

# Business Plan for



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## **Executive Summary**

Michael's Business Centre is a start-up business, providing clients with photocopying, fax transmittal and reception services and access to self-serve computer workstations with a full array of software and Internet capabilities.

The Canadian retail business services industry currently generates \$350 million in annual sales. Annual revenue for the Oakville market is estimated at \$3 million. The major growth trend toward self-employment and home-based businesses has created a need to provide specialized support services. Most new businesses can simply not afford the substantial investment in technology and equipment that can be accessed on an as needed basis through companies such as Michael's Business Services. In Canada, the number of new small businesses has grown at an unprecedented rate with most of the growth concentrated in Southwestern Ontario and Alberta.

As sole-proprietor, I bring over 20 years of both technical repair and sales experience from a large office equipment manufacturer. I have a Bachelor of Science degree from the University of Toronto and my technical background will give me great skills to manage the operation of the photocopy equipment. My recent move into sales in the past five years has given me the skills for dealing with customers, creating my personal business plan, and most importantly, closing sales.

Based on the size of the market and our defined trading area, our sales projections for the first year are \$335,000. My salary will be \$40,000.

To date, I have completed market research and secured the lease at an exceptional location in the core of Oakville's downtown shopping and business district. I have pre-negotiated equipment lease rates and received order commitments from over two dozen businesses in the area.

As a retail store with a first-class location, the company will enjoy walk-in traffic but will focus on newspaper advertising, direct mail and direct selling to aggressively build our client base within the first year.

## **The Team**

### Management Team Profiles & Ownership Structure

Michael's Business Centre is a start-up business being incorporated in Oakville, Ontario.

Michael Kane, Owner/Operator

#### **Job Description:**

- Responsible for ensuring that the business earns a profit and generates sufficient cash flow
- Oversee all aspects of the business including but not limited to sales and marketing, production, client service, and accounting

#### **Qualifications:**

- 20 years with a business equipment manufacturer
- Bachelor of Science degree from University of Toronto
- Began career as a technician. Because of people skills and a desire to build business relationships, moved into sales five years ago

#### **Compensation**

- \$40,000 a year.

### Advisors

#### **Blake Martin, Owner, Access Internet Inc.,**

Blake is the owner of a local Internet service provider and will provide assistance both on the technology and general business management.

#### **Mary Stern, Chartered Accountant, Retired.**

Mary has been a long-time associate and former client. Her specialty while at Stern & Miller was working with small business. She will lend her accounting expertise to assist with the financial projections and cash-flow management aspect of the business.

### **John Silo, Retail Consultant, Anderson Consulting**

John is a senior retail consultant with Anderson Consulting and has worked with both small and large retailers alike. John's insight into the retail industry will be very valuable as we strive to learn from successful retailers in other industries.

### Professional Services

I will use the services of John Smythe, Lawyer, Smythe & Clarke Law Firm which is located in downtown Oakville. John is a long-time friend who has offered to help out whenever necessary.

I will also be using the services of Donna Ferri, my Small Business Account Manager at Royal Bank. I will be personally performing all bookkeeping duties with advice from Mary Stern, Chartered Accountant.

### Human Resources Requirements

#### **Yet to hire:**

#### Part-time General Assistant

#### **Job description**

Oversee production jobs, service customers, deliveries, and perform odd jobs.

#### **Compensation**

Hourly wage: \$8/hour estimated \$9,000/year

I will be responsible for training my support staff.

## **The Business Environment**

### Business Summary & History

Michael's Business Centre is a start-up business, providing clients with photocopying, fax transmittal services and access to self-serve computer workstations with a full array of software and Internet capabilities.

To date, I have completed market research and secured a lease at an exceptional location in the core of Oakville's downtown shopping and business district. I have pre-negotiated equipment lease rates and received interest from over two dozen businesses in the area.

### Industry Overview

The retail business services industry in Canada currently generates \$350 million in annual sales. Annual revenue for the Oakville market is estimated at \$3 million. Revenue for retail business services, in a market the size of Oakville, are typically between \$15 and \$30 per square foot while gross profit margins are expected to be 20 to 30 per cent.

### Consumer Trends

The major growth trend toward self-employment and home-based businesses has created a need to provide specialized support services. Most new businesses can simply not afford the substantial investment in technology and equipment that can be acquired on an incremental basis through companies such as Michael's Business Services. In Canada, the number of new small businesses has grown at an unprecedented rate with most of the growth concentrated in Southwestern Ontario and Alberta.

### Seasonal Factors

Michael's Business Centre would only be influenced by the seasonal factors that affect our customers. Since the demand for our services crosses many different businesses and industries, seasonal fluctuations are expected to be limited to the typical down turn

in the summer months. Many small businesses that deal with larger businesses are affected by their annual holiday schedules. We still show an increase in revenue during these months in our first year financial projections. This is because even at that level of projected volume, we are still conservatively below the total value of the currently under-serviced market. We do not expect those trends to continue as we establish a larger market share.

### Position in the Industry

Michael's Business Centre supports small businesses by providing clients with photocopying, fax transmittal and reception services as well as access to self-serve computer workstations with a full array of software and Internet capabilities. The company stands to benefit from its exceptional location in the heart of Oakville's shopping district that provides immediate access to the city's business core as well as high-end condominium developments. The location notwithstanding, it is the strength of my relationships within the community of Oakville that will provide me with the advantage of positive word-of-mouth. I have been an active contributor to the community of Oakville for over 20 years both in the PTA and the local service organizations. In fact, I have already received commitments from over two dozen local businesses to become clients once Michael's Business Centre opens its doors.

### Legal Issues

Our services and processes cannot be patented or trade-marked. I am currently incorporating Michael's Business Services.

### Competition

Outside of small self-serve photocopiers installed in convenience stores, there is no direct competition within four kilometres. The biggest potential threat is that one of the three largest corporations in our industry decides to open a location in the vicinity. This is not likely to occur in the short-term since the size of the local market would not be sufficient to support the overhead of a 'big box' retailer. The fact that I have a prime location that is convenient to the company's target market will position me well to build my client base. The barriers to entry in this business are quite low (primarily limited to

securing a good location and leasing equipment) therefore my strategy is to create a much stronger barrier to the company's competitors by building a loyal client base.

### Use of Technology

Technology plays an important role in this business. I solve our clients' problems by offering them cost-effective access to needed technology and equipment. As a result, it is important for me to provide access to technology that not only provides value-added results for the client, but also reduces operating costs for the company. All of the photocopier activity will be monitored by computer to track costs and operating efficiencies. This information will also be linked to a simple database that will track purchase activity for customers and will allow me to provide more personalized service. Activity and billing for the self-serve computer arena will also be monitored by software.



## The Marketing Plan

### Target Markets

There are three main target markets for Michael's Business Centre:

1. Self-employed professionals
2. Home-based businesses
3. Small businesses

My target market is made up of those companies with annual revenues from \$40,000 to \$500,000. It is estimated that there are 5,000 potential customers within our defined trading area who would each spend approximately \$200 per year on our services, creating a total initial market of \$1,000,000. The value of the local market will increase both with the formation of new businesses — projected to increase over the coming year — and a net increase in demand from the growth of existing businesses. This demand will be a result of a further increase in economic output, most of which is generated by small businesses in Ontario. These impressive figures are what researchers are forecasting as the beginning of a long-term trend.

### The Competition

The company's main competition comes from a franchise retail printer located in a strip mall four kilometres outside of the shopping core. It is a small, family-run business that has recently been suffering from negative word-of-mouth. While they do have good copier equipment, most of their business comes from offset printing and they do not offer self-serve computing facilities or facsimile sending and receiving services. Our location combined with the positive relationships I have built within the community will provide us with an opportunity to build our client base aggressively. We will also be competing indirectly with the retail sale of photocopiers, facsimile machines, printers, and software. As the price of technology comes down, more of our clients will be able to afford to purchase their own equipment. However, we will be able to compete with this in a number of ways: first, the kind of equipment that would be affordable to purchase could only handle very small print runs. Second, with our more expensive and

sophisticated equipment, we will be able to provide substantial economies of scale that will save our customers money in both materials and time.

### Services

The quality of my service is paramount to ensuring that customers return. I will be providing exceptional, personalized service, which will be the crucial factor in building and protecting the company's brand within the community. I solve our clients' problems by offering them cost-effective access to needed technology and equipment. I have been setup to receive files from clients via e-mail. All of the photocopier activity will be monitored by computer to track costs and operating efficiencies. This information will also be linked to a simple database that will track purchase activity for customers and will allow me to provide more personalized service.

### Pricing Strategy

- Self-serve computer area: \$30/hr
- Facsimile sending and receiving: first five pages \$.75 per page, \$.50 for each page thereafter plus long distance charges, where applicable.
- Photocopying: black and white letter size \$.15/copy
- Additional charges for rush jobs, binding, stapling, and over-sized copying.
- Volume discounts available depending on size and complexity of job.
- My prices are comparable to the competition, however, we do not intend to compete on price. The company's advantage will be convenience and quality of service.

### Sales/Distribution Plan

Michael's Business Centre will get a jump-start to building its client base primarily because of its location and the fact that it is the only service provider of its kind in the area. This will make it very easy for new clients to try Michael's Business Centre for the first time. It will then take my total focus on customer service to ensure that those clients return.

I will service our customers through our retail location on Main Street. Pick-up and delivery service may be offered as well, depending on demand. Customers will also be able to send us documents for duplication and printing via e-mail.

### Credit Terms & Guarantees

Once we have verified their credit history with a credit agency check, our business clients will be offered 30-day account terms. A 3 per cent penalty will be applied to all overdue accounts. Frequent and high-volume customers will be eligible for discounts and specials. To minimize wastage, clients will be asked to 'sign-off' on a proof before duplication begins.

### Advertising and Promotions Plan

Michael's Business Centre will be promoted as *the* small business support centre for document solutions, instant printing and "The Office When You Need It".

Here are some of the ways we will promote our service:

- Local newspaper advertising (\$3,000)
- Community bulletin boards (free)
- Opening specials promoted through hand-bills and flyers (\$400)
- Direct sales
- Direct mail (\$1,600)
- Store front signage (included in leasehold improvements)
- Frequent user program (see sales discounts in financial statements)

Total cost for advertising and promotion: \$5,000 in the first year

### Public Relations

Press releases will be issued to the local paper highlighting the story of "the local entrepreneur helping local entrepreneurs". I will continue to maintain my community profile and contribute articles to the newsletters of the community service organizations of which I am a member.

### Collateral Marketing Material

- Three-fold glossy brochure outlining our services and selling the "environment".

- Business cards
- Price list

The company's materials must be visually sharp to give clients confidence that their materials can look professional if they do business with Michael's Business Centre.

Michael's Business Centre will not have a Web site initially but will be able to receive files from clients via e-mail.

## **Operations**

### Stage of Development

To date, market research has been completed and a lease has been secured at an exceptional location in the core of Oakville's downtown shopping and business district. Equipment lease rates have been pre-negotiated and order commitments have been received from over two dozen businesses in the area. Marketing materials are in draft form as well.

The next steps are as follows:

- Sign office lease within 30 days
- Complete leasehold improvements
- Sign equipment lease agreement and accept delivery of equipment
- Product training from equipment company
- Set-up equipment and test
- Finalize and print marketing materials
- Open for business
- Launch advertising and promotional plan

### *Photocopy and Facsimile Service*

Orders will be processed on a first-come, first-served basis. Most small runs will be completed while the customer waits. Longer runs will be queued according to complexity and priority. Customers will be called for pick-up or the order will be delivered.

### *Self-serve Computer Arena*

Computer time may be booked in advance. Otherwise computers can be used on a first-come, first-served basis. Time estimates will be made for each new user so that we can inform new customers of the wait time.

### Industry Association Membership

I will continue to maintain my status as a member of the local Chamber of Commerce as I have for the past 12 years. This will help me build and maintain my network with the local business community. I will also join the Association of Trade Printers.

### Suppliers

Copiers: It will be cheaper to lease directly from the manufacturer than to go through an independent leasing company.

Paper and supplies: Allstar Distributing

### Quality Control

Initially, as a sole proprietor, I will personally oversee all copy output to ensure quality control. I will also train my support staff on what to look for and how to correct potential problems.

### Production Process

#### Land and Equipment Requirements

I have leased a 1,000 square foot office space on Main Street as well as a telephone system and two photocopiers for \$1,800 per month. I will purchase two used and two new computer systems, a laser printer, and store finishings for \$25,000. Leasehold improvements will cost \$20,000.

### Inventory Control

The computer system will keep track of copying activity. I will follow that up with regular manual checks. This is realistic considering our location is only 1,000 square feet.

### Time Frame for Production

Most small orders can be processed while the customer waits. Larger orders will be queued and run after peak hours. Each job will be estimated individually.

### Contingency Plans

If the demand for my initial service fluctuates, I could introduce value-added graphic design service and act as a broker for offset printing and liaise with a trade printer.

## **Finance**

### Income Statement

Michael's Business Centre requires equipment to operate. The major start-up cost will be equipment and store space for which I will invest personal funds of \$60,000. Initial start-up costs include \$20,000 in leasehold improvements to the rental space and \$25,000 for two used and two new computer workstations, a fax machine, and store fittings. Variable costs include paper and toner, repair and maintenance, sales and marketing expenses. Regular monthly expenses are estimated at \$24,691 and miscellaneous start-up costs relating to administration will also be covered by my capital injection and cash-flows from operations. Wages are budgeted to be \$49,000 per year. Michael's Business Centre will generate \$335,000 in its first year of operation, with an estimated gross profit of 30%, yielding approximately \$95,000 to cover administrative expenses. Based on the assumptions contained in this plan, I estimate that the business will break-even in its first year of operations.

(see Appendix A)

### Cash Flow Statement

As the owner of Michael's Business Centre, I will invest \$60,000. This money will be used to cover start up costs of \$12,725 and initial operating costs. Fixed costs are limited to our office space and equipment lease at \$1,800 per month, which includes a 1000 square foot store on Main Street, a telephone system, and two photocopiers. As continued positive cashflows permit, the amounts I invested will be repaid.

(see Appendix B)

### Balance Sheet

Inventory at the end of the year amounted to \$2,345. We want to control our inventory levels very carefully. We will purchase only what we need based on our sales projections and maintain a stock of goods and supplies in the range of \$2,000 - \$2,500.

(see Appendix C)



## **Risks & Conclusions**

### Risks

#### **Business Risks**

A major risk to retail service businesses is the performance of the economy and — specifically in our case — the small business sector. Since economists are predicting this as the fastest growing sector of the economy, our risk of a downturn in the short-term is minimized.

The entrance of one of the three major chains into our marketplace is a risk. They offer more of the latest equipment, provide a wider array of products and services, competitive prices and 24-hour service. This situation would force us to lower our prices in the short-term until we could develop an offering of higher margin, value-added services not provided by the large chains. It does not seem likely that the relative size of our market today could support the overhead of one of those operations. Projections indicate that this will not be the case in the future and that leaves a window of opportunity for Michael's Business Centre to aggressively build a loyal client base.

The state of our equipment poses a potential risk. Having only two copiers, prolonged mechanical challenges could create problems for our customers. Having the service contractor easily accessible, performing routine maintenance and obtaining basic service training will help us to avoid unnecessary production delays due to mechanical failure.

#### **Marketing Risks**

Advertising is our most expensive form of promotion and there will be a period of testing headlines and offers to find the one that works the best. The risk, of course, is that we will exhaust our advertising budget before we find an ad that works. Placing greater emphases on sunk-cost marketing, such as our storefront and on existing relationships through direct selling will minimize our initial reliance on advertising to bring in a large percentage of business in the first year.

### Operational Risks

For the past 20 years I have been dealing with computers so I am comfortable with technology and understand a wide array of software applications. However, the biggest potential problem will be equipment malfunction. To minimize the potential for problems, I am taking equipment repair training from the manufacturer and will deal with basic troubleshooting and minor repairs. Beyond that, we have identified a service technician who is located close-by.

### Human Resource Risks

The most serious human resource risk to our business, at least in the initial stages, would be my inability to operate the business due to illness or disability. I am currently in exceptional health and would eventually seek to replace myself on a day-to-day level by developing systems to support the growth of the business.

### Conclusions

It is my goal to start a business to provide business services such as photocopying, fax and computer workstation access to the Oakville business community.

I believe that it is an opportune time to start a business like Michael's Business Centre since the retail services industry in Canada is currently worth \$350 million; in Oakville, the industry is estimated to be worth \$3 million. Furthermore, since new small businesses are being launched with great frequency, the potential market for our services is growing exponentially. I bring more than 20 years of technical repair and sales skills to the table and am investing \$60,000 in personal to start this business. I anticipate being able to repay my loan to the company beginning in August 1999.

## Appendix A

### MICHAEL'S BUSINESS CENTRE

INCOME STATEMENT - For the year ending December 31, 1999

| Month                       | Jan<br>1          | Feb<br>2          | Mar<br>3          | Apr<br>4          | May<br>5       | June<br>6      | July<br>7      | Aug<br>8       | Sept<br>9       | Oct<br>10       | Nov<br>11       | Dec<br>12       | Total             |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| Sales                       | \$ 16,000         | \$ 16,000         | \$ 22,000         | \$ 22,000         | \$ 27,500      | \$ 27,500      | \$ 27,500      | \$ 28,500      | \$ 35,000       | \$ 35,000       | \$ 38,500       | \$ 39,500       | \$ 335,000        |
| Discounts (est @ 1%)        | <u>(160)</u>      | <u>(160)</u>      | <u>(220)</u>      | <u>(220)</u>      | <u>(275)</u>   | <u>(275)</u>   | <u>(275)</u>   | <u>(285)</u>   | <u>(350)</u>    | <u>(350)</u>    | <u>(385)</u>    | <u>(395)</u>    | <u>(3,350)</u>    |
| Net Sales                   | 15,840            | 15,840            | 21,780            | 21,780            | 27,225         | 27,225         | 27,225         | 28,215         | 34,650          | 34,650          | 38,115          | 39,105          | 331,650           |
| Cost of Sales               |                   |                   |                   |                   |                |                |                |                |                 |                 |                 |                 |                   |
| Opening inventory           | -                 | 1,912             | 2,824             | 2,578             | 2,332          | 2,275          | 2,217          | 2,160          | 2,409           | 2,154           | 2,399           | 2,219           | -                 |
| Paper & Copier Material     | <u>13,000</u>     | <u>12,000</u>     | <u>15,000</u>     | <u>15,000</u>     | <u>19,000</u>  | <u>19,000</u>  | <u>19,000</u>  | <u>20,000</u>  | <u>24,000</u>   | <u>24,500</u>   | <u>26,500</u>   | <u>27,500</u>   | <u>\$ 234,500</u> |
| Ending inventory            | <u>(1,912)</u>    | <u>(2,824)</u>    | <u>(2,578)</u>    | <u>(2,332)</u>    | <u>(2,275)</u> | <u>(2,217)</u> | <u>(2,160)</u> | <u>(2,409)</u> | <u>(2,154)</u>  | <u>(2,399)</u>  | <u>(2,219)</u>  | <u>(2,345)</u>  | <u>(2,345)</u>    |
|                             | 11,088            | 11,088            | 15,246            | 15,246            | 19,058         | 19,058         | 19,058         | 19,751         | 24,255          | 24,255          | 26,681          | 27,374          | 236,845           |
| Gross Profit                | 4,752             | 4,752             | 6,534             | 6,534             | 8,168          | 8,168          | 8,168          | 8,465          | 10,395          | 10,395          | 11,435          | 11,732          | 94,805            |
| as a %                      | 0.30              | 0.30              | 0.30              | 0.30              | 0.30           | 0.30           | 0.30           | 0.30           | 0.30            | 0.30            | 0.30            | 0.30            | 0.29              |
| Expenses                    |                   |                   |                   |                   |                |                |                |                |                 |                 |                 |                 |                   |
| Salaries                    | 3,333             | 3,333             | 3,333             | 3,333             | 3,333          | 3,333          | 3,333          | 3,333          | 3,334           | 3,334           | 3,334           | 3,334           | 40,000            |
| Other wages                 | 750               | 750               | 750               | 750               | 750            | 750            | 750            | 750            | 750             | 750             | 750             | 750             | 9,000             |
| Benefits                    | 204               | 204               | 204               | 204               | 204            | 204            | 204            | 204            | 204             | 204             | 204             | 204             | 2,450             |
| Rent & equipment leases     | 1,800             | 1,800             | 1,800             | 1,800             | 1,800          | 1,800          | 1,800          | 1,800          | 1,800           | 1,800           | 1,800           | 1,800           | 21,600            |
| Promotion                   | 2,000             | 275               | 275               | 275               | 275            | 275            | 275            | 270            | 270             | 270             | 270             | 270             | 5,000             |
| Maintenance                 | 250               | 250               | 250               | 250               | 250            | 250            | 250            | 250            | 250             | 250             | 250             | 250             | 3,000             |
| General and office expenses | 300               | 300               | 300               | 300               | 300            | 300            | 300            | 300            | 300             | 300             | 300             | 300             | 3,600             |
| Telephone and utilities     | 200               | 200               | 200               | 200               | 200            | 200            | 200            | 200            | 200             | 200             | 200             | 200             | 2,400             |
| Insurance                   | 166               | 166               | 166               | 166               | 166            | 166            | 166            | 166            | 166             | 166             | 166             | 166             | 1,992             |
| Depreciation                | <u>750</u>        | <u>750</u>        | <u>750</u>        | <u>750</u>        | <u>750</u>     | <u>750</u>     | <u>750</u>     | <u>750</u>     | <u>750</u>      | <u>750</u>      | <u>750</u>      | <u>750</u>      | <u>9,000</u>      |
|                             | 9,753             | 8,028             | 8,028             | 8,028             | 8,028          | 8,028          | 8,028          | 8,023          | 8,024           | 8,024           | 8,024           | 8,024           | 98,042            |
| Income (loss)               | (5,001)           | (3,276)           | (1,494)           | (1,494)           | 139            | 139            | 139            | 441            | 2,371           | 2,371           | 3,410           | 3,707           | 1,453             |
| Income taxes                | <u>(1,150)</u>    | <u>(754)</u>      | <u>(344)</u>      | <u>(344)</u>      | <u>32</u>      | <u>32</u>      | <u>32</u>      | <u>102</u>     | <u>545</u>      | <u>545</u>      | <u>784</u>      | <u>853</u>      | <u>334</u>        |
| Net Income                  | <b>\$ (3,851)</b> | <b>\$ (2,523)</b> | <b>\$ (1,150)</b> | <b>\$ (1,150)</b> | <b>\$ 107</b>  | <b>\$ 107</b>  | <b>\$ 107</b>  | <b>\$ 340</b>  | <b>\$ 1,826</b> | <b>\$ 1,826</b> | <b>\$ 2,626</b> | <b>\$ 2,855</b> | <b>\$ 1,119</b>   |

break-even point

## Appendix B

### MICHAEL'S BUSINESS CENTRE

CASH FLOW STATEMENT - For the year ending December 31, 1999

| Month                             | Jan<br>1        | Feb<br>2        | Mar<br>3       | Apr<br>4      | May<br>5      | June<br>6       | July<br>7       | Aug<br>8        | Sept<br>9       | Oct<br>10       | Nov<br>11       | Dec<br>12       | Total           |
|-----------------------------------|-----------------|-----------------|----------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Inflows</b>                    |                 |                 |                |               |               |                 |                 |                 |                 |                 |                 |                 |                 |
| Issuance of capital stock         | 100             |                 |                |               |               |                 |                 |                 |                 |                 |                 |                 | 100             |
| Collection of accounts receivable | 7,920           | 15,840          | 18,810         | 21,780        | 24,503        | 27,225          | 27,225          | 27,720          | 31,433          | 34,650          | 36,383          | 38,610          | 312,098         |
| Owner's initial investment        | 60,000          | -               | -              | -             | -             | -               | -               | -               | -               | -               | -               | -               | 60,000          |
|                                   | <u>68,020</u>   | <u>15,840</u>   | <u>18,810</u>  | <u>21,780</u> | <u>24,503</u> | <u>27,225</u>   | <u>27,225</u>   | <u>27,720</u>   | <u>31,433</u>   | <u>34,650</u>   | <u>36,383</u>   | <u>38,610</u>   | <u>372,198</u>  |
| <b>Outflows</b>                   |                 |                 |                |               |               |                 |                 |                 |                 |                 |                 |                 |                 |
| Incorporation costs               | 750             |                 |                |               |               |                 |                 |                 |                 |                 |                 |                 | 750             |
| Acquisition of fixed assets       | 45,000          |                 |                |               |               |                 |                 |                 |                 |                 |                 |                 | 45,000          |
| Repayment of shareholder loan     |                 |                 | -              | -             | -             | -               | -               | 1,000           | 2,000           | 3,000           | 3,000           | 4,000           | 13,000          |
| Payment of accounts payable       | 6,500           | 12,500          | 13,500         | 15,000        | 17,000        | 19,000          | 19,000          | 19,500          | 22,000          | 24,250          | 25,500          | 27,000          | 220,750         |
| Monthly expenses (excl. dep'n)    | 9,003           | 7,278           | 7,278          | 7,278         | 7,278         | 7,278           | 7,278           | 7,273           | 7,274           | 7,274           | 7,274           | 7,274           | 89,042          |
|                                   | <u>61,253</u>   | <u>19,778</u>   | <u>20,778</u>  | <u>22,278</u> | <u>24,278</u> | <u>26,278</u>   | <u>26,278</u>   | <u>27,773</u>   | <u>31,274</u>   | <u>34,524</u>   | <u>35,774</u>   | <u>38,274</u>   | <u>368,542</u>  |
| Increase (Decrease) in cash       | <u>6,767</u>    | <u>(3,938)</u>  | <u>(1,968)</u> | <u>(498)</u>  | <u>224</u>    | <u>947</u>      | <u>947</u>      | <u>(53)</u>     | <u>158</u>      | <u>126</u>      | <u>608</u>      | <u>336</u>      | <u>-</u>        |
| Cash, Beginning                   | 0               | 6,767           | 2,829          | 861           | 362           | 587             | 1,534           | 2,480           | 2,427           | 2,586           | 2,711           | 3,320           | 3,656           |
| Cash, Ending                      | <u>\$ 6,767</u> | <u>\$ 2,829</u> | <u>\$ 861</u>  | <u>\$ 362</u> | <u>\$ 587</u> | <u>\$ 1,534</u> | <u>\$ 2,480</u> | <u>\$ 2,427</u> | <u>\$ 2,586</u> | <u>\$ 2,711</u> | <u>\$ 3,320</u> | <u>\$ 3,656</u> | <u>\$ 3,656</u> |

**MICHAEL'S BUSINESS CENTRE**

Schedule detailing cash flow statement calculations

| Month                      | Jan<br>1        | Feb<br>2        | Mar<br>3         | Apr<br>4         | May<br>5         | Jun<br>6         | Jul<br>7         | Aug<br>8         | Sep<br>9         | Oct<br>10        | Nov<br>11        | Dec<br>12        |
|----------------------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Accounts Receivable</b> |                 |                 |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Balance, beginning         | -               | 7,920           | 7,920            | 10,890           | 10,890           | 13,613           | 13,613           | 13,613           | 14,108           | 17,325           | 17,325           | 19,058           |
| Sales, net                 | 15,840          | 15,840          | 21,780           | 21,780           | 27,225           | 27,225           | 27,225           | 28,215           | 34,650           | 34,650           | 38,115           | 39,105           |
| Collections                | (7,920)         | (15,840)        | (18,810)         | (21,780)         | (24,503)         | (27,225)         | (27,225)         | (27,720)         | (31,433)         | (34,650)         | (36,383)         | (38,610)         |
| Balance, ending            | <u>\$ 7,920</u> | <u>\$ 7,920</u> | <u>\$ 10,890</u> | <u>\$ 10,890</u> | <u>\$ 13,613</u> | <u>\$ 13,613</u> | <u>\$ 13,613</u> | <u>\$ 14,108</u> | <u>\$ 17,325</u> | <u>\$ 17,325</u> | <u>\$ 19,058</u> | <u>\$ 19,553</u> |

**Collection of accounts receivable**

Assuming collection of net sales within 30 days

|                                       |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                       | <u>\$ 15,840</u> | <u>\$ 15,840</u> | <u>\$ 21,780</u> | <u>\$ 21,780</u> | <u>\$ 27,225</u> | <u>\$ 27,225</u> | <u>\$ 27,225</u> | <u>\$ 28,215</u> | <u>\$ 34,650</u> | <u>\$ 34,650</u> | <u>\$ 38,115</u> | <u>\$ 39,105</u> |
| Collection 50 in the month            | 7,920            | 7,920            | 10,890           | 10,890           | 13,613           | 13,613           | 13,613           | 14,108           | 17,325           | 17,325           | 19,058           | 19,553           |
| Collection 50% in the following month | -                | 7,920            | 7,920            | 10,890           | 10,890           | 13,613           | 13,613           | 13,613           | 14,108           | 17,325           | 17,325           | 19,058           |
|                                       | <u>\$ 7,920</u>  | <u>\$ 15,840</u> | <u>\$ 18,810</u> | <u>\$ 21,780</u> | <u>\$ 24,503</u> | <u>\$ 27,225</u> | <u>\$ 27,225</u> | <u>\$ 27,720</u> | <u>\$ 31,433</u> | <u>\$ 34,650</u> | <u>\$ 36,383</u> | <u>\$ 38,610</u> |

**Accounts payable**

|                    |                 |                 |                 |                 |                 |                 |                 |                  |                  |                  |                  |                  |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|
| Balance, Beginning | \$ -            | \$ 6,500        | \$ 6,000        | \$ 7,500        | \$ 7,500        | \$ 9,500        | \$ 9,500        | \$ 9,500         | \$ 10,000        | \$ 12,000        | \$ 12,250        | \$ 13,250        |
| Purchases          | 13,000          | 12,000          | 15,000          | 15,000          | 19,000          | 19,000          | 19,000          | 20,000           | 24,000           | 24,500           | 26,500           | 27,500           |
| Payments           | (6,500)         | (12,500)        | (13,500)        | (15,000)        | (17,000)        | (19,000)        | (19,000)        | (19,500)         | (22,000)         | (24,250)         | (25,500)         | (27,000)         |
| Balance, ending    | <u>\$ 6,500</u> | <u>\$ 6,000</u> | <u>\$ 7,500</u> | <u>\$ 7,500</u> | <u>\$ 9,500</u> | <u>\$ 9,500</u> | <u>\$ 9,500</u> | <u>\$ 10,000</u> | <u>\$ 12,000</u> | <u>\$ 12,250</u> | <u>\$ 13,250</u> | <u>\$ 13,750</u> |

**Payment of expenses**

|                                    |                 |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|------------------------------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Purchases                          | 13,000          | 12,000           | 15,000           | 15,000           | 19,000           | 19,000           | 19,000           | 20,000           | 24,000           | 24,500           | 26,500           | 27,500           |
| Payment 50% in the month           | 6,500           | 6,000            | 7,500            | 7,500            | 9,500            | 9,500            | 9,500            | 10,000           | 12,000           | 12,250           | 13,250           | 13,750           |
| Payment 50% in the following month | -               | 6,500            | 6,000            | 7,500            | 7,500            | 9,500            | 9,500            | 9,500            | 10,000           | 12,000           | 12,250           | 13,250           |
|                                    | <u>\$ 6,500</u> | <u>\$ 12,500</u> | <u>\$ 13,500</u> | <u>\$ 15,000</u> | <u>\$ 17,000</u> | <u>\$ 19,000</u> | <u>\$ 19,000</u> | <u>\$ 19,500</u> | <u>\$ 22,000</u> | <u>\$ 24,250</u> | <u>\$ 25,500</u> | <u>\$ 27,000</u> |

## Appendix C

### MICHAEL'S BUSINESS CENTRE

#### BALANCE SHEET - As at December 31, 1999

##### ASSETS

###### Current Assets

|                     |    |               |
|---------------------|----|---------------|
| Cash                | \$ | 3,656         |
| Accounts receivable |    | 19,553        |
| Inventory           |    | <u>2,345</u>  |
|                     |    | <u>25,553</u> |

###### Fixed Assets

|                                |                |
|--------------------------------|----------------|
| Equipment                      | 25,000         |
| Leasehold Improvements         | <u>20,000</u>  |
|                                | 45,000         |
| Less: Accumulated depreciation | <u>(9,000)</u> |
|                                | 36,000         |
| Incorporation costs            | <u>750</u>     |

**Total Assets** **\$ 62,303**

##### Liabilities

###### Current Liabilities

|                      |               |
|----------------------|---------------|
| Accounts payable     | 13,750        |
| Income taxes payable | <u>334</u>    |
|                      | <u>14,084</u> |

###### Long Term Liabilities

|                       |               |
|-----------------------|---------------|
| Loan from shareholder | <u>47,000</u> |
|-----------------------|---------------|

##### Shareholder's Equity

|                   |              |
|-------------------|--------------|
| Capital Stock     | 100          |
|                   | -            |
| Retained Earnings |              |
| Net income        | <u>1,119</u> |
| Balance, Ending   | <u>1,119</u> |
|                   | <u>1,219</u> |

**Total Liabilities and Shareholder Equity** **\$ 62,303**