National Tile Contractors Association

BUSINESS MANUAL
Business Plan Elements
The business plan consists of a narrative and several financial worksheets. The narrative template is the body of the business plan. It contains more than 150 questions divided into several sections. Work through the sections in any order that you like, except for the Executive Summary, which should be done last. Skip any questions that do not apply to your type of business. When you are finished writing your first draft, you'll have a collection of small essays on the various topics of the business plan. Then you'll want to edit them into a smooth-flowing narrative.

Why a Business Plan Is Important
The real value of creating a business plan is not in having the finished product in hand; rather, the value lies in the process of researching and thinking about your business in a systematic way. The act of planning helps you to think things through thoroughly, study and research if you are not sure of the facts, and look at your ideas critically. It takes time now, but avoids costly, perhaps disastrous, mistakes later.

About this Business Plan Template
This business plan is a generic model suitable for all types of businesses. However, you should modify it to suit your particular circumstances. Before you begin, review the section titled Refining the Plan, found at the end. It suggests emphasizing certain areas depending upon your type of business (manufacturing, retail, service, etc.). It also has tips for fine-tuning your plan to make an effective presentation to investors or bankers. If this is why you’re creating your plan, pay particular attention to your writing style. You will be judged by the quality and appearance of your work as well as by your ideas.

It typically takes several weeks to complete a good plan. Most of that time is spent in research and re-thinking your ideas and assumptions. But then, that’s the value of the process. So make time to do the job properly. Those who do, never regret the effort. And finally, be sure to keep detailed notes on your sources of information and on the assumptions underlying your financial data.
Business Plan

OWNERS
Business name: Your Business Name
Address: Address Line 1
          Address Line 2
          City, ST ZIP Code
Telephone: (555) 555-0100
Fax: (555) 555-0101
E-mail: someone@example.com
Table of Contents

Table of Contents.................................................................................................................. 3
Executive Summary................................................................................................................ 4
General Company Description............................................................................................. 4
Products and Services............................................................................................................. 5
Marketing Plan....................................................................................................................... 5
Operational Plan..................................................................................................................... 11
Management and Organization............................................................................................ 15
Personal Financial Statement ............................................................................................... 16
Financial History and Analysis............................................................................................. 16
Financial Plan........................................................................................................................ 16
Appendices............................................................................................................................. 18
Refining the Plan..................................................................................................................... 19
Executive Summary

Write this section last!

We suggest that you make it two pages or less.

Include everything that you would cover in a five-minute interview.

Explain the fundamentals of the business: What is your product, who are your customers, who are the owners, and what do you think the future holds for your business and your industry?

Make it enthusiastic, professional, complete, and concise.

If you are applying for a loan, state clearly how much you want, precisely how you are going to use it, and how the money will make your business more profitable, thereby ensuring repayment.

General Company Description

Mission statement: Many companies have a brief mission statement, usually 30 words or fewer, explaining their reason for being and their guiding principles. If you have a mission statement, this is a good place to put it in the plan, followed by company goals and objectives and business philosophy.

What business are you in? What do you do?

What is your target market? (Explain briefly here, because you will do a more thorough explanation in the Marketing Plan section.)

Describe your industry. Is it a growth industry? What changes do you foresee in your industry, and how is your company poised to take advantage of them?

Now give a detailed description of the business:

Form of ownership: Sole proprietor, partnership, corporation, or limited liability corporation (LLC)?

Company history: Years in business, previous owners, successes, failures, lessons learned, reputation in community, sales and profit history, number of employees, and events that affected success. Discuss significant past problems and how you solved and survived them.

Most important strengths and core competencies: What factors will make the company succeed? What are your major competitive strengths? What strengths do you personally bring to the business?
Significant challenges the company faces now and in the near future: If you are asking for funding, go on to explain how the new capital will help you meet these challenges.

Long term: What are your plans for the future of the business? Growth? If so, at what rate and how will you achieve it?

Are you developing strategies for continued growth, increased production, diversification, or eventual sale of the business? What are your time frames for these?

Products and Services

Describe in depth your products and services. (Technical specifications, drawings, photos, sales brochures, and other bulky items belong in the Appendices.)

What factors give you competitive advantages or disadvantages? For example, the level of quality, or unique or proprietary features.

What is the pricing, fee, or leasing structure of your products and services?

Marketing Plan

Notes on Preparation:

Market research: Why?

You spend so much time on marketing-related matters — customers, competitors, pricing, promotion, and advertising — that it is natural to assume that you have little to learn. However, every small business can benefit from doing market research to make sure it is on track. Use the business planning process as your opportunity to uncover data and to question your marketing efforts. It will be time well spent.

Market research: How?

There are two kinds of market research: primary and secondary.

Secondary research means using published information such as industry profiles, trade journals, newspapers, magazines, census data, and demographic profiles. This type of information is available from public libraries, industry associations, chambers of commerce, vendors who sell to your industry, and government agencies.

Start with your local library. Most librarians are pleased to guide you through their business data collection. You will be amazed at what is there. There are more online sources than you could possibly use. Your chamber of commerce has
good information on the local area. Trade associations and trade publications often have excellent industry-specific data.

Primary market research means gathering your own data. For example, you could do your own traffic count at a proposed location, use the yellow pages to identify competitors, and do surveys or focus group interviews to learn about consumer preferences. Professional market research can be very costly, but there are many books that show small business owners how to do effective research.

In your marketing plan, be as specific as possible; give statistics, numbers, and sources. The marketing plan will be the basis, later on, of the all-important sales projection.

The Marketing Plan:
Economics

• Facts about your industry
• Total size of your market
• Percentage share of the market you have. (This is important only if you are a major factor in the market.)
• Current demand in target market
• Growth history
• Trends in target market — growth trends, trends in consumer preferences, and trends in product development
• Growth potential and opportunity for a business of your size
• What barriers to entry keep potential new competitors from flooding into your market?
  ▪ High capital costs
  ▪ High production costs
  ▪ High marketing costs
  ▪ Consumer acceptance/brand recognition
  ▪ Training/skills
  ▪ Unique technology/patents
  ▪ Unions
• Shipping costs
• Tariff barriers/quotas

• How could the following affect your company?
  • Change in technology
  • Government regulations
  • Changing economy
  • Change in your industry

**Products**

In the *Products and Services* section, you described your products and services as you see them. Now describe them from your customers’ point of view.

**Features and Benefits**

List all your major products or services.

For each product or service, describe the most important features. That is, what does the product do? What is special about it?

Now, for each product or service, describe its benefits. That is, what does the product do for the customer?

Note the differences between features and benefits, and think about them. For example, a house gives shelter and lasts a long time; those are its features. Its benefits include pride of ownership, financial security, providing for the family, and inclusion in a neighborhood. You build features into your product so you can sell the benefits.

What after-sale services are supplied? For example: delivery, warranty, service contracts, support, follow-up, or refund policy.

**Customers**

Identify your customers, their characteristics, and their geographic locations; that is, demographics.

The description will be completely different depending on whether you sell to other businesses or directly to consumers. If you sell a consumer product, but sell it through a channel of distributors, wholesalers, and retailers, you must carefully analyze both the end user and the intermediary businesses to which you sell.
You may have more than one customer group. Identify the most important groups. Then, for each consumer group, construct a demographic profile:

- Age
- Gender
- Location
- Income level
- Social class/occupation
- Education
- Other

For business customers, the demographic factors might be:

- Industry (or portion of an industry)
- Location
- Size of firm
- Quality/technology/price preferences
- Other

**Competition**

What products and companies compete with you? List your major competitors, including their names and addresses.

Do they compete with you across the board, just for certain products, certain customers, or in certain locations?

Use the following table to compare your company with your three most important competitors.

In the first column are key competitive factors. Because these vary with each market, you may want to customize the list of factors.

In the cell labeled "Me," state honestly how you think you stack up in customers' minds. Then decide whether you think this factor is a strength or a weakness for you. If you find it hard to analyze yourself this way, enlist some disinterested party to assess you. This can be a real eye-opener.

Now analyze each major competitor. In a few words, state how you think they stack up.
In the last column, estimate how important each competitive factor is to the customer. 1 = critical; 5 = not very important.

Table 1: Competitive Analysis

<table>
<thead>
<tr>
<th>FACTOR</th>
<th>Me</th>
<th>Strength</th>
<th>Weakness</th>
<th>Competitor A</th>
<th>Competitor B</th>
<th>Competitor C</th>
<th>Importance to customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reliability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expertise</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company reputation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Location</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appearance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales method</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit policies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Image</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

After you finish the competitive matrix, write a short paragraph stating your competitive advantages and disadvantages.

**Niche**

Now that you have systematically analyzed your industry, your product, your customers, and the competition, you should have a clear picture of where your company fits into the world.

In one short paragraph, define your niche, your unique corner of the market.
Marketing Strategy

Now outline a marketing strategy that is consistent with your niche.

Promotion: How do you get the word out to customers?

Advertising: What media do you use, why, and how often? Has your advertising been effective? How can you tell?

Do you use other methods, such as trade shows, catalogs, dealer incentives, word of mouth, and network of friends or professionals?

If you have identifiable repeat customers, do you have a systematic contact plan?

Why this mix and not some other?

Promotional Budget

How much will you spend on the items listed above?

Should you consider spending less on some promotional activities and more on others?

Pricing

What is your pricing strategy? For most small businesses, having the lowest prices is not a good strategy. Usually you will do better to have average prices and compete on quality and service. Does your pricing strategy fit with what was revealed in your competitive analysis?

Compare your prices with those of your competition. Are they higher, lower, the same? Why?

How important is price as a competitive factor?

What are your payment and customer credit policies?

Location

You will describe your physical location in the Operational Plan section of your business plan. Here in the Marketing Plan section, analyze your location as it affects your customers.

If customers come to your place of business:

- Is it convenient? Parking? Interior spaces? Not out of the way?
- Is it consistent with your image?
• Is it what customers want and expect?

Where is the competition located? Is it better for you to be near them (like car dealers or fast-food restaurants) or distant (like convenience food stores)?

**Distribution Channels**

How do you sell your products or services?

• Retail
• Direct (mail order, World Wide Web, catalog)
• Wholesale
• Your own sales force
• Agents
• Independent reps

Has your marketing strategy proven effective?

Do you need to make any changes or additions to current strategies?

**Sales Forecast**

Now that you have described your products, services, customers, markets, and marketing plans in detail, it is time to attach some numbers to your plan. Use a forecast spreadsheet to prepare a month-by-month projection. Base the forecast on your historical sales, the marketing strategies that you have just described, your market research, and industry data, if available.

You may want to do two forecasts: 1) a "best guess," which is what you really expect, and 2) a "worst case" low estimate that you are confident you can reach no matter what happens.

Remember to keep notes on your research and your assumptions as you build this sales forecast and all subsequent spreadsheets in the plan. Relate the forecast to your sales history, explaining the major differences between past and projected sales. This is critical if you are going to present it to funding sources.

**Operational Plan**

Explain the daily operation of the business, its location, equipment, people, processes, and surrounding environment.

**Production**

How and where do you produce your products or services?
Explain your methods of:

- Production techniques and costs
- Quality control
- Customer service
- Inventory control
- Product development

**Location**
Describe the locations of production, sales, storage areas, and buildings.

Do you lease or own your premises?

Describe access to your buildings (walk in, parking, freeway, airport, railroad, and shipping).

What are your business hours?

If you are trying to get an expansion loan, include a drawing or layout of your proposed facility.

**Legal Environment**
Describe the following:

- Licensing and bonding requirements
- Permits
- Health, workplace, or environmental regulations
- Special regulations covering your industry or profession
- Zoning or building code requirements
- Insurance coverage
- Trademarks, copyrights, or patents (pending, existing, or purchased)

**Personnel**

- Number of employees
- Type of labor (skilled, unskilled, professional)
- Where do you find new employees?
• Quality of existing staff
• Pay structure
• Training methods and requirements
• New hiring in the coming year?
• Who does which tasks?
• Are schedules and procedures in place?
• Do you have written job descriptions for employees? If not, take time to write some. Written job descriptions really help internal communications with employees.
• Do you use contract workers as well as employees?

**Inventory**
• What kind of inventory do you keep: raw materials, supplies, finished goods?
• Average value in stock; that is, what is your inventory investment?
• Rate of turnover and how it compares with industry averages?
• Seasonal buildups?
• Lead time for ordering?

**Suppliers**
Note the following information about your suppliers:
Their names and addresses.
Type and amount of inventory furnished.
Credit and delivery policies.
History and reliability.
Do you expect shortages or short-term delivery problems?
Are supply costs steady or fluctuating? If fluctuating, how do you deal with changing costs?
Should you be searching out new sources of supply, or are you satisfied with present suppliers?
Credit Policies
Do you sell on credit? If so, do you really need to? Is it customary in your industry and expected by your clientele?

Do you carefully monitor your payables (what you owe to vendors) to take advantage of discounts and to keep your credit rating good?

You need to carefully manage both the credit you extend and the credit you receive.

Managing Your Accounts Receivable
If you do extend credit, what are your policies about who gets credit and how much?

How do you check the creditworthiness of new applicants?

What terms will you offer your customers; that is, how much credit and when is payment due?

Do you offer prompt payment discounts? (It is best to do this only if it is usual and customary in your industry.)

Do you know what it costs you to extend credit? This includes both the cost of capital tied up in receivables and the cost of bad debts.

Have you built the costs into your prices?

You should do an aging at least monthly to track how much of your money is tied up in credit given to customers and to alert you to slow payment problems. A receivables aging looks like the following table.

<table>
<thead>
<tr>
<th>Accounts receivable aging</th>
<th>Total</th>
<th>Current</th>
<th>30 Days</th>
<th>60 Days</th>
<th>90 Days</th>
<th>Over 90 Days</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Collecting from delinquent customers is no fun. You need a set policy and you need to follow it.

When do you make a phone call?

When do you send a letter?

When do you get your attorney to threaten?

Managing Your Accounts Payable

www.tile-assn.com
You should also age your accounts payable (what you owe to your suppliers). Use this format.

**Table 3: Accounts Payable Aging**

<table>
<thead>
<tr>
<th>Accounts payable aging</th>
<th>Total</th>
<th>Current</th>
<th>30 Days</th>
<th>60 Days</th>
<th>90 Days</th>
<th>Over 90 Days</th>
</tr>
</thead>
</table>

This helps you plan whom to pay and when. Paying too early depletes your cash, but paying late can cost you valuable discounts and damage your credit. (Hint: If you know you will be late making a payment, call the creditor before the due date. It tends to relax them.)

Are prompt payment discounts offered by your proposed vendors? Do you always take them?

**Management and Organization**

Who manages the business on a day-to-day basis?

What experience does that person bring to the business? What special or distinctive competencies?

Is there a plan for continuation of the business if this person is lost or incapacitated?

If you have more than 10 employees, prepare an organizational chart showing the management hierarchy and who is responsible for key functions. Include position descriptions for key employees.

**Professional and Advisory Support**

List the following:

- Board of directors and management advisory board
- Attorney
- Accountant
- Insurance agent
- Banker
- Consultants
- Mentors and key advisors

www.tile-assn.com
Personal Financial Statement

Owners often have to draw on personal assets to finance the business. This statement will show you what is available. Bankers and investors usually want this information as well. They will ask owners to cosign or personally guarantee any business loans.

Document your assumptions, notes, definitions, and any special financial situation. Include details of notes, securities, contracts, etc. on the bottom of a personal financial spreadsheet. Include one such spreadsheet for each principal.

Financial History and Analysis

A solid analysis of the past must precede any serious attempt to forecast the future. A financial history and ratios spreadsheet will allow you to put a great deal of financial information from other statements on a single page for ease of comprehension and analysis. You may also enter industry average ratios for comparison.

In the Appendices, put year-end balance sheets, operating statements, and business income tax returns for the past three years, plus your most current balance sheet and operating statement.

Debt Schedule

This table gives in-depth information that the financial statements themselves do not usually provide. Include a debt schedule in the following format for each note payable on your most recent balance sheet.

<table>
<thead>
<tr>
<th>To whom payable</th>
<th>Original amount</th>
<th>Original date</th>
<th>Present balance</th>
<th>Rate of interest</th>
<th>Maturity date</th>
<th>Monthly payment</th>
<th>Security</th>
<th>Current/past due</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Financial Plan

The financial plan consists of a 12-month profit and loss projection, a four-year profit and loss projection (optional), a cash-flow projection, a projected balance sheet, and a breakeven calculation.

Together, these spreadsheets constitute a reasonable estimate of your company’s financial future. More important, however, the process of thinking through the financial plan will improve your insight into the inner financial workings of your company.
**12-Month Profit and Loss Projection**

Explain the major assumptions used to estimate company income and expenses. Your sales projection should come from an annual sales forecast. Pay special attention to areas where historical performance varies markedly from your projections.

**Four-Year Profit Projection (Optional)**

The 12-month projection is the heart of your financial plan. However, this worksheet is for those who want to carry their forecasts beyond the first year. It is expected of those seeking venture capital. Bankers pay more attention to the 12-month projection.

Of course, keep notes of your key assumptions, especially about things you expect to change dramatically over the years.

**Projected Cash Flow**

The cash-flow projection is just a forward look at your checking account.

For each item, determine when you actually expect to receive cash (for sales) or when you will actually have to write a check (for expense items).

Your cash flow will show you whether your working capital is adequate. Clearly if your cash on hand goes negative, you will need more. It will also show when and how much you need to borrow.

Explain your major assumptions, especially those that make the cash flow differ from a profit and loss statement, such as:

- If you make a sale in month 1, when do you actually collect the cash?
- When you buy inventory or materials, do you pay in advance, upon delivery, or much later?
- How will this affect cash flow?
- Are some expenses payable in advance?
- Are there irregular expenses, equipment purchase, or inventory buildup that should be budgeted?

And of course, depreciation does not appear at all because you never write a check for it.

**Projected Balance Sheet**

This is an estimate of what the balance sheet will look like at the end of the 12-month period covered in your projections.
In the business plan section related to your projected balance sheet, state the assumptions that you used for all major changes between your last historical balance sheet and the projection.

**Breakeven Analysis**

A breakeven analysis determines the sales volume, at a given price, that is required to recover total costs.

Expressed as a formula, breakeven is as follows.

\[
\text{Breakeven sales} = \frac{\text{Fixed costs}}{1 - \text{Variable costs}}
\]

(Where fixed costs are expressed in dollars, but variable costs are expressed as a percentage of total sales.)

**Appendices**

Include details and studies used in your business plan; for example:

- Brochures and advertising materials
- Industry studies
- Blueprints and plans
- Maps and photos of location
- Magazine or other articles
- Detailed lists of equipment owned or to be purchased
- Copies of leases and contracts
- Letters of support from future customers
- Any other materials needed to support the assumptions in this plan
- Market research studies
Refining the Plan

The generic business plan presented above should be modified to suit your specific type of business and the audience for which the plan is written.

For Raising Capital
For Bankers

Bankers want assurance of orderly repayment. If you intend to use this plan to present to lenders, include:

- Amount of loan.
- How you will use the funds.
- What will this accomplish (how will it make the business stronger)?
- Requested repayment terms (number of years to repay). You will probably not have much negotiating room on interest rate, but you may be able to negotiate a longer repayment term, which will help cash flow.
- Collateral offered, and a list of all existing liens against the collateral.

For Investors

Investors have a different perspective from bankers. They are looking for dramatic growth, and they expect to share in the rewards. Include the following in the plan that you present to potential investors:

Funds needed short term
Funds needed in two to five years
How the company will use the funds, and what this will accomplish for growth
Estimated return on investment
Exit strategy for investors (buyback, sale, or IPO)
Percentage of ownership that you will give up to investors
Milestones or conditions that you will accept
Financial reporting that you will provide
Involvement of investors on the board or in management

Refine Your Plan for the Type of Business
Manufacturing
• Present production levels
• Present levels of direct production costs and indirect (overhead) costs
• Gross profit margin, overall and for each product line
• Possible production efficiency increases
• Production-capacity limits of existing physical plant
• Production capacity of expanded plant (if expansion is planned)
• Production-capacity limits of existing equipment
• Production capacity of new equipment (if new equipment is planned)
• Prices per product line
• Purchasing and inventory management procedures
• Anticipated modifications or improvements to existing products
• New products under development or anticipated

**Service Businesses**

Service businesses sell intangible products. They are usually more flexible than other types of business, but they also have higher labor costs and generally very little in fixed assets.

• Prices
• Methods used to set prices
• System of production management
• Quality control procedures
• Standard or accepted industry quality standards
• How do you measure labor productivity?
• What percentage of total available hours do you bill to customers?
• Breakeven billable hours
• Percentage of work subcontracted to other firms
• Profit on subcontracting?
• Credit, payment, and collections policies and procedures
• Strategy for keeping client base
• Strategy for attracting new clients

High-Tech Companies

• Economic outlook for the industry
• Does your company have information systems in place to manage rapidly changing prices, costs, and markets?
• Is your company on the cutting edge with its products and services?
• What is the status of R&D? And what is required to bring the product or service to market and to keep the company competitive?
• How does the company:
  ▪ Protect intellectual property?
  ▪ Avoid technological obsolescence?
  ▪ Supply necessary capital?
  ▪ Retain key personnel?

If your company is not yet profitable or perhaps does not yet even have sales, you must do longer-term financial forecasts to show when profit take-off will occur. And your assumptions must be well documented and well argued.

Retail Business

• Company image
• Pricing: Explain mark-up policies. Prices should be profitable, competitive, and in accord with the company image.

• Inventory:
  ▪ Selection and price should be consistent with company image.
  ▪ Calculate your annual inventory turnover rate. Compare this to the industry average for your type of store.

• Customer service policies: These should be competitive and in accord with the company image.
• Location: Does it give the exposure you need? Is it convenient for customers? Is it consistent with company image?

• Promotion: What methods do you use and what do they cost? Do they project a consistent company image?

• Credit: Do you extend credit to customers? If yes, do you really need to, and do you factor the cost into prices?
<table>
<thead>
<tr>
<th>PAGE #</th>
<th>TOPIC</th>
<th>PAGE #</th>
<th>TOPIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Business Plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Strategic Planning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Organizational Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Operational Plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Estimating</td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Bidding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Marketing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>Financial Operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>35</td>
<td>Taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>38</td>
<td>Insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>47</td>
<td>Administration &amp; Human Resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>54</td>
<td>Succession Planning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>54</td>
<td>Legal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>62</td>
<td>Professional Consultants/ Business</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Coach</td>
<td></td>
<td></td>
</tr>
<tr>
<td>63</td>
<td>Forms</td>
<td></td>
<td></td>
</tr>
<tr>
<td>89</td>
<td>Credits &amp; References</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
BUSINESS PLAN

(The business plan is an integral part of the business section of the NTCA Reference Manual, however, it is a stand-alone document developed for individual company use.)

It answers the following concerns:

Why should you develop a business plan?
How should you go about developing the plan?
Who should develop the plan?

A business plan gives you goals and defines what you are doing. Books are the greatest source of information because the nucleus of running a business is universally the same. Other business people and companies are good sources if they are willing to share their experiences and time. There are peer groups that help you with your business. There are generally fees and membership costs with these types of groups. Some of the colleges offer business courses that are lower fees or no cost at all in attending. Check with your Chamber of Commerce in asking about these types of programs. If you have a Business Journal in your city, call and ask about programs. Construction newspapers are good sources for seeking information.

NOTE: The business plan is attached at the end of the business section.

------------------------------------------------------------------------------------

1) Strategic Planning

Strategic Planning is an organization’s process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people. Strategic Planning is the formal consideration of an organization’s future course of action. A successful plan should be able to answer the following three key questions:

1. “What do we do?”
2. “For whom do we do it?”
3. “How do we excel at it?”

In addition, some companies often ask a fourth question, which is “How can we beat or avoid our competition?” However, this approach is more about defeating your competition rather than excelling at “what you do”. In many organizations, Strategic Planning is viewed as a process for determining where the company is going over the next year, or more typically-2-5 years (long term). In order to determine where it is going, the organization needs to know exactly where it stands, then determine where it wants to go and how it will get there. The resulting document is called the “Strategic Plan.”

While strategic planning may be used to effectively plot a company’s longer-term direction, one cannot use it to reliably forecast how the market will evolve and what issues will surface in the immediate future. Therefore, strategic innovation and tinkering with the “strategic plan” will have to be a cornerstone strategy for an organization to survive the
turbulent business climate. At a minimum, the Strategic Plan should be updated annually, in order for it to be a viable part of your company management.

A. Vision/Mission/Values Statement

I. Vision: Defines the way an organization will look in the future. Vision is a long-term view, the world to be in which it operates. For example, a charity working with the poor might have a vision statement which reads, “A World without Poverty.”

II. Mission: Defines the fundamental purpose of the organization, describing why it exists and what it does to achieve the Vision. It is sometimes used to set out a “picture” of the company in the future. A mission statement provides details of what is done and statement like “job training for the homeless and unemployed.”

III. Values: Beliefs that are shared among the decision-makers of the organization. Values drive the culture and priorities and provide a framework in which decisions are made. For example, “Knowledge and skills are the keys to success” is an example of the values of the company.

The Strategic Plan combines the goals for which the firm is striving and the means (policies) by which it is seeking to get there. A strategy is sometimes called a roadmap which is the path chosen to plow towards the end vision. The most important part of implementing the strategy is ensuring the company is going in the right direction, which is toward the end vision.

Organizations sometimes summarize goals and objectives into a mission statement and/or a vision statement. Others begin with a vision and mission and use them to formulate goals and objectives.

- A Mission Statement tells you the fundamental purpose of the organization. It defines the customer and the critical processes. It informs you of the desired level of performance.

- A Vision Statement outlines what the company wants to be, or how it wants the world in which it operates to be. It concentrates on the future. It is a source of inspiration. It provides clear decision-making criteria.

For example, a tile contracting company may have a mission of becoming the largest and most profitable commercial company in its market. Another company may want to remain small and work specifically with custom homes and remodeling projects. The mission statement is where you can clearly define who you want to be.

Make sure you define your company name and what you do. This gives your target audience a clear understanding of who you are and the services you are going to provide them.

An advantage of having a statement is that it creates value for those who get exposed to it, such as owners, managers, employees, and sometimes even customers. Statements create a sense of direction and opportunity.
Many people mistake the vision statement for the mission statement, and sometimes one is used as a longer-term version of the other. The Vision should explain why it is important to achieve the Mission. A vision statement defines the purpose or broader goal for being existence and can remain the same for decades if crafted well. A Mission statement is more specific to what the company can become. Vision should describe what will be achieved in the bigger picture if the company and others are successful in achieving their individual missions.

Which comes first? It depends. If you have a new start up company, or a new program to reengineer your current services, such as a maintenance division, then the vision will guide the mission statement and the rest of the strategic plan. If you have an established business where the mission is established, then many times, the mission guides the vision statement and the rest of the Strategic Plan. Either way, you need to know your fundamental purpose (mission) and your current situation in terms of resources and capabilities (strengths and weaknesses) and external conditions (opportunities and threats); and where you want to go (Vision) for the future. It is vital that you keep the end or desired result in sight from the start.

To become effective, the vision statement must become part of the company culture. Leaders have the responsibility of communicating the vision regularly, acting as role-models by embracing the vision, creating short-term objectives compatible with it, and encouraging others to craft their own personal vision compatible with company vision.

B) Strategic Planning Process

There are many approaches to strategic planning but typically a three-step process may be used:

1. Situation-Evaluate the current situation you are in and how it came about.
2. Target-Define your goals and objectives you wish to accomplish.
3. Path/Proposal-Map a possible route to accomplish your goals and objectives.

C) Strategic Planning Tools and Approaches

One of the most useful tools for strategic planning is SWOT analysis. (Strengths, Weaknesses, Opportunities and Threats). The main objective of SWOT is to analyze internal strategic factors, strengths and weaknesses in your company, and outside forces beyond the control of your company such as opportunities and threats. The economic climate could be a threat to accomplishing goals.

SWOT Analysis Template Situation being analyzed: ____________________________

This SWOT example is for a new business opportunity. Many criteria can apply to more than one quadrant. Identify criteria appropriate to your own SWOT situation.

<table>
<thead>
<tr>
<th>Criteria Examples</th>
<th>Strengths</th>
<th>Weaknesses</th>
<th>Criteria Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advantages of proposition?</td>
<td></td>
<td></td>
<td>Disadvantages of proposition?</td>
</tr>
<tr>
<td>Capabilities?</td>
<td>Opportunities</td>
<td>Threats</td>
<td>Criteria Examples</td>
</tr>
<tr>
<td>--------------</td>
<td>---------------</td>
<td>--------</td>
<td>------------------</td>
</tr>
<tr>
<td>Competitive advantages?</td>
<td>Market developments?</td>
<td>Lack of competitive strength?</td>
<td></td>
</tr>
<tr>
<td>USP's (unique selling points)?</td>
<td>Competitors' vulnerabilities?</td>
<td>Reputation, presence and reach?</td>
<td></td>
</tr>
<tr>
<td>Resources, Assets, People?</td>
<td>Industry or lifestyle trends?</td>
<td>Financials?</td>
<td></td>
</tr>
<tr>
<td>Experience, knowledge, data?</td>
<td>Technology development and innovation?</td>
<td>Own known vulnerabilities?</td>
<td></td>
</tr>
<tr>
<td>Financial reserves, likely returns?</td>
<td>Global influences?</td>
<td>Timescales, deadlines and pressures?</td>
<td></td>
</tr>
<tr>
<td>Innovative aspects?</td>
<td>Niche target markets?</td>
<td>Continuity, supply chain robustness?</td>
<td></td>
</tr>
<tr>
<td>Location and geographical?</td>
<td>Geographical, export, import?</td>
<td>Effects on core activities, distraction?</td>
<td></td>
</tr>
<tr>
<td>Price, value, quality?</td>
<td>New USP's?</td>
<td>Reliability of data, plan predictability?</td>
<td></td>
</tr>
<tr>
<td>Accreditations, qualifications, certifications?</td>
<td>Tactics: eg, surprise, major contracts?</td>
<td>Morale, commitment, leadership?</td>
<td></td>
</tr>
<tr>
<td>Processes, systems, IT, communications?</td>
<td>Business and product development?</td>
<td>Accreditations, etc?</td>
<td></td>
</tr>
<tr>
<td>Cultural, attitudinal, behavioral?</td>
<td>Information and research?</td>
<td>Processes and systems, etc?</td>
<td></td>
</tr>
<tr>
<td>Management cover, succession?</td>
<td>Partnerships, agencies, distribution?</td>
<td>Management cover, succession?</td>
<td></td>
</tr>
<tr>
<td>Philosophy and values?</td>
<td>Volumes, production, economies?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Criteria Examples:
- Market developments?
- Competitors' vulnerabilities?
- Industry or lifestyle trends?
- Technology development and innovation?
- Global influences?
- New markets, vertical, horizontal?
- Niche target markets?
- Geographical, export, import?
- New USP's?
- Tactics: eg, surprise, major contracts?
- Business and product development?
- Information and research?
- Partnerships, agencies, distribution?
- Volumes, production, economies?
- Seasonal, weather, fashion influences?

Gaps in capabilities?
- Lack of competitive strength?
- Reputation, presence and reach?
- Financials?
- Own known vulnerabilities?
- Timescales, deadlines and pressures?
- Cash flow, start-up cash-drain?
- Continuity, supply chain robustness?
- Effects on core activities, distraction?
- Reliability of data, plan predictability?
- Morale, commitment, leadership?
- Accreditations, etc?
- Processes and systems, etc?
- Management cover, succession?

Criteria Examples:
- Political effects?
- Legislative effects?
- Environmental effects?
- IT developments?
- Competitor intentions - various?
- Market demand?
- New technologies, services, ideas?
- Vital contracts and partners?
- Sustaining internal capabilities?
- Obstacles faced?
- Insurmountable weaknesses?
- Loss of key staff?
- Sustainable financial backing?
- Economy - home, abroad?
- Seasonality, weather effects?
D) Situational Analysis
When developing strategies, analysis of the organization and its environment as it is at the moment and how it may develop in the future, is important. The analysis has to be executed at an internal level as well as an external level to identify all opportunities and threats of the external environment as well as the strengths and weaknesses of the company. There are several factors to assess in the external situation analysis:

1. Your market or customers
2. Your competition
3. Technology
4. Supplier or Vendor markets
5. The Economy
6. Regulations/Codes/Licenses etc.

The obvious factors have to do with your customers and your competition. In fact, analyzing external environment usually centers on the customer. Owners should be thinking about potential shifts in the market, and whether those shifts are the ones the company wishes to serve. An example for a tile contracting company could include the following example.

Your contracting company has a long history of supplying tile and stone installation for track housing for national home builders. However, shifts in the market have caused a reduction of the percentage of these products being used in each home, and a movement towards significantly reduced labor costs from full service flooring installation companies. These companies are able to provide labor for carpet, vinyl, hardwood, laminate and tile, and are forcing the traditional tile contractor’s labor rate down to an unacceptable level of little or no profitability. This scenario could cause the tile contracting company to consider a different market segment.

E) Goals, Objectives and Targets
Strategic Planning and decision processes should end with objectives and a roadmap of ways to achieve them. One of the main goals when drafting a strategic plan is to develop in a way that is easy to put into an action plan. Most plans address high-level initiatives, but don’t get translated into day-to-day projects and tasks that will be required to achieve the plan. The plan must be tied into day-to-day activities so that the staff can be expected to carry it out successfully.

Be specific about the stated goals, and put a reasonable time limit to them, with desired intended results, and a clear explanation of the people or positions identified who will take ownership of it.

One model of organizing your objectives includes ranking them in order of importance or in order of time sensitivity. They could be called Top Ranked Objective #1, #2 etc.
Companies typically have several goals at the same time. How they all fit together is important. Do they fit to form a unified strategy?

One approach recommends having short-term goals, medium-term goals, and long-term goals. In this model, one can expect to attain short-term goals fairly easily: they stand just outside of your reach as it stands today! At the other extreme, long-term goals appear very difficult, almost impossible to attain. Using one goal as a stepping-stone to the next involves Goal sequencing. You start by attaining the easy short-term goals, then step up to the medium-term, then to the long-term goals. Goal sequencing can create a "goal stairway" to success. In an organization, management can coordinate goals so that they do not conflict with each other. The goals of part of the organization should mesh compatibly with those of other parts of the organization.

Another approach to defining Vision and Mission is to ask two questions. First, "What goals does the company have for the world in which it operates and has some control over?" And following on from this, "What can we do or contribute to fulfill those goals?" The clear answer to the first question provides the basis of the Vision Statement. The answer to the second question determines the Mission Statement.

2) **Organizational Development**

A. **Organizational Structure**

There is no one optimal organizational design or structure for a given strategy or type of organization. Altering an organization’s structure may be a reasonable way of responding to a need for change. Modifying rules, responsibilities, and procedures may be an effective way to manage change. Numerous external and internal forces affect an organization; no firm could change its structure in response to every one of these forces, because to do so would lead to chaos. However, when a firm changes its strategy, the existing organizational structure may become ineffective. Changes in strategy lead to changes in organizational structure for two major reasons. First, structure largely dictates how objectives and policies will be established. The second major reason why changes in strategy often require changes in structure is that structure dictates how resources will be allocated.

Functional organizations have the advantage of being simple to understand with clear lines of command, specified tasks and responsibilities. A functional structure groups tasks and activities by business function – the functions that are required to market and provide the products and services for which the company is in business to do rather than design the organizational structure around individuals who may inhabit particular positions in the company. Besides being simple and inexpensive, a functional structure also promotes specialization of labor, encourages efficiency, minimizes the need for an elaborate control system, and allows rapid decision-making. Positions are defined within the company according to needs, size and goals of the organization. The functional structure offers a way to centralize decision-making and provide unified direction from the top, because the chain of command converges at the top of the organization. A functional structure displays the relationships between various positions within the organization. It defines the distribution of responsibility and authority and it provides understandable and visible
patterns that show the point of origin, communication lines, and terminations for all management directives between key personnel.

B. Authority, Responsibility, Accountability

There is a definite relationship between authority, responsibility and accountability. Without a clear understanding of this relationship, effective functional management, with clear lines of reporting and communication becomes a distinct improbability.

Authority

Authority requires the ability to give orders properly. Responsibility requires the ability to follow through, assuring that the orders are carried out properly. Authority must always equal responsibility, and must be sufficient to fulfill the requirements of the job. But never more than that which is necessary to get the job done. Authority and responsibility must never be dual, shared or overlapping. One person, and only one person, is responsible for the successful completion of every assignment. As long as there is singular delegation of authority and responsibility, the individuals with responsibility may be assigned accountability; however, when more than one person shares the authority and responsibility for something, neither can be held accountable for that which might go wrong. Authority must be clearly defined and follow clear paths. Without clear definition, there will be confusion. The organizational chart clearly defines the paths, while job descriptions clearly define the full scope of the authority for each position. Every individual, from the president of the company down, must know the limits and scope of the authority of his/her position. These limitations, this scope of authority, must never be circumvented. When an individual circumvents the authority of any other, he effectively relieves that individual of all responsibility and accountability for an The side effects will spread downwards to the individual’s subordinates. Authority may be delegated along with equal and corresponding responsibility. The extent of such delegation must be clearly spelled out in writing. Authority does not imply autocracy, but it does require the use of orders and instructions. Order may be defined as the signal that makes coordinated action possible. Orders cannot be given blindly; each must be possible and probable. A complete order will supply a specific goal or objective, with permissible variations. It will note a method or means of performance. It will state who, what, when, where, and how, specifying the individual who will be held responsible and accountable for its proper performance.

Responsibility

The prime task of every manager is the assumption of responsibility. Measure your own performance in terms of what you were ordered to do and what you actually accomplished. Stimulate interest and, whenever possible, provide incentive. The incentive of reward, after the successful completion of a task, does work, when properly handled. The use of fear, as a driving force is obsolete in modern American business practice. Punishment is correct after willful wrong doing, but only if it is willful. Any other type of wrongdoing merely implies a lack of training and a need for coaching. You will see to it that every order that is issued is carried out as specified. Unless modified and agreed to changes are made in advance. If it is your responsibility to do something, there are no excuses for not accomplishing that objective. Regardless of what happens, you are answerable for attaining, or not attaining, that objective. You cannot shift the responsibility for not having it done. There might be mitigating circumstances, but you are still responsible.
Accountability
Every order that has been given, and given correctly, carries responsibility. Responsibility implies accountability. Accountability is a two way street for every manager. Accountability means liability for any variance from the anticipated norm, whether that variance is a positive or a negative one. It implies the need for explanation. If you are to avoid blame, you must exercise accountability over your subordinates, and you must do it consistently if your department is to operate effectively. Inconsistency breeds a loss of credibility, a loss of trust, and a loss of respect. Without trust there is no loyalty; when there is no loyalty, morale falls. As morale falls, so do the motivation and both the quality and quantity of production. Inconsistency creates inefficiencies. Hold people accountable and do it consistently. Offer praise when it is due, and training or disciplinary action when indicated. If you fail to do either, or both, the chances are that your department will not run efficiently, economically, of effectively. Any manager that cannot, or will not shoulder the responsibility, and accountability for the economic, efficient and effective operation of their department, deserves neither the title of manager, nor the salary of a manager.

C. Job Description
There should be a written job description for each position in the company. The purpose is to communicate to all employees exactly what is expected of them in the performance of their duties. No one will be able to perform to the best of their abilities if they do not know what is expected of them. The written job description provides a means for open communication between a supervisor and subordinate. Discussion of the material contained in the job description will eliminate misunderstandings with respect to performance expectations. A job description is not fixed for eternity. There are times when duties, responsibilities, and even authorities will change. To provide flexibility, job description content should be reviewed at least annually. Input for possible revisions should be obtained from both the supervisor and the incumbent of the job under review. The job description is the source document from which all performance and compensation reviews stem. Discussions and documentation of performance (positive or negative) must be related to the content of the job description and should be as specific and objective as possible. A good description contains the name of the job/position and the basic function explaining why the job/position exists and what is supposed to happen as a result of someone functioning in the job/position.

D. Recruiting/Hiring practices
1) Finding Applicants
There are a number of ways applicants may be sought and recruited: Word of mouth around the industry. This method has the best chance to find someone with specific experience in the position to be filled.

Local Church Employment Services.
Local or out of town newspapers, it is always better to find someone who lives in the area, but for some positions, it is very difficult.

Employment Agencies, more commonly called “Head Hunters”. This method is much more convenient, but you still cannot rely totally on the headhunter to get the right person. Remember s/he will get paid if you fill the position, whether the
person is the right one for the job is still your responsibility. Using an Employment Agency tends to be expensive, typically 25% to 33% of the first year’s salary of the person hired.

Writing and placing an ad. It should be short and to the point. Some decisions, which have to be made about the ad, are:

Whether or not to give the name of the firm. If you do, you will have people showing up at the door or telephone inquiries. Have the receptionist pass out applications, without taking up manager time. All telephone inquiries should be handled by the receptionist with “We are not accepting telephone calls for this position; please submit your resume via mail, fax or e-mail”. In the event a personnel agency calls in response to the ad, request a brochure/firm information, written fee schedule and references before future/planned position openings. Whether or not to give the salary range offered. Typically, the pay is listed on hourly jobs, but on salaried jobs, you would simply state “Salary DOE”. Whether to give a newspaper blind ad, a PO Box, or the address of the firm. Most companies include a request for salary history. To ask for salary history is acceptable. You may even state “Must include salary history to be considered”. Review all the responses and grade appropriately.

2) Interviews
Call those of interest and screen/interview over the telephone, using a prepared set of questions. Keep the telephone-screening interview brief. The purpose is to determine whether a face-to-face interview is warranted. Schedule personal interviews with those that show promise. On the personal interviews, use the checklist to make sure all the requirements of the position are covered. Utilize the Job Candidate Evaluation Rating Form located at the end of the Employment Interview Questions procedure. Go throughout the notes of the personal interviews and invite finalists to a second interview with another firm manager/peer employee. Maximum 2-4 applicants. Don’t settle for someone that is not right for the job, just because you haven’t found anyone better. If no good candidates are found, begin another round of interviewing. Review the pick(s) in order of preference. Conduct background check/verification and references. Make an employment offer. A verbal offer is appropriate for hourly employees. For salaried employees, you should make an offer in writing.

3) Compensation
Verify the compensation structure to be sure it is in line with the position before making an offer to a job applicant. Publications are available showing the current compensation ranges for most positions. The compensation ranges are different for different parts of the country, make sure you are looking in your area. Ask the Better Business Bureau for the name of a firm who publishes this information or check the Internet for salary and wage survey data. Industry associations are also a good source of wage and salary data. Ask friends and contacts in the industry what the compensation ranges are for the position you wish to fill. If you ask for salary histories from the applicants, and if they tell the truth, their responses will give you an idea of the general salary range of how much people are presently paying in your geographic area for the position you are seeking to fill.
4) **Check References**  
There are several basic questions that should always be asked including:

- How are you acquainted with the candidate?
- How would you describe the overall quality of his/her performance?
- Would you hire this person again?

There are other equally important areas that need to be covered that will be unique either to the firm or the job itself, possibly, both. For instance, the person doing the reference checking needs to understand the culture requirements. Does the candidate for example, need to be someone who can be an agent for change within the organization or someone who has the ability to maintain the status quo?

Will the job allow the candidate to continue his career growth and development, or will it be perceived as a dead end job?

What is the firm’s management philosophy?

Are firm personnel encouraged to be creative, or is everyone supposed to stay within the lines?

To what type of person will the successful candidate report? Will that manager be a hard-driving no-nonsense manager who takes a strong hand-on approach or a more laid back individual who delegates?

Reference check questions need to be thought through carefully and are not to be asked in a vacuum. It’s one thing to inquire about a candidate’s past job performance. It’s quite another to determine whether or not that performance is relevant to the position being filled.

Suppose a candidate’s references all describe him/her as a person who prefers to work independently and who doesn’t require or desire much supervision to get the job done thoroughly and on time. Then suppose that the manager for whom this candidate will be working is very hands-on and likes to closely monitor the progress of projects he/she has assigned to subordinates. There could be a potential problem.

Suppose a prime candidate is described as someone who is ambitious and anxious to move up within the organization by doing more than is expected and getting things done ahead of schedule. Then suppose that the person to whom the candidate will report is a solid performer content with the position he holds and the type of individual who goes out of his was to avoid controversy? Could that ambitious candidate be faced with a potential fast track career advancement roadblock? Even though a candidate receives what appear to be glowing reviews from references, these comments need to be put within a broader context that compares past performance to the nature of the job that needs filling. It’s not just a matter of determining if the candidate is right for the job. Determine if the job is right for the candidate? Tailor reference questions to ensure proper fit.

E. **Organizational Chart**  
An organization chart is a picture of the firm’s structure. It clearly defines the reporting relationships and how the interrelate. An organization chart shows people where they are and what positions they can aspire to achieve. An organization chart defines the optimum flow of information up and down the “Chain of Command”.

1) **A Standard Organization Chart** shows one box for every PERSON, listed by the position title only.
2) A Functional Organization Chart shows one box for every FUNCTION that must be fulfilled within the firm. The functional organization chart is usually more appropriate for most small businesses as some people end up wearing many hats. The functional organization chart helps the company grow by showing which areas will need to be spun off into separate jobs as the volume increases. In the start-up stage of a small business, necessity often dictates that an Owner is often involved in every phase of the operations. This is referred to as micro-management, where one person makes most of the decisions, and that person is involved in all areas of the business. (EXAMPLES OF ORGANIZATION CHARTS?)

3) Operational Plan

A). Meetings (Owners, Departments and Supervisors)

Once the organizational flow of your company is clearly defined, a meeting structure can be developed. Holding regularly scheduled meetings is very important, but they need to be organized in a way that they do not waste time and they accomplish the goals you desire.

Owning a tile contracting company is a “people business.” Our customers retain us to supply people to install the materials correctly. One of the most important skills you can develop as a business owner is the ability to communicate. To do this you need to become a good listener. Meetings should not be held for you to “dictate” to your employees what you want done and when. Successful meetings should create a forum for discussion where both you and your employees feel comfortable that their voice can be heard.

The first question about company meetings should be whether or not they are necessary and how often you should hold them. Some suggested guidelines from successful companies include the following:

1. Keep the meeting short and to the point. Allow discussion but control the content so it stays on task. Consider having everyone stand rather than sit on chairs. Studies show this can cut a meeting in half.

2. The meeting agenda should be typed and circulated to everyone present. The person holding the meeting should present the agenda and explain what needs to be accomplished in the meeting.

3. Time limits to each item on the agenda should be enforced as often as possible. This includes a time limit on the entire meeting.

4. Action items and a recap of the meeting content should be presented at the close of the meeting, with a written summary provided as quickly as possible afterwards. The next scheduled meeting should then review the action items from the previous one to see if they were completed.

B). Consistent Evaluation of Company’s Performance

There are many myths regarding company performance. Still, many owners think that only profit figure shows the level of success. This is not the case. Today, different parameters have to be followed while measuring company performance.
It is necessary to maintain a balanced scorecard to evaluate the performance of a company. There are four basic factors that will be focused to get the proper performance report.

1. Financial: The importance of financial consideration is paramount in most situations but not in all situations. No one can deny the importance of financial facts and figures but these figures are not the only parameters.

2. Customer perspective: This is the most important factor by which anyone can estimate the performance of the company. Even if your company is making huge profits, if your customers are not satisfied, it is likely that sales and profits will suffer in the not too distant future.

3. Internal process perspective: In this component we the focus centers on the internal procedure of your company in order to meet customer requirements. Scheduling, Cash Flow, purchasing, and delivery are all components of your internal processes that should be consistently

4. Learning and growth perspective: As a business owner, are you looking to the future? Are you analyzing how you do business both in the field and the office to determine how your company is improving its innovation and adaptability. Is your company working in some innovative way or still using the old and out dated procedures? Examples could include payables and receivables processes, purchasing, warehousing, scheduling, estimating, accounting, training, and more.

No one can evaluate company performance by using one perspective. Thus, owners, supervisors, or managers could use this balanced score card to get the actual and more realistic results. If your company is making handsome profits you still cannot declare that you are succeeding, as financial profit is only one facet, and could be short lived. As the business leader, if you are neglecting any component of this scorecard then it could potentially provide negative results in the long run.

C. **Vendor, Customer and Affiliate Relations**

The first rule of thumb for a business owner when considering establishing procedures and rules is to treat the customer the way he/she wishes to be treated by the vendor/supplier. It is a people business.

Key elements in successful vendor/customer relationships include the following:

- Accountability
- Loyalty/Trust
- Consideration
- Communication
- Mutually Beneficial Relationship

1. Accountability: Ensure your relationship terms are in writing and are clearly communicated to and understood by all parties involved in the process. These agreements should clearly define what is expected of each party and should be flexible enough to allow them to excel or outperform the agreed upon terms.

2. Trust and Loyalty: From the beginning, all parties should develop a mutual
understanding of the relationship goals and the expected result. As a contractor to your customers, you should fully understand what you are offering and presenting. Do not take on the liability of other trades or circumstances beyond your control. Do take on the responsibility of professionalism of your company and its employees, skill competency of your installers and helpers, and most importantly, proper communication at all times. As a customer to your suppliers, extend them the same courtesy but expect the same level of service you will provide to your clients.

3. Consideration: As a customer you should ensure the timelines in the agreements you have with your suppliers on projects and orders are realistic and establish expectations accordingly. We all know that situations and conditions change. This is expected. What is inexcusable is improper communication of these circumstantial changes. Once the timeline of the project or agreement is established, it is imperative that any changes are communicated to the proper persons in authority on a timely basis.

*IMPORTANT: PROVIDE CHANGES TO THE AGREEMENTS, IN WRITING, TO BOTH SIDES*

4. Communication: Customers should clearly explain their requirements and needs and have an ongoing dialogue to ensure proper understanding on all sides. They should also provide the suppliers with timely information and include them in discussions regarding the relevant products and services. This is very important in the tile trade, where often there are three parties involved; one being the distributor or supplier of the products to be installed. If the distributor is kept abreast of what is transpiring between the tile contracting company and the project owner/homeowner, they are much more likely to be able to help solve problems related materials supply or product performance.

5. Mutually Beneficial: Customers should realize that the ability to make a reasonable profit is a necessary incentive for vendors/suppliers to provide high-quality goods and services. Vendors should realize the same thing of the contractor. One way to improve your relationship with suppliers is to limit the number of ones you work with, and become more important to the partners you choose. Pay your bills on a timely basis, and communicate in writing when you need extensions or assistance. Special consideration and pricing is always easier to ask for when it is a pleasure to do business with you. Treat your customers in the same fashion and you will improve vendor and customer relationships in a hurry.

**D. Business Structure/Departments**

1) Installation
   a. Project Management
      A temporary endeavor undertaken to produce a unique product, service or result. Define the project. Develop solutions options. Plan the project. Execute the plan. Monitor & control progress. Close project.

      If you have no plan you have no control.
Define - Start by describing what needs to happen.

Develop - List options and decide on the one best suited.

Plan - Make sure everyone knows what the goals and expectations are. What the time line of starting to completion.

b. Field superintendent/supervisor
   Charged with responsibility to ensure on-site job objectives are being completed appropriately. Includes overseeing others, material management, work site plan management.

c. Mechanic/helper
   Define each role.
   Mechanic - responsible for completing installations according to plan. Duties include jobsite organization, overseeing helper actions, company interest, physical installation.
   Helper - charged with work areas set up, cutting & mixing stations, material logistics, mixing, cutting carrying. Duties include labor to make mechanic job operate efficiently.

d) Training and education
   Create a training and education plan. Employees are an investment. The better they are trained the better their performance which should lead to higher profits and job satisfaction. Education will help them make better decisions, when faced with challenges.
   Training - Watch NTCA Trowel & Error Video. Attend mfg seminars (x) per year
   Start a monthly tool box meeting and use 10min to cover sections of TCNA handbook
   Education - CTI certification. The CTI course is a great source of information to use for after hours study guide. You can assign one chapter each week. You can reward your employees with prizes on how well they do. This is helping shorten the learning curve for new employees. Courses available - NTCA Apprenticeship Program.

e) Scheduling
   When awarded a job develop a timeline of starting and completion of the job. Make sure your whole team and company are aware, to minimize miscommunication. The project manager needs to let the office know when material needs to be ordered, to issue purchase orders, and when progression billing can be initialized. Proper staffing and staging the job should take place. The schedule should be monitored and be revised each week to meet the deadline. Budgets should be analyzed weekly to make sure you will be profitable.
f) Safety
Define safety practices. List practices and company's expectations and policies. Discuss safety topic at tool box meetings - weekly or monthly. From tool use and maintenance to lifting techniques to jobsite securement. For remodelers unplug tools when not in use or left unattended such as at lunch.

g) Warranties
1. Have a written warranty in place so there are not any questions on what is your responsibility and state how long it will be in effect.
2. Disputes - Assumes you are using a contract where a warranty should be listed.
   Define company warranty vs. manufactures warranty vs. local codes vs. state or other code. Create a disputes resolution explanation to be included on contracts.

2) Warehouse
   a) Trucking
      NTCA discounted rates.

      Check for damages/shortages when accepting deliveries.
      Report damages or shortages to the trucking company immediately.

   b) Vehicle maintenance
      Schedule timely maintenance.
      Includes washing/cleaning, oil changes, general maintenance.
      You should have one person assigned to each vehicle so that person is responsible for cleanliness and possible damage.
      Vehicles should be kept clean on a daily basis.
      There should be a foreman or superintendent that each person reports to. His responsibility is to oversee the entire fleet.

   c) Freight management.
      Shipments coming in or going out should be recorded. They should be labeled with the job location. Freight forwarders should be checked on pricing to receive competitive pricing.

   d) Building maintenance
      Your image is important in your projection to your customer. Having a clean and pleasing appearance helps you win their confidence.
      Mowing the grass should be done weekly or as needed. Picking up trash should be done every day. Painting and Paving should be done as needed or when safety becomes an issue. These tasks should be assigned to one person.

   e) Inventory management
      This task should be assigned to someone that is responsible and trustworthy. Everything in and out should be documented and recorded. All job materials should have labels on them for the jobs
they are assigned to. All tools should have a sign in and sign out sheet to maintain logs of who and where the tools have been and are being used. This gives accountability to the person checking them out and the person using the tools. Each tool should be marked with identifiers of the company name and ID numbers. You can purchase branding irons from Woodcraft that you can burn in these identifiers. It makes it very difficult to remove them if they are stolen. Pawn shops will not take a tool with these on them. If you have setting materials and grout in your warehouse they should be clearly marked so the right material for the right job is being picked up and used.

f) Purchasing
Purchase orders should be used for every purchase. This number should be assigned to a job, so costs can be accurately tracked and recorded. Also you can use this to compare what you were quoted and what you are being charged. Make sure every purchase has an assignment as to a jobsite or overhead. It is better to assign one person as the issuer, so that accuracy can be maintained. Develop a system that is not too difficult to track and can be assigned to the correct area.

g) Waste management
Proper inventory control is your best tool for waste management. Also having proper tools and the proper materials will minimize waste. Theft is the biggest factor in protecting your assets which include tools, bag goods and tile. It is advised to set up a location such as a tool room or cage and check in and out tools as necessary. If you keep them in one location they will be easier to manage and less available for theft.

3) Sales

a. Sales Tracking
Tracking Software for Sales
Keep track of leads, prospects and sales is a huge challenge for any sales professional today. Many will develop complex mechanisms using files and spreadsheets and databases and dozens of other tools. When it comes down to it, one of the best ways to keep your leads and sales organized effectively is to look for tracking software specifically designed for sales. With a well designed sales tracking software, you can track leads and prospects and review and report on your sales. There are hundreds of options for this available, so doing a bit of research on your choices is a great first step.

What you need in Sales Tracking Software
Finding software to effectively track your sales can be a bit of a challenge. There are literally hundreds of options on the market ranging from very simple programs to extremely complex ones. As simple as it sounds, one of the best first steps in your selection process is to determine what you need from a tracking software program. There are programs that can do just about everything under the sun, but you will probably pay a premium for them and likely won’t use half of the features. Focus on
what you do and what you need to know. As a sales professional the focus is on the information that will make you money.

The Keys in Sales Tracking Software

You could go wild with features and functions in your tracking software, and many of those features would get used only rarely. As a sales professional, focus on the features that you will use on a daily basis. For most salespeople the following are typically the primary areas of use:

Contact Management: An easy and efficient way to manage prospects and accounts.

Sales Management: A simple way to track sales leads and opportunities.

Sales History: An effective method for keep notes and tracking communication.

Organization: A simple mechanism for centrally organizing appointments, tasks, opportunities and all related sales records.

Keep these primary areas in mind as you begin your review of tracking software. To go one better, take time before you start your search and make a list of the primary features you need and want. Focus on the top items and you are likely to find your list is similar to the one above.

b. Sales Team

Did you ever wonder why some people seem to be able to sell anything? I'm sure you've run across this type of person -- and have probably bought something from them! In this section, we'll talk about how to hire your sales staff, and we'll address questions like:

- How much experience should your sales reps have when you hire them
- How important are computer skills?
- What should you look for?
- What should you include in training for your sales reps?
- What personality traits make one person a better sales person than another?
- How do you know if you're hiring a "star" or a "dud?"

Hiring the Right Sales People

- When you begin the process of hiring your sales team, it pays off to first spend some time planning and setting up a budget. Advertising, recruiting, interviewing, and training are all expensive, and you don't want to waste your time and money on the wrong candidates.
- Before you interview your first applicant, have in place the compensation structure you plan to use. Depending on how attractive it is, it may be a good enticement for top candidates.
• Write out the complete job description. For example, put in writing the leg work that must be done prior to making a sales call, how you expect existing customers to be serviced, how you expect records to be maintained, how many calls should be made in a week, etc. Think through the entire sales process and detail how you want it to be done, what tools will be used, and your expectations for their results

• This exercise should include not only what you want sales reps or account managers to do, but also how you want them to approach it. Think about the style of selling you want them to use

Evaluating Your Sales Candidates

• You should have a good idea of the experience and skill level of your job candidates after reviewing the hundreds of resumes you've most likely accumulated. At this stage, you should be asking:

• Have they been in front of people selling before?

• Are they right out of school, or do they have a few years of experience to draw on?

• Do you have a strong enough training program to allow you to hire recent grads with no experience?

• Do they have what it takes to actually perform the technical functions of the job? -- In other words, do they have computer skills?

• There are a lot of things to think about. With selling, experience isn't always the most important thing to look at, especially if you have existing sales reps that can assist in the training and mentoring of new recruits.

In order to be good sales representatives, your recruits have to have good research skills to find out about their prospects and know and understand their needs, their business, their business structures, etc. These skills can be taught, but experience in digging up the necessary information is helpful. These days, that experience includes Internet research skills, as well as good old-fashioned research techniques -- asking co-workers, making phone calls, and using business reference books at the library.

Communication Skills

• They also need to be good communicators. The majority of what a sales rep does involves communication -- both written and verbal. Whether it is explaining the specifications of your product or service or communicating how your prospect will benefit from the product or service, much rides on how this is articulated and negotiated. Pay close attention during the Interview process to how your candidates articulate their qualities and "sell" themselves to you.
Technical Skills

• What level of computer skills do they need? If you're planning on using any type of contact management, then they have to be familiar with the basics of word processing, spreadsheets, and maybe the fundamentals of relational databases. You should also look for knowledge of presentation software like Microsoft PowerPoint. Many clients expect high-level presentations from sales representatives, so your reps have to be comfortable using the technology, and in some cases designing their own presentations.

1) Outside Sales

Outside sales representatives, also simply known as sales reps, are professionals who commonly travel to businesses or other organizations in order to sell their firm’s products or services. Maintaining contact with current customers and attracting new ones, professional sales make presentations to buyers and management or may demonstrate items to production supervisors. Salaries are typically at least partly based on performance as outside sales workers frequently receive commissions on their sales. Although many sales workers receive a base salary in addition to commission, some receive compensation based solely on sales revenue.

2) Inside Sales

The inside sales representative position is exactly what it sounds like: selling products to potential customers from within a sales office. This means that an inside sales representative will primarily be speaking to existing customers and potential customers and following leads over the phone. Inside sales, where showrooms are involved, may require working with product selection for customers or their designer representative.

Education and Training

Most inside sales positions don't require much more than a high school diploma. Most training is completed on-the-job. Inside sales representatives must be able to communicate effectively and persuasively both in person and on the telephone and good computer skill is essential.

3) Compensation

If you own your own business, your employee compensation and benefits package can be the deciding factor for many potential employees. And it's not just the money. To make your company competitive and attractive to job candidates, you have to offer an exceptional total benefits package. That makes it a very important part of your business planning and management process if you hope to hire (and keep) top employees.

Setting Up Your Compensation Structure

Although money isn't everything, it certainly is one of the top issues potential employees look at when interviewing new companies. (Yes, face it, they are interviewing YOU.) Whether you're offering a straight
basic salary structure or an incentive-based pay structure may make or break you in the eyes of top job candidates. Let's look at how each system works.

A standard base pay program offers fixed salary ranges for each position type for employees performing the standard duties of their jobs. Set up minimum and variations in experience and skill levels. When setting the base pay structure, determine where your company falls within your own industry as well as competing industries that may also offer job opportunities for your employees. Set up your pay levels to be competitive, or else you risk losing employees. You can use the Internet to find industry-standard salary levels for specific jobs in specific geographical areas. Click here to search for Web sites with free-access databases of salary information.

Once your base pay structure is in place, most companies then set up a merit pay program that will take the employee through the salary range for their position at a performance-driven speed. This comes into play when the employee's managers do annual employee performance reviews. The downside of this is that employees may begin to see it as a given that they will get a salary increase after each evaluation, and it ceases to be a motivation to perform better in their jobs. For this reason, more companies are moving toward more of a reward-based compensation style, also called Incentive Compensation.

Incentive-based compensation is becoming much more common because of the increased emphasis on performance and competition for talent. This type of compensation structure significantly helps motivate employees to perform well. Hiring bonuses are also frequently used now, even for new college graduates. However, you might want to tie in a specific time period prior to the employee collecting this bonus — for example, one-half after six months and the remainder after one year of employment. Otherwise, you could run the risk of the employee departing after that first check, which would defeat your purpose. So does that mean incentive compensation is the way to go? Maybe so, if your business is in an industry where you really have to compete to get good employees.

Setting up an incentive-based compensation program requires the same research into your industry as the base pay program. You'll still establish base pay levels, but it may be slightly lower and you will build into that base the annual or quarterly (or any other interval) bonuses, commissions, or other types of shared cash compensation.

**Forms of Compensation**

Your bonuses should be based on achievement, and should include all of your employees. Don't limit your incentive program to certain employees, or you'll limit your company's potential. You'll also lose the benefit of the team-building effects of incentive-based compensation. If everyone is going after the same goal, they'll have a better chance -- and your company will have a better chance -- of succeeding. Your rewards should also be based on results and not the bonus that those who actually produce results get.
Don't put a limit on the amount of the bonus; you'll only limit the effort your employees put into the job. Once they reach the limit, they'll feel they can kick back and relax. Keep it open and they'll continue to produce.

Tying your employees' compensation to the results they produce will help them focus on the company's bottom line. You can also tie in long-term incentive compensation in the form of stock options and deferred compensation plans (more about stock options later in this article). These types of plans not only compensate your employees for good work, but also help retain them.

For your sales staff, an incentive-based pay structure will almost always produce better results than a straight pay structure. Although your customers may experience a less-pressured sales pitch from a salaried sales rep, they probably won't purchase as much, either. Putting in place a commission-based pay structure for your sales staff can directly affect your sales numbers. If their income is directly related to their performance and no ceiling is placed in their way, then the sky really can be the limit. If you have talented sales staff, they will thrive in this type of environment; if you don't, then they usually won't. You can easily detect who is producing and who isn't and weed out accordingly -- or at least know who requires some additional sales training.

There are also disadvantages to commission-based pay structures for sales staff. Often, employees focus entirely on the sale of items that give them the highest return for their time and don't really take into consideration the actual needs of the client. Customer service may also suffer because the sales rep has moved on to the next high-dollar sale. What you have to do is make sure you have a good combination of both a base salary and sales commission. Your base salary has to be sufficient to attract good candidates, but not so good that you'll get reps satisfied with the base amount even if they don't make any sales!

It's a delicate balance. Your type of business will also play a part in determining the type of pay structure you offer your sales staff. If you offer a single product with few variations, then a straight commission structure may work for you. If you offer several products or services or a combination of products and services, then your sales approach is going to require more of a relationship-building technique and probably more continued customer service if you want to make additional sales to your existing customer base. In this case, your base salary may be more important. Also keep in mind that this pay structure can evolve over time. If something isn't working, then you can adjust it. Just make sure your staff understands that when you hire them.

In addition to regular benefit packages that include health insurance, vacation, and retirement plans, employees seem to be actively seeking companies who offer more of the things they value. Balancing their
lives is becoming more important than ever. Because of this, other benefits like flexible schedules, relaxed atmospheres, childcare and other lifestyle benefits are becoming almost as important as salaries. If you're a small employer and doing your own payroll, you'll also need to stay on top of changes in employment taxes.

If you have hired independent contractors, you are not required to withhold taxes or match amounts. You do, however, have to be certain that the worker would be classified as an independent contractor. As a rule of thumb, whether workers are contractors or not, is determined by who controls their time and how and where they do the job. Again, visit the U.S. Treasury Web site for up-to-date information. Each individual state also has withholding requirements. A Website like this Tax and Accounting Site Directory can provide you with links to an individual state's treasury office, which will provide up-to-date information regarding unemployment insurance, income tax withholding, and any additional taxes that might be required.

You can look up the IRS Publications to help define Employee or Independent Contractor:

Publication 1779 Independent Contractor or Employee
Publication 1976 Section 530
Publication 15-A
Publication 539
Form SS-8

This is duplicated on page 48 but it important to have this information in both places.

4) Sales Goal
Bottom line… Sales success is based on dollar in. There are certainly several additional organizational contributions a salesperson can (and should) make, but when evaluating a salesperson’s value – sales results are primary. And results are best achieved when goals are formalized.

So don’t wing it. Don’t allow yourself to say, “What happens happens. I’ll just do the best I can.” Don’t listen to those who suggest goal planning is fluff – whether they’re successful in sales or not. All else being equal, the sales professional who formally sets performance goals is the one to bet on. Leave permission-based failure to your competitors. You know formal goal setting is a good investment of your time, so make sure you get it done if you want to succeed.

5) Sales Targets
6) Sales Budget
   A sales budget is a detailed schedule showing the expected sales for the budget period; typically, it is expressed in both dollars and units of production. An accurate sales budget is the key to the entire budgeting in some way.

   The sales budget is the starting point in preparing the master budget. All other items in the master budget including production, purchase, inventories, sales budget is constructed by multiplying the budgeted sales in units by the selling price.

4) Estimating
   There are four basic methods for estimating:

   1) W.A.G. or Wild A** Guess method.
   2) S.W.A.G. or Scientific Wild A** Guess. This common variation of W.A.G. involves the use of a calculator and/or estimating book.
   3) Stick Estimating is counting all the individual items and hours of labor in a given job, applying a price to each, then adding in subs and other costs to arrive at a job cost.
   4) Unit costing combines predetermined units of labor and materials, along with subs and other costs to arrive at the job costs.

   Find a proven method that will work for you. There are some computer software that will help you determine what fits you and your company. They have a cost but will pay for themselves over a period of time. It will allow you to have consistent bids with developing a history. This data is important in allowing you to adjust your numbers, and maintaining profitability. Other contractors are a great source of information in what is working for them. Generally they will share this information as we are all trying to level the playing field. It may be from a contractor across the country, but look for a successful company and try to extract what is working for them. Covering's or Total Solutions is a great time to network with successful companies.

5) Bidding
   Construction bidding is the process of submitting a proposal (tender) to undertake, or manage the undertaking of a construction project. The process starts with a construction estimate from blueprints and take offs.

   The tender is treated as an offer to do the work for a certain amount of money (firm price), or a certain amount of profit (cost reimbursement or cost plus). The tender which is submitted by the competing firms is generally based on a bill of quantities, a bill of approximate quantities or other specifications which enable the tenders attain higher levels of accuracy, the statement of work.

   For instance, a bill of quantities is a list of all the materials of a project that have sufficient detail to obtain a realistic cost, or rate per described item of work/material. The
tenders should not only show the unit cost per material/work, but should also if possible, break it down to labor, plant and material costs. In this way the individual who is selecting the tender will be quite confident that the tender is feasible. Bids are not only chosen on cost alone. Sometimes contractors submit lower tenders to win the contract and win the work. Either the costs that the contractor incurs is greater than the price he is charging the client (as a consequence of a lower tender determining the contract sum), and thus is likely to go insolvent, or he will claim for "loss and/or expense" due to discrepancies in the contract documents (this can be done deliberately). The lowest tender is not always a feasible tender. The lowest tender is the most likely to increase the contract sum, the most throughout the course of the project.

5) Marketing
Marketing is your company’s strategy of how it wants to be known -- among customers, potential customers, business associates, and even vendors. Aspects include branding, promotions, public relations, community involvement, advertising, business development, and even customer service. Effective marketing is the act of convincing an audience that your company is the best one to meet their need or desire.

Marketing Plan
Start by thinking through your company goals, company vision, and business’ personality. Think about how your best customer (the one you want to keep working with) would describe you. Capitalize on what you do well by telling others about it.

What are the things you’re known for (your niche)? What do you wish you were known for? What is the best reason to do business with you? What sets you apart from competitors?

Develop and describe your overall marketing and sales strategy including how you plan to get and retain customers. Each contractor and city will have a different business model. Begin with the basics – market to your existing customers, past customers who might refer, local distributors, design groups, builders’ associations, business groups, chamber of commerce.

Photographically documenting your work will be a great investment in dollars and time as you’ll need photos wherever you promote yourself. Tile is a great visual.

a. Target Market
Target marketing is the process of figuring out who you want to provide your service or product to; it's taking a look at the current customers who provide you profitable, enjoyable, and attainable work and thinking about how you can capture more of them.

Analyze what current customers have in common? Income level, education, profession, other demographics, etc.? Once you know their commonalities, then study where they get their information/ What papers, magazines do they read? Radio they listen to? Events they attend?

You can buy lists to reach these folks, but you can also do a lot by asking and listening to a few good customers. Ask them how they heard about you? What did they do when they were looking for a tile company? What would have given them a reason or the confidence to use you if they didn't know you?
Listening to current customers is your best starting point, but, on a residential level, you can also do some on-line research through www.city-data.com www.quickfacts.census.gov. The comparison of different areas within your market may show you where more affluent customers are likely to live, and what the median home values are. Go to a coffee shop or gathering place in the areas you think you’d like to target, and see what publications are available for patrons to read; check out what events are advertised -- these might be worth considering. Is there a business in your area which targets the same type of customers you’d like to have? Check out where they do their advertising and promotions.

These are the places you'll want to consider putting your promotional dollars. Things that don't reach your targeted audience may be 'good things to do' but, make sure your targeted group is approached first.

The next 'target' for your marketing dollars is the customers you'd like to have, and that make sense for your business climate, locale, and capabilities.

Who are they? Then ask the same questions as above. Where are they? How can you best introduce yourself to them? Realize that it will take longer (and more money) to reach this group, because you are breaking into new territory.

b. The Competition
Analyze and describe your strongest competitors and develop a plan by which you intend to compete. How are you different?

What do you do that they do not? Certifications/ training on products/ professional associations & memberships/ longevity/ supervision/warranty/product knowledge/service/ staff

Competitors’ shortcomings -- how would you do business such that you can capitalize on their weaknesses?

List your competitor’s shortcomings and how you can capitalize on them through your promotions. It is usually counter-productive to speak directly against your competitors, but it’s effective when you can, instead, focus on your positives and say, ‘We distinguish ourselves by……..”

Marketing Budget
You must measure the success of any marketing program you undertake. Ask your customers how they heard about you, and track it on a spreadsheet. Chart where you’re seeing successes, and use that to determine where more dollars should go. Weigh each type of marketing against the number and quality of jobs you get from each one. This will help determine where to keep spending money and where to scale back.

A new marketing effort will take a minimum of several months to determine success or failure, and most things take repeated exposure (some say 3—7 times before a customer will act on them.)

Generally, advisors will tell you that your marketing budget should be 3-7% of your gross sales, excluding the in-house time to manage the program. However, in a well-
established market, you might be able to scale down the number, and, when trying to break into a new niche, you'll have to ramp it up.

No matter what you can afford to spend, make marketing a line item in your budget and determine the dollars you plan to spend at the start of each year. Think through the most effective place to put those dollars, and concentrate there. Leave some contingency money for a unique opportunity that might come up.

Setting your budget at the start of the year, gives you a quick response of 'it's not in this year's budget' for all those 'opportunities' that people try to promote to you during the year. If you're working your plan, you can tell them you'll consider their 'opportunity' for next year's budget. When you've done your year-end evaluation of your efforts, you can determine if it's worth adding in a new area or sticking with your current plan.

As business slows down, some companies lessen their marketing budgets. However, this is counter-productive. The one place you need to keep spending money is on the effort to get more work coming in. Don't jeopardize future revenue based on the current climate; just make sure the dollars you're spending are well-invested -- bringing in valid business.

c. Customer Relations
How you're viewed by customers is determined by everything from how the phone is answered when they call; the image you and your employees present when you drive up on a job site (logo trucks vs. dented van leaking oil); the logo shirt you wear to business events; the professionalism of your proposals; the helpfulness of the person who measures the job; the timeliness of returned phone calls; whether your employees actually know what they're doing; how you treat a customer's home; how you handle change orders; your willingness to address perceived problems; any leave-behind brochures; Christmas cards; how you and your employees drive with the company name on your truck; the condition of the sign outside your office; the reputation you have among your vendors and peers; oh yeah -- how well you install tile....

All of the above list can affect how customers perceive you. Remember, that a happy customer will generally tell one person, an unhappy customer will tell 8-10 people.

Is there an area of your business that's not as strong as it should be? Before you begin a full-scale marketing program, try to shore up that area so that your customers' experience meets your marketing promises.

And, if you make a mistake or leave a negative impression, be sure to do your best to make amends with the customer. A positive recovery effort can sometimes completely turn around a failed interaction. Doing nothing, ensures a negative review.

d. Website
Developing a website is Mandatory for a successful business today. Having a website is one of the best and least expensive mediums of advertising available to contractors. When you have a well designed website, your clients can search for your
specialty in your city, and not only find your business, but also learn who you are and how your business operates. It is the premier way to generate business.

Studies have shown that clients will check you out thoroughly on the web before they make that first call. The site needs to tell your potential clients everything they need to know so they are comfortable in calling you. They will be thinking about three things:

1) Can you get the job they want done?
2) Can you do it on time?
3) Can you do it on budget?

If those three items are addressed and answered, you will gain credibility and they will call you. Your phone number needs to be displayed prominently at or near the top of every page on the website.

e. Internet Marketing and Social Media

Everywhere you look these days, you find social media. On-line interactions—starting with newsgroups and message boards—influence decisions to buy, use, praise, or complain. Developing the best ways to use today's new breed of social media to make your business perform better, takes some time and effort, and often the help of a consultant or technically adept friend.

A first step will be setting up a domain for your business—your internet address (www……) You can buy a domain name fairly inexpensively, giving you the rights to that name for a certain period of time. Make it something easy to remember and distinctive to your business.

Your website is accessed through your domain address, and it should give at least the basic information about your company – photos, credentials, history, address, e-mail, and phone number. Through that, people will be able to find you if they know your name or your website address. You'll also want to pursue Search Engine Optimization (SEO) to drive up your ranking when people search for tile installers in your city. SEO is based on setting up your website with 'keywords' placed within your site. These are the words people are likely to use when searching for you. Regularly look for your company on search sites – Google, Bing, Dogpile, Yelp, Yahoo local, CitySearch, ELocal.com, etc. Google Analytics is a free service which can help you see where your website traffic is coming from. Google Places is also a free service which puts your business location onto Google’s mapping system. Google AdWords is a paid service on which you set up and pay for individual search results.

Some of the social media marketing resources available are Blogging, Podcasting, E-Mail, YouTube, B-2-B, Linked-In, Twitter, and Facebook. Developing plans to utilize some or all of these resources will be well worth your time and effort. However, make sure your planning includes the time to keep your on-line presence current. Search engines and followers want to see fresh content regularly.

1) Blogging – 250-1000 word entries which can include tips to educate customers, opportunities to share encouraging words, and anecdotal
entries. Whatever your blog’s function, keep it positive and primarily professional. Include your personality and even some individual details, but, if your blog links to your company, everything you write is a reflection of the company you represent. Free blog sites like Wordpress.com and Blogger.com are fairly easy to set up and use.

2) Podcasting – generally a series of audio or video files that are intended to be downloaded to individual devices. You can post training files or informative programs to be electronically saved to someone’s personal device. (right ???)

3) E-mail -- a great form of communication for quick verification and documentation of all kinds of job-related interactions. Remember, e-mails are permanent communication, and, once sent, can’t be retracted. E-mail marketing is sending customers updates or promotions in the same way you’d send out regular direct-mail pieces. [Positive, well-written communication is a great reflection on your company. Off-color jokes or innuendos are as bad in e-mails as they would be shouted to your staff. Many executives have been disgraced for forwarding a ‘funny’ that was construed as inappropriate by someone down the 'forwarded' line.]

4) You-tube -- videos posted on-line for general consumption. These can be educational, instructive, or even amusing, but, like everything in cyberspace, they are permanent and can reflect positively or negatively on your company. Video posts are great ways to drive up your rankings for search engines. You have to set up a You-tube account to post videos, but most are available so that anyone can see and search for them.

5) Business to business – LinkedIn, Merchant Circle, Google Plus ??, (what else here?)

6) Linked In -- basically a cyberspace networking event, it’s an opportunity for your work-personality to link up with others in their work-personalities. You post your resume and what you’re doing at work so that others who know you professionally are up-to-date with you. Potential customers can also view your resume to see your credentials. (38% of those on LinkedIn make more than $100,000 per year.)

Linked In can be a great way to bridge the gap between your work-life and people you know from other venues. When you 'link' with them, they get to see your work credentials. Linked In is NOT primarily a sales-pitch medium. The business opportunities that might arise from it are secondary to the connections you make.

7) Linked-In Groups -- these opt-in discussion forums can be a unique way for you and people in construction, or tile, or local businesses to ask questions of one another or get input from other people who are in similar business circumstances. Once you’re set up in LinkedIn, you have the option to join groups.

8) Merchant Circle -- and other business groups are available to join and are opportunities to get your name in front of more people.
9) Twitter -- limited to 140 characters at a time, 'tweets' are short updates on what you or your business might be doing. People on Twitter opt to 'follow you', and get all your 'tweets.' It's a quick way to put your name in front of people, but experts suggest it be informative, rather than a constant sales-pitch.

10) Facebook -- primarily social updates from people you know fairly well, Facebook continues to grow, especially among women (who make many home improvement decisions). Consensus seems to be that 'posts' or statements on Facebook should concentrate on the positive words or personal-life. Once you have set up a personal page, you can set up a page for your business. Your business will then be searchable on Facebook. Like your website, your Facebook page needs to present your company in its best light. And, like LinkedIn, your Facebook page can be a way to connect with other businesses in your area. Friends can also 'like' your business on Facebook and their friends may see that as an endorsement. (23% of users earn more than $100,000 per year; 41% over $75,000)

f. Advertising and Promotion Plans

If you have clearly defined your marketing budget at the year's outset, then picking where to invest advertising dollars will be easier. There is no end to the possible ways to advertise your business, but the ad dollars you spend need to reinforce your company goals and effectively hit your target audience.

Knowing that it takes seeing something 3-7 times before people will take action on your promotion, go back to your target market information and put your advertising and promotional dollars where they will be most likely to reach those people.

On-going and cost-effective opportunities for promotion: Signs on trucks, yard signs, website, press releases about your successes and achievements.

More costly investments include purchasing space in: Magazines, trade publications, newspapers, direct mail, billboards, television, radio, e-mail lists, signs at sporting events, yellow pages, on-line ads, event sponsorships.

As a leave-behind with customers or part of an event sponsorship, you might consider give-aways like pens, coffee cups, shirts -- items that can be imprinted with your company name and given away. Items that have some interest to your intended audience will be most effective. Things that are used more than once will have more impact, but, the longer the life of the item, generally the more expensive.

g. Trade Show Exhibits

Most locales have regular trade shows for construction companies, and some tile contractors have found these useful places to mine for customers. However, approaching a trade show must be done with careful planning and purpose, as
well as knowledge that time will have to be spent working the show and following up on any lead gotten there. Check with other trades in your area to see whether they think these shows are a useful source for future customers. Attend one year's show before making the substantial time and money investment of buying a space. Talk with the vendors who are present at the show and take note of what they do to attract attendees to their space.

Plan to staff booth the whole time with personable folks – meet new people, make contacts, promote what you do, but have fun as well!

Things you'll want to have on-hand if you participate in a trade show --

Knowledgeable staff with nametags & business cards; Brochures or handouts with information on your company, so they can follow up with you afterward; Rubber mat or cushion for you to stand on (and really good shoes), water (for Photos or examples of your work; Something eye-catching on edge of booth -- candy, a drawing or gimmick (if you have a drawing, make sure you say 'must be present to win' or not); A give-away item; Collect cards or names and make notes on the work they're interested in, so that you can follow up later.

6) FINANCIAL OPERATIONS
The relationship with an accountant is vital to running your business smoothly and profitably. They can advise you on the complexities of federal and state taxes and benefit you with good and proper record keeping. Your accountant can help you decide what type of business classification is best for you and be a valuable resource for future decision making.

a. COMMON ACCOUNTING TERMS
BOOKKEEPING – the recording of monetary transactions related to your business

ACCOUNTING – the financial structure of a company; an accountant helps design financial systems, do audits, develop forecasts, prepare tax reports, and analyze and interpret financial data for business decisions. Your accounting should be set up on cost accounting, not tax accounting. We are a cost based business.

CHART OF ACCOUNTS – When you set up your accounting program, the chart of accounts shows a specific numbered category which will be associated with each expense and type of income. A basic bookkeeping program will have a sample chart of accounts, or your accounting professional will have an outline for you to use. Setting up the Chart of Accounts correctly will make all your accounting work run more smoothly.

INCOME STATEMENT --Also referred to as the Profit and Loss statement, the income statement indicates how a company's sales and expenses tally for a specific period of time. The difference between revenue (goods and services sold) and expenses (cost of goods and services provided) for a particular time is net income.
BALANCE SHEET -- a "snapshot of a company's financial condition", a balance sheet shows assets (what you own), liabilities (what you owe) and ownership equity. The net worth of your business equals assets minus liabilities.

CASH FLOW STATEMENT-- The flow of cash into and out of the business is reflected in its cash flow statement. This report is useful in determining the short-term viability of a company, particularly its ability to pay bills. It is useful to managers, accountants, potential lenders & investors, as well as the business owners.

PROFIT AND LOSS STATEMENT- The Profit and Loss statement is a regularly produced report that shows the overall financial health of an organization by documenting income versus expenses. A well set-up P&L allows you to make good daily business decisions.

Note: Make sure depreciation is not included in this statement. First you cannot use it, Second cannot spend it, and if it is under expenses it pushes your markup up.

b. LABOR BURDEN RATE

"Burden rate is the total indirect cost, calculated as a percentage of the construction company's direct labor. In other words, for every dollar of direct labor allocated to a contract, burden is applied as a percentage of the direct labor. But before a contractor can accurately calculate burden rate, all contract costs assumed by the company must be fully accounted for and factored into the final burden rate equation.

Contract costs are broken into two classifications-direct and indirect. Examples of direct costs include direct labor, materials and supplies, equipment rentals, etc. These costs are obvious inclusions for estimators preparing bids for a potential contract. What may not be as obvious are the indirect contract costs. Indirect contract costs that should be part of the final burden rate calculation include:

- Workers' compensation
- General liability and automobile insurances
- Vehicle and equipment repairs and maintenance
- Depreciation
- Field communications expenses
- Employee benefits such as health, life, disability.
- Payroll taxes

All costs associated with paying employees, including FICA, unemployment and Social Security should be calculated as part of labor, as should vacation time, holidays, sick days, warehouse personnel, training, safety, hand tools, and clothing.

Variable overhead should also be factored into the overall mix. This category includes all costs directly related to employees that cannot be divided accurately between jobs, such as fuel and cell phones.

All too often, these overhead expenses are overlooked by contractors and therefore not included when calculating a project's burden rate. Depending on the benefit package involved, employee related costs will typically account for 24 to 33 percent for a non-union contractor. For a union contractor, the burden rate for employee related costs will range from 60 to 70 percent." From www.constructionbusinessnessowner.com
c. OVERHEAD ANALYSIS
An overhead expense chart will show items like: advertising, sales, office expenses, staff, rent, office equipment, telephone, computer, office supplies, job expenses, vehicles, job supervision, tools and equipment, service and warranty, mobile phone, general expenses, owner’s salary, general insurance, interest, taxes, bad debts, licenses and fees, legal fees, education and training, entertainment, association fees. Make sure all these overhead costs are factored in to your job estimates.

d. ACCOUNTS RECEIVABLE & PAYABLE
Accounts Payable are people or companies you need to make payments to; Accounts Receivable are people from whom you will be receiving money. Set up a system to track payments due to your vendors and subcontractors as well as weekly accounts receivable reports so your customer accounts don't get too far in arrears.

e. INVOICING
Typically, residential jobs are billed upon completion, with a ‘draw’ requested to cover the cost of any materials purchased up-front.

Commercial jobs are usually billed in stages. For large jobs, you may need to bill a ‘materials draw’ to cover the cash outlay for materials to be used on the job. Commercial jobs are generally slower paid (45-60 days), so you need to plan your expenses accordingly. Most commercial contractors will hold a portion of your payment as retainage and require you to submit notarized applications for payment. Each contractor has specific forms for you to complete, and you need to make sure you read them thoroughly. [Many contracts state that you won't get paid unless the contractor does (pay-if-paid), but this is not legal in some states. Know the laws of your state, and don't be afraid to edit a contract accordingly.]

You should put a payment schedule in your contract to control when you will be paid and the amount. This is new news to GC’s but if you will start implementing this, it will help your cash flow knowing exactly when you will be paid. Poor payment schedules on contracts causes cash flow problems. It should be well defined and followed. If you are unsure contact your attorney for the proper wording and implementation.

f. CONTRACTS
It is important to have a contract for any work provided by your company. This is for your protection and your clients. It is to clearly spell out what services you are going to provide, where and how much. This document can be as short as one page to many pages. It needs to be worded very carefully. You can see what other contractors are using and adopt a similar document. Make sure an attorney reviews it. Good contracts also have well-defined pay schedules on them. This takes all the guessing on when you will be paid and how much. You should also include a “Notice of right to Cancel" form (commonly called Right of Rescission) with your contract. Each state is different so check out what your state requires. A state form must be provided in addition to a federal one.
Change orders should be developed and given to the client as the change is taking place. Clients will pay you easier and faster when they know there is a legitimate change to their job and scope of work. You cannot wait till the end of the job to provide this! Too much information is forgotten and the urgency from the client to pay you is lost. Take care of each change as it occurs. It will only help your cash flow.

g. DEPRECIATION
Allocating the cost of an asset over the useful life of the item. Large ticket items are often depreciated over several years.

h. JOB COSTING
Is a comparison of what you charged for a job vs. what it cost to get the job done – labor cost, material cost, overhead. When evaluated over several months, your job costing reports can give you a good indication of what types of jobs are most profitable for your company. Work in Progress reports use similar information to give you an indication of the job’s profitability as the work proceeds.

i. OPERATING BUDGET
A budget is “an overall financial and operating plan for a forth-coming fiscal period and the coordinated program for achieving the plan.”
Steps to follow in preparing a Master Budget:
1) Establish basic goals & long-range plans for the company;
2) Prepare a sales forecast based on general business and economic conditions anticipated;
3) Estimate the cost of goods sold and operating expenses;
4) Determine the effect of budgeted operating results on your assets, liabilities, and ownership equity accounts;
5) Summarize the estimated data as a projected income statement *from Accounting –The Basis for Business Decisions, Meigs, Johnson, & Meigs.

Every budget is a forecast of future events, showing anticipated revenue, expenses, and the financial position of the company at a future point in time. A budget is used to make a systematic plan as well as to evaluate performance against the plan.

j. VENDOR RELATIONS
Paying promptly and taking discounts will distinguish your business. Creditworthiness from your vendors is becoming even more important as more and more contractors require credit references and supplier lien waivers on each job.

k. COLLECTIONS
Collection calls and letters should be handled in a professional manner. Specify a due date on the invoices you send, and begin following up with the customer after that date. Keep track of the last date you were on a job, because many states have a 120-day limit on your ability to file a lien. In most instances, having a lien filed against their property is perceived by the customer as a negative, so you’ll want to attempt other methods first.
I. PROFIT
Profit is the ultimate goal of a well-organized business. Profit is your payment for the risk of doing business and the potential of losing your investments and even your personal wealth. Profit is a reward for those willing to take risks. It’s what’s left after you have met all your obligations and paid all your bills. TAX

m. PLANNING & REPORTING
Taxes are an inevitable part of business and must be part of your cash flow planning well before the monthly, quarterly, and yearly deadlines approach. Each type of tax has its own specific method of payment and reporting. Most accounting software programs also have the basic tax forms you will need to file for your business. Your accounting professional can also give you a schedule of when each type of payment is due.

n. TAXES:
Taxes are mandatory, they are not an optional payment, they must be made every time on time. This account is never to be borrowed from, hands off, don’t touch, leave it alone.

FEDERAL INCOME TAX
This is the federal tax on earnings, required to be withheld by the employer from each paycheck, and remitted to the federal government. The amount withheld is based on the employees’ W-4. Forms and information are available at www.irs.gov and www.business.gov

SELF-EMPLOYMENT TAX
If you are a sole proprietor or partnership this is how you contribute to Social Security and Medicare.

PAYROLL TAX
Every employer must withhold at least two types of taxes from all employees pay Federal income tax and the employee's portion of Social Security and Medicare taxes. The employer also pays in an amount equivalent to the employee's portion, up to a certain income level. These taxes are paid weekly or monthly depending on the size of your payroll.

UNEMPLOYMENT TAX
This tax on employers is paid at both the state (SUTA) and federal (FUTA) level and is used to fund employees who may be laid off in the future.

STATE INCOME TAX
If this is applicable for your state.

STATE SALES TAX
Some states consider contractor's services to be taxable and require you to charge tax on your invoices. You’ll then need to file a report and pay that amount to the state. If you re-sell material, you’ll usually need to charge and pay sales tax to your state. And, if your vendor does not charge you sales tax, you'll have to pay USE taxes in most states.
Filing timely tax returns allows you to avoid expensive penalties, and failing to file the correct taxes can be quite costly for your business.

o. INTERNAL CONTROLS
Determine your intended internal controls and cash controls, check signing policy, strategy for controlling shrinkage and dishonesty and control of incoming and outgoing merchandise. No one person should handle all the phases of your company’s money.
A purchase order system will ensure there is a paper trail when orders are placed, and will document what you ordered, when you ordered it, and even the price you were quoted (can save a lot of headache when the bills come in). It’s also a good way to keep track of back-ordered items and can aid in job costing as you track expenses.

p. RECORD KEEPING -- Financial records should be kept for a minimum of 7 years for tax and possible audit purposes.
Among the yearly records you need to keep are:
Sales Invoices, Interest & Other Income Statements
Expense documents related to: Material Purchases, Legal fees, Bank Charges, Office Supplies, Dues and subscriptions,
Advertising, Vehicles, Phone/ fax/ internet lines, Printing, Freight Bills, Taxes, Insurance, Tools and equipment.

q. BONDING & BOND REPORTING
In the past, bonds have only been required for sizeable jobs. But, in today’s market you see the request for them more often, so it is in your best interest to become familiar with what they are and how to qualify for one.

The contractor's license bond protects the public/consumer. It's considered a "compliance" bond in that it is required to comply with the provision set by the State for such a bond to be in place to respond to claims for people affected by the work the contractor does--for example, homeowners, employees, etc....

A performance bond is a surety bond issued by an insurance company or a bank to guarantee satisfactory completion of a project by a contractor. Performance bonds are generally issued as part of a 'Performance and Payment Bond', where a payment bond guarantees that the contractor will pay the labor and material costs they are obligated to.

A bid bond is issued as part of a bidding process by the surety to the project owner, to guarantee that the winning bidder will undertake the contract under the terms at which they bid.

Anne Wright, Surety Associates of Southern California Insurance Services, offers this advice on bonding:
To obtain bid, performance and payment bonds, you'll need to find a professional surety agent—a licensed insurance agent that specializes in surety—who can work with the actual bonding (insurance) company.
To obtain a bond, you’ll need to provide the surety agent/surety company with business and financial information that supports what you want to do. The information will include background/history of work you have performed—including references of completed jobs—and a business plan of what your goals are, and how you will achieve those. Surety companies typically look to support a contractor on a job that is no more than 150% of its largest job completed to date.

The basics of the information that the surety is looking for will include:
--Background of the company including history, ownership, references.
--Corporate financial statements that demonstrate a history of profitability, and working capital and net worth in the company to support the requested work program. Generally, a year-end CPA prepared financial statement is required, and then quarterly in-house financials and Work In Progress (as long as they track with the year-end equity, etc.).
NOTE: in today’s marketplace, losses are not unusual. Your agent will be able to advise you on what options there might be if your financials don’t “measure up” to a certain standard!
--Confirmation of cash and bank line.
--Business credit reports. (Good credit—both business and personal—is a critical indicator of whether you are bondable).
--Schedule of work in progress.
--Annual schedules of completed projects.
--Discussion of any losing jobs or losing financial statements—is it due to poorly estimated or run projects, or a difficult owner, or job costs going up over the life of the job (e.g. the job was delayed), etc.
--Personal financial statements, and credit reports, on any owner with 10% or more of the ownership.

The surety wants to understand your business and your philosophies about how you manage your business. Your surety agent will work with you to put together a presentation for the surety company, as well as offer input on other resources you may need such as CPAs, bankers, attorneys, etc.

r. BANK REPORTING & RELATIONSHIP
A solid banking relationship can be very valuable for your business. Your account manager should have a good sense of the construction industry in your area and can help you think through options for obtaining working capital as well as the structure of large purchases for your business. Banks are in business to make money, and they do so by charging you interest and fees, so it pays to shop around and make sure your banking relationship is a true asset for your company.

When a bank establishes a lending relationship with you, they will ask for regular reports on the health of your business. Usually, an income statement, balance sheet, and accounts receivable report will suffice. In today’s market many General Contractors have a prequalification requirement that includes a banking reference and a line of credit.
A line of credit is effectively a bank account that can be tapped at your discretion. Interest is paid only on money actually withdrawn, and there is an expectation that the line of credit will be reduced as your cash comes in.

If you are not able to secure a line of credit, another option might be a Small Business Administration backed loan. Each state has an office to assist small businesses.

SBA has at least one office in each U.S. state. In addition, the agency provides grants to support counseling partners, including Small Business Development Centers (often located at colleges and universities), Women's Business Centers, and SCORE, (a volunteer mentor corps of retired and experienced business leaders). Check out www.sba.gov

s. FINANCING
Develop a chart or spreadsheet showing all of your sources of capital and all assets your company will need to purchase or lease. Explore and list any government assistance or loan guaranteed programs you intend to apply for and/or use. If your business requires potential lenders, develop a cash flow projection and projected income statements to show sources for repayment of loans. Be conservative in your forecasts.

t. INSURANCE
Choosing your agent or broker is very important. This has as much importance as your attorney or accountant. Make sure they are knowledgeable about contractor’s insurance coverage’s. Look for someone that is objective in suggesting coverage’s with your best interests in mind. Ask what companies they represent? They can discuss which types and what it the most economical and can answer all your insurance questions. Are the coverage’s they are suggesting in your best interest or their sales commissions? Ask these questions, even though they may not be comfortable in answering them. It will save you money.

Some forms of insurance help you meet your legal requirements while others help you meet your contractual obligations. Before you purchase insurance for your company find a broker that has experience with insuring contractors and above all, make sure they are willing to review the insurance and indemnification sections of your contracts. Large general contractors and developers will have formal insurance requirements. If you know you will be bidding on jobs with specific general contractors or developers, ask them for their requirements prior to shopping for your policies.

There are many types of coverage available and the needs of a company vary but generally you will be required to carry five types of coverage for your company and be in legal and contractual compliance:

1) Workers Compensation - A system whereby an employer must pay, or provide insurance to pay, the lost wages and medical expenses of an employee who is injured on the job. Workers' compensation law is governed by statutes in every state. Specific laws vary with each jurisdiction, but key features are consistent.
• An employee is automatically entitled to receive certain benefits when he or she suffers an occupational disease or accidental personal injury arising out of and in the course of employment. Such benefits may include cash or wage-loss benefits, medical and career rehabilitation benefits, and in the case of accidental death of an employee, benefits to dependents.

• The negligence and fault of either the employer or the employee usually are immaterial. It is the goal of workers' compensation to return the injured employee quickly and economically to the status of productive worker without unduly harming the employer's business.

• A worker whose injury is covered by the workers' compensation statute loses the common-law right to sue the employer for that injury.

• Workers' compensation statutes require most employers to purchase private or state-funded insurance, or to self-insure, to make certain that injured workers receive proper benefits.

• The cost of insurance is reflected in the cost of goods or services produced by the employer; thus the cost of workers' compensation liability is passed ultimately to consumers.

• An injured worker is entitled to workers' compensation benefits only if the injury arose out of and in the course of employment.

• Many states attach a requirement to carry workers' compensation coverage to your contractor's state license.

• In many states a company owner and officer of the company can be excluded from coverage.

• All employees are classified by the work they perform for your company. Classifications vary from state to state. Premiums are normally determined by multiplying a pre-determined rate for each classification by the payroll for each classification and then divide by 100. Credits and debits are also applied based on your experience and loss history.

2) General Liability (Premises Liability and Products and Completed Operations) –
A general liability insurance policy provides coverage if you are sued for negligence or for claims of damage and injury caused by the actions of your company during the course of your business. General liability policies are not designed to include coverage for criminal or intentional acts and faulty workmanship.
The basic general liability policy covers bodily injury, property damage, personal injury (which includes libel or slander), advertising injury, medical expense and fire damage, and almost all general liability policies are expanded to also include coverage for your products and completed operations.

Your policy will contain a coverage limit per occurrence and in the aggregate that includes all claims for bodily injury, property coverage, personal and advertising injury.

Each Occurrence - The total amount shown as a limit of this coverage establishes how much the insurance company is obligated to pay on your behalf for each incident which leads to a claim made to the company under the terms of your policy.

General Aggregate - This is the limit the insurance company will pay on your behalf for any number of claims during the policy period. The most they will pay on one loss cannot exceed the Occurrence Limit Medical Expense - The limit the company will pay for medical bills incurred by a person injured on your premises, regardless of whether or not your organization was at fault for causing the injury. If your business is deemed to be negligent, the responsibility falls within the limit of the bodily injury portion of coverage. Your policy will contain a separate limit for this coverage.

- Fire Damage Legal Liability - The maximum amount the company will pay on your behalf if you negligently cause a fire which damages a building you lease or rent for your business. No property owned by the contractor is covered by their own GL policy under any type of claim. Your policy will contain a separate limit for this coverage. Your policy will contain a separate limit for this coverage.

- Products & Completed Operations - This form of liability insurance provides coverage for bodily injury and property damage after your work has been completed or abandoned. A general liability policy will contain a separate aggregate limit for this coverage and this limit is the maximum the company will pay on your behalf for any number of claims that arise from work that was completed during the policy period, but were discovered after the work had been completed.

3) Deductibles and Self-Insured Retentions -
It's not uncommon for general liability policies to contain a deductible or self-insured retention so be aware of this when reviewing it with your insurance professional. A deductible can be a good thing because it can lower your premium but make sure you are aware of your obligations to share in the loss amount.

- Deductible/self-insured retention - The amount you are required to pay out of the total cost of a claim against your
policy above which the insurance company will pay to the limits of that section of your policy.

Note: Any deductible should be “per occurrence” and not “per claim.” If you are working on a job-site and property damage is done to multiple parties then your deductible would apply over and over. With most policies this is not automatic and should be requested.

4) **Products and Completed Operations** - As a contractor, this is your biggest exposure so you should understand what is and is not covered under your policy. It’s very possible your policy, unmodified, will not match the requirements of your contracts. Know the laws and concerns of your state regarding construction defect claims. Many policies are designed to limit or exclude coverage. If your policy for product and completed operations coverage contains the following endorsements, ask your insurance professional to explain to you how your coverage and contracts could be affected.

- Manifestation clause – This clause greatly reduces the insurance company’s risk exposure. It reduces a full occurrence policy from the standard 10 years of coverage (10 years past the date the work was done) down to coverage during the policy period only. With this clause, the problem (physical damage or bodily damage) must manifest (“appear” or “become known”) to either the owner or the builder during the policy period. It reduces a full occurrence policy from 10 years of coverage to about 1 year. Not much different than a “claims-made” policy. Avoid these policies if at all possible. Case law shows that they are difficult to collect on.

- Sunset Clause - This clause reduces the "completed operations" from 10 years to either 2 or 5 and sometimes 3 years of coverage. It reduces the risk to the insurance company and therefore saves the insured money.

**Know your coverage form** – A general liability policy can be written on two kinds of policy forms. It’s always best to be on an “occurrence form” and not a “claims-made form”. Ask you insurance professional to explain the difference to you. Most of your contracts will require you be on an occurrence form because a claims-made form responds only to claims for injury or damage that are brought to the insurer during the policy period or during a designated reporting period beyond the expiration date of coverage. A construction defect claim can manifest many years after a policy has expired.

5) **Common Contract Requirements and Special Coverage Endorsements**
   – Subcontractors are commonly asked to provide certificates of
insurance to the general contractors, developers and customers they are entering into a contract with. Know what is being requested of you before agreeing to any of the below items because your contractual obligation will long outlive your time on the jobsite.

- **CERTIFICATE OF INSURANCE** - A written description of insurance in effect as of the date and time of the certificate. The certificate does not ordinarily confer any rights on the holder, i.e., the issuing insurer does not promise to inform the holder of change in or cancellation of coverage.

- **OWNERS’ OR CONTRACTORS’ PROTECTIVE LIABILITY COVERAGE** - This term refers to an accident, including continuous or repeated exposure to conditions, which results in bodily injury or property damage neither expected nor intended from the standpoint of the insured. This insurance coverage provides for payment on behalf of the insured of all damages the insured becomes legally obligated to pay due to bodily injury or property damage caused by an occurrence rising from the following:

  1. Operations performed for the named insured by independent contractors.

  2. Acts or omissions of the named insured in connection with his/her general supervision of such operations.

  3. This does not include maintenance and repair at premises owned by or rented to the named insured, or structural alterations at such premises that do not involve changing the size of or moving buildings or other structures.

- **WAIVER OF SUBROGATION** - An endorsement to a policy whereby an insurance company gives up the right to take action against a third party for a loss suffered by the insured. [Example: Your company is named in a claim and your insurance company pays out on that claim. Your insurance company will not be able to sue your Additional Insured or their insurance company (if you’ve provided them with a waiver of subrogation) even if they were at fault in part or completely.

- **PRIMARY WORDING** - Makes this policy your primary policy over any other insurance you hold and over the Additional Insured’s insurance. This insurance would have to be maxed out before any other policy would pay.
WHAT DOES "THIS INSURANCE IS PRIMARY AND NONCONTRIBUTORY" REALLY MEAN? - This statement may be required by a General Contractor or Developer to achieve the assurance that the policy you are providing is primary. Sometimes, the agreement broadens this definition and will require that your policy be primary and noncontributory with any other insurance coverage that the General Contractor or Developer has. The intent here is clear; the General Contractor or Developer is attempting to make your insurance pay entirely for any claim, whether it is the fault of the facility or not. This significantly increases your risk of a claim, whether it is the fault of the facility or not. This significantly increases your risk of a claim, whether it is the fault of the facility or not. This significantly increases your risk of a claim, whether it is the fault of the facility or not. This significantly increases your risk of a claim, whether it is the fault of the facility or not. This significa

• CONTRACTUAL LIABILITY COVERAGE - It is common in construction and other agreements for one party to "assume" the liability of another. This is sometimes referred to as a "hold harmless" agreement. The extent to which one holds another harmless varies from contract to contract, job to job, etc. To assume the liability of another, regardless of extent, is a voluntary undertaking which increases your exposure to loss. A standard Commercial General Liability policy does cover this additional exposure subject to certain exclusions.

• ADDITIONAL INSURED OR (AI) – Usually it is the property owner, the contractor who hired you as a subcontractor, or the lender requesting or requiring that you have them listed on an endorsement (amends/changes your insurance policy) to include them as insured by your insurance company in case of a claim against them. Note: Most General Liability policies will require that when you subcontract out any work, you must have the subcontractor name you and your company as Additional Insured on their policy. In addition, their policy must have at least the same limits as your policy. Your GL policy probably has this requirement. There are sometimes fees to add an AI. Note that if your organization (corporation, partnership, etc.) is named as an additional insured, your employees, officers, partners, etc., are probably not!

"Other Insurance" provisions are standardized in general liability policies, and state that each policy is primary cover. Consider the following examples of the problems associated with "Other Insurance" clauses and note that there are technical circumstances under which coverage may also be prohibited.

• SPECIAL WORDING - Not only do they require that you name them as AI, but they require that your endorsement use special wording. This is mostly common with government jobs. Note: Some insurance companies cannot meet certain verbiage requirements. Therefore, if you have a policy that cannot meet those requirements, you may be locked out from bidding it. Some cities may even require Special Wording to get a permit to build or remodel a home.
• A.M. BEST RATING REQUESTED - This private, for-profit, organization does an audit of an insurance company to determine its financial strength. The insurance company being audited pays A.M. Best for the service. Some contractors such as Lowes or Home Depot may require that you have an A rated carrier. You can read more about the A.M. Best rating system at http://www.ambest.com/.

• ADMITTED COMPANY REQUESTED - Insurance companies which are California 'admitted' carriers are required to place a certain amount of funds into a special account, governed by the California Insurance Guaranty Association (CIGA), to protect policy purchasers (you) if the carrier were to go out of business, and/or file bankruptcy.

• X, C, AND U EXCLUSIONS - Explosion ("X") Hazard includes property damage rising out of blasting or explosion. Collapse ("C") Hazard includes structural property damage and property damage to any other property rising out of the following:

• Grading of land, excavating, burrowing, filling or backfilling, tunneling, pile driving, or coffer dam or caisson work.

• Moving, shoring, underpinning, razing, or demolition of any building or structure.

WRAP UP POLICY - Liability coverage specifically focused on contracting risks, attempting to manage in a single contract the broad interplay of exposures and interests among owners, general contractors, and subcontractors.

6. Excess Liability

• Sometimes there is a need to carry limits of insurance higher than what is offered under your primary policies for general liability, employers’ liability and commercial automobile because you have more assets to protect or you are being required to do so by a contract. When this occurs you will need to purchase an Excess Liability or Umbrella policy. An excess policy is most common in the construction industry and follows the coverage form and exclusions of your primary policy. Umbrella forms are less common and can also provide additional coverage.

• How does excess/umbrella liability insurance protect your business? For a single premium, excess or umbrella liability adds another layer of protection to any of several other policies that you might hold. For instance, if you have a $1 million excess liability policy per occurrence and a primary general liability policy for $1 million per occurrence and a
covered claim is settled for $1.5 million, your excess policy would pick up the additional $500,000 amount. The primary policy is always exhausted first before your excess policy kicks in.

- Excess policies are written in increments of $1,000,000. The first $1,000,000 over your primary coverage is the most expensive and each subsequent $1,000,000 reduces in premium.
- The most common requirement for large commercial projects is a total general liability limit of $5,000,000 including products and completed operations. If your primary policy is $1,000,000 you would be required to purchase a $4,000,000 excess liability policy.
- Many excess and umbrella policies have self-insured retentions or deductibles so make sure you understand your out-of-pocket obligations.
- Knowing what your contractual needs are can be helpful in determining if you need excess liability or how much. Often you are able to negotiate a lower liability limit depending on the work you will be performing.
- Excess and umbrella policies are written on an annual basis and generally can’t be purchased on a job-by-job basis.

7) Commercial Automobile

Commercial auto insurance is an important aspect of your business insurance program. If your business owns vehicles, leases vehicle or has employees driving their own vehicles for business use, then you have exposures that need protection. In order to insure company "owned" vehicles under a commercial policy, the vehicles should be titled and registered in the company name. When purchasing company vehicles, it’s best to set this up properly in the beginning especially if there is a loan on the vehicle. Changes later can be extremely difficult. It’s also important to consult your tax representative before changing how a vehicle is titled and registered.

Be prepared to discuss the following items with your business insurance professional:

- How many vehicles and drivers will my business insure? Commercial auto insurers often separate coverage types based on the number of vehicles and drivers to be insured. Typically, you have a fleet if there are more than 5 vehicles; fleet insurance may be a less expensive alternative than individual, per-vehicle policies.

- What is the policy definition of commercial use? Your personal auto policy will exclude coverage for commercial use of your vehicle. A commercial policy will establish a definition of commercial use as well. It is important that you discuss this with your insurance professional.
How is the premium determined on my policy? What can I do to lower my premium costs? Many factors are involved in the pricing of your commercial auto insurance so understanding how your company addresses the following items can substantially control your premiums:

i. Business location, usage and storage affect your premiums. Rates are different for personal, service, retail or delivery use. The gross vehicle weight, radius driven and value also play a part.

ii. Driver Records - hire only qualified drivers with the appropriate experience and safe driving records. All insurance carriers have criteria for acceptable drivers. It’s important you understand the privacy laws of your state regarding what information can be obtained from an applicant or employee regarding their driving record and what you are legally allowed to do if a driver no longer meets the requirements.

iii. Allowing employees to take company-owned vehicles home to use during non-work hours substantially increases the company’s exposure and should be avoided if possible. Many insurers will decline to write this exposure due to the added hours the vehicle could be driven and exposure to employee family members not included as covered drivers on the policy.

iv. Employees who use their own vehicles on company business create extra exposure for your business so make sure you have requirements in place for employees to adequately insure their vehicles. In most states, the employee’s insurance policy on the vehicle will be primary, but if it’s not adequate or their limits are exhausted, then your company insurance policy becomes the second line of defense. A commercial automobile policy should always include coverage for “non-owned” vehicles.

v. Leasing a vehicle while on company travel both domestic and foreign - commercial insurance policies do not automatically include coverage for this exposure but can be modified to include it. Because there are options to purchase the coverage from the rental agencies and many credit card companies provide automatic coverage, you should consult your insurance professional to discuss your exposure and the best way to provide coverage.

vi. Deductibles - can your business afford part of the risk and maintain a high deductible? If so, your premiums will be lower. Consider your claims activity and consider self-insuring smaller “property damage only” claims to reduce your claims activity. Never self-insure any bodily injury claims due to possible legal ramifications. Self insuring damage to the property of others does not alleviate any responsibility you have to report incidents to local authorities.
Special Commercial Coverage and Considerations. Certain businesses must adhere to federal and state regulatory standards in the operations of their vehicles. For example, if your business will be hauling cargo interstate, there are specific Department of Transportation requirements for insurance that must be met. You will need to make sure you and your insurance professional have a thorough understanding of those requirements. Also, if you will be delivering or hauling for others or using other's equipment such as leased trailers or rental equipment, you will need hired or non-owned vehicle coverage.

- If your business is located in a state that is “No Fault” then consult your insurance professional on how the above items could be affected.

8. Property Coverage – you’ll also need property coverage on the following items:

- Owned buildings
- Business personal property in your office
- Tenant improvements to a leased property
- Contractors equipment taken to a job-site
- Employee-owned tools used for company business
- Coverage for materials in transit to a job-site, in temporary storage and on the job-site prior to installation
- Coverage for equipment you lease or rent from a third part
- Coverage for your loss of business income due to a property loss
- Earthquake and flood is a separate coverage not included on a standard property policy so know your exposure to these types of losses.

7) ADMINISTRATION & HUMAN RESOURCES

Your employees are among the most important assets of your company, and taking on employees comes with significant responsibility. The IRS and Small Business Administration are good resources of information on all the tax reporting and requirements of having employees. In some areas, there are also Union requirements you’ll need to investigate before hiring.

Consult with your local tax professional BEFORE hiring employees to make sure you understand all the reporting and income withholding which will be necessary. Different
projects and locales also require certain policies and documentation. These may include E-Verify, Certified Payrolls, and New Hire reporting, among others.

Some companies operate with limited office employees and the use of subcontractors for fieldwork. Consult your legal or tax professional for further clarification, but, to avoid legal problems, there must be clear distinctions between employee and independent contractor behavior. In general:

<table>
<thead>
<tr>
<th>INDEPENDENT CONTRACTOR</th>
<th>EMPLOYEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Works specific jobs</td>
<td>Works every day</td>
</tr>
<tr>
<td>Pays his taxes</td>
<td>Company deducts taxes</td>
</tr>
<tr>
<td>Hires his helpers</td>
<td>Company pay helpers</td>
</tr>
<tr>
<td>Pays his insurance</td>
<td>Company pays for insurance</td>
</tr>
<tr>
<td>Provides his transportation</td>
<td>Company provides transportation to jobs</td>
</tr>
<tr>
<td>Provides his tools (small &amp; large)</td>
<td>Company provides large tools</td>
</tr>
<tr>
<td>Pays his own expenses</td>
<td>Company pays job-related expenses</td>
</tr>
<tr>
<td>Chooses when he works</td>
<td>Works when company says</td>
</tr>
<tr>
<td>Can work for others</td>
<td>Works only for Company</td>
</tr>
<tr>
<td>Training is on his own</td>
<td>Company trains employees</td>
</tr>
<tr>
<td>Has a contract to do the job</td>
<td>No contract per job</td>
</tr>
<tr>
<td>Paid by the job</td>
<td>Paid a set wage per hour</td>
</tr>
<tr>
<td>Can lose money on a job</td>
<td>Job loses money, employee still paid</td>
</tr>
</tbody>
</table>

You can look up the IRS Publications to help define Employee or Independent Contractor:

Publication 1779  Independent Contractor or Employee
Publication 1976  Section 530
Publication 15-A
Publication 539
Form SS-8

a. BENEFITS

Employee benefits are various non-wage compensations provided to employees in addition to their normal wages or salaries. Benefits should be administered equitably among your employees, and the business owner should carefully weigh the human benefit and company cost of any program before it is implemented. Your local Small Business Administration office or business-networking group may have suggestions on what is standard in your area.
Benefits can include:

Group insurance (health, dental, life etc.), disability income protection, retirement benefits, daycare, tuition reimbursement, sick leave, vacation (paid and non-paid), social security, profit sharing, funding of education, and other specialized benefits.

Employee benefits might include medical, prescription, vision and dental plans; health and dependent care, flexible spending accounts; retirement benefit plans (pension, 401(k), 403(b)); group-term life and long-term care insurance plans; legal assistance plans; child care benefits; transportation benefits; and possibly other miscellaneous employee discounts (e.g., movies and theme park tickets, wellness programs, etc.).

Some fringe benefits (for example, accident and health plans, and group-term life insurance coverage up to $50,000) may be excluded from the employee's gross income and, therefore, are not subject to federal income tax in the United States. Some function as tax shelters (for example, flexible spending accounts, 401(k)'s, 403(b)'s). Fringe benefits are also thought of as the costs of keeping employees other than salary. These benefit rates are typically calculated using fixed percentages that vary depending on the employee’s classification and often change from year to year.

HEALTH INSURANCE POLICIES – If you have employees you might be required or elect to offer employer subsidized policies and programs for your employees. Because each state has laws specific to their state and the requirements of employers are so different from state to state, the information contained in this section will only represent examples of programs and policies available but will not address the requirements of your specific state. You will need to consult an insurance broker or your state representatives to determine your requirements as an employer. Keep in mind that what you offer must be company-wide or consistent with the laws of your state.

Health Insurance is insurance against loss by an illness or bodily injury that is not work related. Health insurance provides coverage for medicine, visits to the doctor or emergency room, hospital stays and other medical expenses. Policies differ in what they cover, the size of the deductible and/or co-payment, limits of coverage and the options for treatment available to the policyholder. Health insurance can be directly purchased by an individual, or it may be provided through an employer.

- Some reasons you might want to provide health insurance for your employers are:

  a) Guaranteed issue regardless of pre-existing conditions.
  b) Premiums on a group plan are lower than individual plans.
  c) Some states allow tax benefits to both the employer and employee.
  d) Strong benefit plans help you employ high quality employees.
  e) Employees with health insurance are less likely to file non-work related injuries as workers compensation claims.
• Some examples of premium payment options are:
  a) Discounted rate where employee pays 100%
  b) Employer pays for a portion of the employees premium
  c) Employer pays for 100% of the employees premium
  d) Employer pays for 100% of the employee and family

• Dental and Vision Insurance - Policies taken out by the employer to help defer some of the costs and high deductibles associated with dental or vision needs. Employers can elect to pay all or a portion of the premium for the employee and their dependants.

• Employee Pension Plans – As an employer you might want to set up a pension plan that would be administered through an independent third party. Typically an employee would contribute a % of their gross pay per paycheck into the plan. Contributions are made on a pre-tax basis lowering taxable income. Some employers elect to match the employee contribution by a set % or in full.

There may be big changes in the future for health insurance and your role in providing it so talk often with your insurance provider to stay up-to-date with the requirements.

b. COMMUNICATIONS

1. Effective Communication in the Workplace
   How effectively are your executives, managers and supervisors communicating with your employees? What was once considered a “soft” skill is now seen to have “hard” business impacts. The costs to your business of poor employee communication include:

   • Increased employee turnover
   • Increased absenteeism
   • Dissatisfied customers from poor customer service
   • Higher product defect rates
   • Lack of focus on business objectives
   • Stifled innovation

   Employees will put in that extra “discretionary effort” when they are kept informed openly and honestly on aspects of their job and the business and they feel that they are being listened to with empathy.

2. Employee Communication Needs

   What and how should you communicate with your employees? Communication in your workplace should satisfy the three key employee needs before they can be engaged and highly productive. Each and every employee needs to:
a. Know that …

- Included here are facts about your organization and their specific job – what business you are in, who your customers are, specific details about your product or service, where forms are located, who to see when there is a problem...

b. Master that

- Included here are the practical skills required to do their job well – repairing a machine, filling out an invoice, designing a building...

c. Feel that …

- Included here are the interactions that give them a sense of belonging and self-worth – being listened to, respected, trusted, valued...

Managers predominantly concentrate on the first communication need – know that – and pay less attention to the second need to master skills. The third need – feel that – is what makes employees distinctly human and what drives them to outstanding achievement in work and outside of work. And yet it is in this dimension that employee communications are most lacking.

Look closely at the employee communication practices happening in your business. Is it satisfying what employees need to be fully engaged and working productively?

For an answer, it is also worth looking at the four fundamental levels of communication in your organization:

1. Organization wide communication – involving all employees
2. Departmental communication – specific to one department or unit
3. Team communication – within one cohesive team or group
4. Individual communication – specific to one employee at any one time.

Communications may be working effectively at higher levels, but fail dismally at the more local level. The interpersonal skills of supervisors, team leaders and local managers are especially critical at levels 3 and 4, as these are the people that frontline workers develop working relationships with most personally and closely.

Just as important is the communication between and within levels. Gone are the days when departments could stand as silos, isolated from the rest of the organization by impenetrable barriers. What are the communication barriers in your organization?

Where is your organization at in its life cycle? Is it large or growing rapidly? As more people are added to an organization, employee communication needs and stresses increase exponentially. Joe, who used to do purchasing, inspection and warehousing on his own now needs to talk to three other departments as well as the people in his own growing team. What structures, systems and processes has your organization put in place to encourage and facilitate effective workplace communication flow?

Well-designed organizational culture surveys and employee communication surveys can determine how well your communication systems and practices are contributing to your...
organization’s performance – or how much they are hindering performance. This information will then help you in devising an effective workplace communication strategy. Whatever else you do, your workplace communication practices impact every facet of your business. Looking closely at employee communication in your organization is well worth your while, because even if you do not, your employees are.

c. POLICY & PROCEDURE

Documenting your company’s policies and procedures is essential to smooth operations. The one person who knows ‘how you do things’ may be incapacitated tomorrow and their processes need to be documented so that someone else could come in and take over. Consistent policies and procedures for your company are important for effective functioning and are a mark of your professionalism.

d. EMPLOYEE HANDBOOK

Employee policies and procedures are often published online and in print as part of a company operating manual or personnel handbook. These guidelines detail how employees are expected to act and how they will be treated by the organization. Both employers and employees are protected because they engage in relationships based on common standards.

You might want to use an Employee Handbook template or consult with your local Small Business Administration office to make sure your guidelines also fall within legal parameters. It’s a good idea to have your employees sign a form saying they have received and reviewed the handbook when they are hired. Keep this in their personnel file in case it is needed in the future.

e. BEHAVIOR

A broad set of personnel policies and procedures cover expected handbook for expectations related to attendance, dress code, customer service, smoking, telephone usage, computer usage, solicitation, accepting gifts, outside employment and security. Policies might also define both employer and employee responsibilities for safety, drug testing, and preventing harassment and discrimination.

f. ATTENDANCE POLICY

Regular attendance is essential to the Company’s efficient operation and is a necessary condition of employment. When employees are absent, schedules and customer commitments fall behind, and other employees must assume added workloads. A sample policy might be:

• Employees are expected to report to work as scheduled and on time. If it is impossible to report for work as scheduled, employees must call their manager before their starting time. If your manager is unavailable, a voice message should be left. If the absence is to continue beyond the first day, the employee must notify their manager on a daily basis unless otherwise arranged. Calling in is the
responsibility of every employee who is absent. Absence for three consecutive workdays without notifying the manager is considered a voluntary termination.

g. DRUG AND ALCOHOL POLICY

The misuse of drugs and alcohol impairs employee health and productivity. Drug and alcohol problems result in unsafe working conditions for all employees and customers. Any requirement for random or post-accident drug testing should be spelled out in the employee handbook. A sample policy might be:

- The Company is committed to maintaining a productive, safe, and healthy work environment, free of illegal drug and alcohol use. Any employee involved in the unlawful use, sale, manufacturing, dispensing or possession of controlled substances, illicit drugs and alcohol on Company premises or work sites, or working under the influence of such substances, will be subject to disciplinary action up to and including dismissal and referral for prosecution.

h. SAFETY

A well-run Company is sincerely interested in the safety and well being of its employees, and should make every effort to keep equipment in good condition and make sure that all safety devices are working properly. Managers and employees should be responsible for following safe work practices and company rules, and for preventing accidents and injuries.

Safety is an on-going concern for all aspects of your work, but some job sites or conditions have specific safety regulations. Your workers' compensation insurance agent is a great resource for sample policies and general safety suggestions.

In the event of a workplace accident or injury, you'll need to make sure your employee is well cared for and contact your agent immediately.

i. LICENSES, PERMITS AND BUSINESS NAMES

Every business needs one or more federal, state or local licenses or permits to operate. Licenses can range from a basic operating license to very specific permits.

Regulations vary by industry, state and locality, so it's important to understand the licensing rules where your business is located. Not complying with licensing and permitting regulations can lead to expensive fines and put your business at serious risk. Your local Small Business Administration Office is a great resource for this type of information.

DBA: “Doing Business As" this may be the working name of your company if you set up your incorporation under a different legal name.

Zoning: Is your zoning appropriate for a business location?
Licenses: List the licenses you have for local, state, and federal requirements:

Local:

State: (In some states, bonding is a licensing requirement as well.)

Federal:

Trademark: Identify any trademarks that you have.

Sellers Permit: List any required sellers permits that you have.

EIN: Employers Identification Number (obtained from the Federal government.)

8) Succession Planning

Succession management planning refers to the identification and development of potential successors in a company. The key in succession management is to create a match between the company’s future needs and the aspirations of individual employees.

A well-developed succession planning process increases the retention of superior employees because they recognize that time, attention and skill development is being invested in them for the purpose of career development. When you continue to challenge and reward talented employees, you eliminate their need to seek opportunities elsewhere.

Developing leadership talent is a long-term investment. A working succession system results in having more than one good person available for a key job. Real success requires choices between two or more qualified people. In order to have choices, you need to identify who is ready now and what it will take to make others ready when you need them.

9) Legal

How To Hire An Attorney

Overview
Whether you want to litigate an issue, draft a contract, or are just looking for legal advice about your situation, it is a good idea to speak with a lawyer. An attorney can identify important legal consequences that may affect you, provide you with options, and give you advice about your next course of action. In many cases, even a brief meeting with an attorney can set your mind at ease and move you towards a positive resolution. Choosing an attorney may seem like a daunting task, but this guide outlines steps to make the process manageable.

Things to Remember When Hiring an Attorney

The lawyer you hire must have experience in construction law. You do not want to pay someone to learn our business at your experience. Some of the issues we face are standard matters that your lawyer should be very familiar with.

They also should be flexible in working with you on a limited basis. They should be called upon when it is absolutely needed.
You do not need to pay for an attorney with frills and a glitzy office. You will have to look hard for the attorney that can give you good and sound legal advice. They are available and it will be worth your while to find one that is fair and honest.

Pay for a service as you go. It is advised not to pay a monthly retainer. That is almost never necessary.

There are some key issues you may want to consider as you begin your search for an attorney. First, it is to your benefit to contact an attorney before legal issue arises. Next, develop a clear understanding about what you hope to accomplish by meeting with the attorney—take a moment to identify and write down your goals. Finally, you will want to become familiar with different billing methods that attorneys use. Hiring an attorney can be expensive, and understanding the ways that attorneys may charge for their services is a good way to keep your costs down. This guide will help educate you on these and other important factors when it comes time to making a final decision on who to hire.

Identify Your Goals

It will be helpful for you to keep specific goals in mind as you begin your search for an attorney. Knowing what you are looking to achieve will help to narrow your search and enable both you and the attorney to focus on your issues. You will avoid spending time (and money) on extraneous issues, concentrate your attorney's efforts on what is important to you, and clearly discuss a strategy for meeting your goals. Depending on your situation, some goals you might want to accomplish by meeting with an attorney are:

- Review of a contract
- Evaluation of a legal claim against you
- Evaluation of your legal claim against another
- Legal advice about the consequences of a particular course of action
- Creation of a will or trust document
- Formation of a business

Remember, you are visiting an attorney to get an expert's impression of your matter – be open to the attorney's suggestions regarding your potential course of action.

WHO TO HIRE? – THE SIZE OF FIRM

As you think about working with an attorney, consider the size of the firm you might work with. There are advantages (and disadvantages) of working with different types of law firms, from a solo practitioner to the firm with hundreds of attorneys.

Solo Practitioners are lawyers who practice on their own and are probably the largest single category of practicing lawyers. In almost every town or city across the country there is at least one solo practitioner who handles a variety of legal issues usually with no specialization in any one-practice area. It is common for solo practitioners to handle several types of legal issues – though some are in highly specialized fields. Some benefits of hiring a solo practitioner to help you with your legal issue might include:
• Lower fees and costs. Generally, a solo practitioner has a much lower overhead than a larger law firm, which enables him or her to charge considerably less than a larger law firm might for the same work.

• Often, solo practitioners are more willing or able to take smaller cases where as a larger law firm might not.

• You will likely have a personal, one-on-one relationship with a solo practitioner and his or her office staff. This may mean that the intimate details of your case are understood better and you'll have the comfort knowing that your case will not be handed off to another attorney within the firm.

Small Law Firms are generally law firms that have between two and ten lawyers. Small firms have many of the benefits listed above for solo practitioners -- lower fees and more personal interaction. In addition, the small law firm may offer some of the following benefits:

• Some small offices may specialize in a very specific area of law. These firms are often called "boutique firms."

• There is usually another lawyer available to cover for your attorney if your attorney is unexpectedly unavailable.

• Knowledge sharing between attorneys in the firm can help improve firm effectiveness.

Mid-Sized Law Firms usually have between ten and fifty lawyers. Some benefits of working with a mid-sized firm might be:

• Many have the warm characteristics of a smaller firm, and at the same time some of the legal resources available in a large firm.

• Access to additional resources within the firm may mean that many, if not all, of your legal needs can be addressed from one office.

• Often the more lawyers a firm has, the more contacts it has within the legal community allowing it to draw from a larger network and knowledge base.

Large Law Firms generally employ fifty or more lawyers. Because of the number of lawyers in the office they tend to handle large, complex legal problems. Some potential benefits of working with a large firm might include:

• Most have the legal resources to handle issues for large public companies, governments, and other larger organizations.

• They generally have several metropolitan locations, often across the country or even worldwide.

• Because of their size and the nature of cases they handle, as well as the high levels of expertise, large law firms tend to come with considerable reputation and name recognition within the legal community.
The following chart may help you evaluate which size law firm will work best for your situation.

<table>
<thead>
<tr>
<th></th>
<th>Sole Practitioner</th>
<th>Small Firm</th>
<th>Medium Firm</th>
<th>Large Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of Attorneys</strong></td>
<td>1</td>
<td>2-10</td>
<td>10-50</td>
<td>50+</td>
</tr>
<tr>
<td><strong>Cost to Client</strong></td>
<td>Low overhead generally enables lower fees</td>
<td>Lower overhead can mean lower fees</td>
<td>More overhead and diverse resources may mean higher cost to clients</td>
<td>High overhead, high levels of expertise in many fields generally means higher costs to clients</td>
</tr>
<tr>
<td><strong>Types of Cases Handled</strong></td>
<td>Often willing to take on smaller cases, May not have in-house resources to tackle larger cases</td>
<td>Generally willing to take on smaller cases, May not have in-house resources to take on larger cases</td>
<td>• Maybe less willing to take on smaller cases • Generally have in-house resources to take on larger cases</td>
<td>Generally handle larger cases, often for big, public companies, government and/or other large organizations</td>
</tr>
<tr>
<td><strong>Attorney/Client Relationship</strong></td>
<td>One-on-one relationship</td>
<td>One-on-one relationship</td>
<td>May work with more than one attorney on a particular project</td>
<td>Work with several attorney’s on a project</td>
</tr>
<tr>
<td><strong>Resources Available w/in Firm</strong></td>
<td>Often rely on outside sources if don’t have in-house expertise required</td>
<td>• Additional attorneys in office may provide additional expertise • May need to rely on outside sources if</td>
<td>May be able to address all legal needs from a single firm</td>
<td>Significant resources within the firm mean all legal needs can be addressed by a single firm</td>
</tr>
<tr>
<td><strong>Other Considerations</strong></td>
<td><strong>don’t have in-house expertise</strong></td>
<td><strong>• Individual lawyers within the firm have very high levels of expertise and have been educated in the most prestigiou s law schools</strong>&lt;br&gt;• Prestige and name recognition&lt;br&gt;• May have offices in many metropolitan areas, both domestica lly and internationally</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Given the personal nature of your relationship with the attorney, the details of your case are less likely to slip through the cracks</td>
<td>Highly personal relationship with your attorney, but have others who can cover if your attorney is unavailable</td>
<td>The more lawyers in a firm, the more contacts the firm has with the legal community—can be a big benefit to a client</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**How Much Will It Cost? – Attorneys Fees & Schedules**

There are a number of different ways Attorneys bill for their services. You will want to become familiar with the different methods before you meet with an attorney, so you can better evaluate the estimated time and cost of the services a particular attorney offers you. With all fee structures, confirm with the attorney what will and will not be included. In most cases, under most fee structures, you will be responsible for the costs associated with your case – things like copies, filing fees, travel, hiring experts, or long distance phone calls.

- **Consultation Fee**: Some lawyers charge a fixed or hourly fee for an "initial consultation" — this is the first meeting where you and the attorney determine if he or she can assist you. Others offer a free initial consultation. Consultations can be in-person or over the phone. Be sure to ask whether you will be charged for this initial meeting or not the first time you make contact with the lawyer.
• **Retainer Fee:** Think of a retainer fee as a "down payment" against which future costs are billed. The cost of services is deducted from that account as they accrue. In some states, retainer fees can be non-refundable, even if the lawyer doesn't deduct the complete cost of his or her services. Some states, however, require refund of any amount of the unused retainer. Some clients maintain a monthly retainer fee, so that the attorney will always be "on call" to handle legal problems. Be sure to ask the attorney to clarify the details of any retainer fee he or she may require you to pay. If have concerns about whether or not the retainer fee should be refundable, you should call your state's bar association for more information. Some attorneys will also request a deposit for costs. This is most common in a situation where a lawyer is handling a matter on a contingency fee basis but expects the costs to be unusually excessive and cannot fund them through the firm. When a deposit for costs is made, it will be deposited into the attorney's trust account and when a cost accrues, the amount will be deducted from your balance to pay for it. All amounts not used for costs are fully refundable to the client.

• **Contingency Fee:** When working on a "contingency" basis, a lawyer's fee is based on a percentage of the money that you receive if you win the case or settle the matter before trial. If you lose the case, the lawyer does not get a fee. However, even if you don't pay the lawyer a fee, you will likely be responsible for additional expenses he or she incurred when representing you, such as court costs or document preparation and copying costs. The percentage a lawyer will take as his or her fee varies according to the attorney, and the type of lawsuit involved. Contingency fees are most common in cases such as personal injury, certain kinds of cases such as criminal and child custody matters and their fee may be capped in some states.

• **Flat Fee:** A flat fee is a specific, total fee that is decided up front, before the attorney provides any service. A flat fee is usually offered only if your case is simple or routine, such as drafting a straightforward will, bankruptcy filing or representation for an uncontested divorce. Flat fees often limit attorney’s services, so be sure to confirm what services are included in your flat fee arrangement.

• **Hourly Rate:** When charging an hourly rate, a lawyer will bill for each hour (or portion of an hour) that he or she works on your case. An attorney with more experience in a field may charge more for his or her services, but that attorney may need to spend less time on an issue than an attorney less familiar with the field. Different attorneys within a firm may also charge more or less according to their expertise level and years of experience. In addition to in-person meetings, and all work on your case, hourly rates typically will apply to phone conversations with your attorney or staff regarding your case. It's a good idea to find out ahead of time how the hourly rate will be calculated and what is included.

• **Statutory Fee:** In certain situations, a statute or a court may set the fee that you pay your attorney. Typical proceedings involving a statutory fee might include probate or bankruptcy proceedings.
Tips For Interviewing Lawyers - What to Expect

Regardless of the issues you plan to discuss, when you meet with an attorney you should be prepared to answer questions that may seem extremely personal. You may feel uncomfortable disclosing the answers to some of these questions (for example, about your income or past criminal history.) However, it is important that you answer truthfully and completely. The answers will enable your attorney to better address all issues surrounding your case.

Preparing for an Initial Consultation - What to Bring

In order to make the most out of your initial consultation, it's a good idea to gather material that would be helpful to the lawyer before your meeting. Spend some time thinking about the kind of information and documentation that might be helpful, and about how you can logically explain your situation to an attorney. If your situation involves many facts that are best presented in chronological order, you may want to get a calendar and mark down dates of when things happened, when you participated in various correspondence, or received particular documents. If your situation involves the drafting of a general document, for example, a will, consider creating a flow chart explaining the way you would like your assets distributed. Here are some suggestions about what to bring with you, however you may need to tailor the list to your particular situation:

Contact Information:

Be prepared to provide you attorney with all of your contact information, including an email address if available. If you are uncomfortable with your attorney contacting you at a particular location, make sure to inform your attorney of that concern and try to work out an alternative way to reach you.

Important Facts Leading Up to Your Decision to Contact a Lawyer:

- The names of important people involved in your company and their contact information
- Important background facts about your company
- The time frame and important dates pertaining to your company
- Important events surrounding your company (who, what, where, when, why, how?)
- The current status of your company
- Documents (for example contracts, lease agreements, insurance information, accident reports)
- Employment materials (for example, an employee handbook, employee contract)

Organizing Your Thoughts - What to Ask

The worksheet below may help you figure out which questions to ask and how organize the information you gather from each attorney. It is an easy way to compare their answers to your questions, as well as your initial impressions of the services they will
provide for you. Again, you may need to tailor this general list to fit your specific situation.

<table>
<thead>
<tr>
<th>Questions</th>
<th>Attorney's Response</th>
<th>Notes and Impressions</th>
</tr>
</thead>
<tbody>
<tr>
<td>What kind of cases do you normally handle?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you specialize in a particular area of law?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What percentage of your practice is devoted to this area of law?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>How many situations similar to mine do you handle in a year?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>How often you do work on conflicts that end up in a courtroom that are resolved by an arbitrator? Through mediation?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>How much time does it usually take to resolve a case like mine?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What methods do you use to inform clients about the status of their case?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are you available after hours?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Would you be working on my case with other attorneys? If so, can I meet them?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>How do you bill your clients?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you require a retainer fee?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are there expenses, outside of your fee which I will be responsible for? (Copying costs, expert witnesses, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>How much will it cost to represent me in this matter?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Based on what you know</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
10) **Professional Consultants**

A consultant is a professional who provides professional or expert advice in a particular area, or to ascertain and resolve issues that you have in your business. He will spend intense days at your place of business evaluating and providing fixes for the problems you may be experiencing.

A consultant is usually an expert or a professional in a specific field and has a wide knowledge of the industry served. A consultant usually works for a consultancy firm or is self-employed, and engages with multiple and changing clients. Thus, clients have access to deeper levels of expertise than would be feasible for them to retain in-house, and may purchase only as much service from the outside consultant as desired.

Some consultants are individuals hired by companies to do work for them on a contractual basis. They are not employees of the company hired to do a specific work. They are expected to do their job ethically and responsibly with minimum supervision.

**How To Hire A Consultant**

You’ve identified a business need, and it’s time to bring in a consultant. How well you go about doing that, determines the level of success you ultimately achieve.

- **Clearly define the project.**
  Lack of communication is the single biggest issue when hiring a contractor, not just between you and the contractor, but also between the contractor and your staff. A clearly defined project lets you target the specific expertise you need, allows contractors to quickly see what needs to be done, avoids future confusion, and makes sure your entire organization is on the same page.

- **Do your research.**
  Find out the going rate for consultants in the field your business needs and how it fits into your budget, and then weigh the pros and cons carefully. Do you look for someone with less experience and a lower going rate, or do you go for the solid long term track record that comes with a higher price tag?

- **Don’t settle for the first consultant that comes along.**
  Do a thorough search and identify consultants that fit your needs. They should have solid track records, verifiable credentials, skills or references, and be available to take on your project within a timeframe that works for you (keeping in mind that you may have to wait a few days, weeks, or months for a consultant that is in high demand).

- **Take the time to choose the best candidate.**
  Don’t treat hiring a consultant as any less important than you would hiring a full time staff position just because you’ll only be working with them a short time. In many ways, it’s more important, as a consultant’s job is to drastically improve your business.

- **Make sure you have a well-written contract.**
It needs to spell out the parameters of the project as well as the timeframe. It should also include who will pay for expenses if needed, and at what cost. Additionally, and most importantly, make sure it includes a Non-Disclosure clause. Contractors are simply specialized freelancers, and as it’s a small global world, chances are good that they will one day work with your competition, if they haven’t already. An NDA guarantees their confidentiality.

The impact a consultant has on the future of your business is beyond measure.

Business Coach
A coach is someone you have regular contact with who helps you resolve many different business issues such as marketing, estimating, sales and production problems. Almost everything is done by phone. Occasionally you might meet one on one, but normally coaching is done by phone.

A coach walks beside you in your business. The fees associated with hiring a coach are based on a predetermined length of time which could range from months to a year.

There are two approaches to coaching. The first is a predetermined program where certain things are discussed about your business during each scheduled phone call and then you execute the homework between the calls.

The second approach is dealing with your pressing problems, and as time permits, review the issues the coach believes needs to be discussed. This allows you time to gradually eliminate the problems you are incurring.

It is important to find someone that has dealt with on the job construction. There are coaches who do not have on the job training and this could be a problem. They have not had an angry homeowner in their face during a project and had to deal with it. This lack of experience in that area could hinder them from helping you when you need it the most. Seek out recommendations from people you trust.

When should you hire a consultant or coach? When you know you have a problem and you cannot solve it by yourself. You may want to hire one, even if you are unsure you don’t need one.

11) Forms

<table>
<thead>
<tr>
<th>DAILY TOOL CHECKOUT</th>
</tr>
</thead>
<tbody>
<tr>
<td>YOUR COMPANY</td>
</tr>
<tr>
<td>DATE:</td>
</tr>
<tr>
<td>NAME</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
Additional forms are attached.

1) Job Estimate
2) Quarterly Overhead Review
3) Overhead Expense Chart
4) Notice of Right to Cancel
5) Sample first page of Contract (Blank)
6) Sample first page of Contract (Filled Out)
7) Sample last page of Contract (Blank)
8) Sample last page of Contract (Filled Out)
10) Sample Subcontractor Contract (Blank)
11) Sample Subcontractor Contract (Filled Out)
12) Sample of Job Completion List (Blank)
13) Sample of Job Completion List (Filled Out)
14) Sample of Change Order (Blank)
15) Sample of Change Order (Filled Out)
16) Time Waster Chart
# Chart of Accounts

## Sole Proprietor or Partnership

<table>
<thead>
<tr>
<th>Account</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1110 · Company Checking Account</td>
<td>Bank</td>
</tr>
<tr>
<td>1111 · Adjustment Register</td>
<td>Bank</td>
</tr>
<tr>
<td>1120 · Company Savings Account</td>
<td>Bank</td>
</tr>
<tr>
<td>1130 · Payroll Checking Account</td>
<td>Bank</td>
</tr>
<tr>
<td>1140 · Petty Cash Account</td>
<td>Bank</td>
</tr>
<tr>
<td>1210 · Accounts Receivable</td>
<td>Accounts Receivable</td>
</tr>
<tr>
<td>1300 · Inventory Asset</td>
<td>Other Current Asset</td>
</tr>
<tr>
<td>1310 · Employee Advances</td>
<td>Other Current Asset</td>
</tr>
<tr>
<td>1320 · Retentions Receivable</td>
<td>Other Current Asset</td>
</tr>
<tr>
<td>1330 · Security Deposit</td>
<td>Other Current Asset</td>
</tr>
<tr>
<td>1340 · Vendor Deposits</td>
<td>Other Current Asset</td>
</tr>
<tr>
<td>*1390 · Undeposited Funds</td>
<td>Other Current Asset</td>
</tr>
<tr>
<td>1400 · Refundable Workers’ Comp Deposit</td>
<td>Other Current Asset</td>
</tr>
<tr>
<td>1510 · Automobiles &amp; Trucks</td>
<td>Fixed Asset</td>
</tr>
<tr>
<td>1520 · Computer &amp; Office Equipment</td>
<td>Fixed Asset</td>
</tr>
<tr>
<td>1530 · Machinery &amp; Equipment</td>
<td>Fixed Asset</td>
</tr>
<tr>
<td>1540 · Accumulated Depreciation</td>
<td>Fixed Asset</td>
</tr>
<tr>
<td>2010 · Accounts Payable</td>
<td>Accounts Payable</td>
</tr>
<tr>
<td>2050 · MasterCard Payable</td>
<td>Credit Card</td>
</tr>
<tr>
<td>2060 · Visa Card Payable</td>
<td>Credit Card</td>
</tr>
<tr>
<td>2100 · Payroll Liabilities</td>
<td>Other Current Liability</td>
</tr>
<tr>
<td>2200 · Customer Deposits</td>
<td>Other Current Liability</td>
</tr>
<tr>
<td>2201 · Sales Tax Payable</td>
<td>Other Current Liability</td>
</tr>
<tr>
<td>2240 · Workers’ Comp Payable</td>
<td>Other Current Liability</td>
</tr>
<tr>
<td>2300 · Loans Payable</td>
<td>Other Current Liability</td>
</tr>
<tr>
<td>2310 · Line of Credit</td>
<td>Other Current Liability</td>
</tr>
<tr>
<td>2410 · Construction Loan</td>
<td>Other Current Liability</td>
</tr>
<tr>
<td>2510 · Truck Loan</td>
<td>Long Term Liability</td>
</tr>
<tr>
<td>3000 · Opening Balance Equity</td>
<td>Equity</td>
</tr>
<tr>
<td><strong>3100 · Owner’s Equity</strong></td>
<td>Equity</td>
</tr>
<tr>
<td>3110 · Owner’s Capital</td>
<td>Equity</td>
</tr>
<tr>
<td>3130 · Owner’s Draws</td>
<td>Equity</td>
</tr>
<tr>
<td>3910 · Retained Earnings</td>
<td>Equity</td>
</tr>
<tr>
<td>3999 · Owner’s Time to Jobs</td>
<td>Equity</td>
</tr>
<tr>
<td>4110 · Construction Income</td>
<td>Income</td>
</tr>
<tr>
<td>4810 · Vendor Refunds</td>
<td>Income</td>
</tr>
<tr>
<td>4910 · Workers’ Comp Dividend</td>
<td>Income</td>
</tr>
<tr>
<td>5110 · Job Related Costs</td>
<td>Cost of Goods Sold</td>
</tr>
<tr>
<td>5200 · Job Labor Costs</td>
<td>Cost of Goods Sold</td>
</tr>
<tr>
<td>5210 · Job Labor (Gross Wages)</td>
<td>Cost of Goods Sold</td>
</tr>
<tr>
<td>5220 · Officer’s Direct Labor</td>
<td>Cost of Goods Sold</td>
</tr>
<tr>
<td>5230 · Workers’ Comp Costs</td>
<td>Cost of Goods Sold</td>
</tr>
<tr>
<td>5240 · Direct Payroll Taxes</td>
<td>Cost of Goods Sold</td>
</tr>
<tr>
<td>5250 · Direct Employee Benefits</td>
<td>Cost of Goods Sold</td>
</tr>
<tr>
<td>6020 · Advertising</td>
<td>Expense</td>
</tr>
<tr>
<td>Account Code</td>
<td>Description</td>
</tr>
<tr>
<td>--------------</td>
<td>------------------------------------</td>
</tr>
<tr>
<td>6040</td>
<td>Amortization Expense</td>
</tr>
<tr>
<td>6050</td>
<td>Bad Debt</td>
</tr>
<tr>
<td>6060</td>
<td>Bank Service Charges</td>
</tr>
<tr>
<td>6070</td>
<td>Bid Deposit</td>
</tr>
<tr>
<td>6075</td>
<td>Bond Expense</td>
</tr>
<tr>
<td>6090</td>
<td>Business License &amp; Fees</td>
</tr>
<tr>
<td>6100</td>
<td>Car/Truck Expense</td>
</tr>
<tr>
<td>6101</td>
<td>Gas &amp; Oil</td>
</tr>
<tr>
<td>6103</td>
<td>Repairs &amp; Maintenance</td>
</tr>
<tr>
<td>6105</td>
<td>Registration &amp; License</td>
</tr>
<tr>
<td>6107</td>
<td>Insurance-Auto</td>
</tr>
<tr>
<td>6130</td>
<td>Cleaning/Janitorial</td>
</tr>
<tr>
<td>6135</td>
<td>Computer Supplies/Equipment</td>
</tr>
<tr>
<td>6140</td>
<td>Contributions</td>
</tr>
<tr>
<td>6150</td>
<td>Depreciation Expense</td>
</tr>
<tr>
<td>6160</td>
<td>Dues and Subscriptions</td>
</tr>
<tr>
<td>6180</td>
<td>Insurance</td>
</tr>
<tr>
<td>6181</td>
<td>Disability Insurance</td>
</tr>
<tr>
<td>6182</td>
<td>Liability Insurance</td>
</tr>
<tr>
<td>6185</td>
<td>Workers’ Comp</td>
</tr>
<tr>
<td>6200</td>
<td>Interest Expense</td>
</tr>
<tr>
<td>6201</td>
<td>Finance Charge</td>
</tr>
<tr>
<td>6202</td>
<td>Loan Interest</td>
</tr>
<tr>
<td>6203</td>
<td>Credit Card Interest</td>
</tr>
<tr>
<td>6300</td>
<td>Office Expense</td>
</tr>
<tr>
<td>6330</td>
<td>Office Supplies</td>
</tr>
<tr>
<td>6350</td>
<td>Office Equipment (under $500)</td>
</tr>
<tr>
<td>6500</td>
<td>Payroll Expenses (office)</td>
</tr>
<tr>
<td>6501</td>
<td>Payroll (office staff)</td>
</tr>
<tr>
<td>6502</td>
<td>Payroll Tax Expense</td>
</tr>
<tr>
<td>6503</td>
<td>Officer’s Wages</td>
</tr>
<tr>
<td>6504</td>
<td>Designer’s Wages</td>
</tr>
<tr>
<td>6508</td>
<td>Vac/Holiday/Sick Pay</td>
</tr>
<tr>
<td>6509</td>
<td>Employee Bonus</td>
</tr>
<tr>
<td>6510</td>
<td>Employee Benefits</td>
</tr>
<tr>
<td>6570</td>
<td>Professional Fees</td>
</tr>
<tr>
<td>6571</td>
<td>Accounting</td>
</tr>
<tr>
<td>6572</td>
<td>Legal Fees</td>
</tr>
<tr>
<td>6573</td>
<td>Computer Consultants</td>
</tr>
<tr>
<td>6610</td>
<td>Postage and Delivery</td>
</tr>
<tr>
<td>6650</td>
<td>Rent</td>
</tr>
<tr>
<td>6670</td>
<td>Repairs</td>
</tr>
<tr>
<td>6671</td>
<td>Building Repairs</td>
</tr>
<tr>
<td>6672</td>
<td>Computer Repairs</td>
</tr>
<tr>
<td>6673</td>
<td>Equipment Repairs</td>
</tr>
<tr>
<td>6800</td>
<td>Telephone</td>
</tr>
<tr>
<td>6820</td>
<td>Taxes</td>
</tr>
<tr>
<td>6830</td>
<td>Training &amp; Conferences</td>
</tr>
<tr>
<td>6900</td>
<td>Travel &amp; Entertainment</td>
</tr>
<tr>
<td>6901</td>
<td>Entertaining Clients</td>
</tr>
</tbody>
</table>
6902 · Meals  Expense
6903 · Air Fare  Expense
6904 · Hotels/Lodging  Expense
6920 · Tools & Machinery (under $500)  Expense
6970 · Utilities  Expense
7010 · Interest Income  Other Income
7030 · Other Income  Other Income
7800 · Trade Discounts  Other Expense
8010 · Other Expenses  Other Expense
*2 · Purchase Orders  Non-Posting
*4 · Estimates  Non-Posting

*QuickBooks Pro sets up these accounts for you automatically. The account number for undeposited funds may not be the same number you listed.

** If your business is a partnership between Partner 1 and Partner 2, this section would look like this:
3100 · Partner 1 Equity
3110 · Partner 1 Investments  Equity
3120 · Partner 1 Drawing Account  Equity
3200 · Partner 2 Equity
3210 · Partner 2 Investments  Equity
3220 · Partner 2 Drawing Account  Equity

---

**Chart of Accounts Corporation**

<table>
<thead>
<tr>
<th>Account</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1110 · Company Checking Account</td>
<td>Bank</td>
</tr>
<tr>
<td>1111 · Adjustment Register</td>
<td>Bank</td>
</tr>
<tr>
<td>1120 · Company Savings Account</td>
<td>Bank</td>
</tr>
<tr>
<td>1130 · Payroll Checking Account</td>
<td>Bank</td>
</tr>
<tr>
<td>1140 · Petty Cash Account</td>
<td>Bank</td>
</tr>
<tr>
<td>1210 · Accounts Receivable</td>
<td>Accounts Receivable</td>
</tr>
<tr>
<td>1300 · Inventory Asset</td>
<td>Other Current Asset</td>
</tr>
<tr>
<td>1310 · Employee Advances</td>
<td>Other Current Asset</td>
</tr>
<tr>
<td>1320 · Retentions Receivable</td>
<td>Other Current Asset</td>
</tr>
<tr>
<td>1330 · Security Deposit</td>
<td>Other Current Asset</td>
</tr>
<tr>
<td>1340 · Vendor Deposits</td>
<td>Other Current Asset</td>
</tr>
<tr>
<td>*1390 · Undeposited Funds</td>
<td>Other Current Asset</td>
</tr>
<tr>
<td>1400 · Refundable Workers’ Comp Deposit</td>
<td>Other Current Asset</td>
</tr>
<tr>
<td>1510 · Automobiles &amp; Trucks</td>
<td>Fixed Asset</td>
</tr>
<tr>
<td>1520 · Computer &amp; Office Equipment</td>
<td>Fixed Asset</td>
</tr>
</tbody>
</table>
1530 - Machinery & Equipment  Fixed Asset
1540 - Accumulated Depreciation  Fixed Asset
2010 - Accounts Payable  Accounts Payable
2050 - MasterCard Payable  Credit Card
2060 - Visa Card Payable  Credit Card
2100 - Payroll Liabilities  Other Current Liability
2200 - Customer Deposits  Other Current Liability
2201 - Sales Tax Payable  Other Current Liability
2240 - Workers’ Comp Payable  Other Current Liability
2300 - Loans Payable  Other Current Liability
2310 - Line of Credit  Other Current Liability
2410 - Construction Loan  Long Term Liability
2510 - Truck Loan  Equity
3000 - Opening Balance Equity  Equity
3100 - Common Stock  Equity
3200 - Shareholder Distribution  Equity
3910 - Retained Earnings  Equity
4110 - Construction Income  Income
4810 - Vendor Refunds  Income
4910 - Workers’ Comp Dividend  Income
5110 - Job Related Costs  Cost of Goods Sold
5200 - Job Labor Costs  Cost of Goods Sold
5210 - Job Labor (Gross Wages)  Cost of Goods Sold
5220 - Officer’s Direct Labor  Cost of Goods Sold
5230 - Workers’ Comp Costs  Cost of Goods Sold
5240 - Direct Payroll Taxes  Cost of Goods Sold
5250 - Direct Employee Benefits  Cost of Goods Sold
6020 - Advertising  Expense
6040 - Amortization Expense  Expense
6050 - Bad Debt  Expense
6060 - Bank Service Charges  Expense
6070 - Bid Deposit  Expense
6075 - Bond Expense  Expense
6090 - Business License & Fees  Expense
6100 - Car/Truck Expense  Expense
6101 - Gas & Oil  Expense
6103 - Repairs & Maintenance  Expense
6105 - Registration & License  Expense
6107 - Insurance-Auto  Expense
6130 - Cleaning/Janitorial  Expense
6135 - Computer Supplies/Equipment  Expense
6140 - Contributions  Expense
6150 - Depreciation Expense  Expense
6160 - Dues and Subscriptions  Expense
6180 - Insurance  Expense
6181 - Disability Insurance  Expense
6182 - Liability Insurance  Expense
6185 - Workers’ Comp  Expense
6200 - Interest Expense  Expense
6201 - Finance Charge  Expense
<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>6202</td>
<td>Loan Interest</td>
<td>Expense</td>
</tr>
<tr>
<td>6203</td>
<td>Credit Card Interest</td>
<td>Expense</td>
</tr>
<tr>
<td>6300</td>
<td>Office Expense</td>
<td>Expense</td>
</tr>
<tr>
<td>6330</td>
<td>Office Supplies</td>
<td>Expense</td>
</tr>
<tr>
<td>6350</td>
<td>Office Equipment (under $500)</td>
<td>Expense</td>
</tr>
<tr>
<td>6500</td>
<td>Payroll Expenses (office)</td>
<td>Expense</td>
</tr>
<tr>
<td>6501</td>
<td>Payroll (office staff)</td>
<td>Expense</td>
</tr>
<tr>
<td>6502</td>
<td>Payroll Tax Expense</td>
<td>Expense</td>
</tr>
<tr>
<td>6503</td>
<td>Officer’s Wages</td>
<td>Expense</td>
</tr>
<tr>
<td>6504</td>
<td>Designer’s Wages</td>
<td>Expense</td>
</tr>
<tr>
<td>6508</td>
<td>Vac/Holiday/Sick Pay</td>
<td>Expense</td>
</tr>
<tr>
<td>6509</td>
<td>Employee Bonus</td>
<td>Expense</td>
</tr>
<tr>
<td>6510</td>
<td>Employee Benefits</td>
<td>Expense</td>
</tr>
<tr>
<td>6570</td>
<td>Professional Fees</td>
<td>Expense</td>
</tr>
<tr>
<td>6571</td>
<td>Accounting</td>
<td>Expense</td>
</tr>
<tr>
<td>6572</td>
<td>Legal Fees</td>
<td>Expense</td>
</tr>
<tr>
<td>6573</td>
<td>Computer Consultants</td>
<td>Expense</td>
</tr>
<tr>
<td>6610</td>
<td>Postage and Delivery</td>
<td>Expense</td>
</tr>
<tr>
<td>6650</td>
<td>Rent</td>
<td>Expense</td>
</tr>
<tr>
<td>6670</td>
<td>Repairs</td>
<td>Expense</td>
</tr>
<tr>
<td>6671</td>
<td>Building Repairs</td>
<td>Expense</td>
</tr>
<tr>
<td>6672</td>
<td>Computer Repairs</td>
<td>Expense</td>
</tr>
<tr>
<td>6673</td>
<td>Equipment Repairs</td>
<td>Expense</td>
</tr>
<tr>
<td>6800</td>
<td>Telephone</td>
<td>Expense</td>
</tr>
<tr>
<td>6820</td>
<td>Taxes</td>
<td>Expense</td>
</tr>
<tr>
<td>6830</td>
<td>Training &amp; Conferences</td>
<td>Expense</td>
</tr>
<tr>
<td>6900</td>
<td>Travel &amp; Entertainment</td>
<td>Expense</td>
</tr>
<tr>
<td>6901</td>
<td>Entertaining Clients</td>
<td>Expense</td>
</tr>
<tr>
<td>6902</td>
<td>Meals</td>
<td>Expense</td>
</tr>
<tr>
<td>6903</td>
<td>Air Fare</td>
<td>Expense</td>
</tr>
<tr>
<td>6904</td>
<td>Hotels/Lodging</td>
<td>Expense</td>
</tr>
<tr>
<td>6920</td>
<td>Tools &amp; Machinery (under $500)</td>
<td>Expense</td>
</tr>
<tr>
<td>6970</td>
<td>Utilities</td>
<td>Expense</td>
</tr>
<tr>
<td>7010</td>
<td>Interest Income</td>
<td>Other Income</td>
</tr>
<tr>
<td>7030</td>
<td>Other Income</td>
<td>Other Income</td>
</tr>
<tr>
<td>7800</td>
<td>Trade Discounts</td>
<td>Other Income</td>
</tr>
<tr>
<td>8010</td>
<td>Other Expenses</td>
<td>Other Expense</td>
</tr>
<tr>
<td>*2</td>
<td>Purchase Orders</td>
<td>Non-Posting</td>
</tr>
<tr>
<td>*4</td>
<td>Estimates</td>
<td>Non-Posting</td>
</tr>
</tbody>
</table>

*QuickBooks Pro sets up these accounts for you automatically. The account number for undeposited funds may not be the same number you listed.
<table>
<thead>
<tr>
<th>#</th>
<th>Item</th>
<th>Labor</th>
<th>Materials</th>
<th>Subs</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>General conditions</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>Demolition / tear out</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>Excavation</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>Concrete</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>Masonry</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>Framing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>7</td>
<td>Roofing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>8</td>
<td>Siding</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>9</td>
<td>Windows</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>10</td>
<td>Doors</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>11</td>
<td>Sheet metal</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>12</td>
<td>Plumbing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>13</td>
<td>Electrical</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>14</td>
<td>H.V.A.C.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>15</td>
<td>Insulation / weatherstripping</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>16</td>
<td>Drywall / plaster</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>17</td>
<td>Ceiling tile</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>18</td>
<td>Cabinets</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>19</td>
<td>Surfacing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>20</td>
<td>Tile</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>21</td>
<td>Floor covering</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>22</td>
<td>Kitchen &amp; bath accessories</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>23</td>
<td>Awning &amp; patio</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>24</td>
<td>Finish carpentry</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>25</td>
<td>Hardware &amp; metalwork</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>26</td>
<td>Paneling &amp; fence</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>27</td>
<td>Light fixtures</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>28</td>
<td>Paint &amp; décor</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>29</td>
<td>Debris removal</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>30</td>
<td>Miscellaneous</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Error Factor %</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Error Factor Total</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Difficulty Factor %</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Difficulty Factor Total</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Estimated totals</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Job total: 0

0% O & P

Subtotal: 0

0.0% Sales tax

Quote: 0
<table>
<thead>
<tr>
<th>#</th>
<th>Item</th>
<th>Labor</th>
<th>Materials</th>
<th>Subs</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>General conditions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Demolition / tear out</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Excavation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Concrete</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Masonry</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Framing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Roofing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Siding</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Windows</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Doors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Sheet metal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Plumbing (quote)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Electrical (quote)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>H.V.A.C.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Insulation / weatherstripping</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Drywall / plaster (quote)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Ceiling tile</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Cabinets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Surfacing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Tile (quote)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Floor covering</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Kitchen &amp; bath accessories</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Awning &amp; patio</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Finish carpentry</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Hardware &amp; metalwork</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>Paneling &amp; fence</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>Light fixtures (by Owner)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Paint &amp; decor (by Owner)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>Debris removal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>Miscellaneous</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Error Factor %</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Error Factor Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Difficulty Factor %</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Difficulty Factor Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Estimated totals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Job total

O & P

Subtotal

Sales tax

Quote
## Overhead Expense Chart

**Specialty Contractor**

(For every $100,000 in annual volume sold, built and collected)

<table>
<thead>
<tr>
<th>Overhead Item</th>
<th>Low percent</th>
<th>High percent</th>
<th>Low expense</th>
<th>High expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Advertising</td>
<td>1.00</td>
<td>2.00</td>
<td>$1,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>2. Sales Commission</td>
<td>3.00</td>
<td>6.00</td>
<td>$3,000</td>
<td>$6,000</td>
</tr>
<tr>
<td>3. Office Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td>3.00</td>
<td>7.00</td>
<td>$3,000</td>
<td>$7,000</td>
</tr>
<tr>
<td>Rent</td>
<td>0.35</td>
<td>1.20</td>
<td>$350</td>
<td>$1,200</td>
</tr>
<tr>
<td>Office equipment</td>
<td>0.10</td>
<td>0.50</td>
<td>$100</td>
<td>$500</td>
</tr>
<tr>
<td>Telephone</td>
<td>0.25</td>
<td>0.75</td>
<td>$250</td>
<td>$750</td>
</tr>
<tr>
<td>Computer*</td>
<td>0.15</td>
<td>0.40</td>
<td>$150</td>
<td>$400</td>
</tr>
<tr>
<td>Office supplies</td>
<td>0.05</td>
<td>0.20</td>
<td>$50</td>
<td>$200</td>
</tr>
<tr>
<td>4. Job Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicles</td>
<td>0.75</td>
<td>3.00</td>
<td>$750</td>
<td>$3,000</td>
</tr>
<tr>
<td>Job supervision</td>
<td>3.00</td>
<td>5.00</td>
<td>$3,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Tools &amp; equipment</td>
<td>0.20</td>
<td>0.75</td>
<td>$200</td>
<td>$750</td>
</tr>
<tr>
<td>Service &amp; callbacks</td>
<td>0.10</td>
<td>0.50</td>
<td>$100</td>
<td>$500</td>
</tr>
<tr>
<td>Cell phone expense</td>
<td>0.08</td>
<td>0.35</td>
<td>$80</td>
<td>$350</td>
</tr>
<tr>
<td>5. General Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner's salary</td>
<td>6.00</td>
<td>8.00</td>
<td>$6,000</td>
<td>$8,000</td>
</tr>
<tr>
<td>General insurance</td>
<td>0.25</td>
<td>1.50</td>
<td>$250</td>
<td>$1,500</td>
</tr>
<tr>
<td>O.C.R.A.**</td>
<td>1.00</td>
<td>4.00</td>
<td>$1,000</td>
<td>$4,000</td>
</tr>
<tr>
<td>Interest</td>
<td>0.50</td>
<td>0.75</td>
<td>$500</td>
<td>$750</td>
</tr>
<tr>
<td>Taxes***</td>
<td>0.00</td>
<td>3.00</td>
<td>$0</td>
<td>$3,000</td>
</tr>
<tr>
<td>Bad debts</td>
<td>0.00</td>
<td>0.30</td>
<td>$0</td>
<td>$300</td>
</tr>
<tr>
<td>Licenses &amp; fees</td>
<td>0.10</td>
<td>0.25</td>
<td>$100</td>
<td>$250</td>
</tr>
<tr>
<td>Accounting fees</td>
<td>0.18</td>
<td>0.35</td>
<td>$180</td>
<td>$350</td>
</tr>
<tr>
<td>Legal fees</td>
<td>0.15</td>
<td>0.40</td>
<td>$150</td>
<td>$400</td>
</tr>
<tr>
<td>Education &amp; training</td>
<td>0.15</td>
<td>0.30</td>
<td>$150</td>
<td>$300</td>
</tr>
<tr>
<td>Entertainment ****</td>
<td>0.10</td>
<td>0.20</td>
<td>$100</td>
<td>$200</td>
</tr>
<tr>
<td>Association fees</td>
<td>0.10</td>
<td>0.20</td>
<td>$100</td>
<td>$200</td>
</tr>
</tbody>
</table>

**TOTALS**

|                  | **20.56%** | **46.90%** | **$20,560** | **$46,900** |

* Computer expense = hardware, software and support services.

** Operating Capital Reserve Account. You may reduce this by .25 - .50 to maintain the account once you've reached the goal.

*** State and local taxes will vary widely with your location and business structure. Federal taxes are not included.

**** Entertainment expenses should only be incurred if the company is profitable.
Quarterly Overhead Review
Specialty Contractor
(Computations based on quarterly volume built and collected)

<table>
<thead>
<tr>
<th>Overhead Item</th>
<th>Low / High Percents</th>
<th>Last Quarter</th>
<th>Percent</th>
<th>This Quarter</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarterly Volume</td>
<td>$1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Advertising</td>
<td>1.00 to 2.00</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Sales Commission</td>
<td>3.00 to 6.00</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Office Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td>3.00 to 7.00</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>0.35 to 1.20</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office equipment</td>
<td>0.10 to 0.50</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td>0.25 to 0.75</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer*</td>
<td>0.15 to 0.40</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office supplies</td>
<td>0.05 to 0.20</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Job Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicles</td>
<td>0.75 to 3.00</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job supervision</td>
<td>3.00 to 5.00</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tools &amp; equipment</td>
<td>0.20 to 0.75</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service &amp; callbacks</td>
<td>0.10 to 0.50</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cell phone expense</td>
<td>0.08 to 0.35</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. General Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner's salary</td>
<td>6.00 to 8.00</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General insurance</td>
<td>0.25 to 1.50</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>O.C.R.A.**</td>
<td>1.00 to 4.00</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>0.50 to 0.75</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes***</td>
<td>0.00 to 3.00</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bad debts</td>
<td>0.00 to 0.30</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licenses &amp; fees</td>
<td>0.10 to 0.25</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting fees</td>
<td>0.18 to 0.35</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal fees</td>
<td>0.15 to 0.40</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education &amp; training</td>
<td>0.15 to 0.30</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entertainment ****</td>
<td>0.10 to 0.20</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Association fees</td>
<td>0.10 to 0.20</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>20.56% to 46.90%</td>
<td>$0</td>
<td>0.00%</td>
<td>$0</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

* Computer expense = hardware, software and support services.

** Operating Capital Reserve Account. You may reduce this by .25 -.50 to maintain the account once you’ve reached the goal.

*** State and local taxes will vary widely with your location and business structure. Federal taxes are not included.

**** Entertainment expenses should only be incurred if the company is profitable.
# Quarterly Overhead Review

**Specialty Contractor**

(Computations based on quarterly volume built and collected)

<table>
<thead>
<tr>
<th>Overhead Item</th>
<th>Low / High Percents</th>
<th>Last Quarter</th>
<th>Percent</th>
<th>This Quarter</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quarterly Volume</strong></td>
<td></td>
<td>$81,750</td>
<td></td>
<td>$79,650</td>
<td></td>
</tr>
<tr>
<td>1. Advertising</td>
<td>1.00 to 2.00</td>
<td>$1,504</td>
<td>1.84%</td>
<td>$1,479</td>
<td>1.86%</td>
</tr>
<tr>
<td>2. Sales Commission</td>
<td>3.00 to 6.00</td>
<td>$2,861</td>
<td>3.50%</td>
<td>$2,788</td>
<td>3.50%</td>
</tr>
<tr>
<td>3. Office Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td>3.00 to 7.00</td>
<td>$5,123</td>
<td>6.27%</td>
<td>$5,224</td>
<td>6.56%</td>
</tr>
<tr>
<td>Rent</td>
<td>0.35 to 1.20</td>
<td>$525</td>
<td>0.64%</td>
<td>$525</td>
<td>0.66%</td>
</tr>
<tr>
<td>Office equipment</td>
<td>0.10 to 0.50</td>
<td>$0</td>
<td>0.00%</td>
<td>$175</td>
<td>0.22%</td>
</tr>
<tr>
<td>Telephone</td>
<td>0.25 to 0.75</td>
<td>$495</td>
<td>0.61%</td>
<td>$515</td>
<td>0.65%</td>
</tr>
<tr>
<td>Computer*</td>
<td>0.15 to 0.40</td>
<td>$171</td>
<td>0.21%</td>
<td>$173</td>
<td>0.22%</td>
</tr>
<tr>
<td>Office supplies</td>
<td>0.05 to 0.20</td>
<td>$65</td>
<td>0.08%</td>
<td>$39</td>
<td>0.05%</td>
</tr>
<tr>
<td>4. Job Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicles</td>
<td>0.75 to 3.00</td>
<td>$783</td>
<td>0.96%</td>
<td>$797</td>
<td>1.00%</td>
</tr>
<tr>
<td>Job supervision</td>
<td>3.00 to 5.00</td>
<td>$2,861</td>
<td>3.50%</td>
<td>$2,788</td>
<td>3.50%</td>
</tr>
<tr>
<td>Tools &amp; equipment</td>
<td>0.20 to 0.75</td>
<td>$179</td>
<td>0.22%</td>
<td>$194</td>
<td>0.24%</td>
</tr>
<tr>
<td>Service &amp; callbacks</td>
<td>0.10 to 0.50</td>
<td>$163</td>
<td>0.20%</td>
<td>$227</td>
<td>0.28%</td>
</tr>
<tr>
<td>Cell phone expense</td>
<td>0.08 to 0.35</td>
<td>$122</td>
<td>0.15%</td>
<td>$127</td>
<td>0.16%</td>
</tr>
<tr>
<td>5. General Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner's salary</td>
<td>6.00 to 8.00</td>
<td>$5,927</td>
<td>7.25%</td>
<td>$5,775</td>
<td>7.25%</td>
</tr>
<tr>
<td>General insurance</td>
<td>0.25 to 1.50</td>
<td>$1,197</td>
<td>1.46%</td>
<td>$1,183</td>
<td>1.49%</td>
</tr>
<tr>
<td>O.C.R.A.**</td>
<td>1.00 to 4.00</td>
<td>$2,248</td>
<td>2.75%</td>
<td>$2,190</td>
<td>2.75%</td>
</tr>
<tr>
<td>Interest</td>
<td>0.50 to 0.75</td>
<td>$0</td>
<td>0.00%</td>
<td>$0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Taxes***</td>
<td>0.00 to 3.00</td>
<td>$574</td>
<td>0.70%</td>
<td>$564</td>
<td>0.71%</td>
</tr>
<tr>
<td>Bad debts</td>
<td>0.00 to 0.30</td>
<td>$0</td>
<td>0.00%</td>
<td>$0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Licenses &amp; fees</td>
<td>0.10 to 0.25</td>
<td>$165</td>
<td>0.20%</td>
<td>$0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Accounting fees</td>
<td>0.18 to 0.35</td>
<td>$179</td>
<td>0.22%</td>
<td>$183</td>
<td>0.23%</td>
</tr>
<tr>
<td>Legal fees</td>
<td>0.15 to 0.40</td>
<td>$130</td>
<td>0.16%</td>
<td>$254</td>
<td>0.32%</td>
</tr>
<tr>
<td>Education &amp; training</td>
<td>0.15 to 0.30</td>
<td>$99</td>
<td>0.12%</td>
<td>$175</td>
<td>0.22%</td>
</tr>
<tr>
<td>Entertainment ****</td>
<td>0.10 to 0.20</td>
<td>$103</td>
<td>0.13%</td>
<td>$97</td>
<td>0.12%</td>
</tr>
<tr>
<td>Association fees</td>
<td>0.10 to 0.20</td>
<td>$0</td>
<td>0.00%</td>
<td>$275</td>
<td>0.35%</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td></td>
<td><strong>$25,475</strong></td>
<td><strong>31.16%</strong></td>
<td><strong>$25,747</strong></td>
<td><strong>32.32%</strong></td>
</tr>
</tbody>
</table>

---

* Computer expense = hardware, software and support services.

** Operating Capital Reserve Account. You may reduce this by .25 -.50 to maintain the account once you’ve reached the goal.

*** State and local taxes will vary widely with your location and business structure. Federal taxes are not included.

**** Entertainment expenses should only be incurred if the company is profitable.
NOTICE OF RIGHT TO CANCEL UNDER REGULATION Z
(12 CFR 226.15(b) requires that each owner receive two copies of this notice.)

To: Owners
Re: Your Right to Cancel

You are entering into a transaction that will result in a security interest being placed on your home. You have a legal right under federal law to cancel this transaction, without cost, within three business days from whichever of the following events occurs last:

(1) The date of the transaction, which is ___________________________, or
(2) The date you receive your Truth in Lending disclosures, or
(3) The date you receive this notice of your right to cancel.

If you cancel this transaction, the security interest is also cancelled. Within 20 calendar days after we receive your notice, we must take the steps necessary to reflect the fact that the security interest on your home has been cancelled, and we must return to you any money or property you have given us or to anyone else in connection with this transaction.

You may keep any money or property we have given you until we have done the things mentioned above, but you must then offer to return the money or property. If it is impractical or unfair for you to return the property, you must offer its reasonable value. You may offer to return the property at your home or at the location of the property. Money must be returned to the address below. If we do not take possession of the money or property within 20 calendar days of your offer, you may keep it without further obligation.

How to Cancel:

If you decide to cancel this transaction, you may do so by notifying us in writing at:

________________________________________
________________________________________

You may use any written statement that is signed and dated by you and states your intention to cancel, or you may use this notice by dating and signing below. Keep one copy of this notice because it contains important information about your rights.

If you cancel by mail or telegram, you must send the notice no later than midnight of __________________________(midnight of the third business day following the latest of the three events listed above). If you send or deliver your written notice to cancel some other way, it must be delivered to the above address no later than that time.

I WISH TO CANCEL.

________________________________________
Signature

________________________________________
Date

Signature Date
See the next page for important information about what happens if this agreement is cancelled.
This Agreement For Professional Services is entered into on this ____ day of
__________, ____ by and between ________________________, a
___________________, (_________________) hereinafter called "____" or "Contractor," and the
party(s) signing below, hereinafter called "Owner," governing work to be performed on the
property and building located
____________________________________________________
(Address of building to be built or remodeled)
for:
____________________________________________________
(Name(s) of all legal owners of the building)
Phone:
____________________________________________________
(All phone numbers of legal owners, home and business)
_____ shall furnish all labor and materials to perform the work described in the following
specifications and attached drawings, and incorporated by reference as part of this
Contract and any Addendum attached hereto.
This Agreement For Professional Services is entered into on this 16th day of
November, 2012 by and between STONE CONSTRUCTION SERVICES, a Washington
Corporation, (OR. CCB #100000) (WA. Lic. # STONECS000W) hereinafter
called "S.C.S." or "Contractor," and the party(s) signing below, hereinafter called "Owner,"
governing work to be performed on the property and building located
at: 1234 W. Retrofit Ave., Camas, WA 98607
   (Address of building to be built or remodeled)
for: John and Mary Smith
   (Name(s) of all legal owners of the building)
Phone: 1-555-234-5678
   (All phone numbers of legal owners, home and business)

S.C.S. shall furnish all labor and materials to perform the work described in the
following specifications and attached drawings, and incorporated by reference as part
of this Contract and any Addendum attached hereto.

Partial Bath Remodel
   Move and install new water closet
   New ceramic tile, tub and shower surround
   New tub and shower faucet
   New vanity cabinet, sink, faucet and tile deck
   New vinyl floor cover and rubber base
This construction contract is entered into on the _____ day of __________________, by
__________________________________________________________________, hereinafter called Contractor or
__________________________________________________________________, and the party(s) signing below, hereinafter called Owner. The above specifications,
conditions, and job material selection sheets are satisfactory and are hereby accepted. You
are authorized to purchase materials and proceed with this job as specified in this proposal.
S.C.S. shall furnish all labor and materials to do the work described in the above
specifications and Owner agrees to pay _______ as follows:

TOTAL CONTRACT PRICE..........................................$  

DOWN PAYMENT ..................................................$ 

PROGRESS PAYMENT
at start of .................................................$ 

PROGRESS PAYMENT
at start of .............................................$ 

PROGRESS PAYMENT
at start of .............................................$ 

CASH DUE ON DAY OF ISSUE OF
CERTIFICATE OF OCCUPANCY
AND SUBSTANTIAL COMPLETION
OF THIS JOB..................................................$ 

ATTENTION: _______ will do only that work which is written in the above specifications for
the above agreed on amount. The terms and conditions as stated are part of this Contract.
This Contract is subject to _____________________________ office approval.

You, the buyer, may cancel this transaction at any time prior to midnight of the third business
day after the date of this transaction. See the attached notice of cancellation form for an
explanation of this right.

________________________  __________/______/______
(Owner’s signature)  (Date)

________________________  __________/______/______
(Owner’s signature)  (Date)

Owner acknowledges receipt of a copy of this Contract, and that they have read, understood
and agree with the terms of this Contract and the payment schedule for this job.

________________________  __________/______/______
(Company signature)  (Date)
This construction contract is entered into on the 16th day of November, 2012, by STONE CONSTRUCTION SERVICES, (OR. C.C.B. # 100000) (WA. Lic. # STONECS000GW) hereinafter called Contractor or S.C.S., and the party(s) signing below, hereinafter called Owner. The above specifications, conditions, and job material selection sheets are satisfactory and are hereby accepted. You are authorized to purchase materials and proceed with this job as specified in this proposal. S.C.S. shall furnish all labor and materials to do the work described in the above specifications and Owner agrees to pay S.C.S. as follows:

TOTAL CONTRACT PRICE ........................................ $ 8,993.00

DOWN PAYMENT .................................................. $ 2,993.00

PROGRESS PAYMENT
at start of plumbing rough-in ......................... $ 2,000.00

PROGRESS PAYMENT
at start of tile installation ......................... $ 2,000.00

PROGRESS PAYMENT
at start of flooring installation ........ $ 1,750.00

CASH DUE ON DAY OF ISSUE OF
CERTIFICATE OF OCCUPANCY
AND SUBSTANTIAL COMPLETION
OF THIS JOB .................................................. $ 250.00

ATTENTION: S.C.S. will do only that work which is written in the above specifications for the above agreed on amount. The terms and conditions as stated are part of this Contract. This Contract is subject to STONE CONSTRUCTION SERVICES' office approval.

You, the buyer, may cancel this transaction at any time prior to midnight of the third business day after the date of this transaction. See the attached notice of cancellation form for an explanation of this right.

______________________________   _______________________
(Owner's signature)       (Date)

______________________________   _______________________
(Owner's signature)       (Date)

Owner acknowledges receipt of a copy of this Contract, and that they have read, understood and agree with the terms of this Contract and the payment schedule for this job.

___________________________   __________________________
M. C. Stone       11 / 16 / 2012
(STONE CONSTRUCTION SERVICES) (Date)
All payments are to be made by Contractor to the Subcontractor after the Subcontractor shall have completed his work as described above to the satisfaction of the Contractor and the Owner.

The Contractor and the Subcontractor for themselves, their successors, executors, administrators and assigns, hereby agree to the full performance of the covenants of this agreement.

________________________                       __________________________
(Subcontractor)                                                      (By & Date)

________________________                             __________________________
(Address)                                                                             (Subcontractor State License #)

________________________                             __________________________
(City, State & Zip)                                                                                  (Subcontractor Tax I.D. #)

Company name
address
city, state, zip
(WA. Lic. # STONECS000W)
(OR. Lic. # CCB 100000)
(Tax I.D. # 00-000000)

________________________                       __________________________
(company name)                                                     (By & Date)
Agreement to Provide Specialty Services

This agreement, made on ____________ by and between ____________ hereinafter called CONTRACTOR, and ____________ hereinafter called SUBCONTRACTOR.

1. The Subcontractor agrees to furnish and install all materials and perform all work necessary to complete the following job:

on the project, located at

according to the plans or working drawings and specifications of ____________ and the Owner, and by terms and conditions as the Contractor is bound to the Owner.

2. The Subcontractor agrees to promptly begin said work as soon as notified by the Contractor, and to complete the work as follows:

3. The Subcontractor shall cause to be in force Worker’s Compensation Insurance, Public Liability Insurance, Property Damage Insurance and/or any other necessary insurance as required by the Owner, Contractor or the State in which this work is performed.

4. The Subcontractor shall pay all Sales Taxes, Payroll Taxes and Unemployment Compensation Taxes due upon the material and labor furnished under this Contract as required by the U.S. Government and the State in which this work is performed.

5. No extra work or changes under this Contract will be recognized or paid for by the Contractor unless agreed to in writing before the work is done or the change made.

6. This Contract shall not be assigned to another by the Subcontractor without first obtaining written permission from the Contractor.

In consideration whereof, the Contractor agrees to pay to the Subcontractor, in _____ payments, the sum of: $_______. The said amount will be paid as follows:
All payments are to be made by Contractor to the Subcontractor after the Subcontractor shall have completed his work as described above to the satisfaction of the Contractor and the Owner.

The Contractor and the Subcontractor for themselves, their successors, executors, administrators and assigns, hereby agree to the full performance of the covenants of this agreement.

(Subcontractor)

(Address)

(City, State & Zip)

(By & Date)

(Subcontractor State License #)

(Subcontractor Tax I.D. #)

Stone Construction Services
111 Ocean Avenue
Camas, WA 09607
(WA. Lic. # STONECS000W)
(OR. Lic. # CCB 100000)
(Tax I.D. # 00-000000)

M. C. Stone 11/16/2012
(By & Date)
Stone Construction Services
111 Ocean Avenue
Camas, WA 98607
(900) 555-1111
WA License #STONECS000W

Agreement to Provide Specialty Services

This agreement, made on 11/16/2012 by and between Stone Construction Services hereinafter called CONTRACTOR, and ABC Floors hereinafter called SUBCONTRACTOR.

1. The Subcontractor agrees to furnish and install all materials and perform all work necessary to complete the following job: Replace sheet vinyl floor covering and rubber base in laundry room on the project, located at 1234 W. Retrofit Ave., Camas, WA 98607 according to the plans or working drawings and specifications of Stone Construction Services and the Owner, and by terms and conditions as the Contractor is bound to the Owner.

2. The Subcontractor agrees to promptly begin said work as soon as notified by the Contractor, and to complete the work as follows: Install 3 yards of sheet vinyl @ $30.00 per yard M.A.A. and 18 feet of new 4-inch rubber base

3. The Subcontractor shall cause to be in force Worker’s Compensation Insurance, Public Liability Insurance, Property Damage Insurance and/or any other necessary insurance as required by the Owner, Contractor or the State in which this work is performed.

4. The Subcontractor shall pay all Sales Taxes, Payroll Taxes and Unemployment Compensation Taxes due upon the material and labor furnished under this Contract as required by the U.S. Government and the State in which this work is performed.

5. No extra work or changes under this Contract will be recognized or paid for by the Contractor unless agreed to in writing before the work is done or the change made.

6. This Contract shall not be assigned to another by the Subcontractor without first obtaining written permission from the Contractor.

In consideration whereof, the Contractor agrees to pay to the Subcontractor, in 2 payments, the sum of: $350.00. The said amount will be paid as follows: $200 deposit at start of install and $150 on Friday following date of install completion
<table>
<thead>
<tr>
<th>#</th>
<th>Item</th>
<th>Work to be done</th>
<th>Date complete</th>
<th>Owner approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>General conditions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Demolition / tear out</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>Excavation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40</td>
<td>Concrete</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50</td>
<td>Masonry</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>60</td>
<td>Framing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>70</td>
<td>Roofing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>80</td>
<td>Siding</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>90</td>
<td>Windows</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>100</td>
<td>Doors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>110</td>
<td>Sheet metal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>120</td>
<td>Plumbing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>130</td>
<td>Electrical</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>140</td>
<td>H.V.A.C.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>150</td>
<td>Insulation / weatherstripping</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>160</td>
<td>Drywall / plaster</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>170</td>
<td>Ceiling tile</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>180</td>
<td>Cabinets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>190</td>
<td>Surfacing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>200</td>
<td>Tile</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>210</td>
<td>Floor covering</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>220</td>
<td>Kitchen &amp; bath accessories</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>230</td>
<td>Awning &amp; patio</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>240</td>
<td>Finish carpentry</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>250</td>
<td>Hardware &amp; metalwork</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>260</td>
<td>Paneling &amp; fence</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>270</td>
<td>Light fixtures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>280</td>
<td>Paint &amp; decor</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>290</td>
<td>Debris removal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>300</td>
<td>Miscellaneous</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>310</td>
<td>Inspections</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Final completion date: __________________________

(Owner)
## Final Completion List

**Customer:** Bob & Mary Jones  
**Address of Job:** 17 N. Suskabush  
Camas, WA 98607

<table>
<thead>
<tr>
<th>#</th>
<th>Item</th>
<th>Work to be done</th>
<th>Date complete</th>
<th>Owner approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>General conditions</td>
<td></td>
<td></td>
<td>MJ</td>
</tr>
<tr>
<td>20</td>
<td>Demolition / tear out</td>
<td></td>
<td></td>
<td>MJ</td>
</tr>
<tr>
<td>30</td>
<td>Excavation</td>
<td></td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>40</td>
<td>Concrete</td>
<td></td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>60</td>
<td>Masonry</td>
<td></td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>60</td>
<td>Framing</td>
<td></td>
<td></td>
<td>MJ</td>
</tr>
<tr>
<td>70</td>
<td>Roofing</td>
<td></td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>80</td>
<td>Siding</td>
<td></td>
<td></td>
<td>MJ</td>
</tr>
<tr>
<td>90</td>
<td>Windows</td>
<td>Replace screen</td>
<td>7-29</td>
<td>MJ</td>
</tr>
<tr>
<td>100</td>
<td>Doors</td>
<td></td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>110</td>
<td>Sheet metal</td>
<td></td>
<td></td>
<td>MJ</td>
</tr>
<tr>
<td>120</td>
<td>Plumbing</td>
<td></td>
<td></td>
<td>MJ</td>
</tr>
<tr>
<td>130</td>
<td>Electrical</td>
<td></td>
<td></td>
<td>MJ</td>
</tr>
<tr>
<td>140</td>
<td>H.V.A.C.</td>
<td></td>
<td></td>
<td>MJ</td>
</tr>
<tr>
<td>150</td>
<td>Insulation / weatherstripping</td>
<td></td>
<td></td>
<td>MJ</td>
</tr>
<tr>
<td>160</td>
<td>Drywall / plaster</td>
<td></td>
<td></td>
<td>MJ</td>
</tr>
<tr>
<td>470</td>
<td>Ceiling tile</td>
<td></td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>180</td>
<td>Cabinets</td>
<td></td>
<td></td>
<td>MJ</td>
</tr>
<tr>
<td>190</td>
<td>Surfacing</td>
<td></td>
<td></td>
<td>MJ</td>
</tr>
<tr>
<td>200</td>
<td>Tile</td>
<td></td>
<td></td>
<td>MJ</td>
</tr>
<tr>
<td>210</td>
<td>Floor covering</td>
<td>Reglue base</td>
<td>7-29</td>
<td>MJ</td>
</tr>
<tr>
<td>220</td>
<td>Kitchen &amp; bath accessories</td>
<td></td>
<td></td>
<td>MJ</td>
</tr>
<tr>
<td>230</td>
<td>Awning &amp; patio</td>
<td></td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>240</td>
<td>Finish carpentry</td>
<td></td>
<td></td>
<td>MJ</td>
</tr>
<tr>
<td>250</td>
<td>Hardware &amp; metalwork</td>
<td></td>
<td></td>
<td>MJ</td>
</tr>
<tr>
<td>260</td>
<td>Paneling &amp; fence</td>
<td></td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>270</td>
<td>Light fixtures</td>
<td>New bulb @ lav.</td>
<td>7-29</td>
<td>MJ</td>
</tr>
<tr>
<td>280</td>
<td>Paint &amp; decor</td>
<td>All by owner</td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>290</td>
<td>Debris removal</td>
<td></td>
<td></td>
<td>MJ</td>
</tr>
<tr>
<td>300</td>
<td>Miscellaneous</td>
<td></td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>310</td>
<td>Inspections</td>
<td>FINAL</td>
<td>7-30</td>
<td></td>
</tr>
</tbody>
</table>

Final completion date: __________________________________________

(Owner)
<table>
<thead>
<tr>
<th>Change Order No.</th>
<th></th>
</tr>
</thead>
</table>
| Date            | Owner:
| Job number:     | Job phone:
| Original contract number: | Original contract date:

<table>
<thead>
<tr>
<th>Change (add or delete) the following work to the original contract:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change the original contract amount by:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous contract amount:</td>
</tr>
<tr>
<td>Revised contract amount:</td>
</tr>
</tbody>
</table>

We agree to furnish labor & materials complete in accordance with the above specifications at the price stated above.

General Contractor Date

Above additional work to be performed under the same conditions as specified in the original contract unless otherwise stipulated.

Owner Date

Note: This change order becomes part of the original contract.
Change Order No. 1

<table>
<thead>
<tr>
<th>Date: 1/24/12</th>
<th>Owner: Smith</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job number: 12-104</td>
<td>Job phone: 360-555-4321</td>
</tr>
<tr>
<td>Original contract number: 12-4</td>
<td>Original contract date: 1/4/12</td>
</tr>
</tbody>
</table>

Change (add or delete) the following work to the original contract:

<table>
<thead>
<tr>
<th>Work Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Charge above allowance for tub</td>
<td>$115.00</td>
</tr>
<tr>
<td>2. Add 8&quot; fiberglass insulation to existing attic area - 1,450 sf</td>
<td>$1,450.00</td>
</tr>
<tr>
<td>3. Add new bath heat/lite/fan combination unit - vent to exterior</td>
<td>$325.00</td>
</tr>
<tr>
<td>4. Adjust and tighten hand railing on basement stairway</td>
<td>$80.00</td>
</tr>
</tbody>
</table>

Note: Additional work as specified will start on signing of Change Order No. 1 and will extend the contract from January 30 to February 8, 2012.

Change the original contract amount by: $1,970.00
Previous contract amount: $28,493.00
Revised contract amount: $30,463.00

We agree to furnish labor & materials complete in accordance with the above specifications at the price stated above.

STONE CONSTRUCTION SERVICES 1/24/12
General Contractor Date

Above additional work to be performed under the same conditions as specified in the original contract unless otherwise stipulated.

Owner Date

Note: This change order becomes part of the original contract.
Day equals 35 hours per day x 250 days per year = 8,750 x $ 50.00 per hour = $ 437,500.00 lost income annually

Time expands rapidly if you look at the highlighted area.

Note: The hours in items 1-8 are cumulative, so as you add more wasted time activities, the amount of lost income equals 35 hours per day x 250 days per year = 8,750 x $ 50.00 per hour = $ 437,500.00 lost income annually.

| 300 | 30 | 1 | 1.75 | 0.25 hrs |
| 250 | 25 | 2 | 2.50 | 0.50 hrs |
| 225 | 25 | 3 | 3.75 | 0.75 hrs |
| 200 | 20 | 4 | 5.00 | 1.00 hrs |
| 180 | 15 | 5 | 7.50 | 1.50 hrs |
| 160 | 10 | 6 | 10.00 | 2.00 hrs |
| 140 | 5  | 7 | 12.50 | 2.50 hrs |
| 120 | 5  | 8 | 15.00 | 3.00 hrs |

Note: The hours in items 1-8 are cumulative, so as you add more wasted time activities, the amount of lost income equals 35 hours per day x 250 days per year = 8,750 x $ 50.00 per hour = $ 437,500.00 lost income annually.
12) Credits & References

Markup and Profit Revisited
Profitable Sales  (A Contractors Guide)
  Author; Michael Stone
Side note: Michael Stone has been instrumental in consultation on developing this document.

Contractor’s Survival Guide
  Author; William D. Mitchell

Wealthy, Free and Happy
  Author; Carlos Zubilliaga

The Complete Business Manual for Contractors
  Author; Charles Vander Kooi

Smart Business for Contractors
  Author; Jim Kramon

The Woodworkers Guide to Pricing Your Work
  Author; Dan Ramsey

Financial Troubleshooting
  Author; David H. Bangs and Michael Pellecchia
Above-the-line: In Marketing, relating to marketing expenditure on advertising in media such as press, radio, television, cinema, and the World Wide Web, on which a commission is usually paid to an agency.

Absorbed Account: An account that has lost its separate identity by being combined with related accounts in the preparation of a financial statement.

Absorbed Business: A company that has been merged into another company.

Absorbed costs: The indirect costs associated with manufacturing, for example, insurance or property taxes.

Absorption costing: An accounting practice in which fixed and variable costs of production are absorbed by different cost centers.

Abusive tax shelter: A tax shelter that somebody claims illegally to avoid or minimize tax.

Accelerated cost recovery system: A system used in computing the depreciation of some assets acquired before 1986 in a way that reduces taxes.

Accelerated depreciation: A system used for computing the depreciation of some assets in a way that assumes that they depreciate faster in the early years of their acquisition.

Access bond: A type of mortgage that permits borrowers to take out loans against extra capital paid into the account, home-loan interest rates being lower than interest rates on other forms of credit.

Account: A record of a business transaction. A contract arrangement, written or unwritten, to purchase and take delivery with payment to be made later as arranged.

Accounting cost: The cost of maintaining and checking the business records of a person or organization and the preparation of forms and reports for financial purposes.

Accounting insolvency: A the condition that a company is in when its liabilities to its creditors exceeds its assets.

Account balance: The difference between the debit and the credit sides of an account.

Accountant: One who is skilled at keeping business records. Usually, a highly trained professional rather than one who keeps books. An accountant can set up the books needed for a business to operate and help the owner understand them.

Accounting period: A time interval at the end of which an analysis is made of the information contained in the bookkeeping records. Also the period of time covered by the profit and loss statement.

Accounts payable: Money you owe to an individual or business for goods or services that have been received but not yet paid for.

Accounting rate of return: The ratio of profit before interest and taxation to the percentage of capital employed at the end of a period. Variations include using profit after interest and taxation, equity capital employed, and average capital for the period.

Accounts receivable: Money owed to your business for goods or services that have been delivered but not yet paid for.
**Accounts receivable factoring**: The buying of accounts receivable at a discount with the aim of making a profit from collecting them.

**Accrual basis**: A method of keeping accounts that shows expenses incurred and income earned for a given fiscal period, even though such expenses and income have not been actually paid or received in cash.

**Actuary**: A professional expert in pension and life insurance matters, particularly trained in mathematical, statistical, and accounting methods and procedures, and in insurance probabilities.

**Administrative expense**: Expenses chargeable to the managerial, general administrative and policy phases of a business in contrast to sales, manufacturing, or cost of goods expense.

**Advertising**: The practice of bringing to the public's notice the good qualities of something in order to induce the public to buy or invest in it.

**Agent**: A person who is authorized to act for or represent another person in dealing with a third party.

**Amortization**: To liquidate on an installment basis; the process of gradually paying off a liability over a period of time.

**Analysis**: Breaking an idea or problem down into its parts; a thorough examination of the parts of anything.

**Annual report**: The yearly report made by a company at the close of the fiscal year, stating the company's receipts and disbursements, assets and liabilities.

**Appraisal**: Evaluation of a specific piece of personal or real property. The value placed on the property evaluated.

**Appreciation**: The increase in the value of an asset in excess of its depreciable cost due to economic and other conditions, as distinguished from increases in value due to improvements or additions made to it.

**Arrears**: Amounts past due and unpaid.

**Articles of Incorporation**: A legal document filed with the state that sets forth the purposes and regulations for a corporation. Each state has different regulations.

**Assets**: Anything of worth that is owned. Accounts receivable are an asset.

**Audio taping**: The act of recording onto an audiotape.

**Audit**: An examination of accounting documents and of supporting evidence for the purpose of reaching an informed opinion concerning their propriety.

---

**B**

**Back-to-back loan**: An arrangement in which two companies in different countries borrow offsetting amounts in each other's currency and each repays it at a specified future date in its domestic currency. Such a loan, often between a company and its foreign subsidiary, eliminates the risk of loss from exchange rate fluctuations.

**Back office**: The administrative staff of a company who do not have face-to-face contact with the company's customers.

**Back pay**: Pay that is owed to an employee for work carried out before the current payment period and is either overdue or results from a backdated pay increase.

**Backup**: A period in which bond yields rise and prices fall, or a sudden reversal in a stock market trend.

**Bad debts**: Money owed to you that cannot be collected.

**Balance**: The amount of money remaining in an account.
**Balanced budget**: A budget in which planned expenditure on goods and services and debt income can be met by current income from taxation and other central government receipts.

**Balanced investment strategy**: A strategy of investing in a variety of types of companies and financial instruments to reduce the risk of loss through poor performance of any one type.

**Balance of payments**: A list of a country’s credit and debit transactions with international financial institutions and foreign countries in a specific period.

**Balance of trade**: The difference between a country’s exports and imports of goods and services.

**Balance sheet**: An itemized statement that lists the total assets and total liabilities of a given business to portray its net worth at a given moment in time.

**Ballpark**: An informal term for a rough, estimated figure. The term was derived from the approximate assessment of the number of spectators that might be made on the basis of a glance around at a sporting event.

**Bankcard**: A plastic card issued by a bank and accepted by merchants in payment for transactions. The most common types are credit cards and debit cards, although smart cards have been introduced. Bankcards are governed by an internationally recognized set of rules for the authorization of their use and the clearing and settlement of transactions.

**Banker’s draft**: A bill of exchange payable on demand and drawn by one bank on another. Regarded as being equivalent to cash, the draft cannot be returned unpaid.

**Bank guarantee**: A commitment made by a bank to a foreign buyer that the bank will pay an exporter for goods shipped if the buyer defaults.

**Bank statement**: A monthly statement of account, which a bank renders to each of its depositors.

**Bankruptcy**: The condition of being unable to pay debts, with liabilities greater than assets.

**Barren money**: Money that is unproductive because it is not invested.

**Benchmarking**: Rating your company’s products, services and practices against those of the front-runners in the industry.

**Bill of entry**: A statement of the nature and value of goods to be imported or exported, prepared by the shipper and presented to a customhouse.

**Bill of lading**: A statement of the nature and value of goods being transported, especially by ship, along with the conditions applying to their transportation. Drawn up by the carrier, this document serves as a contract between the owner of the goods and the carrier.

**Bill of sale**: Formal legal document that conveys title to or interest in specific property from the seller to the buyer.

**Black market**: An illegal market, usually for goods that are in short supply. Black market trading breaks government regulations or legislation and is particularly prevalent during times of shortage, such as rationing, or in industries that are very highly regulated, such as pharmaceuticals or armaments.

**Board of directors**: Those individuals selected to sit on an authoritative standing committee or governing body, taking responsibility for the management of an organization. Members of the board of directors are officially chosen by the shareholders, but in practice they are usually selected on the basis of the current board’s recommendations. The board usually includes major shareholders as well as directors of the company.
Board of Trustees: A committee or governing body that takes responsibility for managing, and holds in trust, funds, assets, or property belonging to others, for example, charitable or pension funds or assets.

Bookkeeping: The process of recording business transactions into the accounting records. The "books" are the documents in which the records of transactions are kept.

Bottom line: The figure that reflects company profitability on the income statement. The bottom line is the profit after all expenses and taxes have been paid.

Brand: A design, mark, symbol or other device that distinguishes one line or type of goods from those of a competitor.

Brand name: A term, symbol, design or combination thereof that identifies and differentiates a seller's products or service.

Break-even: The point of business activity when total revenue equals total expenses. Above the break-even point, the business is making a profit. Below the break-even point, the business is incurring a loss.

Budget: An estimate of the income and expenditures for a future period of time, usually one year.

Business venture: Taking financial risks in a commercial enterprise.

Capital: Money available to invest or the total of accumulated assets available for production.

Capital account: The sum of a company's capital at a particular time.

Capital allowance: The tax advantage that a company is granted for money that it spends on fixed assets.

Capital appreciation: The increase in a company or individual's wealth.

Capital asset: An asset that is difficult to sell quickly. For example, real estate.

Capital budget: A budget for the use of a company's money.

Capital controls: Regulations placed by a government on the amount of capital residents may hold.

Capital equipment: Equipment that you use to manufacture a product, provide a service or use to sell, store and deliver merchandise. Such equipment will not be sold in the normal course of business, but will be used and worn out or consumed in the course of business.

Capital gains (and losses): The financial gain made upon the disposal of an asset. The gain is the difference between the cost of its acquisition and net proceeds upon its sale.

Capital goods: Stocks of physical or financial assets that are capable of generating income.

Capital inflow: The amount of capital that flows into an economy from services rendered abroad.

Capitalism: An economic and social system in which individuals can maximize profits because they own the means of production.

Capitalist: An investor of capital in a business.

Capitalization: The amount of money invested in a company or the worth of the bonds and stocks of a company.

Cash: Money in hand or readily available.

Cash discount: A deduction that is given for prompt payment of a bill.
**Cash flow**: The actual movement of cash within a business; the analysis of how much cash is needed and when that money is required by a business within a period of time.

**Cash receipts**: The money received by a business from customers.

**Centralization**: The gathering together, at a corporate headquarters, of specialist functions such as finance, personnel and information technology. Centralization is usually undertaken in order to effect economies of scale and to standardize operating procedures throughout the organization. Centralized management can become cumbersome and inefficient and may produce communication problems. Some organizations have shifted toward decentralization to try to avoid this.

**Certificate**: A document representing partial ownership of a company that states the number of shares that the document is worth and the names of the company and the owner of the shares.

**Certified Public Accountant**: An accountant to whom a state has given a certificate showing that he has met prescribed requirements designed to insure competence on the part of the public practitioner in accounting and that he is permitted to use the designation Certified Public Accountant, commonly abbreviated as CPA.

**Chamber of Commerce**: An organization of business people designed to advance the interests of its members. There are three levels: national, state and local.

**Chief Executive**: The person with overall responsibility for ensuring that the daily operations of an organization run efficiently and for carrying out strategic plans. The chief executive of an organization normally sits on the board of directors. In a limited company, the chief executive is usually known as a managing director.

**Chief Executive Officer**: The highest-ranking executive officer within a company or corporation, who has responsibility for over-all management of its day-to-day affairs under the supervision of the board of directors. Abbr. CEO

**Chief financial officer**: The officer of the organization responsible for handling finds, signing checks, the keeping of financial records, and financial planning of the company.

**Choice**: A decision to purchase that is based on an evaluation of alternatives.

**Clicks and brick**: A business strategy that involves combining the traditional retail outlets with online commerce.

**Close corporation**: A public corporation in which all of the voting stock is held by a few shareholders, for example, management or family members. Although it is a public company, shares would not normally be available for trading because of a lack of liquidity.

**Close-end credit**: A loan, plus any interest and finance charges, that is to be repaid in full by a specified future date. Loans that have real estate or motor vehicles as collateral are usually closed-end.

**Collateral**: Property or goods used as security against a loan and forfeited to the lender if the borrower defaults.

**Co-signers**: Joint signers of a loan agreement who pledge to meet the obligations of a business in case of default.

**Commercial paper**: Uncollateralized loans obtained by companies, usually on a short-term basis.

**Commission**: A percentage of the principal or the income that an agent receives as compensation for services.

**Contract**: An agreement regarding mutual responsibilities between two or more parties.

**Controllable expenses**: Those expenses that can be controlled or restrained by the businessperson.
**Corporation:** A voluntary organization of persons, either actual individuals or legal entities, legally bound together to form a business enterprise; an artificial legal entity created by government grant and treated by law as an individual entity.

**Cost of goods sold:** The direct cost to the business owner of those items, which will be sold to customers.

**Credit:** Another word for debt. Credit is given to customers when they are allowed to make a purchase with the promise to pay later. A bank gives credit when it lends money.

**Credit line:** The maximum amount of credit or money a financial institution or trade firm will extend to a customer.

**Current assets:** Valuable resources or property owned by a company that will be turned into cash within one year or used up in the operations of the company within one year. Generally includes cash, accounts receivable, inventory and prepaid expenses.

**Current liabilities:** Amounts owned that will ordinarily be paid by a company within one year. Generally includes accounts payable, current portion of long-term debt, interest and dividends payable.

**Debt:** That which is owed. Debt refers to borrowed funds and is generally secured by collateral or a co-signer.

**Debt capital:** The part of the investment capital that must be borrowed. Default: The failure to pay a debt or meet an obligation.

**Deficit:** The excess of liabilities over assets; a negative net worth.

**Deficit financing:** Borrowing of money because expenditures will exceed receipts.

**Deficit spending:** Government spending financed by borrowing rather than taxation.

**Deflation:** A reduction in the general level of prices sustained over several months, usually accompanied by declining employment and output.

**Depreciation:** A decrease in value through age, wear or deterioration. Depreciation is a normal expense of doing business that must be taken into account. There are laws and regulations governing the manner and time periods that may be used for depreciation.

**Desktop publishing:** Commonly used term for computer-generated printed materials such as newsletters and brochures.

**Devaluation:** A reduction in the official fixed rate at which one currency exchanges for another under a fixed-rate regime, usually to correct a balance of payments deficit.

**Development capital:** Finance for the expansion of an established company.

**Differentiated marketing:** Selecting and developing a number of offerings to meet the needs of a number of specific market segments.

**Direct cost:** Variable cost directly attributable to production. Items that are classed as direct cost include materials used, labor deployed, and marketing budget, and amounts spent will vary with output.

**Direct mail:** Marketing goods or services directly to the consumer through the mail. Direct mail is one tool that can be used as part of a marketing strategy. The use of direct mail is often administered by third-party companies that own databases containing not only names and addresses, but also social, economic, and lifestyle information. It is sometimes seen as an invasion of personal privacy, and there is some public resentment of this form of advertising. This is particularly true of e-mailed direct mail, known derogatively as SPAM.
**Direct selling:** The process whereby the producer sells to the user, ultimate consumer or retailer without intervening middlemen such as wholesalers, retailers, or brokers. Direct selling offers many advantages to the customer, including lower prices and shopping from home. Potential disadvantages include the lack of after-sales service, an inability to inspect products prior to purchase, lack of specialist advice, and difficulties in returning or exchanging goods.

**Dirty price:** The price of a debt instrument that includes the amount of accrued interest that has not yet been paid.

**Discount:** A deduction from the stated or list price of a product or service in relation to the standard price. A discount is a selling technique to encourage customers to buy and is offered for a variety of reasons: for buying in quantity or for repeat buying; as a special offer to move a slow-moving line or for paying by cash, etc.

**Distribution channel:** All of the individuals and organizations involved in the process of moving products from producer to consumer. The route a product follows as it moves from the original grower, producer or importer to the ultimate consumer.

**Distributor:** Middleman, wholesaler, agent or company distributing goods to dealers or companies.

**Downsize:** Term currently used to indicate employee reassignment, lay-offs and restructuring in order to make a business more competitive, efficient, and/or cost-effective.

**Earnings:** A sum of money gained from employment, usually quoted before tax, including extra reward such as fringe benefits, allowances, or incentives. In business, income or profit from a business, quoted gross or net of tax, which may be retained and distributed in part to the shareholders.

**E-business:** Conduct of business on the Internet, including the electronic purchasing and selling of goods and services, servicing customers, and communications with business partners.

**E-commerce:** The exchange of goods, information products, or services via an electronic medium such as the Internet.

**Enterprise:** A venture characterized by innovation, creativity, dynamism, and risk. An enterprise can consist of one project, or may refer to an entire organization.

**Entrepreneur:** An innovator of business enterprise who recognizes opportunities to introduce a new product, a new process or an improved organization, and who raises the necessary money, assembles the factors for production and organizes an operation to exploit the opportunity.

**Equal opportunities:** The granting of equal rights. Privileges, and status regardless of gender, age, race, religion, disability or sexual orientation. Law in most Western countries regulates equality in employment.

**Equipment:** Physical property of a more or less permanent nature ordinarily useful in carrying on operations, other than land, buildings or improvements to either of them. Examples are machinery, tools, tracks, cars, ships, furniture and furnishings.

**Equity:** A financial investment in a business. An equity investment carries with it a share of ownership of the business, a stake in the profits and a say in how it is managed. Equity is calculated by subtracting the liabilities of the business from the assets of the business.
**Equity Capital:** Money furnished by owners of the business.

**Ergonomics:** The study of workplace design and the physical and psychological impact it has on workers. Ergonomics is about the fit between people, their work activities, equipment, work systems, and environment to ensure that workplaces are safe, comfortable, efficient, and that productivity is not compromised.

**Euro:** The currency of 12 member nations of the European Union. The Euro was introduced in 1999, when the first 11 countries to adopt it joined together in an Economic and Monetary Union and fixed their currencies' exchange rate to the Euro. Notes and coins were brought into general circulation in January 2002, although banks and other financial institutions had before that time carried out transactions in Euros.

**Exchange:** The process by which two or more parties give something of value to one another to satisfy needs and wants.

**Exchange controls:** The regulations by which a country's banking system controls its residents' or resident companies' dealings in foreign currencies and gold.

**Exchange rate:** The rate at which one country's currency can be exchanged for that of another.

**Excise duty:** A tax on goods such as alcohol or tobacco produced and sold within a particular country.

**Expense account:** Amount of money that an employee or group of employees can draw on to reclaim personal expenses incurred in carrying out activities for an organization.

**Expenses:** Personal costs incurred by an employee in carrying out activities for an organization that are reimbursed by the employer.

**Export agent:** An intermediary who acts on behalf of a company to open up or develop a market in a foreign country. Export agents are often paid a commission on all sales and may have exclusive rights in a particular geographic area.

**Exporting:** The process of selling goods to other countries.

---

**Facsimile machine (FAX):** Machine capable of transmitting written input via telephone lines.

**Factor:** A variable investigated in a statistical study.

**Feasibility study:** an investigation into a proposed plan or project to determine whether and how it can be successfully and profitably carried out.

**Federal funds:** Deposits held in reserve by the Federal Reserve System.

**Feedback:** The communication of responses and reactions to proposals and changes or to the findings of performance appraisals with the aim of enabling improvements to be made.

**FIFO:** FIRST IN FIRST OUT, a method of inventory control where the stock of a given product first placed in store is used before more recently produced or acquired goods or materials.

**Finance:** The money needed by an individual or company to pay for something, for example, a project or stocks.

**Financial statements:** Documents that show your financial situation.

**Fiscal:** Relating to financial matters, especially in respect to government collection, use and regulation of money through taxation.

**Fixed asset:** A long-term asset of a business such as a machine or building that will not usually be traded.
**Fixed expenses**: Those costs, which don't vary from one period to the next. Generally, the volume of business does not affect these expenses.

**Float**: The period between the presentation of a check as payment and the actual payment to the payee.

**Floating rate**: An interest rate that is not fixed and which changes according to fluctuations in the market. **Floor**: A lower limit on an interest rate, price, or the value of an asset.

**Flow chart**: A graphic representation of the stages in a process or system or the steps required to solve a problem.

**Forecast**: A prediction of the value of a variable in a statistical study.

**Forward pricing**: The establishment of the price of a share in a mutual fund based on the next asset valuation.

**Forward rate**: An estimate of what an interest rate will be at a specified future time.

**Franchise**: An agreement enabling a third party to sell or provide products or services owned by a manufacturer or supplier. The franchise is regulated by a franchise contract, or **franchise agreement**, that specifies the terms and conditions of the franchise.

**Franchise chain**: A number of retail outlets operating the same franchise. A franchise chain may vary in size from a few to many thousands of outlets and in coverage from a small local area to worldwide.

**Fraud**: The use of dishonesty, deception, or false representation in order to gain a material advantage or to injure the interest of others.

**Freebie**: A product or service that is given away, often as a business promotion.

**Free enterprise**: The trade carried on in a free-market economy, where resources are allocated on the basis of supply and demand.

**Free market**: A market in which supply and demand is unregulated except by the country's competition policy, and rights in physical and intellectual property are upheld.

**Fulfillment**: The process of responding to customer inquiries, orders, or sales promotion offers.

**Future**: A contract to deliver a commodity at a future date.

**Futures market**: A market for buying and selling securities, commodities, or currencies that tends to fluctuate in price over a period of time. The market's aim is to reduce the risk of uncertainty about future prices.

**Fundraising**: Events staged to raise revenue.

**Gap Analysis**: A marketing technique used to identify gaps in market or product coverage. In gap analysis, consumer information or requirements are tabulated and matched to product categories in order to identify product or service opportunities or gaps in product planning.

**Gateway**: E-Commerce: a point where two or more computer networks meet and can exchange data.

**GDP**: Gross domestic product, the total flow of services and goods produced by an economy over a quarter or a year, measured by the aggregate value of services and goods at market prices.

**Globalization**: The process of tailoring products or services to different local markets around the world.

**GNP**: Gross National Product, GDP plus domestic resident's income from investment abroad less income earned in the domestic market accruing to noncitizens abroad.
**Gross profit:** The difference between the selling price and the cost of an item. Gross profit is calculated by subtracting cost of goods sold from net sales.

**Growth capital:** Funding that allows a company to accelerate its growth. For new startup companies, growth capital is the second stage of funding after seed money.

**Growth rate:** The rate of an economy's growth as measured by its technical progress, the growth of its labor, and the increase in its capital stock.

**Guarantee:** A pledge by a third party to repay a loan in the event that the borrower defaults.

**Guarantor:** A person or organization that guarantees repayment of a loan if the borrower defaults or is unable to pay.

**Guerilla marketing:** A marketing technique, the aim of which is to damage the market share of competitors.

**H**

**Hard sell:** A heavily persuasive and highly pressured approach used to sell a product or service.

**Hedge fund:** A mutual fund that takes considerable risks, including heavy investment in unconventional instruments, in the hope of generating great profits.

**High end:** Relating to the most expensive, most advanced, or most powerful in a range of things, for example, computers.

**High-pressure:** A selling technique in which the sales representative attempts to persuade a buyer very forcefully and persistently.

**Holding company:** A parent organization that owns and controls other companies.

**Home page:** The "table of contents" to a Web site, detailing what pages are on a particular site. The first page one sees when accessing a Web site.

**Horizontal integration:** The merging of functions or organizations that operate on a similar level. Horizontal integration involves the union of companies producing the same kinds of goods or operating at the same stage of the supply chain.

**Hyperinflation:** Very rapid growth in the rate of inflation so that money loses value and physical goods replace currency as a medium of exchange.

**I**

**IMF:** International Monetary Fund, the organization that industrialized nations have established to reduce trade barriers and stabilize currencies, especially those of less industrialized nations.

**Impaired capital:** A company's capital that is worth less than the par value of its stock.

**Import:** A product or service brought into another country from its country of origin either for sale or for use in manufacturing.

**Incentive program:** An award or reward scheme designed to improve sales force or retail performance.

**Income redistribution:** A government policy that seeks to restrain increases in wages or prices by regulating the permitted level of increase.

**Income statement:** A financial document that shows how much money (revenue) came in and how much money (expense) was paid out.

**Income tax:** A tax levied directly on the income of a person or a company and paid to the local, state, or federal government.
**Income statement:** A financial document that shows how much money (revenue) came in and how much money (expense) was paid out.

**Indirect channel:** The selling and distribution of products to customers through intermediaries such as wholesalers, distributors, agents, dealers, or retailers.

**Indirect cost:** A fixed or overhead cost that cannot be attributed directly to the production of a particular item and is incurred even when there is no output.

**Inflation:** A sustained increase in a country's general level of prices that devalues its currency, often caused by excess demand in the economy.

**Infomercial:** A television or cinema commercial that includes helpful information about a product as well as advertising content.

**Initial public offering:** The first instance of making particular shares available for sale to the public.

**Insolvency:** The inability to pay debts when they become due. Insolvency will apply even if total assets exceed total liabilities, if those assets cannot be readily converted into cash to meet debts as they mature. Even then, insolvency may not necessarily mean **business failure.** Bankruptcy may be avoided through debt rescheduling or turnaround management.

**Income statement:** A financial document that shows how much money (revenue) came in and how much money (expense) was paid out.

**Insurance:** An arrangement in which individuals or companies pay another company to guarantee them compensation if they suffer loss resulting from risks such as fire, theft, or accidental damage.

**Intellectual property:** The ownership of rights to ideas, designs, and **inventions,** including copyrights, patents, and trademarks. **Law in most countries protects intellectual property,** and the World Intellectual Property Organization is responsible for harmonizing the law across different countries and promoting protection of intellectual property rights.

**Interest:** The rate that a lender charges for the use of money that is a loan.

**Interest rate:** The amount of interest charged for borrowing a particular sum of money over a specified period of time.

**Income statement:** A financial document that shows how much money (revenue) came in and how much money (expense) was paid out.

**Internet:** The vast collection in inter-connected networks that provide electronic mail and access to the World Wide Web.

**Inventory:** A list of assets being held for sale, the stock of finished goods, raw materials, and work in progress held by a company.

**Invest:** To lay out money for any purpose from which a profit is expected.

**Investment:** The spending money on stocks, shares, and other securities, or on assets such as plant and machinery.

**Invisible exports:** The profits, dividends, interest, and royalties received from selling a country's services abroad.

**Invoice:** A document that a supplier sends to a customer detailing the cost of products or services supplied and requesting payment.
**Joint account**: An account, for example, one held at a bank or by a broker, that two or more people own in common and have access to.

**Joint ownership**: Ownership by more than one party, each with equal rights in the item owned. Joint ownership is often applied to property or other assets.

**Junk bond**: A bond with high return and high risk.

**K**

**Keystone**: Setting a retail price at twice the wholesale price.

**L**

**Labor force**: People of working age who are available for paid employment, including the unemployed looking for work, but excluding categories such as full-time students, careers, and the long-term sick and disabled.

**Lapse**: The termination of an option without trade in the underlying security or commodity.

**Law of diminishing returns**: A rule stating that as one factor of production is increased while others remain constant, the extra output generated by the additional input will eventually fall. The law of diminishing returns therefore means that extra workers, extra capital, extra machinery, or extra land may not necessarily raise output as much as expected.

**Lemon**: A product, especially a car that is defective in some way.

**Letter of agreement**: A document that constitutes a simple form of contract.

**Letter of Credit**: A letter issued by a bank that can be presented to another bank to authorize the issue of credit or money.

**Leverage**: A method of corporate funding in which a higher proportion of funds is raised through borrowing than share issue.

**Liability**: A debt that has no claim on a debtor's assets or less claim than another debt.

**Liability insurance**: Risk protection for actions for which a business is liable.

**License**: A contractual arrangement, or a document representing this, in which one organization gives another the rights to produce, sell, or use something in return for payment.

**Lifestyle**: A pattern of living that comprises an individual's activities, interests and opinions.

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

**Liquid assets**: financial assets that can be quickly converted to cash.

**Liquidity**: The ability of a business to meet its financial responsibilities. The degree of readiness with which assets can be converted into cash without loss.

**Loan agreement**: A document that states what a business can and can-not do as long as it owes money to the lender.

**Loan**: Money lent with interest.

**Long-term liabilities**: The liabilities (expenses) that will not mature within the next year.

**M**

**Ma and Pa shop**: A small family-run business.
Macroeconomics: the branch of economics that studies national income and the economic systems of national economies.

Mail order: a form of retailing in which consumers order products from a catalogue for delivery to their home.

Management: The use of professional skills for identifying and achieving organizational objectives through the deployment of appropriate resources. The art of conducting and supervising a business.

Market: A set of potential or real buyers or a place in which there is a demand for products or services. Actual or potential buyers of a product or service.

Marketable: Possessing the potential to be commercially viable.

Market analysis: The study of a market to identify and quantify business opportunities.

Market development: marketing activities designed to increase the overall size of a market through education and awareness.

Market demand: Total volume purchased in a specific geographic area by a specific customer group in a specified time period under a specified marketing program.

Market forecast: An anticipated demand that results from a planned marketing expenditure.

Marketing: one of the main management disciplines, encompassing all the strategic planning, operations, activities, and processes involved in achieving organizational objectives by delivering value to customers. Marketing management focuses on satisfying customer requirements by identifying needs and wants.

Market niche: A well-defined group of customers for whom what you have to offer is particularly suitable.

Market positioning: Finding a market niche that emphasizes the strengths of a product or service in relation to the weaknesses of the competition.

Market share: A company's percentage share of total sales within a given market.

Market targeting: Choosing a marketing strategy in terms of competitive strengths and marketplace realities.

Marketing mix: The set of product, place, promotion, price and packaging variables, which a marketing manager controls and orchestrates to bring a product or service into the marketplace.

Marketing research: The systematic design, collection, analysis and reporting of data regarding a specific marketing situation.

Markup: the difference between the cost of a product or service and its selling price.

Mass marketing: Selecting and developing a single offering for an entire market.

Merchandise: Goods bought and sold in a business. "Merchandise" or stock is a part of inventory.

Micro business: An owner-operated business with few employees and less than $250,000 in annual sales.

Micromarketing: Marketing to individuals or very small groups.

Middleman: A person or company that performs functions or renders services involved in the purchase and/or sale of goods in their flow from producer to consumer.

Multilevel sales: Also known as network marketing. Rather than hiring sales staff, multilevel sales companies sell their products through thousands of independent distributors. Multilevel sales companies offer dis-tributors commissions on both retail sales and the sales of their "down-line" (the network of other distributors they sponsor).
**NASDAQ**: National Association of Security Dealers Automated Quotation system, a screen-based quotation system supporting market making in registered equities.

**Negotiation**: A discussion with the aim of resolving a difference of opinion, or dispute, or to settle the terms of an agreement or transaction.

**Net assets**: The amount by which the value of a company's assets exceeds its liabilities.

**Net capital**: The amount by which assets exceed the value of assets not easily converted to cash.

**Net cash balance**: The amount of cash that is on hand.

**Net errors and omissions**: The net amount of the discrepancies that arise in calculations of balances of payments.

**Net fixed assets**: The value of fixed assets after depreciation.

**Net margin**: The percentage of revenues that is profit.

**Net operating income**: The amount by which income exceeds expenses, before considering taxes and interest.

**Net proceeds**: The amount realized from a transaction minus the cost of making it.

**Net profit**: Gross profit minus costs.

**Net worth**: The total value of a business in financial terms. **Net worth** is calculated by subtracting total liabilities from total assets.

**Niche**: A well-defined group of customers for which what you have to offer is particularly suitable.

**No-load fund**: A mutual fund that does not charge a fee for purchase or sale of shares.

**Nondisclosure agreement**: A legally enforceable agreement preventing present or past employees from disclosing commercially sensitive information belonging to the employer to any other party.

**Nonrecurring**: One time, not repeating. "Nonrecurring" expenses are those involved in starting a business, and which only have to be paid once and will not occur again.

**Note**: A document that is recognized as legal evidence of a debt.

**Objective**: An end toward which effort is directed and on which resources are focused, usually to achieve an organization's strategy.

**Obsolescence**: The decline of products in a market due to the introduction of better competitor products or rapid technology developments.

**Open-end credit**: A form of credit that does not have an upper limit on the amount that can be borrowed or a time limit before repayment is due.

**Open market**: A market that is widely available.

**Operating cash flow**: The amount used to represent the money moving through a company as a result of its operations, as distinct from its purely financial transactions.

**Operating costs**: Expenditures arising out of current business activities. The costs incurred to do business such as salaries, electricity, rental. Also may be called "overhead."

**Optimize**: To allocate such things as resources or capital as efficiently as possible.

**Option**: A contract for the right to buy or sell an asset, typically a commodity, under certain terms.

**Order**: A contract made between a customer and a supplier for the supply of a range of goods or services in a determined quantity and quality, at an agreed price, and for delivery at or by a specified time.
Organizational market: A marketplace made up of producers, trade industries, governments and institutions.

Outsourcing: Term used in business to identify the process of sub-contracting work to outside vendors. The transfer of the provision of services previously carried out by in-house personnel to an external organization, usually under a contract with agreed standards, costs, and conditions.

Overdraft: The amount by which the money withdrawn from a bank account exceeds the balance of the account.

Overdraft facility: A credit arrangement with a bank, allowing a person or company with an account to use borrowed money up to an agreed limit when nothing is left in the account.

Overdrawn: In debt to a bank because the amount withdrawn from an account exceeds its balance.

Outsourcing: Term used in business to identify the process of sub-contracting work to outside vendors.

Overhead: A general term for costs of materials and services not directly adding to or readily identifiable with the product or service being sold.

Overprice: To set the price of a product or service too high, with the result that it is unacceptable to the market.

Partnership: A legal business relationship of two or more people who share responsibilities, resources, profits and liabilities.

Passive investment management: The managing of a mutual fund or other investment portfolio by relying on automatic adjustments such as indexation instead of making personal judgments.

Patent: A type of copyright granted as a fixed-term monopoly to an inventor by the state to prevent others copying an invention, or improvement of a product or process.

Payable: Ready to be paid. One of the standard accounts kept by a book-keeper is "accounts payable." This is a list of those bills that are current and due to be paid.

Payment gateway: A company or organization that provides an interface between merchant's point-of-sale system, acquirer payment systems, and issuer payment systems.

Payment-in-kind: An alternative form of pay given to employees in place of monetary reward but considered to be of equivalent value. A payment in kind take the form of a car, purchase of goods at cost price, or other nonfinancial exchange that benefits an employee.

Pay Pal: A Web based service that enables Internet users to send and receive payments electronically. To open a Pay Pal account, users register and provide their credit card details. When they decide to make a transaction via Pay Pal, their card is charged for the transfer.

Perception: The process of selecting, organizing and interpreting information received through the senses.

Performance appraisal: A face-to-face discussion in which one employee’s work is discussed, reviewed, and appraised by another, using an agreed and understood framework.

Petty cash: A small store of cash used for minor business expenses.
**Phantom income**: Income that is subject to tax even though the recipient never actually gets control of it, for example, income from a limited partnership.

**Pink slip**: Get your pink slip to be dismissed from employment

**Piracy**: illegal copying of a product such as software or music.

**Placement fee**: A fee that a stockbroker receives for a sale of shares.

**Planning**: The process of setting objectives, or goals, and formulating policies, strategies, and procedures to meet them.

**Poaching**: The practice of recruiting people from other companies by offering inducements.

**Point of purchase**: The place at which the customer purchases a product. The point of sale can be a retail outlet, a display case, or even a legal business relationship of two or more people who share responsibilities, resources, profits and liabilities.

**Postdate**: To put a later date on a document or check than the date when it is signed, with the effect that it is not valid until the later date.

**Rebilling**: The practice of submitting a bill for a product or service before it has actually been delivered.

**Prepaid expenses**: Expenditures that are paid in advance for items not yet received.

**Prepaid interest**: Interest paid in advance of its due date.

**Prepayment penalty**: A charge that may be levied against somebody who makes a payment before its due date. The penalty compensates the lender or seller for potential lost interest.

**Price**: The exchange value of a product or service from the perspective of both the buyer and the seller.

**Price ceiling**: The highest amount a customer will pay for a product or a service based upon perceived value.

**Price control**: Government regulations that set maximum prices for commodities or control price levels by credit controls.

**Price discrimination**: The practice of selling of the same product to different buyers at different prices.

**Price floor**: The lowest amount a business owner can charge for a product or service and still meet all expenses.

**Price planning**: The systematic process for establishing pricing objectives and policies.

**Price war**: a situation in which two or more companies each try to increase their own share of the market by lowering prices.

**Principal**: The amount of money borrowed in a debt agreement and the amount upon which interest is calculated.

**Probability**: The quantitative measure of the likelihood that a given event will occur.

**Probation**: a trial period in the first months of employment when the employer checks the suitability and capability of a person in a certain role, and takes any corrective action.

**Producers**: The components of the organizational market that acquire products, services that enter into the production of products and services that are sold or supplied to others.

**Product**: Anything capable of satisfying needs, including tangible items, services and ideas.

**Product life cycle (PLC)**: The stages of development and decline through which a successful product typically moves.

**Product line**: A group of products related to each other by marketing, technical or end-use considerations.

**Product mix**: All of the products in a seller's total product line.
**Profit and Loss Statement:** A list of the total amount of sales (revenues) and total costs (expenses). The difference between revenues and expenses is your profit or loss.

**Profit:** Financial gain, returns over expenditures.

**Profit margin:** The difference between your selling price and all of your costs.

**Pro-forma:** A projection or estimate of what may result in the future from actions in the present. A pro forma financial statement is one that shows how the actual operations of the business will turn out if certain assumptions are achieved; a document issued before all relevant details are known, usually followed by a final version.

**Pro-forma invoice:** An invoice that does not include all the details of a transaction, often sent before goods are supplied and followed by a final detailed invoice.

**Promotion:** The communication of information by a seller to influence the attitudes and behavior of potential buyers.

**Promotional pricing:** Temporarily pricing a product or service below list price or below cost in order to attract customers.

**Psychographics:** The system of explaining market behavior in terms of attitudes and life styles.

**Publicity:** Any non-paid, news-oriented presentation of a product, service or business entity in a mass media format.

**Q**

**Qualification payment:** An additional payment sometimes made to employees of New Zealand companies, who have gained an academic qualification relevant to their jobs.

**Qualified lead:** A sales prospect whose potential value has been carefully evaluated through research.

**Quality:** All the features and characteristics of a product or service that affect its ability to meet stated or implied needs.

**Questionnaire:** A data-gathering form used to collect information by a personal interview, with a telephone survey or through the mail.

**R**

**Random sampling:** An unbiased sampling technique in which every member of the population has an equal chance of being included in the sample. Based on probability theory, random sampling is the process of selecting and canvassing a representative group of individuals from a particular population in order to identify the attributes or attitudes of the population as a whole.

**Rate of interest:** A percentage charged on a loan or paid on an investment for the use of the money.

**Rate of return:** An accounting ratio of the income from investment to the amount of investment, used to measure financial performance.

**Ratio:** The relationship of one thing to another. A "ratio" is a short-cut way of comparing things, which can be expressed as numbers or degrees.

**Rebating:** A sales promotion technique in which the customer is offered a rebate for reaching volume targets.

**Receivable:** Ready for payment. When you sell on credit, you keep an "accounts receivable" ledger as a record of what is owed to you and who owes it. In accounting, a receivable is an asset.
Recession: A stage of the business cycle in which economic activity is in slow decline. Recession usually follows a boom, and precedes a depression. Rising unemployment and falling levels of output and investment characterize it.

Recurring payments: an electronic payment facility that permits a merchant to process multiple authorizations by the same customer either as multiple payments for a fixed amount or recurring billings for varying amounts.

Redemption: The purchase by a company of its own shares from shareholders.

Redundancy: Dismissal from work because a job ceases to exist. Redundancy occurs most frequently when an employer goes out of business necessitating a cutback in the workforce, or relocates part, or all, of the company.

Refinance: To replace one loan with another, especially at a lower rate of interest.

Refund: the reimbursement of the purchase price of a good or service, for reasons such as faults in manufacturing or dissatisfaction with the service provided.

Reinsurance: A method of reducing risk by transferring all or part of an insurance policy to another insurer.

Resources: Anything that is available to an organization to help it achieve its purpose.

Response marketing: In e-marketing, the process of managing responses or leads from the time they are received through to conversion to sale.

Response rate: the proportion of subjects in a statistical study who respond to a researcher's questionnaire.

Retail: Selling directly to the consumer.

Retailing: Businesses and individuals engaged in the activity of selling products to final consumers.

Revenue: Total sales during a stated period.

Revolving fund: A fund the resources of which are replenished from the revenue of the projects that it finances.

Salary: A form of pay given to employees at regular intervals in exchange of the work they have done.

Sales: The activity of selling a company's products or services, the income generated by this, or the department that deals with selling.

Sales channel: A means of distributing products to the marketplace, either directly to the end customer, or indirectly through intermediaries such as retailers or dealers.

Sales force: A group of sales people or sales representatives responsible for the sales of either a single product or the entire range of an organization's products.

Sales forecast: A prediction of future sales, based on past sales performance. Sales forecasting takes into account the economic climate, current sales trends, company capacity for production, company policy, and market research.

Sales network: The distribution network by which goods and services are sold.

Sales outlet: A company's office that deals with customers in a particular region or country.

Sales promotion: Activities, usually short-term, designed to attract attention to a particular product and to increase its sales using advertising and publicity.

Sales quota: a target set for the sales force stating the number and range of products or services that should be sold.
Sales representative: A salesperson selling the products or services of a particular organization or manufacturer. Sales representatives are sometimes employed directly by a company as part of the sales force or they may work independently and be employed by contract. Sales reps often represent more than one product line from more than one company and usually work on commission.

Sample: A limited portion of the whole of a group.

Security: Collateral that is promised to a lender as protection in case the borrower defaults on a loan.

Seasonal business: Trade that is affected by seasonal factors, for example, trade in goods such as suntan products or Christmas trees.

Seed money: A usually modest amount of money used to convert an idea into a viable business. Seed money is a form of venture capital.

Self-employment: Being in business on one's own account, either on a freelance basis, or by reason of owning a business and not being engaged as an employee under a contract of employment.

Self-liquidating: Providing enough income to pay off the amount borrowed for financing.

Service business: A retail business that deals in activities for the benefit of others.

Service charge: A gratuity usually paid in restaurants and hotels; a fee for any service provided, or additional fee for any enhancements to an existing service.

Settlement: The payment of a debt or charge.

Setup costs: The costs associated with making a workstation or equipment available for use.

Share: One of the equal parts into which the ownership of a corporation is divided. A "share" represents part ownership in a corporation.

Short-term notes: Loans that come due in one year or less.

Sole proprietorship: Business legal structure in which one individual owns the business.

Stock: An ownership share in a corporation; another name for a share. Another definition would be accumulated merchandise.

Suppliers: Individuals or businesses that provide resources needed by a company in order to produce goods and services.

Survey: A research method in which people are asked questions.

Take-home pay: The amount of pay an employee receives after all the deductions, such as income Tax, social security, or pension, contributions.

Takeover: The acquisition of one company by another.

Talent: People with exceptional abilities, especially a company's most valued employees.

Target market: The specific individuals distinguished by socio-economic, demographic and interest characteristics, who are the most like-ly potential customers for the goods and services of a business.

Target marketing: Selecting and developing a number of offerings to meet the needs of a number of specific market segments.

Tariff: A government duty imposed on imports or exports to stimulate or dampen economic activity.

Tax: A governmental charge that is not a price for a good or service.
Taxable: Subject to tax.
Tax bracket: A range of income levels subject to marginal tax at the same rate.
Tax incentive: A tax reduction afforded to people for particular purposes, for example, sending their children to college.
Tax refund: An amount that a government gives back to a taxpayer who has paid more taxes than were due.
Tax return: An official form on which a company or individual enters details of income and expenses, used to assess tax liability.
Tax shelter: A financial arrangement designed to reduce tax liability.
Tax subsidy: A tax reduction that a government gives a business for a particular purpose, usually to create jobs.
Team player: Somebody who works well within a team.
Teamwork: Collaboration by a group of people to achieve a common purpose.
Telebanking: Electronic banking carried out by using a telephone line to communicate with a bank.
Telecommute: To work without leaving your home by using telephone lines to carry data between your home and your employer's place of business.
Telemarketing: Marketing goods or services directly to the consumer via the telephone.
Telephone survey: A research technique in which members of the public are asked a series of questions on the telephone.
Tender: To make or submit a bid to undertake work or supply goods at a stated price. A tender is usually submitted in response to an invitation to bid for a work contract in competition with other suppliers.
Terms of sale: The conditions concerning payment for a purchase.
Terms of trade: A ratio to determine whether the conditions under which a country conducts its trade are favorable or unfavorable.
Test marketing: The use of a small-scale version of a marketing plan, usually in a restricted area or with a small group, to test marketing strategy for a new product.
Think tank: An organization or group of experts researching and advising on issues of society, science, technology, industry, or business.
Trade barrier: A condition imposed by a government to limit free exchange of goods internationally.
Trade credit: Permission to buy from suppliers on open account.
Trade-fair: A commercial exhibition designed to bring together buyers and sellers from a particular market sector.
Trademark: An identifiable mark on a product that may be a symbol, words, or both, that connects the product to the trader or producer of that product.
Turnkey contract: Immediately an agreement in which a contractor designs, constructs, and manages a project until it is ready to be handed over to the client and operation can begin he conditions concerning payment for a purchase.

Unbalanced growth: The result when not all sectors of an economy can grow at the same rate.
Unbundling: Dividing a company into separate constituent companies, often to sell all or some of them after a takeover.
Uncertainty analysis: A study designed to assess the extent to which the variability in an outcome is caused by uncertainty at the time of estimating the input parameters of the study.

Undervalued: Used to describe an asset that is available for purchase at a price lower than it is worth.

Underwrite: To assume risk, especially for a new issue or an insurance policy.

Underwriter: A person or organization that buys an issue from a corporation and sells it to investors.

Unearned income: Income received from sources other than employment.

Unit: a collection of securities traded together as one item.

Unit of trade: The smallest amount that can be bought or sold of a share of stock, or a contract included in an option.

Unlimited liability: Full responsibility for the obligations of a general partnership.

Unsecured debt: Money borrowed without supplying collateral.

Up sell: To sell customers a higher-priced version of a product they have bought previously.

Used credit: The portion of a line of credit that is no longer available.

Value added: Originally, the difference between the cost of bought-in materials and the eventual selling price of the finished product.

Value-added tax: A tax added at each stage in the manufacture of a product. It acts as a replacement for a sales tax in almost every industrialized country outside North America.

Variable: an element of data whose changes are the object of a statistical study.

Variable annuity: An annuity whose payments depend either on the success of investments that underlie it, or on the value of the index.

Variable cost: A cost of production that is directly proportional to the number of units produced.

Variable interest rate: An interest rate that changes, usually in relation to a standard index, during the period of the loan.

Variance: The Square of a standard deviation; a measure of the difference between actual performance and forecast, or standard, performance.

Venture capital: Money used to finance new companies or projects, especially those with high earning potential and high risk.

Venture funding: The round of funding for a new company that follows seed funding provided by venture capitalists.

Venture management: The collaboration of various sections within an organization to encourage. Entrepreneurial spirit, increases innovation, and produce successful new products more quickly.

Verbal contract: An agreement that is oral and not written down. It remains legally enforceable by the parties who have agreed to it.

Vertical market: A market that is oriented to one particular specialty, for example, plastics manufacturing or transportation engineering.

Viral marketing: The rapid spread of a message about a new product or service in a similar way to the spread of a virus.

Virtual organization: A temporary network of companies, suppliers, customers, or employees, linked by information and communications technologies, with the purpose of delivering a service or product.
**Virus**: A computer program designed to damage or destroy computer systems and the information contained within them.

**Vision statement**: A statement giving a broad, aspirational image of the future that an organization is aiming to achieve.

**Voting rights**: The rights that shareholders have to vote on matters affecting a corporation.

**Volume**: An amount or quantity of business; the volume of a business is the total it sells over a period of time.

**Vulture capitalist**: A venture capitalist who structures deals on behalf of an entrepreneur in such a way that the investors benefit rather than the entrepreneur.

**W**

**Wages**: A form of pay given to employees in exchange for the work they have done.

**Waiver of premium**: A provision of an insurance policy that suspends payment of premiums, for example, if the insured suffers disabling injury.

**Walk**: To resign from a job.

**Wallet technology**: A software package providing digital wallets or purses on the computers of merchants and customers to facilitate payment by digital cash.

**Wall Street**: The U.S. financial industry, or the area of New York City where much of its business is done.

**Waste management**: A sustainable process for reducing the environmental impact of the disposal of all types of materials used by businesses.

**Wealth**: Physical assets such as a house or financial assets such as stocks and shares that can yield an income for their holder.

**Web marketing**: The process of creating, developing, and enhancing a Web site in order to increase the number of visits by potential customers.

**Weighted average**: An average of quantities that have been adjusted by the addition of a statistical value to allow for their relative importance in a data set.

**Whistle blowing**: Speaking out to the media or the public on malpractice, misconduct, corruption, or mismanagement witnessed in an organization.

**Wholesale price**: A price charged to customers who buy large quantities of an item for resale in smaller quantities to others.

**Wholesaling**: Businesses and individuals engaged in the activity of selling products to retailers, organizational users or other wholesalers. Selling for resale.

**Withholding tax**: The money that an employer pays directly to the U.S. government as a payment of the income tax on the employee.

**Word of mouse**: Word-of-mouth publicity on the Internet. Owing to the fast-paced and interactive nature of online markets, word of mouse can spread much faster than its offline counterpart.

**Working capital**: The excess of current assets over current liabilities. The cash needed to keep the business running from day to day.

**X**

**XML**: A metalanguage that describes rules for defining tagged markup languages.

**Y**
Year-end: Relating to the end of a financial or fiscal (tax) year.
Yield: A percentage of the amount invested that is the annual income from an investment.

Z

Zero-balance account: A bank account that does not hold funds continuously, but has money automatically transferred into it from another account when claims arise against it.
Zero-fund: To assign no money to a business project without actually canceling it.