



Howsons

Chartered Accountants

Starting a New Business

Business Plans and Cash Flow Forecasts

Every new business should have a business plan. If you need finance, no bank manager will lend you money without a comprehensive, considered plan. Your plan will examine how your business will commence and develop and as well as describing your business, product or service, target market, capital requirements, it should also incorporate projected financial results and cash flow forecasts.

Why Does my Business Need a Plan?

It may well be a case of fail to plan, plan to fail. A business plan will;

- Impose discipline on thinking about the business and how it might develop;
- Force you to work on the business, as opposed to in it;
- Set out a benchmark against which successes (and failures) can be measured;
- Help you set targets for future performance and monitor finance and profitability;
- Ensure that sufficient funding is available to realise your plans.
- Provide an early warning when you may need to reconsider the plan.

What should my business plan cover?

A good business plan will include:

- **Overview** - of your plans for the business and how you propose to put them into action. It will set the scene for people unfamiliar with your business, so it's best to avoid any technical jargon.
- **Description** – of your business, your objectives and how you plan to achieve them. It will also include details of the background to your business.
- **Personnel** – detail key personnel (including yourself) and any external consultants you may use. The skills and experience of these people should be detailed and how you intend to deal with any weaknesses.
- **Product** – Information on your product, service or unique selling point and also your pricing policy.
- **Marketing** – your target markets and your marketing plan (this may form the basis of a separate, more detailed plan). You should also provide an overview of your competitors, your likely market share and potential for growth. This part of the plan will provide a good indication for success.
- **Practices** – information on your operating practices and production methods as well as your premises and equipment requirements.

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- **Financial Forecasts** – your projected financial performance and the assumptions made in your projections. This converts what you have already said about the business into numbers. It will include a cash flow forecast (including profit and loss projections and a balance sheet). Any detailed financial forecasts will usually be set out in a separate appendix.
- **Financial Requirements** – the cash flow forecast will determine how much finance your business needs and when. The business plan should state what finance you will use and the resources available for repayments. It may also give details of any security you can offer.

Typically, a business plan will look at a 3 or 5 year period, although this will very much depend on the nature of the business.

How do I produce a cash flow forecast?

Howsons can prepare integrated sales, profit & loss account, balance sheet and cash flow forecasts appropriate to the business, based on the business plan. Importantly, these will set out all the assumptions on which the forecast are based to assist lenders in their evaluation. These forecasts can be manipulated to test the sensitivity of the plan to changes in the most critical assumptions.

The Future

Sometimes, compiling a business plan is seen as a one-off exercise undertaken when a business is starting up. However, we recommend that the plan should be updated on a regular basis. You can then use it as a tool against performance that can be monitored and measured. It will help keep your business focussed on objectives and inspires a discipline to achieve them.

How we can help

Howsons actively encourages clients to write their own business plans, to promote ownership of the plan. We will provide a framework in which to write the plan and can assist with any aspect of the plan, particular in relation to any financial forecasts and requirements.

Call our New Business Specialists for more help

We have offices throughout Staffordshire. Our new business specialists are:

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