



GOING INTO BUSINESS CHECKLIST

Owning a business is the dream of many Americans . . . starting that business converts your dream into reality. But, there is a gap between your dream and reality that can only be filled with careful planning. As a business owner, you will need a plan to avoid pitfalls, achieve your goals, and build a profitable business.

This "Going into Business Checklist" is a guide to help you prepare for your first meeting with a Washington SBDC business advisor.

Identify Your Reasons

As a first and often overlooked step, ask yourself why you want to own your own business. Check each of the reasons that apply to you:

<input type="checkbox"/>	Freedom from the 9-5 daily work routine
<input type="checkbox"/>	Being your own boss
<input type="checkbox"/>	Doing what you want when you want to do it
<input type="checkbox"/>	Improving your standard of living
<input type="checkbox"/>	Bored with your present job
<input type="checkbox"/>	Demand for a product or service
<input type="checkbox"/>	Other

A Self Analysis

Going into business requires certain personal characteristics. This portion of the checklist deals with you—the individual. These questions require serious thought. Try to be objective.

Personal Characteristics

INSTRUCTIONS: Under each question, check the answer that says what you feel or comes closest to it.

	Yes/Agree	No/Disagree
You are a leader.		
You enjoy making your own decisions.		
You turn to others when making a decision.		
You enjoy competition.		

You have strong willpower and self discipline.		
You plan ahead.		
You like people.		

Personal Conditions

This next group of questions, though brief, is vitally important to the success of your plan. It covers the physical, emotional, and financial strains you will encounter in starting a new business.

	Yes/Agree	No/Disagree
Are you aware that running your own business may require working 12-16 hours a day, six days a week, and maybe even Sundays and holidays?		
Do you have the physical stamina to handle the work load and schedule?		
Do you have the emotional strength to withstand the strain?		
Are you prepared, if needed, to temporarily lower your standard of living until your business is firmly established?		
Is your family prepared to go along with the strains they, too, must bear?		
Are you prepared to lose your savings?		

If most of your checks are under “Yes/Agree”, you probably have what it takes to run a business. If not, you are likely to have more trouble than you can handle by yourself.

List the other personal characteristics you have that will make you a successful entrepreneur:

Personal Skills and Experience

Certain skills and experience are critical to the success of a business. Since it is unlikely that you possess all the skills and experience needed, you'll need to hire personnel to supply those you lack. There are some basic and special skills you will need for your particular business.

By answering the following questions, you can identify the skills you possess and those you lack (your strengths and weaknesses).

List your professional training and business education:
For your business to be successful, what specific skills are needed?

Do you possess those skills?	Yes	No
When hiring personnel, will you be able to determine if the applicants' skills meet the requirements for the positions you are filling?	Yes	No
Have you ever worked in a managerial or supervisory capacity?	Yes	No
Have you ever worked in a business similar to the one you want to start?	Yes	No
If you discover you don't have the basic skills needed for your business, will you be willing to delay your plans until you've acquired the necessary skills?	Yes	No

Finding a Niche

Small businesses range in size from a manufacturer with many employees and millions of dollars in equipment to the lone window washer with a bucket and a sponge. Obviously, the knowledge and skills required for these two extremes are far apart, but, for success, they have one thing in common—each has found a business niche and is filling it.

The most crucial problems you will face in your early planning will be to find your niche and determine the feasibility of your idea. "Get into the right business at the right time" is very good advice but following that advice may be difficult. Many entrepreneurs plunge into a business venture so blinded by the dream that they fail to thoroughly evaluate its potential.

Before you invest time, effort, and money the following exercise will help you separate sound ideas from those bearing a high potential for failure.

Is your Idea Feasible?

Identify and briefly describe the business you plan to start.

Identify the product or service you plan to sell.

What unfilled need does your product or services satisfy?

Will your product or service serve an existing market in which demand exceeds supply?

How will your product or service be competitive? (Quality, selection, price, location, etc.)

Market Analysis

For a small business to be successful, the owner must know the market. To learn the market, you must analyze it, a process that takes time and effort. You don't have to be a trained statistician to analyze the market place nor does the analysis have to be costly.

Analyzing the market is a way to gather facts about potential customers and to determine the demand for your product or service. The more information you gather, the greater your chances of capturing a segment of the market. Know the market before investing your time and money in any business venture.

These questions will help you collect the information necessary to analyze your market and determine if your product or service will sell.

Who are your customers?

What are their needs and desires?

Where do they live?

Will you be offering the kind of products or services they will buy?

Will your prices be competitive in quality and value?

What is your promotional program?

How does your business compare with other competitors?

PLANNING YOUR START-UP

So far, this checklist has helped you identify questions and problems you will face converting your idea into reality, and determining if your idea is feasible. Through self analysis you have learned of your personal qualifications and deficiencies, and through market analysis you have learned if there is a demand for your product or service.

The following questions are grouped according to function. They are designed to help you prepare for "Opening Day."

Name and Legal Structure

What is the name of your business?

Will it be a sole proprietorship, partnership, limited liability company or corporation?

Your Business and the Law

A person in business is not expected to be a lawyer, but each business owner should have a basic knowledge of laws affecting the business. Here are some of the legal matters you should be acquainted with:

What licenses and permits do you need to operate your business?

Do you have a lawyer who can advise you and help you with legal papers?	Yes	No
Are you aware of the following:		
Occupational Safety and Health (OSHA) requirements	Yes	No
Regulations covering hazardous material	Yes	No
Local ordinances covering signs, health codes, etc.	Yes	No
Federal Tax Code provisions pertaining to small business	Yes	No
Federal regulations on withholding taxes and Social Security	Yes	No
State Workmen's Compensation and Unemployment Laws?	Yes	No

Protecting Your Business

It is becoming increasingly important that attention be given to security and insurance protection for your business. There are several areas that should be covered. The areas to look at include: fire, theft, robbery, vandalism, and accident liability.

Discuss the types of coverage you will need and make a careful comparison of the rates and coverage with several insurance agents before making a final decision.

Business Premises and Location

Have you found a suitable building in a location convenient for your customers?	Yes	No
Have you considered renting or leasing with an option to buy?	Yes	No
Will you have a lawyer check the zoning regulations and lease?	Yes	No

What kind of modifications do you need to make?
Will your business be conveniently located for the people you plan to serve?
Will there be adequate parking facilities?
Will there be adequate signage? Will you be able to alter it if necessary?

Merchandise

What items you will sell or produce, or what service(s) you will provide?

What is your inventory during the start-up?

Who are your suppliers that will assist with the start-up?

What are the prices, quality, and credit terms of suppliers?

Business Records

How will you maintain complete record of sales, income and expenses, accounts payable and receivables?

How will you handle payroll records, tax reports, and payments?

Do you know what financial reports should be prepared and how to prepare them?

FINANCES

A large number of small businesses fail each year. There are a number of reasons for these failures, but one of the main reasons is insufficient funds. Too many entrepreneurs try to start-up and operate a business without sufficient capital (money). To avoid this dilemma, you can review your situation by analyzing these three questions:

How much money do you have?

How much money will you need to start your business?

How much money will you need to stay in business?

Please see the following appendices for additional worksheets to help you determine the answers to those last two questions.

Pre-Opening Budget (Mostly One-Time Expenses)

Date:			
NAME OF THE COMPANY :			
START UP SOURCES AND EXPENSES			
	START UP EXPENSES	\$ Amounts	\$ Amounts
	Item		
1	Purchase of Land		
2	Building and Facilities Design		
3	Civil Engineering		
4	Construction		
5	Total Land and Building (items 1 to 4 above)		

6	Leasehold Improvements		
7	Equipment 1		
8	Equipment 2		
9	Furniture and Fixtures		
10	Equipments & Furniture (items 7 to 9 above)		
11	Rental deposits		
12	Utility deposits		
13	Total deposits (items 11 & 12 above)		
14	Advertising		
15	Signage		
16	Postage		
17	Mailing List		
18	Total Advertising and promotional expenses (items 14 to 17 above)		
19	Business Licenses & Permits		
20	Pre-opening Salaries & Administrative expenses		
21	Prepaid Insurance & other Expenses		
22	Opening Supplies		
23	Opening Inventory		
24	Reserve for Contingencies		
25	Working Capital /cash reserve		
26	TOTAL USES OF FUNDS(total of 5,6,10,13,18 thru 25)		
	START UP SOURCES		
27	Owners' and other investments		
28	Bank loans		
29	Other loans		
30	Total Source of Funds(total of 27 to 29)		
	The totals at 26 and 30 should match.		

Date:		
NAME OF THE COMPANY:		
Projected Income Statement	Month 1	Year 1
Revenue	AMOUNTS	AMOUNTS
Product 1		
Product 2		
Product 3		
Product 4		
TOTAL REVENUE		
COST OF GOODS SOLD(COGS):		
Product 1		
Product 2		
Product 3		
Product 4		
TOTAL COGS		
Gross Profit (REVENUE-COGS)		
OPERATING EXPENSES		
Accounting & Legal		
Advertising & Promotions		
Auto Expenses		
Bank Charges		
Credit Card Fees		
Freight		
Dues & Subscriptions		
Entertainment		
Insurance		
Licenses & Fees		
Office Expense		
Owner Salary		
Employee Salary		

Payroll Taxes 15%		
Rent		
Repair & Maintenance		
Taxes		
Telephone		
Training & Education		
Travel		
Utilities		
Operating Supplies		
Depreciation		
Other		
TOTAL OPERATING EXPENSES		
OPERATING PROFIT (Gross Profit-total operating expenses)		