

LET'S TALK... **BUSINESS!**

**BED & BREAKFAST, FARM VACATIONS
AND COUNTRY INNS**



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INTRODUCTION

This booklet was prepared to help prospective entrepreneurs make an informed decision on hosting guests travelling to their area.

While the booklet addresses the initial planning, development and operation of accommodation in this growing segment of the tourist industry, it may also provide existing operators with new ideas to improve their services and revenue.

Many sections of this booklet apply to all of the above businesses and there are special sections designated to specific accommodation.

BACKGROUND

The option of this kind of accommodation has been popular in other countries for some time. Canadian operators have recently identified this business as an opportunity to add income to farming, retirement incomes, as a second family income or as a hobby.

Since 1980 there has been a steady growth in the demand for this type of accommodation. Warm hospitality, attentive personal service and ambiance serves to make it more and more fashionable to complement enjoyable travel and vacation experiences.

The appeal of this alternative accommodation has spread to all segments of tourists: couples, families, seniors and business travellers.

TRENDS

There is a growing demand from travellers who want more intimate contact with the history of an area. This can be satisfied by staying in a bed and breakfast with knowledgeable owners as hosts/hostesses.

Many entrepreneurs see the establishment of these alternative kinds of accommodations as meeting the needs of changing lifestyles not only for themselves but also for the

new and unique experiences sought by travellers today.

Manitobans are looking to discover Manitoba and seek out shorter trips (1-3 days) often to relax from the pressures of both spouses working.

Guests want to visit with hosts, to learn first hand from their hosts of the bounties to be enjoyed in the area they are visiting.

Single travelling women often prefer this accommodation for the safety factors; people transferred to new locations often require temporary housing while house hunting (national company employees, military personnel, teachers and researchers).

In rural locations, travelling professionals (business travellers, government employees, school officials) often prefer a homier surrounding.

Additional amenities such as computer hookup, fax, private telephone, Jacuzzi and TV are attractive.

More and more requests are being received in Manitoba for alternative types of accommodation and there are relatively few bed and breakfasts operating (34 in or near Winnipeg, 35 in rural Manitoba - 1995) similarly with farm vacations (1 in Winnipeg, 19 in rural Manitoba - 1995)

DEFINITIONS

Bed and Breakfast

Independent homes with friendly people who offer comfortable accommodation in their prime residence. Facilities range from historic heritage homes and cozy cottages to ranch homes; from quiet city neighbourhoods to scenic rural settings. Prices range from \$30 single and up including a full or continental breakfast. Other meals and/or services may be offered as an extra.

Most Bed and Breakfasts are available all year round. Depending on the surrounding areas, they may be seasonal (i.e. May 15 - Oct 15 for summer vacations or other times f

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or winter activities). Usually there is a maximum of four rooms offered. General experience is that there is not a lot of business the first year until promotional activities and word-of-mouth advertising starts paying off.

Bed & Breakfast Manitoba (204-661-0300 or www.bed&breakfast.mb.ca) is an association that provides information on bed and breakfast homes that have been inspected and have met the requirement of the association for neatness, cleanliness comfort and service.

Country Vacations

Country Vacations provide opportunities to city folk to experience what country life is all about. Four types of accommodation is provided:

- 1) full room and board;
- 2) separate accommodation such as another house in the yard, or a cottage;
- 3) camping space; and
- 4) bed and breakfast.

Guests savour fresh country air, joining the farm family lifestyle, or just getting away from it all. Some may specialize in horse back riding, accommodation for hunters, adults only, children only, families only and some specialize in hospitality for groups.

The Country Vacations Association, (204) 436-2599, has an active School Tours program whereby 20,000 children a year visit a farm for a day to learn, first hand, what agricultural life is about.

Country Inns

Country Inns are destination style accommodation where the person travels in order to stay at the property itself, or where the unique features of the Inn are a significant part of the reason for the selection of the site. They may offer enticements such as unique cuisine, luxurious gardens, spas, hiking trails, spectacular views, wildlife viewing and/or other attractions.

Country Inns are quality establishments, with a sincere commitment to cleanliness, hospitality and service. They

have an ambience and atmosphere, classic and traditional, and offer privacy normally associated with a hotel/motel (separate dining/sitting room areas from the owners) and all three meals. Inns have the personal touch associated with bed and breakfast operations. The Inns are usually open year round (or for an extended season) and have extensive marketing programs.

Realities

The Bed and Breakfast and Country Vacations are specialized areas of business - they are not get rich quick schemes and big profits are not to be expected. They will, however, provide a supplement to farm and/or retirement income.

Experience elsewhere shows firmly established operations may take in up to \$16,000 in annual revenues and it may well take two or three years to become established. Operations with only two to six rooms are not viable as fully supporting businesses. Most successful B & B's in Canada are in major cities.

Most important, it is a business for special people: people who like people; who enjoy visitors in their homes; who are good listeners and interesting conversationalists; who like to meet people from all over the world; who are comfortable with cultural interface and will send the value message home with guests that Manitoba and Canada is a friendly, warm, hospitable and safe place to visit.

However, Country Inns with special attractions and having eight or more rooms provide a viable challenge for a profitable business.

REGULATIONS

Federal GST

If income is less than \$30,000 gross you will not be required to collect G.S.T. However, if you do not collect G.S.T. you will not be able to claim G.S.T. on expenses required in the operation of your business. You may, even if under \$30,000, elect to collect the G.S.T. In this event, it is recommended that you arrange to file your returns

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no less frequently than quarterly (every three months) to ensure that you are not building a debt that will be difficult to satisfy. It is also recommended that the G.S.T. collected be kept in a separate account to ensure it is available when payment is required.

Provincial Tax Assessment and PST

Assessment: Establishments of 4 rooms or less are not assessed commercially. The building assessment should continue to be residential providing that no more than four rooms in your residence are used for the purpose of Bed & Breakfast. More than four rooms may be subject to a change to commercial assessment.

PST: Bed and Breakfast businesses with less than four tenants are not subject to PST, and subject to PST with four or more tenants. Contact the Retail Sales Tax office with questions at 945-5603 or toll free 1-800-782-0318.

Municipal & City

Municipal regulations will vary from municipality to municipality. Before you start, call your local municipal authority for information on licensing requirements and zoning restrictions:

- 1) you may need to apply for a zoning variance;
- 2) what signage is allowed?

Also check with the local Health Department and Fire Department to ensure appropriate standards are being met.

Property taxes - the building assessment continues to be residential providing that no more than four rooms are used for the Bed & Breakfast. More than four rooms may be subject to taxes.

PARTNERSHIPS

Regardless of the legal status of the business, many of these businesses are operated on a partnership (spouses) basis. As with all partnerships, they are tricky and must be well planned and managed to avoid the minefields that will emerge.

A partnership agreement is critical to the success of the business and continuing relationship. This agreement should be drawn up by a lawyer and here are some of the things you need to discuss and agree upon before the clock begins to tick on the legal fees:

1. What is the source of the start-up money and how and by whom will it be repaid?
2. What are the duties for which each partner will be responsible? (some are fun and some are not - there should be an equal distribution of "the fun and the glum").
3. How much money can one partner spend without consulting the other?
4. How will the business be brought to a close? In this event, how are the assets divided?
5. What if one partner wants to leave the business - how will the assets be evaluated?
6. What will happen in the event of the death of one partner?

TECHNOLOGY AND YOUR BUSINESS

Should you computerize? It is important to consider several questions when considering computerizing.

What kind of work can you do on a computer that will help you operate more efficiently? Computers can be used for bookkeeping, logging invoices and receipts, production of promotional materials, keeping track of guests (addresses, reservations, names of family members), checking room occupancy, storing recipes for meals, creating and storing guest files (including personal likes and dislikes for return clients), advertisements, flyers and even newsletters for your guest list.

Are you willing to take the time to learn the basic skills in using a computer? Learning to use a computer requires some time commitment (to practice keyboarding and develop program familiarity). It is recommended that you take a computer course. If you are buying a computer, ask

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for training on the software programs from the vendor.

Is anyone in your family computer literate? If so, you have a ready made in-house specialist to help you set up your programs. Children can be a great asset in teaching computer skills if they have taken courses in school. They are usually quicker at catching on to new technology and should be included in your planning if possible

What will a computer and software programs cost and how long will it take you to recover this investment in technology? Write down what you plan to do with a computer. Form a plan and know what you want from your computer. Then look for at least three quotes to determine the price range. Is it worth the investment? Make sure that set-up is included in the price and that some type of training is included on the software packages you purchase. Remember if you want a professional look on your advertising and newsletters, you will probably want a laser printer or a higher quality dot matrix printer.

GUIDELINES FOR FURNISHINGS

FLOORING

Floors can be natural wood, vinyl, carpeting or scatter rugs. The finish or covering must withstand traffic and sand. For natural finish wood, the use of a penetrating floor seal is recommended. It is easy to apply, easy to clean and easy to renew. Traffic ways can be resurfaced without re-doing the entire floor. An inlaid vinyl with the pattern all the way through is more substantial and stays looking good, while a printed vinyl with only a surface pattern will soon get that worn and run down look. If scatter rugs are used, they should be thick and heavy enough to lie flat on the floor. A rug pad will keep the rug from skidding.

BEDROOMS

Furnishings:

- One double bed (many couples prefer queen-size) or two singles with good noiseless spring and mattress, mattress cover and pad
- Dresser and writing table or combination dresser desk

- Large mirror
- Bedside table for each bed
- Straight chair at desk
- One easy chair (single or two for double)
- Bedside rug (each bed) unless floor is carpeted
- Wastebasket of fire resistant material
- Ashtrays (if you have a "no smoking" accommodation, it is a good idea to provide something suitable, such as a dish, that can be used as an ashtray in the event that the guest does smoke)
- Draw drapes or blinds for each window
- Window screens
- Closet or device suitable for hanging clothing
- Locking device for each door (latch, bolt or lock with key)
- Rate card posted in each room
- Smoke detector (in room), carbon monoxide detectors (in house)

Lighting:

- Bedlight for each bed
- Light at mirror, desk and near easy chair
- Wall outlets (near beds and mirror for electric razors, hairdryers, etc.)
- 60W bulbs for reading lights unless fixture specifies otherwise

Beds:

- Two pillows (including single beds) - allergy free
- Two pillow cases
- Two sheets
- Two blankets
- One bedspread
- One throw blanket (at foot of bed)
- Mattress and pillow case covers

Reserve Linen:

Reserve linen should be at least three times the amount in use if you send your laundry out. If you do your own two will be ample.

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Other Supplies:

- One bathmat
- One towel rack
- Per person: one face cloth, hand towel & bath towel; two individually wrapped soaps; one drinking glass (in rooms with private bath, these supplies are placed in the bathroom - with shared bath also have paper towels and cups).

Extras that please your guests:

Pictures, full length mirror, writing paper, clock radio, luggage racks (also save furniture), kleenex, local newspaper.

BATHROOMS

Bathrooms used by guests should not contain any medicines, cleaning solutions, toxic substances or any material or substance which might prove a hazard to guests. Personal belongings of the owner and owner's family should be removed unless kept in a locked compartment.

- Name plate on the outside of the bathroom door
- Lock, or other securing device to enable the door to be fastened from the inside
- Lighting fixture with 100W bulb or 2 - 60W bulbs located near mirror

BOOKKEEPING

Good financial record keeping is essential to the success of any business. If your operation is small it is not necessary for you to maintain an elaborate system. However, records must be complete and kept in an orderly and systematic fashion.

If you are computerized, there are good programs available which will make your record keeping easy. They will also provide financial statements for each month. If not, you may wish to contract this task out to someone in your area who specializes in bookkeeping or accounting. If you do this, ensure that they supply you with financial statements at the end of each month and show you how to read them so that you are able to track your financial progress. By studying these statements you will be able to determine

where the money is going, if it is being put to best use and where you might reduce expenses. Some of the forms offered later in this booklet may be helpful.

TAXES

It is in your best interest to have someone knowledgeable in small business tax preparation to complete your tax returns for you. We would recommend that you meet with this person prior to opening your business to discuss the kinds of records they will need to prepare your returns. Also helpful is the guidebook Revenue Canada offers to proprietors of small businesses listing allowable expenses. It is important that you take advantage of all allowable business deductions as they will make a difference to the profitability of your venture.

INSURANCE

If you currently have an insurance agent, you will want to discuss the upgrading of your home to ensure that you are carrying adequate insurance.

Your liability will need to be increased to reflect the added exposure of having guests staying in your home. One lawsuit could devastate your personal financial future. Check this out with two or three agents to see what they recommend. Currently, there is no non-profit industry organization for bed and breakfast business operations in Manitoba. The Bed and Breakfast Association of Manitoba, is a private organization which offers group insurance to its members.. While all of their services may not be available to rural residents, you may find that the savings in liability insurance may make it worthwhile for you to be a member.

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ARE YOU READY FOR THIS? TRY THE FOLLOWING QUIZ TO ASSESS YOUR INTEREST.

Rarely or
No Mostly
or Yes

Entrepreneurial Self-Assessment Quiz

Listed below are a number of questions dealing with your personal background, behavioral characteristics and lifestyle patterns. Psychologist, venture capitalists, and others believe these to be related to entrepreneurial success. Answer each question by placing and (X) in the space that best reflects your personal views and attitudes. The most important output of this exercise is an honest, accurate self-assessment of how you relate to each of these dimensions.

- | | Rarely or
No | Mostly
or Yes |
|---|-----------------|------------------|
| 1. Are you prepared to make sacrifices in your family life and take a cut in pay to succeed in business? | | |
| 2. Are you the kind of individual that once you decide to do something, you will do it and nothing can stop you? | | |
| 3. When you begin a task, do you set clear goals and objectives for yourself? | | |
| 4. When faced with a stalemated situation in a group setting, are you usually the one who breaks the log-jam and gets the ball rolling again? | | |
| 5. Do you commonly seek the advice of people who are older and more experienced than you are? | | |
| 6. Even though people tell you "It cannot be done", do you still have to find out for yourself? | | |
| 7. When you do a good job, are you satisfied in knowing personally that the job has been well done? | | |
| 8. Do you often feel, "That's just the way things are and there's nothing I can do about it"? | | |
| 9. Do you need to know that something has been done successfully before prior to trying it yourself? | | |
| 10. Do you intentionally try to avoid situations where you have to converse with strangers? | | |
| 11. Do you need a clear explanation of a task before proceeding with it? | | |
| 12. Are you a good loser? | | |
| 13. After a severe setback in a project, are you able to pick up the pieces and start over again? | | |
| 14. Do you like the feeling of being in charge of other people? | | |
| 15. Do you enjoy working on projects which you know will take 5 - 10 years to complete successfully? | | |
| 16. Do you consider ethics and honesty to be important ingredients for a successful career in business? | | |
| 17. Have you previously been involved in starting things like service clubs, community organizations, fund-raising projects, etc.? | | |

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- | | Rarely or
No | Mostly
or Yes | | Rarely or
No | Mostly
or Yes |
|--|-----------------|------------------|--|-----------------|------------------|
| 18. Did your parents or grandparents ever own their own business? | | | 30. Do you get sick often? | | |
| 19. When you think of your future do you ever envision yourself running your own business? | | | 31. Do you enjoy something just to prove you can? | | |
| 20. Do you try to do a job better than is expected of you? | | | 32. Have you ever been fired from a job? | | |
| 21. Do you make suggestions about how things might be improved on your job? | | | 33. Do you find yourself constantly thinking up new ideas? | | |
| 22. Are you usually able to come up with more than one way to solve a problem? | | | 34. Do you prefer to let a friend decide on your social activities? | | |
| 23. Are you between 25 and 40 years of age? | | | 35. Did you like school? | | |
| 24. Do you worry about what others think of you? | | | 36. Where you a good student? | | |
| 25. Do you read books? | | | 37. Did you run with a group in high school? | | |
| 26. Do you take risks for the thrill of it? | | | 38. Did you participate in school activities or sports? | | |
| 27. Do you find it easy to get others to do something for you? | | | 39. Do you like to take care of details? | | |
| 28. Has someone in your family shared their experience in starting a business with you? | | | 40. Do you believe there should be security in a job? | | |
| 29. Do you believe in organizing your tasks before getting started? | | | 41. Will you deliberately seek a direct confrontation to get needed results? | | |
| | | | 42. Were you the firstborn child? | | |

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- | | Rarely or
No | Mostly
or Yes | | Rarely or
No | Mostly
or Yes |
|---|-----------------|------------------|--|-----------------|------------------|
| 43. Was your father generally present during your early life at home? | | | 55. Do you enjoy tackling a task without knowing all the potential problems? | | |
| 44. Were you expected to do odd jobs at home before 10 years of age? | | | 56. Do you persist when others tell you it cannot be done? | | |
| 45. Do you get bored easily? | | | 57. Do you take rejection personally? | | |
| 46. Are you sometimes arrogant about your accomplishments? | | | 58. Do you believe you generally have a lot of good luck that explains your successes? | | |
| 47. Can you concentrate on one subject for extended periods of time? | | | 59. Are you likely to work long hours to accomplish a goal? | | |
| 48. Do you, on occasion need pep talks from others to keep you going? | | | 60. Do you enjoy being able to make your own decisions on the job? | | |
| 49. Do you find unexpected energy resources as you tackle things you like? | | | 61. Do you wake up happy most of the time? | | |
| 50. Does personal satisfaction mean more to you than having money to spend on yourself? | | | 62. Can you accept failure without admitting defeat? | | |
| 51. Do you enjoy socializing regularly? | | | 63. Do you have a savings account and other personal investments? | | |
| 52. Have you ever deliberately exceeded your authority at work? | | | 64. Do you believe that entrepreneurs take a huge risk? | | |
| 53. Do you try to find the benefits in a bad situation? | | | 65. Do you feel that successful entrepreneurs must have an advanced college degree? | | |
| 54. Do you blame others when something goes wrong? | | | 66. Do you strive to use past mistakes as a learning process? | | |

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Rarely or No Mostly or Yes

67. Are you more people orientated than goal orientated?

68. Do you find that answers to problems come to you out of nowhere?

69. Do you enjoy finding an answer to a frustrating problem?

70. Do you prefer to be a loner when making a final decision?

71. Do your conversations discuss people more than events or ideas?

72. Do you feel good about yourself in spite of criticism by others?

73. Do you sleep as little as possible?

74. Did you ever have your own paper route?

- 2) Taking personal initiative.
- 3) Having great perseverance

Source: Canada/Manitoba Business Service Centre.

Answers on page 13.

PERSONAL SELF-ASSESSMENT: A SUMMARY

The following questions should help you summarize your feelings regarding your potential for self-employment. Answer these questions:

1. What personal weakness did you discover from analyzing your responses to the questionnaire?

2. Do you feel you can be an entrepreneur in spite of these weaknesses?

3. What can you do to improve your areas of weakness?

4. What did the questionnaire indicate are your strengths?

5. Do your strengths compensate for your weaknesses?

6. Does your lifestyle appear to be compatible with the demands of an entrepreneurial career?

Source: Canada/Manitoba Business Service Centre

ENTREPRENEURS SELF-ASSESSMENT QUIZ:

In a study of 21 inductees into the Babson Academy of Distinguished Entrepreneurs, including such nobles as, Ken Olson (DEC), Wally Amos (Famous Amos' Chocolate Chip Cookies), Bill Norris (Control Data); and Soichiro Honda (Honda Motors), only three attributes and behaviours were mentioned by all 21 as the principal reasons for their success.

1) Responding positively to all challenges and learning from mistakes.

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ENTREPRENEURIAL SELF-ASSESSMENT QUIZ: ANSWERS

The answers provided for the entrepreneurial self-assessment quiz represent the responses that best exemplify the spirit, attitudes and personal views of proven, successful entrepreneurs. They are not arranged in numerical order but by the entrepreneurial characteristic that they are measuring (Personal Background, Behaviour Patterns, and Lifestyle Factors).

Correct Response	Question Number
Personal Background	30, 37, 43
• Rarely or No	
• Mostly or Yes	17, 18, 23, 28, 32, 35, 38, 42, 44, 74
Behaviour Patterns	8, 9, 10, 11, 12, 14, 24, 39,
• Rarely or No	40, 48, 54, 57, 64, 65
• Mostly or Yes	2, 4, 5, 6, 7, 13, 16, 20, 21, 22, 26, 27, 29, 31, 41, 45, 46, 47, 49, 50, 52, 53, 55, 56, 58, 60, 61, 62, 66, 68, 69
Lifestyle Factors	25, 34, 51, 67, 71
• Rarely or No	
• Mostly or Yes	1, 3, 15, 19, 59, 63, 70, 72, 73

What does Your Score Mean?

This Entrepreneurial Quiz is not intended to predict or determine your lifestyle success or failure as an entrepreneur. However, if you have answered and scored the questionnaire honestly, it does provide considerable insight into whether or not you have the attitudes, lifestyle, and behavioural patterns consistent with successful entrepreneurship.

Indicate the total number of questions you answered correctly on the following graph:

Number of Correct Responses

0 10 20 30 40 50 60 70

The higher your number of correct responses or the closer you are to the right hand side of this continuum, the more your responses agree with those of successful entrepreneurs. High levels of agreement indicate that you **may** have the "right stuff" to succeed in an entrepreneurial career. You should be certain however, that your responses reflect your real opinions and attitudes.

The word "may" is highlighted above because of the overwhelming importance of one particular set of attributes/characteristics: commitment, determination and perseverance. Scoring well on the test is not necessarily a guarantee of entrepreneurial success. Anything less than total commitment to your venture and considerable determination and perseverance will likely result in failure regardless of the degree to which you may possess other important attributes.

ANALYSIS OF PERSONAL LIMITS

	Yes	No
1. I am a self starter		
2. I get impatient when something will not work		
3. I mind working alone.		
4. I can work long hours, forcing myself to keep going.		
5. I can put up with boring, repetitive work.		
6. I am healthy.		

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7. I am decisive.		
8. I can accept responsibility.		
9. I can handle constant interruptions.		
10. I am optimistic.		
11. I can readily accept change.		
12. I can face life with an uncertain future.		
13. I feel comfortable when trying to persuade someone to accept my ideas - or to give me money they owe.		
14. I can handle negative feedback from clients without giving up.		
15. I insist that I want what I want, rather than what someone else is trying to sell me.		
16. I can persuade people to do things the way I want them, and take notice of reasons why they think they are better.		

A response of "No" to more than 3 or 4 of the above statements suggests that you think again before venturing on your own.

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LOAN APPLICATION ASSESSMENT WORKSHEET

Assessment Factor	Poor		Good		Excellent
	1	2	3	4	5
1. Personal credit rating					
2. Capacity to pay back loan from business assets if business fails					
3. Collateral to pay back loan from personal assets if business fails.					
4. Character (as perceived in the community).					
5. Commitment (your personal investment of time, energy, and money)					
6. Clarity and completeness of your business plan.					
7. Viability of business concept (e.g. moderate risk).					
8. Past personal experience in the proposed business.					
9. Past successful experience in your own business.					
10. Balanced management team available.					
11. Suitability of your personality to the pressures and responsibilities of the business.					

What could you do to improve the weak areas where you have rated yourself 1 or 2?

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PERSONAL LIVING EXPENSE WORKSHEET Detailed Budget

This budget should be based on an estimate of your financial requirements for an average month and not include the purchase of any new items except emergency replacements

I. Regular Monthly Payments		
Rent or House Payments (including taxes)		
Car Payments (including insurance)		
Appliances / TV Payments		
Home Improvements Loan Payments		
Personal Loan Payments		
Health Plan Payments		
Life Insurance Premiums		
Other Insurance Premiums		
Other Miscellaneous Payments		
	TOTAL:	
II. Food Expense		
Food at Home		
Food away from Home		
	TOTAL:	
III. Personal Expenses		
Clothing, Cleaning, Laundry, Shoe Repair		
Drugs		
Doctors and Dentists		
Education		
Union or Professional Dues		
Gifts and Charitable Contributions		
Travel		
Newspapers, Magazines, Books		
Auto Upkeep, Gas, and Parking		
Spending Money Allowances		
	TOTAL:	

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PERSONAL LIVING EXPENSE WORKSHEET

Detailed Budget continued

IV. Household Operating Expenses		
Telephone		
Gas and Electricity		
Water		
Other Household Expenses, Repairs, Maintenance		
	TOTAL:	
TOTAL:		
Regular Monthly Payments		
Food Expense		
Personal Expenses		
Household Operating Expenses		
TOTAL MONTHLY EXPENSES:		

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A GUIDE TO EXPLORING THE POTENTIAL OF YOUR PROPOSED OPERATION

(NOTE: You may not need to address all sections that follow. They are offered as suggested areas to consider).

BUSINESS PLAN GUIDE

1. Business Profile

Company Name _____

Company Address _____

City _____

Postal Code _____

Company phone __ (____) _____

Date business registered/incorporated _____

Form of business ownership:

Sole Proprietorship

Name of Owner: _____

Partnership

Names of Partners: _____

Corporation

Names of signing officers who are shareholders: _____

2. Objectives

Describe in detail what your accommodation will provide.

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3. Competition and Suppliers

Who are your competitors, where are they located, and how long have they been in business?

Who are your major suppliers (if applicable), their credit terms, and their locations? Can you change your suppliers easily if required?

4. Customers

Who will your customers be and where are they located? Explain why they will prefer your accommodation and services to those of your competitors.

What is the estimated size of your market in terms of territory, type of customers, and price range?

How will you inform customers about your service/ product?

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What form (business cards, radio, newspaper, pamphlets, etc.) of advertising would be most effective for your business? Why?

How much do you intend to spend on advertising? Itemize your planned advertising expenditures.

5. Pricing

What materials will be used to provide your service and what will be the average cost?

What will be the average labour cost required?

What overhead costs will there be?

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What will be the total average cost of your service?

What price will you charge for your service? Is the price within range of your competitors' prices?

What level of sales would you have to reach to break even each month?

6. Operating Requirements

What government regulations, licences, permits and insurance pertain to your business and have they been obtained?

What skills are required to operate your business and who will provide them? How many employees will you have to hire?

Number of Employees	At Start-Up	By Year 3
---------------------	-------------	-----------

Part-time		
-----------	--	--

Full-time		
-----------	--	--

Skills Needed		
---------------	--	--

7. Financial

What is the total project cost?

What is the amount of cash equity contribution you are bringing to the business?

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What is the source of your cash contribution?

What are other possible sources of funding?

Itemize major expenditures including provision for working capital, to show total projected cost for year 1.

Project costs

Items	Cost
Total Projected Costs:	

Source of Funds

Bank _____	\$ _____
Equity _____	_____
Other _____	_____
Total:	_____

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FORECASTING YOUR RESULTS

Having explored the potential, you are now in a position to assess the financial implications of all decisions. You will now be able to estimate the impact of decisions, measured in terms of dollars. This will tell you how viable this business is likely to be.

Operating businesses measure the success of their performance with financial statements. These are produced by an accounting system which records information about the financial impact of an action, like selling an item, paying a bill, or ordering more material. The money involved in every action is recorded twice, once as a debit and once as a credit, so debits and credits must always be equal. This process of checks and balances is known as double-entry bookkeeping, and it ensures that the information reported in the statements is accurate.

To project the expected results of a business plan, bookkeeping or an accounting system are not necessary, but an understanding of financial statements is. Later, as the business gets established, an accounting system will be required to produce the regular financial statements which owners and managers use to trace the businesses performance. A new business often uses an accountant or a business services firm to set these up. Several computer systems now available make this job quite easy.

Results are projected in the form of financial statements because:

- they provide the type of information which accurately describes how well a business is doing.
- the financial institutions you may wish to approach for funding understand this format and expect it.
- they make it easy to compare actual results to plans once the business gets started.

WHAT ARE FINANCIAL STATEMENTS?

Financial statements are reports (mostly numbers) which describe the performance and status of a business. There are three common statements which are related but serve different purposes.

THE BALANCE SHEET

The balance sheet is a report which summarizes the overall financial status of a business at one point in time. It shows what the business has or is owned (assets) and what it owes to others (liabilities), including a measure of what is owed to the owners (equity). This is the most accurate measure of what the business is actually worth. It is called a balance sheet because assets must equal liabilities.

Think of it this way: if you had all your assets in cash and paid off all your debts, the remainder (the equity) would be the amount the business owed to you.

THE INCOME STATEMENT (OR PROFIT & LOSS STATEMENT)

This type of report shows the total earned (profit) or loss by a business in its operations and sales over a period of time (a month or year, for example) after subtracting the costs of operation. The profits for that period show up as an increase in the owner's equity on the balance sheet. Revenue from the sale of products and the expense of producing and selling those products are included even if they have not been paid for yet.

THE CASH FLOW STATEMENT

Like the income statement, the cash flow statement shows how cash was used or is projected to be used by the business over a period of time. It reports all the sources of cash, including cash sales and collections on credit sales, loan proceeds received, capital invested by owners, and proceeds from sale of assets. It also reports all the uses of cash: paying for shipments of inventory or supplies, paying wages and bills, buying equipment, making loan payments, and dividends or withdrawals for owners, for example. The cash flow statement shows the change that takes place in the company's current account at the bank, which is reflected on the balance sheet.

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WHAT DO THE FINANCIAL STATEMENTS CONTAIN?

BALANCE SHEET

Assets

Those possessions of the business which can be turned into cash fairly quickly are called current assets. They include:

- cash and bank accounts
- term deposits and investments
- accounts receivable (money owed on credit sales)
- some inventory (raw materials, products which are ready to sell)

Long-term or fixed assets are items of value which can really only be turned into cash if all or part of the business were to be closed and they were sold. This includes:

- land and buildings
- equipment
- some special start-up costs, like a franchise fee

(Note: these items are valued at their cost less an annual charge called depreciation. Depreciation is entered as an expense on the income statement. It spreads the cost of the equipment over the number of years.)

Liabilities

Money which the business owes to others and must be paid back within one year are called current liabilities.

They include:

- accounts payable (bills for goods and services purchased on account by the business; unpaid wages; deductions and employer payments to Revenue Canada)
- short-term loans and lines of credit
- income taxes

Long-term liabilities are loans which are paid off over a number of years, like a mortgage.

Equity is the net value of the business to the owners. Equity reflects capital invested by owners, grants requiring no repayment, and accumulated net profits or losses from the income statements. Equity is reduced by any withdrawals the owners make (other than wages paid on the income statement) or dividends paid.

INCOME STATEMENT

The items on this statement resemble those found in breakeven analysis.

REVENUE

The value of goods and services shipped and sold during the period in question, whether sold on a cash or credit basis.

COSTS OF GOODS SOLD

The direct costs (as in the breakeven analysis) including the purchase price of materials, direct production wages, packaging and shipping costs, and selling costs, like commissions. These are the costs of the same items reported sold in revenue. The cost of goods sold is often determined as a percentage cost of sales.

REVENUE less the COST OF GOODS SOLD equals
GROSS PROFIT

OVERHEAD EXPENSES

These include the fixed expenses noted in the breakeven analysis. It includes all costs not included in the cost of goods sold. Typical items include:

- rent of facilities
- utilities, telephone, and maintenance costs
- advertising, travel, and professional services
- management and other non-production wages
- insurance and licence fees

Two special overhead expenses to be remembered are the depreciation allowance (calculated to pay for equipment

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over time) and the interest paid on all loans (including the interest portion of regular mortgage payments).

GROSS PROFIT less OVERHEAD EXPENSES equals
NET (before tax) PROFIT

CASH FLOW STATEMENT

Cash In

Includes all cash received by the business including:

- cash sales
- payments on credit sales
- loan proceeds received
- grants received
- capital provided by owners
- proceeds from sale of assets

Cash Out

Includes all uses of cash (or cheque) by the business such as:

- payments for all operating costs (wages, supplies, and services)
- payments for land, buildings, and equipment purchased
- payments on loans (principal and interest)
- payments to owners

CASH IN less CASH OUT equals NET CASH FLOW

The net cash flow is a measure of how much the current account grows or is depleted during the period.

Cumulative Cash Flow

Sometimes the net flow from each period is added to a previous cash balance to reflect the actual balance of the current account. This calculation can help you decide how to use surplus cash or to negotiate a temporary line of credit with the bank.

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BALANCE SHEET

Date of Statement	
ASSETS	
CURRENT	
Cash & Bank Accounts	
Accounts receivable	
Inventory at Lower of Cost or Market Value	
Prepaid Expenses (insurance, taxes)	
Other Current Assets	
TOTAL CURRENT ASSETS (A)	
FIXED	
Land & Buildings	
Furniture, Fixtures & Equipment	
Automobiles	
Leasehold Improvements	
OTHER ASSETS	
TOTAL ASSETS (B)	
LIABILITIES	
Current Debt (Due within next 12 months)	
Bank Loans	
Loans - Other	
Accounts Payable	
Other Current Liabilities	
TOTAL CURRENT LIABILITIES (C)	
Long-Term Debt	
Mortgages & Liens Payable (attach details)	
Loans from Shareholders	
Other Loans of Long-Term Nature	
TOTAL LIABILITIES (D)	
EQUITY (Investment) (E)	
TOTAL LIABILITIES AND NET WORTH (D + E = B)	

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MONTHLY INCOME AND EXPENSE STATEMENT

Period Covered:	_____ Months	
	Ending _____	19 _____
REVENUE AREAS	\$	%
rooms		
food/beverage		
other		
TOTAL REVENUE (A)		
EXPENSES		
advertising/promotion		
autos		
bank charges		
food/beverage		
legal/accounting/insurance		
licenses/taxes		
loan interest		
miscellaneous		
office supplies/furniture		
rent/mortgage loan		
repairs/maintenance		
telephone		
travel		
utilities/heat/hydro/water		
wages - employee		
wages - management		
TOTAL EXPENSES (B)		
NET PROFIT (LOSS) (A-B)		

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BED AND BREAKFAST SPREADSHEET

	1	2	3	4	5	6	7	8	9	10	11	12	Total
REVENUE AREAS													
rooms													
food/beverages													
other													
TOTAL REVENUE (A)													
EXPENSES													
advertising/promotion													
autos													
bank charges													
food/beverage costs													
legal/accounting/insurance													
licenses/taxes													
loan interest													
miscellaneous													
office supplies/furniture													
rent/mortgage/loan													
repairs/maintenance													
telephone													
travel													
utilities/heat/hydro/water													
wages - employee													
wages - management													
other													
TOTAL EXPENSES (B)													
operating profit/loss A-B=C													
Cumulative (to date) D													

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PROJECTED INCOME STATEMENT

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year 1	Total Year 2
Revenue areas	\$	\$	\$	\$	\$	\$
Less: Cost of Goods/services sold						
Gross Profit						
Less: Selling expenses						
Overhead expenses - general						
- wages & salaries						
- repairs & maintenance						
- property taxes						
Interest - loans/mortgages						
Operating Profit						
Less: Taxes Payable (Corporation)						
or Owner(s)' drawings (proprietorship or partnership)						
Net Income/Net Cash (available for loan repayment, etc.)						

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PLANNING AND DEVELOPMENT CHECKLIST

- Enquire about municipal zoning, permits and insurance
- Determine costs of development, furnishings and start-up
- Set target date for opening
- Make necessary improvements and renovations
- Acquire furnishings
- Arrange to secure proper insurance coverage
- Develop brochure
- Develop administrative procedures and forms
- Start promoting your facility

ADMINISTRATIVE AND OPERATIONS CHECKLIST

- Receive reservations requests
- Determine availability of accommodation
- Request deposit
- Send confirmation and receipt
- Register guests upon arrival
- Collect payment from guests
- Provide general orientation
- Perform housekeeping
- Serve breakfast
- Check out guests
- As for repeat/referral business
- Prepare room for next guest
- Continue promoting your facility

ADDITIONAL SERVICES - ADDITIONAL REVENUES

- Offering dinners for B & B guests
- Crafts, preserves, gift or gardening shops
- Internet access, fax machines, private telephones
- Spas and Jacuzzis

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TELEPHONE RESERVATION REQUEST

NAME: _____

ADDRESS: _____

CITY: _____ PROVINCE: _____ CODE: _____

PHONE: ____ (____) _____

ARRIVAL DATE: _____ TIME: _____ VIA: _____

DEPARTURE DATE: _____ TIME: _____ VIA: _____

TYPE OF BEDROOM: _____ NO. OF PERSONS _____

RATE QUOTED: _____ DEPOSIT REQUESTED (DATE) _____

AMOUNT OF DEPOSIT: _____ DATE RECEIVED: _____

CONFIRMATION MAILED (DATE): _____

SPECIAL REQUIREMENTS & ARRANGEMENTS

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DEPOSIT RECEIPT & RESERVATION CONFIRMATION

TO: _____ DATE: _____

We are pleased to confirm receipt of your deposit in the amount of \$ _____ to cover the following reservation:

ARRIVAL DATE: _____ TIME: _____

DEPARTURE DATE: _____ TIME: _____

TYPE OF ROOM: _____ # OF PERSONS: _____

DAILY RATE INCLUDING BREAKFAST: \$ _____

TOTAL COST OF ACCOMMODATIONS: \$ _____ X _____ = \$ _____

MINUS DEPOSIT: \$ _____

AMOUNT DUE ON ARRIVAL: \$ _____

OTHER ARRANGEMENTS AND REQUIREMENTS: _____

DEPOSIT REFUND POLICY:

- * Full refund up to 14 days before arrival date
- * Full refund minus \$10.00 administration fee up to 7 days before arrival date
- * No refund if cancelled less than 7 days before arrival date

Host's Name _____

Address _____

Phone _____

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RESERVATION SHEET

Month: _____

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Room 1							
Room 2							
Room 3							
Room 4							
	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Room 1							
Room 2							
Room 3							
Room 4							
	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Room 1							
Room 2							
Room 3							
Room 4							
	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Room 1							
Room 2							
Room 3							
Room 4							

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SAMPLE BROCHURE

RESERVATION REQUEST

(Please print)

Name: _____

Address: _____

Postal/Zip Code: _____

Telephone:

(home) _____

(work) _____

Number of People: _____

Room Preference:

• twin beds _____

• queen bed _____

Arrival Date: _____

Arrival Time: _____AM/PM

Departure Date: _____

Departure Time: _____AM/PM

Special Requirements: _____

Conditions

This is a Reservation Request only. Your reservation will be confirmed only upon receipt of one night's deposit, subject to availability.

Please make cheques/money orders (in Canadian funds) payable to:

Reservations may also be made by telephone.

Cancellation/Deposit refund Policy

Full refund if cancelled 14 days prior to arrival date.

Full refund less \$10.00 administrative fee if cancelled up to 7 days prior to arrival date.

No refunds if cancelled less than 7 days prior to arrival date.

Please return completed reservation request to:

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(NAME) BED & BREAKFAST

Bedroom Accommodation

- Room One - with twin beds and private bath.
- Room Two - with queen size bed and fireplace. Full bathroom facilities adjacent.

Breakfast

Served 7:30 to 9:00 a.m. daily

Breakfast Menu

Coffee, Tea, Hot Chocolate
is always available in the
Guest Lounge area on a self-serve basis.

Rates (Canadian Funds)

\$ _____ Single Occupancy

\$ _____ Double Occupancy

Other services by prior arrangement
and/or additional cost:

- Babysitting
- Airport Pick-up
- City Tours
- Theatre & Special Event Tickets

CONVENIENT LOCATION

Close to:

AREA ATTRACTIONS

-
-
-
-

Proprietors:

Name
Address
Telephone