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SURVIVING THE MODERN RECESSION

What can small business owners do?

It isn't very funny when your money doesn't add up to your expenses. It appears like the economy has a dark rain cloud over it and we are no longer sure when the sun will shine again. But a recession isn't the end of the world; it simply means that to stay above water you have to be more creative in the steps you take to be lucrative.

No matter what the depression, people will buy the things that they think are important, whether they need them or not. Studies show that during the 2009 recession, consumers did not spend as much on cars and clothing but there was an increase interest in social websites. That just goes to show that the consumer still found looking for love or companionship important enough to pay for. Or it could simply mean that small purchases seemed to be less threatening than a lifelong decision purchase such as real estate.

If you don't have to think hard about the purchase, or you can pay with a PayPal account, the money you spend might not look like it's very much. But the people who own these companies are aware that even the slightest consistent drop of water will break a brick, and small money adds up quickly.

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Introduction

To all those who are currently experiencing this new age recession, it has been coming for a while. Over the past few years, media commentators have been forecasting this travesty. Many business owners have been oblivious of the decline because sells seemed good and assumed that it would not affect them, but some have been very astute and planned ahead. Nonetheless, we are here now, so what can you, the small business owner, do to save; yourself, your business and survive this downturn?

There are many proactive steps business owners can take to secure endurance through these hard times. Many of these steps only require a little time, creativity and a few slight adjustments on your part. In this guide there will be numerous helpful tips and possible solutions from revising your business plan to market on a low-budget. Applying these suggestions may increase your survival and ensure your company's growth and productivity.

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Revisit and Revise Your Business Plan

Revising your business plan is a good step towards re-evaluating your company's direction. In doing so, you will have the opportunity to find what is working and make the necessary adjustments to what is not working. Having a cohesive business plan to begin with makes for a strong foundation for any company—and if your company has already created a business plan then there may not be much work to do here. However, if you did not formulate a business plan, the time is now!

A comprehensive business plan is a well outlined, well-thought-out plan of what your business is going to do, how you plan to achieve your goals and what you will do if your plan does not work. According to the SBA, "A business plan precisely defines your business, identifies your goals, and serves as your firm's resume. The basic components include a current and pro forma balance sheet, an income statement, and a cash flow analysis. It helps you allocate resources properly, handle unforeseen complications, and make good business decisions. As it provide specific and organized information about your company and how you will repay borrowed money, a good business plan is a crucial part of any loan application. Additionally, it informs sales personnel, suppliers, and others about your operations and goals."

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A solid business plan may also include but not limited to, these elements:

- ***Executive Summary:*** A report, proposal, or portfolio that contains enough information to give your readers an overview of what you are presenting.
- ***Market Analysis:*** A document of research or documented investigation of a *Market*. It is used to inform a company of the present condition of said *Market* and helps the company with decision making.
- ***Company Description:*** It describes the company in details.
- ***Organization & Management:*** This section outlines the organization, infrastructure and management. It may also include business ethics, policies and procedures.
- ***Marketing & Sales Management:*** This section thoroughly outlines the business' marketing plan and sales infrastructure.
- ***Service or Product Line:*** This section outlines the services and/or product line that a company will be selling, providing or presenting.
- ***Funding Request:*** This section details any necessary funding request from outside parties.
- ***Financials:*** This section deals with the company's financials including; income statements, balance sheets, cash flow analysis, etc.
- ***Appendix***

Some of these elements may pertain to your company and some may not. These elements are just basic foundations and can be adjusted to fit your company's individual needs.

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Whether you are revisiting your already made plan or creating one for the first time, you must first sit down and decide what direction you want your company is headed in.

As part of your business plan, you should include a contingency plan or exit plan. As with any venture in life, we can not foresee the future, so having an exit strategy is smart planning. Preplanning your exit strategy allows you the opportunity to consider all possible scenarios and construct sound, well thought out steps of how your company will approach and deal with the situation at hand. The SBA has some very helpful suggestions for creating a proactive exit plan.

According to the SBA, writer Michael J. Franz suggests you should include these following procedures:

- ***Reach Agreement and Obtain Authorization from Owners to Dissolve Your Business Entity.*** Agreement and authorization to dissolve a business must be established under some acceptable, governing set of rules, such as the bylaws or partnership agreement. It is best to settle disputes quickly and document any terms and conditions that apply.
- ***Designate a Leader & Organize a Team.*** Authority and roles should be clarified. The owner may be the only team member for a home-based business. For a large entity, however, the team may consist of the executive management team and important functional managers whose expertise is not represented: finance, human resources, legal. This group should be as small as possible for efficiency and large enough to include the expertise required to cover the basic planning issues.

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- ***Engage Professionals & Consultants as Team Members.*** For most small businesses, this group consists of the firm's legal counsel, CPA, and a business broker or valuation expert. Professional expertise and advice in these areas will contribute to a smooth process and improve the outcome. Perform a thorough review of the business and identify problem areas. Establish and maintain a problem list to focus on. Determine the conditions of the firm's records. Review transactions. Problems extend the timeframe and cost money.
- ***Prepare a List of Assets and Perform a Physical Inventory.*** The inventory is very important input to several activities. It is use to establish the value of the business, make decisions, and manage disposition of assets, and it becomes the basis for tax calculations and tax returns. Perform a valuation of the business. It is difficult to make prudent decisions without knowing the market value of the business and its assets. Prepare a Detailed Plan and Assign Responsibilities.
- ***Develop a Schedule for Implementation.*** A schedule provided the ability to measure progress, estimate completion of critical steps, and project the end of the process. The schedule is also extremely useful for managing cash flow during this uncertain time.
- ***Release Announcements & Notices.*** This step is about timing and legal notice. At some point, interested parties must know what is happening: market, competitors, customers, vendors and suppliers, professional service providers, consultants, trade groups, employees, media, creditors, and contractors. The notice should designate an official point of contact for questions or inquires.

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- ***Implement the Plan.*** This is where momentum and activity builds. Things happen very quickly. Without the planning steps, an important degree of control is lost. When that happens, net value is usually decreased in some substantial way.
- ***Conclude or Transfer Contract Obligations.*** This process may require approval from contracting parties, and involve negotiation of final terms. Office, car, and equipment leases need to be reviewed, addressed, and terminated. The timing of termination dates for insurance contracts and benefit plans are very important to all involved.
- ***Close Operations.*** The timing of this step is important. There is a time when manufacturing or production must cease, retail sales must end, and human resources are pared down. Each affects cash flow and net value dramatically. Security and maintenance services may be an important consideration from this point on.
- ***Dispose and Transfer Assets.*** This is an important tax event. Insurance coverage can be reduced or eliminated. Settle accounts payable and debt obligations.
- ***Prepare Final Financial Statements & Tax Returns.*** Final financial statements for the business are important to establish the tax implications for assets, gains, and losses conveyed to the owners or other involved parties.

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- ***File Articles of Dissolution.*** State licensing departments require a formal filing to terminate the legal and tax status of the business. Examples are articles of dissolution, certificates of withdrawal, and cancellations certificates. This process also results in a review of tax liabilities and issuance of a tax clearance notice or certificate.
- ***Prepare and Issue Special Filings, Notices, Informational Returns, and Taxes.*** To develop a checklist, retrace your steps taken during startup. Generally, some action is required with all federal and state registration, taxing, and licensing agencies contacted to start the business. Final submittal of payroll, unemployment, industrial insurance, and other business tax returns must indicate that the business status is closed or changed.
- ***Final steps: Receive Tax Clearance Notice.*** File in financial records. Close Bank Account. Store Business Records. These records should be kept for at least seven years.

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Utilize Your Resources

It is important to utilize all the resources you have available to you. There are numerous agencies and organizations available to help business owners. Many of these sources are free and offer a variety of services, for example; The SBA, The U. S. Small Business Administration was created to assist small business owners. They specialize in small businesses.

There are many resources out there, especially on the world-wide-web, to point you in some helpful directions. But, beware and be careful, there are many scams out there as well. Unfortunately, preying on small business owners and entrepreneurs has become a business all in itself.

Be careful, when signing up for government programs that you do not become a target. You may find yourself receiving e-mails asking you to be a part of various programs because you are listed as a government contractor, especially if you have registered to receive grant information. Many businesses as well as individuals are being targeted with grant and stimulus plan buzz. There are programs currently in place to help out distressed business owners and specific individuals, but it is certainly not as simple as just clicking a button like certain emails will advertise. To stay in business right now, you have to be witty and cunning, not gullible. Research anything that may seem too good to be true and this is a practice that should take place whether we are in a declining economy or not. Indeed, it's easy to imagine great business moguls did not achieve financial success by being passive or patsies. The financial control is in what you are willing to do become successful, and generally, that is working harder.....