

Business Basics

Start-up Information for the Small Business Entrepreneur



Helping Your Business Grow
In Chautauqua County, New York

Office Locations

Jamestown Community College
Community Service Center Bldg.
Room 252
525 Falconer St.
Jamestown, NY 14702-0020

Jamestown Community College
North County Training Center
Room 108
10807 Bennett Rd.
Dunkirk, NY 14048

(716) 665-5754

1-800-522-7232

FAX: (716) 338-1476

Website: jamestown.nyssbdc.org



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Table of Contents

Section 1: Starting Your Business

Analyzing the Feasibility of Your Business Idea.....	1
Initial Cash Requirement for the New Business	2
Calculating the Break-Even Point.....	3
Do You Have the Right Skills/Personality to Become an Entrepreneur?	4-5

Section 2: What Form of Organization to Use

Four Types of Business Organizations	6-7
Quick Reference Guide to Legal Business Formations	8-9

Section 3: Writing a Business Plan

Why Is a Business Plan Essential	10
Structure of a Business Plan	11-12

Section 4: Developing a Marketing Plan

Market Analysis	13
Market Strategy.....	13
Market Research	14
Sample Market Analysis	15

Section 5: Financial Plan Statements

Financial Statement Definitions	16
Sources and Uses of Funds.....	17
Balance Sheet.....	18
Income Statement.....	19
Cash Flow Statement.....	20
Personal Financial Statements	21-22

Section 6: How and Where to Get Capital to Start

The Realities of Grants	23
How to Obtain Your Free Credit Report.....	24
Sources of Financing	25
What Information Does the Lender Need to Know.....	26

Section 7: Hiring Professionals For Your Team

The Accountant, Attorney, Banker and Insurance Agent.....	27
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Section 8: Government Regulations

Permits and Licenses.....28
Chautauqua County Certificate of Business Name (DBA)29
NYS Sales Tax Authority30
Federal Employer Identification Number (EIN)31
Employer Responsibilities – Checklist.....32

Section 9: Essentials of Good Record Keeping

Determine Your Record Keeping Needs33
Cash Receipts Sample Sheets34
Sales Tax Returns35
Self-Employment Tax.....36

Section 10: SBDC Services

Helping Your Business Grow 37
Small Business Websites 38

Sources of Reference.....41

Section 1: Starting Your Business

Analyzing the Feasibility of Your Business Idea

Most businesses start with an idea from someone who believes that they have a new product or service that may be successful. Others develop unique ways to change the business environment of existing ideas or business by making their products, faster, less expensive or in some way better than that of the current competitor's products or services.

The business feasibility needs to be tested as well as the individual's ability to develop the idea into a thriving and successful business.

Some questions to be considered in the analysis of your business idea:

- **What** does the product or service do?
- **How** is it different from other products/services?
- **Who** will buy it?
- **Why** will they buy it?
- **Where** will it be sold?
- **When** will it be ready to be sold?
- **How** will it be promoted and sold?

The following pages contain tools and exercises that will provide information to help you analyze your business idea. These exercises are intended to help evaluate market feasibility, analyze research costs, determine management capability, assess entrepreneur characteristics and identify goals for the future.



Smart entrepreneurs take the time to plan and evaluate their idea because they understand that it increases their chance of taking a dream and successfully turning it into reality.

Initial Cash Requirement for the New Business

Start-up Dollars Needed	Amount	Description
Advertising	_____	Promotion for opening the business
Beginning inventory	_____	Amount of inventory needed to open
Building construction	_____	The amount per contractor bid and other
Cash	_____	Requirements for the cash register
Deposits	_____	Check with utility and telephone companies
Fixtures and equipment	_____	Use actual bid
Installing fixtures/equipment/furnishings	_____	Use actual bids
Insurance	_____	Bid from insurance agent
Lease payment	_____	Amount to be paid before opening
Licenses and permits	_____	Check with city or state offices
Professional fees	_____	Include CPA, attorney, engineer, etc.
Remodeling/Renovations	_____	The amount per contractor bid and other
Rent	_____	Amount to be paid before opening
Services	_____	Any outside service
Signs	_____	The amount per contractor bid and other
Supplies	_____	Office, cleaning, etc. supplies
Unanticipated expenses	_____	Include an amount for the unexpected
Miscellaneous	_____	
TOTAL START-UP DOLLARS	_____	Total amount of costs before opening
REPEATING MONTHLY EXPENSES		
Advertising	_____	
Bank service charges	_____	
Credit card fees	_____	
Delivery charges	_____	
Dues and subscriptions	_____	
Health insurance	_____	
* Insurance	_____	
Inventory	_____	Amount for expanding and replenishing inventory
* Lease payments	_____	
* Loan payments (Principal & Interest)	_____	
Office expense	_____	
* Payroll other than owner or manager	_____	
Payroll taxes	_____	
Professional fees	_____	
* Rent	_____	
Repairs and maintenance	_____	
* Salary of owner	_____	
Supplies	_____	
* Telephone	_____	
* Utilities	_____	
Miscellaneous	_____	
TOTAL REPEATING EXPENSES	_____	
TOTAL CASH NEEDED AT STARTUP =	_____	
STARTUP DOLLARS	_____	
+ ALLOWANCE FOR FIXED COSTS	_____	(Consider 3 Months of Core Fixed Costs—denoted with *)
TOTAL CASH NEEDED	_____	

*This information will
become part of the
cash flow projection
(pg. 19)*

Calculating the Break-Even Point

The break-even analysis is an important preliminary tool to analyze the feasibility of a business using different price and cost scenarios to pinpoint the sales volume necessary to operate at a profit. It can also be a valuable instrument later as the business develops to measure the advisability of expansion or growth.

The breakeven point is the level of sales at which all expenses are covered resulting in no profit or loss. Sales higher than breakeven will generate a profit; while sales lower than breakeven will generate a loss. To determine the breakeven point, the cost must be divided into (1) variable costs which are costs that vary in direct proportion to a change in sales volume (ex. cost of goods sold), and (2) fixed costs which are costs that are constant regardless of sales volume (ex. loan payments, rent, insurance).

The formula to determine breakeven point is:

$$X = FC/P-V \text{ where}$$

- X = annual sales (dollars or units)
- FC = annual fixed operating expenses
- P = selling price per unit
- V = variable cost per unit



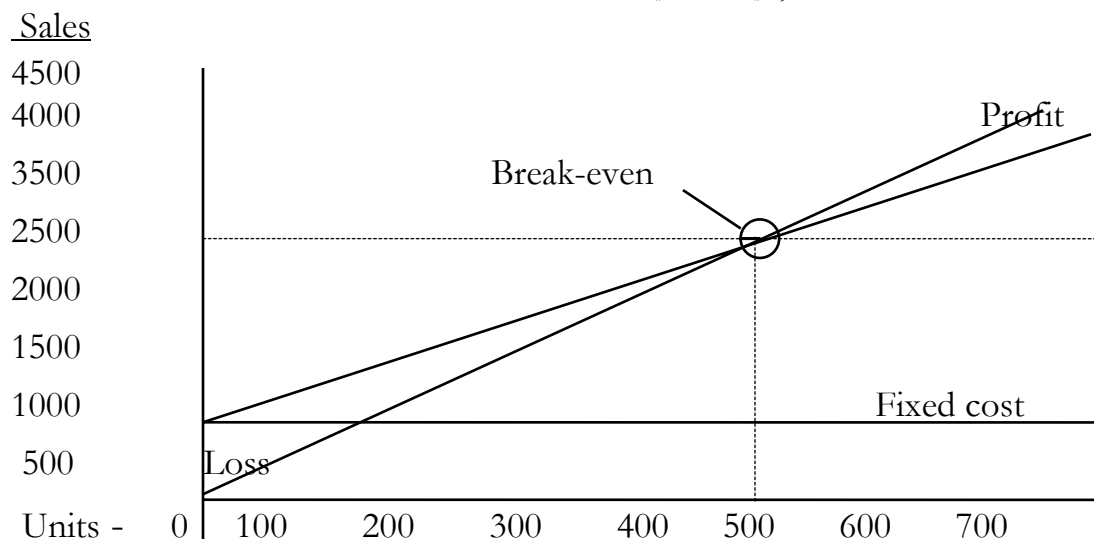
EXAMPLE:

Dana's Donuts sell for \$5 a dozen. Variable costs are \$3.38 per dozen. Fixed costs are \$829 a month. We find the company's break-even point by applying the formula.

$$X = FC/P-V$$

$$X = \frac{829}{5 - 3.38} = \frac{829}{1.62} = 512 \text{ dozen in sales}$$

$$\text{Break-even} = 512 \text{ dozen} \times \$5 = \$2,560 \text{ in sales}$$



Do You Have the Right Skills/Personality to Become an Entrepreneur?

Entrepreneurial Test

You need to think about why you would like to own your own business. What makes you think you will be successful in business?

For each question, determine the answer that best describes you. You must answer ALL questions for the test to be accurate. Place a check for each question in the column that applies to you.

	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
I'm persistent.			
When I'm interested in a project, I need less sleep.			
When there's something I want, I keep my goal clearly in mind.			
I examine mistakes and I learn from them.			
I keep New Year's resolutions.			
I have a strong personal need to succeed.			
I have new and different ideas.			
I am adaptable.			
I am curious.			
I am intuitive.			
If something can't be done, I find a way			
I see problems as challenges.			
I take chances.			
I'll gamble on a good idea even if it isn't a sure thing.			
To learn something new, I explore unfamiliar subjects			
I can recover from emotional setbacks.			
I feel sure of myself.			
I'm a positive person.			
I experiment with new ways to do things.			
I'm willing to undergo sacrifices to gain possible long term rewards.			
I usually do things my own way.			
I tend to rebel against authority.			
I often enjoy being alone.			
I like to be in control.			
I have a reputation for being stubborn.			
TOTALS			

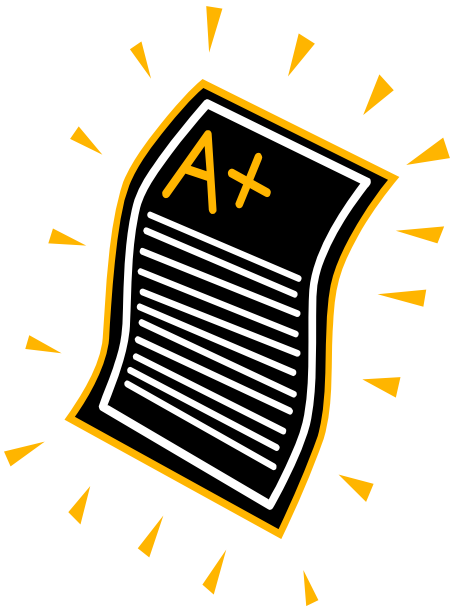
Scoring

Total all columns

For each Yes Give yourself 3 points
 For each Maybe Give yourself 2 points
 For each No 0 points

	Yes	Maybe	No	Grand Total
Column Total				
Points	x 3	x 2	-----	

- ❖ If you scored between 60 and 75, you can start that business plan. You have the earmarks of an entrepreneur.
- ❖ If you scored between 48 and 59, you have potential but need to push yourself. You may want to improve your skills in your weaker areas. This can be accomplished by either improving yourself in these areas or by hiring someone with these skills.
- ❖ If you scored between 37 and 47, you may not want to start a business alone. Look for a business partner who can compliment you in the areas where you are weak.
- ❖ If you scored below 37, self-employment may not be for you. You will probably be happier and more successful working for someone else. However, only you can make that decision.



(American Women's Economic Development Corporation, Stamford, CT, and Women in New Development, Bemidji, MN)

Section 2: What Form of Organization to Use

Four Types of Business Organizations

When organizing a business, there are four basic forms in which for-profit businesses are organized: the sole proprietorship, the partnership, the corporation and the LLC/LLP. Each form has accompanying advantages and disadvantages, including tax consequences.

1) Proprietorship

A sole proprietorship is a business that is owned by one person. As such, you own and control the business.

Setting up a sole proprietorship is the simplest, quickest and least expensive way to go into business. Legally, all that is required for set up is to obtain a license as required by the federal, state or local government. If the business has a name other than your own, you must also register your name with your local county clerk. You do this through the use of a Certificate of Doing Business under an Assumed Name for sole proprietor, commonly referred to as a “DBA” (doing business as) form.

The sole proprietor is held personally liable for any business related obligation. What this means is that if your business fails to pay a vendor, defaults on a debt or loses a lawsuit, you are personally liable for the debt.

Through the eyes of the law, the sole proprietorship is not legally separate from the person who owns it. The sole proprietor simply reports all business income or losses on his/her individual tax return – IRS form 1040 Schedule C.

2) Partnership

This is a business owned by two or more persons who get together to run the operation. Partners can contribute capital, specialized knowledge, marketing or management skills, and other valuable tools. They also share the risk.

Partners share in the right and responsibility of managing the business, and by law each partner is responsible for all debt and obligations of the firm. This means you are personally liable for the full amount of the partnership’s debts, even if they exceed your investment and you did not personally consent to the debt. A formal written agreement should be prepared to properly define each partner’s role in the business. In the absence of a partnership agreement, the New York State Partnership Law (New York State Consolidate Laws, Chapter 39) sets forth rights and duties of partners.

Partnerships must file a certificate of Conducting Business as Partners with the county clerk of each county where the business is conducted, commonly referred to as a “DBA” (doing business as) form.

A partnership’s profits and losses are included on each partner’s personal tax return. The partnership files an information return with the IRS.

3) “S” Corporations and “C” Corporations

A corporation in New York State is an entity mutually exclusive of the individuals(s) who own and manage the business. A corporation is authorized to sell, buy and inherit property in its own name, and has legal rights, powers and duties. Corporations are operated for profit and may raise capital by selling shares of interest in the corporation. A corporations’ debts and obligations are distinctly its own.

To create a corporation you must meet specific statutory requirements, which include filing a Certificate of Incorporation with the NYS Department of State; creating corporate bylaws and issuing stock certificates.

Income and expenses of the “S” corporation flow through to investors in proportion to their share holdings, and profits or losses are taxed to shareholder at their individual tax rates. Not all corporations qualify for this status. Certain restrictions apply: no more than 75 shareholders, no nonresident alien shareholders, and may not own stock in other corporations.

“C” Corporations are separate, taxable entities that report income and expenses on a corporation income tax return and are taxed at corporate tax rates. Profits are taxed before dividends are paid. Shareholders pay taxes on dividends by reporting them as income. This may result in a double taxation.

A corporate structure is often used to limit the personal liabilities of the owners. A corporate structure can add another layer of protection, however owners remain personally liable when they have personally guaranteed debts, and can also be personally responsible for corporate fraud and negligence.

4) Limited Liability Company (LLC) and Limited Liability Partnership (LLP)

LLC combines attributes from corporations and partnerships (or sole proprietorships): protection from personal liability for business debts and the simpler tax structure of partnership. For tax purposes, one owner LLCs are treated the same as sole proprietorships. Profits are reported on Schedule C as part of your individual 1040 tax return. Multiple owner LLCs are treated as a partnership. The LLC files IRS Form 1065 , Partnership Information Return. Profits are reported to each owner on a Schedule K-1. Each owner then pays taxes on this income on their annual 1040 income tax return.

LLP is a form of partnership with financial liability limited to the amount of each partner’s investment. There must be at least one general partner who controls the firm and is responsible for its debt and obligations. The limited partner gives up the right to participate in the day-to-day management of the business. While the partnership does not pay taxes, it must file Form 1065 with the IRS. This form sets out each partner’s share of the partnership profits.

Quick Reference Guide to Legal Business Formations

	Sole Proprietorship	Partnership
Description	<ul style="list-style-type: none"> • Single owner • Business has no legal existence apart from owner. In the eyes of the law and the public, you are one in the same with the business. • Owner is not an employee 	<ul style="list-style-type: none"> • Two or more owners • Business has no legal existence apart from the owners. In the eyes of the law and the public you are one in the same with the business. • Owners are not employees
Advantages	<ul style="list-style-type: none"> • Easiest, quickest and least expensive to organize • Easy to discontinue if desired • Minimum of legal restrictions • Owner receives all profits • Owner has complete control 	<ul style="list-style-type: none"> • Easy, quick and inexpensive to organize. However, time should be spent on a legal agreement: decisions, time spent, capital invested, profits, disputes, buy out agreement or new partner coming in, steps to dissolve. • Easy to discontinue if desired • More than one source of funds • Share skills • Profits or loss flow to personal tax return
Disadvantages	<ul style="list-style-type: none"> • Owner has unlimited liability. Owner is legally responsible for business debts. Personal assets are at risk • Business dissolves upon death of owner • More restrictions on deductibility of employee benefits 	<ul style="list-style-type: none"> • Partners are jointly and individually liable for the actions of the other partners. • Personal financial hardships of one partner can affect the business assets. • Profits must be shared. • Disagreements can occur. • More restrictions on deductibility of employee benefits. • The partnership may have a limited life; it may end upon the withdrawal or death of a partner.
Taxes	<ul style="list-style-type: none"> • Include income and expenses on personal return (Schedule C) • Potential need to make quarterly payments for self employment taxes 	<ul style="list-style-type: none"> • Partnership files an information return (Form 1065) • Profits or loss go to personal returns of partners (Schedules E and SE) • Potential need to make quarterly payments for self employment taxes

	Limited Liability Company (LLC)	Corporations
Description	<ul style="list-style-type: none"> • Can be one or multiple owners (no maximum) • Owners are called members (may include individuals, corporations or often LLCs) • Features of an LLC are similar to a partnership. • Members are not employees. 	<ul style="list-style-type: none"> • Separate legal entity, separate and apart from stockholders. • A corporation can be taxed; it can be sued; it can enter into contractual agreements. • Owners are shareholders.
Advantages	<ul style="list-style-type: none"> • Owners have limited personal liability. • Can elect to file as a corporation (certain requirements must be met) • Business structure designed to provide the limited liability features of a corporation and the tax efficiencies flexibility of a partnership 	<ul style="list-style-type: none"> • Shareholders have limited liability for corporate debts. Officers can be held personally liable if fraud or negligence exist. Lenders normally require officers to personally guarantee debt. • Corporations can raise additional funds through sale of stock • A corporation may deduct the cost of benefits it provides to officers and employees. • Can elect S corporation status if certain requirements are met. Profits and losses pass through to owner's personal returns. Eliminates double taxation of corporate profits. A tax election only. IRS monitors for "reasonable compensation"
Disadvantages	<ul style="list-style-type: none"> • Relatively new business structure-limited case study • Certain businesses cannot be LLC (banks, insurance companies, non-profit organizations) • Requires filing fees and possible legal fees 	<ul style="list-style-type: none"> • The process of incorporation requires time and money (filing fees and legal fees) • Corporations are monitored by federal, state and some local agencies, and as a legal entity more paperwork to comply with regulations.
Taxes	<ul style="list-style-type: none"> • Single members (income and expenses are reported on 1040, Schedule C) • If multiple members (filing same as partnership) 	<ul style="list-style-type: none"> • Class C corporations file Form 1120. Corporation pays income tax on net profit • Class S corporations –net profit passes through to stockholders on Schedule E of 1040

Deciding on the form of ownership that best suits your personal and business needs requires careful consideration. Use your key advisors (attorney, accountant, insurance agent) to assist with the decision.

Section 3: Writing a Business Plan

Why Is a Business Plan Essential

A business plan is a document that defines and describes your plan to develop goals and your plan for achieving those goals. Preparing a business plan helps you to organize and consolidate your ideas so you get a clearer, focused view of where your business is going and how it will succeed. If you need outside capital, the business plan will be one of the first things the lender or investor will want to see.

You will not personally attend the loan committee meeting. Therefore, your plan must clearly illustrate to the committee your marketing plan, financial plan and other key aspects of your business.

It's important that you write the business plan yourself. A well written plan is a snapshot of who you are and what you envision for your business venture. As you grow your business, a plan will help you keep track of the details and make sure the business is progressing as you had intended.



Your business plan should be:

- Clear Written in plain English – the reader should not have to struggle to understand what you are saying
- Concise Get to the point, say what needs to be said without wordiness.
- Well organized Organize the plan so that it flows and is easy to follow. Use caps, indentations, bold type, underlines to highlight the plan's parts.
- Honest Deluding yourself or others is totally inappropriate with so much at stake. Be honest and forthright in your presentation and analysis.
- Convincing Your knowledge of the business and market and your management skills should impress the reader.

Structure of a Business Plan

There are three major sections of a business plan:

- The organizational plan
- The marketing plan
- The financial plan.

Following is an outline of a typical business plan (may vary depending on business type).

Cover Sheet	Name of business, name of owner, address, phone number, date
Statement of Purpose	Brief statement of objectives of the business plan, with amount, type, terms and proposed use of any financing requested.
Table of Contents	
Summary (optional)	Overview summarizing key points in business plan

• Organizational Plan

Business Description	State type of business, organizational structure, current status (start-up, expansion or buyout), mission statement.
Product or Service	Describe primary products and/or services
Business Location	Give address, physical features of building and site, status (own, lease), renovations needed and cost, zoning as it relates to your business, why this site was chosen, why it will help you succeed.
Management/Personnel	State management positions with job descriptions, names of key managers with brief descriptions of qualifications/experience, organizational chart. Describe personnel and skills needs, projected status (full or part-time, hourly or salaried), fringe benefits.

• Marketing Plan

Market Analysis	Describe the general market for your product or service (size, growth potential, price, method of delivery, quality, etc.) and what opportunities exist in the market. Also include your target market
Competition	Assess strengths and weaknesses of competitors, how your product or service will be positioned.
Market Plan	Set realistic marketing objectives; determine action plan for attracting and keeping your target market; determine how you will expand your market.

- **Financial Plan**

Source & Use of Funds Determine funds needed for startup (including equipment list with costs) and working capital. Specify all sources of funding, amounts and how these funds will be used.

Balance Sheet A record of the assets, liabilities and net worth at a given time

Break-Even Analysis Determine at what point your business will break-even(will not lose money or make a profit). Break-even analysis provides a sales objective (in dollar or unit sales) for your business.

Projected Income Statement Forecasts the income and expenses of the business for 1 to 3 years.

Cash Flow Statements Project the actual dollars coming into the business and the dollars going out.

Appendix

Supporting Documents Provide required documents such as resumes, credit reports, letters of reference, copies on contracts, leases, legal documents, etc.

Section 4: Developing a Marketing Plan

Market Analysis

- Products/services Describe your product/service features and the benefits that the customer will receive.
- Customers Define your customer profile:
 - **Type** (consumer, retailer, wholesaler, manufacturer, government agency)
 - **Geographic Area**
 - **Demographic Characteristics** (age, gender, income, education, race, etc.)
 - **Psychographic Characteristics** (attitudes, perceptions, etc.)
 - **Lifestyle Tendencies** (hobbies, etc.)
- Environment Discuss any environmental factors that affect your market (county growth, rising energy prices, etc.)
- Competition Describe your competition:
List major competitors and their product/service features, price, location, reputation, market share, size, age, etc.
- Competitive Advantages and Disadvantages Discuss how your product/service meets market needs and how you compare with the competition in terms of features, location, price, etc.
- Projections Give your projections in terms of the number of customers or items sold or contracts obtained, etc.

Market Strategy

- Sales Strategy Present your marketing strategy. Describe how your product/service will sell because of benefits, pricing, distribution system and promotion.
- Promotion Strategy Describe how you plan to promote product/service: advertising, direct mail, personal contacts, sponsoring events, word-of-mouth, trade associations.
State what media you will use: radio, television, newspaper, magazines, telephone book yellow pages, billboards, etc.

Market Research

- Secondary Sources
 - Data previously gathered and compiled by someone else.*
 - The Official Guide to Household Spending
 - Statistical Abstract of the United States
 - Encyclopedia of Associations
 - Small Business Sourcebook
 - Manufacturing USA
 - Service Industries USA
 - Robert Morris Annual Statement Studies
 - New York State Statistical Yearbook
 - Thomas Register
 - U.S. Census Bureau
 - U.S. Small Business Administration
 - Internet Resources

- Primary Research
 - Information you obtain on your own*
 - Observation
 - Surveying
 - Shopping the Competition
 - Focus Groups
 - Test Marketing

Sample Market Analysis

The Sport Shop

The point of this illustration is to show that each of the following criteria alone do not justify the reasonableness of the fishing supplies and equipment business, but when joined with other data concerning the market can provide crucial support for the sales level a business can possibly achieve.

The Sports Shop plans to sell several different lines of sporting equipment one being fishing supplies and equipment. Based on floor space, inventory and the owner's prior business experience, The Sports Shop's fishing supply and equipment sales are estimated to be \$16,000 in the first year. The reasonableness of this projection can be judged by considering the total expenditures of fishing supplies and equipment in this area and what share of the total market this estimate represents.

- The expected market area is located within 20 miles of Pepper Pike. An approximation of the number of people residing in this area can be made by summing the totals from the main population centers in the area. According to the U.S. Census, the population in the local market area is 72,000.
- According to the U.S. Fish and Wildlife Service, 26% of the general population participates in fishing, and the National Sporting Goods Association estimates that each participant spends \$16 on basic fishing equipment and supplies every year.

Therefore, $72,000 \times 26\% = 18,720 \times \$16 = \$299,520$ is the total market for basic fishing equipment & supplies in the area. Thus, The Sports Shop's projection represents only 5% of the local market ($16,000/299,520 = 5\%$).

Based upon the competitive analysis, which identified the strongest competitors as hardware stores, Agway stores, and mail-order catalogs, a five percent market share in year one was deemed conservative. Further, sales of \$16,000 most likely represent less than 5% of the local market, because the tourist trade was not included in deriving the total market potential.**

**This market analysis is based primarily on secondary research (information collected by others). While the competitive research required direct observation by the prospective entrepreneur (primary research), a survey of local residents or sportsmen could enhance this analysis. Most thorough market analyses make use of both secondary and primary information.

Section 5: Financial Plan Statements

Financial Statement Definitions

In order to have a clear understanding of how your business is doing financially and to be able to predict and plan for the future, a fairly thorough understanding of your financial statements is necessary. There are several basic financial statements that can help you determine the condition of your business.

- **Sources and Uses of Funds**
This helps to explain how a company acquired its money and how it was spent. It can also help to identify financing needs and analyze cash inflows and outflows. Also, it can be used as a starting point to forecast future cash flows and financing requirements.
- **Balance Sheet**
The balance sheet is a financial “snapshot” of your business at a given point in time. It includes assets, liabilities and shows your business’ net worth.
- **Income Statement**
The income statement (also called a profit and loss statement or P&L) lists your income, expenses and net income (or loss). The net income (or loss) is equal to your income minus your expenses.
- **Cash Flow Statement**
This statement is a forecast of the money your business expects to receive and to pay out during a given period (usually on a month-to-month basis). The primary purpose is to predict your business’ ability to take in more cash than it pays out. If the business can’t initially sustain a positive cash flow, then steps should be taken to obtain more investment capital.

Common Financial Term Definitions

Accounts Payable	Money your business owes to suppliers and creditors
Accounts Receivable	Money others owe your business
Assets	Everything you own
Capitalization	How you finance your business
Collateral	Assets that can be used to assure the lender you can repay your loan even if the business fails
Credit	Time allowed to pay for goods and money borrowed
Credit Line	Total amount you may borrow or charge after you have been approved for credit
Disbursements	Money actually paid out
Fixed Assets	Property you own of a permanent or long term character
Fixed Expenses	Ongoing costs that remain the same regardless of sales volume
Inventory	Value of goods on hand for sale
Liabilities	Money you owe, including current costs of doing business
Net Worth	Value of what you own, or what business is worth after liabilities are subtracted from total asset value
Reserve Capital	Money set aside for unexpected expenses
Start-up Costs	Initial capital needed to start a business
Variable Expenses	Expenses which vary in proportion to change in sales volume

Sources and Uses of Funds

Investment Capital

Investment by Owner:

Cash

Other Assets

Investment by Others

Debt Capital

Bank Business loan

Bank Personal Loan

SBA Guaranteed Loan

Other Loans

Total

Application of Funds

Rent & Security Deposits

Equipment/Fixtures

Leasehold Improvements

Initial Inventory

Working Capital

Insurance

Professional Fees

Advertising

Signage

Contingency Reserve

Total

Balance Sheet

	As of _____		
Current Assets:			
Cash	<input type="text"/>	<input type="text"/>	<input type="text"/>
Accounts Receivable	<input type="text"/>	<input type="text"/>	<input type="text"/>
Inventories	<input type="text"/>	<input type="text"/>	<input type="text"/>
Prepaid Expenses	<input type="text"/>	<input type="text"/>	<input type="text"/>
Other Current Assets	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total Current Assets	<input type="text"/>	<input type="text"/>	<input type="text"/>
Fixed Assets:			
Land	<input type="text"/>	<input type="text"/>	<input type="text"/>
Leasehold Improvements	<input type="text"/>	<input type="text"/>	<input type="text"/>
Equipment	<input type="text"/>	<input type="text"/>	<input type="text"/>
Vehicles	<input type="text"/>	<input type="text"/>	<input type="text"/>
Other Fixed Assets	<input type="text"/>	<input type="text"/>	<input type="text"/>
Sub-Total Fixed Assets	<input type="text"/>	<input type="text"/>	<input type="text"/>
Less:			
Accumulated Depreciation	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total Fixed Assets:	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total Assets	<input type="text"/>	<input type="text"/>	<input type="text"/>
Current Liabilities:			
Accounts Payable	<input type="text"/>	<input type="text"/>	<input type="text"/>
Curr. Portion of Lg-Term Debt	<input type="text"/>	<input type="text"/>	<input type="text"/>
Accrued Expenses	<input type="text"/>	<input type="text"/>	<input type="text"/>
Other Current Liabilities	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total Current Liabilities:	<input type="text"/>	<input type="text"/>	<input type="text"/>
Long-Term Debt, net of current portion	<input type="text"/>	<input type="text"/>	<input type="text"/>
Owner's Equity:			
Paid-In Capital	<input type="text"/>	<input type="text"/>	<input type="text"/>
Retained Earnings	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total Owner's Equity	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total Liabilities & Owner's Equity	<input type="text"/>	<input type="text"/>	<input type="text"/>

Income Statement

	Year 1	Year 2	Year 3
Sales	<input type="text"/>	<input type="text"/>	<input type="text"/>
Less: Cost of Goods Sold	<input type="text"/>	<input type="text"/>	<input type="text"/>
Gross Profit	<input type="text"/>	<input type="text"/>	<input type="text"/>
Operating Expenses			
Owner's Salary	<input type="text"/>	<input type="text"/>	<input type="text"/>
Other Salaries	<input type="text"/>	<input type="text"/>	<input type="text"/>
Payroll Taxes	<input type="text"/>	<input type="text"/>	<input type="text"/>
Rent	<input type="text"/>	<input type="text"/>	<input type="text"/>
Advertising	<input type="text"/>	<input type="text"/>	<input type="text"/>
Professional Fees	<input type="text"/>	<input type="text"/>	<input type="text"/>
Dues & Subscriptions	<input type="text"/>	<input type="text"/>	<input type="text"/>
Insurance	<input type="text"/>	<input type="text"/>	<input type="text"/>
Office Expense	<input type="text"/>	<input type="text"/>	<input type="text"/>
Utilities	<input type="text"/>	<input type="text"/>	<input type="text"/>
Telephone	<input type="text"/>	<input type="text"/>	<input type="text"/>
Travel & Entertainment	<input type="text"/>	<input type="text"/>	<input type="text"/>
Depreciation	<input type="text"/>	<input type="text"/>	<input type="text"/>
Interest	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total Operating Expenses	<input type="text"/>	<input type="text"/>	<input type="text"/>
Net Profit (Loss) Before Taxes	<input type="text"/>	<input type="text"/>	<input type="text"/>

Cash Flow Statement (Bank may require 3 years of projections.)

MONTH #	1	2	3	4	5	6	7	8	9	10	11	12	Total
Cash Income													
Sales													
Other Income													
Total Income													
Cash Expenses													
Cost of Goods Sold													
Owner's Salary													
Other Salaries													
Payroll Taxes													
Rent													
Advertising													
Professional Fees													
Dues & Subscriptions													
Insurance													
Office Expense													
Utilities													
Telephone													
Travel/Entertainment													
Debt Service													
Total Expenses													
Net Cash Flow													
Beg. Cash Balance													
Ending Cash Balance													

Personal Financial Statements

Cash Flow

Income		Flexible Expenses	
Salary		Food/Beverage	
Bonus		Clothing	
Dividends		Laundry/Cleaning	
Interest		Personal Care	
Proceeds for sale of securities		Entertainment	
Rental Income		Travel/Vacation	
Trust Income		Recreation	
Social Security		Gifts	
Pension		Household Help	
Alimony		Repairs	
Child Support		Home Furnishings	
Unemployment, Disability Insurance		Appliance Purchases	
Other Income		Gasoline	
		Health Care (Doctors, dentists, drugs)	
Total Income		Child Care	
		Education	
		Gifts and Donations	
		Investments	
Fixed Expenses		Savings	
Mortgage/Rent		Personal Allowance	
Fuel		Other	
Electricity			
Telephone			
Water		Total Flexible Expenses	
Personal Property Taxes		Total Expenses	
Real Estate Taxes			
Homeowner Insurance Premium			
Auto Insurance Premium			
Medical/Disability Ins. Premium			
Life Insurance Premium			
Auto Loan			
Loan of Installment Debt Repayment			
Other			
Total Fixed Expenses			

Net Worth

What You Own		What You Owe	
Cash:		Current Bills	
Cash on hand		Rent	
Checking accounts		Utilities	
Savings accounts		Charge accounts	
Money-market funds		Credit cards	
Life insurance cash value		Insurance premiums	
Money owed you		Alimony	
		Child support	
Marketable Securities:		Other bills	
Stocks			
Bonds			
Government securities		Taxes:	
Mutual funds		Federal	
Other investments		State	
Personal Property:		Local	
Automobiles		Taxes on investments	
Household furnishings		Other	
Art, antiques, other collectibles			
Clothing, furs		Mortgages:	
Jewelry		Homes	
Other possessions		Other properties	
		Debts to Individuals:	
Real Estate:			
Homes		Loans:	
Other properties		Auto	
		Education	
Pension:		Home improvement	
Vested portion of company plan		Life insurance	
Vested benefits		Other	
IRA		Total	
Keogh		What you own minus what you owe	
Long-Term Assets:		equals your net worth:	
Equity in business			
Life Insurance			
Annuities			
Total			

Section 6: How and Where to Get Capital to Start

The Realities of Grants

There are many ads about how to get “free” money for business grants. They state that the government will give you “free” money for just about anything you want to do- from starting your own business to expanding your home business.

There are many scams that entice TV viewers with the promise of “free money” for a small fee. Here’s how they work:

- The company guarantees you will get a grant or you’ll get your money back.
- For a fee (\$40-50) you get a packet of information on how to write a grant proposal and a list of organizations who can provide the grant you want.
- The organizations on the list don’t typically give grants to individuals to start their own business.
- You try to get your money back and find that the guarantee is no real guarantee at all.



While certain organizations, either federal or private, do provide grant money, they generally direct their assistance toward charities, lending institutions, non-profit organizations, educational institutions, etc. Very little money goes to individuals.

Currently the U.S. Small Business Administration does not provide home business grants or grant money for starting a small business. From their Web site:

“While SBA does offer a limited number of grant programs, these are generally designed to expand and enhance small business technical assistance. SBA does not offer grants to start or expand small businesses...SBA’s grant programs generally support non-profit organizations, intermediary lending institutions, and state and local governments in an effort to expand and enhance small business technical and financial assistance.” Small Business Administration

Even for the organizations that do receive grants (non-profits, charities, educational institutions, etc.) their “free” money is not totally free. They do not have to repay the funds but they also cannot spend them as they please. There are strict rules and regulations about how the money can be spent and for what purposes, etc.

In conclusion, grants to start a small business are extremely rare!

How to Obtain Your Free Credit Report

A recent amendment to the federal Fair Credit Reporting Act (FCRA) requires each of the nationwide consumer reporting companies to provide you with a free copy of your credit report, at your request, once every 12 months. A credit report contains information on where you live, how you pay your bills, and whether you've been sued, arrested, or filed for bankruptcy. Nationwide consumer reporting companies sell the information in your report to creditors, insurers, employers, and other businesses that use it to evaluate your applications for credit, insurance, employment, or renting a home. The three consumer reporting companies are: Equifax, Experian, and Trans Union.

How do I order my free report?

The three nationwide consumer reporting companies have set up one central website, toll-free telephone number, and mailing address through which you can order your free annual report.

* To order, click on www.annualcreditreport.com, call 877-322-8228, or complete the Annual Credit Report Request Form and mail it to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281. The form can be printed from www.ftc.gov/credit. (Do not contact the three nationwide consumer reporting companies individually for this free report. It's only available through Annual Credit Report Request Service program.)

What information do I have to provide to get my free report?

You need to provide your name, address, Social Security number, and date of birth. If you have moved in the last two years, you may have to provide your previous address. To maintain the security of your file, each nationwide consumer reporting company may ask you for some information that only you would know, like the amount of your monthly mortgage payment.

Why would I want to get a copy of my credit report?

You may want to review your credit report to make sure the information is accurate, complete, and up-to-date. The information it contains could affect whether you can get a loan — and how much you will have to pay to borrow money. You should also check for identity theft. When someone uses your personal information to commit fraud by opening accounts and not paying the bills, then that information is reported on your credit report.

Why is it important?

The use of the credit score is expanding into many areas. For example, insurance companies may use your credit score to determine premiums. The assumption is that if a person has a good credit score they are also a good risk.

What if I find errors - either inaccuracies or incomplete information - in my credit report?

Report to the consumer reporting company and the information provider, in writing, what information you think is inaccurate. The information provider must investigate, review and report the results back to the consumer reporting company. If the information is determined to be inaccurate they must then notify all three nationwide consumer reporting companies so they can correct the information in your file.

* For additional information contact Federal Trade Commission at www.ftc.gov

Sources of Financing

There are various sources to consider when trying to obtain financing to start a business.

- Personal savings Primary source of capital for most new businesses comes from savings and other forms of personal resources.
- Relatives and friends Family and friends may contribute financing for small business ventures.
- Banks and credit unions Banks and credit unions will provide a loan if you can show your business proposal is sound.
- Venture capital firms These firms help expanding companies grow in exchange for equity or partial ownership. (See www.sba.gov for listing.)

Types of Personal Loans

- Banks Secured loans (real estate)
- Finance companies Secured loans (real estate, personal assets)
- Credit Unions Unsecured “signature” loans
Secured loans (real estate, personal assets)
- Savings & Loan Associations Secured loans (real estate, personal assets)
- Mortgage Brokers/Private Investors Secured loans (real estate, personal assets)
- Life Insurance Companies Policy loans (secured against cash value)

Types of Business Loans

- Banks (short-term) Maturity of up to one-year, secured loans (accounts receivable, inventory, equipment)
- Banks (long-term) Maturity of greater than one year but usually less than seven years, secured loans (real estate). Long-term loans are used for major business expenses such as purchasing real estate, construction, durable equipment, furniture, fixtures, vehicles, etc.
- Commercial Finance Co. Secured loans (real estate, equipment, inventory, accounts receivable)
- Life Insurance Companies Secured loans (commercial real estate)
- U.S. Small Business Administration SBA loan programs are generally intended to encourage longer term small business financing, but are based on ability to repay. Short-term loans are also available to help meet short-term capital needs. Secured loans (business or personal assets)
- Public Loan Funds There are municipal, county, regional and state loan funds that may be a source of capital for business investment. These funds are normally limited to a portion of the total project and are often based on creating or sustaining jobs. The SBDC can help you determine your financing options and assist with the preparation of a business plan which is necessary to pursue public loans.

What Information Does the Lender Need to Know

All commercial lenders have certain basic requirements. They need to have a written request for a specific amount of money in the form of a loan application as well as a complete and professional business plan.

The prospective lender will want to examine critical aspects of the business proposal.

The “Five C’s of Credit” are used to analyze a credit request:

1. Character

The business owner’s personal integrity and past credit history. Does your past history demonstrate that paying your bills promptly is important to you, even if your level of living is affected?

2. Capacity / Cash Flow

Does your business and/or yourself have the financial strength/income to repay the debt?

3. Capital

The debt-to equity ratio. How much debt is or will be owed in comparison to the company’s assets? If you go out of business, can the bank be assured that it can sell your assets to recover it’s money?

4. Collateral

A secondary source of repayment. Usually new business owners will be required to pledge all of their personal assets as additional collateral, including their home. A co-signer may also be necessary in some instances.

5. Conditions

The present and anticipated conditions of the economy and the market of the particular industry.



Section 7: Hiring Professionals For Your Team

The Accountant, Attorney, Banker and Insurance Agent

Almost every small business owner will at some point need the assistance of an accountant, attorney, banker and insurance agent; whether for their expertise or because the small business owner doesn't have the time to manage every aspect of running a small business.

To select members for your team you might check your local yellow page directory, ask for referrals from other professionals in the business community, or start with agencies that handle your personal accounts.

- **Accountant** Helps choose form of business, sets up your books, prepares taxes, provides tax advice and financial planning.
Contact: American Institute of Certified Public Accountants
Ph. (888) 777-7077 -or-
<http://www.aicpa.org>

- **Attorney** Helps choose form of business, files proper papers, drafts contracts and leases, defends or represents you in legal action cases, provides legal advice and planning. (Some lawyers now routinely require a retainer up front.)
Contact: NYS Bar Association
(518) 463-3200 -or-
<http://www.nysba.org>

- **Banker** Helps you obtain financing, helps establish credit card accounts and provides business operation advice.
Contact: The Small Business Administration
Ph. (716) 551-4301 -or-
<http://www.sba.gov>

- **Insurance Agent** Helps choose form of business, evaluates insurance needs, provides assistance and advice with types of coverage required.

Section 8: Government Regulations

Permits and Licenses

Chautauqua County



The Chautauqua County Business Permit Center (CCBPC) provides a one-stop source for permits and licenses required by local municipalities, Chautauqua County, New York State and the Federal government.

When clients call the SBDC for assistance with their small business, an appointment is set up for them to come in to meet with a business adviser on the staff. If information on permits and licenses is required the adviser will request that the Business Permit Center research and assemble a permit package to be mailed to the client. The customized packet includes a listing of the permits required for the specific business, information sheets and copies of the applications, as well as contact information for agencies to contact.

Information available:

- **Municipal** Zoning, permit and license information for the 44 municipalities (cities, villages and townships) located within Chautauqua County.
- **Chautauqua County** Business Certificate (DBA) required by Chautauqua County; licenses required by Dept. of Health and Sheriff's Dept.
- **New York State** State permit information with access to the NYS Governor's Office Online Permit Assistance and Licensing (OPAL) database.
- **Federal** Information on federal tax requirements and regulations (OSHA, EPA, DEC, employer responsibilities)

The CCBPC is a service of and located at the Jamestown Campus of the NYS Small Business Development Center at Jamestown Community College.

* For additional information and assistance call: (716) 665-5754 or 1-800-522-7232.

Chautauqua County Certificate of Business Name (DBA)

If an assumed business name is to be used (a name other than your own), section 130 of the general business law requires the filing of a business certificate with the county clerk in the county where the business will be conducted. This form is the Chautauqua County Business Certificate (DBA - Doing Business As) for a sole proprietorship or partnership. (If you are going to call the business by your given name, it is not required.)

Business certificate forms are available at the county clerk's office, SBDC office and Chautauqua County Business Permit Center.

It is advisable to obtain your business license because doing so will make your business "official" and will create a visible presence. In addition, banks and suppliers will require proof of business ownership before they agree to set up business accounts on your behalf.



Note:

The business certificate original form will be kept on file with the county clerk.
A certified copy is required by a bank to open a checking account for your business.
A second certified copy is needed to display at your business.

Chautauqua County Filing Location

Location: County Clerk's Office, County Court House, Mayville, NY
Fee: \$25.00 **Certified Copies:** \$1.00 each at time of filing (\$4 each afterwards)
Hours: 9:00 a.m. - 5:00 p.m. Monday – Friday
Phone: (716) 753-4331
Contact: County Clerk's Office

** To register by mail, have the certificate notarized and enclose your payment (\$27.00) with a stamped, self-addressed envelope.*

Mail to: *County Clerk's Office
County Courthouse
P.O. Box 170
Mayville, NY 14757*

*** If no longer using a filed DBA, County Clerk recommends filing a Discontinuance of Business. (no charge)*

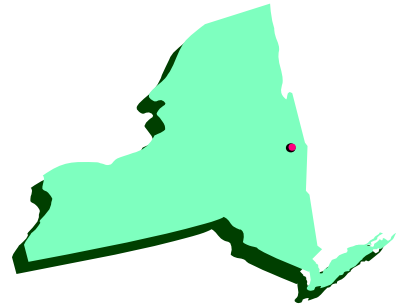
**** If your business address or name changes, an Amended Business Certificate should be filed. (\$25.00 fee + certified copies - \$1.00 each)*

Cattaraugus County Filing Location

Location: County Court House, Little Valley
Fee: \$25.00 **Certified Copies:** \$4.00 each
Hours: 9:00 a.m. - 5:00 p.m. Monday - Friday
Phone: (716) 938-9111
Contact: County Clerk's Office

NYS Sales Tax Authority

If your business will be making sales in New York State that are subject to sales tax, you may be required to collect the sales tax from the person to who you make the sale. Taxable sales are: sales of tangible personal property and services generally referred to as specifically enumerated services.



NYS Department of Taxation and Finance Publication 750: A Guide to Sales Tax in New York State further defines taxable sales and services. You can also contact the NYS Department of Taxation and Finance at 1-800-972-1233 for assistance with determining your requirements.

If you are required to collect sales tax, then you must register as a vendor with the Tax Department and obtain a *Certificate of Authority*. You must also be registered to issue or accept New York State sales tax exemption documents. There is no charge to apply but you must apply at least 20 days before you begin operating your business.

DTF-17 Application for Registration as a Sales Tax Vendor is used to apply for your authority. There are three types issued:

- Regular Certificate of Authority
- Certificate of Authority for Show and Entertainment Vendors
- Temporary Certificate of Authority

** To register by mail, complete and sign DTF-17 form.*

Mail to: **NYS Tax Department** *or*
 Sales Tax Registration Unit
 W A Harriman Campus
 Albany, NY 12227

Apply on-line at:
<http://www.nys-opal.com>
or
<http://www.tax.state.ny.us>

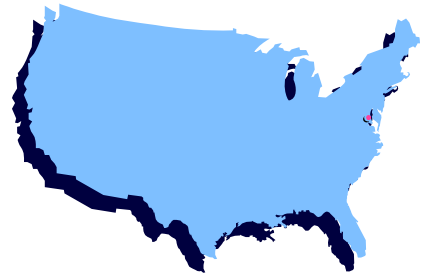
Once you receive your *Certificate of Authority*, you are considered to be in business even if you never make a sale or open the doors of your establishment. When you first register, you will be classified as a quarterly filer and you must remit tax due on the dates specified. **You must timely file a sales and use tax return even if you have no tax due during the filing period.** Certain conditions could result in your business being reclassified as an annual filer or in some instances as a monthly filer.

ST-120 Resale Certificate form can be used to make tax-free purchases of items that will be resold by you. A blanket certificate may be reused every time you buy from that vendor. A single purchase certificate is only good for that purchase. Next time you buy from that vendor, you will need another “Resale Certificate”. Each vendor from whom you buy needs to be given a certificate. You can photocopy the form as many times as you want but your signature must be original on each form.

* For additional information refer to Publication 750: A Guide to Sales Tax in New York State or contact the New York State Department of Taxation and Finance at 1-800-225-5829.

Federal Employer Identification Number (EIN)

The EIN is a nine digit number (00-0000000) issued by the IRS to identify taxpayers who are required to file various tax returns. All businesses are required to have one, except for sole proprietorships with no employees. In their case the New York State Tax Department will assign an account number to be used on all business tax records.



Form SS-4 Application for Employer Identification Number is used to obtain the EIN number. The form can be obtained at any Social Security Administration office, SBDC office, by calling the IRS at 1-800-829-3676 or you may download a PDF file at their website.

Mail

Complete Form SS-4 at least 4 to 5 weeks before you will need an EIN. Sign and date the application and mail to address for your state. You will receive your EIN in the mail in approximately 4 weeks.

Telephone

You can receive your EIN by telephone and use it immediately to file a return or make a payment. If you are applying by telephone, it will be helpful to complete Form SS-4 before contacting the IRS. AN IRS representative will use the information from the form to establish your account and assign you an EIN. Write the number you are given on the upper right corner of the form and sign and date it. Keep this copy for your records. If requested by an IRS representative, mail or fax the signed Form WSS-4 within 24 hours to the address provided by the representative.

Fax

Under the Fax-TIN program, you can receive your EIN by fax within 4 business days. Complete and fax form to IRS using the Fax-TIN number listed for your state. Be sure to provide your fax number so the IRS can fax the EIN back to you.

Online

You can receive you EIN by internet and us it immediately to file a return or make a payment. Go to IRS website www.irs.gov and click on Employer ID Numbers.

Employer Responsibilities – Checklist

1. Apply for your SS-4 Federal Employer Identification Number (EIN) from the Internal Revenue Service. An EIN can be obtained via telephone, mail or on-line. If you obtain one by phone, the IRS representative may request that you mail or fax the signed SS-4 Form to them.
2. Register with the NYS Department of Labor (DOL) as a new employer. NYS-100 should be completed and sent to the Albany address appearing on the form. This report is required of all employers for the purpose of determining whether the applicants are subject to state unemployment insurance taxes. They will follow up with you with their determination.
3. Obtain both Workers Compensation and NYS Disability Insurance from an insurer. The insurance company will provide the required certificates that should be displayed.
4. Order Federal Tax Deposit Coupons – Form 8109 – if you didn't order these when you received your EIN. To order call 1-800-829-1040; you will need to give your EIN. You may want to order some blanks sent for immediate use until the pre-printed ones are complete. Also ask for the current Federal Withholding Tax Tables (Circular A) – this will explain how to withhold and remit payroll taxes, and file reports.
5. Order State Withholding Tax Payment Coupons – call 1-800-462-8100. Also ask for the current NYS Withholding Tax Tables.
6. Have new employees complete an I-9 form. This form can be photocopied. You should have all employees complete prior to beginning work. **Do not** send to Immigration and Naturalization Service – just keep it with other employee records.
7. Have employees complete a W-4. This form also can be photocopied. A copy of this must now be sent to NYS for the New Hire Reporting Program.

IRS Publications 15 “Employer’s Tax Guide” and Publication 15-A “Employer’s Supplemental Tax Guide” discuss all the forms required as an employer from the W-4 “Employee’s Withholding Allowance Certificate” to the Form 940 “Employer’s Annual Federal Unemployment (FUTA) Tax Return”. Important information to note is the calendar of required forms on page 2 of Publication 15.

Also NYS-50 “Employer’s Guide to Unemployment Insurance, Wage Reporting and Withholding Tax” for New York State taxes provides state information and regulations.

The Occupational Safety and Health Administration (OSHA) assists in assuring a safe and healthful workplace for your employees. A fact sheet is available with further information. It is important to document and report any employee injuries requiring medical treatment.

Lastly, you can obtain required employee notification posters by contacting the various agencies. Many agencies have websites where the forms are available to download and print or the agencies will mail them to you at no cost.

* For additional information the SBDC has an Employer Package available which includes all the required forms.

Section 9: Essentials of Good Record Keeping

Determine Your Record Keeping Needs

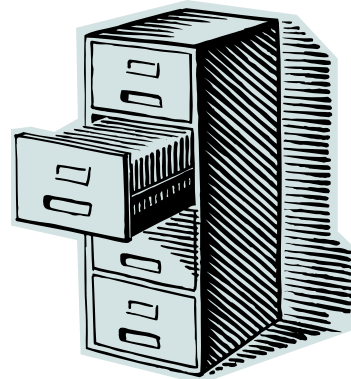
You may need to:

- Collect and remit NYS sales tax
- Payroll deductions – file quarterly returns
- File quarterly self employment taxes
- Document expenses and revenues and records to prepare income tax returns
- Manage use of cash flow, account payable, accounts receivable
- Provide monthly and annual financial statements

*The extent of record keeping needs varies with different businesses.
Consult an accountant to determine your individual needs.*

Records that should be kept:

- Income receipts
- Expense receipts
- Payroll records
- Personnel records
- Inventory records
- Customer address list
- Business papers (ex. partnership agreements, DBA certificate, articles of incorporation, licenses, permits, sales tax ID number, federal ID number, worker compensation records, disability insurance records, etc.)
- Lease and rental agreements (ex. office, equipment, car)
- Insurance policies
- Contracts with clients and suppliers
- Other- any records relevant to your particular business and its transactions.



Recording Business Transactions

A good record keeping system includes a summary of your business transactions. A journal and ledger list business transactions shown on source documents:

Business checkbook
Daily summary of cash receipts
Monthly summary of cash receipts
Check disbursement journal
Employee compensation record

Cash Receipts Sample Sheets

Daily Summary of Cash Receipts				
Date <u>January 3, 20---</u>				
Cash Sales				276.45
Sales Tax				23.50
TOTAL RECEIPTS				299.95
Cash on hand				
Cash in register (inc. unspent petty cash)				
Coins		24.80		
Bills		187.00		
Checks		142.15	⇒ ⇒ ⇒	
TOTAL CASH IN REGISTER				353.95
Add: Petty cash slips				21.00
TOTAL CASH				374.95
Less: Change and Petty Cash				
Petty cash slips		21.00		
Coins and bills (unspent petty cash)		54.00	⇒ ⇒ ⇒	
TOTAL CHANGE AND PETTY CASH FUND				75.00
TOTAL CASH RECEIPTS				299.95

Monthly Summary of Cash Receipts				
Year _____		Month _____		
Day	Net Sales	Sales Tax	Daily Receipts	Deposit
3	276.45	23.50	299.95	
4	254.15	21.60	275.75	
5	268.34	22.81	291.15	866.85
31	325.28	27.65	352.93	948.65
TOTALS	7,443.80	632.72	8,076.52	8,076.52

Sales Tax Returns

You must file a sales tax return even if you did not have any taxable sales or business purchases subject to use tax during the filing period.

As a registered vendor, you are required to file a sales and use tax return summarizing your business activities. (Failure to do so may result in a penalty being imposed, in the minimum amount of \$50.)

When you first register, you will normally be classified as a quarterly filer. Returns are due not later than twenty days after the quarterly period.

Quarterly Period	Return Due Date
March 1 – May 31	June 20
June 1 – August 31	September 20
September 1 – November 30	December 20
December 1 – February 28	March 20

Certain circumstances may change the status of your classification to:

Monthly filing:

- If the combined amount of your taxable sales totals \$300,000 or more in any of the preceding four quarters.
- If you are a distributor of automotive fuel and your sales of automotive fuel total 100,000 gallons or more in any quarter of the preceding four quarters.

Annual filing:

- If you do not expect to pay or collect any sales or use tax
- If you describe your major business activity as manufacturer or wholesaler
- If your tax due for the four most recently filed quarterly periods did not exceed \$3,000.

* For additional information refer to Publication 750: A Guide to Sales Tax in New York State or contact the New York State Department of Taxation and Finance.

Self-Employment Tax

What is it?	Self-employment tax (SE tax) is a social security and Medicare tax primarily for individuals who work for themselves. It is similar to the social security and Medicare taxes withheld from the pay of most wage earners.
Who must pay it?	You must pay self employment tax if your net profits are \$400 or more or you performed services for a church as an employee and received more than the current allowed amount.
Why pay it?	Social security benefits are available to self-employed persons just as they are to wage earners. Your payments of SE tax contribute to your coverage under the social security system. Social security coverage provides you with retirement benefits, disability benefits, survivor benefits and hospital insurance (Medicare) benefits.
How to pay it?	<p>Estimated tax is the method used to pay tax (including SE tax) on income not subject to withholding. You generally have to make estimated tax payments if you expect to owe tax, including SE tax, of \$1,000 or more when you file your return. Use Form 1040-ES, Estimated Tax for Individuals to figure and pay tax.</p> <p>If you are self-employed and you are also an employee, you may be able to avoid paying estimated tax by having your employer increase the income tax taken out of your pay. Use Form W-4, Employee's Withholding Allowance Certificate, to increase your withholding.</p>

* For additional information refer to:

Publication 533: Self-Employment Tax

Publication 505: Tax Withholding and Estimated Tax

Or contact the Internal Revenue Service.

Section 10: SBDC Services

Helping Your Business Grow

Counseling

The SBDC provides confidential, free of charge, one-on-one management and technical assistance for:

- small business start-ups
- business plan development
- organizational structures
- financial planning
- export assistance
- cost analysis
- loan information assistance
- financing strategies
- business expansion

Courses

Small business credit-free courses are offered through the Continuing Education Department at Jamestown Community College. There are usually nominal fees charged to cover the seminar expenses. Courses presented cover topics such as: Successfully Starting Your Business; Marketing; Record Keeping, OSHA Safety Requirements, and many other issues targeted to the small business owners. The current course schedule is always available from a link on the SBDC website at jamestown.nyssbdc.org

Research

The NYS SBDC Research Network is one of the most advanced business information resources in the country. Located in Albany, NY, the Research Network provides NYS SBDC advisers with the latest economic, demographic, regulatory and other data that can have an impact on small business. They have a wide range of invaluable resources available and do an outstanding job of supplying pertinent, relevant and up-to-date information that will help the small business entrepreneur with business start-up or expansion.

Section 10: SBDC Services

Small Business Websites

Legal Resources

<https://bizfilings.com/> Online incorporation and LLC formation.

<http://www.inventorprise.com/about.html> solves the needs of individuals and businesses to affordably protect their ideas through U.S. patents.

<http://lp.findlaw.com/> The latest legal news, case law, and analytical articles. FindLaw's online resources also allow you to search for a case or research an attorney.

<http://www.martindale.com/> Use this Lawyer Locator to find the credentials of more than one million lawyers and firms.

<http://www.uspto.gov/> US Patent and Trademark Office

Market Resources

<http://www.bizstats.com> Instant access to useful financial ratios, business statistics and benchmarks.

<http://www.brandchannel.com> The world's only online exchange about branding.

<http://www.census.gov/> US Census reports

http://www.dot.state.ny.us/tech_serv/high/tvwebpag.html New York State traffic counts.

<http://easidemographics.com/> Demographic reports, Census updates, maps, and site selection

<http://www.findarticles.com> Search millions of articles from leading academic, industry and general interest publications.

<http://www.ibisworld.com/> United States Industry Analysis

<http://www.ibisworld.com/snapshot/industry/> The industry sectors option provides a snapshot of industries in the US Economy.

<http://www.ipl.org/div/aon> A limited selection of associations on the internet.

<http://www.ipl.org/div/searchresults/> The internet public library

<http://www.ledburyresearch.com/> Ledbury provides research and advice to brands who market and sell to wealthy consumers.

<http://www.nyssbdc.org/News/NYStateStats/nystatestats.html> New York State statistics.

<http://www.ricksegel.com/> Retail marketing, retail sales & service expertise.

Section 10: SBDC Services

<http://www.thomasnet.com/> Thomas Register manufacturer's directory.

Special Outreach

<http://www.empire.state.ny.us/pdf/dmwbd.pdf> New York State's application for certification of women and minority owned businesses.

<http://www.nativeamericancapital.com/> A Private Equity Fund Serving Indian Country.

<http://www.womensbiz.us/> All women. All business.

Start-up and General Information

<http://www.entrepreneur.com/> Online magazine for business opportunities.

<http://www.eventuring.org/eShip/appmanager/eVenturing/eVenturingDesktop> The entrepreneur's guide to high growth.

<http://www.franchisehandbook.com/> The most comprehensive and up-to-date database of franchises available

<http://www.inc.com/home/> The daily resource for entrepreneurs.

<http://jamestown.nyssbdc.org> Check the latest in training programs from the Small Business Development Center or schedule an appointment.

<http://www.mindyourownbiz.org/default.shtml> Created by the U.S. Small Business Administration and Junior Achievement, this site walks you through five easy steps of business ownership - whether you've just had a brainstorm for your first business venture or you've been at it a few years.

<http://www.nfib.com/page/home> The National Federation of Independent Business is the nation's largest small business advocacy group representing the consensus views of its 600,000 members in DC and all 50 state capitals

<http://www.nylovesmallbiz.com> Resources for starting and expanding businesses in New York State.

<http://www.sba.gov/> Small business resources from the US Small Business Administration.

<http://www.toolkit.cch.com/> Business Owner's Toolkit – Total know-how for small business
<http://www.workingsolo.com/index.html> The information source for independent entrepreneurs and companies serving the SOHO (Small office/home office) market.

Section 10: SBDC Services

Taxes and Regulatory Assistance

<http://www.irs.gov> Internal Revenue Service - information and downloadable tax forms

<http://www.nys-opal.com> NYS Governor's Office of Regulatory Reform On-Line Permit Assistance and Licensing (OPAL)

<http://www.nystax.gov> NYS Department of Taxation and Finance - information and downloadable tax forms

<http://www.co.chautauqua.ny.us/> Chautauqua County Government – information on county government and services

Sources of Reference

http://www.sba.gov/starting_business/start-up/entreneurialtest.html

http://www.sba.gov/pa/phil/Phil_BusinessFeasability.pdf

<http://www.toolkit.cch.com>

<http://www.home-business-savvy.com/home-business-grants.html>

<http://www.ftc.gov>

Publication 20: New York State Tax Guide for New Businesses

Publication 750: A Guide To Sales Tax in New York State

Publication 533: Self Employment Tax

Mark L. Bargar, Esq. [Choosing Among the Various Business Entities in New York State](#)

Basic IRS Tax Requirements Workshop Participant Manual

Special thanks to: SBDC at Farmingdale: [Business Basics: Starting Off on the Right Path](#)