

# How to Start a Business in Mohave County

## A Complete Guide



*Helping Small Businesses Succeed!*

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## Dear Entrepreneur:

Welcome to the exciting world of business!

We've prepared this information to help you better understand what it takes to start a successful business. It is hoped that you will find it useful in your decision making process.

Your Small Business Development Center (SBDC) provides management and marketing counseling to business owners and prospective entrepreneurs who do not have the means to purchase this service from private counselors. All counseling assistance is provided at **no cost** to the client. Mohave Community College and the US Small Business Administration (SBA) jointly fund your Center.

Our mission is to help the businesses of Mohave County succeed. One-on-one **confidential** counseling is our primary method of assisting clients. We also conduct a variety of seminars and workshops that may also be of benefit to you.

In order for us to better understand your specific needs, it is requested that after you have read the booklet, please:

1. Complete each of the self-assessment assignments.
2. Learn more about writing your business plan by visiting the SBA website at [http://www.sba.gov.starting\\_business/startup/guide.html](http://www.sba.gov.starting_business/startup/guide.html)

When you are ready to go forward, please call our office to schedule a counseling appointment. It is important that you bring your completed assessments to the meeting.

We also have a variety of research materials and informational items available in our office for your use. Just ask us and we will be happy to assist you.

If you have questions or need additional information, feel free to call us. You'll also find helpful information at [www.mohave.edu/sbdc](http://www.mohave.edu/sbdc)

Most Cordially,

Kelley Marsh  
SBDC Director  
Mohave Community College

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## **Chapter 1: The Facts – Entrepreneurship Involves Risks and Rewards**

Starting a business can be relatively easy. Operating a profitable business can be extremely difficult. The US Small Business Administration (SBA) indicates that:

- ◆ 50% of all new businesses fail within 18 months, and
- ◆ 95% of all new businesses close within the first five years

The most common reasons for failure include:

- ◆ Inadequate planning
- ◆ Poor management
- ◆ Lack of experience in the specific industry
- ◆ Not enough money to continue operations
- ◆ No business experience
- ◆ Denial that the business is in trouble

Business failures often result in:

- ◆ Personal bankruptcy
- ◆ Debt repayments
- ◆ Loss of savings
- ◆ Strained or broken family relationships
- ◆ Foreclosures
- ◆ Loss of a regular paycheck

Rather than dwell on failure, let's talk about creating a profitable business.

Here are some facts about successful businesses:

- ◆ Owners spent 6 to 10 months researching and preparing before they began
- ◆ 90% asked for professional help (lawyer, accountant, SBDC advice, etc.)
- ◆ Almost 70% took business courses prior to start-up
- ◆ More than 50% expected to be patient and had modest expectations of success

### **The Three “C’s” of Starting a Business**

#### **Cash**

Most start-ups are self-financed from savings and borrowing from family and friends. Banks do not offer 100% financing. The borrower typically contributes a minimum of 20% cash in order to secure the loan. Borrowers must also have an excellent credit history. We'll discuss more about financing in Chapter 5.

## Commitment

Successful business owners work long hours, often 14 or more hours each Day-six or seven days a week. The owner is responsible for every aspect of the business. If you don't do it, it won't get done. Are you and your family prepared to make this critical sacrifice of time and energy towards the business?

There is an incorrect perception that small business owners are rich. False! Over time, many business owners are able to make a modest living. Most likely, you won't become rich unless you've invented a cure for the common cold or a software application that everyone must have.

## Confidence

An entrepreneur has an extremely high level of confidence in his/her abilities to succeed. An entrepreneur understands the inherit risk factor and sometimes fail in a venture. Failure becomes a learning experience from which they proceed to the next idea.

You've probably heard the saying, "Don't give up your day job." Almost 75% of new business owners already have a full-time job when they start their business. Most (60%) businesses are home based in the beginning.

And now for a reality check. You may have high self-confidence, however, you **must** have a product or service that the market wants and is willing to purchase. If there is no market demand, you **will not** have a business.

## Small Businesses are Important

Small businesses are the backbone of the American economy. In Arizona a small business is defined as having fewer than 200 employees. Of all US businesses, it is estimated that more than 99% (24 million) are small. The SBA Office of Advocacy indicates nationally that, those small businesses:

- ◆ Create 75% of all new jobs
- ◆ Employ 52% of the business workforce
- ◆ Produce 51% of our nation's private sector gross domestic product (GDP)
- ◆ Generate 96% of all the US exported goods and services
- ◆ Include 7 million women and minority-owned firms
- ◆ Provide about 67% of "first job" opportunities
- ◆ Produce more than half of the innovations in products

In Arizona it is estimated that there are more than 250,000 small businesses employing 51% of the state's private sector non-farm employees. As you can see small businesses do succeed. Do you have what it takes? Please read on.

## Chapter 2: Do You Have What It Takes to Succeed?

Starting a business is easy. Owning and managing a successful one requires a lot of hard work and determination. An entrepreneur is often described as “Someone who spends 16 hours per day working for themselves, so that he/she does not have to work eight hours per day for someone else.”

You need to ask, “Why do I want to start my own business?” Entrepreneurs commonly cite three reasons for starting a business:

- ◆ be my own boss
- ◆ controlling my destiny
- ◆ personal achievement

The next step in deciding whether or not you should start your own business is to determine

whether entrepreneurship is right for you. Some entrepreneurial factors include:

- ◆ the inspiration of a marketing idea
- ◆ the willingness to struggle against long odds
- ◆ the determination to work hard and stay the course

### Know Yourself

It is important to honestly assess your abilities and personality. If you are skilled in repairing cars, then an auto repair shop might be an appropriate venture. If you feel uncomfortable meeting and working with different types of people, you probably should not consider a retail business.

There are times in our lives when we explore the options of either starting a business or getting a job. You should be moving toward a goal and not just away from something you don't like. Be honest with yourself. Starting a business is not for everyone. You may find that working in a small business is ideal, rather than owning it.

To find out if you have a business owner's personality take the following self-test. Place a √ after each statement that is the **closest** to how you feel.

<b>Are You A Self-Starter?</b>
1. I do things on my own. Nobody has to tell me to get going.
2. If someone gets me started, I keep going all right.
3. I'm pretty laid back. I don't put myself out until I have to.
<b>How Do I Feel About Other People?</b>
1. I like people. I can get along with just about anybody.
2. I have plenty of friends. I don't need anyone else.
3. Most people irritate me. I like to work alone.

<b>Can You Lead Others?</b>
1. I can get most people to go along when I start something.
2. I can give the orders if someone tells me what we should do.
3. I let someone else get things moving, and then I go along if I feel like it.
<b>Can You Be Responsible?</b>
1. I like to take charge of things and see them through.
2. I'll take over if I have to, but I'd rather let someone else be responsible.
3. There's always some eager beaver around waiting to show how smart he is. I say let him do it first.
<b>How Good of an Organizer Are You?</b>
1. I like to have a plan before I start.
2. I'm usually the one to get things lined up when the group wants to do something.
3. I do all right unless things get too confused. Then I stop.
<b>How Hard of a Worker Are You?</b>
1. I can keep going as long as I need to.
2. I don't mind working hard for something I want.
3. I'll work hard for a while, but when I've had enough, that's it.
<b>Can You Make Decisions and Make Them Quickly?</b>
1. I have no problem making decisions quickly.
2. I have no problem making decisions if given time to think about them.
3. I don't like to be the one to make decisions.
<b>Can People Trust What You Say?</b>
1. You bet they can. I don't say things I don't mean.
2. I try to be on the level most of the time, but sometimes I say what's easiest.
3. Why bother if the other person doesn't know the difference.
<b>Can You Stick With It?</b>
1. If I make up my mind to do something, I don't let anything stop me.
2. I usually finish what I start – if it goes well.
3. If it doesn't go right from the start, I stop. Why keep trying?
<b>How Good Is Your Health?</b>
1. I never run down. I don't get sick.
2. I have enough energy for most things I want to do.
3. I run out of energy sooner than most of my friends.

Now count the checks you made beside the statements.

**So, how did you score?**

# 1 answers: \_\_\_\_\_ # 2 answers: \_\_\_\_\_ # 3 answers: \_\_\_\_\_

√ If the majority of your checks are next to the first statements, you probably have the personality and traits needed to run a business successfully.

√ If you have a majority of checks beside the second statements, you probably should think again about owning your own business. You might consider finding a partner with skills to balance your own.

√ If you have more checks next to the third statements than any of the other statements, you probably should not start your own business. To save yourself time and money, you should probably keep your job.

Now, let's think about some other issues.

## **Financial Risk**

- ◆ Are you willing and able to commit the money required to make your venture successful?
- ◆ Will this venture generate a **greater** return on your money and time, than if you were to invest it elsewhere? (Such as in a bank certificate of deposit, money market, mutual fund or stocks.)

## **Marketing Know-How**

- ◆ Can you prove there is a demand for your product or service?
- ◆ Who is your target market? Why? How will you communicate with them?
- ◆ Who are your competitors? How will they react to you entering the market?
- ◆ Can you price your product/service fairly, competitively and still make a profit? Are you sure?

## **Technical Know-How**

- ◆ Do you have experience in this field?
- ◆ Are you an expert on your product/service?

## **Financial Know-How**

- ◆ How much capital will you need to get started?
- ◆ Are you prepared for almost two years of financial losses?
- ◆ Can you keep detailed records, necessary to manage your business and to pay your taxes?
- ◆ Do you know how to plan and control your cash flow?

## Chapter 3: Ways to Become a Business Owner

There are at least three ways for you to become a business owner:

- ◆ Start a new business
- ◆ Buy an existing business
- ◆ Buy a franchise

This handbook focuses on starting a new business. We will briefly discuss the advantages and/or the disadvantages of buying an existing business or a franchise. The SBDC can help you evaluate the other options.

### Starting a New Business

Creating a new business gives you the most flexibility. It's also a risky way to enter the marketplace. You must determine your product or service mix, your location and even your logo. You will be in charge of operations and can shape it to match your style. Your success will depend on many factors including, fulfilling an unmet need to consumers, the quality and value of your offering and your profitability. Please remember too, that most new businesses lose money for at least the first year and often the better part of year two. The responsibility and the pressures are on you to find a way of doing business that works. This is the path of a true entrepreneur. If you have a new idea, a new product or service, or a new way of doing a traditional business, this may be the choice for you.

### Buying an Existing Business

Before you buy an existing business, you **must** know what you are buying and its true value.

Even if you are buying from a friend or family member, ask many questions. Try to understand the entire business. The most common and deadly mistake made is to overpay for a business. One of the advantages of buying an existing business is that it is up and running and generating cash flow. You would expect to step into a smooth and profitable operation. Be sure. Find out the owner's real reason for selling. Be careful there are no hidden problems or debts. Remember, the seller is trying to make the business as attractive as possible.

Is it really a business you are interested in? Just because it has been in the family or just because you know the owner...don't let familiarity cloud your picture of the business. You must also determine if sales have a reasonable chance of growing. Is the business in a growing or declining category? Is it being sold because there are too many competitors with little hope of gaining market share?

Do your homework. It's called due diligence. Have **your** accountant review the financial records of the business with you. Know how much each asset, including the goodwill of the business, is valued. Your lender will likely require formal appraisals to determine its value. Do not buy a business without a contract, which means you should seek legal advice. Even in the case of a friend or family member, you may want to hire your own attorney to represent your interests. Good agreements help to keep good friends and family members.

## **Buying a Franchise**

You may introduce a franchised product or service into your area. Or you may buy a franchised business from an existing owner. When you purchase a franchised business, you become a franchisee. Buying a franchise allows you to start your own business with the help of a franchiser who has a proven business model. You're buying a recognized trademarked name, advertising assistance and management training. The price you pay will include an up-front franchise fee; on-going franchise and advertising fees, usually based upon a % of sales; and often buildings, equipment and inventory. The franchiser will impose certain restrictions on your operations in order to maintain quality and the national reputation of the chain. You must follow their directives. If not, they may revoke your franchise agreement.

In order for the franchiser to be successful, their franchisees must be financially strong. Most will require you to submit an application and a personal financial statement that includes your net worth, available cash and assets that can be quickly converted into cash. Site selection is critical for a retail store. Franchisers use sophisticated research methods to determine store locations. Evaluations are based on historical performance in similar areas, demographics, growth projections, availability and cost of land, traffic counts, ease of entry to the property and even competitive pressures. Be sure to read and understand the required Disclosure Statement, which tells you in detail what you will get from the franchiser and what you agree to in return. The Small Business Administration has a registry of previously approved franchised programs at <http://www.franchiseregistry.com>. The benefit to you is faster approval of an SBA loan application.

## **Chapter 4: Does the Market Need It & Will They Pay For It?**

### **Idea Development**

You may have said at least once, “I wish that someone would invent \_\_\_\_\_ to make my life easier.” So, what are you waiting for? You’ve just identified a problem. Now invent the solution. Ideas for new businesses come from your work, hobbies and life experiences. Sometimes ideas come from an experience you have as a customer. But an idea is not a product or a service. It must be translated into something that the market needs and is willing to pay for. Refine your concept to determine:

- ◆ How and where the product can be made
- ◆ Potential costs
- ◆ Potential selling price

### **Market Research**

You’ll need to determine the market potential for your product or service. You’ll learn:

- ◆ Does the market need and want my solution?
- ◆ Are they willing to pay for it?
- ◆ Is the market large enough to make a profit?
- ◆ Who are your potential competitors and how might they react to your entry?

You should conduct your research in several ways. One of the best sources of information is to interview people, especially those you don’t know. Your friends and family are tempted to tell you what they believe you want to hear. You need the truth to determine the viability of a concept. So, ask strangers for their opinions. You are risking your money and that of others for a venture. It’s imperative that the research findings be valid. That means interviewing a substantial number of folks, recording the data, analyzing it and drawing specific conclusions.

You can hire professionals to conduct your research. However, it is recommended that you do most of the early analysis for two reasons. It’s less costly if you do it. But more importantly, it is valuable for you as a business owner to hear what your future customers have to say about your product or idea. Your SBDC can assist you in developing the research questions.

Other research resources include:

- ◆ Public and College libraries
- ◆ Chambers of Commerce
- ◆ Economic development organizations
- ◆ Local governments
- ◆ Trade associations and industry publications
- ◆ The Internet

Your market research will likely lead you to modify or refine your idea. This is good. Sometimes it also helps you to identify new consumer needs. It's also a great lesson in listening to your customers. They will tell you what you need to know to be successful. Ask them questions, but do not become defensive when they answer you. Thank them. Think about what they had to say. You may choose not to act on their comments, or you may.

## Customer Satisfaction

It's never too early to think about customer satisfaction. Build this into your business model and into your pricing strategy. Answer the following questions:

1. What benefits will my product or service provide?
2. What customer needs will it satisfy?
3. Define your business in 25 words or less.
4. Why will my customers buy from me?
5. What advantages does my product or service has over my competitors?
6. What makes my product or service special, different or better than others?  
\_\_\_\_ price    \_\_\_\_ quality    \_\_\_\_ reliability    \_\_\_\_ features  
\_\_\_\_ easier use    \_\_\_\_ better/friendlier service  
\_\_\_\_ faster service /delivery    \_\_\_\_ other: \_\_\_\_\_
7. Where will I provide my product or service? (neighborhood, local community, county, statewide, etc)
8. Who is the target customer? (age, sex, income level, neighborhood, etc.)
9. How will I tell potential customers about my business?
10. What distribution method(s) will be used to get my product or service to customers?

**Don't be discouraged if you could not answer all the questions. Most successful entrepreneurs invest six to ten weeks of research and preparation before starting their businesses. You can use these questions as a starting point.**

## Chapter 5: Finances

Assuming that the market research validates your business idea, you must determine if the concept makes financial sense. How much it will cost to start the business and to pay your personal living expenses during the start-up period? Remember, most new businesses lose money for at least the first year and often the better part of year two.

### How Much Money Will You Need?

The first step is to identify your business-related expenses. These costs will fall into two categories: Start-up Costs and Recurring Costs. Things usually cost more than you expect, so be realistic. Get estimates from suppliers, utility companies, real estate agents, etc. Be as accurate as possible. Imagine a typical day and walk through it step by step. You may notice costs not on this list. Another good source for expense estimates will be the trade publications for your industry.

Use the following as a guideline to start listing your costs and add any others to the list that you think of specific to your business.

### Start-up Costs

Category	Estimated Cost
Lease deposit	
Fixtures & equipment	
Leasehold improvements	
Utility deposits	
Licenses and permits	
Starting inventory	
Signs (inside and outside)	
Marketing/Promotional Campaign	
Professional fees (accountant, lawyer)	
Other	
<b>Total</b>	

## Monthly Recurring Costs

Category	Estimated Cost
Salary of Owner	
Other employee salaries & wages	
Payroll taxes (Federal, AZ, FICA, Medicare)	
Self Employment Tax – 15.3% (if sole prop)	
Advertising/Marketing	
Rent	
Utilities/telephone	
Supplies	
Insurance	
Maintenance	
Legal and accounting fees	
Loan Repayment	
Licenses	
Memberships, dues, etc.	
Other	
<b>Total</b>	

## Forecasting Sales Revenue

The next step is to forecast sales revenue. Be realistic in your estimate of how quickly you will generate sales. In a start-up situation sales begin slowly and gradually grow over the first year.

**Always** be conservative when forecasting sales. Also be aware that when selling business to business, there is often a time lag between the sale and the collection of payment for the product or service. This can cause a cash flow pinch, because many times you will have to pay your supplier for the goods before your customer pays you. For example, if you make custom products you should require a non-refundable deposit from the customer with the balance due upon delivery. The deposit will cover all or a substantial portion of the production cost. This enables you to pay for the materials while completing the job to earn the rest of the money. Another obvious, but often overlooked matter - Make sure your price covers **all** your costs.

The competitiveness of the marketplace will drive your pricing strategy. **DO NOT** position your business as the low price supplier. If you do so, you have nothing to win and everything to lose.

Charging less may create short-term volume opportunities. It will likely trigger a swift price reduction by your competitors. The downward price and profit spiral has begun. Established competitors have the financial strength to outlast an unprofitable start-up. You will soon be out of business. The cause of death – a bad decision. Determine if your business is influenced by seasonal demands. For example, if you depend on winter visitors here in Arizona, you can expect to have slow summer months. How will you pay your bills when your revenue is less? You now have a marketing opportunity to build your summer trade.

## **So, How Much Money Will I Need to Start-up?**

You should be conservative, but accurate when you estimate the amount of cash you need. Many start-ups fail simply because they are under capitalized from day one. Some advisors say that you need enough money to cover two years of expenses. This may be too much. However, you should look at your sales forecast and then reduce it by 25% -50%. Now take your expenses and increase them by 50% -100% for things that you have overlooked or that might change. We've included a loan repayment chart at the end of this chapter to help you estimate monthly loan payments. You should check with your lender regarding actual loan terms. Always ask yourself, "Can I do this with less money?" Start looking for ways to save. Can you buy used equipment rather than new? Would leasing be better than buying? Do you really need an employee when you start? Are there ways other than paid advertising for you to get the word out? Can you start as a home based business? You now have a rough sales projection and an estimate of how much money you need to open your doors.

## **How And Where Do I Find Start-Up Money?**

It's a fact! Most start-ups are self-financed from the owner's savings and borrowing from family and friends. Proceed with caution, should you consider a second mortgage on your home or cashing in your retirement savings. A business failure could jeopardize your long-term financial security. For most business owners there are two ways to get the capital you need to start your business: debt or equity financing. Debt is borrowing money and a promise to repay with interest. Equity is selling part of the ownership of the business in return for needed cash. Debt is a common way to get start-up funds. Financing sources include:

- ◆ Friends & Family
- ◆ Credit Card Cash Advances
- ◆ Bank Loans & SBA Guaranteed Bank Loans
- ◆ Personal Loans
- ◆ Line of Credit
- ◆ Customers & Suppliers
- ◆ Factors (loan on accounts receivable)
- ◆ Inventory Financing
- ◆ Strategic Partners
- ◆ Equipment Leasing

Equity financing is usually more complicated. It involves convincing investors or venture capital firms (VC) to invest cash and management talent into your firm. Typically, VCs invest only in high tech-high growth projects. Whenever you accept an investor's money, they now have a vested interest in the success of your business. That usually means that they will want a proportionate share of the decision-making authority. Any lender, including family, will expect to see a business plan as part of the process to decide whether to lend your business money. The lender wants to know how you are going to repay the loan.

Your business plan will include:

- ◆ How much money do you want/need to borrow?
- ◆ For what will the money be used? (Don't say paying yourself)
- ◆ Who is your target market? (Your customer profile)
- ◆ Who is your competition, both direct and indirect?
- ◆ What competitive advantages do you offer your target market?
- ◆ Who are the key people who make your business successful? (Owners, advisors, employees)
- ◆ What collateral are you offering?
- ◆ What is the value of the collateral, from the lender's point of view?
- ◆ What is your current credit rating and history?
- ◆ Financial information, including sales forecasts, break even analysis, profit and loss, cash flow projections, balance sheets and income statements.
- ◆ Personal financial statements of business owners.

While a business plan is **necessary** to get a loan, it is also a valuable tool for managing your business. It allows you to analyze and develop strategic action plans to keep you focused on your business. The typical business plan requires about 200 hours of research and writing. The SBDC has information to assist you. The SBA website at <http://www.sba.gov/starting/indexstartup.html> has an excellent business plan template.

## The Bank

Banks are in business to make money, just like you. They are not charities. They want to make loans with the least amount of risk as possible. They too know the statistics on business closures and failures. They are reluctant to loan to a first time business owner with no track record. The bank feels more comfortable working with experienced and successful businesses. Therefore, your business plan is extremely critical. It must demonstrate that:

1. This is a well thought out venture.
2. It has a reasonable opportunity to be successful.
3. You have sufficient collateral to secure the loan.
4. You have strong business management skills and abilities.
5. You have work experience in that industry.

Banks do not offer 100% financing. They will not take on more risk than the business owner.

The borrower must:

- ◆ Contribute a minimum of 20% cash in order to secure a loan. Banks require some high-risk ventures, such as restaurants, to bring 33% cash equity to the table for a loan.
- ◆ Pledge collateral (owned assets) to the lender. Should you default on the loan, the lender will take ownership and sell your pledged assets as a way to repay the loan. Should you need \$100,000 to start your business, the lender will require a minimum of (20%) cash from you. They will loan you the remaining \$80,000 provided you meet their lending requirements and pledge personal assets equal to the loan.

## **SBA Loans**

The Small Business Administration (SBA) is one of the major sources of financial assistance from the United States Government. The SBA does not make loans. They provide repayment guarantees (up to 85% of the loan value) to banks and other lenders for small businesses. The SBA guarantee enables lending institutions to make loans to higher risk clients that might otherwise be denied through conventional business loan criteria. An SBA loan may be used for business expansion, construction or conversion of a facility, buy machinery, equipment, supplies or materials, and lastly, for working capital. The SBA will not guarantee loans made to repay existing debts.

The SBA has several loan programs, including MicroLoans, which are “Small Loans for Small Businesses.” The maximum amount available under the MicroLoan program is 35,000. The average MicroLoan is about \$8,000. The SBA makes special efforts to reach members of socially and economically disadvantaged groups, veterans, women and the disabled. For more information about SBA loan guarantees and services, check out [www.sba.gov](http://www.sba.gov) or contact your local SBDC.

## **Grants**

With very few exceptions, there are no grants that give you money to start a business. The known exceptions are: Some Native American tribes have occasionally offered entrepreneurial programs to tribal members and provided grant money to start a business. If you are a Native American, please check with your tribal office to learn what might be available. The Arizona Department of Economic Security (DES) offers a business start-up grant program for disabled individuals who currently receive disability payments. The maximum grant is about \$19,000. Individuals who accept the grant forgo all future disability payments from DES.

## **A Final Word about Financing Your Business**

Don't be discouraged if you have a valid business idea, but lack the funds to get it off the ground. Keep your dream alive. Don't give up. It will just take a bit longer to get there. Save every dollar that you possibly can. Here are some tips to help you:

- ◆ Eat out less frequently
- ◆ Take a sandwich for lunch
- ◆ Buy less soft drinks and beer – drink water
- ◆ Stop smoking – It's bad for your health anyway
- ◆ Take a less expensive vacation
- ◆ Stop all impulsive buying

It you want your dream badly enough, you can make it happen.

## **Loan Repayment Chart**

Source: SBA

The chart on the following page provides the amortization factor necessary to determine the monthly principal and interest payment on your loan. The factor is based on loan increments of \$1,000. To obtain the factor, take the following steps:

1. Divide the total (gross) loan amount by \$1,000.
2. Using the chart, find the interest rate on your loan in the far-left vertical column. Then move horizontally to the column denoting the term of your loan. This number is your amortization factor. Example: A loan at 8 percent interest with a term of 7 years has a factor of 15.59.
3. Multiply your answer in step 1 by the factor in step 2. The result is your Monthly loan payment. Make sure you consult with your lender for the actual loan terms.

## Loan Term Repayment Chart Based on increments of \$1,000

Int. Rate	1 yr	2 yr	3yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr	10 yr	15 yr	20 yr	25 yr
8.00%	86.99	45.23	31.34	24.41	20.28	17.53	15.59	14.14	13.02	12.13	9.56	8.36	7.72
8.25%	87.10	45.34	31.45	24.53	20.40	17.66	15.71	14.26	13.15	12.27	9.70	8.52	7.88
8.50%	87.22	45.46	31.57	24.65	20.52	17.78	15.84	14.39	13.28	12.40	9.85	8.68	8.05
8.75%	87.34	45.57	31.68	24.77	20.64	17.90	15.96	14.52	13.41	12.53	9.99	8.84	8.22
9.00%	87.45	45.68	31.80	24.88	20.76	18.03	16.09	14.65	13.54	12.67	10.14	9.00	8.39
9.50%	87.68	45.91	32.03	25.12	21.00	18.27	16.34	14.91	13.81	12.94	10.44	9.32	8.74
9.75%	87.80	46.03	32.15	25.24	21.12	18.40	16.47	15.04	13.94	13.08	10.59	9.49	8.91
10.00%	87.92	46.15	32.27	25.36	21.25	18.53	16.60	15.17	14.08	13.22	10.75	9.65	9.09
10.25%	88.03	46.26	32.38	25.48	21.37	18.65	16.73	15.31	14.21	13.35	10.90	9.82	9.26
10.50%	88.15	46.38	32.50	25.60	21.49	18.78	16.86	15.44	14.35	13.49	11.05	9.98	9.44
10.75%	88.27	46.49	32.62	25.72	21.62	18.91	16.99	15.57	14.49	13.63	11.21	10.15	9.62
11.00%	88.38	46.61	32.74	25.85	21.74	19.03	17.12	15.71	14.63	13.77	11.37	10.32	9.80
11.25%	88.50	46.72	32.86	25.97	21.87	19.16	17.25	15.84	14.76	13.92	11.52	10.49	9.98
11.50%	88.62	46.84	32.98	26.09	21.99	19.29	17.39	15.98	14.90	14.06	11.68	10.66	10.16
11.75%	88.73	46.96	33.10	26.21	22.12	19.42	17.52	16.12	15.04	14.20	11.84	10.84	10.35
12.00%	88.85	47.07	33.21	26.33	22.24	19.55	17.65	16.25	15.18	14.35	12.00	11.01	10.53
12.25%	88.97	47.19	33.33	26.46	22.37	19.68	17.79	16.39	15.33	14.49	12.16	11.19	10.72
12.50%	89.08	47.31	33.45	26.58	22.50	19.81	17.92	16.53	15.47	14.64	12.33	11.36	10.90
12.75%	89.20	47.42	35.37	26.70	22.63	19.94	18.06	16.67	15.61	14.78	12.49	11.54	11.09
13.00%	89.32	47.54	33.69	26.83	22.75	20.07	18.19	16.81	15.75	14.93	12.65	11.72	11.28
13.25%	89.43	47.66	33.81	26.95	22.88	20.21	18.33	16.95	15.90	15.08	12.82	11.89	11.47
13.50%	89.55	47.78	33.94	27.08	23.01	20.34	18.46	17.09	16.04	15.23	12.98	12.07	11.66
13.75%	89.67	47.90	34.06	27.20	23.14	20.47	18.60	17.23	16.19	15.38	13.15	12.25	11.85
14.00%	89.79	48.01	34.18	27.33	23.27	20.61	18.74	17.37	16.33	15.53	13.32	12.44	12.04
14.25%	89.90	48.13	34.30	27.45	23.40	20.74	18.88	17.51	16.48	15.68	13.49	12.62	12.23
14.50%	90.02	48.25	34.42	27.58	23.53	20.87	19.02	17.66	16.63	15.83	13.66	12.80	12.42
14.75%	90.14	48.37	34.54	27.70	23.66	21.01	19.16	17.80	16.78	15.98	13.83	12.98	12.61
15.00%	90.26	48.49	34.67	27.83	23.79	21.14	19.30	17.95	16.92	16.13	14.00	13.17	12.81
15.25%	90.38	48.61	34.79	27.96	23.92	21.28	19.44	18.09	17.07	16.29	14.17	13.35	13.00
15.50%	90.49	48.72	34.91	28.08	24.05	21.42	19.58	18.24	17.22	16.44	14.34	13.54	13.20
15.75%	90.61	48.84	35.03	28.21	24.19	21.55	19.72	18.38	17.37	16.60	14.51	13.73	13.39
16.00%	90.73	48.96	35.16	28.34	24.32	21.69	19.86	18.53	17.53	16.75	14.69	13.91	13.59

## Chapter 6: Legal Structure of Your Business

We urge you to seek the advice of an attorney and an accountant when determining the legal structure of your business. Issues to be considered include:

- ◆ Expense of incorporating
- ◆ Tax liabilities for the owners and investors
- ◆ Personal liabilities and guarantees
- ◆ Paperwork requirements

There are three legal forms that a business can take:

- ◆ Sole proprietorship
- ◆ Partnership
- ◆ Corporation, including “C Corporation,” “S Corporation,” or “Limited Liability Corporation (LLC).”

## Ways to Organize Your Business

### Sole Proprietorship

This is the simplest and most common form of ownership. The owner is personally responsible for all debts of the business. Profits are considered personal income to the owner and are taxed accordingly. A potential disadvantage of doing business as a sole proprietor is that you have **unlimited personal liability**. Also your personal assets are usually pledged to secure loans.

#### Advantages:

- Simple and inexpensive to create and operate
- Owner reports profit or loss on his/her personal tax returns
- Maximum freedom in decision making
- Ease in closing of the business

#### Disadvantages:

- Unlimited personal liability (risk) to owner
- Owners' net worth limits financing options
- Business does not continue upon owners' death

### Partnership

A partnership is an association of two or more persons engaged jointly in a business. As in a sole proprietorship, partners are personally responsible for all debts of the business. While not required, it is advisable to formalize the partnership with a

partnership agreement. Formal partnership agreements should be prepared or reviewed by an attorney. These agreements generally will specify how the partners will share income, losses, deductions and credits. It also defines how decisions are made and conflicts are resolved.

**Advantages:**

- Simple and inexpensive to create and operate
- Owners (partners) report their share of profit or loss on personal tax returns
- Partners usually contribute financial and management resources to the venture

**Disadvantages:**

- Unlimited liability of general partners
- Liability of each partner for the other's debts.
- Division of profits
- Relationships may change over time causing conflicts
- Decision making often shared
- Death of one individual ends partnership

**Corporation**

The most complex form of a business structure is the corporation. The law recognizes a corporation has a separate legal entity from its owners. The corporation has individual rights and responsibilities. One of the main advantages of incorporating is that, in most circumstances, it limits your personal liability.

In Arizona you begin by filing Articles of Incorporation forms with the Corporations Division of the Arizona Corporation Commission. In addition to filing the incorporation papers, you must complete, but not file, corporate bylaws. Keep in mind that your initial choice of a business form doesn't have to be permanent. You can start out as sole proprietorship or partnership and later, if your business grows or the risks of personal liability increase, you can convert your business to a corporation.

**Advantages:**

- Owners have limited personal liability for business debts \*\*
- Unlimited life of the business
- Separation of management and ownership
- Separate legal entity from owners
- Transfer of ownership through sale of stock

**Disadvantages:**

- More expensive and complex to create than partnership or sole proprietorship
- Activities limited by corporate charter
- Extensive regulations and record keeping requirements
- Separate taxable entity-double taxation (corporate profits and dividends)

\*\* Please note that lenders and creditors often ask owners for personal guarantees.

## **“S” Corporation**

S-Corporations are essentially a regular corporation that have filed a special sub-chapter S election. In general, S-Corporations do not pay tax on the corporation income. Instead, the income and expenses of the corporation shareholders who must report the income on their personal returns. To qualify for S-Corporation status, a corporation must meet several requirements:

- It must be headquartered in the United States
- It must have only one class of stock
- It must have no more than 75 shareholders
- It must have only individuals as shareholders
- It cannot have a non-resident alien as a shareholder

## **Limited Liability (LLC)**

A Limited Liability Company (LLC) is a new “corporate hybrid” form of organization. LLCs combine certain features of partnerships with certain features of corporations, most notably limited liability. The individual members are generally not personally liable for the LLC’s debts or liabilities, except to the extent of their investment and capital commitment in the company. It is important to note that an LLC is not a federal tax entity and is generally treated as a partnership by the IRS.

### **Advantages:**

- Owners have limited personal liability for business debts \*
- Not required to file annual reports or Certificates of Disclosure
- Easier to transfer ownership
- Exempt from revocation of Corporation Commission
- Does not have double taxation

### **Disadvantages:**

- More expensive to create than partnership or sole proprietorship
- Must abide by the provisions of the Limited Liability Act. Therefore should have the advice of an attorney.
- Insurance companies and banking institutions are not permitted to be LLCs.

\* Please note that lenders and creditors often ask owners for personal guarantee

## **Chapter 7: Record Keeping, Why and How**

We urge you to do three things:

1. Purchase a PC based accounting software package, like QuickBooks®, to maintain your records.
2. Hire an accountant to advise you on tax and accounting issues.
3. Keep your receipts and write everything down.

It's imperative that you maintain accurate and complete records in your business. Here are just a few reasons:

- Management Tool - Allows you to determine your profitability, or lack of, and to identify problems
- Internal Revenue Service – Need we say more about your income tax liability and potential audits
- Arizona Department of Revenue – State income taxes & payment of the Transaction Privilege Tax (TPT)
- Arizona Department of Economic Security – Unemployment Insurance and Worker's Compensation insurance
- US Social Security Administration – Collection and payment of Social Security contributions
- Your Banker – Should you apply for a future loan, your banker will want to review your financial records
- A potential buyer of your business – Excellent financial records document the value of your business

To accomplish the goal of sound financial management and to comply with IRS rules, there are several basic rules that you should follow:

- Do not commingle (mix) funds. Keep business money separate from personal money. Better yet, maintain a separate checking account for the business.

- Include only business expenses, not personal expenses, in your business records and there should not be any personal expenses.
- Keep **all** receipts for business purchases. If the business purpose is not clear from the receipt, write a brief explanation on the receipt. Do not trust your memory.
- Keep a record of all business income on receipts or invoices, including an explanation such as “services performed”, sale of merchandise.”
- Keep a clear record of all business bills and when they are due for payment.
- If you have business inventory keep track of what you paid for it, when you bought it, when it sold and for how much.

If you have employees there are separate records you need to keep for them. Check with the IRS and Arizona DES for details.

## **Chapter 8: Am I Ready?**

Now that you've learned more about what it takes to start a business, you may again ask, "Am I ready?" Answer these questions to find out.

### **Who Are You?**

1. Are you the kind of person who can get a business started and make it go?
2. Do you want freedom from a 9-5 daily routine?
3. Do you need a job you like?
4. Do you want to be your own boss?
5. Will you be able to improve your standard of living?
6. Do you feel there is a demand for your product or service?
7. Have you worked for someone else as a foreman or manager?
8. Have you had any business training in school?
9. Have you saved any money?

### **How About the Money?**

1. Do you know how much money you will need to get your business started?
2. Have you figured out how much of your own money you can put into the business?
3. Do you know where you can borrow the rest of the money you need?
4. Have you figured out what yearly income you need to receive from the business?
5. Can you live on less than that?
6. Have you talked to a banker about your plans?

### **How About a Partner?**

1. Do you need a partner with money or know-how that you don't have?
2. Do you know someone who has those skills?
3. Is it someone you can get along with?
4. Do you know the good and bad points about going it alone, having a partner or incorporating your business?

### **Your Location**

1. Have you found a good location for your business?

2. Can your customers find you easily? Will there be enough room for your business to grow?
3. Can you remodel the location the way you want without spending too much money?
4. Is it easily accessible?
5. Does it have adequate parking?
6. Have you had a lawyer check the lease and zoning regulations?

### **Equipment and Supplies**

1. Do you know just what equipment you'll need and all costs?
2. Can you save money by buying secondhand equipment?

### **Your Product**

1. Have you decided what you will sell?
2. Have you determined your opening inventory requirements?
3. Have you identified quality suppliers?
4. Have you compared the prices and credit terms of different suppliers?

### **Your Service**

1. Have you decided what service you will provide?
2. Do you know how much to charge for the service?
3. Will you charge by the hour? Day? Project?
4. Have you compared what your competitors are offering and their prices?

### **Your Records**

1. Do you have a record keeping system to keep track of your sales and expenses?
2. Are you planning to bill your customers? (accounts receivable)?
3. How will you keep track of bills that you owe? (accounts payable)?
4. Do you have an inventory tracking system?
5. Have you figured out how to keep your payroll records?
6. How to take care of tax reports and payments?

### **Yes No**

1. Do you know what financial statements you should prepare?
2. Do you know how to use these financial statements?
3. Do you have an accountant who will help you with your financial records?

### **Your Store and the Law**

1. Do you know what licenses and permits you need?
2. Are you familiar with the business laws of Mohave County and Arizona?

3. Do you have a lawyer you can go to for legal advice?

### **Protecting Your Store**

1. Have you made plans for protecting your store against thefts of all kinds—shoplifting, robbery, burglary, employee stealing and embezzlement?
2. Have you talked with an insurance agent about what types of coverage you will need?

### **Let's Think about Marketing**

#### **What do you know about your customers?**

1. Do most businesses in your community seem to be doing well?
2. Are businesses like the one you want to open doing well in your community?
3. Are they doing well in the rest of the county, the state?
4. Do you know what kind of people will want to buy what you plan to sell?
5. Does the community need a business like yours?

#### **Advertising**

1. Have you decided how you will advertise? (newspapers, posters, direct mail, etc.)
2. Do you know where to get help with your advertisements?
3. Have you observed how your competitors market?

#### **The Prices You Charge**

1. Do you know how to calculate your cost of goods and operating costs?
2. Do you understand what your cost of doing business is?
3. Do you know how to calculate your profit margin or markup?

#### **Selling**

1. Have you developed your marketing plan?
2. Do you know who your customers are?
3. Do you feel comfortable in a selling role?

#### **Your Employees**

1. If you need to hire someone to help you, do you know where to look?
2. Do you know what kind of person you need?
3. Do you know how much to pay?
4. Do you have a plan for training your employees?
5. Do you know what is legal (and not legal) to ask in an interview?

#### **A Few Extra Questions**

1. Given the time & effort required, could you make more money working for

someone else?

2. Does your family support you 100% in your plans to start a business?
3. Do you know where to find out about new ideas and new products?
4. Do you have a written business plan?
5. Have you contacted your SBDC for help with your plans?

If you have been able to answer all these questions carefully, you've done some hard work and serious thinking. That's good. But you have probably found some things you still need to know more about or do something about. Do all you can for yourself, but don't hesitate to ask for help from people who can tell you what you need to know. Remember, running a business takes courage! You've got to be able to decide what you need and then go after it.

## **Chapter 9: Sources of Assistance and Information**

### **Mohave Community College Small Business Development Center**

The SBDC provides management and marketing counseling to small business owners and prospective entrepreneurs who do not have the means to purchase this service from private counselors. All counseling assistance is provided at no cost to the client.

Mohave Community College and the US Small Business Administration (SBA) jointly fund the Center. Your local SBDC is located at:

1971 E Jagerson Ave.  
Kingman, AZ 86409  
(928) 757-0894

Email: [kmarsh@mohave.edu](mailto:kmarsh@mohave.edu)  
Web Site: [www.mohave.edu/sbdc](http://www.mohave.edu/sbdc)

### **Service Corps of Retired Executives (SCORE)**

SCORE counselors also provide free information on starting a business and offer a number of start-up seminars each month.

Lake Havasu City SCORE Chapter (928) 453-5951

### **Arizona State Government**

**Arizona Business Connection** (800) 542-5684  
<http://www.azcommerce.com/webapps/SmallBusVR>

A one-stop resource center for state and local governmental regulations such as:

- ◆ Name registration
- ◆ Federal Identification Number
- ◆ State licensing requirements
- ◆ Trademark and trade name
- ◆ Patents
- ◆ Copyright

- ◆ Sales Tax License
- ◆ Arizona Payroll Taxes
- ◆ Unemployment Compensation
- ◆ Zoning
- ◆ Home Based Businesses
- ◆ Environmental regulations
- ◆ Permit to operate a business
- ◆ Peddler's license
- ◆ Permit to operate Food Establishment/Food handler's permit

**Arizona Corporation Commission**

1300 W. Washington St.  
Phoenix, AZ 85007-2929  
(800) 345-5819  
[www.cc.state.az.us](http://www.cc.state.az.us)

**Arizona Department of Commerce – Community Profiles**

[http://www.azcommerce.com/communities/community\\_profile\\_index.htm](http://www.azcommerce.com/communities/community_profile_index.htm)

**Arizona Secretary of State's Trademark & Trade Name Registration**

1700 W. Washington St. 7th Floor  
Phoenix, AZ 85007  
(800) 458-5842  
[www.azsos.gov](http://www.azsos.gov)

**Arizona Department of Revenue (TPT/Joint Tax Application)**

1600 W. Monroe St. 1st Floor  
Phoenix, AZ 85007  
(800) 843-7196  
[www.revenue.state.az.us](http://www.revenue.state.az.us)

**Enterprise Procurement Services (selling to state government)**

100 North 15th Ave, Suite 104  
Phoenix, AZ 85007  
(602) 542-5511  
<http://www.azspo.az.gov/index.htm>

**Arizona Registrar of Contractors**

800 W. Washington Street, 6th Floor  
Phoenix AZ 85007  
(888) 271-9286  
[http://www.rc.state.az.us/info\\_ctr.html](http://www.rc.state.az.us/info_ctr.html)

**Arizona State Government Information Portal**

<http://az.gov/webapp/portal>

**US Government**

**US Small Business Administration (SBA)**

2828 N. Central Ave. STE 800  
Phoenix, AZ 85004  
(602) 745-7200  
[www.sba.gov](http://www.sba.gov) and <http://www.sba.gov/training>

### **Internal Revenue Service (IRS)**

Forms, employer ID numbers, information booklets for small business owners –  
(800) 829-3676.

Tax information - (800) 829-1040.

[www.irs.gov](http://www.irs.gov) \*See pg 37-40 for additional IRS web sites\*

### **US Census Bureau**

<http://www.census.gov/>

## **Mohave County Government**

### **Mohave County Offices**

700 W. Beale St. PO Box 7000

Kingman, AZ 86402-7000

(928) 753-9141

<http://www.co.mohave.az.us>

### **Planning & Zoning**

(928) 757-0903

[http://co.mohave.az.us/depts/pnz\\_default.asp](http://co.mohave.az.us/depts/pnz_default.asp)

### **Community & Economic Development**

(928) 753-0723

[www.co.mohave.az.us/depts/cedd](http://www.co.mohave.az.us/depts/cedd)

### **Department of Public Health**

(928) 757-0903

[www.co.mohave.az.us/depts/health/health\\_default.asp](http://www.co.mohave.az.us/depts/health/health_default.asp)

## **Kingman**

### **City of Kingman Government Offices**

310 N 4<sup>th</sup> St.

Kingman, AZ 86401

(928) 753-5561

[www.ci.kingman.az.us](http://www.ci.kingman.az.us)

### **Business License**

(928) 753-5561

<http://cityclerk.cityofkingman.gov/license.asp>

**Planning & Zoning**

(928) 753-5561

<http://pz.cityofkingman.gov/>

**Kingman Area Chamber of Commerce**

PO Box 1150

Kingman, AZ 86402-1150

(928) 753-6253

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

**Lake Havasu****Lake Havasu City Government Offices**

314 London Bridge Rd.

Lake Havasu City, AZ 86403

(928) 855-2116

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

**Business License**

(928) 453-4153 or (866) 248-4150 toll free

[www.lhcaz.gov/finance.htm](http://www.lhcaz.gov/finance.htm)

**Building, Planning & Zoning**

(928) 453-4149

[www.lhcaz.gov/development.htm#Planning & Zoning](http://www.lhcaz.gov/development.htm#Planning_&_Zoning)

**Lake Havasu Area Chamber of Commerce**

2330 McCulloch Blvd.

Lake Havasu City, AZ 86403

(928) 453-0718

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

**Bullhead City****Bullhead City Government Offices**

1255 Marina Blvd.

Bullhead City, AZ 86442

(928) 763-9400

**Business License**

(928) 763-9400 ext 285

[www.bullheadcity.com/businesses/buslic.asp](http://www.bullheadcity.com/businesses/buslic.asp)

**Planning & Zoning**

(928) 763-0123

[www.bullheadcity.com/planning\\_zoning/Planning%20Zoning%20index.asp](http://www.bullheadcity.com/planning_zoning/Planning%20Zoning%20index.asp)

**Bullhead Regional Economic Development Authority**

1848 Highway 95 Suite 104

Bullhead City, AZ 86442  
(928) 704-6374

**Bullhead Area Chamber of Commerce**

1251 Highway 95  
Bullhead City, AZ 86429  
(928) 754-4121 or (800) 987-7457 toll free

**Membership Organizations**

**Arizona Small Business Association (ASBA)**

4130 E. Van Buren St. STE 150  
Phoenix, AZ 85008-6996  
(602) 265-4563  
Email: [info@asba.com](mailto:info@asba.com)  
[www.asba.com](http://www.asba.com)

**Business & Professional Women of Arizona (BPW)**

(877) 564-6279  
<http://www.bpwaz.org/>

**Casa Grande Chapter of BPW**

Sherry Ortega, President (520) 866-6675 or [sherry.ortega@co.pinal.az.us](mailto:sherry.ortega@co.pinal.az.us)  
Meets at The Property on 1st Thursday - networking at 6:45pm  
Reservations - Gloria Miller (520) 421-2390

**Inventors Association of Arizona**

P.O. Box 6436  
Glendale AZ 85312  
(520) 751-9966  
Email: [exdir@azinventors.org](mailto:exdir@azinventors.org)  
<http://www.azinventors.org>

## Chapter 10: I'm Ready to Proceed: SBDC Early Start Questionnaire

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

Address: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

Telephone(s): \_\_\_\_\_

Cell: \_\_\_\_\_

Fax: \_\_\_\_\_

E-Mail: \_\_\_\_\_

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

Business Address: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

### **CURRENT STATUS: (check all that apply)**

- Do not own a business now. Never owned a business
- Owned a business before
- Currently own a business (date started: \_\_\_\_/\_\_\_\_/\_\_\_\_)
- Plan to start a new business, or buy an existing business, within 6 months
- Plan to start a new business, or buy an existing business, later (6 months +)
- I want to expand or diversify my business
- I want to save my business from failure
- I want to sell my business

### **BUSINESS MANAGEMENT EXPERIENCE:**

How many years did you manage your own business? \_\_\_\_\_

How many years did you manage someone else's business? \_\_\_\_\_

Have you ever failed at, or closed, your own business?  Yes  No

Have you ever sold a business you owned?  Yes  No

**BUSINESS TRAINING:**

- Do you have a college degree in business?  Yes  No
- Have you completed specialized business courses?  Yes  No
- Do you want additional business training?  Yes  No
- Have you attended local business workshops and seminars?  Yes  No

**BUSINESS FACTORS:** (check all that apply)

- My business is:  Expanding  Stable  Declining
- My business is:  Profitable  At break even  Losing Money
- Current number of employees:  None  1-5  6-10  11-20  21-40  40+
- My credit rating is:  Excellent  Good  Fair  Poor
- I have an:  Accountant  Attorney  Business Consultant
- I am:  Comfortable  Confused  Overwhelmed

**FUNDING:** (check all that apply)

- I have all the funds I need for my business
- I use credit cards to fund my business - (please indicate the %\_\_\_\_\_)
- I have an SBA loan for my business
- I have a commercial bank loan for my business
- I have borrowed money from family and friends for my business
- I have equity investors for my business
- I want to apply for a loan for my business (indicate:  SBA  Commercial)
- I am seeking Venture Capital or Angel Funding for my business
- I am running out of funds to operate my business

**BUSINESS SKILLS ASSESSMENT:**

Honestly evaluate your skills in the areas listed below

Skill / Knowledge /Area	Strong	Average	Weak
Accounting/Bookkeeping			
Cash Flow Management			
Finance/Banking Procedures			
Credit & Collections			
Inventory Control			
Business Planning			
Business Location Analysis			
Market Analysis/Market Planning			
Analysis of Competition			
Advertising/Public Relations			
Pricing and Distribution			
Management Ability			
Industry Knowledge/Experience			
Ability to Obtain Technical Assistance			

Personal Organization			
Meeting Deadlines			
Sales Procedures/Systems			
Customer Service			
Legal Issues			
Tax Compliance			
Licensing			
Regulations			

**FINANCIAL CONSIDERATIONS:**

1. How much cash do you have to invest in this business? \_\_\_\_\_
2. List the sources of this cash: \_\_\_\_\_
3. Will you need a loan? \_\_\_\_\_
4. How much? \_\_\_\_\_
5. How will you spend the loan proceeds? \_\_\_\_\_
6. List the collateral you have to secure this loan: \_\_\_\_\_
7. Have you checked your credit rating lately? \_\_\_\_\_ When? \_\_\_\_\_
8. What was your last (known) credit score or rating? \_\_\_\_\_

**Please write a brief (one page) business plan /resume. You may need to do a little research first.**

**It should include the following information:**

- Summary:** brief description of business
- Target markets:** customer profile
- Competition:** direct and indirect
- Pricing:** price point /sales volume / sales margin
- Marketing / advertising strategies:** what, where, how, costs involved
- Market and industry trends:** local and national

**Past 12 Months (if applicable) / Next 12 Months-anticipated:**

- Average monthly revenues**
- Average monthly costs**
- Gross Profit**
- Staffing:** number of employees, part or full time, average wages

**Current or expected challenges:** explain what they are or may be and what course of action you have thought about to face those

**How do you (or do you plan to) obtain and retain the following and what are your goals / expectations in these areas:**

**Customer loyalty**

**Level of quality**

**Customer Satisfaction**

## **Internal Revenue Service Small Business/Self-Employed Taxpayer Education and Communication Overview**

### **Starting, Operating or Closing a Business**

Whether you are a budding entrepreneur, or an established business owner, you will find everything you need to start and manage your business venture.

<http://www.irs.gov/businesses/small/article/0,,id=110417,00.html>

### **Business Taxes**

The form of business you operate determines what taxes you must pay and how you pay them.

<http://www.irs.gov/businesses/small/article/0,,id=98966,00.html>

### **Getting Started Tax Information for Businesses**

If you run a small business or are self-employed, the IRS web site offers a wide variety of information to help you.

<http://www.irs.gov/businesses/small/index.html>

### **Checklist for Starting a Business**

This checklist provides the basic steps you should follow to start a business.

<http://www.irs.gov/businesses/small/article/0,,id=98810,00.html>

### **Business Structure**

When beginning a business, you must decide what structure to use.

<http://www.irs.gov/businesses/small/article/0,,id=98359,00.html>

### **Employer ID Number:**

An Employer Identification Number (EIN) is also known as a federal tax identification number, and is used to identify a business entity. Generally, businesses need an EIN.

<http://www.irs.gov/businesses/small/article/0,,id=98350,00.html>

### **Online Application - Form SS-4**

Apply online for the Employer Identification Number (EIN), also known as a Federal Tax Identification Number.

<http://www.irs.gov/businesses/small/article/0,,id=102767,00.html>

### **IRS Forms and Publications**

Need an IRS form or publication?

<http://www.irs.gov/formspubs/index.html>

### **Small Business Products Online Ordering**

Looking for a tool to help you meet your tax requirements? Choose from our free products, developed especially for the Small Business/Self-Employed person, and obtain updated information on existing products.

<http://www.irs.gov/businesses/small/article/0,,id=101169,00.html>

### **Electronic Filing IRS e-file for Business**

The IRS offers several electronic filing options designed specifically for the business filer. There are several ways you may choose to participate in the IRS *e-file* for Business programs.

<http://www.irs.gov/efile/article/0,,id=98470,00.html>

<http://www.irs.gov/efile/content/0,,id=101103,00.html>

### **Electronic Federal Tax Payments (EFTPS)**

Businesses and individuals can use the Electronic Federal Tax Payment System to pay all their federal taxes electronically, 24 hours a day, 7 days a week, via the phone, personal computer (PC) software or the Internet. Visit the EFTPS web site for all the latest information! Or visit the Department of Treasury's Financial Management Services web page on EFTPS

<http://www.eftps.gov/> or <http://www.fms.treas.gov/eftps/index.html>

## **Employees**

### **Employees**

Information about hiring, recordkeeping, and other topics for business owners with employees.

<http://www.irs.gov/businesses/small/article/0,,id=98862,00.html>

### **Employee vs. Independent Contractor**

Before you can determine how to treat payments you make for services, you must first know the business relationship that exists between you and the person performing the services.

<http://www.irs.gov/businesses/small/article/0,,id=99921,00.html>

### **Employment Tax for Small Business**

If you have employees, you are responsible for Federal Income Tax Withholding, Social Security and Medicare taxes and Federal Unemployment Tax Act (FUTA).

<http://www.irs.gov/businesses/small/content/0,,id=98942,00.html>

### **Withholding Calculator**

This easy-to-use calculator can help you figure your employees' Federal income tax withholding so you can withhold the correct amount from their pay.

<http://www.irs.gov/individuals/article/0,,id=96196,00.html>

## **Corporations, Partnerships and Retirement Plans**

### **Tax Information for Corporations**

<http://www.irs.gov/businesses/corporations/index.html>

<http://www.irs.gov/businesses/small/article/0,,id=98359,00.html>

### **Tax Information for Partnerships**

<http://www.irs.gov/businesses/partnerships/index.html>

### **Tax Information for Retirement Plans**

<http://www.irs.gov/retirement/index.html>

<http://www.irs.gov/businesses/small/article/0,,id=101119,00.html>

## **Talk with the IRS**

### **Contact Your Local IRS Office**

<http://www.irs.gov/localcontacts/index.html>

### **The Taxpayer Advocate's Office**

The Taxpayer Advocate is an independent organization within the IRS. They help taxpayers resolve problems with the IRS and recommend changes that will prevent the problems.

<http://www.irs.gov/advocate/index.html>

## **Learning Center**

### **On-Line Classroom**

View a streaming video of an IRS Small Business Workshop, take an IRS course or complete an online self-directed version of taught live around the country.

<http://www.irs.gov/businesses/small/article/0,,id=97726,00.html>

### **Small Business Workshops**

Throughout the country various non-profit and government organizations offer small business workshops.

<http://www.irs.gov/businesses/small/article/0,,id=99202,00.html>

### **Small Business Tax Workshop Student/Instructor Materials**

From the IRS On-Line Classroom you can access the Small Business Workshop student and instructor materials: Pub. 1066 – Small Business Workshop Workbook on-line; Pub. 1066-A – Small Business Workshop Instructor Guide on-line and accompanying downloadable slides for each lesson; Pub. 1066B – Small Business Workshop Supplemental Guide.

<http://www.irs.gov/businesses/small/article/0,,id=111361,00.html>

## **Virtual Small Business Workshop**

A free CD that can be viewed and ordered online. This CD contains video instructions on what you need to know to start and maintain your business.

<http://www.irs.gov/businesses/small/article/0,,id=97417,00.html>

## **Resources**

### **Small Business Resources**

This section offers links to a broad range of resources across federal and state agencies.

<http://www.irs.gov/businesses/small/content/0,,id=98864,00.html>

## **Abusive Tax Schemes**

### **Abusive Tax Avoidance Transactions**

The Internal Revenue Service is taking steps to combat abusive tax shelters and transactions.

<http://www.irs.gov/businesses/corporations/article/0,,id=97384,00.html>

### **Abusive Scheme Toolkits**

To reach the maximum audience, the IRS recognizes the importance of partnering with external stakeholders. As a result, toolkits have been developed to aid stakeholders in assisting the IRS with counter-marketing against abusive tax schemes.

<http://www.irs.gov/businesses/small/article/0,,id=106788,00.html>

## **Miscellaneous**

### **Industries and Professions Index Page**

<http://www.irs.gov/businesses/small/industries/index.html>

### **Tax Information for International Businesses**

This section provides information on international taxes.

<http://www.irs.gov/businesses/international/index.html>

### **Tax Information for Tax Professionals**

This section provides information for tax practitioners and other tax professionals.

<http://www.irs.gov/taxpros/index.html>

### **Quick Alert**

Get on board and be one of the thousands of tax professionals that currently receive information on “upto-the-minute” *e-file* events.

<http://www.irs.gov/taxpros/providers/article/0,,id=97623,00.html>

## **1040 Central: Find What You Need, Fast**

No matter how you file, here are the links you'll need to do your 2003 tax return. Advance payments. Efile. Your refund. All at 1040 Central.

<http://www.irs.gov/individuals/article/0,,id=118506,00.html>

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