



# BUSINESS PLAN DEVELOPMENT GUIDE

## |AUTHORS|

Agribusiness Center for Research & Entrepreneurship (ACRE)  
Clemson Extension Agribusiness  
Matson Consulting







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A well-crafted business plan is essential for planning and is a crucial management tool to help your business succeed. A business plan provides guidelines for measuring profitability, focuses on what actions will be taken during and after project implementation, and is also required for grants and loans. Writing your business plan provides you an opportunity to communicate your business and where your business will be in the future.

The following provides a general guide for what is included in a business plan and how the present your business information.

**Following this template is not required, but is recommended to**

ensure that you have provided all the necessary information for the reviewers to give you all the points you deserve. There is no set length to a business plan, but it should cover all the necessary information about your business and plan for the future.

Your business plan should be clear and concise, allowing those unfamiliar with your business or industry to understand your company's capabilities and financial stability. Be sure to make your plan as realistic as possible, especially regarding projections into the future. Include any relevant research to support your claims. We also recommend including pictures or graphs of your product

or farm. Also, remember that your business plan will change based on your needs, so make sure you tailor your plan to fit the needs of whatever opportunity you are pursuing. Think of it as a living document that is regularly being updated and adapted.

Remember that the business plan is forward-looking. You should discuss how your business has gotten to where it is, but the focus of the document should be on what your company will look like in the future. You may not know exactly what will happen in the future, but your business plan is your opportunity to show what you what is most likely to occur.

# BUSINESS PLAN OUTLINE

The following is a brief outline of the sections presented in this guide. This outline may be used as a template or table of contents for your business plan.

1. **Cover Sheet**
2. **Executive Summary** (no more than one page)
3. **Company Description**
  - Description of the business
  - Products or services
  - Location and facilities
  - Methods of record keeping
  - Key tools
4. **Organization and Management**
  - Legal Structure
  - Management
  - Personnel
  - Contracted professionals
5. **Market and Industry Analysis**
  - Market trends
  - Industry trends and descriptions
  - Competition
6. **Marketing and Promotion**
  - Target market
  - Promotional activities
  - Marketing implementation strategy
  - Marketing budget
7. **Service or Product Line**
  - Product benefits
  - Product design
  - Pricing
8. **Funding Request**
  - Grant funds requested
  - Matching funds and sources
  - Uses of grant funds
9. **Financials**
  - Summary of financial needs
  - Profit and loss/income statement
  - Cash flow
  - Sources and uses of funds
10. **Appendices**
  - Expanded financial tables
  - Resumes/employee descriptions
  - References for industry research
  - Permits, certifications, leases, etc.
  - Other project support

## 1. COVER SHEET

The first page of your business plan will be the cover sheet to serve as the title page of your plan.

It should contain the following information: company name, company address, company phone

number, website, logo (if you have one), and date that the plan is created.

## 2. EXECUTIVE SUMMARY

Your Executive Summary is a snapshot of your business plan as a whole and touches on your company profile and goals. The summary should include your mission or vision statement, basic information about the business, management, and location.

The summary should also highlight any specific projects that expanded

upon in the plan overall. Be sure to include a high-level summary of your financial information and reference to the funding you are seeking and how it would help you reach your goals and how long you expect it to take you to reach them.

The Executive Summary should not exceed one page. This is the first

impression that a reader will have of your business, so be sure to fully convey your business idea and overview.

Though this is the first section in the document, many people find it easier to write this section last after the information is available from the other sections of the business plan.

## 3. COMPANY DESCRIPTION

Your company description provides information on what you do – what makes your business different from others. What will make your business a success? Who is your management and why can they guide your company to success? Discuss your business philosophy and what values your business holds, as well as your goals for the future.

This section will also include your company background and history such as how the business was started, what efforts have you taken to grow the business, and where you are at in your overall vision for the business (start up, growth phase, etc.).

### KEY PARTS TO COVER IN THIS SECTION

- Description of the Business
- Location and Facilities
- Key Tools (such as Insurance)

## 4. ORGANIZATION AND MANAGEMENT

Every business is structured differently, so use this section to describe how you are organized, including your current management and staff.

Describe your organization's structure, such as sole proprietorship, LLC, etc. and discuss if this structure will

continue to fit your operations as you grow. Provide a list of the owners and their ownership percentage.

Be sure to address who your management team is and why they can guide your company to success. Give a brief biographical overview that shows why they

### KEY PARTS TO COVER IN THIS SECTION

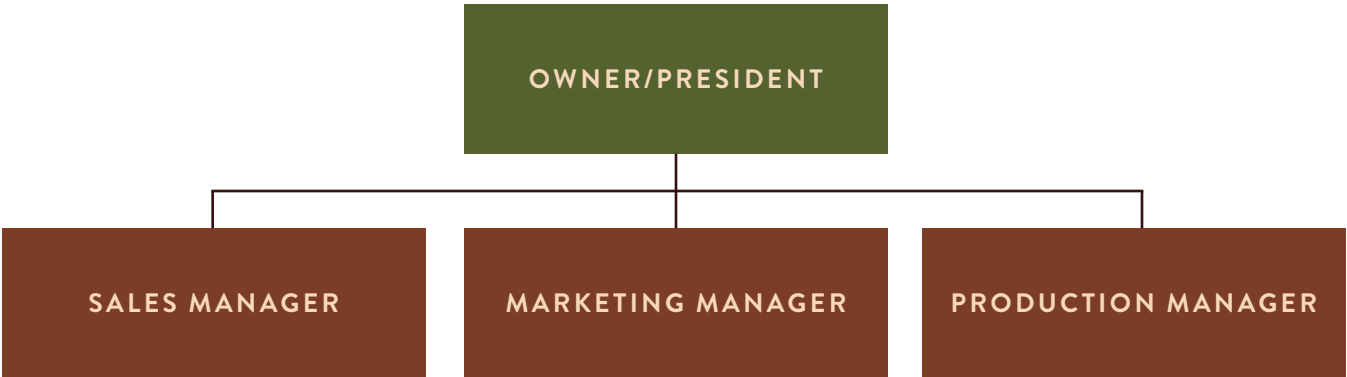
- Legal Structure
- Management
- Personnel
- Contracted Professionals
- Methods of Record Keeping

should head your business. If you or your family are currently managing the business, even if they are unpaid, be sure to discuss those positions in your plan.

Include a brief description of the

key employees. If your business does not currently have dedicated employees, describe your plans to hire additional staff and the expertise they will provide, if necessary.

An organizational chart to show the hierarchy of your staff and management provides a good visual representation of your structure to readers. The following is one example of a hierarchy for your plan:



State if you will use outside expertise to support your business, such as bookkeepers, accountants, lawyers, IT support, or advisors.

If so, list them along with their anticipated roles. Also include a discussion of any

existing legal contracts such as leases for farmland or facilities, or any patents or trademarks that you own.

## 5. MARKET / INDUSTRY ANALYSIS

Before launching your business, it is essential for you to research your business industry, market and competitors. This information should be presented here to inform the readers of the current and past trends of the industry as well as the potential markets for your products. Provide industry information to show how your business is competitive within the market and if the industry is well-established or up and coming.

Use research to support your claims for future growth and prove to the readers that your project and products have the potential or success. Be sure to document all industry research, providing sources and citations when necessary. Keep in mind that this section tends to take on a macro view of the market and industry whereas the following section,

**KEY PARTS TO COVER IN THIS SECTION**

- Market trends
- Industry trends and descriptions
- Competition

Marketing and Promotion, will focus on the subset of that market or industry.

# 6. MARKETING AND PROMOTION

This section presents your plan for marketing and selling your products. A good marketing plan is needed for your business growth and success. Provide a description of how you plan to market your business and your sales strategy. Be specific, and list out the consumers, organization, or businesses your company currently serves or plans to reach.

Your marketing plan should support how you will reach your projected sales goals:

- Describe how you will attract and retain customers, including how you will break into new markets, if applicable.

- Discuss the marketing activities and outlets that you will use to reach customers.
- Describe how and where the sales will be conducted, including in-person, social media, wholesale, etc.
- Provide a budget for your marketing plan.

Your marketing plan should also support your financial growth for the future. Use this section to show readers you know how to reach your sales goals and how you intend to continue growing your sales. Prove to the readers that you have a plan to increase your

## KEY PARTS TO COVER IN THIS SECTION

- Target market
- Promotional activities
- Marketing implementation strategy
- Marketing budget

customer base or sell more to your current customers.

A SWOT analysis is a common tool used to summarize your strengths, weaknesses, opportunities, and threats for your business. The following is a sample SWOT matrix:

<b>STRENGTHS</b> <ul style="list-style-type: none"><li>• Highly qualified management team</li><li>• Established in house operations</li></ul>	<b>WEAKNESSES</b> <ul style="list-style-type: none"><li>• Insufficient infrastructure to expand</li><li>• High turnover for general labor</li></ul>
<b>OPPORTUNITIES</b> <ul style="list-style-type: none"><li>• Growing demand for local products</li><li>• New retailers looking for niche products</li></ul>	<b>THREATS</b> <ul style="list-style-type: none"><li>• Increased competition from other farms</li><li>• Decreased accessibility to market due to COVID-19</li></ul>

Strengths and weaknesses should represent the internal environment of your business, such as if you have the right expertise in house or if staff capacity is limited. The

opportunities and threats to a business come from the external environment, such as impacts to the business from new or changing regulations. This analysis is typically

followed up by a description of your strategy to reach your objectives and goals.



# 7. SERVICE OR PRODUCT LINE

Describe what you sell and provide to customers, including products and services. Discuss the benefits your products provide to customers and your product’s lifecycle. Include any current or new products that you may add as you expand in the future.

Describe how the product is produced and what is needed to get the product to final sale:

- Do you grow the product yourself or purchase the inputs from suppliers?
- If necessary, do you process your

product on-site or use a third party for processing?

- How is your product sold?
- Do you have the necessary capacity or partnerships to expand production and sales in the future?

Provide a listing of all your products and prices you have or expect to receive. Indicate if products have multiple price points, such as wholesale pricing versus retail pricing. Indicate if this pricing is competitive and considered a bargain or premium

## KEY PARTS TO COVER IN THIS SECTION

- Product benefits
- Product design
- Pricing

price compared to other similar businesses in the market. Many reviewers like to see the cost of goods sold for each product compared to the price to get an idea of the markup you receive (more information about COGS is available under the financial section of this guide). The following is an example of a pricing table to include in your plan:

PRODUCT NAME	RETAIL PRICE	WHOLESALE PRICE	COST OF GOODS SOLD
Product 1	\$4.99	\$2.50	\$1.25
Product 2	\$8.99	\$4.50	\$1.25

# 8. FUNDING REQUEST

Your business plan should include a specific reference to funding you are requesting both grants and loans and how it will be used toward your project. Keep the request simple and be sure that it is in line with program eligibility.

In general, you will want to highlight your sources of funding, whether it is money you are contributing to the business or

a required match to a specific program you are applying to. Showing that you have “skin in the game” can help prove that you are committed to the success of the project. If matching funds are being provided, include the amount requested, the amount of matching funds available, and the source of the matching funds. A simple table that lists each item requested and the amount

## KEY PARTS TO COVER IN THIS SECTION

- Grant funds requested
- Matching funds
- Uses of grant funds

requested toward that item can easily show the reader your funding request. The following is a sample table to outline your budget request:

BUDGE ITEM	COST	SOURCE OF FUNDS
Greenhouse	\$6,000	
Cooler	\$3,000	
Dry Storage	\$2,500	
Processing Supplies	\$4,000	
<b>Total</b>	<b>\$15, 500</b>	

Also include any attachments as necessary in the appendix to support how the grant funds will be used. This includes attaching any

quotes you received, proof of pay rates for employees, and examples of items to be purchased. Make your funding request “real” to give

the readers confidence in where their money will be spent.

## 9. FINANCIALS

The financial section of the business plan is your opportunity to show your readers how your business functions and its overall health. This will be one of the longer portions of your plan, as well as arguably the most important, and will contain summaries and discussions of several major financial statements. This is the place to tie all the pieces together from the previous sections and show how you tangibly can implement your ideas. All the other pieces you have written previously will come

into play here like your company organization, markets and market analysis, pricing, and more.

If your business is already established, you should include income statements, balance sheets, and cash flow statements, or cash flow budgets for the past few years to show your financial stability. Even just one year of statements can be helpful to include. If you are new, even just one year will be helpful. However, be sure to include projections for the future. Since you are providing

your plan, your financials should look toward where your business is headed financially.

Key statements can include but are not limited to:

- Summary of Financial Needs
- Profit and Loss/Income Statement
- Cash Flow/Cash Budgeting
- Sources and Uses of Funds

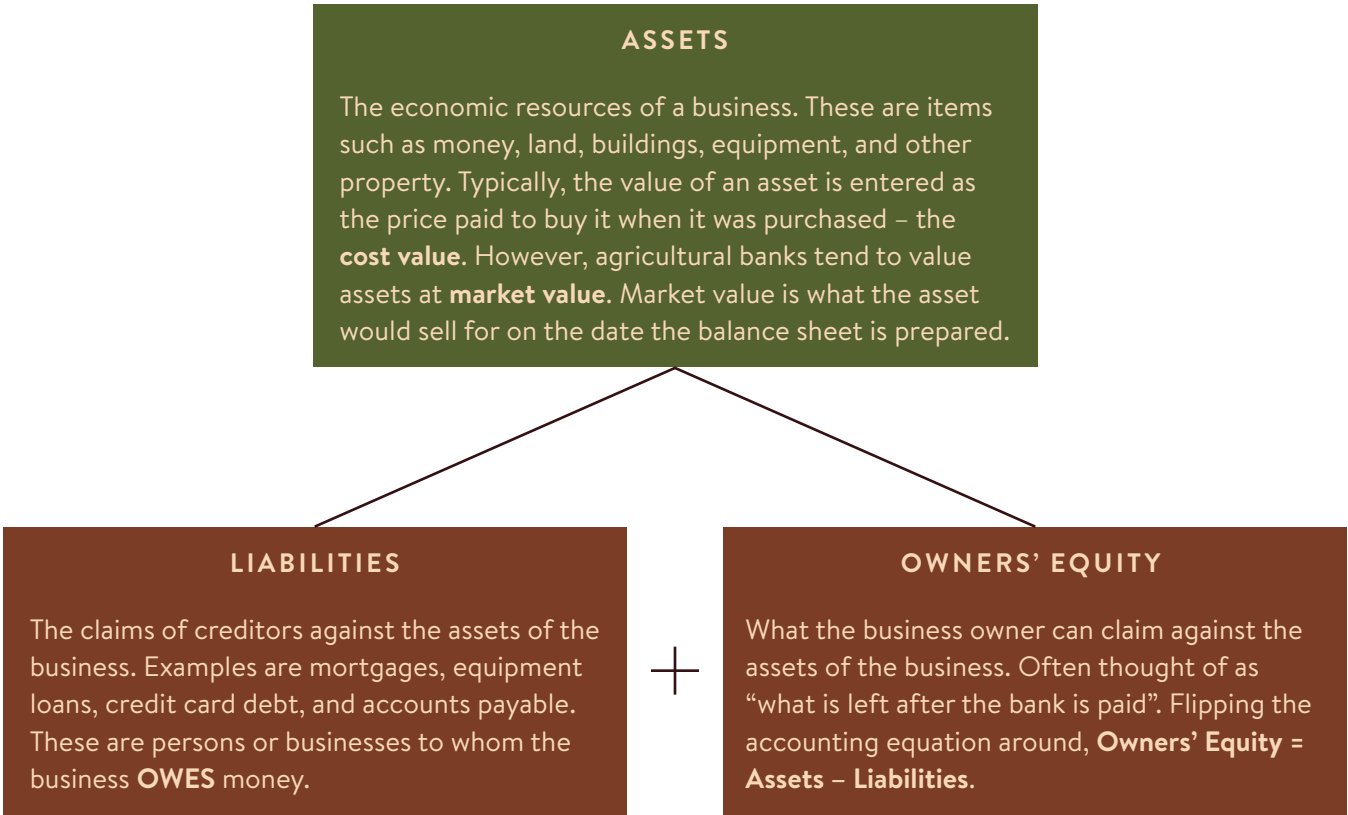
TIPS AND TRICKS	
Use your historical data to make your projections. Your business plan should be forwarding looking. Create reasonable estimates based on past data	Try to use as many graphs, charts, and tables as possible. Be clear and concise. Avoid going into too much detail on each individual number and just try to hit the high points.
An Excel worksheet, or an accounting program, will be the easiest way to create your projections.	To aid yourself and your reader, calculate all your expenses as a percentage of your sales for the year. Discuss these percentages in your plan.

# THE BALANCE SHEET

The balance sheet is a statement of financial position. It reports your business’s assets, liabilities, and equities at a specified time. The accounting equation is **Assets**

**= Liabilities + Owners’ Equity**. The balance sheet is also called “The Statement of Financial Position” because it shows what proportion of the assets the bank owns versus

how much the owner can claim. Banks use the balance sheet to evaluate whether there are enough assets to cover the bank’s claims (liabilities) should the business fail.



The balance sheet divides assets and liabilities into current, intermediate, and long-term categories.

## ASSET CATEGORIES

- **Current Asset:** Assets that can be converted to cash during normal operations. Examples include cash, inventory, and accounts receivable.
- **Intermediate Asset:** Assets than can be liquidated but would alter the business's ability to operate. Examples include equipment and machinery.
- **Long-Term Asset:** Assets that cannot be sold without the business being terminated. Examples include land and permanent buildings.



## LIABILITY CATEGORIES

- **Current Liability:** Debts that are to be repaid within a year's time. Examples include credit card debt, operating loan, and accounts payable.
- **Intermediate Liability:** Loans with a repayment schedule from 1-10 years. An example includes equipment loans.
- **Long Term Liability:** Loans with a repayment schedule in excess of 10 years. An example includes mortgages.

### An Example Balance Sheet

DATED: 12/31/2020			
ASSETS		LIABILITIES	
<b>Current Assets</b>		<b>Current Liabilities</b>	
Checking Account	\$7,500	Operating Line of Credit	\$1,500
Savings Account	\$50	Credit Cards	\$500
Accounts Receivable	\$400	Accounts Payable	\$0
Inventory	\$35,000	Other Current Liabilities	\$0
<b>Intermediate Assets</b>		<b>Intermediate Liabilities</b>	
Vehicles	\$15,000	Vehicle Loans	\$5,000
Machinery	\$20,000	Machinery Loans	\$16,500
Farm Equipment	\$0	Equipment Loans	\$0
<b>Long Term Assets</b>		<b>Long Term Liabilities</b>	
House	\$100,000	Home Mortgage	\$75,000
Land	\$55,000	Land Mortgage	\$25,000
<b>Total Assets</b>	<b>\$232,950</b>	<b>Total Liabilities</b>	<b>\$123,500</b>
<b>Owner's Equity Assets - Liabilities</b>	<b>\$109,450</b>	<b>Owner's Equity + Liabilities</b>	<b>\$232,950</b>

# PROFIT AND LOSS (INCOME STATEMENT)

The profit and loss statement, also called an income statement, is a crucial component to your business plan financials. It should be forward looking (several years in advance), contain several different categories of numbers, and be easily understood by your readers. Take the opportunity here to really discuss your vision for the future of your business. Mention your anticipated growth rate, increased efficiencies in your processes, etc.

There is no hard and fast rule for how far into the future your business plan should project. It's common in the lending industry to have 3-5 year projections but it can vary on a product by product basis. Fruit trees that have just been planted will have a much different looking financial section when compared to a tofu company that sources its soybeans from third party vendors. Pick a date that suits your specific business doing your projections; just make them as accurate as possible,

grounded in current sales numbers and your market instead of sheer speculation.

Your sales discussion should contain the bigger pictures details that you put together in the service/product line in section seven. Include estimated growth percentages, anticipated unit sales, how these numbers compare to previous years, etc.

Your sales projection could look something like this:

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR END SALES
SALES PRICE	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	
UNITS SOLD	600	625	650	675	800	900	950	975	925	800	750	575	9,225
TOTAL SALES	\$6,000	\$6,250	\$6,500	\$6,750	\$8,000	\$9,000	\$9,500	\$9,750	\$9,250	\$8,000	\$7,500	\$5,750	\$92,250

You could mention that you see sales rise throughout the year as you approach summer. Discuss how you will try to capitalize on the summer rush or how you plan to increase sales during some of your slower months like December or January. Discuss your overall sales for the year and how it compares to past data.

As discussed above, when looking for funding, many readers will want to know how much of a profit you generate on each product. Use the price per product and the cost per product to determine this value and place it in the business plan. Tables will help here.

Write a paragraph or two about your profit margins per product. Do you see it changing? If yes, how? If no, why not? Will increasing your production change this value? Find a way to include this discussion on profit per product in your financial plan somewhere.

## PROFIT PER PRODUCT

If I sell 1,000 steaks for \$10.00 each, how much am I spending and how much do I make per sale?

Using an example from the income statement of a company:

Revenue	\$ 10,000
COGS	\$ 3,500
Fixed Expenses	\$ 4,200
Interest/Tax/Depr.	\$ 900
<b>Net Income</b>	<b>\$ 1,400</b>

What does this mean for the company on a per unit basis? Per \$10 steak, the company will spend \$3.50 on direct production of the cattle, \$4.20 on fixed expenses like insurance and salaries, \$0.90 on things like interest, leaving them \$1.40 per steak (14%) as net profit per unit.

## COST OF GOODS SOLD / VARIABLE EXPENSES

The second step is to estimate the Cost of Goods Sold (COGS), sometimes called variable expenses. COGS includes all expenses that are directly related to the creation of your product and is an integral part of creating

the profit and loss statement for your business plan. The table below displays items that should be included.

Discuss your cost of goods sold on a broad level (overall costs) as

well as a per unit basis. Readers love per unit costs and profit as it gives them a better idea of your potential. An example of calculating per unit cost and profit will be at the end of this guide.

### COST OF GOODS SOLD / VARIABLE EXPENSES

Materials, payment to processors, ingredients, supplies	Direct labor	Shipping and packaging costs
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	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
<b>DIRECT LABOR</b>	\$1,626	\$1,694	\$1,762	\$1,829	\$2,168	\$2,439	\$2,575	\$2,642	\$2,507	\$2,168	\$2,033	\$1,558	\$25,000
<b>INGREDIENTS</b>	\$1,431	\$1,491	\$1,551	\$1,610	\$1,908	\$2,146	\$2,266	\$2,325	\$2,206	\$1,908	\$1,789	\$1,371	\$22,000
<b>SUPPLIES</b>	\$650	\$678	\$705	\$732	\$867	\$976	\$1,030	\$1,057	\$1,003	\$867	\$813	\$623	\$10,000
<b>PACKAGING COSTS</b>	\$780	\$813	\$846	\$878	\$1,041	\$1,171	\$1,236	\$1,268	\$1,203	\$1,041	\$976	\$748	\$12,000
<b>OPERATING MARGIN / GROSS MARGIN</b>	\$1,512	\$1,575	\$1,638	\$1,701	\$2,016	\$2,268	\$2,394	\$2,457	\$2,331	\$2,016	\$1,890	\$1,449	<b>\$23,250</b>



Using something like the previous table, talk about your variable expenses. In this example, they spend about \$1,500–\$2,500 on direct labor each month. At the

end of the year, they have spent about 27% of their revenue on these positions. In your own plan, you could discuss that expense. What positions are there? What are

their responsibilities? How much are they paid? Will you need to hire more direct labor?

### OPERATING MARGIN / GROSS MARGIN

Step three is calculating your operating margin. To do this, subtract the total cost of step two (COGS) from the total sales in a year (step one) to determine your margin. Readers like to see positive margins as it indicates that the direct production aspect of your business is successful, even if other expenses may be high.

- If your operating margin/gross margin is positive, make sure to

mention that in your financial section. Discuss ways you can improve it as time goes on.

- If your variable margin is negative, try to discuss why it is not as bad as it looks and ways you have brainstormed to increase it over time. Try to scheme ways to make it positive/ move towards positive in your business plan.

Using the previous table, this business would talk about their operating margin in terms of overall dollar figure as well as percentage of sales. They have a positive margin of about \$23,000 and it’s roughly 25% of their sales. In all, they spend about 75% of their sales on variable expenses while having 25% left over to cover various fixed expenses and non-cash charges.

### FIXED EXPENSES / OVERHEAD EXPENSES

The fourth section on the profit and loss statement you will create includes all of your fixed expenses. Four common categories are equipment expenses, facility expenses, marketing expenses,

and general and administrative expenses. You can arrange these into any categories you like but try to keep them separate from your variable expenses.

Discuss these expenses concisely but generally mention a few of their details. Mention their percentage of sales and how they might change as you grow.

<div> <div>EQUIPMENT EXPENSES</div> <ul style="list-style-type: none"> <li>Regular maintenance on equipment</li> <li>Leases on company vehicles</li> </ul> </div>	<div> <div>FACILITY EXPENSES</div> <ul style="list-style-type: none"> <li>Facility insurance</li> <li>Pest control</li> <li>Utilities</li> <li>Facility cleaning supplies or services</li> <li>Computer services</li> </ul> </div>
<div> <div>MARKETING EXPENSES</div> <ul style="list-style-type: none"> <li>Social media boosts</li> <li>Marketing consultants</li> <li>Billboards</li> <li>Signage</li> </ul> </div>	<div> <div>GENERAL ADMINISTRATIVE EXPENSES</div> <ul style="list-style-type: none"> <li>Salaried wages</li> <li>Fees to professionals like lawyers or accounts</li> <li>Office supplies</li> <li>Business insurance</li> </ul> </div>

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
<b>EQUIPMENT EXPENSES</b>													
<b>REGULAR MAINTENANCE</b>	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600
<b>TRUCK LEASE</b>	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800
<b>FACILITY EXPENSES</b>													
<b>INSURANCE</b>	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800
<b>PEST CONTROL</b>	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$300
<b>CLEANING SUPPLIES</b>	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600
<b>MARKETING EXPENSES</b>													
<b>SOCIAL MEDIA BOOSTS</b>	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$1,980
<b>BILLBOARD RENTAL</b>	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400
<b>GENERAL ADMINISTRATIVE EXPENSES</b>													
<b>FEES TO ACCOUNTANT</b>	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$900
<b>OFFICE SUPPLIES</b>	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$240
<b>EBITDA</b>	\$627	\$690	\$753	\$816	\$1,131	\$1,383	\$1,509	\$1,572	\$1,446	\$1,131	\$1,005	\$564	<b>\$12,630</b>

## EBITDA

Calculating and discussing EBITDA or earnings before interest, taxes, and depreciation and amortization is the fifth step of the profit and loss. This is calculated by subtracting the fixed expenses we just discussed from the operating margin. Discuss it in overall terms and in percentage of sales.

## NON-CASH EXPENSES

Non-cash charges are always included on an operating statement and is step six to creating a profit and loss statement. These do not directly involve cash transactions but are deducted from EBITDA just the same. They can come from a variety of sources such as depreciation and interest expense.

You can determine your depreciation from your previous

years' financial statements. This figure is not likely to change year over year.

To calculate your interest expense, take your outstanding principal and multiply it by your interest rate on your building or equipment. For example, a loan with \$175,000 remaining in outstanding principal and a 4.2% interest rate will have an interest expense for the next year of \$7,350.

# NET INCOME

The last step to calculate your net income (or loss). Subtract the non-cash expenses from the EBITDA discussed above and then discuss it. Mention it as a percentage of sales so you can talk about your overall profit margin. Talk about the ways you

want to use this net income for expansion, paying down debt, buying additional inventory, etc. If you have a net loss, discuss the loss and how you anticipate it changing over the next several years and what plans you have in place to remedy the loss.

The final piece of the profit and loss statement will include your non-cash charges and your subsequent net income. Many readers of your business plan will scroll straight to this section so make sure it's discussed adequately.

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
DEPRECIATION	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400
INTEREST EXPENSE	\$95	\$95	\$95	\$95	\$95	\$95	\$95	\$95	\$95	\$95	\$95	\$95	\$1,140
NET INCOME	\$332	\$395	\$458	\$521	\$836	\$1,088	\$12,14	\$1,277	\$1,151	\$836	\$710	\$269	\$9,090

# CASH FLOW STATEMENT / CASH FLOW BUDGETS

Readers of your business plan will always want to know about your cash flow. You can share this information in several ways. You can provide a cash flow budget

or you can provide a cash flow statement. A cash flow statement is divided into three sections. Regardless of what kind of statement you provide, if you are

unable to show positive cash flow, be prepared to answer questions on why and how you are planning to fix it.

## CASH FLOW BUDGETING

A monthly cash flow budget is a useful tool for yourself and your readers. It's a tangible way of tracking and showing where your business' cash goes each month. Your cash flow budget will include

any cash expenditures that you are anticipating for the month such as:

- Principal payments on loans
- Ownership withdrawals
- Income
- This budget focuses only on cash transactions and will not include non-cash expenses such as depreciation and amortization.

## CASH FLOW STATEMENT

When preparing your cash flow budget, seek to maximize items that improve cash flow while minimizing items that worsen cash flow. Items that improve cash flow include reducing the time it

takes to invoice and collect sales, keeping a just-in-time inventory, and having a cash reserve. Items that worsen cash flow include keeping a high level of inventory, not having an operating line of

credit, and having large bills due in a short period of time instead of spreading them out over twelve months (i.e. annual property tax and insurance bills).



## OPERATING ACTIVITIES

Cash flow from operating activities will include your net income, accounts receivable, and inventory, along with any other operational aspects. Cash from operations should be positive. If it's not, discuss why and how you will turn that around. Continual negative cash flow will be alarming for readers so don't be afraid to do your best to assuage them.

It's important to note that items like inventory and accounts receivable are considered **cash negatives** and should be delineated as such on this statement. If you have inventory in holding, but not yet sold, you have actually spent cash to create it without receiving anything in return. It cost cash to put together that product, package it, label it, and store it. Accounts

receivable is treated roughly the same. Sales made on account have seen inventory (that you have paid for) leave the business while you have yet to be paid. It can be confusing at times when examining your financials, so take extra care to ensure you get items like these right.

## INVESTING ACTIVITIES

Cash flow from investing activities will highlight where cash left or entered the business in the purchase/sale of long-term assets or investments. Purchases of a new truck, sale of used equipment, or renovations to a building would be all be included in this section.

## FINANCING ACTIVITIES

Cash flow from financing activities will include the receipt of loans, loan payments, grants, or other cash coming into the business from the outside.

## ENDING CASH

To finish off this statement, you should have three rows at the bottom of the page. Row one should be the cash you started the year with. Row two should be the sum total of cash entering and exiting the business from the three sections above. Row three should be the addition of row one and two.

Remember:

Cash Flow Statement shows only **cash** inflows or outflows

**Operating Activities** is cash from operations, including net income, accounts receivable, and inventory

**Investing Activities** is cash used for (or obtained from the sale of) long-term investments, such as equipment and vehicles

**Financing Activities** is cash gained from borrowing and stock sales, or paid to lenders and stockholders

**Ending Cash** is the cash leftover, plus the cash from the beginning of the year

### Tom's Flowers and More, Inc. Statement of Cash Flows For Year Ending December 31, 2019

#### Cash Flow from Operating Activities

Net Income	\$23,000
Add: Depreciation Expense	\$4,000
Increase in Accounts Receivable	(\$6,000)
Decrease in Inventory	\$9,000
Decrease in Accounts Payable	(\$5,000)
Cash provided (used) by Operating Activities	\$25,000

#### Cash Flow from Investing Activities

Capital Expenditures	(\$28,000)
Proceeds from sale of property	\$7,000
Cash provided (used) by Investing Activities	(\$21,000)

#### Cash Flow from Financing Activities

Long-Term Debt	\$10,000
Cash Dividends	(\$5,000)
Purchase of Treasury Stock	(\$8,000)
Cash provided (used) by Financing Activities	(\$3,000)

Net Increase (Decrease) in Cash	\$1,000
Cash at beginning of year	\$1,200
<b>Cash at the end of the year</b>	<b>\$2,200</b>

In the above example, Tom’s Flowers has positive cash flow from operating activities. You can also see that he spent \$28,000 on capital expenditures. It would be beneficial to explain to readers

what that expenditure was and how it improved your business. Tom’s financing activities section also shows that he received a \$10,000 long-term loan. Again, mention what that loan was for. He also

gave out dividends and purchased some treasury stock. These are all useful things to mention so your readers have context when viewing your statements. Overall, Tom’s net cash position was positive.

SOURCES AND USES OF FUNDS

The sources of uses and funds statement, like a balance sheet, highlights where funds coming into the business will be used and how it will be obtained. Readers will like to see these various sources and uses to better determine whether you meet their criteria for funds.

The first section of this statement will list out what you would like funds for. The second section will list out how you intend to pay for these items. These can come

from a variety of sources. The two amounts should be equal.

Discuss these sources. If you have applied for a loan, mention with who and what amount applied for. Mention any grant applications you may have pending and with what agency you applied. Talk about the grant you applied for, what the stipulations are on the funds, and how you intend to use those funds to further increase the success of your business.

EXAMPLES OF FUNDS AND USES

Sources

- Cash and savings
- Sale of equipment
- Retained earnings
- Bank loan(s)
- Line of credit
- Owner contributions
- Grants

Uses

- Purchasing inventory
- New equipment
- Building renovation/construction
- Supplies

SOURCES AND USES OF FUNDS			
USE	AMOUNT	SOURCE	AMOUNT
Inventory	\$46,000	Bank Loan	\$100,000
Equipment	\$89,000	Grant	\$25,000
Building Renovation	\$67,000	Retained Earnings	\$36,000
Supplies	\$31,000	Line of Credit	\$50,000
		Sale of Equipment	\$22,000
Total	\$233,000	Total	\$233,000

## 10. APPENDIX

An Appendix is optional but is a useful place to include any attachments that support claims made in the business plan. Do not include superfluous information that does not add to the plan. Examples of attachments provided in the Appendix include:

- Personnel resumes or employee position descriptions
- Pictures of your farm, products, or machinery
- Promotional documents
- News articles about the company or product
- Permits, leases, and certifications that are relevant to the project
- Expanded financial tables
- Excerpts from industry references, journals, online sources, etc.
- Quotes and other support for funding requests

The following tables provide sample expanded financial statements that may be included in a business plan Appendix.

PRO FORMA INCOME STATEMENT		
	YEAR ONE	% OF SALES
<b>Sales</b>	<b>\$92,250</b>	<b>100%</b>
Variable Costs	(\$69,000)	-75%
<b>Operating Margin</b>	<b>\$23,250</b>	<b>25%</b>
Equipment Expenses	(\$2,400)	-3%
Facility Expenses	(\$2,700)	-3%
Marketing Expenses	(\$4,380)	-5%
General Administrative Expenses	(\$1,140)	-1%
<b>EBITDA</b>	<b>\$12,630</b>	<b>14%</b>
Non-Cash Expenses	(\$3,540)	-4%
<b>Net Income</b>	<b>\$9,090</b>	<b>10%</b>

PROFIT AND LOSS FULL STATEMENT													
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
SALES PRICE	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	
UNITS SOLD	600	625	650	675	800	900	950	975	925	800	750	575	9,225
TOTAL SALES	\$6,000	\$6,250	\$6,500	\$6,750	\$8,000	\$9,000	\$9,500	\$9,750	\$9,250	\$8,000	\$7,500	\$5,750	\$92,250
DIRECT LABOR	\$1,626	\$1,694	\$1,762	\$1,829	\$2,168	\$2,439	\$2,575	\$2,642	\$2,507	\$2,168	\$2,033	\$1,558	\$25,000
INGREDIENTS	\$1,431	\$1,491	\$1,551	\$1,610	\$1,908	\$2,146	\$2,266	\$2,325	\$2,206	\$1,908	\$1,789	\$1,371	\$22,000
SUPPLIES	\$650	\$678	\$705	\$732	\$867	\$976	\$1,030	\$1,057	\$1,003	\$867	\$813	\$623	\$10,000
PACKAGING COSTS	\$780	\$813	\$846	\$878	\$1,041	\$1,171	\$1,236	\$1,268	\$1,203	\$1,041	\$976	\$748	\$12,000
OPERATING MARGIN	\$1,512	\$1,575	\$1,638	\$1,701	\$2,016	\$2,268	\$2,394	\$2,457	\$2,331	\$2,016	\$1,890	\$1,449	\$23,250
EQUIPMENT EXPENSES													
REGULAR MAINTENANCE	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600
TRUCK LEASE	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800
FACILITY EXPENSES													
INSURANCE	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800
PEST CONTROL	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$300
CLEANING SUPPLIES	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600
MARKETING EXPENSES													
SOCIAL MEDIA BOOSTS	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$1,980
BILLBOARD RENTAL	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400
GENERAL ADMINISTRATIVE EXPENSES													
FEES TO ACCOUNTANT	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$900
OFFICE SUPPLIES	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$240
EBITDA	\$627	\$690	\$753	\$816	\$1,131	\$1,383	\$1,509	\$1,572	\$1,446	\$1,131	\$1,005	\$564	\$12,630
DEPRECIATION	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400
INTEREST EXPENSE	\$95	\$95	\$95	\$95	\$95	\$95	\$95	\$95	\$95	\$95	\$95	\$95	\$1,140
NET INCOME	\$332	\$395	\$458	\$521	\$836	\$1,088	\$12,14	\$1,277	\$1,151	\$836	\$710	\$269	\$9,090

SOURCES AND USES OF FUNDS			
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<b>Total</b>	<b>\$233,000</b>	<b>Total</b>	<b>\$233,000</b>

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**Tom's Flowers and More, Inc.**  
**Statement of Cash Flows**  
For Year Ending December 31, 2019

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Net Increase (Decrease) in Cash	\$1,000
Cash at beginning of year	\$1,200

**Cash at the end of the year** **\$2,200**



# RESOURCES

The following are some additional resources that may be helpful when preparing your business plan. Some of these resources contain further explanations that were outside of this guide and templates.

- **SBA Business Plan Guide**  
[sba.gov/business-guide/plan-your-business/write-your-business-plan](https://sba.gov/business-guide/plan-your-business/write-your-business-plan)
- **SCORE Business Plan Guide**  
[score.org/resource/business-plan-template-established-business](https://score.org/resource/business-plan-template-established-business)
- **Understanding Cash Flow Statements**  
[investopedia.com/investing/what-is-a-cash-flow-statement/](https://investopedia.com/investing/what-is-a-cash-flow-statement/)
- **Guide to Understanding Company's Profit and Loss**  
[corporatefinanceinstitute.com/resources/knowledge/accounting/profit-and-loss-statement-pl/](https://corporatefinanceinstitute.com/resources/knowledge/accounting/profit-and-loss-statement-pl/)
- **Creating Sources and Uses of Funds Statements**  
[thebalancesmb.com/sources-uses-funds-statement-397547](https://thebalancesmb.com/sources-uses-funds-statement-397547)
- **Calculating Cost Per Unit**  
[accountingtools.com/articles/how-to-calculate-cost-per-unit.html](https://accountingtools.com/articles/how-to-calculate-cost-per-unit.html)

The following are some resources that may be helpful when preparing your pitch.

- **SCORE's How to Perfect Your Pitch**  
[score.org/event/how-perfect-your-pitch](https://score.org/event/how-perfect-your-pitch)
- **Pitch Pointers**  
[documentcloud.adobe.com/link/review?uri=urn:aaid:scds:US:e8071067-647a-4a46-84fa-a950d1b818c6](https://documentcloud.adobe.com/link/review?uri=urn:aaid:scds:US:e8071067-647a-4a46-84fa-a950d1b818c6)  
  
[documentcloud.adobe.com/link/review?uri=urn:aaid:scds:US:55696a5f-eb32-49b7-b1bf-ccf3a3c41245](https://documentcloud.adobe.com/link/review?uri=urn:aaid:scds:US:55696a5f-eb32-49b7-b1bf-ccf3a3c41245)

## NOTES

[illegible]

## NOTES

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## ABOUT THE AUTHORS



South Carolina needs people with passion for growing an agribusiness, because in doing so they grow a farm, a supply chain, and a community. Above all, we need farmers who are entrepreneurs: innovative leaders willing to work hard and think outside the box to bring healthy, diversified crops and products to the market. It's ACRE's job to seek out and support such farmers. By hosting agribusiness workshops, running grant competitions for entrepreneurs, teaching new and beginning farmers the business skills they need to prosper, funding research, and supporting farmland transfer, ACRE works to inspire entrepreneurship and strengthen South Carolina agriculture from the bottom up.



The Extension Agribusiness Team provides information and education on the use of business and economic principles for making decisions involving agriculture, natural resources and communities. Team members consisting of Extension agents, associates and specialists provide targeted educational programming and technical assistance related to agribusiness and promotes the development of economically viable local and regional food systems. Programs and decision tools including enterprise budgets, farm financial analysis, market outlook, farmers market and agritourism development, entrepreneurship, business planning and risk management education are provided for commercial growers, beginning and small farmers, agribusinesses, lenders, and ag professionals for improving profitability and sustainability.



Since 2001, Matson Consulting, LLC has provided business expertise to many rural businesses, enabling them to thrive and grow. They have worked with a diverse and varied group of entities, ranging from individuals to government agencies and institutions. Some of their clients include farmers and producers, groups, producer cooperatives, food banks, food hubs, state and local government entities, international organizations, and nonprofit foundations, working across the agricultural industry. The firm provides direct assistance to farmers and entrepreneurs through business planning, market plan development, strategic organization, and planning, and identifying and applying to funding sources. They also provide their expertise at multiple workshops and conference on various topics related to local foods and business development.

## OTHER COLLABORATORS



Small Business Development Center- SBDC is a partner of the Small Business Administration that provides assistance to small businesses and entrepreneurs across the nation. Through free consulting, low-cost seminars and links to resources, SBDC helps jump start startups and makes existing businesses thrive. SBDC consultants work with companies in all stages of development and they provide a variety of services to small businesses, including business consulting and training on business development, financial packaging and lending assistance, procurement and contracting aid, market research, and more.



SCORE is the largest network of business mentors located across the nation. With more than 300 chapters, they act as a resource partner for the Small Business Administration to provide mentoring, workshops, and educational resources. The Greater Aiken chapter alone has a network of over 40 real-world professional that are part of their volunteer team. Among them are experts in business plan preparation, accounting, administration, marketing, finance, sales, and government contracting. SCORE has a network of highly qualified mentors are available businesses of all shapes and sizes.







SOUTH CAROLINA DEPARTMENT OF AGRICULTURE

[ACRE-SC.COM](http://ACRE-SC.COM)

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