

So You Want to Start a Small Business

Checklists to Complete and Assess BEFORE Opening the Doors

So you're interested in either expanding into a small business from a hobby or just starting a small business? Here are some checklists and questions you should consider before we sit down to explore this possibility and make an informed decision:

The ESSENTIAL Questions to Answer First

1. What are the market current and future trends that give this business the chance to succeed?
2. Who is your target market?
3. How will you market to them and what will it cost?
4. How many items/services do you think you can sell?
5. What price will you sell them for?
6. What are your cost for material, rent and labor?
7. What is your break-even point?
8. Have you prepared a detailed "Next 12 months" cash flow budget, including the money you will need to live on?
9. Have you prepared a 5-year budget?
10. How will you pay back investors or loans?
11. Will you need employees, how many and what will they cost?

Financing & Loan Packages

It is a rare client that deals with creditors as often as their tax expert. Tax experts have the data and information generally needed to complete, in advance, a well-prepared loan package, and should assist or prepare the entire package where possible.

Financing packages should be presented, with 3-5 copies, in a bound presentation kit. The cover page should be a short summary of the request's purpose, amount and plans for repayment.

Behind the cover page should be any legal purchase agreements, invoices or estimates supporting the request. We like to also include, where available and mandatory for new businesses, a 1 and 5 year business plan.

As a result of FATCA most new loans with new creditors will also require copies of photo identification for the individuals and the corporate identification number for businesses.

Next should come supporting information: the most recent financial statements first, followed by the prior 3 years of financial statements, business tax returns and individual tax returns, and finally personal financial statements of the individual co-signers.

Commercial Loan Package Detailed Checklist

1. Summary letter of loan request needs on company letterhead,
2. Purchase agreement, invoice, contractor quote or estimate, or contract where applicable for new purchase,
3. Break-even point analysis for new purchase if direct revenue generating,
4. 1 year business plan and cash flow budget showing loan repayment ability,
5. 5 year business plan.
6. Most recent business interim financial statements,
7. Current aged analysis of accounts receivable,
8. Three prior years business financial statements,
9. Three prior year business tax returns.
10. Depreciation schedule for capital intensive businesses,
11. Three prior year's tax returns of each individual business owner,
12. Personal financial statements for each individual business owner,
13. Copies of any franchise agreements,
14. Copies of major leases if applicable,
15. For real estate loans:
 16. Legal description of property,
 17. Projected rent roll,
 18. Copies of leases and prior rental history of rental,
 19. Copies of historical major rental expenses of the property,
 20. Proof of zoning for use.