

IPA CROSS-BORDER PRPGRAMME CCI2007CB16IPO007



PROJECT "CLUB ENTREPRENEUR" Nº2007CB16IPO007-2012-2-11

Guidelines for preparation of a business plan and applying for funding business idea

History of the firm

Information about: when the company was founded, the most important events in its history, which has advantage in the ownership and management – the succession or changes.

Description of activities

- Basic information for: how big is the firm, market share (local and regional level), the marketing, production, manufacturing process, prospects for growth, main competitors and their advantages and disadvantages, relative advantages of the company, number of costumers, names of the biggest clients (as a percentage of sails), percentage of production for export.
- What are owner's/ manager's plans for the near future?
- The sector that the company belongs to. That's needed to be possible to include the using technology in the assessment of its competitiveness for the present and future based on the following indicators:
- quality and variety of the production
- individualization of the production
- prices

History of the firm

Management

Make a short description of the people, working in high management positions and their posts.

- Name
- Age
- Position
- Functions
- Equity
- Internship/ qualification

A- 56; President ; Marketing and Finance; 70%; Sales Director at "Sony" - 3 y.; has worked in the firm for 15 years

B- 48; CFO; Management of production; 30%; Has a university degree; 10 years Work experience as a manager in big firm; has worked in the firm for 9 years .

C-40; Supervisor; Management Information System; 2y. work experience X; have worked in the firm for 5 years; attended computer courses

- State the pros and cons of senior management
- Indicate whether the management use good information systems.

Argumentation

Clear up the following aspects of the program: Who, What, When, Why and How.

- Why does your company take up with the program
- When does the program starts and ends? Who has the responsibility for it?
- What are needed funds, and where do they come from?
- Can you say that the calculated costs are final?
- Are they based on professional plans and specifications?
- What would be the benefit for the company? How much will the profit rise with?_





• After the site visit and in-depth conversation with the owner or managers, the credit officer confirms that the company complies with the strategy of the program for credit guarantee. If there is any doubt the case should be clear up after the visit to the person that makes decisions.

- Who has prepared the financial statements: the firm or independent expert?
- The date that are the financial statements from?

<u>Financial statement</u>

Look over the balance sheet and talk with the managers за да се уверите в точността и надеждността на основните показатели:

- claims of the company (collection period);
- inventories (turnover);
- investments(nature and sources, marketability);
- long term assets starting and market value ;
- adequacy of working capital;
- bank loans (conditions);
- payables to suppliers (summary of payments);
- other loans with a fixed term of more than 1 year (description of sources);
- current payments on principal of a long-term debt;
- shareholding of the owners.

Statement for incomes and expenditures

- Analysis have to include at least two whole financial years.
- Results must be comparable in the two-year period, any significant variation (positive or negative) should to be clarified.
- Gross rate of profit should be maintained and valid.
- Any significant amount in the financial report for the incomes and the expenses should be checked.
- Net profit and available funds, generated in the year, should be compared to the principal payments on long term obligations for the same year.
- Results from the sales income , net profit and the available funds, should be compared to the budget for the year.

Financial security

- Verification of the assets and their condition is very important as it helps to establish whether the values from the financial report are not inflated.
- Assessment of the condition, age and capacity of the production volume should be provided current capacity of the production and forecasts for the future.

Land

• Legal reference, size, zoning, utilities, access to major roads.

Buildings

• Dimensions and construction details, performance, year of construction, maintenance, merchantability, environmental regulations, other factors.

Production equipment and vehicles

• Description of the main equipment : age, producer, maintenance, gradual obsolescence, technology, merchantability.

Value of the assets that would be pledged as a financial security:

	Starting. value	Amorti- zation	Balance value.	Estimated value	/1/ comp.	Realized value
Land						
Buildings						
Production equipment						
Vehicles						
	XXX	XX	XXX	XXXX	XXX	XX

(1) Name of the independent appreciator

Risk assessment

"Clearly and objectively point the reasons why the proposed business idea should be financed."

- Point the problems.
- Generalize the risk relevant to the proposal (each proposal for loan or guarantee has at least one risk).
- Determine how the proposal corresponds to the criteria for lending: management , income, equity and financial security.
- Determine the risk of failure in duty or loss and explain how the order and conditions of finance balance this risk.
- Indicate whether firm is dependent in a big client, supplier etc..
- Argue for the suggested payment scheme.
- Clarify the conditions of the credit guarantee and the specific conditions related to the interest rate, if there are any.
- Explain the reasons for placing certain conditions or for accepting of non-standard security.

Risk assessment system

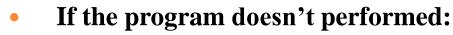
	<u>strong</u>	<u>satisfactory</u>	weak	<u>unsatisfactory</u>
Management	1 strong	2 satisfactory	3 weak	4 unsatisfactory
Income	1 200%	2 100-199%	3 60-99%	4 less than 60%
Financial security	1 120%	2 90-119%	3 50-89%	4 less than 50%
Equity	1 1:1	2 1:1 до 2.9:	3 3.1 до 4.44	4:1 4 4.5:1
<u>Collective risk</u> <u>Summery</u> <u>risk</u>	<u>low</u>	<u>average-</u> low	<u>medium-</u> <u>high</u>	<u>high</u>
Income	A	Α	В	В
Financial security	Α	В	Α	В

Analysis on movement of funds

Movement of funds often is called "in cash".

Definition		<u>\$</u>
Net (net income)		100
+ paying off	<u> 10 </u>	110
+ deferred income tax	_5	110
	2	115
- dividends (non reinvested)	<u></u>	117
- loans to shareholders (paid full/	3	
		120

• In cash are funds, received from the typical activity of the company.



(Available funds) - (current long-term obligations) 120 - 40 = 80

• If the program performed:

(In cash) - (current payments on long-term obligations) - (additional current payments on long-term obligations) - (additional interest) 120-40 - 20 - 20 = 40

- Current payments on long-term obligations are payments are principal payments on existing long-term debt that had to be incurred next 12 months.
- Additional current payments on long-term obligations are principal payments on debt (5 years at 20% annual interest), resulting from the new funding that had to be incurred next 12 months.
- Ratio between in cash and current payments on long-term obligations: 120/60=2 times (twice) (200%)



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THANKS FOR YOUR ATTENTION!

