

A guide to writing a business plan for social economy enterprises



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FOREWORD

SEEnet and the CDEC de Québec have prepared this guide to help you draw up your business plan and clarify your enterprise's project. This guide applies specifically to social economy enterprises. SEEnet can also provide you with all the types of technical assistance needed to succeed with your business plan.

There are no hard and fast rules for presenting your business plan. As a result, some elements will not necessarily apply to your project. The important thing is not to forget anything, as any missing information can delay your funding applications.

SEEnet would like to thank its partners at the CDEC de Québec for creating the original French-language version of this document. If your project is located in Quebec City, they are available to provide additional support.



TIP

To make writing your business plan easier, we advise you to:

- Use infinitive verbs (to do, to see, to have, etc.).
- Write in the 3rd person singular when talking about yourself (he, she, it - the entrepreneur you want to be discovered) or in the 3rd person plural (they, them, their) if there are several of you.
- Use short sentences.
- Present all the information clearly and logically (one idea/topic per paragraph).

WHAT IS A SOCIAL ECONOMY ENTERPRISE?

A social economy enterprise is a non-profit associative organization whose main activity is to produce and sell a product or service. A social economy enterprise must be financially viable and it must meet the following criteria:

- Service to members
- Management autonomy in relation to the State
- Democratic decision-making
- Primacy of people and labour over capital in the distribution of income and surpluses
- Participation, empowerment and individual and collective responsibility.

Characteristics of a social economy enterprise

Social economy enterprises are born out of a community's desire to take charge of their own destiny by creating economic activities. They therefore carry out an economic activity (sale of products or services) in order to meet a collective need. Social economy enterprises must demonstrate the economic and social viability of their project. These two aspects of the enterprise are inseparable.

Dimensions of a social economy enterprise

There are three dimensions to a social economy enterprise: the collective dimension, the entrepreneurial dimension, and the social dimension.

Collective dimension

Social economy enterprises are initially created with the aim of offering a product or service that meets a collective need. This is easier to achieve if there is already a sense of belonging within the community.

Entrepreneurial dimension

The promoters of this type of enterprise must bring an entrepreneurial approach to the table. Entrepreneurship is also a key criterion for the success of a social economy enterprise, while preserving the social dimension, hence the challenges inherent in this type of enterprise.

Social dimension

Another aspect of a social economy enterprise is that they have a human element. They respond to a social need. Even though this business model has a social mission, it is, first and foremost, a business.

Legal form of social economy enterprise

Social economy enterprises can take the legal form of a nonprofit organization or a cooperative.

Nonprofit organization (NPO)

A nonprofit organization is a legal entity made up of individuals (members). Unlike a private company, whose profits go directly to owners or shareholders, the surplus of a nonprofit organization is reinvested in the organization so that it can fulfill its social mission and/or improve the well-being of its workers.

Cooperative (Co-op)

A cooperative is a legal entity made up of persons or companies with economic, social or cultural needs and who, in order to satisfy them, join together to operate an enterprise in accordance with the rules of cooperative action. The aim of a cooperative is to satisfy certain types of common socio-economic needs of its members. The members of a cooperative are user-owners. As owners, they are jointly responsible for all ownership-related responsibilities. As users, they are provided with goods and services or employment.

If you choose the cooperative model, describe the type of cooperative to be established (workers' cooperative, solidarity cooperative, etc.).

NB. SEEnet and the Coopérative de développement régional du Québec (CDRQ) can provide technical assistance to the promoter in determining the most appropriate category of cooperative.

NPO or Co-op?

Choosing the legal structure for a collective enterprise can be difficult. In our toolbox, you will find a table comparing non-profit organizations, cooperatives and corporations.





Chapter 1

Project summary

CHAPTER 1

PROJECT SUMMARY

From the outset, it is important to indicate whether the project involves the creation of a new business or the further development of an existing one. By presenting the main points of the business plan, the summary gives potential partners an overview of the project. The summary, which should be no more than one or two pages in length, should be catchy and outline the main ideas of your business plan. It is therefore crucial to demonstrate the promoters' experience in the enterprise's field of activity and their ability to seek out the expertise necessary to carry out the project.

Summary of the costs and financing of your business project

| Costs | \$ | Financing | \$ |
|--|----|----------------------------|----|
| Working capital (money you need up front) | | Down payment | |
| Start-up costs | | Financial institution loan | |
| Leasehold improvements (factory and office) | | Other loan | |
| Production equipment | | Grant | |
| Computer equipment and software | | Community contribution | |
| Office equipment | | TOTAL | |
| TOTAL | | | |

Summary of sales forecasts

| | Year 1 | Year 2 |
|------------------|--------|--------|
| Forecast sales | \$ | \$ |
| Expected profits | \$ | \$ |



Chapter 2

Presentation of the promoter group

CHAPTER 2

PRESENTATION OF THE PROMOTER GROUP

The business plan must identify and present the project's promoters and their expertise/experience in relation to the project.

| Name | Position in the enterprise | Expertise |
|------|----------------------------|-----------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

2.1 Composition of the General Meeting

According to the enterprise's bylaws, the general meeting is composed of: _____

2.2 Composition of the Board of Directors

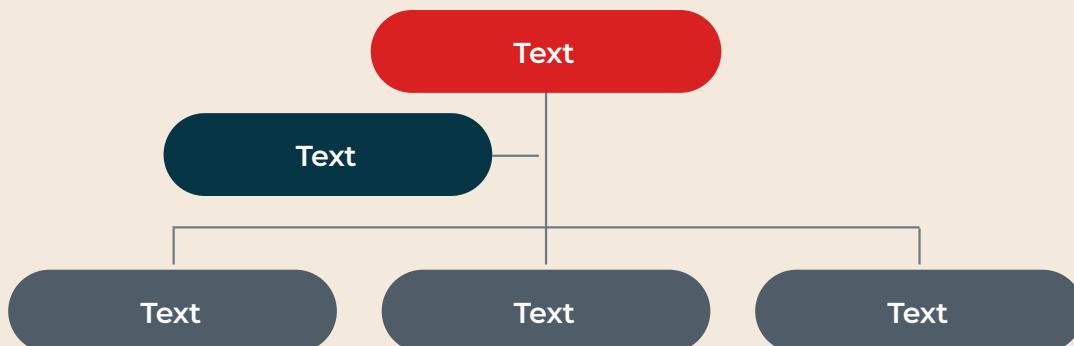
The board of directors is composed of _____ directors elected by the general assembly

2.3 Legal form

This section should present the legal form of the social economy enterprise (cooperative or nonprofit organization) and explains the link between the mission and the chosen legal form.

2.4 Organizational structure

An organizational chart should be presented showing the democratic mechanisms in place and the mandates of the various bodies (general meeting, board of directors (BOD), executive committee (EC) and committees) in place.



A sepia-toned photograph of a group of people in a meeting room. Five individuals are visible: four seated around a table and one standing in the center holding a laptop. They appear to be engaged in a collaborative discussion or presentation. The room has large windows in the background and a whiteboard on the right side.

Chapter 3

Presentation of the enterprise

CHAPTER 3

PRESENTATION OF THE ENTERPRISE

3.1 History (for start-ups)

Include the origin of the project: where did the idea come from? How long have you been thinking about it? Why did you choose a social economy enterprise? NPO or Co-op?

3.2 Enterprise mission and vision

What: What will your enterprise do?

Who: What types of people will make up your customer base?

Where: What territory will you serve?

3.3 Products or services offered

The business plan must present the products or services to be marketed. What products or services will the enterprise offer?

- What are the characteristics and features of these products or services?
- What are the benefits for users?
- What is innovative and/or original about the product or service?

3.4 Description of a project for further development (for an active enterprise)

Describe the project for which financial support is being requested.

3.5 Social utility of the project

What will be the beneficial effects for the community? How will this contribute to the social and economic development of the community?

3.6 Links to local priorities

What local needs does your project aim to meet? How were these needs determined? By which community group? Do they also respond to government guidelines? A ministry's social development plan? A city's development plan? etc.

3.7 Location

The business will be located at: _____

The group chose this location for the following reasons: (possible reasons include cost, zoning, proximity to services, proximity to customers, etc.)

3.8 Permits and licences

Make sure you have all the necessary permits when starting your business. You should visit the Quebec government website to find out what your obligations are when starting your business.

3.9 Timetable for completion

Present an overview in table form of the different stages of project implementation.

Example:

- Steps completed to date
- Steps to be completed
- Start of operations
- Development phases (1 to 3 years)

| Date | |
|------|---------------------------------------|
| | Formation of promoter group |
| | Start of procedures |
| | Provisional board of directors formed |
| | Incorporation |
| | Search for premises |
| | Submitting a business plan |
| | Financing the project |
| | Drawing up by-laws |
| | Founding general meeting |
| | Recruiting members |
| | Start of operations |



Chapter 4

The market

CHAPTER 4

THE MARKET

Assessing the potential market is a very important step in estimating the profitability and viability of your project. It is therefore important to carry out an in-depth analysis and to demonstrate this in the business plan. A four-step methodology is proposed to help you determine the relevant information related to your sector.

Business sector

The enterprise's external environment

Potential market

Competition

4.1 Step 1: the enterprise's sector of activity

Carry out a market analysis, i.e., make an empirical assessment of the level of demand in the proposed sector of activity.

- Present your sector of economic activity with documented facts, which may be in the form of documents, the results of consultations with experts or potential customers (surveys).
- Explain the statistics, trends and demand in order to show the environment in which your enterprise will operate.

It's also important to explain how the sector has evolved over the last few years.

In short, it's a question of placing the sector of activity, into which the product or service is to be integrated, in a wider context. It is also relevant to demonstrate the promoters' level of knowledge of the sector.

- Describe how the sector has evolved in recent years.
- Describe the current situation (developing, expanding or mature market)
- Anticipate prospects, developments and fluctuations over the next few years,
- Assess the volume for demand
- Demonstrate the specific features of the sector in the region
- Anticipated factors and trends (positive and negative) that could affect the enterprise

To help you with your research, here are a few websites that may answer some of your questions:

- Google is a good place to start your search. Take a look at the first few pages, which will lead you down other avenues.
- Innovation, Science and Economic Development Canada
- Institut de la statistique du Québec
- Statistics Canada
- Québec Emploi: Business services and sector committees
- Ministère de l'Économie, de l'Innovation et de l'Énergie

You can also find relevant information in:

Specialized magazines or publications related to your sector of activity

Business newspapers (les affaires commerce)

Trade fairs and exhibitions in your sector

Chambers of commerce

Example

According to Statistics Canada, Quebec City had 46,085 residents aged 20 to 34. It is estimated that approximately 22% (10,138) of them live in Quebec City's Haute-Ville, which is the same proportion as the sector's population in the city's overall population.

TIPS



Never forget to provide quantitative data (e.g. 80% of Quebec women are non-smokers) and qualitative data (e.g. according to observers of the current market, if the trend continues, the economy will grow for the next year). Most of what you write should be supported by data that will enhance your project. The data will be primary, such as surveys, and secondary, by reading various documents. Be careful to extract only the information that is essential to the production of your business plan. Attach a photocopy of the article or statistics chosen to validate the information.

This is not a complete list as there are specialized website addresses for certain sectors (do a Google search). For example, for a delicatessen (agri-food sector), visit the MAPAQ website (Ministry of Agriculture, Fisheries and Food). In the box below, an example is provided to help you understand how to provide on information about your project.

4.2 Step 2: The enterprise's external environment

Following are the external factors that can influence your industry: economic, political and legal, socio-economic, technological, and environmental. You must assess the threats and opportunities that may or may not have an impact on your industry.



P Political and legal: Are there regulations that favour your situation in your industry, or those that don't? Example: laws, regulations.

E Economic: How does the economy influence your industry, positively or negatively? Example: exchange rates, favourable economic situation, low unemployment, recession, low or high interest rates, etc.

S Socio-demographic: Does the population profile favour your situation? Examples: increasing number of elderly people, decreasing number of workers, more educated population, etc. Are there more high-tech companies? Do these variables have an influence on your sector?

T Technological: Is your industry subject to rapid technological change? Example: innovations, new processes.

E Environmental: Does your industry have to comply with environmental regulations in a significant way? Example: polluting pulp and paper companies (regulations). Is this a threat? Is it necessary to find solutions to this problem?

4.3 Step 3: The target and potential market

THE TARGET MARKET

After steps 1 and 2, it is important to identify the profile of the customers for whom the product or service is intended. Paint an accurate a portrait as possible in order to develop effective sales and promotional strategies. Following are some examples of target customers or market segments (dividing up the market or grouping consumers into homogenous groups for whom your products or services will be aimed).

Example

1. Young mothers aged 20 to 35 in Quebec City
2. Entrepreneurs in the manufacturing sector in the Quebec City region
3. Theatres for children aged 5 to 12
4. Québec caterers offering local products

If your target clientele or market segment is individuals, you should provide the following information:

- Short-term and long-term target market: local, regional, national, international.
- What are the geographical boundaries of the target territory?
- Definition and description of the target clientele (Who are they? What do they buy? Where do they work?).
- Where do they buy? How do they buy? Frequency of purchase of the product or service, purchase criteria.
- How much do they buy?
- What motivates them to buy this type of product or service?

Other points to remember: number of people, geographical distribution, their behaviour, expectations and needs, etc.

CUSTOMER PROFILE

In the conclusion, summarize your customer profile in a few lines.

Delicatessen

Young professionals aged 20 to 34 with high incomes living in Quebec City's Haute-Ville and living alone will be the clientele for our ready-made, delicious fine cuisine.

If you don't know how to assess your customer base, you can use online or field surveys, for example, to find out how interested people in your target area are in your product or service. You can then draw up a typical profile of your customers.

Online survey

To get a better idea of who your customers will be, you can conduct surveys using the following websites:

- SurveyMonkey
- Google Form

Another way of gathering information: experts

You can ask people in the sector for their point of view. Ask them questions about who the main players are. Is the market growing or shrinking? The more you know about your field, the more you'll be able to develop appropriate strategies.

If your target customers are companies, it's important to provide the following information about them:

- Profile: self-employed, associations, institutions, corporations, age, number of employees, sector of activity, etc.
- Main customers
- Frequency of purchases
- Annual budget allocation
- Where do they buy?
- Which services or products are most popular?
- Criteria for buying this type of product or service

The potential market

The potential market represents the customers likely to buy your product or service as well as those of your competitors. Estimate the number of potential customers for your enterprise and the total annual purchase value of these customers.

| Estimated customer base | Number of customers in the target territory | Average annual expenditure | Quantity X annual expenditure = Total market expenditure |
|--------------------------------|--|-----------------------------------|---|
| | | | |
| | | | |

Multiply the estimated number of customers in the territory by the average annual expenditure on your product or service to obtain the maximum level of expenditure. Explain your theories, citing your sources.

4.4 Step 4: Competition

It is important to carefully analyze the competition you will face in order to understand their characteristics, strengths, and weaknesses.

- Who are your direct competitors (those offering similar services)?
- Who are your indirect competitors (companies that meet the same need in a different way)?
- Strengths and weaknesses of each competitor
- Using this analysis, present the advantages of your products or services compared to the competition.

Direct and indirect competition

| Your competitors | Strengths | Weak points | Competitive advantages over your competitors |
|-------------------------|------------------|--------------------|---|
| | | | |
| | | | |

4.5 Estimated sales, market share

Your market share is estimated by making sales forecasts based on the price of your products or services. Some lenders may ask for three years of forecasts, depending on the economic sector.

You must estimate your monthly sales for the first three years in order to prepare your projected budget. In this section of the business plan, only include general results, i.e., annual forecasts for your main products. The credibility of your project depends on this point.

Take the following into account:

- Objectives
- Your physical capacity (human resources)
- Your competitors' prices.

| | Year 1 | Year 2 | Year 3 | of sales |
|-------------------|--------|--------|--------|-------------|
| Product service 1 | | | | |
| Product service 2 | | | | |
| Product service 3 | | | | |
| Product service 4 | | | | |
| TOTAL | | | | 100% |

N.B. Be careful! Most promoters overestimate their sales forecasts.

4.6 Order book, contracts and/or letters from potential customers

Indicate the number of contracts and/or letters from potential customers obtained to date, as well as the sales volume and value.



Chapter 5

Marketing plan

CHAPTER 5

MARKETING PLAN

The marketing plan sets out the strategies you will use to achieve your sales targets and develop your enterprise's image.

Sales targets: what are they in the first year?

Who are your customers? The more precise this is, the better targeted your marketing plan will be.

Where do your customers live?

How/why: 4 Ps marketing strategy: Product (or service)/ Price/ Place/ Promotion

5.1 Strategy for your product or service

Highlight your product through its packaging and presentation. For a service, it's the team that you need to highlight. First impressions are extremely important.

Another example of a question to ask yourself: do you offer after sales warranties?

5.2 Price

Set your selling price based on the costs inherent in your product or service (known as the cost price) and add the profit margin usually expected for your economic sector or set it based on the competition.

5.3 Place (location for doing business)

Place is where your business will be located. Find a strategic location where your target customers come and go. For a few extra dollars, it's sometimes important to set up shop on an artery known for its high foot traffic. This is especially true for retail businesses. This is what's called having a location strategy.

When choosing a specific location, you need to pay attention to the competition, similar as well as complementary products that could be found near your place of business. The presence or absence of competition can have a positive or negative impact on customer traffic.

Sources of information: maps of the town, demographic statistics, zoning regulations, traffic, growth in the geographical area. If your product or service is distributed by an intermediary, representatives, retailers, etc., ask yourself questions and describe your distribution process.

If you don't have a physical storefront, make sure you are still visible. In particular, make sure your customers can easily find you on the Internet. You can also make yourself visible via certain networks.

5.4 Promotion

Promotion (publicity, advertising) is used to change consumer attitudes, but it does not always sell straight away. For example, an insurance advertisement informs us that the enterprise is offering a new product, but it will take time and repetition for consumers to take notice of this advertising.

When designing any form of advertising or publicity, follow the AIDA principles below:

| | |
|---|--|
| A | Attract attention: with a flashy colour, a snappy headline, something eye-catching, etc. |
| I | Generate interest : the title should be catchy and make you want to find out more. |
| D | Evoke desire : get the consumer to imagine the pleasure of buying this good or service |
| A | Call to action : guide the purchaser to act - give a deadline, limited quantity. Don't forget where they can contact you. |

5.5 Which media should you use to reach your customers?

The most important media are business cards, flyers, websites, social media (Facebook, Twitter, blogs), direct mail, etc.

Other media allow you to be seen. However, some of them are very expensive. It is important to choose the most relevant ones at the best price.

- Newspapers, radio, television.
- Internet: banner ads, direct mail, video advertising, etc.
- Mobile phones, media on demand advertising (SMS, MMS), telemarketing.

Once you have chosen your promotional method, you will need to create your marketing calendar so that your advertising efforts achieve the desired goal. Many media consultants recommend investing 6% of your sales figures in your marketing program. It is up to you to assess how much you should invest. With options such as the Internet and social media, marketing costs can be more affordable.

| Marketing activities/means | Timetable | Budget |
|----------------------------|-----------|--------|
| | | |



Chapter 6

Production

CHAPTER 6

PRODUCTION

6.1 The process of producing your product or service

The term "production" is used here in a broad sense and encompasses both the manufacture of a product and the provision of a service. Some people refer to this part of the business plan as "business operations."



TIPS

A step-by-step presentation is a comprehensive and effective way to demonstrate a typical production schedule. This part of your business plan should contain the following headings:

1. Stages of production
2. Equipment needed for production
3. Hours of operation
4. Supplies or leasehold improvements required for production
5. Labour requirements

This section should also cover purchasing and inventory management, including minimum initial inventory, ordering procedures, storage costs, supply lead times, transportation, etc. If agreements have already been signed, include them as an appendix to your business plan. Other factors to consider include:

1. Seasonal variations: impact and planned alternatives
2. Product or service quality control mechanisms
3. Physical conditions of the work environment: physical hazards employees will face, safety standards to be complied with.

6.2 Intangible elements

Intangible elements include obtaining patents, copyrights, licenses, or permits to carry out an activity. The amounts to be paid vary but can be several thousand dollars in some cases.



Chapter 7

Human resources

CHAPTER 7

HUMAN RESOURCES

In this section, describe the responsibilities of the management team and employees, if applicable. If specific physical conditions in the work environment must be anticipated, describe the physical hazards employees will face and the safety standards that must be complied with.

7.1 Management team

Presentation of senior management (work experience and education/training)

7.2 Labour required

Description of the jobs generated by the project in the short, medium, and long term.

| Function | Number required | Training | Hours/week | Annual salary |
|----------|-----------------|----------|------------|---------------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

7.3 Subcontracting (if applicable)

In this section, specify the project's roots in the community, the partnerships that are planned or have been established, their nature, and their impact on the project's implementation in terms of funding, expertise, or any other support.

It may be necessary to enter into agreements with subcontractors for the manufacture or completion of a component or stage of the product or service to be offered. Present the subcontractors involved, as well as alternatives, the work to be performed, the conditions, etc.

7.4 Partnerships

Name, describe, and explain the impact of current or future partnerships on the project's implementation.



Chapter 8

Material resources

CHAPTER 8

MATERIAL RESOURCES

8.1 Describe the facilities and equipment needed to produce or carry out your service.

Example: Table of business necessities

| Building | Equipment to be acquired (cost including taxes) | Equipment on hand (fair market value \$) | TOTAL (\$) |
|------------------------|--|---|------------|
| Leasehold improvements | | | |
| Rolling stock | | | |
| Machinery equipment | | | |
| Tools | | | |
| Materials and supplies | | | |
| Computer systems | | | |
| Software | | | |
| Office equipment | | | |
| | | | |
| TOTAL | | | |

N.B. Attach bids for equipment and leasehold improvements, as well as plans and specifications (if applicable).

8.2 Supplies needed to produce or carry out your service

8.3 Operating hours



Chapter 9

Environmental assessment

CHAPTER 9

ENVIRONMENTAL ASSESSMENT

If environmental issues are present, describe:

- Impact of equipment and products used
- Planned recycling of materials
- Equipment to control pollution
- Does the enterprise have a green plan?
- Waste disposal
- Hazardous products



Chapter 10

Financial file

CHAPTER 10

FINANCIAL FILE

This section brings together all the financial elements of the project in order to demonstrate its viability and profitability, determine financing needs, and plan financial activities. Financial partners are sensitive to realistic and comprehensive financial forecasts. If you have good knowledge of accounting, you can also produce the documents listed below for the next two or three years.

If your knowledge does not allow you to complete this exercise on your own, SEEnet can provide you with technical support to do so. To do this, you must first know the costs and financing needs for your project (down payment, user contributions, private and public financing) and a projected cash flow (monthly budget of cash receipts and disbursements).

Costs and financing for the project

This involves specifying the start-up expenses or costs of your business. Financing is used to cover these costs. Keep in mind that you must contribute at least 10% of the project's cost in order for financial partners to agree to support your project or grant a subsidy.

Provisional cash flow budget

To make it easier to estimate monthly sales figures, please complete a sales table. Then transfer the figures to the cash flow budget. The cash flow budget is used to determine the frequency and amount of the enterprise's income. In short, it shows all the money coming in and going out each month, which you can view over a year. This cash flow budget defines your short-term cash requirements.

Forecast income statement

This is the estimated income and expenses for the first two or three years of operation.

Provisional or pro forma balance sheet

This is a snapshot of the enterprise's financial situation at a specific point in time, showing its assets (financial and physical resources that ensure the smooth running of the business—cash inflows and outflows), liabilities (short-term and long-term debts), and equity.

Calculation of break-even point

The break-even point analysis is the level of sales at which the enterprise will neither make a profit nor a loss. It indicates how many sales you need to make to cover your costs within a given timeframe. It also allows you to determine when and under what conditions the product or service will begin to generate a profit and, if applicable, potential returns on these surpluses. Fixed costs are expenses that do not change regardless of the level of production (e.g., rent, interest, etc.), while variable costs depend on the level of production (e.g., raw materials, wages, etc.).

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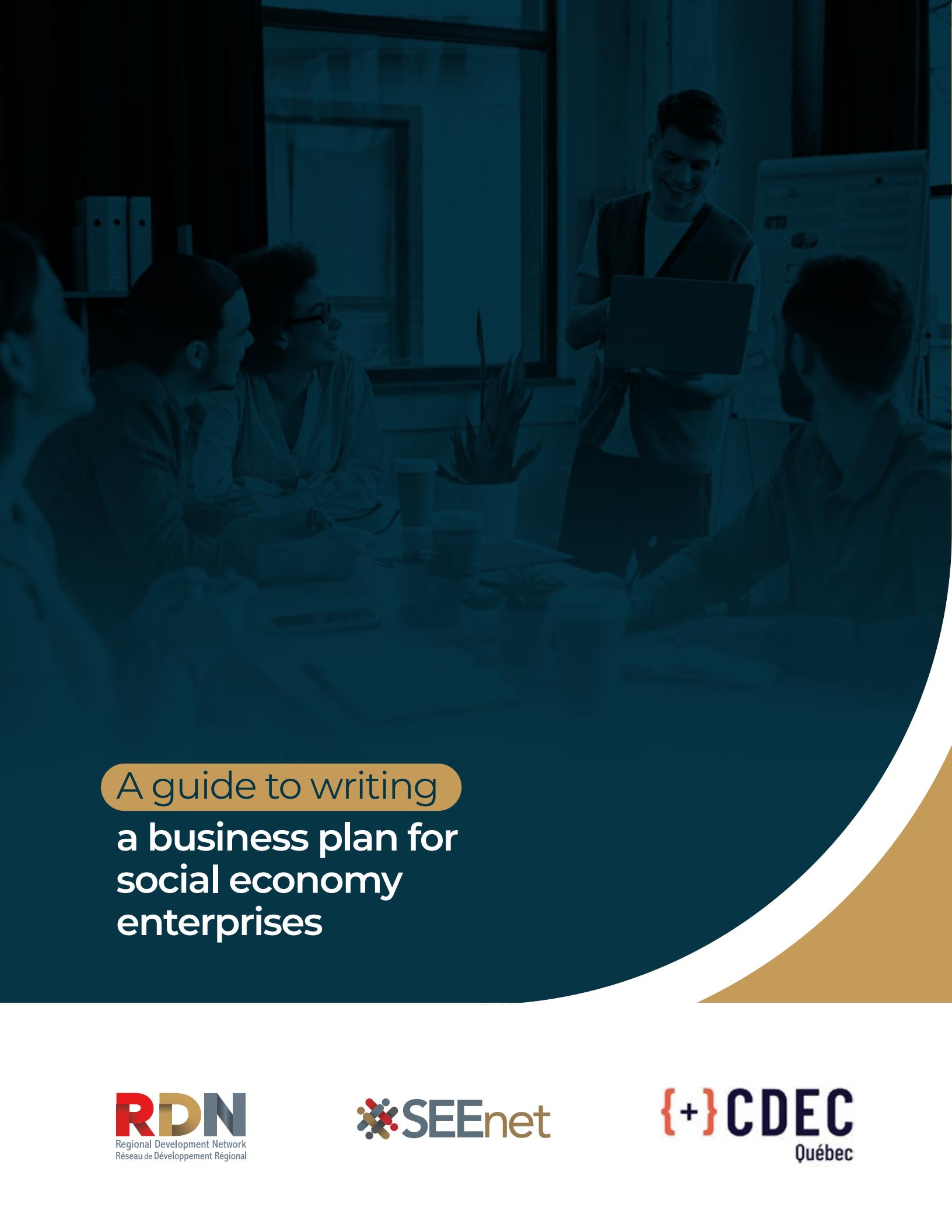
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