



BizPlan™ Playbook

Win cash and BizKamp scholarships to start your own money-making business!



For young adults ages 18-24 living in the 30 Franklin County-North Quabbin towns of Western Massachusetts. 8 cash awards totaling \$1,950 and \$2,100 in BizKamp scholarships are up for grabs.

Deadline: April 30, 11:59 p.m.

Developed and presented by



© Young Entrepreneurs Society, Inc., unless otherwise noted

1. Introduction

Point your phone at this image
to zip right to bizventure.org!



Thanks for thinking about entering the BizPlan contest! I know you'll be amazed by just how far just thinking about, researching and writing up your business plan will take your idea — and you.

Why submit an plan?

- You could win some great **cash prizes** in this and other business plan competitions.
- You could win a **scholarship** to attend our 6-day summer BizKamp.
- You could attract **investors, mentors, and publicity** for your business.
- You could turn your plan into a **money-making business** or use it to **change the world**.

Is it a good investment of your time? *To put it another way, who else is offering you **chances to win a cash award**?* So what have you got to lose? Use this document to write up your BizPlan and create a table display, a sales pitch and a slide-show presentation to wow the judges at our Youth Business Expo in May! BizPlan is a great opportunity for you explore your business idea and gain some of the tools you'll need to launch and grow this or some other idea into a real business venture. And, even if you don't win an award this time around, you can enter every year until you turn 25!

Good luck!

Tim Cohen-Mitchell, CEO & Founder, Young Entrepreneurs Society, Inc.

2. Contest Rules

2.1 Awards

a) BizIdea Awards

Awards	Age 18-24
First Place	\$500 <i>plus</i> Full BizKamp Scholarship
Second Place	\$300 <i>plus</i> Full BizKamp Scholarship
Third Place	\$200 <i>plus</i> Full BizKamp Scholarship
Fourth Place	\$100 <i>plus</i> 2/3 BizKamp Scholarship
Fifth Place	\$50 <i>plus</i> 2/3 BizKamp Scholarship

b) Special Category Awards:

Special Awards*	Criteria	Age 19-22
Green Impact Award	BizPlan that show the greatest promise of	\$100 <i>plus</i> 1/3 BizKamp

	solving an environmental issue or problem	Scholarship
Social Impact Award	BizPlan that shows the greatest promise of solving a social issue or problem.	\$100 <i>plus</i> 1/3 BizKamp Scholarship
Creative Impact Award	BizPlan that demonstrates the greatest degree of original thinking and creativity in its concept and design.	\$100 <i>plus</i> 1/3 BizKamp Scholarship
Local Hero Award	BizPlan that promises to boost sustainable agriculture in the Franklin County-North Quabbin region.	\$100 <i>plus</i> 1/3 BizKamp Scholarship
Philanthropist Award	BizPlan for a venture that gives back in a way that does the most good for the most people.	\$100 <i>plus</i> 1/3 BizKamp Scholarship
Job-Creator Award	BizPlan that has the most potential for creating the greatest number of part-time or full-time jobs in the shortest time frame.	\$100 <i>plus</i> 1/3 BizKamp Scholarship
Arts & Culture Award	BizPlan that has the most potential for contributing to a thriving arts & culture economy in the Franklin County-North Quabbin region.	\$100 <i>plus</i> 1/3 BizKamp Scholarship
Technology Award	BizPlan for a technology-related business that shows the most potential for growth and innovation.	\$100 <i>plus</i> 1/3 BizKamp Scholarship

c) College Scholarship Awards

Two finalists will be considered for 4-year, \$15,000/year scholarships to attend the [Illinois Institute of Technology](#) (IIT). Students attending 2-year colleges are also eligible to receive a scholarship to transfer to IIT. (This opportunity is made possible through a partnership between IIT and the Town of Orange, MA via its Sustainable Development Assessment Team (S-DAT) project.)

2.2 Eligibility

- a) Age: Contestants must be between the ages of 18 and 24 at time of registration.
- b) Residency: Contestants must live in or have a permanent address in one of these towns:

Ashfield	Gill	City, Montague Center)	Shutesbury
Athol	Greenfield	New Salem	Sunderland
Bernardston	Hawley	Northfield	Warwick
Buckland	Heath	Orange	Wendell
Charlemont	Leverett	Petersham	Whately
Colrain	Leyden	Phillipston	
Conway	Monroe	Rowe	
Erving	Montague	Royalston	
Deerfield	(Turners Falls, Millers Falls, Lake Pleasant, Montague	Shelburne	

- c) Teams: Contestants may enter individually or as a team of two. At least one team member must meet the residency requirement.

2.3 Requirements

Contestants must complete each of the following requirements to be considered for an award:

- Complete a BizQuiz on-line
- Submit a BizPlan on-line
- Submit a BizPoint on-line
- Exhibit a BizBoard at the Youth Business Expo
- Make a BizPitch at the Expo
- Top 3 finalists only: Make a 5-minute a BizPoint presentation at the Expo

2.4 Restrictions

A BizPlan must be for a business that is legal to operate and for products or services that are legal to produce, possess, and/or sell in the Commonwealth of Massachusetts.

2.5 Scoring

Judging: A team of judges is responsible for scoring and ranking contestants. Judges are volunteers selected from businesses, schools, towns, civic and non-profit groups, and youth.

BizPlan Point Values (maximums):

BizPlan	50
BizPoint	20
BizBoard	15
BizPitch	15
Total	100

Criteria:

BizPlan: On-line submission of a complete business plan written using instructions and format provided in Chapter 4. Each of the nine sections of the BizPlan are worth a maximum of 5 points each. The overall quality of the BizPlan is worth a maximum of 10 points. See Chapter 3 for submission details.

Section No.	Section Name	Criteria	Point Value
1.1	Business Summary	Clearly describes their business: product and/or service, customer need, origin of idea, target market, target customer, competitive advantage.	5
2.1	Market	Understands the business type they selected, their target market, target customer, customer needs, and has a realistic plan to reach, attract, and sell to customers.	5
3.1	Competition	Has identified competitors and has a good grasp of their histories, locations, pricing, marketing strategies. Has described the competitive advantage of their own business.	5
4.1	Operations	Has a good rationale for the legal structure they selected, meets legal requirements, has a good team (owners, personnel and advisors), and has a good operations plan that will work for their business.	5
5.1	Costs	Has done a thorough job of determining the economics of their unit of sale, and their operating and start-up costs.	5
6.1	Financing	Has developed a solid financing strategy and demonstrates a good understanding of how the strategy affects their ownership of and equity in their business.	5
7.1	Business Financials	Has generated an error-free 12-month income statement and correctly calculated their business return on investment, break-even, return on sales, and payback time.	5
8.1	Goals	Has specified 3 personal and 3 business goals that are measurable, including at least 1 short-term, 1 medium, 1 long-term goal.	5
	Overall	The contestant has done a quality job with researching, conceptualizing, and writing (including clarity, spelling, grammar, and punctuation) that is consistent with their age and educational level.	10

BizPoint: A five minute slide presentation that summarizes the main points of the written BizPlan. The top three finalists in each age group will make their presentation at the Youth Business Expo. See Chapter 3 for submission details.

<u>Criteria</u>	<u>Point Value</u>
The contestant has done a quality job summarizing their written business plan using a persuasive slide-show presentation (including wording, key points, imagery, formatting, and design).	20

BizBoard: Contestants will be provided with a table space at the Youth Business Expo on which to display their BizBoard display. A team of judges will review and score each contestant's BizBoard using the average of 4 criteria rated on a scale from 1 to 5 (1 being the lowest score; 5 being the top score).

<u>Criteria</u>	<u>Point Value</u>
The contestant has done a quality job summarizing their written business plan using a persuasive table display (including creativity, design, thoroughness, and clarity).	15

BizPitch: Contestants will make a one minute sales pitch to a team of judges for their business and for their products and/or services and then answer any questions they may have about their business, display or pitch. The judges will review and score each pitch using the average of ten criteria rated on a scale from 1 to 5 (1 being the lowest score; 5 being the top score) that is divided by 5 and rounded up to the nearest whole decimal.

<u>Criteria</u>	<u>Point Value</u>
The contestant has made a persuasive sales pitch and provided satisfactory answers to the judges' questions (including level of enthusiasm, degree of confidence, audible speech, maintain eye contact, firm handshake, completeness of pitch, organization of pitch, professional dress, professional posture, persuasiveness).	15

Special Category Awards: Each contestant may compete for one special category award. Awards will be scored on a scale from 1 to 10 by a judging team. The judges' scores will be averaged and the awards will be presented to contestants with the highest average score.

<u>Criteria</u>	<u>Maximum Point Value</u>
Left to the discretion of the judges	10

based on the description of each award in section 2.1 b) and the strength of a contestant's paragraph pitch and their business plan as a whole (BizPlan, Section 9).

IIT College Scholarship Award: These awards will be determined following the Expo by IIT admissions staff.

Criteria

Eligible finalists must meet basic admissions criteria (GPA, SAT scores, prerequisite classes).

Ties: If any there is a tied score between finalists in the "Best BizPlan Award" category, the judging teams will decide the final ranking of those contestants based on their 5-minute BizPoint presentation per section 2.2 e) above. Ties between finalists in the special category awards and college scholarship contests will be left to the discretion of the judges to decide.

2.6 Deadlines & Dates

- a) BizPlan, BizPoint (on-line): **April 30, 11:59 p.m.**
- b) BizBoard, BizPitch, and BizPoint, top 3 finalists only (at the Expo): Thursday, **May 24** (see bizventure.org for date, times, details).

2.7 Code of Ethics

We require all contestants, staff and judges to abide by a code of ethics. Anyone found not to be honoring this code will be disqualified from this and all future BizVenture Series activities.

a) Conflict of Interest

- i. Employees of Young Entrepreneurs Society, Inc. and their family members are ineligible.
- ii. Judges may not score a BizPlan of any entrant whom they would be unable to assess impartially because of a family, friend, or other personal or professional relationship.

b) Ethics

- i. Soliciting input and advice from others is permitted, but a BizPlan, BizPoint, BizBoard, and BizPitch, must consist of a contestant's original work and be in their own words.
- ii. Quoting, summarizing or paraphrasing the work of others is permitted but must be referenced using MLA Style endnotes. (Helpful tool: <http://www.citationmachine.net/>).
- iii. Plagiarism will result in elimination from the contest.
- iv. Tampering with a contest website or webpage or using other improper means to increase a score will result in elimination from the contest.

c) Respect

- i. Contestants must be respectful of other contestants, judges, and program staff and supporters in all interactions—on-line, in writing, or in person.
- ii. Disrespectful language or behavior will not be tolerated and will result in elimination from the contest.

d) Non-Discrimination

- i. Contestants and their entries will be evaluated without regard to sexual-orientation, race, ethnicity, religion, sex, age, social class, income level, political beliefs, town or area of residence, school, disability, national origin, past or current court involvement, and all other forms of discrimination.

e) Social Inclusion

- i. Contest staff and volunteers will endeavor to reach out to and include in the contest all eligible young people regardless of their race, sexual-orientation, race, ethnicity, religion, sex, age, social class, income level, political beliefs, town or area of residence, school, disability, national origin, past or current court involvement, etc.
- ii. Staff and volunteers, with adequate notice, will make every reasonable accommodation to include and support the full participation of contestants with disabilities.

3. Contest Instructions

3.1 Get Started

- a) Register at <http://www.bizventure.org/register/>
- b) Take the [BizQuiz](#).

3.2 Write Your BizPlan

- a) After completing the BizQuiz, select the [BizPlan](#) option.
- b) Enter your BizPlan in the text boxes provided.
- c) To save your BizPlan, click [Save BizPlan](#) at the bottom of the page often.
- d) To view your BizPlan, click [View BizPlan](#) at the bottom of the page.
- e) To publish your BizPlan to the website homepage for public feedback, click [Publish BizPlan](#) at the bottom of the page. Use the feedback to edit your BizPlan if desired.
- f) To edit your BizPlan, click [BizPlan - Edit](#) using your “My Options”.
- g) To print your BizPlan, click [BizPlan - Print](#) at the bottom of the page.
- h) To enter your BizPlan in the contest, click [BizPlan - Publish](#) at the bottom of the page prior to the deadline.

3.3 Create Your BizBoard

Your BizBoard will help you “show & sell” your BizIdea to the judges the Expo. You’ll need a tri-fold science project board. These are available at most office supply stores or you can make your own using scrap cardboard. For a handy Microsoft Publisher design template, go to your “My Options” panel and download and save the [BizBoard Template](#).

3.4 Develop Your BizPitch

An “elevator pitch” is a carefully crafted message designed to explain a business to a potential investor. It must be given in 60 seconds or less or about the time it takes to ride up a few floors in an elevator. To make a good pitch, it helps to have a persuasive idea, speak confidently, act professionally, and cover each of following:

- What is the product or service?
- Who is going to buy this product or service?
- What does the product/service cost?
- Who are the people running the company?
- What makes this product/service different from its competitors’

Tip: See <http://www.elevatorpitch2011.com/> for videos of young entrepreneurs making pitches.

3.5 Create Your BizCard (Optional)

BizCards can help you impress the judges at the Expo. For a handy Microsoft Publisher design template go to your “My Options” panel and download and save the [BizCard Template](#). Or... design and order business cards from a low-cost printer such as <http://www.123print.com> or <http://www.vistaprint.com>.

Tip: Suggested items to include on your BizCard:

- | | |
|---|--|
| 1. Name of your business | 8. Email address |
| 2. Slogan or byline (if you have one) | 9. Web address |
| 3. Your Name | 10. Street Address and/or P.O. Box |
| 4. Your Title (President, CEO, Owner, Proprietor, Principal, Founder, Director, etc.) | 11. City |
| 5. Telephone Number | 12. State |
| 6. Cell phone Number | 13. Zipcode |
| 7. Fax Number | 14. Logo |
| | 15. Products and/or services you offer |

3.6 Create Your BizBrochure (Optional)

A BizBrochure can help you impress the judges at the Expo. For a handy Microsoft Publisher design template go to your “My Options” panel and download and save the [BizBrochure Template](#).

3.7 RSVP to attend the Expo

Visit the Expo event page located on the BizVenture Facebook page to say you’ll “attend.”

4. BizPlan Template

Use this handy template to research and write up your idea on paper or put it aside and enter your idea directly on the [BizVenture](#) website.

1. Business Summary

Describe your business in 2 or 3 paragraphs. Be sure to include the following:

- your product and/or service
- your target customers (to whom you hope to sell your product and/or service)
- how your business will meet the needs of your customers
- how you came up with your idea and why you chose this one in particular

- your competitive advantage (what makes your business better at meeting the needs of your target customers than your competitors)
- stage of development (is your business an “idea” stage or is it ready to “start-up” or already “operational”)

Tip: Revise this section once you complete the rest of your plan.

Text Box:

2. Market

What is your business type? (choose one)

- Manufacturer (you sell to wholesalers)
- Wholesaler (you sell to retailers)
- Retailer (you sell to consumers, i.e., members of the general public)
- Service Seller (you sell to consumers)

Describe your target customer:

- Age range, gender, race, ethnicity, location/geographic area, financial status, occupation, etc.
- the customer need(s) your product and/or service will satisfy

Describe how you will reach and attract your target customers:

- Product: the features of your product and/or service and how these features meet your customers' needs
- Price: how you will use the price of your product and/or service to attract and keep your customers
- Place: where you will sell your product and/or service and why that location is attractive to customers
- Promotion: how you will package, display, present and advertise your product/service

Text Box

3. Competition

Describe your competition:

- Who are your competitors and how many of them are there?
- Where are they located?
- How do they price their products or services?
- How do they attract and keep their customers?
- Are they new or have they been in business a long time?

Describe your competitive advantage (how you plan to beat your competition):

- Why is your product and/or service better than or different than your competitors'?
- Is there room for your business in your target market?

Text Box

4. Operations

What is the legal structure of your business? (select one)

- Sole Proprietorship
- Partnership
- Corporation (for-profit)
- Cooperative Corporation
- Non-Profit Organization

Why did you choose the structure you did?

Tip: Sole proprietorships and partnerships are the most common legal structures. Complete a one-page application and pay about \$25.00 every four years at your town or city hall and you're in business. You or you and your partner include your business income and expenses in your personal annual tax return. A parent/guardian signature is required if you are under 18 years of age. Disadvantages of these structures are a) that you or you and your partner will be personally liable for all damages or debts incurred by your business; b) it will be more difficult to attract investors (if you need them); and c) the structure itself dies with the owner(s). Corporations, cooperatives, and non-profit organizations must be registered with the state government and there are significant fees, costs, and annual paperwork involved. You must also have a board of directors and the owners (except in the case of non-profit organizations) must pay both corporate and personal taxes. Choose a for-profit corporation structure if you intend to own, control and receive profits earned by the corporation. Choose a cooperative structure if you want all owners of the business to have equal ownership and equal decision-making power. Choose a non-profit organization structure if your mission is charitable, scientific, educational or religious. If you founded a non-profit, you and the others involved might be members of the board of directors or employees, but cannot be owners, since the corporation exists only to serve the public good. Non-profits can, in fact, make a profit, but all profit remains the property of the corporation. Advantages of corporate structures are a) owners are not personally liable for damages or debts incurred by your business; b) you can more easily attract investors; and c) they have a "perpetual life" of their own and can out-live their owners (since their shares can be sold to others).

Legal Requirements

- What licenses, permits, certifications, or other legal requirements will your business need to operate?
- Where will you obtain them (names and locations)?

Hours, Seasons

- When will you conduct your business (days, times, seasons)?
- How will you fit your business activities into your personal schedule (school, work, hobbies, friends, family)?

Management & Personnel

- Who will be involved in operating your business?
- What are their roles?
- What are their qualifications?
- Who will manage your finances (bookkeeping, accounting, taxes)?
- What are your banking needs and where will you bank?
- Will you purchase insurance to cover your operations? If so, from whom?

Advisors

- Who will advise you as you plan, start and operate your business (names, titles, employer, location, your relationship to them)?

Text Box

5. Costs

Use your BizPlan Spreadsheet to complete this section.

Economics of One Unit: What is your product or service? What price will you charge for it? How much will it cost you to sell? How much profit will you make for each product or service you sell?

Unit of Sale: Name the product or service you will sell to your average customer.

Example	
Product	Service
1 T-shirt	1 Hour of leaf raking

Tip: If you sell several different products, make your unit the same as your “average” sale. For example, if you sell sub sandwiches, your unit might be “one meal” that includes one sandwich, one small bag of potato chips, and one can of soda.

Next, choose A. if you are selling a *product* or B. if you are selling a *service*:

- A. Cost of Goods Sold (COGS): What is your cost for the unit you are selling?

Example
My COGS for one T-shirt is \$5.00

- B. Cost of Services Sold (COSS): What is your cost for labor and supplies for the unit you are selling?

Example
My COSS for one hour of leaf raking is \$10.00 (\$8.00/hour for my labor plus \$2.00/hour in gasoline for my lawnmower.)

- What is your selling price: What is the price you will charge your customers for this unit?

Example

My selling price for one T-shirt is \$10.00

Tip: If your unit is a product, try setting a selling price that is double your COGS, as in the T-shirt examples above.

- Gross Profit per Unit: How much profit will you make on your unit once you have subtracted your unit's COGS or COSS from your unit's selling price?

Example:

My gross profit for one T-shirt is \$5.00 (my selling price [\$10.00] minus my COGS [\$5.00] equals \$5.00)

Start-up Costs

What will it cost to open your business? Make a list of one-time purchases, where you will purchase them, how many, and how much they cost. Then, total them up. You may also want to have some spare cash on hand (COH) to cover these costs until

Example (note: these figures are fictional)

<u>Item</u>	<u>Quantity</u>	<u>Cost Each</u>	<u>Total Cost</u>
<u>Equipment</u>			
Silk screening frames	10	\$5.00	\$50.00
Silk screen fabric by the yard, eBay	5	\$2.50	\$7.50
Silk screen ink in bottles, eBay)	5	\$10.50	\$52.50
Silk screen squeegees, eBay	2	\$10.00	\$10.00
Silk screen machine, used, eBay	1	\$100.00	\$100.00
Silk screen UV developer unit, used, eBay	1	\$50.00	\$100.00
Cell phone, purchase, Consumer Cellular	1	\$25.00	\$25.00
<u>Inventory</u>			
T-shirts (white shirts, mixed sizes), eBay	50	\$2.00	\$100.00
<u>Other Costs</u>			
4-year Business Permit, City of Greenfield	1	\$25.00	\$25.00
Misc. Supplies (receipt book, pens, etc.)	1	\$10.00	\$10.00
250 Business cards, Vistaprint	1	\$10.00	\$10.00

Flyers, YES BizCenter	100	\$.10	\$10.00
Total			\$500.00

Operating Costs

Once your business is open, what will it cost each month to operate?

Fixed Costs: These are costs that stay the same every month, regardless of how many sales you make. Now, list your monthly fixed costs—only those that apply—and total them up.

- Utilities
- Salaries/Wages
- Advertising & promotion
- Interest (on a loan if you need to borrow money to cover start-up costs, etc.)
- Insurance
- Rent

Example

Fixed Operating Costs, per month

Item	Quantity	Cost Each	Total Cost
Utilities (cell phone, 2,000 anytime minutes with texting)	1	\$49.00	\$49.00
Salaries/Wages (none, since I'm the sole owner)	0		
Advertising & promotion (flyers)	100	\$.10	\$10.00
Interest (5% on a \$200.00 12-month loan from Mom)	1	\$ 1.00	\$ 1.00
Insurance (none; there's low risk involved in selling shirts)	0		
Rent (I pay \$25 to use our basement for business)	1	\$40.00	\$40.00
Total			\$100.00

Variable Costs: Unlike fixed costs, you incur these costs only when you make a sale. You can set your variable costs as a percentage of each sale or a dollar amount per sale.

Example

Variable Operating Costs, per month

...as a percentage: My variable operating costs are 5% (of my unit's selling price)

or

...as a dollar amount: My variable operating costs are \$1.00 per unit sold.

Tip: If you are selling a sub sandwich meal to go, your variable costs might include napkins and condiments, such as packets of salt, pepper, mustard, and mayonnaise. Determine the cost of each of these items and estimate the quantity of each that you believe your typical customer will use. To determine your variable cost as a percentage, divide your total cost for these items by your unit's selling price and multiply by 100. Or, use your total cost for these items and use this amount to determine your variable cost. Your variable cost may be even simpler to determine if, say, you sell your T-shirts on-line and your credit card payment processor charges you a fixed amount per sale or if you pay a commission to a salesperson, and you pay them a fixed amount for each T-shirt they sell for you.

Total Monthly Operating Costs: Once you begin Section 7.1, you'll figure your total monthly operating costs by adding your total monthly variable costs to your total monthly fixed costs. But here's a sneak preview of how to do it:

Example

If you sold 20 T-shirts at \$10.00 in June, say, your total monthly sales would be \$200.00. To determine your total operating costs for June, you could use either of these methods:

... percentage:

Fixed Costs	\$80.00
Variable Costs (5% of \$200 sales)	\$10.00
Total Operating Costs	\$90.00

... dollar amount:

Fixed Costs	\$80.00
Variable Costs (50¢ x 20 units)	\$10.00
Total Operating Costs	\$90.00

6. Financing

Use your BizPlan Spreadsheet to complete this section.

Financing: How will you finance—pay for—your start-up costs? Choose one or more of the following:

- Self Financing: Most small business owners self-finance their venture using personal savings. How much money can you personally contribute to starting your business?
- Gift Financing: Gifts from friends and family members are also a common way to raise start-up capital. How much money might you ask for and whom will you ask?
- Debt Financing: If you still don't have enough money, you may need to borrow some from friends, family or a bank. The advantage of borrowing is that you don't have to give up any control or ownership of your business. The disadvantage is that you're on the hook for the borrowed money even if your business performs poorly or fails. How much money, if any, will you need to borrow? From whom will you borrow it and on what terms (What is the interest rate on the loan? When must it be repaid? Must you make payments each month or pay it off in a lump sum?)
- Equity Financing: If asking for a loan is not possible or desirable, you might ask friends, family members or professional investors to invest money in your business. The

advantage of equity financing is that you don't have to pay back the money if your business performs poorly or fails. The disadvantage, though, is that you probably have to give your investors a share of ownership of and control over your own business. Investors get a percentage of the business' profits if it makes money based on the percentage of the business they own. They may also have the option to sell their shares to others. But if the business makes a loss, they take a percentage of the loss, too. Will you seek out investors? If so, how much capital are you seeking from them and what ownership or control will you give them in exchange for their investment?

Now, summarize your finance plan. List any and all of the above funding sources (names, terms, and amounts) and total them up. They should equal your start-up costs plus the total of your fixed for as many months as it will take for your business to make enough money in sales to cover its own fixed costs (this way you won't go out of business prematurely because you couldn't pay the rent, for example).

Example

Amount to be financed:

Total start-up costs	\$500.00
3 months COH for fixed costs @ \$100/mo.	\$300.00
Total	\$760.00

Sources of Capital:

Personal savings:	\$400.00
Gift from Granny Smith:	\$50.00
Loan from Mom & Dad:	\$250.00
Investment from Uncle Tony:	\$100.00
Total:	\$800.00

Equity: Equity is another word for ownership.

If you are the only person investing money in your business, you will hold (own) 100% of the equity in your business and have total control over it.

If you have partners or investors, you will need to give up some equity in and control of your business in exchange for the money they invest.

Tip: Divide your total start-up costs by 100. If your start-up costs are \$800.00, issue 100 shares worth \$8 each. If you invest \$700.00, you will own 87.5 shares, or 87.5%, of your business. To raise the remaining \$100.00 you need, you will need to sell only 12.5 shares, or 12.5%, of your business. Shares are also “votes” when it comes to making major decisions about your business. With 87.5% of the shares, you will have almost total control of your business. But if you sell more than 51% of the shares, you could be over-ruled by your shareholders!

So, how much of your business will you own and how much will others own?

Example

<u>Investors (source)</u>	<u>Investment</u>
My investment (savings, gift, loan)	\$700.00
Others' investment (Uncle Tony)	\$100.00
Total start-up costs	\$800.00

$\$800.00 \div 100 \text{ shares} = \8.00 per share

<u>Owners</u>	<u>Shares</u>	<u>Equity</u>
Me	87.5	87.5%
Uncle Tony	12.5	12.5%
Total	100	100%

7. Financials

Use your BizPlan Spreadsheet to complete this section.

Projected Income Statement: The income statement (also known as a “profit & loss statement” or “P&L”) is your business score card. Its “bottom line” lets you know if your business is making a profit or losing money for a given time period, such as a week, a month or a year. If you have not yet started your business, you will need to create a P&L by estimating your monthly sales and subtracting your COGS, operating costs, and taxes.

1. Sales: Estimate the number of units you will sell each month in your first 12 months in business.

Example

<u>Month</u>	<u>Units Sold</u>	<u>Month</u>	<u>Units Sold</u>
April	30	October	90
May	40	November	150
June	50	December	200
July	60	January	100
August	70	February	120
September	80	March	130

Total = 1,120 units sold

2. Total Sales: Enter the sales price of your unit and multiply it by the number of units sold for each month.

Example

April: 30 T-shirts x \$10.00 = \$300.00 total sales

3. COGS/COSS: Enter the cost of goods and/or services sold per unit.

Example

April: 30 T-shirts x \$5.00 = \$150.00 total COGS/COSS

4. Gross Profit: Subtract total monthly COGS/COSS from total monthly sales.

Example

April: \$300.00 – \$150.00 = \$150.00 gross profit

5. Fixed Costs: Enter your total monthly fixed costs.

Example

April: \$100.00

6. Variable Costs: Calculate your total monthly variable costs.

Example

April: \$300.00 x .05 = \$15.00

7. Total Operating Costs: Add your total monthly fixed and variable costs.

Example

April: Fixed (\$100.00) + Variable (\$15.00) = \$115.00

8. Profit before Taxes. Subtract your total operating costs from your total gross profit.

Example

April: Gross Profit (\$150.00) - Total Operating Costs (\$115.00) = \$35.00

9. Taxes. Multiply Profit before Taxes (31%) by .31. (Taxes include 10% Federal Income Tax, 5.6% State Income Tax, and 15.4% Social Security & Medicare.)

Example

$$\$35.00 \times .31 = \$10.85$$

10. Net Profit (or Loss). Subtract taxes from profit before taxes.

Example

$$\text{April: Profit before taxes } (\$35.00) - \text{Taxes } (\$10.85) = \$24.21$$

Break-even Units

This formula will tell you how many units you need to sell each month to cover your fixed operating costs.

Monthly Fixed Costs

----- = Units needing to be sold to break even

Gross Profit per Unit

Example

The T-shirt business has \$100.00 of monthly fixed costs and its gross profit per unit is \$5.00. Based on this formula, you'd need to sell 20 T-shirts to cover your monthly fixed costs.

$$\begin{array}{l} \$100.00 \\ \text{-----} = 20 \text{ Break-even Units} \\ \$5.00 \end{array}$$

Return on Investment (ROI)

ROI tells you how well your investment paid off and is expressed as percentage. For example, if you “invest” your money in a savings account, your ROI might be 1%; in a CD (certificate of deposit), 3%; in a savings bond, 5%; in a share of stock bought and sold, 12%. Generally, the percentage goes higher with the amount of risk or time period involved. A simple way to calculate your ROI:

$$\frac{\text{What you made (your net profit) - What you paid (your start-up investment)}}{\text{What you paid (your start-up investment)}} \times 100 = \text{ROI \%}$$

Example

Suppose your T-shirt business made a net profit of \$2,633.44 in its first 12 months and cost you \$800.00 to start. Calculate your ROI like this:

$$\frac{\$2,633.44 - \$800.00}{\$800.00} = 2.29 \times 100 = 229.18\% \text{ ROI}$$

Now, calculate your ROI for your business (use the total net profit on your 6-month income statement)

Return on Sales (ROS)

ROS is a handy formula for figuring out what percentage of each sale you make is profit. If it helps, maybe think of it like this: a dollar equals 100 cents, so for every dollar in you make in sales, ROS will tell you how many cents of each dollar is profit. Here's the formula for ROS:

$$\frac{\text{Net Profit}}{\text{Total Sales}} \times 100 = \text{ROS \%}$$

Example

$$\frac{\$2,633.44}{\$11,200.00} = .23 \times 100 = 23.5\% \text{ ROS}$$

Payback

This formula tells you how long (in months) it might take to make back the money invested to start your business. The formula is simple:

$$\frac{\text{Start-up Cost}}{\text{Net Profit}} \times 12 = \text{Payback (in months)}$$

Example

$$\frac{\$800.00}{\$2,633.44} \times 12 = 3.7 \text{ months}$$

8. Goals

List 3 personal goals and 3 business goals. Each should include a one short-term goal (achievable within 1 year); one medium-term goal (2-4 years); and one long-term goal (5-10 years). And make them measurable (so you'll know when you've achieved them).

Example

Personal Goals

Short-term: Earn a high school diploma or GED by June 2015

Medium-term: Earn a college degree by June 2019

Long-term: Be married and have 2 children before I'm 35.

Business Goals

Short-term: Launch my business by June 2011. Earn \$500 profit by end of August 2011

Medium-term: Make a \$2,500 profit over my second summer of selling T-shirts in 2012

Long-term: Sell my business by July 2015 for \$10,000 (before starting college).

Text Box

9. Making a Difference

Use this section to pitch the judges on why you feel your business, product and/or service should be considered for one of our special category awards. Your pitch should be no more than a paragraph in length.

Green Impact Award: How will your business solve an environmental issue or problem?

Social Impact Award: How will your business solve an environmental issue or problem?

Innovation Award: Why do you feel your BizPlan demonstrates original thinking and creativity in its concept and design?

Local Hero Award: How will your business improve the quality of life for the greatest number of residents in the Franklin County-North Quabbin region?

Philanthropist Award: How will your business give back in a way that does the most good for the most people.

Job-Creator Award: Why do you feel your business has the potential to create the greatest number of part-time or full-time jobs in the shortest time frame.

College Scholarship Awards: Do you think you might be eligible for an IIT scholarship? If you are in high school, when do you plan begin college? Are you already attending college? How would attending IIT help you meet your educational goals?

Text Box

5. Help

Don't be shy about asking for help!

- Ask questions on the [BizWiz Facebook page](#) or email bizhelp@groups.facebook.com
- Email the BizWiz directly at bizwiz@bizventure.org
- Call Tim at 978-544-1869 (office and cell)
- Ask friends, family members, teachers, business owners and others for help.