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An Investigation Into The Design and Implementation of a Business Plan for Ozark Builders, A Housing Development Company

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**AN INVESTIGATION INTO THE DESIGN AND IMPLEMENTATION
OF A BUSINESS PLAN FOR OZARK BUILDERS,
A HOUSING DEVELOPMENT COMPANY**

Benjamin Luke Beaman, B.S.

An Abstract Presented to the Faculty of the Graduate
School of Lindenwood College in Partial
Fulfillment of the Requirements for the
Degree of Master of Business Administration

ABSTRACT

This thesis will investigate the design and implementation of a business plan for Ozark Builders, a housing development company.

One of the oldest professions in the United States, is the construction industry. This diverse industry that employs a large percent of the populace, plays an important role in our nation's economy. While, profits are to be made in the construction industry, the risks are overwhelming. The turnover rate for contractors exceeds twenty percent a year. Speculative building is considered a big gamble, and the builder's need to stay attuned to changes in consumer preferences, in competition, and in the national economy, is ever present.

The purpose of this study is to focus on those elements that will make a successful business plan for Ozark Builders. A business plan may serve many purposes. Because it is a written expression of a business idea, a business plan forces Ozark Builders to take an objective look at its business idea and determine its feasibility. Should financing be desired, the business plan provides the information needed by financial institution to evaluate the

venture. One important element of the business plan is the market analysis. By identifying the market, a marketing strategy can be developed to target that area. Information about the product, pricing, advertising, and distribution are all elements incorporated into this plan.

Forecasting the future, through projections, aids Ozark Builders by identifying potential problems and opportunities before they occur, and then, decisions concerning the growth of Ozark Builders can be made. The appendix of this plan contains information that will be useful in a sales manual.

This business plan will be updated periodically, and the information it contains will be used as a management tool to chart future growth of Ozark Builders.

**AN INVESTIGATION INTO THE DESIGN AND IMPLEMENTATION
OF A BUSINESS PLAN FOR OZARK BUILDERS,
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Benjamin Luke Beaman, B.S.

A Culminating Project Presented to the Faculty of the
Graduate School of Lindenwood College in Partial
Fulfillment of the Requirements for the
Degree of Master of Business Administration

1997

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Chapter I

INTRODUCTION

Industry Characteristics

"Building may well be one of the last vestiges of free enterprise on a broad national scale," reports Michael Sumichrast in Opportunities in Building Construction Trades. He believes that individual drives, desire, and ingenuity, coupled with the mechanics of our economic system, make the construction industry an attractive career choice (98).

Betty Kidd, sales and construction coordinator for Bob Meyer Builder, Inc., troubleshoots and coordinates all the construction in a two-man office that constructs ten to fifteen custom homes a year. She finds her job exciting, saying, that construction is a "very high-energy business," that the "clients run on emotion" and it is critical to stay attuned to their tastes (Savidge 8).

For years, the construction industry has played an important role in the economy. The two major functions of the construction industry are design and construction. It is a project-oriented industry, not a product and service-oriented one. It builds bridges,

roads, process plants, and buildings instead of automobiles and cans of soup (Lang 6).

Twenty-five percent of the four million businesses in the United States are either directly or indirectly involved with the construction industry (Brunotte 17). It competes with the food industry for the position of being the largest industry in the U.S.; the construction industry earns over \$400 billion a year, accounting for ten percent of the gross national product (Nunnally 1).

Firms

There are two main areas in the construction industry: the public sector and the private sector. Each sector has its own subdivision, the public sector is involved with building highways, military facilities, conservation and development, and public building and facilities. The private sector is concerned with residential, nonresidential, farm, public utilities, and other private building. The private sector accounts for seventy-six percent of total construction expenditures. Its largest subdivision is the construction of residential buildings which accounts for forty to forty-five percent of the total annual construction activity in the United States (Sumichrast 5). Some small builders

may build only one structure a year while, large builders or merchant builders may build 100 houses or even several thousand a year. If the average sales price was \$60,000 per unit, an annual volume of 100 units could be around six million dollars. Large builders, such as Levitt & Sons, often build several thousand units a year at various locations (105).

Employment

The construction industry accounts for fifteen percent of the nation's employment. With its many independent suppliers and contractors, it has become a very fragmented industry (Nunnally 1). Various trades are represented in the construction business. In home building, some tradesmen that might be employed are carpenters, brickmasons, plumbers, and electricians. A different composition of crews are required for highway and high-rise office building construction (Sumichrast 5). Twenty-six percent of the 4.8 million skilled craftsman working in the construction industry are carpenters. There is always a constant need for more carpenters to fill new openings, and to replace people who retire, change jobs, or die (29).

In 1970, there were over 800,000 contractors, with sixty percent of them employing three or fewer people. Large contractors such as Bechtel, Braun, and

Pritchard, who employed 100 people or more, accounted for 0.5 percent of the nation's construction firms (Nunnally 1). The Small Business Administration considers a construction firm small unless its income exceeds five million dollars for the immediately preceding three years. All together, small business firms in the United States employ fifty percent of the work force and produce forty-five percent of the total gross national product (Steinhoff 6).

In 1977, 286,320 general building contractors employed 1.18 million people and 55,000 heavy construction contractors employed 917,083, with 691 special trades contractors employing 2.1 million (Sumichrast 4). Hundreds of building firms disappeared in the late 1980s, when construction activity and new home sales peaked. In California, the membership in the Building Industry Association plunged to more than half, to 1,400 members in 1996. The Real Estate and Research Council of Southern California reports that construction activity in 1996 will be fourteen percent higher than in 1995, but still far below the level of construction in 1988 (Sanchez 1).

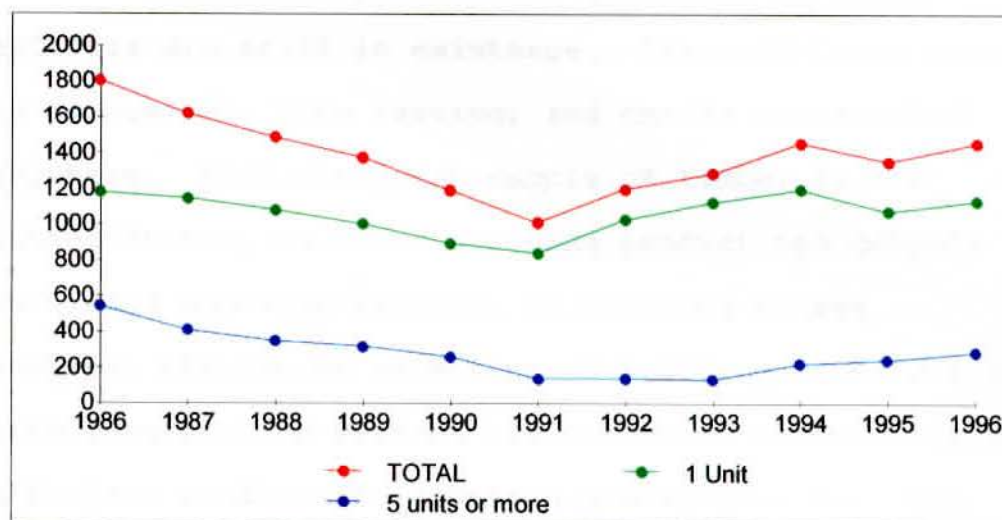
Projections

Figure 1 from the U.S. Department of Commerce

Census Bureau shows the current construction trend in housing starts. Single-family housing starts in July 1996, were at the rate of 1,133,000, six percent below the June 1996 rate of 1,201,000. However, the July 1995 single-housing starts were 1,125,000, this shows a slight increase of one percent in the July 1996 rate (1).

Figure 1

New Privately Owned Housing Units Started
Seasonally adjusted annual rate in thousands 1996 - 1st Half of Year



Source: U.S. Bureau of the Census, Housing Starts. Current Construction Reports (July 1996).

Every year, one in every six American families looks for a place to live. They may choose to rent, buy an existing house, or build (Feirer 22). In the U.S., housing is the number one factor in the nation's

economy. Because of the demand for housing in the future, it will maintain its importance, as new housing construction starts a series of construction activity. Schools, highways, shopping centers, gas stations, grocery stores and commercial establishments of all kinds are built when the demand for these services are preceded by new housing. These activities in turn, lead to the need for more gas and electric lines, water transportation, dams, and sewage facilities to support the residential construction (Sumichrast 10).

Wood homes built over 200 years ago by early settlers are still in existence. The wood-frame house is economical, long lasting, and can be constructed anywhere. With the great supply of timber in the United States, no other building product can compete with wood and wood products in building houses. However, the proper selection of building materials and good construction methods are essential in building an efficient wood house (Anderson and Winslow 1). The progress in the construction marketplace has been "evolutionary rather than revolutionary." Even though new products and techniques have been introduced, the basics have changed very little (Sumichrast 101).

Investment

Two types of basic organizations in the con-

struction industry are the builder type and the general contractor type. Builders are responsible for all phases of the construction process. They are responsible for acquiring and developing the land, for obtaining construction money and final mortgage loans, and for actual construction and sale of the structure. The general contractor is usually responsible for construction only. He often uses someone else's money and is not involved with the sale or disposition of the structure (98).

Every construction firm has an initial investment of monetary and nonmonetary assets. A small firm may start with limited assets, such as a small amount of cash, carpentry tools, and a pickup truck. Most small firms start with a single investment by one or two individuals. A large firm's assets may have a more complex investment structure. True to its diversity, the construction industry has no hard and fast rules concerning the amount of capital needed to begin operation (Adrian, Quantitative Methods 20). It does not take a large investment to start in home building. Unless the builder already has the land free of debt, the successful builder will need about one-third of the sales price in cash. For example, a builder can usually obtain fifty percent of the intended sales price in a construction loan. If the sales price is \$60,000 and the builder has already paid \$15,000 for

the lot, he can draw as much as \$30,000 against his construction loan. If the builder is intending to make a fifteen percent profit, then he has calculated to make a \$9,000 net profit. The land and the construction loan would account for \$45,000, but \$51,000 (\$60,000 less \$9,000 profit) is needed to complete the house. He still needs \$6,000 to finish the house. If he does not have the cash on hand and is forced to borrow it, he will need to sell the house quickly or suffer a financial loss (Sumichrast 103).

Many small builders contract certain phases of the construction process that they may not have the expertise, equipment or manpower to perform. Often jobs can be less costly when subcontracted to a trained craftsman with specialized equipment (Jahn 19). In fact, the subcontracting system prevails in the United States. A 1980 National Association of Home Builders' survey reported that two-thirds of all builders reported subcontracting their work. Some of the advantages in using subcontractors include division of labor, diversification of responsibilities, use of credit, reduction in working capital, and lessening the need for purchase and storage of materials (Sumichrast 4).

Because there is no "national market" the housing market favors the home builder. One of the advantages of a small builder is that the overhead is usually

lower than that of a larger builder. A small builder can be his own carpenter and even his own supervisor (100).

Failures and Risks

With the large profits to be realized in the construction industry, it is surprising to find that the turnover rate for contractors often exceeds twenty percent a year. And, research shows that the majority of contractors cease operations within five years (Brunotte 17). The Missouri Department of Economic Development states, that "80 percent of all small businesses started today, will not be in operation in 5 years" (Missouri 1).

Home builders generally fall into three categories: the speculative builder, the custom builder, and the upkeep and improvement builder (Sumichrast 103). Today, a new industry buzzword has hit the marketplace, the semicustom home. Before now, the markets for production and custom homes were distinct. Increased construction costs have opened the door for this new trend. The cost of custom homes rose significantly because of factors such as land prices, raw materials, and labor. Regional and national production builders together with local builders combined their talents to create this new "hybrid."

Curt Albertin relates that, "there will always be a market for both custom and production homes, but a competitive, semicustom niche in the \$200,000 to \$300,000 home market is here to stay" (29A).

The speculative builder often enters into the construction industry by building a single house. His goal is to find buyers willing to pay more than the cost of development. "Spec building is a little like Monopoly and a little like Tinkertoys. Monopoly is the planning and financing. Tinkertoys is the actual construction. Spec builders are gamblers. Spec builders match their wits against the housing market, against government regulators, and against changes in the supply of labor and materials," relates William A. Maddox, Jr., author of Profits in Building Spec Homes. He goes on to say that it is not a "penny-ante" game, and that tens of thousands of dollars and a good reputation can be made or lost (6).

The custom builder receives a plan, calculates the cost of building, and submits a bid to the prospective customer. One of the greatest tasks in custom building is trying to please the client while resisting their demands for changes during the construction period. A clear, contractual understanding of the quality of materials, changes permitted, and the labor that is to be performed, must be made before any construction takes place. A few small alterations can drastically

change the projected costs and diminish the builder's profits (107).

James J. Adrian states in his book, Construction Accounting, that "there is no type of firm that needs sound accounting practices more than the construction firm." He also lists the ten leading reasons for construction firm business failures as determined by Dun and Bradstreet.

1. Lack of business experience
2. Inadequate project estimating and/or cost control
3. Inadequate working capital
4. Receivable difficulties
5. Too much competition
6. Insufficient advertising
7. Lack of technical experience
8. Wrong location for service
9. Inventory control
10. Fraud (3)

This study by Dun and Bradstreet and studies by others indicate that at least ninety percent of all construction industry bankruptcy can be attributed to poor management (Nunnally 2).

Robert Zilly in Management Audit for Small Construction, says that often the options for "reducing risks are limited." These high risks include injury to employees and the public, loss of equipment, business interruption, loss due to economic conditions, and bad debt loss. The list of the measures he gives to minimize risks are:

- * Avoid involvement in high risk projects.
- * Carefully analyze risks involved in each project and take steps to reduce them to levels your firm can handle.
- * Review business risk coverage your insurance provides with the aid of a competent insurance specialist.
- * Study how reliable your estimating process has been in projecting costs.
- * Review your business organization form.
- * Strive for a high rate of return on investment.
- * Make a real effort to implement as effective an employee safety program as possible (44-45).

Equal and balancing factors in the construction industry are technical and profit management. Technical management refers to the estimating, cost control, and engineering portion. Profit management is concerned with risk management, money management, and collection management. The controlling factor is the business plan. A successful businessman will utilize the business plan to effectively control technical and profit management. The business plan is the "guiding force" of any company. The basic goals and objectives of a company, its programs, and its resources are all contained in the business plan. It is the organizational strategy of a contracting firm (Brunotte 5).

Statement of Purpose

Ozark Builders, a housing development company specializing in the construction of lake homes, is in

need of a business plan. Therefore, this study will investigate the design and implementation of a business plan for Ozark Builders.

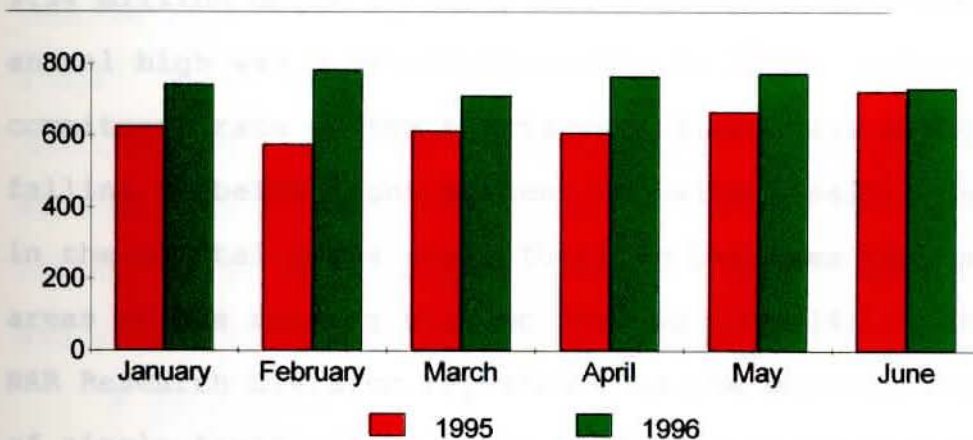
Chapter II
LITERATURE REVIEW

Industry Conditions

The U.S. Department of Commerce released a report in August 1996 on New One-Family Houses Sold in the U.S. The statistics in this report, as shown in Figure 2, revealed that the sales of new one family houses in June 1996 were at a seasonally adjusted annual rate of 734,000 houses sold. The May 1996 rate was 775,000, down 41,000 units, but up over the June 1995 rate of 724,000 new one-family houses sold (2).

Figure 2

HOUSES SOLD (Annual Rate—thousands)



Source: U.S. Department of Commerce. New One-Family Houses Sold (August 1996).

A June 1996 Dun and Bradstreet Survey of two hundred construction executives showed strong growth in the construction industry. Future growth was expected to remain strong. The construction executives reported that their current order books, employment levels, and selling prices were at a peak level (1).

John A. Tuccillo, chief economist for the National Association of Realtors, reported in Today's Realtor that, "Economic growth is again going to be a positive factor in 1997, and employment numbers will help tell you where it's going" (Umlauf-Garneau, "1997: Strong Housing..."). Tuccillo forecasts a fairly strong housing market for the first and second quarters of 1997. He predicts that home sales will not reach the current projection of four million units, but will be around 3.85 million units in the first quarter of 1997. The highest annual home sales volume for the 1990s was 3.94 million units in 1994, and the record all-time annual high was 3.98 million units in 1978. With the commitment rate on the thirty-year fixed-rate mortgages falling to below eight percent and with possible relief in the capital gains area, Tuccillo believes that all areas of the country will do well in 1997 (44). The NAR Research Division reported that the monthly sales of single family units hit a high of 4.04 million units in November 1996 ("Existing Home Sales"). Homeownership is the highest in fourteen years according to the

U.S. Department of Housing and Urban Development. The rate zoomed to 65.1 percent in late 1995. There has been a steady decline in homeownership in recent years. NAR President, Art Godi, credits this increase to housing affordability and to programs that reach out to first time buyers and loan mortgage rates ("Homes Are Hot..."). This national homeownership rate has risen without a drop for ten consecutive quarters, continuing the longest uninterrupted increase of homeownership in thirty years ("Homeownership Boom").

Business Plan

"A business plan is the written expression of your business idea," is a statement made in the booklet by the Missouri Department of Economic Development, Starting a New Business in Missouri. Writing a business plan forces the business owner to take a critical, objective look at his business idea and rethink certain areas. It communicates the owners' ideas to financial institutions and to others. A good business plan is essential in both new and existing businesses. By outlining goals, the business owner can spot weaknesses and strengths during all phases of the venture (7).

A good business plan includes an executive summary that describes the company, its management, current stage of development, and future plans. It has a

marketing section that has industry data, including trends and profit potentials. The marketing section also includes a marketing plan, customer demographics, market analyses, and information about the competition. A product and services section that identifies the product and services and a description of the manufacturing distribution chain should also be included in the business plan. And finally, a section in the plan that is devoted to financial information, such as financial statements and projections is necessary (U.S. Small Business Admin. "What Makes a..." 2).

Many construction companies' plans are for both the short term (one year) and the long term (three to five years). Most short term business plans consists of three parts: a sales plan, an operations plan, and a forecast statement of income. The forecast statement of income is usually prepared annually during the last quarter of the year for the following year (Lang and DeCoursey 148).

The U. S. Small Business Administration in their pamphlet, A Business Plan for Small Construction Firms, lists a number of questions an owner should ask himself when compiling his business plan:

- * What business am I in?
- * What do I sell?
- * Where is my market?
- * Who will buy?
- * Who is my competition?

- * What is my sales strategy?
- * How much money is needed to operate my firm?
- * How will I get the work done?
- * What management controls are needed?
- * When should I revise my plan?
- * Where can I go for help? (2)

Fourteen basic steps in making a business plan that any small business could utilize was contained in

Small Business Management Fundamentals:

- Step 1: Determine what profit is wanted from the business and complete a projected income statement.
- Step 2: Survey the market and determine if projected sales are obtainable.
- Step 3: Prepare a statement of assets to be used.
- Step 4: Prepare an opening day balance sheet.
- Step 5: Study location and choose site for business.
- Step 6: Prepare a layout for business activity.
- Step 7: Choose legal form of organization.
- Step 8: Review all aspects of the merchandising plan.
- Step 9: Analyze the estimated expenses in terms of their fixed or variable nature.
- Step 10: Determine the firm's break-even point.
- Step 11: If sales on account is being considered, establish a credit policy.
- Step 12: Review the risks and how to cope with them.
- Step 13: Establish a personnel policy.
- Step 14: Establish an adequate system of accounting records. (Steinhoff 29-30)

There are many organizations available to give assistance to firms desiring information and counseling in starting and managing their businesses. The Service

Corps of Retired Executives Association (SCORE) is a volunteer organization associated with the U.S. Small Business Administration. SCORE members conduct business seminars each month. They may be reached by phone to answer business questions and give on-the-spot counseling. They provide one-on-one counseling for as long as this service is needed. Many of the county extension centers have business and industry specialists who provide information and individual assistance to business owners. The Missouri Department of Economic Development is another good source of information for businesses. Municipalities, such as Kansas City and St. Louis, have councils set up to provide information to new business owners (Eliason 13).

The Internet is becoming a new source for business valuation. It is growing at the rate of ten percent per month, and one-half of all activity on the Internet is business oriented. Economic data can be accessed through the U.S. Census Bureau (<http://www.census.gov>). Some of the information on the Web is free, but many of these providers, such as Dun and Bradstreet, charge a fee for their services. The Web is still in its infancy as far as a full-service information provider is concerned. Industry ratios for comparative purposes are not now available on the Web and for many information searches, traditional sources still have to be used (Chipalkatti 7).

Organizational Structure

One of the most important decisions that organizers of a small business enterprise must make is selecting the type of legal structure for the business. In Missouri, the law allows for the following types of legal structures: a sole proprietorship, a general or limited partnership, a limited liability company (LLC), and a corporation (S corporation or C corporation).

A sole proprietorship is owned and operated by one person. It is the least costly way of starting a business. The owner assumes all risks and is entitled to all profits. The business debts of a sole proprietorship may be paid by confiscating the owner's personal assets (Missouri Dept. of Economic Development 19).

In a general partnership, the business is owned by two or more persons. Generally, the actions of one partner obligates all partners. This type of partnership can be formed by either an oral or written agreement. Each partner is one hundred percent responsible for the debts. All profits of the business are shared by the partners (19).

Under a limited partnership, the limited partners have limited personal liability, only their investment is at risk. However, the limited partners have no control over the business. The general partners in the limited partnership are fully liable for the partner-

ship debts and exercise full control over the business.

The limited liability company (LLC) type of legal organization was formed under the Missouri LLC Act in 1993. In a LLC, the members can exercise control over the business, but they are still protected from personal liability.

The corporation form of legal organization is usually the most expensive to organize. The debt liability for the owners of a corporation extends only to the amount of equity that they have invested in the business. They are, however, entitled to all the profits (Missouri Dept. of Economic Development 19-20). Control of a corporation is based on stock ownership. The owner holding the most shares of stock, usually at least fifty-one percent, has the authority to elect the board of directors. When big decisions are made, often sixty-seven percent of the vote of the stockholders is necessary.

Two types of corporations are the subchapter S corporation and the C corporation. A subchapter S corporation cannot have more than thirty-five individual stockholders and can have only one class of stock. All shareholders must be citizens or residents of the U.S. Also, in a subchapter S corporation, not more than eighty percent of the gross receipts can come from outside the U.S. (Missouri Small Business Develop. Centers, "Starting a New..." (8).

The corporation was created to eliminate problems associated with partnerships. Since the corporation is a separate legal entity, it protects its owners from liability and it is also an important tax reduction and planning tool (Missouri Small Business Development Centers, "Sole Proprietorship, Corporation..." 1).

Table 1 identifies the characteristics of various forms of organizational legal structure and their advantages and disadvantages.

Table 1

Various Forms of Legal Structures

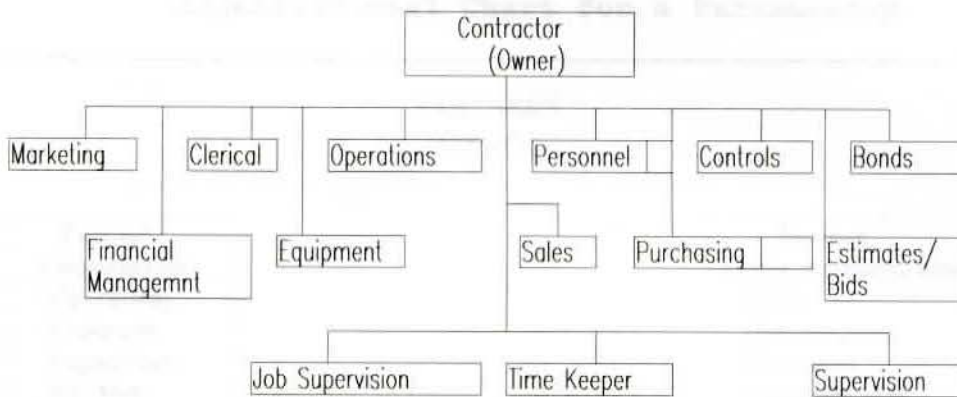
	PROPRIETORSHIP	PARTNERSHIP	CORPORATION (C or S)	L.L.C.
Best suited for:	*Single owner business where taxes or product liability are not a concern	*Business with partners where taxes or product liability are not a concern	*Single or multiple owners where owner(s) need(s) company funded fringe benefits and liability protection	*Single or multiple owners business where owner needs limited liability but wants to be taxed as a partnership
Type of Entity:	*Inseparable from owner	*Inseparable from owner but can have debt or property in own name	*Separate legal entity	*Separate legal entity
Main Advantages:	*Inexpensive to set up *Few administrative duties	*Inexpensive to set up *Few administrative duties	*Limited liability *Company paid fringe benefits (C Corp.) *Tax savings through income splitting (C) *Capital is easy to raise through sale of stock	*Limited liability *Pass-through entity *Unlimited number of owners *Capital is easy to raise through sale of interest
Main Disadvantages:	*Unlimited liability *No tax benefits *Business dissolves upon death of owner	*Unlimited liability, also liable for partner's acts *No tax benefits *Legally dissolves upon change or death of partner	*Can be costly to form *More administrative duties *S Corp. limited 35 stockholders	*Can be costly to form *More administrative duties
Taxes:	*Owner is responsible *File Schedule with Form 1040	*Partners are responsible *File Form 1065	*C Corp pays its own *S Corp passes through to owners *File Form 1120 *S Corp file 1120S	*Usually taxed as a partnership, but can be taxed as corp. in some states *Usually Form 1055

Source: Missouri Small Business Development Centers. "Sole Proprietorship, Partnership, Corporation, Limited Liability Co., Which is Right for Your?" SBDC News.

Organizational charts describe the needed business functions and the responsibilities of the owners and employees. Organization is essential for a construction firm to run efficiently. An organizational chart will change as the firm grows and work, responsibilities, and authority are delegated to new personnel (U.S. Small Business Admin., "Business Plan for..." 6-7). Figure 3 indicates what a one-man organizational chart may look like.

Figure 3

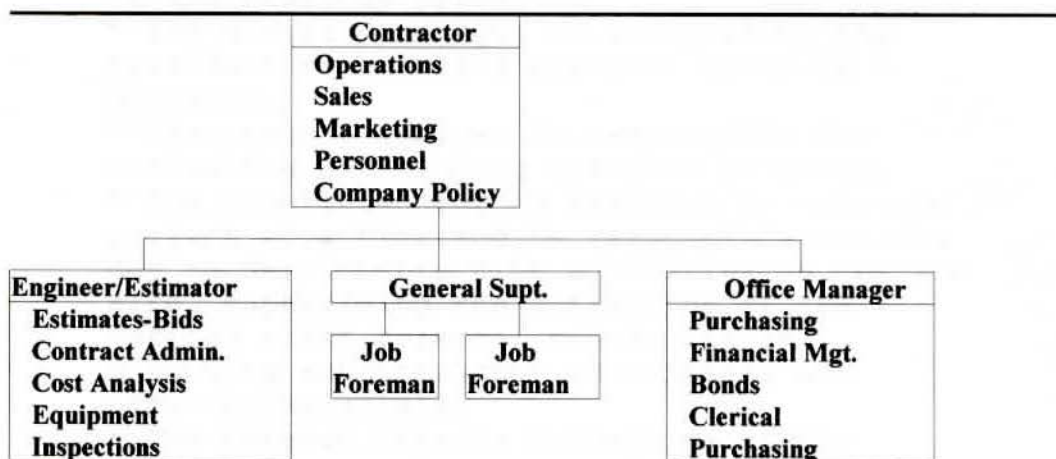
One-man Construction Firm Organizational Chart



Source: U.S. Small Business Administration. Business Plan for Small Construction Firms (1986).

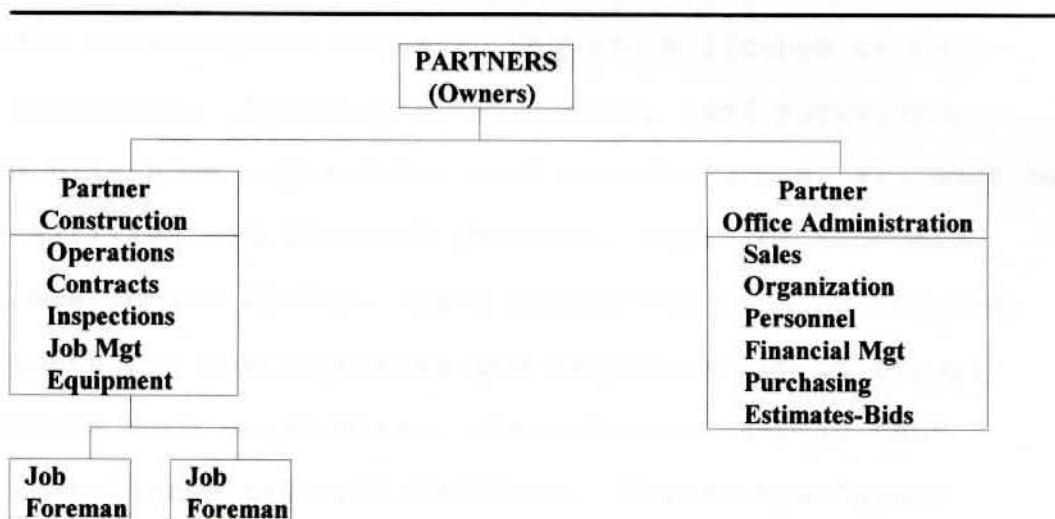
An organizational chart for an expanding construction firm that has added specialists, such as an engineer, a supervisor, and an office manager may resemble the one in Figure 4. A partnership organizational chart is represented in Figure 5.

Figure 4
Organizational Chart for a Growing Firm



Source: U.S. Small Business Administration. Business Plan for Small Construction Firms (1986).

Figure 5
Organizational Chart for a Partnership



Source: U.S. Small Business Administration. Business Plan for Small Construction Firms (1986).

In a general contracting company, some of the personnel and their job descriptions may be as follows:

* The president has overall responsibility for all the operations. This person signs contracts and in a corporation is responsible to the board of directors.

* The division manager is assigned by the president to handle a specific group of projects.

* The project manager is responsible for estimating and bidding specific projects.

* The superintendent is assigned to only one project at a time and is responsible for the day to day construction activities on the job site, supervising the activities of the various craft foremen, scheduling and directing subcontractor activities, and ordering materials.

* The foreman directs activities of the construction workers, prepares time cards and enters cost code numbers on time cards.

* Accounting receives and codes various requests involving payments after they have been approved by the project manager. (Eppes, Whiteman 8-10)

Many occupations in Missouri that are related to the construction industry require a license or certification. Architects, engineers, land surveyors, mobile home and modular unit manufacturers, all must be certified and licensed (Missouri Dept. of Economic Development 26-27). Each county has its own requirements for the licensing and certification of occupations such as plumbers, electricians, septic tank installers, and well drillers. The Benton County Health Department requires certification for septic tank installers and well drillers but carpenters, plumbers, and electricians do not require certification or special education requirements (Cadle).

Equipment and Facilities

The amount of equipment a construction company purchases or rents greatly affects its financial statements. While some construction companies may require very little equipment, others may have equipment costs of up to fifty percent of their direct cost of doing business. While there is much discussion about the decision to purchase or rent equipment, the more the expected usage, the more an argument can be made for purchasing equipment. However, purchasing expensive construction equipment usually has an undesirable effect on a construction company's balance sheet. Most companies make a downpayment on the equipment, then finance the rest with a note payable. The downpayment decreases the firm's cash which is offset by increasing its assets, but this classification of the asset and liability hurts the firm's financial statements. According to accounting principles, a current liability must be recognized on the balance sheet without offsetting a current asset. If the equipment liability is recognized and the equipment asset is not, the firm's current ratio will be decreased and financial institutions may negatively view the firm's financial position. Leasing the same equipment would have no adverse effect on the balance sheet (Adrain, Construction Accounting 144-145).

Some builders do all their own work such as excavating and require the use of heavy equipment. While, others prefer to subcontract specific jobs. In fact, most small contractors are not able to perform all phases of a project with their own equipment and manpower. Subcontracting specific jobs to trained craftsmen with their specialized equipment can be less costly and more efficient than trying to do the job with unskilled men and inferior tools (Zilly 21). Subcontracting greatly affects scheduling and the quality of construction. There are many benefits to be received from subcontracting. One benefit is that a person who performs a task daily is usually faster than someone who doesn't. Subcontracting eliminates the personnel problems of hiring, training, and firing. Subcontracting also delays the cash-flow expenditures for the completed work because of the time span between the work completion and the payment of the bill. And importantly, subcontracting reduces the need to purchase or rent expensive tools and machinery (Jahn 18-19). However, hiring the lowest bidding subcontractor often attracts companies that perform at low levels, reports Bart Jahn in Best Practices for Housing Construction. Poor performance by a subcontractor can result in a series of problems and mistakes, and this disruptive effect can result in much finger-pointing among the workers (17).

Financial Plan

It is important for a business owner to know what his business is worth and if he is making a profit. Two meaningful financial statements that must be completed to obtain this information are the income statement and the balance sheet. The difference between an income statement and a balance sheet is that an income statement shows a financial performance for a stated period of time, and the balance sheet shows a financial performance for a point in time (Lang and Decoursey 67).

The income statement reports not only the results of the firm's operations but also income or loss from all other sources. All costs and expenses must be reported on the income statement. A construction firm's income statement differs from other firms in content. Expenses may be less during one period than another. Period expenses are deducted from revenue in the period that they are incurred, regardless of their relationship to income (Mott 66).

The income statement is very important to investors and creditors because they are interested if a firm can support its debt load and still increase its wealth. The income statement reflects the performance of a firm (67). An industry example of an income statement is shown in Table 2.

Table 2
Income Statement

<i>Description</i>	<i>Amounts (In thousands)</i>
<i>Revenue (from contract billings and accruals)</i>	<i>100,400.00</i>
<i>Cost of Sales</i>	
<i>Project direct materials</i>	<i>20,000.00</i>
<i>Project direct labor</i>	<i>10,000.00</i>
<i>Project subcontracting</i>	<i>5,000.00</i>
<i>Project hauling</i>	<i>1,000.00</i>
<i>Project equipment use</i>	<i>1,000.00</i>
<i>Project direct overhead</i>	<i>2,000.00</i>
<i>Project allocated overhead</i>	<i>2,000.00</i>
 <i>Total Cost of Sales</i>	 <i>41,000.00</i>
 <i>Gross margin</i>	 <i>59,400.00</i>
<i>Period costs</i>	
<i>General and administrative overhead</i>	<i>9,400.00</i>
 <i>Net income before income taxes</i>	 <i>50,000.00</i>

Source: Construction Management Engineering. Charles H. Mott.

The balance sheet reveals the assets, liabilities, and the owner's net worth in a business at a given date. A basic equation in accounting shows that assets, minus liabilities, equals net worth. Construction firms often invest excess profits in real estate. While, not all real estate investments have proven profitable, investments in real estate still yield one of the highest and safest rates of return to

the investor. Investments in real estate often have a negative effect on a construction firm's financial statements. If a construction firm invested \$10,000 of its cash as equity in \$100,000 of rental property, with \$5,000 due in the coming year, a short-term liability is created without compensating with a short-term receivable. Potential income cannot be recognized on a properly prepared balance sheet. A real estate investment has a negative effect on the construction firm's current ratio and its working capital. The easy solution to this problem, according to Construction Accounting, is to set up a separate corporation or account that is outside the construction firm to handle real estate investments. This procedure will eliminate the problem of recognizing a short-term liability without a compensating short-term receivable (Adrian 144). The balance sheets in Tables 3 and 4, show the impact that a rental property investment would have on the current ratio and on the working capital. The balance sheet before the rental property investment (Table 4) reveals a current ratio of the company's assets to liabilities as two and the working capital as \$50,000. After investing in rental property, the current ratio dropped to 1.64 and the working capital was reduced to \$35,000. The negative impact of real estate investments will increase as the number of real estate investments increase.

Table 3

Balance Sheet Before Rental Property Investment

Cash	\$ 80,000	Accounts Payable	\$ 50,000
Accounts receivable	<u>20,000</u>	Total current liabilities	\$ 50,000
Total current assets	\$100,000	Long-term liabilities	<u>\$ 80,000</u>
Machinery	<u>50,000</u>	Total liabilities	130,000
		Net worth	<u>20,000</u>
Total assets	\$150,000	Total liabilities and net worth	\$150,000

$$\text{current ratio} = \frac{\text{current assets } \$100,000}{\text{current liabilities } \$ 50,000} = 2$$

$$\text{working capital} = \$100,000 - \$50,000 = \$50,000$$

Source: Construction Accounting. James J. Adrain (143).

Table 4

Balance Sheet After Rental Property Investment

Cash	\$ 70,000	Accounts payable	\$ 50,000
Accounts receivable	<u>20,000</u>	Note payable-current portion, rental property	<u>5,000</u>
Total current assets	\$ 90,000	Total current liabilities	\$ 55,000
Machinery	50,000	Long-term liabilities	80,000
Investment—rental property	<u>100,000</u>	Rental property	85,000
Total assets	\$240,000	Net worth	<u>20,000</u>
		Total liabilities and net worth	<u>\$240,000</u>

$$\text{current ratio} = \frac{\text{current assets } \$90,000}{\text{current liabilities } \$55,000} = 1.64$$

$$\text{working capital} = \$90,000 - \$55,000 = \$35,000$$

Source: Construction Accounting. James J. Adrain (143).

When seeking a loan for an existing business, financial institutions may require the prior three years' balance sheets and income statements. They may also want a current year to date income statement and a personal financial statement from anyone with at least a twenty percent ownership in the business. Financial projections are an important part of any business plan. Besides the balance sheet and the income statement, these projections include the cash flow statement, the projected income statement, and the estimated monthly cash flow statement (Missouri Dept. of Economic Development 10).

Construction Profit Management relates that "losses are a guaranteed result of not receiving full payment. Losses can also be a result of contracted risks that are realized...the result is the same - lost profit." (Brunotte 44)

In the construction industry, the project profit equation equals full payment. As shown in Table 5, the project profit equation shows that full payment is equal to break-even project payment plus change order payment plus contract payment. There is less profit when full payment is not received. An efficient risk management plan includes controlling risks with contracts, therein, minimizing profit loss and protecting full payment (45).

Table 5

Project Profit Equation

<p>PROFIT = FULL PAYMENT</p> <p>Project Profit = (Break-even Project Payment)</p> <p style="margin-left: 100px;">+</p> <p style="margin-left: 100px;">(Change Order Payment)</p> <p style="margin-left: 100px;">+</p> <p style="margin-left: 100px;">(Contract Payment)</p>

Source: Construction Profit Management. Leonard Brunotte (44).

Nicholas Siropolis likens a business venture to a baseball game and the business owner to the score-keeper. Accounting information is necessary for an entrepreneur to know where his business stands and in what direction it is going. Siropolis goes on to say, that the best accounting system generates reports, tax returns, and financial statements quickly. And, that a good accounting system ensures a high degree of accuracy and completeness, collects, and processes information at a low cost, and minimizes the incident of theft and fraud (256-258).

The amount of capital needed to begin a small construction firm varies with the type and volume of construction done. Things to consider in estimating starting and operating capital are the expected sales

volume, the annual expenses, and the amount of profit expected. There needs to be enough capital to sustain the business during the lean periods (U.S. Small Business Admin. "Business Plan for..." 8).

The ability of a construction firm to liquidate its current liabilities is measured with the working capital ratio. A construction firm cannot survive without adequate working capital to finance its inventories, payrolls and carry receivables.

The working capital ratio is simple to calculate. The total current assets are divided by the total current liabilities. The answer is the working capital ratio. A ratio of two to one would mean that there are two dollars of current assets for every one dollar of current liabilities. An acceptable working capital ratio for a construction firm is not easily defined. Charles Mott states, that "there is not a universally 'safe' ratio," that the working capital ratio of a construction firm should be compared to its historical ratio to identify a trend." (Mott 192)

Another ratio, the quick ratio, may be used to see how a firm can convert its liquid assets to pay its current liabilities. Again, no standard quick ratio exists in the construction industry (193).

Several companies publish ratios for construction firms. The data that is secured comes from numerous sized businesses resulting in variations in ratios from

one firm to the next. Comparing ratios of a large firm to one that is many times smaller is meaningless.

Table 6 identifies industrial ratios of construction firms of various sizes.

Table 6
Financial Ratios for Commercial Contractors

Under \$1MM	\$1MM & less than \$10MM	\$10MM & less than \$50MM	50mm & over	All sizes	RATIOS
1.7	1.4	1.2	1.2	1.4	Quick
1.2	1.2	1	1	1.2	
0.8	1	0.09	0.08	0.09	
0.2	1.6	1.5	1.4	1.6	Current
1.4	1.3	1.2	1.3	1.3	
0.9	1.2	1.1	1.1	1.1	
0.2	0.1	0.2	0.3	0.2	Fixed/Worth
0.4	0.3	0.3	0.4	0.3	
1	0.5	0.6	0.9	0.6	
0.7	1.1	1.4	1.5	1.1	Debt/Worth
1.8	2.1	2.4	2.1	2	
4.5	3.5	3.8	3.7	3.7	
11.9	9.1	8.1	15.2	9.4	Revenues/ Receivables
6.3	6.6	6.6	6.7	6.5	
4.2	4.8	5.2	5.8	4.8	
5.7	10	11.6	16	9.3	Revenues/ Working Capital
14.2	17.7	23.9	24.1	17.9	
-79.01	34.5	50.7	55.1	43.2	
3.3	6.2	6.8	7.7	5.7	Revenues/Worth
7.6	10	10.8	11	9.9	
17	15.6	16.8	17.4	16.2	
36.4	36.9	42.3	42.4	38.2	% Profit Bef. Taxes/ Worth
14	17.7	23.7	29.8	19.1	
-12.1	3.47	10.1	17.8	3.4	
15.6	11.5	10.4	14.2	12	% Profit Bef. Taxes/ Total Assets
2.8	5.3	7.3	10.7	5.5	
-8.4	0.8	2.9	5.1	0.6	
60583M	1027313M	1304410M	3923819M	6316125M	Contract Revenues
133535M	406029M	511766M	934366M	1985696M	Total Assets

Source: RMA Annual Statement Studies, Robert Morris Associates.
As cited in Construction Accounting by James J. Adrain.

Table 7 shows the relationship of cost and direct and indirect expenses as compared to sales.

Table 7

Percentage of Sales

Specialty Contractors, Annual Volume \$50,000 to \$200,000

Sales	100.00%
Cost of Sales	44.45
Gross Profit	55.55
CONTROLLABLE EXPENSES	
Outside Labor	1.15
Operating Supplies	2.34
Gross Wages	22.78
Repairs and Maintenance	0.59
Advertising	1.12
Car and Delivery	2.04
Bad Debts	0.03
Administrative and Legal	0.48
Miscellaneous Expenses	1.03
TOTAL CONTROLLABLE EXPENSES	31.56
FIXED EXPENSES	
Rent	1.41
Utilities	1.16
Insurance	0.85
Taxes and Licenses	0.1
Depreciation	1.65
TOTAL FIXED EXPENSES	6.18
TOTAL EXPENSES	37.74
NET PROFIT (Before income tax)	17.81

Source: Barometer of Small Business. As cited in Business Plan for Small Construction Firm by U.S. Small Business Administration.

In Barometer of Small Business, the Accounting Corporation of America listed some expense percentages of specialty contractors who had an annual gross volume of \$50,000 to \$200,000. These percentages of fixed and controllable expenses are only a sample, and the percentages vary from business to business (U.S. Small Business Admin., "Business Plan for..." 10).

Construction firms often differ in their classification of project costs. Certain factors determine direct and indirect costs. Whenever possible, the construction firm should classify costs as direct and charge them to the job.

Some direct costs of a construction firm may include project material, project labor, subcontracting costs, equipment charges, and truck hire. Project material is material used on one job. Project labor that is assigned to one project is defined as a direct cost. Subcontractor costs are also classified as direct. If the subcontractor's work is assigned to more than one project, the cost must be divided between the projects (Mott 136-137).

Equipment usage that can be identified with a certain project is classified as direct. If the hours of use cannot be traced to a certain job, the cost is classified as indirect.

Truck hire can usually be identified with a certain project, making it a direct cost. If the hauling

cannot be traced to a project and is of a general nature, then its cost would be charged to overhead and allocated to all the construction projects (137).

Overhead costs can be classified as fixed, as variable, or as semivariable. Variable overhead costs change when the level of activity of construction changes. Fixed costs do not change with the level of construction activity. Sometimes, fixed overhead is referred to as discretionary because these costs will only change at the discretion of the management. Overhead cost must be continuously analyzed (127).

Semivariable overhead costs are more difficult to classify and control than variable or fixed overhead. The information on semivariable overhead costs is often difficult to obtain, making it hard to separate and accurately report these costs. The most useful classification of semivariable costs is as fixed, discretionary overhead costs, because they will be examined regularly with other fixed costs and their importance will not be ignored (128). An example of semivariable overhead would be worker's compensation insurance. This insurance varies with the volume of labor. Fire insurance is a fixed or discretionary overhead cost because it will remain fixed regardless of volume. Payroll taxes are semivariable if they relate to construction labor, but are fixed overhead when they pertain to officers' salaries (Lucas 121).

Modern Construction Accounting Methods and Controls provides a table for classifying overhead costs as variable or fixed (Lucas 142). Table 8 is compiled by using an account's predominant characteristics of overhead costs and expenses. Certain assumptions have been made in classifying these costs and expenses as variable, fixed, or both.

Table 8

Classification of Variable and Fixed Overhead

<u>Account Number</u>		<u>Variable</u>	<u>Fixed</u>
601	Salaries-superintendents		X
602	Wages-shop and stockroom		X
603	Wages-truck drivers		X
604	Pension funds	X	
605	Truck expense and repairs	X	
606	Gas and oil	X	
607	Tool expense	X	
608	Depreciation-trucks		X
609	Depreciation-machinery and equipment		X
610	Maintenance/completed contract	X	
690	Miscellaneous	X	
710	F.I.C.A. tax	X	
711	State unemployment tax	X	
712	Federal unemployment tax	X	
713	Property tax		X
715	Pension plan		X
716	Utilities		X
720	Insurance	X	X
732	Depreciation-buildings		X
741	Building matinenance		X

Source: Modern Construction Accounting Methods and Controls.
Paul Lucas (1984).

There are various methods to allocate overhead. The method used depends mainly upon the type of construction activity. Sometimes, total construction costs are used by adding a constant percentage for construction overhead. This method is useful only if the total costs remain constant for each project. In most cases, direct labor is a good basis for allocating construction overhead (146).

The construction firm's ability to plan ahead and make needed adjustments depends on the financial information it receives. "Understanding the difference between profit and cash is critical in order to determine the correct available source of money and how it should best be used for growth and profit," is related in The Secrets of Successful Contracting. The "bookie accounting" system where one pocket is "his money" and the other pocket is "their money" won't work for the construction firm. "Cash is not profit." (Brunotte 178) There are many items than can directly effect the amount of money in the bank. Things that will increase the companies assets, such as buying more equipment, paying debts, and losing money on a project, will decrease the amount of money in the bank. "Cash is only the 'fuel' with which to accomplish growth and profit, and it is not equal to them." (178)

Devising a precise cash flow forecast for the construction business is difficult. Outside factors

determine the timing of receipts and disbursements (Lang and DeCoursey 175). Because it is customary for the construction firm to receive partial payments throughout the construction project and a retention of funds until the final acceptance, there is often a reduction in the construction firm's cash flow (Mott 207). Profit, alone, is usually inadequate to finance strong growth. An estimate of the inflow and outflow of cash is required by the construction firm to predict the need for the financing to meet its obligations. A construction firm that cannot predict its cash needs may end up paying additional borrowing costs on short term loans (Lucas 144).

A study was conducted to examine the cash management practices of small, fast-growing firms and stable firms. The findings in this study showed that all the small fast-growing firms used some type of cash forecasting method. Only sixty-five percent of the small stable firms used cash forecasting. Similiar methods were used to estimate minimum cash balances, but almost fifty percent of all firms had no method to calculate their cash balances (Brunell 54).

In preparing a cash flow forecast, it is important to remember that material and supplies are often purchased ahead of the project payment. An industry example of a cash flow projection is illustrated in Table 9.

Table 9

P.C. Inc.
Cash Flow Projection
Year Ending March 31, 199X

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Totals
Beginning Balance	40,000	40,000	92,200	88,590	40,000
Cash receipts					
Accounts receivable	962,800	1,188,000	976,800	818,400	3,976,000
Total cash available	1,002,800	1,228,000	1,069,000	906,900	3,986,000
Cash disbursements					
Accounts payable					
Materials	175,200	217,030	178,500	149,660	720,390
Subcontracts	237,300	295,500	243,000	203,540	979,340
Property tax	9,000		9,000		18,000
State income tax	800	2,300	2,800	1,000	6,900
Federal income tax	3,000	7,860	7,140		18,000
Debt payments	3,000	3,000	3,000	3,000	12,000
Other expenses					
Direct labor	276,330	296,060	217,100	197,360	986,850
General & admin. less property & state income taxes	191,700	180,200	164,800	184,900	721,600
Indirect costs	86,000	86,530	82,700	87,070	339,300
General costs	11,120	11,910	8,730	7,940	39,700
Small jobs repairs & material	16,570	17,760	13,020	11,850	59,200
Capital expenditures			65,400		65,400
Add back-depreciation	1,010,020 (14,790)	1,118,150 (14,780)	995,190 (14,780)	843,320 (17,650)	3,966,680 (62,000)
Total cash disbursements	995,230	1,103,370	980,410	825,670	3,904,680
Ending balance	87,570	124,630	88,590	81,320	81,320
Necessary borrowing	32,430	(32,430)			
Minimum balance	40,000	92,200	88,590	81,320	81,320

Source: Modern Construction Accounting by Paul Lucas.

The break-even point is reached when all fixed expenses have been paid. It is the point where the construction firm breaks-even. When the fixed expense is zero, a profit can be realized. The break-even

point is measured in both dollars and time. After the break-even point has been reached, every dollar received has only the variable costs such as, labor and materials, subtracted from it.

The break-even analysis is an evaluation that determines the profit or loss at a specific point in time, compared to known fixed expenses. The break-even analysis is an important factor in the profit equation. Contractors lose money by not controlling the profit equation (Brunotte 9). The equation (Table 10) for the break-even point is a simple one:

Table 10

Break-Even Point Equation

BREAK-EVEN POINT EQUATION

$$\text{Break-even} = \frac{\text{Fixed Costs \& Expenses}}{\text{Variable Profit Percent}}$$

Source: Modern Construction Accounting Methods. Paul Lucas 158.

Taxes play a very important role in most business decisions. No one form of legal organization provides the best tax advantages in all instances. Income tax rates for proprietorships and partnerships are progressive, the tax rate becomes higher as the tax bracket becomes higher. For corporations, there are three tax brackets (Steinhoff 142). The Missouri

corporate income tax rate is 6.25 percent of the net taxable income earned in Missouri. This tax rate is lower than most of the forty-six states that have a corporate income tax. Missouri's corporate tax law provides for fifty percent of the federal income tax payments to be deducted before figuring the corporation's taxable income (Missouri Dept. of Economic Development 59-60).

In proprietorships and partnerships, withdrawals of cash by the owners for salaries are considered withdrawals of capital for tax purposes. These withdrawals are charged to their capital account balances and may not be charged to the operating expenses of the business. Proprietors and partners pay income taxes on the profit shown on the income statement, regardless of the amount of withdrawals they make during the year. The firm does not pay income tax when the legal form of organization is proprietorship or partnership (Steinhoff 142-143).

With the corporation type of organization, the corporation is considered a person by law, and the corporation pays federal income taxes. Any salaries that the corporation pays to the firm's owners are charged as operating expenses of the corporation and the salaries are deducted before determining the net taxable income for the corporation. The owner of a

small corporation files a separate individual tax return on the salary that was received (143-144).

The Subchapter S corporation was created to give tax relief to small companies. This type of corporation may use the corporate form of legal organization and still be taxed as a partnership (Steinhoff 142-144).

Many states and subdivisions have income tax laws. Others have a special inventory tax, a personal property tax, and sales and use taxes. Some of these tax laws are very complex. A tax specialist should be enlisted to prepare tax returns for a construction firm (Mott 114-115).

There are several depreciation methods that a construction firm may use for its assets. One is the unit of production method. The estimated life of the equipment is expressed in total hours of life and a rate of depreciation per hour is computed. This method is the most useful for the construction firm because depreciation is recognized for each hour the equipment is used. The problem with this method is determining the depreciation of the equipment when it is idle. One solution for this problem would be to reduce the total hours of life on the equipment to compensate for idle time. Another method of depreciation is the straight line. The life of the equipment is estimated in total years. The problem with this method is that it may not

measure the true depreciation of the equipment. The straight line method is the one normally used for financial statements because it reduces revenue less than the other methods that show a higher net income. The accelerated method of depreciation is commonly used in income tax returns because it causes larger depreciation in the early years of the life of the equipment (Mott 104-105).

Insurance coverage is very important for the construction firm. Liability insurance is carried to protect against lawsuits in case of accidents and injuries to employees or visitors on the firm's property. Builders Risk Insurance is carried to protect the contractor against loss by fire or other hazards while the project is under construction (Merritt 29). Insurance coverage on the firm's vehicles must include liability insurance in case of loss to others from the vehicle's use and coverage for any injury that might be incurred (Mott 111).

Some construction companies provide medical insurance for its employees. Medical insurance premiums can be partially paid by the employee or be fully paid by the employer.

Worker's compensation insurance is required by most states. The insurance carrier bases its rates on the firm's experience. Because the construction firm has a higher risk of injury for its employees, worker's

compensation is usually costly (Mott 110-111). All businesses in Missouri with five or more employees, except agricultural or domestic labor, must provide worker's compensation. Private insurance carriers provide this insurance to companies or a company can become a self-insurer (Missouri Dept. of Economic Development 65).

Good human relations are essential in encouraging workers to do their best work. Employees expect their good work to be compensated with more pay. To keep talented employees, the pay scale must at least match that of the competitors (Siropolis 387).

Fringe benefits elevate the standard of living for employees and gives them a sense of security. Fringe benefits costs the average employer about thirty percent of their yearly payroll. The most important reason for fringe benefits is to attract and hold good employees. Benefits are considered a form of pay, and many employees have started looking at fringe benefits as a "right" rather than a "privilege". Some of the benefits may include paid vacation, medical insurance, retirement plans, and sick leave (387-388).

Marketing Plan

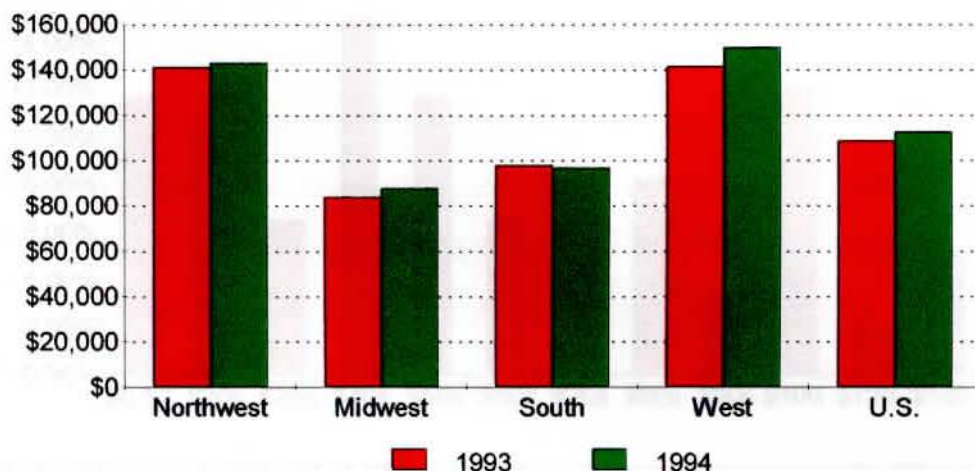
A market demand analysis involves four steps: identifying a market, identifying market factors,

estimating market potential, and estimating revenues.

Market segments are often identified by using demographic and geographic variables. These variables may include age, sex, income, and educational level (Stevens, Sherwood and Dunn 33-35).

Figure 6

MEDIAN SALES PRICE OF SINGLE-FAMILY HOMES BY REGION



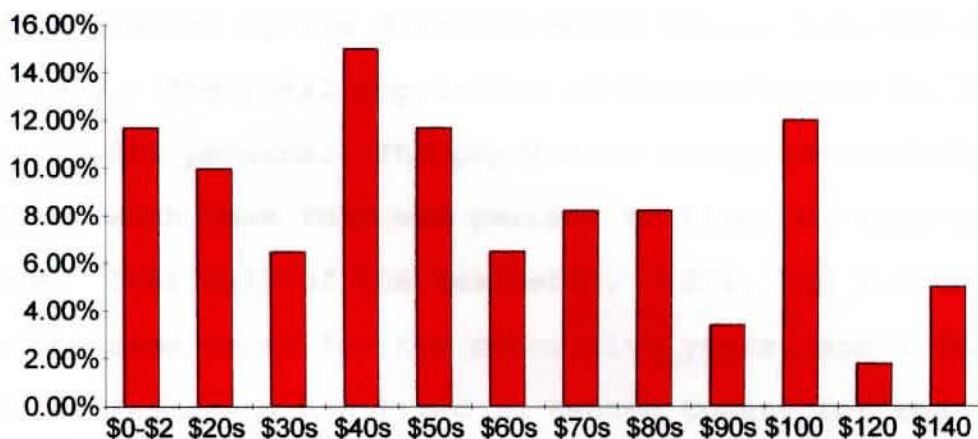
Source: National Association of Realtors. *Realtor News*. "Home Prices," Oct. 10, 1994.

The bar chart, Figure 6, identifies the buyer profile in the National Association of Realtors survey of homebuyers. This survey showed that the median price range for homes sold in the U.S. in 1993 was \$108,800 and in 1994 was \$112,500, an increase of 3.4 percent. The survey also revealed that the lowest priced homes were in the Midwest region ("Real Estate Activity..."). This contrasts with the U.S. Department

of Housing and Urban Development statistics that reported the median price range of houses sold in the U.S. in 1993 to be \$127,000 and in 1994 to be \$132,000 (U.S. Dept. of Commerce, "New One-Family..." 12).

Figure 7

**Prices of Homes Sold in Benton County
Jan. 1, 1996 thru July 31, 1996**



Source: Study by Golden Key Realty: Price of homes sold during first six month period of 1996.

Golden Key Realty did a study of sixty-one homes sold by their office in the first six months of 1996 in Benton County, Missouri. This study by Golden Key Realty showed that the median price for a single family dwelling sold in Benton County was \$54,700 (Golden Key Realty, "Benton County Homebuyers"). Figure 7 shows the results of the study conducted on the prices of homes sold in Benton County during the first half of 1996.

A survey of real estate brokers affiliated with Century 21, picked the top twenty-one residential real estate markets for vacation homes in the U.S. These markets were divided geographically into four regions. In the Midwest region, Lake of the Ozarks, Missouri, was one of the top four selected ("Real Estate Activity").

Information about the populace of Benton County was collected by the Missouri State Census Data Center in 1990. The total population of Benton County in 1990 was 13,859 persons. The population was predominately white, with less than one percent of black or minority race. Over half of the residents, 7,276, had resided in the same house for the prior five years, and 2,092 of the residents had lived in Benton County for the prior five years, but at a different residence. Of those residents that had moved to Benton County between 1985 and 1990, thirty-one had moved from the Northeast, 518 had moved from the Midwest, 205 had moved from the South, 444 hundred forty-four had moved from the West, and twenty had moved from a foreign country (U.S. Dept. of Commerce, "Census '90 1).

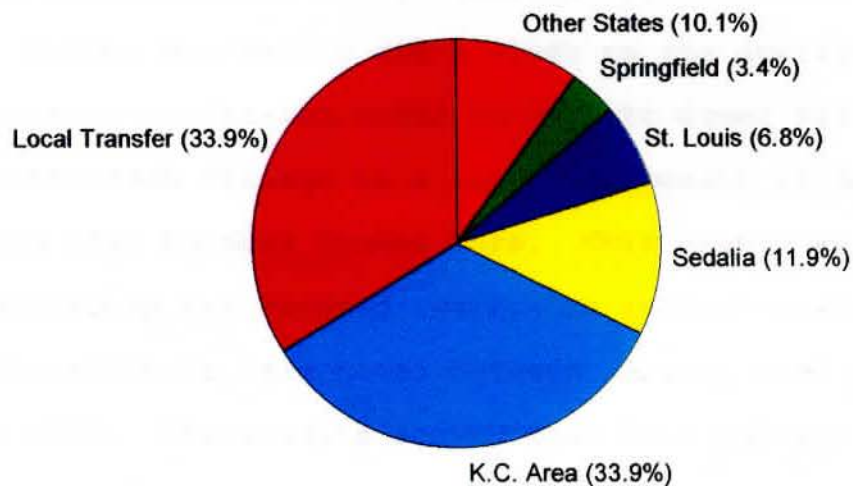
The educational attainment data in the census showed that of the respondents, eighteen years of age or older, a high school diploma was received by 4,245 residents and 1,631 had attended college, but had not graduated with a degree. The median household income

for the residents of Benton County in 1989 was \$16,925. The median family income in 1989 was \$19,946 (1).

A study of sixty-one residences sold by Golden Key Realty, showed that in the first six months of 1996, the majority of the homebuyers in Benton County were either from the Kansas City area or were local residents, relocating within the county (Golden Key Realty, "Benton County Homebuyers"). Figure 8 shows the breakdown of the study.

Figure 8

Homebuyers in Benton County - First half of 1996



Source: Golden Key Realty. "Benton County Homebuyers Study" Aug. 1996.

Ron Murphy reports in Today's Realtor that people in their fifties are seeking more lively housing. They want houses that are attractive and different from the

homes in which they raised their children. They want a big yard, good views, and friendly neighbors. While, they are willing to downsize their bedrooms, they still want a big kitchen, family room, and dining room (8).

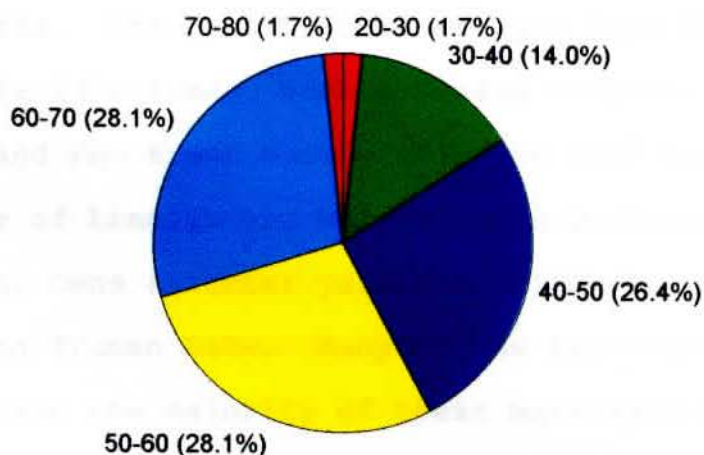
In 1996, single women purchased five percent of the nation's new homes and in certain markets they represented twenty percent of the homebuyers. Many builders believe that the national number is going to increase dramatically, because women have more buying power these days, divorce is on the increase, women are marrying later, and because it is becoming trendy. Single women are looking for new, attractive, small homes on small lots ("Four Reasons Why..." 53).

Golden Key Realty did a study on the average age of persons purchasing homes in Sterett Creek Village. Sterett Creek Village is a land development in Benton County that borders Truman Lake. This study was conducted on one hundred twenty-one residents who purchased their lake homes between January 1991 and June 1996. The results showed that 28.1 percent of the homebuyers were in the fifty to sixty age group, 28.1 percent were in the sixty to seventy age group, 26.4 percent were in the forty to fifty age group, fourteen percent were thirty to forty years old, 1.7 were twenty to thirty years old, and 1.7 were seventy to eighty years old (Golden Key Realty, "Sterett Creek Village").

Figure 9 represents the ages the homebuyers in Sterett Creek Village.

Figure 9

**Age of Homebuyers in Sterett Creek Village
Jan. 1991 thru June 1996**



Source: Golden Key Realty. "Sterett Creek Village Study: Average Age of Homebuyers" Aug. 1996.

William A. Maddox, Jr., believes that in spec home building, location, what to build, and when to build are the key subjects in the market study. He goes on to say, that doing a market study does not have to be expensive or difficult, that using data and common sense can produce a reliable market study (11-12).

Some of the best marketing sources of information are real estate agents, the multiple listing service, and other builders. Competition in spec home building is minimal because the market is so large that one

house is not a threat to another builder. In fact, it is suggested in Profits in Building Spec Homes that a spec builder discuss his research with his competition to collect information about opportunities and warning signals (Maddox 18).

Competition for other builders in Benton County is very amiable. The quality builders are kept busy and have little idle time. Some of these builders such as Bob Lear and Ken Brown build their own spec homes in the cities of Lincoln and Warsaw. One builder, Eichler Properties, owns a lumber yard and builds homes overlooking Truman Lake. Many of the builders in the area purchase the majority of their materials from Eichler Lumber, making the competition friendly and very minimal.

The product for these builders is residential wood-frame homes on a lot. Some of these builders are currently building seven to eight homes a year. These homes may range in size from 900 square feet to 3,500 square feet. The price of these homes with lots have varied from \$70,000 to \$240,000. Individual lots are valued between nine thousand dollars to twenty-five thousand dollars.

One major factor in marketing and in the preservation of homes is the location or the neighborhood. There are several phases in the life cycle of neighborhoods. The neighborhood grows the most rapidly in

the first stage. In this phase, buyers are attracted to the neighborhood's newness and the home prices increase. The second stage is when the home prices reach a more stable state. This phase of stability may last up to fifty years. Eventually, the neighborhood begins to decline as newer areas in the community are developed and are more attractive to the consumers. Older neighborhoods are sometimes rejuvenated. When this happens, a change in the desirability and marketability of the neighborhood takes place. The renewal of an old neighborhood causes the life cycle of the neighborhood to start again, and the periods of stability and decline will eventually occur in time (Harrison 6-7).

"Using price per square foot in evaluating new home prices is comparable to using price per pound to evaluate meat. One needs to know the cut and the grade in order to equate." This statement about square-foot costs of new homes was made by Joseph Catanzariti in the Fort Myers News-Press (4E). Catanzariti says that the answer to the classic question, "How much per square foot?", is an insignificant standard. One consideration that needs to be addressed, is the area that is being measured. Is that area, the square footage of the air-conditioned space, square footage of the square feet under the roof, or the total square footage of all improved space including the pool and

the deck? Builder's sales materials and brochures are not accurate sources of measurements. Catanzariti says, that if an architect and two builders were given the same set of plans, that they would come up with three different square foot measurements. Initial price quotes are usually lower than the actual price when completed. This difference is the result of changes that are made once the project is under way. Most builders have base price allowances for items such as electrical fixtures, carpeting, and cabinetry. Many homebuyers have not made all the selections for their home before the building is started, and have no idea what some of these items may cost. Any changes made once the project is underway will cost more than the preplanned cost for identical work (Catanzariti 4E).

Many times, spec homes are sold long before they are completed. If they are not, then it is recommended to let a professional real estate agent handle the sale. Good agents can supply important information concerning housing prices and current trends in the marketplace. They are also skillful at finding qualified buyers and arranging financing. The real estate agent should be a member of the local real estate board and have access to the multiple listing service. Real estate agents normally charge the seller between five to eight percent commission on the sale of real estate. To compensate for this commission the

seller needs to adjust his asking price (Maddox 198-200).

New and improved technology has expanded the geographic market area for real estate salespeople. Because of the merger of MLSs and the information that is available through computer systems, agents no longer have to leave their offices to obtain information about properties in communities outside their immediate market area (Goddard 8).

The Missouri Association of Realtors have a website on the Internet. All members of the MAR have a free web page for personal promotion, and all agencies have a free web page to promote their services. The Missouri Living Network (MOLN) is the name of the website and its address is <http://mo.living.net>. MOLN features property ads and rental information for resorts and luxury homes. It also provides information about communities and essential information on buying and selling property in Missouri ("Missouri Realtor on..." 2).

Daniel Burrus, author and CEO of a research and consulting firm, believes that "time is becoming a currency that's almost as important as money," and technology can buy or give more time. He advises that having a Web presence is going to be essential. By putting a listing on the Web, the customer is not robbed of his time. He concludes, that the Web will be

very powerful in home selling because there will be only two Internets by the end of 1997. There will be the current, low speed Internet and a cable modem high speed Internet. Instead of surfing on the Web, powerful search engines will quickly supply desired information. He predicts, that in the near future, there will be video walk-throughs of properties available on the Web. This technology will give valuable time back to the consumer (Umlauf-Garneau, "Technology Expert Predicts" 26-27).

Greg Herder, a partner in a real estate marketing company says, "Practitioners, who look beyond the novelty of the Internet, will find limitless ways to market their business, sell their product, and service their customers and clients" (Liparulo 46).

The goal of most builders is to build reasonably priced, quality homes for a profit. This goal includes spending less time on paperwork, providing simplified home specifications for salespeople, developing an effective marketing plan, and accurately estimating a project's cost.

Respondents in NAR's "Recruiting and Retaining the Best" survey revealed that the most effective advertising method was word of mouth. Sixty-six percent of those surveyed chose word of mouth over other advertising methods. For sale signs received twenty-one percent vote, farming newsletters received fifteen

percent, homes sales magazines received fourteen percent, newspaper classifieds received ten percent, and open houses received nine percent support (Staimer 45).

Most of the homes in the Benton County area are sold either through word of mouth or by real estate agents. Some of the local real estate agencies periodically produce booklets that advertise the availability of new homes. The Benton County Real Estate Guide is a monthly brochure designed by the Benton County Board of Realtors promoting the listings of the agencies who are members of the Multiple Listing Service.

Many real estate offices franchise to expand their market area. In an opinion poll by the National Association of Realtors, thirty-four percent of the nearly two hundred respondents, supported the idea that franchising helped the real estate industry, and sixty-six percent thought franchising hurt the industry ("Dec. Poll Results" 11).

Many companies produce newsletters for the real estate industry. These newsletters often have a customized front page and property listings so that they are not identical to those of other agencies. Many times, a person in the real estate office can produce an attractive newsletter on their computer ("Selling and Marketing" 47). Software designed to create newsletters is available. The NewsletterWrite

is a software package that has eight topic areas with information on items such as financial tips, home design, and home selling advice. Articles can be edited to appeal to the prospect's interests and needs ("New Products" 79).

Technology is playing a big role in today's business environment. This office technology includes computers, calculators, fax machines, laser printers, pagers, copy machines, beepers, electronic memory typewriters, and personal digital assistants. Studies have shown, that real estate salespeople who regularly use eight or more of these devices, earn \$47,200 more than the salesperson who uses four to seven devices, and \$74,200 more than the salesperson who used three or fewer devices ("Technology's a Partner..." 52). There are various software programs that have been developed to provide help in cost estimation for the construction firm. These programs save time, are flexible, and eliminate errors in price book building.

Douglas Bartholomew warns business owners about changing economic conditions and market fluctuations. He says that, "Without adequate margins, your firm's financial health will be anemic. Even a slight fall-off in sales may send it into the red." (8) While, present home sales have been steady for builders in Benton County, there are many outside factors that could result in a sluggish housing market. Having a

good business plan, knowing future cash needs, and having a dependable marketing plan are safeguards that are important for survival.

Chapter III
METHODS AND EVALUATION

Materials

This culminating project is an applied learning study that investigates the design and implementation of a business plan (Appendix A) for Ozark Builders, a small construction firm, located in Warsaw, Missouri.

Ozark Builders believes that a good business plan is essential for any company to succeed, whether it is a new one or one that has been in existence for a number of years. A business plan for Ozark Builders will increase the skill of the contractor and guide him through daily business activities. The business plan conveys important information to those persons who need to know about the company's goals and operations. The financial information helps to establish planning guidelines for borrowing money.

Systematically revising this business plan will help Ozark Builders to recognize changes that occur within the industry, the market, and with the consumer.

The first part of the business plan is an introduction that describes Ozark Builders, its type of

legal organization, its product, the location of its office, and a brief description of its officers and their duties.

A page is designated as the Table of Contents to make location of information easier for the reader. The main topics of investigation are an executive summary, a market analysis, a product analysis, a section including financial information, and an appendix that illustrates the product.

An executive summary section contains the objectives of Ozark Builders and the goals it hopes to achieve. Ozark Builders' present stage of development is discussed, outlining the construction of homes at the various building sites, and the differences seen in the types of homes and locations. Future plans for Ozark Builders are defined, including its future involvement with L&F, L.L.C., a limited liability company, whose members are also the officers in Ozark Builders.

Under the title, Management Team, a brief history explaining Ozark Builders' relationship to Beaman's Ozark Industries, Inc. and to Golden Key Realty is explained. The type of organizational structure is shown. The personal histories of both of the principles in Ozark Builders are included, showing their business experience and personal achievements. The business plan determines personnel requirements,

such as subcontractors and crew, for Ozark Builders, and the duties of these groups are examined.

In the section titled, Market Analysis, Ozark Builders reviews its market area in Benton County, Missouri, and identifies trends of potential customers. Demographics such as ages of homebuyers are studied, along with the former residences of recent homebuyers in Benton County. The median price of homes sold in the U.S. is compared to the median price of homes sold by Golden Key Realty and by Ozark Builders.

Competition for Ozark Builders was examined, identifying its competitors and assessing their strengths and weaknesses. Personal relationships among the competitors are discussed. The strengths of Ozark Builders are summarized and its office location discussed.

In the Marketing Strategy section, Golden Key Realty's association with Ozark Builders is related. Golden Key Realty's current advertising procedures, as well as future ones are discussed. A sales device, a home specifications booklet aimed at simplifying pricing, is previewed.

The Product Analysis identifies the product of Ozark Builders. The product description includes the range of pricing of homes and lots, and the range of square footage of homes. An insight into the future plans of L&F, L.L.C. is mentioned, and their relation-

ship to Ozark Builders is defined. The method for pricing of homes is described in this section along with upgrade information.

An overview of the financial management of the company is developed, providing essential financial information. An income statement reflecting the firm's financial position for the prior year was constructed. And, a current balance sheet revealing the assets, liabilities, and net worth of the firm was developed. The current ratio for Ozark Builders was calculated and the working capital was determined. A cash flow forecast is included in this section to determine the future cash needs of Ozark Builders and its borrowing requirements.

Subjects

Two evaluators examined the proposed business plan for Ozark Builders. One of the evaluators, Mr. Ralph Stonebraker, is from Camdenton, Missouri. He is a member of the Service Corps of Retired Executives (SCORE). SCORE counselors are experienced business professionals, who provide free one-on-one counseling. Their services include business plan preparation, financing, record keeping, and problem solving. Stonebraker has been retired for eleven years as vice-president of a core-box company, where he controlled

four plants. During his tenure as a service counselor for SCORE, he has taught several workshops for business owners, and has developed a business diskette.

Another evaluator, Betty Lorton, is a business and industry specialist serving a multi-county region. Lorton has her office in Sedalia, Missouri. She received her Doctorate from the University of Arkansas, and taught business courses at SMSU for ten years. She owned her own business for seven years and was a business and financial counselor for six years. Some of the services she has supplied through the University Extension Center have included giving workshops on business plan preparation.

Instrument

A project evaluation is important for the successful implementation of the various components in a business plan. There is a need for a double, and sometimes triple, viewpoint of a project because of the emphasis various evaluators place on specific areas. The instrument (Appendix B) used in this study is a self-designed questionnaire. This questionnaire provided the evaluators with some open-ended questions. Open-ended response questions were chosen because they are more beneficial in extracting uninhibited replies. The questionnaire was divided into sections that

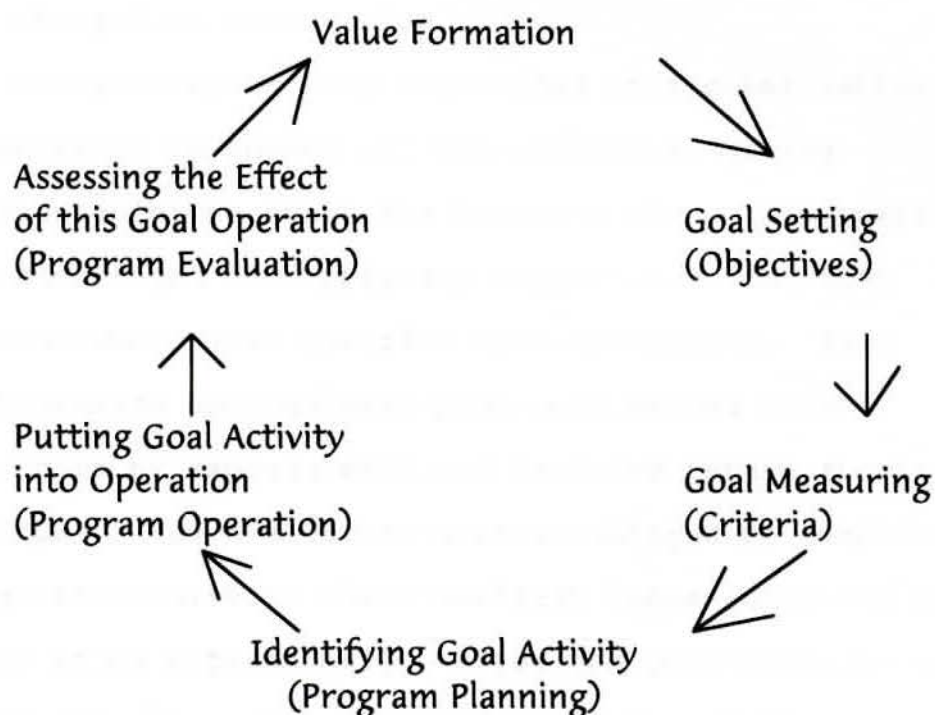
corresponded to the sections in the business plan. This division was done to make the questionnaire more readable, and because it was believed that this type of sequence of the questions would improve the results. The evaluators provided suggestions for improvement of the plan in areas that had not been explored.

Procedure

The evaluation process shown in Figure 10 is a circular one.

Figure 10

EVALUATION PROCESS



Source: Handbook of Research Design and Social Measurement.

Edward Suchman has written, "It may be helpful to visualize the evaluation process as a circular one, stemming from and returning to the formation of value" (Miller 86). For Ozark Builders, the "value formation" was a value such as; it is good to have a successful business. A "goal setting" objective was for Ozark Builders to have a profitable business. The "goal measuring" criteria was a market study. The business plan was the "identifying goal activity." "Program operation" was actually putting the business plan into action. "Program evaluation" was the assessment of the program and the objectives. And, the last step in the evaluation process was returning to the "value formation", which may have remained the same or may have changed to a new value.

The evaluators were instructed in a cover letter (Appendix C) to answer all the questions, giving unbiased opinions about the business plan. They were also encouraged to supply any suggestions that they believed would make the plan more successful. This questionnaire and business plan were mailed to the evaluators by express mail and included return stamped envelopes. The evaluators were encouraged to complete the questionnaire at their earliest convenience and to return it by express mail. After the questionnaire was returned by the evaluators and studied, a follow-up interview by telephone was conducted. A courtesy

letter, thanking the evaluators for their time and effort, followed after the questionnaire and interview had taken place.

Chapter IV

RESULTS

The results stage of any research project is a very crucial step because the results must be properly understood to make the project successful. Finding evaluators who have expertise and have a desire to help with the project is essential. The evaluators for the business plan for Ozark Builders were Betty Lorton, a Business and Industry Specialist for the University of Missouri Outreach/Extension, and Ralph Stonebraker, a Service Corps of Retired Executives counselor. The instrument that was used in the evaluation of this business plan was a questionnaire.

Lorton returned her critique of the business plan with many remarks and recommendations. She elected, however, to use a separate sheet of paper for her evaluation instead of answering directly in the spaces allowed on the questionnaire. Throughout the business plan, she penciled in notes, making comments and suggesting areas of improvement. Stonebraker followed the procedures outlined on the questionnaire, answering all the questions.

Both evaluators agreed that the overall physical

design of the plan was good. Stonebraker suggested that if a color printer was available, that a cover page in color with some clip-art would be attractive.

The Introduction section, Lorton said, gave preview and credibility to the business venture, but she found some reader confusion in how the businesses, Beaman's Ozark Industries and L&F, L.L.C., were connected. She said, that she finally figured it out, but thought that the Introduction should supply names and legal structures to avoid reader confusion later in the document. Stonebraker agreed, saying that identifying the business relationship would also define how control of the project, lot sales, quality of the building, etc., would be controlled.

They both agreed that a Table of Contents needed to remain in the business plan to help the reader locate various sections pertinent to their interest, and to give a more orderly and professional appearance to the plan. They disagreed on the importance of a List of Tables, Lorton saying, that the List of Tables helps the reader quickly locate sections, and Stonebraker saying, that the financial statements are already listed in the Table of Contents and that the figures are part of area information and do not need to be separated into the List of Tables.

Lorton believed that the Executive Summary section should be brief. She reported, that this is the most

important section of the business plan, and that this section needs to "rapidly capture the reader's attention and needs to be concise." She also believed that other real estate, that the officers of Ozark Builders have developed, should be identified, and that the location of Ozark Builders should be mentioned in this section. The objectives of Ozark Builders was defined "loud and clear" reports Stonebraker. He also stated, that "by building sub-divisions on land that part of the organization owns; using your real estate company to sell them; what better way to control quality?"

Under Present Stage of Development, Lorton thought that the price ranges of the homes should be mentioned. Stonebraker thought that the number of lots in each sub-division could be listed, including information on the number of lots sold and which lots had homes built on them. While Lorton did not comment on the adequacies of the personal histories of the principals of Ozark Builders, Stonebraker said that the described positions in building and the background of the principal officers was adequate. In improving the Executive Summary section, Lorton suggested using summary section as a template for expounding in the business plan. Some of the other summary sections she suggested were: market, competition, risk/opportunity, financial plan, sales summary, and balance sheet

summary. Stonebraker suggested that the purpose of the business plan could be indicated such as, "to borrow money, a tool to manage business, a narrative of business information."

In the Market Analysis section, Lorton found Figures 1 and 2 concerning homebuyers in Benton County and the age of homebuyers in Sterett Creek Village to be "excellent and interesting." She believed Golden Shores needed to be identified more fully. She wondered if the growth in modular homes could be used as a competitive trend. The paragraph on the strengths of Ozark Builders got the approval of Lorton, as she penciled in an underlined, "yes." Stonebraker also approved of Charts 1 and 2, saying that they helped greatly to emphasize points and that charts are easier to read than text. He believed that the competition for Ozark Builders was adequately identified in the belief that the customers of Ozark Builders prefer rural settings. He suggested that Ozark Builders could expand its area and comment on the style of homes other builders are erecting and selling. Lorton suggesting tapping the Kansas City market harder and supplied a name of a marketing specialist who could supply information in finding the right clientele and ways to reach them.

In Marketing Strategy, Lorton thought that it should be shown how the twelve page booklet, that

Golden Key Realty periodically produces, is distributed. She thought the other advertising methods were good, and the plans to devise a web page on the Internet was great. She questioned if there would be model homes to show, and thought census and survey data could be added to the appendix.

When questioned about the importance of showing Golden Key Realty's role in marketing of the product, both evaluators agreed that Golden Key Realty's role should be shown. Lorton said that Golden Key Realty's role in the marketing position is critical.

Stonebraker thought it was good to have a specialized company doing the selling, that often builders are not able to do their own selling. He went on to say that, "it is important to note an experienced, capable real estate company is doing marketing." He thought that the business plan fully covered the marketing strategy section, but suggested linking up to the Lake of the Ozark's Internet web page.

In the Product Analysis section, Lorton thought that the square footage and price range of the homes should have been placed in the Executive Summary section. Again, in this section, Lorton believed that L&F, L.L.C.'s tie-in with Ozark Builders should be identified. Lorton also believed that the statement, that all the homes have been sold before completion, needed to be included in the Executive Summary section.

Lorton would like to see other pricing methods described, because she said that pricing is a big issue. Stonebraker, said that if Ozark Builders were willing to disclose how its cost and selling price were calculated, that this information could be included in this section.

In the Financial Information section, Lorton wanted L&F,L.L.C. to be identified as the same owners of Ozark Builders, otherwise she thought that the financial information "looked good." Both evaluators noted the erroneous omission of net worth on the balance sheet. Stonebraker wondered if lenders might require more detail on the financial statements such as, a more detailed description of expenses on the income statement.

Lorton found the appendices to be good, saying that "a picture is worth a thousand words." She had suggested that more appendices could be added where they were appropriate. Stonebraker said that the appendices "look great." He liked the form, the basis for pricing, and "the indication of the scope of work done in building homes."

In summary, Lorton stated, that Ozark Builders' business plan is "a good plan that can refined into a marketing tool and/or loan package request for future capital needs." Stonebraker thought the business plan was "very good." He suggested improvement in the

financial data by explaining how the revenue was projected and a more detail description of expenses. He also suggested notes to the financial statement explaining projections. He thought that current data about real estate sales that were produced by both the Lake of the Ozarks Real Estate Board and the Benton County Real Estate Board concerning the number of homes sold and the dollar average price, as compared to previous years, would be helpful.

In conclusion, Stonebraker suggested contacting him after reading the comments, so that the comments could be discussed, and Lorton wrote that she was impressed with the venture and the fact that Ozark Builders was anticipating and planning for the future.

Chapter V
DISCUSSION

Summary

Ozark Builders was fortunate to have Ralph W. Stonebraker and V. Betty Lorton as evaluators of their business plan. These two individuals showed not only an interest in the physical format of the business plan but also showed an interest in the success of the business venture.

Many of the comments and suggestions of the evaluators in critiquing the business plan were similar. Stonebraker said that he thought the plan was well done and pleasing in appearance. Lorton commented that the plan was a good one and could be useful as a marketing tool or as a loan package request.

Stonebraker suggested using color for the cover page and some clip art. The cover page was changed to blue, but Ozark Builders does not have a logo, and the clip art they have available on their computer is not appropriate for their business plan. Lorton did not have any suggestions for the physical appearance of the plan. Her comment was that the physical design was

appealing. They both agreed that the Introduction section supplied adequate information. Stonebraker had no suggestions as to how it could be improved. He said that it helped identify the corporate relationships and how the business was controlled. Lorton thought the Introduction gave credibility to the business venture but thought that names and legal structures of the lands that the officers of Ozark Builders have developed should be supplied to avoid reader confusion. Ozark Builders believes that identifying the names and legal structures of these lands would only be more confusing to the reader. Ozark Builders believes that their legal structure is adequately explained in the Introduction, and by stating that L&F, L.L.C. owns the Golden Shores development, 40 acres adjacent to Sterett Creek Village, and Beachwood Estates, and that BEA-land, L.L.C. owns land in CedarGate, Tebo Point, and various other lakefront lots, and that SCV Land Corp. owns land in Sterett Creek Village, would serve no purpose other than to cause doubt in the reader's mind.

Both evaluators agreed that a Table of Contents is necessary by making it easier for the reader to locate various parts of the business plan, they disagreed, however, on the importance of the List of Tables. Stonebraker thought the List of Tables had already been identified in the Table of Contents. Lorton thought that the List of Tables would help the reader and that

it gave a professional appearance. Ozark Builders elected to keep the List of Tables in their business plan.

The Executive Summary section was one of the sections that Lorton gave the most attention. She said that this section was most important, and that it should be abbreviated and concise. Throughout the business plan, she made notations of things that she believed needed to be included in the Executive Summary section. She thought that the percentage and the former residences of retirees relocating in Benton County should be included in this section. This information was included in the Market Analysis section. She thought that L&F, L.L.C.'s tie-in with Ozark Builders should be explained in the Executive Summary. Stonebraker said he would like any other divisions of Beaman's Ozark Industries, Inc. to be further defined, with the owners listed. The paragraph under Management Team, that explains the divisions of Beaman's Ozark Builders, was moved to the first part of the Executive Summary to try to eliminate reader confusion. Lorton wanted the location of Ozark Builders to be included in the Executive Summary. She also wanted the square footage and price range of homes, and the fact that all the homes have been sold before completion to be included in the Executive Summary. This information was included in this

section, however, Ozark Builders believes that this information also needs to remain in the Product Analysis section. She also suggested a short summary on the capital required for future development to be included in this section. This information is not available because future plans are indefinite. At Stonebraker's suggestion, the purpose of the business plan was included in the Executive Summary. He suggested listing the number of lots in each subdivision, the number of lots sold, and the number with homes on them, Ozark Builders agrees that this material is very informative and believes that this information will be most effective if shown in the appendix. Stonebraker found that the personal histories of the principals to be adequate. Lorton, however, did not comment on the personal histories. Difficulty arose in revising the Executive Summary section because Lorton had commented that it needed to be abbreviated. Lorton, however, kept suggesting that more information needed to be added to this section. Attempts to shorten this section were difficult because the Management Team was the only part where very much text could be eliminated, and Lorton had made no comment about this part.

Stonebraker thought that the Market Analysis section satisfactorily identified the market area and that the studies were relevant to Ozark Builders.

Lorton, also, liked the Market Analysis and suggested adding census data to the appendix. This data was added to the appendix. She wondered about the growth in modular homes as a competitive trend. This information was not included because modular homes are not allowed in these developments and are not considered competition. Both evaluators thought that Figures 1 and 2 helped to emphasize the points in this section. Stonebraker thought the competition and strengths of Ozark Builders was adequately identified because of Ozark Builders' belief that its customers prefer rural settings. Lorton wondered about the competition in Golden Shores, about model homes, and she wanted the distribution of the booklet produced by Golden Key Realty be shown. This information was included in the revised business plan. Both Stonebraker and Lorton thought that Golden Key Realty's role in the marketing of the product was important. Critical, was the word Lorton used. She had some reader confusion in figuring out how Golden Key Realty and Ozark Builders were connected. This relationship was pointed out again in this section. Stonebraker suggested that the Marketing Analysis section could be improved by commenting on the style and type of homes other builders are erecting and selling. This information about building styles was supplied. He also said, that Ozark Builders might

consider linking up to the Lake of the Ozarks' web page.

In the Product Analysis section, the same problem with identifying the relationship between Ozark Builders and L&F,L.L.C. exists. After reviewing their business plan, Ozark Builders realized that the statement, "L&F,L.L.C. owns eight parcels of land" should be changed to, "the principals in Ozark Builders own eight parcels of land." Stonebraker said that the relationship between L&F,L.L.C. should be restated as shown in the Executive Summary, and that it should be shown how many lots have been developed by each company. Showing the relationship between the two entities presents no problem. However, the proposal about showing the number of lots developed by each, just magnifies the confusion that this relationship has presented. Ozark Builders does not develop land, they build homes.

Lorton and Stonebraker said they would like see a more specific way of arriving at a cost and a selling price. Stonebraker suggested that Ozark Builders might be reluctant to disclose that information. Ozark Builders are not reluctant to disclose this information, but most builders will concede that there is no magic rule of thumb for estimating building costs. Later in the questionnaire, Stonebraker wrote that Appendix A, that deals with home specifications and

procedures, was "great" and formed a good basis for pricing. However, additional information was added to the Product Analysis section, addressing pricing decisions.

In the Financial Information section, Lorton questioned L&F,L.L.C.'s ownership. In this section, L&F,L.L.C.'s name was replaced by "the officers in Ozark Builders." This designation should have been initially made. The balance sheet was redone to show the net worth, which was erroneously omitted. Stonebraker thought the income statement needed to be more detailed, but thought the cash flow projection was fine. He, however, suggested that a schedule of the number of homes and selling price could be included in the one year revenue projection. At Stonebraker's suggestion, notes to the financial statement explaining the projections was added, and the income statement was revised in the business plan. Lorton noted that salaries for the owners were not included in the cash flow projection. The reason for this omission is that the principals in Ozark Builders do not receive salaries from Ozark Builders. She also questioned the \$74,000 liability shown on the balance sheet. This liability was itemized on the balance sheet.

The Missouri Department of Economic Development in their booklet, Starting a New Business in Missouri stated that a business plan makes an owner take a

critical, objective look at their business (7). This statement is especially true in Ozark Builders' situation, where different businesses are intertwined. Money is often transferred, by means of short-term notes, from one entity to another, and profits are often reinvested in the company. A checkbook balance is not a reliable measure of success. It is difficult to separate the different operations and to take an object look at them without having pertinent information compiled into a business plan for each business. A business plan shows the weak links in an operation. Many times, the officers in Ozark Builders wondered if all the time and stress involved with building homes was worth the effort. This business plan for Ozark Builders has clarified the true purpose for Ozark Builders' existence. That objective is to profit financially by selling quality homes on the lots its officers own. This plan also caused Ozark Builders to investigate other marketing strategies and to make projections concerning the future.

Limitations

One of the first problems encountered when beginning this project was the collection of the data. Much of the data collected was very informative but proved to be useless for this project. Many library

visits were made during the investigation of a business plan for Ozark Builders. The local public libraries had little information on business plans or on the construction industry. What information they had was not current nor were construction periodicals available. Ellis Library at the University of Missouri and the State Fair Community College Library proved to be better sources of information. The Internet and real estate magazines provided some data, but the greatest source of information came from the Small Business Administration and the Missouri Department of Economic Development.

Before beginning this project, the computer used in this investigation was upgraded, adding more Random Access Memory (RAM), and a 28.8 modem for quicker access to the Internet. The amount of disk space need for this project was greatly underestimated. Eventually, access to the Internet was discontinued and all unnecessary files were deleted. All chapters were saved to individual disks, but the need for backup disks was learned the hard way, when for some unknown reason, a floppy disk was zapped. Even with expert technical assistance, recovery of the lost file was futile. Chapter Two had to be recreated and Windows 3.1 had to be reinstalled. Several times, when trying to access the print mode, an error message would appear. Hidden files would have to be deleted to allow

the printer to work. Technical support said that often hidden files will be created in Windows when there is a transfer between two applications. One important lesson was learned from this experience, that lesson is, that in any endeavor, whether it be construction or writing, the use of inadequate equipment wastes time.

A problem arose when writing the Third Chapter. The directive had the notation, "this chapter is written in the past tense, ..." This statement was taken literally, and the entire Third Chapter was written in the past tense, even though, it did not seem right at the time. By not clarifying this issue at the time, a rewrite of the chapter was necessary.

The instrument used in the evaluation process was a questionnaire. The questionnaire and cover letter asked that all questions be answered with comments. One of the evaluators chose to answer on a separate sheet of paper and to make notations on the business plan. This allowed her to skip some questions and some areas of the business plan were not thoroughly evaluated. It was also apparent that this same evaluator did not thoroughly read the business plan before she started making comments, because some of her suggestions were already made on the following pages. While both evaluators gave some valuable advice, trying to keep the different entities separate seemed to be a problem for them. Stonebraker, in particular, often

seemed more interested in the activities of L&F,L.L.C. than he was in Golden Key Realty, who along with Ozark Builders, is a division of Beaman's Ozark Industries, Inc. L&F,L.L.C. has other business interests besides the lots that Ozark Builders builds upon. Their mention in this business plan was merely to show lot ownership and to show the benefits received by the officers of Ozark Builders from home sales.

Suggestions For Future Research

In hindsight, there are a few things that would be changed if this research project could be started over. The use of the Internet would be more utilized in this study. It is a wealth of current information, if an individual learns how to properly access it. This utilization would necessitate use of a computer with a great deal of memory and hard disk space.

The introduction to the questionnaire would say, in capital letters, to answer all questions directly on the questionnaire. And, to eliminate reader and evaluator confusion, all mention of L&F,L.L.C. would be omitted.

Certain areas of this business plan will be developed into a sales manual. Because the primary purpose of this plan is as a management tool, more information, which would remain confidential, could be

added to the appendix. It would be convenient to have compiled into one booklet, historical data on each home that has been built, the weaknesses and the strengths of the subcontractors, information on commercial liability and workmen's compensation insurances, copies of covenants and restrictions for each land development, and simple tables to quickly estimate such things as concrete coverage and board foot. Because business plans should be updated periodically, there is a good possibility that the items mentioned above will eventually be incorporated into this business plan for Ozark Builders.

Appendix A

A Business Plan for Ozark Builders

Confidential Report
Please Return to:
Ozark Builders
Rt #4 Box 124 D-64
Warsaw, MO 65355
(816) 438-7887

INTRODUCTION

The enclosed information is the result of an extensive study in the development of a business plan for Ozark Builders. Ozark Builders is a small construction firm that specializes in speculative residential homes. These homes are built on lands that have been developed by the officers of Ozark Builders. The ownership of these lands is held under several different entities for legal and tax purposes. Much of the construction of Ozark Builders occurs either at Golden Shores, Sterett Creek Village, or CedarGate Estates, land developments in Warsaw, Missouri.

Ozark Builders is a division of Beaman's Ozark Industries, Inc., a family held corporation, whose principal officers are Fred and Luke Beaman. Ozark Builders' office is located on North 65 Highway in Warsaw, Missouri. The office also houses Golden Key Realty, another division of Beaman's Ozark Industries, Inc. Luke Beaman is the officer/broker for Golden Key Realty, while Fred Beaman is the principal officer for Ozark Builders.

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EXECUTIVE SUMMARY

Objectives

Ozark Builders is located in Warsaw, Missouri, and is a division of Beaman's Ozark Industries, Inc., a family held corporation, formed in 1978. Golden Key Realty, a full line real estate agency, was founded in 1993, and is another division of Beaman's Ozark Industries, Inc. The main objective of Ozark Builders is to profit financially from building and selling reasonably priced, quality homes on lots in subdivisions that the officers in Ozark Builders have developed. Ozark Builders believes that by building on these lots, they will increase lot sales while maintaining the quality of these developments.

This business plan's purpose is to be used, not only as a management tool, but also as a sales device. Certain sections of this business plan will be developed into a sales manual.

Present Stage of Development

In the past two years, Ozark Builders has constructed seven or more homes per year. These speculative homes have all been sold before their completion. Typically, Ozark Builders has three to five homes under construction at a time. These homes vary in style, and range in price from \$70,000 to \$240,000. The square footage of these homes varies from 900 square feet to 3,500 square feet. The houses built in

Golden Shores are smaller lakefront homes. They are designed for vacation living, but are suitable for permanent dwelling. Homes built by Ozark Builders in Sterett Creek Village differ in size according to the lot location. This development attracts many retirees because of its convenience to town and its close proximity to Sterett Creek Marina. Homes built in CedarGate Estates are typically larger homes with many upgrades. They are built on spacious lots with spectacular views.

Future Plans

Ozark Builders' goal is to continue to build speculative homes at Golden Shores, Sterett Creek Village, and CedarGate Estates. Fred and Luke Beaman have other lake properties that they plan to develop, with Ozark Builders constructing homes on these sites. Ozark Builders plans to construct ten homes in 1997 and eventually double their current annual production. This increase will include the hiring of additional office and construction personnel.

Other plans include an addition to the office to provide more privacy for both Golden Key Realty and Ozark Builders, and the construction of a storage building to combine the housing of construction equipment with a commercial boat storage.

Management Team

The president of Beaman's Ozark Industries, Inc. is Fred Beaman. He is the general contractor for Ozark Builders and also a broker/salesperson for Golden Key Realty. Fred has been involved in land development since 1986. A former restaurateur, he owned and operated

a truck stop/family restaurant for twelve years. For ten years prior to that period, he was the sales manager for a poultry processing plant. He has resided on the same farm in Lincoln, Missouri, for thirty-three years, serving his community in various positions.

Luke Beaman is the secretary-treasurer of Beaman's Ozark Industries and is the managing broker of Golden Key Realty. Luke attended Missouri Valley College in Marshall, Missouri, and graduated with a degree in business. He later attended Lindenwood College in St. Charles, Missouri, to obtain his master's degree in Business Administration. He is the Republican committeeman for his township, has served as secretary of the Benton County Board of Realtors and chairman of the MLS. He was the "1996 Realtor of the Year" in Benton County.

Ozark Builders subcontracts specific jobs because it believes that subcontracting is less costly, and it is more efficient to hire trained craftsmen, with their specialized equipment. Ozark Builders' work crew consists of Larry Craft, a seasoned builder, and Joe Beaman, a family member. Their duties include all electrical, plumbing, and finish work. And, their constant presence at the job site is a safeguard against careless work and thievery by subcontractors.

MARKET ANALYSIS

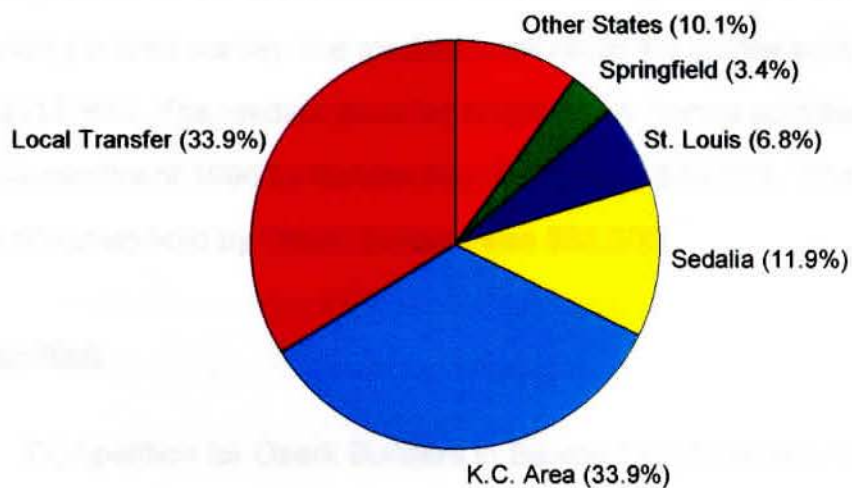
Market Area

Ozark Builders is situated in the lake area of Benton County. This recreational area, located in the central part of Missouri, encompasses both the Lake of the Ozarks and the Harry S. Truman Lake and Reservoir. Ozark Builders' office is located on the outskirts of Warsaw, a city with a population of 1,494. The entire populace of Benton County in the 1990 Census was 13,859 residents.

The 1990 Census revealed that 7,276 of the residents of Benton County had resided in the same house for the prior five years. Forty-three percent of the residents, who had moved to Benton County between 1985 and 1990, were from the Midwest, and thirty-six percent had moved from the West. A study of sixty-one residences sold by Golden Key Realty in the first six months of 1996, showed that over sixty-six percent of the homebuyers in Benton County were either from the Kansas City area or were local residents, relocating within the county. The results of this study are shown in Figure 1.

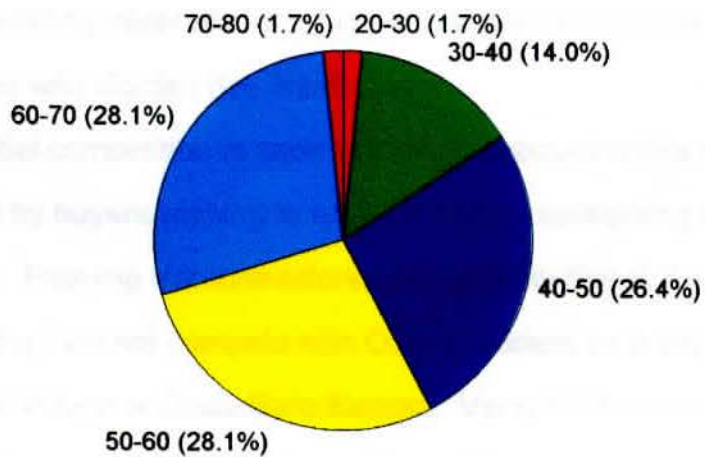
Today's Realtor reported that people in their fifties want more lively housing with a big yard, good views, and friendly neighbors. They want homes different from those in which they raised their families. A study (Figure 2) by Golden Key Realty of one hundred twenty-one homebuyers in Sterett Creek Village, revealed that 82.6 percent of the homebuyers in Sterett Creek Village were between the ages of forty and seventy, and the young and elderly adults accounted for only 17.4 percent of the market.

Figure 1
Homebuyers in Benton County - First half of 1996



Source: Golden Key Realty. "Benton County Homebuyers Study" Aug. 1996.

Figure 2
Age of Homebuyers in Sterett Creek Village
Jan. 1991 thru June 1996



Source: Golden Key Realty. "Sterett Creek Village Study" Aug. 1996.

A survey by the National Association of Realtors showed that the lowest priced homes were found in the Midwest region of the U.S. According to their survey, the median price range for homes sold in 1994 was \$112,500. The median price for single family homes sold during the first six months of 1996 by Golden Key Realty was \$54,700. The median price of homes sold by Ozark Builders was \$82,500.

Competition

Competition for Ozark Builders in Benton County is very minimal. Many of the speculative builders such as Bob Lear and Ken Brown build their homes in the cities of Lincoln and Warsaw. Ozark Builders believes its potential customers desire rural living. The main competition for Ozark Builders is Eichler Properties, who also builds speculative homes in Sterett Creek Village, and owns a lumber yard. Fred Beaman and Buddy Eichler, president of Eichler Properties, developed Sterett Creek Village, Inc., and are still officers in that corporation. Ozark Builders purchases much of its building materials from Eichler Lumber, and Eichler Properties lists its homes with Golden Key Realty.

Potential competition is seen in framing subcontractors who may be contacted by buyers wishing to save money by contracting their own building jobs. Framing subcontractors, who work for Ozark Builders, have agreed that they will not compete with Ozark Builders on build jobs in Sterett Creek Village or CedarGate Estates. Vacant lots are not sold in Golden Shores, so, competition from other builders does not exist in this subdivision.

Weaknesses seen in some of the competitors are the use of inferior materials and construction shortcuts that affect the quality of homes. Strengths seen in Ozark Builders include, ability to help provide financing, reputation for quality work and materials, competitive prices, desirable building sites, and fast response to consumer problems. Other strengths are seen in an office location, that is very visible from the highway, and the sharing of the office space with Golden Key Realty. The office is located across the highway from Sterett Creek Village and is adjacent to CedarGate Estates, thus making it easier to show property and eliminating the need for an onsite construction and sales office.

Marketing Strategy

Ozark Builders believes that their best sales strategy is to let professional real estate agents handle their home sales. Golden Key Realty is the sales agency for Ozark Builders. Both Golden Key Realty and Ozark Builders are divisions of Beaman's Ozark Industries, Inc. Golden Key Realty is skillful at finding qualified buyers and adept at arranging real estate financing. All of the homes built by Ozark Builders have been sold either through word of mouth or by Golden Key Realty. Golden Key Realty periodically produces a twelve page booklet in which they advertise the availability of custom built, lake homes, and has erected signs at all the development properties, promoting custom building. These booklets are displayed at area businesses to attract potential customers, and several thousand are mailed regularly to prospects in many states. Golden Key Realty advertises frequently with

ads in newspapers and in local area magazines that promote Truman Lake.

Golden Key Realty plans to devise a web page on the Internet. The Missouri Association of Realtors has a website, MOLN, and Golden Key Realty and other MAR agencies have free access to a web page to promote their services. Property ads, along with information about communities, will be available at this site.

A simplified home specifications booklet is being prepared for Golden Key Realty's salespeople. This booklet will include sketches of homes and their modifications, floor plans, available upgrades, and a pricing schedule.

PRODUCT ANALYSIS

The product for Ozark Builders is residential wood-frame homes on a lot. Currently, Ozark Builders is building seven to eight homes per year. These homes range in size from 900 square feet to 3,500 square feet. The price of these homes with lots have varied from \$70,000 to \$240,000. Individual lots are valued between nine thousand dollars to twenty-five thousand dollars. Ozark Builders builds on lots owned by its officers. The principals in Ozark Builders own eight parcels of land that have locations that are suitable for building. Six of these parcels have either been partially or fully developed and all are near or on a lake. While, some of these locations are more desirable than others, it is feasible to believe, that all these acreages will eventually be developed. To insure the quality of these developments, the principals in Ozark Builders no longer sell vacant lots.

Ozark Builders would prefer to use the cost-plus method of pricing their homes. However, this is has not been possible because all their homes have been sold before completion. Square footage pricing has proven to be an inaccurate method of pricing because some of the homes have more upgrades. A rough estimate of the square footage cost of homes, including the lot, in Golden Shores and Sterett Creek Village would be \$50.00 a square foot for the main level, \$40.00 a square foot for upper levels, and \$25.00 a square foot for basement level. The square footage cost for a home, including the lot, in Cedargate Estates is about ten percent higher. When items, such as cabinets and carpets, have not already been purchased by the builder, the buyer is given a dollar

allowance to make these selections, and pays extra for any upgrades. Historical data is often referenced to determine the estimated total cost of the project.

In Appendix A and B, are examples of model homes, their floorplans, and upgrade and pricing schedules.

Table 1

Bank Builders
Income Statement

March 31, 1994 through April 1, 1997

Account	Amount	Percentage
Revenue (from contract income statement)	\$17,200,000	
Contract costs		
Construction	11,500,000	
General and administrative	1,500,000	
Marketing and sales	1,000,000	
Professional fees	500,000	
Other expenses	200,000	
Fixed asset amortization	200,000	
Contract profit	3,500,000	
Fixed assets	1,000,000	
Depreciation	200,000	
Fixed asset amortization (contract cost)	800,000	
Net income before income taxes	2,500,000	

FINANCIAL INFORMATION

Income Statement

Included in this report are the financial statements of Ozark Builders. Table 1 shows the income statement. In reviewing the data of this income statement, it is important to note that \$116,000.00 of the Cost of Sales reflects the revenue received by the officers of Ozark Builders for the sale of their lots.

Table 1

**Ozark Builders
Income Statement
March 31, 1996 through April 1, 1997**

Description	Amounts (In Thousands)
Revenue (from contract billings and accruals)	617,000.00
Cost of Sales	
Project lot purchase	116,300.00
Project direct materials	252,577.00
Project direct labor	21,012.00
Project subcontracting	143,630.00
Project closing costs	2,500.00
Project commissions	1,069.00
Project direct overhead	<u>690.00</u>
Total Cost of Sales	<u>537,778.00</u>
Gross margin	79,922.00
Rent	3,600.00
Indirect and administrative overhead	<u>1,280.00</u>
Net income before income taxes	<u>74,342.00</u>

Balance Sheet

The balance sheet, as shown in Table 2, reveals the current ratio of Ozark Builders as 1.89, and the working capital as \$66,000.00. Most of the construction equipment is owned by L&F, L.L.C. and Fred Beaman, so, those major assets that are generally listed on a construction firm's balance sheet, have not been included.

Table 2

Ozark Builders
Balance Sheet
April 1, 1997

Cash	20,000
Accounts receivable	85,000
Cost of jobs in progress	<u>35,000</u>
Total current assets	140,000
 Machinery & Equipment	 <u>10,000</u>
TOTAL ASSETS	150,000
 Accounts Payable	
Eichler Lumber	16,000
Lot Purchases	<u>58,000</u>
Total current liabilities	74,000
Long-term liabilities	<u>0</u>
TOTAL LIABILITIES	74,000
 NET WORTH	 <u>76,000</u>
 TOTAL LIABILITIES & NET WORTH	 150,000

current assets \$140,000

Current ratio = $\frac{\text{current assets}}{\text{current liabilities}} = \frac{\$140,000}{\$74,000} = 1.89$

Working capital = $\$140,000 - \$74,000 = \$66,000$

 assets liabilities

Cash Flow Projection

Table 3 is a cash flow projection for Ozark Builders. This projection is based upon the construction of ten homes in 1997. Four homes each are planned for Sterett Creek Village and in Golden Shores, and two homes are to be constructed in CedarGate Estates.

Table 3
Ozark Builders
Cash Flow Projection
Year Ending December 31, 1997

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Totals
Beginning Balance	20,000	32,246	45,531	65,666	201,000
Cash receipts					
Accounts receivable	170,000	270,000	280,000	155,000	875,000
Total cash available	190,000	302,246	325,531	220,666	895,000
Cash disbursements					
Accounts payable					
Lot purchases	30,000	50,000	50,000	30,000	160,000
Materials	68,000	116,000	119,000	65,000	368,000
Subcontracts	44,000	70,000	70,000	42,000	226,000
Direct Wages	10,800	13,800	13,800	13,800	52,200
Equipment rental	120	120	120	120	480
Taxes	824	1,052	1,052	1,052	3,980
Closing costs & comm.	2,550	4,050	4,200	2,227	13,027
Insurance	160	235	235	160	790
Indirect costs					
Rent	900	900	900	900	3,600
Job repairs	200	200	200	200	800
Utilities	200	358	358	200	1,116
Total cash disbursements	157,754	256,715	259,865	155,659	829,993
Ending balance	32,246	45,531	65,666	65,007	65,007
Necessary borrowing	0	0	0	0	0
Minimum balance	32,246	45,531	65,666	65,007	65,007

The estimated revenue generated from building houses in 1997 is \$875,000.00. The second and third quarters are expected to be the most productive periods of the year. By completing and selling two to three homes per quarter, Ozark Builders will not be required to borrow money to finance their growth. The cash disbursement of \$160,300.00 reflects the lot sales for the officers of Ozark Builders.

While present home sales have been steady for Ozark Builders, outside factors could result in a sluggish housing market. Ozark Builders believes that certain safeguards are essential for survival. These safeguards include a good business plan, the knowledge of future cash needs, and a dependable marketing plan.

OZARK BUILDERS STANDARD HOME SPECIFICATIONS AND PROCEDURES

Ozark Builders for the consideration of the sum agreed upon shall furnish the materials and labor for the construction of the home, subject to the following:

SITE WORK: The site will be cleared and brought to rough grade. Grading will be as close as possible to the levels specified by the site plan while providing positive water drainage from the site. It is understood that adjustments in grade may be necessary due to the topography and the layout of adjacent property. Contractor will backfill, but no landscaping or topsoil will be provided.

CONCRETE: Foundations and foundation walls shall consist of poured concrete footings of 5 1/2 sack ready-mix, with reinforcement. Foundation vents to be provided as required. Drain tile to be installed where needed.

ROUGH CARPENTRY:

All subflooring to be 3/4" T&G plywood.

All floor joists will be 2 x 10 lumber.

All studs shall be pre-cut 2 x 4 spruce studs, spaced 16".

All rafters shall be 2 x 6, 2 x 8, 2 x 10 #2 SYP or Spruce STDBTR, spaced 16".

Sheeting for roof will be 7/16 Chip Board.

All lumber to be a least #2 or #3 grade.

Insulating sheathing shall be 1/2" x 4' x 9' foam insulation board.

All exterior exposed siding shall be TH 1-11 Fur or equal

Stair stringers and treads to be 2 x 12 #2 SYP. Stair risers to be 1 x 8 #2 SYP on finished stairs.

EXTERIOR DOORS AND WINDOWS: All front doors shall be insulated metal doors as provided by Stanley Door or equal. All patio doors shall be insulated metal doors as supplied by Stanley Door Company or equal.

All windows shall be single hung aluminum insulated with half screens as manufactured by Croft Windows or equal. Sizes and layouts of windows detailed in plans.

PLUMBING: Water hookup to be paid by buyer. If well and pump is needed, buyer pays for all costs over a \$3,000. allowance. Sewer hookup to be paid by buyer. If septic system is needed, buyer pays for all costs over a \$2,000. allowance.

KITCHEN:

Sink - 20 gage stainless steel with fixture and sprayer.

1/3 h.p. garbage disposal.

Dishwasher connection, disposal connection and ice maker line to refrigerator space.

MASTER BATH:

1 Shower/Tub combination, white or almond.

1 Elger standard commode or equal.

Cultured marble lavatory countertop and bowls with Delta chrome fixtures or equal.

2nd BATH:

1 Elger standard commode or equal.

1 shower or tub with fixtures as detailed in plans.

Cultured marble lavatory countertop and bowls with chrome fixtures.

Drain waste vents in main trunk to be 3" PVC, vent stacks to be 1 1/2" - 3".

WATER HEATER: Electric or propane 40 gallon unit, standard efficiency.

OTHER: Washer and dryer connections also included with dryer vented to the outside.

ELECTRICAL: Buyer pays application and membership fees, and deposit directly to Electric Company. Service cable provided by Electric Company. Main service to be 200 amp. All internal house wiring shall be copper as follows: Switches and receptacles are #14 wire.

Contractor to install two phone outlets.

Contractor to install three TV outlets.

Contractor to install a minimum of four receptacles in each bedroom, two receptacles in each bathroom, four receptacles in the kitchen and four receptacles in living room.

INSULATION: Insulation above ceilings in attic space areas shall be either loose-fill fiberglass or batts and shall provide an insulation value of R-30. Ceiling insulation in slope ceilings shall be R-19 batt insulation.

All exterior walls shall receive batt or roll insulation of a thickness to be equal to the nominal thickness of the wall and carry an insulating value of R-11.

MOISTURE PROTECTION: All roofing to be standard seal tab fiberglass composition shingles, with manufacturers 20-year limited warranty, or equal.

DRYWALL: All drywall sheeting to be installed on walls and ceilings shall be 1/2". All drywall, including that installed on ceilings, to be taped, mudded, skimmed, and sanded to provide an appropriate surface. Ceilings shall be sprayed and walls shall be lightly textured.

FINISH CARPENTRY: Cased openings shall be prefabricated openings with standard detail casings applied. All bases to be wood, 3 1/2" detail. All interior hinge doors and pocket doors shall be smooth mahogany units with standard detail casing applied. All bi-fold doors shall be smooth mahogany bi-fold door units with standard detail casing applied.

FINISH HARDWARE:

All hardware finishes shall be polished or antique brass finish.

All bath accessories shall be either wood, polished or antique brass in finish and shall include one toilet paper holder and 2 towel holders, and one mirror per bath.

All locks and knobs shall be antique or polished brass in finish.

PAINTING AND STAINING:

All exposed exterior wood siding shall be stained with one coat oil based stain equal to Thompson's Water Seal.

All interior walls to have one coat finish semi-gloss latex paint equal to Glidden's Spred.

Contractor will not be responsible for paint touch-up after occupancy of house by Purchaser.

FLOORING:

All flooring materials to be selected by buyer. Buyer pays for all costs in excess of \$1,500.

CABINETS AND VANITIES:

All kitchen cabinets and bathroom vanities to be selected by buyer. Buyer pays for all cost in excess of \$1,500.

In addition to the above specifications, this construction contract between Ozark Builders and _____ owners, both agree as follows:

Lot location: _____

Basement Yes_____ No_____

Basement wall height _____

Basement floor drain _____

Basement lights and receptacles _____

Heating and Cooling _____

Number of outside faucets _____

Number of light fixtures _____

Number of ceiling fans _____

Color - outside finish _____

Color - interior paint _____

Color - trim _____

Color - exterior doors _____

Color - window finish White_____ Bronze_____

Color - bath fixtures White_____ Almond_____

Hardware finish Bright brass _____ Antique brass _____

EXTRAS -Initial Installation, not replacement

Attic fan: \$150.00 _____
 Fireplace: \$1,500 - \$4,000 _____
 Garden bathtub: Standard \$1,000 _____
 Vinyl Siding: \$200.00 per sq. _____
 Shutters: \$100.00 per window _____
 Shower/door: \$100.00 and up _____
 Medicine Cabinets: \$100.00 _____
 Exhaust fan with light: Included in bath _____
 Ceramic Wall Tile: \$ per sq. ft. _____
 Guttering; \$2.00 per ft. _____
 Upgrade interior doors: \$30 and up per door _____
 Upgrade exterior doors: \$300.00 allowance _____
 Upgrade windows: \$40.00 and up _____
 50 Gal water heater: \$50.00 and up _____
 Other _____

FINISH BASEMENT: \$15.00 per sq. ft.

GARAGE: \$15.00 per sq. ft.

Standard garage: 1 garage door; 1 walk door; 2 windows

Optional: Insulated garage door - \$80.00 and up

Extra window - \$85 and up

Garage door opener - \$200.00

PAYMENT SCHEDULE:

10% At Signing of Contract _____
 30% When Work Begins _____
 30% When Outside is
 Complete & Secure _____
 30% Upon Completion &
 Before Occupancy _____

This Contract is subject to the plans and specifications furnished at execution of the contract and should owner desire to make any changes in the work, the contract price shall be adjusted accordingly to cover any increased costs.

Owners to furnish Builder's Risk Insurance, with _____ named as Additional Insured or Named Insured.

Any amount which reaches over the allowance that builder specified, shall be an addition to the the contract price.

This Contract shall be binding upon the parties hereto, their heirs, successors, administrators and assigns.

In Witness Whereof the parties have hereunto set their hand this day and year first above written.

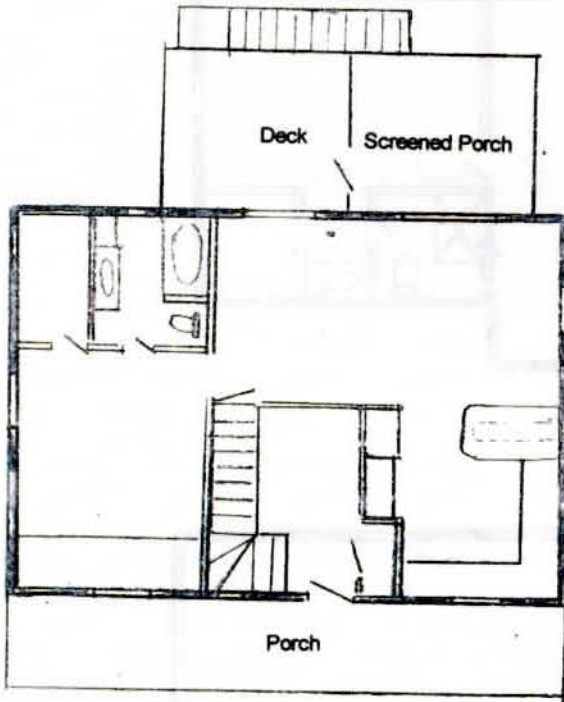
Date:_____

Buyer_____Seller(Contractor)_____

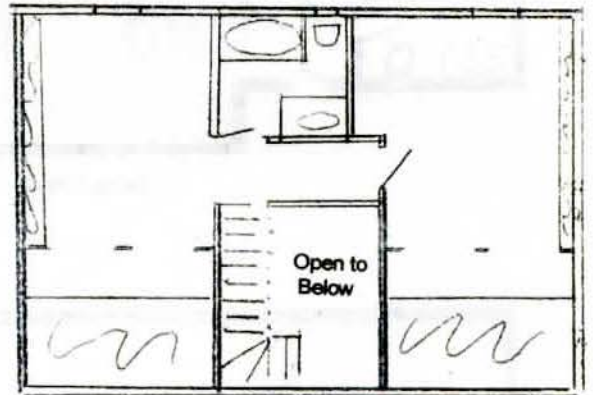
Buyer_____Seller(Contractor)_____



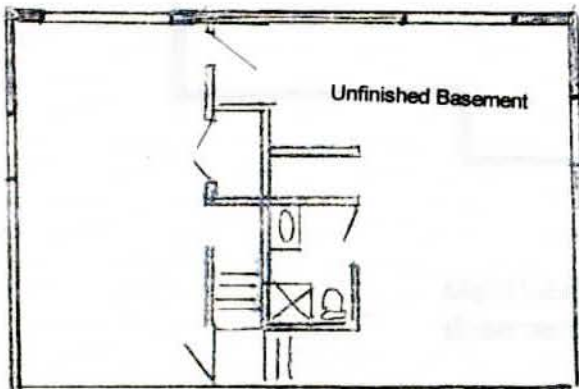
Story and a Half



Main Level



Upper Level



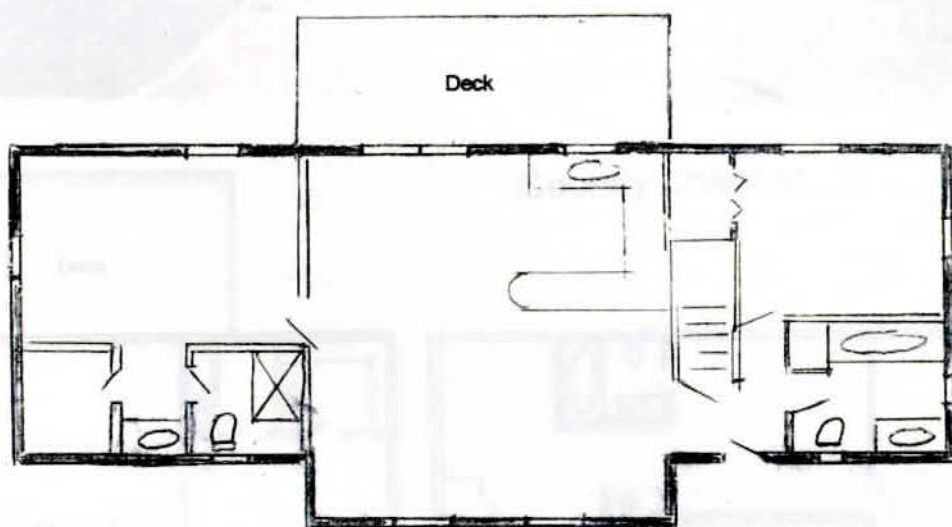
Basement

Main Level.....864 sq. ft.
 Upper Level....480 sq. ft.
 Basement.....720 sq. ft.

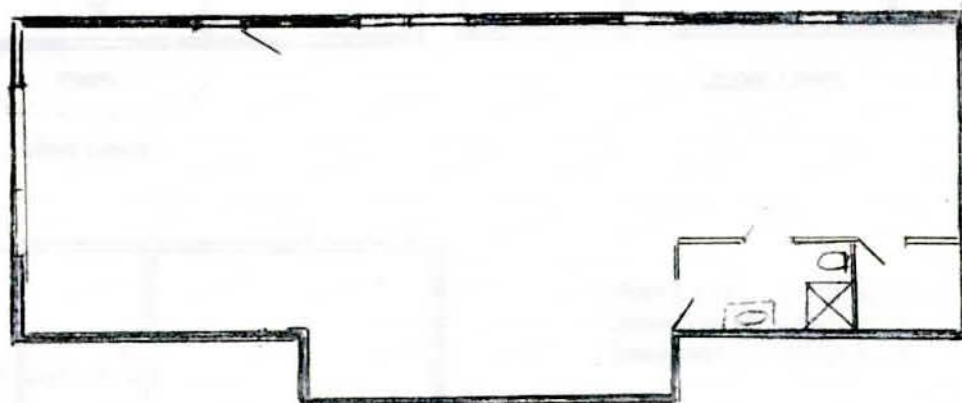
Base Price without Lot.....\$69,000



Classic Ranch



Main Level



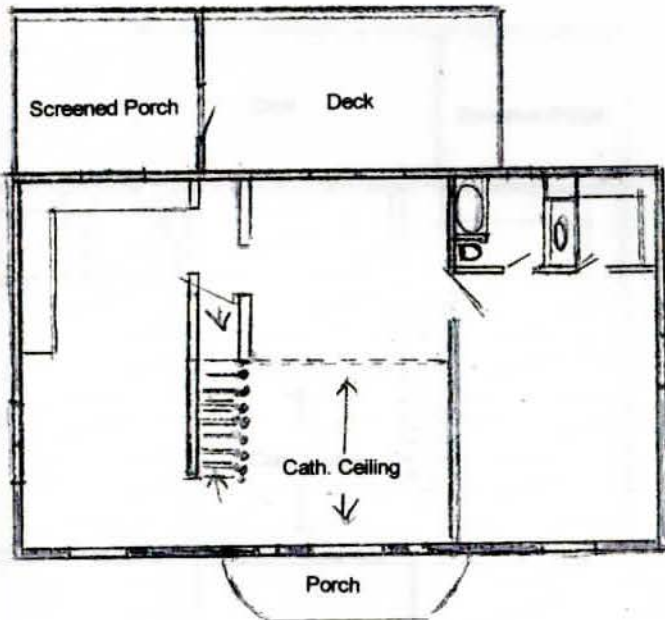
Main Level..1296 sq. ft

Basement...1296 sq. ft

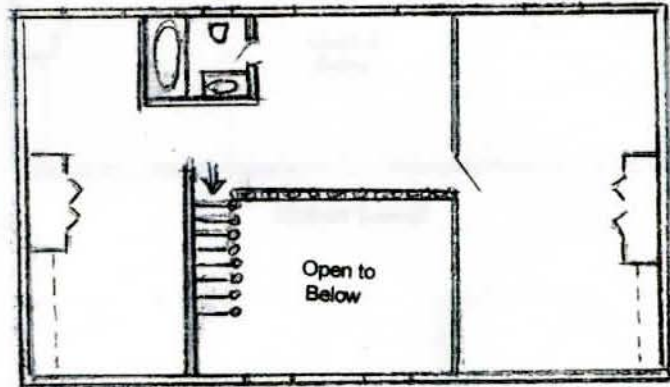
Base Price without Lot.....\$74,500



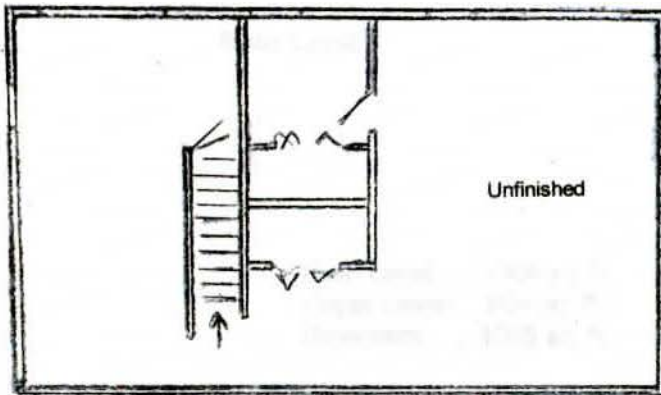
Country Charmer



Main Level



Upper Level



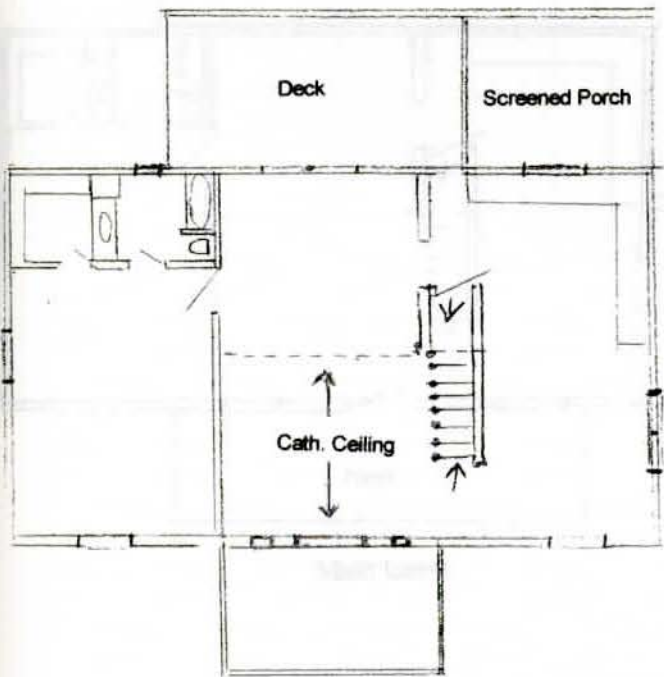
Basement

Main Level.....1008 sq. ft.
 Upper Level.....804 sq. ft.
 Basement.....1008 sq. ft.

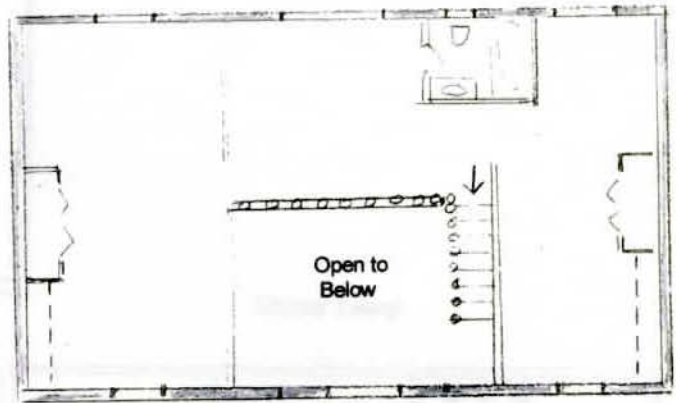
Base Price without Lot\$85,400



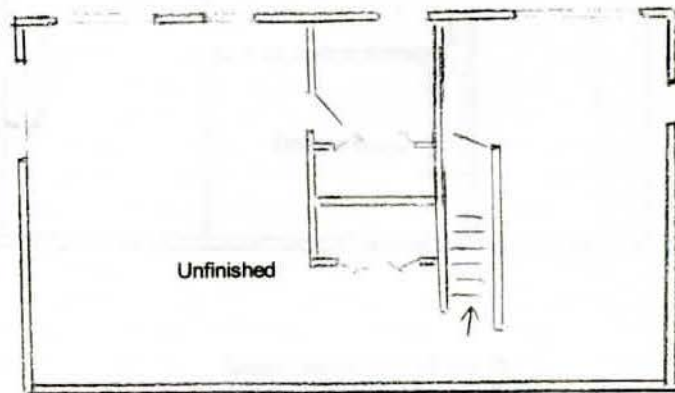
Classic Country



Main Level



Upper Level



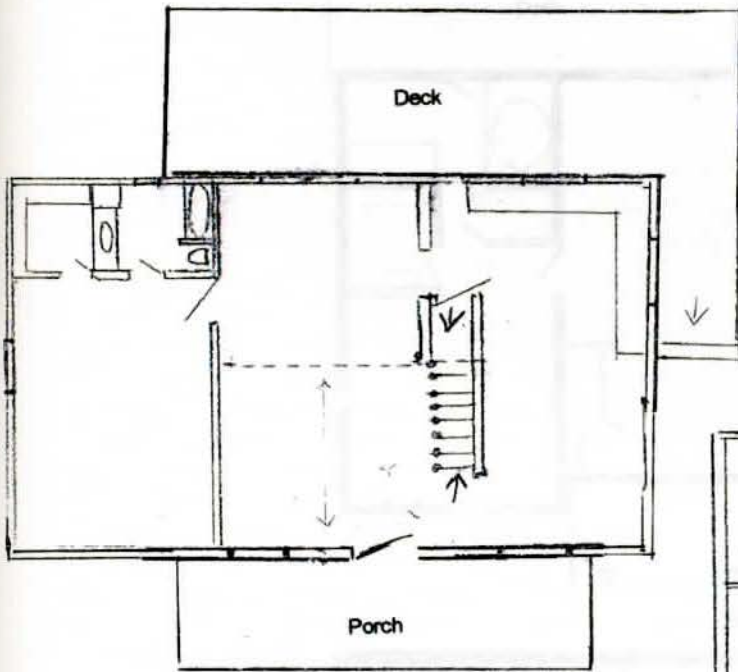
Basement

Main Level..... 1008 sq. ft.
 Upper Level..... 804 sq. ft.
 Basement..... 1008 sq. ft.

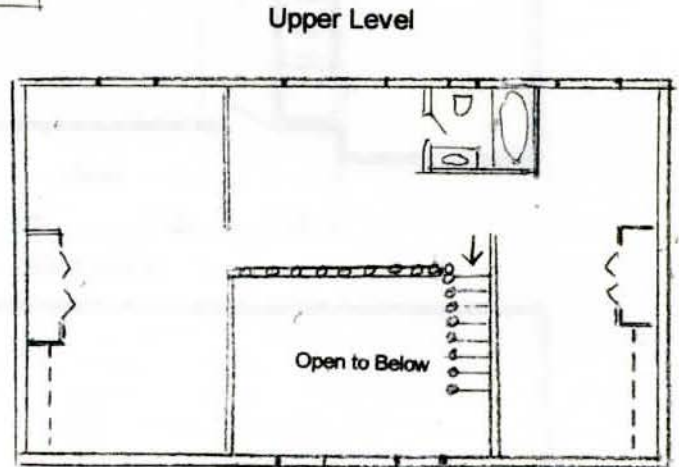
Base Price without Lot
 or Garage..... \$85,400



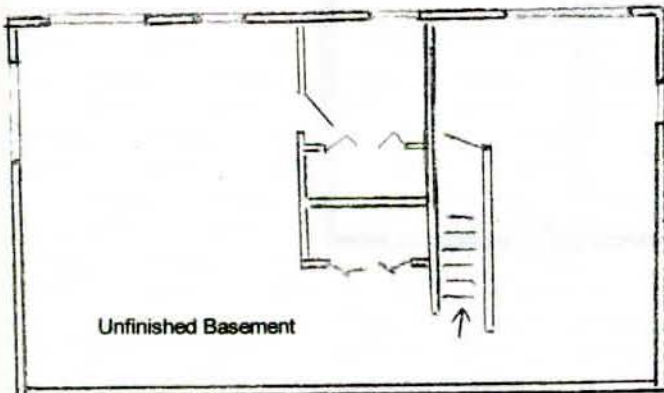
Rustic Retreat



Main Level



Upper Level



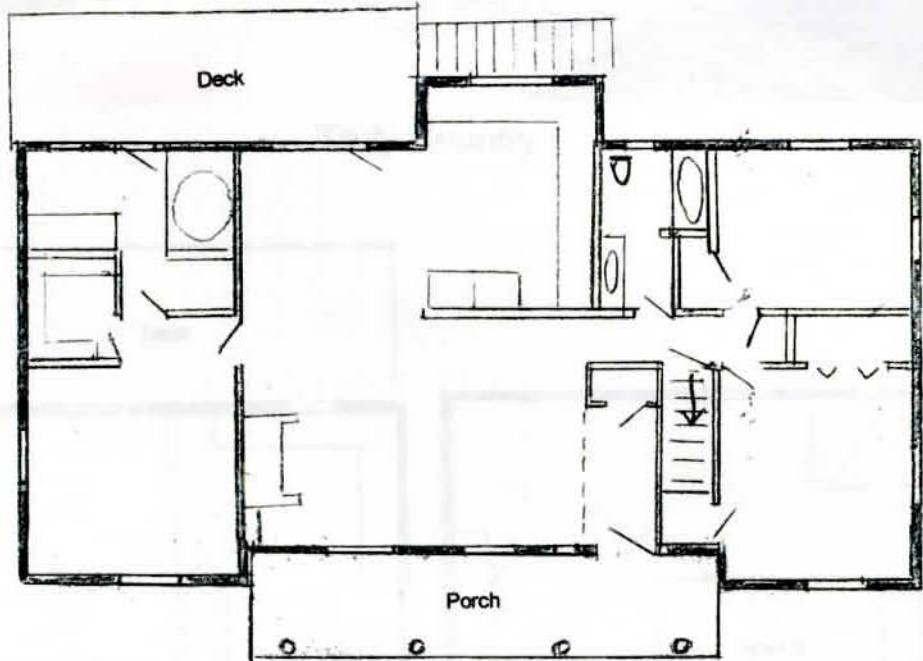
Unfinished Basement

Main Level.....720 sq. ft.
 Upper Level...304 sq. ft.
 Basement.....720 sq. ft.

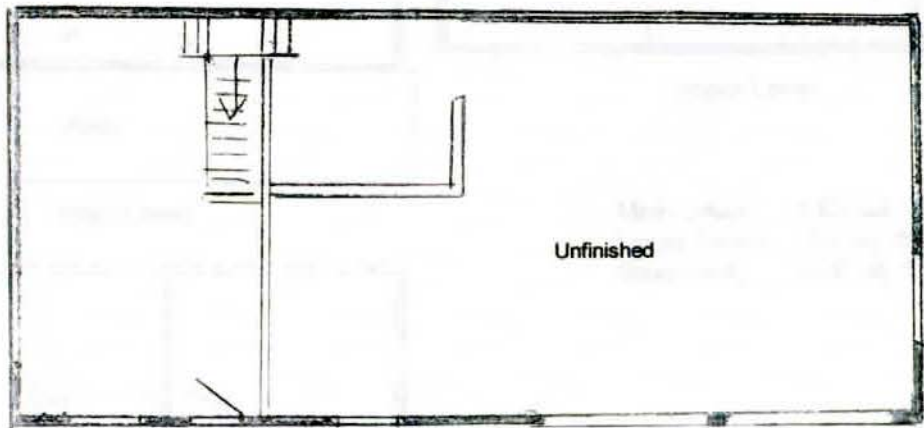
Base Price without Lot.....\$50,000



Stylish Traditional



Main Level



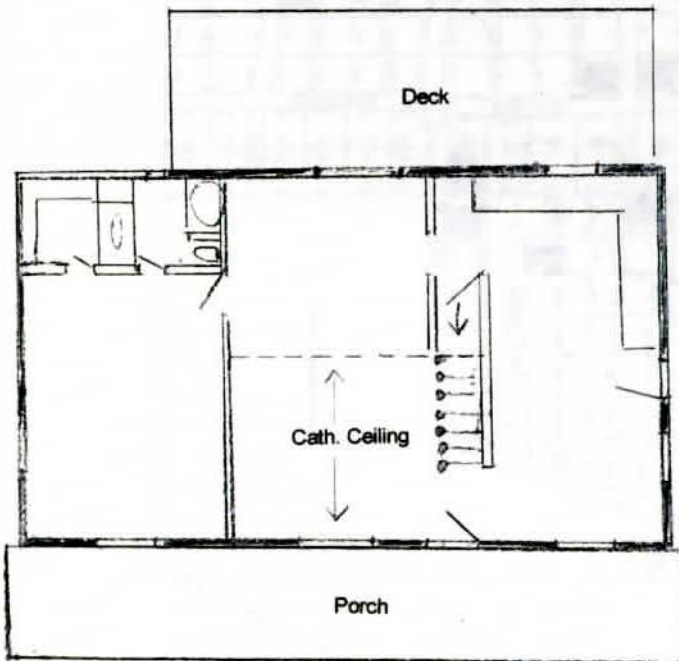
Basement

Main Level.....1612 sq. ft.
Basement.....1572 sq. ft.

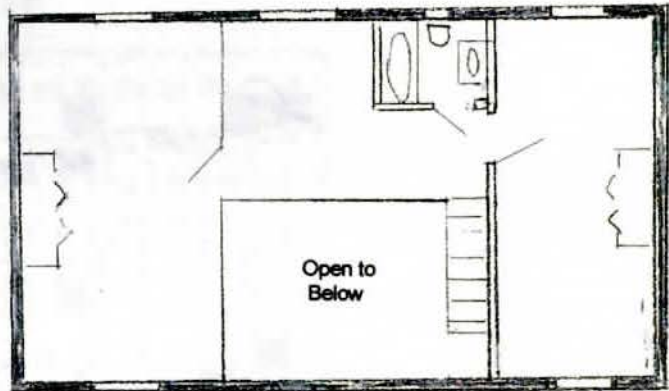
Base Price without Lot.....\$100,000



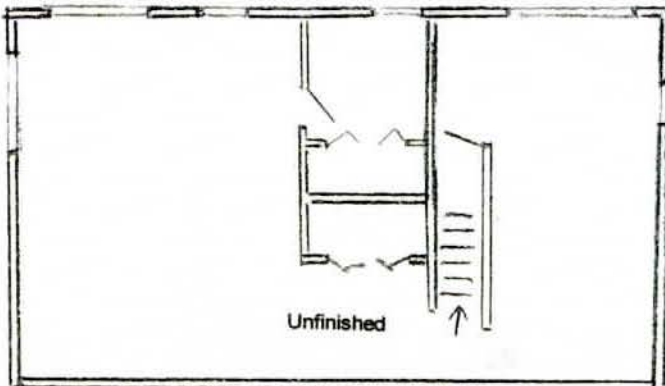
Truly Country



Main Level



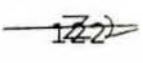
Upper Level



Basement

Main Level.....1008 sq. ft.
 Upper Level.....804 sq. ft.
 Basement.....1008 sq. ft.

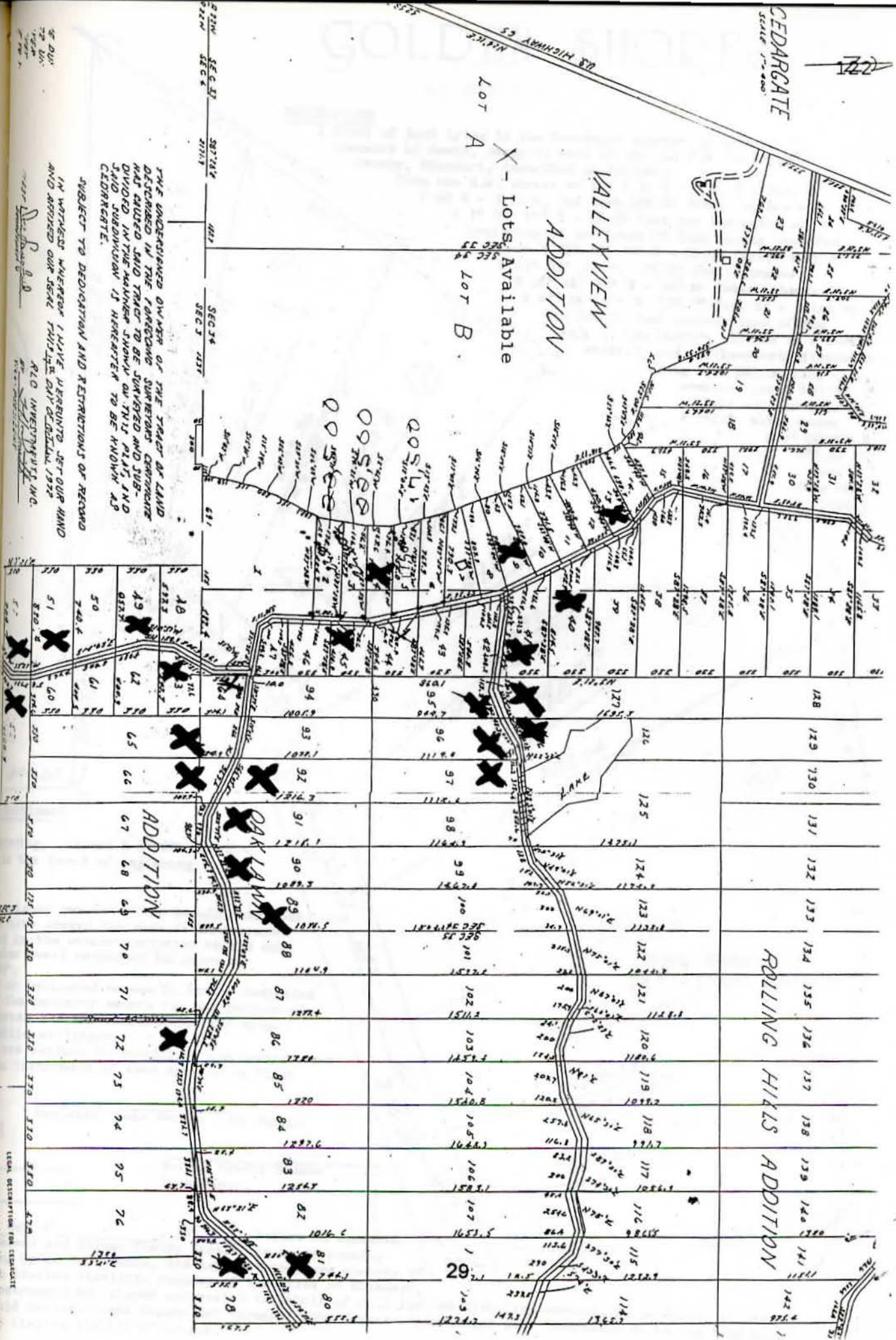
Base Price without Lot
 or Garage.....\$85,400



CEDARGATE
STATE 1-1-1900

LOT A
X - Lots Available
LOT B

VALLEYVIEW
ADDITION



THE UNDERSIGNED OWNER OF THE TRACT OF LAND DESCRIBED IN THE FOREGOING SURVEY AND CHAINAGE HAS CAUSED SAID TRACT TO BE SURVEYED AND SUB-DIVIDED IN THE MANNER SHOWN ON THIS PLAT AND SAID SUBDIVISION IS HEREBY TO BE KNOWN AS CEDARGATE.

SUBJECT TO DEDICATION AND RESTRICTIONS OF RECORD IN WITNESS WHEREOF I HAVE HEREUNTO SET OUR HAND AND AFFIXED OUR SEAL THIS 15th DAY OF FEBRUARY 1932

W. B. ...
R. D. INVESTMENTS, INC.

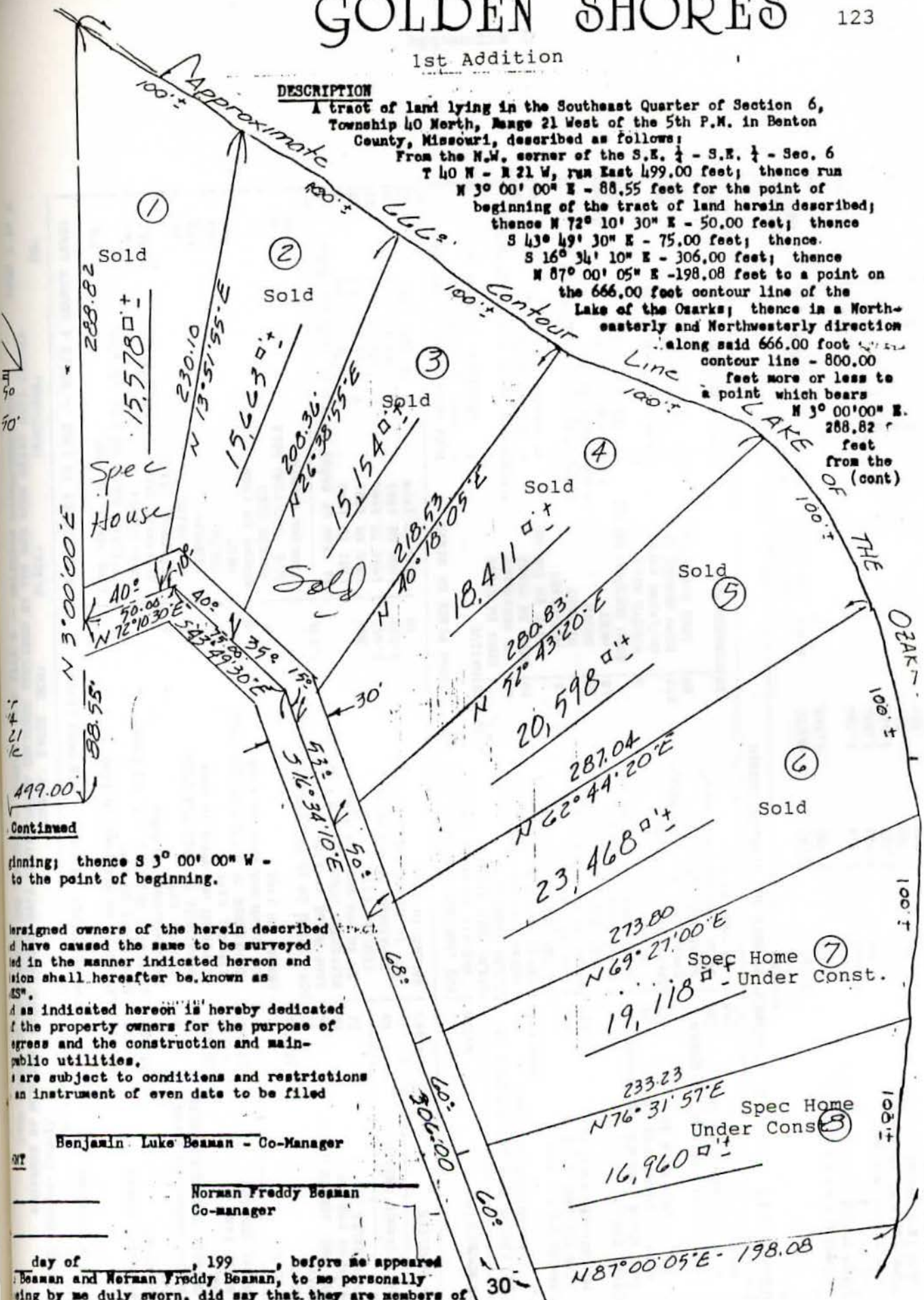
LEGAL DESCRIPTION FOR CEDARGATE

GOLDEN SHORES

1st Addition

DESCRIPTION

A tract of land lying in the Southeast Quarter of Section 6, Township 40 North, Range 21 West of the 5th P.M. in Benton County, Missouri, described as follows:
 From the N.W. corner of the S.E. $\frac{1}{4}$ - S.E. $\frac{1}{4}$ - Sec. 6 T 40 N - R 21 W, run East 499.00 feet; thence run N $30^{\circ} 00' 00''$ E - 88.55 feet for the point of beginning of the tract of land herein described; thence N $72^{\circ} 10' 30''$ E - 50.00 feet; thence S $43^{\circ} 49' 30''$ E - 75.00 feet; thence S $16^{\circ} 34' 10''$ E - 306.00 feet; thence N $87^{\circ} 00' 05''$ E - 198.08 feet to a point on the 666.00 foot contour line of the Lake of the Osarks; thence in a North-easterly and Northwesterly direction along said 666.00 foot contour line - 800.00 feet more or less to a point which bears N $3^{\circ} 00' 00''$ E. 288.82 feet from the (cont)



Continued

...thence S $3^{\circ} 00' 00''$ W - to the point of beginning.

The undersigned owners of the herein described tract of land have caused the same to be surveyed and the same to be laid out in the manner indicated hereon and the same shall hereafter be known as 'Golden Shores'.

The tract of land herein is hereby dedicated to the property owners for the purpose of ingress and the construction and maintenance of public utilities, and the same is subject to conditions and restrictions as set forth in an instrument of even date to be filed.

Benjamin Luke Beaman - Co-Manager

Norman Freddy Beaman
Co-manager

This instrument was made this _____ day of _____, 199____, before me appeared Benjamin Luke Beaman and Norman Freddy Beaman, to me personally known and being by me duly sworn, did say that they are members of _____, a limited liability company of the State of Missouri, and that the instrument was signed and sealed in behalf of said limited liability company, by authority of its board of directors, and said Benjamin Luke Beaman and Norman Freddy Beaman acknowledged said instrument to be the free act and deed of said limited liability company.

P1/2/3/6 PERSONS		P44 RESIDENCE IN 1985 -- MSA/PMSA LEVEL		P43 RESIDENCE IN 1985 -- STATE & COUNTY LEVEL				
TOTAL	13,859	LIVING IN AN MSA/PMSA IN 1990		SAME HOUSE IN 1985	7,276			
UNWEIGHTED SAMPLE	3,378	SAME HOUSE IN 1985	0	DIFFERENT HOUSE IN U.S. IN 1985				
100% COUNT	13,859	DIFFERENT HOUSE IN U.S. IN 1985		SAME COUNTY	2,092			
URBAN	0	THIS MSA/PMSA IN 1985		DIFFERENT COUNTY, SAME STATE	2,567			
INSIDE URBANIZED AREAS	0	CENTRAL CITY	0	DIFFERENT STATE				
OUTSIDE URBANIZED AREAS	0	REMAINDER OF THIS MSA/PMSA	0	NORTHEAST	31			
RURAL	13,859	DIFFERENT MSA/PMSA IN 1985		MIDWEST	518			
RURAL FARM	1,357	CENTRAL CITY	0	SOUTH	205			
RURAL NONFARM	12,502	REMAINDER OF DIFFERENT MSA/PMSA	0	WEST	444			
		NOT IN AN MSA/PMSA IN 1985	0	ABROAD IN 1985				
P8 RACE		ABROAD IN 1985	0	PUERTO RICO	0			
WHITE	13,733			U.S. OUTLYING AREA	0			
BLACK	0	NOT LIVING IN AN MSA/PMSA IN 1990		FOREIGN COUNTRY	20			
AMER IND, ESK OR ALEUT	76	SAME HOUSE IN 1985	7,276					
ASIAN OR PAC ISL	28	DIFFERENT HOUSE IN U.S. IN 1985		P36 YEAR OF ENTRY INTO U.S. (FOREIGN BORN)				
OTHER RACES	22	IN AN MSA/PMSA IN 1985		1987 TO 1990	0			
		CENTRAL CITY	886	1985 OR 1986	12			
P10 HISPANIC ORIGIN	68	REMAINDER OF MSA/PMSA	1,451	1982 TO 1984	0			
		NOT IN AN MSA/PMSA IN 1985	3,520	1980 TO 1981	0			
P4 FAMILIES	4,149	ABROAD IN 1985	20	1975 TO 1979	0			
				BEFORE 1950	7			
P5 HOUSEHOLDS	5,725	P28 LANGUAGE SPOKEN AT HOME AND ABILITY TO SPEAK ENGLISH		P44 PLACE OF BIRTH				
		SPEAK ONLY ENGLISH	12,705	NATIVE				
P22 FAMILY TYPE AND PRESENCE OF CHILDREN OVER 18 YEARS		SPEAK SPANISH		BORN IN STATE				
FAMILIES		SPEAK ENGLISH "VERY WELL"	48	OF RESIDENCE	9,438			
MARRIED-COUPLE FAMILY		SPEAK ENGLISH "WELL"	24	BORN IN OTHER				
WITH CHILDREN OVER 18	465	SPEAK ENGLISH "NOT WELL" OR "NOT AT ALL"	6	STATE IN THE US				
NO CHILDREN OVER 18	3,253	SPEAK ASIAN OR PAC ISL LANG		NORTHEAST	171			
OTHER FAMILY		SPEAK ENGLISH "VERY WELL"	13	MIDWEST	2,434			
MALE HOUSE HOLDER, NO SPOUSE		SPEAK ENGLISH "WELL"	12	SOUTH	1,038			
WITH CHILDREN OVER 18	26	SPEAK ENGLISH "NOT WELL" OR "NOT AT ALL"	0	WEST	697			
NO CHILDREN OVER 18	73	SPEAK OTHER LANGUAGE		BORN OUTSIDE THE US				
FEMALE HOUSE HOLDER, NO SPOUSE		SPEAK ENGLISH "VERY WELL"	277	PUERTO RICO	0			
WITH CHILDREN OVER 18	164	SPEAK ENGLISH "WELL"	58	OUTLYING AREA	0			
NO CHILDREN OVER 18	168	SPEAK ENGLISH "NOT WELL" OR "NOT AT ALL"	10	BORN ABROAD OF AMER PARENT(S)	43			
				FOREIGN BORN	38			
				NOT ENROLLED	10,801			
P57/58/59/60 EDUCATIONAL ATTAINMENT BY RACE AND HISPANIC ORIGIN								
	PERSONS	PERSONS 25+						
	18+							
	TOTAL	TOTAL	WHITE	BLACK	AMER IND, ESK-ALEUT	ASIAN & PAC ISL	OTHER	HISPANIC ORIGIN
ELEMENTARY (0 TO 8 YEARS)	1,838	1,785	1,768	0	10	7	0	0
HIGH SCHOOL (1 TO 4 YEARS), NO DIPLOMA	2,000	1,769	1,755	0	5	7	2	26
HIGH SCHOOL DIPLOMA	4,245	3,915	3,886	0	11	12	6	9
SOME COLLEGE, NO DEGREE	1,631	1,437	1,422	0	13	0	2	7
ASSOCIATE DEGREE	384	334	329	0	5	0	0	6
BACHELORS DEGREE	538	515	515	0	0	0	0	0
GRADUATE OR PROFESSIONAL DEGREE	260	258	258	0	0	0	0	0

31

Appendix D

124

AREANAME: Benton County COUNTY: 29015 MCD: PLACE: TRACT/BNA: BG:

P80/81/107/108 HOUSEHOLD AND FAMILY INCOME IN 1989			P117/119/120 POVERTY STATUS IN 1989 (UNIVERSE: PERSONS FOR WHOM POVERTY STATUS IS DETERMINED)			P114A&B/115A/116A PER CAPITA INCOME IN 1989 ALL PERSONS		
	HOUSEHOLDS	FAMILIES		AT OR ABOVE POVERTY	BELOW POVERTY			
\$ 0 - 4,999	616	252				TOTAL PERSONS		\$9,112
\$ 5,000 - 9,999	980	494				IN HOUSEHOLDS		\$9,164
\$ 10,000 - 12,499	516	358	PERSONS	10865	2,748	IN GROUP QUARTERS		\$5,584
\$ 12,500 - 14,999	387	286				INSTITUTIONAL		\$7,017
\$ 15,000 - 17,499	472	391	AGE			NONINSTITUTIONAL		
\$ 17,500 - 19,999	369	300	0-4	481	205	WHITE		\$9,145
\$ 20,000 - 22,499	323	263	5	105	40	BLACK		\$0
\$ 22,500 - 24,999	268	229	6-11	756	274	AMER IND/ESK/ALEUT		\$5,590
\$ 25,000 - 27,499	211	177	12-17	784	255	ASIAN/PAC ISL		\$9,113
\$ 27,500 - 29,999	222	199	18-24	605	278	OTHER		\$1,081
\$ 30,000 - 32,499	216	201	25-34	1211	291			
\$ 32,500 - 34,999	166	127	35-44	1337	314	HISPANIC		\$12,268
\$ 35,000 - 37,499	157	143	45-54	1354	289			
\$ 37,500 - 39,999	103	70	55-59	854	142	P121 RATIO OF INCOME IN 1989 TO POVERTY LEVEL		
\$ 40,000 - 42,499	139	127	60-64	916	154	(UNIVERSE: UNDER .50		1,150
\$ 42,500 - 44,999	51	40	65-74	1,577	274	PERSONS FOR	0.50 TO 0.74	843
\$ 45,000 - 47,499	75	70	75+	885	232	WHOM POVERTY	0.75 TO 0.99	755
\$ 47,500 - 49,999	68	66				STATUS IS	1.00 TO 1.24	998
\$ 50,000 - 54,999	78	71				DETERMINED)	1.25 TO 1.49	967
\$ 55,000 - 59,999	91	91	WHITE	10790	2,697		1.50 TO 1.74	968
\$ 60,000 - 74,999	156	135	BLACK	0	0		1.75 TO 1.84	402
\$ 75,000 - 99,999	26	26	AMER IND/ESK/ALEUT	45	31		1.85 TO 1.99	651
\$100,000 - 124,999	19	19	ASIAN/PAC ISL	28	0		2.00 AND OVER	6,879
\$125,000 - 149,999	7	7	OTHER	2	20		TOTAL	13,613
\$150,000 OR MORE	9	7						
32 MEDIAN	\$16,925	\$19,946				P126 POVERTY STATUS OF RELATED CHILDREN IN 1989 BY FAMILY TYPE AND AGE		
MEAN	\$21,687	\$24,404	HISPANIC ORIGIN	43	25		ABOVE POVERTY	BELOW POVERTY

P82/83/84/85 HOUSEHOLD INCOME IN 1989 BY RACE/HISPANIC ORIGIN OF HOUSEHOLDER								IN MARRIED COUPLE FAMILY		
	WHITE	BLACK	AMER IND/ESK/ALEUT	ASIAN/PAC ISL	OTHER	HISPANIC ORIGIN			ABOVE POVERTY	BELOW POVERTY
\$ 0 - 4,999	614	0	0	0	2	7	0 - 4 YEARS	428	162	
\$ 5,000 - 9,999	973	0	7	0	0	0	5 YEARS	101	20	
\$ 10,000 - 14,999	885	0	18	0	0	0	6 - 17 YEARS	1,420	339	
\$ 15,000 - 24,999	1,423	0	7	0	2	5	IN OTHER FAMILY			
\$ 25,000 - 34,999	815	0	0	0	0	0	MALE HOUSEHOLDER, NO SPOUSE			
\$ 35,000 - 49,999	593	0	0	0	0	21	0 - 4 YEARS	15	14	
\$ 50,000 - 74,999	325	0	0	0	0	0	5 YEARS	4	3	
\$ 75,000 - 99,999	26	0	0	0	0	0	6 - 17 YEARS	35	25	
\$100,000 OR MORE	35	0	0	0	0	0	FEMALE HOUSEHOLDER, NO SPOUSE			
MEAN	\$21,747	\$24,957	\$12,093	\$4,428	\$12,794	\$28,843	0 - 4 YEARS	38	29	
							5 YEARS	0	17	
							6 - 17 YEARS	85	143	

P89 THROUGH P105 HOUSEHOLDS AND MEAN HOUSEHOLD INCOME IN 1989 BY INCOME SOURCE								
	HOUSEHOLDS	MEAN INCOME		HOUSEHOLDS	MEAN INCOME		HOUSEHOLDS	MEAN INCOME
WITH WAGE OR SALARY	3,270	\$20,149	WITH INT, DIV, OR RENT	2,189	\$5,478	WITH RETIREMENT	1,257	\$8,046
NO WAGE OR SALARY	2,455		NO INT, DIV, OR RENT	3,536		NO RETIREMENT	4,468	
WITH NONFARM SELF-EMPLOYMENT	799	\$10,822	WITH SOCIAL SECURITY	2,686	\$7,285	WITH OTHER TYPES	701	\$3,377
NO NONFARM SELF-EMPLOYMENT	4,926		NO SOCIAL SECURITY	3,039		NO OTHER TYPES	5,024	
WITH FARM SELF-EMPLOYMENT	589	\$7,132	WITH PUBLIC ASSISTANCE	472	\$2,930	WITH EARNINGS	3,652	\$21,559
NO FARM SELF-EMPLOYMENT	5,136		NO PUBLIC ASSISTANCE	5,253		NO EARNINGS	2,073	

Appendix B

AN EVALUATION QUESTIONNAIRE
FOR
THE DESIGN OF A BUSINESS PLAN FOR OZARK BUILDERS

Dear Evaluator,

A proposal was made for an investigation into the design and implementation of a business plan for Ozark Builders, a small residential construction firm. You were selected to evaluate this business plan because of your expertise in this area. Your answers and opinions will be very valuable in implementing this plan. Please give serious thought to each question and answer all questions candidly with any comments or suggestions that you believe would improve the plan. Blank pages may be found at the end of the questionnaire for additional comments. Your assistance in the evaluation of this plan is greatly appreciated.

EVALUATOR _____ DATE _____

Physical Design

What was your first impression of the overall physical appearance of the plan?

What measures would you suggest to improve its appearance?

Introduction Section

Does the introduction page supply adequate information about the company and its principal officers?

_____ Yes _____ No

IF YES, please offer at least two comments on why the information in the introduction is sufficient.

1. _____

2. _____

3. _____

IF NO, please offer at least two suggestions on how the introduction may be improved.

1. _____

2. _____

3. _____

Table of Contents

Do you believe that it is necessary for a Table of Contents to be included with this business plan?

_____ Yes _____ No

IF YES, please offer at least two reasons why you believe that it is necessary for a Table of Contents to be included with this plan.

1. _____

2. _____

3. _____

IF NO, please offer two reasons why a Table of Contents should not be included with the business plan.

1. _____

2. _____

3. _____

List of Tables and Figures

Does a List of Tables and a List of Figures need to be included with this business plan?

_____ Yes _____ No

IF YES, please offer at least two reasons why a List of Tables and Figures should be included with the plan?

1. _____

2. _____

3. _____

IF NO, please offer at least two opinions why a List of Tables and a List of Figures should not be included in the business plan.

1. _____

2. _____

3. _____

Executive Summary

Is the objective of Ozark Builders clearly defined?

_____ Yes _____ No

IF YES, please offer at least two reasons why you believe that the objective is clearly defined.

1. _____

2. _____

3. _____

IF NO, please offer two suggestions on how the objective of Ozark Builders may be better defined.

1. _____

2. _____

3. _____

What other information do you believe should be included in the present state of development section?

What other information should be included in this section about the product?

Are the personal histories of each of the principle officers of Ozark Builders adequate?

_____ Yes _____ No

IF YES, offer at least two reasons why you believe the personal histories of the principles to be adequate.

1. _____

2. _____

3. _____

IF NO, please offer at least two reasons why you believe the personal histories of the principles are not adequate.

1. _____

2. _____

3. _____

Is the organizational structure of Ozark Builders clearly defined?

IF YES, please offer at least two reasons why you believe that the organizational structure is clearly defined.

1. _____

2. _____

3. _____

IF NO, please offer at least two reasons why the organizational structure of Ozark Builders is not adequately defined.

1. _____

2. _____

3. _____

What improvements do you believe should be made in the Executive Summary section?

Market Analysis

Do you believe that the studies shown in this section are relevant to the product and that the market area is satisfactorily identified?

_____ Yes _____ No

IF YES, please offer at least two reasons why you believe that the market area is identified and that the studies are relevant to the product.

1. _____

2. _____

3. _____

IF NO, please offer at least two reasons why you believe that the studies are not relevant to the product and that the market area is not identified.

1. _____

2. _____

3. _____

Should the charts shown in Figure 1 and 2 be included in this plan?

_____ Yes _____ No

IF YES, please offer two reasons why the charts should be included.

1. _____

2. _____

3. _____

IF NO, please offer two reasons why the charts should not be included in the plan.

1. _____

2. _____

3. _____

Is competition for Ozark Builders and Ozark Builders' strengths adequately identified?

_____ Yes _____ No

IF YES, please offer at least two reasons why you believe that the competition and the strengths of Ozark Builders is adequately identified.

1. _____

2. _____

3. _____

IF NO, please offer at least two suggestions on how the competition and the strengths of Ozark Builders may be better identified.

1. _____

2. _____

3. _____

What suggestion do you have for the improvement of the Marketing Analysis section?

Marketing Strategy

Do you believe that it is important to show Golden Key Realty's role in the marketing of the product?

_____ Yes _____ No

IF YES, please offer at least two reasons why you believe that it is important to show Golden Key Realty's role in the marketing section.

1. _____

2. _____

3. _____

IF NO, please offer two reasons why you believe that it is not important to show Golden Key Realty's role in the marketing of the product.

1. _____

2. _____

3. _____

What suggestions do you have to improve the marketing strategy section?

Product Analysis

Is it important to show the business relationship between Ozark Builders and L&F, L.L.C.?

_____ Yes _____ No

IF YES, please offer at least two reasons why the relationship between Ozark Builders and L&F, L.L.C. should be identified.

1. _____

2. _____

3. _____

IF NO, please offer at least two reasons why the relationship between Ozark Builders and L&F, L.L.C. should not be identified.

1. _____

2. _____

3. _____

What other product information do you believe would improve this section?

Financial Information

Do you believe a financial institution would favorably view this income statement?

_____ Yes _____ No

IF YES, please offer at least two reasons why you believe that the income statement would be viewed as favorable?

1. _____

2. _____

3. _____

IF NO, please offer at least two reasons why you believe that the income statement would not be favorably viewed.

1. _____

2. _____

3. _____

What improvement would you suggest for the balance sheet?

Is the basic format of the cash flow projection easy to understand?

_____ Yes _____ No

IF YES, please offer at least two reasons why you find the format of the cash flow projection easy to understand.

1. _____

2. _____

3. _____

IF NO, please offer at least two suggestions to improve the cash flow projection.

1. _____

2. _____

3. _____

What suggestions do you have to improve the Financial Information section?

Appendix

Do you believe that the information in the appendix should be included with the business plan?

_____ Yes _____ No

IF YES, please offer at least two reasons why you believe that the information in the appendix should be included.

1. _____

2. _____

3. _____

Please offer at least two suggestions for the improvement of the appendix.

1. _____

2. _____

3. _____

Appendix C

COVER LETTER

May 00, 1997

Betty Lorton
1012A Thompson Blvd.
Sedalia, MO 65301

Dear Ms. Lorton:

As per our telephone conversation, enclosed herewith is a questionnaire to be used to critique a business plan for Ozark Builders.

Please complete the questionnaire at your earliest convenience and return the plan and the questionnaire to me in the enclosed self-addressed, stamped envelope.

The questionnaire is self-explanatory. Please complete all questions, adding any comments or suggestions that you may believe would be helpful.

If you have any questions, please do not hesitate to contact me at home (816 438-9055) or at my office (816 438-7228).

Thank you for taking the time and effort to evaluate this business plan. I will look forward to hearing from you soon.

Respectfully,

Benjamin Luke Beaman
Rt #4 Box 124 D-64
Warsaw, MO 65355

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