



# Before You Start a Business

## A Basic Checklist©

The following is a list of questions that every entrepreneur should answer before going into business. These questions are all yes or no answers. There is no grading scale and there are no results to tabulate at the end, but every question is important. When you finish answering the questions, any that you answered "No" to should be addressed. Here at the Nevada Small Business Development Center we want you to be successful, and in order to do so we want you to realize everything that is important when opening a business.

### **You**

1. Are you a self-starter? Yes No
2. Are you willing to work harder than you've ever worked before and for long hours without the security of a steady paycheck? Yes No
3. Can you afford to work without knowing how much money, or success, you'll ultimately earn? Yes No
4. Are you ready to make tough decisions on your own? Yes No
5. Do you know when you're "in over your head" and need outside help? Yes No
6. Are you willing to seek outside help? Are you willing to find it? Yes No
7. Can you deal effectively with other people? Yes No
8. Are you an effective leader, motivator, and communicator? Yes No
9. Are you willing to delegate authority and responsibility to others? Yes No
10. Are you willing to admit when you are wrong? Yes No
11. Do you project a professional image to your clients and customers? Yes No
12. Can people trust what you say? Yes No
13. Can people trust you to do what you say you will do? Yes No
14. Do you have managerial experience? Yes No
15. Do you have the technical skills you will need to operate your particular business? Yes No
16. Do you have the business skills you need to run a business? Yes No
17. Do you know your strengths and weaknesses? Yes No
18. Do you have business partners or advisors who can compensate for your weaknesses? Yes No
19. Have you worked in a business like the one you want to start? Yes No
20. Have you researched your business thoroughly? Yes No
21. Do you read a lot about your business and its industry? Yes No
22. Are you a good listener? Yes No

### **Your Ideas**

23. Is your product or service idea unique? Yes No
24. Does it serve a customer need or want? Yes No
25. Have you defined the competitive advantage your product or service offers? Yes No
26. Do you know what your product or service will cost you? Yes No
27. Have you defined the "image" you want your product or service to have in the marketplace? Yes No
28. Can competitors easily copy your product or service? Yes No
29. Have you located suppliers who will sell you what you need at a reasonable price? Yes No

### Your Business

30. Have you evaluated the various forms of ownership to determine which one is best for you? Yes No
31. If you have chosen to form a sole proprietorship, can you afford the unlimited personal liability? Yes No
32. If you have chosen to form a partnership, have you created a partnership agreement? Yes No
33. If you have chosen to form a partnership, have you determined which partners are general partners and which are limited partners? Yes No
34. If you have chosen to form a partnership, have you determined how a partner can leave the business? Yes No
35. If you have chosen to form a partnership, have you determined how you will settle disputes? Yes No
36. If you have chosen to form a partnership, have you filed the articles of partnership with the appropriate state? Yes No
37. If you have chosen to form a corporation, are you willing to tolerate the "double taxation" of this form of ownership? Yes No
38. Have you considered the Limited Liability Company (LLC) as a form of ownership? Yes No
39. If you have chosen to form a LLC, have you filed both the articles of organization and the operating agreement with the proper state? Yes No
40. If appropriate, have you filed a patent application with the U.S. Patent and Trademark Office for your product? Yes No
41. Have you given your business, product, and service names proper trademark protection? Yes No
42. If the answer to question 41 is "Yes," are you using the trademark properly? Yes No
43. If your business is built around original works of authorship, have you protected them with a copyright? Yes No

### Your Strategy

44. Have you defined the core values that will guide your business? Yes No
45. Do you have a well-articulated, meaningful mission statement for your business? Yes No
46. Have you assessed your company's strengths and weaknesses? Yes No
47. Have you identified the key opportunities and threats facing your business? Yes No
48. Do you know what the key success factors are for your business? Yes No
49. Have you analyzed your competition well enough to know their strengths and weaknesses? Yes No
50. Have you established meaningful goals and objectives for your company? Yes No
51. Have you formulated a clear, coherent strategy to serve as your company's "game plan"? Yes No
52. Have you created specific tactics to implement your company's strategy in the marketplace? Yes No
53. Have you established accurate control systems that will give you feedback on how well your strategy is working and how well your business is doing? Yes No
54. Have you evaluated key economic trends and how they will affect your business? Yes No
55. Have you evaluated key technological trends and how they will affect your business? Yes No
56. Have you evaluated key sociopolitical trends and how they will affect your business? Yes No
57. Have you evaluated key demographic and lifestyle trends and how they will affect your business? Yes No
58. Have you identified your company's target market? Yes No
59. Have you researched your target customers enough to know their likes, dislikes, wants, needs, and preferences? Yes No
60. Have you determined the level of satisfaction your target customers have with existing products or services? Yes No
61. Have you defined how you will create value for your customers? Yes No
62. Do you know why your customers will want to buy your company's product or service? Yes No

### Your Marketing Strategy

63. Have you developed a marketing strategy that is customer focused? Yes No
64. Have you developed specific practices to implement this strategy? Yes No
65. Have you developed a marketing strategy that will produce a quality product or service for your customers? Yes No
66. Have you developed specific practices to implement this strategy? Yes No
67. Have you developed a marketing strategy focused on providing customer convenience? Yes No
68. Have you developed specific practices to implement this strategy? Yes No
69. Have you developed a marketing strategy that will generate innovations in your product or service over time? Yes No
70. Have you developed specific practices to implement this strategy? Yes No
71. Have you developed a marketing strategy that exploits speed as a competitive advantage? Yes No
72. Have you developed specific practices to implement this strategy? Yes No
73. Have you developed a marketing strategy that is built on customer service? Yes No
74. Have you developed specific practices to implement this strategy? Yes No
75. Do you know what stage of the product life cycle your product or service is in? Yes No
76. Have you identified the channels of distribution you will use to get your product or service to your target market? Yes No
77. Have you established a price that will be reasonable to customers, profitable for your business, and will create the image you want in the marketplace? Yes No
78. Have you determined which advertising/promotional platform will be most effective in reaching your target audience? Yes No
79. Have you identified a unique selling position to build your advertising message around? Yes No
80. Do the ads you are planning to run answer the customer's question, "Why should I consider buying this product or service?" Yes No

### Your Financial Plan

81. Have you created projected income statements for three years for your business? Yes No
82. Have you created projected balance sheets for three years for your business? Yes No
83. Have you developed estimates for your one-time start-up expenses? Yes No
84. Have you developed estimates for your on-going business expenses? Yes No
85. Can you analyze your company's financial statements using ratio analysis? Yes No
86. Do you know what your company's breakeven point is? Yes No
87. Have you reworked your startup cost estimates to see if you can lower your breakeven point? Yes No
88. Do you know how long your company's cash flow cycle is? Yes No
89. Have you developed a cash budget for your company's first year of operation using pessimistic, optimistic, and most likely sales forecasts? Yes No
90. Have you developed a plan for collecting your accounts receivable promptly? Yes No
91. Have you set up a functional system for paying your accounts payable on time? Yes No
92. Have you set up a system for monitoring your company's inventory? Yes No
93. Do you know how much inventory you should have? Yes No
94. Have you developed a plan to avoid the "cash crunch?" Yes No

### Your Business Plan

95. Have you developed a complete business plan for your company? Yes No
96. Does your plan include the "5 M's: Market/Methodology/Management/Money/Menaces?" Yes No

### Financing Your Business

97. Do you know how much money it will take to launch your business, and have you included a little extra for "Murphy's Law"? Yes No
98. Do you understand the implications of both debt and equity capital to your business? Yes No
99. Have you identified family members/friends who might be willing to finance your business? Yes No
100. Have you identified potential angels who might be willing to finance your business? Yes No
101. Is your business a possible candidate for a simplified registration or exemption for a public offering? Yes No
102. Have you established a business relationship with a banker? Yes No
103. Have you considered other forms of debt financing? Yes No
  - Trade Credit? Yes No
  - Equipment Suppliers? Yes No
  - Commercial finance companies? Yes No
  - Savings and Loans? Yes No
  - Stock brokers? Yes No
  - Insurance companies? Yes No
  - Credit Unions? Yes No
  - The Small Business Administration? Yes No
  - State and local development programs? Yes No
104. Have you studied the demographics of your proposed location and matched them against the profile of your target customer base? Yes No
105. Have you analyzed data from Census reports concerning your locations? Yes No
106. Have you calculated the index of retail saturation for your proposed location? Yes No
107. Have you evaluated the site in terms of the level of competition, retail compatibility, and other factors unique to your business? Yes No
108. Have you evaluated building, buying, and leasing a building to house your business? Yes No

### Your People

109. Have you developed a human resources plan for your business? Yes No
110. Have you created job descriptions and job specifications for each job in your company? Yes No
111. Have you developed a recruiting strategy to get the workers you need? Yes No
112. Have you developed a job application form that will give you the information you need about candidates and will avoid charges of discrimination? Yes No
113. Have you developed interviewing questions that will give you the information you need about candidates and will avoid charges of discrimination? Yes No
114. Have you developed a plan for orienting and training your employees on a continuous basis? Yes No
115. Have you developed a compensation plan that is equitable and motivating to employees? Yes No
116. Have you developed a plan for evaluating your employees' performances regularly? Yes No
117. Have you developed a procedure for documenting employees' performances in case you must fire them? Yes No

# Evaluating Your Business Idea<sup>©</sup>

*(The Nevada SBDC is using this portion of the assessment with permission from the Missouri SBDC)*

These questions will help you and your business advisor examine your business idea and determine your potential for success before you spend time and money developing a business plan. Your responses will provide insight into your market, competitors, start-up costs, sales, expenses, and financing needs. Your honest answers will help identify areas of strength and concern. They will also help determine if you are ready to take the next step or need to reevaluate your business idea. This is only a beginning and should not be considered as the final word when determining the feasibility of a new business venture.

By working through this relatively short checklist, you will be able to determine if your idea has the potential to create a successful business. **The question you are attempting to answer is "Can my business sell enough products or services to make enough of a profit to be successful?"** You will then be able to make an educated decision about going ahead as you planned or making some critical changes to allow you to reach your goals.

**1. Describe what you are selling and how it will benefit your customers. Explain how your product or service is different from the competition. Answer the question, "Why will people buy from me?"**

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**2. Briefly describe your management/technical experience with your product/service:**

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**3. Which category best represents your primary group of potential customers?**

- General Public
- Government
- Businesses
- Specific Industry

**4. Select the criteria below that best represents the demographics of your customer:**

**If selling to businesses, which category(s) represent your primary customers?**

- Agriculture/Forestry/Fishing
- Construction
- Finance/Insurance/Real Estate
- Services
- Wholesale Trade
- Mining
- Manufacturing
- Retail Trade
- Transportation/Communication/Public Utilities
- Other: \_\_\_\_\_

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**10. Estimate your start-up costs using Worksheet 1 below:**

Before your business can earn money, you will need to invest money in start-up costs. These costs are paid just one time and do not include your normal monthly expenses.

This worksheet will help you estimate your start-up costs. List the costs of items you have already purchased in the “purchased” column and those you still need in the “needed” column.

| <b>Worksheet 1: Start-up Costs</b>           |                                 |  |
|--|---------------------------------|--|
| <b>One Time Requirements Before Start-Up</b> | <b>Items Already Purchased:</b> | <b>Items Still Needed Before Start-Up:</b> |
| Legal, Accounting & Professional Services    | \$                              | \$   |
| Advertising & Promotions                     | \$                              | \$   |
| Deposits for Utilities                       | \$                              | \$   |
| Licenses & Permits                           | \$                              | \$   |
| Prepaid Insurance                            | \$                              | \$   |
| Salary & Wages                               | \$                              | \$   |
| Payroll Taxes                                | \$                              | \$   |
| Truck & Vehicle                              | \$                              | \$   |
| Travel                                       | \$                              | \$   |
| Tools & Supplies                             | \$                              | \$   |
| Furniture & Fixtures                         | \$                              | \$   |
| Machines & Equipment                         | \$                              | \$   |
| Building Improvements                        | \$                              | \$   |
| Land & Buildings                             | \$                              | \$   |
| Starting Inventory                           | \$                              | \$   |
| Cash (Working Capital)                       | \$                              | \$   |
| Other (specify)                              | \$                              | \$   |
|  |                                 |  |
| <b>TOTAL:</b>                                | \$                              | \$   |

TOTAL ESTIMATED START-UP COSTS (add both columns together) \$ \_\_\_\_\_

**11. What do you expect your annual revenue (Sales) to be in the first year? \$ \_\_\_\_\_**

To help determine this estimate, please answer the questions below:

How many individual customers do you anticipate serving in a 12-month period? \_\_\_\_\_

How many times in a 12-month period will the average customer return to purchase something? \_\_\_\_\_

How much will the average customer spend on each visit to your business? \_\_\_\_\_

Multiply (a) x (b) x (c) = estimated annual revenue (Sales)

**12. Estimate your annual sales and earnings using Worksheet 2 below:**

*Forecasting "Sales and Earnings" is important for your financial success. It may take several years before your business begins to generate "satisfactory" profits but your sales goal should be to breakeven (match sales with expenses) by the end of the first year and show modest profits for Years 2 and 3. Do not include start-up costs on this worksheet.*

| <b>Worksheet 2: Sales and Earnings</b> |                            |                            |                            |
|--|----------------------------|----------------------------|----------------------------|
|  | <b>1<sup>st</sup> Year</b> | <b>2<sup>nd</sup> Year</b> | <b>3<sup>rd</sup> Year</b> |
| <b>Total Revenue (Sales):</b>          | \$                         | \$                         | \$                         |
| Less: Cost of Goods Sold               | \$                         | \$                         | \$                         |
| <b>Gross Profit:</b>                   | \$                         | \$                         | \$                         |
| <b>Less Expenses:</b>                  |                            |                            |                            |
| Salaries & Wages                       | \$                         | \$                         | \$                         |
| Outside Services                       | \$                         | \$                         | \$                         |
| Office Supplies & Postage              | \$                         | \$                         | \$                         |
| Dues & Subscriptions                   | \$                         | \$                         | \$                         |
| Donations                              | \$                         | \$                         | \$                         |
| Rent                                   | \$                         | \$                         | \$                         |
| Telephone                              | \$                         | \$                         | \$                         |
| Utilities                              | \$                         | \$                         | \$                         |
| Loan Payments                          | \$                         | \$                         | \$                         |
| Interest                               | \$                         | \$                         | \$                         |
| Depreciation                           | \$                         | \$                         | \$                         |
| Advertising & Promotions               | \$                         | \$                         | \$                         |
| Truck & Vehicle                        | \$                         | \$                         | \$                         |
| Travel                                 | \$                         | \$                         | \$                         |
| Payroll Taxes                          | \$                         | \$                         | \$                         |
| Taxes, Licenses & Permits              | \$                         | \$                         | \$                         |
| Legal & Accounting Services            | \$                         | \$                         | \$                         |
| Insurance                              | \$                         | \$                         | \$                         |
| Repairs & Maintenance                  | \$                         | \$                         | \$                         |
| Bad Debts                              | \$                         | \$                         | \$                         |
| Miscellaneous (unspecified)            | \$                         | \$                         | \$                         |
| Other Expenses (specify each)          | \$                         | \$                         | \$                         |
|  | \$                         | \$                         | \$                         |
|  | \$                         | \$                         | \$                         |
|  | \$                         | \$                         | \$                         |
| <b>Total Expenses:</b>                 | \$                         | \$                         | \$                         |
|  |                            |                            |                            |
| <b>NET PROFIT</b>                      | \$                         | \$                         | \$                         |

**13. Calculate your sales breakeven point: \$ \_\_\_\_\_**

Sales Breakeven Point = Total Expenses\* divided by Gross Profit Percentage\*\*

\*Total Expenses: found at the bottom of "Worksheet 2: Sales and Earnings," on Question 12.

\*\* Gross Profit Percentage: percentage difference between the selling price of a product or service and its cost. (Note: It is recommended that your gross profit percentage be at least 15% or higher.)

Example: Total expenses of \$35,000 divided by gross profit percentage of .15 = sales breakeven point of \$233,333.

**14. An alternative way to determine if you can meet your financial obligations:**

- a) Project your average total monthly revenue (sales): \$ \_\_\_\_\_
- b) Project your average total monthly expenses: \$ \_\_\_\_\_
- Subtract b from a = \$ \_\_\_\_\_

**15. a. How much money is needed to start your business? \$ \_\_\_\_\_**

*Use "Total Estimated Start-Up Costs" from Question 10 to answer Question 15a.*

**b. Where will you find money to start your business?**

|                  |          |                    |          |
|------------------|----------|--------------------|----------|
| Personal Savings | \$ _____ | Family and Friends | \$ _____ |
| Bank Loan        | \$ _____ | Retirement Account | \$ _____ |
| Investors        | \$ _____ | Partners           | \$ _____ |
| Credit Cards     | \$ _____ | Other              | \$ _____ |

**16. How would you rate your personal credit?**

- Excellent
- Good
- Average
- Poor

**17. Most financial institutions will require that you produce a minimum of 20% - 30% of the total estimated cash needed for start-up costs. This is referred to as your owner equity/investment in the business.**

- I have this money or access to it.
- I have some but not all of the money required.
- I have no money to invest in this business.

**NOTE:** For best results in using this evaluation, please answer each question to the best of your ability. When you have completed it, you are encouraged to seek the professional assistance of the Nevada Small Business Development Center in your area, free of charge. Our professionals can help you interpret your results and provide you with resources to further explore and develop your business idea.

We also suggest that you visit our website at [www.NevadaSBDC.org](http://www.NevadaSBDC.org) to discover valuable links, relevant training programs and the office location nearest you.

## **Nevada SBDC Counselor and Tracking Notes:**