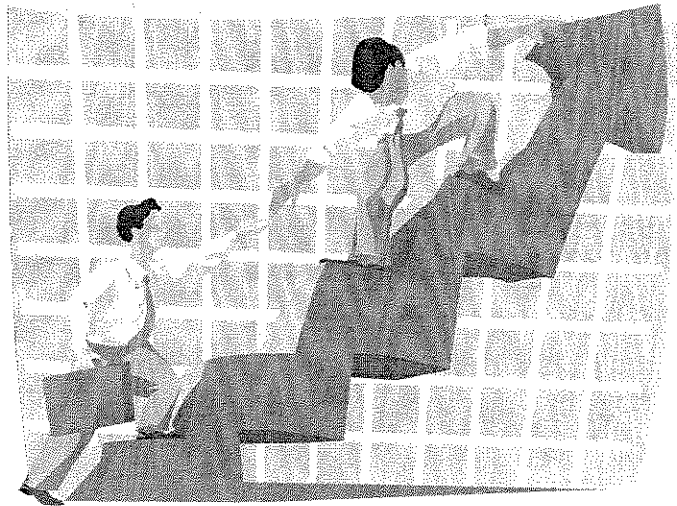


Business Plan Handbook



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Introduction

Starting a business is a big step. It has to be based on a good idea and the entrepreneur has to be able to flesh out all the details needed to turn the idea into reality and must also be firmly convinced of his/her ability to make it work. Having it all worked out in one's head is one thing, but for most entrepreneurs, it is only when they take the time to create a written document that they realise the scope and magnitude of what's involved in running a business. In their head they've concentrated on the idea; in the plan they examine the nuts and bolts of actually establishing and running a business to exploit that idea.

A Business Plan helps the entrepreneur to manage the essential business activities. It identifies the essential events that must occur and actions that must be taken, and it sets forth a clear timetable for accomplishing them. It identifies and analyses the factors, both internal and external, that might affect operations. A written plan provides the mechanism to tie all the factors together and effectively manage them. It provides an opportunity to structure the analysis and thinking to make sure that all angles have been considered and that all assumptions and preconceptions have been challenged.



The conclusion is that a business plan is an opportunity for the entrepreneur to make sure that they know what they are getting themselves into and that they have left no stone unturned. Only then can they communicate that convincingly to other people.

Every business, from a small enterprise to a large multinational company, needs to have some kind of business plan. The basic purpose of the business plan is to explain the strategic aims of the business and to outline where the business is heading in the future.

The plan may be a short statement or a lengthy report, depending on the nature and size of the business. It will also contain several financial documents. These will be projections of the expected performance of the company in financial terms. Any business plan should be dynamic - growing and changing as the business does. The entrepreneur must be ready to take advantage of new opportunities as they arise and to this end, the plan must be regularly reviewed to assess where the business is currently, and where it's heading.

Business Start-Up

For a start-up business, the main reason for a business plan is to attract financial backing or a loan from the bank. Whether it is a bank or a private individual, a clear and accurate business plan is vital for any potential financial investor.

The business plan for an investor is rather like a curriculum vitae for an employer; the investors will look carefully at the business plan for certain key facts, such as:

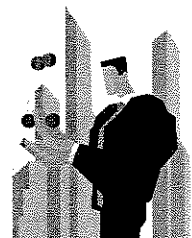
- The background and qualifications of the person(s) involved in setting up the business;
- The products and services they are going to produce and/or sell;
- Information on the market for those products and services, backed up with evidence of market research;
- The price to be charged for any products and services;
- How the target market will be reached; and
- A realistic forecast of sales, costs, overheads, etc.

Pros and Cons of Owning a Business

Owning a small business is not just another job; it's a totally different lifestyle. The small business owner has to be willing to make certain sacrifices in order to be successful. There are certain pros and cons to owning a business.

Pros:

- An opportunity to make more money than would be possible when working for someone else;
- Being one's own boss and making decisions that are crucial to the success or failure of the business;
- Employing other people, benefiting the local economy;
- A chance to put ideas into practice;
- Learning about every aspect of business and gaining experience in a variety of disciplines;
- Personal satisfaction;
- The opportunity to increase investment for future years.



Cons:

- May be a substantial financial risk;
- The need to work long hours and perhaps fewer holidays;
- The need to attend to the details of running a business;
- An unsteady income;
- Having to manage people and all that that entails;
- The need to learn new skills that may not be of interest, e.g. bookkeeping, marketing, etc.
- Responsibility for the employment and therefore income of others.

The Business Planning Process

Plans are nothing - planning is everything! The seriousness with which the entrepreneur treats the business planning process will dictate to a great extent the value of the end product and, perhaps, the success or otherwise of the business itself. There is no way to avoid the groundwork that is necessary to complete a worthwhile business plan. If the entrepreneur is serious about going into business then they should start as they mean to on by treating the business planning process seriously. The planning process may involve such steps as:

- Brainstorming and discussing ideas
- Seeking additional help from a business support agency or an experienced business person
- Thoroughly examining the industry to be entered
- Studying other businesses and business models
- Setting a realistic time-scale to complete the plan

The Business Plan itself must be clear and concise and must give the reader confidence that the writer knows what he/she is doing. It must be ambitious but realistic - challenging whilst being credible.

The main text should be made more interesting and digestible through the inclusion of bullet points, graphs, pictures, etc. and by placing large amounts of text and complex information in the appendices. For many people this will be their first introduction to the business and the entrepreneur, and it should therefore be smart, presentable and, above all, professional.

Sections within a business plan

Although there is no set formula for a business plan, the following pages outline the various sections that one might expect to find within such a document.

Executive Summary

The executive summary is perhaps the most important part of the business plan as it is positioned at the front of the document and is therefore the first section to be read. In fact, it may be the only section to be read!

The executive summary is a synopsis of the key points of the entire plan and is therefore usually written last. It should be very concise and should therefore only include highlights from each section of the business plan - from the key features of the business opportunity through to the financial forecasts.

The purpose of the executive summary is to explain the basics of the business in a way that both informs and interests the reader. The reader should, in effect, after reading the executive summary, understand what the business is about and be interested in finding out more.

The Operating Environment

In order to accurately predict the market for whatever product and/or service that is to be offered, the entrepreneur must first consider the operating environment.

The operating environment is made up of both the *microenvironment* and the *macro environment*. The microenvironment includes, for example, the business, its suppliers and competitors and pressure groups such as trade unions. The macro environment is made up of the world at large.

The easiest way to analysis the operating environment is through a **SWOT** analysis and a **PEST** analysis.

The *SWOT analysis* concentrates on the microenvironment and considers the *Strengths, Weaknesses, Opportunities* and *Threats* presented to a business from its environment. The Strengths and Weaknesses will come from the internal environment while the Opportunities and Threats will come from the external environment. For example, being a small new business may be a strength in that overheads will be low, but a weakness where access to certain types of borrowing will be barred. In the same way, certain market conditions may provide opportunities to the business while the same conditions may also pose a threat.

The *PEST analysis* concentrates on the macro environment and considers the *Political, Economic, Social* and *Technological* factors that will impact upon a business. Some examples of PEST Factors would include:

Political and economic forces allocate power and provide constraining and protecting laws and regulations.

Taxation:	Higher taxes on income/profits decrease the spending power of consumers and companies.
Public Spending:	Less spending on, for example, hospitals means lowers demand for medical equipment.
Industrial incentives:	Reduced incentives can cut profits, industry closures mean less employment and lower consumer spending in a specific area.
Monetary policy:	Higher interest rates or a reduction in credit can kill demand.
Exchange rate	

management:	This may push up the price of imported goods or damage international competitiveness.
Regulatory activities:	E.g. those affecting the environment and employment regulations could push up costs.
Politics/diplomacy:	Military action, elections, etc. can damage the operating environment.

Social factors

The structure of the population is constantly undergoing change - locally, nationally and globally. This affects consumer markets and the industries that serve them, which in turn affects a broader range of industrial and commercial suppliers. For example:

Age structure of the population	Spending patterns
Growth rate of the population	Racial and cultural patterns
Regional shifts in population	Occupation and income structure
The stages of economic development of various countries	Family sizes
Career expectations	Levels of employment
Consumer activism	Lifestyle changes

Technological factors

Technological developments - including communications, computers and biotechnology - are causing the most rapid and dramatic changes ever in business. This exerts internal and external pressures. Companies that do not have effective information technology will not be able to conduct their business effectively and efficiently enough to compete. For example:

Total industry spending for R&D	New products
Focus of technological efforts	New developments in technology
Patent protection	transfer from lab to marketplace
Productivity improvements through the use of technology	

Mission Statement

Strategic management is about achieving success for an organisation. But how can this success be judged? One immediate yardstick is success in achieving the stated purpose, goals and objectives put forward by the top management. This, of course, is not the only measure of success, but it is a fundamental one. The assumption is that, whatever stage the organisation is at, there is always some underlying purpose at work and always some goals and objectives that are being followed. In most cases, the purpose, goals and objectives are used to motivate staff as well as to provide standards of performance.

The setting (or reviewing) of the overall purpose, or *mission*, of the organisation raises fundamental issues and challenging questions such as 'Why are we here? What's our purpose in life? What do we want from being in business / offering this public service / running this charity?'

The Mission Statement encapsulates, in a few sentences, why the business exists. This may seem obvious to the person writing the plan, but any reader will want to know what the business is trying to achieve. The entrepreneur will face many challenges and choices - the fundamental reasons why they went into business in the first place will determine how they react to those challenges. The whole purpose of a mission statement is that it should not only set out the key parameters of the organisation's business and conduct, but also stand the test of time.

A mission statement is designed to:

- (a) provide a ready reference point against which to make decisions;
- (b) help guard against there being different interpretations of the organisation's stated purpose;
- (c) help to present a clear image of the organisation for the benefit of customers and the general public.

Most mission statements will address some of the following aspects:

- (a) the identity of the persons for whom the organisation exists (stakeholders)
- (b) the nature of the firm's business
- (c) ways of competing
- (d) principles of business

- (e) commitment to customers

Stakeholders

All organisations exist to serve one or more interests outside themselves. Most, in fact, have relationships with a range of interested parties, or '*stakeholders*'. The most obvious example of an interested party is the customer, who may be a private buyer, a work colleague, or another organisation.

A typical list of interested parties would comprise the following groups:

Direct stakeholders (i.e. those engaged directly in transactions with the organisation)

- customers (i.e. clients, members, patients or other users of the organisation's goods or services)
- shareholders (companies) or taxpayers (public sector organisations)
- creditors (especially banks and similar financial institutions)
- employees (who could be considered as dependent stakeholders)
- suppliers (of a range of goods and services, some of which may be tailored to the organisation's requirements and thus where the stake holding is critical)

Indirect stakeholders (i.e. those not necessarily engaged in direct transactions, but nevertheless significantly affected by the organisation's activities)

- the community (local, regional, national, or international)
- competitors (i.e. all those other organisations providing similar goods and services to the same market)
- stock markets
- the government (i.e. those charged with the management of the economy as a whole on behalf of the community)
- supra-national bodies (e.g. the European Union)

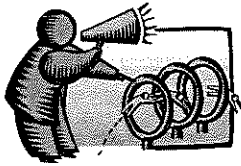
Strategic Objectives

The Strategic Objectives follow on from the Mission statement in that they communicate what the business hopes to achieve in a quantifiable way. They usually embrace all the major units and



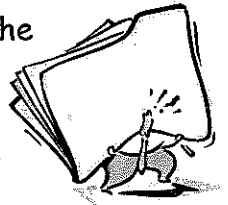
functions of the organisation. These objectives or aims are usually intended to provide for the medium term, and thus will not be adapted unless conditions warrant change. However they should be subject to regular review, probably on a three-year basis. The Strategic objectives should be Specific, Measurable, Achievable, Realistic and Time-bound (SMART). They allow the entrepreneur to measure whether or not the business is a success.

Management



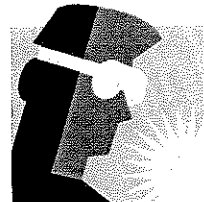
This section should give the experience and other relevant details on the directors, partners and senior managers involved in the business together with those to be employed. The reader will want to get a sense of who is going to run the business, what their responsibilities will be, what their motivations are and, if they have any weaknesses, what they intend to do to overcome those weaknesses.

A Curriculum Vitae should be included in the appendices of the Business Plan to allow potential investors to assess the experience of the entrepreneur in relation to the business venture proposed. The Curriculum Vitae should be detailed, with no gaps in the history presented.



Products/Services

Many Business Plans are completed without any reference ever having been made to the product or service the business intends to supply or produce! The reader needs to be made very aware of the business idea and how it is a credible business proposition. This section should therefore include clear descriptions and cover the means of developing the products to maintain and perhaps increase market share in the future. The reader should be told about the product or service's Unique Selling Point (USP) and how the product or service is different from what is currently available on the market - in particular, any innovations should be highlighted. Favourable press coverage or endorsements by satisfied or potential customers should also be presented here, as should any relevant market surveys.

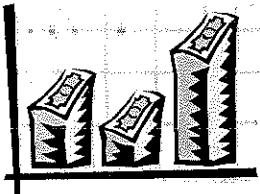


Production

Here the investor would be told about any innovations in the production processes, especially if it represents a competitive advantage over any competitors. Also included should be details on availability of supplier materials and skilled or semi-skilled labour.

Markets / Marketing Plan

This is possibly the most important section in the whole Business Plan as all the claims made with regard to sales, turnover and future growth are based on the information collated and presented here. Marketing information on the market for the business' products should be included here: its total size, the growth potential and the market segment to be targeted. Also included should be details on who the competition are (both direct and indirect) and their strengths and weaknesses. Finally, there should be plans for the marketing, selling and distribution of the company's products.



Market research is very time consuming and this is when any additional help sought from business support agencies at the outset of the process will come into their own as they will often have access to many valuable sources of information and will help out with some of the 'leg-work'.

Market research may be secondary (desk research) or primary, e.g. Surveys, Focus Groups, etc. In general, the entrepreneur must show that he/she knows the market inside out and has considered all possible competitive scenarios.

The Marketing Plan or Marketing Strategy is where the elements of the Marketing Mix (Product, Place, Promotion, Price, Process, People and Physical Evidence) are manipulated to develop a strategy to get the product or service to its market in the most effective and efficient way.

The questions to be answered will include:

- Who are the customers? - customer profile, segmentation
- What is the USP of the product or service? - differentiation, innovation, etc.
- How will the product or service be distributed to the market? - direct selling, selling to retailers, mail order, Internet, licensing, etc.
- What price will be charged? - cost plus, competitive pricing
- How will the product or service be promoted? - mass media, leaflets, etc.
- How easy is it to access the product or service? - financial access, the process, customer service, etc.



Operational Issues

This section of the Business Plan considers all the aspects of organising and running a business. Some of the areas that should be included are:

1. Trading Status

It is important to specify the Trading Status of the business, for example, self-employed, sole trader, partnership, limited partnership, or limited company. Each type of trading status will have different advantages and disadvantages, particularly in relation to liability for debt in the event of business failure.

2. Manpower

Requirements:

- What staff, if any, are likely to be needed (i.e. categories)? E.g. designers, administration, cleaner, etc.
- What skills and qualities will potential employees need to possess?
- Job descriptions and employee specifications for each position.



Recruitment:

- How will the staff be recruited? E.g. newspaper ads, job centres, agencies, etc.
- How much will recruitment cost?

Training and development:

- Will new employees require any particular training to assist them in their job? E.g. induction training, training for a particular piece of software, training in using specialist equipment, etc.
- Does the business intend to offer development programs to staff so that they can develop the skills they already have?
- How much are all training and development needs likely to cost?

Pay and Benefits:

- How much will need to be paid for the various categories of staff? What are the industry standards?
- How often will payment take place?

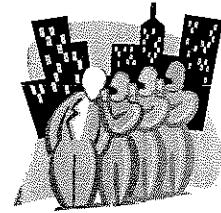
- Is there an intention to offer any additional benefits such as, a pension scheme, company car, travel expenses, health insurance scheme, uniform, mobile phone, etc?
- How much will these additional benefits cost?

3. Premises

This section of the business plan provides some detail as to the business premises.

Areas that should be included are:

- Premises location.
- Size and layout of the premises.
- A plan of how the premises will appear once the business has been installed.
- A short paragraph outlining why that particular premises was chosen, e.g. close to the market, central location, adequate size, room for expansion, etc.
- An indication as to any alterations that may be necessary to house the business.
- Any costs associated with obtaining and making ready the premises.

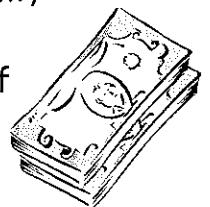


4. Costs

This section of the business plan will account for all the costs associated with setting up and operating the business.

Examples would include:

- *Legal costs:* those costs incurred, for example, in registering as a limited company or compiling a deed of partnership through a solicitor.
- *Promotional costs:* those costs incurred in advertising the business.
- *Equipment costs:* those costs incurred in purchasing equipment (such as PCs, software, etc.), fixtures and fittings (such as desks, chairs, etc.), and materials (such as stationery, specialist materials, etc).
- *Premises costs:* those costs incurred in securing business premises, e.g. mortgage, rent, lease, utility costs, business rates, refurbishment, etc.
- *Professional costs:* those costs incurred in retaining the services of an accountant, solicitor, etc.
- *Manpower costs:* those costs incurred in staffing the business.
- *Transport costs:* those costs incurred in visiting clients, delivering



completed work, etc.

This area of the plan should also outline, where appropriate, the *pricing structure* for any work to be undertaken, i.e. the professional fees the business will charge for certain work. This will entail breaking the process down into its component parts and providing a price for each part of any contract undertaken.

The examples of costs provided above are not intended to be exhaustive. There may be other costs that have been identified. The important thing to remember is that all costs must be accounted for in order for the financial projections to be accurate.

5. Legislation

The Business Plan should include, where appropriate, reference to the legislation that is important to business, such as:

Employment Law:

The Working Time Regulations 1998
The Employment Rights Act 1996
The Contract of Employment

Equal Opportunities:

The Sex Discrimination Acts 1975 & 1986
The Race Relations Act 1976 & 1996
The Disability Discrimination Act 1995

Health and Safety:

The Health and Safety at Work Act 1974
The Management of Health and Safety at Work Regulations 1992
The Working Time Regulations 1998

Trading Relationships:

Contract Law
The Sale of Goods Act 1979
The Consumer Protection Act 1987

Protection of Intellectual Property:

The Patents Act 1977
Design Registration



Data Protection:**The Data Protection Acts 1984 & 1998**

It is not necessary to provide reams of text. However, the business proprietor needs to show that he/she is aware of the laws which must be adhered to when operating a business.

Finance

The Finance section usually includes Cash Flow Statements, Profit and Loss Accounts and Balance Sheets. These documents will present projections, based on the most realistic estimate, for the business, ideally for the first five years. Although these are positioned at the end of the plan, the investor will focus on these. In order to demonstrate that the figures have been conservatively calculated and not exaggerated, it is sometimes useful to prepare the 'best', 'worse' and 'most likely' scenarios. The chief economic and commercial assumptions on which the projections are based should be explained. These would include such things as interest rate levels, exchange rates and any changes in government policies affecting the running of the business, like regional aid programmes.

Cash Flow Forecasts

A cash flow forecast is a simple statement that shows the predicted movement of cash (the cash flow) for an organisation. It allows cash flows to be *planned* and gives financial information that can be used in the following ways:

- to establish whether there is enough cash to carry out planned activities;
- to check that the amount of cash coming in is sufficient to cover the cash going out;
- to ensure that the organisation does not run out of cash and that they receive early warning that further finance is required;
- to enable decisions to be made about the investment of any cash surplus.

Cash Planning for a New Business

It is essential for individuals thinking of starting a new business to prepare a cash flow forecast.

This allows them to:

- see if the business will generate sufficient cash;
- decide on the timing of cash inflows and outflows - as a general rule in a business, it is necessary for the cash to come in as quickly as possible, but to go out as slowly as possible. A business with a shortage of cash may attempt to achieve this by collecting the money it is owed as soon as it can, but delay any payments it has to make. This is not advisable in the longer term as it suggests to creditors that the business may not be 'credit worthy';
- calculate the amount of capital (i.e. cash) that should be invested in the business;
- ascertain what additional funds may be required - the owners of a new business may be able to provide some cash of their own, but a cash flow forecast will show if they will need to obtain a loan from outside sources such as a bank. (See Appendix 1 for an example of a Cash Flow Forecast)

Trading, Profit and Loss Account

The Trading, Profit and Loss Account summarises the effects of trading throughout a particular period.

The Trading Account shows the profit - **gross profit** - on pure buying and selling activity, whilst the Profit and Loss Account shows the final profit - **net profit** - after payment of necessary expenses.

It is possible for a business to have a very large gross profit, if stock is purchased cheaply and sold at a large percentage increase. However, if it is then necessary to incur large costs - overheads or expenses - in order to sell the goods or services, e.g. advertising, wages, rent, etc., then the business may well finish up spending more on these overheads than it has gained in the original buying and selling of its goods. This would result in a loss. In such circumstances, the business would have to cut back on

expenses without affecting sales in order to stay in business. It is important therefore for a business to know both its gross and its net profit. (See Appendix 2 for an example of a Profit and Loss Account)

Profit and Loss Versus Cash Flow

It is important to realise in planning a business' finances that a business can appear profitable whilst having no cash. For example, the business owner can calculate the costs of running the business over one year, set that amount against the money generated through sales to find that a substantial profit has been made. However, if the money generated from the first six months of sales takes a further six months to be realised, that business will experience cash flow problems, if measures, such as arrangement of an overdraft, have not be put in place to allow for the shortfall.

Profitability is very important, but without cash flow, that is, Working Capital, the business will not survive.

Balance Sheet

The Balance Sheet is basically a statement of the assets and liabilities of a business.

Assets are those things OWNED by a business which have a value and would include items such as premises, equipment, vehicles, amounts owed by customers (debtors), amounts paid in advance (prepayments), stock and money in the bank.



Liabilities are those amounts OWED by a business, to various people, firms and organisations and can therefore be thought of as the direct opposite of assets. The term liabilities includes items such as amounts owed for stock and/or services (creditors), amounts due to be paid which have not yet been paid (accruals), an overdraft at the bank and any loans which have been obtained on behalf of the business. (See Appendix 3 for an example of a Balance Sheet)

Some problems experienced by small businesses

The small business, no matter how successful, will typically suffer from **shortage of cash**. This is often due to **delays in being paid**, particularly by larger organisations. Sometimes the small business will attempt to overcome this problem by slowing its own payments to suppliers. This may work in the short term, but in the long term, it is not a viable business strategy as **recurrent late payments** may result in a loss of credit facilities with suppliers or, more importantly, in a creditor declaring the business bankrupt. **Taxation Payments** e.g. VAT, PAYE, NI Contributions, Corporation Tax, etc. is another area that often confuses the small business owner. Because of this, the Inland Revenue have attempted to simplify their procedures for reporting on VAT and also offer assistance designed specifically for the small business.

Conclusion

This handbook attempts to outline the most common sections contained within a Business Plan. A list of further references that will provide additional advice and guidance have been included at the end.

The most important ingredient to ensure business success is the attitude of the entrepreneur - Remember, if at first you don't succeed, try, try again!

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Green, J. (2002) *Starting Your Own Business: How to Plan, Build and Manage*, How To Books, ISBN 1857038592

Knight, P. (2004) *The Highly Effective Marketing Plan: A Proven, Practical, Planning Process for Companies of All Sizes*, Financial Time Prentice Hall, ISBN 0273687867

Southon, M and West, C. (2002) *The Beermat Entrepreneur: What You Really Need to Know to Turn a Good Idea into a Great Business*, Prentice Hall, ISBN 0273659294

Stutely, R. (2001) *The Definitive Business Plan: The Fast Track to Intelligent Business Planning for Executives and Entrepreneurs*, Financial Times Prentice Hall, ISBN 0273659219

Some Useful Websites

Because You Can:	<u>http://www.becauseyoucan.com</u>
BizHelp24:	<u>http://www.bizhelp24.com</u>
Business Start-Up:	<u>http://www.startups.co.uk</u>
Chartered Institute of Marketing:	<u>http://www.cim.co.uk</u>
Department of Trade and industry:	<u>http://www.dti.gov.uk</u>
Keynote Market Research Reports:	<u>http://www.keynote.co.uk</u>
Mintel Market Research Reports:	<u>http://www.mintel.com</u>
National Statistics Online:	<u>http://www.statistics.gov.uk</u>
Sample Business Plans:	<u>http://www.bplans.org.uk</u>
UK Patent Office:	<u>http://www.patent.gov.uk</u>
Welsh Development Agency:	<u>http://www.wda.co.uk</u>

Additional Sources of Market Research Information

Companies House (Cardiff)
Competitors
Consumer Associations
Customers - present and potential
Government Departments
Public and University/College libraries
Suppliers
The Internet
Trade Associations and Governing Bodies
Trade Unions
Yellow Pages

APPENDICES

APPENDIX 1.

Layout of a Cash Flow Forecast:

Joe Bloggs Ltd: Cash Flow Forecast for the six months to 30th June 200X

	Jan £	Feb £	Mar £	Apr £	May £	June £	Total £
<i>Cash Inflows:</i>							
Capital	10,000	----	----	----	----	----	10,000
Sales	----	7,000	8,000	6,500	8,000	9,000	38,500
Total Inflows (A)	10,000	7,000	8,000	6,500	8,000	9,000	48,500
<i>Cash Outflows:</i>							
Rates	----	----	----	160	----	----	160
Rent	200	200	200	200	200	200	1,200
Electricity	----	----	180	----	----	180	360
Travel Expenses	50	50	50	50	50	50	300
Insurance	----	----	60	----	----	60	120
Wages	2,000	2,000	2,000	2,000	2,000	2,000	12,000
Materials	500	----	5,000	6,000	5,200	6,000	22,700
Equipment	15,000	----	----	----	----	----	15,000
Total Outflows (B)	17,750	2,250	7,490	8,410	7,450	8,490	51,840
Net Cash Flow (A - B)	(7,750)	4,750	510	(1,910)	550	510	(3,340)
<i>Balances</i>							
Start of month	0	(7,750)	(3,000)	(2,490)	(4,400)	(3,850)	0
End of month	(7,750)	(3,000)	(2,490)	(4,400)	(3,850)	(3,340)	(3,340)

APPENDIX 2.

Layout of a Trading, Profit and Loss Account:

Joe Bloggs Ltd:
Trading, Profit and Loss Account for the six months ended 30th June 200X

	£	£
Sales		38,500
<u>Less Cost of Goods Sold:</u>		
Opening Stock	500	
+ Purchases	<u>22,200</u>	
	22,700	
- Closing Stock	<u>2,000</u>	<u>20,700</u>
Gross Profit		17,800
<u>Less Expenses:</u>		
Rates	160	
Rent	1,200	
Electricity	360	
Travel Expenses	300	
Insurance	120	
Depreciation on Equipment	150	
Wages	<u>12,000</u>	<u>14,290</u>
Net Profit		<u>£ 3,510</u>

APPENDIX 3.

Layout of a Balance Sheet:

Joe Bloggs Ltd:
Balance Sheet as at 30th June 200X

	£	£
<u>Fixed Assets</u>		
Premises		6,000
Machinery		<u>2,000</u>
		8,000
<u>Current Assets:</u>		
Debtors	6,000	
Cash	<u>3,000</u>	
	9,000	
<u>Less: Current Liabilities:</u>		
Creditors	<u>3,000</u>	<u>6,000</u>
		<u>£14,000</u>
<u>Financed By:</u>		
Capital	10,000	
Net Profit (Reserves)	<u>4,000</u>	<u>£14,000</u>