**Business Plans**

**Read through the information below and then complete the activity and the questions.**

A business plan is a document that describes a business's:

* Objectives
* Strategies
* Market
* Financial position and forecasts

Why is a business plan needed?

* Clarifies a business idea to others e.g. secure funding from a bank
* It helps identify potential problems e.g. financial shortage
* It measures progress towards goals e.g. sales
* It helps the business manage its cash flow

**The importance of managing cash flow**

If a business runs out of cash, it will not be able to pay for its inventory (stock) or pay its workers. If this happens, a business is classed as insolvent. The owners will have to raise additional money or cease trading and close down the business.

To prevent this from happening, a business will carefully monitor its cash flow (on a weekly or monthly basis) to ensure it has sufficient money to pay its liabilities (debts it owes). The business will often plan ahead by preparing a cash flow forecast to identify if additional finance is required.

**What a business plan should detail**

The content will vary depending on the type of business but a business plan usually includes the following:

A simple description of the business or business idea

Business aims – the goals the business would like to achieve

Key business objectives – a detailed picture of the steps the business needs to take in order to achieve its aims.

Business strategy – long term plans of action to achieve the goals and objectives

* Sales plans – number of expected sales over a period of time
* Marketing plan – how the business will market and advertise its products and services
* Financial forecast – breakeven analysis & profit forecasts

Activity

Using the table below complete a business plan for a business of your own.

|  |  |
| --- | --- |
| Business plan | Business information |
| Business idea |  |
| Business aims |  |
| Business objectives |  |
| Sales plans |  |
| Marketing plan |  |

You are planning to set up a small business selling cases for mobile phones. The business will be run as a partnership with your friend Raj.

Explain **one** reason why a business plan may be needed for your new business.[3]

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Which of the following would be included in a business plan for a start-up business?

|  |  |  |
| --- | --- | --- |
| **(a)** | A review of the business objectives set last year | C:\core\files\questions\1544169568\R064-01-QP-Jun18\img\Square_150.png |
| **(b)** | Profits during the last 12 months | C:\core\files\questions\1544169568\R064-01-QP-Jun18\img\Square_150.png |
| **(c)** | Profit forecasts for the next 12 months | C:\core\files\questions\1544169568\R064-01-QP-Jun18\img\Square_150.png |
| **(d)** | Sales during the last 12 months | C:\core\files\questions\1544169568\R064-01-QP-Jun18\img\Square_150.png |

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| --- |
| **[1]** |