



GUIDE

How to... **MAKE**
BUSINESS PLAN
FOR STARTING A
SMALL BUSINESS

Skopje, 2015

INTRODUCTION

To start your own business is an important and difficult feature that requires financial preparation, support from family, friends opinion etc... Thinking to start a business means interference in the first degree of business planning. Basically, business planning is striving to convey the idea into reality. Although no one and nothing can guarantee that the new business will be successful, however, with prior preparation and planning can significantly improve the chances of success.

The procedure for planning of the business or the business actually consists in making a business plan. A business plan is a key tool in the hands of the owner in determining the direction and business development. It reflects the practice, knowledge, skills and abilities of the owner to create a new value, as well as ways to achieve the objectives laid down in the exact time frame.

A business plan is required both in large, and small enterprises, and it is required of all companies regardless of their size or ownership structure. Any new business or a business action brings risks and business plan helps risk to be perceived and reduced. A business plan helps the owner again to check the feasibility of his idea to begin with its implementation. In other words, business plan is representing owner business idea in writing.

A business plan can be made by the owner of the enterprise, but often owners of small businesses this operation entrusted to a more experienced expert or institution. The analysis is important to evaluate if the business idea is viable, can survive and be successfully developed.



The significance of the business plan is multiplied, because its helpsto the owner of the company:

- To obtain a clear picture of possible risks in achieving its objectives –with the drafting of a business plan in advance, the owner gets an opportunity to fore-see possible problems that could be encountered and opportunity to plan how to solve those issues;
- To self-present to the lenders or investors, if he needs to require additional financial support for the realization of the business idea. The optimal solution for every business owner is to prepare a business plan before starting to work, and then to elaborate, review, supplement and improvethe plan, so that he can be able, at any time to reflect the real state of the business.

The significance of the business plan is primarily reflected in the assessment of the chances (opportunities) for success.

To assess the chances of success and to consider the need of amount of money that will be enough to start and develop a business. For this purpose it is necessary to accurately know your own financial ability and the potential,so to be able to measure, to what extent you can take the risk of the new venture. Not one person is supposed to open a business if it is not able to provide capital as needed. It is convenient to own the property, so that you could facilitate the procedure for approving loans from financial institutions, if necessary.

The chances for success also depends on market conditions. Therefore, to reduce the risk of failure, it is necessary to assess the market, and then again to think about the business. In fact, you should find out whether the market is in need of goods or services which you plan to offer and whether is the extent of potential demand. You also need to assess the barriers of market entry, or what conditions must be met to offer a new product to consumers.

The chances of business success often depends on the knowledge, skills, experience and capabilities of the owner to produce or sell a particular product. The business plan should show whether the ability of the owner of the company are sufficient to realize the business idea, or to determine what knowledge or skills should be further overcome to realize their business idea.

1

PART I

PLANING PROCESS

Business planning is a process, because it includes a follow-up activities by applying the appropriate methodology of work that is accomplished in a certain period with a certain dynamic.

Business plan document is the product of the process of business planning. It should include the following elements:

- Time period for which the scheme is formed.
- To where do we want to get with that plan?

These are goals that should be achieved.

- How much money do we have, and how we are going to spend them?
- What we are going to do at that period?

The first two points are actually the most important for every process of business planning.

That means that this process has a timeline to be addressed to and that there are goals or descriptive elements about the position of the business after you pass that time frame. The first step to get where we want be, is the process of planning, whose product in fact is the business plan, but to get where we intend to be, it is necessary





to implement the plan. A second component in the process of planning is improving. No one ever plans anything to be worse. We believe that there is no man, not even an entrepreneur who is planning to do something inferior, something that will not yield results, and something that will destroy him. So when you are in the process of business planning always note the word of improvement or simply ask yourself the following question: How can this be improved?

If at the beginning we said that the business plan document is a product of the process of business planning, now we would like to extend this testimony listing actions to implement in order to achieve goals. We do not say that any business plan is a product of business planning because the business plan kept in the drawer is not a process of business planning. It's the same as if you did not plan. That would be a lost of time! But the business plan with activities in which you are bound to implement, and in the specified period to perform the activities, than the business plan is a true product of the process of business planning and the process can certainly be described as successful. Maybe those activities do not reach the desired target destination, but the process would qualify as a successful process. Why? Just because you were able to learn first and most important lesson of entrepreneurship - to implement what you have planned, even though there may be errors in the process of planning, because you cannot predict with 100% certainty that you can reach your goal. Let's start from the opposite direction. You have made a plan, and you have activities put in that plan. What if you are not performing these activities? Then you shall make a new plan with new or existing activities, which again you are not implement. How will you know if your process of business planning is good or bad, successful or unsuccessful? How will you know what you need to improve the process of business planning? By no means! Only you know that through the implementation of the plan and measuring the results of implementation, which will continuously improve the process. Therefore, we believe that the process which will lead to the desired goal can be characterized as a successful process.

2

ERRORS WHICH COULD BE MADE IN THE PROCESS OF BUSINESS PLANNING



Error 1: Pursuing business plan to satisfy all sides

This error refers to when the entrepreneur's business plan seeks to satisfy all sides which are directly or indirectly associated with that business plan, such as the entrepreneur, financial institutions, employees, shareholders, potential customers, close family members and others. However, the business plan, must be focused on a single model of planning and its actual implementation. Satisfying of all sides, should not be a main goal of the process of planning. If you consider all these different entities in the list, you will notice that some of them have conflicting goals, views and wishes. For example, if the business plan refers to getting a loan from a bank, the bank's interest may be quite different from those of the entrepreneur or the buyer. The only interest of the bank would be to ensure that the loan will be repaid within the specified period and that the business will earn enough to repay the loan at that time. While the interest of the entrepreneur is to innovate and create new products and / or services that will need more money. Customers would like products and / or services that meet their needs or solve their problems.

The attempt in this process to satisfy all parties can cost profoundly. So when we are in the process of business planning, we should start from our ones business objec-

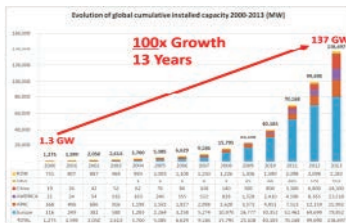




tives to reach what we need to do, to achieve those goals. Because only by operational functioning of the business and through the implementation of the business plan we should impact above quoted entities, and those same entities than shall have an impact on our business in the end. So after we define all the necessary actions, than we will have to define the necessary relationships with these entities, nonethelessto satisfy their interests, but to satisfy the needs of customers, and through them as an entrepreneursto achieve the goals ofour business.

Error 2: Boring Business Plan

Usually, the first few pages can tell whether the business plan is boring or not. The cover page and summary of the business plan are the most important for the reader to decide whether to continue reading or not. But what it is important to emphasize here is that the business plan or overall business planning process should encourage action. Now, how can be something boring, and defocus attention on sleep if it does really encourage action? Probably not! Therefore, the business plan does not need to be boring, but simply full of action. So the conclusion is that the business plan must obtain the necessary actions that will have to be implement. One of the main traits of an entrepreneur is taking the action.



Error 3: Too optimistic projection of market size

This mistake will pull other mistakes in all other projections included in the process of business planning. Therefore, this should be avoid. If wedo participate in the process of business planning, we must be objective. The process of planning and design should be based on the facts, whether those facts are good or bad for us. To plan something not with accordance of the facts, it like for example to start planning holiday trip asto have 10,000 euros to spend, but actually to could afford only 1000 euros. For each plan this way of forecastingwould be wrong, and of course unachievable and unnecessary. Everyone would like to have 10,000 euros for holiday, as much as would like to have market projected to millions of potential buyers. But in this way, entering a cycle of false images, the most harm could have we, as the implementers of the business plan. So if we are preparing this plan for our own business, avoiding the facts will harm us the most. When we are involved in the process of business planning, we must reason that we are not preparing that plan for some financial institution, or for an administrative clerk in the big banks, or a state administration will decide on our business plan. We should consider that plan as our tool. We are in the process of business planning in order to ensure a better future for our self and through our business in the future.

Error 4: Lack of confidence

Confidence is key to many entrepreneurial successes. If we have no confidence that our goods and / or services can be sold, then we could not expect that potential customers will have the confidence to buy exactly those same goods and / or services. There is no need to be nervous and to underestimate. If we really have serious doubts of the future success of the business, then we should stop the process of business planning and return to the stage of defining the business idea and business model of our business.

The confidence, it is always the good start in a business. First, the entrepreneur needs to be confident in himself. Second, every employee should have confidence in himself for the work that he is performing, and the third, when there is individual self-esteem than we could achieve organizational confidence. This confidence is encouraged by the entrepreneur and by the employees to help each other in performance. In the situation where an employee does not have enough confidence to carry out a task, then the manager can take the role and to direct him and give him a quality guidelines for meeting the task, and then confidence will be transferred to the employee.

The task of the entrepreneur who has the role of manager is always raises its own self-esteem and self-confidence of their employees to be able to build a climate of collegiality organizational which will affect achieving and building organizational and individual self-esteem.



Error 5: Excessive use of technical words

In the writing of the business plan, we should not to use too many expert words, or if we are already using them, then we should make an explanation of the terms. By extensive use of expert words we are in the risk of not approving the funding for the business.

For example, a computer industry entrepreneur could write a plan full with to him well-known technical terms, but the financier who normally is economist could evaluate this business plan as written in an unknown language, and not to approve any funds. Having that in mind we should be aware that the people in our business surrounding in through which shall implement a plan, does not have to know all mentioned technical terms. So instead of professional terminology, we should translate business plan in terminology used by the average person. If we however use exactly some terms, then we should give an explanation of them or turn their explanations in the footnotes.





Error 6: Lack of sufficient evidence

All facts and figures in the business plan should be drawn from the proven and reliable sources of information and not from ordinary assumptions. We should not use words as: how about, roughly, usually...

Certain elements of the business plan as market segmentation, design of market size, growth in industry should be based on statistics. Any statistical data in the plan should be validated and reliable, and not for the others as much in the first for the entrepreneur. Reliability through the use of proven information and data, could provide confidence and improve the overall process of business planning.



Error 7: Presenting without feedback

Before, the presentation of the business plan to financial institutions and before the presentation of a competition for a business plan, it would be wise to ask for opinion in front of people who have experience and to ask them for well-meaning remarks, which could avoid some errors. Also, it would be very convenient to find a member of the business that should be a role in implementer in the future of the business plan and simply to ask him for opinions, observations and recommendations.



Error 8: Consideration of too many prospects

The business plan should not be overload with too much of personal thoughts and views for the future performance of the business.

We can always have different views on something. But only one is the right one. So we should select the right view of things and implement it that way in the business plan. If we realize that we have made a mistake it is never too late to fix the error.



Error 9: Underestimating competition

The worst thing that we could make in one business plan is ignoring of the competition.

For any business ever, there always have been, and always shall be a competition. Absence of competition in the market, does not mean that we shall be alone in the market forever. So, we should be realistic and do not ignore the competition. Even though, if we do have quite unique business idea, and if we could not find any other business classified in the category of competition, however, we shall certainly encounter many types of businesses on both side offering some pieces of our business idea.



We can have a business idea and we can start preparing a business plan, at once. Maybe we could prepare perfect business plan. We could prepare it by regulations (and even this manual). The plan could be awesome, with very good and a variety of color graphics, analysis, charts etc. Maybe we could be proud of ourselves for success in drafting such business plan. But, if we read it again, we could always find something to fix. So, the delivering of a unique and perfect business plan, should not be a goal for itself. Sometimes we should stop dreaming and start the action. Spending a month on something, that can be always improved it's not very clever. The business plan for the business that does not ever begin it's not a perfect plan. One day we could realize that we should rip the plan, and start all over again. And that approach is completely wrong, because we have already lost months. There are three hazards:



Too much thinking, takes too much time. Planning requires thinking about what we going to do tomorrow. If we are trapped in to thinking about tomorrow, than tomorrow will come again and will shall still thinking about tomorrow. On the other hand, we as entrepreneurs are those who shall say what will happen tomorrow. Tomorrow the buyers shall happen, so the sooner we start to sell and interact with customers, the





better we can predict the future. But not to predict the future anyhow, nonetheless for the benefit of customers, and as a result of our business.

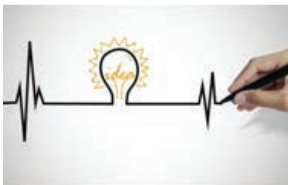
More planning, less realization. There is a threat, that if we lose too much time in planning to reduce the time of realization. Someone can say, that if we better plan the steps for realization we could save time on realization. But it is not simple as that. One thing is certain, we can never be 100% sure of what the future will look like. But if the business idea is really prized, too much time on planning, could be a waste time, because, someone else could have a similar idea, and he could run you.

Finally, a few recommendations instead of conclusions: In any case the business plan is required because it is a unique tool. The business plan transforms the potential energy of business idea into kinetic energy of the business. Business plan depends on the purpose of the business.

In preparing the business plan we should avoid templates. No one can deliver out a better plan, than an entrepreneur. We should be as specific as we can in the business plan, so that we could make it easier to compare the results. The plan should be simple and understandable primarily for an entrepreneur and his employees. Sometimes, the best is to simple use of MS Excel and MS Word and to prepare the plan, because there is not a software that could completely replace the planning. As stated above, the delivering of a business plan it is not a simple mathematical function. A business plan may serve as a roadmap for our movement and our business.

3

WHAT IT TAKES TO DEVELOP A BUSINESS PLAN?



For preparation of the business plan does not require a lot of funds. After all, a mass of businesses arising from the plans written on a napkin on which the entrepreneur under hyphens stated what to do in the future. These are elements that should be considered in the preparation of the business plan:

Must have a business idea. What would we plan if you do not have a business idea that we would like to realize. Each business plan is business idea translated into concrete steps that we can take through the prism of several different views as finance, engineering, marketing...

Must be committed. Once we sit down to work on our plan, we must be dedicated to our work. We should not forget that when we sit down to work, we should make the basis for taking the right steps.

Must be realistic. Always, before start to work on a business plan, we have to implement the necessary analysis and research. All data that we have, should be classified according to the truthfulness and reliability of the source. If we do have an official statistic on the amount of purchasing power of the population published by State Statistical Office, that would be more accurate and reliable, than the same information obtained from a friend on coffee break.

We should have a need for success. Once again before we lose our time on preparation of business plan we must ask ourself whether we have a real desire to get to the top. If we really want to succeed, that could be the main engine that shall move us





towards the implementation of the business plan.

We have to have goals. Business plan could not be successful without clear objectives. So, before we start writing the business plan, we should have good thinking about our goals. Often at this stage it is good to think about the three kinds of objectives: our personal objectives, goals of the customers and goals of the business. The objectives of the business should be a balance between our personal goals and objectives of the customers. This should be the foundation of our business plan. For example, our goals could be- to provide a better life for us and our family, while the objectives of our buyers could be- their life to be better. So, the business should ensure that try the realization of the objectives of buyers, to implement our personal goals.

Notebook and pen. As technical aids it is enough to have a paper and pen. We have to note more information, opinions, insights.... We should try different layouts, different timetables and different formulas. Those numbers should be presented graphically, so as easily, as possible to notice any trends and to predict of how the business will operate in the future. As technical assistance for to complete the design of the business plan it is necessary to have only two primary applications: application for processing the text and the application for processing the tables.

1

PART II

CONTENT OF THE BUSINESS PLAN

Considering the content of the business plan, it is important to emphasize, that there is no single solution to what elements it should contain. Each enterprise or each idea recommends specific business plan that should contain data concerning the specific venture. However, basically, and most any business plan that is planned to start a new business contains the following sections:

1. COVER PAGE OF THE BUSINESS PLAN
 - Logo of the business
 - Name of the business
 - Motto of the business
 - Title of the document and type of the business
 - Name, surname and contact details
2. CONTENTS
3. GENERAL DATA FOR THE ENTERPRISE
 - A brief overview of the history of the company
 - Mission
 - Vision
 - Goals and objectives
4. DESCRIPTION OF THE BUSINESS IDEA
5. PLAN OF PRODUCTION



- Description of the production process
- Number of employees
- 6. ORGANIZATION AND MANAGEMENT
 - Legal status of the company and the amount of the initial deposit
 - Description of the organizational structure of the enterprise
 - Property and Ownership Structure
 - Timetable of activities
- 7. MARKETING PLAN
 - Situation in the branch (activity) and market analysis
 - Target market (market segmentation)
 - Analysis of competition
 - Market share
 - Product Description
 - Prices and pricing strategy
 - Promotion
 - Channels of distribution
 - Predicting sales
 - Business Location
 - Online strategy
- 8. FINANCIAL PLAN
 - Plan the necessary funds for starting a business
 - Initial Balance Sheet
 - Projected Income Statement
 - Cash flow
- 9. SWOT ANALYSIS

1. COVER PAGE OF THE BUSINESS PLAN

When it comes to cover, the most important is that- the cover page is the first page that meets the reader of the business plan. In such a case if the plan serves as a means of getting funds this page can play an important role in deciding on further reading the entire contents.

What should content the front page of the business plan? Cover page should have:

1. Logo of the business
2. Name of the business
3. Slogan of the business (motto),
4. The title of the document,
5. Type of business in few words
6. Name, surname and contact details of the developer of the business plan.

The name, logo and the motto of the business are the three key elements that give identity to any business, whether it refers to a new or existing business. While the type of business in three words and the identity of the person who prepared the business plan only provides added value in the eyes of the reader of the business plan.

1.1. Logo of the business

Business logo is a visual and graphic identity of the business. Along with the name and slogan of the business, the logo will represent one of the three pillars of recognition of the business. Not necessarily even at this stage to have a logo, but the business plan that you start writing will be more professional with their own logo. On the other hand, the goal is even in this early stages still to have the vision for the graphic identity for the business. The logo should be composed of image that illustratively represents the type of business.

When it comes to picture it is nice to consider how it will show the usage that the business offers to consumers. This means that the image in the logo should draw attention of the consumer. The image of the logo could contain the short name of the business in order to build a recognizable brand of the business. But if it is not possible



to put the whole name, than it would be convenient to put some initials that are associated with the name and type of the business. Developing the logo requires knowledge of art and working with software for graphic design, and the other time for preparation.

The most important thing when choosing a logo is what we, as an entrepreneur, would like to be mirrored for our business. Logo for different eyes will be interpreted differently. Never two different persons will have the same view of the significance of one logo. Different creativity is stored in every human brain. Here are some recommendations that could be important when we are creating the logo:

- Logo should be simple and everyone will notice it and remember it.
- Should be unique and to build a direct association with our business.
- Should be recognized so that could be easily acknowledged by potential buyers.
- Should associate on the business, or rather to associate to the business problem that it solves.
- To look attractive.

1.2. Name of the business

Always, first we have the business idea, and then we are creating the business plan. In the meantime probably few different names, went try our mind, but now it's the time to officially decide which name will be the right one. Name of business should convey our future buyers for the expertise, value and uniqueness of the product or service that we are offering. Good name should be revealing to our potential buyers so they would immediately know to what concerns the business. Good name should be simple, make it easy to remember and certainly easy to pronounce.

For the process of deciding on behalf of the name of the business, we should follow these steps:



First step - Brainstorming of ideas for business name

The purpose of this step is to reach as many ideas as we can for the name. Simply we should start with the decision of what we would like to deliver with the name of the business. On the white sheet of paper, we should:

- Write the ideas that are the basis of our product or service;
- Write the industries in which our business is based;
- Write some words that are related to our business (for example shop for cosmetic products cosmetics, perfumes, makeup, etc.).

- Than we should do a combination of all these words, ideas and industries based on phonetics way of saying the most select few names.

Step Two - Check whether the name already exists

Is the name that we choose already exists? We should choose all available sources to check such type of information. One source could be the yellow pages (Golden Book), the other could be the official web site of Public Revenue Agency –that should have a base of all taxpayers, or maybe we could contact the office of the Central Registry in our community, or just browse the Internet and etc.... Also we could have a consultancy for selecting the right company names. For example as an accountant could give us advice on financial operations, an identity consultant for new businesses could give us useful advice for choosing the right name. If we are confused and cannot decide for a real name, than we should not waste the time and to allow to someone else to carry it for us. With real name money will return repeatedly.

1.3. Slogan of the business (motto)

If the logo represents the visual identity, the slogan will be the verbal identity of the business. It's good to start out with a slogan that will represent our business identity. We should remember that our business needs its own slogan that will represent the business in the advertising and promotional programs. What we shall decide here in the early stage of business planning will largely be used in later stages of our business.

A good slogan is one slogan that easily connects to the business and the one that can easily be remembered by potential and current customers. A good slogan we can say that is the one slogan that is not too long or complicated, but on the other hand communicates the benefits of our business, and to what we will deliver to the customers.

The answers to the following questions could give us the opportunity to reach to the several different slogans for our business:

- In which business are we?
- What is positive that we would like to highlight for our business?
- Why would the potential buyer choose our business rather than competition?
- What would cause a feeling of urgency among potential buyers?
- What would cause encourage prospective for buyers to make the decision to purchase?

Once that we get to the more combinations of different slogans, we should check the phonetics and manner of pronouncing of them and then to select the best one. It would be useful to keep the paper with other slogans, eventually we might want to use them in other marketing purposes.



1.4. Document title and type of the business

The title of the document (business plan), should be written in the middle of the front page of the business plan and the name of the project. This central area of the top of the document will allow to everyone who reads this document to fall into its eyes. The title of the document should be written with capital letters and in font size over 30, while the name of the project should be titled in a smaller font from 12 to 20 (of our choice) and certainly centrally located.

1.5. Name and contact details

The author of a business plan, always should be noted on the first page of it, and especially if he applies for funds. The name should be written at the bottom of the first page, then one row below the title of its author (for example graduate engineer or graduate economists ...) and one line below the e-mail address. All this would be enough for achieving the contact if the need arise.

2. CONTENTS

The contents of the business plan helps the reader for easier reading, and to easier get along in the business plan. It is not always convenient to start reading the business plan from the beginning to the end of the plan, sometimes we do not have enough time, and the content would make us easier the process of analyzing the business plan. There is no philosophy in terms of making the content of the business plan. Simply we should type the title content and to leave a space for insert it. And at the end when our business plan is ready, all headings and subheadings shall be defined as explained above.

3. GENERAL FOR THE ENTERPRISE

3.1. A brief overview of the history of the company

In this title we need to define the position of our new business or if the business is the existing one than to define its position. In this chapter we should provide the basic features of business that should pave the way for further preparation of the business plan. It is important to emphasize the development path of the company and to emphasize the experience, dedication and perseverance in the realization of business ideas in the past. Also in this section it is desirable to highlight the main successes and achievements, and major interests and guidelines for business development.

This title may not be needed if the business plan is used only for internal purposes. But the recommendation is if the business plan serves to obtain funding from financial institutions or participate in a business plan competition there is a title that will include more elements, a description of the business for which the scheme.



3.2. Mission

The mission is to define what the business wants to run for at least in four categories: Customers, employees, owners and society. To put it in the simple words the mission is the reason for being of the business. It needs several seconds to respond to your business in less than 30 seconds on the following questions:

- To where the business is strive for?
- What would we want to accomplish with our business?
- What is our contribution?
- Why our business does exists?

For example, “xxxxx company exists to meet the needs of the buyers of textile products available and to provide top quality products and method of sale that will cause a feeling of pleasure” (example for shop for textiles).

We can use the following as a guideline to express our mission:

[Name of business] is there, because [a problem that solves business idea] to [target markets] and will provide [products and / or services] using [the advantage of employees or business over the competition] for [advantage that you will get the consumer].



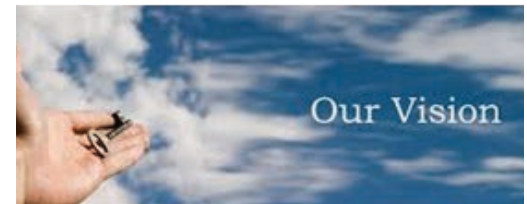
3.3. Vision

The vision should be a glimpse into the future that will have to answer the question of how to look our business in the future, or how we imagine our business after five or ten years of successful work.

So how our business will look like in the future?

Unlike the objectives, which are relate to the period of duration of business plan writing, the vision should be a kind of long-term goal. The vision should be represent as an imperative to continue and fight for what we want to achieve. In this section we need in a few words to write the vision of our business.

For example: XXXX company will strive to become a leading company in the industry AAAA and synonymous with top quality in production of the product BBBB.



3.4. Goals and objectives

This is a chapter of the business plan in which we should include all objectives that should be pursued in the future. The goals should be classified as short, medium and long term goals.

In the process of setting the goals we should follow a few recommendations:



The goals should be measurable, and stated in: amounts, quantities, standard sets... Specified in forms like this they could be analyzed, compared and controlled. For example, the company aim is in the first year to produce 20,000 liters of red wine.

Goals should be a fixed with the period of accomplishment. When setting goals should specify which is the period for its achievement, and it is essential to set a timetable of implementation. For example, the company aim is to produce 20,000 liters of red wine in the first year of operation.

The objectives should be well defined. The goals should be set with defined activities, certain work procedures, certain organization of the work, coordination and so on. For example, the company aim is to sell 100 computers. To achieve the previous quoted goal we should take number of activities as: to purchase computers at a lower price, to secure a supply of known supplier, to put the computers in the warehouse and eventually to sell, and in the meantime to provide delivery to the final customer, the one that has offer the highest price.

The goals should be realistic. Setting of targets, always should start from their reality and consistency. For example, if the company aim is to produce a spaceship by which we shall travel to the sun, then this for certain would be an unrealistic goal, since there is no way to get there. But to say that the company aim is to produce red wine in respect of production standards, then there is a real possibility, because there are a number of conditions and ways to achieve that goal.

Goals should be attainable. The setting of targets should take into account the necessary conditions, requirements and criteria that need to exist so they can be realized. For example, the company aim is to export red wine in Kuwait. This objective is not attainable, because religion, culture and tradition does not permit to the residents of Kuwait to consume drinks with alcohol.

It is good before defining goals to write the vision for the business, because the vision will define the objectives as a means of realizing the vision. The best would be to focus on long-term goals as something to be achieved in the future.

At the end of this chapter, we should list all the key elements that are important for success of our business, and that will comply with the predefined objectives and mission of the business. We should list all the possible elements that contribute to business success. Here actually, we should answer the question of what our business should do, to meet the predefined business objectives.

4. DESCRIPTION OF THE BUSINESS IDEA

In this section of the business plan we should do a brief overview of what has contributed to develop this business idea. What factors were decisive to choose the business that we would like to do in the future. Here we could describe in few words: what was deficient in the existing supply in the



market, or in the branch or activity where we would like to set the business, that has not previously been served or sufficiently covered and manner. This applies whether we would like to introduce a new, previously unknown product, or to offer a product that already exists on the market, but it will make the new, different or better way than existing companies. Here we should also describe the manner in which we intend to realize our business idea.

5. PLAN OF PRODUCTION

5.1. Description of the production process

This section should describe how we shall develop the goods and / or services that we intend to offer in to the market. If our business idea applies to trade and if we expect to open a commercial enterprise than we need to describe where we plan to acquire the commercial goods, to who we attend to sell them and on what manner. If we attend to start a service business, than we need to describe how we intend to produce the service. For example by hiring professionals, by using specific tools for the production of the service or by performing specific procedures etc. If we plan to start the manufacturing company, than here we should explain all of the stages and procedures in the production process, and a description of the necessary raw materials for production.

The description of the manufacturing process must include information on how we intent to flow the production process of goods or services.

If the business is projected to produce a product that needs to get through the production process, than in this chapter we must do the following issues:

- To indicate the schemes and drawings of the product;
- To perform the stages of production;
- To show the elements of the structure;
- To show the process of constructing a product;
- To explain the thermal, mechanical and chemical processes for obtaining the product;
- To specify the characteristics of raw materials to be used for the preparation of the product;
- To show the manner of storage of raw materials and storage of finished products;
- To describe the type of facilities in which we intent to place the manufacturing process;
- To describe the conditions necessary for development of production;
- To specify the types and use and the role of transport vehicles;
- To explain the control of the manufacturing process and control of finished products, etc.



5.2. Number of employees

This segment of the business plan can come to the fore if the business idea applies to a company in which should work a certain number of employees. In such a case it is required to specify the number of employees would be hired, the level of education, their gender and age structure, and so on. Also in this section we should highlight the need for hiring a skilled workforce that will need to respond to the tasks of designated jobs under organizational structure.

If possible in this section we should specify the criteria and selection cycles for selection of necessary staff.

6. ORGANIZATION AND MANAGEMENT

6.1. Legal status of the company and the amount of the initial deposit



In the subheading we should describe the legal form of the entity in which we attend to perform the activity, and a legal entity form, which could be as a:

- Individual trader
- LLC (Limited Liability Company of one person)
- LLC (Limited Liability Company)
- Public trade company
- Joint Stock Company

- Limited partnership
- Limited partnership by shares
- A subsidiary of a foreign entity or some other type.

It is necessary to adjust the amount of equity capital that will start the work on the company. As a founding stake, besides cash can be considered and office equipment, raw materials, office appliances, vehicles, furniture and so on.

6.2. Description of the organizational structure of the enterprise

Organizational structure and allocation of tasks and responsibilities is characteristic of enterprises that have more employees. In such a case it is necessary in this part to explain the distinction between the activities of employees in order to show the achievement of efficient operation. The organizational structure should refer to setting the appropriate personnel job description and the tasks which employees should carry out in order to confirm the commitment of the business and to maximize the beneficial effect of the work.

The description of the organization of the work is important for the process of planning of the business in the direction to detect the possible delay, or avoid overlapping of operations among employees.

6.3. Property and Ownership Structure

The new company necessary for leading the business, may be owned by an individual or owned by two and / or more individuals or legal entities. They would be the founders (shareholders) in such company.

If the company had set up as a partnership, then in this part it is important to include the following elements:

- The names of the owners of the business that applies business plan.
- For each of the owners of the business target CV in terms of level of education and previous experience.
- For each of the owners to specify the amount of share participating in business.

In case of cash capital it is important to specify the exact amount and in case of non-cash assets it is important to specify the type of assets and the estimated value of invested asset. It does not mean that everyone must contribute funds. For example, someone may participate with equipment or software required for conducting business activities, or maybe with ideas. But it is at this stage these non-cash assets should be transformed into a monetary amount.



6.4. Timetable of activities

The realization of the business idea contains a time component -Schedule (timetable) of activities that the business owner needs time to provide, deploy and implement.

Time separation of the activities is important because there are many operations that should be simultaneously or sequentially to perform, which are related to the starter of the business.

In order to avoid overlapping of responsibilities or overstocking about new business it is best to make an organogram that will contain the activities, inserting their timetable of implementation and connectivity. Thus provides a chronological overview of what necessary to be taken regarding new business idea.

Example of a timetable of activities

No	DESCRIPTION OF ACTIVITIES	MONTHS											
		1	2	3	4	5	6	7	8	9	10	11	12
1	Develop a business idea	x	x										
2	Data collection	x	x	x									
3	Data analysis	x	x	x	x						x	x	x
4	Business Plan	x	x	x	x								
5	Provision of funds		x	x	x	x							
6	Registration of company				x								
7	Opening a bank account				x								
8	Providing office space				x	x							
9	Adjusting the premises				x	x							
10	Filing an application for loan approval				x	x					x	x	
11	Market research procurement		x	x	x	x	x						
12	Purchase of machines					x	x						
13	Purchase of equipment					x	x	x					
14	Purchase of vehicles					x	x						
15	Purchase of raw materials					x	x	x	x	x	x	x	x
16	Purchase of office supplies							x	x	x	x	x	x
17	Announcing job advertisements						x	x	x				
18	Selection of staff								x				
19	Marketing activities							x	x	x	x	x	x
20	Probation work							x	x	x	x	x	x
21	Sale							x	x	x	x	x	x



7. MARKETING PLAN

7.1. Condition of the branch (activity) and market analysis

The economic activity of any country is divided into sectors and branches. Every business function exists and develops in a certain branch and activity.

According to a national nomenclatures of activities there are number of activities. Each activity is divided into branches and subsequent ramifications. The activities has their own specifics that should to be taken into account when designing business.

Starting the new business is always associated with the detection of defects or conditions in the branches that should be fulfilled or meet. From this point of view, anyone who is planning the operation and development of business should first analyze the characteristics of the branch in which he attend to open a business. Once we determine the branch and the industry in which we plan our business to survive, we should make the collection and study of information related to branch from various sources such as: State Statistical Office, browsing the Internet, encyclopedias, newspapers etc. Then we should give a brief overview of the industry that should cover the following data:

- A brief history of the industry,
- Factors affecting the growth of the industry,
- Government regulation of the industry and
- The leading businesses in the industry marked as potential competitors, customers and suppliers.

The second part of the analysis of the industry should include (This information can be found by the State Statistical Office, newspapers, internet, etc.):

- The size of the industry in amount
- Trends of sale in the previous years,
- Type of marketing strategies used in the industry,
- Management trends etc.

The third part of the analysis of the industry as an element of the business plan should include specific assessments in the future. These are estimations which may be based on personal studies of previous points on this field and this estimations could come from research based on newspapers, the Internet, magazines, etc. This subtitle analysis, should be serious and not to exceed more than 2-3 pages. All data should be clear and with concise description of the results.

This subtitle will have to answer the following questions:

- In which industry the business is?
- What is the history of the industry?



- What are the trends in the industry?
- What are buyers in the industry?
- What are competitors in the industry?
- What are the suppliers in the industry?
- What kind of products and services are offered in the industry?

For a good analysis of the market it is necessary to collect sufficient quality information to the market in which we plan to work.

Data collection can be done in several ways. Basically the approach of the research should be from the general to the specific. For example, we can start by calculating the sale or consumption per capita in the area where we want to open a business. Then, following the principle of elimination of categories of consumers and operators that could not be our customers, we could come to a realistic figure for market size.

The market can be analyzed and quantified through other indicators, such as the size of the average wage, the amount of money that a potential customer spends on the purchase of the same or similar products, number of products used in a given time frame by consumer, etc.. These data can be obtained from various sources, ranging from private research using questionnaires, interviews, measurement, monitoring, through analysis of statistical data, analysis of relevant information and data from newsletters, Internet and even the informal conversations of acquaintances and friends.

Market research refers to collecting data on potential buyers or users of the product. Market research should reveal the consumers, their real desires and needs, the volume of consumption in the market, trends etc. This analysis could reveal what could be the most important to meet the needs of customers, how we can be different from existing market entities and how we can use our personal skills and abilities.

As a guide through this process we could follow the steps below and start collecting information from:

- Statistics (SSO);
- Internet;
- Competition (What and how does);
- Types of products offered at present and their characteristics (photos, description ...)
- Consumers and their behavior on that market;
- Suppliers
- Industry newspapers;
- Questionnaires;

- Through all areas of the market with similar businesses.
- To locate the businesses the industry using the Yellow pages and Internet.
- Talk to potential future customers as friends, relatives, neighbors;
- Talk to people who are already in the same business;
- Ask how often buy a product and / or service like yours, where buy, at what price and what will come to mind as important information for you. Questionnaire and surveyed a number of strangers to find patterns of buying and so on.

Once we collect all the necessary data and do analysis on all segments of the market we should have a clearer picture of what are the chances of success of a business idea.

When developing this title we should be realistic and do objective analysis of the data. The analysis is not only for business plan, but also because of the planning process. Until now we should have products and / or services, and now also we should know the market. Further analysis should be based on forecasting and sales and thus finance and marketing.

7.2. Target market (market segmentation)

Market segmentation and market share is important in planning the business, because much of the overall marketing strategy should be based on this target market.

Target market is the main part of the market which should direct our interest in doing business. To predict the market size with our potential customers it is necessary to make market segmentation, or to divide the market into smaller parts based on certain characteristics or differences such as:

- Age (for example, target market segment will be 20 to 50 years)
- Gender for example, target market segment will be women)
- Geography (for example, target market segment will be Skopje)
- Income (for example, target market should be a customer with an average monthly income of 30,000)...

But even better is a combination of the above features, for example, target market shall men and women from 20 to 50 years who have incomes above 30.000. In this statement we can add the need could be met, or problem that could be solved through our business. This will largely help in creation of marketing elements of the business plan and estimates of sales. Each estimate sales starts from the selected target market and market segment as a number. On to this we should also add the need or desire to resolve the problem of potential buyers, competition etc. In this way we can get to an estimated figure in pieces.

For the analysis of market and industry we already have certain segments of the market in numbers. Here we should simply describe in which segment we should be part of the market specify the





market segment. For example, our business will go to the market of female population which is 30,000 potential users of the products with incomes above 30,000 per month (additional clarification of the segment women), and that our products will solve these problems and they.

7.3. Analysis of competition

Every business faces competition and it is therefore necessary to analyze the competitive state to the market. For this purpose we should first identify competitors and begin their analysis.

The analysis should give a reply to the following questions:

- Which are the main competitors?
- Which are the main competing products?
- What features has the competing products?
- What pricing strategy and price competitors use?

- What are the conditions of sale that competitors offer to customers?
- What attracts customers to buy from competitors?
- How much income and profit approximate the competitors are effectuating?
- What kind of marketing activities are applied by the competitors?
- What kind of distributive network the competitor has?
- What kind of terms of payment are offered during the sales?
- What kind of promotional activities are used in the sales?
- What are the advantages of competitors in the terms of location?
- From where the competitors are supplying and under what conditions?
- What is the financial power of the competitors?
- How long do the competitors exist on the market and what is their experience in the business?
- What are the main advantages to competitors?
- What are the main shortcomings or weaknesses of the competitors?

The following table can serve as a comparison of the analysis of the products, prices, conditions, actions, etc. to the competitors.



Products Project	Sale prices start	Competitor 1	Competitor 2	Competitor 3	Average price of competitors

7.4. Market share

The establishment of the company and starting of the business means taking a certain market space. Market space means that you have obtained participation and market share.

Before starting with work, it would be best to determine the market share relative to competitors. This would give us better position in the size of our impact on market conditions in the business in which we want to work. For this purpose we can use the following scheme in which we are defining our market share relative to competitors.

Guide for determining market share

Number of competitors	Size of the competitors	Product features competitive with our	Market share (%)
Many	Large	Same	0-2.5
Several	Large	Same	0-2.5
One	Large	Same	0-5
Many	Large	Different	0-5
Several	Large	Different	5-10
Many	Small	Same	5-10
Several	Small	Same	10-15
Many	Small	Different	10-15
One	Large	Different	10-15
Several	Small	Different	20-30
One	Small	Same	30-50
One	Small	Different	40-80
No competitors			100

7.5. Product description

In this part of the marketing plan should be given a short description of the product / goods or services that should be offered to the market.

The description should include information on the following elements:

- Form and dimensions of the product
- Functionality of the product or its purpose;
- A description of the method of use;
- Quality
- Composition or content;
- Design
- Packaging and packaging
- Transport and etc.

The goal here is to reflect the needs of customers and usages of the product /service, which would allow potentially to generate a new ideas for customer requests.

7.6. Price and pricing strategy

The price and pricing strategy is an important segment of the marketing plan, because the success of the business in the big extent depends on the fee. It is crucial at what price and pricing strategy we should start the business. Often the owners of businesses stress the application of prices and pricing strategies and in that mode they are seeking to attract the attention of the consumers.

The determination of the pricing strategy should take account of several factors such as the type of product, the purpose of product, its quality, design, prices of competitors, structure of potential users or consumers, the nature of the product or whether it is a product for wide consumption or luxury product and etc.

In the determination of the cost of the product could be used three methods: price based on the costs made for the production of the product, the price based on the supply and demand on the market and the price based on the competitive prices.

1. The price formed on the basis of the costs incurred for production of the product (price established under the principle of expenses). The formation of the price on the principle of expenses, calculating the selling price that should cover all the costs incurred for its production, along with a percentage of the margin which is typical for branch or activity.



Scheme for determining the selling price on the principle of expenses

No	Types of costs		Amount	Total
1	Fixed costs	Rent	/	510.000
		Insurance	45.000	
		Interest rates	60.000	
		Salary of the Manager	360.000	
		Annual depreciation 10%	30.000	
		Bank charges	5.000	
		The remaining fixed costs	10.000	
2	Variable costs	Raw materials	500.000	1.410.000
		Materials	50.000	
		Fuel costs	200.000	
		Electricity costs	150.000	
		Water costs	10.000	
		Wages of workers	240.000	
		Transportation and maintenance	100.000	
		Cost of sales	50.000	
		Office costs	20.000	
		Marketing costs	40.000	
		The remaining variable costs	50.000	
3	Total costs	1+2		1.920.000
4	Total cost of the product	3/ total amount of products = 3/500		3.840
5	Margin	61,5%		2.360
6	Value sales excluding tax	3 + 4 (percentage margin) x amount of products = 3.840 + 2.360 x 500 =		3.100.000
7	Sale price excluding tax	4 + 5 (percentage of margin)		6.200
8	Rate of tax (VAT)	VAT 18%		1.116
9	Selling price with tax	7 + 8 =		7.316

- The cost to form on the basis of supply and demand it is actually price established on a market basis. The determination of the price according to market principles should steer towards respecting the fundamental market laws. This means that this price will on form the basis of the size of the supply and the size of the demand.



3. The price formed on the basis of competitive price, refers to whether we decide that the overall price, should be:

- the same as the competitors price
- the lower from the competitor's price
- the higher from the competitor's price



Competitive Pricing!!

In the practice, we can use other strategies for pricing, such as:

Promotional prices, or prices that are formed in order to attract the attention from the buyers;

Existing prices, or the prices taken from the existing businesses;

Leading prices, or prices for the products same as the major business in the branch etc.

Pricing strategy can be conceptualized based on the nature of the product. Namely, if we want to offer to the consumer products with low quality, we can offer a lower price or in the opposite case, if the product offers high quality luxury goods, then its price should be higher. However, in this section of the business plan we should try to be objective in choosing a cost and pricing strategy and explain why two things:

1. What was the main reason for choosing such a price and
2. Which are our expectations about the behavior of buyers from the selected price and pricing strategy

7.7. Promotion

The promotion is mass communication of the company with customers in order to attract their attention, make them consider, to express interest in purchasing and become buyers of the product offered by the market.



In the introduction of the product in to the market it is necessary to take a series of promotional activities that will familiarize potential customers for our presence as a company and the presence of product that is offered. In this regard we can serve various forms of promotion, such as:



- Economic propaganda;
- Sales promotion;
- Publicity or public relations and
- Personal selling

If we decide to economic propaganda then we should decide for which on the following activities, we shall take:

- Media that we plan to use for promotion (radio, television, newspaper, etc.)?
- The message with what advertising content we plan to use?

If we decide to use the sales promotion, then you should describe what kind of activities we intend to take, whether we use brochures, catalogs, manuals, promotional prices, premiums (buy one take two), flyers, presentations, demonstrations, tastings, free sample posters, blinking ads, lottery, discounts, stocks, coupons, discount cards, advertising boards, giving gratis product and others.

If we choose to use publicity or public relations to promote the business and the product offered, then we should describe what activities we plan to take about building an image of our company. This we could do by giving statements on certain conditions, social responsibility (for example care of the green areas around the dealership), comments and views.

If our concept of work is focused on personal selling with direct communication, then we should describe of how the personal contact with our potential buyer will contribute to convince him to buy our product. For example, we should explain to the buyer the usages and characteristics of the products, prices, options, demonstrating the use etc. Once we awake desire for purchase of the product we should also specify of how we shall persuade the customer to make the final decision and to buy the product. It is important not to allow the postponement of the decision with additionally offer of favorable payment terms, additional services, etc.

In practice it is best to use several different types of forms of promotion or combine promotional activities.

Finally we need to measure the effects of the promotion by monitoring the following data: visits or calls of the customer before and after the promotion.

7.8. Channels of distribution

Distribution marks the movement of the product from the manufacturer or seller to the buyer.

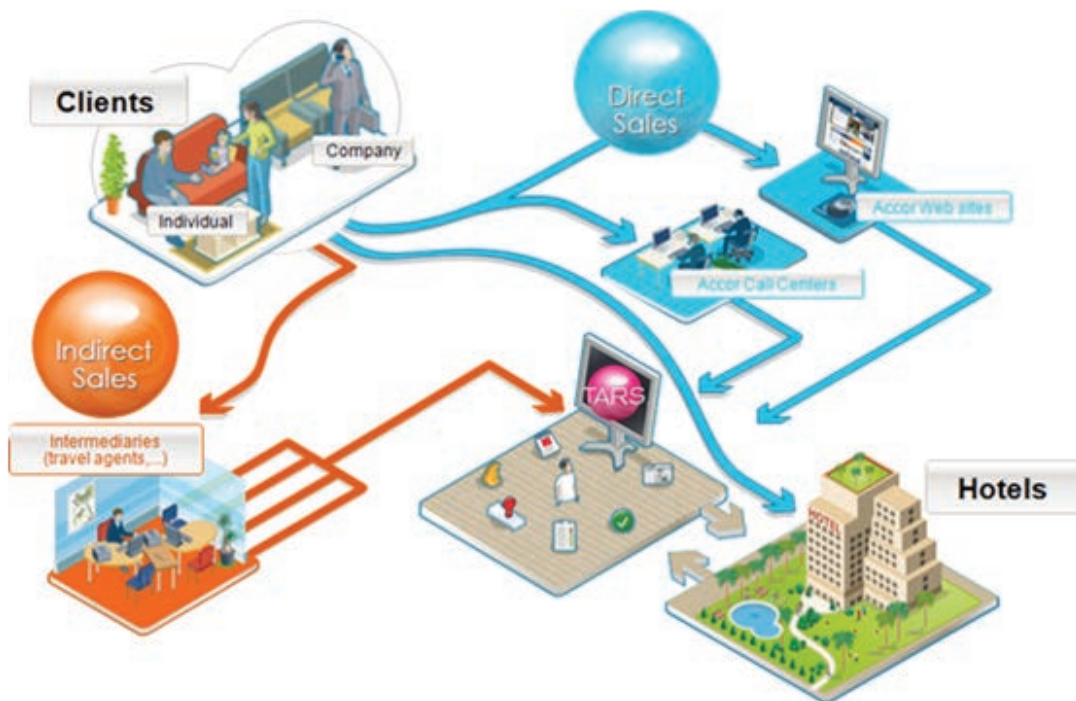
It is necessary to describe all the actions, procedures and processes that should be undertake to deliver the product to the buyer, meaning of how we plan to run the supply of the market.

We can use the following distribution channels:

- Direct sales

- Sales mediation of retail
- Sales through gross market

If we decide to use the direct sales we should demonstrate the process of delivery of the product through the following forms: private sale, sales through orders, sales via the Internet, sales through the mail and so on.



If we choose to make the sales through the intercession of retail, then we should display the distribution process with the use the retail facilities of trade partners, such as supermarkets, department stores, shopping malls and so on. In this section, it is desirable to stoop names of commercial retail enterprises with which we intend to establish cooperation.

If we decide to make sales through wholesale, then we should describe the activities, processes and procedures which we plan to take about supplying major retail distribution centers. And in this case it is required to specify the firms with which we intend to establish business cooperation.

Depending on the needs of the customers and nature of the product we can apply the following strategies of distribution:



- Intensive distribution;
- Selective distribution and
- Exclusive distribution.

The intensive distribution we should use it, in the case when we want our product to find many outlets. Intensive distribution is used for products that has a short period of use and daily use (bakery products, dairy products, etc.)...

Selective distribution may be applied if the sale is running through several distributors for the distribution of the product. This is done to reduce distribution costs, to simplify distribution or to use the location and contacts of selected distributors.

Exclusive distribution is used if we want to run the sale with a limited number of firms that will have exclusive right to distribute a product or brand. Exclusive distribution is used for the possibilities offered from the exclusive intermediaries, such as specialized storage, services, skilled labor, major markets and etc.

7.9. Predicting sales

This part of the marketing plan is necessary to show the expected values of the income from sales for a certain period.

The following table can serve the dynamics of achieving sales of over one year.

PLANNED REVENUES FROM SALES												
	Months											
	1	2	3	4	5	6	7	8	9	10	11	12
Quantity	35	40	45	50	55	50	45	45	50	60	65	70
Price	7.316	7.316	7.316	7.316	7.316	7.316	7.316	7.316	7.316	7.316	7.316	7.316
Revenues in 000	256,1	292,6	329,2	365,8	402,4	365,8	329,2	329,2	365,8	438,9	475,5	512,1

7.10. Business Location

Location of business is where the enterprise does the activity. Analysis of the location should include two segments, macro location and micro location.

The analysis of the macro location should be directed by following questions:

- Close proximity to consumer centers;
- Proximity of distribution centers;
- Close proximity to sources of raw materials;



- Concentration of population;
- Development of the road network;
- Development of other infrastructure, such as access to heating, electricity, water, gas, etc.

The analysis of micro location should be directed by the following questions:

- Close location and environment of the business object;
- Shop window and orientation of the input and output
- Equipment of office space
- Frequency of people and traffic;
- Size of business premises;
- Adequacy of the building to the nature of the business;
- Existence of warehouse premises;
- Light, noise in the business area;
- Humidity of the air, the level of dust and contamination;
- Availability of electricity, water, gas and sewerage and others.



It is convenient in this section to consider and write all the advantages and weaknesses of the location that we intend to use it. In the plan we could also estimate of how in the future we intend to overcome those weaknesses. After all, in the process of planning it is normal to analyze and be objective about the real weaknesses and at the same time to look for possible solutions to overcome these weaknesses with this business plan.



7.11. Online Strategy

For business planning from crucial meaning is for entrepreneur to plan an online presence and online activities that should be conducted in the future.

Before we start creating online strategy as part of the process business plan we should answer the following questions:

- What are doing the potential competitors in this field?
- What are the online activities of potential competitors?
- Where the mostly on the Internet are present my potential customers?
- What are searching the potential buyers on the Internet?
- How can my business be present in internet in a way better than competitors and recognizable to potential buyers?
- Should we have static web presentation of products and / or services or dynamic and interactive content with potential buyers?
- What shall be the purpose of online presence?

By a real neutral answering of these questions, we could already make online strategy that could be a part of our business plan. For example, if we have a goal of strengthening our brand we could strength our online presence.

Strategies for achieving this goal could be: an increase in attendance of the website, increase interaction with visitors, strengthening the presence of social media...

For each strategy we should arise special tactics. For example, for strategy to increase visits to the website:

- Constant updating of content of the site,
- SEO - Optimization for search engines
- Using PPC campaigns
- Promotion through social media...

Further, for each tactic we could specify the specific activities and responsibilities of departments or individuals that should have to implement these activities. For example, for constantly updating the content of the site, we could define the following activities: Monitoring the news industry, writing informative content, publishing all content etc.



8. FINANCIAL PLAN

8.1. Plan of the necessary funds for starting a business

This section should state the basic data about the financing of the business idea, this means that we should do previous calculations about the funds that are necessary for the realization of the business.

Here it is important to indicate the assumptions about the conditions in the financial sector which would have an impact on the financing of the business in the future. They relate to:

- The movement of the interest rates of banks.
- Number of days necessary to refund installments and interest on the loans.
- The amounts of taxes.
- The possibilities for delayed payment to the suppliers for raw materials.
- The possibilities for gaining loans for the company's finances?
- What would be the most appropriate conditions for financing from other sources?

All these foreseen data should be used for the further analyzes which are necessary to complete this part of the business plan. So it is important for these assumptions to be precise as possible as could. We could find such informations on the Internet, from State Statistical Office, Central Registry, banks and everything that we could find available.

At the beginning of the financial planning we should first appoint sources of funding, their structure from the point of whether are from own and others sources, presented by size and type, than we should continue with the scale of loans, grants, donations and other investments.

For example, for the opening of business XXXX it is required the following structure of funding sources:



No	SOURCES OF FUNDINGS	TYPE OF SOURCES	AMOUNT	TOTAL
1.	Own sources	Savings	1.000.000	3.250.000
		Cash	150.000	
		Reserves	/	
		Business buildings	2.000.000	
		Lands	/	
		Grants - Donation	100.000	
		Equity	/	
2.	External sources	Long term credit (creditfor buildings, machinery, equipment, vehicles, etc.)	600.000	970.000
		Short-term loan (raw materials, wages, fuel, etc.).	0.000	
		Trade credit (purchased goods and services on deferred payment)	200.000	
		Loans	50.000	
		Bonds	/	
Total own and external sources of funding				4.220.000

8.2. Initial Balance Sheet

Initial balance sheet should be done before starting the business activities in order to get visualization of the sources that we would have on dispose for the realization of future business venture.

The initial balance sheet should give the answer to the question - Are these funds that we have available sufficient for the implementation of conceived business idea.

The structure of the balance sheet comprises assets and liabilities.

The assets include all fixed and working capital with which the company may participate in the activity.

Fixed assets include: a). Intangible assets such as patents, licenses, concession rights and others. b). Tangible assets, such as buildings, machinery, tools, transport vehicles, etc., and c). Long-term financial investments.

In the current assets, we have: cash, trade receivables, inventories, short-term financial investments.

Liabilities consist of equity and liability.

The capital includes: own (equity) capital, retained incomes or losses and reserves. In the liabilities we include short-term and long-term liabilities.



Short-term liabilities are those obligations that the company should pay for up to one year. Such obligations are short-term loans with interest, payment of payables for purchased raw materials, energy and others.

Long-term liabilities are those obligations that the company has to meet for a period longer than one year. Such payments are for long-term (investment) bank loans with interest, trade payables and others.

The determination of the amount of capital is carried out when the amount of the assets will be deducted the amount of total liabilities:

$$\text{Assets} - \text{Liabilities} = \text{Capital}$$

The amount of the capital should be part in the liabilities on the balance sheet. If the amount of the assets is less than total liabilities, it means that the company does not own capital.

The amount of own (equity) capital it is calculating when the amount of capital does reduce with the amount of funds that the company would decide to place on the reserve.

$$\text{Capital} - \text{Reserve funds} = \text{Own (equity) capital}$$

Data entry in the initial balance sheet should be objective and accurate. Some of the information- would be repeated in various tables for other needs, therefore we should in each of them to display the data in identical form.

Initial Balance Sheet

No.	DESCRIPTION	AMOUNT	TOTAL
	ASSETS		
	I FIXED ASSETS		
	INTANGIBLE INVESTMENTS		
	Patents	/	
	Licenses	/	
	Concessions	/	
	Other rights	/	/
	2. PROPERTY INVESTMENTS		
	Facilities		
	a. Shop	/	
	b. Storehouse	500.000	
	c. Office space	/	
	d. Manufacturing plant	/	
	e. Workshop	1.500.000	



No.	DESCRIPTION	AMOUNT	TOTAL
	Machinery	600.000	
	Tools	60.000	
	Vehicles		
	Station wagons	300.000	
	Light vehicles	100.000	
	Equipment	100.000	
	Constructions	/	
	Installations	/	
	Plantations	/	
	Herds	/	
	Furniture	70.000	
	Office Equipment	50.000	
	3. FINANCIAL INVESTMENTS	/	
	Total fixed assets		3.280.000
	II CURRENT ASSETS		
1.	Cash		120.000
	a. cash	20.000	
	b. money on bank account	100.000	
2.	Customer claims	/	
3.	Supplies		/
	a. suppliesof raw materials	800.000	820.000
	b. suppliesof spare parts	/	
	c. suppliesof fuel and oil	10.000	
	d. suppliesof finished products	/	
	e. office supplies	10.000	
4.	Short-term investments	/	/
	Total current assets		940.000
	TOTAL ASSETS		4.220.000
	LIABILITIES		



No.	DESCRIPTION	AMOUNT	TOTAL
	I CAPITAL		750.000
1.	Own capital	500.000	
2.	Reserves	250.000	
3.	Retained earnings / loss	/	3.470.000
	II OBLIGATIONS		
	1. SHORT-TERM LIABILITIES		
1.	Liabilities to short-term loans	120.000	
2.	Liabilities to suppliers	200.000	
3.	Obligations to the state	/	
4.	Liabilities for wages to the employees	600.000	
5.	Other short term liabilities	50.000	
	2. LONG-TERM LIABILITIES	/	
1.	Obligations for long-term loans	600.000	
2.	Liabilities to suppliers	/	4.220.000
3.	Other long-term liabilities	/	
	TOTAL EQUITY AND LIABILITIES		

8.3. Planned income statement

The planned income statement is a financial statement which presents to the founder of the company whether his business idea is feasible. For this purpose it is necessary to estimate the total revenues and expenditures, which would he have during the operation, and related to the period of planning. If the difference between the two amounts is positive, then the business idea should make profits. In another case, if the difference is negative, then the business idea probably would cause losses.

The planned income statement should serve to get an idea of the viability of business idea, or is there a possibility for profit.



Planned income statement

No.	POSITION	AMOUNT
	REVENUE	
1.	Income from sales	3.658.000
2.	Financial income	/
3.	Income from investments, interest and foreign exchange differences	/
4.	Other income	/
5.	The total revenue 1 + 2 + 3 + 4	3.658.000
	EXPENSES	
6.	Consumed raw materials	550.000
7.	Fuel, transportation expenses and maintenance	300.000
8.	Services (el. energy and water)	160.000
9.	Cost for wages to the employees	600.000
10.	Depreciation	30.000
11.	Consumed office supplies	20.000
12.	Financial expenses (commissions and bonuses)	15.000
13.	Expenses for interests and insurance	105.000
14.	Expenses for sales and marketing	90.000
15.	The rest of expense	50.000
16.	Total expenses 6+7+8+9+10+11+12+13+14+15	1.920.000
17.	Profit / loss before taxes ⁵⁻¹⁶	1.738.000
18.	Income tax 10%	173.800
19.	Net profit / loss after tax ¹⁷⁻¹⁸	1.564.200

8.4. Cash Flow

During the operation companies are realizing different inflow and outflow of funds. Once the flow is less, sometimes outflow of money is greater. For this inequality company should anticipate the movement of money, to ensure regular operations. This forecast could be done by making a financial report on cash flow.

Cash flow represents the movement of money through their inflow and outflow and shows how much the company is spending.

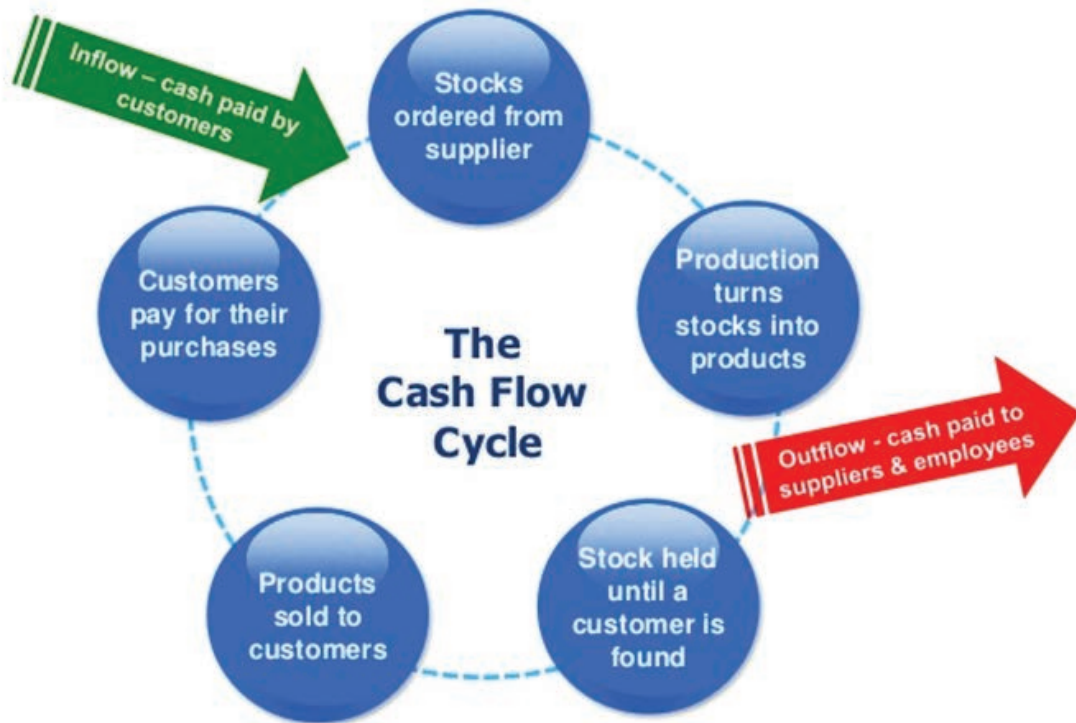
The analysis of cash flow means studying the cycle of inflow and outflow of cash in the business.



The influx of cash into the business is accomplished through revenue from the sale. Besides revenue from sales business can achieve cash flow and through the collection of interest on loans, dividends, donations, grants, etc.

Outflow of funds may be for the procurement of raw materials in production oriented business, purchase of products for retail businesses, payment of salaries, return of loans, financing marketing and sales, fuel costs and maintenance and others.

Cash “Flows” Around a Business



Cash flow statement

No.	DESCRIPTION	Months					
		1	2	3	4	5	6
Cash flow							
1	Initial balance	300.000	728.000	425.000	361.000	531.000	333.000
2	Inflow from sale	256.000	293.000	330.000	366.000	402.000	366.000
3	Credit	720.000					
4	Loan	50.000					
5	Unexpected income cash				10.000		
6	Total cash inflow	1.326.000	1.021.000	755.000	837.000	933.000	699.000
Outflow of cash							
7	purchase of machinery, equipment, raw materials	500.000	500.000	300.000	200.000	500.000	200.000
8	salaries for the workers	50.000	50.000	50.000	50.000	50.000	50.000
9	fuel and maintenance	10.000	10.000	12.000	13.000	15.000	15.000
10	Cost of Sales and Marketing	10.000	5.000	5.000	10.000	5.000	10.000
11	bank charges	1.000	1.000		1.000		1.000
12	annuity (installment and interest)	10.000	10.000	10.000	10.000	10.000	10.000
13	Services	12.000	13.000	12.000	15.000	13.000	15.000
14	office supplies	3.000	2.000	2.000	2.000	2.000	2.000
15	unexpected outflow of money	3.000	5.000	3.000	5.000	5.000	5.000
16	Total cash outflow	598.000	596.000	394.000	306.000	600.000	308.000
17	Cash flow for the month	-342.000	-303.000	-64.000	60.000	-198.000	58.000
18	Balance of cash	728.000	425.000	361.000	531.000	333.000	391.000

Planning cash flow starts with determining the opening balance of cash. Then we should determine the amount of money realized through the sale of finished goods or services, loans and so on. These two sizes are generating the total amount of cash. Then, we should determine the total outflow of money that the company plans to wage in a given month. This difference is the cash balance as initially enrolls in the next month.

If the company does not have cash then it is not able to provide ongoing operations in the next period, i.e. shall not be able to procure raw materials for production or product sales, or to pay salaries to its employees, nor shall have the money to pay the installment for loans, nor finance the marketing and so on.



9. SWOT ANALYSIS

SWOT (SWOT) analysis is a universal tool to discover strengths, weaknesses, opportunities and threats of a particular phenomenon, event, business, person, etc. The abbreviation SWOT is an acronym derived from the first letters of the words: Strengths - strengths or advantages. Weaknesses - weaknesses or deficiencies. Opportunities - opportunities or chances. Threats - threats or dangers...

The popularity of this analysis is the result of its simplicity, usefulness and practical application. In this case the idea is for the owner to use the analysis to identify and indicate the strengths and weaknesses of its own business or strengths and weaknesses of the business idea over competitors.

Strengths and weaknesses of the business are coming from its internal environment. Advantages of business may be technical equipment, experienced staff, location and so on. The downsides may be a small sales area, low product quality, high cost and so on. The owner of the company with additional effort and changes in the operation could improve the advantages or unbridge the disadvantages of the business.

Further the SWOT analysis, indicate the opportunities and threats that may affect the success of the business. These opportunities and threats are coming from outside the company or its external environment. As options can be considered: a government program to support small business, subsidies, building a new neighborhood, reducing taxes and others. Threats can include: increased cost of raw materials, increased interest on loans, lack of skilled labor and others.

The owner of the business cannot influence to their occurrence or modify. He can only endeavor to timely recognize and take appropriate action. It is important that, if the opportunities arises, the owner should endeavor to use it, and if any threats arise he should avoid or mitigate their impact.

SWOT analysis has a rather subjective approach, because in its use often the owner of business overestimate or underestimate the advantages or disadvantages, opportunities and threats. For the assessment process to be objective and realistic is recommended that the analysis should be made also by another person and eventually both analyzes to compare.

SWOT analysis can be carried out via 4 steps:

- Undertake a review of internal and external environment.
- Analysis of internal and external factors
- Making SWOT matrix.
- Defining strategies.

Topics of internal and external elements should cover all important issues that could has an impact on business performance. For each answer we should ask the question why. Why is something strong or why something presents a weakness for the business? Why something is an opportunity or



other maybe a threat? The things that we are analyzing, by answering the questions and defining the weaknesses and strengths, we should mix them in some way and put them in the business plan. It is enough that business plan to be contained with two subheadings of this Title: SWOT matrix and the Strategies arising from SWOT analysis.

9.1 SWOT matrix

In the SWOT matrix we should place all items as shown in the picture whether the element is strong or weak hand or opportunity or threat.

S (Strenghts)	W (Weaknesses)
O (Opportunities)	T (Threaths)

9.2 Strategies

Once we have the SWOT matrix is necessary to select appropriate strategies. From the SWOT matrix can extract 4 strategies:



1. Powers opportunities strategies. These strategies should take advantage of opportunities that fit the strengths of the business.
2. Weaknesses-Opportunities strategies. These strategies should enable to overcome the weaknesses of the business while taking advantage opportunities.
3. Powers -Threats strategies. These strategies should enable utilization strong sides, while eliminating or reducing the threats.
4. Weaknesses -Threats strategies. These strategies should allow the elimination of weaknesses and preventing external threats to reach precisely those weaknesses of the business.



Conclusion

The successful implementation of the business plan is a measure of whether that business plan is good or not. The indicators that clarify whether the business plan is a “good” plan would be:

1. To comprehend the meaning of the business plan. The first factor for good business plan is to grasp the meaning of it. If the entrepreneurs do not understood the importance of a business plan than and the following factors would not be so important.
2. To start planning. Without starting with the process of planning we will have no business plan so we cannot evaluate whether the business plan is good or bad.
3. Plan must have realistic predictions about the future. It is very bad when we fail or overestimate the possibilities of business in the forecast. In such situations we need a business plan because it lies on realistic grounds. For example, we can specify forecasts that sales will exceed 100%. But this is really difficult. Much more realistic would be 10% or 20% and in some exceptional cases up to 50% annually.
4. Plan must be found on realistic analysis and research. Realistic business plan bases the predictions on real analysis and market research. Such an analysis will provide the real basis for predictions for the future.
5. The business plan must cover the business needs. First and foremost for a good business plan is to cover the business needs for the period concerns.



Every business plan should start with the needs that should be realized in the period to which it refers business plan. For example, increasing of the sales and revenue, increase of the profits, organizational changes, new marketing strategies...

6. Responsibilities for implementation. The business plan covers all aspects areas of operations of the business. It defines tasks for the upcoming period. If there is no clearly defined persons for each element of the implementation of the business plan is unlikely these activities will be realized. In such a way, an entrepreneur will just spend his potential business energy of making business plan that doesn't implement. Then we do not need a business plan.
7. Define the control function for implementation. There will always be one or more implementors and one controller. Maybe it sounds bad, but the reality shows that there must be a controller. If there is not a monitoring to the implementation and comparison of the results with the planned there is a high probability that we will not get the results that we have planned.
8. Accurately defined communication between management and employees.
9. Each implementation of something that requires planning of proper communication. This communication may be vertical from top (management) to down and from the bottom (employees) to the up and horizontal between employees of the same levels. No operation of the business plan cannot be realized from an individual if the business has more than one employees. Well-defined communication will allow not to appear certain misunderstandings in implementation.
10. Specificity and clarity. If the business plan is not specific and clear it will lead to confusion and problems of implementation. Specificity and clarity means that any action resulting from the plan should be specific in terms of tasks, deadlines, dates, assumptions, necessary finance ... Everything that is able to be measured must be stated in measurable units as a number, date, etc. We should have a clear picture in any time and to know what is achieved. Good plan answers the following questions: What, Who, When and How.
11. Possibility of revision. Not always the plan could be implemented as anticipated. That requires constant reviews of the plan. Market conditions can change unpredictably. If the business plan is not revised according to the new conditions in the market cannot be viable, and that plan is not a good plan. So it would be better for the plan to be revised.



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