inner financial workings of your company.

**12-Month Profit and Loss Projection**

Many business owners think of the 12‐month profit and loss projection as the centrepiece of their plan. This is where you put it all together in numbers and get an idea of what it will take to make a profit and be successful. **Your sales projections** will come from a sales forecast in which you forecast sales, cost of goods sold, expenses, and profit month‐by‐month for one year (based on your operational plan, part V – operational hours, number of items) . Profit projections should be accompanied by a narrative explaining the major assumptions used to estimate company income and expenses. Costs are based on your monthly budget (see table 3, part financial issues I and multiply by 12 months), than you obtain your „profit“.

Profit and loss statement total

|  |  |  |
| --- | --- | --- |
| **Revenue - SALES** | |  |
|  | Sales revenue |  |
|  | (Less sales returns and allowances) |  |
|  | Service revenue |  |
|  | Interest revenue |  |
|  | Other revenue |  |
| **Total Revenues** | |  |
|  |  |  |
| **Expenses – based on table 3, (last week) you can add other** | |  |
|  | Advertising |  |
|  | Bad debt |  |
|  | Commissions |  |
|  | Cost of goods sold |  |
|  | Depreciation |  |
|  | Employee benefits |  |
|  | Furniture and equipment |  |
|  | Insurance |  |
|  | Interest expense |  |
|  | Maintenance and repairs |  |
|  | Office supplies |  |
|  | Rent |  |
|  | Research and development |  |
|  | Salaries and wages |  |
|  | Software |  |
|  | Travel |  |
|  | Utilities |  |
|  | Web hosting and domains |  |
|  | Other |  |
| **Total Expenses** | |  |
|  |  |  |
|  | **Income Before Taxes (revenues-expenses)** |  |
|  | * *Income tax expense* |  |
|  |  |  |
| **Net Income after tax** | |  |

**Balance sheet**

A balance sheet is one of the fundamental financial reports that any business needs for reporting and financial management. A balance sheet shows what items of value are held by the company (assets), and what its debts are (liabilities). When liabilities are subtracted from assets, the remainder is owners’ equity.

|  |  |  |
| --- | --- | --- |
| **ASSETS** | | |
| 1. **Current Assets** | | |
| Cash | € | |
| Debtors | €  € | |
| Stock |
| **Total Current Assets** € | | |
| 1. **Long term Assets** | | |
| Computer | € | |
| Other | € | |
| Office Equipment | € | |
| **Total long term Assets** € | |  |
| **TOTAL ASSETS 1+2 €** | |  |
| **LIABILITIES AND EQUITY** | | |
| 1. **Current Liabilities** | |  |
| Credit card debts | € | |
| Short credits,loans | € | |
| **Total Current Liabilities** € | |  |
| 1. **Long term Liabilities** | |  |
| Long term loans | € | |
| **Total long term Liabilities €** | |  |
| **TOTAL LIABILITIES (1+2)** | |  |
| 1. **Shareholders’ Equity(3)** | |  |
| Owners’ Funds | € | |
| Current Year Profit | € | |
| **TOTAL SHAREHOLDERS’ EQUITY €** | | |
| **Total equity and liability 1+2+3, must be the same amount as assets!** | | |

**RISK ANALYSIS – WEEK 3**

*There are so many areas, which could bring you risks to your start-up. Please, evaluate them. First of all we use the table: Risk assessment kriteria (Marks, score)*

* **0 No risk or not applicable.**
* **1 Very low risk. Unlikely to have any measurable impact.**
* **2 Low risk. Business likely to survive impact relatively unchanged.**
* **3 Moderate risk. Could cause significant temporary setback.**
* **4 High risk. Could cause significant permanent setback.**
* **5 Extreme risk. Has the potential to destroy the business**

Risk assessments have been mentioned throughout your business plan and the following tables summarize the important challenges and our mitigation approaches (reduce risks).

**1. HUMAN RESOURCE RISK**

You should look firstly at yourself, the manager of the business. Are you the main problem or are you right on top of the job, constantly honing your skills? Hard question this! Can you answer it honestly? Next, look at the availability of a skilled labour pool. This can come in the form of individuals suitable for permanent or casual employment, or in the form of contractors or contract services. Is there a big pool available? How good does the pool look? What is your track record of finding, employing and retaining first class staff?

|  |  |  |  |
| --- | --- | --- | --- |
| Source of risk | Main problem description | Risk assessment  (score 0-5) | Elimination of the risk, actions to reduce risks |
| Owners |  |  |  |
| Employees |  |  |  |
| Total risk | --- |  | --- |

**2. PRODUCTION RISK**

Is your production system efficient? How competitive is your cost of production? A competitive cost of production is a ticket to play if you are in the commodity business; it is a given. Unless you have it together here, the rest is irrelevant. If your cost of production is uncompetitive, why is it? Is the problem a lack of operating scale, a poor production plan, expense over-runs or what? Obviously you cannot properly address this important area of risk unless you know your five year average cost of production for each product and the volatility inherent in it. Having cost of production data for one or two years is a good start and is way better than having none. If your cost of production is uncompetitive, is it because your output is too low or your inputs are too high?

|  |  |  |  |
| --- | --- | --- | --- |
| Source of risk (examples) | Main problem description | Risk assessment  (score 0-5) | Elimination of the risk, actions to reduce risks |
| Production low/high |  |  |  |
| Other.......... |  |  |  |
| Total risk | --- |  | --- |

**3. DEMOGRAPHIC RISK**

This can come in two forms. The first form is associated with remote location where community infrastructure is suffering making it difficult to access essential services and attract competent staff. The second form is associated with closer settlement where a real estate premium on land values may be making it difficult to either expand operations or justify staying there.

|  |  |  |  |
| --- | --- | --- | --- |
| Source of risk (examples) | Main problem description | Risk assessment  (score 0-5) | Elimination of the risk, actions to reduce risks |
|  |  |  |  |
|  |  |  |  |
| Total risk | --- |  | --- |

**4. ENVIRONMENTAL RISK**

This also comes in two forms. The first form is the environmental health of the production. Are there any major environmental issues that are constraining production and profitability?

The second form of environmental risk is external. What are the prospects of government or semi-government bodies imposing constraints on your operating activities to satisfy environmental requirements?

|  |  |  |  |
| --- | --- | --- | --- |
| Source of risk (examples) | Main problem description | Risk assessment  (score 0-5) | Elimination of the risk, actions to reduce risks |
| Production |  |  |  |
| Government |  |  |  |
| Total risk | --- |  | --- |

**5. ECONOMIC RISK**

This is the risk posed to the business by general movements in the economy. For example, a

change in interest rates or a recession can have financial implications for some farm businesses and the market for the products if demand is down. In general, businesses that produce commodities are more sensitive to economic risk than those businesses that enjoy pricing power. Specific economic risk is industry dependent. Is the industry deeply cyclical? When it troughs is your business still profitable?

|  |  |  |  |
| --- | --- | --- | --- |
| Source of risk (examples) | Main problem description | Risk assessment  (score 0-5) | Elimination of the risk, actions to reduce risks |
| General |  |  |  |
| Specific |  |  |  |
| Total risk | --- |  | --- |

**6. GEOGRAPHIC RISK**

This refers to your location. Is your location constraining you in any business sense?

|  |  |  |  |
| --- | --- | --- | --- |
| Source of risk | Main problem description | Risk assessment  (score 0-5) | Elimination of the risk, actions to reduce risks |
| General |  |  |  |
| Specific |  |  |  |
| Total risk | --- |  | --- |

**7. MARKET RISK**

This refers to the overall trading conditions for the enterprises that you are involved in.

|  |  |  |  |
| --- | --- | --- | --- |
| Source of risk | Main problem description | Risk assessment  (score 0-5) | Elimination of the risk, actions to reduce risks |
| Domestic competition |  |  |  |
| International comp. |  |  |  |
| Total risk | --- |  | --- |

**8. PRICE RISK**

This looks at the degree of price volatility over a period of time. Assess your price policy in short and long term.

|  |  |  |  |
| --- | --- | --- | --- |
| Source of risk | Main problem description | Risk assessment  (score 0-5) | Elimination of the risk, actions to reduce risks |
| Long term: |  |  |  |
| Short term: |  |  |  |
| Total risk | --- |  | --- |

**9. TECHNOLOGICAL RISK**

There are two forms. The first is the prospect of the current product being made redundant by technology. A classic example is the handheld calculator which made the slide rule redundant. A second form of technological risk involves the adoption of technology by the business. Does it have a good track record of adopting and using good, proven technology or, have initiatives in this area generally resulted in failure and lost productivity?

|  |  |  |  |
| --- | --- | --- | --- |
| Source of risk (examples) | Main problem description | Risk assessment  (score 0-5) | Elimination of the risk, actions to reduce risks |
| Production ...... |  |  |  |
| Adoption of technology |  |  |  |
| Total risk | --- |  | --- |

**10. FINANCIAL RISK**

Is the debt low and manageable or high enough to put the business at risk? Is this position planned and temporary or a long term chronic problem? How much debt can the business afford to carry and where is the current level in relation to it.

|  |  |  |  |
| --- | --- | --- | --- |
| Source of risk (examples) | Main problem description | Risk assessment  (score 0-5) | Elimination of the risk, actions to reduce risks |
| Debts |  |  |  |
| Other.......... |  |  |  |
| Total risk | --- |  | --- |

**11. FAMILY RISK**

Is it family involved in? How do you all get on? Do you talk openly and honestly, often enough? Is it well planned and are all parties still talking?

|  |  |  |  |
| --- | --- | --- | --- |
| Source of risk (examples) | Main problem description | Risk assessment  (score 0-5) | Elimination of the risk, actions to reduce risks |
|  |  |  |  |
|  |  |  |  |
| Total risk | --- |  | --- |

**TOTAL RISKS ASSESSMENT**

|  |  |  |  |
| --- | --- | --- | --- |
| Area of risk | Risk assessment  Total score | Area of risk | Risk assessment  Total score |
| HUMAN RESOURCE RISK |  | MARKET RISK |  |
| PRODUCTION RISK |  | PRICE RISK |  |
| DEMOGRAPHIC RISK |  | TECHNOLOGICAL RISK |  |
| ENVIRONMENTAL RISK |  | FINANCIAL RISK |  |
| ECONOMIC RISK |  | FAMILY RISK |  |
| GEOGRAPHIC RISK |  |  |  |

Main risks in my business are (according table) ........................