



South Pacific Commission

# SETTING UP A SMALL-SCALE BUSINESS

A GUIDE FOR WOMEN IN FISHERIES

by

Dale Hermanson  
&  
Glen Hughes

**WOMEN'S FISHERIES  
DEVELOPMENT SECTION**  
South Pacific Commission  
Noumea, New Caledonia



Canadian International  
Development Agency



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Published with financial assistance from the Government of Canada

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## **MODULE OBJECTIVES**

At the end of this module, you should be able to:

1. Understand whether setting up a business is right for you
2. Estimate whether your business will be feasible
3. Decide how your business will operate
4. Know where to go for assistance
5. Know the basics of developing a business plan
6. Know the steps to take to start your business

## RESOURCE MATERIAL

### OVERHEAD PROJECTOR/HANDOUT RESOURCE MATERIAL

1. Steps for making the decision to start a business – diagram
2. Blank spreadsheet – for exercises in Lesson Two
3. Operating cycle of a business – diagram
4. Cash flow statement – example
5. Profit & loss statement – example
6. Profit & loss statement – worksheet
7. First page of a business plan – example
8. Steps for developing your business – diagram

### LIST OF REQUIRED EQUIPMENT AND RESOURCES

1. *'Shellcraft'* videotape
2. Basic calculator
3. Writing paper for participants to do exercises
4. Photocopied spreadsheets from end of manual

## INTRODUCTION

Setting up a business for the first time can be one of the most exciting yet frightening experiences of your life. It can be exciting, because in most cases you are creating something from nothing – something that will be unique because of you. But it can be frightening as well, because of your lack of experience and the fact that your money, your reputation and often even your livelihood are on the line.

The purpose of this manual is to show you that setting up a business, if certain steps are followed, need not be frightening at all. By learning these very basic steps, running your own company can be both exciting and rewarding. Some people are simply not suited for the sometimes stressful and unpredictable world of operating a business. This manual is designed to help those who are.

Today, many women are setting up their own businesses to supplement their family's income, or to totally support their family themselves. There are probably as many reasons to set up a business as there are people wanting to do it. Women, however, are often neglected in development projects which encourage and train people in setting up businesses.

This manual was prepared by Dale Hermanson and Glen Hughes of Pasifika Communications Limited, for the SPC Women's Fisheries Development Section. Preparation of this manual took place as a collaborative effort, with a substantial process of draft design, review and editing taking place.

The aim of the manual is to provide information that will assist women in setting up a business, and help ensure that the business will succeed. Trainers and businesswomen alike can use this manual as a guide from the earliest stages of setting up a business to those who need a refresher course.

Accompanying this manual is a video programme entitled Shellcraft: An income-generating venture for women. The Cook Islands experience. This video shows many different businesses in the Cook Islands which make and sell shellcraft. These businesses are operated largely by women.

Publication of this manual has been made possible by the financial support of the Government of Canada, to whom the South Pacific Commission would like to express its sincere appreciation.

Patricia Tuara  
SPC Women's Fisheries Development Officer

## LESSON ONE

### MAKING THE DECISION

#### 1.1 Why do you want to start a business?

Most people set up a business for one reason – to make a profit. But there are a great many other reasons – Women especially have many. It's good to think about the reasons why you want to go into business so you can be certain later that you are achieving what you originally set out to do.

##### Some reasons

- to provide a service to the community
- to improve the living standard of your family
- to provide employment for your family
- for status
- to be your own boss
- for a change
- for contact with people
- for pleasure

**Exercise 1:** Write down five reasons why you want to start a business.

#### 1.2 Are you a business type?

Do you have what it takes to be a successful business person? There are a number of personal traits that are valuable if you plan to set up and run your own business. Ask yourself the following questions:

- Are you hardworking?
- Do you like dealing with people?
- Are you reliable?
- Are you good at giving directions?
- Can you make decisions quickly?
- Do you know enough about the product or service you are selling?
- Do you have the time needed to operate and organise your business?

If you answer 'no' to more than two of these, you might find you will have to change your outlook if your business is to succeed.

*In the Cook Islands, Marie Melvin runs Island Craft, a business which makes and sells handicrafts. Marie must make decisions daily on which supplies to purchase, what products need to be made, staff problems, etc. She must make these decisions quickly, even though they affect all of her workers and her family as well.*





**Exercise 2:** Write down the personal traits which would help make you a good business person (e.g. hardworking, reliable, etc.)

### 1.3 What are the personal costs?

Because they have so many other responsibilities in the community – as homemakers, mothers, church leaders, etc. – women have to weigh carefully the price of setting up a business in terms of personal costs. Setting up and running a business drains both your time and your energy levels. Consider the personal costs listed below.

- Less time with your children
- Less time for socialising and community duties
- Less energy for family responsibilities
- Absences from home and the community to handle business situations
- Your funds are tied up in your business

**Exercise 3:** Write down the personal costs to you, if you were to set up a business.

### Amusing story

Remember the scene in *Alice in Wonderland* when Alice chats with the confusing Cheshire Cat?

Alice: 'Would you tell me please, which way I ought to go from here?'

Cat: 'That depends a good deal on where you want to get to.'

Alice: 'I don't much care where . . .'

Cat: 'Then it doesn't much matter which way you go.'

Alice: ' . . . so long as I get somewhere.'

Cat: 'Oh, you're sure to do that, if you only walk long enough.'



## LESSON TWO

### PLANNING – HOW DO YOU START?

#### 2.1 Is your business feasible?

Before deciding whether to start a particular business or not, you should determine whether the business will be feasible, in other words whether it would make money or not. Basically, there are six steps towards determining the feasibility of your business:

- Step 1 Choose a product or service to sell
- Step 2 Find out if people will buy the product or service
- Step 3 Decide how your business will operate
- Step 4 Estimate how much it will cost you to operate your business
- Step 5 Estimate how much you will make from sales
- Step 6 Compare your expected income and your expected costs

**Note for facilitators:** After some of the steps in Lesson Two, participants will be asked to enter information onto a simple spreadsheet. A blank spreadsheet is included among the handout material of this manual (page 34). Photocopy this and hand out one copy to each of the participants.

#### STEP 1: Choose a product or service to sell

There are a number of questions you should ask yourself in deciding what sort of business you should establish and where you should set it up.

##### Is there a demand for the product?

Look and see what businesses there are in your community now. What products do people need? Are there already businesses that provide these things? What are some products or services that are not available in your community?

##### How many similar businesses are already in operation?

If there are already several other businesses in operation which provide the same product or service you want to, your business may not be feasible. It depends whether what you offer will be unique in some way (cheaper, better, special, etc.).





*Joan Rolls owns and operates Beachcomber Ltd., which makes and sells sophisticated shellcraft jewellery and handicrafts. Because other shellcraft shops exist, Joan had to make her product different. Her jewellery is very highly finished, and she often uses gold and silver in her designs, giving the jewellery a more sophisticated look.*

### **What skills do you possess to run your business?**

You should know enough about your business to offer a good product or provide good services. Otherwise you may have to either get training in that area or choose another product or service you do know.

### **What benefits do you wish to gain from running your business?**

Apart from making a profit, you may wish to gain pride in yourself, help create new jobs, improve your status in the community or even provide products or services which you see as necessary.

### **STEP 2: Will people want to buy your product or service?**

How can you find out if people will pay for your product or service? Or, in business language, is there a market for your product? In particular, if what you sell is new or unique, you have to be able to answer certain questions to see if your business is a good idea or not.

- Is there a demand for your product or service?
- Where should your business be located to attract the most customers?
- How much competition do you have?
- How many potential customers do you have?
- What is a suitable price you can ask for your product?

#### **To find out if people will buy your product you should:**

- Visit a market or a store and observe what similar products customers buy
- Find out what people have in their homes that is related to your product or service
- Talk to people who are already selling a similar item
- Set up a 'focus group interview'

A 'focus group interview' is a useful tool for finding out why customers might or might not buy your product or service. Very simply, you bring together a small number of people who represent a cross-section of the potential customers you have identified. The interviewer (usually you) asks the members of the group direct questions about the advantages and disadvantages of a product or service. Asking the group what they think of competitors' products or service can also give you an insight into what mistakes not to make or how you can make your own business unique.

Joan Rolls main customers are overseas tourists visiting the Cook Islands. She listened to their needs and noticed what types of jewellery they wore and bought. She then created a more sophisticated line of shell jewellery which she finds sells well to the overseas tourists but less to the local market.

**Exercise note:** Take a piece of paper and draw a line down the centre. Label the left side 'advantages' and the right side 'disadvantages.' Now write in the two columns all of the disadvantages and advantages of your product or service. Avoid using generalisations such as 'lower price' or 'better quality' without some justification. Include real benefits customers would receive from your product or service.



### STEP 3: Decide how your business will operate

A number of questions must be considered such as:

- What is involved in the production process from start to finish?
- How long does the production cycle take?
- What resources do you need to run your business (transportation, raw materials, start-up money, etc.) and where can you get them?
- What skills do you need and how will you learn them?
- Will you need to hire employees?

### STEP 4: Estimate how much it will cost you to operate your business

Make a list of all of your planned expenses for each month such as:

salaries	office supplies
raw materials	tools
rent	fuel
electricity	maintenance
advertising	packaging
water	transport
insurance	bank charges

Estimate the monthly costs for these expenses. Add any other monthly expenses which you know about – although each month might differ owing to seasonal trends, you should be able to estimate an average month's expenses.



**Exercise note:** Enter the monthly cost estimates for your proposed business onto the spreadsheet, which is found at the end of the manual.





*Ina Tini makes strings of shell necklaces in her home and often collects the shells herself. Her expenses involve purchasing needles, thread, twine and baking soda (for cleaning out the shells).*

### **STEP 5: Estimate how much you will make from sales**

After talking to potential customers and observing people who are purchasing or using a product or service similar to yours, you should have an idea of how much you can sell in one month. The price of your product should also be considered. Skilful pricing of your products is one

of the most important functions in operating a successful business. Price is a measure of what the customer must exchange in order to obtain goods or services. But price is also an indicator of value to the customer. Value, like beauty, is in the eye of the beholder. So pricing should be based, among other things, on your customers' perceptions of what you offer and what they perceive to be its value.

New business people often make two errors in setting prices for their goods or services.

1. The small business tries to charge less than a bigger business. The logical reasons are because larger businesses deal in larger quantities, so the price-per-unit is lower. Therefore, your product must somehow be perceived to be of equal or greater value than a similar product offered by a larger store or business;
2. Setting low prices in the early months of the business. During the start-up phase, new businesses usually rely on a core group of customers for repeat business and word-of-mouth advertising. When you finally decide you must raise your prices to make a profit, you risk losing your customers and creating a negative image in the eyes of your potential customers.

After you have determined your total operating costs of doing business, you'll be ready to plan what you will have to add to the cost of your products to set profitable selling prices.

Some factors that will affect your decision on pricing are:

- shipping costs
- your competitors' pricing
- operating costs
- your customers' need or desire for your product
- your customers' image of the value of your product or service

Once you have set prices for your product or service, you can then prepare a sales estimate. To estimate your monthly sales, simply multiply the number of sales you expect to make in one month times the average price you will be asking for your product or service.

**Example: Estimated monthly sales – January**

Item	Number	Price	Total
simple necklaces	12	\$12.00	\$144.00
shell earrings	20	\$10.00	\$200.00
medallions	15	\$10.00	\$150.00
carved necklace	12	\$25.00	\$300.00
polished shells	15	\$ 5.00	\$ 75.00
special orders	5	\$20.00	\$100.00
buckles	8	\$12.00	\$ 96.00
<b>Total</b>			<b><u>\$1,065.00</u></b>

**Exercise note:** Enter your estimated sales onto the spread-sheet.

**STEP 6: Compare expected income and expected costs**

Subtract your expected costs from your expected income to see if your average month will show a profit. You will also need to estimate the costs involved with starting your business, e.g. purchasing equipment, supplies, setting up a shop or work area, etc. These start-up costs will obviously have to be paid out before you even start making an income.

If you have estimated conservatively for sales but estimated slightly higher than you think for costs, you should have a good idea of whether your business will be feasible. If your costs are more than your sales, you'll have to look again at how to make the business feasible. This might involve deciding on a way of reducing your costs or somehow increasing your sales.

**Example: Comparing expenses and sales**

Expenses	Sales	Balance
\$235.00	\$ 144.00	
\$200.00	\$ 200.00	
\$ 50.00	\$ 150.00	
\$ 25.00	\$ 300.00	
\$ 12.50	\$ 75.00	
\$111.00	\$ 100.00	
\$ 96.00		
<b>Totals</b>	<b><u>\$1,065.00</u></b>	<b><u>\$431.50</u></b>

**Exercise note:** Subtract your estimated costs from your estimated income to see if your average month of business will show a profit. Your start-up costs (purchasing equipment, licenses, etc.) will be entered into your estimates when you work up an estimate for a full year. This is discussed on page 17 in Lesson Three.

## Where to now?

If you've shown on paper that your business is feasible, ask yourself, 'Now, what do I do?' If your family or friends have plenty of money that they are willing to pour into your business venture, this question is already answered. But for those of you who will have to find the money to start up your business, you may have to get assistance – both in getting the money and for advice on setting up the business.

## 2.2 Who will own the business?

Basically, there are three main styles of operation your business can take. These are:

1. **Sole owner (self-owned)**
2. **Partnership (owned by more than one person)**
3. **Company (owned by shareholders)**

**Sole owner** means simply that you own your company by yourself. Even if you have a loan from a bank or a friend or family member, a sole owner is a legal classification which determines the way your business will operate.

### Advantages:

You are your own boss  
You can keep in touch with all sides of the business  
Decisions can be made quickly

### Disadvantages:

All the responsibility is on your shoulders  
You are probably unable to put in as much money  
The owner is responsible for all the debts of the business

**Partnership** means that you own the business jointly with at least one other person. These partners must enter into an agreement or contract if the partnership is to continue for more than a year. It is usually advisable for a lawyer to draw up the necessary contract. This helps prevent any legal difficulties later. The contract should clearly state all of the important terms of the partnership.

The contract usually contains the following information:

- Who the partners are
- The purpose of the partnership
- The duration of the partnership
- The amount invested by each partner
- The duties of each partner
- Special provisions with salaries, profits, etc.

Remember to add the cost of legal fees into your start-up costs if you do use a lawyer's services to prepare a contract.



**Advantages:**

The extra capital means the business can expand more rapidly

Each partner can handle one aspect of the business

If a partner is ill, the other(s) can carry on

**Disadvantages:**

A partner may be committed to debts incurred by another partner

Shared management can be trying at times

Disputes can arise regarding the time & effort put in by each partner

**Exercise note:**

Write down the type of ownership your proposed business will have. Write down the advantages you think such an ownership will mean to your business.

A **Company** is usually set up for larger businesses and involves shareholders and boards of directors. Many small businesses will likely operate as either a sole owner or a partnership.

**Advantages:**

More money is available to set up the business

Your shareholders can help in getting customers

**Disadvantages:**

You are sharing management of the company with all the shareholders

Your shareholders can block your decisions

The actions of your shareholders can reflect on the business

**2.3 Where can you get assistance?**

Obviously in making a decision to start a new business, there will be many questions which this manual cannot answer. There are a number of organisations which offer advice and other services to those who want to establish a new business venture. A few of these are listed below:

- **Small business advisory units (usually government or semi-government)**  
These advisory units usually advise potential business people what the steps are for setting up a business. They can often save you time and money if you take advantage of their services.
- **Development institutions (regional organisations, international agencies, etc.)**  
Institutions such as these occasionally run workshops or offer advisers. But this assistance is hard to plan on, since these workshops are not necessarily held when you need them to be.
- **Government departments and agencies**  
Fisheries departments, women's affairs bureaus, etc.
- **Non-government organisations (NGOs)**  
National councils of women, etc.

Many women find it easier to approach other women for advice in Island countries, and tend to go to government and NGO agencies for women. It depends on what type of assistance you need and in which country you live. The assistance may come in the form of a loan, technical assistance, advice or the provision of materials. Forms of assistance will vary from country to country in the Pacific:

To borrow money from a lending institution like a bank, they will usually require a 'business plan' before they will even consider your loan. A description of a business plan follows in the next section.



## LESSON THREE

### THE BUSINESS PLAN

#### 3.1 Why use a business plan?

Preparing a business plan helps you think through all aspects of organising and operating your business. It states what your goal is for the business and how you are going to achieve that goal. Others you want to provide money to help set up your business, like banks or business partners, will want to evaluate your business plan before they become involved.

But even if you are not borrowing money from a bank, having a good business plan can be a means of increasing your business' chances for survival and prosperity. The plan forces you to evaluate and plan in detail what goal your business will achieve, how it will achieve it and what money, materials and people it will take to reach this goal.

#### 3.2 Writing the business plan

The main thing to consider when you are writing a business plan is to be clear, concise and honest. Do not pretend or falsely estimate the scope of your business otherwise you may have difficulties later.

#### 3.3 Outline for a business plan

##### 1. Executive summary

- a) Description of your proposed business
  - 1) describe your product or business
  - 2) support with diagrams, illustrations or pictures (if available)
- b) Summary of your proposed marketing method
  - 1) describe the market you're aiming for
  - 2) outline the way you plan to reach your market
- c) Summary of your financial estimates
  - 1) state the total sales you aim to reach in each of the first three years
  - 2) state the estimated profit for each of the first three years
  - 3) state the estimated starting capital you'll need

##### 2. Statement of objectives

- a) Statement of the desirability of your product or service
  - 1) describe the advantages your product or service has, its improvements over existing products or services
  - 2) state the long-range objectives and the short-range objectives of your proposed business
  - 3) describe your qualifications to run the business
  - 4) describe the 'character' you want for your business, the image you'd like your customers to see

### **3. Background of proposed business**

- a) Brief summary of existing conditions in the type of 'industry' you're intending to enter
  - 1) where the product or service is now being used
  - 2) how the product or service is now being used
- b) Detailed explanation of your place in the industry
  - 1) describe the projections and trends for the industry
  - 2) describe competition you face
  - 3) state your intended strategy for meeting competition
  - 4) describe the special qualities of your product or service that make it unique

### **4. Marketing strategy**

- a) A description of your marketing strategy
  - 1) describe the market you plan to reach
  - 2) describe in detail how you plan to distribute your product or service (retail shops, door to door, etc.)
  - 3) describe the share of the market you expect to capture

### **5. Selling tactics**

- a) An outline of the activities to be used in selling the product or service
  - 1) state the methods you expect to use to promote your product or service (word of mouth, radio, newspapers, etc.)
  - 2) include a sample brochure or other promotional literature
  - 3) present any data which supports your ability to meet your sales goals (i.e. actual orders, potential customers, etc.)
  - 4) explain the margins of safety you've allowed in your sales forecasts

### **6. Plan of operation**

- a) Description of the proposed organisation
  - 1) show an organisation chart describing the needed business functions and relationships
  - 2) describe the key positions and identify the persons to fill them
  - 3) list equipment or facilities and the space and location required
  - 4) if manufacturing, outline the kind of production you'll do in-house and that to be sub-contracted

## **7. Supporting data**

- a) Information required to support the major points in the business plan
  - 1) a set of drawings of the product(s) to be made or a detailed description of the service to be offered
  - 2) show a list of the equipment you'll require for your business and estimates of the cost of that equipment
  - 3) List the capital equipment you'll need and its estimated cost.
  - 4) List a price schedule for your product line or service
  - 5) Include your market survey data (perhaps from your focus group)
  - 6) supply the following financial data:
    - projected statement and balance sheet for the first two years by the month
    - Income statement for two years
    - cash flow projection for two years

## **8. Conclusions and summary**

- a) statement of proposed approach in starting the new business
  - 1) state the total capital you'll need and the safety factor you've used
  - 2) state how much profit you expect and when you expect to show it
  - 3) decide what percentage of ownership you want for yourself and your partners
  - 4) indicate the total capital you'll need and how it's to be made up:
    - your share of the starting investment
    - how much you'll need from others and when you'll need the money
    - state what share of the business you'll give to investors or lenders
  - 5) state your planned schedule for starting your business

### **3.3.1 Describe the business**

First, describe briefly (in one paragraph) the type of business you wish to set up — retail (fish shop, clothing store, etc.), service (house painting, mechanic, tailoring, etc.), manufacturing (making shellcraft jewellery, clothing factory, etc.), wholesaling (selling quantities of products others have produced) or some combination of these. State the name of your business, its location and who will be the owners.

Ownership of a business can be set up in several ways. As described previously, you can be a sole owner, form a partnership, or establish yourself as a company. Each form of business has its advantages and disadvantages.

**Exercise Note:** Using only one paragraph, describe your business as explained above.

### 3.3.2 Describe your product or service

Describe exactly what you will sell or what service you will provide. Describe how it will be used, and whether it is unique or better than similar products or services on the market.

Describe how you will supply your product or service. If you are proposing a retail business for instance, explain where and how you will get your product. If it is a manufacturing business state how you propose to get the materials and produce the product.

If your product, process or service requires any development before you can sell it, you also need to indicate what is involved and the costs.

**Example:** 'Sue's Shells will involve the manufacture and sale of shell jewellery. This jewellery will involve mainly locally available shells, but some use will be made of imported shells for a unique look. Once they are collected, the shells need to be cleaned and polished before they are ready to be used in jewellery-making.'

**Exercise note:** Write down a description of your product or service as described in the section above.



### 3.3.3 What is your market?

It is foolish to go into business and not have a good idea who and how many people are likely to buy your product or service. These people are called your **market**, and are obviously the most important people in the world to a business. Identifying and measuring your market will give you a great insight as to whether your business will work. To identify your market you need to know the following:

- **Who will buy your product or service?**

Determine their sex, ages, and whether they are locals or tourists, etc.

- **Why will they buy your product or service?**

Is it because you have the best prices, the best quality, the friendliest or most efficient service, convenience of your location, or is it perhaps necessity that will make people buy what you sell?



- **How big is your market?**

How many people are likely to buy your product or service? Are your potential customers only in your immediate community, or will your market stretch to other communities? How much would they spend on your product or service?

- **Who is your competition?**

Do your competitors have a similar business and do they offer the same or similar product or service as you? What do you know about their operation? How big is their market? Explain how you propose to take a share of their market or prevent them from taking a share of yours. Do you expect more competition later? Why?

- **How much do you think you will sell?**

Using the above information as a guide, estimate carefully how much your sales will be. First estimate how much you will sell in one month. Then, build those figures into an entire year, keeping in mind such things as seasonal ups and downs. For example, you may sell more shell jewellery just before annual cultural events or just before Christmas as gifts. Your sales may be lower at another time of the year for a similar reason. Once you have your totals for the year, estimate how much your sales may increase in the next two years. Lending institutions like banks will usually want to see your sales estimates for the first three years of operation.

The first page of the business plan should contain all the essential information – in a shortened form. The reason is that many banks and lending institutions will read this page first to decide if they are even interested in loaning you money. By putting it all on the first page, they can assess the main points quickly.

### **Example business plan – first page**

#### **Mission statement**

The mission of Coral Jewellery Ltd is to produce and sell the highest quality shellcraft jewellery on the island and to provide a reasonable return to the shareholders.

#### **Executive summary**

**Description of the Business:** Coral Jewellery Ltd is involved with the making and retailing of shellcraft jewellery. The business will purchase raw shells from local women, clean and polish these shells and use them in the making of necklaces, earrings, buckles, and other jewellery and even non-jewellery items. The business will also involve a small shop next door to the Coral Hotel where the items we manufacture will be sold.

**Rationale:** The purpose for Coral Jewellery Ltd is two-fold – firstly to fill a need for high-quality local jewellery and handicrafts that tourists are keen to buy; and secondly to offer locals a wider range of shell jewellery that is often worn on cultural occasions and given as traditional gifts. The shop will also present a central location with usual business hours where shellcraft jewellery can be purchased.

**Marketing summary:** Our business will target tourists, primarily at the Coral Hotel, which is located next door, but also tourists from other hotels and those visiting on cruise liners. Our secondary target is local people who buy a limited amount of shell jewellery for traditional occasions and traditional gifts. The two partners in Coral Jewellery are well known in the community, and have in the past made jewellery on a limited basis for friends, and on special occasions. Their reputation for high quality work is well known on the island and will assist in the establishment of word-of-mouth advertising in the local community. To reach the tourist market, brochures will be developed and made available at the front desks of all the island's hotels. A sign board will also be posted at the wharf where the tourists from the cruise liners come off the ship. Other advertising methods will be examined later.

### Financial Summary

- 1) Estimated income for first three years of operation
 

1st Year	\$23,000
2nd Year	\$26,000
3rd Year	\$28,500
  
- 2) Estimated profit (or loss) for the first three years of operation
 

1st Year	<\$ 2,500>
2nd Year	\$ 3,000
3rd Year	\$ 9,000
  
- 3) Estimated capital necessary for start-up                      \$20,000

**Exercise note:** Using the questions asked in the section above as a guide, describe your market, your competition, and your estimate for sales. Take your time with your sales estimates, because this will be an important part of your overall business plan. You may also be questioned on how you arrived at those estimates.

*Running a small handicraft and shellcraft shop at the airport, Marie Melvin estimates the number of sales she will have by the number of international flights that pass through Rarotonga. Using a simple estimation of sales per flight, she can calculate her monthly sales estimates, and from that estimate, her yearly sales figures.*







*The marketing strategy for a fictional shellcraft shop is to tailor-make all jewellery for its customers. Standard ear-ring clips and other jewellery are available, to which special shells or combinations of shells and other materials can be added to make unique jewellery pieces. Cost is also a consideration. The finished jewellery pieces must be within the price range of the competitors' jewellery.*

### **3.3.4 How will you make your customers buy? (marketing strategy)**

The theory behind how to sell your product or service is called marketing. Knowing your market, you must develop a strategy about how you will motivate people to buy your product or

service. You need to decide whether it's one or several things that will make people buy your product or service.

For example, your marketing strategy may be to offer your product or service at the lowest prices, have the most central location, have your staff wear colourful costumes, or simply rely on the unique character of the products you produce.

**Exercise note:** Describe your marketing strategy.

### **3.3.5 How will you promote your business? (advertising)**

If no one knows what you are selling, how do you expect to sell your product or service? You need to outline the ways you intend to promote your business. Again by using information that you know about your market, you can determine the most cost-effective and effective means for promotion.

Newspaper ads, signboards, handing out brochures, mailing out leaflets, going door-to-door to discuss the business with your community, a presentation at village meetings, phone and fax, shop window displays, and even TV and radio ads are only some of the ways to promote your business.

Because you know your community and your market, you will need to determine which method is the most cost-effective for your business.

You will also need to plan how much you will spend on advertising and include this in your running costs for the business.



*Beachcomber Ltd advertises its store through a variety of means. It has printed brochures which are distributed through local hotels and other locations which cater to tourists. The brochures are also available at the store. Radio commercials have also been used as well as ads in the tourist newspapers, tourist magazines, etc.*

**Exercise note:** Describe your ideas for advertising your product or service. Explain why you have chosen this particular method.

### 3.3.6 Your staff

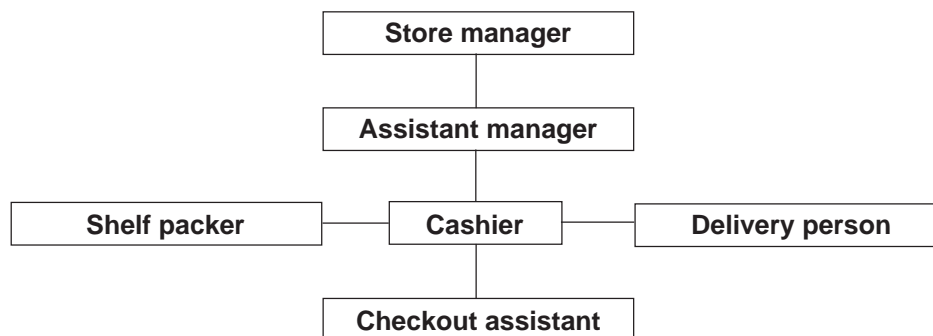
Never underestimate the importance of the people that work for you. The greatest asset for most businesses is their staff. Anyone who is evaluating your business plan will want to know how many people you will employ and what type of qualifications and experience are needed for each position.

Describe in detail the roles and responsibilities of each position and what experience and or qualifications you require for those positions.

A simple way of showing the various positions and how they relate in the business is to use a diagram. This is also called an organisation chart. Below is an example of the staff structure of a small supermarket.



**Example: Structure of small supermarket**



**Exercise note:** Draw a diagram of how your business will be staffed. The boxes at the top are obviously the manager(s) of the business and those below, the workers. Boxes which are directly underneath other boxes indicate that the people in the lower boxes are supervised directly by those in the box above them.

### 3.3.7 Location and facilities

With some businesses, the locality of the business affects your sales. State where you intend to run your business and why you intend to operate it at that location. You will also need to know how much advance rent you might need to pay. This figure will need to be included with the other costs for setting up your business.





*Island Craft has two locations, both which help increase the ability of the business to make sales. Their primary location is in the town centre, near the greatest concentration of shops, banks, eating establishments, etc. This ensures that they get a certain amount of customers who just wander in to look more closely at something they have seen in the window. Their second location is at the airport. This serves the tourist, who wants a special 'island' gift on his way in or out of Rarotonga. It also serves the locals, whose tradition it is to garland departing friends or relatives with shell necklaces.*

You must also consider the sort of equipment and other items such as machinery, office equipment or transport you will need to run your business.

For example, a small-scale retail shop that sells fish would typically require the following items to run their business: cash register, counter, display case, plastic boxes, trays for the fish, uniforms, ice chests, knives, decorations for their display, signs and labels, etc.

Purchases of equipment, furniture and fittings, etc. for your business are called capital expenditure. These purchases are made during the setting up of your business. It is important to state your capital expenditure costs in your business plan because people who might lend money will need to know how it will be spent.

**Exercise note:** Describe the proposed location for your business, even if it is to be operated out of your home. Describe why you will operate your business there and how it will affect your sales. Also describe the facilities you will need to set up your business.

### 3.3.8 Start up costs

Carefully consider all costs you will need to set up your business. These should be presented in your plan like the example below.

**1. Rent**      3 months advance @ \$200 per month      \$ 600

#### **2. Capital expenditure**

Cash register	\$ 850
3 x plastic boxes	\$ 45
1 x ice chest	\$ 85
4 x uniforms	\$ 280
6 x knives	\$ 120
Display decorations	\$ 55
Labels and signs	\$ 95
<b>Total capital expenditure</b>	<b>\$1,530</b>

#### **3. One time expenses**

Business licence, permits, legal fees for \$ 500  
contracts, registration fees, etc.

**4. Contingency** (unexpected costs)      \$1,000

**TOTAL set up costs**      **\$3,630**

### 3.3.9 Your predicted income and expenses (financial forecast)

You need to list all your expenses along with your estimated sales for running the business. This should be presented as a 'profit and loss statement'. A Profit and Loss statement is a measure of business performance over a period of time. Many who are evaluating your business plan will review this section very closely. Make sure your estimates are as precise as possible.

A profit and loss statement is best presented over a 12 - month period on a month-to-month basis. Other investors or lenders will require a three- year prediction of these figures. The second- and third-years' financial forecast can be presented on a quarterly basis or as an annual figure.



#### Sales income

Your sales estimates can be taken from your market analysis.

There is often a direct cost that is associated with sales (cost of goods sold). This cost varies proportionally with the number of sales, and is different with each type of business. For example, a business that manufactures clothes would have a cost for materials. When you subtract your sales from the cost of goods sold you have what is called the gross profit.

Income per month	
Sales	\$2,000
Cost of sales ( <i>direct costs</i> )	
Material expenses	\$ 800
<b>Gross profit</b>	<b><u>\$1,200</u></b>

#### Operating expenses

There are other costs associated with the running of a business that need to be included in your financial forecast (profit and loss statement). These are the operating expenses, sometimes referred to as indirect costs. These costs do not vary proportionally to goods sold. Each type of business has different operating expenses.



<b>Operating expenses</b>	<b>January</b>
Advertising	\$ 35
Bank Interest	\$ 85
Insurance	\$ 240
Office supplies	\$ 35
Rent	\$ 200
Salaries	\$ 350
Telephone & Fax	\$ 45
Transport	\$ 35
<b>TOTAL operating expenses</b>	<b><u>\$1,025</u></b>

When you subtract the operating expenses from gross profit the difference is a net profit or loss before tax.

How much tax you will have to pay will vary, depending the tax laws in your country and whether your business is a sole owner, partnership or company. An accountant or the inland revenue or tax department in your country would have to be consulted regarding the tax laws which apply to your business.

#### **Example: Small business profit and loss statement 1st quarter – year 1**

<b>Income</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>
Sales	\$2,000	\$2,500	\$3,000	\$3,000
Cost of goods sold	\$ 800	\$1,000	\$1,200	\$1,200
<b>GROSS PROFIT/LOSS</b>	<b>\$1,200</b>	<b>\$1,500</b>	<b>\$1,800</b>	<b>\$1,800</b>
<b>Operating expenses</b>				
Advertising	\$ 35	\$ 35	\$ 35	\$ 35
Bank interest	\$ 85	\$ 80	\$ 78	\$ 75
Insurance	\$ 240	\$ 240	\$ 240	\$ 240
Office supplies	\$ 35	\$ 35	\$ 35	\$ 35
Rent	\$ 200	\$ 200	\$ 200	\$ 200
Salaries	\$ 350	\$ 350	\$ 350	\$ 350
Telephone & Fax	\$ 45	\$ 45	\$ 50	\$ 55
Transport	\$ 35	\$ 40	\$ 45	\$ 45
<b>Total expenses</b>	<b>\$1,025</b>	<b>\$1,025</b>	<b>\$1,033</b>	<b>\$1,035</b>
<b>NET PROFIT (before tax)</b>	<b>\$ 175</b>	<b>\$ 470</b>	<b>\$ 767</b>	<b>\$ 765</b>

### **3.3.10 Balance sheet**

Another essential document that is required to measure the health of a business is a balance sheet. A balance sheet shows what a business has (its assets), what it owes (liabilities) and how much the owners have put into the business (equity). It will state the condition of your business at a certain point in time. In simple terms, a balance sheet tells you where you stand, and the profit and loss statement tells you how you got there.

**Your balance sheet should consist of the following information:**

**Current assets** – are things that your business owns that can be converted to cash within a year, e.g. cash, people that owe you money, raw materials, etc.

**Fixed assets** – are things owned by your business that have a long-term use, e.g. vehicles, air-conditioners, special equipment, buildings, etc.

**Current liabilities** – are debts your business will pay within a year, i.e. general operating expenses, items that have been bought on credit, etc.

**Long-term liabilities** – are debts that are not required to be paid within a year, e.g. bank loans, etc.

**Owner's equity** – is what capital the owners have put in plus any earnings that have been retained in the business. It is what the owners would get if the all the assets were sold and the liabilities were paid.

**Owner equity equals assets minus liabilities**

**Example**

<b>Balance sheet</b>		
<b>Example small business</b>		
<b>Year ending 31 December 1996</b>		
<b>Current assets</b>		
Cash	\$ 500	
Trade debtors (credit sales)	\$ 1,500	
Stock	\$ 250	
Total current assets		<b>\$ 2,250</b>
<b>Fixed assets</b>		
Equipment and fixtures	\$ 5,250	
Building	\$ 8,500	
Total fixed assets		<b>\$13,750</b>
<b>TOTAL ASSETS</b>		<b><u>\$16,000</u></b>
<b>Current liabilities</b>		
Trade creditors	\$ 850	
Provision for tax	\$ 450	
Total current liabilities		<b>\$ 1,300</b>
<b>Long-term liabilities</b>		
Bank loan	\$ 5,000	
Total long-term liabilities		<b>\$ 5,000</b>
<b>TOTAL LIABILITIES</b>		<b><u>\$ 6,300</u></b>
<b>Owner's equity</b>		
Contributed capital	\$12,600	
Retained earnings	\$ 3,400	
Total equity		<b>\$16,000</b>
<b>OWNER'S EQUITY</b>		<b><u>\$ 9,700</u></b>

## LESSON FOUR

### GETTING STARTED

#### 4.1 Setting up and starting

Depending on the nature of your business, there are many things to consider when setting up a business. Arranging finance; choosing staff, purchasing equipment; finding a location; renovating and installation of facilities; advertising, etc are some typical examples. This process can take time and must be done efficiently otherwise delays could occur that prevent you making money. An effective way to tackle these tasks is to draw a schedule or timeline graph. Below is an example of a timeline graph.

#### TIMELINE FOR SET UP OF SAMPLE BUSINESS

Activity	Weeks							
1) Seek funding								
2) Order equipment								
3) Identify business site								
4) Order office equip. & supplies								
5) Advertise & hire staff								
6) Install equipment								
7) Advertise & market business								
8) Train staff								
9) Start business								
	1	2	3	4	1	2	3	4
	Nov				Dec			

#### 4.2 Controlling cash flow

Making profits does not necessarily mean you have money in the bank to pay your bills. Some businesses offer credit to their customers to get a sale. This means payments for those sales are not received for up to 30 to 60 days, and even longer in some circumstances. It very much depends on your relationship with your customers. Payments owed to you for sales you have already made are called cash receivable.

Having considerable payments owing to you affects the operating funds of your business because most businesses have costs that must be paid immediately like wages, materials, etc. The operation of a business can be jeopardised if cash funds are not carefully controlled. For example, if wages and materials cannot be paid on time, reduced sales could result through loss of staff and lack of materials to produce goods – this reduces operating cash even further, which could eventually cause closure of the business.

**Caution!** Credit can be dangerous in the Pacific, when family or neighbours do not pay their bills on time. Collecting money from them is culturally difficult, and yet is essential if your business is to survive. Many small businesses have learned that they simply can not offer credit to family and friends because of this. It may be difficult to say no, but it won't be difficult for the bank or other commercial lenders to demand payment from you on time.

Obviously, the best way of running your business is to maintain a positive cash flow. However, if your business experiences cash problems there are a number of ways you can overcome this.

1. Retrieve your cash receivable sooner (get the payments owed to you)
2. Increase your profits by increasing sales, and or reducing costs
3. Extend your credit terms with suppliers
4. Borrow money
5. Establish more equity – put more money of your own into the business, or obtain partners, etc.

#### Example Cash flow statement

Example small business cash flow statement 1st quarter – 1996				
	Jan	Feb	Mar	Apr
<b>CASH RECEIPTS</b>	\$1,000	\$2,250	\$2,750	\$3,000
<b>CASH DISBURSEMENTS</b>				
Cost of goods sold	\$ 800	\$1,000	\$1,200	\$1,200
Advertising	\$ 35	\$ 35	\$ 35	\$ 35
Bank loan	\$ 500	\$ 500	\$ 500	\$ 500
Insurance	\$1,440	0	0	0
Office supplies	\$ 35	\$ 35	\$ 35	\$ 35
Rent	\$ 200	\$ 200	\$ 200	\$ 200
Salaries	\$ 350	\$ 350	\$ 350	\$ 350
Telephone and fax	\$ 45	\$ 50	\$ 50	\$ 55
Transport	\$ 35	\$ 40	\$ 45	\$ 45
Total	\$3,440	\$2,210	\$2,415	\$2,420
<b>Net cash flow</b>	\$(2,440)	\$ 40	\$ 335	\$ 580
<b>Bank balance</b>	\$(1,440)	\$(1,400)	\$(1,065)	\$ (485)

### **4.3 Credit**

Many businesses may offer you the facility to pay for goods at a later date. This is called credit and is typically for 30 to 60 days depending on the nature of your business and your relationship with the other business.

Buying materials on credit can help you manage your cash flow. However, if you do not pay your credit bill on time, your supplier may decide to cancel your credit facility and require cash payments for future purchases. This could put you into a difficult situation because you will have to pay out money for raw materials before you can then sell your product to a customer.

### **4.4 Expanding the business**

Expanding your business can lead to more prosperity. However, if careful consideration is not taken, the expansion can run your business into bankruptcy.

There are many questions you must ask yourself before you expand your business.

- Is the demand for your goods or services greater than what you can supply?
- How do you propose to pay for the expansion of your operation?
- Will the expansion make your business more profitable?
- Do you have the time and the ability to manage a larger, busier business? If you don't, then you might consider either not expanding or bring in a partner or assistant to help you manage.
- How will an expansion complement the goals and objectives outlined in your business plan?
- Will the expansion affect the running of your existing operation (facilities, people, cash flow, etc)?

### **4.5 Monitoring your business**

After your business gets going, how can you determine whether you are achieving your goals or not? It may be a good idea to review your business plan before the completion of your first year. The key test as to how successful you are, of course, is by measuring your profits. But there are a number of questions you can ask yourself to help you determine the health of your business.

#### **Questions regarding your customers**

1. Am I maintaining or improving the quality of my products or service?
2. Is the right quantity of my products or services available at the right place, at the right time?
3. Am I maintaining or improving my technical knowledge of my product or service?
4. Am I constantly gathering new information about the customers my business serves?
5. Am I alert for changes in what my customers want?



6. Is my promotion strategy reaching potential customers with an effective message?
7. Am I keeping track of my competition and staying ahead of them?

#### **Questions regarding your suppliers**

1. Am I prompt in paying my accounts?
2. Am I fair in negotiating transactions?
3. Do I take full but fair advantage of purchase discounts offered?
4. Am I receptive to suggestions made?
5. Do I analyse cost and service before switching to a new supplier?

#### **4.6 Why do some businesses fail?**

Despite the best intentions of the people involved, some businesses do end up as failures. In fact a large number of small businesses find themselves in a situation where they must close their doors. Why does this happen? There are a number of common reasons why businesses fail.

1. Neglect – The owner does not really manage their business at all because of complacency or laziness;
2. Lack of experience – The owner does not have the technical skills required for the business they are running;
3. Fraud – The owner or employees take money or goods from the business without paying for them;
4. No management experience – Inability of the owners to manage their money, people, equipment, stock and especially their customers;
5. No market – The product or service was not wanted by customers; the goods were of low quality, or other ways that the business simply did not attract enough customers;
6. High expenses – The amount of expenses was not controlled properly, allowing expenses to outweigh income;
7. Credit policy – Credit was provided to customers without checking their ability to pay or their record with other businesses, credit was extended when cash should have been collected or money owed was not sought aggressively enough;
8. Wrong location – Customers simply could not find the business or felt it was too out of the way for them to shop there.

If a business does fail, all of the assets of the business and any other personal assets of yours which a bank required as security will be taken and sold to repay your loan. The same applies in the case of partners. Usually your personal assets (house, car, etc.) are safe from being repossessed unless you used them as security for your business loan.

The failure of a business can tarnish your personal credit record for many years. It also may be somewhat embarrassing for you in your community. However, it does not mean you cannot try again, but you should obviously take stock of what went wrong the first time and ensure that your mistakes are not repeated.



## Conclusion

As stated in the introduction, starting a business for the first time can be a frightening experience. By going step-by-step through this manual, much of the frightening aspects should have been made more friendly through the explanations and the exercises. Operating a business is not something you can learn overnight. Even business people who have years of experience continue to learn new techniques and ideas and learn how to respond to a changing marketplace and changing world. This ability to adapt and learn is what makes them successful.

Operating your own business can be beneficial to you personally, to your family and to your country, by bringing in money from overseas and expanding your nation's economy.

## GLOSSARY

<b>Advertising</b>	promoting your product or service either through the media (print, radio, etc.) or other methods (word of mouth, signboards, etc.)
<b>Asset</b>	things that your business owns (machinery, building, raw materials, etc.)
<b>Balance sheet</b>	an accounting statement which shows what a business has, what it owes and how much the owner(s) has put into the business
<b>Bankruptcy</b>	a situation where debts cannot be paid in full; assets and property can be taken by the court to repay creditors
<b>Business plan</b>	a written report outlining the operation and theory behind the establishment of a business
<b>Capital</b>	sum of money used to start or expand a business
<b>Capital expenditure</b>	purchases of equipment, furniture and fittings for a business
<b>Cash flow</b>	the balance between the money you are taking in (sales) and the money you are paying out (expenses)
<b>Company</b>	a business owned by shareholders
<b>Credit</b>	the ability to pay for goods or services at a later date
<b>Creditors</b>	people to whom you owe money
<b>Debt</b>	money owed
<b>Debtors</b>	customers who owe you money for goods or services bought
<b>Discount</b>	a reduction in price given to a customer
<b>Equity</b>	the capital owners have put into the business plus any earnings that have been retained
<b>Expenses</b>	costs associated with your business
<b>Financial forecast</b>	an accounting prediction of your expected income and expenses for a given time (usually one year)
<b>Gross profit</b>	the money remaining after costs of goods sold are subtracted from income
<b>Invoice</b>	record giving details of a sale: name of purchaser, description of items and amount involved
<b>Ledger</b>	a record of various bookkeeping accounts showing financial receipts and payments, money owed and money owing to the business
<b>Liability</b>	debt; this could be a loan or money owed to other businesses for materials purchased on credit

<b>Loss</b>	the opposite of profit; when the expenses of running the business are higher than revenue received
<b>Mark-up</b>	the percentage which has to be added to the cost of a product or service to establish its price – there is a direct relationship between the mark-up on cost and your profit
<b>Market</b>	potential customers
<b>Marketing</b>	the theory behind how to sell your product or service
<b>Net profit</b>	the money remaining after the operating expenses (rent, advertising, etc.) are subtracted from the gross profit
<b>Partnership</b>	a business owned by more than one person
<b>Profit &amp; loss statement</b>	an accounting statement which shows your actual income and expenses for a given time (usually a 12-month period)
<b>Reconciliation</b>	a reconciliation statement with bank balances ensures that records in the business agree with those records held by the bank
<b>Retail</b>	selling of goods in small quantities to the general public
<b>Service</b>	work done for another or others
<b>Sole Owner</b>	a business owned by one person
<b>Wholesale</b>	a business which purchases products from manufacturers or imports products and sells those to retail businesses at a profit

## **Steps for making the decision to start a business**

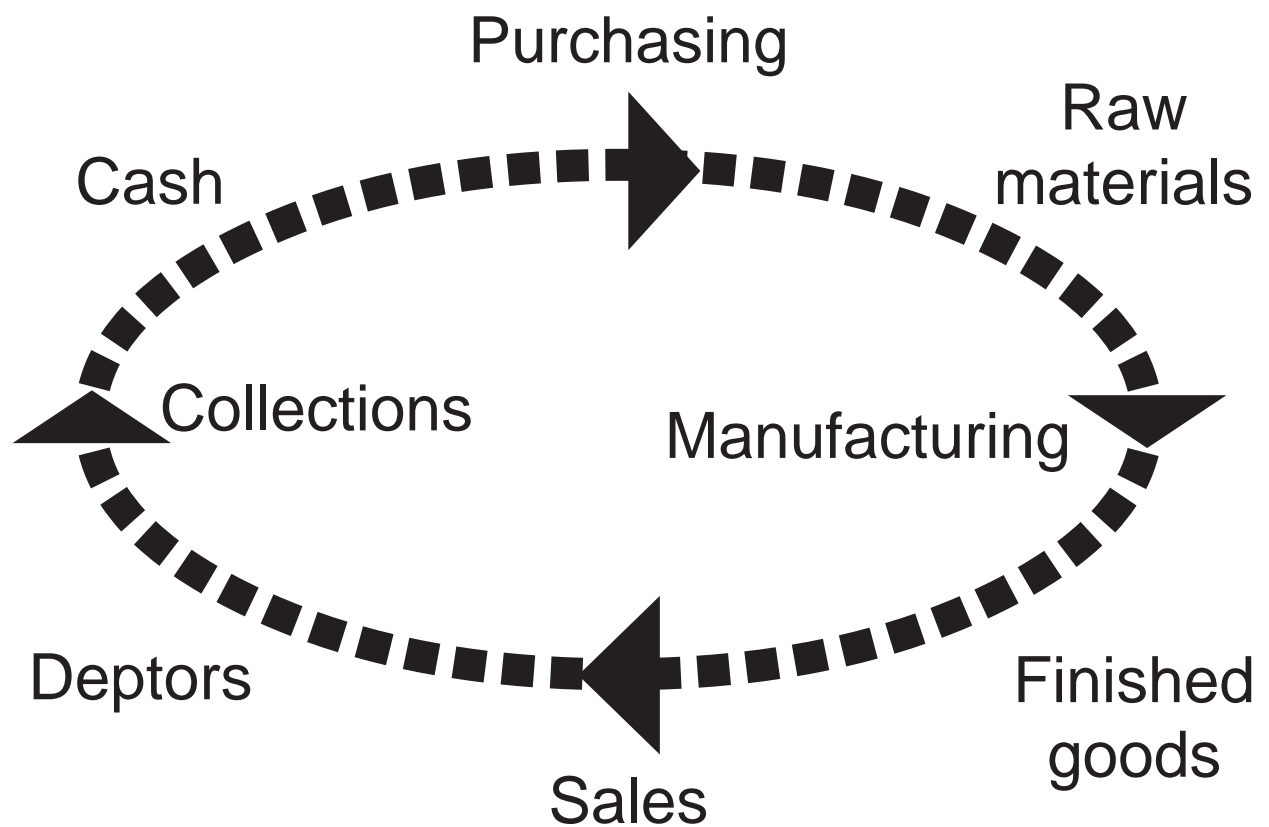
1. Ask yourself why you want to start a business.
2. What personality traits do you have that would help you in business?
3. What would the personal costs to you be?
4. Is your business feasible?
5. Who will own the business?
6. How can you get money to start the business?

# WORKSHEET

## Cash flow statement

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total
<b>Cash receipts</b>													
<i>Total cash receipts</i>													
<b>Cash disbursements</b>													
Cost of goods sold													
Advertising													
Bank loan (Prin + int)													
Insurance													
Office supplies													
Rent													
Salaries													
Telephone & fax													
Transport													
<i>Total disbursements</i>													
Net cash flow													
Bank balance													

## Operating cycle of a business



Example small business

Cash flow statement  
Year 1996

<b>Cash receivables</b>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total
Cash receipts	\$1,000	\$2,250	\$2,750	\$3,000	\$3,125	\$3,250	\$3,250	\$3,250	\$3,125	\$3,000	\$3,000	\$2,750	\$33,750
<b>Cash disbursements</b>													
Cost of goods sold	\$800	\$1,000	\$1,200	\$1,200	\$1,300	\$1,300	\$1,300	\$1,300	\$1,200	\$1,200	\$1,200	\$1,000	\$14,000
Advertising	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$50	\$50	\$50	\$465
Bank loan (Prin + int)	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$6,000
Insurance	\$1,440	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,440	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,880
Office supplies	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$420
Rent	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400
Salaries	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$4,200
Telephone & fax	\$45	\$50	\$50	\$55	\$60	\$60	\$60	\$60	\$55	\$55	\$55	\$45	\$650
Transport	\$35	\$40	\$45	\$45	\$45	\$45	\$45	\$45	\$45	\$45	\$45	\$40	\$520
<b>Total</b>	<b>\$2,640</b>	<b>\$1,210</b>	<b>\$1,215</b>	<b>\$1,220</b>	<b>\$1,225</b>	<b>\$1,225</b>	<b>\$2,665</b>	<b>\$1,225</b>	<b>\$1,220</b>	<b>\$1,235</b>	<b>\$1,235</b>	<b>\$1,220</b>	<b>\$17,535</b>
<b>Net cash flow</b>	<b>\$(1,640)</b>	<b>\$1,040</b>	<b>\$1,535</b>	<b>\$1,780</b>	<b>\$1,900</b>	<b>\$2,025</b>	<b>\$585</b>	<b>\$2,025</b>	<b>\$1,905</b>	<b>\$1,765</b>	<b>\$1,765</b>	<b>\$1,530</b>	
<b>Bank balance</b>	<b>\$(640)</b>	<b>\$400</b>	<b>\$1,935</b>	<b>\$3,715</b>	<b>\$5,615</b>	<b>\$7,640</b>	<b>\$8,225</b>	<b>\$10,250</b>	<b>\$12,155</b>	<b>\$13,920</b>	<b>\$15,685</b>	<b>\$17,215</b>	

Example small business

**Profit & loss statement  
3-year 1996-1998**

<i>Income</i>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total	*1997	*1998
Sales	\$2,000	\$2,500	\$3,000	\$3,000	\$3,250	\$3,250	\$3,250	\$3,250	\$3,000	\$3,000	\$3,000	\$2,500	\$35,000	\$42,600	\$51,120
Cost of goods sold	\$800	\$1,000	\$1,200	\$1,200	\$1,300	\$1,300	\$1,300	\$1,300	\$1,200	\$1,200	\$1,200	\$1,000	\$14,000	\$17,040	\$20,448
Gross profit/loss	\$1,200	\$1,500	\$1,800	\$1,800	\$1,950	\$1,950	\$1,950	\$1,950	\$1,800	\$1,800	\$1,800	\$1,500	\$21,000	\$25,560	\$30,672
<i>Expenses</i>															
Advertising	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$50	\$50	\$50	\$465	\$512	\$563
Bank interest	\$85	\$80	\$78	\$75	\$73	\$71	\$69	\$67	\$65	\$63	\$62	\$60	\$848	\$933	\$1,026
Insurance	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$240	\$2,880	\$3,168	\$3,485
Office supplies	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$420	\$462	\$508
Rent	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400	\$2,640	\$2,904
Salaries	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$4,200	\$4,620	\$5,082
Telephone & fax	\$45	\$50	\$50	\$55	\$60	\$60	\$60	\$60	\$55	\$55	\$55	\$45	\$650	\$715	\$787
Transport	\$35	\$40	\$45	\$45	\$45	\$45	\$45	\$45	\$45	\$45	\$45	\$40	\$520	\$572	\$629
Total expenses	\$1,025	\$1,030	\$1,033	\$1,035	\$1,038	\$1,036	\$1,034	\$1,032	\$1,025	\$1,038	\$1,037	\$1,020	\$12,383	\$13,621	\$14,983
Net profit (before	\$175	\$470	\$767	\$765	\$912	\$914	\$916	\$918	\$775	\$762	\$763	\$480	\$8,617	\$11,939	\$15,689



**WORKSHEET**  
**Profit & loss statement**  
**3-year**

Income	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total	Year#2	Year#3
Sales															
Cost of goods sold															
Gross profit/loss															
<b>Fixed Costs</b>															
Advertising															
Bank interest															
Insurance															
Office supplies															
Rent															
Salaries															
Telephone & fax															
Transport															
Total fixed costs															
Net profit (before tax)															

## Example business plan – first page

### Mission statement

The mission of Coral Jewellery Ltd is to produce and sell the highest quality shellcraft jewellery on the island and to provide a reasonable return to the shareholders.

### Executive summary

**Description of the Business:** Coral Jewellery Ltd is involved with the making and retailing of shellcraft jewellery. The business will purchase raw shells from local women, clean and polish these shells and use them in the making of necklaces, earrings, buckles, and other jewellery and even non-jewellery items. The business will also involve a small shop next door to the Coral Hotel where the items we manufacture will be sold.

**Rationale:** The purpose for Coral Jewellery Ltd is two-fold – firstly to fill a need for high-quality local jewellery and handicrafts that tourists are keen to buy; and secondly to offer locals a wider range of shell jewellery that is often worn on cultural occasions and given as traditional gifts. The shop will also present a central location with usual business hours where shellcraft jewellery can be purchased.

**Marketing summary:** Our business will target tourists, primarily at the Coral Hotel, which is located next door, but also tourists from other hotels and those visiting on cruise liners. Our secondary target is local people who buy a limited amount of shell jewellery for traditional occasions and traditional gifts. The two partners in Coral Jewellery are well known in the community, and have in the past made jewellery on a limited basis for friends, and on special occasions. Their reputation for high quality work is well known on the island and will assist in the establishment of word-of-mouth advertising in the local community. To reach the tourist market, brochures will be developed and made available at the front desks of all the island's hotels. A sign board will also be posted at the wharf where the tourists from the cruise liners come off the ship. Other advertising methods will be examined later.

### Financial Summary

1)	Estimated income for first three years of operation	
	1st Year	\$23,000
	2nd Year	\$26,000
	3rd Year	\$28,500
2)	Estimated profit (or loss) for the first three years of operation	
	1st Year	<\$ 2,500>
	2nd Year	\$ 3,000
	3rd Year	\$ 9,000
3)	Estimated capital necessary for start-up	\$20,000

## Steps for developing your business

