

Simple Facts of Accounting

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Business Plans For SMEs



Introduction

Business plans are prepared for a variety of reasons including obtaining finance from investors and bankers or providing a plan for strategic and corporate development.

A well developed business plan is your roadmap to success for your venture, whether it's a new business or it's been around for a while. It's a document that describes what you plan to do and how you plan to do it.

The length of the plan will depend on the nature of your business as a simple concept can be expressed in fewer words. A short and to-the point document is more likely to be read. It is also important to tailor your business plan according to the needs of the reader i.e. bankers, accountants, investors, internal management.

Top Tips for preparing a business plan are as follows:

1. Start off with a good executive summary.
2. Be realistic; do not be over optimistic in your projections.
3. Provide detailed market research including a competitive overview.
4. Describe organisation structure.
5. Make the plan your own.

The structure of the Business Plan should be as follows:

(1) Executive Summary

Clearly state what you're looking for here and it should catch the attention of the reader. It contains the key elements of the business plan and should include:

- Business concept, including industry sector, market, and product/service.
- Industry analysis and trends.
- Marketing plan.
- Financial features, sales highlights, profits, cash flow, return on investment.
- Financial requirements, capital needed for start up or expanding and how capital will be used.
- Strategic position.

The executive summary should be the last section of the plan to be written. Pay special attention to this section as many readers go to this section first and don't read anything else!

(2) Business Description

This begins with a short description of the business, industry, your vision, mission, values, business goals and objectives and corporate strategies. Show why your business will be profitable and how you will give your business a competitive edge.

(3) Organisational Structure and Management Team

Management team can be the difference between a business that fails and a successful one. This section should detail how the company will be organised and managed. This section of your plan should include:

- Organisation structure
- Ownership information
- Advisors/Professional Services
- Human Resource Requirements
- Management team profiles, including name, position, responsibilities, education, skills, prior employment, compensation package.

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(4) Operational Plan

The operational plan assigns roles and provides guidance on the day-to-day running of the business. Depending on the type of business you will need to describe the process of creating your product or delivering your service. This section should include:

- Description of business location i.e. where production will be cited.
- Outline of the process in creating the product or service.
- A summary of land, equipment or office space needed for the business and if it is owned or leased.
- Details of the supply and terms for raw materials used.
- Details of the availability of trained staff.



(5) Industry Analysis

This section should give the reader a clear understanding of your industry, your company's position within it and how you will position your product or service within that industry. It should include details of your industry analysis, which may include strengths, weaknesses, opportunities and threats analysis (SWOT).



(6) Product Portfolio

In this section you describe your business's products or services in detail, focussing on why you have a distinct advantage. You must describe whether the product or service is already on the market or is in development stage and if so when it will be launched. If you are entering a new market you should describe why there is a need for your product or service. You should also provide details about your suppliers, availability of products/services and service or product costs.



(7) Marketing Plan

This section gives details of target markets and the potential demand for your product or service. It should include details of any market research undertaken to support your business idea (i.e. surveys or questionnaires). A market analysis is needed, which includes identifying your target market, positioning your product or service and conducting a competitor analysis.

This section should also outline your marketing strategy and include information about product, price, promotion and place.



(8) Financial Plan

The financial element of a business plan is fundamental and the backbone of any plan. Projected financial statements will be included in this section, which represent what your business will look like in the future based on a set of assumptions. The financial plan should consist of:

- Projected income statement;
- Projected cash flow statement;
- Projected balance sheet;
- A brief explanation of these three statements
- Any relevant financial ratios

You must state your assumptions clearly and do not put down figures that you cant substantiate.

This section should show how the company expects to manage their finances of the company over time.



(9) Conclusion

This is your last opportunity to get your message across to the reader. You can include here the size of the investment or loan needed or if you have invested any of your own cash.

If approached correctly, business plans are essential tools in giving your business an opportunity to plan their future and set out a path to achieve their goals.



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Disclaimer

This information bulletin is intended to be used as a guide to Business Plans for SME's. For further information you should speak to your CPA professional advisor. Neither the Institute of Certified Public Accountants in Ireland, or the Small Firms Association can be held liable for any error, or for the consequences of any action, or lack of action arising from this bulletin.

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