



## Business Idea Evaluation Tool

One of the greatest concerns that most entrepreneurs face is whether their business will be sufficiently lucrative to replace the income that they are giving up. This concern is referred to as opportunity cost. This questionnaire is available to you in order to help you evaluate your business idea and determine whether this opportunity is better than your current opportunity. This series of questions should be done by a future business owner before spending the time necessary to develop a business plan.

1. Describe the product or service that you will be providing to your customers. Describe how your product or service is different from that of your competition.

2. Describe your management background and expertise that allows you to provide your product or service.

3. Evaluate your future customer base.

Will you sell your product to:

- The general public
- Other businesses
- Governmental Agencies

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For business to business sales: (In what industry will your customer be)

<input type="checkbox"/> Agriculture/Fishing/Forestry	<input type="checkbox"/> Mining
<input type="checkbox"/> Construction/Construction Services	<input type="checkbox"/> Manufacturing
<input type="checkbox"/> Finance/Insurance/Real Estate	<input type="checkbox"/> Retail Trading
<input type="checkbox"/> Professional Services	<input type="checkbox"/> Transportation/Communications/Public Utilities
<input type="checkbox"/> Wholesale Trading	<input type="checkbox"/> Other: _____

If selling to the general public what is your customer's demographic.

What percentage of the population has need for your product: \_\_\_\_\_%

How will your product be distributed:

<input type="checkbox"/> Mass Distribution	<input type="checkbox"/> E-Commerce
<input type="checkbox"/> Retail	<input type="checkbox"/> Specialty Market

Age:

Under 18    18 - 34    35 - 55    55 +

Gender:

Male    Female    Both

Race Ethnicity:

Asian    Black    Hispanic    White    Other: \_\_\_\_\_

Household Income:

Under 25,000    \$25,000 - \$50,000  
 \$50,000 - \$100,000    Above \$100,000

Family Size:

1    2    3    4    5    Above 5

Home Owner:

Yes    No

Geographic Location:

Rural    Urban    Combination

Education Level:

<input type="checkbox"/> Some High School	<input type="checkbox"/> Some College
<input type="checkbox"/> High School Graduate	<input type="checkbox"/> College Graduate

Will your product be sold:

<input type="checkbox"/> Locally	<input type="checkbox"/> Regionally
<input type="checkbox"/> Statewide	<input type="checkbox"/> Nationally

4. How will you market your product to your customer?

5. How many competitors do you have? \_\_\_\_\_

6. List your five major competitors: Why do customers buy from them?

1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____

7. What is your anticipated annual salary from your business activities? \$\_\_\_\_\_

Formula: Annual Salary = Hourly Wage \$ \_\_\_\_\_ x Available work hours \_\_\_\_\_

(Use 2,080 for available work hours if you plan on working full time at this business)

8. Start-up costs are one-time expenses that need to be considered prior to beginning operations:

## Start-up Expense Worksheet

### One-time Expenses before Start-up

Legal/Accounting/Other professional services	\$ _____
Advertising	\$ _____
Utility deposits	\$ _____
Licenses and Permits	\$ _____
Prepaid Insurance	\$ _____
Salary and Wages	\$ _____
Payroll Taxes	\$ _____
Vehicle	\$ _____
Travel	\$ _____
Tools and Supplies	\$ _____
Furniture & Fixtures	\$ _____
Machines & Equipment	\$ _____
Building Improvements	\$ _____
Land & Buildings	\$ _____
Starting Inventory	\$ _____
Working Capital	\$ _____
Other: _____	\$ _____
<b>Total:</b>	<b>\$ _____</b>

(List items that you have purchased and still need to purchase)

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9. Estimated first year annual revenue: \$ \_\_\_\_\_

(This estimate can be determined by answering the questions below)

How many different customers do you estimate you will have in your 1<sup>st</sup> year: a. \_\_\_\_\_

How many times in a 12-month period will the average customer return to purchase something: b. \_\_\_\_\_

How much will the average customer spend on each visit to your business: c. \_\_\_\_\_

Multiply (a) x (b) x (c) = Estimated annual revenue

10. Estimate your annual sales and earnings using Worksheet #2 below:

### Annual Sales and Earning

	Year 1	Year 2	Year 3
<b>Total Revenues</b>	\$ _____	\$ _____	\$ _____
Less Cost of Goods Sold	\$ _____	\$ _____	\$ _____
<b>Gross Profit</b>	\$ _____	\$ _____	\$ _____
<b>Less Expenses</b>	\$ _____	\$ _____	\$ _____
Salaries and Wages	\$ _____	\$ _____	\$ _____
Outside Services	\$ _____	\$ _____	\$ _____
Office Supplies & Postage	\$ _____	\$ _____	\$ _____
Dues and Subscriptions	\$ _____	\$ _____	\$ _____
Donations	\$ _____	\$ _____	\$ _____
Rent	\$ _____	\$ _____	\$ _____
Telephone	\$ _____	\$ _____	\$ _____
Utilities	\$ _____	\$ _____	\$ _____
Loan Payments	\$ _____	\$ _____	\$ _____
Interest	\$ _____	\$ _____	\$ _____
Depreciation	\$ _____	\$ _____	\$ _____
Advertising	\$ _____	\$ _____	\$ _____
Vehicle	\$ _____	\$ _____	\$ _____
Travel	\$ _____	\$ _____	\$ _____
Payroll Taxes	\$ _____	\$ _____	\$ _____
Taxes, Licenses, & Permits	\$ _____	\$ _____	\$ _____
Legal & Accounting Services	\$ _____	\$ _____	\$ _____
Insurance	\$ _____	\$ _____	\$ _____
Repairs & Maintenance	\$ _____	\$ _____	\$ _____
Bad Debts	\$ _____	\$ _____	\$ _____
Miscellaneous	\$ _____	\$ _____	\$ _____
Other Expenses	\$ _____	\$ _____	\$ _____
<b>Total Expenses</b>	\$ _____	\$ _____	\$ _____
<b>NET PROFIT</b>	\$ _____	\$ _____	\$ _____

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11. Calculate your breakeven point: \$\_\_\_\_\_ = Total Expenses / Gross Profit %

Total Expenses: \$\_\_\_\_\_ found in Worksheet #2 (Use 1<sup>st</sup> year data)  
Gross Profit Percentage: \_\_\_\_\_% is the percentage difference between selling price of a product or service and its cost. (Note your gross profit percentage should be at least 15%)

Example: Total expenses of \$50,000 divided by the gross profit percentage of .15 = sales breakeven point of \$333,333.33.

12. An alternative way to determine if you can meet your business financial obligations:

- A. Project your average total monthly revenue: \$\_\_\_\_\_ (Note: Use 1<sup>st</sup> year "Total Revenues" found in column 1 of question 10 divided by 12)
- B. Project average total monthly expenses and COGS \$\_\_\_\_\_ (Note: Use 1<sup>st</sup> year "Total Expenses" found in column 1 of question 10 divided by 12)
- C. Project monthly net profits Subtract b from a= \$\_\_\_\_\_

13. How much capital is necessary to start your business? \$\_\_\_\_\_ (Note: Number comes from Question 8, "Total Estimated Start-up Costs")

Where will you obtain the necessary funds to start your business?

Personal Savings	\$ _____	Family and Friends	\$ _____
Bank Loan	\$ _____	Retirement Account	\$ _____
Investor(s)	\$ _____	Partners	\$ _____
Credit Cards	\$ _____	Other	\$ _____
		Total Available	\$ _____

14. How would you rate your personal credit?  
 Excellent  Good  Average  Poor

15. Most financial institutions will require that you produce a minimum of 20% to 30% of the total estimated cash needed for start-up costs. This is referred to as your equity/investment in the business.

- I have this amount of money available  
 I have some of the amount necessary  
 I have no money to invest in the business

If you need assistance evaluating the results please contact us at call 801-347-7214 or email to [info@solutionbusinessplans.com](mailto:info@solutionbusinessplans.com). Otherwise click button below to transmit results.