



# **Business Planning Guide**

# Notes

## SOUTH DAKOTA

### Small Business Development Center Offices

The South Dakota Small Business Development Center (SBDC) helps new entrepreneurs realize their dream of business ownership and assists existing businesses in their efforts to remain competitive. SBDC services enable South Dakota's entrepreneurs to make better, more informed business decisions, to avoid costly mistakes, and to prepare thorough and complete business plans needed both to obtain financing and to effectively manage their operations. Services are confidential and free of charge. Contact a regional office below for more information or visit

<http://SDbusinesshelp.com>

<p style="text-align: center;"><b>ABERDEEN</b></p> <p>Small Business Development Center 506 South Main Street, Suite 2 Aberdeen, SD 57401 (605) 698-7654 x144 Email: <a href="mailto:kelly@growsd.org">kelly@growsd.org</a></p>	<p style="text-align: center;"><b>PIERRE</b></p> <p>Small Business Development Center 221 S. Central Avenue. Suite 33 Pierre, SD 57501 (605) 773-2783 Email: <a href="mailto:robin.rowe@usd.edu">robin.rowe@usd.edu</a></p>
<p style="text-align: center;"><b>RAPID CITY</b></p> <p>Small Business Development Center 730 East Watertown Street Rapid City, SD 57701 (605) 716-0015 Email: <a href="mailto:dfischer@wrbsc.com">dfischer@wrbsc.com</a></p>	<p style="text-align: center;"><b>SIOUX FALLS</b></p> <p>Small Business Development Center 4600 W Nobel, Suite 122 Sioux Falls, SD 57107 (605) 275-7575 Email: <a href="mailto:mark.slade@usd.edu">mark.slade@usd.edu</a></p>
<p style="text-align: center;"><b>WATERTOWN</b></p> <p>Small Business Development Center P.O. Box 1207, 418 18th Ave NE Watertown, SD 57201 (605) 882-5115 Brookings (Satellite Office) The Research Park @ SDSU SDSU Innovation Campus 2301 Research Park Way, Suite 113 Brookings, SD 57006 (605) 696-5600 Email: <a href="mailto:melissa.meidinger@usd.edu">melissa.meidinger@usd.edu</a></p>	<p style="text-align: center;"><b>YANKTON</b></p> <p>Small Business Development Center P.O. Box 687, 1808 Summit Ave. Yankton, SD 57078-1909 (605) 665-0751 Mitchell (Satellite Office) Kelley Center for Entrepreneurship Dakota Wesleyan University Appointments available as requested Call (605) 665-0751 to schedule Email: <a href="mailto:sues@districtiii.org">sues@districtiii.org</a></p>
<p style="text-align: center;"><b>STATE OFFICE</b></p> <p>Small Business Development Center, University of South Dakota Beacom School of Business 414 E. Clark Street, Vermillion, SD 57069-2390 Phone (605) 275-7575</p>	

# Checklist for Purchasing a Business

If you are thinking about purchasing an existing business, here are some questions to consider, items to request and people to consult with while examining the business. The SBDC can assist you in this process by reviewing the financial statements provided to you by the seller and helping you to determine the financial feasibility of the purchase. Follow the guidelines provided in this booklet to develop a business plan to assist in this process.

- Why is the owner selling the business?
- Why are you buying the business?
- Will you agree to keep the current employees or will you have to replace them?
- Is there a management agreement or labor contract?
- Request the last three years income tax returns and compare sales and expense categories for drastic or gradual changes.
- Find out the reason for the changes.
- Have sales been growing?
- Is the business profitable? If not, why?
- Are there any volume sales contracts with the existing business owner?
- Request a current balance sheet and monthly income statements for at least one year (current within the last 90 days). These will assist you in developing projected financial statements.
- Request an aging of accounts receivable.
- Will you purchase the receivables in the transaction?
- Request a list of accounts payable.
- Who will be responsible for paying these liabilities?
- Identify what exactly you are buying (i.e. building, land, equipment, inventory, customer or supplier list, intangibles like goodwill) and determine the market value for each asset category.
- Request a list of equipment included in the purchase including serial numbers, market value and book value.
- Consult an attorney to draw up or review any legal documents such as a purchase agreement, non-compete agreements or any contracts.
- Also, discuss under what type of legal entity the business should be set up.
- Consult an accountant for a review of the financial statements and to get an accounting prospective on your choice of legal entity.

# **SOUTH DAKOTA REGULATIONS**

This section will assist you in identifying agencies that need to be contacted while planning your business activities. The following list contains the most common requirements, but there may be others to fulfill, depending on the nature of your business.

## **Legal Structure for Your Business**

### **Assumed Business Name**

You are required to file a fictitious name statement if you operate a business as a proprietorship or partnership and do not include the last name of each owner in the business name. Corporate entities that are conducting business in South Dakota under any name other than their corporate name are also required to file. Businesses may file a statement of assumed business name with the Register of Deeds for the county in which the business is to be located or online with the Secretary of State's office. Such a filing may provide the business with some exclusivity to the use of that name.

Contact: Register of Deeds at your county courthouse or Secretary of State at (605) 773-4845

Website: <https://sdsos.gov/>

### **Incorporating or Setting up a Limited Liability Company**

If your business will be incorporated, you must file articles of incorporation and obtain a Certificate of Incorporation from the Secretary of State. If you choose to set up your business as a limited liability company, you must file articles of organization with the Secretary of State.

Contact: Secretary of State at (605) 773-4845

Website: <https://sdsos.gov/>

### **IRS Employer Tax ID Number**

If your business will hire employees or pay Federal Excise Tax, a Federal Employer's Identification Number (EIN) must be obtained from Internal Revenue Service. Sole proprietors without employees may also choose to obtain a Tax ID number to use in place of their social security number for the business ID number.

Contact: Internal Revenue Service at (800) 829-1040

Website: [www.irs.gov/businesses/small](http://www.irs.gov/businesses/small)

# Licenses/Permits

## **Sales and Use Tax License**

If your business will have a location in South Dakota or if your business will sell, rent or lease any product or service in South Dakota, a state tax license must be obtained for each business location from the SD Department of Revenue.

Contact: Department of Revenue at (605) 773-3311 or (800) 829-9188

Website: [http://dor.sd.gov/Taxes/Business\\_Taxes/](http://dor.sd.gov/Taxes/Business_Taxes/)

## **Local Offices**

Aberdeen (605) 626-2218

Mitchell (605) 995-8080

Pierre (605) 773-3311

Rapid City (605) 394-2332

Sioux Falls (605) 367-5800

Watertown (605) 882-5188

Yankton (605) 668-2939

## **State Excise Taxes**

South Dakota imposes a variety of excise taxes such as:

Alcohol Beverage Taxes

Gasoline and Special Fuel Taxes

Tobacco Product Taxes

Contractors Excise Tax

Minerals Severance Tax

Ore Tax

Snowmobile Excise Tax

Amusement Machine Registration

Contact: Department of Revenue at (605) 773-3311 or (800) 829-9188

Website: [http://dor.sd.gov/Taxes/Business\\_Taxes/](http://dor.sd.gov/Taxes/Business_Taxes/)

See local offices above

## **Other Operating Licenses**

Depending on your business, there may be additional licenses needed at either the federal, state, county or city level. Please be sure to check with your local jurisdictions or agencies related to your industry to determine all licensing requirements. Following is a list of state agencies which deal with the more common requirements but the list IS NOT all inclusive. Also contact the county/city where your business is located for any local permit requirements.

## **Occupational Licenses**

There are various board and commissions which oversee specific occupations.

Contact: SD Department of Revenue and Regulations at 605-773-3101

Website: [http://dlr.sd.gov/boards\\_commissions\\_councils.aspx](http://dlr.sd.gov/boards_commissions_councils.aspx)

## **Lodging, Food, and Beverage Businesses**

If food products are to be prepared and served, an inspection must be completed. Approval from the Health Department is needed before a food license or lodging license is issued. Liquor, beer and wine licenses are obtained from your local city or county government.

Contact: Department of Health at (605) 394-6064

Website: <http://doh.sd.gov/food>

## **Agricultural Related Businesses**

Agricultural-related licenses and permits such as nurseries, fertilizers, pesticides, dairies, and related businesses have other requirements.

Contact: Department of Agriculture & Natural Resources  
at (605) 773-3151 and <https://danr.sd.gov/Agriculture/>

## **Other Agency Contacts**

Safety Related: Department of Public Safety (605) 773-3178

Website: <https://dps.sd.gov/>

Motor Carrier: Department of Transportation at (605) 224-7364

Website: <http://www.sdtruckinfo.com/>

Wildlife and Recreation: Game Fish and Parks at (605) 223-7660

Website: <http://gfp.sd.gov/licenses/>

Environmental: Department of Agriculture and Natural Resources at (605) 773-3151

Website: <https://danr.sd.gov/>

Child Care Services: Department of Social Services at (605) 773-4766

Website: <http://dss.sd.gov/childcare/>

State of South Dakota general website: <http://sd.gov/>

# **Employee Related Regulations**

## **Federal Payroll Taxes**

Using your Employer Identification Number (discussed above under Legal Structure), you will need to set up an account with the Electronic Federal Tax Payment System (EFTPS) to electronically remit your payroll taxes. Obtain IRS Publication 15 (Circular E) to understand your tax responsibilities, payment frequencies and reporting requirements for Social Security, Medicare, federal withholding, and federal unemployment taxes.

Contact: Electronic Federal Payment Tax System at (800) 555-4477

Website: <https://www.eftps.com/eftps/>

## **State Reemployment Assistance Tax (formerly Unemployment Insurance Tax)**

Employers are required to make quarterly contributions to the state's reemployment assistance fund.

Contact: Reemployment Assistance (RA) Division, Dept. of Labor at (605) 626-2312

Website: <http://dlr.sd.gov/ra/>

## **Worker's Compensation Insurance**

To avoid civil lawsuit, it is our recommendation you carry workers' compensation insurance for your employees. [http://dlr.sd.gov/workers\\_compensation/](http://dlr.sd.gov/workers_compensation/)

Contact: Your Commercial Insurance Carrier

For more information, visit the SD Department of Labor at (605) 773-3681

Website: <http://dlr.sd.gov/>

## **Employee Safety and Health Regulations**

There are laws that regulate how employers must maintain a safe workplace.

Publication of interest include:

1. All about OSHA, OSHA 3302
2. OSHA Handbook for Small Businesses, OSHA 2209
3. On-Site Consultation, OSHA 3357

Contact: OSHA Regional Office in Denver, CO at (720) 264-6550

Website: [www.osha.gov](http://www.osha.gov)

## **Labor Laws**

State and federal laws regulate minimum wage, wage payments, overtime, and the use of child labor.

Contacts: SD Department of Labor, Wage and Hour Office at (605) 773-3681

Website: [http://dlr.sd.gov/employment\\_laws/](http://dlr.sd.gov/employment_laws/)

U.S. Department of Labor, Denver Regional Office at (720) 264-3250

Website: [www.dol.gov](http://www.dol.gov)

## **Newly Hired Employees**

Employers are required to report all newly hired employees to SD Department of Labor within 20 calendar days after the date of hire. Completed W-4 forms can be mailed or faxed to the department or information can also be emailed or completed online on forms provided by the Department.

Contact: New Hire Reporting Center, SD Department of Labor

Phone: (888) 827-6078 or (605) 626-2942 Fax: (888) 835-8659 or (605) 626-2842

Website: [https://dlr.sd.gov/ra/new\\_hire\\_reporting/](https://dlr.sd.gov/ra/new_hire_reporting/)



# Other Legal Considerations

## **Planning and Zoning**

You must determine if the type of business you are planning is permitted in the zoning code at the location you have chosen, including conducting a business out of your own home. For zoning concerns, be sure to allow ample lead-time, which could be several months. Please contact the Planning and Zoning office in your city or county, based on your business location.

## **Building Inspection**

Your business locations may need to be inspected and approved for public safety and adherence to structural, electrical, plumbing, fire, and other codes. Prior to beginning any remodeling or site alterations, contact your local city building inspector at your City Hall.

## **Insurance**

While not necessarily required if you are self-funding your business, insurance coverage is an important consideration to discuss with a commercial insurance agent. Typical business insurance coverage includes general liability, property and casualty, vehicle, product liability, life/key man insurance, and business interruption. Workers compensation insurance is addressed above. Insurance coverage needs and costs will vary greatly depending on the type and size of business you are operating. If operating from your home or using a personal vehicle, check with your homeowners and auto policies to see what businesses losses would be covered under those policies, if any.

## **Property Taxes**

Determine the amount of property taxes to be levied against any real estate that your business may own or lease by contacting the County Assessor's office at your county courthouse.

## **Trademarks/Service Marks**

Trademark registration gives the owner exclusive right to use the trademark/service mark. Trademarks or service marks can be registered at either the state level or the federal level. When choosing a name for your business, you may also want to search the trademark databases to insure the name has not already been trademarked. ® can only be used once the USPTO has granted Trademark rights to an owner. TM can be used without a formal Trademark filing but limits the protections of the user.

Contacts: Secretary of State at (605) 773-2797 or trademark@state.sd.us

Website: <https://sdsos.gov/Business-Services/>

U.S. Patent and Trademark Office at (800) 786-9199 or (571) 272-1000

Website: <https://www.uspto.gov/trademarks>

## **Patents**

Information on filing a new patent can be found at the U.S. Patent and Trademark Office. This is a very technical process and the use of a reputable patent attorney is highly advised. Prior to filing a patent, one should complete a patent search and potentially get a patentability opinion from a patent attorney.

Contacts: U.S. Patent & Trademark Office at (800) 786-9199 or (571) 272-1000

Website: <https://www.uspto.gov/patents>

## **Copyrights**

Copyrights protect original works of authorship created in a tangible medium of expression. Copyrights must be registered if legal protection is sought.

Contact: Register of Copyrights at (202) 707-3000 or (877) 476-0778

Website: [www.copyright.gov](http://www.copyright.gov)

# **Helpful Resource Links**

**Small Business Development Center:** [SDbusinesshelp.com](http://SDbusinesshelp.com)

**Small Business Administration:** [www.sba.gov](http://www.sba.gov)

**SD Business Startup Package and New Business Checklist:** [SD GOED Resources](#)

**IRS Small Business Tax Center:** [www.irs.gov/Businesses/Small-Businesses-&Self-Employed](http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed)

**Small Business Taxes-Virtual Workshop:**

[www.irsvideos.gov/SmallBusinessTaxpayer/virtualworkshop](http://www.irsvideos.gov/SmallBusinessTaxpayer/virtualworkshop)

# The Importance of a Business Plan

Developing a business plan is the first step to a successful business. This guide will provide an outline in organizing your effort to gather and evaluate information about your business. As you gather information, you can begin the process of writing your business plan. By planning your business needs, you will develop an essential part of the business - its strategy.

Effectively completed, your business plan must identify the strengths, weaknesses, opportunities, and threats that may affect your business and the strategy you will use to succeed.

## Business Plan Outline

The following is a suggested outline of the material that should be included in your business plan. Every business plan is unique, as is every business. This guide was designed with a general purpose in mind; therefore, some things may not apply to your business. There may also be additional topics you may want to add specific to your business. Consult your counselor if you have any questions on what to include.

### **Cover Page:**

The cover page is the first impression of your business plan. It should include the name of the company, company address, company phone number, owners and their addresses/phone numbers, and the date of the plan. Incorporate the company logo, if there is one.

### **Table of Contents: (Optional)**

### **Executive Summary:**

This portion should be brief; usually one or two paragraphs, but it should give the reader an overview of what you want to accomplish. For example, describe your idea, how much money you need, what you need it for, how much money you will bring (or have put) into the business, and a brief schedule of your goals. Since you won't know some of these facts until you complete your business plan, write this section last.

### **Business:** (See Details on Page 12)

The business portion of the business plan provides an overview of your planned business operation. You should briefly describe your product/service and how you will maintain a sustainable competitive advantage. Include the regulations that apply to your business as well as the facilities and equipment you need to operate the business.

### **Management:** (See Details on Page 13)

The management plan of your business outlines the organizational structure that defines the lines of authority and the responsibilities of the key players, hired staff and outside consultants.

### **Market:** (See Details on Pages 14 and 15)

The marketing plan includes information on the total market with an emphasis on your target market, competition and how you plan to make and promote your product/service available.

### **Money:** (See Details on Page 16)

The money section of your business plan will show past, current and projected financial activity. Documents that should be included are the sources and uses of funds statement, three-year income projection and cash flow projection, notes and critical assumptions for the projections, and a break-even analysis.

### **Exhibits:**

Include documents needed to substantiate what has been presented in the body of the plan. Examples would include resumes, purchase agreements, bids, contracts, floor plans, etc.

# The Business

***HINT:*** Use the headings in the left hand column to organize your plan. The descriptors in the right hand column may be helpful to prompt your thoughts/ideas.

<b>Describe Your Business</b>	Include detailed information about the overall industry and how your business will maintain a sustainable competitive advantage. Tell about your history, present status and future projections. Project a sense of what you expect to accomplish in the first years.
<b>Describe your Product(s)</b>	Outline your product or service in terms of marketability. Describe the purpose of your product, the need it satisfies and what makes your product unique. List future products or services you plan to provide. If manufacturing, tell all about the manufacturing process. Give a detailed description of your products from raw materials to finished items. Also describe product development and research efforts. Describe the stage of development, formal testing and alternative uses for your product. Include your quality assurance procedures. Identify your primary suppliers and alternative suppliers.
<b>Proprietary Information</b>	Describe any specific knowledge or technology that you have and your competitors do not. Describe any efforts taken to obtain patents, copyright trademark or name registration.
<b>Regulations</b>	Describe any regulations that affect the sale and use of your product. Remember to check on the local, state and federal levels. Identify the agencies that must regulate your business and the potential positive or negative impact. List any licenses you must obtain for your business and where you are at in the process.
<b>Facility and Equipment</b>	Describe the building, its location and the equipment needs for your business and how you determined this need. Also, describe how long the facility will meet your needs and the actions you plan to take at that point. If manufacturing, what is the maximum production capacity of the facility and equipment and your expected level of production
<b>Operational Needs</b>	Describe your transportation and utility needs and any associated costs. Are these services readily available at your chosen location?
<b>Barriers</b>	Describe the most significant barriers you expect while launching and operating your business. Explain how you expect to overcome these problems.

# Management

<b>Ownership Composition</b>	Define your chosen form of business organization (i.e. sole proprietorship, partnership, corporation, limited liability company). Specify who the owners of your business are and what percentage they own. Also, describe members of your board of advisors.
<b>Management</b>	Describe who is behind the business. For each owner, tell about his or her responsibilities and abilities. Indicate the level of knowledge and formal training in the industry. Support with resumes. Also, indicate who manages the business on a day-to-day basis, who is responsible for long-range planning and who initiates changes. Indicate how this person monitors industry trends. Be sure to indicate who has primary operational, marketing and accounting responsibilities and their qualifications to do so.
<b>Personnel</b>	Indicate the number of employees and briefly define their positions. Describe each position, the responsibilities of each position, and required/preferred qualifications. Describe the wages and benefits along with the number of positions, both full-time and part-time.
<b>Security</b>	Address security measures for inventory control, theft of information and employee screening.
<b>Consultants</b>	List professionals that will provide services to your business. These include accountants, lawyers and consultants, such as the SBDC or SCORE. It is easy to underestimate the need for a team of professionals that can provide you insight to management issues you don't have time to learn. Knowledge of taxes, record keeping and legal issues can make or break a business. If you can't afford a professional, you may need to reconsider the feasibility of your venture.
<b>Consider including the following documentation of your Management Plan in the Exhibits:</b>	
<b>Personnel Resumes</b>	Should be limited to one page and include work history, educational background, professional affiliations, honors and special skills.
<b>Legal Documents</b>	All legal papers pertaining to your legal structure, proprietary rights, insurance, titles, licenses, etc.
<b>Schedule</b>	Prepare a schedule of employee staffing. Determine the number of hours the business will be open and indicate the level of staffing during the schedule period. These numbers should correspond with your estimates of payroll expenses on your projected financial statements. (See the Money section of this guide.)

# Marketing

<b>Product/Service</b>	<p>When you think about a product, you usually think of something tangible that has to be designed, manufactured, and packaged. That applies if you are manufacturing a product. But what if your business is retail, wholesale, construction, or even service? The idea of a product applies, and is an essential ingredient in any good marketing plan, for nearly every type of business. In the retail and wholesale trades, your product consists of two or three basic parts.</p> <p>First, the actual products on your shelves need to be selected. What will be the product mix of the items you select? For example, if you sell primarily impulse items but you carry a core of items to keep people coming back, describe your strategy.</p> <p>The second area is service in retail and wholesale. Have you been in a store where finding someone to help you is like trying to find an ice cube in the Sahara desert? Or, one where you're pampered? What will your service be like, and how does it make sense in the overall business strategy?</p> <p>What about overall atmosphere or theme? This is a third area of concern. What will your customer "take away" from his or her experience with you? Too many times businesses, both large and small, forget to pay attention to how a customer will feel after they're done doing business with you. That is why the idea of "what the customer takes away from the experience" is critical to service businesses. In fact, in many service businesses, what the customer remembers from the experience is the only "tangible" product. Their washing machine may work, or their taxes may be done, but if the customer goes away with a bad impression, will that customer likely ever come back?</p> <p>Whatever your line of business, describe "what" you will offer to bring customers in the door the first time, and then keep them coming back. Give specific examples.</p>
<b>Target Market</b>	<p>Describe your market niche; who is your <i>best</i> customer. Identify those customers and describe their characteristics. Business markets might be classified by industry, company size, location, or product use/application. Consumer (household) markets might be segmented by demographics, (age, gender), geographic location, economic status, lifestyle, product application or benefits sought.</p> <p>Estimate the approximate size and growth potential of the target market(s) using population figures, sales tax info, industry information, etc. Estimate how much of the total market you will capture.</p>

## Marketing continued

<b>Competition</b>	<p>Evaluate indirect (products/services that can be substituted for yours) and direct competition in terms of location, market and business history. Describe how you will differentiate your business from competitors with regard to Product (features and performance), Service (delivery and installation), Personnel (expertise and courtesy), and Image (atmosphere and events).</p> <p>Explain why customers will leave your competition and switch to your business. Also, describe what you will offer that your competitor can't easily copy and what you will do to combat competitive reactions.</p>
<b>Market Entry</b>	Tell when you plan to enter the market and how you arrived at your decision.
<b>Location</b>	<p>Your choice of location and layout will have a lot to do with your startup costs and your capacity to serve your market. Be sure to use the information in this section when you are creating assumptions for your projections.</p> <p>If your choice of location is related to a target market, cover it in this section of your business plan. If necessary describe traffic count and flow, income and demographic characteristics of the surrounding area.</p>
<b>Industry Trends</b>	Give current trends; project how the market may change and what you plan to do to keep up. Define the life cycle stage of the industry (introduction, growth, maturity or decline) and give support. Also, describe new technologies being introduced and changes in production methods, operations or sales. A good source of information is industry trade associations and publications.
<b>Methods of Distribution</b>	Tell about the manner in which products and services will be made available to the customer. Back up decisions with statistical reports or rate sheets.
<b>Promotion</b>	How will your promotional activities (such as advertising, personal selling or publicity) be tailored to your target market? Include rate sheets, promotional material and time lines for your promotional campaign. Address how you will market your business online.
<b>Pricing</b>	Pricing is determined as a result of market research and the cost of your product or service. Explain your pricing strategy and defend it with material from your research. Factors that may affect your pricing strategy includes your goals, costs, competition and regulatory issues. Identify the cost of your product or service relative to the selling price.



# Money

<b>Financial Documentation</b>	With the exception of high-tech industries that require long periods of research, start-up companies must expect to generate income in a short period of time. The Money section of your business plan should include historical financial statements, financial projections, and a description of the start-up costs. The following are major documents you will want to include in your business plan.
<b>Summary of Financial Need</b>	Outline total financial need and why you are applying for a loan. Describe the total estimated cost of the project, including the need for working capital. Describe the equity invested into the project. Equity is funding invested into the business that is not repaid on a set schedule; it is typically money the owner or investors contribute to the project. These numbers should correspond to those on the sources and uses sheet.
<b>3-Year Income Projection *</b>	The income statement shows your business income and expenses over a period of time. It is a moving picture showing what has happened in your business and is an excellent tool for assessing your business. The income projections should show monthly projections for your company for the next three years. Projections should be based on economic and industry trends and should be supported by the market analysis.
<b>Statement of Cash Flow *</b>	This document projects what your business plan means in terms of dollars. It shows cash inflow and outflow over a three-year period and is used for internal planning. Cash flow statements show both how much and when cash flow must flow in and out of your business. This statement will also reflect how quickly your customer pays you and what payment terms you have arranged with your vendors.
<b>Balance Sheet *</b>	The Balance Sheet shows the condition of the business as of a fixed date. It is a picture of your firm's financial condition and will show whether your financial position is strong or weak. It is usually done at the end of the month and contains assets (what the business owns), liabilities (what the business owes) and net worth.
<b>Break-even Analysis *</b>	The break-even point is where a company's operating expenses exactly match the sales or service volume. It can be expressed in total dollars of revenue total units of production (Unit price divided by breakeven revenue).
<b>*The SBDC office can assist you with these four financial documents, once you have estimated the projected monthly revenue, expenses and costs involved in your project. If you would like assistance in preparing these items, please follow the guidelines on the following pages and use the worksheets provided.</b>	
<b>Personal Financial Statement</b>	A statement of personal assets, liabilities and net worth. (Each lender typically can provide you with a form for this.)



<b>Tax Returns</b>	Lenders will typically request copies of your last three personal and business (if applicable) tax returns.
<b>Credit Reports</b>	May include business and personal reports from suppliers or wholesalers, credit bureaus and banks. Note: Check your credit report for accuracy before submitting your business plan to a funding source. Federal law allows you to get a FREE copy of your credit report every 12 months from each of the three credit reporting companies at: <a href="http://www.annualcreditreport.com/">www.annualcreditreport.com/</a>
<b>Copies of Leases</b>	Include agreements currently in force between your company and a leasing agency.
<b>Contracts</b>	Include all business contracts, both completed and currently in force.

## Instructions for Preparing Projected Financial Statements

After determining your start-up costs and researching the target market, marketing strategies, competition, industry trends and barriers to entry, you are ready to prepare your financial projections. This task is not as impossible as it seems. Remember, projections are estimates needed to start the process of studying the venture's feasibility. They depend largely upon the quality of the research mentioned above. The SBDC staff will help you interpret that research, but in the end, it is up to you to decide what you feel are realistic figures. Use the blank Sources and Uses Statement and the Simplified Revenue and Expense Sheet located on the back of this Business Planning Guide. Once you have the basic revenue and expense figures entered into the worksheet, the SBDC consultant can put them into a computerized spreadsheet to help you analyze the financial feasibility of your venture and complete the projections required by your lender.

## Follow the instructions below carefully:

1. Develop a "Sources and Uses of Funds" Statement. (Form on page 21.) On the top half, list the "uses" of funds, or what you will need the money for. (If you are contributing non-cash assets such as tools as part of your equity, be sure to show these assets in the "uses" section.). Below is a list of typical startup costs. On the bottom half list where all funds and/or assets for your project will come from. Include all equity (cash "down payment" or other assets you will contribute) and debt (loans) proposed. Also list of the specific loans proposed with as much detail as know on the bottom of the Pro Forma Income Statement. The two section totals (sources and uses) should be equal (i.e., don't show more uses than you have sources).

- **Land** – Based on proposed purchase price or current assessed or appraised value for the property.
- **Building** – If existing building, use current fair market value of building or proposed purchase price. If constructing a new building, describe all construction costs including engineering, architect fees, surveys, blue prints, drainage, water, sewer, electrical, HVAC, site preparation, etc. Also include appraisal fees, permit fees, and Phase I, II, and III environmental studies. Get written bids!
- **Renovations** – Describe any costs associated with building or site renovations. Get written bids!
- **Equipment and Machinery** – Describe the acquisition of any equipment or machinery. This includes office equipment.
- **Furniture and Fixtures** – Describe any items that will be purchased such as chairs, lights, signs, etc.
- **Intangible Assets** – Includes franchise fees, trade name agreements or goodwill.
- **Inventory** – To stock your shelves or for raw materials for use in your production process.
- **Working Capital** – Cash required to pay the bills until the business is up and supporting itself.

**2.** Enter your estimated monthly revenue (sales). If you are selling more than one product or service, break them into several major categories. For example, for a convenience store, enter average monthly sales of gas, groceries and souvenirs separately. Revenue includes all sales, whether or not they are collected immediately. Cash not collected immediately becomes accounts receivable (customer credit). See Instruction #8 for more details. If you need more than the three revenue categories on the worksheet, use separate sheets of paper.

**3.** Make sure the corresponding Cost of Goods for each revenue category is entered as well. Remember “Cost of Goods Sold” is the direct cost of merchandise or services that are sold, not what you purchase for inventory (what goes out the door, not what comes in). Cost of Goods is the cost of the item you are selling and is often represented as a percentage relative to the selling cost. If you sell an item for \$10 and it cost you \$6 then the Cost of Goods Sold is 60%. If you are selling food, it would include the cost of your ingredients for each item sold. If you are selling repairs, it would include the cost of the parts used in the repair. If you are manufacturing your product, it would be the cost of the raw materials needed to make the item along with any outsourced services like painting or powder coating. Labor costs of providing a service or making a product are typically shown in the Expense section (#4 below).

**4.** Next enter your monthly fixed expenses like salaries (including your own), wages, rent, utilities, insurance, advertising, maintenance, travel, etc. See Instruction #5 for more details.. NOTE: Expense categories listed on the worksheet are the most common. Replace them with categories that are applicable to your business as needed. Enter your estimates one item at a time working from left to right on the worksheet. If an item is a function of something else (for example, Franchise Fees = 5% of Revenue), it is sufficient to enter that percentage on the worksheet and explain this in the Pro Forma Notes (#6 below).

## **5.** Explanation of Expense Categories on Projected Income Statement

- **Owner's Salary** – Compensation for owners.
- **Employee Wages** – Your hourly wage(s) times the number of employees times the number of hours of month they will be working plus monthly salaries for employees.
- **Payroll Taxes** – Employer's share of employment taxes. Ordinarily, includes 7.65% for Social Security and Medicare, 0.6% for Federal unemployment, and 1.75% for state unemployment and investment fees, which equals 10% of wages.
- **Worker's Comp** – Insurance based on wage classification and amount of payroll projected. Get estimate from commercial insurance agent. May also include in Insurance below.
- **Bad Debts** – May be based on a percentage of your total sales. Will vary by industry and credit policy.
- **Outside Services** – Fees for cleaning, snow removal, lawn care, errand services, etc.
- **Supplies** – Shop supplies, cleaning supplies or other supplies used in the business. Do not include inventory purchases in this line.
- **Maintenance** – Repairs or upkeep of your building or equipment.
- **Advertising/Promotion** – Costs related to printing materials, advertising, direct mail, trade show exhibits, website, online marketing or other marketing activities.
- **Office Expense** – Offices supplies and postage that will be used up within a year.
- **Car/Travel** – To reimburse employees for work-related travel in their own vehicles, gas and maintenance of company vehicles, or travel and meal costs for attending trade shows, visiting customers, etc.
- **Accounting & Legal** – Fees for accounting or legal services, including tax return preparation.
- **Rent** - Rent or lease payment for business space.
- **Phone and Internet**– Local phone service, long distance, cellular, paging and Internet services.
- **Utilities** – Includes gas, electricity, propane, water, sewer, and garbage collection fees.

- **Insurance** – Can include cost of liability, health, fire, flood and worker's compensation insurance. Please reflect how you will pay – monthly, quarterly, annually, etc.
- **Equipment Lease** – Lease payments on equipment used in the business.
- **Taxes (RE)** – Real estate taxes on business property, generally paid in April and October. Call your county assessor to get an estimate of real estate taxes.
- **Credit Card Fees** - Payment processing fees charged to a business who accepts credit cards.
- **Miscellaneous** – Other small expenses including Chamber of Commerce or professional organization dues, licensing fees, or subscriptions to business-related publications. May also include an amount as a cushion for unexpected expenses and one time startup costs.

**Feel free to list any other specific expenses separately as desired. We can add or delete categories as necessary on our spreadsheet.**

## **6.** Develop a set of “Notes and Critical Assumptions to the Pro Forma Financial Statements”.

This is simply a page that starts with “1. Revenue:” and explains your logic for the numbers you are using. Notes are a valuable tool to help you organize your thoughts. Some items, such as Revenue, may require quite a bit of explanation, while others, such as Insurance, may only require a statement such as “14. Insurance: Coverage of XXX and YYY and ZZZ, based on a quote from So and So Insurance Agency.” Not only will these “Notes” make your forecasting more organized, and hopefully easier, they are essential for a reader to understand what you’re doing.

## **7.** During certain times of the year, you may anticipate needing more inventory than normal.

For example, the owner of a souvenir shop must plan ahead for summer tourists. Consider national and local holidays/events to help plan your inventory needs through the year. Contact suppliers now to learn how long it takes to receive your inventory. If you will purchase large lots of inventory to stock up or take advantage of volume discounts, enter those costs in the appropriate month in the Seasonal Inventory Purchases line (lower portion of the worksheet).

## **8.** Will you offer credit? In today’s marketplace, it is not normally necessary for a business to take the place of the local bank in offering credit to customers. If you must, how will you determine credit worthiness, what terms will you offer, and when do you expect to collect the balance of the accounts? Provide a breakdown of the timing of your accounts receivable collections –

\_\_\_\_\_ % of accounts collected in cash or credit cards (on average)  
 \_\_\_\_\_ % of accounts collected in 0-30 days  
 \_\_\_\_\_ % of accounts collected in 31-60 days  
 \_\_\_\_\_ % of accounts collected in 61-90 days  
 \_\_\_\_\_ % of accounts collected in 90+ days

## Sources and Uses of Funds Statement

### Uses of Funds

#### Long-Term Assets

Land	\$	
Building	\$	
Renovations	\$	
Equipment	\$	
Furniture & Fixtures	\$	
Computers & Office Equipment	\$	
Vehicles & Trailers	\$	
Signage	\$	
Other: _____	\$	
<b>Total Long-Term Assets</b>	<b>\$</b>	

#### Intangible Assets

Franchise Fees	\$	
Legal & Accounting Startup (including LLC/S-Corp formation if applicable)	\$	
Pre-Opening Costs (training, rent during buildout, Grand Opening Advertising, etc)	\$	
Goodwill/Blue Sky (if purchasing existing business)	\$	
Other: _____	\$	
<b>Total Intangible Assets</b>	<b>\$</b>	

#### Short-Term Assets

Inventory	\$	
Operating Cash (Working Capital)	\$	
Lease & Utility Deposits	\$	
Supplies	\$	
Other: _____	\$	
<b>Total Short-Term Assets</b>	<b>\$</b>	

**Total Uses of Funds** (total of Long-Term, Intangible and Short-Term Assets above) \$

### Sources of Funds

#### Equity Injection

Cash	\$	
Other Equity (if you own any of the above assets already, what is their fair value)	\$	
<b>Total Equity Injection (typical expectation is 10-30% of project costs)</b>	<b>\$</b>	

#### Debt (borrowed money)

Business Loan	\$	
State/Local Economic Development Loan	\$	
Other: _____	\$	
<b>Total Debt</b>	<b>\$</b>	

**Total Sources of Funds** (must match Total Uses of Funds dollar amount above) \$

**INCOME AND EXPENSE WORKSHEET**

Client Name:

Date Prepared:

**ESTIMATED SALES and COST OF GOODS:**

		<b>Monthly Estimate</b>	<b>Note any changes due to seasonality; breakdown by categories if needed.</b>
Sales of Product		\$	
Cost of Product		\$ or %	

**ESTIMATED EXPENSES:**

		<b>Monthly Estimate</b>	<b>Description/Assumption</b>	<b>Hours Scheduled per WEEK</b>	<b>Rate of Pay</b>
Owner Salary		\$			\$
Owner Payroll Taxes		\$	Will be calculated in SBDC spreadsheet		
Employee Wages		\$			\$
Employee Payroll Taxes		\$	Will be calculated in SBDC spreadsheet		
Outside Services		\$			
Supplies		\$			
Maintenance		\$			
Ad/Promotion		\$			
Office Expense		\$			
Car/Travel		\$			
Acct & Legal		\$			
Rent		\$			
Telephone		\$			
Utilities		\$			
Insurance		\$			
Equipment Lease		\$			
Real Estate Taxes		\$			
Credit Card Fees		\$			
Miscellaneous		\$			
Other					
Other					
Other					
Other		\$			
Other		\$			

**LOAN INFORMATION - List below any existing or proposed loan information available.**

	<b>Loan Amount</b>	<b>Mo. Payment</b>	<b>Purpose of Loan/Lender</b>	<b>Rate</b>	<b>Term</b>
1					
2					
3					

# ACKNOWLEDGEMENTS

The primary mission of the South Dakota Small Business Development Center (SBDC) is to be advisor for South Dakota businesses to start or grow by assisting with business planning, operational improvements, and product or market development. The SBDC accomplishes this mission by providing professional management and technical assistance to South Dakota's present and future small businesses. SBDC services are provided free of charge through a sub-recipient contract through Planning and Development District III, West River Foundation, Northeast South Dakota Community Action Program with the University of South Dakota, and the U.S. Small Business Administration.

The SBDC program is made possible by public and private entities that provide the cash funding required to bring these services to you. Those entities are:

Beadle and Spink Enterprise Community  
Black Hills Community Development  
Black Hills Power and Light Company  
Black Hills Special Services Cooperative  
City of Chamberlain  
City of Yankton  
North East SD Community Action Program

Planning and Development District III  
Rapid City Area Economic Development Partnership  
The state of South Dakota  
U. S. Small Business Administration  
West River Electric Association  
Xcel Energy

In addition to the monetary contributors listed above, the following organizations provide the use of facilities or other resources to support the delivery of SBDC services to you.

Belle Fourche Chamber of Commerce  
Brookings Economic Development Corp.  
City of Lead  
Custer County Chamber of Commerce  
First District Assoc. of Local Governments  
Gettysburg Whitlock Bay Dev. Corporation  
Grant County Development Corporation  
Heartland State Bank of Highmore  
Hot Springs Area Chamber of Commerce  
Huron Chamber & Visitors Bureau  
Kelley Center for Entrepreneurship at Dakota  
Wesleyan University

Lake Area Improvement Corp. (Madison)  
Lake Francis Case Development Corp.  
North East SD Community Action Program  
Planning and Development District III  
Rapid City Area Economic Development Partnership  
Mobridge Economic Development  
SD School of Mines & Technology  
Sioux Falls Chamber of Commerce  
Spearfish Area Chamber of Commerce  
University of SD Beacom School of Business  
Vermillion Area Chamber & Development Co.  
West River Foundation

Although the SBDC does not specifically endorse the opinions, products, or services of any individual organization, we wish to gratefully acknowledge the support of these entities and their clear commitment to South Dakota's small businesses, the communities they serve and the economic future of the state.



U.S. Small Business  
Administration

*The Small Business Development Center is partially funded by the U.S. Small Business Administration. SBDC operates under an annual Cooperative Agreement. All SBA programs and services are provided to the public on a nondiscriminatory basis. Reasonable accommodations for persons with disabilities will be made if requested at least 2 weeks in advance.*

*Funding disclosures required by Section 632 of Public Law 117-328 available at:*

*<https://sdbusinesshelp.com/small-business-development-center/>*

*Revised 6/2/2025*