

**Business planning**

Good planning is an essential requirement if a business is to succeed. A business plan is a document setting out information about the way in which the business will operate. The business plan is written for the owner to give a guide to run the business. It is also written for financial backers, and lenders of money such as banks. Business plans are drawn up when a business sets up for the first time and are amended and revised when the business wants to change - typically when it wants to expand.

Important details to be included in a business plan include:

- \* the business idea/s
- \* the market (types of customers, size of market)
- \* the nature of the competition
- \* details of the business owner
- \* resources used in the business
- \* the marketing mix - price, promotion, place (as well as product or service)
- \* equipment needed by the business
- \* premises required by the business.

In addition it will include financial forecasts of:

- \* future cash flow - money coming in and out of the business
- \* profit and loss account
- \* a break-even calculation.

**Break-even**

It is then possible to identify how long it will take for the business to break-even and start making a profit. It is also possible to see if the business will run into any cash flow problems.

Every year thousands of entrepreneurs set up in the UK for the first time.

Research shows that those businesses that produce detailed plans are far more likely to succeed than when only a sketchy plan or no plan at all is prepared. Research also shows that entrepreneurs who make realistic predictions about cash flow, break even and profit and loss are far more likely to be able to raise funds than those that provide widely exaggerated claims.

The break-even point for a business will be at the point where costs are equal to income. A break-even chart shows how much needs to be produced in a period of time before break-even occurs.