

## Task 2.3

### *Design methodologies and tools regarding financial services procedures*

#### **D10: SECTION “BUSINESS PLAN”**

Version: 1.0  
Contributing partners: IE  
Preparation date: 2006-12-01



Project funded by the EC under the Innovation Programme (2003-2006)FP6-2004-INNOV-6 Entrepreneurial innovation: networking key players and user

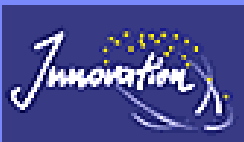
# Energy Sector Innovation Financial Network EIFN

Contract Number 022506

Coordination Action

1. *What is a BP*
2. *What is the BP used for*
3. *Formal aspect of drafting a BP*
4. *Preliminaries*
5. *Typical structure of a BP* →

- Introduction
- Business Description
- Market study
- Marketing plan
- Technical description
- Purchasing plan
- Organization and human resources
- Legal structure
- Financial study
- Risk assessment
- Summary
- Annexes



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## What is a BP?

- ❑ The business plan is a document that identifies, describes and analyses a business opportunity
- ❑ It examines its technical, economic and financial viability and prepares all the procedures and strategies necessary to convert this business opportunity into a concrete business project

## What is the BP used for?

- ❑ Encourages the promoter of the business opportunity to undertake an exhaustive **market study** to obtain the information necessary to position the project appropriately and determine its viability
- ❑ It is a **calling card** for the entrepreneur to use in order to present the project to other parties

# Formal aspects of drafting a BP

- ❑ Use **intelligible language**: Be careful with the technical vocabulary!! - Make a special effort bringing the specific terminology within the reach of the target audience
- ❑ There are no set of rules for the structure of the document, but we can start by using the customary structure (explained in detail later)
- ❑ Use updated information
- ❑ Take special care of the presentational aspects of the BP: It should be carefully bound - The information should be in two volumes (vol. 1. should contain the bulk of the information, whilst vol. 2. should be reserved for annexes containing all the information that supports or confirms the trends or strategies set out in the main volume (e.g. surveys, statistics, reports, legal documents, etc.)

# Preliminaries

Although we don't have much room for maneuver, we should follow a plan of action. We should ask some important questions concerning the project:

- who?
- what?
- why?
- where?
- when?
- how much?

## We should ask some important questions concerning the project:

**Who?**

Who are the promoters  
What is the name of the company?...

**Where?**

Where are we going to sell the products or market our services?  
National, international, local? ...

**What?**

What are our products / services?  
What market share do we hope to obtain?  
What profit margins do we estimate are possible?  
What markets are we seeking to penetrate  
What is the purpose of preparing the plan?  
What period of time do we estimate we need to carry out our project?...

**When?**

When do we plan to start the business?  
Consideration of time effects (seasonality, obsolescence...)  
When do we plan to obtain licenses? ....

**Why?**

Basic aim:  
obtaining profits from our business  
Others: Greater wellbeing...

**How much?**

The investment required  
Levels of sales  
Profits and losses  
Dividends ....

# Typical structure of a BP

## 0 Index

## 1 Introduction

## 2 Description of the business

## 3 Market study

## 4 Marketing Plan

## 5 Technical description

## 6 Purchasing plan

## 7 Organization and human resources

## 8 Legal structure

## 9 Economic-financial study

## 10 Risk assessment

## 11 Summary

## 12 Annexes

# Typical structure of a BP

## 0 Index

This is a page with a list of all the contents, outlining all sections and their respective page numbers. This will make it easier for the reader to locate specific sections. Both the main contents and the annexes should have a detailed index



# Typical structure of a BP

## 1 Introduction

This section should give the readers a quick impression of the company and the product/service it intends to offer. The objective is to give the project credibility and corroborate the professional background of the participants

# Typical structure of a BP

## 2 Description of the business

This is the time for describing the company and the product /services that it offers, trying to highlight the internal competitive advantage of the firm.

# Typical structure of a BP

## 3 Market study

To know where the firm is going to compete, it is necessary to understand and analyze the market and its environment, including the customer behavior, the competitors and their products as well as the possible barriers to entry, among others.

# Typical structure of a BP

## 4 Marketing Plan

It sets the commercial strategies that will allow the company to obtain the turnover that will be given in the economic and financial analysis. The marketing plan describes the details of the global marketing strategy we plan to use to exploit our business opportunities and competitive advantages.

# Typical structure of a BP

## 5 Technical description

It should include a detailed and technical explanation about the product or service provided, and the processes of development and manufacturing

# Typical structure of a BP

## 6 Purchasing plan

In this phase, we should be able to know all the material requirements in order to produce the product/service. This section must include the list of materials needed to produce and market our product or service, their costs for warehousing, stock levels and rotation as well as a list of suppliers and their profiles.

# Typical structure of a BP

## 7 Organization and human resources

The goal of this section is to outline the company's policy on human resources. It should include a description of the management functions and the line management positions, a description of the key management positions with the required profiles and responsibilities.

# Typical structure of a BP

## 8 Legal structure

Creating a new company implies a number of administrative and legal formalities. In this section, all these have to be specified: the choice of the legal form, the tax regime, the name and legal form of the other business partners and investors, percentage of their share holding and types of shares held, duties and limitations, external advisory services.



# Typical structure of a BP

## 9 Economic-financial study

The financial plan is a key element of the BP. Its objective is to evaluate the economic potential of a business project and to present viable alternatives for its financing. It should provide financial statements and forecasts so as to determine the expected return on the investment and the payback periods, among others.

# Typical structure of a BP

## 10 Risk assessment

The business plan should include a description of risks and the possible consequences of any adverse circumstances that may affect the business, industry, product or the management team, together with the possible mitigants and corrective measures.

# Typical structure of a BP

## 11 Summary

This is the final section of the Business Plan. It briefly reiterates the main strengths, weaknesses, advantages, opportunities, threats and risks of the project.

# Typical structure of a BP

## 12 Annexes

Annex should include the information that complements the BP (i.e., regulation applicable to the sector, CVs of the promoters, etc.)

# Business Plan Structure

1. Introduction
2. Business Description
3. Market study
4. Marketing plan
5. Technical description
6. Purchasing plan
7. Organization and human resources
8. Legal structure
9. Financial study
10. Risk assessment
11. Summary  
Annexes

# 1. Introduction

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes

- [Company](#)
- [Company's business](#)
- [Promoters and professional staff](#)
- [Business model](#)

*The “Introduction” (also called the **executive summary**) is the most important part of the BP. It is the part that will engage a potential investor to read the remaining sections of the BP. The objective is to give the project credibility and to corroborate that the promoters are qualified to establish and grow the company.*

# 1. Introduction

# Company

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



- [Company](#)
- [Company's business](#)
- [Promoters and professional staff](#)
- [Business model](#)



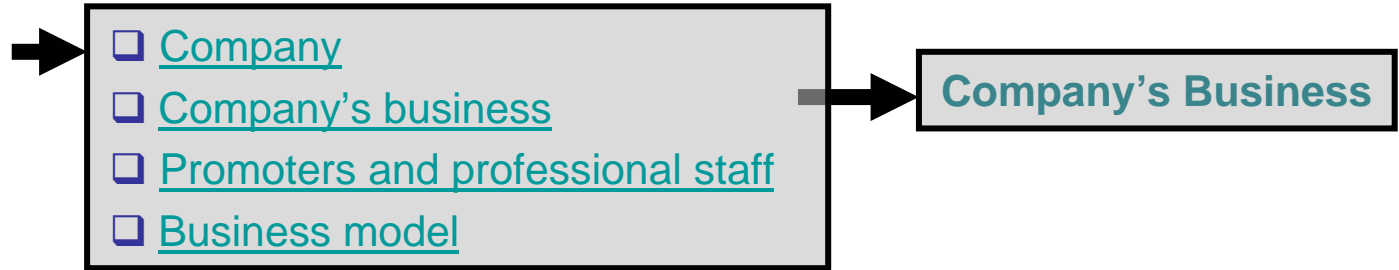
Company

<b>Name</b>
<b>Brief description (2 lines)</b>
<b>Address and contact details</b>
<b>State of the company (idea, BP developed, operations initiated,..)</b>
<b>Previous development of the company, previous achievements</b>
<b>Date of foundation</b>
<b>Current number of promoters and employees</b>

# 1. Introduction

# Company's business

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes

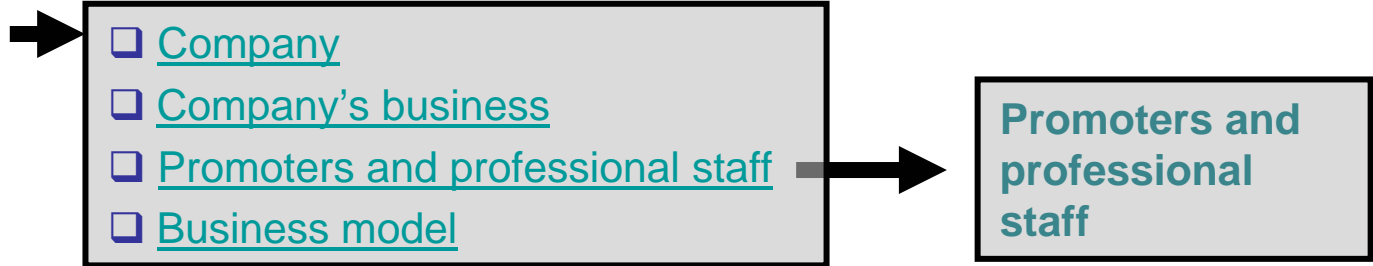


Company and business description	Business/sectors in which it operates	
	Solar Energy	
	Wind Energy	
	Biomass	
	Software	
	.....	
Target Markets (regions, countries, etc.)	Product /services	



# 1. Introduction Promoters and professional staff

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



Professional background of the promoters			
Education	Professional Experience	Languages	Others
Professional background of the professional staff			
Studies	Professional Experience	Languages	Others

# 1. Introduction

# Business Model

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



- [Company](#)
- [Company's business](#)
- [Promoters and professional staff](#)
- [Business model](#)



**Business model**

<b>Characteristics of the project in the context of the Business</b>
<b>Competitive advantages</b>
<b>Grounds on which the claims made in the plan are based</b>
<b>Legal Framework</b>

## 2. Business Description

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



- [Company](#)
- [Product / service](#)
- [R&D: protective measures](#)

*This section gives an overview of the company concept, its main goals, its products or services, its entry and growth strategy, its competitive advantages, the name of the responsible and positions, the technology and innovations it uses and its R&D policy.*

## 2. Business Description

## Company

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



- [Company](#)
- [Product / service](#)
- [R&D: protective measures](#)



Company

<b>Company's origin and goals</b>
<b>Experience of the founders and position in the company</b>
<b>Entry and Growth strategy</b>

## 2. Business Description Product/Service

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



<input type="checkbox"/> <a href="#">Company</a>
<input type="checkbox"/> <a href="#">Product / service</a>
<input type="checkbox"/> <a href="#">R&amp;D: protective measures</a>



<a href="#">Product / service</a>
-----------------------------------

### Description of the product / service

### Ancillary services

### Manufacturing or service provision capacity

### Milestone of development

### Price-performance ratio proposal

### Analysis of strong/weak points

## 2. Business Description R&D protective measures

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



- [Company](#)
- [Product / service](#)
- [R&D: protective measures](#)



R&D: protective measures

Technology / innovation description	
Copyrights	Duration
Patents	
Other rights protections	

# 3. Market Study

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes

- [Sector analysis](#)
- [Customers' behavior](#)
- [Competitors and their products](#)
- [Barriers to entry](#)

*The market study is a fundamental part of the BP. Its goal is to illustrate the opportunity and show that there is a significant market to capture. The information given by this section is crucial to determine the economic viability of the business.*

## Useful sources of information to cope with this section are

- Ministries, Governments of the autonomous regions, or Local institutions
- National Statistics Institute
- The National Employment Institute
- The Institute for Foreign Trade
- Chambers of Commerce
- Associations representing professions and economic sectors
- Newspapers and magazines
- Bank directories
- Consumer surveys
- Surveys and tests
- Suppliers operating in the sector
- Distributors
- Potential customers

# 3. Market Study

# Sector analysis

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes

- [Sector analysis](#)
- [Customers' behavior](#)
- [Competitors and their products](#)
- [Barriers to entry](#)

→ **Sector analysis**

Industry	Industry's segment
Description: definition, size, growth, concentration, competition, players, trends, market chances and risks.	
Variables or factors that can affect the current market structure	
Government regulation	
Decision process governing the sector: prices, regulation, costs, ..	
Success Factors	



# 3. Market study

# Customers' behavior

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes

- [Sector analysis](#)
- [Customers' behavior](#)
- [Competitors and their products](#)
- [Barriers to entry](#)

Customers' behavior

Potential customers (features, segmentation, growth, trends, consumptions habits)

---

Type of customer

---

Description of decision maker

---

Factors that affects purchasing decisions (price, design, quality, service, distribution, etc.)

---

Results from tests and surveys

---

# 3. Market study      Competitors and products

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes

- [Sector analysis](#)
- [Customers' behavior](#)
- [Competitors and their products](#)
- [Barriers to entry](#)

**Competitors and products**

Competitors' description: location, market share, main and additional products/services offered, prizes, characteristics (strengths, weaknesses, etc.), etc.

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Competitors' market strategies (their commercial and distribution policies,...)

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Competitors from imports

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Leaders and competitive advantage (price, cost, distribution, quality)

---

Success of competitor's products

# 3. Market study

# Barriers to entry

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



Barriers	Current	Future

# 4. Marketing Plan

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



- [Market & product strategy](#)
- [Pricing](#)
- [Distribution](#)
- [Advertising & Promotions](#)
- [Commercial Strategy](#)

*The Marketing Plan sets the commercial strategies that will allow to obtain the turnover that will be provided in the economic and financial analysis. The Marketing Plan describes the details of the global marketing strategy we plan to use to exploit our business opportunities and competitive advantages. The Marketing Plan should include **What** we have to do, **How** to do it, **When** it will be done, and **Who** will be responsible for implementing the actions.*

# 4. Marketing Plan

# Market & Product strategy

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



- [Market & product strategy](#)
- [Pricing](#)
- [Distribution](#)
- [Advertising & Promotions](#)
- [Commercial Strategy](#)



**Market & Product strategy**

Describe the emotional versus the rational component of the purchase and how do you position your product/service

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Describe the attributes of the product and the strategy related to them (premium/segmentation for a more advanced system or color, quality leader, etc.)

---

Strategy to get new / retain existing clients

---

Post-sales- guarantee system; related cost; who will provide these services; comparison with what competitors are offering

---

# 4. Marketing Plan

# Pricing

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



- Market & product strategy
- Pricing
- Distribution
- Advertising & Promotions
- Commercial Strategy



Pricing

Basis for pricing		
	Company	Competitors
Product	Price	Price
Product 1		
Product 2		
.....		
Explain the variables that count for the differences		

Compute the margin: Price – (cost of product, distribution, guarantees, customers training..)

Calculate if is possible the customers payback time.

# 4. Marketing Plan

# Distribution

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes

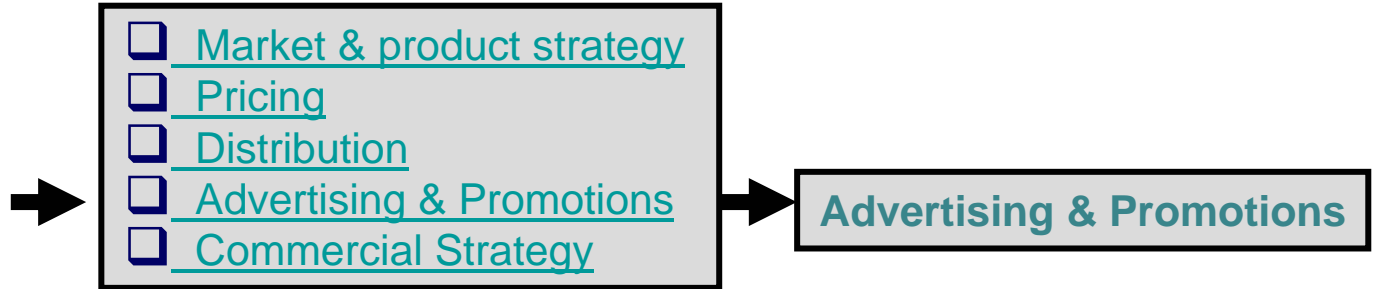
- [Market & product strategy](#)
- [Pricing](#)
- [Distribution](#)
- [Advertising & Promotions](#)
- [Commercial Strategy](#)

Distribution

Define what type of distribution channels are to be used	
Evaluate the importance of the cost of distribution with regard to the market price of the product/service.	
Manpower available in distribution	
Alliances with sales agents	
Support for salesmen and resellers	
Establish scope of distribution (local, national, etc) of our product. Description of future plans of expansion.	
Evaluate export possibilities of our products, with regard to the international distribution system, transport, insurance, etc.	

# 3. Marketing Plan Advertising & Promotions

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



Customers acquisition policy by type of customer					
Features	Media Plan	Mail shots	Trade Fairs	Telemarketing	Others
Size and duration					
Frequency					
Economic valuation					

Monitoring plan of marketing strategies	
Analysis of effects of single measures	



# 4. Marketing Plan Commercial Policy

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



Make a study on customer's primary motivation / Elaborate a plan to identify and contact with our potential consumer.

Design sales strategy, state targets and quantify them (units and €). Describe composition, form of hiring and qualifications of the Sales Team.

Own sales force	Representative

Define the policy of sales margin and promotional measures offered by distributors, representatives, etc. and compare these with the competence.

Estimate sales for each member of our sales team and define the incentives policy for different volumes, discount policy, rebates, special guarantees, etc.

# 5. Technical Description

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes

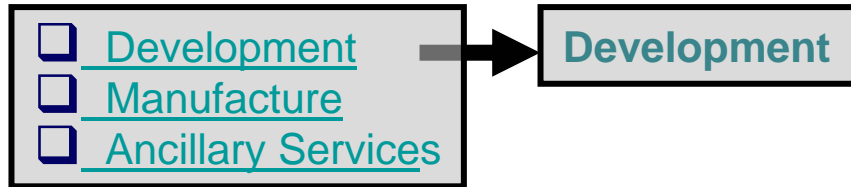


- Development
- Manufacture
- Ancillary Services

*The technical description includes the development, manufacturing and marketing of our products. If we are dealing with a service, rather than talking about the technical parameters, we should give a detail description of the procedures and technical requirements involved in providing this service. In case of product development and manufacturing, it's very important to pay particular attention to: The operation cycle, the geographic location, the equipment necessary and the production process strategy*

# 5. Technical Description

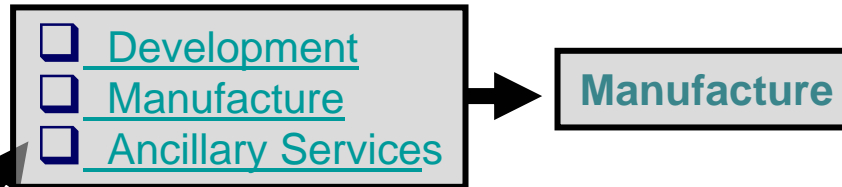
1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



Development stages
Business Partners for development
Research and Development efforts and cost (€)
Know-How
Risk of the development process
Improvement evaluation
Intellectual property rights

# 5. Technical Description Manufacture

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



<b>Define the Production Process</b>	
<b>Production plan</b>	
<b>Resources employed</b>	
Own Resources	Subcontract
<b>Quality controls and management</b>	
<b>Certification of products</b>	
<b>Monitoring cost during the production process</b>	

# 5. Technical Description Manufacture

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes

- [Development](#)
- [Manufacture](#)
- [Ancillary Services](#)

Manufacture II

<b>Operating cycle</b>
<b>Location</b>
<b>Structure of the factory – Costs</b>
<b>Equipment</b>
<b>Dependence on suppliers</b>
<b>Motivation of staff involved in manufacturing</b>

# 5. Technical Description

# Ancillary Services

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes

- Development
- Manufacture
- Ancillary Services

**Ancillary Services**

Give a detailed description of the procedures and technical requirements in providing the services

---

Define what kind of services could be outsourced and what kind of tool should be used to control them

---

Collect all information about legal, health and security requirements needed to provide the service.

---

## 6. Purchasing Plan

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



- [Bill of materials \(BOM\)](#)
- [Suppliers](#)

*The purchasing plan must include the list of raw materials and other materials to produce and market our product or service. Moreover, this list includes all kind of information (contact, commercial conditions, lead time, etc) about main suppliers and other sources.*

# 6. Purchasing Plan

# BOM

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



Describe the system of materials planning that will be used: MRP, Just in time, ..

List of raw materials and other materials needed to produce and market the product/service.

Carry out a cost estimation for warehouses stock requirements and stock rotation.

Quality management

✓ Description/material	✓ Quantity	✓ Lead time	✓ Price



# 6. Purchasing Plan

# Suppliers

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



Evaluate quality, price, lead time, reliability, flexibility in change of specifications or quantities, service, etc. of the main suppliers.

Elaborate a list of main suppliers and others with the description of the products/services that they offer, their locations and contact.

Collect all information about conditions and payment periods, discounts on bulk purchases, availability and delivery conditions, guarantees, etc.

Replacements of suppliers

Cancellations

Auditing of suppliers

# 7. Organization & Human Resources

*The Organization describes in detail the functions of the key management positions and line management posts: who are the responsible and how are they organized. All this information is fundamental to increase potential investor's confidence.*

*For big companies, it's advisable to establish the human resources policies (hire, salary promotion, training, etc.) as well as an organization chart.*

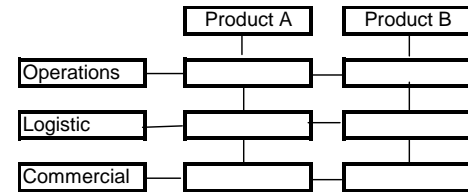
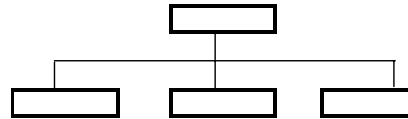
1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



<input type="checkbox"/>	<a href="#">Organization (Management Team)</a>
<input type="checkbox"/>	<a href="#">Personal &amp; HR</a>

# 7. Organization & HR Management Team

Elaborate the organization chart and pay attention to what kind of organization is the best: Matrix, Functional, Process, etc.



1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes

Define who participates in Management team and complete the following information:

Name	Position / Functions	Professional Experience	Specialist (Area/Sector)	Achievements	Salary



# 7. Organization & HR

# Personal & HR

Depending on the size of the business, it is advisable to establish Human Resources policy as: hiring, promotion, salary, training, etc.

In manufacturing or services, It is advisable to identify the levels of categories of employees, determine the number and the cost.

Staff motivation policies

Training and qualification programmes

External experts required

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



Name	Category	Experience	Salary
XXXX	XXXX		

# 8. Legal Structure

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



[Legal structure](#)

*The legal structure describes the legal form taken by the company and the reason for the chosen form as compared to the alternatives allowed by law. In addition, the tax regime applicable to the company, as well as to its founders, should be included.*

# 8. Legal Structure

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Annexes



Name and legal status of business partners and investors, together with the percentage and type of shares they would hold.

Describe, step by step, all administrative and legal procedures necessary to set up the company (registration, tax registration, business and work permits, etc)

It's advisable to enclose a copy of the company's memorandum and Articles of Association

Elaborate a list of the external advisory services with a description of the legal status of the advisors, their specializations and the costs.

# 9. Financial Study

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



- [Sector Margins](#)
- [Financial Statements](#)

*The purpose of the Financial Study is two-fold: to evaluate the economic potential of the business and present feasible alternatives for its financing. When we start drawing up the Financial Plan we should discuss its underlying assumptions, provide **forecasted financial statements**, as well as describe the envisaged capital structure and the contribution expected from the promoters of the project.*

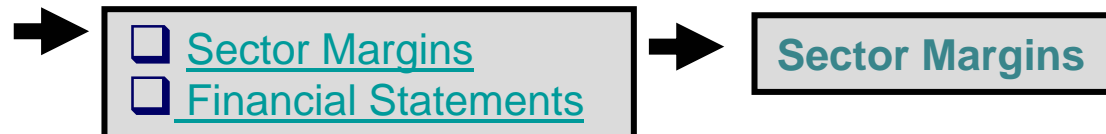
# 9. Financial Study

# Sector Margins

*You should compute the sector's margins through the percentage on sales of all the items of the P&L account of the benchmark companies*

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
<b>9. Financial study</b>
10. Risk Assessment
11. Summary
Annexes

Benchmark Company/ies	Year t-1	Year t-2	Year t-3	Year n
Sales				
Cost of Goods Sold				
Gross Profit				
.....				
Net Income				





# 9. Financial Study - Financial Statements

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes

Forecast of the P&L account for the next 10 years or more, depending of the characteristics of the business and the pay-back period for the required financing	EXCEL tool
Forecast of the Balance sheet	EXCEL tool
Compute the profitability, debt and activity ratios for the forecasted years	EXCEL tool
Compute the break-even point regarding the sales	EXCEL tool



Financial plans and requirements	
Analysis of the working capital	
Available cash ratio over the first year	
Financing structure	

# 10. Risk Assessment

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



*The business plan should include a description of the risks and possible consequences of any adverse circumstances which may affect the industry, the company, our management team, the acceptance of our product or service by the market, or which may result in delays in launching our product or service, or difficulties in obtaining the necessary financial resources.*

# 10. Risk Assessment

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4. Marketing Plan
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7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes

The risks identified should be listed by degree of importance/ impact on the project's results.

The assessment of risks should make reference to external / internal factors (recession, the reaction of competitors, premature obsolescence, R&D risks, etc.) and their influence on the development of the project and the possible corrective steps we can apply to offset these risks.

The economic impact of the most pertinent risk factors on the financial statements should be quantified through a scenario analysis or a breakeven analysis, separately for each risk factor

EXCEL tool

[Risk Assessment](#)

Identifying risk factors demonstrates the management skills of the Business Plan's author and increases the project's credibility in the eyes of investors

# 11. Summary

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



 [Summary](#)

*The final section of your Business Plan briefly reiterate the main strengths of the project, its weaknesses, its advantages and opportunities, or threats and risks. This is the last chance to convince the investors of the value of the project, if you have not already done so. Consequently, you should spare no effort in stressing its true potential.*

*This summary should also include timetables for milestones and deadlines as well as the realization plan of the business.*

# Annexes

1. Introduction
2. Business Description
3. Market Study
4. Marketing Plan
5. Technical Description
6. Purchasing Plan
7. Organization & HR
8. Legal Structure
9. Financial study
10. Risk Assessment
11. Summary
Annexes



*The annexes support or confirm the trends or strategies set out in our Business Plan, and are very important in the presentation of our BP. Some examples that should include: surveys, statistics, reports by third parties, legal documents, etc.*

*Remember that the presentation of your Business Plan is your Calling Card to various groups, and that it should be carefully bound. The information should be contained in two volumes, one containing the bulk of the information and the other, which holds the annexes.*

 [Annexes](#)