



Maine Small Business Development Centers  
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HELPING MAINE'S SMALL BUSINESSES SUCCEED SINCE 1977

## WRITING A BUSINESS PLAN

### Introduction

Writing a business plan is an important step in starting or expanding any business. It assists the business owner by organizing information that describes the business and its operation. As such, it becomes a guide for creating strategic plans to develop a business or to better manage an existing business. A business plan can also provide the information that must be presented to a bank or other investor before a credit decision is made. Whether you use your own funds or borrowed funds to start up or expand your business, the development of reliable and complete information in a business plan is essential.

### What a bank looks for in a business plan

Since your business plan may be submitted to a bank, it is important to realize how a banker analyzes a business plan and what questions a banker asks during this analysis. A banker's job is to assess the degree of risk in each proposed loan and to be satisfied that the loan can be repaid by the borrower while still allowing the business to operate profitably. A banker does this by analyzing a number of things including:

- the nature of the business
- the purpose of the loan
- the amount of the loan
- the ability to repay the loan
- the collateral available to secure the loan
- the character and management skills of the business owner

To convince a banker (or any other investor) of the merits of a loan request, a borrower must present complete, well-organized information which addresses these and other concerns. It is important to remember that the proper packaging of a loan proposal can be an important step in getting it approved.

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The Maine SBDC is a program of the U.S. Small Business Administration (SBA)/Office of Small Business Development Centers, the Maine Department of Economic and Community Development and the University of Southern Maine. Accredited by America's Small Business Development Centers, the Maine SBDC operates a network of service centers in partnerships with Androscoggin Valley Council of Governments, CEI and Northern Maine Development Commission. The Maine SBDC helps build and strengthen small businesses through management assistance, training and educational resources.



## Suggested Business Plan Outline

- I. Cover Letter/Statement of Purpose
  - A. Applicant's name and address
  - B. Amount and purpose of loan
  - C. Term and source of repayment
  - D. Collateral offered
  
- II. Description of Business
  - A. Type and form of business
  - B. Location and description of facility
  - C. Description of product/service
  - D. Timetable for business plan implementation
  
- III. Market Analysis
  - A. Market identification
  - B. Market size
  - C. Market's growth potential
  - D. Industry trends
  - E. Pricing of products or services
  - F. How will you remain competitive?
  
- IV. Competition
  - A. Identification of nearest competitors
  - B. Assess their strengths and weaknesses
  - C. Describe the competitive advantages of your business
  
- V. Marketing Strategy
  - A. Identify method of selling products: direct, through distributors, retail chains, etc.
  - B. How will products be serviced?
  - C. What kind of advertising/promotion is planned: Identify costs.
  
- VI. Management Plan
  - A. Personal history of principals (resumes)
  - B. Organization Chart
  - C. Duties and responsibilities
  - D. Staffing plan  
Include number of employees, salaries, fringe benefits, training needs, etc.
  
- VII. Specific Use of Funds
  - A. Identify proposed sources of funds; including owner's cash injection, proposed bank financing, and funds from any other sources
  - B. Identify the items to be purchased and other start-up expenses
  - C. Include current contractor and supplier estimates; also include installation, freight and contingency costs
  - D. Include working capital needs, if applicable
  
- VIII. Financial Data and Applications
  - A. Sources of Funds Statement
  - B. Pro Forma Cash Flow statement, by month, for the first year after receipt of loan  
Include assumptions
  - C. Pro Forma Income Statement
  - D. Pro Forma Balance Sheet
  - E. Current Balance Sheet and Income Statement (less than 90 days old)
  - F. Historical Balance Sheets (three years, if available)
  - G. Historical Income Statement (three years, if available)
  - H. Personal Financial Statements of Principals (those with more than 20% ownership in the business)

# **Cycle-Rama Business Plan**

## **EXECUTIVE SUMMARY (COVER LETTER)**

Cycle-Rama will be a specialty bicycle retailer that will sell five types of high quality and high performance bicycles. Our bicycle shop will provide top notch customer service, including proper bike fittings, instruction on proper use, and safety tips. We will perform repairs, upgrades, adjustments, and tune-ups for all types and sizes of bicycles. Cycle-Rama will also provide a wide selection of the industry's best bicycle parts, accessories, clothing and shoes.

According to the Bicycle Retailer and Industry News, 2005 was a good year for the specialty retailer, as store revenue and net operating profit were up. Industry revenues soared to 1.3 billion dollars, commanding roughly 16% of the market in terms of unit sales, but accounting for 47% of the dollars, a dominant dollar share.

Our target market are those age 6 to 65 years old who enjoy bicycling, whether for sport, exercise, or recreation. We plan to further segment our market into two smaller, identifiable groups and reach them with a focused marketing plan. The first group is families with children that have an average income of \$35,000 or higher. The second group is the avid rider, or bicycle enthusiast, male and female, age 21-44 with an average income of \$45,000 or higher. Our Marketing Plan demonstrates how we will reach these segments.

There are three competitors located in the greater Abbotville area, none of which are specialty bicycle retailers. One is a nationwide discount retailer offering only a limited number of inexpensive bicycles, one is a sporting goods store that is struggling financially and might close, and the other is a small bike shop located 15 miles west of Abbotville and carries a very limited selection of road bicycles.

Cycle-Rama is seeking a loan of \$80,000 in addition to a \$25,000 owner investment to finance the lease of a building, make renovations, purchase inventory and equipment, and provide working capital for growth and development. We would like five years to repay the loan, using the expected proceeds from the business. The inventory, equipment and personal assets will provide adequate collateral to secure the loan.

## **BUSINESS DESCRIPTION**

Cycle-Rama will specialize in selling five types of high quality and high performance bicycles to retail customers. The five types of bicycles are: 1) Mountain Bikes, including front suspension, full suspension, and no suspension, 2) Road Bikes, 3) Comfort bikes, which are geared toward the recreational user, 4) Hybrid bikes that perform on and off road, and 5) Youth bikes for kids of all ages. Cycle-Rama will carry 5 brands of bicycles: Trek, Specialized, Giant, Raleigh America, and Haro Bikes, all of which are top sellers in the specialty retail market. Trek and Specialized combined to capture more than half of the specialty retail market, with 32 and 22 percent, respectively, of total units sold ([www.bicycleretailer.com](http://www.bicycleretailer.com)).

We will also provide a wide selection of the industry's best bicycle parts and accessories, namely, helmets, locks, clothing, shoes, racks, cycle computers, tires, tubes, wheels, saddles, gloves, hydration, lighting systems, pedals, pumps, tools and lubricants. According to a survey of 613 bicycling enthusiasts by International Cycling Works, 62% of cyclists purchase the majority of cycling products from their local bike shop ([www.bicycleretailer.com](http://www.bicycleretailer.com)). In addition to these high quality products, CycleRama will provide personalized, fun, and one-of-a-kind customer service, including proper bike fittings, instruction on safety and proper use, repairs, upgrades, adjustments, and tune-ups.

Abbotville's demographic characteristics and location make it an ideal place to open a bicycle shop. The city has a large population of children and young adults, which are segments of the population that are heavy users of bicycles. Also, with a large state university only one mile away, we expect to attract a number of college customers. We will be the only specialty retailer in the area and only the second in the state. We are confident that our store will flourish in the city of Abbotville, which is a hot spot for bicycle enthusiasts with over fifty miles of trails. These factors lead us to believe that Abbotville is a perfect place to open a bicycle dealership.

### **OPERATIONS AND LOCATION**

The business will be open six days a week, from 10:00 a.m. to 6:00 p.m. on weekdays and from 10:00 a.m. to 8:00 p.m. on Saturdays. Demand for bicycles is seasonal and we may need to adjust our schedule as demand fluctuates, possibly closing the store for a month or so during the winter season.

We will purchase our bicycle inventory from H & J Wholesalers of Boston, MA. They distribute all five of the brands we intend to sell at Cycle-Rama: Trek, Specialized, Giant, Raleigh America, and Haro Bikes.

We believe that we have found an ideal location for the business. We intend to operate Cycle-Rama from a 2500 square foot building on the corner of Main Street and Bourne Avenue in downtown Abbotville. This is a high traffic area located in the city's historic downtown district. We will have easy access to major highways, railways and airports. The building itself will need some renovations in order to make it suitable for our needs. We intend to partition the building into the following areas: (1) showroom (1000 square feet); (2) office area (300 square feet); (3) service area (300 square feet); and (4) other space for restroom and storage (900 square feet). We feel that this building offers more than adequate space and will meet our needs for the foreseeable future. All products will be distributed from this location, and all bicycle repairs and service will be performed at this location.

### **MARKET/INDUSTRY ANALYSIS**

The U.S. bicycle industry was a \$6 billion industry in 2005 (this includes the retail value of bicycles, related parts, and accessories through all channels of distribution), selling approximately 19 million bicycles, according to the National Bicycle Dealers Association 2006 Industry Overview (NBDA; [www.nbda.com](http://www.nbda.com)). The industry has benefited greatly as Americans have become more aware of the positive affects associated with a healthy lifestyle. Bicycling is

an excellent cardiovascular exercise and a great stress reliever. A recent industry trade publication showed that 94.5% of those who ride bicycles do so for recreation or fitness. The sport is continuing to grow as more and more people become aware of its health benefits. The Bicycle industry and Cycle-Rama in particular, is positioned to cash in on this trend.

As stated earlier, Cycle-Rama is a specialty bicycle retailer featuring high quality merchandise, and also offering additional customer services such as bike fitting, expert assembly, and repair. The approximately 4,800 specialty bicycle retailers in the U.S. commanded roughly 16% of the market in terms of unit sales in 2005, but accounted for 47% of the dollars, a dominant dollar share (Industry Overview 2006, NBDA). Store revenue at the typical bike shop increased 22 percent in 2005 compared to 2003.

Since this will be Cycle-Rama's first year in business we had to estimate our sales using national industry averages. According to research by the NBDA ([www.nbda.com](http://www.nbda.com)), the average specialty bicycle retailer (offering bicycles, parts and accessories, and repair services) has gross sales of \$514,250 per year. Because Cycle-Rama will be the only specialty bicycle retailer in this part of the state we assumed market share of 100%. However, we reduced our sales estimate by 25% for two reasons: 1) the national industry sales averages might not be reflective of the specialty bicycle retail market in Maine, and 2) we wanted to be conservative with our sales forecast, as this will be our first year in business. Thus, estimated sales for 2005 are \$385,687.

The bicycle industry in Maine is a seasonal business that can be impacted by poor weather conditions, as well as changes in the economy. Fortunately, the economy in Abbotville is strong with an unemployment rate of 3.6% and a median family income of \$42,047 (U.S. Census Bureau). Additionally, high oil and gas prices have increased the demand for bicycles nation wide as people look for more affordable means of transportation. Approximately 5.2% of those who ride bicycles do so as a means of transportation.

It is also important to note that Abbotville has two bicycle associations, the Abbotville Mountain Bike Association (AMBA) and Citizens for a Healthy Lifestyle (CHL). The AMBA has about 200 members who are serious trail riders and take advantage of Abbotville's many miles of trails. In fact, Abbotville is home to Bear Mountain State Park, which is known for having the best mountain biking trails in the state. The CHL has about 100 members who are more casual riders that do mostly intermediate trail riding.

## **COMPETITION**

Cycle-Rama's current local competition includes the following:

- George's Department Store- large nationwide discount retailer offering limited selection of bicycle and bicycle accessories located approximately 2 miles south of Cycle-Rama; products directed at those seeking inexpensive product; offers no instruction on safe and proper use of bicycles and does not do repairs.
- Sports R Us- sporting goods retail chain located 3 miles west of Cycle-Rama; rarely have more than 7 or 8 bicycles in stock at any given time; offers no services with bicycles; have been experiencing significant financial problems in the past year and are looking to close 9 of their stores.

- Cykel Shop- only independent bicycle shop in the area, but located 15 miles west of Abbotville; small operation with no more than 30 bicycles in stock and limited selection of bicycle accessories; shop has been slow to adapt to trends developing in the industry and just recently started selling mountain bikes, which accounted for 28.8% of bicycle sales in 2005 (NBDA; [www.nbda.com](http://www.nbda.com)).

Each of our direct competitors has a limited selection of bicycles and does not service the bicycles they sell. Abbotville does not have an independent bicycle dealership and those wishing to purchase a higher quality product or who want to service their bicycles have been forced to travel elsewhere. We feel that Cycle-Rama will fill a niche in Abbotville. We will be the only store in town which not only sells bicycles but services them as well.

**NOTE:** *Competitor information was gathered by researching the local yellow pages (or by visiting [www.bigyellow.com](http://www.bigyellow.com)) and by actually visiting the competitor's location.*

## **MARKETING STRATEGY**

Our marketing strategy is based on becoming the resource of choice for local bicycle users. We provide products for the casual biker who enjoys occasional recreational activity, for kids of all ages, and for the hardcore enthusiast. The marketing strategy will seek to first create customer awareness regarding the products and services offered, develop that customer base, establish connections with targeted markets and work toward building customer loyalty and referrals.

Our strategy is based on superior performance in the following areas:

- Product selection
- Product quality
- Customer service (including repairs and tune-ups)

Our marketing objectives include the following:

- Maintain a gross margin of 40% each month
- Increase yearly sales by 5%

Product and service pricing is based on offering high value to our customers. The price range for tune-ups and repairs will vary accordingly, but the following is a list of price ranges for our five types of bicycles:

Mountain -	\$200 to \$1200
Road -	\$200 to \$1200
Hybrid -	\$150 to \$1200
Comfort -	\$150 to \$600
Youth -	\$125 to \$400

Cycle-Rama wants to be the retailer of choice for bicycle professionals and enthusiasts, but we also want to appeal to cost-efficient buyers. Thus, we will set up a pricing orientation with roughly half of our products in the inexpensive range (\$200 to \$599) and the other half in the expensive range (\$600 to \$1200).

We will market our business using the following mediums: television, radio, and newspaper advertisements, business website, printed promotional materials, and promotional events. Our television and radio advertisements will be aired on local stations. We will place newspaper advertisements in two of the local papers and the local university's paper. We will create a website for our business that will allow users to contact the store and view our complete list of products and services. We will also utilize print advertisements such as fliers and post cards to promote special sales events.

Cycle-Rama will conduct bike maintenance and safety clinics at the local elementary schools. Each workshop will include a bike safety trial ride and obstacle course. Participants will receive a Cycle-Rama t-shirt. And finally, we will sponsor three competitors in the Abbotville Days Festival Mountain Bike Race held every July. To sponsor these individuals, we will pay the entry fees and all they have to do is wear our Cycle-Rama jersey and insignias. Our grand opening is scheduled for April 1<sup>st</sup>, 2005. We will extensively advertise our grand opening using the local media. We intend to raffle off a new mountain bike at our opening in the hopes of attracting a large crowd.

### **MANAGEMENT/EMPLOYEES**

Michael and Laurie Ross are a recently married couple who will be the owners of CycleRama. In 1993, Mr. Ross earned a Bachelor's degree in Accounting. Following college, he worked for two years at Sports Galore, a sporting goods retail outlet. Through his work at Sports Galore, Mr. Ross gained valuable experience in the areas of customer service, marketing and management. At Cycle-Rama, Mr. Ross will be responsible for store management, accounting and marketing. (See Michael Ross' resume attached as Appendix A)

Laurie Ross recently earned an Associate's Degree in Physical Fitness. She has worked on a part-time basis for the past three years as a cashier at a local discount retailer. Mrs. Ross is an avid cyclist and has competed in numerous bicycle races. She is very familiar with bicycles and bicycle accessories, safety issues, as well as bicycle repair and maintenance. Mrs. Ross will be in charge of sales and bicycle repair/service at Cycle-Rama. (See Laurie Ross' resume attached as Appendix B)

Michael and Laurie strongly believe that with their combined knowledge and skills, they will be able to make this business a success. Michael and Laurie will hire two part-time employees to help handle the increased demand from April through September. Michael and Laurie will not employ workers during the off-season to save money on personnel costs.

## **SOURCES AND USES OF FUNDS**

### **Sources of Funds:**

Owner Equity	\$25,000
Bank Loan	<u>80,000</u>
Total Funds	\$105,000

### **Uses of Funds:**

The \$105,000 will be used as follows:

Inventory:	Bicycles	\$50,000
	Bicycle Accessories & Supplies	<u>30,000</u>
		80,000
Equipment:	Tools	2,000
	Assorted Equipment	<u>3,000</u>
		5,000
Leasehold Improvements		7,000
Working Capital		<u>13,000</u>
TOTAL		\$105,000

We plan to start with an inventory of approximately 120 bicycles. The prices of these bicycles will range from \$125-\$1200. We also intend to carry a large selection of bicycle accessories. Of course, we will be able to order additional bicycles and accessories should we find an unexpected demand for a particular product. We will have a better understanding of the right product mix as time passes.

Specialized tools and equipment will be needed to service some of the bicycles. Mrs. Ross has significant experience in bicycle repair and already possesses a number of tools. The business will need some additional equipment including a cash register and some assorted supplies.

The renovations of our intended location on Main Street include: partitioning the building into four areas; installation of flooring in the showroom and service areas; replacing the existing heating system with a more modern and energy efficient one; installation of a counter and cash register; and, remodeling the restroom.

The working capital will enable Cycle-Rama to meet current expenses and insure the growth of the business.



## **SUMMARY**

After carefully examining the market conditions, we have come to the conclusion that there is a strong demand for an independent bicycle dealership in Abbotville. There are very few businesses in the area where an individual can purchase a bicycle. The stores that do sell bicycles have a limited selection and they do not service the products that they sell. Cycle-Shop will not only sell bicycles and bicycle accessories, but service them as well.

We feel that our promotional efforts and business location will generate the exposure necessary to enable us to achieve our sales goals. We firmly believe that our revenue and expense projections are realistic.

***Disclaimer: Cycle-Rama is a fictional company created by the Maine SBDC to illustrate the major components of the Business Plan. It in no way depicts or represents any known company.***

# Cycle-Rama

Pro-Forma Balance Sheet  
April 1, 2005

## Current Assets

Cash	11,500
Prepaid Expenses	500
Inventory	78,000
Supplies	1,000

Total Current Assets 91,000

## Current Liabilities

Current Long-Term Debt 12,200

Total Current Liabilities 12,200

## Fixed Assets

Equipment	2,000
Building Renovations	12,000

Total Fixed Assets 14,000

## Long-Term Liabilities

Term Loan 67,800

Total Long-Term Liabilities 67,800

Total Liabilities 80,000

## Net Worth

Owner's Equity 25,000

**Total Assets 105,000**

**Total Liabilities & Net Worth 105,000**

**Cycle-Rama Cash Flow Statement**

	PRE-START	Mar-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Jan-02	Feb-02	Mar-02	TOTAL
<b>CASH ON HAND</b>	<b>25000</b>	<b>11500</b>	<b>13687</b>	<b>18978</b>	<b>23786</b>	<b>27708</b>	<b>32581</b>	<b>37356</b>	<b>40360</b>	<b>41649</b>	<b>41816</b>	<b>43363</b>	<b>46057</b>	<b>25000</b>
<b>CASH RECEIPTS</b>														
Cash Sales	0	31572	34815	38415	40315	39190	33065	27515	19565	19815	15315	19015	20065	<b>338662</b>
Service Income	0	3919	3919	3919	3919	3919	3919	3919	3919	3919	3919	3919	3919	<b>47025</b>
Loans/Other	80000	0	0	0	0	0	0	0	0	0	0	0	0	<b>80000</b>
<b>TOTAL CASH RECEIPTS</b>	<b>80000</b>	<b>35491</b>	<b>38734</b>	<b>42334</b>	<b>44234</b>	<b>43109</b>	<b>36984</b>	<b>31434</b>	<b>23484</b>	<b>23734</b>	<b>19234</b>	<b>22934</b>	<b>23984</b>	<b>465687</b>
<b>TOTAL CASH AVAILABLE</b>	<b>105000</b>	<b>46991</b>	<b>52420</b>	<b>61312</b>	<b>68020</b>	<b>70817</b>	<b>69565</b>	<b>68789</b>	<b>63843</b>	<b>65383</b>	<b>61050</b>	<b>66297</b>	<b>70040</b>	<b>490687</b>
<b>CASH PAID OUT</b>														
Purchases (% of Sales) <sup>1</sup>	80000	21785	24022	26506	27817	27041	22815	18985	13500	13672	10567	13120	13845	<b>313677</b>
Gross Wages (Employees) <sup>2</sup>	0	2000	2000	3000	3000	3000	1500	1500	1000	1000	0	0	1000	<b>19000</b>
Payroll Taxes & Benefits <sup>3</sup>	0	300	300	450	450	450	225	225	150	150	0	0	150	<b>2850</b>
Outside Services <sup>4</sup>	0	100	100	100	100	100	100	100	100	100	100	100	100	<b>1200</b>
Supplies (Office & Operating) <sup>5</sup>	1000	200	200	200	200	200	200	200	200	200	200	200	200	<b>3400</b>
Repairs and Maintenance <sup>6</sup>	0	150	150	150	150	150	150	150	150	150	150	150	150	<b>1800</b>
Advertising (% of Sales) <sup>7</sup>	0	4150	1850	1350	2850	550	450	450	250	1450	100	100	450	<b>14000</b>
Car, Delivery & Travel <sup>8</sup>	0	100	100	100	100	100	100	100	100	100	100	100	100	<b>1200</b>
Accounting & Legal <sup>9</sup>	0	150	150	150	150	150	150	150	150	150	150	150	150	<b>1800</b>
Rent <sup>10</sup>	0	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	<b>18000</b>
Telephone <sup>11</sup>	200	200	200	200	200	200	200	200	200	200	200	200	200	<b>2600</b>
Utilities <sup>12</sup>	300	250	250	200	175	175	200	250	275	275	0	0	0	<b>2350</b>
Insurance <sup>13</sup>	0	300	500	500	500	500	500	500	500	500	500	500	500	<b>5800</b>
Taxes <sup>14</sup>	0	250	250	250	250	250	250	250	250	250	250	250	250	<b>3000</b>
Miscellaneous (% of Sales)	0	150	150	150	150	150	150	150	150	150	150	150	150	<b>1800</b>
Loan Interest Payment <sup>15</sup>	0	700	691	682	673	664	655	645	636	626	617	607	597	<b>7794</b>
<b>SUBTOTAL</b>	<b>81500</b>	<b>32285</b>	<b>32413</b>	<b>35488</b>	<b>38265</b>	<b>35180</b>	<b>29144</b>	<b>25356</b>	<b>19111</b>	<b>20474</b>	<b>14584</b>	<b>17128</b>	<b>19342</b>	<b>400270</b>
Loan Principal Payment	0	1020	1028	1037	1047	1056	1065	1074	1084	1093	1103	1112	1122	<b>12840</b>
Capital Purchases	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>
Other Start-up Costs <sup>16</sup>	12000	0	0	0	0	0	0	0	0	0	0	0	0	<b>12000</b>
Other Withdrawal	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>
Owner's Withdrawal	0	0	0	1000	1000	2000	2000	2000	2000	2000	2000	2000	2000	<b>18000</b>
<b>TOTAL CASH PAID OUT</b>	<b>93500</b>	<b>33304</b>	<b>33442</b>	<b>37526</b>	<b>40312</b>	<b>38236</b>	<b>32209</b>	<b>28430</b>	<b>22194</b>	<b>23567</b>	<b>17687</b>	<b>20240</b>	<b>22464</b>	<b>443111</b>
<b>CASH POSITION</b>	<b>11500</b>	<b>13687</b>	<b>18978</b>	<b>23786</b>	<b>27708</b>	<b>32581</b>	<b>37356</b>	<b>40360</b>	<b>41649</b>	<b>41816</b>	<b>43363</b>	<b>46057</b>	<b>47576</b>	<b>47576</b>

<b>TOTAL DEBT</b>	80000	78980	77952	76915	75868	74812	73748	72673	71590	70497	69394	68282	67160
<b>LOAN #1</b>													
AMOUNT	80000	78980	77952	76915	75868	74812	73748	72673	71590	70497	69394	68282	67160
RATE	10.50%												
TERM	5												
PAYMENT	1,720												
PRINCIPAL		1,020	1,028	1,037	1,047	1,056	1,065	1,074	1,084	1,093	1,103	1,112	1,122
INTEREST		700	691	682	673	664	655	645	636	626	617	607	597

**Notes to Cash Flow Statement:**

- Purchases represent 69% of sales (Industry standard found in Financial Studies of Small Business, 13<sup>th</sup> Edition).
- Gross wages are calculated on a rate of \$7.50 per hour for the two employees
- Payroll expenses are calculated at 15% of wages, which represent owner's FICA and state and federal unemployment taxes
- This amount has been allocated to meet any unforeseen expenses
- Office supplies include a cash register, paper, pens, ledgers, filing cabinets, etc.
- This amount was budgeted to meet any maintenance and repair expenses
- Advertising expenses include: ads on local television and radio stations, newspaper advertisements, business website, printed promotional materials, and promotional events.
- This amount has been allocated for the use of the company van for transport of bicycles and equipment to local bike races and promotional events.
- Legal expenses include the cost of hiring a lawyer to review the rental agreement. Accounting expenses include the cost of the necessary accounting software.
- Cycle-Rama will be able to sign a 3-year lease agreement for \$1,500 per month.
- Telephone expenses are based on an estimate given by the area phone company
- Utility costs were estimated based on information provided by utility company
- A rate quote was obtained from an area insurance company
- This represents a portion of the property taxes charged by the landlord
- Loan payments are for the \$80,000 bank loan with a term of 10 years at 10.5%
- Other Start-up costs include renovations to the building

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# Cycle-Rama

## Projected Income Statement Two Year Summary

	<u>Year 1</u>	<u>Year 2</u>
SALES	338,662	355,595
SERVICE INCOME	47,025	49,376
TOTAL INCOME	<u>385,687</u>	<u>404,971</u>
COST OF GOODS SOLD	<u>233,677</u>	<u>245,361</u>
GROSS PROFIT	152,010	159,610
OPERATING EXPENSES		
Payroll	19,000	19,950
Payroll Expenses	2,850	2,993
Supplies	3,400	3,570
Repairs & Maintenance	1,800	1,890
Advertising	14,000	7,120
Rent	18,000	18,000
Telephone	2,600	2,730
Utilities	2,350	2,468
Insurance	5,800	5,800
Taxes	3,000	3,000
Interest	7,794	6,543
Accounting & Legal	1,800	1,800
Outside Services	1,200	1,260
Car and Delivery	1,200	1,260
Miscellaneous	<u>1,800</u>	<u>1,890</u>
TOTAL EXPENSES	86,594	80,274
NET PROFIT BEFORE TAXES and DEPRECIATION	<b>65,416</b>	<b>79,336</b>

**Cycle-Rama**  
Break Even Analysis  
Two Year Summary

**April 1, 2005- March 31, 2006**

- The following break-even analysis is based on projected sales of \$385,687.

$$\begin{aligned} \text{Break-Even Point in Sales Dollars} &= \frac{\text{Fixed Costs}}{1 - \text{Variable Costs}} \\ &= \frac{\$86,594}{1 - .61} \\ &= \mathbf{\$222,035} \end{aligned}$$

We expect to reach this level of sales during the sixth month of operation.

**April 1, 2006- March 31, 2007**

- The following break-even analysis is based on projected sales of \$404,971.

$$\begin{aligned} \text{Break-Even Point in Sales Dollars} &= \frac{\text{Fixed Costs}}{1 - \text{Variable Costs}} \\ &= \frac{\$80,274}{1 - .61} \\ &= \mathbf{\$205,831} \end{aligned}$$

**MICHAEL ROSS**

131 Maple Drive  
Abbotville, MA 09076  
(528) 954-2942

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**Education: University of Massachusetts**

- Bachelor of Science of Accounting (high honors), May 1993

**Relevant****Experience: Assistant Auditor, Sports Galore, Abbotville, MA 8/93-Present**

- Assisted in the preparation of financial statements and reports
- Analyzed data to determine material assets
- Examined financial records to determine tax liability

**Financial Analyst Intern, Avery Dennison, Boston, MA. 5/91-5/93**

- Worked with Business Unit Controller to develop 1992 Strategic Plan
- Assisted in formulating new pricing strategy for a product line
- Performed financial analysis

**Tutor, University of Massachusetts--Academic years '91-'93**

- Assisted students having problems in introductory and intermediate finance, macroeconomics, and accounting courses
- Led small group study sessions
- Prepared sample exams for student practice

**Computer Experience:**

- Very familiar with Lotus 1-2-3 and Microsoft Excel spreadsheets
- Experienced with Microsoft Word, WordPerfect, and Wordstar

**Honors & Activities:**

- 1993 recipient of a Myatt Scholarship for academic achievement
- Elected to the Beta Gamma Sigma National Honor Society
- Active member of the MBA association and the Association of Graduate Students
- Participant in various campus intramural sports

**LAURIE ROSS**  
 131 Maple Drive  
 Abbotville, MA 09076  
 (528) 954-2942

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**Education: University of Massachusetts**

- Associate's Degree in Physical Fitness (honors), May 1993

**Relevant****Experience: Sales, Sports Dept., George's Department Store, 8/92-Present**

- Assisted customers in selecting the appropriate sports equipment for their particular needs
- Answered customers' questions concerning sporting goods
- Top salesperson in store from 1992 to 1994

**Recreation Center Leader, Abbotville Recreation Dept., 5/90-8/91**

- Planned, organized, and supervised programs and activities for all age groups
- Assisted in the scheduling and management of a heavily used multipurpose facility

**Fitness Instructor, University of Massachusetts Athletic Complex, Academic Years '91 & '92.**

- Helped patrons develop fitness programs to meet their demands
- Assisted individuals using the equipment
- Answered telephone and scheduled appointments

**Computer Experience:**

- Experienced with various spreadsheet programs, e.g. Lotus 1-2-3, Microsoft Excel, Quattro Pro
- Experienced with Microsoft Word, WordPerfect, and Wordstar wordprocessing programs
- Able to type sixty WPM

**Honors & Activities:**

- First Female finisher in the 1995 Mount Kineo Mountain Bike Race
- Placed third in the 1994 Greater Beantown Mountain Bike Race
- Elected to the Phi Beta Kappa National Honor Society at the University of Massachusetts
- One of the founders of the University of Massachusetts Bicycle Club