

Worksheet

15

1.4.4 Business Plans

Fill-in-The-Gaps

Read through the text and fill-in the gaps with words from the box below.

A business plan is a working _____ that helps to outline the _____ of a business and how to achieve them. The plan sets out the main _____ and _____ strategies of a business and is often used by an entrepreneur to help secure _____ from banks and other lenders. The plan helps to reduce _____ as key aspects of business decisions such as their _____, cash flow forecasts, _____ and marketing mix have all been carefully thought through. However, a business plan is only as good as the _____ upon which it is based!

Missing Words

Marketing	Objectives	Risk	Business
Document	Financial	Goals	Activity
Staffing	Data	Location	Investment

True or False

Put a Line Through the Incorrect Response e.g. ~~True~~ or False

1. True or False: A business plan is something that all businesses must produce.
2. True or False: Poor market research will weaken a business plan.
3. True or False: Investors such as banks and venture capitals often insist on seeing a business plan.
4. True or False: Business plans include aims and objectives, marketing and financial information.
5. True or False: The development of a business plan will guarantee the success of a business.
6. True or False: Business plans remain unchanged as the business grows and develops.



Scenario: Discuss the importance to an entrepreneur of writing a detailed business plan before starting their business. (6 Marks)

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Use the information in Extract 1 to answer questions 1 to 3.

Extract 1 Geoff’s business plan identifies the need for the hire of a website designer to help promote his new coffee shop. He plans to borrow the £7,500 for this from the bank and to repay the loan over 4 years with a monthly repayment cost of £175 per month.

1. Calculate the total interest that Geoff will pay for this loan as a percentage of the total amount borrowed. You are advised to show your workings. (2)

£

2. State **one** source of finance other than a bank that the entrepreneur could use to raise the £7 500. (1)

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3. Calculate to the nearest whole month, the number of months it will take to repay the loan if the bank allows a monthly over-payment of £25. You are advised to show your workings. (2)

..... Months

Pros and Cons

Write down 3 benefits & drawbacks of writing a business plan.

ADVANTAGES

DISADVANTAGES

Mix n' Match

Draw a line from the key term to its correct definition

CASH FLOW FORECAST

The point at which total sales revenue is exactly equal to total costs and therefore a business makes neither a profit or a loss.

BUSINESS OBJECTIVES

How the elements of product, price, promotion and place are combined to help sales of a business.

BREAK EVEN OUTPUT

Investigations into consumer behaviour and the activities of competitors and the wider economy that might include surveys.

BUSINESS LOCATION

The measurable and specific goals of an organisation that are often SMART.

MARKET RESEARCH

A measure of the predicted future cash inflows and outflows through a business over a specified period of time.

THE MARKETING MIX

Key considerations for this include infrastructure, closeness to competitors and access to customers and labour.

Wordsearch

Words could be horizontal, vertical, diagonal or backwards. 10 words to find.

U	B	D	R	U	E	N	E	R	P	E	R	T	N	E
R	U	D	C	R	I	O	P	C	M	D	R	O	W	Q
O	S	C	N	M	W	N	I	Q	N	E	E	I	R	W
H	I	T	R	A	F	S	J	B	X	N	Y	D	E	A
V	N	N	C	R	U	B	E	W	E	B	T	R	W	B
C	E	F	T	K	S	F	A	N	D	I	O	I	A	I
O	S	E	U	E	N	K	E	N	E	F	N	S	R	V
T	S	N	I	T	R	T	A	P	K	G	M	K	D	Y
O	P	I	V	R	V	C	V	O	X	S	S	P	Z	Q
E	L	W	W	E	Q	R	S	H	J	N	G	E	L	E
S	A	N	Q	S	S	F	O	R	E	C	A	S	T	R
E	N	A	T	E	G	P	R	E	N	E	U	R	Q	D
V	A	E	F	A	R	F	G	M	X	B	Y	S	W	O
I	M	E	V	R	V	T	S	T	R	A	T	E	G	Y
T	C	E	C	C	F	E	R	S	A	V	E	J	I	P
C	V	W	I	H	V	E	P	A	N	D	L	N	C	E
E	S	H	Z	C	A	S	H	F	L	O	W	I	Q	E
J	I	S	V	O	Y	D	S	B	D	E	B	T	S	D
B	Y	G	U	D	F	S	Q	V	N	T	I	X	D	H
O	W	T	L	O	C	A	T	I	O	N	R	U	H	Q



Words to find:

MARKET RESEARCH

CASH FLOW

OBJECTIVES

RISK

STRATEGY

BUSINESS PLAN

FORECAST

BANKS

LOCATION

ENTREPRENEUR

Worksheet

15

1.4.4 Business Plans

SUGGESTED ANSWERS

A business plan is a working **DOCUMENT** that helps to outline the **OBJECTIVES** of a business and how to achieve them. The plan sets out the main **FINANCIAL** and **MARKETING** strategies of a business and is often used by an entrepreneur to help secure **INVESTMENT** from banks and other lenders. The plan helps to reduce **RISK** as key aspects of business decisions such as their **LOCATION**, cash flow forecasts, **STAFFING** and marketing mix have all been carefully thought through. However, a business plan is only as good as the **DATA** upon which it is based!

Missing Words	Marketing	Objectives	Risk	Business
	Document	Financial	Goals	Activity
	Staffing	Data	Location	Investment

True or False

Put a Line Through the Incorrect Response e.g. ~~True~~ or False

1. ~~True~~ or False: A business plan is something that all businesses must produce.
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4. True or ~~False~~: Business plans include aims and objectives, marketing and financial information.
5. ~~True~~ or False: The development of a business plan will guarantee the success of a business.
6. ~~True~~ or False: Business plans remain unchanged as the business grows and develops.



Scenario: Discuss the importance to an entrepreneur of writing a detailed business plan before starting their business. (6 Marks)

Business plans will help the entrepreneur to secure additional finance and investment from the likes of banks and venture capitalists who can see that careful planning and research have been undertaken which will lower their exposure to risk. Careful analysis of the market research, staff planning needs, financial forecasts and clear aims and objectives, all help to highlight potential risks for an entrepreneur and enables them to plan potential solutions instead of relying upon a reactive approach to managing the business.

However, business plans take a long time to write and put together. This is time that may have been better spent by the entrepreneur on the development of their business or building relationships with their potential customers. This is especially true if the research lacks depth or accuracy, or the market in which it operates is highly dynamic and constantly changing making any forecasts unreliable.



Use the information in Extract 1 to answer questions 1 to 3.

Extract 1

Geoff's business plan identifies the need for the hire of a website designer to help promote his new coffee shop. He plans to borrow the £7,500 for this from the bank and to repay the loan over 4 years with a monthly repayment cost of £175 per month.

1. Calculate the total interest that Geoff will pay for this loan as a percentage of the total amount borrowed. You are advised to show your workings. (2)

$£175 \times 48 \text{ months (4 years)} = £8\,400$

Loan value: £7 500

Interest charges = $£8\,400 - £7\,500 = £900$ So, $(900/7500) \times 100 = 12\%$

2. State **one** source of finance other than a bank that the entrepreneur could use to raise the £7 500. (1)

Venture capitalist / personal savings / crowd funding.

Accept any other appropriate response.

3. Calculate to the nearest whole month, how many months it will take to repay the loan if the bank allows a monthly over-payment of £25. You are advised to show your workings. (2)

Loan Value £7 500

New Monthly Repayments of £200 ($£175 + £25$)

$£7\,500 / £200 = 38 \text{ months}$

Pros and Cons

Write down 3 benefits & drawbacks of writing a business plan.

ADVANTAGES

The entrepreneur will carefully consider and think about all aspects of the business proposal before starting the business.

It can be helpful in securing additional finance from the likes of a venture capitalist.

It reduces risk by identifying potential problem areas in advance, allowing more time for solutions to be considered.

DISADVANTAGES

The plan is only as good as the data upon which it is based. If the research is incorrect, then the business plan will provide inaccurate forecasts.

Plans take time, money and effort to generate and this could maybe have been better spent building up customer relationships.

A business plan might be very inflexible, limiting opportunities to change strategies if needed.

Mix n' Match

Draw a line from the key term to its correct definition

CASH FLOW FORECAST

The point at which total sales revenue is exactly equal to total costs and therefore a business makes neither a profit or a loss.

BUSINESS OBJECTIVES

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BUSINESS LOCATION

The measurable and specific goals of an organisation that are often SMART.

MARKET RESEARCH

A measure of the predicted future cash inflows and outflows through a business over a specified period of time.

THE MARKETING MIX

Key considerations for this include infrastructure, closeness to competitors and access to customers and labour.

What do all of these key terms have in common?

They are all found in the business plan.

Wordsearch

Words could be horizontal, vertical, diagonal or backwards. 10 words to find.

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O	S	C	N	M	W	N	I	Q	N	E	E	I	R	W
H	I	T	R	A	F	S	J	B	X	N	Y	D	E	A
V	N	N	C	R	U	B	E	W	E	B	T	R	W	B
C	E	F	T	K	S	F	A	N	D	I	O	I	A	I
O	S	E	U	E	N	K	E	N	E	F	N	S	R	V
T	S	N	I	T	R	T	A	P	K	G	M	K	D	Y
O	P	I	V	R	V	C	V	O	X	S	S	P	Z	Q
E	L	W	W	E	Q	R	S	H	J	N	G	E	L	E
S	A	N	Q	S	S	F	O	R	E	C	A	S	T	R
E	N	A	T	E	G	P	R	E	N	E	U	R	Q	D
V	A	E	F	A	R	F	G	M	X	B	Y	S	W	O
I	M	E	V	R	V	T	S	T	R	A	T	E	G	Y
T	C	E	C	C	F	E	R	S	A	V	E	J	I	P
C	V	W	I	H	V	E	P	A	N	D	L	N	C	E
E	S	H	Z	C	A	S	H	F	L	O	W	I	Q	E
J	I	S	V	O	Y	D	S	B	D	E	B	T	S	D
B	Y	G	U	D	F	S	Q	V	N	T	I	X	D	H
O	W	T	L	O	C	A	T	I	O	N	R	U	H	Q



Words to find:

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