



MCLENNAN COMMUNITY COLLEGE
SMALL BUSINESS

**BASIC STEPS TO
STARTING YOUR OWN BUSINESS
IN MCLENNAN COUNTY**

"This Cooperative Agreement is partially funded by the U. S. Small Business Administration. SBA's Funding is not an endorsement of any products, opinions, or services. All SBA funded programs are extended to the public on a nondiscriminatory basis."

Revised February 9, 2004

PERSONAL QUALIFICATIONS

Certain personal qualifications are essential to the success of anyone wishing to own and operate their own business.

A prospective business owner should be:

Experienced in the type of business being started - preferably with management or supervisory background.

Farsighted - have the ability to set goals and plan ahead.

A natural leader who can direct the activities of others and accept responsibility for the results.

Able to make decisions and act on them.

Self-disciplined to get things done on time.

Willing to work long hours.

A self starter.

Healthy with the stamina and energy to do everything that is required in a business.

Able to work with customers, employees, and suppliers - like people.

Willing to learn new techniques and procedures and be able to adapt to change.

Comfortable with figures -- able to use accounting statements and reports in planning and decision-making.

BASIC STEPS IN FORMING A NEW BUSINESS

I. Decide on type of business

- A. What experience in this type business do you have? Employees? Manger? Owner? Apprenticeship?
- B. Do you understand ALL phases of operation of the business?
- C. What technical knowledge of the business do you possess?
- D. Does a market exist for your service or product?
- E. Can you develop the market to obtain the revenues needed?

Your choice of business should be based upon the knowledge and experience you possess relative to that business. If you lack either of these criteria, it would be wise to work in a similar, already established business. Building a profitable enterprise is difficult enough without having to learn the business from the "bottom up" at the same time.

II. Select type of organization (legal structure)

A. Individual Proprietorship

- 1. Simplest of all legal forms of organization.
- 2. Owner is usually the manager and does not share control of the business with anyone.
- 3. Income and expenses are reported on the owner's individual income tax return. Pro

B. Partnership

- 1. Wherein two or more people own a business jointly.
- 2. Should have an agreement, in writing, which sets forth the guidelines under which the firm will operate and/or dissolve. It is advisable to consult an attorney to assist you and your partner(s) in the formation of this agreement.
- 3. Partnerships must file a U.S. Partnership Return of Income Form 1065).
 - a. This form (1065) is an information return.
 - b. Each partner reports his share of the profit or loss on his individual tax return.

C. Corporation

- 1. Most formal and complex of all legal structures.

2. Formed under Articles of Incorporation, which are filed, with the Secretary of State (Texas), governed by By-Laws (rules), set down in its Charter (license).
3. Business profits are taxed separately from earnings of owners and executives.
4. A corporation is a separate legal entity, and has a separate continuous life.

Most businesses start as proprietorships or partnerships. If the business experiences continuous growth over a period of years, incorporation may become necessary (for adequate control) or advantageous. If and when you decide to incorporate, it is advisable to consult an attorney who will assist you in "drawing up the papers", and also to consult a C.P.A. to review the possible tax advantages and disadvantages.

Further information concerning the various types of legal structure can be obtained from SBA publications, such as Management Aids 6.003 and 6.004. Do not, however, substitute the information contained in the publications for legal advice. In forming a partnership or a corporation, it is essential to seek competent professional advice in order to protect your interests.

III. Formulate a Business Plan

- A. Define carefully the business you are going to start.
- B. Market:
 1. What is the sales potential?
 2. How are you going to attract customers?
 3. How are you going to sell to the customers?
- C. Plan for Buying
 1. From whom?
 2. How? (What terms?)
- D. Inventory Control
 1. What is on hand?
 2. What is on order?
 3. What has been sold?
- E. Getting the work done. (Internal Organization)
 1. Who is responsible for what?
 2. Clearly defined job descriptions making sure each employee knows what tasks he will be required to do.

- F. Determine your money needs
 - 1. Start up costs.
 - 2. Operating Expenses.
 - a. Break down the expenses
 - b. Match expected sales revenue and expenses. Will sales bring in enough money to pay the bills on time?

- G. Sources of additional capital (money other than your personal investment).
 - 1. Commercial banks
 - 2. Trade editors, equipment manufacturers.
 - 3. Small loan companies, factors, commercial credit companies, sales finance companies, and insurance companies.

- H. Control and Feedback - Is the business progressing according to plan?
 - 1. Monthly financial statements.
 - 2. Control Systems should cover:
 - a. Inventory
 - b. Sales
 - c. Disbursements
 - d. Break-even -- At what sales level will income cover expenses without showing a profit?

- I. Will your business plan work?
 - 1. You are trying to predict what will happen in the future, so at this point you should review the plan to reassure yourself that you are being as realistic and accurate as possible.
 - 2. If someone else prepares the plan for you, make sure you go over it in detail with them and be sure you understand the information it contains.

- J. Put the plan into action.

- K. Keep the plan up-to-date.
 - 1. This is accomplished through your systems of control and feedback.

Summary:

The business plan outlined above pertains primarily to retail businesses. It is explained in more detail along with work sheets in SBA publication MA 2.020. SBA also publishes business plans for small service firms (MA 2.022), small manufacturers (MA 2.0007), and small construction firms (MA 2.008). These publications are available at a nominal charge from the SBA. Order on form 115A.

A well formulated business plan serves three important functions: First, it serves as a "plan of attack" how to get started in business. Second, it serves as a guideline enabling you to steer the business into a profitable position and then keep it there. Third, in the event that you seek to borrow money to get started, the business plan will help you answer the five basic questions that a lender will have:

1. What sort of person are you?
2. What are you going to do with the money?
3. What and how are you going to pay it back?
4. Does the amount requested make allowances for unexpected developments?
5. What is the outlook for you, your line of business, and for the business in general?

IV. **Record Keeping**

- A. Determine the record keeping requirements.
 1. Consult an independent accountant.
 2. Be sure you understand whatever record keeping system you decide to use.
 3. Open a company bank account.
 - a. Keep all business transactions separate form personal expenses. THIS IS IMPORTANT !
 - b. Deposit all receipts intact and promptly.
 - c. Decide on check signer(s).
 - d. Pay all expenses by check.
 - e. Open a tax account to keep tax collections (Sales, social security, income) and estimates separate from sales revenues.
- B. Decide on how often you will need to see a profit and loss statement and a balance sheet.
 1. Monthly Profit and Loss Statements are a good idea.
 2. Know the industry averages for your business and see how you compare. For reference: Robert Morris Associates Annual Statements Studies; Dun & Bradstreet; or National Cash Register.
- C. If you do not know how, Learn to "read" a profit and loss statement and a balance sheet. There is more to it than looking at the bottom line to see if you made or lost money.
 1. Records are the most important management "tool" you possess.
 2. If you seek management assistance form SBA, a bank, or an outside consultant, it will be virtually impossible for them to help you if you do not have good records.

NOTES

YOUR GUIDE TO OPENING A BUSINESS IN MCLENNAN COUNTY

This checklist is designed to assist owners and managers of new businesses in Waco and McLennan County in obtaining information about agencies and firms which offer assistance about licenses, permits, and inspections which are required of various government agencies.

Obviously, this list does not cover everything you need to do -- no list can. It should be used as a starter. Before actually opening a business, the owner or manager should:

- (1) Obtain an accountant
- (2) Contact appropriate City, County and State offices to secure specific information on licenses, permits, inspections and other related matters.
- (3) Seek legal advice.

CHECK HERE	ITEMS TO CONSIDER	LOCATION & PHONE
_____	(1) IRS INCOME & EMPLOYEE TAXES Call (toll free) and ask for Tax Kit or Employer's I.D. number and information	Internal Revenue Service 1-800-829-4933
_____	(2) If a business is to be operated under an assumed name, the name under which it proposes to operate should be filed with McLennan County. Prior to filing the assumed name, the records should be checked in the office of the County Clerk to see if any other business is presently operating under the name.	County Clerk's Office 5 th & Washington Waco, TX 76701 254-757-5000
_____	(3) Certificates and all information pertaining to filing of articles of incorporation or authority of foreign corporations to do business in Texas can be obtained from the Secretary of State's office.	Secretary of State PO Box 12887 Austin, TX 76711 512-463-5701
_____	(4) Owners and managers of new businesses in McLennan County should contact the Comptroller's office in Austin for information on <u>Sales Tax</u> and other laws administered by this office.	State Comptroller 1-800-252-5555 801 Austin Ave. 254-755-7709

- | | | | |
|-------|------|---|--|
| _____ | (5) | Information about licenses and fees pertaining to the sale, transportation, or storage of alcoholic beverages can be obtained from the Texas Alcoholic Beverage Commission. | Texas Alcoholic Beverage Comm.
Richland Office
6001 W. Waco Dr.
Suite 8
Waco, TX 76710
254-776-7626 |
| _____ | (6) | To check if occupational license is required (business who will be selling alcoholic bev.) | Water/Tax Office
425 Franklin Ave.
254-299-2489 |
| _____ | (7) | Employees of firms involved in the handling, packaging, and warehousing of foods must have food handler's certificates issued by the City/County Health Dept. | City/County Health Department
Environmental Health
225 W. Waco Dr.
Waco, TX 76703
254-750-5464 |
| _____ | (8) | Contact Inspection Services if an inspection for building is needed to turn on electricity. If structure/building is new, Inspection Services will issue a Certificate of Occupancy for any new commercial business. | City of Waco
Inspection Svcs. Dept.
3 rd & Austin/City Hall
254-750-5612 |
| _____ | (9) | The Fair Labor Standards Act requires employers to maintain records on wages, hours, and other items. Employers having workers subject to the minimum wage provisions should contact the US Dept. of Labor for information. | Wage & Hour Div.
US Dept. of Labor
101 E. 15 th St.
Austin, TX 78711
1-866-4-USWAGE |
| _____ | (10) | For information on unemployment taxes, labor laws, and required postings, as well as assistance with hiring new employees, employers should contact the Texas Employment Commission. | Texas Workforce Commission
LABOR LAW INFO:
1-800-832-9243
New Employers:
1416 South New Road
Waco, TX 76711
254-754-5421 |
| _____ | (11) | For information on Workers Compensation policies, rates and classifications, employers should contact the State Board of Insurance. | State Board of Insurance
PO Box 149104
Austin, TX 78714
512-322-3486 |
| _____ | (12) | Developers of residential properties and builders of commercial and industrial properties should investigate the various city ordinances and laws which pertain to such development. For questions regarding | Planning Dept.
City of Waco/City Hall
PO Box 2570
Waco, TX 76702
254-750-5650 |

_____ (13) Contact the utility providers of your choice for deposit and service accommodations.

_____ (14) Free information and assistance with management, start-up, and small business loans may be obtained from the following agencies:

McLennan Community College 254-299-8141
Small Business Development Center 1-800-349-SBDC
1400 College Drive
Waco, TX 76708

Business Resource Center 254-754-8898
801 Elm Street
Waco, TX 76704

Service Corps of Retired Executives 254-754-8898
801 Elm Street
Waco, TX 76704

Small Business Administration 817-684-5500
4300 Amon Carter Blvd., Suite 114
Fort Worth, TX 76155

_____ (15) Information concerning import and export procedures can be obtained from the following agencies:

McLennan Community College Small Business Development Center (See number 12 for address) 254-299-8141

The International Small Business Development Center 214-747-1300
World Trade Center Suite 156 A 1-800-337-7232
PO Box 420451
Dallas, TX 75342

Office of the Governor Economic & Tourism 1-800-888-0511
410 E. 5th Street
Austin, TX 78701

_____ (16) Area Wage Survey information is available from the Bureau of Labor Statistics Bureau of Labor Statistics
525 Griffin St.,
Room 221
Dallas, TX 75202
214-767-6970

-
- (17) Information concerning the Occupational Safety and Health Act can be obtained from the regional office by OSHA (Occupational Safety and Health Administration). Occupational Safety and Health Admin.
525 Griffin St.,
Room 602
Dallas, TX 75202
214-767-4731
- (18) Many additional services and information are available through your local Chamber of Commerce.
- | | |
|--|--------------|
| Greater Waco Chamber
PO Drawer 1220
Waco, TX 76703 | 254-752-6551 |
| Bellmead Chamber of Commerce | 254-799-1552 |
| Cen-Tex Hispanic Chamber of Commerce | 254-754-7111 |
| Greater Hewitt Chamber of Commerce | 254-666-1200 |
| Lorena Chamber of Commerce | 254-857-7771 |
| Mart Chamber of Commerce | 254-876-2231 |
| McGregor Chamber of Commerce | 254-840-2292 |
| Robinson Chamber of Commerce | 254-662-0233 |
| West Chamber of Commerce | 254-826-3188 |