

# Small Business



## Planning Guide

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I N C O R P O R A T E D

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## Introduction

Okay, so you think you want to start your own business? This *Small Business Planning Guide* for start-up businesses is designed to help you determine if owning a small business is right for you.

As you read through the Guide, you will notice certain icons. The purpose of these icons is to draw your attention to key points.

	<b>Take Note!</b> This icon indicates an important item that you may want to remember.
	<b>Watch out!</b> This icon indicates things small business owners need to be aware of.

There is a new emphasis on entrepreneurship in Northeastern Pennsylvania. Many area residents are choosing to take control of the economic future of themselves and ultimately, our area. Throughout the course of our economic history, our area has endured industry shifts and employment downfalls. Our goal is to develop an entrepreneur-based economy that sustains itself by creating new jobs, improving our quality of life, redeveloping local communities, and improving the overall economic health in Northeastern Pennsylvania.

Small businesses are the backbone of a healthy economy. MetroAction and The Greater Scranton Chamber of Commerce are here to help you. If you have any questions on developing your small business, please feel free to contact Christina Hitchcock at [chitchcock@scrantonchamber.com](mailto:chitchcock@scrantonchamber.com) or (570) 342-7711.

***MetroAction strongly recommends that you enlist the help of financial, legal and other professionals throughout the planning stages of your business.***

# PART 1

# THE BASICS

## Getting Started

What does it take to start a business? How much does it cost? What are the requirements? What are the expenses? There are no simple answers to these questions because every business is different. However, there are basic guidelines you can follow when planning your business. This booklet will help you develop a basic understanding of your business — everything from organizational structure to your financial operations. This booklet is also a tool to help you develop your organization’s business plan.

<b>Reasons to Start Your Own Business</b>	<b>Reasons NOT to Start Your Own Business</b>
<ol style="list-style-type: none"> <li>1. <b>Creative freedom</b> to come up with your own way to do things and produce things.</li> <li>2. <b>Establishing your own work place atmosphere.</b> You are in control of the stress levels.</li> <li>3. <b>Possibility of financial benefits.</b> Bill Gates...need I say more?</li> <li>4. <b>Flexibility.</b> You have the flexibility to do it your way.</li> <li>5. <b>Special perks.</b> You can go to work bare-foot if you want to!</li> <li>6. <b>You’re in charge!</b></li> </ol>	<ol style="list-style-type: none"> <li>1. <b>Responsibility.</b> You are all things to all people.</li> <li>2. <b>“Behind the Scenes.”</b> You are responsible for all of the “behind the scenes work” like paying taxes, labor law compliance, maintaining clear records, etc.</li> <li>3. <b>Competition.</b> It can be brutal!</li> <li>4. <b>Flexibility.</b> You have to be willing to change with the markets.</li> <li>5. <b>Possibility of financial failure</b> can significantly impact your family’s life.</li> <li>6. <b>Some things are out of your control</b> like the economy, natural disasters, etc.</li> </ol>

## Do You Have What it Takes to Be a Business Owner?

1. When the odds are against you do you work harder?
2. Do you often try to figure out how much area businesses make?
3. Do you have a high energy level?
4. Do you look at the glass as being half full?
5. Are you happiest when you are busy?
6. Have you ever worked for a small business?
7. Do you like being in charge?
8. Are you comfortable with borrowing money?
9. Do you like to balance your check book to the penny?
10. If you believe in something are you able to "sell" it?

***If you answered "YES" to most of these questions, you seem to have what it takes to be a small business owner.***

Remember, being an entrepreneur is not for everyone. You have to have a great amount of drive and determination and you must be willing to take risks.

Being a small business owner has many perks but remember, you are ultimately responsible for your business. With careful planning and a well thought out plan, your business can be successful.

### Characteristics of an Entrepreneur

- |                       |                    |
|-----------------------|--------------------|
| 1. Decision makers    | 6. Problem solvers |
| 2. Persistent         | 7. Goal oriented   |
| 3. Good communicators | 8. Driven          |
| 4. Good with people   | 9. Confident       |
| 5. Leaders            | 10. Risk takers    |





## 10 COMMON MISTAKES ENTREPRENEURS MAKE:

10. **Not being realistic** about the financial side of your business. Make sure you understand how to interpret your financial statements and know what's coming and going.
9. **Failing to prepare a well thought out business plan** and maintaining it. Lack of planning is the downfall of most small businesses.
8. **Lack of flexibility.** You need to be able to realize when things are changing and be able to change with them. Don't be afraid to adjust your strategy!
7. **Failing to pay the government.** This is a biggie! Make sure you report to the state and federal governments as often as required.
6. **Failure to develop an adequate marketing plan.** You need to find out who is going to buy from you and then convince them that you are the best!
5. **Underestimating the competition.** Be sure you know who your competitors are.
4. **Trying to do it all yourself.** Don't be afraid to delegate tasks where you are not the best man or woman for the job. For example, if you're not good at keeping the books, find someone who is.
3. **Isolating yourself.** You need to soak up all of the advice and education that you can get. Networking is also extremely important.
2. **Undercapitalization.** Too many small business owners underestimate how much money they are going to need to get the business up and running and then sustain it as it struggles during infancy.
1. **Failure to treat your employees as an asset.** Remember, your employees are a direct reflection on you and your business. If you treat them as an asset, they are more likely to be a positive reflection on you and your business.



## 10 Things to Do Before Starting Your Business

- ✓ Determine the business you want to start. Are you qualified? Is it profitable?
- ✓ Conduct research on your industry, market and competition.
- ✓ Prepare a list of purchases required to start your business and identify their costs.
- ✓ Develop a list of potential monthly expenses.
- ✓ Determine potential sources of financing for your business.
- ✓ Research potential suppliers and explore your credit options with them.
- ✓ Investigate insurance options for your business.
- ✓ Determine the start-up procedures for your industry.
- ✓ Identify the various positions that will be required to effectively and efficiently operate your business.
- ✓ Write a business plan.

## Choosing Your Type of Business

Before you jump head first into your business, you should give some serious thought as to the type of business you want to start. Earlier in this guide, you determined if you are cut out to be an entrepreneur. Now you need to determine what kind of business you want to start.

Basically, there are four categories of businesses out there:

### **Manufacturing**

This is when you make something and sell it. Usually, this type of business takes up a lot of cash and a lot of time.

### **Retail**

This is when you sell something to someone. It is the most common type of business.

### **Wholesale**

This is when you sell something to other businesses. Wholesalers act as the middle man between the manufacturer and the retailer.

### **Service**

This is when you provide a service to someone. The major expense for service businesses is time.

Now that you've narrowed your choices by business category, you need to decide which business you want to be in. This can be an easy choice, but make sure you really think through all of the pros and cons of your choice.



Here are some things you will want to consider before you choose your business:

1. What are your strongest skills? Take a look at all of the jobs you've held and think about all of the skills you've acquired. This can include customer service, product development or sales.
2. What are your weakest skills?
3. What jobs have you enjoyed the most?
4. What jobs have you enjoyed the least?
5. What are your favorite hobbies and interests?
6. What industry would you like to spend the rest of your life working in?
7. What are your best personal skills? This can include creativity, invention, counseling, etc.
8. What are your worst personal skills?

## Organizational Structure

One of the first executive decisions you will make for your new business is choosing the type of legal organization that is best for you. Each option has various benefits and drawbacks, as well as legal and tax considerations.

There are basically four organizational structure options for you to choose from. Listed from the simplest to the more sophisticated, they are:

1. Sole Proprietorship
2. Partnership
3. Corporation
4. Limited Liability Company

As an entrepreneur, you should carefully examine each option and consider all of the risks and benefits that each one presents. Also, ***MetroAction strongly recommends that you consult with your legal counsel and your accountant.***

### Sole Proprietorship

This is the simplest organizational structure. Most businesses operate as sole proprietorships. This structure allows a single owner to have complete control and responsibility for the business. Benefits include minimum legal restrictions and owner retention of all the profits. Drawbacks include the owner's personal liability for all debts and liabilities for the business — personal assets can be used to settle claims against the business.

### Partnership

A partnership is very similar to a sole proprietorship except there are two or more partners who are starting the business. The partners determine each person's role in the business, division of profits, etc. These arrangements are spelled out in a partnership agreement. Partnerships have the same benefits and drawbacks as a sole proprietorship, but, there is one additional draw back. A partner can be held liable for other partners — this increases personal liability.

### Corporation

A corporation is a legal entity that is separate from the owner(s). There are various expenses when incorporating your business, as well as additional paperwork. The main advantage for corporations is the owner's liability to the company is limited to the amount each owner has contributed in stock. But, there are significant drawbacks to incorporating. Extensive record keeping is required and corporations are closely regulated. There is also the taxation issue. Corporations are subject to taxes on their profits and the shareholders are subject to taxes on the dividends.

To form a corporation in Pennsylvania, you must file Articles of Incorporation (for DSCB: 15-1306) with the Corporation Bureau, Department of State, accompanied by a docketing statement in duplicate, form DSCB: 15-134A. Contact information is provided at the end of this booklet.



## Taxes, Permits and Other Legal Issues

There are several things you will need to investigate before you begin operating your business. You can be asking for trouble if you don't comply with all of the local, state and federal taxes, permits and regulations. Non-compliance can result in hefty fines or your business can be shut down! Contact information for offices listed in this section have been provided at the end of this booklet.

**Fictitious Name:** Before you begin operating your business, you should check to see if you need to register your business' name as a "fictitious name." This will save from hassles later on, should you choose a name that someone else has already registered. To find out more information, consult with your legal counsel or contact the Fictitious Name Search Office.

**Local taxes, permits and regulations:** Since each municipality is organized differently it is necessary that you contact the local government in which you are operating your business to determine if there are additional taxes, permits and regulations that are required for your business. You will also want to make sure that the real estate which you are operating your business on is zoned appropriately. And don't forget about local health and safety regulations.

**Scranton based businesses** must register their companies with the Income Tax Division, Collector of Taxes (570-963-6756). This must be done within five days of a company's acquisition or from the day business operations begin.

**State taxes, permits and regulations:** You will also need to determine which state taxes, permits and regulations apply to your business. You can visit [www.inventpa.com](http://www.inventpa.com) or call the Pennsylvania Department of Revenue.

**Federal taxes, permits and regulations:** Businesses also have to comply with all federal regulations, taxes and permits. It is recommended that you contact the IRS or visit them on the web at [www.irs.ustreas.gov](http://www.irs.ustreas.gov) for more information.

**Federal employer identification number (EIN):** Businesses that are planning on incorporating or hiring employees much apply for this number.



**If you are planning to hire employees for your business, you will need to explore the various labor regulations, taxes and permits. Don't forget to ask the offices listed above about this!**

## Types of Insurance

While you are taking care of all the other nitty, gritty details, you might as well call your insurance agent and find out about insuring your business. There are several types of insurance you will want to consider.

### **Theft insurance**

This can protect you from outside theft and theft by employees.

### **Property damage insurance**

This cannot only protect your premises, but also your inventory.

### **Liability insurance**

This can protect you from all of the incidentals, like a customer falling in your parking lot. Get at least twice your net worth!

### **Business interruption insurance**

This is priceless if your business should ever be “interrupted” by a random event, such as natural disasters, fires, etc.

### **Workers’ compensation insurance**

If you have employees, you *must* have this — it’s the law!

# PART 2

# DEVELOPING A BUSINESS PLAN

## Why Should You Develop a Business Plan?

One of the best ways to prepare to be an entrepreneur is to develop a business plan. Business plans are also a great way to show a lender that your business is worthy of their financial support.

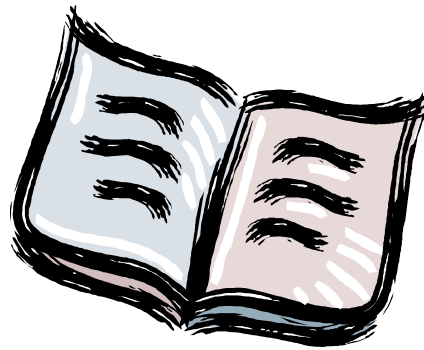
Before you open your business, you will need to do some research. A business plan is a document that clearly describes your vision and all of the details of your business. Putting together a business plan will help you find any flaws in the business and will make you carefully think about each phase of your business' development. A business plan can also be an important tool in documenting your business' progress in the future.

Your business plan should answer the following basic questions:

1. Who are you?
2. What do you want to do?
3. How do you plan to do it?
4. Where will you be in the future?

All business plans are unique. The outline below gives you the basic framework of a business plan but you may need to include more information than what is listed. On the same note, some of the topics may not apply to you, therefore, you should not include them in your plan. Remember, the more complete and thorough you are, the clearer your business plan will be to others.

- Cover Letter
- Title Page
- Table of Contents
- Company Overview
- Business Operations
- Business Environment
- Financial Management
- Supporting Documents





**Here are a few things to keep in mind when writing a business plan:**

1. A typed business plan is preferred, especially if you are planning on applying for financing.
2. Use titles for each section that you include in your business plan.
3. Feel free to change the wording of the sections but make sure you include all of the content that is listed.
4. Check your spelling and grammar. This is especially important if others will be reading your business plan.

Make sure you present your plan in an organized format.  
Loose pages are not recommended.

## Overview of Business Plans

This booklet is designed to be used as a guide to developing your business plan. Part II of this booklet has been divided into individual sections for each topic mentioned earlier. You are encouraged to write your responses in the spaces provided. Use separate sheets if you need more room to adequately answer a question.

As your plan develops, it will undergo many changes. It wise to develop a filing system for your business plan, keeping your plan and research organized and easy to find.

Once you have completed your plan, you should re-type the plan into a report format. That way, if you plan on applying for funding, you have everything you need and are ready to go.

Putting together a business plan may seem overwhelming, however, there are organizations out there that can help you through this planning phase. Your local SBDC can provide you with assistance when completing your business plan. Contact information is listed later in this booklet.

***Use the Small Business Planning Guide as a workbook when meeting with your business advisor or local SBDC.***

## Cover Letter

The cover letter to your business plan should introduce the business owner and the business to the reader. The first line of your cover letter should explain why you are submitting your business plan (financing, etc.).

The body of your cover letter should give a brief summary of your business plan. You should mention:

- The business owners and their qualifications
- What services or products you provide
- Who is your market and your competition
- How much funding do you need for your project
- How will the loan be repaid



Your cover letter should be no more than two pages in length.

## Title Page

The title page for your business plan should include your business name, address and phone number. It should also list the business' owners and titles.

## Table of Contents

## Company Overview

This section should give an overview of your company. Basic information about the business should be included in this section.

*What is the purpose of the business? What are your short term and long term goals?*

*What products/services are you selling?*

*What is unique about your business?*

*What are your company's strengths and weaknesses?*

*Who are the owners and key managers? Describe their experience and qualifications.*

*What is the legal structure of your business? Include a copy of your business license as an attachment to your business plan.*

*If you are purchasing an existing business, who started the business and when?*

*Why is the business for sale? What is the price? How was the price determined?*

*What is the history of the business?*

*What assets and/or liabilities are you buying?*

*What documentation do you have to support the sale? (Tax returns from the previous owner, etc.)*

*What will your management do to make the take-over successful?*



**Be careful before you purchase an existing business...**

- Review the financial statements and tax returns for the business from the last three years.
- Know the quality of any accounts receivable.
- Determine the age and value of the inventory.
- Know the age and condition of any equipment.
- Take pictures of the location and contents.
- Talk to the business' suppliers.
- Get a purchase agreement, including a detailed list of what is included with the sale and down payment amount. Be sure to include a clause that says the agreement is subject to financing approval.

## Business Operations

This section should give an overview of how your business will operate. It also gives a detailed description of the inner workings of your business.

*How many employees are there? What are their jobs and qualifications? How much do you pay them? Do you offer benefits? How will the owners be paid?*

*Do you have an attorney, accountant or consultant to assist management with important decisions? If yes, provide relevant information.*

*Have you participated in any business development programs (SBDC, etc)? Do you plan to participate in any?*

*How do you manage your company financially? Do you use manual or computerized accounting systems? Who is in charge of maintaining the company's financial records? Are there any areas that need improvement?*

*How do you price your services? How much price flexibility do you have? Are your prices competitive? Are there cheaper services? Will your prices give you adequate profit? Include a price list as an attachment to your business plan.*

*Do you extend payment terms to your customers? Describe your accounts receivable. How do you handle slow paying customers?*

*Who are your suppliers? Do they extend terms to you? Do you have alternate suppliers?*

*What specialized needs does your business have?*

## **Business Environment**

This section is a continuation of how your business operates. This section gives a detailed description of how your business interacts with the market.

*Where is your business located? How does your location help or hurt your business? Do you rent, lease or own your business location? Are the facilities adequate for your business needs?*

*What geographic area do you serve? Who are your target customers?*

*How large is the target market for your product or service? Is the market growing, stable or shrinking?*

*What are your marketing strategies?*

*Who are your competitors? What are their strengths and weaknesses?*

*Have any competitors recently failed? Why? What are your competitive advantages?*

*Are renovations necessary? Do you have quotes?*

*What are the zoning laws in your area? Do you comply?*

*What effect does this location have on your costs?*

## Financial Management

This section illustrates how your business is managed financially. Part 3 of this booklet will give you more detail in putting together this part of the business plan.

*Discuss how your business will be financed. What are your sources of initial capital?*

*Discuss any other sources of funding you have applied for.*

*How will the funds you are requesting be used? Will these funds create more jobs?*

*Discuss your equipment and supply list. Will you bringing any equipment to the business?*

*Explain your financial projections, financial statements and break even point. Explain the assumptions upon which you based these calculations.*

## Supporting Documents

This section of the business plan is for any documents that will support the narrative you have just written. Some examples of attachments are:



- Any licenses, permits, etc. for your business
- Tax returns for the principals for the last three years
- Balance sheet and profit and loss statement for the business\*
- Cash flow projections (a three year summary)\*
- Resumes for all principals
- Lease agreements
- Partnership agreements
- Articles of incorporation

\*MetroAction provides sample worksheets to help you complete this section.

There may be other items you wish to include in your business plan, or there may be items listed in this booklet that don't apply to you. This is *your* business plan — include what *you* feel is necessary.

A good rule of thumb to follow is to include more information than you think is necessary, especially if you are applying for financing. The more information a lender has at the start about your business, the easier it will be for them to process your proposal.

Putting together a business plan may seem overwhelming, however, there are organizations out there that can help you through this planning phase. Your local SBDC can provide you with assistance when completing your business plan. Contact information is listed later in this guide.

# PART 3

## DEVELOPING YOUR FINANCIAL PLAN

## Financial Planning

Don't assume that just because you are able to pay your bills, your business is financially secure. Having a well thought out financial plan is crucial to the overall success of your business. There are several tools out there that small businesses can use to help them plan for their financial future.

You will learn how to effectively use the following financial analysis forms:

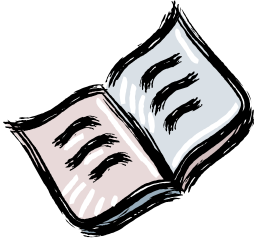
- Balance Sheet
- Profit and Loss Statement
- Cash Flow Projections
- Break Even Analysis

For each form, there is a description of the form, explanation of its use, a form with sample data and a blank form that you can use.

## Hints for Financial Planning

1. Make realistic assumptions. Don't be afraid to pinpoint weaknesses or risks in your financial plan. But, make sure that you come up with a plan to address these issues. You should keep a record of the assumptions you used to make your financials so that you can prove they are realistic to investors.
2. Show reasonable transition from past records to your projections if you are purchasing a business.

On the next page is a glossary of financial terms that you come across when preparing your financial statements or when working with a lender.



## GLOSSARY OF FINANCIAL TERMS

**ACCOUNTS PAYABLE:** money your firm owes to other organizations.

**ACCOUNTS RECEIVABLE:** money other organizations owe to your firm.

**ACCRUAL BASIS:** financial record-keeping system in which income is recorded when it is earned and expenses recorded when incurred.

**AMORTIZATION:** reduction of debt through installment payments.

**ASSETS:** cash, property and other resources owned by your firm.

**BALANCE SHEET:** a financial document summarizing your firm's assets, liabilities and net worth as of a given point in time.

**BREAK-EVEN POINT:** the point at which the amount of your sales income covers your costs.

**CASH FLOW STATEMENT:** a financial tool that describes moneys coming into and going out of your business.

**COLLATERAL:** assets pledged toward repayment of a debt.

**CURRENT ASSETS:** cash, inventory, accounts receivable and other assets that will be used in the operation of the business within one year.

**CURRENT LIABILITIES:** debts which your business will pay within one year.

**DEPRECIATION:** the reduction in value of an asset as the result of use.

**EQUITY FINANCING:** money contributed to the firm by the owner(s) and investors.

**FIXED COSTS:** expenses that don't change regardless of production increases or decreases (rent, insurance, interest on loans, etc).

**GROSS PROFIT:** the result of subtracting the cost of goods sold from sales.

**GUARANTOR:** the person who makes a commitment to repay a loan if another defaults.

**INCOME STATEMENT:** financial statement showing your firm's profit or loss within a specified period of time.

**LIABILITIES:** amounts owed to others.

**LINE-OF-CREDIT:** a lender agrees to allow a borrower to draw a pre-specified amount from an account on an as-needed basis.

**CONTINUED ON NEXT PAGE**

## GLOSSARY OF TERMS (CONTINUED...)

**NET PROFIT:** the result obtained when expenses are subtracted from revenues.

**OPERATING RATIOS:** expenses expressed as a percent of sales.

**OWNER'S DRAW:** the amount of money taken from the business by the owner.

**PROFIT AND LOSS STATEMENT:** a statement of the results of business operation for a specified period; the bottom line shows the net profit or loss of your firm.

**PRINCIPAL:** the amount owed on a loan (not including interest).

**PRO FORMA:** a financial planning statement that projects future performance.

**RECEIVABLES:** money owed to your firm by its customers.

**RETURN ON INVESTMENT:** profit generated from investing money in a firm.

**VARIABLE COSTS:** costs that change as production output changes (raw materials, production labor, storage and shipping, etc).

**WORKING CAPITAL:** money available to a firm for daily operations.

## COMMON FINANCIAL PROBLEMS

There are several factors that will raise a red flag to investors when they are reviewing your company's financial records.

1. **Little or no record keeping.** If your records are not up to par, you won't be able to foresee problems in your business, and you can get into trouble with the IRS!
2. **Failure to seek outside help.** If you don't understand your financial statements, ask someone for help. There are many organizations that can help small business owners such as SBDCs and SCORE.
3. **Poor management.** If your business is not managed properly, chances are it won't be successful. Be careful with your money.
4. **Reluctance to invest in the business.** Why should a lender stand behind your business if you won't?
5. **Failure to personally guarantee loan repayment.** Lenders need to be assured of your total commitment to your business' success.

## DETERMINING YOUR START UP COSTS

Start-up costs are those expenses that you will incur before your business opens. They vary according to the type of business, but this worksheet will help you begin the process of assessing your financial needs so that your venture is not undercapitalized at the outset.

Deposit, office or building lease (facility/location expense)	\$ _____
Decorating/remodeling/build-out (Changes in facility required for business operation)	\$ _____
Furniture/fixtures	\$ _____
Installation (fixtures, equipment)	\$ _____
Telecommunications/data	\$ _____
Utilities (installation and deposits)	\$ _____
Initial inventory (stock, supplies for manufacturing)	\$ _____
Office supplies	\$ _____
Advertising and promotion (Business cards, stationery, brochures, grand opening)	\$ _____
Signs (Vehicle, interior and exterior for facility)	\$ _____
Licenses, permits and fees	\$ _____
Insurance	\$ _____
Legal/professional services	\$ _____
Working capital (Cash reserve for early months of business before sales are sufficient to pay bills)	\$ _____
<b>Total Start-Up Costs</b>	<b>\$ _____</b>

## DETERMINING YOUR MONTHLY EXPENSES

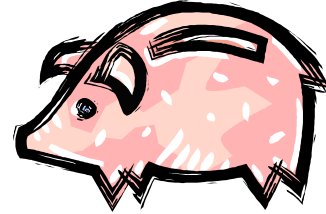
Some of your start-up expenses will also become ongoing monthly costs once your firm is in operation. It is necessary to estimate all of your monthly costs so that you are realistic about the income your firm will need. This worksheet includes some basic considerations. Completing it will help you and your accountant develop cash flow projections. In the column adjacent to the monthly expenses, make notes of those that increase or decrease in particular months.

	Monthly Expense	Possible Variations
Rent	\$ _____	_____
Equipment Lease	\$ _____	_____
Maintenance and Repairs	\$ _____	_____
Advertising	\$ _____	_____
Office Supplies	\$ _____	_____
Delivery	\$ _____	_____
Postage	\$ _____	_____
Vehicle Expenses	\$ _____	_____
Legal/Professional Fees	\$ _____	_____
Insurance(s)	\$ _____	_____
Telecommunications/Data	\$ _____	_____
Other Utilities	\$ _____	_____
Travel	\$ _____	_____
Dues/Memberships	\$ _____	_____
Materials	\$ _____	_____
Payroll	\$ _____	_____
Payroll Taxes	\$ _____	_____
<b>Total Start-Up Costs</b>	<b>\$ _____</b>	_____

## ASKING FOR MONEY

If you need financing for your business (as many do!) there are few things you keep in mind:

- Know how much money you need to borrow
- Determine what type of lender you need
- Know what you have to offer for collateral
- Find out the specifics of the loan



Most lenders will need to evaluate you and your business before deciding to give you money. The type of lender you approach and how much you ask for will determine how your application is reviewed.

## THE 6 C'S

Most lenders will evaluate your business based on the 6 C's:

1. **Character.** The degree to which a borrower feels a moral obligation to pay his/her debts. This is often measured by the borrower's credit and payment history.
2. **Capacity.** This is the borrower's capacity to pay back the loan. Lenders will analyze the borrower's financial statements and other information to make this determination.
3. **Capital.** Lenders prefer that the borrower has enough capital to support the business venture. Businesses that are undercapitalized are often viewed as unstable.
4. **Collateral.** An asset owned by the borrower, but promised to the lender against non-payment of the loan. The amount of collateral will vary by lender. The closer the collateral value is to the value of the loan, the more comfortable the lender will be that the loan will be repaid.
5. **Conditions.** Economic, geographic, industry, etc.
6. **Confidence.** A successful borrower instills confidence in the lender by addressing all the lender's concerns on the other 5 C's. The loan application sends a message that the company is professional and has an honest reputation.

## FINANCIAL STATEMENTS

### Profit and Loss Statement

This statement measures the result of operations of a business over a given period of time. The Profit and Loss Statement adds up all of the revenues of a business and subtracts all of the operating expenses, providing you with the **profits** (or **loss** if the expenses exceed the revenues). You should complete the Profit and Loss Statement for two years prior to the current year.

### Balance Sheet

This statement provides a "snapshot" of your company's financial position at any given point in time. The Balance Sheet is a list of what the business owns (assets) and what the business owes (liabilities), with the resulting difference being what the business is worth (net worth). You should complete the Balance Sheet for two years prior to the current year.

### Break Even Analysis

This series of calculations allows you to determine the amount of sales and/or number of products that needs to be sold in order for your business to cover its expenses. You should complete a Break Even Analysis for your first year of business.

### Cash Flow Projections

This statement shows how cash moves through your business in the form of receipts and expenses. This statement needs to be projected for three years. It is based on assumptions of how your business revenues and expenses will increase or decrease throughout the period. You should complete Cash Flow Projections for the next three years.

## Profit and Loss Statement



Here are a few points to keep in mind when putting together your Profit and Loss Statement:

- The Profit and Loss Statement provides a result of operations of a business over a given period of time. The Profit and Loss Statement adds up all of the revenues of a business and subtract all of the expenses of a business, leaving you with a figure representing the profits.
- Your Cost of Goods Sold are all costs directly involved in the manufacture of your product/service. These costs can include wages, materials and incoming freight.
- Net Income is your Pre Tax Income minus your Income Tax.
- To calculate the % Compared to Prior Year, follow the same formula you use with your Balance Sheet.

By preparing your Profit and Loss Statement in this format you will find it relatively easy to determine what your business has done and where it needs to be improved.

The Profit and Loss Statement lets your determine the following:

1. Have you controlled your costs?
2. Have you maintained or improved your margin (the difference between what it costs you to produce your product and the price you charge for it)?
3. Have you maintained or increase sales?

The following pages contain sample date for ACME Company. A blank Profit and Loss form has been provided for your use.

***MetroAction provides these sample documents solely to illustrate the information needed to complete our loan application process. MetroAction, Inc. cannot be held responsible for their use or any claims arising from their use. Your legal counsel, your accountant and other professionals should always be consulted in all relevant matters.***



**\*SAMPLE\***

Name: **ACME COMPANY**

**PROFIT AND LOSS STATEMENT**

	Year 1	Budget Year	Year 2	% Compared to Prior Year
<i>For year ending:</i>				
Sales	\$ 98,287.00		\$ 122,858.75	25%
- Cost of Goods Sold (COGS)	\$ 58,972.20		\$ 79,858.19	35%
<b>= Gross Profit</b>	<b>\$ 39,314.80</b>	<b>\$ -</b>	<b>\$ 43,000.56</b>	<b>9%</b>
<b>Expenses</b>				
Wages	\$ 1,525.00		\$ 1,874.00	23%
+ Payroll Expenses	\$ 365.00		\$ 458.00	25%
+ Bad Debt	\$ -		\$ 100.00	0%
+ Outside Services	\$ 100.00		\$ 50.00	-50%
+ Supplies	\$ 157.00		\$ 354.00	125%
+ Maintenance	\$ 50.00		\$ -	-100%
+ Advertising	\$ 200.00		\$ 698.00	249%
+ Car/Travel	\$ 100.00		\$ 250.00	150%
+ Accounting and Legal Expenses	\$ 100.00		\$ 150.00	50%
+ Selling Expenses	\$ -		\$ -	0%
+ Rent	\$ 15,000.00		\$ 15,000.00	0%
+ Telephone	\$ 1,569.00		\$ 1,874.00	19%
+ Utilities	\$ 1,896.00		\$ 2,136.00	13%
+ Sales Tax	\$ 3,587.00		\$ 4,698.00	31%
+ Real Estate Tax	\$ -		\$ -	0%
+ Insurance	\$ 2,500.00		\$ 2,500.00	0%
+ Interest -- Loan 1	\$ 325.00		\$ 325.00	0%
+ Interest -- Loan 2	\$ -		\$ -	0%
+ Interest -- Loan 3	\$ -		\$ -	0%
+ Depreciation	\$ 1,000.00		\$ 1,000.00	0%
+ Office Expense	\$ 251.00		\$ 369.00	47%
+ Miscellaneous	\$ 45.00		\$ 100.00	122%
<b>= Total Expenses</b>	<b>\$ 28,770.00</b>	<b>\$ -</b>	<b>\$ 31,936.00</b>	<b>11%</b>
<b>Pre Tax Income</b> (Gross Profit - Expenses)	<b>\$ 10,544.80</b>	<b>\$ -</b>	<b>\$ 11,064.56</b>	<b>5%</b>
- Income Tax	\$ 1,500.00		\$ 2,600.00	73%
<b>= Net Income</b>	<b>\$ 9,044.80</b>	<b>\$ -</b>	<b>\$ 8,464.56</b>	<b>-6%</b>



Name: \_\_\_\_\_

**PROFIT AND LOSS STATEMENT**

<i>For year ending:</i>	Year 1	Budget Year	Year 2	% Compared to Prior Year
Sales				
- Cost of Goods Sold (COGS)				
<b>= Gross Profit</b>				
<b>Expenses</b>				
Wages				
+ Payroll Expenses				
+ Bad Debt				
+ Outside Services				
+ Supplies				
+ Maintenance				
+ Advertising				
+ Car/Travel				
+ Accounting and Legal Expenses				
+ Selling Expenses				
+ Rent				
+ Telephone				
+ Utilities				
+ Sales Tax				
+ Real Estate Tax				
+ Insurance				
+ Interest -- Loan 1				
+ Interest -- Loan 2				
+ Interest -- Loan 3				
+ Depreciation				
+ Office Expense				
+ Miscellaneous				
<b>= Total Expenses</b>				
<b>Pre Tax Income</b> (Gross Profit - Expenses)				
- Income Tax				
<b>= Net Income</b>				

## Balance Sheet



Here are a few points to keep in mind when putting together your Balance Sheet:

- The Balance Sheet provides a "snapshot" of a company's financial position at any given point in time. It is a listing of what the company owns (assets) and what the company owes (liabilities).
- Current assets are the assets you have received during that year. For instance, if you are completing your Balance Sheet for year ending December 2000 (Year 1), you will list your current assets as the value of your cash, inventory, etc during the year 2000.
- Short Term Notes Payable are any loans that will be paid off during the year that your are reporting.
- Current Long Term Debt is the portion of your long term debt that will be paid during that year. For example, if you will pay \$12,000 on a 30 year mortgage (a long term debt) during the year 2000, that amount will be the current long term debt for the year ending December 2000. It was the portion of the long term debt that was due/paid during the year.
- Owner's Net Worth is your total assets minus your total liabilities. On the sample balance sheet, this calculation would be:  $\$292,912.00 - \$268,733.00 = \$24,179.00$

This amount is what the business is worth.

- The "Total Liabilities and Net Worth" field on the balance sheet is exactly what it says. It is the amount of your Total Liabilities plus the amount of your Owner's Net Worth. On the sample balance sheet, this calculation would be:  $\$268,733.00 + \$24,179.00 = \$292,912.00$
- The % Compared to Prior Year fields on the Balance Sheet tells you how each line item on the Balance Sheet has changed from the previous year. On the sample Balance Sheet, the Cash line item increased by 147%. This means that Year 2 had 147% more cash than Year 1. To calculate the % Compared to Prior Year, you take the amount in Year 2 and subtract the amount from Year 1. You would then divide that figure by the amount in Year 1 and then multiply your answer by 100. On the sample balance sheet, this calculation would be (for the cash line item):

$$\$3,698 - \$1,500 = \$2,198$$

$$\$2,198 / \$1,500 = 1.465$$

$$1.465 * 100 = 147\%$$

The following pages contain sample data for ACME Company. A blank Balance Sheet has been provided for your use.





## Break-Even Analysis

The following steps will guide you through the process of determining your company's break-even point.

### 1. Classify your costs into two groups for a specific time period: Direct and Indirect

*\*It is recommended that you use a one-month time period. Do not use a period of time greater than one quarter.*

**Direct costs** are caused by sales and increase or decrease as sales volume increases or decreases. The following costs are examples of variable costs: cost of goods sold, direct labor, commissions, discounts, etc.

**Indirect costs** are those that will remain the same over a reasonable range of sales. The following costs are examples of fixed costs: rent, loan payments, utilities, insurance, administrative salaries, advertising, depreciation, supplies, etc.

### 2. Determine the number of products and/or services sold over the determined period of time.

*Use the same period of time that you used when determining direct and indirect costs.*

### 3. Determine the average sale price per unit for the products and/or services sold over the determined period of time.

*Use the same period of time that you used when determining direct and indirect costs.*

**4. Calculate your costs per unit**

*Direct Cost Per Unit = Total Direct Costs / # Products and/or Services Sold*

*Indirect Cost Per Unit = Total Indirect Costs / # Products and/or Services Sold*

*Total Cost Per Unit = Direct Cost Per Unit + Indirect Cost Per Unit*

*\*This number tells you the amount you will need to charge per item to break even.*

**5. Calculate your break even point**

*# of units to cover direct costs = Total Direct Costs / Average sale price per unit*

*# of units to cover indirect costs = Total Indirect Costs / Average sale price per unit*

*Total # of units sold to break even = # of units to cover direct costs + # of units to cover indirect costs*

*\*This number tells you the number of products/services you will need to sell to break even.*

The following pages contain sample data for ACME Company. A blank Break Even Analysis Form has been provided for your use.



**\*SAMPLE\***

**Name: ACME COMPANY**

**BREAK EVEN ANALYSIS**

A. Total direct costs for the month:	\$ 1,500.00
B. Total indirect costs for the month:	\$ 2,600.00
C. Total # of products/services sold for the month:	2000
D. Average sale price per unit:	\$ 5.00

<b>Calculation</b>	<b>Formula</b>	
F. Direct cost per unit	A/C	\$ 0.75
G. Indirect cost per unit	B/C	\$ 1.30
H. Break Even Sale Price	F+G	\$ 2.05
I. Break Even Units	(A/D)+(B/D)	820



Name:

**BREAK EVEN ANALYSIS**

- A. Total direct costs for the month:
- B. Total indirect costs for the month:
- C. Total # of products/services sold for the month:
- D. Average sale price per unit:

\$
\$
\$

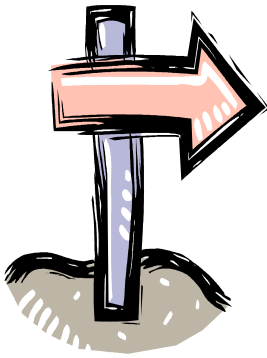
**Calculation**

- F. Direct cost per unit
- G. Indirect cost per unit
- H. Break Even Sale Price
- I. Break Even Units

**Formula**

- A/C
- B/C
- F+G
- $(A/D)+(B/D)$

\$
\$
\$



## Cash Flow Projections

1. Enter the month and year in field A1 of the sample cash flow projections worksheet.
2. Enter your current cash on hand (i.e. amount you have in your check book, etc) for the month in field A2 of the sample cash flow projections worksheet.
3. Enter your cash sales (sales that you have made and that have been paid for -- do not include accounts receivable) for the month in field A3 of the sample cash flow projections worksheet -- make sure to include the cash injection from the loan you are requesting (in the month when you expect to have the funds).
4. Enter your account receivable (sales that you have not yet been paid for) for the month in field A4 of the sample cash flow projections worksheet.
5. Add together fields A2 and A3 for the month in field A5 of the sample cash flow projections worksheet -- do **NOT** add field A4.
6. Enter your cost of goods sold (all costs directly involved in the manufacture of your product/service -- these costs include wages, specifically involved in the product/service, materials and incoming freight) for the month in field A6 of the sample cash flow projections worksheet.
7. Enter all of your operating expenses for the month in fields A7 through A24 of the sample cash flow projections worksheet.
8. Add together the cost of all of your expenses (fields A7 through A24) from your total cash available (A2 plus A3) for the month in field A26 of the sample cash flow projections worksheet.
9. Subtract your total expenses (field A25) from your total cash available (A2 plus A3) for the month in field A26 of the sample cash flow projections worksheet.
10. Put the figure from field A26 into field B1.
11. Repeat instructions 3 through 10 for the following month.

The following pages contain sample data for ACME Company. A blank Cash Flow Form has been provided for your use.

**Company Name:** ACME COMPANY

	A	B	C	D	E	F	G	H	I	J	K	L	M
1 Month/Year	J-02	F-02	M-02	A-02	M-02	J-02	J-02	A-02	S-02	O-02	N-02	D-02	TOTAL
2 Cash on Hand	(432.21)	20,274.54	18,955.98	24,451.38	30,963.13	37,132.93	41,584.79	49,616.66	57,690.98	66,681.82	77,642.42	88,246.90	512,809.32

**Sales**

3 Sales	35,000.00	15,000.00	22,000.00	24,000.00	25,000.00	25,000.00	30,000.00	32,000.00	35,000.00	40,000.00	42,000.00	45,000.00	370,000.00
4 Accounts Receivable	2,000.00	1,000.00	1,500.00	3,500.00	3,750.00	4,000.00	4,000.00	3,000.00	1,000.00	0.00	2,000.00	3,000.00	28,750.00
5 Total Cash Available	34,567.79	35,274.54	40,955.98	48,451.38	55,963.13	62,132.93	71,584.79	81,616.66	92,690.98	106,681.82	119,642.42	133,246.90	882,809.32

**Cash Paid Out**

6 Cost of Goods Sold	4,657.52	5,356.15	6,159.57	7,083.51	8,146.03	9,367.94	10,733.13	12,389.10	14,247.46	16,384.58	18,842.27	21,668.61	1,252,809.32
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**Operating Expenses**

7 Advertising	200.00	220.00	242.00	266.20	292.82	322.10	354.31	255.45	150.00	300.00	300.00	300.00	3,202.88
8 Payroll	2,000.00	2,200.00	2,200.00	2,200.00	2,200.00	2,200.00	2,200.00	2,200.00	2,200.00	2,200.00	2,200.00	2,200.00	26,200.00
9 Taxes	356.25	391.88	391.88	391.88	391.88	391.88	391.88	391.88	391.88	391.88	391.88	391.88	4,666.93
10 Supplies	200.00	220.00	300.00	150.00	200.00	145.00	225.00	360.00	300.00	325.00	375.00	285.00	3,085.00
11 Furniture & Equipment	0.00	890.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00	990.00
12 Insurance	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	30,000.00
13 Legal and Professional	0.00	0.00	0.00	0.00	0.00	300.00	0.00	0.00	0.00	0.00	0.00	0.00	300.00
14 Repairs and Maintenance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	500.00	0.00	0.00	500.00
15 Office Expense	250.00	275.00	302.50	332.75	366.03	402.63	442.89	487.18	535.90	589.49	648.44	713.28	5,346.09
16 Utilities	1,132.58	1,245.00	1,370.42	1,507.46	1,658.21	1,824.03	2,006.43	2,207.08	2,427.79	2,670.56	2,937.62	3,231.38	24,218.56
17 Auto Expenses	536.25	589.88	607.58	625.80	644.58	663.92	683.83	704.35	725.48	747.24	769.66	792.75	8,091.31
18 Auto Loan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
19 Rent	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	18,000.00
20 Bad Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
21 Loan #1	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	1,800.00
22 Microloan Payment	780.65	780.65	780.65	780.65	780.65	780.65	780.65	780.65	780.65	780.65	780.65	780.65	9,367.80
23 Miscellaneous/Other	30.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30.00
24 Depreciation	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	12,000.00

**25 Total Expenses**

25 Total Expenses	15,293.25	17,318.56	17,504.60	18,488.25	19,830.20	21,548.15	22,968.12	24,925.69	27,009.16	30,039.40	32,395.52	35,513.55	282,834.44
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**26 Cash Position**

26 Cash Position	19,274.54	17,955.98	23,451.38	29,963.13	36,132.93	40,584.79	48,616.66	56,690.98	65,681.82	76,642.42	87,246.90	97,733.35	599,974.87
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**Company Name:**

	CASH FLOW PROJECTIONS												
Month/Year													YEAR TOTAL
Cash on Hand													
<b>Sales</b>													
Sales													
Accounts Receivable													
<b>Total Cash Available</b>													
<b>Cash Paid Out</b>													
Cost of Goods Sold													
<b>Operating Expenses</b>													
Advertising													
Payroll													
Taxes													
Supplies													
Furniture & Equipment													
Insurance													
Legal and Professional													
Repairs and Maintenance													
Office Expense													
Utilities													
Auto Expenses													
Auto Loan													
Rent													
Bad Debt													
Loan #1													
Microloan Payment													
Miscellaneous/Other													
Depreciation													
<b>Total Expenses</b>													
<b>Cash Position</b>													



## Budget Assumptions

Use this form to create a record of the assumptions you used when creating your financial statements. This record can be used to back up your statements when you are presenting them to investors.

You should be realistic when making assumptions in your financial statements. Carefully evaluate how you are anticipating the upcoming changes in your business. Some things to consider are:

- Will you be hiring any new employees? How will this affect your salaries, insurances, etc.?
- Will you be purchasing any new equipment?
- Will you be moving your location?
- Will you be taking on any additional financing or debt?
- Will your revenues be increasing or decreasing?
- Will the season (start of new school year, Christmas, etc...) affect your revenues?



**Budget Assumptions  
Expenses**

**PERSONNEL COSTS:**

**Salaries:**

Increase - \$ or %	<u>4 % increase over prior year due to performance raises</u>
Month of Change	<u>January</u>
Positions Added and Month Expected	<u>Office assistance/April 1/Annual Salary \$24,000</u>
Positions Eliminated and Month Expected	<u>None</u>
Other Known or Expected Changes	<u>None</u>

**Payroll Taxes:**

% of Salaries	<u>8% of salaries</u>
---------------	-----------------------

**Benefits:**

Health Insurance	<u>10% increase</u>
Pension / 401 (k)	<u>3 % of salaries</u>
Life Insurance	<u>2% of salaries</u>

**OTHER EXPENSES:**

**Occupancy & Equipment:**

Rent	<u>Rental agreement renews. July 1/ 3% escalation in annual rent</u>
Utilities	<u>2% increase</u>
Repairs & Maintenance	<u>No change</u>
Depreciation	<u>(Consider any new equipment purchases)</u>

**General & Administrative:**

Advertising	<u>5% increase due to production costs of TV commercial in Sept</u>
Office Supplies	<u>No change</u>
Printing	<u>No change</u>
Seminars & Training	<u>\$1,000 increase to attend conference in August</u>
Travel	<u>No change</u>
Entertainment	<u>No change</u>
Legal & Consulting	<u>No change</u>
Accounting	<u>No change</u>
Insurance	<u>2% increase in premiums</u>
Dues & Subscriptions	<u>No change</u>
Miscellaneous	<u>No change</u>

**Other:**

Interest Expense	<u>Based on loan amortization schedules</u>
Amortization Expense	<u>No change</u>



**Budget Assumptions  
Expenses**

**PERSONNEL COSTS:**

**Salaries:**

Increase - \$ or % \_\_\_\_\_  
 Month of Change \_\_\_\_\_  
 Positions Added and Month Expected \_\_\_\_\_  
 Positions Eliminated and Month Expected \_\_\_\_\_  
 Other Known or Expected Changes \_\_\_\_\_

**Payroll Taxes:**

% of Salaries \_\_\_\_\_

**Benefits:**

Health Insurance \_\_\_\_\_  
 Pension / 401 (k) \_\_\_\_\_  
 Life Insurance \_\_\_\_\_

**OTHER EXPENSES:**

**Occupancy & Equipment:**

Rent \_\_\_\_\_  
 Utilities \_\_\_\_\_  
 Repairs & Maintenance \_\_\_\_\_  
 Depreciation \_\_\_\_\_

**General & Administrative:**

Advertising \_\_\_\_\_  
 Office Supplies \_\_\_\_\_  
 Printing \_\_\_\_\_  
 Seminars & Training \_\_\_\_\_  
 Travel \_\_\_\_\_  
 Entertainment \_\_\_\_\_  
 Legal & Consulting \_\_\_\_\_  
 Accounting \_\_\_\_\_  
 Insurance \_\_\_\_\_  
 Dues & Subscriptions \_\_\_\_\_  
 Miscellaneous \_\_\_\_\_

**Other:**

Interest Expense \_\_\_\_\_  
 Amortization Expense \_\_\_\_\_



**\*SAMPLE\***

**BUDGET ASSUMPTIONS  
REVENUE**

**REVENUE:**

***Sales/Fees:***

Growth Percentage Goals	<u>10% projected growth</u>
Price/Fee Increases	<u>No change</u>
New Products/Services	<u>Adding 10 more children to enrollment</u>
Product/Service Discontinuation	<u>None</u>
Cyclical/Seasonal	<u>Expecting to lose 3% of enrollment in Sept (start of school)</u>
Other Known or Expected Changes	<u>None</u>

***Other Income:***

Interest	<u>None</u>
Miscellaneous	<u>None</u>



**BUDGET ASSUMPTIONS  
REVENUE**

**REVENUE:**

***Sales/Fees:***

- Growth Percentage Goals \_\_\_\_\_
- Price/Fee Increases \_\_\_\_\_
- New Products/Services \_\_\_\_\_
- Product/Service Discontinuation \_\_\_\_\_
- Cyclical/Seasonal \_\_\_\_\_
- Other Known or Expected Changes \_\_\_\_\_

***Other Income:***

- Interest \_\_\_\_\_
- Miscellaneous \_\_\_\_\_

# PART 4

# OTHER INFORMATION

## ALTERNATIVE FINANCING SOURCES

These are the most common places to find \$\$\$ to start your business:



- Savings, investments, and salable investments
  - Family and friends
  - Life insurance
  - Home equity
  - MetroAction's Loan Programs
  - The Small Business Administration (SBA)
  - Bank loans
  - Angel investors
- Venture capitalists

These are just some of the funding opportunities available to small business. There are other places to find funds to start your business. Some other places you can research sources are, the Internet, your local SBDC and The Greater Scranton Chamber of Commerce.

MetroAction works closely with area banks. We are willing to partner with area financial institutions to complete a financing package. For example, if you need \$50,000 to start up your business and you have a commitment from Bank X for \$25,000, MetroAction can work with you to obtain the additional \$25,000 that you need to complete your financing package (subject to application approval).

### ***OTHER PROGRAMS YOU MAY WANT TO EXPLORE:***

**MetroAction works closely with area banks. We are willing to partner with area financial institutions to complete a financing package. You should first contact your local bank to see if you are eligible for financing through their organization.**

**Ben Franklin Technology Partners (BFTP)** -- this organization provides funding and free services to entrepreneurs and early stage firms. For more information call (570) 819-4002.

**City of Scranton's Façade Improvement Grant Program** -- this program provides grants to businesses who wish to rehabilitate historic buildings in the City's Commercial District. For more information, call (570) 348-4216. This program can be used in conjunction with SIDCo's Façade Improvement Loan Program.

**City of Scranton's Loan Program** -- this program provides low interest loans for small businesses located in Scranton. For more information, call (570) 348-4216.

**The Community Economic Development Loan Program (CED)** -- this program authorizes loans for small businesses in distressed communities. For more information call (800) 379-7448.

**The Guaranteed Free Training Program** -- this program provides workforce development grants for basic skills and information technology training for eligible businesses and their employees. For more information, visit [www.wednetpa.com](http://www.wednetpa.com) or call 1-877-933-6387.

**Hemisphere Financial** -- this organization was created to help borrowers that don't quite meet a bank's normal small business lending requirements. For more information call (570) 291-0075.

**MetroAction Child Care Loan Program** -- this program provides low interest loans for child care providers in Lackawanna, Luzerne and Monroe counties. For more information, call (570) 342-7711. This program is available to start up and expanding providers.

**National Bankers Association (NBA)** -- this organization targets minority owned businesses. For more information, call (202) 588-5432.

**NEPA Revolving Loan Program** -- this program provides low interest financing for business development resulting in employment creation/retention. For more information call (570) 655-5581.

**NEPIRC Revolving Loan Program** -- this program provides low interest financing to industrial/manufacturing businesses in NEPA. For more information call (570) 819-8966.

**Opportunity Grant Program** -- this program provides funding to firms that will create or retain jobs in Pennsylvania. For more information call (717) 787-8199.

**Pennsylvania Capital Access Program (PennCAP)** -- this loan guarantee program is designed to help borrowers that don't quite meet a bank's normal small business lending requirements. For more information, contact your local lending institution.

**The Pennsylvania Minority Business Development Authority (PMBDA)** -- this program offers low interest financing to businesses owned and operated by ethnic minorities. For more information call (717) 783-5046.

**SIDCo Façade Improvement Loan Program** -- this program provides low interest loans for businesses in Lackawanna County who wish to improve the exterior of their facility. For more information, call (570) 342-7711. This program can be used in conjunction with the City of Scranton's Façade Improvement Grant Program.

**SBA Pre-Qualification Loan Program** -- this program provides low interest financing to minority, women or veteran owned small businesses in NEPA. For more information on this program, or other SBA programs call (570) 941-7588.

**Small Business First (SBF)** -- this program provides low interest financing to small businesses, especially, hotel, motel, lodging facilities, and restaurant or food service operators. For more information call (717) 783-5046.

**The US Commerce Department's Minority Business Development Agency** -- this organization helps minority owned start up businesses. For more information, call (202) 482-1015.

**These are just some of the funding opportunities available to small business. There are other places to find funds to start your business. Some other places you can research sources are, the internet, your local SBDC and your local library.**

*For more information on these, and other programs in Pennsylvania, download the Business Financing Programs Guide at: <http://www.inventpa.com/docs/Bus-Finance-Programs.pdf>*



## FREQUENTLY ASKED QUESTIONS ABOUT LOANS

### **Do I need to be concerned with zoning and licensing when opening a small business?**

Zoning is regulated at the local level. Before purchasing or renting any building for commercial purposes, check with the local municipality to ensure that the proposed type of business can be operated at the selected site.

Certain enterprises require federal and/or Commonwealth licensing. To determine applicability, contact The Small Business Resource Center, Room 461, Forum Building, Harrisburg, PA 17120. State forms are also available by calling (717) 783-5700 or 800-280-3801. Each municipality, where a business is planning to operate, should be contacted to determine local requirements.

### **Do I need to register my business name?**

Any entity that conducts business under an assumed or fictitious name must register with The Pennsylvania Department of State. However, the surname of a person standing alone or coupled with words that describes the business is not a fictitious business name and does not need to be registered. For example, "Smith's Auto Repair" would not be a fictitious name because it includes the name of the owner.

To register, file form DSCB: 54-311 with The Corporation Bureau in The Department of State, Corporation Bureau, Room 308, North Office Building, Harrisburg, PA 17120, or call, (717) 787-1057.

Additionally, the business must advertise in a newspaper of general circulation and in the county's legal newspaper. The legal newspaper in Lackawanna County is *The Lackawanna Jurist*, 204 Wyoming Avenue, Suite 205, Scranton, PA 18503, or call (570) 969-9161.

### **What labor regulations do I need to be concerned with as a business owner?**

The Internal Revenue Service and the Social Security Administration require every employer to obtain an Employer Identification Number. A complete IRS Form SS-4 is available through the local IRS office or call 1-800-829-1040.

Businesses should determine the applicability of the following:

- Occupation, Safety, and Health Law
- Minimum Wage Act
- Equal Pay Law
- Wage Payment and Collection Law
- Employment Certification
- Child Labor Law
- Industrial Homework Law
- Personnel File Act
- American Disabilities Act
- Immigration Law

For further details on these and other pertinent laws/regulations, contact: Labor Law Compliance, Department of Labor and Industry, 100 Lackawanna Avenue, Room 201B, Scranton, PA or call (570) 963-4577.

### **Do you need a lawyer to start a business?**

No, but it's wise to get the best advice possible when you're starting out. An attorney is one source of the expertise you'll need to draw on. MetroAction recommends that every entrepreneur seeks out as much advice as possible. If you would like the names and contact information for local attorneys, accountants and insurance agents please contact MetroAction at (570) 342-7711.

### **What form of business do you recommend for a new business?**

Each form, sole proprietorship, partnership, or corporation, has its advantages and disadvantages. MetroAction strongly recommends that you consult with your attorney and/or accountant before selecting a particular ownership type. Refer to the XXX section of this guide for more information on choosing the proper ownership type for your business.

### **Are there any "Grants" available for my start-up business?**

Grants for small businesses are uncommon, even for women and minority owned businesses. There are a few highly competitive grants for high technology type businesses or businesses producing products that can be used by certain agencies or departments involved in our nation's defense. These grants are rare and have very strict requirements. Most state and federal programs for small businesses are *loan* programs.

### **Do women qualify for minority loan programs?**

While the answer may be different in other states, in Pennsylvania there are no low interest loan programs or grants specifically for women. There is an SBA program for women with good credit history — you can contact your local bank for information on the SBA Women's Prequalification Loan Program. Women may get preferential treatment in government contracting. But, otherwise, women compete with men for the same funding.

### **What is a Microloan and how can I apply for one?**

The Microloan Program is a financial assistance program that was established to assist start-up or expanding small business in the northeast region of Pennsylvania. The objective of the Microloan Program is to provide capital to develop or expand profitable small business activities that are unable to secure traditional financing at competitive market rates.

Most small businesses in Lackawanna, Luzerne, and Monroe counties are eligible for the Microloan Program. A small business is defined by MetroAction as a company with less than 50 employees and less than \$500,000 in annual sales. The Microloan Program is available to business types such as retail, service, manufacturing, and industrial.

For information on applying for a Microloan call MetroAction at (570) 342-7711. Each prospective borrower will be asked to complete the application package which includes, but is not limited to the following:

- A completed application with the \$25 application fee;
- A comprehensive business plan with three years of cash flow projections;

Copies of Federal income tax returns for three consecutive years for each applicant.

## Helpful Resources

### Websites

PA Small Business Development Centers

[www.pasbdc.org](http://www.pasbdc.org)

Invent PA

[www.inventpa.com](http://www.inventpa.com)

SCORE

[www.score.org](http://www.score.org)

IRS

[www.irs.ustreas.gov](http://www.irs.ustreas.gov)

Inc. Magazine

[www.inc.com](http://www.inc.com)

LackawannaInfo.org

[www.lackawannainfo.org](http://www.lackawannainfo.org)

Team PA Entrepreneurial Network

[www.pabizhelp.com](http://www.pabizhelp.com)

### Organizations

Greater Scranton Chamber of Commerce

[www.scrantonchamber.com](http://www.scrantonchamber.com)

570-342-7711

Small Business Development Center

<http://sbdc.scranton.edu>

University of Scranton

1-800-829-7232

Small Business Development Center

<http://sbdc.wilkes.edu>

Wilkes University

1-800-WILKESU

Small Business Administration

[www.sba.gov](http://www.sba.gov)

215-580-2722

Pocono Mountains Chamber of Commerce

[www.poconochamber.net](http://www.poconochamber.net)

570-421-4433

Greater Wilkes-Barre Chamber of Business  
and Industry

[www.wilkes-barre.org](http://www.wilkes-barre.org)

570-823-2101

Greater Hazleton Chamber of Commerce

[www.hazletonchamber.org](http://www.hazletonchamber.org)

570-455-1508

NEPA Alliance

[www.nepa-alliance.org](http://www.nepa-alliance.org)

570-655-5581

### Book

Small Business for Dummies

### Software

Quickbooks



### Don't forget to check out your local library!

Your local library can provide you with many books and publications about owning a small business. Ask the librarian where you should start.

## IMPORTANT TELEPHONE NUMBERS



<b>Small Business Resource Center</b> .....	1-800-280-3801
<b>Pennsylvania Department of Labor and Industry</b>	
Building Occupancy Permit .....	717-787-3806
Labor Law Compliance .....	1-800-932-0665
Unemployment Compensation .....	717-787-2097
Benefits and Allowances .....	717-787-3547
Tax .....	717-787-6647
Workers' Compensation .....	717-772-4447 or 1-800-482-2383 (in PA)
Job Centers .....	1-800-345-2555
<b>Pennsylvania Department of Revenue</b>	
Sales Tax Questions (Taxability of an Item) .....	717-787-1064
Sales Tax Questions (On a Sales Tax Account) .....	717-787-1064
Sales Tax Licensing .....	717-772-2340
1% Local Sales and Use Tax (Philadelphia and Allegheny Counties) .....	717-787-1064
Employer Withholding Tax (Questions) .....	717-783-1064
Employer Registration .....	717-772-2340
Employer Tax Billing and Assessment .....	717-787-1586
Corporation Taxes (Rate & Base Changes) .....	717-783-6035
Cigarette Tax .....	717-783-9374
Malt Beverage Tax .....	717-783-9354
Small Games of Chance .....	717-787-8275
Use Tax (Aircraft, Watercraft, Motor Vehicle, Miscellaneous) .....	717-772-2960
Public Transportation Assistance Fund & Tax & Fees .....	717-787-2104
Taxpayer Service and Information Center .....	717-787-1064
Specific Legal Questions on Tax Changes .....	717-787-1382
Electronic Funds Transfer (All Business Tax Types) .....	1-800-892-9816
<b>Pennsylvania Department of State Corporation Bureau</b> .....	
Charitable Organization Registration .....	717-787-1057
Fictitious Name Search Office .....	717-787-1057
Bureau of Professional and Occupational Affairs .....	717-787-8503
Licensing Boards (General Information) .....	717-787-8503
<b>Immigration and Naturalization Service (INS) National Customer Service Center</b> .....	1-800-375-5283
<b>Federal Information Center</b> .....	1-800-688-9889
<b>Internal Revenue Service (IRS)</b>	
Employer Identification Number (EIN) Information .....	1-800-829-1040
<b>U.S. Small Business Administration</b>	
Harrisburg .....	717-782-3840
Philadelphia .....	215-580-2722
Pittsburgh .....	412-395-6560
Wilkes-Barre .....	570-826-6497
Charlotte, NC (Answer Desk) .....	1-800-827-5722
<b>PA Dept of Public Welfare — Lackawanna County</b> .....	570-963-6644
<b>PA Dept of Public Welfare — Luzerne County</b> .....	570-822-6500
<b>PA Dept of Public Welfare — Monroe County</b> .....	570-420-3590
<b>Northeast Region Child Day Care Office</b> .....	1-800-222-2108