

Ministry of Education and Science of Ukraine

Institute of Economics and Business

Department of Management

**Methodical instructions for  
undergraduate thesis accomplishment  
in discipline “Business Planning”**

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## **Introduction**

Business plan plays an important role in organization and economics of entrepreneurship. Taking into account the correlation between “entrepreneur” and “business” (business includes prohibited activities, such as drug trafficking, arms trade, etc.), it is more correct to talk about compiling of a business plan. This name (i.e. business plan) has firmly established in the conceptual framework, because of this we will use it.

Business plan is needed for:

Entrepreneur as a landmark in his activity;

Future associates and employees;

Bankers and investors whose services it is necessary to use;

Consultants, so they have ability to suggest something, identify weak points;

Providers, because a good plan assures them in possibility of cooperation with us.

Business plan is the basic document, under the authority of which the partners and investors give money. For the compiling of it the USA firms demand from \$2000 to \$40000. But business plan can be written yourself.

In methodical instructions are given the materials for business plan individual compiling for any entrepreneurship by students who study the discipline “Business Planning”.

### **Methodical instructions for undergraduate thesis accomplishment.**

Accomplishment of the undergraduate thesis is the basic mean of knowledge digestion by students on any subject. The purpose of working out a business plan is to give students the maximum opportunity for personal and professional qualities development, formation of a future specialist creative personality. During the work on undergraduate thesis students learn the elements of one`s own work organization, obtain the habitude of self-education.

The work of students on undergraduate projects can be carried out in the library, computer class and at home. Individual processing of the corresponding scientific literature and periodicals is also recommended for students.

Content of tasks to the undergraduate thesis is determined in consideration with the specific character and subject matter of discipline “Business Planning”, its role, importance, didactic purpose in realization of educative-professional programme, as well as teacher`s methodological recommendations.

The student must fully accomplish the methodical instructions, complete the content part of the undergraduate thesis correctly, carry out its defense.

### **Requirements to the undergraduate thesis.**

1. Students accomplish the work individually, following the methodical instructions and requirements for arrangement as well as remarks of a discipline teacher .
2. Work should be on sufficient theoretical level: student must disclose the subject matter, structure and content of business plan, using personal approaches and theoretical knowledge which the student mastered while studying the discipline “Business Planning”.
3. Precision and specificity in determining the main points of work.
4. The work is printed in Ukrainian on A4 sheets in accordance with such requirements: top – 20 mm, bottom – 25 mm., left – 25 mm., right – 10 mm. Font - 14 in two intervals.

Exterior design of undergraduate thesis and its content see in supplement.

## 1. Subject matter and principles of a business plan.

**Business plan** is a document that contains complex grounding of activity development strategy (program) of all enterprise spheres on the basis of current and advanced planning of such activity.

The main functions of a business plan, in which its essence opens in an integrated manner, are:

- 1) Provide comprehensive assistance to lenders and investors concerning the company, especially its stability and its effectiveness;
- 2) Objectivation of the entrepreneurship main goal;
- 3) A brief description of entrepreneurship, including manufacturing process;
- 4) Characteristics of the goods or services, their quality;
- 5) Grounding of the enterprise development forecast;
- 6) Complex market research;
- 7) Determination of enterprise viability in conditions of internal and external competition;
- 8) Grounding of enterprise effectiveness based on expenditure, prices and expected profit evaluation, which is the prerogative of the financial plan;
- 9) Evaluation of managerial personnel (entrepreneurs, managers, etc.) professional level, effectiveness of their work.

The principles of a business plan compiling are:

- a) qualitative and meaningful design (layout, quality cover, distinct drawings, photographs, calculations and so on);
- b) a distinct orientation on the recipient ( creditor or investor);
- c) a thorough characteristics of a specific market segment (niche), consumer needs, and the advantages when purchasing goods and services of an enterprise;
- d) credibility in realization the basic idea, particularly in enterprise work effectiveness (profit earning) and the timely credits repayment etc. Thus, the creditors must be convinced in acquittal of loan agreement conditions, and investors - in obtaining high profit norm.

The process of a business plan development has its own internal logic:

The main stages of business plan development are the following:

Stage I: Selection of products or services that will be offered on the market.

Stage II : Identifying the market of your future business.

Stage III: Selection of your future business location.

Stage IV: Prediction of volumes and revenues from sale of your products or services.

Stage V: Determination of production parameters (premises, equipment, suppliers of materials, quality control);

Stage VI: Development of price and trade policy, choice of advertising and promotion means;

Stage VII: Objectivation of business organization form, characteristics of firm owners, determination of personnel quality, organizational structure and work payment.

Stage VIII : Description of potential risks and search of actions that could help to avoid them.

Stage IX : Evaluation of future profits and losses, financial situation analysis and development of financial statement.

Stage X : Printing the output that contains the basic regulations of your business.

## 2. Structure and content of a business plan.

The main structural elements of the business plan are:

1. *Introduction* (volume - about 2 - 2.5 pages). Contains a short description of the proposed project, goods and services that will be produced, suppliers of materials, raw materials and components, markets, thorough assessment of the costs, damages and profits, using the latest etc.
2. *General characteristics of an enterprise*. Provides an indication of its legal form, date and place of registration, names of the founders and information about enterprise's provenance (purchased or built by the founders, was a subsidiary, plans to continue the previous output, to increase them, etc.).
3. *Description of entrepreneurship (business)*. At first there is noted the scope of enterprise activity (manufacturing, scientific research, trade, etc.), then - the analysis of situation in the industry, potential competitors and consumers. Then the nature of production is determined (seasonal, permanent, designed for mass production of cheaper or more expensive products, but of a higher quality and in smaller amounts, etc.). On this basis, justifying the need for loans or investments, the timing of their acquisition, the expected value of profits from investments (including investments).
4. *Description of goods or services*. Provides a complex summary analysis of the quality of goods and services, which the company plans to produce, or answers on the question "What products should be manufactured?". Parameters of the product quality are their technical and economic characteristics, reliability, durability, ecological compatibility, aesthetics and so on, because of which they differ from other goods and services - analogues, the benefits for consumers (in price or consumer properties). In addition, in this section indicate existing patents in the company, licenses, describe the office room and its computer equipment.
5. *Production plan*. Includes description of the production process, production technology, production facilities, state of the art, indicating the presence of allied enterprises, suppliers of raw materials, business location, transport and communications infrastructure and others. In particular, characterizing the divisions, the sequence of the technological cycle, level of the production safety, its environmental (impact on pollution).
6. *Marketing Plan*. Provides: a) reduced description of the marketing strategies (setting the goals, planning and organization of the marketing activities, means of achieving the goal, sustainable ways to promote each of the goods and services to the specific market, competitive tactics, etc.); b) a comprehensive analysis of the market (the main competitor companies in the industry, their strengths and weaknesses, grounding the forecast of the development of the competition, suppliers, the quality of legislation, the impact of the

government regulation, the calculations of the planned sale, etc.) c) Analysis of the pricing policy depending on the lifespan of the product, promoting it, or provides development of the marketing policy and ways of its implementation (transportation, formation of the intermediary firms, construction of the shops, organizing of the after-sale service, active and sustainable using of advertising, etc.).

7. *Institutional Plan*. Contains information about the managerial apparatus of the enterprise (especially about the leaders without the direct production, service marketing, finance, chief of the staff); about organizational structure of the managerial apparatus (the interaction of the various services and units); about control and coordination of their activities, about founders and major shareholders, measure of their responsibility, and changes that should be held due to changes of the production plan and other parts of the business plan (choice of management strategies and methods for its implementation).
8. *Assessment of the risk and insurance*. Provides determination of the riskiness degree of this entrepreneurship (business), particularly highlights its weaknesses. For this purpose a classification of possible risks is suggested (supply and sales, production, investment, credit, interest, marketing, etc.), their probability, assessment of the predicted losses, the main risk management measures, including their neutralization. A specific type of risk is appearing of a new, more advanced technologies, that causes obsolescence of existing means of labor, increasing the costs of production (compared to competing enterprises), and therefore the complications of selling products. In order to neutralize the individual risks, all types of the insurance, insurance companies, the conditions and terms of insurance, stating the names of insurance companies, numbers of policyholders must be pointed out.
9. *Financial plan*. Contains statistical (digital) grounding of the earlier sections of a business plan. The main financial and accounting documents, in which a statistical basis is implemented, a plan of income and expenditure; plan of receipts and payments; prediction of the expected profits, investment, the amount of dividends (if it is a public corporation), foreign borrowing, operational plans (reports) for each product and market for each period; a balance sheet, which summarize the enterprise.
10. *Legal Plan*. Provides protection of the intellectual property rights, providing legal advice to individual departments, offices, businesses, partners, and protects the interests of the enterprise in front of supply and sales agency, creditors and other entities. Total rationally composed business plan should be up to 40 pages without additions.



### **3. Procedure of compiling a business plan.**

Preparing a business plan begins with correct design of the title page, which must include:

- 1) A complete official name of the company (according to the registration documents) and its brand, if it is available;
- 2) Organizational and legal form of the company (limited liability company, public corporation, etc.);
- 3) A legal address of the enterprise that is specified in the documents for registration;
- 4) Mailing address of the company, which does not always coincide with the legal address;
- 5) Telephone numbers, fax numbers and e-mail;
- 6) Names and positions of employees who will act on its behalf (contracting entity);
- 7) The cost of the project;

On the next page of the business plan cite its detailed contents pointing-out a page for each section.

#### 1. Summary

1.1. The purpose of a business plan.

1.2. Basic information about the company, founders and leadership.

1.3. Needs in finances, sources and purpose of the financing.

1.4. Brief description of business, its target market segment and competitive environment.

Advantages of the proposed goods and services over competitors.

1.5. Components of the confidence in the success business and the components of the trust in business.

1.6. The main financial suggestions.

#### 2. Legal status of the company.

2.1. Full and abbreviated name of the company.

2.2. Code of the USREOU.

2.3. Legal and mailing address, bank details, telephone management, fax, telex, telephone.

2.4. Number, date and authority of the enterprise's registration.

2.5. Full name and legal address of the organization (association, association group, corporation, etc.), in which the company is included.

2.6. Ownership.

2.7. The list of companies with defining their contribution to authorized capital.

2.8. Managers of enterprises and their phone service.

2.9. Basis of the proposed organizational and legal form of the enterprise and its prospects for the future.

2.10. Symbols of the company.

3. Main directions and goals of the enterprise.
  - 3.1. Meeting the needs and interests of the target markets.
  - 3.2. The main purpose of the company's activities.
  - 3.3. Additional activity goal.
  
4. Historical information about the activity of enterprise.
  - 4.1. Stages of enterprise development.
  - 4.2. Specialization of enterprise activity.
  - 4.3. Characteristics of production, sale of goods and services.
  - 4.4. General conclusions about the current state of enterprise.
  - 4.5. Description of land, facilities and production space.
  - 4.6. Characteristics of machinery and equipment.
  
5. Types of business, products and services.
  - 5.1. Area of enterprise activity. Description of products and services.
  - 5.2. Distinctive features or unique character of products and services.
  - 5.3. The use of the technology, its progressiveness, the level of personnel qualification.
  - 5.4. Availability of licenses and patents.
  - 5.5. Prospects for improvement of products and services.
  
6. Markets and characteristics of the competitive environment.
  - 6.1. Clientage and buyers of the enterprise.
  - 6.2. Segments of the market.
  - 6.3. Market size and its growth.
  - 6.4. Historical and current division of the market and its future changes.
  - 6.5. Probable sales of enterprise products and services on the markets.
  - 6.6. Offers of service maintenance organization.
  - 6.7. Special characteristics of the market.
  - 6.8. The presence and degree of competition and other factors of influence.
  - 6.9. Strengths and weaknesses characteristic of competitors.
  - 6.10. Competitive advantage and confidence in success.
  - 6.11. Measures to increase the competitiveness of goods and services.
  
7. Plan of marketing activities.
  - 7.1. Marketing services of the company.

- 7.2. The essence of the marketing strategy.
- 7.3. Estimated volume of sales.
- 7.4. Sales and distribution channels of goods.
- 7.5. Price policy.
- 7.6. Servicing.
- 7.7. Measures for stable positioning of goods and services on the market and struggle with competitors.
- 7.8. Budget data on the costs of marketing activities.
- 7.9. Further marketing strategy.
  
- 8. Prospects for business.
  - 8.1. Stages of business development.
  - 8.2. Anticipated difficulties and risk.
  - 8.3. Improving the quality of products and services.
  - 8.4. Development of products and services in future.
  
- 9. Plan of production activities.
  - 9.1. Description of the manufacturing process and suggestions for its improvement.
  - 9.2. Plan of production (selling goods or providing services).
  - 9.3. Industrial cooperation and the use of subcontractors.
  - 9.4. Planned expenditure on production of specific products and services, their profitability.
  - 9.5. Means to provide quality of products and services.
  
- 10. Technical and technological plan.
  - 10.1. Availability and use facilities according to the type of products and services.
  - 10.2. Means of creating the necessary facilities.
  - 10.3. Technical and technological issues that require resolution.
  - 10.4. The list, sources and timing of obtaining necessary equipment, means of mechanization and automation to increase capacity.
  - 10.5. The list, performers, terms of modernization and complete overhaul of equipment.
  - 10.6. The cost of these works and their payback periods.
  
- 11. The plan of capital construction, expanding and reconstruction.
  - 11.1. Construction and commissioning of new facilities.
  - 11.2. Expanding and reconstruction of existing productions.

### **Topics for the undergraduate thesis on "Business Planning"**

The result of student's independent work of accomplishing the undergraduate thesis is the development and execution of a specific business plan, creation or modernization of enterprises of any sector and ownership (the student's choice).

The basic model of business plans includes the following developments:

1. Creating a new company to produce goods (services).
2. Replacement of equipment (physical depreciation) on the current company without a change in output.
3. Replacing obsolete equipment (obsolescence) with a view to reducing production costs.
4. Increasing the production (services).
5. The modernization of the enterprise to produce new goods.
6. Solving environmental problems of existing enterprises.
7. Other types of business plans: building a new workshop, warehouse, office, etc., buying recycled products for processing or sale, purchase new transport, etc.

The student has the right to choose another type of business plan for project.