

Business Plans

Unit: Career Exploration Skills

Problem Area: Entrepreneurship in Family and Consumer Sciences

Lesson: Business Plans

■ **Student Learning Objectives.** Instruction in this lesson should result in students achieving the following objectives:

- 1 Identify the plan types and the process to develop a business plan.**
- 2 List the sections of a business plan that describe the company.**
- 3 Explain the management sections of a business plan.**

■ **Resources.** The following resources may be useful in teaching this lesson:

“Business Planning,” *U.S. Small Business Administration*. Accessed April 25, 2010. <<http://www.sba.gov/training>>.

“The Definition of a Corporation,” *AllBusiness*. Accessed April 25, 2010. <<http://www.albusiness.com/legal/contracts-agreements-incorporation/529-1.html>>.

“Free Sample Business Plans,” *Bplans.com*. Accessed April 25, 2010. <http://www.bplans.com/sample_business_plans.cfm>.

“Limited Liability Company,” *Wikipedia*. Accessed April 25, 2010. <http://en.wikipedia.org/wiki/Limited_liability_company>.

SCORE®. April 25, 2010. <http://www.score.org/template_gallery.html>.

“Write a Business Plan,” *U.S. Small Business Administration*. Accessed April 25, 2010. <<http://www.sba.gov/smallbusinessplanner/plan/writeabusinessplan/index.html>>.



■ **Equipment, Tools, Supplies, and Facilities**

- ✓ Overhead or PowerPoint projector
- ✓ Visual(s) from accompanying master(s)
- ✓ Copies of sample test, lab sheet(s), and/or other items designed for duplication
- ✓ Materials listed on duplicated items
- ✓ Computers with printers and Internet access
- ✓ Classroom resource and reference materials

■ **Key Terms.** The following terms are presented in this lesson (shown in bold italics):

- ▶ appendix or appendices
- ▶ assets
- ▶ bankrupt
- ▶ business plan
- ▶ corporation
- ▶ debt
- ▶ executive summary
- ▶ liabilities
- ▶ limited liability company (L.L.C.)
- ▶ losses
- ▶ mission statement
- ▶ organizational chart
- ▶ partnership
- ▶ profit
- ▶ sole proprietorship
- ▶ stakeholders

■ **Interest Approach.** Use an interest approach that will prepare the students for the lesson. Teachers often develop approaches for their unique class and student situations. A possible approach is included here.

Have the students spend five minutes writing down what should be considered before creating a business plan. Then tell them that according to the U.S. Small Business Administration, five important tips should be considered before developing a business plan.

1. *The business plan should tell a compelling story about the business, explaining who, what, when, where, how, and why.*
2. *The plan should be focused and clear. It is not about the number of pages or style of the cover.*
3. *The plan should define specific business objectives and goals with general parameters to guide the organization.*

4. A business plan should force logic and discipline into a business.
5. A good business plan is a living document. It should be updated regularly.

CONTENT SUMMARY AND TEACHING STRATEGIES

Objective 1: Identify the plan types and the process to develop a business plan.

Anticipated Problem: What are the plan types and the processes of developing a business plan?

- I. Types of business plans
 - A. A **business plan** consists of a variety of written and financial worksheets that require a business evaluation. There are various types of business plans, including:
 1. Generic business plan
 - a. It may be used for a variety of businesses; it is not specific to a business type.
 - b. It may be altered to present to bankers or investors.
 2. Established business plan
 - a. It is used by an established business.
 - b. It is for an annual evaluation of business practices.
 3. Start-up business plan
 - a. It may be used for presentations to bankers or investors.
 - b. It represents a short operating history.
 4. Specific business plans represent an industry, such as:
 - a. Manufacturing
 - b. Service
 - c. Technology
 - d. Retail
 - B. A business plan is an organized packet of materials.
 1. Part 1: A cover sheet or title page should include:
 - a. Company name
 - b. Date
 - c. Address
 - d. Contact information (phone numbers and addresses)
 2. Part 2: A table of contents should list various sections of the plan.
 3. Part 3: An **appendix or appendices** (additional support documents and materials that are added to the end of the business plan) should be present.

- C. A business plan requires the creator of the plan to evaluate the business or company.
 - 1. He or she must critically research and evaluate the facts related to the company.
 - 2. He or she must explain who, what, when, where, how, and why.
 - 3. He or she must match the strengths of the business to the opportunities.
 - 4. He or she must develop and think through a business plan, which may prevent him or her from investing in a business that would ultimately end up **bankrupt** (legally determined unable to pay off debts).
- D. A business plan is evaluated by the content and the quality of the writing.
 - 1. It is important to write a first draft of the plan.
 - 2. Then it is necessary to edit the business plan to create a quality product.
 - 3. A clear explanation is more important than the number of pages in the business plan.

Teaching Strategy: Use VM–A, VM–B, and VM–C to discuss various types of business plans, the processes to develop a business plan, and the three main sections.

Objective 2: List the sections of a business plan that describe the company.

Anticipated Problem: What are the sections of a business plan?

- II. Sections of a business plan
 - A. Mission statement
 - 1. The **mission statement** is a declaration about the tasks the company wishes to accomplish.
 - 2. It may include the company’s vision for growth.
 - 3. It indicates that for which the company stands.
 - B. Executive summary
 - 1. The **executive summary** is concise—no longer than two pages—and is the last section of the written business plan.
 - 2. It answers the questions who, what, and why.
 - 3. It should leave the reader wanting to know more about the company.
 - C. Business description
 - 1. It includes a description of the company and the industry, a company history, and any forecasted changes for the industry. It also lists company strengths or the factors that will make the company a success.
 - 2. Legal form of ownership
 - a. Sole proprietorship
 - (1) **Sole proprietorship** is a company owned by one person. It is the simplest form of business.

- (2) It is set up by registering the owner's name and by securing the proper local licenses.
 - (3) The owner is personally liable for all **debt** (obligations of money or service accrued by the business).
 - (4) Earned income is considered personal income and is filed along with personal income tax returns.
- b. Partnership
- (1) According to the IRS: "A **partnership** is the relationship existing between two or more persons who join to carry on a trade or business."
 - (2) Partners contribute skills, money, and/or time. They also share in the **profit** (income after expenses are paid).
 - (3) Partners also share in any **losses** (the amount by which expenses exceed income or profit).
- c. Corporation
- (1) A **corporation** is a legal group authorized by the state and must follow the laws of the state and other states where the corporation does business.
 - (2) It pays taxes and can enter into contracts.
 - (3) It consists of a person or a group of **stakeholders** (those with a direct interest, involvement, or investment in a business concern; shareholders, employees, officers, customers, etc.).
- d. **Limited liability company (L.L.C.)**
- (1) An L.L.C. is a combination of a partnership and a corporation.
 - (2) The company has a limited liability similar to a corporation.
 - (3) *"The primary characteristic it shares with a partnership is the availability of pass-through income taxation."* (Source: Wikipedia)
Therefore, the L.L.C. does not pay income taxes directly. Instead, the income is passed through to the individual person or people receiving profits or distribution from the L.L.C. The individual or individuals pay the taxes.

D. Products and services

1. The products and services of the business should be described in detail in the business plan.
 - a. The appendix should be used to attach drawings, photos, news releases, or brochures.
 - b. It is necessary to refer to any attached appendices in the discussion of the product.
2. It is important to explain what makes the company product or service competitive.
 - a. How is the product or service unique?
 - b. What is the competition, if any, for the product?

Teaching Strategy: Use VM–D and VM–E to facilitate a discussion of sections of a business plan that describe the company.

Objective 3: Explain the management sections of a business plan.

Anticipated Problem: What are the management sections of a business plan?

III. Management sections of a business plan

A. Operational management

1. This section describes how the company is organized. It also explains needs, such as equipment, personnel, and neighboring areas.
2. An **organizational chart** (visual representation of the company that shows the role and relationship between people or groups of people within an organization; flow chart, line and staff, etc.) shows the structure of the personnel and administration as well as their roles and responsibilities.
3. It may include a short career history of the company's officers:
 - a. Chief Executive Officer (CEO)
 - b. Chief Financial Officer (CFO)
 - c. Chief Operating Officer (COO)
 - d. Others: President, Board Chair, Board of Directors, etc.
4. It may include the legal form of ownership, if the ownership is not explained in the company description.
 - a. Sole Proprietorship
 - b. Partnership
 - c. Corporation
 - d. Limited liability company (L.L.C.)
5. The operational management section should discuss compliance with any required zoning laws, permits, or special licenses.
6. It should describe any equipment needs and inventory.
7. It should explain the location of the business facilities and should include information regarding:
 - a. Amount of space
 - b. Access to utilities
 - c. Access to transportation
 - d. Access to customers

B. Financial management

1. This section evaluates the business finances.
 - a. It explains production costs.
 - b. It describes the cost of operating the facilities.
 - (1) Rent or lease of the property
 - (2) Utility costs

- (3) Maintenance and remodeling costs
 - (4) Insurance costs
2. It includes an inventory of assets and liabilities.
 - a. Raw materials owned by the company are **assets** (property owned by the person or organization).
 - b. Supplies owned by the company are assets.
 - c. Finished goods are listed on the inventory list as assets.
 - d. The value of the equipment is often added to an inventory of assets with all the other material goods the company owns.
 - e. All debts and other financial obligations are considered **liabilities**.
3. Bankers and investors often want to see the personal financial statement of each owner and major stockholder in a start-up business, including:
 - a. The personal assets of the owners and major stockholders
 - b. The liabilities of the owners and major stockholders from outside businesses
4. This section includes projection of profit and loss.
 - a. A 12-month profit and loss projection with the numbers and a one-year narrative describing the projected company income and expenses is included.
 - b. Occasionally, a three- or four-year profit and loss projection is added to the business plan.

Teaching Strategy: Use VMs F through J to discuss the operational management and financial management sections of a business plan. Assign LS–A.

- **Review/Summary.** Use the student learning objectives to summarize the lesson. Have students explain the content associated with each objective. Student responses can be used in determining which objectives need to be reviewed or taught from a different angle.
- **Application.** Use the included visual master(s) and lab sheet(s) to apply the information presented in the lesson.
- **Evaluation.** Evaluation should focus on student achievement of the objectives for the lesson. Various techniques can be used, such as student performance on the application activities. A sample written test is provided.

■ **Answers to Sample Test:**

Part One: Matching

1. f
2. h
3. j

4. i
5. d
6. e
7. g
8. a
9. b
10. c

Part Two: Short Answer

1. Answers will vary but should include three of the following types of business plans:
 - a. Generic business plan: It may be used for a variety of businesses because it is not specific to a business type; it may be altered to present to bankers or investors.
 - b. Established business plan: It is used by an established business; it is for an annual evaluation of business practices.
 - c. Start-up business plan: It may be used for presentations to bankers or investors; it represents a short operating history.
 - d. Specific business plan: It is specific to an industry (e.g., manufacturing, service, technology, or retail).
2. Answers will vary but should include a listing of the following four legal forms of business ownership and a brief description of each.
 - a. Sole proprietorship is a company owned by one person. It is the simplest form of business and is set up by registering the owner's name and by securing the proper local licenses. The owner is personally liable for all debt. Earned income is considered personal income and is filed along with personal income tax returns.
 - b. Partnership *"is the relationship existing between two or more persons who join to carry on a trade or business."* Partners contribute skills, money, and/or time. They also share in the profit (income after expenses are paid) and in any losses (the amount by which expenses exceed income or profit).
 - c. Corporations are a legal group authorized by the state and must follow the laws of the state and other states where the corporation does business. Corporations pay taxes and can enter into contracts. They consist of a person or a group of stakeholders.
 - d. Limited liability company (L.L.C.) status is a combination of a partnership and a corporation. The company has a limited liability similar to a corporation. *"The primary characteristic it shares with a partnership is the availability of pass-through income taxation."* (Source: Wikipedia)

Part Three: True/False

1. T
2. F
3. T

4. F
5. T
6. T
7. F
8. F
9. T
10. F

Business Plans

► **Part One: Matching**

Instructions: Match the term with the correct definition.

- | | |
|---------------------------|-------------------------|
| a. appendix or appendices | f. losses |
| b. bankrupt | g. mission statement |
| c. business plan | h. organizational chart |
| d. debt | i. profit |
| e. executive summary | j. stakeholders |

- ___ 1. The amount by which expenses exceed income or profit
- ___ 2. A visual representation of the company that shows the role and relationship between people or groups of people within an organization
- ___ 3. Those with a direct interest, involvement, or investment in a business concern
- ___ 4. Income after expenses are paid
- ___ 5. Obligations of money or service accrued by the business
- ___ 6. The last section of the written business plan
- ___ 7. A declaration about the tasks the company wishes to accomplish
- ___ 8. Additional support documents and materials that are added to the end of the business plan
- ___ 9. Legally determined unable to pay off debts
- ___ 10. A variety of written and financial worksheets that require a business evaluation



► Part Two: Short Answer

Instructions: Answer the following.

1. Describe three types of business plans.

2. Explain the four legal forms of business ownership.

► Part Three: True/False

Instructions: Write *T* for true or *F* for false.

- ___ 1. A 12-month profit and loss projection will include numbers and narrative of one year of projected company income and expenses.
- ___ 2. Inventory is placed in the business description section of the business plan.
- ___ 3. The operational management section of the business plan discusses the location of the business facilities as well as the amount of space and access to utilities, transportation, and customers.
- ___ 4. A discussion of zoning laws, permits, or any special licenses is included in the business description section of the business plan.
- ___ 5. A short description of the company officers' career history may be added to a business plan.
- ___ 6. The products and services of the business are described in a business plan.
- ___ 7. A listing of the sections of the business plan is shown in the appendix.
- ___ 8. The first draft of the business plan will be the best version.
- ___ 9. A business plan should explain who, what, when, where, how, and why.
- ___ 10. Business plans should include a massive number of pages.

WRITE A BUSINESS PLAN



TYPES OF BUSINESS PLANS

Generic	<ul style="list-style-type: none"> ◆ May be used for a variety of businesses and is not specific ◆ May be altered to present to bankers or investors
Established	<ul style="list-style-type: none"> ◆ Used by an established business ◆ Annual evaluation of business practices
Start Up	<ul style="list-style-type: none"> ◆ May be used for presentations to bankers or investors ◆ Represents a short operating history
Specific	<ul style="list-style-type: none"> ◆ May be specific to the type of business— manufacturing, service, technology, retail, etc.



BUSINESS PLANS— AN ORGANIZED PACKET OF MATERIALS

3. Appendices include additional support materials and documents that are added to the end of the plan.



1. The cover sheet or title page includes the company name, date, addresses, and contact information (phone numbers and address).

2. The table of contents shows sections of the plan.

SECTIONS OF THE BUSINESS PLAN

Mission statement	<ul style="list-style-type: none"> ◆ Tasks the company wishes to accomplish ◆ May include the company's growth vision ◆ Indicates that for which the company stands
Executive summary	<ul style="list-style-type: none"> ◆ Should be concise—no longer than two pages ◆ Should be the last section of the written business plan ◆ Explains the who, what, and why ◆ Should leave the reader wanting to know more about the company



Description of the company	<ul style="list-style-type: none"> ◆ A description of the company and the industry ◆ A history of the company ◆ Any forecasted changes for the industry ◆ Lists company strengths or the factors that will make the company a success
Products or services	<ul style="list-style-type: none"> ◆ Products and services described in detail ◆ Drawings, photos, news releases, or brochures in the appendix ◆ Appendices referred to when discussing the product ◆ Explains what makes the product or service competitive

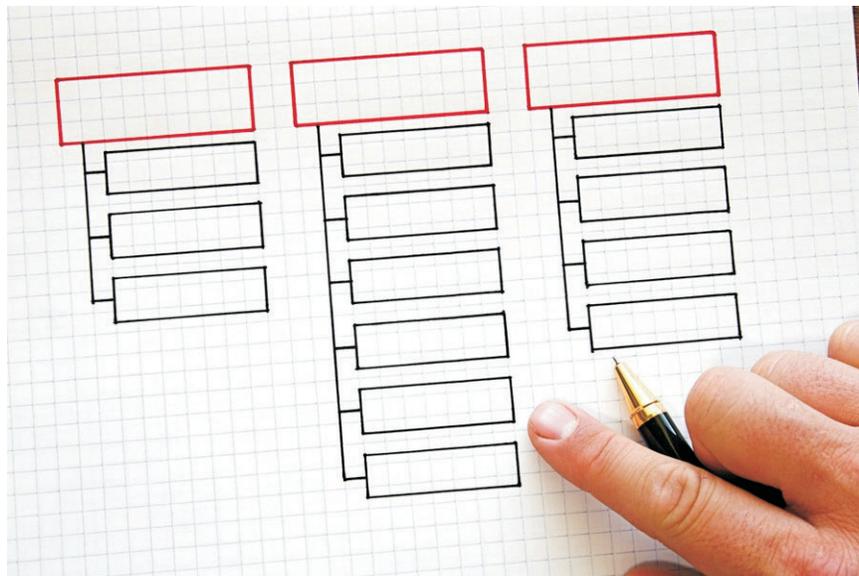
LEGAL FORMS OF OWNERSHIP

Sole proprietorship	<ul style="list-style-type: none"> ◆ It is owned by one person. ◆ It is the simplest form of business. ◆ It is set up by registering the person's name and by securing the proper local licenses. ◆ The owner is personally liable for all debt accrued by the business. ◆ Earned income is considered personal income and is filed along with personal income tax returns.
Partnership	<ul style="list-style-type: none"> ◆ <i>“A partnership is the relationship existing between two or more persons who join to carry on a trade or business.”</i> (SOURCE: IRS) ◆ Partners contribute skills, money, and/or time and share in the profit. ◆ Partners share in any losses the business incurs.

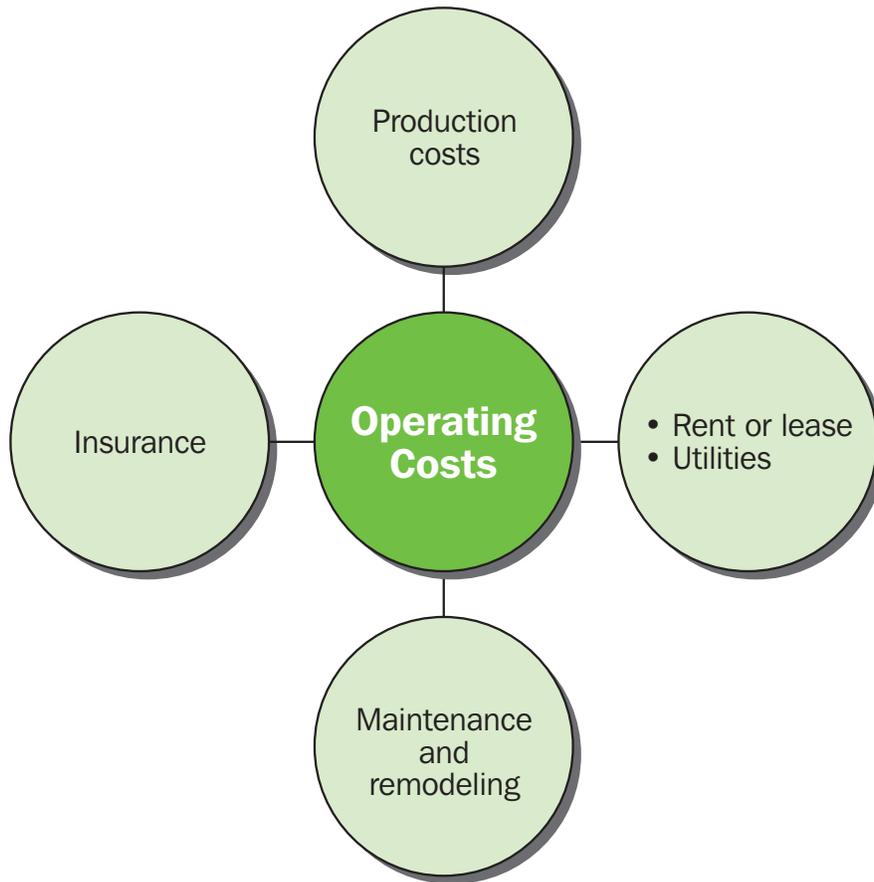


<p>Corporation</p>	<ul style="list-style-type: none"> ◆ It is a legal group authorized by the state that must follow the laws of the state and other states where the corporation does business. ◆ It pays taxes and can enter into contracts. ◆ It consists of a person or a group of stakeholders (those with a direct interest or investment in the company; employees, customers, officers, investors, etc.).
<p>Limited liability company (L.L.C.)</p>	<ul style="list-style-type: none"> ◆ An L.L.C. is a combination of a partnership and a corporation. ◆ The company has a limited liability similar to a corporation. ◆ <i>“The primary characteristic it shares with a partnership is the availability of pass-through income taxation.”</i> (SOURCE: Wikipedia)

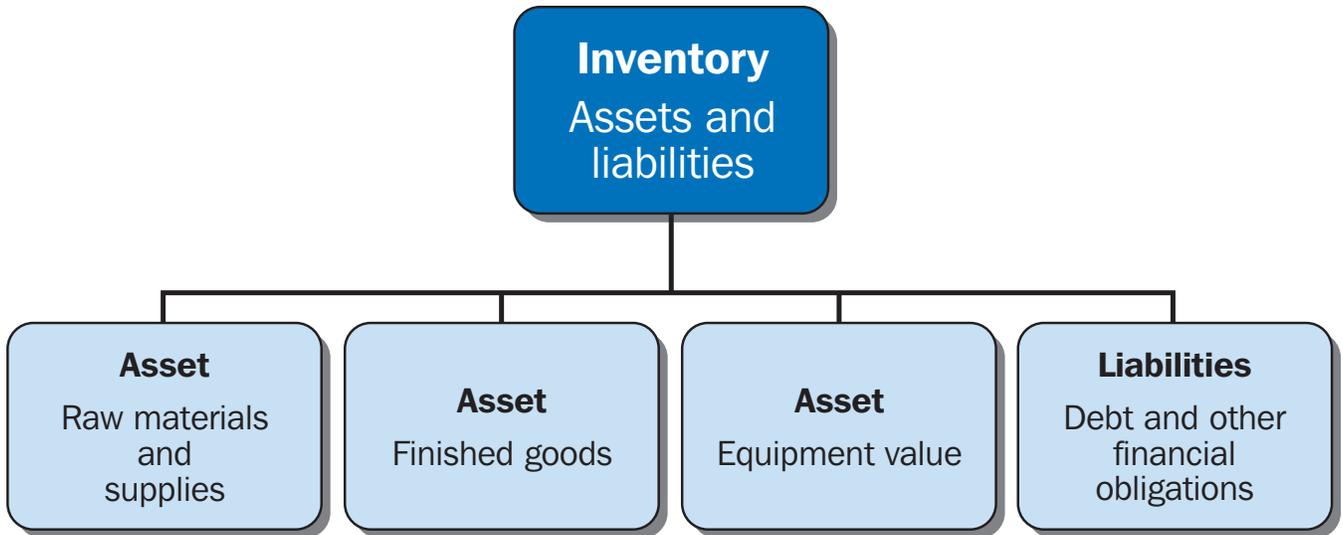
- ◆ It may include the legal form of ownership, such as:
 - Sole proprietorship
 - Partnership
 - Corporation
 - Limited liability company (L.L.C.)
- ◆ It discusses compliance with any required zoning laws, permits, or special licenses.
- ◆ It discusses equipment needs and inventory.
- ◆ It discusses the location of the business facilities and includes:
 - Amount of space
 - Access to utilities
 - Access to transportation
 - Access to customers



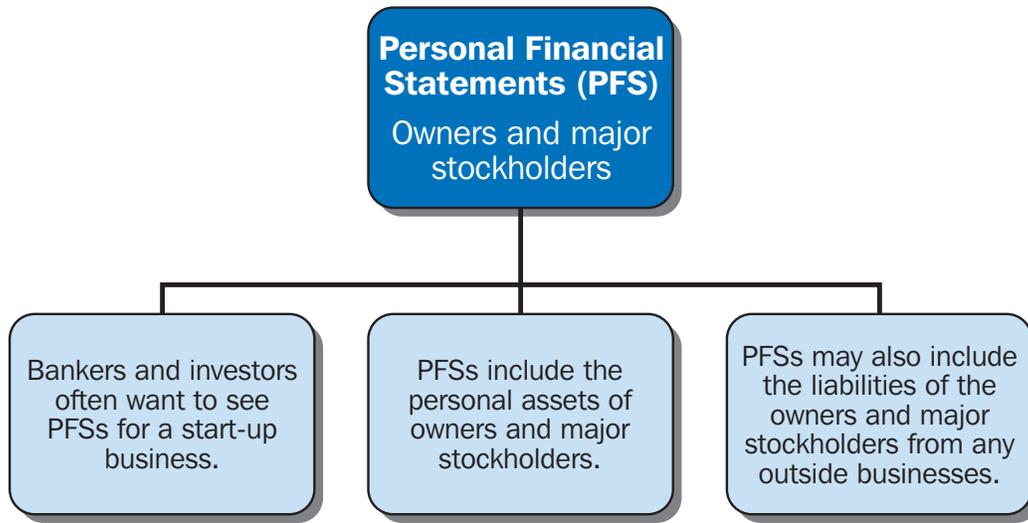
FINANCIAL MANAGEMENT SECTION



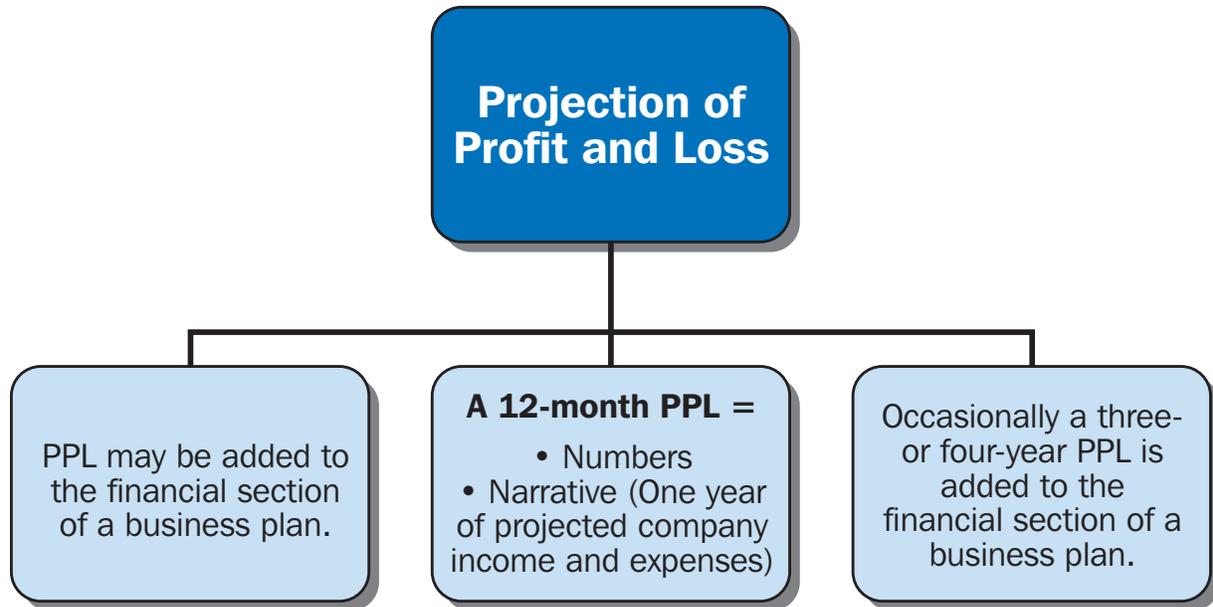
FINANCIAL MANAGEMENT SECTION—INVENTORY



PERSONAL FINANCIAL STATEMENTS OF OWNERS AND MAJOR STOCKHOLDERS



FINANCIAL MANAGEMENT SECTION—PROJECTION OF PROFIT AND LOSS



Check Out These Business Plans

Purpose

The purpose of this activity is to evaluate a variety of sample business plans by sections.

Objectives

1. Identify the sections found in sample business plans.
2. Evaluate the sample business plans for any missing sections.

Materials

- ◆ lab sheet
- ◆ paper
- ◆ a variety of colors of markers or highlighters
- ◆ pen
- ◆ stapler

Procedure

1. Work with two of your classmates. As a team, select two business categories from the list below by entering your names following the two categories. Ensure that no teams select the same business categories.

Categories	Team Members
1. Airline and aviation	
2. Bar and nightclub	
3. Beauty salon and day spa	



Categories	Team Members
4. Bed and breakfast and hotel	
5. Car wash and automotive	
6. Coffee shop and Internet cafe	
7. Computer, consulting, repair, and reseller	
8. Construction and engineering	
9. Consulting	
10. Day care services and children's products	
11. Education and training	
12. Farm and food production	
13. Fitness center, golf course, and sports	
14. Home business	
15. Magazine publishing & media communication	
16. Manufacturing	
17. Medical and health care	
18. Nonprofit	
19. Personal services	
20. Pet services and products	
21. Product development	
22. Professional services	
23. Real estate	
24. Recycling and waste management	
25. Restaurant café and bakery	
26. Retail and online store	
27. Wedding and event planning	
28. Wholesale and distributor	

2. Print sample business plans for your selected categories from http://www.bplans.ocm/sample_business_plans.cfm.
 - a. Assign each sample business plan a random three-digit ID number.
 - b. Place the ID number on the upper left corner of the business plan to keep the plan anonymous.
3. Create a color code legend to identify each section of each business plan. See the sample below.

Color Code Sample:

Business category _____

Team members _____

Color Code	Section of Business Plan
Red	Mission statement

4. Include additional colors and business plan sections. Print the color code legend using the word-processing program on your computer.
5. Place a line of color, corresponding with your color code, in the left margin of the business plan to identify the various sections of both business plans.
6. Identify the best business plan of the two your team selected by writing #1 on the top of the page of your choice. Write the reasons for making it your top choice.
 - a. Reason 1:
 - b. Reason 2:
 - c. Reason 3:
 - d. Reason 4:
 - e. Reason 5:
7. As a team, respond to the following:
 - a. Which business plan sample contained the most information?

- b. Which business plan sample was easier to read? What made it easier to read?

 - c. Which, if any, business plans included graphs or charts?

 - d. List any missing information for each business plan sample.
 - (1) Sample ID# _____
Missing information:

 - (2) Sample ID# _____
Missing information:
8. Staple the following items in order and submit your team lab sheet to the instructor:
- a. Printed color code legend for each Sample ID#
 - b. Two sample business plans
 - c. Lab sheet with answers to Procedure 7.

Check Out These Business Plans

1. A random three-digit number is used on all science experiments to keep from favoring one sample.
2. Review the list of sample business plans to make sure you wish to grant permission for all 28 available examples to be used by the student teams.