



# BUSINESS PLAN GUIDELINES

**“Creativity is thinking up new things. Innovation is doing new things.”**  
*Theodore Levitt*

What will your plan be?

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## Introduction to Business Plan Writing

It's a common misconception that business plans are written for the sole purpose of obtaining financing. The most important reason for writing a business plan should be that it is an important tool for you.

A good business plan will:

- Draw a clear picture of your business objectives and give you goals to shoot for
- Give you a better understanding of the industry and business you are getting into
- Give prospective investors the means to determine whether your company is a suitable investment
- Illustrate a chronology of events and financial milestones against which you can compare your actual results

Your business plan is one of the most effective management tools available as it helps to direct your company in a logical and organized manner. By committing your plans to paper, it helps to anticipate and meet future challenges in an organized fashion and it also serves as the mode of communication between entrepreneurs and sources of financial capital when the need arises.

A well-prepared business plan provides the benefit of identifying your customers, your market area, your pricing strategy, and the competitive conditions under which you must operate in order to succeed.

There are many models available for writing a Business Plan so choose one that best suits your needs. Read through these Guidelines to understand the different sections included in a standard business plan and the specific information that you want to include in each section.

### Points to Remember

When writing your business plan, keep the following points in mind:

- Know your audience
- Use clear vocabulary; avoid Jargon
- Clearly identify sections of your plan
- Know your plan
- Get help where required*
- Take it one step at a time
- Have fun with it!*

Although there is not one specific format for a business plan, if applicable to your concept, the following information should be found within your plan<sup>1</sup>.

## 1. Cover Page & Table of Contents

The cover page should include contact information: Your name, Business name, Company logo, Address, Telephone and fax numbers, E-mail address, and the date.

The table of contents should allow easy navigation through your plan. Major headings and important subsections should be listed with page numbers (all pages in the plan should be numbered).

## 2. Executive Summary

An executive summary is a concise summary that provides an overview of all key aspects of the business plan, including a brief financial outline. It should capture the interest and support of the reader, as many readers will read this section to determine whether they should read the remainder of the plan.

The executive summary should not introduce information that is not contained in other sections of the plan. It should be 1 or 2 pages maximum. This section should be completed last as you will gather the information by completing the next sections.

The Executive Summary should address the following:

1. Describe your business venture
2. What is/are the *distinctive* feature(s) of your product/service?
3. Describe your Target Market
4. Describe your Competitors
5. Describe your key Marketing Strategy
6. List the critical legal issues related to your business
7. Who are your suppliers?
8. Describe your management team
9. What are your financial requirements?
10. What are your projected sales?
11. Indicate the owner(s) equity investments

### 3. Business Description/Company Profile

This section is a description in detail of the product or service you are offering, your place of business as well as a snapshot of who is involved. This should include a description of the company's background, history, and current position in the marketplace. Any permits, licences, regulations and insurance that your company requires should also be outlined here. The background, qualifications, and responsibilities of members of your management team and other key personnel as well as your business advisors (Lawyers, Accountant, etc.) should also be identified.

### 4. Marketing Plan

The marketing plan section details what must be done in order for consumers and/ or businesses to buy your product or service. The marketing plan is comprised of six subsections:

#### 1) Industry Trends

A comprehensive description of the market conditions and behaviour is an essential part of a solid marketing plan. Identifying trends can provide you with strategic information that can not only help you to be and remain competitive, but it can also assist you in assessing your longevity in the market. Since most products follow a life cycle curve, knowing where your product fits into this curve will assist you in your promotional strategies.

Included in this section, the reader should find the overall business/consumer trends and business opportunities as a result of social, economic, demographic, environmental, technological, and/or political change. There should also be an investigation of the past, present and future industry trends, a list of the key success factors in your industry, the size of the industry, and any challenges or barriers to entry into the industry.

There are many sources available to you for research including Statistics Canada ([www.statcan.gc.ca](http://www.statcan.gc.ca)), Trade Magazines, Canadian Almanac and Directory, Business Magazines (print and internet versions), Economic Indicators (inflation, unemployment levels, etc.), and Industry Canada ([www.strategis.ic.gc.ca](http://www.strategis.ic.gc.ca)). Remember to always cite the source of your information as it will lend credibility to your business plan.

What are trends affecting your industry and how will they affect your business?

Some examples to get you thinking:

**Political Factors:** Government legislation, Local political issues, Trades restrictions, Government funding

**Economic Factors:** Interest Rates, Inflation Rates, Downsizing, Unemployment, Industry Strikes

**Sociological Factors:** Health Consciousness, Age Distribution, Income levels, Education, Career Attitudes, Leisure interests

**Technological Factors:** Automation, Rate of Technological Change

## 2) Product/Service

This section provides the opportunity to clearly explain the features and benefits of the product or service, being sure to detail what makes your product/service unique. The features and benefits of your product or service should fill some of the needs or gaps in the industry identified in your industry trends analysis (above). By clearly differentiating yourself from your competition, you may be able to secure a competitive advantage.

Included in this section, your reader should find answers to such questions as:

1. What are your product/service's unique features?
2. What are the other features?
3. What are the benefits of these features, how does it help the customer?  
\*Create a FAB Analysis chart to illustrate Features, Advantages, Benefits
4. How is your product/ service positioned against the competition?
5. Are there seasonal factors that will affect your industry?
6. What are you doing differently?
7. What has been the history of this product in the marketplace?
8. Provide photos or diagrams if available

## 3) Target Market

The goal of this section is to identify the characteristics of the homogeneous group of people who will potentially become your customers. This group will have both the need and willingness to pay for the product or service you offer. Your target market may be comprised of consumers or other businesses and you may have more than one target market (ie. Primary and Secondary target markets).

Included in this section, your reader should find:

- Consumer Demographics: Age range, income range, gender, marital status, number of children, occupation(s), lifestyle, location boundaries, average purchase, and frequency of purchase

- Consumer Psychographics: Lifestyle, what do they read? What need does your product fill? What/who influences their purchasing decision?
- Business Demographics: Number of businesses, location of businesses, frequency of purchase, size of business, who makes the purchasing decision?
- Business Psychographics: What influences the purchasing the decision? What need does your product fill?

Research for this section can be conducted using Statistics Canada ([www.statcan.gc.ca](http://www.statcan.gc.ca)), Industry Canada ([www.strategis.ic.gc.ca](http://www.strategis.ic.gc.ca)), Internet, Surveys, Focus Groups, Interviews, and Competitor Analyses. Remember to always cite the source of your information.

After researching to determine your Target Market you should be able to summarize for the reader answering the 5 W's:

1. **Who** is my customer?
2. **What** are they shopping for?
3. **Where** are they shopping?
4. **When** are they shopping?
5. **Why** are they shopping?

#### 4) Competition Analysis

The competition analysis section should analyse thoroughly both direct and indirect competitors. Comparisons between your competitors and your company may also be drawn here. This section is important as it provides information such as how your competitors price, market, and sell *their* products. It also enables you to identify the strengths and weaknesses of the competitors and thus, those of your company, which will allow you to differentiate your business from theirs. Keep in mind this information will provide the basis for completion of the next section – Marketing Mix.

It is important to also consider indirect competitors. Indirect competitors do not provide the same product or service as your business, but they are competing for the same consumer dollars.

Conduct your research by completing a Competition Analysis, Primary Market Research, and by looking into Suppliers (Ontario Business Directory, Scott's Directory).

In this section your reader should find a short discussion of each of your competitors. This overview should include such information as their hours of operation, the number of years they've been in business, a description of their product/service, a

differentiation of their product/service from yours, a customer profile, their pricing, marketing/advertising, and a list of their strengths/weaknesses (why do customers buy from them?). You should also include a list of opportunities/ threats that they present to your business.

Research for this section may include visiting or calling your competition, observing their set-up, customers, staff, and professionalism. Ask their customers and suppliers, and review their promotional materials (yellow pages, web sites, brochures, flyers, etc.).

Summarize your competition. Include estimates of their market share, and your sense of their financial health. Compare their product or service to yours in terms of quality, price, service, warranties, image, etc. Include both your direct competition and your indirect competition.

Upon completing this section, you should have a good understanding of the competitive environment in which you will be operating as well as insight into why your strongest competitors are successful.

## **5) Marketing Mix – The Four P's of Marketing**

The marketing mix describes the strategies that will be employed to get customers to buy your product. There are four subsections: Product, Price, Place and Promotion.

### **Product/ Service**

Include a description of what jobs or problems your product/service eliminates for the consumer. Include pictures and/or samples if possible. If applicable, this section should answer the following:

1. How is my product/service presented/positioned in the market? Is it a luxury item. Is it an impulse buy, a necessity, a specialty item?
2. Are there any Patents, Copyrights, Trademarks that are pending or owned?
3. Is it Market ready? Mention the present stage of your product/service.
4. Describe the tools used to solidify your image.
5. What are your service policies such as product return, guarantees, and warranties used for customer satisfaction?
6. How will you handle credit and collections?

## Price

The pricing of your product/service is the fee charged to your customer.

In this section, you will discuss your pricing strategy and how you derive that price. Keep in mind that your price should be a function of your costs, competition, and customers. Your pricing strategy should be consistent with your overall positioning of the product/service (as described above). Be sure to mention how similar products are priced and justify any variations between your price and market prices.

Other consideration to mention include:

1. Will your price be lower, the same or higher than competitors?
2. What is your client's perspective of the value of your product/service?
3. Will you be discounting your price on a regular basis?
4. Will you give trade or volume discounts?

## Break-Even Analysis

After setting your price, you should know your monthly and annual break-even ratio analysis. This ratio identifies the level of sales, in units or dollars, required in order for your revenue to equal the total cost. In other words, how many sales you need in order to survive!

Here is the break-even ration formula:

$$\# \text{ of Units to break-even} = \frac{\text{Fixed Costs}}{(\text{Unit Selling Price} - \text{Unit Variable Costs})}$$

## **Place**

This is a comprehensive description of how and where you plan to sell your product/service. You should attempt to match your location and distribution strategy to your target market's preferences as determined through your market research.

It is important that you verify with your local levels of government to ensure all applicable business by-laws are adhered to.

In this section, your reader should find answers to the following questions:

1. Where do you plan to sell your product/service?  
(Residential vs. Commercial location)
2. What are the costs associated with this location?
3. What is the marketing importance of the location?
4. What applicable business by-laws must I adhere to?
5. Is there potential for future growth at the location?
6. What are the traffic flow patterns for the location selected?
7. How will your method of distribution affect:
  - Sales
  - Service
  - Promotion
  - Timing
  - Economics

To conduct your research, ask your target market, as your customers will advise you what their preferences are. Speak to municipal offices regarding by-laws and regulations. Obtain a traffic count from regional and municipal government offices (transportation and environmental department), or if you are in a mall ask the property management for statistics.

## **Promotion**

Your promotional strategy should detail methods you will use to communicate with your target market. This strategy is important since a new business must create awareness to generate business.

Your promotions may include billboards, business cards, bus boards, community newspapers, contests, coupons, direct mail, flyers, give-aways, internet banner ads, magazines, personal selling, social media, signs, radio, sponsoring an event, television, trade shows, yellow pages, website, quality products and services that generate word of mouth promotion through your customers and clients.

Your promotional plan should answer the following for each type of promotion:

1. Dates the promotion will be launched
2. Cost of the promotion
3. Frequency and duration of promotion
4. Expected return e.g. how will this promotion bring in additional business?

## **6) Sales Estimates/Forecast**

Your sales forecast should be based on your assessment of your customers, the size of your market, and your competition. The sales should be recorded in units as well as dollars. These numbers should also appear in the financial statements of your business plan. Briefly justify your projections, making sure to note why and how your customer base will grow. When determining your sales keep in mind your peak times as well as refer the reader to your Marketing Plan Chart.

You should attempt to provide weekly, monthly and annual estimates.

## **5. Operational Plan**

The operational plan should describe how the product/service will be produced and sold as well as the key personnel involved in the business. There are four subsections: Supplier, Manufacturing Plans, Operating Requirements, and Human Resources.

### **Suppliers**

Include a listing of companies that will provide the necessary materials, products and services to operate your business. When choosing suppliers, it is important to remember that price may not be the best reason for your choice. You should also consider their reliability, delivery times, product availability, support services available, their terms and conditions and whether you would prefer to use local businesses to support the local economy. You may also wish to include a back-up supplier.

Included in this section, should include the name of the supplier, their terms and conditions, product line, and pricing.

## **Manufacturing Plan**

The manufacturing plan outlines the method by which your product or service will be produced and sold. It is a statement of where your product is in the development cycle and what resources are required to complete the development. It also outlines the critical points in your production.

In this section, you may wish to include a description of the facilities, any warehousing requirements, sub-contracting arrangements, production methodology, equipment and plant requirements, and time requirements.

## **Operating Plan**

Consider including the following:

- How will your product be made?
- Description of the workflow in the creation of your product
- What types of licenses/permits are required?
- Description of your Day to Day operations
- Identify your facility requirements as to the size, location, and type of premises
- Location of the business, including advantages and disadvantages, traffic patterns, visibility, etc.
- Hours of operation, personnel, suppliers and supplier agreements
- Overhead, including labour and material costs should be determined
- Tax considerations (GST, PST, HST, WSIB, EI, CPP, Employer Health Tax, etc.)
- Regulations (Business name registration, Zoning, Signage, Export/Import Permit, Product Standards, Packaging and Labelling, Intellectual Property etc.)

## **Human Resources**

This section is a description of the people who will provide the expertise required to run your business.

Included in this section, your reader should find an organizational structure/staffing plan listing the full-time, part-time, and seasonal employees, along with their job descriptions, salary rates, benefits, and source deductions costs. Legal considerations should also be mentioned (include contracts if applicable).

Hiring strategies and training initiatives should also be described. (Include the management team's resumes as an appendix).

If you will be hiring employees or contractors, you need to factor this into your pricing and cash flow projections.

How many employees will you hire? How will you train them? What will be their responsibilities/duties? Will you offer benefits?

Research for this section can be conducted by contacting Canada Customs and Revenue Agency (Employee Source Deductions) [www.cra.gc.ca](http://www.cra.gc.ca), Workplace Safety and Insurance Board (WSIB; compensation for employees) [www.wsibon.ca](http://www.wsibon.ca), a lawyer (legal contracts), Statistics Canada/Associations Canada (salary rates) [www.statcan.gc.ca](http://www.statcan.gc.ca), Human Resources Skills Development Canada ([www.hrsdc.gc.ca](http://www.hrsdc.gc.ca))

## 6. Financial Plan

1. How will your business be financed?
2. What is your Start-up budget?
3. Put together a Cash Flow, Income Statement, and Balance Sheet.

To create a financial plan, the type and amount of expenses your business will incur must be identified. There are two types of expenses: one-time expenses/start-up costs, and operating expenses. One-time expenses are costs that you incur only once when starting your business (ie. Licenses & Permits, vehicles, starting inventory, purchase of property/equipment/supplies etc.). Operating costs are those that you are required to pay on an on-going basis (i.e. rent, telecommunications, utilities, insurance etc.)

The best place to begin writing your financial plan is to compile a list of all start-up costs associated with your business. Most of these costs will be one-time expenses. By compiling this list, you will be able to determine how much capital your business will require.

Expense figures, once calculated, should be incorporated into the cash flow statement. Knowing your expenses will reveal how much start-up financing you will require in order to establish your business to a point of self-sufficiency.

### Risks

Include a small section that indicates that you have evaluated the potential risks associated with your business. No business is without risks. Failing to mention these will undermine the credibility of your plan (and potentially endanger your chances of financial support).

Problems to consider include:

- Competitors cut their prices
- Industry growth rate drops
- Sales projections not achieved
- Public opinion of your product/service changes

When establishing financial projections, be realistic. Try to avoid overly optimistic projections. Your plan should also include an explanation of all projections.

This section should identify any shortfalls and financing requirements, sources of financing, collateral, and a repayment proposal.

It is important to create a set of financial statements to act as a benchmark to gauge your progress against original projections. The statements required are Cash Flow Statement, Income Statement, and Balance Sheet. All attempts should be made to provide statements for up to three years of operation. Your financial plan should include the following documentation:

- **Start Up Costs**

A list of all costs associated with opening your business. This may include the purchase of licenses and permits, vehicles, starting inventory, office supplies, purchase/down-payment on property and equipment, utilities, salaries/wages, rent, telecommunications (phone fax, internet, cellular, etc.)

- **Cash Flow Statements** (see Attachment 'A' below) or [Excel Worksheet](#)

A cash flow statement shows the actual amount of money that is collected from sales and the actual money that is paid out for expenses on a monthly basis, as compared to the estimates determined in your business plan.

This statement helps determine whether or not the business is viable by monitoring the business' cash position thus demonstrating how much money a business has at any given time and when it is likely to need more cash. Knowing your monthly sales and expenses helps you make good decisions such as when to hire staff and if you need to obtain a line of credit.

The cash flow statement is the most critical planning tool for a new or growing business. It shows how much cash will be needed when it will be needed and where it will come from. It attempts to budget monthly cash needs, and shows the flow of cash into the business from sales, collection of receivables; and out of the business through payment of expenses and loans over a period of time. The banker uses this information to analyze possible shortfalls of cash and as a guide

to borrowing needs. Thus, business and bank are planning together. Your statement should show Cash Flow for three twelve-month periods (three years).

- **Income Statement** (see Attachment 'B' below) or [Excel Worksheet](#)

The income statement is frequently referred to as a 'Profit and Loss Statement'.

The income statement records all income and expenses of the business during a specified period of time by detailing all revenue, expenses, and other costs. This statement is the accepted method of determining profits and losses and is submitted yearly to Canada Revenue Agency for income tax purposes.

This statement demonstrates how much money a business made/will make or lost/will lose during the year. A banker/investor will look at this statement to review margins, profit trends, and ability to pay back debt.

- **Balance Sheet** (see Attachment 'C' below) or [Excel Worksheet](#)

The balance sheet shows what the business owns (assets) versus what they owe (liabilities) to determine the net worth of the business. It will assist you in determining your liquidity, meaning how readily your assets can be converted into cash. An investor will look to this statement to determine your debt/equity ratio, which compares the amount invested in the business by creditors with that invested by the owner.

The balance sheet should list all of the following:

Current Assets:	Anything the business owns that can be converted to cash <u>within one year</u> (i.e. accounts receivable, inventory on hand, cash balance)
Fixed Assets:	Items that have a useful life to the company for <u>more than one year</u> (i.e. property, equipment, furniture & fixtures, vehicles, etc.)
Current Liabilities:	Accounts payable & debts that must be paid <u>within one year</u>
Long-term Liabilities:	Items that are <u>not payable within a year</u> (ie. Long-term loans like mortgages)

The balance sheet is a measure of the solvency of the business, and the degree of the owner's investment which, in the last analysis, is the "cushion" that protects creditors. In order to complete the balance sheet properly, *Total Assets* must equal *Total Liabilities* plus *Net Worth*.

## 7. Appendix and Supporting Documentation

Supporting documents should accompany your business plan. Make sure to reference them in the body of the plan. This section should not be longer than 20-30 pages.

Examples:

- Resume(s) of owner(s) and members of the management team
- Copies of licenses and permits
- Photographs of your product/service
- Business card, flyer, advertisement, brochure (if available)
- Accurate estimates pertaining to start-up costs
- Letters of support for your business idea
- Copy of partnership agreement or shareholders' agreement
- News articles about your company
- Articles and information regarding relevant trends
- A sample of surveys or questionnaires you conducted

### Final Notes

- ✓ Ensure your plan is professional, not only in appearance, but also in the language used throughout
- ✓ Maintain confidence throughout the plan – you are not only selling your business idea, but you are selling yourself as well
- ✓ Be thorough and support all assumptions with statistics
- ✓ Ensure to reference all ideas and work that is not your own (including statistics)
- ✓ Be Creative! Add flyers, logos, slogans etc. to make your plan stand out (these items should be included in the appendix section of your plan)
- ✓ Ensure that your financial statements reflect what is stated in your plan
- ✓ Use a word processor to produce your plan. Floor plans that cannot be produced by computer should be completed in black marker using a ruler (and labelled!)
- ✓ Your business plan should be no longer than 30-50 pages
- ✓ Have a 3<sup>rd</sup> party review your plan for grammar, spelling and logic errors prior to distribution to potential investors

## **Other Business Planning Resources**

[www.CanadaBusiness.ca](http://www.CanadaBusiness.ca)

[www.CYBF.ca](http://www.CYBF.ca)

[www.BDC.ca](http://www.BDC.ca)

[www.BizLaunch.com](http://www.BizLaunch.com)

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<sup>i</sup> These Business Plan Guidelines were compiled using resources provided by the Business Advisory Centre Northumberland; Sample Business Plan Outline and Business Plan Guidelines in both electronic and hard copy.

08-2010



Attachment 'B'

(Your Company Name)

Profit and Loss Statement

From: \_\_\_\_\_ 20\_\_ To: \_\_\_\_\_ 20\_\_

<b>Sales or Gross Receipts</b>		\$	-
Less Cost of Goods Sold		\$	-
Gross Profit		\$	-
<b>Less Operating Expenses</b>			
Rent	\$	-	
Depreciation	\$	-	
Repairs & Maintenance	\$	-	
Salaries & Wages	\$	-	
Payroll Taxes & Fringe Benefits	\$	-	
Taxes, Licenses & Fees	\$	-	
Insurance	\$	-	
Accounting, Legal, Prof. Fees	\$	-	
Bad Debts	\$	-	
Telephone	\$	-	
Utilities	\$	-	
Supplies	\$	-	
Security	\$	-	
Automobile	\$	-	
Advertising and Promotion	\$	-	
Interest	\$	-	
Miscellaneous	\$	-	
<b>Total Operating Expenses</b>		\$	-
<b>Net Profit Before Taxes</b>		\$	-
<b>Federal Income Taxes</b> (Corporations Only)		\$	-
<b>Net Profit (or Loss)</b>		\$	-

**Sales or Gross Receipts** - represents total amount of money that the business makes from the sale of its merchandise, less discounts and refunds.

**Cost of Goods Sold** - the cost of the merchandise that the business sells. These costs differ with each type of business.

**Operating Expenses** - all business costs other than the costs of merchandise.

**Net Profit (Loss)** - sales less cost of goods sold less operating expenses.

The Income Statement (Profit and Loss) records all income and expenses of the business during a specified time period, and is the accepted method of determining profits and losses. Canada Revenue Agency requires all businesses to submit this report at the end of each year.

**Attachment 'C'**

(Your Company Name)

**The Balance Sheet**

Balance Sheet As Of: \_\_\_\_\_

<b>CURRENT ASSETS:</b>	Cash on Hand and in Banks.....	\$	-	
	Accounts Receivable.....	\$	-	
	Notes Receivable, Trade.....	\$	-	
	Notes Receivable, Other.....	\$	-	
	Inventory.....	\$	-	
	Marketable Securities.....	\$	-	
	Other Current Assets.....	\$	-	
	<b>Total Current Assets:</b>		\$	-
<b>LONG-TERM ASSETS:</b>	Real Estate.....	\$	-	
	Machinery & Equipment.....	\$	-	
	Other Assets (attach list if needed).....	\$	-	
	Prepaid Expenses (ie. taxes, insurance).....	\$	-	
	<b>Total Long-Term Assets:</b>		\$	-
	<b>Total Assets:</b>		\$	-
<b>CURRENT LIABILITIES:</b>	Notes Payable, Banks.....	\$	-	
	Notes Payable, Other.....	\$	-	
	Accounts Payable, Past Due.....	\$	-	
	Accrued Federal, Income Taxes.....	\$	-	
	Other Accrued Expenses.....	\$	-	
	Current Year Long-Term Debt.....	\$	-	
	Other Current Liabilities.....	\$	-	
	<b>Total Current Liabilities:</b>		\$	-
<b>LONG-TERM LIABILITIES:</b>	Mortgage Debt due after 1 year.....	\$	-	
	Equipment Debt due after 1 year.....	\$	-	
	Other Long-Term Debt.....	\$	-	
	<b>Total Long-Term Liabilities:</b>		\$	-
	<b>Total Liabilities:</b>		\$	-
<b>OWNER'S EQUITY:</b>	Capital Account (Corporate Only).....	\$	-	
	Preferred Stock.....	\$	-	
	Common Stock.....	\$	-	
	Capital Surplus.....	\$	-	
	Retained Earnings by owner.....	\$	-	
	Owner Loans to the business.....	\$	-	
	<b>Total Owner's Equity:</b>		\$	-
	<b>Total Liabilities plus Owner's Equity:</b>		\$	-

The Balance Sheet measures the solvency of the business, and the degree of the owner's investment which, in the last analysis, is the "cushion" that protects creditors.

**Note:** In order to complete the Balance Sheet properly, *Total Assets* must equal *Total Liabilities* plus *Owner's Equity*