

Appendix B: Sample Business Plan and Loan Proposal

The business plan and loan proposal has a dual purpose: to give the CPA a clear, strategic vision for directing day-to-day operations and to assist in obtaining financing. This appendix briefly outlines the steps in preparing a business plan and loan proposal and also includes an example of a plan and proposal.

The Business Plan

While writing this book, an interesting thing happened. I reached out to a large number of CPAs who are currently in practice to try to find a sample business plan. Weeks went by, and I could not find a single business plan for a start-up practitioner. I was very surprised by that. I have concluded that the lion's share of CPAs who have started their practices never created a formal business plan prior to starting their practices. This is too bad because planning is where you make your real money. Planning makes a difference. We preach that to our clients, but we don't take our own advice.

The problem with using an overly complicated business plan (and probably why most accountants don't bother with them for their start-up) is that there are so many unknowns. You can't know how much revenue you will produce. You know going in that you will have to remain flexible. This is no reason not to plan. Planning will help you document what you do know and help you make educated (although rough) estimates that will serve as a very useful guide to monitoring your progress once you are up and running.

A good business plan at this stage should document your vision and goals and be as concise and as simple as possible. I encourage you to take your plan to the bank—literally. If they want more information,

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they will, no doubt, tell you what they need to see. They will appreciate a concise and clear plan. Like you, they want to see that you have a clear vision of your practice and a viable way to achieve it.

With that, I am including a very simple template for you to use. I wanted to offer a business plan template that will help you capture the essence of what you are trying to accomplish, along with a high probability of actually helping you do more planning than you might have done otherwise.

The good news is that if you have answered the chapter questions throughout this book, you already have the vast majority of the material you need to complete this plan. This plan merely integrates your planning to date.

The first step in creating a business plan is to provide the reader with an overview, which will highlight the business's unique characteristics. This uniqueness is something that makes your firm thrive or something you offer that others do not. It might be an ability to solve problems in an unusual and creative fashion, a budding specialization, or an exceptional business location. Whatever that particular plus factor is, it should be the central theme around which you build and advertise your practice.

The overview should outline the key elements of your business plan and stimulate the reader's interest in your concept and plan of action.

In your overview, touch on the following key issues:

- The business you are in
- Target market
- The firm's unique strength
- The management team's experience
- The growth potential of the business

Following the overview, you should give an overview of your team, followed by your mission and vision statements, and then go into the purpose of funds.

After discussing your overall strategy, include thorough marketing plans. Essential elements to cover include the general market availability relevant to your anticipated services, the competition, your specific planned marketing steps (including any target market), and your anticipated results.

Finish out your plans with a discussion of operations and then present concise projections.

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BUSINESS PLAN AND LOAN PROPOSAL

Prepared for

First XYZ Bank

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Business Overview

The certified public accounting firm of Jane L. Doe is to be formally established on November 1, 20XX. The principal of the firm, Jane L. Doe, has experience in diverse industries and an extensive background in several tax specializations.

Ms. Doe was a manager in the Tax department of Abbott, Norman and Company, Certified Public Accountants, prior to leaving to establish her own practice. At the firm, she was primarily responsible for foreign taxation and employee benefit programs. Ms. Doe plans to continue those specialties in her own practice and will locate in an area where these specialties are in demand.

The firm will offer two primary services that capitalize on Ms. Doe's academic training and specialized practice experience in foreign taxation and estate planning. The marketing plan also projects a considerable effort directed toward general tax service currently being requested of CPAs.

The conventional services, although not unique, are unquestionably in much demand in the metropolitan area. Recent major tax legislation and ongoing revision of tax laws have created opportunities for a number of recently opened competent accounting firms. Additionally, longestablished accounting firms in the area continue to grow each year. According to a survey of over 350 accounting firms in the state, the average growth in services in the last three years is in excess of 16 percent annually.

Further evidence of the demand for competent tax services is the continual search by established firms for experienced (three years or more) accountants to work in tax compliance.

The available market for CPAs' conventional tax services is presently divided among three international accounting firms, 16 regional and large local accounting firms, and approximately 250 small firms, including sole practitioners like Ms. Doe. A number of tax practitioners, enrolled agents, and other noncertified individuals compete in tax compliance. However, those practitioners and their clients are not considered part of the CPA market, although there is some overlap.

Our office location is in the metropolitan area's Northwest quadrant and is specifically located in the recently developed 80-acre Airport Industrial and Commercial Park. Some studies project this development to be the anchor of future development projects, particularly if contracts are let for the expansion of the airport. Though the firm is being established initially as a sole proprietorship, growth and expansion plans are already in the formulative stages, as a result of office-sharing and exchange of service arrangements.

Purpose of Funds

The business plan and loan proposal projects a business loan of \$130,000. The loan will be in two parts, the first of which is \$30,000 for equipment, furnishings, and initial promotional efforts. That loan is to be amortized monthly for four years and collateralized by initial and hereinafter-acquired equipment and furnishings. The balance, \$100,000, is to be a revolving line of credit collateralized by all other assets of the firm and necessary personal assets held outside the firm.

Team Overview

Jane L. Doe graduated from Central State University with a BS in business administration. She earned a master of taxation degree in 2001 from the same school, while employed at an international accounting firm. She is a CPA who enjoys people and numbers.

During a total of over seven years of public accounting with two different firms, she has

- held the position of senior staff person in both foreign and employee benefit taxation at the time she left her most recent employment, a 25-person, two-office firm.
- had client responsibilities in various industries and professions. This included extensive client interaction, tax planning, client billing, and problem resolution. She has also represented clients before the IRS.
- had three staff subordinates assigned to her, along with varied administrative and temporary tax-season personnel in her capacity as a Tax Manager at Abbott, Norman and Company. In 2008, she received the firm's Employee of the Year Award for outstanding contribution to the firm.
- attended a total of 28 formal continuing education seminars and conferences on various tax, accounting, and practice management topics.
- achieved all designated supervisory positions on or before targeted time frame.

Ms. Doe will locate her offices in Suite 350, Harrison Towers building. She will share offices with a two-partner CPA firm, Burns and Overstreet, CPAs. Burns and Overstreet has administrative and technical staff support available, as well as other office amenities and support needs.

Ms. Doe has also arranged for additional technical support and review from her former employer.

Mission

Our goal is to help business owners successfully navigate the tax preparation and planning of their businesses in a way that helps to minimize their tax obligations. We also want to help clients improve their financial positions by providing clarity and insight into their businesses, which will help them operate their businesses more successfully. For our team, we want to provide an enjoyable and challenging work environment with long-term career potential.

Vision

Create a business that provides superior customer service. We will strive to consistently deliver value to our clients and, as a result, grow our business through referrals. Our initial focus will be on general and international tax, as well as estate planning. We will consider other specialties that we believe we can master without sacrificing our core focus and add significant value to our clients.

Marketing

At the present time, only a modest number of CPA firms are located in the area, although more will likely locate there in the future as the new office complexes are completed.

This location was selected as a complement to one of Ms. Doe's specialties—foreign taxation. The Airport Industrial and Commercial Park contains 23 businesses involved to some degree in importing and exporting products to the Far East. A number of the businesses have branch offices in Hong Kong, Tokyo, and Seoul. Even though most of those businesses are currently being served by other CPA firms, there are significant possibilities of either consulting projects with other CPAs or actual client acquisition.

Our specific marketing program includes the following:

- Creation of a basic website that will highlight the firms service offerings, post our newsletters and webinars, as well as contain general information.
- Mailing of announcements to approximately 250 individuals and firms with whom there exists a personal, business, or client relationship. (Followed up with phone and in-person contact, as appropriate.)
- Becoming involved in, or expanding activities in, three civic and community groups: the Airport Industrial Park Business Association, the Lake Valley Optimist Club, and the Greater Metropolitan Estate Planning Council. She will also continue professional activities in the state society of CPAs and the American Institute of Certified Public Accountants.

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- She will develop and offer three webinars on “Tax Advantages to Developing New Markets in the Far East,” “Can You Sell ‘Made in the USA’ to the Far Eastern Market?” and “Fringe Benefits for Your Employees and the Related Advantage to You.” These webinars will be offered on a no-charge basis. The mailings for the webinars will concentrate on bankers, firms in the Airport Industrial and Commercial Park area, and new businesses. She will personally call and visit prospective clients to invite them to view the webinars.
- Ms. Doe will also utilize a tax newsletter service of general interest for clients, prospective clients, and other interested parties. She will prepare and distribute a quarterly newsletter and e-newsletter dealing exclusively with foreign taxation for clients and other CPAs in the community.

The above marketing plan should result in an estimated \$50,000 to \$100,000 in general tax services the first 12 months and \$50,000 to \$100,000 in specialized services in from 6–18 months. The second specialty is estimated to generate from \$20,000 to \$40,000 in services, primarily from other CPAs.

If the marketing effort does not result in clients as projected, the following alternative efforts can also be implemented:

- Accelerate the effort to obtain conventional services through direct mail and Internet advertising. The direct mail campaign will be in concert with seminars, public speaking, and writing tax articles for area newspapers.
- Increase the number of hours available for contract or per-diem work for two other CPA firms.

The long-range marketing plan, after 20XX, contemplates a significant concentration in foreign taxation. The foundation for that marketing effort will be laid in the next two years by expanding professional contact with other CPAs and professional activities, as well as the seminars and newsletters previously noted.

Additional marketing efforts will include writing articles for national publications, service with industry trade organizations, and target marketing of businesses in the Far East market sector.

Operations

Ms. Doe’s practice will be part of an office-sharing arrangement with two former coworkers at an international accounting firm. These individuals, Larry Burns and Paul Overstreet, established their own firm three years ago. They recently leased approximately 2,000 feet of office space in the Harrison Towers building, located in the Airport Industrial and Commercial Park complex. Ms. Doe will sublease one office and

have access to a conference room, storage, and kitchen facilities. She will also share administrative staff and other necessary support.

Burns and Overstreet currently employ one CPA, one paraprofessional accountant, and a secretary. They have agreed to utilize Ms. Doe for tax work overload, her schedule permitting. There is a preliminary agreement that Ms. Doe will refer accounting and auditing work to them, and they will refer foreign tax and complex employee benefit tax work to her.

There has also been some preliminary discussion about future growth and association between the entities. Both parties agreed to defer detailed discussion until after Ms. Doe's firm is fully established.

The advantage to this arrangement is that it allows for an economy of expenditure, an ability to market all usual services offered by a CPA, a review process, and staff assistants when needed.

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Projections¹

	November 30, 20X2	December 31, 20X2	December 31, 20X3	December 31, 20X4
Estimated Revenue:				
General tax	\$ 1,500	\$ 2,000	\$ 75,000	\$ 100,000
Foreign tax specialty	1,000	1,500	30,000	60,000
Pension plan services	—	500	15,000	30,000
Other	500	500	5,000	10,000
Total Revenue	\$ 3,000	\$ 4,500	\$ 125,000	\$ 200,000
Estimated Expenses:				
Office sharing	1,200	1,200	14,400	14,400
Administrative staff	750	1,500	15,000	20,000
Contract services	500	500	10,000	20,000
Malpractice insurance	250	250	3,000	3,000
Liability insurance	100	100	1,200	1,200
Office supplies	1,000	2,500	6,000	6,000
Software subscriptions (including tax)	12,500	500	15,000	15,000
Professional activities	300	300	2,500	2,500
Marketing	1,500	5,000	15,000	7,500
Automobile	500	500	6,000	6,000
Interest on note (6%)	150	147	1,545	1,119
Interest on line of credit	—	50	2,400	2,400
Other	2,500	1,000	10,000	10,000
Total	21,250	13,547	102,045	109,119
Net Income (Loss)	(18,250)	(9,047)	22,955	90,881

¹ This is the essential information to be shown in your cash projections. For simplicity, I have not included any headings, reports, assumptions, or disclosures. Please follow current professional guidelines for these items, as applicable.

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	November 30, 20X2	December 31, 20X2	December 31, 20X3	December 31, 20X4
Net Income (Loss)	(18,250)	(9,047)	22,955	90,881
Cash—beginning of period	—	11,195	6,590	5,630
Purchase of furniture & equipment	(15,000)	—	(5,000)	(2,000)
Investment in website	(10,000)	—	(2,000)	(2,000)
Loan proceeds	30,000	—	—	—
Line of credit proceeds (payments)	—	10,000	50,000	(20,000)
Loan principal payments	(555)	(558)	(6,915)	(7,340)
Owner's withdrawals	—	(5,000)	(60,000)	(60,000)
Owner's contributions	25,000	—	—	—
Cash at end of period	\$ 11,195	\$ 6,590	\$ 5,630	\$ 5,171