

## Who needs a business plan?

Every business, whether it is a well established organisation or a new start up, should have a business plan.

Many people, including some accountants, confuse a business plan with a financial budget. The financial budget is simply just one part of the overall business plan.

## Why does a business require a business plan?

The business plan sets out the objectives of the organisation, how it intends to achieve those objectives, the resources required and how it is going to measure actual performance against the targets set.

A business plan is particularly important for a new organisation as most new businesses will require some form of financial support. A well structured business plan will go a long way in helping an organisation gain approval from a bank or other institute for a loan or overdraft facility which provides the organisation with the initial working capital required to achieve its goals.

Your business plan will provide a thorough examination of the way in which the business will commence and develop. It will describe the business, product or service, market, mode of operation, capital requirements and projected financial results.

The business plan will help you to set targets for future performance and monitor finances and profitability. It will help to provide early warning of any deviations from the plan and will assist you in adjusting your goals before any deviation from the initial targets has a serious impact on your financial position.

Always bear in mind that anyone reading the plan will need to understand the essentials of your business quickly and easily.

## Contents of a business plan

The business plan should cover the following areas:

- **Overview**  
An overview of your plans for the business and how you propose to put them into action. This is the section most likely to be read by people unfamiliar with your business so try to avoid technical jargon.
- **Description**  
A description of the business, your objectives for it and how you plan to achieve them. Include details of the background to your business for example how long you have been developing the business idea and the work you have carried out to date.
- **Personnel**  
Details of the key personnel including you and any external consultants. You should highlight the skills and expertise that these people have and outline how you intend to deal with any weaknesses.
- **Product**  
Details of your product or service and your Unique Selling Point (USP). This is exactly what its name suggests, something that the competition does not offer. You should also outline your pricing policy.
- **Marketing**  
Details of your target markets and your marketing plan. This may form the basis for a separate, more detailed, plan. You should also include an overview of your competitors and your likely market share together with details of the potential for growth. This is usually a very important part of the plan as it gives a good indication of the likely chance of success.
- **Practices**  
You will need to include information on your proposed operating practices and production methods as well as premises and equipment requirements.

- **Financial forecasts**

The plan should cover your projected financial performance and the assumptions made in your projections. This part of the plan converts what you have already said about the business into numbers. It will include a cash flow forecast which shows how much money you expect to flow in and out of the business as well as profit and loss predictions and a balance sheet. Detailed financial forecasts will normally be included as an appendix to the plan.

- **Financial requirements**

The cash flow forecast referred to above will show how much finance your business needs. The plan should state how much finance you want and in what form. You should also say what the finance will be used for and show that you will have the resources to make the necessary repayments. You may also give details of any security you can offer.

## Continuous review and update of your business plan

Too often organisations prepare a business plan to secure finance for the business and fail to use the business plan as a management tool to continually assess the development and performance of the organisation.

It is no coincidence that the organisations that thrive and grow regularly compare actual performance to the business plan and use the information to adapt the business to ensure maximisation of profits.

It is extremely rare that a business meets all its goals that are set out in the initial plan but a successful business monitors performance and adapts the business plan to reflect the goals that are achievable.

## How abacus can help

As qualified chartered accountants with a wealth of industry and business experience we have considerable expertise in the preparation and monitoring of business plans.

We would be delighted to use our experience to work with you to ensure you have the quality business plan your organisation needs to ensure you achieve your goals and maximise your profits now and in the future.

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