

GT Reading Mock Test 30:

Part 3: Question 28-40

Read the text below and answers to the questions **28-40** on your answer sheet.

GT Reading: "Business Planning"

Read the text below and answer **Question 28-40**.

Business Planning

What is a Business plan?

It is probably best described as a summary and evaluation of your business idea, in writing.

Preparation of a business plan is the first and most important task for the business starter. The plan should include details concerning the industry in which you operate, your product or service, marketing, production, personnel and financial strategies.

What purpose does it serve?

A business plan allows you to think through all the factors of a business, and to solve potential problems before you come to them. It will identify strengths and weaknesses

and help to assess whether the business can succeed. It is a blueprint for starting, maintaining or expanding a business. It is a working plan to use in comparing your achievements to the goals you set. It should provide information required by financial institutions when finance is sought.

How to produce a Business plan

Step 1: Collect Information

Gather as much relevant information as possible concerning the industry in which you intend to operate (the number of businesses already operating, the size of their operations, where they are located). Use books, industry associations, and existing business owners to help you.

Collect all possible information regarding the market/s you are aiming for (who buys, why do they buy, what are the key features the customer looks for).

Learn all you can about the product/s or services you intend to produce, distribute or offer.

Step 2: Analysis

Read over all the material you have collected and decide what is relevant to your business idea. You may have to modify your idea depending on what your research shows. The key question to ask is:

“Can you design a business that will earn enough to cover costs and pay a wage and reasonable profit to you as a proprietor?”

When Steps 1 and 2 are completed, you should have decided if there is a market for your product or service which is large enough and sufficiently accessible to make your new business financially worthwhile. Now you are ready to commit your plan to paper.

Step 3: Strategy Formulation

Decide how the business will operate. You should describe how the business will be managed, and the staff and organisational structure that will be in place. Diagrams may be useful to show how these areas will work. Don't forget to include the areas of responsibility for each member of staff. This is especially important if some of your staff will be family members.

There are three further parts that go together to make a comprehensive business plan:

- A Marketing plan, which includes location, method of selling, packaging, pricing and so on. In all these areas you must be aware of consumer trends to make sure that your business does not become outdated or irrelevant.

- An Operational plan, which describes the day-to-day running of the business. You should include supply sources, cost and quantities of materials, processes, equipment and methods of extending the services or products offered.

- A Financial plan, which is a master budget for the operation and includes:

- cash flow forecast
- balance sheet
- profit and loss statement
- sources of finance
- sales forecast and target.

The financial aspects of the plan are most important and you should develop or access financial skills to make sure this part of your plan is accurate and realistic. Don't forget set-up costs and the money needed to see you through an initial period of low cash flow when calculating your first year's budget.

Update your Business plan

Nothing remains constant in business; circumstances change, markets change, fashions change, methods change.

From time to time you must check your sources of information and reassess your business plan. What is relevant when you start is not necessarily so in five years' time. You may also need to revise targets and budgets if external factors (such as interest rates) vary.

Keep your information up-to-date and be prepared to change as circumstances demand. A business plan should be thought of as flexible, not fixed. If you use these steps to develop a business plan, changing it according to circumstances, you will be well on the way to a successful business.

Questions 28-34

Do the following statements agree with the views of the writer in the passage "Business Planning?"

In boxes **28-34** on your answer sheet write

YES if the statement agrees with the views of the writer

NO if the statement contradicts the views of the writer

NOT GIVEN if it is impossible to say what the writer thinks about this

28. A business plan must be written down.

29. Creating a business plan is only necessary for a new business.

30. A business plan should include a diagram of your proposed office or shop layout.

31. A business should generate enough money to pay salaries and some profit to the owner.

32. The roles of family members in the business must be clearly defined in the business plan.

33. You should expect not to earn much money in the first year.

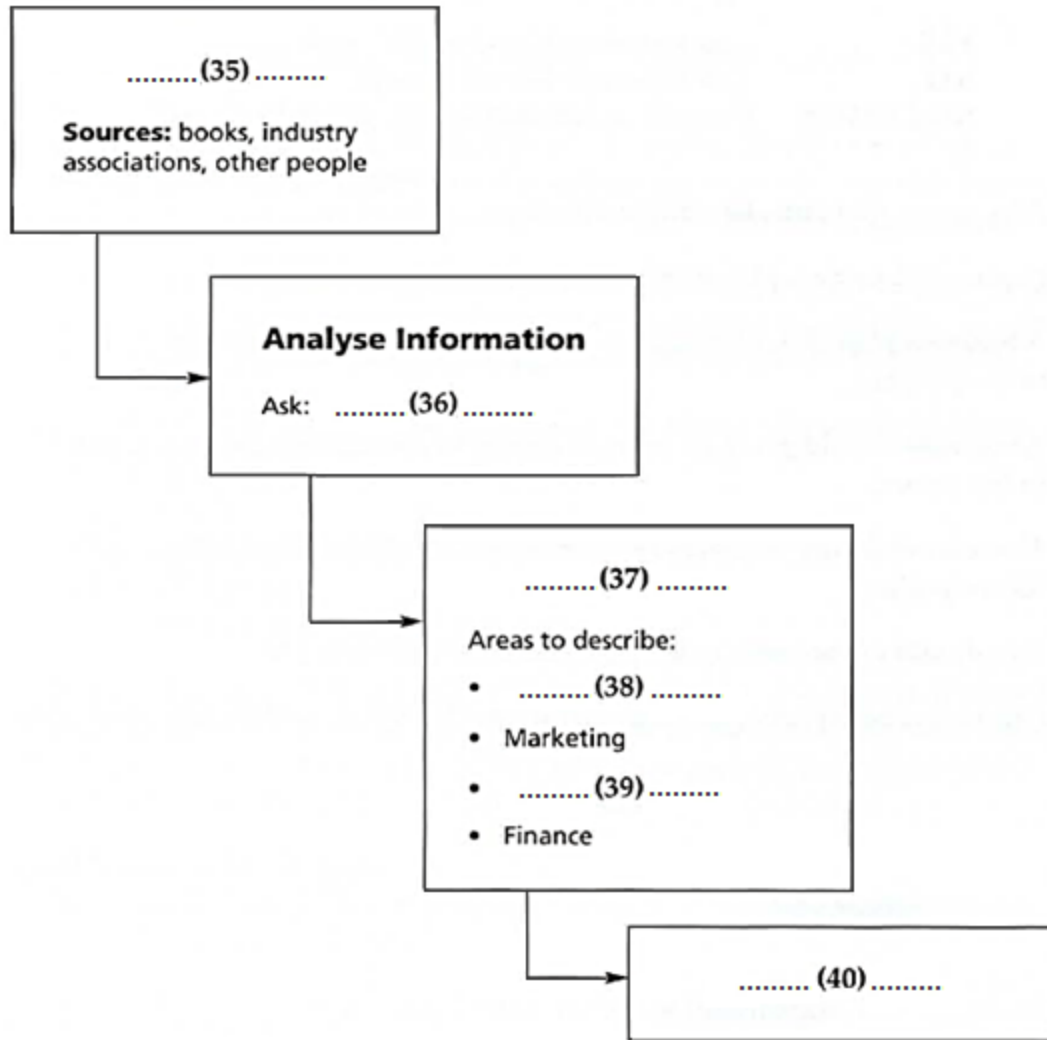
34. Once a business plan is finished, no further changes will need to be made to it.

Questions 35-40

The text describes how to make a business plan.

Choose the correct word or phrase from the box to complete the following flow chart of how to make a business plan.

*Write its letter in boxes **35-40** on your answer sheet.*



- A. Advertising
- B. Keep your business up-to-date
- C. Find information
- D. Create a sample product
- E. Find a good location
- F. Organisational structure

G. Can I find good staff?

H. Operations

I. Create your business plan

J. Can my business make enough money?

ANSWER
28. YES 29. NOT GIVEN 30. NOT GIVEN 31. YES 32. YES 33. YES 34. NO 35. C 36. J 37. I 38. F 39. H 40. B