

Name and Legal Structure

YES/ NO

1. Have you chosen a name for your business?
2. Have you chosen to operate as sole proprietorship, partnership or corporation?

Your Business and the Law

1. Do you know which licenses and permits you may need to operate your business?
2. Do you know the business laws you will have to obey?
3. Do you have a lawyer who can advise you and help you with legal papers?
4. Are you aware of:
 - Occupational Safety and Health Administration (OSHA) requirements?
 - Regulations covering hazardous material?
 - Local ordinances covering signs snow removal etc.?
 - Federal Tax Code provisions pertaining to small business?
 - Federal regulations on withholding taxes and Social Security?
 - State Workmen's Compensation laws?

Have you examined the following categories of risk protection?

- Fire
- Theft
- Robbery
- Vandalism

- Accident liability

Merchandise

1. Have you decided what items you will sell or produce or what service(s) you will provide?
2. Have you made a merchandise plan based upon estimated sales to determine the amount of inventory you will need to control purchases?
3. Have you found reliable suppliers who will assist you in the start-up?
4. Have you compared the prices quality and credit terms of suppliers?

Business Records

1. Are you prepared to maintain complete records of sales income and expenses accounts payable and receivables?
2. Have you determined how to handle payroll records tax reports and payments?
3. Do you know what financial reports should be prepared and how to prepare them?

FINANCES

1. How much money do you have?
2. How much money will you need to start your business?
3. How much money will you need to stay in business?

Use the following chart to answer the first question

PERSONAL FINANCIAL STATEMENT

ASSETS

Cash on hand _____
Savings account _____
Stocks, bonds, securities _____
Accounts/notes receivable _____
Real estate _____
Life insurance (cash value) _____
Automobile/other vehicles _____
Other liquid assets _____

TOTAL ASSETS _____

LIABILITIES

Accounts payable _____

Notes payable _____

Contracts payable _____

Taxes _____

Real estate loans _____

Other liabilities _____

TOTAL LIABILITIES _____

NET WORTH (Assets minus Liabilities) _____

The following to answer the second question

START-UP COST ESTIMATES

Decorating, remodeling _____

Fixtures, equipment _____

Installing fixtures, equipment _____

Services, supplies _____

Beginning inventory cost _____

Legal, professional fees _____

Licenses, permits _____

Telephone utility deposits _____

Insurance _____

Signs _____

Advertising for opening _____

Unanticipated expenses _____

TOTAL START-UP COSTS _____

Use the following to answer question three:

EXPENSES FOR ONE MONTH

Your living costs _____

Employee wages _____

Rent _____

Advertising _____

Supplies _____

Utilities _____

Insurance _____
Taxes _____
Maintenance _____
Delivery/transportation _____
Miscellaneous _____

TOTAL EXPENSES _____

Now multiply the total of Chart 3 by three. This is the amount of cash you will need to cover operating expenses for three months. Deposit this amount in a savings account before opening your business. Use it only for those purposes listed in the above chart because this money will ensure that you will be able to continue in business during the crucial early stages.

By adding the total start-up costs (Chart 2) to the total expenses for three months (three times the total cost on Chart 3) you can learn what the estimated costs will be to start and operate your business for three months. By subtracting the totals of Charts 2 and 3 from the cash available (Chart 1) you can determine the amount of additional financing you may need if any. Now you will need to estimate your operating expenses for the first year after start-up. Use the Income Projection Statement (Appendix A) for this estimate.

The first step in determining your annual expenses is to estimate your sales volume month by month. Be sure to consider seasonal trends that may affect your business. Information on seasonal sales patterns and typical operating ratios can be secured from your trade associations.

(NOTE: The relationships among amounts of capital that you invest levels of sales each of the cost categories the number of times that you will sell your inventory (turnover) and many other items form financial ratios. These ratios provide you with extremely valuable checkpoints before it's too late to make adjustments. In the reference section of your local library are publications such as The Almanac of Business and Industrial Financial Ratios to compare your performance with that of other similar businesses. For thorough explanations of these ratios and how to use them follow up on the sources of help and information mentioned at the end of this publication.)

Next determine the cost of sales. The cost of sales is expressed in dollars. Fill out each month's column in dollars total them in the annual total column and then divide each item into the total net sales to produce the annual percentages. Examples of operating ratios include cost of sales to sales and rent to sales.