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## **BUSINESS PLAN OUTLINE**

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## **BUSINESS PLAN TIPS**

*1<sup>st</sup> impressions are your best impression when presenting your business idea*

- ⇒ Dress appropriately
- ⇒ Do not handwrite your plan
- ⇒ Have extra copies of your plan available
- ⇒ 1 ½ - double space to allow the reader to write notes if necessary
- ⇒ Identify what your niche is
- ⇒ Keep the plan focused on what you intend to do during the 3 year period
- ⇒ If you make a statement in your plan that you intend to do something, make sure it is reflected on your cash flow
- ⇒ Write about the business, not yourself (your information will be in the management section of the plan) Example; The ABC Company will operate as a homebased business located at 123 Jones Street Grand Forks. Sole proprietor, John Smith, will be responsible for all aspects of operating the business.
- ⇒ Incorporate visuals such as charts, graphs, photos
- ⇒ Be specific - do not make general comments or provide information that does not have statistical back up
- ⇒ Include a SWOT analysis and include it in your plan (Strengths, weaknesses, opportunities, threats)
- ⇒ Provide supporting documentation such as letters of support, lease agreements, supplier price lists etc
- ⇒ Include notes to your financials to explain how you calculated individual revenues and expenses
- ⇒ Have your personal budget available

## **BUSINESS PLAN FORMAT**

***The following is a standard business plan format. Some areas of the plan may appear repetitious, however presenting the material in context to each heading is important, as some readers will go directly to the headings that are of most interest. Depending on the complexities of your business you may wish to breakdown the format to include additional sections.***

1. TITLE PAGE
2. EXECUTIVE SUMMARY (also referred to as Business Concept or Business Plan Summary)
3. TABLE OF CONTENTS
4. COMPANY SUMMARY
5. OPERATIONS
6. MANAGEMENT
7. MARKETING ANALYSIS
  - ◆ Description of Industry
  - ◆ Competitive Analysis
  - ◆ Customer Analysis
8. MARKETING STRATEGIES
9. FINANCIAL STATEMENTS
10. APPENDICES

## **TITLE PAGE**

The Title Page or Cover Page should include the following information:

- ❑ Name of Business
- ❑ Address, phone, fax and e-mail address
- ❑ Website address (if applicable)
- ❑ Company Logo
- ❑ Date of Plan

Please refer to page one of this outline for a sample.

## **EXECUTIVE SUMMARY**

***The purpose of the summary is to get the reader excited about your business idea. This section summarizes the main points of the plan.***

- *The Executive summary should be done after all other sections of the business plan have been completed.*
  
- *It should be approximately 1 – 2 pages in length.*
  
- *Tell the reader exactly what you are going to do.*
  
- *Cover such things as:*
  - *Purpose of the plan (Is it an operational guideline or a request for funding?)*
  - *Personal Name*
  - *Company Name*
  - *Location*
  - *Structure of Business*
  - *Type of Business*
  - *How much money you will require (if requesting a loan)*
  - *Overview of the business idea*
  - *Mission Statement (optional)*





## Table of Contents

***When using a Table of Contents, assign page numbers to your business plan and then list the headings of your report along with the page numbers in which they appear.***

***Example:***

Executive Summary.....	pg 1
Company Summary.....	pg 2
Operations .....	pg 3
Management.....	pg 4
Marketing Section.....	pg 5-6
Description of Industry	
Competitive Analysis	
Customer Analysis	
Marketing Strategies.....	pg 7
Financial Statements.....	pg 8-12
Appendices.....	pg12-20

## COMPANY SUMMARY

***This section will contain a summary of your business in point form.***

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

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

Phone \_\_\_\_\_ Fax \_\_\_\_\_

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

Company Name \_\_\_\_\_

Location: \_\_\_\_\_

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

Phone \_\_\_\_\_ Fax \_\_\_\_\_

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

Type of Business: \_\_\_\_\_

*(Manufacturing, Retail, Service, Wholesale)*

Business Structure:

- Limited Company
- Partnership
- Proprietorship

Directors or Partners involved in the Company:

*(if applicable)*

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

New, or existing business

\_\_\_\_\_

Start Date: \_\_\_\_\_

Bank: \_\_\_\_\_

Lawyer: \_\_\_\_\_

Accountant: \_\_\_\_\_

Bookkeeper: \_\_\_\_\_

Mentors/Business Advisors: \_\_\_\_\_

Consultants/Professionals: \_\_\_\_\_

# OPERATIONS

*The operations section describes how the business will run.*

Where will your business be located?

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Why have you chosen this particular location?

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What are the characteristics of your location? (ie how visible is it, is it wheel chair accessible, )

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Days and Hours of

Operation: \_\_\_\_\_

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How many employees will you require, and what skills will they require?  
*(Refer to Employee Standards Act for your obligations & responsibilities as an employer)*

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What licences, permits and other authorizations will you require? *(For example, business licence, health permit, building permit)*

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Do you have to register for PST, GST, WCB?

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What health regulations pertain to the business?

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Have you completed an environmental questionnaire on your proposed business? *(Please include copy)*

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What is the ownership structure of the business? *(Sole Proprietorship, Partnership, Limited Company)*

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If applicable, list board of directors or partners in the business

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**MANAGEMENT**

What is your role and qualifications? *(Please attached resume)*

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What are your staffing requirements? *(Provide Job Descriptions & resumes if you have selected your potential employees)*

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What type of training will you provide your staff?

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# MARKETING ANALYSIS

*The purpose of the Marketing section is to display all the research you have done in testing the viability of your idea.*

*Describe the following topic areas:*

- 1. Description of Industry*
- 2. Competitive Analysis*
- 3. Customer Analysis*

## 1. Description of Industry

What is the future of the Industry?

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Describe the actual/potential size of the company.

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Is the Industry in incline or decline?

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Is this industry affected by technology? If so, what are the trends?

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What are the industries past, present & future trends?

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What are the industry safety regulations?

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What are the key industry assets and skills?

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What are the cost patterns in the industry?

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Is your industry seasonal? If so, how long is the season?

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## **2. Competitive Analysis**

Who are your competitors?

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What makes my product/service different from my competitors?

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What are your competitors market strategies?

- Price
- Product
- Place
- Promotion

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What are your competitor's strengths & weaknesses?

Strengths: \_\_\_\_\_

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Gender?

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Education

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Income level?

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Where do they live (geographic location)?

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What price are they willing to pay?

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How will I interest them in my product?

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Where do they presently shop/buy & why?

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What motivates the consumer to buy this product?

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What outside influences would affect this person when making this purchase?

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How many potential customers are there?

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# MARKETING STRATEGIES

***Marketing is everything a business does to get the product/service from the producer to the Customer so that the consumer is satisfied and the producer has met their objectives.***

What business image do you want to portray?

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How will you reflect your image in your promotional and packaging materials?

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How do you intend to establish your product/service in the market?

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Describe **exactly** what it is that you will be providing as a product or service.

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What size will your business be?

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How will your product or service differentiate from the competition?

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How will your business maintain an advantage over the competition?

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How will you sell and support your sales?

*(Direct: door-to-door, mail, mail order, fax, internet, sales reps, trade shows & exhibits, telemarketing) (Indirect: through retailers local, national & international)*

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What after sales service will you offer? (*guarantees, warranties, etc...*)

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What form(s) of advertising will you use and how much will it cost?

*\*See Appendix \**

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How will you determine which advertising is effective?

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How will you follow-up on sales to determine if customers are satisfied?

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Why do you feel your business can gain a share of the market?

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**PRICE**

What is the competition doing? Are your prices lower or higher than the competition & why?

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How much did your potential client indicate he/she will spend on your product/service?

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What image will your product of service project?

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What is the cost of goods sold?

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What is your overhead cost (day to day costs)?

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What level of sales must you generate to break even?

*\*attach breakeven calculation sheet\**

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**Place (Distribution)**

What channels will you use to distribute your product/service?

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How will you time your distribution (indicate peak selling periods)?

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## **FINANCIAL STATEMENTS**

*The financial section will support the viability of your proposed business idea. You will be required for provide the following statements:*

- ❑ *Notes to Financials*
- ❑ *Start up Expenses*
- ❑ *Cash Flow Projection (3 year)*
- ❑ *Income Statement*
- ❑ *Break-Even Analysis*
- ❑ *Balance Sheet*

## WEBSITES

- [www.wd.gc.ca/apps/amianent.nsf](http://www.wd.gc.ca/apps/amianent.nsf)  
“Am I an Entrepreneur?” Self-Assessment Quiz
- [www.onestopbc.ca](http://www.onestopbc.ca)  
on-line business registration
- [www.icoonline.com/guidebook.pdf](http://www.icoonline.com/guidebook.pdf)  
Professional, Trade and Industry Associations Guidebook
- [www.sbaonline.sba.gov/starting/businessplan.html](http://www.sbaonline.sba.gov/starting/businessplan.html)  
Offers instructions on putting together a business plan, including financial data and marketing information
- [www.bplans.com/](http://www.bplans.com/)  
Sample business plans
- [www.liraz.com/small-business/guides.htm](http://www.liraz.com/small-business/guides.htm)  
Covers topics such as starting a small business, marketing, leadership and business plans for small businesses, includes a FAQ and Entrepreneur test
- [www.ntia.doc.gov/opadhome/mtdpweb/busplano.htm](http://www.ntia.doc.gov/opadhome/mtdpweb/busplano.htm)  
Discover what to put in a business plan, developed by the Howard University Small Business Development Centre
- [www.royalbank.com](http://www.royalbank.com)  
Provides information on starting and expanding a business, financial tips, sample business plans
- [www.wd.gc.ca](http://www.wd.gc.ca)  
Western Diversification website with links to financing options, Community Futures offices across Canada, and business information
- [www.bcstats.gov.bc.ca](http://www.bcstats.gov.bc.ca)  
Guide to BC Economy & Labour Market information (**statistics**), area profiles, business plans
- [www.bizplus.com/zinfo/info.html](http://www.bizplus.com/zinfo/info.html)  
Find advice for starting a business, from choosing a name to writing a business plan to obtaining financing (includes tradeshow listings)

- [www.smallbusinessbc.ca](http://www.smallbusinessbc.ca)  
Interactive Business Planner, online small business workshops, government programs and services, more web sites to check out
- [www.enterprisingedge.com](http://www.enterprisingedge.com)  
Canada's first online training program for business entrepreneurs
- [www.cbasc.org/ibp/home\\_en.cfm](http://www.cbasc.org/ibp/home_en.cfm)  
Interactive Business Planner Question and Answer format that assists you in preparing a 3year business plan
- [www.allbusiness.com/business\\_advice/Advice\\_index.asp](http://www.allbusiness.com/business_advice/Advice_index.asp)  
Sample Business Plans and business plan writing information
- [www.womensenterprise.ca](http://www.womensenterprise.ca)  
Women's Enterprise Society of B.C. – Business advice, courses and loan information for women starting a business
- [www.statcan.ca](http://www.statcan.ca)  
Statistics Canada
- [www.strategis.gc.ca](http://www.strategis.gc.ca)  
Industry Canada website - business assessment tools
- [www.entrepreneur.com/businessplan](http://www.entrepreneur.com/businessplan)  
Sample business plans

## Appendixes

***At the back of the plan you should include material that supports the information you have presented.***

***This may include:***

- ❑ List of collateral (if requesting financial support)
- ❑ Legal agreements, contracts or leases
- ❑ Environmental studies
- ❑ All Financials
- ❑ Letter(s) of intent (potential orders, customer commitments, letters of support)
- ❑ Market research results/surveys
- ❑ Resumes for management team
- ❑ Purchase orders
- ❑ Product photographs & specifications
- ❑ Product tests
- ❑ List of prospective customers
- ❑ List of suppliers
- ❑ Suppliers price lists
- ❑ Consulting reports
- ❑ Publicity articles & promotional pieces
- ❑ Other supporting material

## **FORMS OF ADVERTISING & PROMOTIONS**

***A rule of thumb for determining how much to spend on advertising and promotion is to allow 2.5% of the year's projected sales. Examples of advertising:***

- ✓ Business cards
- ✓ Radio
- ✓ Newspapers
- ✓ Pamphlets/brochures/flyers
- ✓ Magazines
- ✓ Television
- ✓ Billboards
- ✓ Sponsoring & supporting various organizations & events
- ✓ Web Page/Internet
- ✓ Banners
- ✓ Yellow Pages
- ✓ Catalogues
- ✓ Signage
- ✓ T-shirts/hats/mugs/fridge magnets/other promotional items
- ✓ Door knocking
- ✓ Personal contacts
- ✓ Blitz marketing
- ✓ Coupons
- ✓ Contests
- ✓ Direct Referral System
- ✓ Word of Mouth
- ✓ Telemarketing
- ✓ Press Releases
- ✓ Articles & Columns
- ✓ Samples
- ✓ Tradeshows
- ✓ Price Reductions (Sales)
- ✓ Demonstrations/workshops/seminars
- ✓ Newsletter
- ✓ Vehicle signs
- ✓ Sandwich Boards
- ✓ Service stickers on products/services
- ✓ Personalized letters
- ✓ Joint promotions with other companies
- ✓ Networking
- ✓ Follow-up
- ✓ Preferred customer incentives/shows etc.

## LEGAL & REGULATORY REQUIREMENTS

### CHECKLIST

***It is important to research the legal requirements and comply with Municipal, Provincial and Federal Government regulations and requirements that may affect your business. Your local Government Agent has a One Stop Business Registration System that allows you to complete the most common business registration forms on line [www.onestopbc.ca](http://www.onestopbc.ca).***

- Land use Zoning (City Hall or Regional District)
- Business License (City Hall)
- Registering the Business name, partnership, or limited Co. (Government Agent)
- Provincial Sales Tax # (Government Agent)
- GST (1-800-959-5525 <http://www.cra-arc.gc.ca>)
- PST- to register online [www.bcbusinessregistry.ca](http://www.bcbusinessregistry.ca)  
toll free 1-877-388-4440
- Revenue Canada Employer Tax # (if you hire employees) and personal income tax 1-800-642-8259
- Employment Standards Act 1-800-663-3316
- Worker's Compensation Board (Questions? contact 1-888-922-2768 or [www.worksafebc.com](http://www.worksafebc.com))
- Hotel Room Tax (Questions? Contact 1-877-388-4440 or [www.rev.gov.bc.ca/ctb](http://www.rev.gov.bc.ca/ctb))
- Partnership Agreement
- Register your business web address [www.bcbusinessregistry.ca](http://www.bcbusinessregistry.ca)
- Company Incorporation (lawyer or [www.corporateonline.gov.bc.ca](http://www.corporateonline.gov.bc.ca))

# **START UP EXPENSES**

**List all costs you will encounter in the start-up phase of your business**

- Office/Retail Space Rental \$ \_\_\_\_\_
- Furniture & Fixtures \$ \_\_\_\_\_
- Office Equipment/Computers \$ \_\_\_\_\_
- Office Supplies \$ \_\_\_\_\_
- Utilities – phone, heat/light \$ \_\_\_\_\_
- Inventory \$ \_\_\_\_\_
- Manufacturing Equipment \$ \_\_\_\_\_
- Vehicles \$ \_\_\_\_\_
- Employees \$ \_\_\_\_\_
- Insurance \$ \_\_\_\_\_
- Licences & Permits \$ \_\_\_\_\_
- Memberships \$ \_\_\_\_\_
- Advertising \$ \_\_\_\_\_
- Other \_\_\_\_\_ \$ \_\_\_\_\_
- \_\_\_\_\_ \$ \_\_\_\_\_
- \_\_\_\_\_ \$ \_\_\_\_\_
- \_\_\_\_\_ \$ \_\_\_\_\_

## **OPERATING EXPENSES**

***The following is a checklist of the expenses that your business may be faced with. Costs that apply to your business should be included in your Cash Flow Projection.***

- Goods bought for resale (Inventory)
- Equipment
- Provincial Sales Tax & Goods and Services Tax
- Owner/Manager wages or drawings
- Employee salaries & Training
- Income Tax payable by the Company
- Employee/Manager Benefits
- Mandatory Employee Costs (ei. WCB, EI, CPP)
- Rent, Telephone, Utilities
- Signage
- Automotive Expenses
- Travel and Entertainment
- Property Taxes
- Business Licenses
- Repairs and Maintenance (equipment, vehicles, buildings)
- Disability Insurance
- Business liability/property Insurance
- Vehicle Insurance
- Bank Charges
- Loan payments (Principal & Interest)
- Promotions & Marketing costs
- Office & Administrative supplies and expenses
- Freight & Postage
- Packaging costs
- Accounting & Legal Fees
- Depreciation & Bad Debts
- Memberships, Donations, Franchise Fees, Commissions

# PROPRIETORSHIP, PARTNERSHIP OR INCORPORATION

***There are three common types of businesses (Sole Proprietorship, Partnership, Corporation). Each has different and important implications for liability, taxation and succession.***

1. **Proprietorship** is the simplest way to set up a business. A sole proprietor is fully responsible for all debts and obligations related to the business. A creditor with a claim against a sole proprietor would normally have a right against all assets, whether business or personal.
2. **Partnership** is an agreement in which two or more persons combine their resources in a business with a view to making a profit. A partnership agreement should be drawn up to protect the partners in the event of a disagreement or dissolution of a partnership.
3. **Corporations** can be formed by one or more persons and gives the owner(s) limited liability.

	<b>Advantages</b>	<b>Disadvantages</b>
<b>Sole Proprietorships</b>	<ul style="list-style-type: none"> <li>◆ Owned by one person</li> <li>◆ Low Start-up costs</li> <li>◆ Quick &amp; easy to start</li> <li>◆ Simple record keeping</li> <li>◆ Simple Tax returns</li> <li>◆ Owner directly controls business</li> <li>◆ Considerable freedom from regulation</li> </ul>	<ul style="list-style-type: none"> <li>◆ Owner &amp; business are not legally separate</li> <li>◆ Fully liable for all debts &amp; obligations</li> <li>◆ Cannot use Inc., Ltd., or Corp., as part of the name</li> <li>◆ May not be considered by lenders &amp; suppliers to be as stable</li> <li>◆ May lack credibility compared to a Corp.</li> <li>◆ Difficult to raise capital</li> </ul>
<b>Partnerships</b>	<ul style="list-style-type: none"> <li>◆ Low Start-up costs</li> <li>◆ Two or more people can have ownership in the business</li> <li>◆ Broader management base</li> <li>◆ Relatively easy to start and limited outside regulation</li> <li>◆ Relatively easy administration</li> <li>◆ Additional partner can put more money into the business</li> </ul>	<ul style="list-style-type: none"> <li>◆ Fully liable for all debts &amp; obligations</li> <li>◆ Partners often have conflicts</li> <li>◆ A partnership agreement (extra expense) is essential</li> <li>◆ More complex record keeping and tax returns</li> <li>◆ Capital can be raised only if new partners are admitted</li> </ul>
<b>Corporations</b>	<ul style="list-style-type: none"> <li>◆ Distinct legal entity</li> <li>◆ Gives owners limited liability</li> <li>◆ Business can have unlimited number of owners</li> <li>◆ Increased credibility</li> <li>◆ Easier to raise capital through sale of shares</li> <li>◆ Ownership transferable</li> <li>◆ "Perpetual" existence</li> </ul>	<ul style="list-style-type: none"> <li>◆ Expensive to start (\$1,000-\$2,000)</li> <li>◆ Must have legal and accounting help</li> <li>◆ Requires a lot of administration</li> <li>◆ More complex record keeping and tax returns</li> <li>◆ Closely regulated by government taxation bodies etc.</li> </ul>

# Sample Partnership Agreement

Provided by: Self Counsel Press

This partnership agreement is made in \_\_\_\_\_ original copies between  
*(number)*

(1) \_\_\_\_\_  
*(partner name)*

(2) \_\_\_\_\_  
*(partner name)*

and

(3) \_\_\_\_\_  
*(partner name)*

(the "Partners").

## PARTNERSHIP NAME AND BUSINESS

1.01 The Partners agree to carry on a business of \_\_\_\_\_  
*(type of business)*

as partners under the name \_\_\_\_\_  
*(the "Partnership")*

**No person may be introduced as a Partner and no other business may be carried on by the Partnership without the consent in writing of all the Partners.**

1.02 The principal place of business of the Partnership for the time being is \_\_\_\_\_

*(address)*

## TERM

2.01 The Partnership begins on \_\_\_\_\_ and continues until terminated in accordance with this agreement.  
*(date)*

## PARTNERSHIP SHARES AND CAPITAL

**3.01 The Partners shall participate in the assets, liabilities, profits, and losses of the Partnership in the percentages beside their respective names (their "Partnerships Shares"):**

		%
		%
		%
		100%

**3.02 The Partners shall contribute a total of \$\_\_\_\_\_ in cash, in proportion to their respective Partnership Shares, to the start-up capital of the Partnership by no later than**

\_\_\_\_\_  
(date)

**3.03 If further capital is required to carry on the Partnership business, the Partners shall contribute it as required in proportion to their respective Partnership Shares.**

**3.04 No interest accrues on a Partner's capital contributions to the Partnership in proportion to his Partnership Share. However, if a Partner makes an actual payment or advance for the purpose of the Partnership beyond his Partnership Share (an "Additional Advance"), he is entitled to \_\_\_\_\_% per annum interest from the Partnership on the Additional Advance until refunded by the Partnership.**

#### **BANKING ARRANGEMENTS AND FINANCIAL RECORDS**

4.01 The Partners shall maintain a bank account in the name of the Partnership business on which cheques may be drawn only on the signature of at least \_\_\_\_\_ of the Partners.  
(number)

**4.02 The Partners shall at all times maintain full and proper accounts of the Partnerships business accessible to each of the Partners at any time on reasonable notice.**

#### **PARTNERS' ACCOUNTS AND SALARIES**

5.01 The financial records of the Partnership shall include separate income and capital accounts for each Partner.

**5.02 No Partner may receive a salary for services rendered to the Partnership but the profit or loss of the Partnership business shall be periodically allocated among the Partners' separate income accounts and each of the Partners may, from time to time, withdraw against a credit balance in his income account.**

**5.03 The capital accounts of the Partners shall be maintained in proportion to their respective Partnership Shares.**

5.04 No Partner shall draw down his capital account without the previous consent in writing of the other Partners. If a Partner draws down his capital account below his Partnership Share, he shall bring it up to his Partnership Share on the demand of any of the Partners.

#### **MANAGEMENT OF PARTNERSHIP BUSINESS**

6.01 Each Partner may take part in the management of the Partnership business.

6.02 Any difference arising in the ordinary course of carrying on the Partnership business shall be decided by the Partners having a majority of the Partnership Shares.

## PARTNERS' DUTIES AND RESTRICTIONS

7.01 Each Partner shall devote substantially all of his ordinary working time to carrying on of the business of the Partnership.

**7.02 Each Partner shall at all times duly and punctually pay and discharge his separate debts and liabilities and shall save harmless the property of the Partnership and the other Partners from those separate debts and liabilities and, if necessary, shall promptly indemnify the other Partners for their share of any actual payment or discharge of his separate debts and liabilities by the Partnership.**

7.03 No Partner shall assign or encumber his share or interest in the Partnership without the previous consent in writing of the other Partners.

7.04 No Partner shall bind the Partnership or the other Partners for anything outside the ordinary course of carrying on the Partnership business.

### FISCAL YEAR END

8.01 The fiscal year end of the Partnership shall be \_\_\_\_\_ in each year.  
(month and day)

### TERMINATION OF PARTNERSHIP

9.01 The Partnership may be dissolved at any time during the joint lives of the Partners by a Partner giving notice in writing to the other Partners of his intention to dissolve the Partnership, in which case the Partnership is dissolved as from the date mentioned in the notice as the date of dissolution, or, if no date of dissolution is mentioned, as from the date of communication of the notice.

**9.02 The Partnership is dissolved on the death or insolvency of any of the Partners or on any of the Partners becoming a mental incompetent so found by a court of law.**

**9.03 On dissolution of the Partnership, subject to any contrary agreement binding the former Partners and their estates and after making any necessary adjustments in accordance with generally accepted accounting principles to allow for any debit balances in the Partners' separate capital accounts, the Partnership business shall be promptly liquidated and applied in the following order:**

- (a) to pay the debts and liabilities of the Partnership;
- (b) to refund any outstanding additional advances, together with accrued interest;
- (c) to distribution of the credit balances of the Partners' separate income accounts;**
- (d) to distribution of the credit balances of the Partner's capital accounts;
- (e) to distribution of any residue to the Partners in proportion to their respective Partnership Shares.**

**ARBITRATION OF DISPUTES**

**10.01 Any dispute between the Partners arising out of or related to this agreement and any amendments to it, whether before or after dissolution of the Partnership, shall be referred to and settled by a single arbitrator agreed upon by the Partners or, in default of such agreement, to a single arbitrator appointed pursuant to the legislation governing submissions to arbitration in the jurisdiction whose laws govern this agreement. The decision of the arbitrator is final and binding on the Partners with no right of appeal.**

**MISCELLANEOUS**

11.01 In this agreement, the singular includes the plural and the masculine includes the feminine and neuter and vice versa unless the context otherwise requires.

11.02 The capitalized headings in this agreement are only for convenience of reference and do not form part of or affect the interpretation of this agreement.

11.03 If any provision or part of any provision in this agreement is void for any reason, it shall be severed without affecting the validity of the balance of the agreement.

11.04 Time is of the essence of this agreement.

**11.05 The terms of this agreement may only be amended in writing dated and signed by all the Partners.**

**11.06 This agreement binds and benefits the Partners and their respective heirs, executors, administrators, personal representatives, successors, and assigns.**

11.07 This agreement is governed by the laws of the Province of \_\_\_\_\_.

**Executed under seal on** \_\_\_\_\_  
(date)

<b>Signed, sealed, and delivered</b>	)	
in the presence of:	)	
	)	
	)	
_____	)	_____
	)	Partner name
	)	
_____	)	_____
	)	Partner name
	)	
_____	)	_____
	)	Partner name

## **GLOSSARY OF TERMS**

Provided by: Royal Bank of Canada

### **Asset**

These include everything of value that is owned, including tangible (physical) items, like cash, accounts receivable, inventory, land, buildings, equipment, etc., and intangible (non-physical) items, like trademarks, licences, and goodwill.

### **Blended Payment**

A loan payment, consisting of principal and interest that is the same each month. Because the total payment amount remains fixed, the amount applied against principal each month varies. An example is a mortgage payment.

### **Break-Even Point**

The level of sales where revenue equals total costs. A break-even point may also be expressed in terms of units of product.

### **Cash Flow Statement**

A financial statement that shows when cash flows into and out of a business.

### **Cost of Goods Sold (COGS)**

COGS is calculated by adding all of the expenses a business incurs as a result of producing its product or service. In a manufacturing business, cost of goods sold includes labour; in a retail or service business, labour is not part of COGS, but is an operating expense.

### **Current Assets**

Cash, accounts receivable, inventory, all term deposits and prepaid expenses or any other asset which will be converted to cash within one year.

### **Current Liabilities**

These include all operating loans, accounts payable and accrued charges including outstanding cheques, wages, long-term debt payments and taxes that are due within a year.

### **Current Ratio**

This ratio tells you of how easily your business can meet its debts. To calculate the Current Ratio for your business, simply divide your current assets by your current liabilities (the higher the ratio, the better for your business!)

### **Debt/Equity Ratio**

A measure of how much debt your business has in relation to the amount of equity invested in it. A high level of debt to equity can be of concern. To support your company, you can raise money either by borrowing it (incurring a debt) or by

selling ownership in the company (equity). To calculate, divide total Liabilities by Equity.

**Depreciation**

A charge against a fixed asset that writes off the cost of that asset over its useful life. The depreciation amount is entered as an expense in your income statement and is a non-cash expense.

**Equity Contribution (Capital Stock)**

The cash that the owner(s) or investor has invested in the business in return for a share of ownership.

**Fixed Assets**

A fixed asset generally includes the land, building, and equipment/machinery that are likely to have a useful life to the company for more than one year.

**Fixed Costs**

This is a cost your business pays that remains unchanged, whatever your level of sales, for example, the company's monthly rent.

**Fixed Rate Loan**

A type of loan in which the interest rate does not change during the term of the loan.

**Goodwill**

An amount that represents the excess paid for a company, its shares, or other assets over its net asset value.

**Gross Profit (or Gross Margin)**

This is the profit your company makes before considering operating and administrative expenses. It is calculated by subtracting the Cost of Goods Sold from Sales. It can also be expressed as a percentage by dividing a company's gross profits by its sales.

**Income Statement**

Part of the financial statements, the Income Statement looks at all revenue that a company receives from selling products or services and then subtracts the total cost of operating the company. The income statement shows how much money a company has lost or made during a certain period of time (net profit).

**Incorporation**

This is a process that legally makes a business a separate entity from its owners. The business operates as a corporation.

**Intangible Asset (or Soft Asset)**

This refers to the non-physical assets your company has, like incorporation costs, patents, trademarks or goodwill.

**Interest Coverage Ratio**

The ratio of net income (before extraordinary items and income tax) of the business, adjusted by adding back all amounts deducted in computing the net income on account of interest and income taxes divided by the interest payable.

**Inventory Turnover**

This is a ratio that shows how well your inventory is selling and is an important cash driver for your business. It shows the number of times you sell your inventory in one year. You can calculate your company's Inventory Turnover by dividing the value of your inventory by your sales, and multiplying that number by 365.

**Leasehold Improvement**

This is an improvement made on leased premises, for example, redecorating.

**Letter of Credit**

This is a guarantee of payment by a financial institution to a third party. Certain conditions have to be met first and expert advice is required when using these instruments.

**Leverage**

This describes the amount of debt in your business, in relation to your equity. The more you use debt to finance your company, the more leveraged you are (borrowing other people's money to make money).

**Liquidation Value**

The amount for which an asset can be sold.

**Liquidity**

This describes how readily your assets can be converted into cash.

**Long-term Liabilities**

These are liabilities (like loans or debts) that are not payable within one year.

**Net Worth**

Indicates the owner's equity in a business, calculated by deducting total liabilities from total assets. Similarly, the net worth of an individual is calculated by deducting all personal liabilities from personal assets.

**Operating Loan (or Revolving Loan)**

Short-term financing to supply cash flow support or cover day-to-day operating expenses – including, but not limited to, accounts receivable and inventory.

**Overdraft**

A negative account balance caused by withdrawing more money than is available in your account.

**Partnership**

A form of business ownership made up of two or more people. Partners share an agreed upon percentage in the responsibility, profits, and/or losses of their business.

**Payment Terms**

These are the conditions you negotiate for payment of your invoices, such as "net 30" (or payment due in 30 days).

**Personal Guarantee**

A guarantee to the lender that you will take personal responsibility for repaying the loan or any other debt obligation.

**Profit Margin**

The ratio of profits (generally pre-tax) to sales. To calculate, divide pre-tax profit by sales/revenues.

**Quick Ratio**

This ratio measures how easily a business can raise cash by selling its most liquid assets to meet its liabilities. It is sometimes called an acid test ratio. It is calculated by subtracting your inventory from your current assets, and then dividing by your current liabilities.

**Ratio Analysis**

The process of calculating financial ratios for your business in order to determine trends and to compare its performance with that of other businesses in the same industry. (See Current Ratio, Debt to Equity and Gross Profit Margin.)

**Receivables**

Represent invoices that you have billed but have not been paid. Also known as accounts receivable, they can be listed as current assets.

**Receivables Turnover**

This is a ratio that shows how well your receivables are being paid and is an important cash driver for your business. It shows the number of times you collect your receivables in one year. You can calculate your company's Receivables Turnover by dividing the value of your receivables by your sales and multiplying the number by 365.

**Return on investment (ROI)**

ROI is commonly used as a test of a company's profitability. Investors can compare this figure to other types of investments. To calculate your ROI divide the net profits by total assets.

**Sales growth**

The difference between current and previous year's sales divided by the previous year's sales gives an indication of whether the business is meeting goals. Usually expressed as a percentage.

**Security (often called Collateral Security)**

Asset(s) belonging to the business or to you personally, which are pledged to a lender in support of a loan.

**Sole Proprietorship**

A form of business organization in which one person is the sole owner. In effect, there is no distinction between the owner's and the business' responsibility regarding the commitments made on behalf of the business.

**Tangible Net Worth**

Indicates the owner's equity in a business, calculated by deducting total liabilities from total assets, less (but not limited to) goodwill, incorporation/prepaid expenses, leasehold improvements and deferred costs.

**Term Loan**

A loan you obtain for a specified length of time (the term is usually not greater than the useful life of the asset being financed) to purchase fixed assets like machinery, equipment and buildings, or to renovate premises.

**Trade Credit**

Credit a supplier gives to customers by allowing them a certain period in which to pay. An important aspect in managing your company's cash flow.

**Variable Costs**

Costs that change depending on the level of sales or production. These could include commissions for salespeople, sales discounts, etc.

**Working Capital**

The money that you actually have to work with once you have considered your liabilities. Your net Working Capital is your company's current assets, less its current liabilities (the higher the amount, the better for your business!).