

SMALL BUSINESS OWNER'S HANDBOOK

PART I: STARTING A SMALL BUSINESS

Introduction
Is Running a Business for You?
What Business is Suited for You?
Getting Started
Your Business Plan
Licenses, Regulations, Taxation, & Labour

Introduction

So, you're thinking about starting a small business? If so, you're not alone. Filled with hopes, dreams, optimism and energy - not to mention great ideas - thousands of individuals start small businesses each year. The small business sector is known for its creativity, productivity, and innovation. It is responsible for creating the majority of new jobs in Saskatchewan.

Going into business involves considerable risk. You reduce risk by careful planning. Launching a successful small business requires solid preparation. This guide is designed to help you start out right, so that your business has the right foundation on which to build success.

The guide is divided into five parts:

- One:** Helps you assess whether or not you are suited to owning and operating a small business.
- Two:** Helps you find and evaluate business ideas.
- Three:** Outlines the technical and legal issues related to starting a small business, including the obligations and requirements.
- Four:** Presents the elements of a business plan, and how to prepare one.
- Five:** Government and other agencies to contact for licensing, registrations, taxation, and other issues such as labour standards.

If you decide the challenge of running a small business is right for you, here's a thought before you begin. In business, as in life, being in the right place at the right time is not so much good luck as it is **good planning**.

Remember

The only reason for going into business or buying a business is to make money!

Is Running a Business for You?

Do you wonder if you have what it takes to run your own business? Do you wonder if getting into business is a good move for you?

Starting a small business isn't just about changing careers; it's also about changing lifestyles and attitudes. Before you start, it's important to consider what kind of person you are, what your personal and career goals are, and whether you're suited for the challenges, the uncertainties and, ultimately, the rewards of an entrepreneurial life. First, you must have **confidence**; both in yourself and your business idea. Confident people who take the initiative are decision makers, and decisions, are the most important action needed in business.

The following personal characteristics are essential running a successful business:

1. Good business skills
2. A positive attitude
3. Confidence
4. Previous experience
5. Excellent health
6. Excellent time and stress management abilities
7. Excellent people skills
8. Determination, dedication, and perseverance
9. Creativity, flexibility and innovation
10. Flexible lifestyle

Following are the pitfalls to avoid:

1. Lack of experience
2. Lack of money (too little personal or investor cash)
3. Cost overruns (not enough start-up financing)
4. Poor market evaluation (overly competitive market)
5. Lack of planning (on buyers and competitors)
6. The wrong location (especially for retail)
7. Inventory mismanagement (stocking too much or too little)
8. Having the wrong attitude

What Business is Suited for You?

Now that you've completed the self evaluation section of this guide and are convinced that you have what it takes to be a small business owner and operator, your next decision is a crucial and fundamental one: you must decide what business to be in.

Finding Business Ideas

If you do not already have an idea for your small business, there are many sources available you can use in order to generate business ideas.

Write your ideas in a notebook or on an ideas board. This will allow you to easily track and compare them. Carry a small notepad with you wherever you go, so you can jot down new ideas. Then transfer them to your notebook to expand on them later.

You can generate business ideas from the following:

- Your previous or current employment
- Family, friends and relatives
- Market, social, business or technological trends
- A product or service need you've identified through personal experience
- The Canada-Saskatchewan Business Center
- General interest newspapers and magazines
- Business publications, including magazines, newsletters, trade publications, and books available in the business sections of both libraries and book stores
- Trade shows and conventions
- The Yellow Pages

Types of Business Opportunities

There are many types of small business opportunities and many ways of categorizing them. However, most small business opportunities fall into one of three major categories: retail, manufacturing or service.

The following are some questions that may help you discover new ideas or approaches to developing small business opportunities.

STARTING A SMALL BUSINESS

1. What product could you purchase the manufacturing rights for?
2. What product could you assemble, recondition, rebuild or re-manufacture into another product?
3. What product or service could you supply to another producer?
4. What product or service could you offer to gain a small percentage of a large market?
5. How can you add value to existing products or services?
6. What products and/or services could you combine?
7. What lifestyle or fashion trends in society provide a product or service opportunity?
8. What recreational or leisure trends provide a product or service opportunity?
9. What successful products or services could you imitate?
10. What products or services could you market and/or sell?
11. What products could you distribute and/or sell wholesale?
12. What products could you import/export?
13. What types of events could you plan, promote or publicize?
14. What expertise do you have that you could market as a consulting or information service?
15. What skills and expertise could you teach to others?
16. How could you help existing businesses access important information?
17. What existing business, franchise, or distributorship could I buy and operate?

Developing your Business Ideas

Your potential customers or clients are always looking for "value added" in the products and services they purchase. Once you've started developing business ideas, look at each opportunity from different angles, always looking for ways of adding value that will set your product or service apart from that of your competitors.

Example:

Greta Green believes that opening a landscaping business to service upper-middle class homes in a new housing development is a good business opportunity. However, she is not alone in this assessment and will face stiff competition in this new market.

How could she improve her chances of success by providing landscaping services that are more convenient and flexible, less expensive, or more accessible to customers?

What other products or services could she offer to complement her landscaping service? Could she, for instance, combine her landscaping services with general repairs, housekeeping, or babysitting services?

STARTING A SMALL BUSINESS

As an added service to her customers, could she sell gardening tools or sell and install lawn sprinkler systems? Could she find and sell products that have added features or accessories and are:

- cleaner, safer or easier to use
- more durable and easier to replace or repair
- more efficient and functional
- lighter or stronger
- less costly
- more easily stored?

Every business idea will come with its own set of questions and opportunities to add value and make your product or service more attractive to customers.

Evaluating a Business Opportunity

Now that you've gone through the process of finding and developing ideas for possible small business ventures, it's time to narrow down the list to a few key ideas that have the best business potential. Remember that a business idea is NOT a business opportunity until it is evaluated objectively and judged feasible.

Keep your list of ideas to be analyzed to a minimum of two and a maximum of five potential business opportunities at any one time. Seriously considering and developing too many potential business opportunities all at once will cause confusion and spread your time, energy and focus too thin. At the same time, if you focus too early on only one business idea, you are more likely to become personally and emotionally attached to it, and you will lose your objectivity.

Testing the feasibility of your top business ideas involves time and effort to collect key information. At this stage, most of your research efforts should focus on answering this key question: is there a market for your product or service? To help you answer this question, you can do the following:

- Conduct market surveys
 - Conduct personal and telephone interviews with potential customers
 - Monitor your competitors, including talking to their customers if you can
 - Test the market with your product or service
-
- Talk to consultants and advisors

STARTING A SMALL BUSINESS

- Talk to retailers, distributors, agents, and brokers
- Read market research reports, industry trade books, magazines, and journals
- Refer to industry associations and Statistics Canada data

Once you've finished your preliminary research, complete the following questionnaire for each of your key business ideas.

Business Feasibility Questionnaire

1. What exactly is the nature of the business, and what exactly are you selling?
2. Is this business a good match for your skills and experience?
3. Who are your customers and what are their buying habits?
4. Who are your competitors?
5. Why will customers buy your product or service instead of your competitor's product or service?
6. What is the size of the market, and what do you estimate will be your market share?
7. Manufacturing or service business: how many orders or contracts can you have already in place when you launch the business?
8. Retail business: how soon after you launch the business can you expect sales revenue?
9. Who will sell and/or distribute your product or service?
10. Can you produce the product or deliver the service at a competitive price?
11. How much product can you produce, or how many customers can you serve, in the first year of operation?
12. Can you find skilled employees to work for you?
13. What are the projected start-up costs and annual operating costs?
14. How much money will you need to borrow to start and operate the business?
15. Can you obtain the money to finance this business venture, and what is the level of financial risk?
16. Will the projected profits meet your family's needs?

Getting Started

STARTING A SMALL BUSINESS

Now that you've decided what business you're going to pursue, it's time to make some decisions on the structure and legal requirements of your new business.

Deciding on a Business Structure

There are three main types of business structures recognized in Canadian law: sole proprietorship, partnership, and limited company (corporation). There are advantages and disadvantages to each type of business structure. The type of structure you choose will depend on the needs of your particular business and will have a fundamental affect on how you do business.

Sole Proprietorship, Partnership, or Incorporating

A sole proprietorship is a business that is owned and operated by one person. It is the simplest form of business organization. Individuals who operate a business under a name other than their own are required to register with Corporate Registry by completing the form "Declaration of Trade Name". It should be noted that registering a trade name does not give you any right of ownership of the name.

Advantages and Disadvantages of a Sole Proprietorship:

Advantages:

- Easy and inexpensive to set up
- Directly controlled by the owner/operator
- Flexible and adaptable
- Some business losses may be deducted from other income
- Wages paid to a spouse are deductible from business income

Disadvantages:

- Owner liable for all business debts and obligations
- Management base narrow (success dependent on expertise of proprietor)
- Can be limited to ideas and creativity of one person
- All business income is taxed as personal income

Choosing a Business Location

STARTING A SMALL BUSINESS

Choosing the right location can be one of the most important business decisions that you will make. Whether you are in the retail, service, or manufacturing business, make sure your new location meets the following conditions:

- Meets all regulatory bodies approval (zoning, health, fire marshal, transportation, environment, and labour)
- Is convenient, accessible, and visible to clients, staff, and suppliers
- Does it provide all the necessary utilities and is the current supply adequate for your business (water, power, gas)
- Provides you with enough room to conduct your business and to grow
- Suits the nature of your business and the image your company is trying to create with its customers
- Provides a comfortable working environment that meets your personal needs
- Is your landlord reputable, flexible, cooperative, and offers an adequate lease agreement
- Will the landlord assist with leasehold improvements
- Is the lease term adequate
- Who's responsible for additional or unexpected costs such as damage repair and infrastructure upgrades
- Is the neighborhood stable and desirable
- Can the business get adequate insurance

Other factors to consider include the quality of police and fire protection and the local tax and utility rates.

It is advisable to compare the strengths and weaknesses of several sites before deciding which one is right for you. Also, having several sites to choose from can improve your bargaining position when negotiating lease or sale agreements.

Retail or Service Locations

If you are in a retail business or a service business, such as a dry cleaners or a restaurant, where your customers come to your location for service, then you must pay special attention to your customers' needs. In addition to the general requirements listed above, consider these key factors before choosing a location:

Traffic Flow: For most small retail and service firms who depend on walk-in business, the amount and timing of vehicle and pedestrian traffic past their store is a factor critical to the success or failure of their business.

STARTING A SMALL BUSINESS

Convenience: In a society based on speed and service, busy patrons tend to shop where it's most convenient. This usually means finding an easily accessible location.

Buyer Profiles: Choose a town, community, or neighborhood in which the residents are consistent with the age, family status, income level, buying tastes, and habits of the people you have identified as your most likely customers. Also, consider whether the community is growing and prospering or whether it is in decline. You can check with Statistics Canada or the municipality for information on your chosen area.

Competition: How many similar businesses are in the vicinity? To assess your competitive position, review the type, quality, and price of the products and services they offer. How close to your competition you can afford to locate depends on the nature of your retail or service business. For example, car dealerships, fast food restaurants, and art galleries tend to concentrate in the same areas. This attracts customers from a larger market area who are looking for these particular products or services. If you are opening a dry-cleaning service, however, it is probably not wise to choose a location close to another successful dry-cleaning store.

Buying a Franchise

Buying a franchise is one way of going into business for yourself, but with the support, expertise, reputation, and consumer recognition of an established company behind you.

A franchise is a license granted to a franchisee to sell a particular product or service in a given area. Franchising has grown from traditional businesses, such as automobile dealerships and service stations, to fast food outlets, correspondence schools, photocopying services, cleaning services, income tax services, photo studios, and many other retail and service sector businesses.

A franchiser is required to provide a potential franchisee with a disclosure document.

STARTING A SMALL BUSINESS

Before you buy a franchise, do some research and shop around. You should never enter into a franchise agreement without consulting with a lawyer, and a business consultant or an accountant. Before buying a franchise, consider the following:

1. How long has the company been in business, and what kind of reputation does it have?
2. Does the company have a solid credit rating and will they provide you with historical financial information?
3. Does the company have a good relationship with its current franchisees, and are they making a reasonable profit?
4. Is the market for the company's products increasing or decreasing?
5. Is the territory you've been given of a reasonable size, and is it protected from encroachment by other franchises?
6. Was the franchiser forthcoming in providing all relevant information and business records?
7. What does your franchise fee pay for? The possible options are: use of the company name and trademark; unique operating methods, special recipes, use of patents; initial and ongoing training and advice; assistance in selecting a location; help to secure financing; expertise in starting a business.
8. What additional, ongoing fees will the franchiser charge you? These may include providing inventory, business services (such as accounting), lease payments on facilities, and advertising. If the franchiser provides funding, there will also be loan payments.
9. Are you required to spend a percentage of your sales for local advertising?
10. What stipulations does the franchise contract place on your business operations, such as hours of work, employee relations (such as hiring and firing), products sold, recipes, and record keeping methods?
11. What rights does the franchiser have to terminate the contract?
12. What restrictions are in place if you wish to sell the franchise?
13. Is the type and size of the business compatible with your interests, skills, and personality?
14. Will the projected return on your investment be worth it, compared to other methods of investing your money?

Pros:

- Experience and know-how available
- Training of franchisee and staff

Cons:

- Insufficient experience, knowledge, support and training
- Detrimental image

STARTING A SMALL BUSINESS

- Continuing support and source of information
- Established business image
- Services and supplies available from franchiser
- Start-up assistance
- Inventory may be obsolete
- Over-priced franchise fee, supplies and/or equipment
- Franchiser may over-saturate the market; profits are lower than expectations
- No room for flexibility of operations

Renting or Purchasing Facilities

Businesses must decide carefully whether to rent or to buy facilities. In most cases, small business owners don't want to tie up large amounts of cash in real estate holdings when the money could be better used in business operations.

Advantages of Buying:

- Real estate may be a good investment (possible capital appreciation)
- You will not be forced either to leave or to pay higher rent when your lease expires
- If you make improvements to the building, you benefit from the increased property value.

Advantages of Renting:

- You do not have large amounts of capital tied up in your premises
- You have more flexibility moving your business to a better location.
- If your business fails, you don't have to worry about selling your building

Often it is possible to generate cash flow through leasing space to tenants

Buying an Existing Business

The decision to buy an existing business may be one of the most important decisions you will ever make, so don't rush into it. Take time to obtain as much information about the business as possible.

The only true method of evaluating the worth of a business (and the price you are willing to pay for it) is to **review its financial records** (for at least the previous three years) and then ascertain its profit potential. Carefully review the company's balance sheets, income statements, tax returns, sales and purchase orders, and bank deposits. Consult an accountant or a business consultant.

If you are purchasing land and a building, an **appraisal** is typically required by financing institutions. This appraisal should be done by a qualified appraiser.

A **purchase agreement** is required and it is advised that a lawyer is involved when making an agreement. This agreement should cover all necessary aspects, including what assets are to be purchased, what liabilities are to be assumed, and when the sale will be complete.

Before buying a business, consider the following:

1. Why is the present owner selling the business?
2. What kind of reputation does the business currently have in the marketplace? What "good will" does it have?
3. Is the present owner planning to open a new business in direct competition with you?
4. Will the current owner provide historical financial statements (this is usually required to obtain financing)? Who prepared the financial statements? Have they been audited?
5. Have company sales and net profits been increasing or decreasing?
6. Is the market for the company's product or service increasing or decreasing?
7. Is the type and size of the business compatible with your interests, talents, and personality?
8. Can you adequately finance both the purchase of the business and the day-to-day operations?
9. Will the seller provide vendor financing?
10. What is the market value and the replacement value of the company's tangible assets, including inventory, furniture, building, land leases, and accounts receivable?

STARTING A SMALL BUSINESS

11. What is the value of intangible assets, such as company reputation and image, customer lists, relations with suppliers, trademarks and copyrights, skilled personnel?
12. What company liabilities, including liens, mortgages, unpaid bills, and back taxes, will you be responsible for?
13. Are current employees effective and efficient in their jobs, and what is the state of employer- employee relations?
14. Will the projected return on your investment and hard work is worth it, or would you be better off finding another way to invest your money and your time?

Advantages:

- Building, equipment, inventory and staff are operational
- Location is preferable
- Product/Service is already being produced and sold
- Market and goodwill are established
- Cash flow is being generated
- Relationships established with suppliers and banks

Disadvantages:

- Building and equipment may be obsolete
- Location may be poor for this type of business
- Inventory may be obsolete
- Accounts receivable may be too high or uncollectible
- Lease has expired and cannot be renewed; zoning has changed; deteriorating local conditions
- No growth potential

Protecting Your Ideas, Designs and Products

Anything unique that you invent, design or create in your business is known as intellectual property. Your intellectual property can be protected from competitors for a limited period. This protection falls into one of the following categories: patents, trademarks, copyright, industrial design, integrated circuit topographies, and plant breeders' rights.

Patents

A patent is a legal right issued under the Patent Act of Canada for a maximum of 20 years to the ownership of an invention that is innovative, new, and useful. A patent attorney or agent can help you file a patent application.

Trademarks

A trademark is a distinguishing word, mark, symbol, logo, or other design used to identify your product or service, and is yours to use exclusively. A trademark can be registered for 15 years and then renewed.

Copyright

Everyone automatically has exclusive rights to reproduce or copy their own written, dramatic, musical, or artistic works. Copyright ensures that they cannot be copied by others without permission. For written works, copyright lasts for the life of the author plus 50 years. For sound recordings and photographs, copyright lasts for exactly 50 years.

For added protection, you may want to apply to register your work. Without registration, you may find it difficult to prove ownership.

Industrial Design

The original or unique shape, pattern, or ornamentation of an article can be protected for five years, with one five-year extension possible. To register a design, you must submit a drawing and description to the federal Commissioner of Patents.

For further information on protecting your original ideas and designs, contact Industry Canada.

Employer Responsibilities

Federal law requires that, as an employer, you must collect Employment Insurance premiums, Canada Pension Plan contributions, and personal income tax on behalf of the government. The costs of Employment Insurance premiums and Canada Pension Plan contributions are shared by the employer and the employee. When hiring personnel, you must contact Canada Revenue Agency to obtain your employer's account number and forms.

STARTING A SMALL BUSINESS

Canada Revenue Agency provides free, easy-to-follow instructions regarding remittance procedures and amounts to be deducted from employees' wages. All new employers are encouraged to obtain this information package. See Appendix A for contact information.

If you hire people on contract, you are not responsible for collecting payroll deductions nor are you responsible for paying the employer portion. Canada Revenue Agency has strict guidelines for who does and does not qualify as an employee. Self-employed people who want to participate in the Canada Pension Plan are responsible for both employer and employee contributions, and they must remit taxes in quarterly installments.

Your Insurance Needs

Businesses with assets should have business insurance. Think seriously about the type and amount of insurance that your business requires, then work with a knowledgeable insurance broker, preferably one who has experience insuring your type of business. Ask business associates and acquaintances for the names of reliable brokers. It pays to obtain competing quotes. Sometimes the rates are negotiable.

The following is a list of several types of insurance you may want to consider:

1. Property insurance covers damage or loss to the premises, equipment, and inventory because of fire, explosion, wind, riot, smoke, theft, etc.
2. Liability insurance covers claims of bodily injury or property damage sustained by customers or others either on your business premises or during business-related activity.
3. Business interruption insurance compensates for revenue lost during a temporary halt in business caused by (for example) fire, theft, or water damage.
4. Disability insurance supplies you with an income if you become sick or injured and cannot operate your business.
5. Business owner's life insurance (or partnership insurance) ensures that if one partner dies, the other will have the funds to purchase the business.
6. Automobile insurance covers physical damage and personal liability for company-owned vehicles or vehicles used for business.
7. Fidelity bonds guarantee against loss from embezzlement by employees having access to cash receipts or other company funds.
8. Performance bonds ensure clients that contractors will complete a particular job satisfactorily.

STARTING A SMALL BUSINESS

Example start-up: Edna's Bakery

- 1: Edna registered her business as a proprietorship with Saskatchewan Corporate Registry
- 2: After choosing a location, Edna went to City Hall to obtain zoning approval to build her bakery
- 3: About the same time, Edna got a business license from the City
- 4: Because she wanted to run a food preparation business, Edna also contacted the Local Board of Health and Health Canada
- 5: After setting up her bookkeeping system with her accountant, Edna went to Canada Revenue Agency website, to obtain a business number that will apply to GST, corporate taxation, and source deductions (tax, CPP, EI) for planned staff.
- 6: **Saskatchewan** Workers' Compensation Board was the last stop to register her business for coverage.

Start-up Checklist

Yes No

- | | | |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | 1. Have you decided on a business structure? |
| <input type="checkbox"/> | <input type="checkbox"/> | 2. Whether starting a corporation, proprietorship, or partnership, have you completed a name search and registered your name with Corporate Registry? |
| <input type="checkbox"/> | <input type="checkbox"/> | 3. Have you opened a separate chequing account for your business? |
| <input type="checkbox"/> | <input type="checkbox"/> | 4. Have you secured financing to pay for the project or start-up costs? |
| <input type="checkbox"/> | <input type="checkbox"/> | 5. Have you contacted the local zoning and licensing authority in your city, town or municipality in order to obtain all appropriate development permits and business licenses? |
| <input type="checkbox"/> | <input type="checkbox"/> | 6. Have you obtained all necessary provincial and federal licenses and permits, including any special licenses required for specific businesses (i.e. liquor license, health inspection)? |
| <input type="checkbox"/> | <input type="checkbox"/> | 7. Have you obtained the advice of a lawyer before signing any purchase or lease agreements? |
| <input type="checkbox"/> | <input type="checkbox"/> | 8. Have you contacted Canada Revenue Agency in order to obtain a business number for payroll deductions and registration for the GST? |
| <input type="checkbox"/> | <input type="checkbox"/> | 9. Have you contacted the Ministry of Finance to register for the Provincial Sales Tax? |
| <input type="checkbox"/> | <input type="checkbox"/> | 10. If hiring employees, have you registered with the Workers' Compensation Board? |

STARTING A SMALL BUSINESS

- 11. Have you contacted the provincial Labour Standards Division of the Ministry of Labour Relations and Workplace Safety and the federal Labour Standards division of Human Resources and Skills Development Canada to ensure that you comply with all pertinent labour regulations?
- 12. If you are a manufacturer, have you contacted Canada Revenue Agency, Canada Border Services Agency regarding the payment of excise tax?
- 13. If you plan to import products, have you contacted Canada Border Services Agency?
- 14. Have you consulted with a insurance broker on the types and the amounts of insurance you will need for your business?
- 15. Have you contacted your suppliers for the initial inventory, equipment, and/or fixtures? Do you have a pricing system in place?
- 16. Have you contacted the necessary contractors for any leasehold improvements the location needs?
- 17. Have you established an accounting system (bookkeeping)?
- 18. Do you have your marketing/promotion plan established?

Your Business Plan

You've assessed your suitability for the life of a small business owner/operator. You've identified and evaluated several business ideas and decided which one is right for you. You've also completed your preliminary research and made some decisions on how your business will be structured and how it will operate. It's time to clearly articulate and describe your planned business venture by completing a business plan.

A business plan is a written document that describes all aspects of your business venture, including:

- who you are
- where you are located
- your basic product or service
- how you will produce and market it
- who your customers are
- who your competition is
- how you will finance the business

In short, it outlines comprehensively yet concisely what your business objectives are and how you will achieve them within a budget.

Why Write a Business Plan?

Developing a comprehensive business plan involves a lot of research and hard work, but the resulting benefits to you and your new business are well worth the effort. Your business plan is the most important business document you will ever prepare.

1. Helps you evaluate your business idea and make a final decision on whether or not to proceed with the business venture.
2. Helps you improve your chance of business success by setting out realistic goals and financial projections against which you can measure actual performance.
3. Helps you obtain financing. Investors and lenders will use it to assess the viability of your proposed business venture. Financial institutions generally require a detailed business plan before they will even consider lending you money.

How to Present Your Business Plan

STARTING A SMALL BUSINESS

Because one of the main purposes of your business plan is to attract potential investors and lenders, your business plan should be as professional looking as possible. It should be typewritten and formatted in a neat, orderly and easy-to-use fashion.

Besides the key elements in the body of your business plan (outlined above), your business plan should contain:

1. An introductory letter that includes: the name of the company, your reasons for writing the plan and presenting it to the reader, and the major features of the plan that may be of particular interest to the reader.
2. A title page listing the name, address and phone numbers for both you and your company, as well as the date the business plan was completed.
3. A table of contents listing the headings and subheadings contained in the business plan.
4. An executive summary designed to both interest and attract the reader and summarize the key highlights of the plan. This may be the most important part of your business plan because it may be the only part of the plan busy investors and bankers will read. Write the executive summary last, and make sure you include start-up costs, owner equity available, the investment required and any available security.
5. Appendices that explain or support the material in the body of your business plan. Appendix A should be a list of business references. Other appendices could include such things as resumes of key personnel, marketing surveys or consultants' reports, supporting technical or statistical data and copies of legal documents and contracts.

The Key Elements of a Business Plan

While not all elements of the business plan will be applicable to all types of small business and to your particular situation, it is important that your business plan be as comprehensive as possible without being so lengthy that no one will read it. The suggested maximum length is 20 to 25 pages. The body of your business plan should contain the following elements.

Part A: Background Information

1. Company and Industry Details

STARTING A SMALL BUSINESS

In this section you will describe the start-up and current status of your business, and describe the industry in which your business will operate. Include the following:

- A brief history of the company, including a start-up report if your company is already in operation.
- The legal status of the company (Is it a sole proprietorship, partnership or corporation?)
- Date of incorporation (if applicable); names and addresses of the owners and what percentage of the company they own.
- Company goals and basic strategies for achieving these goals.
- The major characteristics and the size of the industry.
- Industry trends: Where will the industry be, and where will your business be in five years to ten years?

2. Products and Services

For potential investors and lenders, this is a key part of your business plan. Describe in detail the products and services you plan to sell. Include the following:

- A thorough description of your product or service and an honest assessment of its strengths and weaknesses in relation to its competitors.
- The stage of development your product is in. Are prototypes, working models or finished products available?
- Any patents, trademarks, copyrights, industrial designs, trade secrets and other technological advantages you might hold.
- The technology you will use to produce your product or deliver your service.
- Industry rules, regulations and restrictions under which you must operate your business.
- The timelines for the introduction of your product or service.

3. Management

A key ingredient of your potential business success is the strength of your management team. In this section, include the following:

- Your company's organization, including the work to be done by key management personnel
- Short biographies of key management personnel, including related business experience
- Management salaries and other compensation

4. Land, Buildings and Equipment

STARTING A SMALL BUSINESS

This section describes the physical requirements and details of your business operation. Include the following:

- The site you've chosen and the reason for choosing that location. Outline renovation costs to build an office or meeting space or to improve kitchen facilities etc.
- The amount of land you require, a site plan, and the costs of land and equipment, including installation services
- A list of all machinery and equipment, including costs, installation charges, and who the supplier will be
- An environment assessment may be requested from your financial institution including the historical use of the site, any potential polluting chemicals, etc. (A Phase I or II Environmental study may be required)
- Your intended use of chemicals etc. and how you will minimize the risk of environmental pollution

5. Operations/Human Resources

In this section, describe your day-to-day business operations and how your product or service will be produced. Include the following:

- Work flow-use diagrams, if applicable, to describe how you will produce your product, including what quality control measures you will use
- Inventory control methods you will use
- The availability, cost and credit terms of supplies and materials
- Your human resources plan, including staffing schedules and rates of pay
- Production schedule

Part B: Market Analysis and Planning

In this section, describe the market for your product or service, how you fit into that market and your plans for achieving a certain share of the market. Include the following:

- The total market and your target market
- The names, the market share, and your assessment of your competitors
- Your current and/or projected market share
- Your marketing advantages relative to your competitors
- Your pricing policy, including how you determine the cost of your products and services
- The size of your sales force, and how they will be paid (salary or commission)

STARTING A SMALL BUSINESS

- Your selling policy, including product price and what credit terms are available to buyers
- How you will distribute your product or service
- Your advertising and promotion plan
- Your planned customer service program
- How you will handle service problems and warranties

Part C: Financial Planning

1. Financial Plan

This is the most important part of your business plan. Investors and lenders will use the information in this section to evaluate the financial prospects for your business. Include the following:

- Start-up costs
- Income statements and balance sheets for as long as the company has been in operation (if applicable)
- Financial projections for at least one year (three years if possible), including projected cash flows, income statements and balance sheets. Also include break-even charts, if applicable
- Sources of funding, including friends, relatives, other private investors, lending institutions, credit from suppliers, government grants and loans
- Loan repayment schedules

2. Summary of Risks and Assumptions

In this section, you will list the critical assumptions you made when formulating this business plan. You will also identify major risks to the success of your business and indicate what steps you are taking to avoid or minimize these risks.

Appendix: References

This section will demonstrate to potential investors and lenders that you have had solid, professional business relationships in the past and that you're a good credit risk. Include the following:

- Banks or other financial institutions with whom you have had financial dealings
- Names of existing investors and/or lenders (if applicable)
- Names of accountants, lawyers or other professionals with whom you have had a business relationship
- Current business lawyers and accountants
- Personal Net Worth Statement

Finding Help to Complete Your Business Plan

STARTING A SMALL BUSINESS

There are many resources to help you complete your business plan. Here are a few suggestions:

1. For the legal and/or technical aspects of your business plan, use the services of business consultants, accountants, lawyers, bankers and other professionals.
2. Refer to the small business guide series for more detailed information on such things as marketing, financial planning, managing, and record keeping.
3. Most business sections of libraries and bookstores have examples of completed business plans.

Programs

SMEDCO Business Advisory Services Program

The consulting services provided by the Business Advisory Service include assistance with the preparation of business and financing plans, advice on business management and turnaround strategies, and assistance in the completion of grant or loan applications.

<http://www.smedco.ca/>

Business Development Canada (BDC)

BAC offers a variety of consulting and financial services for Aboriginal businesses. BDC advisors can help provide assistance in preparing business plans and collecting information when you decide to approach a bank or financial institution. www.bdc.ca/

Licenses, Regulations, Taxation, Registration & Labour

Licenses and Permits

STARTING A SMALL BUSINESS

Business regulations exist at all three levels of government. This whole area is under review and changing rapidly in order to simplify and reduce regulations and to provide easier access for business. Costs vary with each municipality.

Municipal Licenses and Regulations

Regulations vary throughout the province. All businesses are required to conform to city zoning or land use requirements. Most municipalities have a planning board to designate areas within the municipality for residential, commercial, light industry, heavy industry, noxious industry, green belt or parkland. For information regarding business licenses, regulations, and planning requirements in your community, contact your local municipal government office.

Provincial Licenses and Regulations

Provincial license requirements may include examinations, bonding, zoning approvals, fire safety inspections, on-highway permits, trade qualifications, or trust provisions. In addition, provincial legislation requires certain types of businesses to obtain special licenses.

Liquor Licensing: Saskatchewan Liquor and Gaming Authority <http://www.slga.gov.sk.ca>

Fire Regulations: Provincial Office of the Fire Commissioner
<http://www.cpsp.gov.sk.ca/OFC> For inspection of all provincially-registered food manufacturer, contact **Saskatchewan Ministry of Health** <http://www.health.gov.sk.ca/>

For licenses related to many agribusiness enterprises, including farm implement dealers and distributors, artificial insemination, poultry (hatchery, egg grading), livestock dealers, milk processing, seed cleaning etc. Contact **Saskatchewan Ministry of Agriculture** <http://www.agriculture.gov.sk.ca/>

Transportation: Saskatchewan Ministry of Highways & Infrastructure
<http://www.highways.gov.sk.ca/>

Trades: Most trades' people require a journeyman's certificate or must be in an apprenticeship program.

Saskatchewan Apprenticeship and Trade Certification Commission
<http://www.saskapprenticeship.ca/>

Environment

STARTING A SMALL BUSINESS

Any industry withdrawing water from a natural source or emitting waste materials into water or the atmosphere requires licenses and/or permits to operate. **Saskatchewan Ministry of Environment** <http://www.environment.gov.sk.ca/>

Business Taxation

The Goods and Services Tax (GST)

The GST rate is 5% and applies to most goods and services in Canada. Businesses are responsible for collecting and remitting the tax to the government.

You have to register for GST if:

1. You sell or provide taxable goods or services in your commercial activities in Canada; and
2. Your total taxable worldwide revenues exceed \$30,000 for your fiscal year.

Canada Revenue Agency: <http://www.cra-arc.gc.ca/menu-eng.html>

Provincial Sales Tax (PST)

Businesses that retail goods or taxable services to a user at the retail level or sells or leases tangible personal property to a consumer or user at the retail level must be licensed as a vendor and must collect and remit the tax for the Saskatchewan government.

A variety of goods are exempt. For example, children's clothing, most food products, some farm tools and supplies, and prescription drugs and medicines. Businesses that do not make retail sales are required to become registered as a "consumer". Depending on the business, you may qualify for exemptions.

Saskatchewan Ministry of Finance: <http://www.finance.gov.sk.ca/taxes/pst/>

Excise Tax

STARTING A SMALL BUSINESS

A federal excise tax is imposed on certain luxury goods such as jewelry, cosmetics, tobacco products, wine, some automobiles, and gasoline and other fuels. All manufactures and processors of excisable goods require an excise tax license unless you qualify as a small manufacturer (annual revenues under \$50,000)

Canada Revenue Agency -Excise Branch: <http://www.cra-arc.gc.ca/menu-eng.html>

Property Taxes

This tax is levied at the local level. Assessment is based on the number of square feet and the type of business. Contact your **local town or city hall**, or the Saskatchewan Ministry of Government Relations <http://www.municipal.gov.sk.ca/>

Business Registration

Sole proprietors, partnerships, and incorporated businesses must register their business name before they start.

Provincial Registration

Saskatchewan

Corporate

Registry

<http://www.isc.ca/CorporateRegistry/Pages/default.aspx>

Federal Registration

Industry Canada <http://www.ic.gc.ca/eic/site/icgc.nsf/eng/home>

Labour Standards and Taxation

Labour Standards

The Ministry of Labour Relations and Workplace Safety administers Saskatchewan's Labour Standards Division that promotes and enforces provincial employment standards established under The Labour Standards Act. The Act provides in-depth information pertaining to legislation and regulations on annual holidays, hours of work, minimum wage and other employment standards.

Saskatchewan Labour Standards Division: <http://www.lrws.gov.sk.ca/labour-standards>

Occupational Health and Safety

Conditions in the workplace and workers' safety are the primary concerns of Occupational Health and Safety Division personnel.

Occupational Health and Safety Division of the Saskatchewan Ministry of Labour and Workplace Safety: <http://www.lrws.gov.sk.ca/ohs>

Saskatchewan Workers' Compensation Board

It is the employer's responsibility to establish whether her/his business will require an account with WCB. Since an employer is subject to WCB within 15 days of hiring workers, it is best to establish your status during the business-planning phase.

Saskatchewan Workers' Compensation Board:
<http://www.wcbask.com/WCBPortalWeb/appmanager/WCBPortalWeb/WCBPortalWeb>

Canada Pension Plan and Employment Insurance

All employers are required to collect income tax, CPP, and EI and remit to Canada Revenue Agency.

Canada Revenue Agency: www.cra.gc.ca