



# **Start Your Business**

## **Module 5: Your Business Plan**

March 2023

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Zwolle, the Netherlands  
March 2023

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# Module overview

## Objectives

- To learn different ways of reaching a balance between costs and income
- To learn how to make a simple Profit & Loss statement
- To develop your own Business Plan

## Materials

- Flipcharts and markers
- Figure with roadmap towards a successful business
- Picture of funnel leading to a Business Plan
- Diagram of shoe-making business
- Picture of the puzzle pieces
- Business Plan Format (Annex I)

## Duration

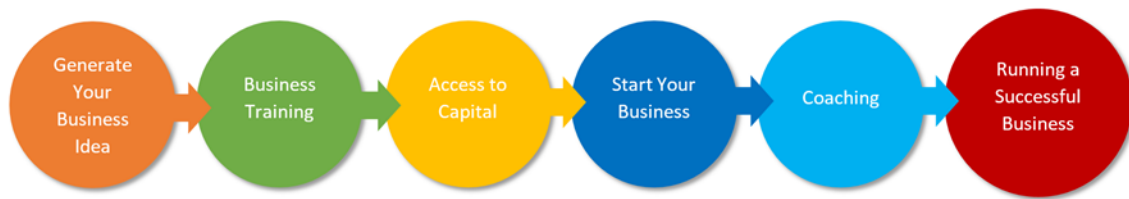
Element	Duration
Introduction	15 minutes
21. Balancing costs and income	120 minutes
22. Profit & loss statement	60 minutes
23. Making your business plan	180 minutes
Closure	15 minutes
<b>Total</b>	<b>6 hours and 30 minutes</b>



# Introduction

- Welcome the participants and make sure everybody feels at ease.
- Introduce the session of today to the participants and go through the objectives of this Module.
- Show them schedule of the day, including the breaks.
- Explain the ground rules of the training.
- Make sure that everybody understands how the current Module fits within the total picture of the Start Your Business training (show picture).
- Do a short recap of the main learning points of the previous module: Money Flows.

## Roadmap to a Successful Business



# 21. Balancing costs and income

## Introduction

Read and explain the Theory 'Balancing costs and income'. Put the diagram of the shoe-making business on the wall and explain how the different measures to increase the Profit (P) affect each loop in the diagram. Tell the students that we are going to look at our own business idea and see whether we can adjust some things to increase the Profit (P). Tell them that even if their profit is positive, they can still look at how to increase it. Refer to the figure of the puzzle pieces and remind the students that a change in the Profit (P) is a result of a change in the other three pieces of the puzzle.

## Exercise



- Give each student a paper and a pen.
- Ask students to get into groups of two.
- Ask students to turn back to Exercise 20 of Module 4 and to look at the Profit (P) that they had calculated for their business. Let them write this figure down on their paper.
- Let the students – in pairs – discuss the ideas that they have to increase their Profit (P). Tell them to look at the different options they have:
  - Increase the Revenue
  - Reduce the Variable costs (costs of doing)
  - Reduce the Fixed costs (costs of being)
  - Reduce the costs of Setting up the business
  - Reduce the Time to get the money in
- Let them write down their ideas on the paper. Tell the students that the ideas have to be realistic.
- Let two or three students present their ideas to the bigger group. Ask the group what they think about these ideas and if they are realistic.
- Let the students estimate how much the costs will decrease or the income will increase as result of their business adjustments. These adjustments will be in one or more of the following areas: Revenue, Variable costs, Fixed costs, Set-up costs, Time to get money in. To help them with their calculations, they can turn to Exercises 14 to 20 in Module 4.
- Let the students now calculate the new Profit (P) as a result of making adjustments in their business. As a facilitator provide support where needed.
- Hang up a flipchart in each of the 4 corners of the room. Label them as follows:
  - Corner 1: From Viable to Viable
  - Corner 2: From Viable to Non-viable
  - Corner 3: From Non-viable to Viable
  - Corner 4: From Non-viable to Non-viable
- Tell the students to stand in the corner that represents their situation with respect to the viability of their business before and after the adjustments.

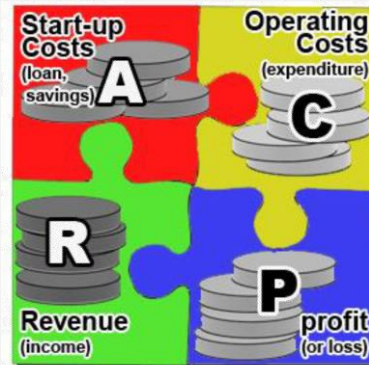
- If there are any students in Corner 2, tell them to stick with their previous business strategies, as their adjustments aren't successful. (As a facilitator you may want to look into the calculations to check whether the business is really worth pursuing).
- If there are any students in Corner 3, congratulate them with their adjustments.
- If there are any students in Corner 4, take note of these students and tell them that as facilitators we will have a closer look at their business calculations to see whether it is still possible to make their business work. It may however be that a different business idea may have to be chosen.

### **Reflection**

Congratulate all students with their work so far. Tell the students that the ones with a viable business are now ready to develop their Business Plan. Students with a non-viable business idea may have to switch to another business idea (perhaps their 2nd or 3rd choice from the GYB training). Tell these students that although this is unfortunate, at the same time it is good that they discovered this before they actually started with their business. This may have saved them from investing a lot of time, energy and resources in vain.



## Theory: Balancing costs and income



During the previous Module we calculated the different money flows in our business (the four puzzle pieces). By carefully looking at all the expected income and expenditure flows of the business we could assess whether we would make a profit or not.

Some businesses may have shown a positive profit, indicating that these businesses are viable. But some businesses may have shown a negative profit (a loss). This indicates that the business cannot survive in the long run. However, before writing off the business idea altogether, we should first see if it is possible to make some adjustments in order to increase the profit to a satisfactory level.

There are different ways in which we can increase the Profit (P):

- 1. Increase the Revenue (R).** This can be achieved by selling more, or selling the same but at a higher price. Think about how you might find further customers, or what you might offer those customers that will make your product or service more valuable to them, and therefore worthy of a higher price.
- 2. Reducing the variable costs.** This can be achieved by lowering costs of producing products or services. For example: reducing wastage, increasing efficiency of labour, negotiate discounts for used materials and supplies.
- 3. Reducing the fixed costs.** These costs keep coming back every month, no matter your volumes of sales. It is therefore important to keep these costs as low as possible. Sometimes you may decide to give yourself a lower wage during the business start-up period. However, this should not be a permanent solution.
- 4. Reducing the set-up costs.** By reducing the set-up costs, you will need to borrow less money which decreases your monthly loan repayments. You can reduce your set-up costs by for example borrowing or renting your equipment, or buying second-hand equipment.
- 5. Reducing the time to get money in (T).** The quicker your sales come from the ground, the less money you need to borrow to cover the costs during the initial phase of your business. An effective promotion campaign before you open your store, for example, may help to speed up sales.

# 22. Profit & loss statement

## Introduction

Read and explain the Theory 'Profit & Loss statement'. Tell the students that together we are now going to look at a Profit & Loss statement example for a business in which the income and expenditures are unevenly spread over the year.



## Exercise

- Tell students that we are going to look at a Wheat producing business. This business depends on the rainy season for its production. The production calendar is as follows:

PRODUCT	J	F	M	A	M	J	J	A	S	O	N	D
WHEAT												

- Sowing
- Growing
- Harvesting

- Ask the students: In which months will the business owner incur costs? The right answer would be from February until August. Ask them to give some examples of these costs. These may include: fertilizer, seeds, pesticides, labour, bags, transportation.
- Ask the students: In which months will the business owner have revenue? The right answer would be July and August, which is when the product is harvested (assuming it will be sold right away and not stored).
- Ask the students: If you would have to make a Profit & Loss statement for this business, could you make it for one month? Ask them why yes or no. What time period would they suggest? Ask them why they chose that time period. In this case, as costs and income are not spread evenly over the year, it is best to calculate figures on a yearly basis in order to account for all costs and incomes made during the business cycle.



**Reflection**

Tell students that when looking at a business it is important to look at the business cycle: the period between the moment that costs are incurred and income comes in. If the business cycle is long (as in the above example) then you will probably have to make a Profit & loss statement on basis of a longer period of time (for example quarterly or yearly).



## Theory: Profit & loss statement



An important element of your Business Plan consists of the Profit & Loss statement (also called Income statement). This record basically summarizes the revenues and expenses incurred during a specified period. As the name already tells us, the Profit & Loss statement offers us the possibility to see in a glance if the business is making a profit or a loss. A Profit & Loss statement can be made for different periods of time (for instance: monthly, quarterly, yearly).

During the previous Modules of this training we have already calculated all the figures necessary to fill in the Profit & Loss statement. Below is an example of a simple Profit & Loss statement for a shoe repairing business. Note that the figures in the example are specified per month. In case your income and expenditures are not evenly spread over the year, you may want to present a yearly overview to provide a more accurate picture of your business.

<b>Profit &amp; Loss statement (per month)</b>	
<b>Sales</b>	<b>Amount</b>
Shoe repairs per month (100 x \$ 25)	\$ 2,500
Shoe laces per month (30 x \$ 5)	\$ 150
<b>Total income</b>	<b>\$ 2,650</b>
<b>Costs</b>	
Fixed costs per month	\$ 500
Variable costs per month	\$ 1,500
Interest + Loan repayment per month	\$ 250
<b>Total costs</b>	<b>\$ 2,250</b>
<b>Profit</b>	<b>\$ 400</b>

In this simple overview the fixed and the variable costs are presented as an aggregate figure, but you may also decide to provide more detailed information about what makes up each of these categories.

Note that three pieces of the puzzle can clearly be identified in the table. Note also that the Set-up costs (which are part of the Start-up costs) are not mentioned in this overview as these costs are incurred before the start of your business. In fact, these costs are reflected in the Interest and Loan repayment that you do every month.

# 23. Making your business plan

## Introduction

Read and explain the Theory 'Making your business plan'. Explain to the students that they are now going to fill in their own Business Plan using the information from the exercises that they conducted.

## Exercise

- Tell the students to have at hand their notebook with the results of the exercises of the training.
- Ask the students to make pairs and to check if the exercises have all been answered. Tell the students that all exercises need to be answered before they can continue to fill in the Business Plan. Provide support to the students where needed.
- Give each student a Business Plan format and go through the different sections together with them. Tell them that most of the Business Plan information will come directly from the exercises that they conducted during the training. Tell them that the Executive Summary is filled in at the very end.
- Ask students to fill in their Business Plan format. Be sure to provide support whenever needed.
- Ask the pairs to check on each other's Business Plan and to provide feedback and/or suggestions for improvement.



## Reflection

Congratulate the students with their Business Plans. Tell them that the Business Plans will be reviewed by the facilitators and that individual meetings will be scheduled to discuss each plan in detail. Point to the figure of the roadmap towards a successful business and show them in which step in the process they find themselves. The Business Plan will help them to take further steps in this process. Remind them that there is the possibility of receiving coaching during the process of starting up and running their business.

## Theory: Making Your Business Plan



In Module 1 of this training we already had a first look at the Business Plan format. We saw that in a Business Plan you write down – in an orderly and structured way – what you are going to do, when and how. As such, a Business Plan is a road map that provides directions so a business can plan its future and help it avoid bumps in the road.

A Business Plan is not only a guide for its owner to run the business. Business plans are one of the main requirements for owners when they're applying for business loans. Detailed business plans prove to lenders that owners are very knowledgeable and serious about their businesses.

Basically, a Business Plan contains the following information:

### a. Executive Summary

This section provides a very concise summary of the whole Business Plan. It usually includes: i) The business concept: business name, its products or services, the market it serves and the business' competitive advantage; ii) Financial highlights, such as sales and profits; iii) Financial requirements: how much capital is needed for start-up and sources of funding.

### b. Nature of the Business

This section provides basic information about the business such as name of the business, type of business, main products and services offered, profile of customers, location of the business and number of people working in the business.

### c. Marketing Plan

The Marketing Plan describes the sales and marketing strategy of the business and provides information on expected market share, main competitors, plans to offer a 'better' product, promotion strategy, distribution strategy, prices offered, etc.

### d. Production Plan

In this section more detailed information is presented about the production plan of the products or services. This includes a breakdown of the setup costs (for example required equipment) and also an overview of fixed and variable costs.

### e. Financial Plan

The Financial Plan offers insight into the money flows within the business and the effect or consequence of these flows. A key element of the financial plan is the Profit & Loss statement (or Income Statement) which is a simple and straightforward report on the business' cash-generating ability. It is a scorecard on the financial performance of your business that reflects when sales are made and when expenses are incurred. The financial plan also provides an overview of financial resources needed for the start-up of the business, and shows how these costs are expected to be covered.

# Closure

## Evaluation

Discuss the lesson with the students. What went well, what could have gone better, and what have they learned?

## Annexes

On the next pages, you find the annexes for this module:

- Business Plan – executive summary
- Business Plan – nature of the business
- Business Plan – marketing plan
- Business Plan – production plan
- Business Plan – financial plan

## Goodbye

*This is the end of module 5 of the 'Start Your Business' training. Goodluck with your business!*



## Annex: Business Plan – executive summary

<b>1.1</b>	<p><b>BUSINESS CONCEPT</b></p> <p>Write a short paragraph in which you provide your business name, your main products and/or services, the market you will serve, and the particular competitive advantage that you expect to have.</p>

<b>1.2</b>	<p><b>FINANCIAL HIGHLIGHTS</b></p> <p>Provide a short overview of your projected sales and profits.</p>

<b>1.3</b>	<p><b>FINANCIAL REQUIREMENTS</b></p> <p>Please specify the start-up costs of your business and the sources from which you expect to cover these costs, including own capital and expected loans.</p>



## Annex: Business Plan – nature of the business

<b>2.1</b>	<b>BUSINESS NAME</b> Mention the name of your business.

<b>2.2</b>	<b>NAME OF BUSINESS OWNER AND NUMBER OF STAFF</b> Mention the name of the business owner and how many people will be working in the business (apart from the business owner)

<b>2.3</b>	<b>BUSINESS LOCATION</b> What will be the address of your business?

<b>2.4</b>	<b>PRODUCTS AND/OR SERVICES OFFERED</b> Mention the products and/or services that your business is going to provide.



<b>2.5</b>	<b>CUSTOMERS</b> Write down who the customers for your products/services will be.

<b>2.6</b>	<b>GEOGRAPHICAL COVERAGE</b> Indicate which geographical area you are planning to cover with your business.

<b>2.7</b>	<b>NEEDS</b> Why you think that customers are interested in buying the products or services that you are providing?





## Annex: Business Plan – marketing plan

<b>3.1</b>	<b>TOTAL MARKET FOR YOUR PRODUCTS / SERVICES</b> Provide and estimation of the total value of the market for your products/services within your target area.

<b>3.2</b>	<b>EXPECTYED MARKET SHARE</b> What part of the total market do you expect to cover? How much revenue do you expect to have every month? How many units of products/services will you

<b>3.3</b>	<b>MAIN COMPETITORS</b> List your main competitors and their main strengths and weaknesses.	
<b>Competitor</b>	<b>Strengths</b>	<b>Weaknesses</b>

<b>3.4</b>	<b>MASRKETING STRATEGY</b> What will you do to attract and retain customers in your market? What will you do better than your competitors? Try to specify your actions according to Product, Price, Promotion and Distribution.
<b>Product:</b>	
<b>Price:</b>	
<b>Promotion:</b>	
<b>Distribution:</b>	



## Annex: Business Plan – production plan

<b>4.1</b>	<b>SET-UP COSTS</b>		
	List facilities and equipment that you need to set-up the business, such as a factory or stall, equipment, tools, etc. Indicate the condition of these items (new or used) if these items are purchased or rented (P/R) and the cost per item.		
Facilities/equipment	Condition	P/R	Costs
<b>Total Set-Up Costs</b>			

<b>4.2</b>	<b>STAFF COSTS</b>	
Name	Role	Monthly wage
<b>Total Staff Costs</b>		



<b>4.3</b>	<p><b>FIXED COSTS</b></p> <p>List anything that will get charged to your business on a regular basis whether you are producing or not. Include things like rent, rates, professional charges, electricity, water, leasing charges.</p>		
Fixed costs item	Period	Price	Monthly costs
<b>Total fixed costs per month</b>			

<b>4.4</b>	<p><b>VARIABLE COSTS PER UNIT OF SALE</b></p> <p>Indicate, per unit of sale, how much of each item will be used up in its production and what the costs per unit of production will be.</p>		
Product 1			
Variable costs item	Nr. of units covered	Price	Monthly costs
<b>Total variable costs per unit:</b>			
Product 2			
Variable costs item	Nr. of units covered	Price	Monthly costs
<b>Total variable costs per unit:</b>			



Product 3			
Variable costs item	Nr. of units covered	Price	Monthly costs
Total variable costs per unit:			
Product 4			
Variable costs item	Nr. of units covered	Price	Monthly costs
Total variable costs per unit:			



## Annex: Business Plan – financial plan

<b>5.1</b>	<b>FINANCING NEEDS</b>	Specify the financial resources needed to cover your Set-up costs and your Initial Operating costs	
Category		Amount	
<b>Set-up costs:</b>			
Tools & Equipment			
Other set-up costs			
<b>Initial Operating costs:</b>			
X months of fixed costs			
X months of variable costs			
<b>Total financing needs:</b>			

<b>5.2</b>	<b>FINANCING SCHEME</b>	Please list the different sources from which you will acquire money to start your business.	
Category		Amount	
Private Savings			
Loans from friends and family			
Savings Group			
Loan 1 (Bank or MFI)			
Loan 2 (Bank or MFI)			
Other...			
<b>Total financing needs:</b>			

<b>5.3</b>	<b>PROFIT &amp; LOSS STATEMENT</b>	
	Fill in the figures in the table per month	
<b>SALES</b>		<b>Amount</b>
[Product 1]		<b>21</b>
[Product 2]		
[Product 3]		
[Product 4]		
	<b>Total Income:</b>	
<b>COSTS</b>		<b>Amount</b>
Set-up costs		
Fixed costs per month		
Variable costs per month		
Interest + loan repayment		
	<b>Total Costs:</b>	
<b>PROFIT</b>		<b>Amount</b>
	<b>Total Income – Total Costs =</b>	