

## **1). BUSINESS PLAN**

### ***Definition:***

A business plan is a document that discusses in detail who is setting up the business, what the product/service is, how it is produced, marketed and financed.

### **Reasons for setting up a Business Plan**

- To identify who runs the operations of the business
- To distinguish to potential moneylenders is the business going to be profitable
- To identify how to raise finance

### **Sections of a Business Plan**

- 1. Nature of Business:** this describes the name of the business, the product being developed and any USP it may have
- 2. Ownership:** this topic briefly identifies the entrepreneur, their history of education, work experience etc.
- 3. Management breakdown:** How business is run (sole trader, partnership, limited company). It also lists who is production manager, marketing manager, financial manager etc. and any key staff in the business.
- 4. Operations/production:** identifies how the business operates, what premises/equipment raw materials is

required. It also details what type of production method is used.

5. **Marketing**: This section describes the market, its size, its competitors, and its target market. It also highlights the USP that the product has as a key method in promoting product. It also details the marketing strategy in the form of marketing mix (4 p's) that the business has.

6. **Financial**: This will include figures of

- Start up costs - premises, equipment
- Sources of finance - grants, loans, savings
- Expected profitability - budgets, a forecasted trading profit and loss account.

## 2). OWNERSHIP STRUCTURES

This is mainly broken into three strands:

- Sole trader
- Partnership
- Limited company

## 3) PRODUCTION OPTIONS

- Batch production
- Mass production
- Job production

Sub contracting is

## 4) CHOOSING FINANCIAL OPTIONS

### Factors to consider

1. Purpose of the finance needed
2. Amount of money the business needed (i.e.) if small amount needed will a short term loan be sufficient, if large sum needed will a long term loan or investors be adequate
3. Control - will the business person be comfortable in the knowledge that in order to raise finance he/she may have sacrifice a valuable share of the business

### What banks will look for before agreeing a loan

1. **Purpose** of money your looking for
2. Your ability to **repay**
3. **Credit worthiness** in any previous dealing with bank
4. The **security** you can place against the loan in case of any problem arising on repayments
5. **Business plan** that has a detailed description of business model
6. **Feasibility study** on the particular product may be seen as being well researched,

Evaluation can now be done where banks can make a well-informed decision

## Sources of finance

<b>Long term</b>  (3+) years	Govt grants  Equity Investment  Long term loans	
<b>Medium term</b>  (1-3) Years	Term loans  Hire Purchase  Leasing	
<b>Short term</b>  (0-1) Year	Bank overdraft  Accrued expenses  Factoring	