

Your Business

A Guide to
Owning and
Operating a
Small Business
in New York State



**Division for
Small Business**

A Division of Empire State Development

A Guide To Owning and Operating a Small Business in New York State

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The purpose of this book is to provide general business information for anyone considering the start-up or expansion of a small business in New York State. It is not intended to be an exhaustive discussion of the laws of New York State, since legal requirements may change from time to time and the application of specific laws to individual cases may vary.

CHAPTER 1

Foundations For Success

You have always wanted to do it. You've thought about it, dreamt about it, discussed it with family and friends, perhaps even done some research on the subject. Now you've decided it's time to go ahead and do it. You want to open your own small business. Each year, thousands of New Yorkers follow their dreams and tackle the challenges of entrepreneurship. For the purposes of this publication, a small business is one that is resident in this state, independently owned and operated, not dominant in its field and employs 100 or fewer persons. These businesses are a vital part of the economic picture in New York State and across the nation.

Opening your own business is an exciting journey that can provide lifelong satisfaction. But it also entails making some choices that will deeply affect you and the people around you. That's why it's important to get all the information you can before you start. This guidebook was prepared to help you get started on the road to successful entrepreneurship and keep you pointed in the right direction. It gives you information about everything from planning and financing a business to marketing, keeping records and understanding government regulations. It also contains what you need to know about expanding an existing business.

In addition to providing a solid overview of small business ownership, this book is a reference guide to the many programs and resources that are available to new business owners. The chapters follow the sequence of decisions and actions that most entrepreneurs go through, beginning with choosing and organizing a business, which is covered in Chapter 1.

Chapter 2 takes you step-by-step through the development of a complete business plan, which is critical for success. Once a plan is established, you can begin to look at financing, which is covered in Chapter 3.

Your continued success will depend to a great extent on marketing, which is discussed in Chapter 4. In Chapter 5, you will find a review of the records you need to maintain to manage your business and meet legal requirements, while Chapter 6 looks at information systems and technology that can help you organize and store these records. Chapter 7 is devoted to government regulations, including licensing and permits, sales tax, insurance and obligations

to employees. The last few pages contain a glossary, bibliography, and a reference guide to trade associations.

Owning a business is one of life's greatest challenges. The rewards come from the satisfaction of having accomplished something by yourself, of being able to shape your own destiny, create a going concern and contribute to your community. Many people who take this road wonder why they didn't do it sooner. You've always wanted to start your own business. In fact, you can't imagine not doing it. With the right planning, determination and resources, you can. Whether you're thinking of opening a bakery or a bookstore, a travel agency or an electronics repair center, this guidebook will help you build a solid foundation for success.

Are You Ready?

Studies show that most successful entrepreneurs share some key traits. They are usually organized, determined people who have a strong sense of responsibility, are not afraid to make decisions or mistakes, work well with other people and enjoy the art of selling. Here's a look at some of those traits.

Organizational ability: Small business owners must pay strict attention to details, be self-disciplined and use their time efficiently. They must be able to pay attention to employees, customers, sales and expenses — all at the same time. They must be able to pay bills and wages on time and maintain a budget to avoid the roller coaster of having surplus funds one month and a shortage the next.

Sense of responsibility: Small business owners are completely responsible for what happens to their business. Long after others have gone home, they may have to stay on the job tending to any number of details — getting books in order, going over inventory, rearranging stock, meeting clients or seeing that repairs are made.

Determination: The most successful small business owners not only want to succeed, they are determined to do so. They have the ability to adjust rapidly to change, learn quickly, recognize and correct mistakes, think creatively, be enterprising and resourceful, handle discouragement and develop favorable solutions to everyday problems. They also realize the importance of taking risks.

Decisiveness: Small business owners must make many decisions, and often make them quickly. Some entrepreneurs come by that ability naturally; others learn through experience. The best decision-makers consider all the choices open to them, use that knowledge judiciously and don't second-guess themselves once a decision has been made. They realize that making mistakes is part of the process, and they forge ahead with new decisions despite setbacks.

People skills: Small business owners must get along with people, understand their needs and inspire their confidence. They realize that courtesy and understanding are an important part of dealing with customers, suppliers, bankers and others who play a key role in their business.

Marketing: Marketing and selling are a part of operating all businesses, from manufacturing to the service trades. While some people are naturally adept at sales skills, others work hard to develop a sixth sense for marketing know-how and opportunities, taking advantage of the many books, courses and seminars available to them.

Assessing Your Resources

You've decided you're ready to strike out on your own. Now it's time to look at the resources available to you as you begin to build a solid foundation for success.

Education and information: In today's increasingly global economy, education is essential for the business person. In addition to a good general education, you may want to consider taking specialized courses to enhance your working knowledge of financial and other pertinent matters. New York State has many fine learning institutions, including private and State universities, local community colleges, vocational schools, adult education centers and job training programs, that offer a range of business programs and technical courses. It is also helpful to consult books and business and trade magazines on a regular basis to keep up with current news and trends in your industry. In general, the more you know about the business before you start, the greater your chances for success. Often, the most successful entrepreneurs are people who have worked for years for someone else in

a particular line of business and who finally decide they know the ropes well enough to leave their employer and start up a similar operation.

Capital: Money invested in a business is called capital. Before you start your business, you must identify sources of money for equipment, supplies and day-to-day operating expenses, and plan in advance to have it available when you'll need it. Successful entrepreneurs plan their cash flow at least a year ahead, and many carry out their projections two to five years in advance. Insufficient start-up money, or under-capitalization, is one of the major reasons half of all small businesses fail during the first two years.

Professional assistance: Building a successful business means relying on others for support and advice. There is a wide range of resources, both public and private, that can offer the support you need. Government agencies such as Empire State Development and the U.S. Small Business Administration can provide guidance on everything from obtaining government contracts to exporting merchandise. In some cases, they can also help secure loans. Professional advisors can assist with planning and save you money in the long run. A lawyer, for instance, can help you buy or sell a business, formulate a legal structure for your business, negotiate with your landlord or financial institution, write a personnel policy and resolve conflicts that may arise. An accountant can help review your start-up costs, prepare and analyze cash flow statements, prepare credit applications, set up a bookkeeping system and prepare tax returns. You may want to consult a banker for information about how to make your operation more profitable or extend credit to customers, while an insurance agent can help you determine what kinds of insurance coverage you will need and the best policy for your business. For information on trends in your field, comparative operating figures and the latest marketing strategies, you may find local or national trade associations helpful.

Choosing Your Business

There are several options to consider when deciding what kind of business to undertake. You can sell a product or a service or a combination of the two. You can purchase a new business or an existing one, and run it by yourself or with a partner. Whatever you ultimately decide, it is important to take the time to examine all the choices.

GENERAL CONSIDERATIONS

It is wise to choose a field in which you have some prior knowledge. If you go into a business that is completely unfamiliar, you will be competing with experienced professionals who already know things it may take you years to learn. There are probably some businesses you can start almost immediately, provided you have sufficient capital, but others will require that you complete months or even years of training.

Prior experience is important, but do not neglect your personal interests. Initially, you are likely to be working 10 to 15 hours a day, five to seven days a week to make your operation a success. With the business taking up that much of your life, it is important for your mental and physical health that you like what you are doing. Investigate the long-term outlook for the industries that interest you. Look for opportunities in businesses where expansion can be expected. Surveys by trade groups, government and other reputable organizations are a good place to find businesses that are ripe for development. You can get this information by contacting trade associations, State University of New York Small Business Development Centers (see Chapter 2) and libraries.

As you look at different businesses, consider consumer needs you can fill.

You should make sure there is a market for your products and services before you commit. Stay away from overcrowded fields. While many fields may offer good opportunities in general, too many businesses that offer the same thing in the same area may be a prescription for failure.

Survey the people who are likely to be your customers to find out what they want and how much they are willing to pay. This may be as simple as questioning friends and acquaintances or as sophisticated as a selective telephone inquiry. If you decide to do a telephone survey, the Polk City Directory, available at most public libraries, is an excellent source for such data as names, streets and area codes.

The amount of capital you have available will also influence your decision. You may find an attractive business opportunity but discover that you do not have enough money to make it work. If that is the case, keep looking. A business is practical only if you have sufficient capital to keep it going until the profits are adequate to support the business.

Finally, get a feel for the business and social climates in the community where you will set up your operation. Talk with local business people and professionals, including bankers, lawyers and real estate brokers. Contact or consider joining the chamber of commerce and other business associations before you start your operation.

New York State actively promotes a healthy business climate, but each community is different. Take your time in choosing a location, particularly if the community is new to you. Study the long-term population and business trends in the region, the town and the neighborhood where you might locate.

BUSINESS OPTIONS

There are three basic ways to go into business for yourself — start from scratch, buy or inherit, or buy a franchise.

The New Business

Starting a new business can be the least expensive way to begin, and it allows the most freedom since it has no history. The business name, its location, its equipment and its employees are all yours to choose. If you are selling products, you have the option of starting with an all new inventory, unaffected by the purchasing decisions made by others. In addition, you are not affected by prior commitments to employees, leases and other obligations that an existing business frequently has.

On the other hand, it can be difficult to raise money for new businesses and the risk is high. Since you probably do not have an established clientele, you can expect your advertising expenses to be higher than those of an established business, and you may have to go through a prolonged period of trial and error as you develop your marketing strategies. Because you will have no history of prior operations, cash flow will be unpredictable and, most likely, insufficient.

Buying a Business

By purchasing an established business, you have a product or service that is already familiar to your customers, making the job of advertising easier and less costly. You may gain already established goodwill, which includes all the intangible efforts that go into building a thriving business, including good customer and trade relations, management efficiency and public acceptance. Cash flow generally has been established and there is usually a good existing relationship with banks and suppliers.

When you research your potential purchase, carefully consider any disadvantages. Depending on the previous history of the business, goodwill may not exist. The building or its location may contain hidden liabilities, such as being situated three blocks away from a similar operation.

If the business involves retailing, wholesaling or manufacturing, there may be "dead stock" or inventory that is obsolete or damaged, turns over slowly or does not sell at all.

Also beware of undisclosed reasons for selling, such as concealed financial obligations, deteriorating local conditions, labor problems, zoning changes, an expiring non-renewable lease or limited growth potential.

A Readiness Test

DO YOU HAVE WHAT IT TAKES TO SUCCEED?

Do you wonder if you have the right qualities to make it on your own in business? Take this quiz to find out. Under each question, check the answer that comes closest to saying what you feel, then find your score using the key provided.

1. Are you a self-starter?

- Yes. I like to do things on my own and have a lot of initiative.
- To a point. I'll contribute what I am expected to.
- No. I don't put myself out unless it's absolutely necessary.

2. Do you enjoy working with other people?

- Yes. I like people and can get along with anybody.
- Sometimes. If people don't bother me too much, I can get along with them.
- No. Most people are difficult to work with and irritating.

3. Do you welcome responsibility?

- Yes. I like to take charge of things and see them through from beginning to end.
- Not really. But I can handle it if I have to.
- No. I'd rather let someone else be in charge.

4. Are you a good organizer?

- Yes. I always have a plan before I start a project, and usually get things lined up when others want to do something.
- It depends. I do all right up until a point, but when things get too overwhelming, I tend to back off.
- No. I like to take things as they come. I try not to plan too much in advance.

5. Are you a hard worker?

- Yes. I do whatever it takes to get the job done. I don't mind working hard for something I want.
- Usually. I'll work hard for a while, but when I've had enough, that's it.
- No. I prefer to work only when I have to.

6. Are you comfortable making decisions?

- Yes. I can make up my mind in a hurry if I have to, and usually things turn out well.
- I'm not sure. If I have plenty of time, I usually can, but if I have to make up my mind fast, later I always wonder if I made the right choice.
- No. I don't like being the one to decide things. I'm afraid of making the wrong choices.

7. Do you finish what you start?

- Yes. If I'm determined to do something, nothing can stop me.
- Usually. I can finish what I start as long as it is going well and is interesting.
- No. I have great ideas, but frequently I have trouble carrying them out.

8. Are you eager and energetic?

- Yes. I'm a tireless worker who looks forward to new challenges and tasks.
- For the most part. I have a reasonable amount of energy.
- No. I run out of steam sooner than most of my friends do.

9. Do you like to sell?

- Yes. When I sell something I believe in, I feel as though I have done the customer a service. I find it extremely satisfying and consider myself very persuasive.
- Sometimes. Selling is a tough job, but I'm willing to learn the skills if I must.
- No. I don't like asking someone to buy something from me. I believe a good product or service should sell itself.

Scoring: How many check marks are beside the first answer? ____
How many check marks are beside the second answer? ____
How many check marks are beside the third answer? ____

If you have more than five checks beside the first answer, you probably have what it takes to run a business.

If you have more than five checks beside the third answer, you may have difficulty making it on your own.

If your score falls somewhere in the middle, you may need some help to make your business successful.

You can find out about businesses for sale by letting your interest be known among members of the local business community, checking the classified advertising sections of local newspapers and trade magazines, and consulting commercial specialists and industrial real estate business brokers, lawyers and accountants. There are a few additional precautions to take when you are looking to purchase a business. Beware of “partner wanted” opportunities. By law, every partner in a general partnership is responsible for the debts of the entire partnership, so be very cautious about getting involved. You will also want to avoid new patents, which are generally poor risks. Do not let yourself get rushed into a deal. All propositions and agreements should be in writing and drawn up or reviewed by a lawyer who works for you and has experience in business sales. Consult your nearest Better Business Bureau, which can help you avoid professional swindlers, and have the business you are buying investigated by both a lawyer and an accountant.

If you do decide to proceed, know your legal responsibilities. The sale of a business, either in part or as a whole, is called a bulk sales transaction. Regardless of the size or cost of the sale, you must comply with the laws regulating such transactions.

If the seller of your potential business has ever been required to collect the New York State sales tax during business operations, he or she may owe sales taxes to the State. If you buy the business without having followed bulk sales procedures, you may be responsible for any outstanding sales tax liability owed by the seller.

To find out if the seller does owe sales tax, you must begin the bulk sales transactions procedures with the New York State Department of Taxation and Finance. To do this, file Form AU-196.10, “Notification of Sale, Transfer or Assignment in Bulk,” at least 10 days before paying for or taking possession of the business assets.

For more detailed tax information including bulk sales information, see Chapter 7 “Taxes” or, contact the Governor’s Office of Regulatory Reform (Chapter 7).

Franchising

When you purchase a franchise, you can run your business under the name and system of operation of a master company. The types of franchises available vary from tax-preparation services and soft drink distributorships to fast food restaurants and hotel chains. The sizes vary from single-person operations to large businesses employing hundreds of people. What you get as a franchisee depends on the terms of your contract. Frequently, you benefit from training opportunities as well as a precise formula covering every detail of operation, which is based on the previous trial-and-error

experience of the franchiser.

The Franchise Opportunities Guide, available from the International Franchise Association, lists descriptions of hundreds of different franchises by category and also provides a checklist for evaluating a franchise. To purchase a copy, contact the International Franchise Association, Inc., 1350 New York Avenue, Suite 900, Washington, DC 20005, telephone 202-628-8000 or visit www.franchise.org

Under New York State law, franchisers are required to provide certain financial data and to register with the New York State Attorney General’s Office, Investment Protection Bureau, 120 Broadway, 23rd Floor, New York, NY 10271, telephone 212-416-8236 or visit www.oag.state.ny.us

As in any business transaction, research thoroughly before you buy. Study the required disclosure statement and proposed contracts carefully. As always, consult with an attorney and other professional advisors before making a binding commitment. Be sure that all promises made by the seller(s) or salesperson(s) are clearly written into the contract.

Analyze the earnings claims. They must be in writing, describe the basis and assumptions for the claim, state the number and percentage of other franchises whose actual experience equals or exceeds the claim. They also must be accompanied by an offer to show substantiating material for the claim, and include cautionary language regarding the exceptions to the claims.

It is also advisable to talk with others who have already invested in the business. Seek out both those recommended by the company and others who might offer a different point of view. Comparison shop for other franchises in the same field and similar business opportunities that are not franchised.

Always be sure the rights you are buying are exclusive and that the product involved sells elsewhere under similar circumstances.

Legal Forms of Business Organization

No matter what business you are in, you will need some form of legal business organization. There are four basic forms — the sole proprietorship, the partnership, the limited liability company and the corporation. Each has advantages and disadvantages, including tax consequences.

SOLE PROPRIETORSHIP

In a sole proprietorship, you own and control the business. You reap the profits, take the losses and are personally responsible for the debts and other obligations of the business. As a sole proprietor, you report your business income and expenses on your individual income tax return. Setting up a sole proprietorship is the easiest

way to go into business. Legally, all you have to do is obtain the licenses and tax identification numbers that the federal, state or local government require for your type of operation. If the business has a name other than your own, you also must register your business name with your local county clerk. (See Chapter 7.)

This is the fastest, cheapest way to get into business, and many successful operations have started as sole proprietorships. As your business expands, you can change to a partnership, limited liability company, or corporation if it is more advantageous.

PARTNERSHIP

There are several options available to business owners who want to set up their business as a partnership.

A general partnership is a business owned and operated by two or more persons. Partners can contribute capital, specialized knowledge, marketing or management skills and other valuable help. They also share the risk.

Generally, partners share equally in the rights and responsibilities of managing the business, and by law each partner is responsible for all the debts and obligations of the firm. This means you are personally liable for the full amount of the partnership’s debts — even if the debts exceed your investment and you did not personally consent to the debts.

Partnerships are easy to start, but they can run into trouble if the day-to-day stress of running a small business leads to friction between the partners. A written partnership agreement, which should be drawn up by a lawyer, is your best protection. In it you can spell out such issues as the capital contributions of each partner, duties and responsibilities of each partner, changes in partnership structure, dispute resolution methods and financial management.

The partnership itself is not taxable. Instead, you report the firm’s income and expenses on federal and state “information” tax returns and you are taxed on your share of the profits or loses at your individual income tax rate. The deduction of losses from your personal income tax statement could be a tax advantage.

Limited Partnership

A limited partnership is a partnership formed by two or more persons having one or more general partners and one or more limited partners. Personal liability is joint and individual for the general partners who are responsible for the obligations of the partnership. Limited partners are liable to the extent of their capital contribution to the partnership.

The life-span of the limited partnership is for the period stipulated in the Certificate of Limited Partnership; or until a dissolution event occurs. For purposes of taxation, a limited partnership is not treated as a separate taxable entity; business income is taxed through each partner’s personal tax return.

If you want to operate a limited partnership, you must file a Certificate of Limited Partnership (following an agreement of the partners) with the Department of State. The Revised Limited Partnership Act requires that the limited partnership then publish notice of the formation in two newspapers and file Affidavits of Publication with the Department of State.

Registered Limited Liability Partnership

Since 1994, New York State has recognized a form of general partnership known as the registered limited liability partnership (RLLP), which offers the benefits of liability limitations traditionally associated with professional corporations. Professionals are defined as those persons authorized by law to render a professional service in New York. This includes, among others, physicians, attorneys, certified public accountants, architects and veterinarians. Typically under New York law, general partners are liable for the debts and obligations of each partner when partnership assets are not adequate. But partners of an RLLP are liable only for their own professionally negligent or wrongful acts, not for the negligence of their partners.

A general partnership may elect to become an RLLP by filing a registration form with the Secretary of State and paying the appropriate filing fee. The Partnership Law requires that the registered limited liability partnership then publish notice of the registration in two newspapers and file Affidavits of Publication with the Department of State. The registration must include such information as the name and address of the principal office of the RLLP, the profession or professions practiced, a statement of eligibility, and the date of the proposed effectiveness of the RLLP.

LIMITED LIABILITY COMPANY

A limited liability company (LLC) retains the management flexibility of a partnership while offering some of the advantages of a corporate structure. In an LLC members retain the same liability protection they would receive by incorporating, but avoid the double taxation that is required of most corporations. This ability to manage your own business and avoid personal liability as well as taxation on both profits and personal dividends makes the LLC well worth considering.

To form an LLC, you must prepare organizational documents and file a document called the "Articles of Organization" with the Secretary of State, accompanied by the appropriate fee. The Limited Liability Company Law requires that the limited liability company then publish notice of its organization in two newspapers and file Affidavits of Publication with the Department of State. LLC names must be followed by the words "Limited Liability Company" or the abbreviations "LLC" or "L.L.C."

CORPORATION

A corporation is a business that may have one or many owners, and which conducts transactions as an individual entity. Many corporations start out as one of the other forms of business organization presented here. All corporations are considered C corporations unless a special election is filed for S corporation status (see below).

The decision to incorporate is sometimes based on a need for additional capital for expansion, which may be done by selling shares of the company to outside investors.

A corporation is run by elected officers rather than by the owners or shareholders. To identify if a business is incorporated, look for the abbreviations Inc., Corp. or Ltd.

There are many advantages to forming a corporation. These include protection of the stockholders from personal liability; easy transfer of ownership; a separate legal existence that is stable and relatively permanent; and greater ease in securing capital from investors.

Disadvantages include limitations on corporate activities; possible conflict between company management and the board of directors; and government regulation and paperwork at local, state and federal levels. Corporations also may be subject to substantial taxes and government filing fees.

To create a corporation, you must follow specific statutory requirements, which include filing a Certificate of Incorporation with the New York State Department of State, Division of Corporations, 99 Washington Ave., One Commerce Plaza, Albany, NY 12231, telephone 518-473-2492, www.dos.state.ny.us

S corporation

Businesses that want to incorporate but wish to avoid the tax burden of a corporation may form an S corporation.

The income and expenses of the S corporation are distributed to shareholders in proportion to their shareholdings, and profits or losses are taxed at the shareholders' individual tax rates. In contrast, a C corporation's profits are taxed twice, on both corporate profits and shareholders' income.

Not all corporations qualify for S corporation status. An S corporation cannot have the following: more than 75 shareholders; any non-individual shareholders, other than not for profit corporations, estates and certain trusts; a nonresident alien as a shareholder; and more than one class of stock.

To apply for S corporation status, you must first be a corporation. Then, the corporation must elect S corporation status for federal income tax purposes by filing Form 2553 with the Internal Revenue Service. A corporation which has elected S corporation status for federal income tax purposes may then elect S

corporation status for New York State income and corporation franchise tax purposes. This is done by completing Form CT-6, "Election by a Small Business Corporation" and submitting it to the New York State Department of Taxation and Finance to the address indicated on the form.

For more information, contact the New York State Office of the Department of State, Division of Corporations, 99 Washington Ave., One Commerce Plaza, Albany, NY 12231, telephone 518-473-2492, www.dos.state.ny.us

Because of the complex nature of these various forms of business organizations, it is advisable to consult with an attorney and an accountant to help you thoroughly evaluate which option is for you. A lawyer can prepare the proper legal papers and advise you on your legal obligations, while an accountant can describe the tax advantages and disadvantages of each form.

CHAPTER 2

Mapping a Strategy

So you have decided to follow your dream and open your own business. Before you go any further, you must outline a strategy or business plan.

When prepared carefully and thoughtfully, the business plan is a road map that can pave the way for your growth and success. It should include such details as what your business is, how you plan to run and finance it, how much it has earned or lost (if it is an established enterprise) and how much you project it will earn in the future.

A detailed plan is an excellent evaluation tool that you can use to spot any potential weaknesses in your proposed business. It is always easier and less costly to rewrite a plan than to change the direction of a business that is already up and running.

A written plan also will help to organize and consolidate your ideas so that you can sell yourself and your business more effectively. Banks and investors want to see sound plans and ideas before deciding to lend capital, particularly to a new business.

It pays to take the time to make sure your plan reflects all of your ideas and strategies. You may consider hiring someone to help with typing or editing, but only you can write the best, most effective plan for your own business. There are many formats you can use. The following outline is only a suggestion. For further assistance, check with your local New York State Small Business Development Center or check their web site at www.nyssbdc.org for detailed information on writing a business plan. The addresses for centers located throughout the State are listed later in this chapter.

Description of Products or Services

Start with a brief but thorough description of the central activities of your business. Include the type of business and what it will offer in the way of goods and services, as well as any features that would make your business stand out from the competition. Include a description of your facilities, supplies and suppliers, equipment for manufacturing and methods of product distribution.

It is also important to describe your customers. By knowing them well, you will be better able to predict what they want in the future, which is essential for long-term growth.

Goals and Objectives

State your long-range goals and the milestones you will have to pass to achieve them. Then make a timetable for accomplishing specific short-term business objectives that will enable you to reach your larger goal.

As an example, your long-range goal may be "to be the largest manufacturer of computer furniture in the Northeast." First you must decide on your definition of "largest manufacturer." It may mean

the largest gross sales, the largest number of employees or the most diverse product lines to meet the customer's needs. Perhaps it means all of these, but to get there you must put into place logical, carefully considered steps to reach your goal.

Be realistic when making short-term objectives. If a reasonable estimate of your first year's gross profit is \$100,000, do not set yourself a \$500,000 goal. Give yourself achievable targets in a limited time frame, and then write a plan for meeting them. A successful

business not only looks forward, but reevaluates its past, so it is in your best interest to compare your actual business performance to your written goals on a continuing basis.

Marketing Analysis and Strategy

Thoroughly investigate the fields that interest you and make note of trends. You should strive to offer a unique product or service with potential for a long life span. This means knowing where the future lies in your industry in such areas as potential competitors, new technology, cultural change and economic trends.

Once you are confident that you have an excellent product or service that fills a specific client need better than anyone else, you must convey that message to your consumer. To do this successfully you need answers to at least these six basic questions: Who are your customers? Where are they? What do they want? When do they want it? Why should they buy it from you?

The Business Plan

AN OUTLINE

- I. **Description of products or services**
 - A. what your business is
 - B. who your customers are
- II. **Goals and objectives**
 - A. list of business goals
 - B. timetable of objectives to reach these goals
- III. **Market analysis and strategy**
 - A. trends in your industry
 - B. target customers
 - C. reaching your prospects
 - D. competition
- IV. **Management and personnel**
 - A. present and future forms of business organization
 - B. organizational staffing chart, resumes, hiring practices, personnel policies
- V. **Financial overview**
 - A. cash flow (do not overestimate sales or underestimate expenses)
 - B. financial statements — revenue and expense statements and balance sheets
 - C. copies of income tax returns if you are already in business
 - D. projections — sales and profits
 - E. key business ratios compared to averages
 - F. funds required and their use, including cost of setting up, inventory, overhead, working capital and personal living expenses
 - G. break-even point

How are you going to get it to them? Accurate “target marketing” may be the difference between a business that fails and one that flourishes. (See Chapter 4.)

Use this information to develop your strategies for advertising and promotion. Be specific about your plans. Include what types of media you will use and how often. You may also want to develop a system to evaluate how effective your advertising is, such as a weekly sales monitor or customer survey.

Do not neglect to identify and keep watch on the competition even before you start your own business. You can learn from their successes and mistakes. And if you are to stay the proverbial “one step ahead,” you must first know what they are doing, and then do it better.

Management and Personnel

Describe your desired business structure in detail. Include provisions for the current business structure, as well as for growth, such as the addition of a partner or creation of a board of directors.

Provide a thorough review of your abilities, including any particular experiences or skills that will enable you to run your business well. List anyone else who will help you manage better, such as an accountant, lawyer, insurance agent, partner or employee. You should include your own resume and those of any partners or principal staff.

Describe procedures that demonstrate that your business is well-structured and carefully monitored. These may include organizational staffing charts, in-house business meeting schedules, cash flow analysis, yearly reviews of staff and financial statements, and procedures for use of outside vendors and resources.

PERSONNEL POLICIES

Initially, you may plan to operate without employees, either doing all the work yourself, perhaps with the help of a family member, or contracting some work to independent outside contractors. This approach keeps things simple, but statistically, businesses with employees that grow in number tend to last longer than those without them.

If you know you are going to hire employees at some point, you should include that in your business plan. Hiring one or more employees forces you to meet a variety of legal obligations, which are discussed in Chapter 7. In addition, you should have a personnel policy and follow good hiring practices.

HIRING PRACTICES

Begin your employee search by writing detailed job descriptions. Once you have defined what positions you need to fill and what qualifications are necessary to fill those positions, you can begin your search.

Have a job application form available for those candidates who do not have a resume. Forms are available at stationery or office supply stores. Review applications as you receive them and set up interviews with those who appear best qualified.

During the interview give a brief introduction about the job and the company and specify what you expect from your employees. Then let the applicant do most of the talking. Ask simple, specific questions, such as: “What did you do at your last job? What did you like or dislike about it? What skills do you bring to this job?” Do not ask about race, religion, health, age, marital status, arrests not followed by convictions and other personal matters — it’s illegal to do so.

Compare the applicants in terms of desired skills, work record, self-motivation, willingness and ability to learn, and ability to get along with others. You may need to schedule a second or even third interview to select the best applicant. Before you offer the position, contact references, especially former employers, teachers, clergy and others who have worked with the applicant. When you have made your decision, offer the job to the person who is your first choice. Complete federal Form I-9, “Employment Eligibility Verification,” for all new hires. (A word of caution: Do not hire family members and friends simply because they need jobs. Make sure you need an additional worker and that the person you are considering has the skills and experience you want.)

Welcome your new employee by giving a tour of the premises and introductions to the other employees. Explain how the business operates and who does each job. Describe in detail what the worker will be doing. Now is also a good time to outline how and when the employee will be evaluated.

Describe your employment policies in detail. It’s a good idea to have these in writing, perhaps in the form of an employee manual, to help prevent misunderstandings. Also

make sure your new employee knows who to talk to when problems arise.

Do not forget to post New York State minimum wage rates, as well as policies regarding work hours and conditions under New York State Labor Law. There are also mandatory federal posting requirements regarding minimum wage and other fair labor standards, equal employee opportunity, job safety, health protection and polygraph protection. The chart on page 50 serves as a general guideline for various State and Federal posting requirements.

There are many resources available for locating potential applicants. You can network with other business and community people to find employees who are looking for work. Depending upon the type of position and level of expertise required, post the job description in schools, clubs, churches and with job training programs. You can also file with your local unemployment insurance office and job development program. And there is always advertising in the local newspaper.

The New York State workforce development system provides services to businesses seeking to hire employees. By visiting your local One Stop Center, you can receive various services regarding finding the right employees. One Stop Centers can provide you with access to on-line job posting, pre-screening applicants, access to training programs, preparing a human resource manual, training facilities and confidential interviewing space. To find your local one stop center, visit www.workforcenewyork.org

Financial Overview

Until you have a business that is up and running, you are not going to have anything but projections of revenue and expense statements or balance sheets. Once you have an operating business, you should compare actual statements with the projections in your business plan. Potential investors and bankers will want to see these when you try to attract

Basic Elements of a Personnel Policy

Working hours: Describe briefly the policy for working hours, including the starting and quitting time, lunch schedules and days of the week employees will be expected to work. Also establish policies for overtime. Consider staffing options such as flex-time, job sharing and part-time employment in addition to full-time positions. Such flexibility will increase the size of your labor pool and may allow you to offer more or better service to your customers.

Compensation: Find out what the prevailing wage rates are in your locale for the type of workers you expect to be hiring. Remember, when you employ people, you are in competition with other employers for the best help.

Fringe benefits: Although fringe benefits are not a legal requirement, a variety of health and pension plans are available for small businesses. Fringe benefits can be a strong draw when competing for new employees. Ask your insurance agent or accountant about them.

Other policies: Other employee policy decisions include vacation time, sick leave, leaves of absence, time off with or without pay, paid holidays, promotions and evaluations.

capital or want to borrow money.

As a new business that has no financial history, the cash flow forecast is an essential tool. Used correctly, it can help keep you from going out of business. The monthly cash flow projection tells you how much cash you will need at the end of the month to meet your expenses.

CASH FLOW FORECASTING

You should try to estimate your monthly cash flow at least 12 months in advance and update it monthly with the real figures. When there are significant differences between real and projected cash flow, try to figure out why, so that your future projections will be more accurate. Items to watch very carefully in your cash flow analysis are credit and accounts receivable (the money people owe you). Be careful not to get too much of your working capital tied up in accounts receivable, since this can rapidly deplete your cash pool and the ability to pay your own creditors.

Use the sample cash flow projection and analysis on page 12 as a guide for developing your own. The expenditure categories are only suggestions. You can get pads of paper suitable for cash flow projections from office supply stores, or if you have access to a computer, there are financial programs available that will do cash flow projections, revenue and expense statements, balance sheets and more.

To calculate your financial status at the end of each month, subtract total expenditures from total cash available.

If the result is negative, you will have to come up with more cash to meet your expenses. Negative ending positions are fairly typical in start-up businesses and in businesses that are growing rapidly. Plan for them by making sure you have enough cash in the bank to cover your expenses each month. That may require borrowing or attracting new permanent capital to your business. Established ventures with large seasonal variations often depend on a revolving line of credit or extended dating (payment due dates) to handle a temporary shortage of cash. Most business experts agree that you should do your cash flow analysis and cash flow projection monthly. It forces you to be more realistic and disciplined in your thinking and keeps your attention focused on the bottom line.

PROJECTIONS OF SALES AND PROFITS

Project what your revenue and expense statement will look like at the end of 12 months of operation. The cash flow projection tells you whether you are solvent. The revenue and expense statement shows your profit and loss. You will find a sample statement in Chapter 5.

KEY BUSINESS RATIOS

Key business ratios compare historical or projected figures such as sales to receivables, cost of sales to inventory, sales to working capital and total current assets to total current liabilities. Ratios and percentages of particular expense

| Sample Cash Flow Budgeting Form | | | | | | | | | | | | |
|---|-----------------|---|---------------|---|-----------------|---|---------------|---|-----------------|---|---------------|---|
| Use of whole dollars | Estimate | | Actual | | Estimate | | Actual | | Estimate | | Actual | |
| | \$ | % | \$ | % | \$ | % | \$ | % | \$ | % | \$ | % |
| 1. cash on hand (beginning of month) | | | | | | | | | | | | |
| 2. cash receipts | | | | | | | | | | | | |
| (a) cash sales | | | | | | | | | | | | |
| (b) collections from credit accounts | | | | | | | | | | | | |
| (c) loan/other cash support (specify) | | | | | | | | | | | | |
| 3. total cash receipts (2a + 2b + 2c = 3) | | | | | | | | | | | | |
| 4. total cash available (1+3) | | | | | | | | | | | | |
| 5. cash paid out | | | | | | | | | | | | |
| purchases (merchandise) | | | | | | | | | | | | |
| business taxes, licenses | | | | | | | | | | | | |
| employer's share Social Security | | | | | | | | | | | | |
| unemployment | | | | | | | | | | | | |
| rent | | | | | | | | | | | | |
| repairs and maintenance | | | | | | | | | | | | |
| gross employees' salaries | | | | | | | | | | | | |
| insurance | | | | | | | | | | | | |
| professional fees | | | | | | | | | | | | |
| commissions | | | | | | | | | | | | |
| interest and bank charges | | | | | | | | | | | | |
| advertising | | | | | | | | | | | | |
| auto, truck | | | | | | | | | | | | |
| trade publications | | | | | | | | | | | | |
| office supplies | | | | | | | | | | | | |
| telephone | | | | | | | | | | | | |
| utilities | | | | | | | | | | | | |
| operating supplies | | | | | | | | | | | | |
| travel | | | | | | | | | | | | |
| laundry and uniform | | | | | | | | | | | | |
| entertainment | | | | | | | | | | | | |
| contract services | | | | | | | | | | | | |
| miscellaneous | | | | | | | | | | | | |
| subtotal | | | | | | | | | | | | |
| loan principle payment | | | | | | | | | | | | |
| with interest | | | | | | | | | | | | |
| capital purchases (specify) | | | | | | | | | | | | |
| other start-up costs | | | | | | | | | | | | |
| owners' withdrawal | | | | | | | | | | | | |
| 6. total cash paid out | | | | | | | | | | | | |
| 7. cash position (4-6) | | | | | | | | | | | | |

categories compared to gross sales allow you to see how your business compares to other similar businesses.

By comparing your ratios, either historical or projected, with averages for your type of business, you can see if your operation is being efficiently run and if your forecasts are realistic. Books such as Annual Statement

Studies, published by Robert Morris Associates, and Dun & Bradstreet's Key Business Ratios show key business ratios for hundreds of different types of business.

BREAK-EVEN ANALYSIS

A break-even analysis shows the point at which your business will be breaking even, that is, neither making a profit nor a loss. It is expressed

in dollars or number of sales. Once you know your break-even point, you have a goal and can devise a specific plan on how to get there.

To do a break-even analysis you will need to be familiar with certain financial terminology. You already know that break-even sales are the amount of sales necessary to cover the exact amount of all your business expenses.

In general, you will have two types of expenses, fixed and variable. Fixed costs (FC) are costs that remain constant no matter what your sales (S) volume. These include overhead costs such as rent, office and administrative costs, salaries, benefits, heat and light as well as such "hidden costs" as depreciation, loan amortization and interest.

Variable costs (VC) are those costs associated with sales. They include the cost of goods sold, variable labor costs and sales commissions.

The basic break-even formula is:

$S = FC + VC$. (S = break-even level of sales in dollars; FC = fixed costs in dollars; and VC = variable costs in dollars.) While the concept is deceptively simple, you should not neglect to calculate and recalculate this figure on a regular basis. Variable costs are just that — they change often and can get out of hand as sales volume grows.

Some of the figures you will use to calculate your break-even analysis will have to be estimates, particularly in a new business. It is a good idea to make your estimates conservative by using somewhat pessimistic sales and margin figures, and by slightly overstating your expected costs.

When you calculate a projected break-even level for a new business, you will probably not know what your total variable costs will be. You can use a variation of the basic break-even formula that is based on your anticipated gross margin (GM, i.e. your gross profit on sales) expressed as a percentage of sales:

$S = FC/GM$ where GM = gross margin expressed as a percentage of sales.

If you want to calculate how many units you need to sell to break even, divide the break-even in dollars by the unit price, which gives you the number of units you need to sell.

You can substitute different numbers to quickly calculate their effects on your business. One way to do this is to make the best case, average case and worst case assumptions. This type of analysis can be valuable if you are thinking of making a capital investment and want a quick picture comparing the relative merits of buying or leasing equipment or property.

Sources of Assistance

The State of New York has many resources available to emerging entrepreneurs. There are several agencies that can provide information to you on anything from writing a business plan and obtaining capital funding to finding good employees and following appropriate legal business practices. The following section is an overview of these agencies along with how to contact the office nearest you.

New York State Small Business Development Centers

The New York State Small Business Development Center (NYS/SBDC), administered by the State University of New York and funded by the U.S. Small Business Administration, offers pro bono counseling assistance for small business entrepreneurs, both start-ups and existing businesses. Services include assistance on business plan development, loan resource identification, accounting, financial planning, export information, cost analysis, and marketing as well as targeted business training programs. Since its inception in 1984, the SBDC has counseled over 200,000 New York entrepreneurs. These entrepreneurs, in turn, have invested over \$2 billion in their New York businesses. SBDC offices are conveniently located throughout the state.

The New York State Small Business Development Center

SBDC Network: A State-wide Service Delivery System.

NYS/SBDC CENTRAL OFFICE:

Small Business Development Center
State University of New York
22 Corporate Woods
Albany, NY 12246
518-443-5398 • 800-732-SBDC
www.nyssbdc.org

SBDC REGIONAL OFFICES

ALBANY

SBDC, University at Albany
Harriman Business Center
Building 7A, Suite 500
1220 Washington Avenue
Albany, NY 12226
518-485-7647
E-mail: wbrigham@uamail.albany.edu
<http://albany.nyssbdc.org>

Manufacturing and Defense Development Center, University at Albany
Harriman Business Center
Building 7A, Suite 500
1220 Washington Avenue
Albany, NY 12226
518-485-7647

Adirondack-Colonie Chamber of Commerce
5 Warren Street
Glens Falls, NY 12801
518-485-7647 (By Appointment Only)

Albany-Colonie Chamber of Commerce
1 Computer Drive South
Albany, NY 12205
518-485-7647 (By Appointment Only)

Rensselaer Chamber of Commerce
255 River Street
Troy, NY 12180
518-485-7647 (By Appointment Only)

Saratoga Chamber of Commerce
28 Clinton Street
Saratoga Springs, NY 12866
518-485-7647 (By Appointment Only)

Southern Saratoga Chamber of Commerce
15 Park Avenue, Suite 7B
Clifton Park, NY 12065
518-485-7647 (By Appointment Only)

Schenectady Chamber of Commerce
920 Albany Street
Schenectady, NY 12307
518-485-7647 (By Appointment Only)

SUNY Cobleskill
State Route 7
Cobleskill, NY 12043
518-485-7647 (By Appointment Only)

BINGHAMTON

SBDC, Binghamton University, Artco Building
218-222 Water Street, 3rd Floor
Binghamton, NY 13901-2705
607-777-4024
E-mail: sbdc@binghamton.edu
Web: <http://sbdc.binghamton.edu>

BINGHAMTON (CONTINUED)

Chenango County Chamber of Commerce
19 Eaton Avenue
Norwich, NY 13815-3815
607-334-1400 (By Appointment Only)

Cortland County BDC-IDA
37 Church Street
Cortland, NY 13045
607-756-5005 (By Appointment Only)

Otsego Chamber of Commerce
12 Carbon Street
Oneonta, NY 13820-2535
607-432-4500 (By Appointment Only)

Tioga County Chamber of Commerce
188 Front Street
Oswego, NY 13827-1521
607-687-2020 (By Appointment Only)

Tompkins County Chamber of Commerce
904 East Shore Drive
Ithaca, NY 14850
607-273-7080 (By Appointment Only)

BROCKPORT/ROCHESTER

SBDC, SUNY Brockport, Morgan 3
350 New Campus Drive
Brockport, NY 14420-4420
585-395-8410
E-mail: sbdc@brockport.edu
Web: <http://cc.brockport.nyssbdc.org>

Downtown Rochester Outreach Center
SUNY Brockport Metro Center
Sibley Tower Building
55 St. Paul Street
Rochester, NY 14604-1007
585-395-8410

Finger Lakes Community College Outreach
4340 Lakeshore Drive
Canandaigua, NY 14424
585-395-8410

Genesee Chamber of Commerce
210 East Main Street
Batavia, NY 14020
585-343-7440

Genesee Community College Outreach
1 College Road, BEST Center
Batavia, NY 14020
585-345-0055 x 6143

Greece Outreach Center
Greece Chamber of Commerce
2496 Ridge Road West, Suite 201
Rochester, NY 14626
585-395-8410

HTR Outreach
Lenox TechTech Enterprise Center
150 Lucius Gordon Drive, Suite 100
West Henrietta, NY 14586
585-395-8410

Victor Chamber of Commerce
37 East Main Street on Route 96
Victor, NY 14564
585-395-8410

BRONX

SBDC, Lehman College
250 Bedford Park Boulevard West
Old Gym Building, Room 007
Bronx, NY 10468-1589
718-960-8806
E-mail: Clarence.stanley@lehman.cuny.edu
Web: <http://bronx.nyssbdc.org>

Abyssinian Development Corporation
Outreach
4 West 125th Street
New York, NY 10027
646-442-6541

BROOKLYN

SBDC, NYC College of Technology
25 Chapel Street, 11th Floor
Brooklyn, NY 11201
718-797-0187
E-mail: MColon@citytech.cuny.edu
Web: <http://brooklyn.nyssbdc.org>

BUFFALO

SBDC, State University College at Buffalo
Grover Cleveland Hall, Room 206
1300 Elmwood Avenue
Buffalo, NY 14222-4222
716-878-4030
E-mail: smallbus@buffalostate.edu
Web: <http://buffalo.nyssbdc.org>

CANTON

SBDC, SUNY Canton Education Center
St. Lawrence Centre Mall
Route 37
Massena, NY 13662
315-764-0683
E-mail: sbdc@canton.edu
Web: <http://canton.nyssbdc.org>

Akwesasne Satellite Office
Akwesasne Mohawk Reservation
412 State Route 37
Hogansburg, NY 13655-3109
315-764-0683 (By Appointment Only)

SBDC, SUNY Canton
Faculty Office Building, Room 202
34 Cornell Drive
Canton, NY 13617-1098
315-764-0683 (By Appointment Only)

Wanakena NYS Ranger School Satellite
257 Ranger School Road
Wanakena, NY 13695
315-764-0683 (By Appointment Only)

CORNING

SBDC, Corning Community College
24 Denison Parkway West, Suite 203
Corning, NY 14830-3297
607-937-6861
E-mail: gestwicki@corning-cc.edu
Web: <http://corning.nyssbdc.org>

Watkins Glen Outreach Center
Schuyler County Partnership for Economic
Development
2 North Franklin Street
Watkins Glen, NY 14891
607-962-9461 (By Appointment Only)

JAMESTOWN

SBDC, Jamestown Community College
525 Falconer Street
Jamestown, NY 14702-0020
716-665-5754 or 800-522-7232
E-mail: irenedobies@mail.sunyjc.edu
Web: <http://jamestown.nyssbdc.org>

Dunkirk Outreach Center
Jamestown Community College
Training and Conference Center
10807 Bennett Road
Dunkirk, NY 14048
716-338-1024 (By Appointment Only)

LONG ISLAND (FARMINGDALE)

SBDC, SUNY Farmingdale
Campus Commons
2350 Broadhollow Road
Farmingdale, NY 11735-1006
631-420-2765/7930/7931/7952
E-mail: Wesnofl@farmingdale.edu
Web: <http://www.farmingdale.edu/sbdc>

Brookville Outreach Center
C.W. Post Campus, Long Island University,
Loerber Hall, Room 306
720 Northern Boulevard
Brookville, NY 11548-1300
516-299-2095

EOC Hempstead Outreach Center
269 Fulton Avenue
Hempstead, NY 11550-3900
516-564-8672/1895

LONG ISLAND (STONY BROOK)

SBDC, Stony Brook University
Nicolls Road
Harriman Hall, Room 109
Stony Brook, NY 11794-3777
631-632-9070
E-mail: lynne.schmidt@sunysb.edu
Web: <http://stonybrook.nyssbdc.org>

Stony Brook University Incubator @
Calverton
4603 Middle Country Road
Calverton, NY 11933
631-727-3992

MANHATTAN

SBDC, Pace University
163 William Street, 16th Floor
New York, NY 10038
212-618-6655
E-mail: sbdc@pace.edu
Web: <http://manhattan.nyssbdc.org>

MIDTOWN MANHATTAN

SBDC, Baruch College
55 Lexington Avenue, Suite 2-140
New York, NY 10010-0010
646-312-4790
E-mail: monica_dean@baruch.cuny.edu
Web: midtownmanhattan.nyssbdc.org

SBDC REGIONAL OFFICES (CONTINUED)

MID-HUDSON

SBDC, Business Resource Center
One Development Court
Kingston, NY 12401-1949
845-339-0025
E-mail: sehwherea@sunyulster.edu
Web: <http://mid-hudson.nyssbdc.org>

Fishkill Satellite Office
Marist College Extension
400 Westage Business Center
Fishkill, NY 12524-2219
845-897-3945

Liberty Satellite
Chamber of Commerce
59 North Main Street
Liberty, NY 12754
845-292-8500

Margaretville Satellite Office
c/o Catskill Watershed
Main Street
Margaretville, NY 12455
845-585-1400

New Windsor Satellite
Stewart Airport
33 Airport Center Drive, Suite 201
New Windsor, NY 12533
845-567-2702

Poughkeepsie Satellite
Chamber of Commerce
1 Civic Center Plaza, 4th Floor
Poughkeepsie, NY 12601-3117
845-454-1700 x 1014

MOHAWK VALLEY

SBDC, SUNY Institute of Technology
Kunsela Hall, Room B206
12 North Horatio Street
Utica, NY 13504-3050
315-792-7547
E-mail: sbdc@sunyit.edu
Web: <http://sbdc.sunyit.edu>

Herkimer County Satellite Office
Herkimer County Community College
Office of Community Education
100 Reservoir Road Campus
Herkimer, NY 13350
315-866-0300 x 8251 (By Appointment)

Madison County Satellite Office
Madison County Industrial
Development Agency
3215 Seneca Turnpike
Canastota, NY 13032
315-697-9817 (By Appointment Only)

Mohawk Valley EDGE/RIDC
153 Brooks Road
Rome, NY 13441
315-338-0393 (By Appointment Only)

NIAGARA

SBDC, Niagara County
Community College
50 Main Street
Lockport, NY 14094-3607
716-434-3815
E-mail: sbdc@niagaracc.suny.edu
Web: <http://niagarasbdc.org>

SBDC Outreach Center
SUNY Geneseo
1 College Circle, South Hall, Room 111
Geneseo, NY 14454-1401
585-245-5429

NORTH COUNTRY

SBDC, Plattsburgh State University of New
York
194 US Oval
Plattsburgh, NY 12903-3900
518-564-2042
E-mail: sbdc@plattsburgh.edu
Web: <http://northcountry.nyssbdc.org>

Malone Satellite Office
One Work Source Center
158 Finney Boulevard
Malone, NY 12953
518-564-2042 (By Appointment Only)

Lake Placid Satellite
Essex County Business Council at
Lake Placid Visitor's Bureau
216 Main Street
Lake Placid, NY 12946
518-564-2042 (By Appointment Only)

Elizabethtown Satellite
Essex County IDA
7566 Court Street
Elizabethtown, NY 12932
518-564-2042 (By Appointment Only)

ONONDAGA

SBDC, Onondaga Community College
Ralph & Fay Whitney Applied Technology
Cntr
4585 West Seneca Turnpike, Ste W-206
Syracuse, NY 13215-4585
315-498-6070
E-mail: sbdc@sunyocc.edu
Web: <http://onondaga.nyssbdc.org>

Cayuga County Satellite Office
Chamber of Commerce Auburn &
Cayuga County
36 South Street
Auburn, NY 13021
315-498-6070 (By Appointment Only)

Cazenovia Satellite Office
Greater Cazenovia
Chamber of Commerce
132 1/2 Albany Street
Cazenovia, NY 13035
315-498-6070 (By Appointment Only)

Greater Syracuse Chamber of Commerce
Satellite Office
572 South Salina Street
Syracuse, NY 13202
315-498-6070 (By Appointment Only)

OCC North Campus Satellite Office
8015 Oswego Road
Liverpool, NY 13090-1699
315-498-6070 (By Appointment Only)

QUEENS (JAMAICA)

SBDC, York College
The City University of New York
94-50 159th Street, Room 107
Jamaica, NY 11451-9902
718-262-2880
E-mail: sbdc@york.cuny.edu
Web: <http://queens.nyssbdc.org>

QUEENS (LONG ISLAND CITY)

SBDC, LaGuardia Community College
29-10 Thomson Avenue, Room C916
Long Island City, NY 11101-2940
718-482-5303
E-mail: sbdc@lagcc.cuny.edu
Web: <http://laguardia.nyssbdc.org>

STATEN ISLAND

SBDC, College of Staten Island
2800 Victory Boulevard
Building 2A, Room 300
Staten Island, NY 10314-9806
718-982-2560
E-mail: sullivan@mail.csi.cuny.edu
Web: <http://statenisland.nyssbdc.org>

WATERTOWN

SBDC, Jefferson Community College
1220 Coffeen Street
Watertown, NY 13601-1897
315-782-9262
E-mail: sbdc@sunyjefferson.edu
Web: <http://watertown.nyssbdc.org>

Lowville Satellite Office - LCIDA
7642 State Street, Box 106
Lowville, NY 13367-0106
315-782-9262 (By Appointment Only)

Oswego Satellite Office
Oswego State University
103 Rich Hall
Oswego, NY 13126-3599
315-312-3492

WESTCHESTER

SBDC, Mercy College
470 Nepperhan Avenue, Suite 313
Yonkers, NY 10701-6653
914-375-2107
E-mail: aisraeli@mercy.edu
Web: <http://westchester.nyssbdc.org>

SBDC, Mercy College
555 Broadway
Dobbs Ferry, NY 10522
914-674-7485

SBDC, Rockland Community College
Brucker Hall, Room 6101
145 College Road
Suffern, NY 10901-3620
845-356-0370

Small Business Development
Outreach Center
White Plains Outreach SBDC
108 Corporate Park Drive, Suite 101
White Plains, NY 10605
914-948-2110

ENTREPRENEURIAL ASSISTANCE CENTERS

New York State has established a network of Entrepreneurial Assistance Centers (EACs) that provide specialized help to women, minority group members and persons with disabilities who are starting up a business or who own a firm in the early stages of business development. There are two types of EACs, both of which are administered by Empire State Development. A Development Center provides intensive management and technical guidance. An Entrepreneurship Support Center provides classroom instruction in the principles and practices of entrepreneurship. For more information about these programs, contact Empire State Development, 1-800-STATE-NY or 212-803-2410.

U.S. SMALL BUSINESS ADMINISTRATION

The U.S. Small Business Administration provides financial, technical and management assistance to help Americans start, run, and grow their businesses. With a portfolio of business loans, loan guarantees and disaster loans worth more than \$45 billion, in addition to a venture capital portfolio of \$13 billion, SBA is the nation's largest single financial backer of small businesses.

For more information contact the SBA Answer Desk at 1-800-U-ASK-SBA, visit the SBA web site at www.sba.gov or write to U.S. Small Business Administration, 409 3rd St. S.W., Washington, D.C. 20416.

OTHER SOURCES

Trade associations that may be helpful as you develop your plans include The Business Council of New York State, 152 Washington Ave., Albany, NY 12210, telephone 518-465-7511 or 1-800-358-1202; National Federation of Independent Business (NFIB), One Commerce Plaza, Suite 1119, Albany, NY 12260, telephone

518-434-1262, www.nfib.com; and Retail Council of New York State, Inc., 258 State Street, Albany, NY 12210, telephone 518-465-3586, www.retailcouncilnys.com

You may want to consider joining your local Chamber of Commerce. Chamber's provide a multitude of services that can help you grow your business, from networking opportunities to obtaining health insurance for you and your employees. You will find your local Chamber listed in your phone book or via the Internet. Help is also available from the Service Corps of Retired Executives (SCORE) program, in which retired business executives volunteer their services to small businesses seeking managerial assistance. Their service is offered free. You may contact SCORE at www.score.org or through the U.S. Small Business Administration office closest to you.

The New York State Department of Labor can supply a wide range of labor market information, such as business trends and wage rates.

Human resource consultants provide personnel consulting services that range from written job descriptions to the development of employee handbooks. The Apprenticeship Training Program can help business owners in their efforts to develop a high trained workforce, while the Directory of Labor Market Information describes some 40 publications and data series designed to help your business succeed.

For more information on these services, contact the New York State Department of Labor at 1-800-HIRE-992, call the local office nearest you, or visit www.workforce-newyork.org

CHAPTER 3

Financing Your Venture

You're on your way.

You've decided what kind of business you plan to open and how you will go about it. You're familiar with the different forms of business organization and have drafted a convincing business plan. Now you need to know the nuts and bolts of how to finance your business. The ability to raise money, also known as capital, is essential not only for starting, but for maintaining and expanding a healthy business. No matter how good your concept or your business plan, it will fall flat without the proper financing, the lifeblood of any enterprise.

Understanding Capital

Being knowledgeable and well-prepared goes a long way toward helping you secure the financial resources you will need. It is essential to have a clear understanding of the different kinds of capital and their uses.

PERMANENT CAPITAL

Permanent capital, also known as equity capital, is money you gather from your own resources and personally put into your business. It can also include money contributed by partners and, if you become incorporated, money that comes from the sale of shares of stock issued by your business. If you choose to hold back some of your profit and put it back into the business, it also becomes permanent capital.

Permanent capital is just that — a permanent part of the business. This means it cannot be removed from the business once it has been invested, and there is no legal obligation to pay a return on it or to repay it. This money is always at risk, because if the business fails, you can lose part or all of the money.

BORROWED CAPITAL

Although many new businesses begin with permanent capital, very few going concerns limit their financing to this alone. You probably will want to borrow money to invest in marketing, research, additional fixed asset purchases such as facility or machinery upgrading, or other improvements aimed at increasing productivity and controlling costs. No matter how you use this capital, the bottom line is always the same — by borrowing money to achieve specific goals, you can often make your business more profitable

than if you rely solely on personal savings.

THE FIVE CAPITAL NEEDS

As you try to decide how much capital you will need to start your business, it is helpful to know what all of your costs will be. Regardless of the kind of capital you have to work with, permanent or borrowed or a combination of the two, there are distinct categories of capital that every business requires.

The first is **start-up funds**, which include money for furniture, fixtures and machinery. Next, you will want to consider **overhead**, which includes the cost of rent, utilities, cost of credit, delivery costs and fixed salaries. Other equally important capital needs include **inventory or parts**; **working capital**, which is the money you will need to conduct business, such as petty cash, postage and cash-on-delivery payments; and **personal living expenses**.

There are many sources of capital for new and growing businesses. The following sections briefly summarize the most common sources, their advantages and disadvantages and, where appropriate, how to contact those sources. Not every option will apply to you, but with knowledge, preparation and determination you can be confident of beginning your search for capital on solid footing.

Personal Resources

Before you begin your search for capital, you will need to know how much money your business will require. To get an accurate answer you should consider not only the costs of starting, but also the costs of staying in business. Many businesses take a year or two to get up and running. This means you will need enough funds to cover the cost of materials, salaries, rent, supplies and other items until sales can meet these costs.

It's common for many new business owners to furnish a substantial amount — from 25 to 50 percent — from their own resources. Before coming up with a figure, you should consider many things, including your living expenses; your net worth; how much permanent capital you can furnish and how much you will need to borrow; your first-year expenses; your estimated break-even point; and contin-

gency plans if you need additional funds. Remember to be honest. The more candid you can be, the better your chances for success.

Using your own money to finance a business is the least expensive and least obligatory method of financing. You are responsible only to yourself for what happens to the money and you don't have to ask for permission to use it. A good way to calculate the amount of permanent capital you can contribute is to fill out a personal financial statement, such as the one that follows.

Besides tapping into your own funds, you may also consider approaching family and friends for permanent capital. Other sources include retirement income, the income of a spouse, your income from a part-time or full-time job, investment by partners, and incorporations and sale of stock.

Banks

There are many different types of lenders and lending programs. After personal savings, banks are the major source of capital for entrepreneurs. Most commercial banks will facilitate the financing of well-managed, credit-worthy small businesses and strive to give them the help they need. However, you may also want to consider savings banks and savings and loan associations for small business loan services.

When approaching a bank for a loan, be sure you are well-prepared. You should have a written business plan and a budget that shows the type of business, credit needed and anticipated sales and expenses.

If you need a bank loan for an already established business, having accurate, well-kept account books will be to your advantage. If you cannot afford a full- or part-time accountant, you can keep your own books. Your banker is likely to be impressed with a neat, complete set of records even if it does not have the professional touch.

You must have realistic expectations of your bank. In general, expect the banker to be a valued advisor, in much the same way as an attorney or an accountant. Also expect your banker to get to know your business and your industry so he or she can make specific recommendations on what kind of loan is best suited for your company, how to struc-

ture that loan and how to help you chart the best financial course.

Keep in mind, however, that while bankers serve as valued advisors, there are laws prohibiting them from taking an active management role. These are known as “lender liability” laws, and basically state that unless lenders are willing to accept liability, they should not get involved in making important management decisions for a business.

When you approach a bank for a loan, you should also begin to establish business credit. You can do this by co-signing as an individual for a credit card in your business name, as well as by establishing a checking account in your business name. If you are doing business under your own name, set up an account in your name and use it exclusively for your business. If your business has its

own name, set up an account in the name of the business.

When you open an account in the name of a business, the bank will probably want to see your “DBA” certificate (Certificate of Conducting Business under an Assumed Name, often referred to as “Doing Business As”). You receive this certificate when you register your business name with the county clerk. (See Chapter 6.)

It works to your advantage to have a separate business checking account. This enables you to use the bank’s name as a reference in making business connections and in getting credit from suppliers. Your account also tells your banker facts about your business that can be helpful when you apply for a loan. While looking into bank loans, you should also be aware of credit unions, which offer many of the same services as banks. To discuss loan opportunities with a credit union, you must first fill out an application and be approved for membership. The advantage of applying here for capital is that lending rates and terms are usually better than those of a commercial bank.

TYPES OF BANK LOANS

Your banker can help you decide on the best type of loan for your business and circumstances. Note that the language of loans can sometimes be difficult, so you may want to refer to the glossary at the end of this book to help you better understand the terminology.

A short-term loan must be repaid in 30 days to six months. Small businesses with an established track record use this loan for working capital. For example, a manufacturer or retailer might use a short-term loan to build up an inventory for a seasonal increase in sales. If your credit rating is good, you can sometimes get the money without having to

put up collateral.

A line of credit, sometimes called a *revolving line of credit*, allows you to borrow and repay repeatedly to meet your business needs. At the end of the year or season, the line of credit may be renewed. The benefit of this type of loan is that it allows you to maintain an even cash flow, which in turn can help you take advantage of special discounts offered by suppliers or make up for shortage of working capital.

A seasonal line of credit is a variation designed to help businesses that have a strong cyclical nature. When you apply for a seasonal loan, resist the temptation to borrow more than you need. Like most other types of lines of credit, you have to repay this type within a year or possibly at the end of selling season.

An intermediate term loan may run as long as three years and usually requires collateral. You might consider it for a business start-up, the purchase of new equipment, the expansion of a store or plant or an increase in working capital. You should plan to repay an intermediate term loan in monthly or quarterly payments from your business profit.

A long-term loan typically runs for more than three years, requires collateral and may be granted for business start-ups, purchasing major equipment or moving a plant or store. It is commonly repaid on a monthly or quarterly basis out of cash flow or profit. The loan agreement may contain provisions that limit your company’s other debts, dividends or principals’ salaries or that require minimum equity or working capital levels.

A long-term loan also may require that a percentage of the firm’s profit be used expressly for repayment. Collateral for a long-term loan may be the assets you are purchasing, supplemented by your personal guarantee, stocks, bonds, certificates of deposit or other business assets. One long-term loan commonly used to finance a new business is a home equity loan.

A home equity loan is based on 70 to 80 percent of the equity difference between the market value of your home and the amount you owe on it. It usually requires regular payment of interest only during the first five to 10 years. While this makes it an attractive loan for small business owners, there is the risk of losing your home if you cannot keep up the payments.

The “5 C’s”

Each loan is unique, and each banker looks at a loan for an individual business on its own merits and terms. But there are also some basics your banker will want to know before giving you money. In general, most banks follow the “5 C’s of credit” to rate you as a borrower. You can also use these to rate

Personal Financial Statement

Assets

I (we) own the following:

| | |
|--------------------------------------|----------|
| Cash (checking and savings accounts) | \$ _____ |
| Money owed to me (us) | \$ _____ |
| Notes | \$ _____ |
| Stocks and bonds | \$ _____ |
| Insurance cash values | \$ _____ |
| Home and other real estate | \$ _____ |
| Automobiles | \$ _____ |
| Other | \$ _____ |

Total Assets \$ _____

Liabilities

I (we) owe the following:

| | |
|---|----------|
| Charge accounts and other bills payable | \$ _____ |
| Total payable on automobiles | \$ _____ |
| Real estate loans (mortgage) | \$ _____ |
| Other | \$ _____ |
| Total liabilities | \$ _____ |

My (our) net worth (total assets less total liabilities) \$ _____

yourself.

Capacity: Your capacity is your ability to generate enough cash and profit to cover your debt. When and how do you plan to pay back your loan?

Can the company generate enough to pay it back through normal business activities? Does the cash flow projection show this? Do past revenue and expense statements and balance sheets show this? Does the loan make financial sense, or will it be a burden to the company? This dollars and cents assessment usually becomes the determining factor in whether or not a banker can approve a loan.

Capital: The banker will be looking at the extent of your personal investment in the business. Are you a firm believer in your business? Are you a person who vows to fold if losses exceed a certain amount the first year? Or are you convinced next year will be better?

Character: A banker is interested in what kind of person you are. Are you trustworthy? Competent? Reliable? How good a manager are you? Do you handle money well? Do you have a satisfactory bank record over an

extended period? Banks generally look for a number of good references, both professional and personal.

Collateral: This may include inventory, accounts receivable or other equity that can be used if the original loan payback structure doesn't work. Which of your assets could be used as security against a loan? Do you own real estate, stock or bonds, vehicles or equipment? Keep in mind that most banks will not lend money based on collateral alone.

No matter how outstanding your character or how much collateral you have, if your income tax statement shows you can't repay your loan, your bank won't give you one.

Coverage: This refers to insurance against basic risks. How would the loan be repaid if there was an accident or catastrophe?

Other Lending Programs

New York State has a comprehensive set of programs administered by various state agencies and public authorities and coordinated by Empire State Development. The addresses of these offices are listed at the end of this book.

THE SMALL BUSINESS ADMINISTRATION

The Small Business Administration (SBA) www.sba.gov offers two basic programs for financing small businesses: Small Business Investment Companies and the SBA Loan Guaranty Plan.

SMALL BUSINESS INVESTMENT COMPANIES

Small Business Investment Companies (SBICs) are licensed and regulated by the SBA. They are privately owned and managed investment firms that use their own capital, plus funds borrowed at favorable rates with an SBA guarantee, to make capital investments in small businesses.

Almost all SBICs are profit-motivated. They provide equity capital, long-term loans, debt-equity investments and management assistance to qualifying small businesses. Their incentive is having an option to own equity in a small business.

There are two types of SBICs: regular SBICs and specialized SBICs, also known as Minority Enterprise Small Business Investment Companies (MESBICs). They invest in small businesses owned by entrepreneurs of minority groups that are socially or economically disadvantaged. For a listing of New York State SBIC's, please visit the SBA website at www.sba.gov

SBA LOAN GUARANTY PLAN

If you are turned down for a conventional bank loan, ask your bank about SBA financing. In most cases, the bank can deal directly with the SBA.

The chief benefits of SBA-guaranteed loans are longer terms and more money. Many lending institutions will not lend long-term credit to a small business, but in an SBA guaranteed loan, the risk is shifted from the lender to the SBA. Because of the SBA guarantee, a conventional financial institution can also provide more money.

The SBA has a number of other loan programs including Direct, Handicapped Assistance, Surety Bond Guarantees, Certified Development Company, Export Revolving Line of Credit and others. Contact your nearest SBA field office to find out more about these programs.

THE EMPIRE STATE DEVELOPMENT CORPORATION

The Empire State Development Corporation (ESDC) www.nylovesbiz.com is a public finance and development authority that participates in a wide range of projects throughout New York State in order to create and retain jobs, particularly in economically distressed areas, by undertaking important projects that are not financially or organizationally feasible for the private sector alone. Distressed areas are designated on the basis of a higher-than-statewide average of unemployment, poverty and persons receiving public assistance. ESDC efforts are centered in two basic areas: the financing, management, design and construction of major civic projects, and providing financial assistance to industries and businesses for the purpose of retaining and creating jobs.

The Empire State Development Corporation (ESDC) helps private industry secure the buildings and equipment needed to produce new business and new jobs or to retain existing jobs. It does this by providing funding through low-interest loans and loan guarantees. ESDC is authorized to make loans in connection with the construction, acquisition or rehabilitation of industrial plants, research and development facilities and other eligible business facilities. ESDC also can participate in financing the purchase of machinery and equipment to be used within the State.

For more information about ESDC programs, contact the Empire State Development office nearest you. There is a list of regional offices at the end of this book.

The Minority Revolving Loan Fund

The Minority Revolving Loan Fund (MRLF) gives minority and women-owned businesses increased access to capital and helps them leverage public and private dollars for financing.

To be eligible for MRLF assistance, an enterprise must be organized on a for-profit basis, be formally authorized to conduct business in New York State, operate out of a fixed business location, and be certified under the Minority and Women-Owned Business Enterprise Certification Program of Empire State Development. (See Chapter 4 for more about certification.) MRLF loans range from a minimum of \$20,000 to a maximum of \$500,000. MRLF business development loans are made for working capital or for the acquisition of real property, machinery or equipment. Government contractor loans provide funds necessary to perform government contracts. Franchise loans may be given to eligible

Small Business Administration Offices

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SBA Office
Syracuse District Office
Federal Building, 5th Floor
401 S. Salina St.
Syracuse, NY 13202
315-471-9393

SBA Office
Elmira Branch Office
333 East Water St.
Elmira, NY 14901
607-734-8130

SBA Office
Rochester Branch Office
Federal Building, Room 601
100 State St.
Rochester, NY 14614
585-263-6700

SBA Office
Melville Branch Office
35 Pinelawn Road, Suite 207W
Melville, NY 11747
631-454-0750

SBA Office
Buffalo District Office
111 West Huron St.
Federal Building, Room 1311
Buffalo, NY 14202
716-551-4301

SBA Office
New York Regional Office
26 Federal Plaza, Room 3100
New York, NY 10278
212-264-4354

enterprises seeking to acquire franchises of nationally recognized corporations located within distressed areas.

To find out more about ESDC programs, contact the nearest office of Empire State Development. You will find a listing of all regional offices at the end of this book.

Small Business Technology Investment Fund

Small Business Technology Investment Fund provides capital for start-up and expansion as well as for idea development. Investments normally range from \$75,000 to \$500,000 on a matching fund basis.

To apply for this program, you must have a working product model. If you are introducing a service, you need documentation of interest expressed by prospective clients. For more information, contact the nearest office of Empire State Development. You will find a listing of all regional offices at the end of this book.

NEW YORK BUSINESS DEVELOPMENT CORPORATION

The New York Business Development Corporation (NYBDC) is a privately owned company in which New York financial institutions pool their money to provide medium and long-term loans to businesses having difficulty securing financing.

Borrowers may use these loans for working capital, real estate construction and/or acquisition, leasehold improvement, machinery and equipment, moving, restructuring of debt, leveraged buy-outs, purchase and lease back, leasing, purchase of a company, energy conversion and pollution control.

For more information, contact the New York Business Development Corporation, 50 Beaver Street, Albany, N.Y. 12207, telephone (1-800-923-2504) 518-463-2268, www.nybdc.com

Other Sources of Funding

While bank loans and other lending programs are major ways to finance a business, they are not the only sources of capital. You may also want to explore the possibility of grants, private stock offerings, venture capital and employee training funds.

GRANTS

Grants are funding from private and public agencies to help support specific businesses, the money does not have to be repaid and there may or may not be fees involved.

To apply, you must obtain a grant application and complete it as accurately and in as much detail as possible. Grants are awarded to those most likely to succeed, so include anything you think may be helpful. While locating grant money can be difficult, it is worth pursuing. It is often neglected as a resource, so competition may not be as fierce as for other capital resources. To look for this type of funding, contact your local library or small business association. As you research, note that government grants are more often than not given to agencies that assist start-up businesses rather than directly to a specific business, so include a search of agencies that may assist your particular trade or industry.

PRIVATE STOCK OFFERINGS

A private stock offering is a way of getting investors without losing control of your business. You decide who invests in your business, as well as how much they may participate in financial and managerial issues. By issuing shares for purchase, you are still not obligated to pay interest on the money invested, nor is return on the investment guaranteed to shareholders. These are both desirable factors, particularly if you are a new enterprise.

There are always people looking for a place to invest their money. Your banker, lawyer, accountant or business broker may know of someone, and the "business opportunities" columns of newspapers may also list persons who have money to invest. Your own business contacts may provide leads as well. Most people rely on a combination of these different sources. Stock offerings require experienced legal help so that they comply with federal and state laws. Contact your legal counsel for further information on how to proceed.

VENTURE CAPITAL

If your business has a good product, a strong management team and a demonstrated market, you might attract a venture capital company. These firms provide start-up and other money for new companies in exchange for equity or part ownership. Venture capitalists are looking for a good return on their money in a short period of time. Check your library for publications on venture capitalists and the types of businesses in which they invest.

EMPLOYEE TRAINING FUNDS

Training workers can be a significant cost of doing business, particularly if you need people with special skills. There

are State and Federal programs that can be used to pay part of your training costs. You may also get tax credits when you hire workers from certain target groups.

The New York State Department of Labor has programs and funding, which can assist businesses to train new and existing employees. For more information visit their website at www.workforcenewyork.org or call 1-800-447-3992.

Loan Applications

Regardless of where you go to apply for capital, your business documents should be in order and easily accessible. From your business history to statement of debt, these should be clear, concise and accurate. Keep in mind that a lender will give more credibility to a presentation that has been reviewed by an accountant, lawyer or other professional. Here is a list of materials you will need to supplement your basic business loan application:

Business plan: Most of the following items should already be in your business plan. If not, consider adding them.

Business history: Give a brief description and history of the business, when it started, ownership, number of persons employed and products.

Personal history: Describe yourself, emphasizing your work experience and reasons why you feel qualified to operate your own business.

Management resumes: Describe the education, technical training, employment and business experience of each of your managerial employees.

Financial statements: Provide balance sheets, including current balance sheet, for the past three fiscal years. For a new business, provide a projected balance sheet. Also include a revenue and expense statement for the past three fiscal years, including a statement for the current period.

Personal financial statement: Supply a personal financial statement for each officer, principal or stockholder with 20 percent or more ownership, showing their net worth outside of the business.

Debt: List installment debts, contracts, notes and mortgages payable, showing to whom payable, original amount, original date, present balance, interest rate, maturity date, monthly payment, security and whether current or delinquent.

Income tax returns: Provide copies of federal income tax returns (IRS Form 1040) for past three years.

Accounts receivable: Show amounts due

you, from whom and original date.

Loan proceeds: State amount of loan requested and explain exact purposes for which it will be used.

Collateral: List collateral to be offered as security for the loan, with your estimate of the current market value of each item.

Purchase offer agreement: Where applicable, obtain a purchase offer agreement or dealer equipment quote showing exactly what you are buying and for what price.

Earnings projection: Prepare a detailed projection of earnings.

A Word of Encouragement

As you begin to investigate financial resources for your business, you may find yourself confused by the technical language used by bankers and other financial institutions.

Should you come across words you do not understand, ask for an explanation in plain language. Also, get in the habit of taking notes. This will help you later in meetings with such advisors as the representatives at your local State University of New York Small Business Development Center.

Be aware that with the downsizing of both State and Federal lending organizations, some financing programs may no longer be available at the time you are ready to apply.

Obtaining capital for your business can be difficult, but do not be discouraged. There are almost always individuals and agencies interested in taking a risk for a chance at financial gain, and who are willing to lend to someone with good prospects of success. Remember, America was built by people like you — people willing to take risks.

CHAPTER 4

Selling Yourself

Once you have laid the groundwork for your business, including organizing and financing, it's time to turn your energies toward marketing, a carefully planned approach to satisfying your customers' needs.

Marketing involves nearly everything that has to do with the sale of goods and services, from researching the competition to production, service, delivery, pricing, business location, advertising and promotion.

Effective marketing does not have to be complex. It is helpful to think of it in terms of the "4 Ps" —product, price, promotion and position.

Product refers to the merchandise or services you are selling (computer software, auto supplies, haircuts). Price takes into account such things as labor and overhead costs, profit, competitive pricing and customer perception. When discussing promotion, you are looking at ways to publicize your product or service. Position refers to a number of different factors, including location, shipping, warehousing and distribution.

Initially, it will serve you well to have a specific marketing plan. Later, as you gain experience, you will want to modify that plan to meet the changing needs of your customers and business environment.

THE MARKETING MIX

Each business satisfies customer needs with its own unique "marketing mix," a combination of elements contained in the 4 Ps. This includes product planning, pricing, branding, channels of distribution, personal selling, advertising, promotion, packaging, display, servicing, physical handling, and fact finding and analysis.

Every company has a different marketing mix. As a small business marketer, your job is to define the most effective mix to sell your product. To do this, you will need a good working knowledge of the 4 Ps and how they can affect the sale of your product or service.

Product: Know Your Customer

The overall goal of your small business is to make a profit, but your means for achieving that goal is satisfying customers. This may

seem obvious, but there are many businesses that don't pay enough attention to the customer. To increase your customer awareness, you have to be able to answer some basic questions:

Who are your potential customers? Be specific about the kinds of people most likely to use your product or service. Are they working people, retirees or teenagers? Are they people with special interests, discretionary income or a lot of leisure time? What is their income level? Also be sure to distinguish between the purchaser and the user. You may have to take into account several levels of intermediaries, such as middlemen, manufacturers' representatives, brokers, sales agents, distributors and dealers. For instance, if you are selling a food item, your direct purchaser may be a supermarket or grocer, which in turn will sell directly to the consumers.

Where are they? Know precisely where your customers live. Do they live in the city, the country or suburbia? Are they nearby or out of state?

What do they want? Determine your best-selling items or services. Also think about what social trends, new technologies and other factors are likely to affect your customers. Will they be more affected by price, quality or convenience?

When do they want it? Do your customers come to you daily or once in a while? Are their buying habits predictable or do they come in at unusual times? Do they require rush service? Perhaps they only buy during special promotions or sales.

Why should they buy it from you? Think about what makes your product or service stand out from the competition. Have you established a reputation for personalized service, reasonable prices or high quality? Perhaps your customers value the availability of merchandise or the convenient store hours. Other selling points include effective advertising and promotion and good sales presentations.

How do they buy your product or services? There are many avenues for purchasing today, including in-store sales, mail order, direct sales, personal delivery and wholesalers. Your customer may also buy in bulk or on other special terms. In the past, many business people examined

their product or service and then identified potential customers. Today, it's more common for emerging entrepreneurs to first identify customer need and then build a business around it. In fact, many sales organizations are guided by the adage, "find a need and fill it." In either case, the process of market research is critical. This entails gathering and analyzing information and then applying it to your own situation by working with the various elements of your marketing mix. No matter how you collect your data, when you have the answers, you will be in a better position to satisfy your customers' needs.

MARKET RESEARCH

Market research can be as simple as talking with the people who come into your place of business or with anyone else you think might be interested in what you have to sell.

Become acquainted with your customers or potential customers by being open and friendly. Ask how your products and services fill their needs and how you might satisfy their other needs. You can talk to them informally or have them fill out a simple questionnaire. However you do it, direct feedback from your customers is invaluable in planning your marketing strategy.

Market research can also involve sophisticated sampling and survey techniques, but these may be costly. If you are willing to do some of the research yourself, excellent information is often available for free or at a nominal cost from trade associations, trade publications, library reference books and government sources, including your local State University of New York Small Business Development Center (see Chapter 2) and the federal Small Business Administration (see Chapter 3).

Another useful reference source for small business owners is **Sales Management and Marketing** magazine, which publishes a "Survey of Buying Power" that gives a breakdown of population, households, retail sales by type of business and total purchasing dollars for each county in the United States, as well as for cities with populations of more than 10,000.

The 2000 U.S. Census gives detailed information on the U.S. population and its buying habits by individual census tract. For information, contact the

U.S. Bureau of Census, telephone 301-457-4100.

You can also refer to the section on “Mailing Lists” in your local **Yellow Pages**, which includes businesses and agencies that sell marketing information.

TARGET YOUR MARKET

Once you have a profile of your customers in terms of age, gender, income level, geographic area and interests, focus your time, energy and resources on those who are, or may be, your best customers. It is important to do this because you have limited resources and cannot be all things to all people.

Business experts often cite the “80/20 rule” to emphasize this point. As a rule of thumb, 80 percent of your profits derive from 20 percent of your customers, and 80 percent of your sales come from 20 percent of your typical line of products or services.

To see if the 80/20 rule applies in your business, make a list of your best customers and a list of your best products and/or services. Next, see if you are reaching your target market. List 10 ways you could do a better job of reaching your targeted customers — the 20 percent that gives you 80 percent of your business.

What are some good approaches to targeting your market? Try to focus on a particular geographic area (perhaps a 25-mile radius of your place of business); your best-selling product or service (if you have a winner, promote it); and the people most likely to patronize your business (farmers, professionals, families with small children, sports fans).

ANALYZE YOUR COMPETITIVE ADVANTAGES

To most advantageously situate yourself in the marketplace, you’ll need to know what your competitors are doing. Competition is a broad concept that encompasses not only the specific businesses in your particular industry that offer similar products or services, but other businesses or companies that, although not direct competitors, satisfy the same basic needs you do. If you are working on a short-term plan (roughly one year), you will want to look primarily at those products that are exactly the same as yours or very similar. As you consider longer-range planning, you will want to research or analyze competitors that are less similar, especially those that have a strong market presence and more advanced technology.

For example, if you own a small deli or fast food restaurant, your primary competitors are other delis and fast food restaurants located in your general area that offer quick service at reasonable prices. But other potential competitors exist outside your industry. Grocery stores now offer salad bars

and ready-to-eat foods and convenience stores are opening delis. Your customers’ needs — inexpensive food and quick service — can now be fulfilled elsewhere.

Continually ask yourself why people should buy from you rather than from your competitors. The most successful entrepreneurs have learned that analyzing the competition is a never-ending job. To know what you should be doing, you must know what your competitors are doing.

Find out about their products, prices and services. What are they doing right? What are they doing wrong?

Being aware of what the competition offers will help you develop a marketing mix that keeps your customers happy. You can use the “Competitor Checklist” below to begin your analysis.

Price: Getting it Right

A successful business is one that has what the customer wants, at the right moment and at an acceptable price. But making the numbers add up so that they are fair to both you and your customer can be a complex job. You need to cover costs, make a profit, attract customers and build sales volume, all at the same time. Prices must be competitive and within your customers’ reach.

COMMON EQUATIONS

Before you set your price, you must consider several factors. Following are some equations that can give you an overview of your costs.

The **cost of goods sold** is the cost of your *beginning inventory* plus *purchases*, minus *ending inventory*.

The **gross margin of profit** (also known as **gross profit** or **maintained markup**) is the difference between the **cost of goods sold** and the **price** at which they sold.

Net profit equals **gross profit** minus **expenses**, or how much you make on an item after all expenses are taken into account.

Initial markup represents the difference between the **cost of the item** to you and your **original selling price**. It is usually the first price you offer. When merchandise does not sell readily, this original selling price must be lowered until the goods do sell.

The worksheet shown on this page is an example of one that can be used to calculate your pricing.

PRICING STRATEGY

There are many other considerations that go into intelligent pricing, and it pays to look at these closely. The uniqueness of what you offer is an important factor in setting prices. The more distinctive your business is and the more personal attention you give your customers, the more flexibility you

will have in pricing.

For example, retailers that offer store credit, guarantees, a flexible return policy and quality personalized service can usually charge more for their products.

Too often, small businesses will set prices without concern for competitive offerings. If your customers can satisfy their needs in an equally convenient manner for a lower price somewhere else, your pricing formula needs to be modified.

There are several psychological implications to the price you set. For example, many businesses will set prices that are just under a higher dollar amount (e.g., \$.99, \$29.99, \$149.99, etc.). While the price isn’t fooling anybody, many customers have a mental barrier about paying more than, for example, a dollar for a product. Customer research is critical in pricing strategy. Determine what your customers are willing to pay for a product or service before you offer it.

Remember that your pricing can communicate an image for your product or service. Make sure it is saying the right thing. If you market yourself as the low-cost provider for a product or service, it is important that you have the lowest price. People aren’t willing to pay the same price for the no-frills product as for the product with all of the “bells and whistles.” Similarly, if you position your product or business as a “cut above” the competition, you should charge more for it. If you offer additional services, your customer should be willing to pay for them.

A good example of how price communicates

Competitor Checklist

Make up a sheet for each competitor and rate yourself as better, equal or worse in each category. As you score yourself, ask how you could improve your score in each area by changing your marketing strategy, and think about how potential customers perceive you.

| | Better | Equal | Worse |
|--------------------|--------------------------|--------------------------|--------------------------|
| Prices | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Quality | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Product selection | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Customer attention | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Service/repairs | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Reliability | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Expert advice | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Guarantees | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Customer credit | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Credit cards | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Location | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Store hours | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Store appearance | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Advertising | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

about a product can be found in tuition pricing at major colleges. A major university was trying to improve its image as one of the top 20 schools in the country. University officials determined that if they raised tuition rates to make them comparable to other top 20 schools, prospective parents would perceive them to be in the same "league" as the other schools. In fact, every time this university raises tuition prices, applications increase. When it comes to pricing, be willing to experiment. Try different systems and compare them with those of your competitors. And do not forget to ask your customers how they feel about your prices.

Promotion: Selling Your Product

You have a great product targeted to a specific market and set at a fair price. Your next step is getting the word out. This can be accomplished through advertising, promotion and general public relations, which are necessary for most businesses. In fact, advertising and promotion are essential prerequisites to success, since they work together to build customer awareness of your product or service. Although all of these elements work inter-dependently, each has its own function and place in business. The purpose of advertising is to proclaim the qualities and advantages of a product or service by making a direct sales appeal in local newspapers, on radio and on television.

Promotion is a more general effort to publicize your business and may include everything from giveaways to sponsorship of worthy causes. Your business card and business letterhead are important promotional tools. So is your business sign.

Public relations entails communicating a specific message and educating potential customers about your business.

In all cases, it's important to define your business' unique selling proposition (USP) and then make it the focus of your publicity.

ADVERTISING AND PROMOTION STRATEGY

Plan your course of action carefully and keep track of the results. You can waste money very quickly by advertising in a medium that fails to reach your potential customers or that costs too much relative to what you have to spend. On the other hand, spending too little on advertising can hurt your business in the long run.

Here are some basic principles that can help you plan:

- Establish an advertising budget.
- Investigate media resources and determine which media reach your customers most effectively.
- Target your ads to your customers.

Discounts may appeal to one group whereas an emphasis on quality or service may appeal to another.

- Advertise your best products. Use the 80/20 rule to decide which products are really worth advertising. (This does not apply to new product or new service introductions, which may need a boost from advertising to reach their potential.)
- Try to capture the market when the market is there. Advertise at peak sales times.
- Keep your advertising messages clear and simple.
- If you do not feel comfortable creating your own ads, ask the people at the publication or station to help. In many cases, they will help you at no charge or for a reasonable fee.
- Check regularly with your customers to make sure your ads are working. If you are advertising in a number of media, ask your customers where they learned about your business. This will help you to measure the effectiveness of your media.
- Compare cost with results.

CHOOSING YOUR MEDIA

Newspapers: Newspapers fall into three general categories: dailies, weeklies and local "shoppers," which are distributed free. In addition, some newspapers publish special editions, such as a spring bridal fair insert or a summer recreation insert, which focus

on narrowly defined groups of consumers. Consider running a series of small advertisements for the cost of a single full page. As a rule, small space used on a regular schedule pays bigger advertising dividends than "one-shot" or infrequent larger ads. Also check into the possibility of "co-op" advertising, in which part of the cost of an ad is paid for by suppliers in return for including one or more of their brand-name products.

Magazines: Manufacturers, distributors and suppliers of business services can effectively use ads in trade or business association publications. Stick to local or regional magazines and specialty publications that reach an important part of your market. Mass circulation magazines such as *Newsweek*, *Esquire* and *Redbook* are generally priced out of reach of the small business advertiser, although today's technology allows you to target specific regional distributions.

Television and radio: These electronic media can be an effective alternative to newspaper advertising for some businesses. Most stations have their own audience, which varies in size and character according to the time of day and the show being aired. Advertising costs will depend on the length of the ad, when it runs and how often it runs. A station representative can give you details.

20Sample Pricing Guide

Production and/or materials

Cost

Labor:

| | |
|------------------------------------|-------|
| Your salary | _____ |
| Others' salaries | _____ |
| FICA | _____ |
| Unemployment insurance | _____ |
| Workers' compensation and benefits | _____ |

Overhead:

| | |
|-------------------|-------|
| Rent | _____ |
| Equipment | _____ |
| Supplies | _____ |
| Vehicles | _____ |
| Insurance | _____ |
| Bookkeeping | _____ |
| Legal services | _____ |
| Advertising | _____ |
| Maintenance | _____ |
| Depreciation | _____ |
| Taxes | _____ |
| Telephone | _____ |
| Interest on loans | _____ |
| Cost of credit | _____ |

Marketing:

| | |
|-------------|-------|
| Commissions | _____ |
|-------------|-------|

Delivery:

| | | |
|--|-----|-------|
| Total: | (a) | _____ |
| Add profit: | (b) | _____ |
| Total a. & b. = Suggested selling price: | (c) | _____ |

To use radio or television effectively, target your advertising to appeal to the audience it reaches, buy the air times that reach your market and repeat ads. You might consider recording your own ad to give your customers a chance to hear your voice.

Direct mail advertising: This method works best if you have a narrowly targeted customer list with names and addresses of good customers and potential customers. There are also ways to heighten the impact of mail advertising. For example, insert enclosures with outgoing invoices. (Do not send bills alone; make the stamp do its full job.) Tell your regular customers about sales ahead of time. Announce a new service or product. Sometimes the manufacturer or distributor will help pay for this.

Door-to-door methods: Handbills, business cards, circulars and other “throw-aways” can be a good way to announce openings or sales. But take care to avoid placing them where they will litter premises and irritate potential customers or others. Some businesses, such as restaurants, pizza parlors and car washes, put flyers on cars in large parking lots. If you decide to do this, make sure you have permission from the owners of the lot. Never put throw-aways in mail boxes. Only the U.S. Postal Service is authorized to do that. And do not distribute them in communities where ordinances specifically forbid it.

Yellow Pages: A small display ad here can be a very helpful form of advertising, particularly in your first year or two of operation. After that, you may only want your name listed in bold print under the appropriate categories, although many businesses find that a display ad continues to be an effective way to bring in new business.

Billboards: Certain industries or services are better suited for this kind of advertising than others. For example, hotels and motels can make effective use of billboards on major long-distance travel routes. In general, the message must be short and easy to read to make an impact.

Telemarketing: Some businesses may choose marketing by phone, by either using in-house staff or going to the outside and hiring a telemarketing firm. By using this method you can target a preselected market using either personalized or automated calling services. If you use an automated telemarketing service, be sure the system disconnects automatically when it reaches an answering machine or when the person answering hangs up so you are not paying for wasted time.

Internet Website: Most businesses today have a website to promote their products or services. The depth of the website can vary from a simple one-page outline to a more

sophisticated site where online purchasing is conducted. A website is an integral part of an overall marketing plan and should be considered thoroughly before implementing. There are programs today that will allow you to create your own website or you can also hire a website designer to create one for your business.

Networking Events: It is beneficial to attend events that specifically attract your potential customers. Check all calendars of events and attend as many as possible. This is a casual effective way to open up and expand your customer base.

PUBLIC RELATIONS STRATEGY

Public relations, or “PR,” is the process of developing an image by identifying target audiences and establishing mutually beneficial relationships with them. Effective public relations is more than just charitable sponsorships and

getting your name in the paper. Effective public relations makes businesses run better, increases sales and helps to ensure long-term organizational success.

One component of public relations is media relations. This differs from advertising in that businesses do not pay for media time or space. Rather, the goal is to get your business in the local newspaper or on television, which can dramatically raise public awareness of your company. A business will benefit from the implied third-party endorsement from the media. In fact, some studies estimate that a mention in an editorial section of a newspaper or on TV or radio is eight times more persuasive than a comparable advertising mention.

Getting your name in front of the media requires a good deal of work and relationship building. Many firms hire public relations agencies that already have the media contacts and necessary know-how to proactively “pitch your story” to the media.

Public relations also includes a host of other activities, such as special events and promotions, internal employee communications, preparing for and responding properly in a crisis situation, and strengthening ties with the community or other specific groups.

Much like advertising, effective public relations should be a part of a larger communications plan, based on research with measurable objectives and an evaluation component. A public relations professional can help you design and execute an effective plan for your business.

Position: From Location to Distribution

Your business location is essential for retailing and important to manufacturing and service businesses as well. That’s why you must make a painstaking and exhaustive study before you choose a site. Patience and planning at this stage will pay dividends later on.

Search for sites that deliver maximum customer availability at the lowest cost.

In general, all businesses catering to the same class of customer increase sales of other operations in the same physical area. Shopping is most convenient for the customer when all requirements can be found with a limited cluster of stores. That’s why it is a good idea to locate near other stores that cater to the same customer you intend to reach. Some of these stores may handle many of the same lines you will stock, so make sure you can be competitive.

TYPES OF LOCATION

Ordinarily, the best locations for retail business are also the most expensive, and some, such as a store in a regional shopping mall, may be available only to businesses that have widespread name recognition. Regional shopping centers draw from an area of several hundred thousand persons within a radius of six or more miles. Branch operations of large stores, franchises and chain store units are common in these one-stop shopping complexes, which offer convenient parking. Parking convenience is a major reason retail businesses continue to move out of downtown shopping districts and into regional shopping centers. However, the start-up business will usually find these high-cost locations unlikely settings.

Central business districts in cities once were considered prime retail locations. Some still are, but with major retailers moving to regional shopping centers, many city centers cater mostly to the lunchtime crowd and business-to-business service providers. Rents, however, may still be high. If rents have dropped sufficiently, and your traffic studies reveal an active market, then the central business district might offer your small business a real opportunity.

In some large cities, there are secondary business districts located just outside the downtown area. Carefully evaluate these districts and look for newer areas of development that have resulted from recent growth. In those areas, businesses are often located in neighborhood shopping centers that offer convenient parking.

On the other end of the scale from the regional shopping center is the neighborhood center, sometimes referred to as a strip mall, which offers an opportunity for shops that carry convenience goods or offer personal services to customers who live within

easy walking distance.

A neighborhood location often has a supermarket as its focal point, and is also a prime location for pharmacies, small groceries, fruit and vegetable stores, delicatessens, hardware stores, shoe repair shops, beauty and barber shops, candy stores, cleaners and card shops. These locations are good only if there is an existing or potential need locally for the business you have in mind.

Community shopping centers fall somewhere between the giant regional centers and the small neighborhood

centers. They offer the advantages of affordable rents and good management as well as sufficient visibility, traffic and customer convenience.

When you evaluate a location, find out why businesses similar to yours have been successful or unsuccessful at that site. Determine what rent your competitors are paying and try to rate the quality of their management, their service to customers and their general reputation. If you start a new business in an established neighborhood, you must prepare to do better than your competition.

HOME-BASED BUSINESSES

Perhaps you are considering starting a home-based business. Because of technological advances and commercial activity on the Internet, many entrepreneurs are choosing this cost efficient alternative.

There are many factors besides expenses to consider when deciding to locate your business in your home. You'll need to dedicate space that will be used only for business purposes and your home will need to be technically capable to support your business. Do you have the self-discipline it will require to separate your personal activities from business activities? Are there local zoning limitations that you'll need to adhere to? These are just a few of the questions that you'll need to answer before deciding on a home based business.

TRAFFIC STUDIES

When weighing your location options, it pays to conduct traffic studies. If your business depends on drop-in traffic, do a pedestrian traffic study — simply count the number of people passing by. You will need to do this more than once to get an accurate measure. Use different days of the week and different times of day. If possible, make a survey to find out where they are going. Numbers alone do not make a market. You need to determine how many of the passersby might be buyers and then break down the total number in terms of their estimated buying power, gender, age and spending habits. No matter how good a location appears to be, if people are not there to shop, then they are unlikely to buy from you.

If your potential location is along a highway,

consider that customers may not want to shop at your store if your parking is inadequate, if the local traffic is too congested or if the automobile traffic pattern makes it difficult to get in and out of your parking lot. Another consideration is the reason people are driving the highway. Are they driving it to get to shopping areas or is it mainly a commuter route? The more you know about traffic patterns and habits, the better you'll be able to assess the viability of your site.

Check to see if there are any plans for construction of new roads or businesses that might affect your customer traffic.

A local commercial realtor should be able to give you the status of any vacant shops or property. For information about potential or pending infrastructure changes, contact the New York State Department of Transportation (518-457-6195) as well as county and local governments in your area.

RENTING PROPERTY

Rent

The rent you can afford depends on your sales volume. The "100 percent" location that permits a high volume will command a high rent. In a less favorable location, you can expect to pay a lower rent. In the end, you are going to have to negotiate.

Make comparisons between the rents of neighboring stores and the property you are considering leasing. Physical condition, including the need for renovation, repairs or changes, can be an important factor. If substantial repairs or changes are necessary, can you talk the landlord into making them, or do you have to take on the obligation, perhaps in return for a reduced rent for the term of the lease?

It is a good idea to have an attorney look over your lease before you sign. The best lease is one that anticipates all contingencies and then is written to protect the welfare of both principals.

Be wary of signing a short-term, non-renewable lease. You need time to build your business and some assurance that your rent will not increase unreasonably in the next few years. Make note of what you can and cannot do with the property and who pays for such services as snowplowing and electrical repairs.

Be sure you can live with the terms of the lease before you sign it.

Realtors

One of the professionals to whom you can turn for help when it comes to selecting a location is your local realtor.

A reputable realtor is one of your best sources for information about vacancies, rents paid for different store locations, the buying habits of the local community and the direction of local business growth.

Names of local realtors and real estate boards are included in the *New York State Real Estate Directory*. This publication, as well as other helpful assistance, is available from the New York State Association of Realtors, P.O. Box 122, 130 Washington Ave., Albany, N.Y. 12210, telephone 518-463-0300.

Lease guarantees

Some small businesses may have difficulty obtaining good commercial space due to limited capital or insufficient credit ratings. For these businesses, the U.S. Small Business Administration (SBA) may be able to provide assistance through its loan guarantee program. The SBA works in conjunction with private insurance companies to issue insurance policies for small businesses guaranteeing commercial rent payments. In effect, this is a type of credit assistance that allows a qualifying company to obtain a lease in a choice business location.

Locations for manufacturers

Prime industrial locations abound in New York State. Things to look for include a labor pool with the skills you need, good transportation facilities, access to major highways and adequate power. Empire State Development has various programs assisting manufacturers to expand or locate a plant in New York State. Please visit our website at www.nylovesbiz.com or contact an ESD regional office listed at the end of this book.

DISTRIBUTION

If you manufacture an item, you have a number of distribution options in addition to selling directly to your customer or going directly to the retailer. The best method will vary with your product and the volume of business you do. Some small manufacturers rely on a manufacturer's representative, some on a wholesaler; and others on a combination of the two. Whatever you decide, it is important to choose a distribution strategy and stick with it, making sure that your other marketing efforts work in concert with your distribution plan.

A wholesaler purchases large quantities of merchandise at a discount price, warehouses and handles the merchandise, and sells to retailers and others. Wholesalers, distributors or middlemen, as they are sometimes called, reduce the amount you receive per item but save you substantial time and effort.

A manufacturer's representative sells on commission as an agent for different clients with similar product lines. In other words, they are salespeople who work for several different companies. Many small manufacturers find that their total sales in a region are not sufficient to support a full-time salesperson, in which case the manufacturer's representative is a viable alternative. You do the shipping, billing and collecting, just as you would if you

sold directly to the retailer. Your gross profit per item will usually be higher than it would if you went through a wholesaler, but the commission can even things out.

One way to test-market a product is to arrange with a retailer to sell it on consignment. The store receives a commission for items sold but does not purchase them. This method allows both you and the retailer to test customer response before committing to the production in earnest and tying up your money.

Whichever system you choose, develop a friendly working relationship with your distributor.

Provide dependable products and furnish advertising display material, if possible.

Expanding Your Markets

As your business grows, there may come a time when you want to branch out and find new markets. Two large, profitable and often overlooked areas are selling to government and selling overseas.

SELLING TO GOVERNMENT

Federal, state and local governments can be important customers for your business, and selling to them is easier than you might think. Government agencies are always on the lookout for new suppliers, and there are laws which provide an incentive for agencies to contract with small and minority- or women-owned businesses. Government can be a ripe area for the enterprising small business person.

Every year the federal government spends billions of dollars for items such as hamburgers, sleeping bags, circuit boards, wrenches, T-shirts and paint, just to name a few. It also buys services such as architects' sketches, engineers' surveys, maintenance work, research and development. Another big buyer is New York State, which spends more than \$8.5 billion annually on products and services.

Empire State Development offers a number of resources for expanding businesses, including referrals and marketing advice. Its Procurement Assistance Unit can give you information to help find the right government market for your business, help land the contract and help throughout the terms of the contract.

In addition, ESD can help you connect with government agencies looking for your product or service; improve your government marketing strategy; meet buyers at procurement workshops, trade shows and special events; learn about subcontracting opportunities; work through and understand bid

paperwork; provide information to meet your contract; and get paid on time for work you have completed.

ESD also publishes an on-line procurement newsletter, *The New York State Contract Reporter*, that lists all State agency bids worth at least \$15,000, as well as contracts let by authorities, commissions, public benefit corporations and counties. By using this one source, you can get information about contracts that are up for bid across the state, subscribe on-line at www.nyscr.com.

In addition to opportunities to market to the state, ESD specialists can help you find subcontracting opportunities with major corporations that provide goods and services to state government agencies.

To help minority- and women-owned businesses attract customers from public and private sector buyers, New York State has established a statewide certification program. Once certified, your company officially will be recognized by all State agencies and most authorities as a bona fide minority- or women-owned business enterprise. And you will be listed in a directory that is available in print and on computer disk to New York State agencies and authorities, as well as to other potential buyers, including federal government agencies and major corporations. The benefits of certification are substantial. A number of State programs are available exclusively to or targeted to certified minority- and women-owned businesses in the areas of financing, bonding, education, training and technical assistance. For more information contact ESD at 1-800-STATE-NY.

INTERNATIONAL TRADE

In today's global economy, the international market is large and growing at a rapid rate. With shifting political environments and economic systems, opportunities abound for potential investors in a range of fields, from agriculture, pharmaceuticals and transportation to technology, information systems and environmental cleanup equipment.

In conjunction with the State University of New York Small Business Development Centers and local business organizations throughout the state, ESD's International Division participates in export seminars and offers individual counseling to firms and business owners who are interested in exporting New York State products.

The International Division also promotes New York products through trade shows and trade missions in selected foreign markets, and assists in matching foreign buyers with manufacturers or exporters of New York State goods.

Services are also available to link New York State firms with foreign companies that are interested in joint ventures, acquisitions or licensing arrangements. For more information on ESD's international services, check with your nearest ESD regional office or contact the International Division, telephone 212-803-2300.

Other sources of export assistance include trade and professional associations, chambers of commerce and local or regional world trade clubs. The U.S. Department of Commerce Foreign Commercial Service has agents through-out the world, while the International Trade Administration has offices throughout the United States.

For further information on these agencies contact the U.S. Department of Commerce, telephone 202-482-2000.

The U.S. Small Business Administration actively promotes export conferences in the United States and periodic trade missions abroad. For more information, contact your nearest SBA office (see Chapter 3).

Those seeking to take advantage of international markets will also find valuable information in several reference books, including *The Exporter's Encyclopedia*, published annually by

Dun & Bradstreet Corporation; *Expanding into Exports*, published by Price Waterhouse; *A Basic Guide to Exporting*, published by the U.S. Department of Commerce; and *Building an Import/Export Business* by Kenneth Weiss (John Wiley & Sons).

Dun & Bradstreet also offers a wide range of publications and reports on international business and the credit worthiness of some 1.4 million companies in more than 100 countries. For more information about New York State's vast array of services available to small business owners, call 800-STATE-NY.

CHAPTER 5

Keeping the Books

Good record keeping is one of the keys to business success. Having a complete, accurate and up-to-date picture of your business will allow you to keep track of your progress and set realistic goals, as well as to spot problems and correct them before they get out of hand.

Sound records will help you control costs, save on taxes, negotiate with banks for business loans and manage payroll records and sales tax. The discipline of record keeping will also make you a more cost-conscious and effective manager.

There are two basic parts to a recording and accounting system. The first is book-keeping, which entails recording the income and expense transactions for each business day. The second is making an analysis, or accounting, of your records.

Creating a System

For most start-up businesses, the necessary tools for record keeping involve no more than a personal computer with an accounting program or a few ledgers, and files for storing receipts, purchase orders, inventory sheets and other paperwork. An office supply store should have all the materials you need to set up a system on paper, or to supplement your computerized one.

There are advantages to computerizing your record keeping system, including good organization, faster input and output of the information you need, and less paper to track. In addition, computer programs make it easier for your accountant to reconcile your books at a later date, and they help simplify correspondence and other routine business tasks. There are some basic elements of book-keeping with which you must familiarize yourself. You will need certain records for tax purposes and others that tell you how the business is progressing.

If you are a corporation, however, you will need to add to the list minutes of meetings, corporate resolutions and shareholder agreements.

Formats for record keeping can vary depending on the type of business. Here are the most typical categories and the form of record required:

- **Incoming merchandise/supplies:** Purchase orders to suppliers; a receipt log (filled in when orders are received); inventory sheets.

- **Outgoing merchandise/services:** Sales slips; invoices; contracts; purchase orders (from customers and clients); credit slips.

- **Incoming revenue:** Daily log (daily summary of cash receipts, daily sales ledger, accounts payable, journal, computer program entry, etc.).

- **Outgoing revenue:** Check stubs or “one-write” systems; check disbursements; journal petty cash vouchers; invoices (bills your business has to pay).

- **Sales tax records:** Same as outgoing merchandise/services and incoming revenue.

- **Employer records:** If you hire employees, you must keep all your records on income tax, withholding, Social Security and unemployment tax for at least four years.

- **Tax returns:** Federal, state and local returns.

Be aware that you will need to keep your records for varying periods of time. How long records should be retained depends on several factors, including function of the records, fiscal and legal requirements, and industry specific regulations. Additionally, there is considerable variation in retention periods depending on the industry in which a business is involved. Entrepreneurs should be familiar with general laws and regulations governing their records and those specific to their industry, to understand what records to retain, how long and why. For more information the Association of Records Managers and Administrators (ARMA) provides general information on its web site that may be helpful: www.arma.org or call 800-422-2762.

The information you keep will form an important foundation for your business' history, current status and future objectives and possibilities. The more orderly you are at the outset, the greater the chances of keeping organized as your business grows and develops. Here are some basic components of a good record-keeping system:

BUSINESS CHECKBOOK

To monitor the money flowing into and out of your business, it's vital to separate your personal and business expenses. Establishing a business checking account will simplify your life, especially at tax time. It's also the first step toward building a business relationship with your local bank. (See Chapter 3.)

INCOME LEDGER

Also known as your cash receipts journal, this is a record of your business income. It is a detailed, daily listing of all incoming cash from sales, collections on accounts and other sources. Not only is this information critical for tax purposes, it can help you identify your best customers and best-selling products or product lines.

Your income ledger need not be elaborate. If you do not have a computer, a notebook or lined paper will do. Organize your receipts in categories that can help you analyze the success of your sales efforts and planning. These categories should include: date, received from, taxable sales, sales tax, non-taxable sales and total sales.

Even if you have a bookkeeper or outside accountant set up your records, you must decide for yourself how much information or detail you need. For example, a restaurant owner may want to separate day from night sales. A grocer may want to separate meat and grocery sales. Remember to keep it simple. Record only the minimum data required to meet bank and government requirements and your own needs.

EXPENDITURE LEDGER

This is also called a merchandise purchase or accounts payable ledger and is used to track your expenses. It's important to take time to think about the expense categories that will meet your needs, since you will also use these categories for your cash flow projection, revenue and expense statement (also known as a profit and loss statement) and balance sheet.

Some typical categories for your expenditure ledger might be: raw material/ merchandise; rent; owner's draw; salaries; payroll taxes and benefits; sub-contractors; professional services; advertising expenses; car/truck

expenses; building expenses/ improvements; equipment purchase; utilities; telephone; postage; freight; business supplies; repairs/ maintenance; dues and publications; insurance; taxes/licenses; interest paid/bank charges; and miscellaneous. Purchases of equipment, vehicles or furniture are generally depreciated over time.

Some of your purchases or outlays will be for cash, while for others you will be billed or will pay by check. In either case, always post them regularly to your ledger. You may find it useful to break down each item into smaller categories. For example, under “overhead expenses,” you may want categories for payroll,

rent, utilities and supplies. You can easily find your total sales, purchases and expenses — for each item and in summary — by adding the amounts recorded daily in each column of your ledger book.

If all this bookkeeping seems intimidating, you may wish to consider using a “one-write” check system to combine your checkbook, expense and payroll ledgers. With a one-write system, every check you write is automatically recorded in your expenditures ledger by a carbon strip attached to the back of each check.

Establishing Good Habits

Getting off to a good start means setting up efficient practices and habits right from the beginning and sticking to them. These range from establishing routines for writing checks to figuring your earnings for self-employment tax purposes.

HANDLING EXPENSES

Deposit your business receipts in a separate bank account, and if possible, make all your disbursements (business expense payments) by check. The only time you should write a check payable to yourself is when you are withdrawing income from your business for your own use — in other words, when you pay yourself your salary or are borrowing from the business. In general, avoid writing checks payable to cash.

Establish a petty cash fund for small expenses. Any business expense paid by cash should be supported by documents verifying the expense and its purpose. If you must write a check payable to cash or to yourself to get cash to pay a business expense, include the receipt for the cash payment in your records. If you cannot get a receipt, put a written statement in your records detailing the date and reason for the expenditure.

SUPPORTING YOUR ENTRIES

Canceled checks, paid bills, duplicate deposit slips and other items that support entries should be filed in an orderly manner and stored in a safe place. Memorandums or sketchy records that approximate income, deductions or other items affecting your tax liability are not adequate. Keep records supporting items on a tax return until the statute of limitations for that return runs out.

Keep documentation for any money or property that your business receives, even if it is from a non-business source. In some cases, these items are not taxable, which can mean added savings for your company. Also record any assets that you can depreciate in a permanent record. You will need this and any supporting documentation to take advantage of depreciation, capital gains and other allowances.

Books and records of your business must be available at all times for inspection by the Internal Revenue Service (IRS). The records must be kept as long as they may be needed in the administration of any IRS law.

TAX CONSIDERATIONS

Previous returns will help you prepare future tax returns and make computations if you later claim a refund. They may also be helpful to the executor of your estate or the IRS if your original return is not available.

Self-employment tax is part of the system for providing Social Security coverage for people who work for themselves as sole proprietors or partners. These benefits, which are paid out when you retire, are disabled or die, depend on how much you earn. Your records should show the earnings that will be taxed.

Basic Bookkeeping

The way you choose to keep your books is more than an exercise in organizing paperwork. It has a direct effect on how you get taxed, so it is advisable to check with an accountant before settling on a method. Your taxes are based on a one-year period, which is called a taxable year. This can be a calendar year or a fiscal year consisting of 12 consecutive months. In most cases, it is a calendar year beginning Jan. 1 and ending Dec. 31. Your taxable year is established when you file your first federal income tax return, and you must continue to use this tax year unless you get permission from the IRS to change it. You can use either a cash or accrual method to record your business transactions. Using the cash method, you report income when the money is received and report expenses when the bills are paid.

This system is familiar to most people because it is the same one most people use to keep their checkbooks up to date. By law, cash accounting cannot be used by corporations (other than S corporations), partnerships that have a corporation (other than an S corporation) as a partner and tax shelters. Using the accrual method, you report income when it is earned (whether you have received payment or not), and report expenses when you incur the obligation to pay them.

Generally, if your business is a sole proprietorship you can use either method or a combination of the two as long as you apply your accounting method consistently and your records clearly show your income. On the other hand, if the production, purchase or sale of merchandise is an income-producing factor, you must keep inventory records to clearly show income, and you must use the accrual method to record your purchases and sales.

There are two basic systems to keep books: single-entry and double-entry. The single-entry system, which is easier to keep, is preferred by many small businesses. The self-balancing double-entry system, although more complex, gives you more control and greater accuracy.

SINGLE-ENTRY BOOKKEEPING

This system concentrates on the revenue and expense statement and not on the balance sheet. It is a partial system that records the flow of income and expense using a daily summary of cash receipts, a monthly summary of receipts and a monthly check disbursements journal. There are a number of simplified single-entry bookkeeping systems sold in commercial stationery stores that have sample filled-in pages for your guidance.

Here is an example of single-entry bookkeeping in a retail business organized as a sole proprietorship:

Daily summary: You begin the day with a fixed amount of petty cash in the cash register (for example, \$25). This allows you to make change and small payments without writing checks. Every time you make a payment from the cash register, fill out a petty cash slip and place it with the receipts in the cash register. At the end of the day, total the amount of sales and sales tax shown on your cash register tape or sales slips. Enter these amounts (\$53.75) and (\$3.76) on the summary sheet and then add them to get the total receipts (\$57.51) for the day. Count the money in the cash register (\$76.51) and add any petty cash slips (\$6) to find the total cash (\$82.51). Then subtract your initial petty cash amount (\$25)

to determine the total cash deposits for the day. This figure must be the same as total receipts (\$57.51).

Deposit your day's receipts into your business checking account. You will begin the next day with \$19 cash and \$6 in petty cash slips in the cash register. When the petty cash slip total approaches your fixed amount of petty cash, write a check made out to "petty cash" for the amount of the outstanding slips, cash the check and add the cash to the register.

Monthly summary: Transfer total receipts, sales tax and cash sales (net sales) from each daily summary to a monthly summary and total, as illustrated.

The net sales totals will give you your monthly taxable income (\$1,612.33). Your monthly summary sheet will also provide the records necessary for preparing your New York State sales and local use tax returns.

Check disbursements journal: Deposit all your receipts in your business checking account and, if possible, make all disbursements by check. All checks drawn on your business account should be entered daily in your journal.

For each check you write, enter the date, payee and total amount, and enter the dollar amount in the proper column. In some cases, such as petty cash, you will make entries in several columns because you used the money in several different ways. At the end of the month, add each column to determine total expenses. You may want to prepare an annual summary to help in preparation of your income tax returns.

DOUBLE-ENTRY BOOKKEEPING

In a double-entry system, you use journals and ledgers. First you enter all your transactions in a journal. Periodically — usually monthly — you enter summary totals of your transactions in ledger accounts. This is called posting.

There are five types of ledger accounts — income, expense, asset, liability and net worth (equity). The system is self-balancing because each transaction is shown as a debit entry in one account and a credit entry in another. Total debits must always equal total credits. If they do not, then the books do not balance, and it is evident an error has been made. Well-kept double-entry books can force you to spot problems that you might not otherwise see.

At the end of your accounting period, double-entry books allow you to prepare a revenue and expense statement that reflects current operations and a balance

| 2727 Daily Summary of Cash Receipts | | | |
|---|-------|-----------|--------------|
| Date: | _____ | | |
| Cash sales | | \$ | 53.75 |
| Sales tax | | | 3.76 |
| Total daily receipts | | \$ | 57.51 |
| Cash on hand | | | |
| Cash in register (including unspent petty cash) | | | |
| Coins | | \$ | 14.50 |
| Bills | | | 35.00 |
| Checks | | | 27.01 |
| Total cash in register | | \$ | 76.51 |
| Petty cash slips | | | 6.00 |
| TOTAL CASH | | \$ | 82.51 |
| Less: Change and petty cash | | | |
| Petty cash slips | | \$ | 6.00 |
| Coins and bills (unspent petty cash) | | | 19.00 |
| Total change and petty cash fund | | \$ | 25.00 |
| TOTAL CASH | | \$ | 57.51 |

| Monthly Summary of Cash Receipts | | | |
|----------------------------------|--------------------|------------------|--------------------|
| Date | Daily receipts | Sales tax | Net sales |
| June 2 | \$ 57.51 | \$ 3.76 | \$ 53.75 |
| June 3 | 67.83 | 4.43 | 63.40 |
| June 4 | 77.15 | 5.05 | 72.10 |
| June 5 | 54.62 | 3.57 | 51.05 |
| June 6 | 66.13 | 4.33 | 61.80 |
| Monthly Totals:* | \$ 1,725.19 | \$ 112.86 | \$ 1,612.33 |

* Although this chart does not itemize receipts for 30 days, the monthly totals reflect a 30-day period.

sheet that shows the overall financial position of your business in terms of assets, liabilities and net worth. You can use these statements to analyze the overall health of your business and as documentation for borrowing and tax purposes.

Analyzing Your Revenue and Expense Statement

Regardless of the bookkeeping system you use, your records should be detailed enough to prepare an accurate revenue and expense statement at the end of your tax year. This

statement is a brief summary of what has taken place during the course of the year, and its sections contain information that can help you make everyday decisions.

The government has an interest in your revenue and expense statement, since your tax return is almost entirely derived from it. Your banker, too, will want to have revenue figures and details of the computation of your revenues over a period of years. Even if you did not have to prepare a revenue and expense statement for these purposes, it would be worthwhile to do so because of the valuable information it discloses.

To understand the revenue and expense statement, you'll need to be familiar with the following terms. As you continue to read this section, it will be helpful to follow along on the sample revenue and expense statement provided on page 39.

GROSS PROFIT

In general, this is the amount of income generated by the sale of your products and/or services less the cost of materials you used to make and/or supply them. To determine your gross profit, begin by finding the cost of goods sold.

Calculate the cost of all inventory purchased throughout your business year plus any inventory you started with at the beginning of that year. (Include freight paid on purchases in this calculation.) Subtract from this figure the total cost of inventory in your possession at the end of that same year. The difference between the two items is the cost of the goods sold.

If you take this figure and subtract it from your total sales for the year, less any returns and allowances on sales, you will have calculated gross profit.

EXPENSES

These include all of the expenses incurred in carrying on a business during the course of the year, such as wages and commissions; freight, trucking and express; printing and stationery supplies; heat, light and power; rent; insurance and certain taxes; and telephone and fax charges.

Do not include the cost of property or equipment as expense items. These are capital items that will stay in the business for a period of years and a percentage of their cost is depreciated each year as an annual operating expense.

OPERATING PROFIT

Operating profit shows the profit from actual operation of the business. To find your operating profit for the year, deduct expenses from gross profit. It does not include the cost of financing the business or any financial income earned.

INVESTMENT AND DEBT

You will need to list all of your investment income and debt on your revenue and expense statement. Examples of financial income are interest received and discounts that have been given to you. Examples of debt are interest paid by you and discounts allowed by you to customers.

NET PROFIT

This is the final figure on the bottom line of the revenue and expense statement. To find your net profit — the bottom line — add financial income to your net operating profit and deduct expenses.

CAPITAL ASSETS

These include items such as property or equipment. If you sell any capital assets, keep the results separately so that you can account for capital gains and losses when you file your taxes.

WITHDRAWALS

When an owner withdraws money from a business, the withdrawals are not considered expenses for tax purposes. On the other hand, the wages of the owner or the partners, which are paid for personal services actually rendered, should be included among the expenses. You need to make this distinction to know your true costs.

For tax purposes, individual owners or partners must report their whole income, whether classified as wages or profit. To provide this information, you must record

the dollar value of all withdrawals of goods, checks or cash made by the owner or owners and also keep a record of payments for their personal services.

PROFIT

Net profit minus withdrawals during the year represents a profit that is still available for distribution to the owners or for reinvestment in the business. This net amount may or may not be in the form of cash. It may be reinvested in the form of merchandise or capital goods or used to repay debts during the year.

OVERHEAD

This refers to expenses that cannot definitely be charged against individual items produced or sold. Overhead includes rent, light, heat, property taxes and depreciation. These expenses are usually independent of the volume of business you do. If you total these and take them as a percentage of your sales, you will gain an idea of the extent to which these general and continuous expenses are eating into your potential profits. The percentage rises when business is poor and falls when sales are good.

Analyzing Your Balance Sheet

The balance sheet is like a snapshot — it shows what your business owns, what it owes and what it is worth at a specific point in time, which is usually the close of business on Dec. 31 or on the last day of your tax year. The balance sheet is a list of assets (what you own), liabilities (what you owe) and capital (what you are worth). Capital is the difference between assets and liabilities. In other words, the amount left over after you deduct what you owe from what you own is what you are worth. This is sometimes called proprietorship, equity or net worth.

To better understand the basic components of the balance sheet, use the illustration provided here to see how all the parts fit together.

Check Disbursements Journal

| Line | Date | Paid to | Check No. | Check Amount | Material and Supplies | Net Payroll | Utilities | Rent | Line | Interest | Deductible Taxes and Fees | Truck and Auto Expenses | Misc. Personal | Employee Withholding Taxes |
|------|------|---------|-----------|--------------|-----------------------|-------------|-----------|------|------|----------|---------------------------|-------------------------|----------------|----------------------------|
| 1 | | | | | | | | | 1 | | | | | |
| 2 | | | | | | | | | 2 | | | | | |
| 3 | | | | | | | | | 3 | | | | | |
| 4 | | | | | | | | | 4 | | | | | |
| 5 | | | | | | | | | 5 | | | | | |
| 6 | | | | | | | | | 6 | | | | | |
| 7 | | | | | | | | | 7 | | | | | |
| 8 | | | | | | | | | 8 | | | | | |

CURRENT ASSETS

This includes cash, merchandise and supplies that would ordinarily be turned into cash during the course of the coming year.

Cash on hand: This includes currency checks, bank drafts and money orders.

Merchandise inventory: This is the stock of goods on hand at the time the balance sheet is drawn up. Even with the most complete set of inventory records, it is necessary to take a physical inventory at the end of the year. If accurate inventory records are kept (and usually they are not), it is still necessary to count stock at the end of the period. In the case of a selling or service establishment, the goods on hand are classified separately according to whether they are finished goods for sale or supplies to be used in the operation of the business. In the case of a manufacturing establishment, raw materials and goods in process are also classed separately.

Accounts receivable: This shows how much your customers owe you.

Promissory notes: If your customers have given you promissory notes, only those that mature during the year are listed as current assets.

FIXED ASSETS

Fixed assets are those which are used in carrying on the business, but which are not expected to be sold or completely used during the course of the year.

Depreciation: On a balance sheet, deductions for depreciation are called reserves for depreciation. Each year the amount is increased by the amount of depreciation that is considered to have taken place.

To have all this information in proper form for the balance sheet, your records should show the original cost, annual depreciation, total depreciation taken to date and net book value. Net book value is the original cost minus the total depreciation to date. You should also make a note of the estimated number of years the equipment is expected to last and the amount of depreciation for each year.

There are many other assets that may be obtained from time to time, but they are of minor importance in a small business. Prepaid insurance, prepaid interest and stocks of office supplies on hand are among such items.

LIABILITIES

Divide liabilities into current and fixed. Current liabilities include promissory notes and goods for which you have to pay during the course of the coming year. Fixed liabilities include long-term loans, such as mortgage or equipment loans.

CAPITAL

The difference between assets and liabilities of your business is its net worth or proprietorship or capital. It is the capital originally invested in the business with additions or subtractions. Additions may come through new money invested in the business or through retention of some of the profits. Subtractions may come through withdrawal of some of the money from the business or through losses. In the case of a partnership, the share of capital belonging to each of the partners is shown separately on the balance sheet. This can be important when profits are distributed, and it is absolutely necessary in case the partnership is dissolved. Your records should show each partner's original investment and the share of the profits to which each is entitled minus withdrawals. If your business is organized as a corporation, the capital section of the balance sheet should list the capital stock outstanding at the original issue price. Any profits that have been allowed to accumulate in the business are shown in a separate subdivision of the capital section called surplus.

USING THE BALANCE SHEET

There are some cases when a balance sheet is required, such as when applying for a loan. For your purposes, however, the balance sheet is useful because of the wealth of information it contains.

The following are a few of its uses.

Status of working capital: To stay in business you have to watch both your liquidity and your solvency. You are insolvent as soon as your liabilities exceed your assets. If a condition like that persists for very long, you are almost certain to go bankrupt. Even though you are solvent and your assets exceed your total liabilities, you may still be in serious difficulty if you are short of funds. If you cannot meet your current liabilities when they come due, you may have to close down. For this reason, it is very important to check the size of current liabilities and compare them with current assets. The balance sheet provides this information.

Frequent and periodic estimates of current assets and current liabilities from day-to-day records can help you arrange your finances to avoid a temporary shortage of funds and at the same time make the best use of the funds you have.

Current ratio: Current assets divided by current liabilities is known as the current ratio. This formula gives you a concise picture of the liquidity of your business. Some accountants suggest that the current ratio should be 2-to-1, or a sufficient amount of current assets to cover your current liabilities twice. The best figure depends on your particular business. If the ratio falls to 1-to-1, you may be risking your credit standing.

If you decide that you are operating on too narrow a margin, your problems will not necessarily be solved by borrowing more money because this involves additional interest costs. You need to weigh the cost of borrowing against the financial gain and other advantages of having more cash in the business.

If your business is chronically short of working capital despite all your attempts to remedy the situation, you might try to acquire additional permanent capital, either by taking in a partner or selling shares of stock. Since no interest is paid on permanent capital, you avoid building up your interest costs.

A business can have too much as well as too little working capital. If the balance sheet and the supporting records — when analyzed along the lines suggested above — show that the business has more working capital in cash than it really needs, you have a strong case for either paying off outstanding loans or possibly expanding the business. You might even consider withdrawing money from the business and putting it to some more profitable use.

Inventory: This is an important item in your current assets section. Business people frequently discover they have fallen into the practice of carrying inventories of goods far out of proportion to the amount of business they are doing. This is most likely to develop if there is no conscious effort to establish adequate inventory control. If this happens, it might be the perfect time to run a sale on out-of-date or out-of-season merchandise or offer your customers a special bargain. If you reduce the average inventory you carry, your cash position will improve, because it will mean that less money is tied

Sample Revenue and Expense Statement

YOUR BUSINESS NAME
**REVENUE AND EXPENSE STATEMENT (INCOME STATEMENT)
 FOR YEAR ENDING DECEMBER 31, 20__**

| | | |
|--|---------------------|--------------------|
| Total sales for the year | \$ 21,458.00 | |
| Less returns and allowances on sales | <u>350.00</u> | |
| Net sales | | \$ 21,108.00 |
| Total sales for the year | \$ 21,458.00 | |
| Merchandise inventory, January 1, 20__ | 2,560.00 | |
| Total merchandise purchases during the year | <u>\$ 14,952.65</u> | |
| Less returns and allowances on purchases | 121.88 | |
| Net merchandise purchases | <u>14,830.77</u> | |
| Total merchandise handled during the year | 17,390.77 | |
| Less merchandise inventory, December 31, 20__ | <u>3,250.00</u> | |
| Cost of goods sold | | <u>14,140.77</u> |
| Gross profit on sales | | \$ 6,967.23 |
| Less operating expenses: | | |
| Wages and commissions | \$ 2,590.00 | |
| Freight, trucking and express | 84.72 | |
| Printing and stationery supplies | 25.00 | |
| Heating, light and power | 305.00 | |
| Rent | 600.00 | |
| Insurance | 15.00 | |
| Property taxes | 165.00 | |
| Telephone and telegraph | 45.60 | |
| Depreciation | 650.00 | |
| Loss on bad debts | <u>50.00</u> | |
| Total operating expenses | | <u>\$ 4,530.32</u> |
| Operating profit | | \$ 2,436.91 |
| Add financial income | | |
| Interest received | \$ 19.02 | |
| Discounts allowed us | <u>125.50</u> | |
| | | <u>\$ 144.52</u> |
| Interest paid | \$ 60.00 | |
| Discounts allowed customers | <u>32.09</u> | |
| | | <u>\$ 92.09</u> |
| Net financial income | | <u>52.43</u> |
| Net profit | | \$ 2,489.34 |
| Less withdrawals during the year | | <u>2,142.19</u> |
| Net profit after withdrawals, available for distribution | | \$ 347.15 |

up in goods. Of course, you would not want to cut down your inventory if the cuts resulted in any significant decrease in sales.

Credit sales: Another item to watch closely is accounts receivable. Accurate records of all accounts receivable and losses incurred on bad debts provide the basis for deciding

whether it pays to extend credit. Your credit sales may be stimulating your sales, but you should weigh the cost of extending credit against its benefits.

The loss sustained on bad debts, which you determine by periodically reviewing your out-

standing accounts receivable, is not the only factor to consider. Too much capital tied up in receivables can make you short on cash, which in turn can make it impossible to take advantage of cash discounts. It can also further increase your costs if it makes it necessary to borrow to extend credit.

You have to figure on bookkeeping and collection expenses associated with the

extension of credit. These costs can build up rapidly if you let your accounts receivable get out of hand. If you are offering your own line of credit, investigate the use of major credit cards. The cost of using these cards can be minimized if you go through a merchants association, chamber of commerce or other similar group.

Remember, one of the keys to staying healthy and profitable is to keep track of your finances. Sound record keeping will provide the foundation you need whether

you decide to do it by hand or computer, by yourself or with the help of an accountant. However you do it, take time to investigate all your options and don't be afraid to ask for assistance to get started. A constant awareness of the financial health of your business is one of the most important factors in building a profitable, long-lived venture.

31Sample Balance Sheet

YOUR BUSINESS NAME
BALANCE SHEET
FOR YEAR ENDING DECEMBER 31, 20__

ASSETS

Current assets

| | | | |
|-----------------------|----|--------------|-------------|
| Cash on hand | \$ | <u>54.95</u> | |
| Cash in bank | | 548.63 | |
| Merchandise inventory | | 3,250.00 | |
| Accounts receivable | | 325.00 | |
| | | | \$ 4,178.58 |

Fixed assets

| | | | |
|-------------------------------|----|-----------------|--|
| Real estate — land | \$ | 950.00 | |
| Real estate — buildings | | | |
| Original cost | \$ | 5,000.00 | |
| Less reserve for depreciation | | <u>1,000.00</u> | |
| | | 4,000.00 | |

Furniture and fixtures

| | | | |
|-------------------------------|----|---------------|--|
| Original cost | \$ | 600.00 | |
| Less reserve for depreciation | | <u>100.00</u> | |
| | | 500.00 | |

Delivery truck

| | | | |
|-------------------------------|----|---------------|--|
| Original cost | \$ | 985.00 | |
| Less reserve for depreciation | | <u>200.00</u> | |
| | | <u>785.00</u> | |

Total assets

6,235.00
\$ 10,413.58

LIABILITIES

Current liabilities

| | | | |
|-------------------|----|-----------------|-------------|
| Accounts payable | \$ | 2,050.75 | |
| Notes payable | | <u>1,000.00</u> | |
| Total liabilities | | | \$ 3,050.75 |

Capital or net worth

| | | | |
|-----------------------------|----|----------|-----------------|
| Capital, January 1, 20__ | \$ | 7,015.68 | |
| Profit after withdrawals | | | |
| January — December 31, 20__ | | 347.15 | <u>7,362.83</u> |

Total liabilities and capital

\$ 10,413.58

CHAPTER 6

Computer Connections

A computer is the most efficient and accurate way to store, organize and retrieve information, and is ideal for tackling such repetitive tasks as inventory control, accounting, billing, mailing list maintenance, correspondence and order tracking. It performs these tasks through the use of software applications, which are as much a part of an information system as the computer itself.

As you begin planning your information systems, you will have to consider what type of equipment and software best suit your business. If you are starting a new business, or are unfamiliar with computer technology, you will also want to consider what kind of training you will need and how to get it. In making these decisions, you may wish to consult an expert. If you choose to become your own consultant, you should read reviews on equipment, also known as hardware, and software applications. Check computer magazines and trade journals that are geared toward your line of business. It is also advisable to take a personal computer course or two to gain hands-on experience with word processing and database and spreadsheet programs before making any major investments in computer technology. Here are some important questions to ask yourself before you purchase a computer and related equipment:

- What do I want a computer to do for my business?
- What hardware will I need to get the job done?
- What software will I need to get the job done?
- What will be the time and cost of inputting data into the computer?
- Who is going to operate the system?
- What investment in training costs, including time, will I have to make for the computer to be of value?
- When all the start-up costs are taken into account, including financing costs for hardware and software, training and the cost of inputting data, is it really more cost effective than the way I do it now?

What a Computer Can Do for You

The key to success in today's competitive business environment is not cutting costs but controlling them, in other words, finding ways to do more with less. There is no better tool to assist you in controlling costs than an information system.

By giving you a complete, accurate, up-to-the-minute analysis of your company's finances, an information system can alert you to over-expenditures, allowing you to make timely adjustments to reduce your expenses. It can also assist you in your marketing efforts by storing customer information and keeping your inventory current. And because a computer can generate information faster than by hand, you will find your employees able to do more in a shorter period of time.

Computers can perform a wide range of tasks, many of them invaluable to the small business owner. These tasks range from basic word processing and data management to accounting and desktop publishing. Therefore, it is important to know exactly what you want your computer to do for you. Start by making a thorough assessment of the special needs of your business. Do you want to save clerical time? Get help with cash flow forecasting, billing or inventory? Perhaps you want to keep better track of orders, inventory or mailing lists. Whatever the answer, a computer should pay for itself, and for any related training and operational costs while it provides improved productivity and cost control.

In addition to the benefits of having ready access to information needed to perform traditional financial tasks, an information system can assist you in gathering and analyzing information that will enable you to find new ways to do business. You can use such information to eliminate unnecessary steps in your business processes and to improve or reduce your cycle time, that is, time it takes to perform certain functions.

Reducing your cycle time will make you more responsive to the rapid changes taking place in today's marketplace. You can gain a true competitive advantage by being first with

new, innovative solutions to your customers' evolving needs. This emphasis on quality and customer satisfaction is important for a small business that wants to distinguish itself and create a profitable niche.

Evaluating Time and Cost

With information at your fingertips — product availability, price, previous orders, account status — you can not only meet your customers' expectations, but you can also exceed them by anticipating needs and filling them. But at what cost?

Even assuming an information system can fulfill all your needs, you must ask yourself if it justifies the expense involved. It's an important question, and the answer to it will depend on two things: a cost analysis that will detail the savings you can expect using the system and your feeling for your business and the local business climate.

You don't need to do a rigorous cost analysis to see if an information system will be a worthwhile investment. For a more practical approach, particularly in the case of a small business, you need not do much more than a few simple calculations to get an estimate of the break-even point for your technology investment.

A break-even point is the amount of time and income that it will take to pay back your initial investment. This is calculated by dividing the total cost of the information system investment — hardware, software and services — by monthly or annual benefits. As an example, if your initial computer investment was \$8,000 and your monthly budget reflects \$800 per month for computer savings, it will take 10 months to pay off your investment.

BUYING VS. LEASING

If you've decided that you really want to computerize, but capital is a concern, you may want to think about leasing options. Leasing can offer a number of advantages for a growing business, starting with the ability to preserve capital by avoiding a down payment. Leasing also makes it easier to stay ahead of the technology curve by reducing or eliminating the cost of upgrading to new equipment. Depending on the type of lease you select, you may also realize tax advantages through this type of financing. For example, with an operating or open-end lease, you deduct the lease payments directly as a business expense each year.

Perhaps the easiest way to arrange for leasing is to deal directly with the finance department of an equipment manufacturer or deal directly with a computer retailer. Some lease programs are specifically designed for small to mid-size companies.

Choosing a Hardware System

A personal computer (PC) is the most basic level of an electronic information system. In its simplest form, a PC includes a monitor, a keyboard and a central processing unit (CPU). As you move beyond the basic PC, you'll find that there are two broad classes of technology from which to choose — the Local Area Network (LAN) and a mid-range system.

Essentially, LANs are communication systems that link multiple PCs. At their simplest, in what are known as "peer-to-peer" LANs, they permit users to swap files and share such "peripherals" as printers or modems. More sophisticated LANs are built around a powerful, centralized PC called a "server" and which runs specialized network operating software. Server-based networks can give everyone in your organization access to critical applications and data that reside on the server.

If you would like further information on LANs and personal computers, there are several books and trade magazines on the subject. (See Appendix A.) You may also choose to consult a computer professional who can help you evaluate your needs and what would work best for your business.

Software

Depending on your business, you may find off-the-shelf computer programs designed specifically for an enterprise of your type. Or you may find more general programs for accounting, small business management, word processing and database management that you can adapt to your needs.

You will want to find programs that are user-friendly or easy-to-use. Not all programs are easy to use, and some require you to already know about a particular subject, such as accounting, before you can use them efficiently. Others have instructions that are extremely complex.

Since learning a program takes time and time is money, know what you are getting before you purchase. If you are not sure, talk to others in your line of business to see what they use. Check with local high schools and community and college adult learning programs, which often offer courses on general software packages for word processing, spreadsheet and database management. You can also read computer magazine reviews of off-the-shelf software packages, and ask consultants about customized software, designed specifically for certain industries or fields.

Training

The information you retrieve from your computer system is only as accurate as the data you put into it. Therefore, you and your employees will have to learn how to use the computer and software applications you have decided to put into place. How much training will depend on how sophisticated the information system is and how much previous experience you and your employees may already have.

In a small business most of the training will probably be done on a one-on-one basis. Most software packages come with instruction manuals which you should make available to your employees on an as-needed basis. It may be worth the investment to send your staff to an outside training program. Or you might choose one person to attend an outside training program with the understanding that he or she will then be responsible for training the rest of the staff. Not only will you save money, but you may also have the beginnings of your own information systems department.

Training may seem an unnecessary investment, particularly if you are trying to conserve your financial resources. But by not training your staff, you run the risk of lost time, costly errors and a lot of frustration. The expression "garbage in, garbage out" refers to careless input of information that results in useless or incorrect output from your computer.

Protecting Your Information

Protecting your data and information is a critical component of planning your business' information system. Not planning appropriately leaves a business vulnerable to many external components that can devastate the business' operations. The main concerns should be to protect the business information system from computer viruses, prohibit entry from external computers and users via the Internet and to create a backup system of your business information.

Email viruses are a major concern when considering protecting your computer system. The best way to prevent "catching" a virus is to obtain up-to-date anti-virus software. A firewall is a form of protection that prevents unauthorized access to a network. In general, a firewall permits one way access to the Internet; but prohibits entry from the Internet into your computer network. This is a must for an Internet business. Backing up data really means to copy data entered into your system to another source. This is another must, if you ever experience a problem with your system, it may be impossible to retrieve or find your business data. Having another copy of the data will prevent most crises from being permanent. The level of sophistication you use depends on the information you gather. If you have an information intensive business, it would be wise to have a higher quality backup system and to explore a professional's opinion. For those with a simpler information system, it may be as easy as copying files to a disk or CD.

Support Systems

If you feel you're too busy managing your business to become a computer expert, there are many places to turn for answers and support. For instance, you may want to check with your peers in local business or trade associations.

Another excellent resource for advice and expertise is a "user group," an association of individuals who use a particular type of hardware and/or software. They share their experience, knowledge, success, failures and solutions and often work closely with manufacturers to shape new products.

Many user groups publish regular newsletters and have general meetings that allow for networking in addition to problem-solving and sharing. Look for listings of computer user groups in newspapers and local and national computer publications. The Association of PC Users Groups (APCUG) is an international organization supporting computer user groups. For more information, contact APCUG, P.O. Box 671294, Dallas, TX 75367-1294, telephone 800-558-6867; www.apcug.org In addition, the Internet offers businesses a wide range of communications tools and information resources that can help the small business owner gain a competitive edge.

Planning for the Future

Much of the current demand for information systems in large and small companies is generated by three pressures: cost, quality and time. More than ever before, the ability to collect, analyze and share information has become a competitive edge. It's the key to becoming an organization that stays on top of the marketplace and makes timely decisions in favor of its customers.

Deciding to invest in a computer system is the first step towards improving the availability of resources, skills and support for your business and increasing operating efficiency at all levels of the organization.

CHAPTER 7

Government Regulations

This final chapter outlines broad areas of regulation that are common to all businesses. You'll find summaries of key points in the areas of licensing, taxes, health and safety, insurance, and trademark and business name registration.

There are many special Federal and State regulations that are not covered here but that affect, on a selective basis, everything from food processing and manufacturing surgical gloves to door-to-door solicitations. Be sure to thoroughly investigate any that apply to your specific business. Also keep in mind that this chapter is not a substitute for sound legal advice. If you have questions, it is advisable to bring them up with the appropriate agencies or with your lawyer.

In addition, if you find yourself entangled in a confusing maze of government regulations, you can get help in cutting through red tape from the Ombudsman Unit of Empire State Development's Division for Small Business. These individuals serve as advocates for New York's small business community by expediting and solving the many problems that small businesses may encounter with government bureaucracy. For more information call 1-800-STATE-NY or contact any regional ESD office. The addresses are printed at the back of this book.

Licenses and Permits

Licenses and permits from federal, state and local governments give individuals, corporations and partnerships the authority to carry on specific business activities. Hundreds of businesses are subject to licensing by one unit of government or another. Retail shops, taxi and moving services, theaters, bowling alleys, restaurants, plumbing and electrical services, auction houses and riding academies are just a few of the many diverse businesses covered by government regulations. In addition, New York State licenses a wide range of occupations including dentists, nurses, shorthand reporters, public school teachers, funeral directors, social workers, private investigators and employment agencies. These licenses usually involve the payment of fees and proof of qualification by examination.

It is your responsibility to know if your business requires licensing. Before you begin operation, carefully research the applicable

state and local laws. Check with your town, village, city and county governments to make sure you have complied with all local ordinances. The best way to begin is to call your county clerk's office to obtain local government requirements. You may also need to check with your local planning board, zoning board and building inspector.

GOVERNOR'S OFFICE OF REGULATORY REFORM

The New York State Governor's Office of Regulatory Reform helps new and expanding business with New York State permit and licensing requirements. The staff of skilled permit coordinators, backed by a computerized permit information system, can give you comprehensive information on all State permits and licenses.

If your business project is complex and requires the involvement of several different agencies, the Office of Regulatory Reform can provide a Master Application Project (MAP) form to identify, consolidate and expedite permits or licenses. The permit coordinator contacts the relevant State agencies, which are required to respond within legally set deadlines.

The Office of Regulatory Reform can also coordinate meetings for applicants with unusually complex business projects to present their proposals to the appropriate permitting agencies. The goal is to foster the exchange of ideas and provide an opportunity for an applicant to receive official guidance on a one-to-one basis.

Additionally, the Office provides a comprehensive review of proposed and existing rules and administrative processes to determine whether they represent a sensible approach to regulation that achieves objectives established by the Legislature.

To find out more about services, or to talk with a permit coordinator, contact the Governor's Office of Regulatory Reform, Agency Building 1, 4th Floor, Albany, N.Y. 12220-0107, telephone 518-474-8275 or toll-free (in New York State) 800-342-3464. A database of over 1,000 state permits can be found on GORR's website www.nys.permits.org

REGISTERING YOUR BUSINESS NAME

If, like most businesses, you choose to operate under a name other than your own legal name, you must register with the clerk of the county in which your business is located. To do this you will need a Certificate of Conducting Business Under an Assumed Name, commonly referred to as a "DBA" (doing business as) form. Numbers for offices of the county clerk can be found in the blue pages of your local telephone book.

If you are a sole proprietor or simple partnership starting a business from scratch with no employees and no permit requirements, then filing a DBA and registering with the New York State Department of Taxation and Finance may be the only legal steps you have to take before you begin doing business.

REGISTRATION MARKS

Registration marks distinguish the origin or ownership of merchandise and carry certain legal protections. Registration of a mark will help to protect against infringement of the mark by other parties. Federal trademark law preempts state trademark law.

There are several different kinds of marks. A trademark is a word, brand name, symbol (or any combination of these) used by a manufacturer or dealer to identify and distinguish specific goods and products. Kleenex, for example, is a trademark for a certain brand of facial tissues. One helpful source of information about trademarks is the International Trademark Association, 1133 Avenue of the Americas, New York, N.Y. 10036, telephone 212-768-9887.

A service mark distinguishes certain services. For example, Realtor identifies a member of the National Association of Realtors.

A *service mark* distinguishes certain services. For example, Realtor identifies a member of the National Association of Realtors.

A *collective mark* is a mark used by the members of a cooperative, association, labor union or other group to identify and distinguish the goods or services of its members. The International Labor Communications Association (ILCA), for example, is a collective mark that identifies an organization for editors, writers and others who write for union publications.

A *certification mark* is used in connection with the goods or services of any person other than the owner of the mark to certify regional origin, quality, accuracy, material, mode of manufacturer, production by labor union or other characteristics of the goods or services. "Made in the USA" is one example.

Under New York State General Business Law, you may file for trademark and service mark registration with the Secretary of State, Miscellaneous Records Section, 41 State St., Albany, N.Y. 12231, telephone 518-474-4770. You can register trademarks, service marks, collective marks and certification marks used in interstate commerce with the Commissioner of Patents and Trademarks, United States Patent Office, Washington, D.C. 20231, telephone 1-800-786-9199; www.uspto.gov

Business Insurance

You are not required by law to have liability, property damage or other types of business insurance, but very few businesses can realistically operate without some form of optional coverage. Chief among these are general liability insurance and property insurance. In some situations, life insurance may also be important.

The New York State Department of Insurance supervises all insurance business in New York State. It licenses insurers and makes periodic examinations of their financial condition. It also licenses and supervises all insurance brokers, agents and insurance adjusters. This state supervision protects the buyer of insurance by assuring the solvency of licensed companies and by examining their claims practices. For more information, contact the New York State Department of Insurance at 1-800-218-8222; www.ins.state.ny.us

You should have your insurance placed with a company licensed in New York State if you want the full protection of the State's insurance law. To get the best coverage for your particular situation, discuss your needs with a New York State-licensed insurance agent or broker.

GENERAL LIABILITY

Your business — and in many cases, you personally — can be sued if someone is injured or property damaged either while on your business premises or as a result of your business operations. Liability for damages may be due to negligence, imposed by law or assumed by contract. If one of your customers slips on a wet spot on your floor and sustains a permanent injury, that wet spot could put you out of business if you are not insured against liability. The same could be true if one of your employees breaks or dam-

ages a valuable item in a customer's home while making a delivery.

A liability insurance policy typically provides legal defense against a suit and reimbursement of damages, up to the policy limits, if you are found liable. Policies are written for specified monetary limits, with stated coverages and exclusions. To insure the broadest possible protection of your assets, have an insurance professional negotiate the specific coverage suitable to a particular business.

PROPERTY

Property insurance protects your business against loss caused by the destruction of a part or all of your property by fire, wind-storm, explosion, falling aircraft, riot and other disasters. The standard policy lists the perils covered and can be broadened or restricted, depending on the needs of your business. Typical property insurance policies provide coverage to buildings and structures, business contents and property, and the property of others in the care, custody and control of the insured.

A fire insurance policy is usually required when you want to obtain a mortgage. In New York State, you can get fire insurance, regardless of your business location, through the New York Property Insurance Underwriting Association, which also provides insurance against vandalism, malicious mischief, sprinkler leakage and rent or business interruption. It insures properties meeting minimum standards of insurability that are not able to obtain coverage in the open market.

For more information, contact an insurance agent or broker, or the New York Property Insurance Underwriting Association, 100 William St., New York, N.Y. 10038, telephone 212-208-9700; www.nypiua.com If your business is located in especially high-risk areas, you may want to consider purchasing special crime insurance to protect against incidents of burglary and robbery.

BUSINESS INTERRUPTION

If your business is closed for a period due to some type of catastrophe, you will want to consider business interruption insurance, which helps pay for loans or debts until the business is back in operation.

BUSINESS LIFE

Business life insurance is used to protect a business or the family of a business owner from financial loss resulting from the death of someone associated with the business. If you are a sole proprietor, such a policy can be used to help dispose of your business in the event of your death. You must decide if you want it liquidated by sale in the open market, left to your children or other beneficiaries, or

sold to your employees. Cash from an insurance policy can make these transfers easier. In a partnership or limited liability company, the most common use of life insurance is to insure each partner for the benefit of the other partner or partners in conjunction with a buy-and-sell agreement. This enables the survivor or survivors to buy the deceased interest and to continue operating the business on a reorganized basis. The family of the deceased can be guaranteed immediate cash upon liquidation of its business interest. Some businesses will want to investigate key employee life insurance. This provides protection to offset financial losses due to the death of a valuable employee. Split dollar plans enable the employer to retain key selected employees by helping them to purchase life insurance and additional retirement benefits at a relatively low cost.

Taxes

NEW YORK STATE DEPARTMENT OF TAXATION AND FINANCE

The Tax Department has established an Internet site that provides access to tax forms, instructions, publications and other pertinent information. The address is www.tax.state.ny.us.

The Tax Department also provides a fax-on-demand service (24 hours a day, seven days a week) to order copies of selected forms and publications. To order forms, you must have access to a fax machine or fax modem and call from a touch-tone telephone. Generally, faxes are sent within five minutes of request. During periods of heavy demand, the system can take more than an hour. Call toll free 1-800-748-3676 for the fax-on-demand system.

You can also request forms by calling 1-800-462-8100 or writing to: NYS Tax Department, Forms Control Section, W. A. Harriman Campus, Albany, NY 12227. You can speak to a Taxpayer Services Representative by calling the Tax Department's Business Tax Information Center at 1 800 972-1233 or you can write to NYS Tax Department, Taxpayer Assistance Bureau, W. A. Harriman Campus, Albany, NY 12227.

Whether you're starting a new business or purchasing an existing one, Publication 20, Tax Guide for New Businesses, provides basic information about New York State's tax law and regulations. A new business or new ownership may require that you register for certain taxes or obtain a license. This publication outlines the procedures to follow and forms to file with the Tax Department.

STATE AND LOCAL SALES AND USE TAXES

New York State sales tax is collected on the sale or rental of all goods unless they are specifically exempted by the law. Sales tax on services, however, is collected only if the law specifically taxes that service. Most things sold at retail, from computers and take-out food to hotel rooms and entertainment, are covered by these laws. For tax purposes, a sale can include an exchange or barter and a rental can include a lease or license to use. If you sell or deliver taxable goods or perform taxable services in an area that has a local sales tax, you will also have to collect that tax. If you operate your business in the metropolitan Commuter Transit District (New York City or Rockland, Nassau, Suffolk, Orange, Putnam, Dutchess or Westchester counties), you will also have to collect an additional 1/4 percent sales tax.

If you must collect sales tax, you should register as a vendor with the New York State Department of Taxation and Finance at least 20 days before doing business. After the department approves your completed application, it will send to you a Certificate of Authority. This certificate allows you to charge and collect the required state and local sales tax, and also confirms your registration as a business vendor in New York State. As a registered vendor, you must keep detailed records of all sales, rentals and transactions that are subject to sales and use taxes.

Registering as a vendor may allow you to claim an exemption from paying sales tax to your suppliers, particularly if you are buying raw materials to create a product to later be sold at retail, or if you are buying something to resell. There is a long list of sales tax exemptions, and it pays to be aware of them, particularly if you are involved in manufacturing, mining, agriculture or research and development. No matter what kind of business you start, it is imperative that you follow all regulations regarding local sales and use taxes. You may be subject to serious penalties if you fail to register as a vendor and collect the appropriate sales taxes. When you receive a request for the amount of sales tax your business has collected during a specific period, you must respond even if your answer is "none." Failure to respond carries a monetary penalty. Publication 750, A Guide to Sales Tax in New York State, provides detailed information regarding sales tax requirements, obtaining a Certificate of Authority, record keeping and the sales and use tax returns to file.

BULK SALES

If you are purchasing an existing business rather than forming a new one, or purchasing assets from an existing business, you must determine if the seller has ever been required to register as a person required to collect New York State sales and use taxes. If so, the sale of the business – or any part of it – is called a "bulk sales transaction" and, regardless of the size or cost of the sale, you have certain legal responsibilities. You must register as a vendor by filing form DTF-17, Application for Registration as a Sales Tax Vendor, at least 20 days before you take possession of or pay for business assets from a person required to collect sales and use taxes in a bulk sale transaction. You must also be registered as a vendor at least 20 days before making taxable sales or using exemption certificates. If you do not register, you may be subject to a substantial penalty. You must notify the Tax Department of your intended purchase by filing Form AU-196.10, Notice of Sale, Transfer or Assignment in Bulk, at least ten days before paying for or taking possession of the business assets, whichever occurs first. Regulations require that you send Form AU-196.10 by registered mail or certified mail. (You may also wish to request a return receipt, although it is not required.)

The department will issue the purchaser and/or escrow agent a Notice of Claim to Purchaser, Form AU196.2, if the seller has an existing or pending sales tax liability. Otherwise the department will issue a Purchaser's and/or Escrow Agent's Release – Bulk Sale, provided any sales tax due on the taxable assets in the "bulk sales transaction" had been paid.

The Notice of Claim to Purchaser explains your responsibilities relating to the purchase and advises you to withhold payment of the purchase price of the business from the seller until the department completes its investigation. You may wish to consult a tax practitioner about placing the purchase amount in an escrow fund from which any outstanding sales and use tax liabilities can be paid to the department.

The department may conduct an investigation within 90 days to determine if the seller owes any sales and use tax. You will be notified by the department of the total amount of any taxes for which you may be held responsible under the bulks sales provisions. You must pay, out of the purchase price, the taxes owed by the seller, but not an amount greater than either the purchase price of the fair market value of the business assets being purchased, whichever is greater.

If you created an escrow account, you can withdraw from the escrow account the

amount of tax due and pay it to the department. Once you, as the purchaser, or the seller pays the taxes owed by the seller, the department will issue an authorization to release any balance in the escrow account to the seller.

You may also be liable for a separate sales tax, based on your purchase of the assets of the business. Sales tax is imposed on the transfer of any tangible personal property sold in bulk, except property intended for resale or tax-exempt property. You, the purchaser, must pay this tax. No sales tax is imposed on real property or on intangible personal property such as accounts receivable or goodwill.

If you buy an existing business that was required to collect sales taxes, you must make sure the taxes were paid by filing a notice of sale, transfer or assignment in bulk (see Chapter 1, "Bulk Sales Laws") or you could be liable for the former owner's unpaid sales taxes.

For further information and to obtain the required forms, contact the Taxpayer Assistance Bureau, New York State Department of Taxation and Finance, W. A. Harriman State Office Building Campus, Building 8, Albany, N.Y. 12227, telephone 800-225-5829.

Employee Relations

The relationship between employer and employees is known as labor-management relations.

Every business owner must comply with the major state and federal laws and regulations that govern labor-management relations. Some are designed to provide safe and healthy working conditions; create a floor-to-ceiling wage scale and a ceiling on hours; prohibit certain types of employment; and restrict industrial home work.

Others laws provide for workers' compensation, unemployment insurance, disability benefits insurance and Social Security. There are also laws and regulations governing industrial relations and fair employment practices. There are federal and state laws that govern labor-management relations.

On the federal level, the Labor-Management Relations Act is administered by the National Labor Relations Board, whose activities fall into two main categories: prevention of unfair labor practices and the determination of collective bargaining representatives.

The New York State Labor Relations Act guarantees employees of industries engaged in intrastate commerce the right to join unions and engage in collective bargaining. This is the same right that employees of industries engaged in interstate commerce are guaran-

teed under federal law. It is administered by the New York State Labor Relations Board. The act also provides protection for employees on the job. It provides a list of labor practices that are deemed unfair, including interfering with the formation or administration of unions; refusing to bargain collectively or discuss grievances with employee representatives; and discharging or otherwise discriminating against an employee for filing a complaint with, or giving testimony before, the State Labor Relations Board.

For more information about and employer-employee rights and collective bargaining, contact the New York State Employment Relations Board, 5 Empire State Plaza, Suite 2580, Albany, N.Y. 12223, telephone 518-474-7724.

HIRING PRACTICES

The New York State Human Rights Law is the state's primary statute addressing employee rights. Among other things, it forbids discrimination in any business in New York State that employs four or more people. Discrimination includes employment decisions based on gender, race, national origin, age, religion, physical condition, marital status or criminal conviction or arrest.

In addition to state law, there are several pieces of Federal legislation that affect business hiring practices, which further protect employees from discriminatory actions. The majority of these reinforce those issues covered under New York State law, but also extend to include issues related to veterans, pregnancy, aging and retirement benefits, and equality in pay.

Another concern addressed by federal law is illegal immigration. The Immigration Reform and Control Act has an employment verification system aimed at reducing the illegal entry of aliens into the United States. Under this system, all employees of both public and private businesses must fill out a form stating that they are eligible to work in the United States. (See Chapter 2.)

The chart on page 50 serves as a general guideline for various State and Federal posting requirements.

SAFETY AND HEALTH

All employers are obligated to provide their employees with a safe place to work. The worksite must be free from recognized hazards that are likely to cause death or serious physical harm and must follow specific health and safety standards adopted by the U.S. Department of Labor.

The federal Occupational Safety and Health Act (OSHA) affects all businesses, even those with only one employee. OSHA repre-

sentatives have the authority to inspect the premises of a business, interview employees privately and review required records at any time.

Under OSHA, if you employ 10 or more people, you must keep records of occupational injuries and illnesses. In addition, all employers must display a poster describing their responsibilities to their employees. Forms and posters are available from your OSHA regional office. For the regional office nearest you, contact the federal Occupational Safety and Health Administration, 201 Varick St., Room 670, New York, N.Y. 10014, telephone 212-337-2378.

If you would like to know if your operation conforms to OSHA standards, the New York State Department of Labor operates a free on-site consultation program that makes expert staff available to visit employers. These experts can also advise you on how to handle any hazards you might find at your place of business. Consultants' findings are not reported to OSHA.

For more information, contact the New York State Department of Labor, Division of Safety and Health, W. A. Harriman State Office Building Campus, Building 12, Room 168, Albany, N.Y. 12240, telephone 518-457-2810.

WAGES AND HOURS

Factory and other manual laborers must be paid their wages weekly, not more than seven days after the end of the week in which the wages were earned. Office and most administrative employees must be paid according to the agreed terms of employment, but at least semi-monthly.

Under the New York State Minimum Wage Law, you must pay your employees at least the statutory minimum wage. The only deductions you can make from wages are those required by law and those authorized in writing by the employee. In addition, it is illegal to discriminate in the rate of pay based on a person's gender.

As an employer, you are required to keep a record of the hours worked and wages paid to all of your employees. You must furnish a sworn statement of these records to the New York State Department of Labor upon request. You must also post or distribute in writing to your employees your policies on sick leave, vacation, personal leave, holidays and working hours.

On a public work project, such as the building of roads or schools, you must pay a worker, laborer or mechanic the wage and fringe benefits for the corresponding occupation as set by union contracts in the locality where the work is performed. These are known as prevailing wages.

Under State Labor Law, except for certain exempt professions, employees must be given at least 24 consecutive hours off in each calendar week.

Generally, minors under 18 must have employment certificates ("working papers") or permits issued by local school authorities before they can work. The employer must keep these papers on file. Minors under 18 may not be employed in certain hazardous occupations specified by the New York State Labor Law or during school hours. Employer must keep these on file.

For more information on employee hours, contact the Division of Labor Standards, New York State Department of Labor, Building 12, W. A. Harriman State Office Building Campus, Albany, N.Y. 12240, telephone 518-457-2730. For information on prevailing wages, contact the Bureau of Public Works, Building 12, New York State Department of Labor, W. A. Harriman State Office Building Campus, Albany, N.Y. 12240, telephone 518-457-5589.

WITHHOLDING TAXES

Federal

If you employ one or more people, you must withhold income taxes from their wages. You can get the necessary forms and instructions from your local district director of the Internal Revenue Service (IRS). The amount of taxes you must withhold is based on the information contained in each individual's withholding allowance certificate, Form W-4. You must have all employees fill out this form when they begin employment with your company. You will be required to file quarterly returns with the IRS district director. You also may be required to make monthly deposits of funds collected from your employees during the previous month. Annually, you must file a reconciliation of your quarterly returns along with copies

of the withholding statements that you give to your employees. You may decide to have an accountant or business manager handle all or some of these details for you.

Penalties and excess payments may accrue from failure to make payments or to file returns properly. Circular E, "Employer's Tax Guide," provides details on reporting federal income tax withholdings, Social Security taxes and federal unemployment tax. You can get a copy from the IRS, telephone 800-829-3676.

State

Every employer maintaining an office or transacting business in New York State must also withhold New York State personal income tax from employee wages. Before hiring employees, you should get a copy of the "Employer's Guide to Unemployment Insurance, Wage Reporting and Wage Withholding Tax,"

Publication NYS-50, from the New York State Department of Taxation and Finance (see Chapter 7, “Taxes” for various ways to contact the Tax Department).

Employee Benefits

WORKERS’ COMPENSATION

According to New York State Workers’ Compensation Law, qualifying businesses must obtain workers’ compensation insurance before putting employees to work. Personal injuries incurred in the course of employment and deaths resulting from such injuries are compensable under this law. Rates for workers’ compensation insurance vary according to the nature of the employment and hazards involved. You can arrange to have insurance carried with any private company authorized to transact the business of workers’ compensation insurance in the New York State, or you can make an arrangement with the State Insurance Fund, a not-for-profit state agency.

The State Insurance Fund writes workers’ compensation insurance for normal risks at a discount from standard rates, depending on the size of the premium. The main office of the State Insurance Fund is at 199 Church St., New York, N.Y. 10007, telephone 212-312-9000. You also have the option of applying to the chairperson of the Workers’ Compensation Board to become a self-insurer. You must post and maintain, in a conspicuous place, a printed notice stating that you have complied with all the rules and regulations governing workers’ compensation. You must also state that you have secured the payment of compensation to your employees and their dependents as provided under the Workers’ Compensation Law. You can get these printed notices from your insurance carrier. For further information, contact the Advocate for Business, Workers’ Compensation Board, 20 Park Street, Albany, N.Y. 12207, telephone 1-800-628-3331.

If your business is not covered under the Workers’ Compensation Law, you should carry your own accident and health insurance with a casualty insurance company.

DISABILITY BENEFITS

The Disability Benefits Law is a special section of the Workers’ Compensation Law that protects workers from non-occupational injury or sickness. If you employ one or more employees (in covered employment) for 30 days in any calendar year, then you are subject to this law and must get protection, generally in the form of insurance, from the State Insurance Fund or a company authorized to write accident and health insurance in New York State.

You also have the option of operating as a self-insurer, but you must furnish the Workers’ Compensation Board with proof of your ability to pay benefits, and the board chairman may require a deposit of securities, cash or surety bond.

UNEMPLOYMENT INSURANCE

When you begin business in New York State and hire one or more employees, you must notify the New York State Department of Labor Unemployment Insurance Division to get a determination of your tax status. The notification form, “Report to Determine Liability,” is available from the New York State Department of Labor, Unemployment Insurance Division, W. A. Harriman State Office Building Campus, Albany, N.Y. 12240, telephone 518-457-4179.

If the Department of Labor decides you are subject to the Unemployment Insurance Law, you will be given a registration number, the necessary tax reporting forms and an “Employer’s Guide to Unemployment Insurance,” Form IA-318.1, which explains your rights and responsibilities under the law. Under the State Unemployment Insurance Law, employers in New York State are required to pay contributions to the Unemployment Insurance Fund. Contributions are based on the first \$8,500 paid to each employee during any calendar year. In general, you are subject to the law on the first day of the calendar quarter in which you pay remuneration totaling \$300 or more, or as of the day you purchase or otherwise acquire the business of a previously covered employer.

The State Unemployment Insurance Law provides for an experience rating system for contributing employers. You earn a contribution rate in the lower portion of the rating scale if your account shows a favorable employment experience, which, in this case, is reflected by your use of the insurance fund, specifically, the number of layoffs you have per calendar year. Safeguards have been provided to keep the Unemployment Insurance Fund in a sound and solvent condition. When a former employee files for unemployment insurance benefits, the Department of Labor will provide all base period employers with an initial notice of monetary entitlement. This notice will inform the employers of their potential maximum liability based upon the claim for benefits as well as the amount of wages attributable to each employer. The notice will allow employers to provide corrected wage information and to notify the Department of any conditions they believe may render the claimant to be ineligible.

FEDERAL UNEMPLOYMENT TAX

You are subject to federal unemployment tax if, during the current or prior year, you paid wages of \$1,500 or more during any calendar quarter in the current calendar year or any calendar quarter in the preceding calendar year; or employed at least one person for some part of one day for any 20 weeks during the current or preceding calendar year. The unemployment insurance program is operated jointly by the state and federal governments, and the federal tax due may be reduced, within limits, by a portion of the unemployment taxes paid to the state. For more information, contact the Forms Division of the IRS and ask for Form 940 and its accompanying instruction book, “Employers Annual Federal Unemployment Tax Return,” at 800-TAX-FORM or www.irs.gov

SOCIAL SECURITY TAX

Both employers and employees bear the cost of federal Social Security. As an employer, you must file an application for an employer’s identification number on Form SS-4, which you can get from any IRS office. Circular E, “Employer’s Tax Guide,” gives you a comprehensive summary of Social Security taxes. Self-employed individuals and partners of firms who net \$400 or more a year must also have a Social Security card and pay Social Security tax. If you fall into this category, the tax is included on your federal income tax return.

For further information, contact your nearest Social Security office, which is listed in the blue pages of your local telephone directory, contact the federal office at 800-772-1213 or www.ssa.gov

Energy Choices 39

New York, along with several other states, has opened its electric market to competition. This change means that many companies, small and large, can choose who provides their power. Competition lowers costs and leads to expanded products and service innovations, such as energy-saving improvements, itemized charges, equipment installation and financing.

The combined services offered by your utility company are split into two parts—production and delivery—with the production portion open to competition. Companies will no longer have to buy their electricity or gas from the local utility. Instead a company can shop among the energy service companies (ESCOs) that compete for your business. The Public Service Commission (PSC) requires competitive ESCOs to be certified businesses registered with the New York

State and Federal Posting Requirements — A General Guideline

Various state and federal laws require that posters be displayed in a prominent location for employees' information. The following chart includes these requirements for posting notices. Although this chart does not include all required posters for all industries, it should serve as a general guideline to which New York State businesses may refer.

| Subject | Statute | Posting Requirements | Order Form |
|------------------------------|---|--|---|
| Equal Employment Opportunity | The Civil Rights Act of 1964, Title VII | One poster, "Equal Employment Opportunity is the Law" is issued jointly by the EEOC and the Office of Federal Contract Compliance Programs. This poster satisfies requirements for handicapped veterans, age, and non-discrimination in employment under Title VII and E.O. 11246. | EEOC Office of Communications and Legislative Affairs 1801 L Street, NW Washington, D.C. 20507 (202) 663-4264 |
| Family and Medical Leave Act | The Family and Medical Leave Act of 1993 | "Your Rights under the Family and Medical Leave Act of 1993." Satisfies the act's posting requirements to notify employees of their rights under the law. | U.S. Department of Labor Wage and Hour Office www.dol.gov |
| Human Rights | NYS Human Rights Law | "State of New York Division of Human Rights" outlines prohibited discriminatory practices in employment. | Local or regional Wage and Hour Office www.labor.state.ny.us |
| Minimum Wage | Federal Fair Labor Standards Act and NYS Dept. of Labor Minimum Wage Orders | NYS Minimum Wage Poster. Federal poster also required, although it includes training wage that is prohibited in New York State. | Local or regional Wage and Hour Office www.labor.state.ny.us |
| Polygraphs | Polygraph Protection Act of 1988 | "Employee Polygraph Protection Act," Wage-Hour Publication 1462. www.dol.gov | U.S. Dept. of Labor Wage and Hour Office |
| Safety | Occupational Safety and Health Act Required of all employers with 11 or more employees | "Job Safety and Health Protection" OSHA 2203 –1989 (revised). Employers engaged in interstate commerce; effective 1/1/83, the following industries are exempt: retail trade, finance, insurance and real estate services. Annual summary of the previous year's occupational injuries and illnesses is to be posted by February 1. Use OSHA form 200. | Local or regional OSHA office |
| Smoking | New York State Clean Indoor Air Act | Smoking policy must be posted. Smoking and No Smoking signs or the international No Smoking symbol must be permanently posted in every place where smoking is prohibited or restricted under the act. | The NYS Dept. of Health does not have a supply of No Smoking signs. For more information on the Clean Indoor Air Act call 518-458-6706. |
| Unemployment Compensation | NYS Unemployment Compensation Law | Form 1A 133, "Notice to Employees." | Local unemployment office; www.labor.state.ny.us |
| Workers' Compensation | NYS Workers' Compensation Law | Notice of Compliance, Workers' Compensation Law. | Workers' compensation carrier |
| Disability Benefits | NYS Workers' Compensation Law | Notice of Compliance, Workers' Compensation Law. | Disability carrier |

Certain posters are not included in the above chart because they are not specifically required in New York State. For example, a poster outlining child labor laws is not required (although if a company employs minors, it is required to post those employees' scheduled weekly hours of work). Similarly, posters outlining the New York State Right to Know Law are not required for private employers, as they instead are subject to the federal OSHA standards.

Source: The Business Council of New York State

Department of State and provide a disclosure statement to customers to include a complaint resolution process.

The PSC's website at www.dps.state.ny.us provides a list of ESCOs in your utility service territory.

PSC'S OFFICE OF BUSINESS ADVOCACY

Help is only a toll-free phone call away—1-877-661-9223—for companies navigating the waters of energy competition, through the PSC's Office of Consumer Education and Advocacy's Office of Business Advocacy. This Office has assisted many companies from Manhattan to Malone during the transition to the new, unrestricted energy environment. This assistance has included:

- business incentive rates;
- the Power for Jobs program—an initiative through which low-cost electricity is allocated to companies at risk of closing or relocating to other states, or considering expansion;
- assisting economic development agencies in retaining businesses at risk and encouraging businesses to expand operations or locate new facilities in New York;
- intervening and providing dispute resolution assistance on behalf of business customers who may be experiencing difficulties with utilities, including those involving billing, collections, line extension and customer service; and
- making presentations about electric competition to business groups and chambers of commerce.

HOW TO CHOOSE AN ENERGY SERVICE COMPANY

The PSC's Office of Business Advocacy offers several tips to smaller companies on how to shop for electricity for the first time. Before calling an energy service company or ESCO, companies should take a moment to collect billing information from the past year to get a better idea of their kilowatt-hour usage. Then companies should get the phone numbers of as many ESCOs as possible to determine what types of benefits are available—see the PSC's comprehensive list on its

website (www.dps.state.ny.us).

Asking the right questions is also key. Start by finding out what kilowatt-hour rate an ESCO offers. Then make sure your company discusses with the ESCO: whether rates are fixed, or vary during the year; what contract options are available, and; whether there is an access fee when service begins, or a penalty to discontinue service.

Smaller companies can also reap cost savings by banding together or aggregating with other similar businesses, and then shopping

for electricity as one collective unit. Many Chambers of Commerce in New York State have recognized the benefits of aggregation and are currently researching competitive energy prices for their members.

MORE INFORMATION

The State Public Service Commission's Business Advocates travel throughout New York State meeting with individual business customers, Chambers of Commerce, and with other business groups to provide direct assistance and information regarding the PSC's energy restructuring efforts.

You can reach the Office of Business Advocacy by calling 518-473-8175 or toll free 1-877-661-9223. The mailing address is: Office of Business Advocacy, NYS Public Service Commission, Empire State Plaza, Albany, N.Y. 12223-1350 or www.dps.state.ny.us

A Final Word

By deciding to open your own business, you become part of a great American tradition. You also join thousands of entrepreneurs before you who have made the same journey in search of personal and financial satisfaction.

As you move along this road, you may want to refer back to many of the sections in this book, as well as look at the following appendices and reading list. With solid research into business matters, sound information, dedication and hard work, you will find the journey a worthwhile one.

Glossary

4242Account: A record of transactions between parties, usually involving an unfulfilled obligation.

Accounts payable: A list of current business debts or liabilities that must be paid in the future (usually within one year).

Accounts receivable: A list of the amounts a firm is owed by others for merchandise or services sold on credit. Even though a business does not have the money in hand, the money owed is considered an asset, part of the value of the business. Once collected, it becomes working capital.

Asset: Anything of worth that is owned. Assets may include cash on hand or in the bank, accounts receivable, securities, property or buildings, equipment, fixtures, merchandise inventory and supplies.

Balance sheet: A report that shows what a business owns and owes. Typically, business assets and their cost are listed on one side and liabilities and owners' equity (investment in the business) on the other. Liabilities include everything the business owes. If the balance sheet is figured correctly, total assets will equal total liabilities plus owners' equity.

Books: The records of all business transactions. They may be in the form of ledgers, journals and other books of account or they may be records stored in a computer.

Budget: A plan of financial operations embodying an estimate of projected expenditures for a given period and the proposed means of financing them.

Capital: Money available to invest; the total of accumulated assets available for production; the total of property and money resources the business owner can make available for business.

Cash: Money in hand or readily available, including currency, change, money that can be drawn on demand and such negotiable securities as checks.

Cash discount: A deduction or allowance that is given if payment is completed within a stated period of time.

Cash flow: An accounting presentation of a company's funds. It shows how much of the cash generated by a business remains after both expenses and principal repayment on financing are paid.

Collateral: Property or other assets pledged by a borrower to secure a loan. In the event of default, the lender has the right to use proceeds from the sale of the collateral to obtain repayment of the loan.

Contingency: A possible future event or condition arising from currently known or

unknown causes, the outcome of which cannot be determined at the present time.

Contract: A legally binding agreement regarding mutual responsibilities between two or more parties. Generally in business, a contract exists when there has been a meeting of the minds, and it sometimes need not be in writing. Many sales forms or order blanks are binding contracts and should not be signed unless the terms of the agreement are well understood.

Co-op advertising: Advertisements in which the message and the cost are shared with others, often between a supplier and one or more retailers.

Corporation: A legal entity, created by a state charter, that can do business the same as individuals in a sole proprietorship or partnership. The corporation acts on its own through its officers and is empowered to make contracts and carry out business activities like an individual business owner. Unlike other types of ownership, the shares of a corporation may be owned by a number of persons. (Compare with limited liability company, partnership, and sole proprietorship. See also S. corporation.)

Credit: Permission to pay in the future for goods or services received now. Credit is used to increase trade and sales.

Current assets: All those assets that are available without restriction to meet current financial responsibilities, such as cash, government securities, marketable securities, notes receivable (other than from officers or employees), accounts receivable, inventories, prepaid expenses, and any other item that can be converted to cash in the normal course of business within one year.

Current liabilities: Liabilities of a company that will mature within one year or within the normal operating cycle of the business, whichever is longer, such as accounts payable, notes payable, accrued expenses such as wages, salaries, withholding tax and FICA, taxes payable and current portion of long-term debt.

Debt: That which is owed as an obligation resulting from the borrowing of money or from the purchase of goods and services.

Depreciation: Expiration in the service life of fixed assets; a decrease in value through age, wear or deterioration charged as an expense for tax and accounting purposes.

Direct mail: Sales letters, postcards, leaflets, folders, booklets and catalogues delivered through the mail to potential customers to attract business to a location or encourage a mail-order response.

Disbursement: Process of preparing, recording and sending cash, check or voucher of stated amount to a specified person or organization.

Dissolution: The voluntary or involuntary termination of a partnership, corporation or contract.

Double entry: A system of bookkeeping that requires an entry for a corresponding amount

to the credit (right) side of an account for every entry made to the debit (left) side of an account. It involves maintaining a balance of assets on one hand and liabilities on the other.

Equity capital: Venture money; money put into a business.

Financial statements: Documents that show a financial situation. The two major statements needed to document the information necessary to run a business and get financing are the revenue and expense statement and balance sheet.

Fiscal year: A period of 12 months designated as a year for accounting purposes. It does not have to correspond to the calendar year.

Fixed assets: Land, buildings, machinery, furniture and other items that have an expected useful business life measured in years and are not converted into cash during a normal fiscal period. Depreciation is applied to those fixed assets that (unlike land) will wear out.

Fixed costs: Expenses or costs that do not vary from one period to the next in proportion to the rate of activities of the business, such as depreciation, interest, insurance or rent.

Fixed (long-term) liabilities: Liabilities that will not mature during the next accounting period.

Franchise: An exclusive right or privilege to deal in a certain line or brand of goods or services in a specified geographical area.

Gross: Overall total before deductions.

Income: Accounting term used to represent the excess of revenues earned over expenses incurred in conducting business operations.

Income statement: See revenue and expense statement.

Income taxes: Taxes owed to federal, state or local government based on the profits made by a business. Income taxes represent a cost to the business and are shown on the revenue and expense statement.

Intangible assets: Assets of a business that may be of value but that can not be measured or objectively evaluated, such as goodwill and reputation.

Interest: The cost of borrowing money.

Invoice: A bill sent to a customer is called a customer invoice. A bill received from a supplier is called a vendor invoice or purchase invoice. Some government purchasing entities require that all bills have the word "invoice" on the top to clearly indicate that it is a bill to be paid.

Inventory: Raw materials, work in process and finished goods available for sale; supplies used to carry on a business and not purchased for resale. Both manufacturers and retailers have inventory.

Lease: A long-term rental agreement.

Ledger: A book containing a group of accounts that record the financial transactions of a business. It is a summary of transactions

in which debits and credits are posted from books (journals) of original entry.

Liability: Debt or other obligation owed by the business to other people or to another business that must be liquidated, renewed or refunded at some future date.

Liability insurance: Risk protection to cover possible loss due to personal injury and/or damage to property from lawsuits, if a business or its agents are found at fault.

Limited liability company: A business that retains the management flexibility of a partnership while offering some of the advantages of a corporate structure. (Compare corporation, partnership, S corporation and sole proprietorship.)

Limited partnership: A legal partnership where some owners assume responsibility only up to the amount invested.

Liquidate: To settle a debt or to convert to cash.

Liquidity: The ability of a firm to meet its current debts with cash payments; a measure of the adequacy of current assets to meet current obligations as they become due.

Loan: Money lent at interest.

Long-term liabilities: Debt obligations with a maturity of more than one year after issuance, such as bonds, mortgages, trust deeds, intermediate and long-term bank loans, and equipment loans.

Mail order: A business that receives its orders primarily by mail or telephone and generally offers its goods and services for sale from a catalogue or other printed material, such as an advertisement or insert. Also, a method of marketing for a retailer or manufacturer.

Market: Customers; a group or category of people who are, or could become, buyers.

Marketing: The process of acquainting potential customers with the range of goods or services available for sale; a management approach to the provision of goods and services that combines profit, customer satisfaction and planned growth.

Market price: The average price for a similar item or service that the consumer has paid or is willing to pay.

Media: Radio, television and printed publications such as newspapers and magazines.

Middleman: A generic term that includes those men and women in the distribution system whose services stop short of dealing directly with the public, such as brokers, commissions sales agents, wholesalers, distributors and jobbers.

Net: What is left after deducting all charges. (Compare with gross.)

Net worth: The owner's equity, retained earnings and other equity.

Net income: The amount left after subtracting all the costs of running the business from the sales made by the business for an accounting

period.

Notes payable: An unconditional written promise signed by the maker to pay a certain sum in money on demand at a fixed or determinable time either to the bearer or to the order of a designated person.

Overhead: Those elements of cost necessary in the production of goods, the performance of services or the operation of a retail business, such as rent, heat, electricity, telephone and supplies.

Owner's equity: The amount left after subtracting the liabilities of the business from the assets of the business.

Partnership: A legal form of business organization in which two or more owners organize the business, put in the owner's equity and share in the profits or losses of the company. Partners combine their knowledge, capital and/or labor to reach a common objective. (Compare with corporation, limited partnership, limited liability company, S corporation and sole proprietorship.)

Petty cash: A cash fund used to pay for minor items that are relatively inexpensive and more conveniently paid for by cash rather than by check or credit card.

Posting: To enter in an account. Literally, post means to give a position to something, so when figures are posted in a ledger, they are assigned their right position in the firm's account books.

Pricing: Setting a selling price.

Profit margin: The difference between selling price and costs.

Promotion: Marketing activities that stimulate the demand for goods or services by advertising, publicity and events that attract attention and create consumer interest.

Reserve: That which is held back or stored for future use in case of emergency. The success or failure of new businesses often depends on the availability of cash reserves to weather financial crises.

Retail: Selling directly to the ultimate consumer; selling in small amounts to the general public.

Revenue and expense statement: A list of the total amount of sales (revenue) and total costs (expense); the difference between revenues and expenses; an income statement.

Revolving credit: A contractual agreement allowing a customer to borrow funds when needed up to a specified maximum for a limited period of time.

S corporation: A special corporation that is taxed similarly to a partnership. To be eligible for S corporation status, a business must meet certain criteria. (Compare with corporation, limited liability company, partnership and sole proprietorship.)

Secured loan: A loan that is made safe

or backed by marketable securities or other items of value that can be sold.

Securities: Documents that identify legal ownership of a physical commodity or legal claims to another's wealth; often refers to stocks or bonds that are placed by a debtor with a creditor along with authority for the creditor to sell them if the debt is not paid.

Service business: A business that sells services, such as janitorial, medical, legal, repair or other work.

Small business: Defined by New York State law as a business with fewer than 100 employees, independently owned and operated and not dominant in its field. For loan and tax purposes, federal law has specific criteria for different business sectors.

Sole proprietorship: A form of legal organization for a business in which there is one owner. If the business owes more than the amount of cash and other assets it has, the owner may be required to sell personal assets, such as a home or car, to pay the obligations. (Compare with corporation, limited liability company, limited partnership and S corporation.)

Stock: An ownership share in a corporation; another name for a share. Stock also refers to accumulated merchandise. The things a retailer has available for sale is referred to as stock and when those things are put out for display, the shelves are stocked.

Tangible assets: Things that can be seen, evaluated and, if necessary, converted into cash. (Compare with intangible assets.)

Target market: An identifiable group of current and prospective customers.

Wholesaler: One who sells goods in volume to retailers, who then sell the merchandise to customers; a distributor; a jobber.

Working capital: Capital immediately available for the continued operation of a business.

Appendix A

Supplementary Reading

This section contains a supplementary list of publications that will help you plan, organize and run your small business.

The titles are merely representative of the many books available today. Your local library will have a selection of books on business-related topics, and you can get others through inter-library loan or at bookstores. The specialists at your local Small Business Development Center can recommend additional texts and resources.

ACCOUNTING AND BOOKKEEPING

Bellavance, Diane. *Bookkeeping for a Small Business*. Boston, MA: D.B.A. Books, 1998.

Fallek, Max. *How to Set Up Your Own Small Business*. Minneapolis, MN: American Institute of Small Business, 1999.

Pinson, Linda & Jerry Jinnett, Keeping the Books: Basic Recordkeeping and Accounting for the Small Business Plus Up-to-Date Tax Information. Chicago: Dearborn Financial Publications, 2001.

COMPUTERS IN BUSINESS

Albrecht, Michael C., *Computerizing Your Business*. Englewood Cliffs, NJ: Prentice Hall, 1997.

Moskowitz, Robert K., *The Small Business Computer Book: A Guide in Plain English*. Dover, NH: Upstart Publishing, 1993.

DIRECTORIES AND BOOK LISTS

Ayers Directory of Newspapers and Periodicals. Detroit, MI: Gale Research Co.

Ruffner, Frederick G. & Margaret Fisk, *Encyclopedia of Associations*. Detroit, MI: Gale Research Co.

Wasserman, Paul, *Encyclopedia of Business Information Sources*. Detroit, MI: Gale Research Co.

American Business Disk. Omaha, NE: American Business Information.

Standard Periodical Directory. New York, NY: Oxbridge Communications Inc.

Directories in Print. Detroit, MI: Gale Research Co.

New York Manufacturer's Directory. Twinsburg, OH: Harris Publishing.

The New York State Directory. Albany, NY: Empire State Report, Inc.

Small Business Sourcebook. Detroit, MI: Gale Research Co.

Thomas Register of American Manufacturers. New York, NY: Thomas Publishing Company.

FINANCIAL PLANNING

DeThomas, Art & Scott Crawford, *Financial Management Techniques: For Small Businesses*. Grants Pass, OR: Oasis Press/PSI Research, 1991.

Gill, James O., *Financial Basics for Small Business Success*, Menlo Park, CA: Crisp Publications, 1994.

Tabet, Joseph & Jeffrey Slater, *Financial Essentials For Business Success*. Dover, NH: Upstart Publishing, 1994.

FRANCHISES

Barkoff, Rupert, M. & Andrew C. Seldan, *Fundamentals of Franchising*. Chicago, IL: The American Bar Association, 1997.

Franchise Opportunities Guide. Washington DC: International Franchise Association.

Franchise Opportunities Handbook. Washington DC: U.S. Department of Commerce, Bureau of Industrial Economics.

LEGAL ADVICE

Small Business Handbook: Laws and Regulations. Washington DC: U. S. Department of Labor, Office of the Assistant Secretary for Policy, 1993.

Steingold, Fred, *The Legal Guide for Starting and Running a Small Business*. Berkeley, CA: Nolo Press, 1998.

MANAGEMENT

Scarborough, Norman M. & Thomas Zimmerer, *Effective Small Business Management*. Upper Saddle River, NJ: Prentice Hall, 2000.

MARKETING PLANNING

Bangs, David H., *The Market Planning Guide*. Chicago, IL: Upstart Publishing Company, 1998.

Gerson, Richard H., *Marketing Strategies for Small Business*. Menlo Park, CA: Crisp Publications, 1994.

Hiam, Alexander, *Marketing for Dummies*. Foster City, CA: IDG Books, 1997.

PATENTS, TRADEMARKS, COPYRIGHTS

Patent, Trademark and Copyright Journal. Washington, DC: Patent, Trademark and Copyright Foundation of the George Washington University.

Foster, Frank & Robert Shook, *Patents, Copyrights, and Trademarks*. New York, NY: Wiley & Sons, Inc., 1993.

Carr, Fred K., *Patents Handbook*. Jefferson, NC: McFarland, 1995.

PERSONNEL PLANNING

Grening-Pophal, Lin, *Small Business Guide to Employee Selection*. North Vancouver, BC: Self-Counsel Press, 1991.

Bacarro, Joseph P., *Getting Started in Human Resource Management*. Alexandria, VA: Society for Human Resource Management, 1996.

SELLING TO GOVERNMENT AGENCIES

Crownover, Clinton L. & Mark Henricks, *Selling*

to Uncle Sam: How to Win Choice Government Contracts for your Business. New York, NY: McGraw Hill Publishing, 1993.

Frey, Robert S., *Successful Proposal Strategies for Small Businesses: Winning Government, Private Sector and International Contracts*. Boston, MA: Artech House, 1999.

STARTING A BUSINESS

Bangs, David H., *The Business Planning Guide*. Chicago, IL: Upstart Publishing Company, 1998.

Bangs, David H., *The Start Up Guide: A One Year Plan for Entrepreneurs*. Dover, NH: Upstart Publishing Company, 1994.

Appendix B

44 Trade Associations For Selected Businesses

Following is a list of trade associations for selected businesses. These associations can be a well-spring of advice, information and other pertinent data. When contacting an association, be sure to inquire whether there are free materials available. The Small Business Sourcebook, published by Gale Research Inc., provides a more extensive listing of reference materials on specific businesses, including trade magazines. Your local Small Business Development Center can also help you find out more about specific businesses, or check the National Trade and Professional Associations of the United States, an annual publication of Columbia Books, Inc.

ACCOUNTING/TAX PREPARATION SERVICE

American Institute of Certified Public Accountants

1211 Avenue of the Americas
New York, NY 10036-8775
Telephone: 212-596-6200
www.aicpa.org

Association of Chartered Accountants in the United States

347 5th Ave, Ste 1406
New York, NY 10016
Telephone: 212-481-7950
www.acaus.org

National Conference of CPA Practitioners

300 Marcus Ave
Lake Success, NY 11042
Telephone: 516-488-5400
www.nccpap.org

ADVERTISING SERVICE

Advertising Research Foundation

641 Lexington Ave
New York, NY 10022
Telephone: 212-751-5656
www.arfsite.org

American Association of

Advertising Agencies
405 Lexington Ave, 18th Flr
New York, NY 10174-1801
Telephone: 212-682-2500
www.aaaa.org

Transworld Advertising Agency Network
7920 Summer Lake Crt
Fort Meyers, FL 33907
Telephone: 941-433-0669
www.taam.org

ANTIQUÉ SHOP
Art and Antique Dealers League of America
1040 Madison Ave
New York, NY 10021-0111
Telephone: 212-879-7558
www.artantiquedealersleague.com

APPLIANCE STORE
Appliance Parts Distributors Association
6761 E. Ten Mile Rd
Center Line, MI 48015
Telephone: 810-754-1818
www.servallco.com

National Appliance Service Association
PO Box 2514
Kokomo, IN 46904
Telephone: 765-453-1820
www.nasa1.org

AUTO SUPPLY STORE
Automotive Aftermarket Industry Association
4600 East-West Hwy, 3rd Flr
Bethesda, MD 20814-3415
Telephone: 301-654-6664
www.aftermarket.org

Gasoline and Automotive Service Dealers Association
9520 Seaview Ave
Brooklyn, NY 11236-5432
Telephone: 718-241-1111

BAKERY/DOUGHNUT SHOP
American Bakers Association
1350 I St, NW
Suite 1290
Washington, DC 20005-3005
Telephone: 202-789-0300
www.americanbakers.org

Independent Bakers Association
1223 Potomac St, NW
Washington, DC 20007-3212
Telephone: 202-333-8190
www.mindspring.com/~independentbaker/

BARBER SHOP
Hair International
124-B E Main St
PO Box 273
Palmyra, PA 17078-0273
Telephone: 717-838-0795

BEAUTY SUPPLY CENTER

American Health and Beauty Aids Institute
401 N Michigan Ave, Ste 2200
Chicago, IL 60611-4267
Telephone: 312-644-6610
www.proudlady.org

Beauty and Barber Supply Institute
WDG & Company
1660 West McNab Rd
Fort Lauderdale, FL 33309
Telephone: 800-468-2274

BED AND BREAKFAST
American Bed & Breakfast Association
PO Box 1387
Midlothian, VA 23113-8387
Telephone: 804-379-2222
www.abba.com

National Bed and Breakfast Association
PO Box 332
Norwalk, CT 06852
Telephone: 203-847-6196
www.nbba.com

BICYCLE STORE
National Bicycle Dealers Association
777 West 19th St, Ste O
Costa Mesa, CA 92627
Telephone: 949-722-6909

BOOKSTORE
American Booksellers Association
828 S Broadway
Tarrytown, NY 10591
www.bookweb.org

**BUILDING MAINTENANCE/
CUSTODIAL SERVICE**
Building Service Contractors Association International
10201 Lee Hwy, Ste 225
Fairfax, VA 22030
Telephone: 800-368-3414
www.bscai.org

Cleaning Management Institute
13 Century Hill Dr
Latham, NY 12110-2197
Telephone: 518-783-1281
www.cmmonline.com

CANDY/CHOCOLATE SHOP
National Confectioners Association of the United States
7900 Westpark Dr, Ste A 320
McLean, VA 22102-4203
Telephone: 703-790-5750
www.candyusa.org

CARPENTRY SERVICE
Architectural Woodwork Institute
1952 Isaac Newton Sq
Reston, VA 20190
Telephone: 703-733-0600
www.awinet.org

CATERING

Mobile Industrial Caterer's Association International
1240 N Jefferson St, Ste G
Anaheim, CA 92807
Telephone: 714-632-6800
www.mobilecaterers.com

CHILD CARE CENTER
National Association of Child Care Resource and Referral Agencies
1319 F St, NW, Ste 500
Washington, DC 20004
Telephone: 202-393-5501
www.naccrra.net

National Child Care Association
1016 Rosser St
Conyers, GA 30012
Telephone: 800-543-7161
www.nccanet.org

CLOTHING STORE
National Retail Federation
325 7th St, NW, Ste 1100
Washington, DC 20004
Telephone: 202-783-7971
www.nrf.com

COMPUTER PROGRAMMING/DATA PROCESSING SERVICE
Computer and Communications Industry Association
666 11th St, NW, Ste 600
Washington, DC 20001-4542
Telephone: 202-783-0070
www.cciainet.org

Information Technology Association of America
1401 Wilson Blvd, Ste 1100
Arlington, VA 22209-3106
Telephone: 703-522-5055

CONSUMER ELECTRONICS STORE
Electronic Industries Association
2500 Wilson Blvd
Arlington, VA 22201
Telephone: 703-907-7500
www.eia.org

National Electronic Service Dealers Association
3608 Pershing Ave
Fort Worth, TX 76107-4527
Telephone: 817-921-9061

CRAFT/HOBBY SHOP
American Craft Council
72 Spring St
New York, NY 10012-4019
Telephone: 212-274-0630
www.craftcouncil.org

DRUG STORE/PHARMACY
National Association of Chain Drug Stores
413 N Lee St, PO Box 1417-D49
Alexandria, VA 22313
Telephone: 703-549-3001
www.nacds.org

**DRY CLEANING/COIN-OPERATED
LAUNDRY****Coin Laundry Association**

1315 Butterfield Rd, Ste 212
Downers Grove, IL 60515
Telephone: 630-963-5547
www.coinlaundry.org

International Fabricare Institute

12251 Tech Rd
Silver Springs, MD 20904-1976
Telephone: 800-638-2627
www.ifi.org

ELECTRICAL CONTRACTOR**Independent Electrical Contractors**

2010A Eisenhower Ave
Alexandria, VA 22314
Telephone: 800-456-4324
www.ieci.org

**National Electrical Contractors
Association**

3 Bethesda Metro Ctr, Ste 1100
Bethesda, MD 20814-3299
Telephone: 301-657-3110
www.necanet.org

EMPLOYMENT AGENCY**National Association of
Executive Recruiters**

20 N Wacker Dr, Ste 2262
Chicago, IL 60606
Telephone: 312-701-0744
www.naer.org

**National Association of
Personnel Services**

3133 Mount Vernon Ave
Alexandria, VA 22305
Telephone: 703-684-0180
www.napsweb.org

FLOOR COVERING STORE**Floor Covering Installation
Contractors Association**

7439 Millwood Drive
West Bloomfield, MI 48322-1234
Telephone: 248-661-5015
www.fcica.com

FLORIST**Society of American Florists**

1601 Duke St
Alexandria, VA 22314-3406
Telephone: 800-336-4743
www.safnow.org

GIFT SHOP**Gift Association of America**

172 White Pine Way
Harleysville, PA 19438-2851
Telephone: 610-584-3108
www.giftassn.com

**Souvenir and Novelty Trade
Association**

7000 Terminal Square, Ste 210

Upper Darby, PA 19082
Telephone: 610-734-2420

GROCERY STORE**Food Marketing Institute**

655 15th St, NW
Washington, DC 20005
Telephone: 202-220-0600

National Grocers Association

1825 Samuel Morse Dr
Reston, VA 20190
Telephone: 703-437-5300
www.nationalgrocers.org

HAIR SALON**Hair International**

PO Box 273
Palmyra, PA 17078-0273
Telephone: 717-838-0795

National Cosmetology Association

410 N Michigan Ave
Chicago, IL 60611
Telephone: 800-527-1683
www.salonprofessionals.org

HARDWARE STORE**Builders Hardware Manufacturers
Association**

355 Lexington Ave, 17th Flr
New York, NY 10017-6603
Telephone: 212-297-2122
www.buildershardware.com

National Retail Hardware Association

5822 W 74th Street
Indianapolis, IN 46278-1756
Telephone: 317-290-0338
www.nrha.org

HOME FURNISHINGS STORE**Casual Furniture Retailers**

710 E Ogden Ave, Ste 113
Naperville, IL 60563
Telephone: 800-956-2237
www.casualfurniture.org

National Home Furnishing Association

PO Box 2396
High Point, NC 27261
Telephone: 800-888-9590
www.nhfa.org

**International Home Furnishing
Marketing Association**

PO Box HP-7
High Point, NC 27262-5687
Telephone: 336-869-1000
www.furnituremarket.org

HOTEL/MOTEL/RESORT OPERATIONS**American Hotel Foundation**

1201 New York Ave, NW, Ste 600
Washington, DC 20005-3931
Telephone: 202-289-3180

Travel Industry Association of America

1100 New York Ave, NW, Ste 450
Washington, DC 20005

Telephone: 202-408-8422
www.tia.org

ICE CREAM/FROZEN YOGURT SHOP**National Ice Cream and Yogurt
Retailers Association**

1429 King Ave, Ste 210
Columbus, Ohio 43212
Telephone: 614-486-1444
www.nicyra.org

IMPORT/EXPORT SERVICE**American Association of
Exporters and Importers**

51 E 42nd St, 7th Flr
New York, NY 10017-5404
Telephone: 212-983-7008
www.aaei.org

**Federation of International Trade
Association**

11800 Sunrise Valley Dr, Ste 210
Reston, VA 22091
Telephone: 800-969-3482
www.fita.org

JEWELRY STORE**American Gem Society**

8881 W Sahara
Las Vegas, NV 89117
Telephone: 702-255-6500
www.ags.org

American Gem Trade Association

2050 N Stemmons Fwy, Ste 181
Dallas, TX 75207
Telephone: 214-742-4367

Jewelers of America

52 Vanderbilt Ave, Flr 19
New York, NY 10017
Telephone: 800-223-0673
www.jewelers.org

LANDSCAPING SERVICE**American Nursery and Landscape
Association**

1000 Vermont Ave, NW, Ste 300
Washington, DC 20005
Telephone: 202-789-2900
www.anla.org

**Association of Professional
Landscape Designers**

710 E Ogden Ave, Ste 600
Naperville, IL 60563
Telephone: 630-579-3268
www.apld.org

LIQUOR STORE**National Association of Beverage
Importers-Wine-Spirits-Beer**

1025 Vermont Ave, NW, Ste 1066
Washington, DC 20005
Telephone: 202-638-1617
www.nabi-inc.qpg.com

**National Association of Beverage
Retailers**

5101 River Rd, Ste 108

Bethesda, MD 20816-1508
Telephone: 301-656-1494

Wine and Spirits Wholesalers of America

805 15th St, NW, Ste 430
Washington, DC 20005-2602
Telephone: 888-656-3241
www.nabronline.org

MAIL ORDER BUSINESS

Direct Marketing Association

1120 Avenue of the Americas
New York, NY 10036-6700
Telephone: 212-768-7277
www.the-dma.org

Mail Order Association of America

1877 Bourne Ct
Wantagh, NY 11793
Telephone: 516-221-8257

PAINTING CONTRACTOR

Independent Professional Painting Contractors Association of America

PO Box 1759
Huntington, NY 11743-0630
Telephone: 516-423-3654
www.buildfind.com/assocont.html

Painting and Decorating Contractors of America

3913 Old Lee Hwy, Ste 33B
Fairfax, VA 22030-2433
Telephone: 703-359-0826
www.pdca.org

PHOTOGRAPHIC STUDIO

American Photographic Artisans Guild

Box 1373
Tacoma, WA 98401-1373
Telephone: 253-942-8433
www.apag.net

Professional Photographers of America

229 Peachtree St, NE, Ste 2200
Atlanta, GA 30303-2206
Telephone: 800-786-6277
www.ppa.com

PIZZERIA

National Frozen Pizza Institute

2000 Corporate Ridge, Ste 1000
McLean, VA 22102
Telephone: 703-821-0770

PRINTING BUSINESS

American Institute of Graphic Arts

164 5th Ave
New York, NY 10010
Telephone: 800-548-1634
www.aiga.org

Printing Industries Association of New York State

636 N French Rd
Amherst, NY 14228
Telephone: 716-691-3211
www.printnys.org

Printing Industries of America

100 Dangerfield Rd
Alexandria, VA 22314-2888
Telephone: 800-742-2666

REAL ESTATE AGENCY

American Society of Real Estate Counselors

430 N Michigan Ave
Chicago, IL 60611-4089
Telephone: 312-329-8427
www.cre.org

National Association of Real Estate Brokers

9831 Greenbelt Rd, Ste 309
Lanham, MD 20706
Telephone: 301-552-9340
www.nareb.com

RESTAURANT

National Council of Chain Restaurants

325 7th St, NW, Ste 1100
Washington, DC 20004
Telephone: 202-626-8183

National Restaurant Association

1200 17th St, NW
Washington, DC 20036-3097
Telephone: 202-331-5900
www.restaurant.org

SERVICE STATION/AUTO REPAIR SHOP

Automotive Service Association

1901 Airport Freeway, Ste 100
Bedford, TX 76095-0929
Telephone: 817-283-6205
www.asashop.org

Convenient Automotive Services Institute

Box 7010
Silver Spring, MD 20907
Telephone: 301-588-9077
www.fastoil.com

TELEPHONE ANSWERING SERVICE

Association of Tele Services International

12 Academy Ave
Atkinson, NH 03811
Telephone: 866-896-ATSI
www.atsi.org

TELEVISION/RADIO REPAIR SERVICE

International Society of Certified Electronics Technicians

3608 Pershing Ave
Fort Worth, TX 76107
Telephone: 817-921-9101
www.iscet.org

National Electronic Service Dealers Association

3608 Pershing Ave
Fort Worth, TX 76107-4527
Telephone: 817-921-9061
www.nesda.com

TRAVEL AGENCY

American Society of Travel Agents

1101 King Street
Alexandria, VA 22314
Telephone: 703-739-2782
www.astanet.com

Association of Retail Travel Agents

2692 Richmond Rd, Ste 202
Lexington, KY 40509-1542
Telephone: 800-969-6069
www.artaonline.com

Institute of Certified Travel Agents

PO Box 812059, 148 Linden St
Wellesley, MA 02181-0012
Telephone: 800-542-4282
www.icta.com

TRUCKING BUSINESS

American Trucking Associations

2200 Mill Road
Alexandria, VA 22314
Telephone: 800-ATA-LINE
www.truckline.com

VIDEOCASSETTE RENTAL STORE

International Communications Industries Association

11242 Waples Mill Rd, Ste 200
Fairfax, VA 22030-6079
Telephone: 800-659-7469
www.infocomm.org

Video Software Dealers Association

16530 Ventura Blvd, Ste 400
Encino, CA 91436
Telephone: 800-955-8732
www.vsd.org

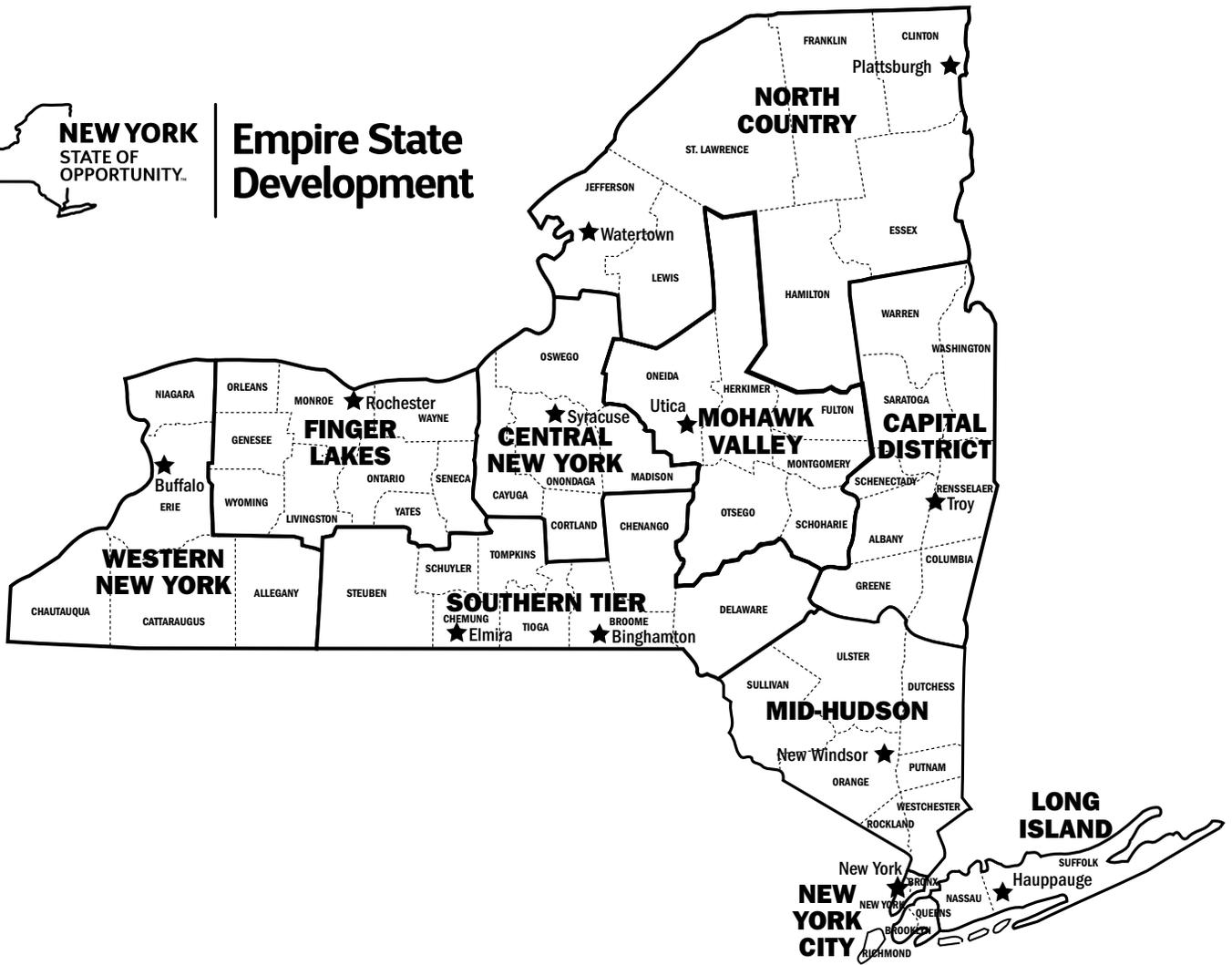
WORD PROCESSING SERVICE

Independent Computer Consultants Association

11131 S Towne Sq, Ste F
St. Louis, MO 63123
Telephone: 800-774-4222
www.icca.org



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207 Genesee Street
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401 West Bay Plaza
Plattsburgh, NY 12901
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Fax: 518-561-8831
E-mail: nys-northcountry@empire.state.ny.us

SOUTHERN TIER REGION
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Binghamton, NY 13901
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Fax: 607-721-8613
E-mail: nys-southern-tier@empire.state.ny.us

400 East Church Street
Elmira, NY 14901
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60 Yonge Street, Suite 1002
Toronto, Ontario M5E 1H5
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625 President Kennedy Ave West
Suite 1501
Montreal, Quebec H3A 1K2
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E-mail: israel@empire.state.ny.us

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Phone: 011-52-55-5663-3185
E-mail: mexico@empire.state.ny.us

MULTI-STATE TRADE OFFICES: COUNCIL OF GREAT LAKES GOVERNORS

To contact the following trade offices please call (212) 803-2300

CGLG - Brazil Trade Office
Tomaselli, Volker & Zulatto Assoc.
Alameda dos Arapanes, 725-172A
04524-001 Sao Paulo BRAZIL
Magda Volker, Director
Phone: 55-11-3061-2127
E-mail: mvolker@tvzinternational.com.br

CGLG - Chile Trade Office
Augusto Leguia Sur 160, Of. 81
Las Condes, Santiago CHILE 7550257
Veronica Medina, Director
Phone: 56-2-244-2435
E-mail: vmedina@tradedchile.cl

CGLG - South African Trade Office
P.O. Box 67110
Highveld 0169
Centurion, SOUTH AFRICA

Richard Zurba, Director
Phone: 27-12-665-1973
E-mail: cglg@cglgsa.org



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