



**YOUR IDAHO BUSINESS PLAN**

**A WORKBOOK FOR PLANNING  
YOUR BUSINESS**

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# **A Workbook For Small Businesses in Idaho**

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Dennis J. Sargent, CPA,

and

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# Preface

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This workbook has been prepared for those investigating the possibility of starting their first business as well as business owners with many years of experience who have never prepared a written business plan.

The preparation of a business plan, sometimes called a feasibility study, is a critical but often overlooked step in the management of a small business. This workbook will guide you through the preparation of your Idaho business plan.

The workbook was developed in collaboration with several hundred aspiring and existing small business owners in the northwest.

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We hope this workbook is useful in your business and we urge you to share your feelings with us. Contact us if you would like to discuss the workbook or your particular business plan.

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# **How to Use the Workbook**

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The workbook should be used step by step from front to back. The sections should be completed in the order presented to obtain maximum benefit from the workbook approach. A suggested method for completing your business plan is given below.

## **Step 1: Read workbook quickly to get a “feel” for its layout.**

## **Step 2: Read workbook carefully but do not fill in the blanks.**

## **Step 3: Identify section that meet your needs.**

Determine which sections you need to complete to accomplish your purpose. You may want outside assistance in making this determination. If you obtained your copy at your local Small Business Development Center office, ask a counselor at the office to help you select the sections you need. Indicate selected sections by placing check marks in front of section names in the table of contents.

## **Step 4: Attempt exercises and work sheets in proper order.**

Time to pick up your pencil and go to work! You should not expect to complete the workbook on your first attempt. Keep a list of information you will need to research in order to complete the workbook, but do as much as you can the first time through.

The workbook can be viewed as a series of exercises and work sheets that will result in your completed business plan. Instructions are on the left-hand pages as you look at the open workbook and exercises or work sheets are on the right-hand pages. The instructions consist of numbered steps – just like this page – often with questions to help you understand what information is required. Answers may be written on both pages but the information on the right-hand page will go into your completed business plan.

## **Step 5: Research needed information to complete the plan.**

## **Step 6: Complete the workbook**

## **Step 7: Assemble completed business plan**

Your completed business plan should consist of pages from this workbook assembled in the order shown on the next page. Your completed plan will not contain all the pages listed but, rather, only the sections you selected in step 3.

# **Business Plan Outline**

<b>Section</b>	<b>Workbook page</b>	<b>Business Plan Page</b>
Summary of the plan	63	1
Purpose of the business	13	2
Background	15	3
Management	19	4
Personnel	21	5
Product/service	23	6
Location	27	7
Competitive analysis	29	8
Marketing Strategy	31	9
Personal financial statement	33	10
Sales forecasts	35	11
Capital equipment	43	12
Start-up expenses	45	13
Projected income statement	47,49	14,15
Projected cash flow	51,53	16,17
Sources and uses of financing	55	18
Balance sheet	57	19
Break-even analysis	59	20
Timetable	61	21
Supporting exhibits	65	22

# **Importance of Planning**

## **Why should you go to all the work of completing this workbook?**

Here are five reasons it will be worth your time and effort:

- 1) The thinking involved in answering the questions posed in this workbook will force you to take a thorough look at your whole business rather than focusing on an individual aspect.
- 2) The completed workbook can be a feasibility study, or business plan, to help you evaluate a new business idea or the continued success of an existing business.
- 3) The completed workbook will be a tool to help you better manage your business
- 4) The completed workbook will help you communicate your business ideas to persons outside your business and can be a starting point for constructing a financing proposal.
- 5) Businesses managed from a plan rather than by reaction to events are more successful.

## **Can't I hire someone to do this for me?**

No! This is your business we are talking about. If the business plan is to be useful, it must reflect your ideas and efforts – not those of an outsider. If you feel more comfortable obtaining outside assistance, use that help to review what you have done and make suggestions. But you must make the initial attempt at developing your plan.

## **Why is planning so important?**

The process of planning forces you to look at the future operations of your business and anticipate what will happen. This process better prepares you for the future and makes you more knowledgeable about your business.

## **What's the bottom line for me if I do the plan?**

Studies show that failure rates among new businesses based on a business plan are significantly lower than for new businesses without a plan.

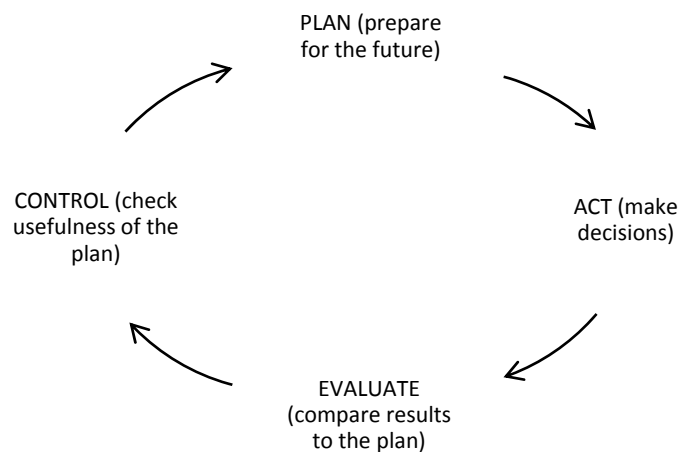


## **Isn't planning just for the big companies?**

Planning is appropriate for any organization that wants to approach the future with a plan of action. The future comes whether you are prepared for it or not. A business plan helps you anticipate the future and make well-informed decisions because you have thought about the alternatives you will be facing.

## **What role does planning play in managing a company?**

Planning is a continuous process in business management. The planning process can be thought of as the four steps shown below:



Every business is involved in the activities of making decisions and recording the results of business activities. Without a plan there is no meaningful way to evaluate the results, thus future actions are not based on a revised plan but rather revised instinct. Operating without a plan breaks the continuous process shown above and as a result you manage by reacting to events rather than by anticipating and planning for events.

## **How often do I have to do this?**

A plan must be revised as needed, at least once a year. As previously discussed, planning is a continuous process. You will be surprised how much easier the plan is after time and after a revision or two just how much you know about your business.

# Personal Evaluation

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## Step 1: Identify your strengths and weaknesses.

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Owning and managing a successful small business is a difficult and challenging task. A great number of skills are needed in the areas of personal characteristics, business management, and technical aspects of the business. Technical skills refer to the product and service knowledge requires to serve the customer.

A) What are your strengths in technical skills

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B) What are your weaknesses in technical skills?

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C) What are your business management strengths?

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D) What are your business management weaknesses?

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E) What are your strong personal characteristics?

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F) What are your weak personal characteristics?

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G) How will you compensate for identified weakness?

Technical:

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Business management:

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Personal:

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**Step 2: Should I own my own business?**

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	Yes	No
Do you have good health?	_____	_____
Do you plan ahead?	_____	_____
Are you prepared to lose the money you invest in the business?	_____	_____
Are you a good leader?	_____	_____
Can you make decisions?	_____	_____
Do you have business training?	_____	_____
Are you a competitive person?	_____	_____
Do you get things done on time?	_____	_____
Are you a self-starter?	_____	_____
Are you a good organizer?	_____	_____
Can you live without taking money from the business the first year?	_____	_____
Do you adapt well to changes?	_____	_____
Are you a confident person?	_____	_____
Are you aware that many business owners work 60 to 80 hours a week?	_____	_____
Do you stick with a project until it is completed?	_____	_____
Do you have work experience in the type of business you are considering?	_____	_____

Scoring the above test cannot tell you whether or not you should be in business, but it should give you some areas to consider. A “yes” answer to any question should be considered a good indication and a “no” answer indicates a potential problem area. You should think carefully about any “no” answers and determine how you will deal with problems that may arise. After reviewing the results of this exercise ask yourself one final question. Would you be better off working for someone else?

# Goal Setting

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Determining your goals is a very difficult and often frustrating process. It is, however, a very important step in planning your business. The following exercise is intended to help you clarify your goals, both business and personal. Establishing goals gives you a yardstick to measure your performance as you progress through life. Goals are very personal – there are no right and wrong answers. Only you can determine what goals are appropriate.

## Step 1: Define long-term goals.

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A) What are your lifetime goals?

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B) What are your goals for the next 25 years?

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## Step 2: Define intermediate-term goals.

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A) What are your goals for the next seven years?

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B) What are your goals for the next three years?

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**Step 3: Define short-term goals.**

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A) What are your goals for the next year?

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B) What would be your goals if you had one year left to live?

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**Step 4: Define your business goals.**

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Review the business and personal goals listed in the first three steps and select business goals that are compatible with your personal goals.

A) What are your long-term goals for this business?

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B) What are your five-year goals for this business?

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C) What are your one-year goals for this business?

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# **Purpose of the Business**

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## **Step 1 Identify purposes of your business plan.**

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The first important decision you need to make is to clearly define the purposes of writing this business plan. It may be to obtain financing, serve as a guide for managing your business, help you clarify all aspects of your business, or perhaps some combination.

- A) Who will use your business plan?
- B) What do you hope to accomplish with this written plan?

## **Step 2: Define the overall purpose of your business.**

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- A) What are the main personal purposes for this business?
- B) What are the main business purposes for this business?
- C) Are the combined personal and business purposes compatible?

## **Step 3: Identify specific goals aimed at overall purposes.**

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You have now identified both the personal and business purposes for your business. You also must identify specific goals that will be steps toward accomplishing your overall objectives. Goals are definitive statements of what you want to happen. Each should include when you will reach the goal and a way to measure it. Some of the major areas of goals, both personal and business, are addressed in this exercise. Be careful to avoid conflicts among various goals. All your goals should point towards the accomplishment of your overall objectives.

- A) What are your goals for the growth of sales volume?
- B) What are your goals for profit before taxes?
- C) What are your goals for compensation for your efforts?
- D) What are your goals for the time you will commit?
- E) What are your goals for personal growth and education?
- F) What are your other goals?



# Background

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## **Step 1: Describe the background of your industry.**

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- A) How has the industry developed?
- B) What has been the industry's growth?
- C) What is the industry's future?

## **Step 2: List sources of industry information.**

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- A) What industry trade associations exist?
- B) What are other sources of industry information?

## **Step 3: Define role of small businesses.**

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- A) How well do small businesses prosper in the industry?
- B) How does your business fit into the industry?

## **Step 4: Describe background of your existing business.**

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If you are in the process of starting a new business, this step does not apply. However, if you are considering purchasing an existing business, then answering the following questions could prove valuable.

- A) When was your business founded?
- B) Why was your business started?
- C) Who started the business?
- D) Why has the business been successful?
- E) What have been key points of business growth?
- F) What have been the profitability patterns?
- G) How have the business goals changed over time?



Background of your industry:

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Sources of industry information:

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Role of small businesses in the industry:

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Background of the existing business:

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# Forms of Doing Business

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There are five primary forms of doing business that may be appropriate for your small business. The five forms are described briefly below. You should seek competent tax and legal advice to complete the steps.

## **Sole Proprietorship:**

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Your business is completely owned and operated by you. You own all assets and are entitled to all profits that may be produced, but you also are responsible for all liabilities and must suffer the consequences of all losses that may result. It is extremely easy to start this type of business and there are no taxes other than your individual income taxes.

## **General Partnership:**

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Your business is owned and operated by you and at least one other person. Together you share profits and losses and the assets and liabilities according to a written partnership agreement, recommended but not required, or an oral understanding. You and your partners have legal liability for one another's acts. Partners pay income taxes on their individual shares of the profits, but no tax on the partnership.

## **Limited Partnership:**

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This form of doing business is similar to a general partnership, but there are two types of partners – general and limited. Limited partners are limited in legal liability to an amount based on their capital contribution to the business.

## **Regular Corporation:**

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A corporation is a separate legal entity formed by you alone or in conjunction with other owners. A corporation must have articles of incorporation and bylaws. You normally need a lawyer to properly establish a corporation. A corporation can do business in its own name, separate from you and the other owners. Owners are usually limited in their liability to an amount based on their investment in stock. Corporations must pay corporate income taxes and the owners must pay individual taxes on any salaries or dividends they receive from the corporation.

## **Chapter S Corporation**

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This is a special corporation – like a regular corporation in all legal aspects – in which the owners are taxed like the owners of a partnership.

## **Step 1: Identify advantages and disadvantages of each form.**

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## **Step 2: Determine the form of doing business you will use**

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Advantages and disadvantages of sole proprietorship:

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Advantages and disadvantages of a general partnership:

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Advantages and disadvantages of a limited partnership:

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Advantages and disadvantages of a regular corporation:

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Advantages and disadvantages of an S corporation:

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Selected form of doing business:

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# Management

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## Step 1: Identify owners and key employees.

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- A) What form of doing business have you selected?
- B) Who are the owners and what are their titles?
- C) Who are the key employees and what are their titles?
- D) When have these people previously worked together?

## Step 2: Develop a resume for each owner and key employee.

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Each resume should contain the person’s name and title and answer the following questions in order:

- A) What are the most important duties?
- B) What is the previous business experience?
- C) What is the educational background?
- D) What are the personal interest?
- E) Who are used as references?

## Step 3: Identify outside consultants and advisors.

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- A) Who is your accountant? \_\_\_\_\_
- B) Who is your lawyer? \_\_\_\_\_
- C) Who is your banker? \_\_\_\_\_
- D) Who is your insurance broker? \_\_\_\_\_
- E) Who are other key outsiders? \_\_\_\_\_

## Step 4: complete the business skills matrix.

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The purpose of this exercise is to help you identify areas of business expertise where you need to seek assistance. For each skill area, check the adequate knowledge column with an “I” to indicate that an insider (owner or key employee) has the skill or an “O” to indicate an outsider has the skill. For each skill area where you have not indicated adequate knowledge, check either the assistance needed or education needed column with an “X.”

## Step 5: Determine how to address needed skill areas.

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For each skill area checked with an “X,” determine how you will satisfy the need in that area.

Owners and key employees:

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Outside consultants and advisors:

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<b>Management Skills</b>	<b>Adequate Knowledge</b>	<b>Assistance Needed</b>	<b>Education Needed</b>
Accounting & taxes			
Planning			
Organizing			
Financial management			
People management			
Time management			
Personal selling			
Promotion			
Decision-making			
Cost control			
Personnel policies			
Pricing			

Compensate for areas where management skill is lacking:

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# Personnel

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## **Step 1: Identify needed employees.**

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- A) How many employees do you have? \_\_\_\_\_
- B) What are the job titles and skills needed by employees?

## **Step 2: Identify source of employees.**

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Good employees can make the difference between a successful business and a marginal one. It is important to know where to find qualified employees and where potential employees can receive training, whether on the job or through an outside source.

- A) How will you obtain needed employees?
- B) What problems will you have finding competent employees?
- C) What training is available for employees?

## **Step 3: Identify costs of employees.**

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The costs associated with having employees are much greater than the wages you have agreed to pay. There are costs that are required by law, as well as many optional cost.

- A) What are the base wages or salaries?
- B) What will be the cost of required employees benefits?
  - Employer portion of Social Security \_\_\_\_\_
  - Federal and state unemployment taxes \_\_\_\_\_
  - Workers compensation insurance \_\_\_\_\_
- C) What will be the cost of optional employee benefits?
  - Medical/dental insurance \_\_\_\_\_
  - Life/disability insurance \_\_\_\_\_
  - Pension/profit-sharing plan \_\_\_\_\_

## **Step 4: Determine when to develop needed written policies.**

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Written job description that clearly define the duties of each employee and a written personnel policies manual that details the relationship between employee and employer are vital documents.

- A) When will you complete your written job descriptions? \_\_\_\_\_
- B) When will you complete a written personnel manual? \_\_\_\_\_

Needed employees:

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Source of employees:

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Costs of employees:

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Written personnel policies:

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# Products/Services

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## **Step1: Identify products offered for sale.**

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- A) What products does your business sell?
- B) Who are your key product suppliers?
- C) What makes your product unique?
- D) Why will customers purchase the products from you?

## **Step 2: Define the economics of products being sold.**

---

- A) What prices will be charged for these products?
- B) What costs are associated with these products?
- C) How profitable and competitive are these prices?
- D) What levels of inventory will be required?

## **Step 3: Identify services offered for sale.**

---

Unlike products, services do not generally carry a brand name for the customer to choose. Instead the customer often chooses a service based on impressions of your business. Services are more abstract to the customer than products because there is nothing there for the customer to feel or see. However, like products, your services must have some attributes which will make the customer desire them.

- A) What services do you provide?
- B) What problems do these services solve?
- C) What makes these services unique?

## **Step 4: Define economics of services.**

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- A) What prices will be charged for these services?
- B) What costs will be associated with these services?
- C) Will these services be profitable and competitively priced?



Products offered for sale:

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Economics of products offered for sale:

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Services offered for sale:

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Economics of services offered for sale

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# Customers

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## **Step 1: Describe your customer.**

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If your customers are other businesses, the following list of characteristics may be useful in defining your typical customer.

Industry: \_\_\_\_\_

Annual sales volume \_\_\_\_\_

Number of employees \_\_\_\_\_

Age of business: \_\_\_\_\_

Minimum purchase amount: \_\_\_\_\_

If your customers are members of the general public, the following list of characteristics may be helpful.

Marital Status: \_\_\_\_\_ Sex: \_\_\_\_\_

Income level \_\_\_\_\_ Age range \_\_\_\_\_

Religion: \_\_\_\_\_ Race: \_\_\_\_\_

Activities: \_\_\_\_\_

## **Step 2: Determine location of customers.**

---

A) What distance are customers willing to travel to buy from you?

\_\_\_\_\_

B) What distance will you travel to sell to your customers?

\_\_\_\_\_

## **Step 3: Determine number of potential Customers.**

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This step requires doing some homework. If selling to the general public, you need to look at some census data. If selling to other businesses, there are many potential sources of information, one of the best being a trade association. Check with your local SBDC office or visit your local library.

A) How many of the customers you described reside within the geographical limits you have determined?

\_\_\_\_\_

#### **Step 4: Determine number that will purchase from you**

A very tough question indeed! You need to consider your competition, both in numbers and quality; we will address this issue in a coming section. You also need to realize that some potential customers will not purchase the product or service from you or a competitor.

- A) What number of potential customers will purchase the products or services you offer from either you or a competitor? \_\_\_\_\_
- B) What percentage of those who do make a purchase will choose your business?  
\_\_\_\_\_
- C) Multiply the above number and percentage together to determine number of potential customers that will purchase from your business. \_\_\_\_\_

#### **Step 5: Determine average customer sales per year.**

Time to do more homework. Trade association or industry publications are good sources of data needed in this section.

- A) How many purchases will the average customer make during a year?  
\_\_\_\_\_
- B) How much will the average customer spend for each purchase?  
\_\_\_\_\_
- C) Multiply these two figure together to determine the amount an average customer will spend each year.  
\_\_\_\_\_

#### **Step 6: Determine you annual sales volume.**

You now know the number of customers and the average amount each customer will spend per year. Multiply these two figures together to calculate your expected annual sales volume.

#### **Step 7: Evaluate the annual sales volume figure.**

Does the number you calculated in the previous step make sense? If not, go back to the first step and try again.

# Location

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## **Step 1: Describe the location of your business.**

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- A) What is the address of your business?
- B) What features make this a good location for your business?
- C) What nearby business will help you attract customers?

## **Step 2: Describe the appearance of your business.**

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- A) What are the physical features of your building?
- B) What are the appearances of other nearby business?

## **Step 3: Determine future needs of your location.**

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- A) What renovations will be needed and what are the cost?
- B) What are the annual costs of your location?

## **Step 4: Identify occupancy costs of location.**

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- A) What are the terms of lease or purchase for your location?
- B) What are the annual costs of your location?

## **Step 5: Prepare visual aids to show location to outsiders.**

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Location is an extremely important factor for any business. For most retail and many small service businesses, location can be critical to success. For retail and service businesses, customer access is extremely important when evaluating a location. For wholesale and manufacturing businesses, the availability of resources – such as labor, materials, transportation, and utilities – are very important. It is often easier to describe your location to an outsider through use of maps, pictures, and a diagram of the layout.

Take pictures of your business and the surrounding businesses in your area.

On a copy of a map of the area, indicate the location of your business and any major reference points.

Draw an accurate diagram of your floor space, indicating location of equipment, furniture, and fixtures.

## **Step 6: Obtain copies of legal documents.**

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You should have readily available a copy of the lease or purchase agreement and any other legal documents that may affect your ability to use the location for your business.

Location of business: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Appearance of business: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Future prospects of the location: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Annual occupancy cost: \_\_\_\_\_

Rent or Mortgage payment: \_\_\_\_\_

Property taxes \_\_\_\_\_

Maintenance and repairs: \_\_\_\_\_

Insurance: \_\_\_\_\_

Utilities: \_\_\_\_\_

Other costs: \_\_\_\_\_

Total annual costs: \_\_\_\_\_

Total annual costs per square foot: \_\_\_\_\_

# **Competitive Analysis**

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A key to the success of your business is establishing a unique market niche. In this section you will compare your business to your four major competitors. Use the form of the following page to record the rankings. Be honest with yourself – the purpose is to help identify areas where you have a competitive advantage as well as areas for potential improvement.

## **Step 1: Identify your four major competitors.**

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## **Step 2: Compare your business to the competition.**

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For each of the nine areas explained below, compare your business to your competitors. Rank the businesses on a scale of 1 to 5, with 1 being the best and 5 the worst.

- 1) **Image** – This includes both the physical appearance of the business and the reputation of the business in the community.
- 2) **Location** – How convenient is the location for customer access? Key things to consider are distance from customers, traffic access, parking, and visibility.
- 3) **Layout** – Consider the physical layout of the floor space, especially as it relates to serving customers.
- 4) **Atmosphere** – Is the feeling a customer has in the place of business suitable for the type of business?
- 5) **Products** – Key things to consider are completeness of product lines and name brands in stock.
- 6) **Services** – Consider both quantity and quality of services being offered.
- 7) **Pricing** – This is difficult to compare but assume that lowest prices are most attractive to customers if all else is equal.
- 8) **Advertising** – Is advertising using media that reach the target market?
- 9) **Sales methods** – What are the selling techniques used to make sales to customers once they are at the place of business?

## **Step 3: Identify changes to improve your competitive position.**

---

Names and addresses of four major competitors:

A: \_\_\_\_\_

B: \_\_\_\_\_

C: \_\_\_\_\_

D: \_\_\_\_\_

For each area of comparison rank you and your four competitors on a scale of 1 (high) to 5 (low).

Areas of Comparison	You	Competitor			
		A	B	C	D
1) Image					
2) Location					
3) Layout					
4) Atmosphere					
5) Products					
6) Services					
7) Pricing					
8) Advertising					
9) Sales methods					

List changes that will improve your competitive position:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

# Marketing Strategy

---

## Step 1: Define pricing strategy.

---

In the following questions, all references to products also apply to services.

- A) How do you calculate the price for each product?
- B) What factors have you considered in setting prices?
- C) Which products' sales are very sensitive to price changes?
- D) Which products will attract customers at sale prices?
- E) How important is pricing in your overall marketing strategy?
- F) What time of year will sales pricing be important?
- G) What are your discount policies?
- H) What pricing policy do you use for slow-moving inventory?

## Step 2: Define promotional strategy.

---

- A) What advertising media will you use?
- B) What days of the week will you use various media?
- C) What media will be used during various seasons of the year?
- D) How do you display your merchandise?

## Step 3: Define customer services.

---

- A) What special customer services do you offer?
- B) What type of payment options do you offer?
- C) How do you handle merchandise customers return?



Pricing Strategy:

---

---

---

---

---

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Promotional strategy:

---

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Customer services:

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# **Personal Financial Statement**

---

Many financial institutions (banks, etc.) will require information about your personal financial resources. The work sheet on the next page will help you prepare a personal financial statement. This statement should be prepared before putting your personal assets into the business.

## **Step 1:**

---

Prepare a list of all assets you own, whether these assets are paid for or not. Your market value is the amount you would receive by selling the asset for cash.

## **Step 2**

---

Add the column to find Total Assets.

## **Step 3**

---

Prepare a list of your liabilities (the money you owe)

## **Step 4**

---

Add the column to find Total Liabilities.

## **Step 5**

---

Calculate your Net Worth by the following method:

Net Worth = Total Assets – Total Liabilities

Prepared as of \_\_\_\_\_

Assets

Cash – checking accounts	\$ _____	
Cash – savings accounts	_____	
Notes (contracts) – owed to you	_____	
Certificates of deposits	_____	
Life insurance (cash value)	_____	
Securities – stocks, bonds	_____	
Real estate (market value)	_____	
Individual retirement plans, etc.	_____	
Other assets (Specify)	_____	
TOTAL ASSETS		\$ _____

Liabilities:

Current bills – you owe	\$ _____	
Mortgages on real estate	_____	
Loans – you owe	_____	
Taxes – you owe	_____	
Other liabilities	_____	
TOTAL LIABILITIES		\$ _____

Net Worth

(Total assets – total liabilities)		\$ _____
------------------------------------	--	----------

# Sales Forecast

---

Forecasting sales of your product and/or services is the starting point for your financial projections. The sales forecast is extremely important, so it is important you use realistic estimates. Before completing this section, you may want to review the Marketing Plan section of this book.

## **Step 1:**

---

Fill in the units-sold line for products 1, 2, and 3, for each month. Instead of different products, you may choose to use different departments, customer groups, or other factors.

## **Step 2:**

---

Fill in the sales price per unit for product 1, 2, and 3.

## **Step 3:**

---

Calculate the total sales for each of the different products (Units sold x sales price per unit).

## **Step 4:**

---

Calculate the sales (all products) for each month – add down the columns

## **Step 5**

---

Calculate the yearly sales for each product – add across the rows.

# Sales Forecast – First Year

---

<b>Product 1</b>	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Total
Units Sold													
Sales Price/Unit													
<b>Total Sales</b>													
<b>Product 2</b>													
Units Sold													
Sales Price/Unit													
<b>Total Sales</b>													
<b>Product 3</b>													
Units Sold													
Sales Price/Unit													
<b>Total Sales</b>													
<b>Total Sales</b>													
All Products													

# Cost of Goods Sold

---

In the previous section you forecasted the sales of each product or service by month. In this section you will compute your cost for the products you will sell. For example, you might sell a product for \$50.00 (the retail price), but your cost of this product might be \$30.00 (which includes freight).

If your business sells only a service, you will not have cost of goods sold. If so, you do not need to complete this section and can go to the next chapter.

To complete this chapter, you will need to use data from the previous chapter (Sales Forecast).

## **Step 1:**

---

Fill in the units-sold line for products 1, 2, and 3 for each month.

## **Step 2:**

---

Fill in your cost per unit for product 1, 2, and 3.

## **Step 3:**

---

Calculate the total cost for each of the products – units sold x cost per unit.

## **Step 4:**

---

Calculate the cost of goods sold – all products for each month – add down the columns.

## **Step 5:**

---

Calculate the yearly sales product – add across the rows.

# Cost of Goods Sold – First Year

---

<b>Product 1</b>	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Total
Units Sold													
Cost/Unit													
<b>Total Sales</b>													
<b>Product 2</b>													
Units Sold													
Cost/Unit													
<b>Total Sales</b>													
<b>Product 3</b>													
Units Sold													
Cost/Unit													
<b>Total Sales</b>													
<b>Total Sales</b>													
All Products													

# **Operating Expenses – Labor-Related**

---

Salary expense is your first major category of operating expenses. In this section you will calculate the total cost of having employees working for your business. The total includes: 1) wages and salaries, 2) payroll taxes required by law, and 3) optional fringe benefits you agree to pay for your employees.

It's likely the number of employees (and hours worked) will vary from month, especially if your business has seasonal highs and lows. Don't forget to include the wages of part-time employees.

## **Step 1:**

Fill in a brief title for each employees required in your business.

## **Step 2:**

Fill in the salary or wage to be paid each employee for each month.

## **Step 3:**

Calculate the total monthly salaries – add down the columns.

## **Step 4:**

Calculate the yearly salaries for each position – add across the rows.

## **Step 5:**

Calculate the three types of payroll taxes for each of the 12 months. Now add down the columns and across the rows as in steps 3 and 4

## **Step 6:**

Calculate the optional employee benefits for each of the 12 months. Now add down the columns and across the rows as in steps 3 and 4.

## **Step 7:**

Calculate the total labor-related operating expense for each month.



# Operating Expenses – Labor-Related – First Year

Salary Per Month	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Total
Position													
1													
2													
3													
4													
5													
<b>TOTAL</b>													
Payroll Taxes													
Employer Portion- Social Security													
Federal & State Unemployment													
Workers' Compensation Insurance													
<b>TOTAL</b>													
Optional Employee Benefits													
Medical/Dental Insurance													
Other Benefits													
<b>TOTAL</b>													

# **Operating Expenses – Nonlabor**

---

Nonlabor expenses include a wide variety of expenses required to operate a business. Many of these expenses are referred to as overhead. The term means that these costs are fixed – they will remain constant regardless of the sales level. For example, your rent might be \$500 per month – it stays fixed and does not change as sales go up or down over the months.

On the other hand, some expenses do increase and decrease as sales increase or decrease. These expenses are variable expenses. An example might be your car/delivery expense – as your sales increase, your delivery probably would increase.

## **Step 1:**

---

Review the expenses listed on the facing page. It's likely you can use this list for your business expenses. You may have some expenses which are not listed here – write them in the “other” spaces.

## **Step 2**

---

Fill in your monthly estimate for each category of expense. Remember that some of these expenses will vary throughout the year, especially for businesses with seasonal sales.

## **Step 3:**

---

Calculate total expenses for each month – add down the columns.

## **Step 4:**

---

Calculate yearly totals for each expense – add across the rows.

# Operating Expenses – Nonlabor – First Year

	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Total
Rent													
Utilities													
Car/Delivery													
Supplies													
Advertising													
Legal/Accounting													
Insurance													
Bad Debts													
Interest													
Other													
Depreciation													
<b>TOTALS</b>													

# Capital equipment

This section will help you plan purchases of capital equipment needed to start your business. Capital equipment is defined as assets which have useful lives of more than one year. Examples include machines, equipment, office furniture, and computers.

This section also will help you calculate the monthly depreciation for each capital asset. Depreciation is defined as the original cost of the equipment divided by the useful life (in months) of the equipment. For example, a truck might cost \$6,000 and have a useful life of five years (60 months). The truck's monthly depreciation would be \$100 per month (\$6,00 divided by 60 months).

## **Step 1:**

---

List each piece of equipment needed to start your business.

## **Step 2:**

---

Fill in the cost required to buy each piece of equipment (new or used)

## **Step 3:**

---

Estimate the useful life (in months) of each piece of equipment.

## **Step 4:**

---

Fill in the monthly depreciation for each piece of equipment (cost divided by the useful life in months)

## **Step 5:**

---

Calculate the totals for capital equipment and monthly depreciation.



# **Start-up expenses**

Start-up expenses are the various expenses it takes to open your doors for business. Some of these expenses will be one-time expenditures, while others will occur every year. Examples of these expenses are listed on the next page.

## **Step 1:**

---

Review the expenses listed on the next page. You probably can use this list for the expenses for your business. You may have some expenses which are not listed here – write them under “Other expenses.”

## **Step 2:**

---

Estimate your cost for each expense.

## **Step 3:**

---

Calculate the total for your start-up expenses.



# **Projected income statement** **Year 1 (by Months)**

---

You are now ready to assemble the data for your projected income statement. This statement will calculate your net profit or net loss (before income taxes) for each month.

## **Step 1:**

---

Fill in the sales for each month. You already estimated these figure on page 35 – just recopy them on the work sheet.

## **Step 2:**

---

Fill in the cost of goods sold for each month. You already estimated these figures on page 37 – just recopy on the work sheet.

## **Step 3:**

---

Calculate the Gross Margin for each month (Sales minus Cost of Goods sold).

## **Step 4:**

---

Fill in the three categories of Operating Expenses – Labor. You estimated these figures on page 39 – just recopy them.

## **Step 5:**

---

Fill in the Operating Expenses – nonlabor. You estimated these figures on page 41 – just recopy them.

## **Step 6:**

---

Fill in the Monthly Depreciation Expense. You estimated this figure of page 43 – just recopy it for each of the 12 months.

## **Step 7:**

---

Calculate the Total Operating Expenses for each month.

## **Step 8:**

---

Calculate the Net Profit or Net Loss (Before Income Taxes) for each month (Gross Margin minus Total Operating Expenses).



# Projected Income Statement – Year 1 (by Months)

	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Total
Sales													
Cost of Goods Sold													
Gross Margins													
Operating Expenses													
Salaries													
Payroll Taxes													
Employee Benefits													
Rent													
Utilities													
Car/ Delivery													
Supplies													
Advertising													
Legal/Accounting													
Insurance													
Bad Debts													
Interest													
Other													
Depreciation													
Total Operating Expenses													
Net Profit (or Loss) Before Income Taxes													

## **Projected Income Statement – Years 2 and 3 (by Quarters)**

---

On the previous page you completed an income statement for your first year of operations. In this section you will complete statements for years 2 and 3, but you will do it by quarters (rather than by months as you did for year 1).

You just need to follow the same eight steps used on page 46 to complete the income statements for year 2 and 3.

# Projected income Statement – Years 2 and 3 (by Quarters)

	1 <sup>st</sup> Qtr.	2 <sup>nd</sup> Qtr.	3 <sup>rd</sup> Qtr.	4 <sup>th</sup> Qtr.	Total Year 2	1 <sup>st</sup> Qtr.	2 <sup>nd</sup> Qtr.	3 <sup>rd</sup> Qtr.	4 <sup>th</sup> Qtr.	Total Year 3
Sales										
Cost of Goods Sold										
Gross Margins										
Operating Expenses										
Salaries										
Payroll Taxes										
Employee Benefits										
Rent										
Utilities										
Car/ Delivery										
Supplies										
Advertising										
Legal/Accounting										
Insurance										
Bad Debts										
Interest										
Other										
Depreciation										
<b>Total Operating Expenses</b>										
<i>Net Profit (or Loss)</i>										
<u><i>Before Income Taxes</i></u>										

# **Project Cash Flow -- Year 1 (by Month)**

---

Cash flow projections are among the most critical financial projections you will make. You will calculate your cash receipts and the cash disbursements for each month. If the cash receipts are less than the cash disbursements, you will have a positive cash flow. If the cash receipts are less than the cash disbursements, you will have a negative cash flow. Negative cash flows are enclosed in brackets. Here is an example: (\$5218).

## **Step 1:**

---

Fill in your beginning cash balance for the first month.

## **Step 2:**

---

Fill in the various categories for Cash Receipts and total them – for the first month only.

## **Step 3:**

---

Fill in the various categories for Cash Disbursements and total them – for the first month only

## **Step 4:**

---

Calculate the Net Cash Flow for the first month (Total Cash Receipts minus Total Cash Disbursements).

## **Step 5:**

---

Calculate the Ending Cash Balance for the first month – Beginning Cash Balance plus a positive Net Cash Flow (or minus a negative Net Cash Flow).

## **Step 6:**

---

Fill in the Beginning Cash Balance for the second month (which is the Ending Cash Balance for the first month).

## **Step 7:**

---

Repeat the first six steps for each of the twelve months – remember to complete one month at a time.

# Cash Flow Projections – First Year (by month)

	1	2	3	4	5	6	7	8	9	10	11	12
<b>Beginning Cash Balance</b>												
<b>Cash Receipts</b>												
Cash Sales												
Collect Account Receivables												
Loans from Banks, Etc.												
Other Receipts												
Total Cash Receipts												
<b>Cash Disbursements</b>												
Purchases (Merchandise)												
Salaries												
Payroll Taxes/ Fringe Benefits												
Rent												
Utilities												
Interest												
Other: _____												
Other: _____												
Purchase Capital Equipment												
Loan Principal Repayment												
Owner's Withdrawals												
Total Cash Disbursed												
Net Cash Flow												
Ending Cash Balance												

## **Projected Cash Flow – Years 2 and 3 (by Quarters)**

---

On the previous page you completed the cash flow projections for your first year of operations. In this section you will complete the cash flow projections for years 2 and 3, and you will do it by quarters.

You just need to follow the same seven steps used on the previous pages. Remember to complete one quarter at a time.

# Cash Flow Projections – Years 2 and 3 (by Quarters)

---

	1 <sup>st</sup> Qtr.	2 <sup>nd</sup> Qtr.	3 <sup>rd</sup> Qtr.	4 <sup>th</sup> Qtr.	1 <sup>st</sup> Qtr.	2 <sup>nd</sup> Qtr.	3 <sup>rd</sup> Qtr.	4 <sup>th</sup> Qtr.
<i>Beginning Cash Balance</i>								
<i>Cash Receipts</i>								
Cash Sales								
Collect Account Receivables								
Loans from Banks, Etc.								
Other Receipts								
<b>Total Cash Receipts</b>								
<i>Cash Disbursements</i>								
Purchases (Merchandise)								
Salaries								
Payroll Taxes/ Fringe Benefits								
Rent								
Utilities								
Interest								
Other: _____								
Other: _____								
Purchase Capital Equipment								
Loan Principal Repayment								
Owner's Withdrawals								
<b>Total Cash Disbursed</b>								
<i>Net Cash Flow</i>								
<i>Ending Cash Balance</i>								

# **Sources and Uses of Financing**

---

This section is another critical financial forecast – what will be the sources of your initial financing? The next step – how will you use the financing to buy the assets needed to open your doors for business?

This section will not be used if you already own an existing business.

## **Step 1:**

---

Fill in the cash amounts to be invested by the various owners.

## **Step 2:**

---

Fill in the market value of the noncash assets to be invested by the various owners. Examples include equipment, vehicles, and buildings.

## **Step 3:**

---

Fill in the bank loans to your business – both short-term (one year or less) and long-term.

## **Step 4:**

---

Fill in the amount of personal loans which are likely secured by your personal assets (your home for example)

## **Step 5:**

---

Fill in any Small Business Administration loans or loans from any other sources.

## **Step 6:**

---

Fill in the amount of cash used to buy various assets in the Uses of Financing section.

## **Step 7:**

---

Fill in the noncash assets contributed by the owners (use the same amounts that you listed in the Sources of Financing section).

## **Step 8:**

---

Total both sections (Sources and uses) – they should equal.



Sources of Financing

---

Investment of cash by owner #1	\$	_____
Investment of cash by owner #2		_____
Investment of noncash assets by owner #1		_____
Investment of noncash assets by owner #2		_____
Bank loans to business – short-term		_____
Bank loans to business – long-term		_____
Bank loans – personal		_____
Small Business Administration loans		_____
Other (specify)		_____
<b>Total Sources of Financing</b>	\$	_____

Uses of Financing

---

Land	\$	_____
Buildings		_____
Equipment		_____
Remodeling		_____
Initial inventory		_____
Working capital to pay operating expenses		_____
Noncash assets contributed by owners (use same amount as in Sources)		_____
Other assets (specify)		_____
<b>Total Uses of Financing</b>	\$	_____

# Balance Sheet

---

The balance sheet can be compared to a picture of your financial condition on a particular day. This statement is a list of your assets (at your cost), your liabilities (you debts), and your equity in those assets.

You are going to prepare a balance sheet at the start-up date of your business. You should include the assets and liabilities on the day you are ready to open your doors for business.

## **Step 1:**

---

Fill in the amounts for each of the Current Assets and calculate the Total Current Assets.

## **Step 2:**

---

Fill in the amounts for Fixed Assets – Land, Buildings, and Equipment – at the price you paid for these items.

## **Step 3:**

---

Fill in a zero(0) on the lines for the Accumulated Depreciation below both Buildings and Equipment. The Book Value is equal to the cost minus the Accumulated Depreciation. Now calculate Total Fixed Assets.

## **Step 4:**

---

Calculate the Total Assets (Total Current Assets + Total Fixed Assets).

## **Step 5:**

---

Fill in the amount for each liability and calculate the required totals as you did in Steps 1, 2, and 3.

## **Step 6:**

---

Calculate the Owner's Equity (Total Assets – Total Liabilities).

## **Step 7:**

---

Fill in the amount of Total Liabilities + Owner's Equity. This amount should equal the amount for Total Assets.

# Balance Sheet

---

Prepared as of: \_\_\_\_\_

## Assets

---

### Current Assets

Cash	\$	_____
Accounts receivable		_____
Inventory		_____
Prepaid expenses		_____
Other current assets		_____
Total Current Assets	\$	_____

### Fixed Assets

Land		_____
Buildings		_____
Less accum. Depr.		_____
Book value – building		_____
Equipment		_____
Less accum. Depr.		_____
Book value – equipment		_____
Other fixed assets		_____
Total Fixed Assets	\$	_____

### Total Assets

\$ \_\_\_\_\_

## Liabilities

---

### Current Liabilities

Account payable	\$	_____
Federal & state taxes owed		_____
Other current liabilities		_____
Total Current Liabilities	\$	_____

### Long-term Liabilities

Notes payable to bank		_____
Mortgages payable		_____
Other long-term liabilities		_____
Total Long-term Liabilities	\$	_____

---

Total Liabilities \$ \_\_\_\_\_

Owner's equity \$ \_\_\_\_\_

Total Liabilities + Owner's Equity \$ \_\_\_\_\_

# **Break-Even Analysis**

The break-even point is the level of sales at which your total sales exactly covers your total costs and operating expenses. This level of sales is called the Break-Even Sales Level (BEP sales).

In other words, at the BEP sales level, you will make zero profit. If you sell more than the BEP sales level, you will make a net profit. If you sell less than the BEP sales level, you will make a net loss.

The work sheet will calculate your BEP sales level for any year of operations. The step listed below will assume that you are calculating the BEP sales level for Year 1.

## **Step 1:**

---

Fill in your Total Sales, Total Cost of Goods Sold, and Total Gross Margin for Year 1. Refer to page 47 for these figures.

## **Step 2:**

---

Calculate the Gross Margin % using the formula which is given of the work sheet. The Gross Margin % tells you what percentage of each dollar of sales result in Gross Margin.

## **Step 3:**

---

Fill in the Total Operating Expenses for year 1. You have already calculated this figure on page 47.

## **Step 4:**

---

Calculate the BEP sales level using the formula which is given. You need to reach this level of sales just to break even.

Step 1

Total Sales \_\_\_\_\_

Total Cost of Goods Sold \_\_\_\_\_

Total Gross Margin \_\_\_\_\_

Step 2

Gross Profit % =  $\frac{\text{Total Gross Margin}}{\text{Total Sales}}$  =  $\frac{\$ \text{_____}}{\text{_____}}$

Gross Margin % = 0. \_\_\_\_\_

(Leave the Gross Margin % in a decimal format. The correct format is 0.347 – not 34.7%)

Step 3

Total Operating Expenses = \$ \_\_\_\_\_

Step 4

BEP Sales Level =  $\frac{\text{Total Operating Expenses}}{\text{Gross Margin \%}}$  =  $\frac{\$ \text{_____}}{0. \text{_____}}$

BEP Sales Level = \$ \_\_\_\_\_

# **Timetable**

This is a work sheet that you will need to work on periodically as you progress in the workbook. The purpose is to assure that key activities vital to the success of your business are identified and completed.

## **Step 1: Identify key activities**

---

By reviewing other portions of your business plan, compile a list of activities that are vital to the successful operation of your business.

## **Step 2: Assign responsibility for each activity**

---

For each identified activity, assign one person primary responsibility for the completion of that activity.

## **Step 3: Determine scheduled start date.**

---

For each activity determine the date when work will begin. You should consider how the activity fits into your overall plan as well as the availability of the person responsible.

## **Step 4: Determine scheduled finish date.**

---

For each activity determine when the activity must be completed.



# **Summary of the plan**

## **Step 1: Verify completion of previous pages.**

---

You should have finished all the other sections in the workbook before continuing any further.

## **Step 2: Identify your business plan audience.**

---

What type of person are you intending to satisfy with this business plan? The summary should briefly address all the major issues that are important to this person. Keep in mind that this page will probably be the first read by this person. It is extremely important the summary be brief yet contain the information most important to the reader. This section should make the reader want to read the rest of your plan.

## **Step 3: Write a one-page summary.**

---

You will now need to loosen up your writing hand because it is time to write no more than a page, 25 lines to be exact, summarizing all the previous work sheets you have completed.

Determine which sections are going to be most interesting to your reader. Write one to three sentences that summarize each of the important sections.

These sentences should appear in the order of the sections of your business plan. Keep in mind that the sentences must fit together to form a summary, not appear to be a group of loosely related thoughts.

You may want to have several different summaries, depending on who will read the business plan.





# **Supporting exhibits**

## **Step 1: Identify desired supporting exhibits.**

---

Using the checklist, identify documents you will use as supporting exhibits for your business plan.

## **Step 2: Collect these supporting exhibits.**

---

Complete any documents that are not readily available and obtain copies of items that already are in existence. Use the checklist to keep track of exhibits you have gathered and ones that still need to be assembled.

Exhibit	Needed?	Completed?
Historical Financial Statement		
Tax returns		
Resumes		
Organizational chart		
Floor layout		
Map showing location		
Job Descriptions		
Legal documents		
Credit report		
Patents		
Letter of reference		
Photos of business		
Bill of materials		
Routing slips		
Market survey report		

# Checklist for starting a new business

1. **Assumed business name.** Register with the county recorder at the county court house.
2. **Regulated activities and occupational licenses.** Check the list in the Idaho Department of Commerce publication *Starting a Business in Idaho* or the blue pages in your phone book.
3. **Federal employment taxes.** The U. S. Internal Revenue Service has forms and procedures that must be followed. These include the federal income tax, the federal unemployment tax and the federal social security tax.
4. **City business license.** Check with the city hall.
5. **State employment taxes.** The Idaho Department of Revenue and Taxation, the Idaho Department of Employment and the Idaho State Insurance Fund have forms and procedures that must be followed. These taxes include the state income tax, the state unemployment tax and workers' compensation insurance.
6. **Labor regulations.** The Idaho State Labor and Industrial Service and the U. S. Department of Labor have regulations that must be followed. Both have publications explaining the regulations.
7. **Immigration law.** The U. S. Environmental Protection Agency and the Idaho Department of Health and Welfare have regulations and procedures that must be followed.
8. **Environment.** The U. S. Environment Protection Agency and the Idaho Department of Health and Welfare have regulations and procedures that must be followed.
9. **Occupational safety.** The Occupational Safety & Health Administration of the U. S. Department of Labor has regulations and procedures that must be followed.
10. **Trade associations.** The *Encyclopedia of Associations* at your local library list the associations and organizations which may have valuable information and support services for your business.
11. **Incorporation.** If you are forming a corporation, register with the Idaho Secretary of State.
12. **Securities.** The U. S. Securities and Exchange Commission and the Idaho State Department of Finance have regulations and procedures that must be followed.



# **Sources of information – Federal agencies**

U.S. Small Business Administration  
1020 Main Street, Suite 290  
Boise, Idaho 83702  
208-334-1780

U.S. Economic Development Administration  
304 North 8<sup>th</sup>, Room 441  
Boise, Idaho 83702  
208-334-1521

Internal Revenue Service  
550 West Fort Street  
Boise, Idaho 83724  
1-800-424-1040

U.S. Department of Labor  
3050 North Lake Harbor Lane  
Boise, Idaho 83703  
208-334-1029

Farmers Home Administration  
3232 Elder Street  
Boise, Idaho 83705  
208-334-1301

Environmental Protection Agency  
422 West Washington Street  
Boise, Idaho 83702  
208-334-1450

U.S. Bureau of Land Management  
3380 Americana Terrace  
Boise, Idaho 83706  
208-384-3000

U.S. Food and Drug Administration  
3100 North Lake Harbor Lane  
Boise, Idaho 83703  
208-334-1319

# **Sources of information – State of Idaho**

Idaho State Department of Commerce  
700 West State Street  
Boise, Idaho 83720  
208-334-2470

Secretary of the State of Idaho  
Statehouse, Room 203  
Boise, Idaho 83720  
208-334-2300

Idaho Department of Finance  
700 West State Street  
Boise, Idaho 83720  
208-334-3313

Idaho Department of Revenue and Taxation  
800 Park Boulevard  
Boise, Idaho 83706  
208-334-7660

Idaho Department of Labor and Industrial Services  
277 North 6<sup>th</sup> Street  
Boise, Idaho 83720  
208-334-3950

Idaho State Agriculture Department  
2270 Old Penitentiary Road  
Boise, Idaho 83712  
208-334-3240

Service Corps of Retired Executives - - District Office  
1020 Main Street  
Boise, Idaho 83702  
208-334-1780

Idaho Small Business Development Center - - State Office  
Boise State University  
1910 University Drive  
Boise, Idaho 83725  
208-385-1640





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