STEPS TO SUCCESS FOR RURAL ENTREPRENEURS:
STARTING A SMALL ENGINE REPAIR SHOP

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Other titles in the *Steps to Success for Rural Entrepreneurs* series

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- Starting a Small Restaurant

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INTRODUCTION

Welcome to this handbook

Starting a Small Engine Repair Shop is a practical and easy-to-use guide to opening a small engine repair business in rural Alaska. One of a series of handbooks developed to start new Alaska entrepreneurs on the road to success, this handbook takes you step-by-step through the process of assessing the feasibility of your business idea and developing a business plan. While this handbook should be useful to anyone starting a small engine repair business in Alaska, it focuses specifically on developing a plan for this type of business in a community off the road system.

This handbook tells you what to consider in the process of setting up your small engine repair business and provides an outline for developing your business plan. By following the steps laid out here, you will be able to decide whether or not opening a small engine repair shop is right for you. For a more detailed explanation of business planning, see Steps to Success for Rural Entrepreneurs: Writing Your Small Business Plan.

This handbook helps you to define your business goals and develop your strategy for achieving success. It covers:

- How to determine if this is the right business for you
- What your start-up needs will be
- How to assess local markets, estimate demand, and attract clients
- What licenses and permits you will need
- How to project annual revenues and expenses, and break-even point.

DEFINITIONS AND BUSINESS PLAN BASICS

Small engine repair shops repair anything with small engines: outboard motors, snowmachines, 4-wheelers, ice augers, generators, chainsaws, lawn mowers, and other all-terrain vehicle (ATV) motors. In other words, motors that essential to life in rural Alaska. As well as making repairs, small engine repair shops often sell spare parts for engines. Some small engine repair shops are certified to offer warrantee repairs for the manufacturers.

What do small engine repair shops provide?

The first step in setting up a small engine repair shop is to decide what services to offer:
• Will you concentrate on repairing one type of small engine, or will you offer general repairs for all small engines?
• Will you sell spare parts?
• Do you want to build a relationship with one manufacturer and offer warranty service?
• Do you want to buy broken motors, fix them, and resell them?
• Do you want to buy broken motors and part them out?

As you can see, there are several business options to choose from. Take some time to research what others are doing around the state. This will help you decide what interests you, what the needs are in your community, and how you might develop a profitable business.

**What is a business plan and why do I need one for my small engine repair shop?**

A business plan is a tool that helps you think through the many aspects of starting up and running a small engine repair business. Writing a business plan makes it clear why you are starting a business, and keeps you focused as you go into operation.

A good business plan:

• Takes you methodically through the various elements of the business
• Helps you decide if a small engine repair shop is worth your time and financial investment
• Identifies alternatives and strategies for achieving success, improving your probability of success.

This handbook walks you through the steps of preparing to write your business plan:

1. Conducting your personal assessment
2. Developing your small engine repair shop concept
3. Understanding regulatory requirements
4. Assessing your market and conducting research
5. Developing your organizational plan
6. Developing your marketing and customer service plan
7. Developing your financial plan.

It is important to understand that not every rural Alaska community can support a small engine repair business, because the local population may be too small. In some places, this just might not be a financially viable business.
STEP 1 – CONDUCTING YOUR PERSONAL ASSESSMENT

A small engine repair shop might seem to be a fairly straightforward business, but owning, operating, and managing this type of business can be quite challenging. As the owner, you are responsible for keeping the financial records, making payroll and paying bills, ordering supplies, managing your advertising, and filing taxes. Success in the small engine repair business requires the same things as success in any business. You need to make money, comply with government regulations, and follow a financial plan to operate efficiently.

What are the benefits of running a small engine repair shop?

Some benefits of being a small engine repair shop owner include:

- Starting something from nothing
- Earning additional income or creating employment for yourself
- Incorporating a potentially interesting business into your life
- Meeting new people from other communities by providing a service.

Owning a small engine repair shop puts you in charge of your own career and financial future. You get to make your own choices and enjoy your own success.

Why do you want to start a small engine repair shop?

Before considering the more technical aspects involved, you should take the time to examine your personal reasons for starting a small engine repair business. Knowing your goals and reasons for going into this business will help you make good decisions. You might find that there is more work and less financial profit than you are willing to take on, or too much financial risk. Having your reasons written down can also remind you on a particularly hard day why you went into this business.

Answer the questions below to find out how running a small engine repair business in rural Alaska compares to what you really want.

Why do you want to start a small engine repair shop?

________________________________________________________________________

________________________________________________________________________

How many hours a week are you willing to work to run your business? ________________
Are you willing to operate year round?  
Yes___  No ___

What yearly income do you need from your small engine repair shop?
________________________________________________________________________

Are you willing to be responsible for all business activities?  
Yes___  No ___

Do you plan on working another full- or part-time job while running your business?
________________________________________________________________________
________________________________________________________________________

Good responses for why you want to run a small engine repair shop include:

- I enjoy working on engines.
- I like getting “into” a piece of equipment, figuring out how it runs, and making sure it runs.
- I want to be self-employed.
- I have prior experience working in or managing a small engine repair shop.

What are some drawbacks of running a small engine repair shop?

Some challenges to consider as you move forward in planning your business include:

- Starting a new business is hard work and requires a lot of time.
- Record keeping is just as important as the engine work. (See Step 2, Records – How will you keep track of things?)
- Unstable and unpredictable income.

Even if your small engine repair shop is open for only four hours a day, you still need to put in preparation (ordering supplies and equipment) and planning time, and take care of administrative tasks (billing clients, collecting payments, filing taxes).

Keep in mind the amount of money you need to make, and see how your financial projections compare to this financial goal. You might not be able to make this target with your small engine repair shop.
Small business owners throughout rural Alaska have identified the following small business success factors:\(^1\):

- Do what you love.
- Do what you know.
- Do seek family support – it is essential.
- Do understand that community readiness and support of the business is important and for some businesses essential.
- Do seek out training and technical assistance – it is often necessary.
- Do start small, building up your business success gradually.
- Don’t underestimate the role hard work plays in success.

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\(^1\) *Viable Business Enterprises for Rural Alaska*, University of Alaska Anchorage, Institute of Social and Economic Research, 2008
STEP 2 – DEVELOPING YOUR SMALL ENGINE REPAIR SHOP CONCEPT

This step helps you develop and describe your unique small engine repair shop concept. Your concept should be compatible with your local community and distinguish what you offer from what your competitors offer.

Before deciding how you will develop your small engine repair shop, you need to research what similar businesses are doing to be profitable. You should also consider the following key aspects of your business: available or proposed facilities in your community, the ability locally to ship heavy equipment, and your target market or the expected reach of your business.

Small Engine Repair Businesses

Finding out what similar businesses are doing and the types of services they provide is a very valuable use of your time. Look for businesses in other parts of the state that you want to be like, and interview the business owners to learn from their experiences. If you are starting up your similar business in a different region, owners of comparative businesses are likely to be more willing to share information about their challenges and what lessons they have learned to stay in business.

Location

Before you consider other business-related requirements, you should evaluate your community and its ability to support a profitable small engine repair shop. While small engine repair shops can cater to community demands in scale and service, your community may not have enough demand to make it profitable, or there may not be room for another small engine repair shop. If your community is very small and already has some sort of small engine repair shop, you might find it hard to develop a new business, unless you have a significant edge over your competitors. It is very important to do this kind of research. Use the location evaluation worksheet on page 49 to find out what your community has to offer, and what competition already exists.

The other aspect of evaluating location is deciding where to locate your small engine repair shop. The best location for you will depend on the scope of your business and the layout of your community. You want to be visible and easily accessible to people doing other things in your community. If in doubt, ask around the community and see where others think the most convenient location would be. Some small business owners have developed shops adjacent to their homes. This might be a low cost start-up alternative but, before investing in this location, find out whether if there are community zoning or other requirements that restrict this type of activity.
Facilities or Building Requirements

Your facility needs depend on the type of small engine repair shop you plan to open. Ideally, a small engine repair shop should have the following:

- Shop space large enough for at least two vehicles
- A small office area
- A small storage facility that can hold parts and supplies
- A protected area for vehicles that are waiting for parts.

You should begin small, finding or developing a shop that meets your basic needs and offers some potential for future growth. Your floors should be hard and solid and protected from spills. A garage door enables you to easily maneuver equipment you’re repairing into your shop, and also provides some protection from the elements.

You will need to scope out your community to find out what your options are. Unless you have been saving money and have the financial resources to build, a new building is likely to be too expensive. The ideal building for this type of business is commercial grade and meets all fire and electrical codes. Since local codes vary for each community, check with your village or city manager to see what they are in your community.

Your facilities should be well-ventilated, with the ability to easily add water hookups and expand the ventilation systems and drainage of the building. The building should also be well-lit. You should examine the water, electrical, and waste capacities of the building to make sure they can support a busy small engine repair shop. A word of caution – converting a very large older space or building into a small engine repair shop may be challenging, due to the cost to heat and maintain the building. A smaller space will likely serve you better.

Finally, the building may require remodeling to be accessible and safe. To meet code, the building may need more than one exit. Sharp corners, low ceilings, and blocked hallways should be eliminated. Not only are these important to meet health, safety, and building codes, they will also lower the potential for injured workers and customers, which in turn lowers your liability.

Records - How will you keep track of things?

All businesses need to keep good records. Customers will expect you to keep track of their jobs. The federal government will expect you to keep track of your expenses and income. You might be the best mechanic around, but unless you keep track of how much time you have spent on a repair, what parts you have used, or what taxes you owe, you will soon be out of business.
The small engine repair business is a service business. A key part of any service business is keeping track of information and activities. Your customers will expect accurate estimates before you begin work, so they know how much they will be charged. They will want to know that their engines and parts are safe with you. Think about how you will keep track of the estimates you give, and the equipment you take in to repair. It might be wise to have a policy of returning old, damaged parts to customers, so they understand the reason why the parts needed to be replaced. To do this, you must be able to keep track of each job. Some things to consider are:

- **Will you give written estimates?**
  - If so, where will you keep your record copy?
  - What information will you need to help keep track?
    - Customer’s name?
    - Engine type and year?
    - Date?

- **How will your keep track of customers’ jobs?**
  - Have a number for each job or use customer’s name?
  - Attach a ticket to each job?
  - Put old parts in box with job?
  - Who will be responsible?

To stay in business, you also need to keep track of your expenses and your income. You should establish a system for invoicing your customers and getting paid for your work. You will need to track not only how much you have paid for parts and materials, but also how much it will cost you to replace the parts and materials you have used. While you must do this in order to file your taxes, it is equally – if not more – important to keep track of your income and expenses, to make sure your business is running efficiently.

- **How will you keep track of what you have spent on each job?**
  - Invoice sheet?
  - Customer file?
  - Computer, paper copies or both?

- **How will you keep track of parts and materials inventory?**
  - Keep a paper or computer ledger?
  - Keep parts catalogues?
  - Call the distributor each time you use a part, and keep track of the conversation?
Your answers to the following questions will also determine your overall readiness for owning and operating a small engine repair shop.

Are you comfortable with all people?  

Yes ___  No ___

Can you take criticism well from customers?  

Yes ___  No ___

The information from your location evaluation worksheet will also help you decide what kind of small engine repair shop you should open, what other services you should offer, and what size your potential market is. Use these answers as a starting point for refining your small engine repair shop concept.

In addition to the above location questions, think about your personality. Are you the type of person who is willing and able to do what it takes to run and manage a small engine repair shop, or would you really rather work in a shop as an employee?
STEP 3 - UNDERSTANDING REGULATORY REQUIREMENTS

The next important questions and step to consider is, “What legal or regulatory responsibilities do I need to comply with?” Small engine repair shops, because of their potential environmental impacts, are subject to local, state and federal requirements. In this business, you will use and accumulate waste oil, batteries, aerosol cans, and solvents. All of these are hazardous, and you must dispose of them properly.

It will be your responsibility to find out which specific requirements apply to your situation, and to comply with them. In this step, you will learn the scope of these requirements and what planning is necessary to start your small engine repair business. The regulations and/or permits you will need to consider are, at a minimum:

- Licenses and permits
- Insurance requirements and considerations
- Reducing risks
- Reporting considerations.

**Business License**

You will need to have a standard State of Alaska business license for your small engine repair shop. This costs $100 a year, and obtained from the Department of Commerce, Community and Economic Development (DCCED). For more information, call 907-269-8173 (Anchorage) or 907-465-2550 (Juneau). Applications are available online at http://www.businesslicense.alaska.gov.

To get your license, you need to provide your name and address, the name of your business, and the appropriate NAICS business code. The entire list of business codes is published on the DCCED website, along with guidance for choosing your code.

**Fire Department Permit**

Your local fire department and/or the state fire department may require you to obtain a permit if your business is open to the public. In most cases, you will need to get your permit before opening for business. The fire department may schedule periodic inspections to ensure your facility continues to meet regulations.

**Insurance Requirements & Considerations**

The two major types of insurance you will need are property and casualty (or property and liability), and life and health. Property and liability are the most important for a business. Property coverage includes insurance on your buildings and other property in
the case of fire, theft, and other losses. Liability insurance protects you against claims of injury or property loss resulting from negligence. Life and health are generally part of the employee benefit package. The law requires some types of coverage, and others simply make good business sense.

Most property and liability insurance needs can be insured through a package policy, but you may need to buy special coverage policies separately. The special policies will depend on the location of your business. One example is business interruption insurance, which can provide sufficient funds to pay fixed expenses during a period of time when the business is not operational due to damaged or destroyed equipment or buildings. To determine your specific insurance needs, contact an insurance agent.

Zoning Requirements

Zoning classifications for a small engine repair shop vary from community to community. Zoning should be one of the first places you check to find out what your community zones as allowable or unallowable. Often, a small engine repair shop is classified as a commercial business, and a zoning exemption must be obtained to operate this type of business in an area zoned residential. If you intend to construct a new facility, use an existing building for a different purpose, or perform extensive remodeling, you should check the local building and zoning codes.

Reducing Risks

Because small engine repair involves working with grease and oil, this type of business is strictly regulated. If you fail to comply with these regulations, it will cost you more money, which is never good for a business. You can reduce your waste, and your risk, by taking these low-cost precautions.

- Pick items up and have good housekeeping, which will prevent spills and waste.
- Use quality, resealable containers to reduce loss from spills and evaporation.
- Maintain proper inventory control so you use only what you need.
- Keep wastes separate to make recycling easier. (For example, keep solvents out of used oil.)
- Check and repair all potential sources of leaks, at least weekly.
- Use mechanical cleaning or stripping, when possible, rather than using solvents.
- Use storage shelves designed to protect materials from earthquake damage and other impact damage.
- Educate your employees about waste reduction and hazardous materials control.
- Find another business that can use your waste as an energy source.
- Use old solvent for a first rinse, to extend the life of the fresh solvent.
• Change plant operations and/or procedures by improved housekeeping, and educating employees about waste reduction.
• Substitute non-toxic materials for toxic materials in the production process.
• Reclaim (recycle) materials to avoid creating waste.
• Modify equipment to improve efficiency.

The Federal Resource Conservation and Recovery Act (RCRA) regulate the storage, handling, transportation, and disposed of waste oil. If your business produces less than 100 kg (220 pounds) a month, it is considered a conditionally-exempt-small-quantity generator (CESQG), and you need not worry about so many regulations (see page 46).

For information on recycling hazardous material, the equipment needed, vendors, treatment of the materials, hazardous waste facilities, storage of the materials, and compliance when using materials like oil, batteries, and aerosol spray cans in the shop, call the Compliance Assistance Office at 1-800-510-2332. Check with your local government to find out how hazardous wastes are disposed of in your community, and whether or not there are additional local regulations. If you are transporting hazardous materials or waste, you must comply with the Department of Transportation’s (DOT) regulations. The distributors from whom you purchase these materials should be able to provide you with this information.

**Reporting Considerations**

As a small engine repair business owner/operator, you must keep good accounting records to comply with the tax requirements of the Internal Revenue Service (IRS) and your borough or local community. Accurate records are also essential to managing and directing your small engine repair shop. If you hire any employees, you will be subject to a number of additional regulations. The IRS will require that you withhold taxes and file either a W-2 or a 1099 form for each employee.

If you do have employees, your business will come under the jurisdiction of the Occupational Safety and Health Administration (OSHA), and will be subject to inspections to make sure it complies with all safety regulations (see page 50).

The State of Alaska requires that you provide each employee with workers’ compensation insurance. You may also want to offer your employees life and health insurance as part of their benefit package. If, like many small business owners, you decide to take care of your own accounting and reporting, you should attend a class on standard bookkeeping, and also consult the IRS to fully understand the requirements for your particular situation.
**Additional Resources**

- **Attorney:** It is advisable to engage an attorney at start-up to check over your paperwork and any legal issues, before you start operations. This will save you money later, and gives you a working relationship with a local attorney, should problems arise in the future.

- **Accountant:** If you have no experience with business accounting, you might want to pay for the services of an accountant. Even if you plan to do your own bookkeeping, you might want to use an accountant to file your taxes.
STEP 4 – CONDUCTING MARKET ASSESSMENT AND RESEARCH

To make money, a small engine repair shop must offer the services that people are willing to pay for. It also needs enough customers to stay in business. One of your first tasks is to identify your market. Who will buy the services you want to offer? What competition exists, or what alternatives do your potential customers have?

Your main objective in conducting a market assessment is to understand your potential customers better. The research you do in this step will help you answer the following key questions:

- What potential customers already exist in your region and/or community?
- What are these customers willing to spend money on?
- What is the price sensitivity of these customers?
- What repairs will customers make on their own, and what services can you augment or provide that they don’t want to, or can’t make on their own?
- Can you describe a typical customer (age, gender, education, income, occupation, etc.)?
- How does your proposed small engine repair shop compare to the competition?

Before you begin gathering information and making personal contact with potential customers, create a system for organizing and referring to the data you collect. Depending on the complexity of your business, this could be a software database designed specifically for this type of business, or a simple Excel-type spreadsheet. This data will be very valuable once your business is operating, as you look for new ways to sell to your customers. Also, business owners tend to overestimate the demand for their services, and your database records can help you estimate true demand.

Who are your potential customers?

A small engine repair shop located in a hub rural Alaskan community is going to operate quite differently than one located in a smaller, more isolated rural community. If you are located in a larger rural community, you might want to increase your overall market potential by targeting regional customers passing through the airport hub. Possible customers might include:

- Local community members
- Contractors in your community for government or construction work
- Seasonal community members, such as commercial fishermen.
The following questions will help you think through who your customers, or market, might be. Think about who might be interested in having you repair their engines.

- Are you going to focus just on your village? Or will you also target potential customers from other villages?
- Are there seasonal businesses in your area, such as lodges and canneries that might use your services?
- How will your customers pay?
  - Do you need to offer credit?
- How will you attract potential customers to your business?
  - Will they be concerned about how your shop looks?
  - Can you attract them with advertising?

**What’s the demand for a small engine repair shop?**

Potential demand is another factor that will affect your decision about what type of service to offer. You need to estimate not only how many customers you will have, but also what those customers will want. Some parts of the state use small engines mostly in outboard motors; others use them mostly in snow machines. Think about the types of engine people are using, and what the potential for business is.

- What is the dominant use of small engines in your area?
- Is there another common use for small engines?
- What brands are most popular?
- How many small engines do most families have?
- What is your rough estimate of the number of small engines in your village?
- In nearby villages?
- Would people use a shop for annual maintenance?
- How many engines in your area need to be overhauled?

You don’t need exact numbers, but you should have a rough idea of how much work there is in your area. Consider the different possibilities. Businesses in small communities often need to offer a combination of services to survive. Coming up with estimates for different types of services and different types of small engine repair services will give you figures you can work with to develop your financial plan later.

**Competitive Considerations**

One factor that will influence what services you provide is what repair services already exist in your area. Many people in rural Alaska repair their own machines. Some villages even provide a shop where people can rent space to repair their own machines.
Think about the alternatives your customers have, and why they might come to you instead of using one of these alternatives.

- Why will people want to pay you to do this work?
- Is there someone else who repairs small engines in your area?
- What do you need to bring business to your shop?
  - Spare parts that are hard to find?
  - Training or a particular certification nobody else has?
  - Ability to fix engines or be certified to fix engines without sending them somewhere else?

Find out as much as you can about the repair services already available in your area. You might want to expand your research to your region, or at least consider where your local market goes to receive services currently. Look at the local yellow pages. Check the online Alaska Department of Commerce, Community and Economic Development business registry. You might be surprised by what you don’t know. A quick survey of small engine repair shops revealed that there are more than 10 small engine repair shops in the Anchorage/Mat-Su/Kenai region, and at least one shop in the towns of Dillingham, Unalakleet, Glenallen, Sitka, Cordova, and Delta Junction.

**Pricing and Willingness to Pay**

Knowing what the potential demand is for services is one part of the equation. The other part is knowing how much you can charge for your services. When you consider what services you will offer, you should also think about how much it will cost to provide those services. When you look at the competition, you can find out how much the alternatives cost. You can also think about your own situation, or that of the average community member, to estimate what they can afford to spend on small engine repair services. Taking into consideration your customers’ ability to pay, your competitors’ fees, and the estimated demand for your services will give you an idea of how much people are willing to spend on services, and how much you might be able to earn.

Following are some additional questions and considerations:

- How much do you want to charge per hour?
- How much do you want to charge per repair?
- What do the alternatives cost?
  - Sending motors out for repairs?
  - Buying new motors and equipment?
- How much money do people have to spend on repairs?
As with the other questions in this section, you don’t need exact answers to these questions. But you should be able to make an educated guess. Honest answers will help you see if starting a small engine repair shop makes any sense at all.

**Back of the Envelope Calculation**

Before going any further, make a quick calculation to see if your idea makes sense. Take the number of potential customers and multiply it by the average cost of a repair. This will give you a rough estimate of your potential revenues. The cost of this service will vary, depending on the mechanic’s level of training, the availability of parts, and the type of engine being repaired.

For example:

*There are three villages in your with a total of 100 families. Each family has at least one outboard, making your potential market 100 outboards. About one-third of the outboards need some sort of repair. A typical repair takes five hours, and you charge $50 an hour.*

\[
30 \text{ repairs } \times 5 \text{ hours/repair } \times \$50/\text{hour} = \$7,500
\]

Your number of potential customers: __________________________

Average cost of repair: \( x \) __________________________

Estimated revenue: \( = \) __________________________

A quick estimate like this helps you determine if your revenues will be enough to achieve your personal goals and/or if your revenues will support a full-time, year-round operation.

**Critical questions to answer in the market assessment and research step include:**

*Who is your target market?*

- □ Locals
- □ Regional members
- □ Lodge Owners
- □ Fishermen
- □ Snowmachiners
- □ Other __________________________
- □ Other __________________________
What is the estimated size of your market?
________________________________________________________________________

Who are your target customers? What are their demographics? (Profession, gender, age, income level, etc.)
________________________________________________________________________
________________________________________________________________________

Why have you chosen this target market?
________________________________________________________________________
________________________________________________________________________

Why would your target customer use your small engine repair shop? Did you actually ask some of your target market or are you just assuming?
________________________________________________________________________
________________________________________________________________________

Is your market seasonal? What are the primary months? How will you run the business during the off-season, if at all?
________________________________________________________________________
________________________________________________________________________

Have you already spoken to potential customers? How did they respond? Were they interested in your proposed services?
________________________________________________________________________
________________________________________________________________________

What small engine repair shops already exist around your community? In the region?

________________________________________________________________________
________________________________________________________________________

Which of the existing shops are your direct competitors? Which are targeting the same market niche? Why would a customer choose you over the competition?

________________________________________________________________________
________________________________________________________________________

What is currently offered by other small engine repair shops, and how will you compete?

________________________________________________________________________

How much do these small engine repair shops charge for their “average” services?

________________________________________________________________________

Answering the above questions and conducting an in-depth assessment of your market are essential. Market research gives you the information and data you need to identify individual market segments. You might even consider conducting an informal or formal market survey to get this critical information, before you establish your business.

Without enough market research, it will be impossible to know if there is any demand for your small engine repair shop or not. The purpose of market research is to identify your market and find out where that market is, so you can then develop strategies to communicate with prospective customers in a way that convinces them to patronize your business.

Market research will also give you important information about your competition that will help you differentiate your small engine repair shop from theirs. To do this successfully, you must have a good understanding of your competition, so you can communicate the differences to your target market.

Once you feel you know your potential market, can identify your target niche, and have a keen understanding of your competition, you are ready to move on to developing your marketing plan.
STEP 5 – DEVELOPING YOUR MARKETING AND CUSTOMER SERVICE PLAN

Going into the small engine repair shop business does not mean, “build it and they will come.” You still need to develop a plan for marketing your business. A critical component of that plan will be providing first class services and attending to your customers’ needs. Word-of-mouth is your most effective marketing strategy, but this cannot happen without satisfied customers. Remember that his works both ways: if your customers are disappointed or displeased, they will tell their family and friends about that too.

Advertising

In small rural Alaskan communities, you might need very little advertising to become successful. “Advertising” might amount to nothing more than a sign placed outside your place of business. However, you should consider some advertising to increase awareness of your business, both in your own and surrounding communities. At a minimum, you should post a notice with the business name, contact information, and operating hours in local offices and stores, and on airport bulletin boards. You should also contact community offices and stores in neighboring villages to promote your services.

It costs money to advertise, so choose your advertising methods carefully. Consider which customers you are trying to attract, their interests and needs, and what type of advertising will reach them most effectively.

Your advertisements and brochures often give potential customers their first impression of your business. Make sure all of print material is written clearly and attractive in appearance. Advertising is effective only if it reaches your intended audience.

One effective strategy to promote your business would be to contact the various government agencies, Native groups, lodges, or construction contractors that do business in your area, to tell them about your small engine repair shop and to find out if they have a need for your services.

Public Relations and Promotions

As well as advertising, you should be good at sales – convincing the customer to come to your small engine repair shop for repair services. Keep those customers coming back by providing excellent service every time.
While the best way to keep your customers happy is to provide them with quality service at a reasonable price, it also helps to make your shop attractive and convenient for customers. Think of ways you can make customers prefer to bring their engines to you. A little extra effort pays dividends later in the form of increased business.

- Would a well-lit and clean shop or a good display of parts and goods make them want to come to you?
- Do they feel comfortable asking you or your employee’s questions?

Small engine repair shops come in many different shapes and sizes, but all are very service-oriented. A small engine repair shop manager and staff are expected to be friendly and helpful.

Remember that:

- First impressions are lasting impressions.
- A sign on the outside of the building should not be overrated, even in small communities.
- City offices, stores, and airports should have fliers and knowledge about your business, so people passing through town also know it exists.
STEP 6 – DEVELOPING YOUR ORGANIZATIONAL PLAN

Your organizational plan details the ownership, management, and staffing of your small engine repair shop. First, you need to decide what the legal structure of your business will be. Next, you should make a list of all your business activities and decide who will do what. Going through this process helps you identify what skills you already have and what necessary skills are lacking. Finally, you will explain how you are going to address any gaps in skills.

Ownership Considerations (Legal Structure)

Choosing the appropriate legal structure for your business is an important planning decision. You can operate as a sole proprietorship, a partnership, a limited liability company, or a corporation. The easiest way to start a business in Alaska is to get a business license and start taking in engines to repair. This type of business is called a sole proprietorship. It has one owner and one person who is responsible for everything the business does.

However, you might want to take on another person as a partner. You could also find you have enough work to employ four or five people, and it would be better to form your business as a corporation. Partnerships, limited liability companies (LLCs), and corporations each have their own advantages and disadvantages. If you think you should set up a partnership, LLC, or corporation, talk to a counselor at the Alaska Small Business Development Center, or consult a lawyer and/or certified public accountant.

It is tempting to just organize, but there are clear pros and cons to each form of organization, and you should familiarize yourself with the options. You will need to conduct your own research on legal structure, and there are plenty of resource guides and classes to assist you in this determination. In the end, it is probably best to ask a lawyer or accountant for help. This is an important step, and you should lay the foundation for your business with as much care as you plan your business activities.

Manager (Owner)

As the manager, you will plan, organize, direct, control, evaluate and implement ongoing activities of your small engine repair shop. Most businesses of this kind in rural Alaska are too small to support a paid manager and still provide income to an owner. The owner often performs all the management functions, as well as many of the employee functions, until the Small Engine Repair Shop becomes profitable.
Specific responsibilities of the manager include:

- **Financial Accounting** – Ensuring funds are available to operate your small engine repair shop. Activities include developing systems to track revenue and expense items (cash flow statement), evaluating the information, and developing a financial plan.

- **Marketing** – Ensuring customers come to your small engine repair shop. Activities include attracting customers to your business, and providing quality mechanical services, so that these customers bring you repeat business.

- **Facility Maintenance** – Ensuring the shop (interior and exterior) is properly maintained. It is particularly important to address all health, safety, regulatory and licensing considerations.

**Building your Small Engine Repair Shop Team**

The first step in looking for someone to hire is to decide what exactly you want them to do. You don’t need to develop a formal job description, but you do need to outline clearly all the duties and responsibilities of the person in that position.

Next, you will need to decide how much you are willing to pay the position. Calculating the wage rate is a combination of what others are paying for similar positions, and what your financial planning says you can afford.

Hiring employees in rural Alaska can be difficult. If you are in a small community, you might be looking at a very small pool of applicants who need training in the skills necessary for a small engine repair shop worker. If you have lived in the community for any length of time, you might also face the further complication of hiring your friends and/or relatives as employees. All these obstacles can be difficult to navigate. Hopefully, the recommendations below will smooth this process.

- Do not underestimate training. If you hire somebody who does not have the necessary skill set for a position, do not assume they will pick it up as they go. Plan to spend extra time and money to teach your employees personally what they need to know, or budget for outside help, online classes, or computer software to help them in acquire the skills they need.

- It might be worth paying more for somebody who is responsible or who already has the skills you require. An irresponsible or ill-equipped employee can slow down a business’s operation, and or even affect its reputation. This can end up costing much more than paying a slightly higher wage for a better employee.
• Perform a criminal background check on potential employees. This is a cheap and convenient process that allows you to feel safe in hiring employees and to protect yourself from unknown threats. Two organizations that conduct criminal background checks are:
  o The Alaska Department of Public Safety
    http://www.dps.state.ak.us/Statewide/background/
  o Motznik Information Services
    http://www.motznik.com/

• If you hire friends or family members, make sure you discuss expectations with them. Your employees need to understand that they must show up for work on time, obey the rules of the business, and act professionally – or they will be fired, just like any other employee. This can lead to complications and strife between family and friends. If you do not believe your friend or family member will be able to follow the set rules or that you will have trouble enforcing them, do not hire them.

**Ensuring Mechanical Skills and Aptitude**

If you are not working on machines under warranty, then no specific training is needed. However, to succeed in this business, you should have extensive knowledge about machines and how to repair them. You should also have some knowledge of business, customer relations, and environmental issues. If you want your business to be a certified provider to machines still under warranty, you must take special mechanical training courses to become a certified mechanic. You will need to contact specific manufactures to determine their specific training and certification requirements.

Mechanical training is available at the King Career Center in Anchorage, the Northwestern Alaska Career and Technical Center (NACTECT) in Nome, or the King Salmon Vocational Technical Center. You can also learn a great deal through an apprenticeship with ATV and snowmachine dealers, located throughout Alaska.

While you may initially feel that no specific training is necessary or needed, in most cases some training is beneficial. Running your small engine repair shop will require some basic knowledge of the following:

• **Bookkeeping:** If you, as the business owner, are not comfortable keeping the books or using bookkeeping software, you should consider hiring a company to keep the books and file your taxes.

Starting a Small Engine Repair Shop
• **People skills**: As the owner, you will need to display a positive attitude towards customers at all times, especially when things do not go well.

Even the smallest business needs a system of record keeping. You can find general business assistance at many different small business assistance programs like the Small Business Administration (SBA) and the Small Business Development Center (SBDC). See page 69 for Additional Resources. These organizations provide information to help you organize your business records, so you can keep track of your income, expenses, and tax reporting. If you don’t want to do this yourself, you can submit your records, check stubs, repair orders and bank records to an accountant or bookkeeper monthly or quarterly, and have them prepare your accounts and tax returns. But it is advisable to have a working knowledge of accounting, so you can monitor how your business is doing and understand how you could make if more profitable.

Remember to consider your own skills when weighing management and training needs. Do not underestimate the value of investing in your own education. It might be worth flying to Anchorage or even to the lower-48 to attend a mechanical certification program, if it will differentiate your services from your competitors’. If you lack a certain skill set, you may need to hire somebody who possesses it.

![? Critical questions to answer in this step include:](image)

**What tasks will need to be completed on a daily basis?**

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

**How many staff do you plan to employ? What will you pay them?**

________________________________________________________________________
________________________________________________________________________
Are your staffed positions seasonal, full-time, part-time, etc.?

________________________________________________________________________

________________________________________________________________________

What skills do your employees need to be successful at their jobs?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

How will you train employees and ensure that they have needed skills?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

What professional relationships have you established? (Lawyer, accountant)

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________
STEP 7 – DEVELOPING YOUR FINANCIAL PLAN

A financial management plan is an important tool that helps you monitor the financial performance of your business and plan for its growth. This section guides you through the process of determining whether or not your small engine repair shop will be profitable.

As a first step, you need a firm grasp of your projected start-up costs. Next, you will develop your annual budget by estimating your revenue and expenses. You will then be able to calculate your projected profits. Use the worksheets on pages 62 to 68 to develop your financial projections. To prepare financial estimates, you need to make some basic planning assumptions. Assumptions are no more than educated guesses about your average cost, number of customers, and operating expenses.

Following is a summary of key factors and considerations involved in developing your financial estimates.

**Start-Up Costs**

Start-up costs are usually one-time expenses necessary to open your business. Some, such as the purchase or remodel of a facility, are significant. Others, such as equipment purchase, utility deposits, down payments, and various one-time fees, are minor.

Start-up costs will vary according to your facility, but common start-up expenses for this type of business include:

- State of Alaska business license ($100 per year)
- Tools and shop equipment
- Facility lease and/or purchase, and/or renovation.

Your could finance your start-up costs with a small loan paid back over a term of five to 20 years but, due to the difficulty of micro-lending in rural Alaska, do not assume such a loan will be readily available. Many small business owners finance their start-up with personal savings. If you do borrow money to start up your small engine repair shop, it might take several years to repay the loan through your business profits.

Many start-up costs can be turned into fixed costs through loans, or if you rent instead of buy. If you lease equipment, it becomes a fixed cost. If you can rent your business space, only the security deposit would be a start-up cost – your rent would be a monthly fixed cost. Renting might be more expensive in the end, but if your business were to fail, you would not have spent or borrowed a large amount of money to buy a building and equipment.
The following example of start-up costs for a small engine repair shop in a community of 600 people is based on interviews with insurance agents, business owners, and utility companies. In this example, the owner is buying a $100,000 building. He is putting $20,000 down, and has a mortgage for the rest. He wants to spend $500 to advertise the grand opening, and is paying 30 percent of the annual cost of insurance up front.

**Sample Start-Up Costs for a Small Engine Repair Shop**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business license</td>
<td>$100</td>
</tr>
<tr>
<td>Miscellaneous permits</td>
<td>$100</td>
</tr>
<tr>
<td>Insurance down payment</td>
<td>$750</td>
</tr>
<tr>
<td>Building /occupancy</td>
<td>$20,000</td>
</tr>
<tr>
<td>Training</td>
<td>$3,000</td>
</tr>
<tr>
<td>Tools &amp; equipment (below)</td>
<td>$10,000</td>
</tr>
<tr>
<td>Parts inventory</td>
<td>$4,000</td>
</tr>
<tr>
<td>Advertising</td>
<td>$500</td>
</tr>
<tr>
<td>Utilities down payment</td>
<td>$500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$38,950</strong></td>
</tr>
</tbody>
</table>

**Tools, Equipment, and Inventory**

Most minor repairs and maintenance can be accomplished with ordinary hand and bench tools. However, some manufacturers have produced specialized tools for their repairs. Some of these special diagnostic tools include volt, compression, and electrical testers. For a general idea of tools and equipment you might need, see the table on the following page.

Depending on the type of service you are offering, you might also think about acquiring a trailer or towing equipment, so you can move damaged gear to your shop. To work on larger engines you will need an engine lifter to be efficient.
Equipment and supplies can be bought new off the internet from places like J.C. Whitney, Eagle Equipment, or The Tool Warehouse. You might also be able to purchase them from a recycling program. Many rural communities have set up recycling programs with assistance from the Rural Alaska Community Action Program, Inc. (RurAL CAP). Call the Alaska Materials Exchange at 1-800-510-2332 for more information on this program.

<table>
<thead>
<tr>
<th>Tools &amp; Equipment</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bearing presser &amp; oil filter crusher</td>
<td>$300</td>
</tr>
<tr>
<td>Lift</td>
<td>$1,500</td>
</tr>
<tr>
<td>Metric tools</td>
<td>$500</td>
</tr>
<tr>
<td>Bench tools</td>
<td>$500</td>
</tr>
<tr>
<td>Tester tools</td>
<td>$350</td>
</tr>
<tr>
<td>Air wrenches, socket, ratchet</td>
<td>$300</td>
</tr>
<tr>
<td>Air compressor</td>
<td>$800</td>
</tr>
<tr>
<td>Rim breakdown unit</td>
<td>$500</td>
</tr>
<tr>
<td>Transmission puller and case splitter</td>
<td>$500</td>
</tr>
<tr>
<td>Amp/volt meters</td>
<td>$150</td>
</tr>
<tr>
<td>Grinders</td>
<td>$350</td>
</tr>
<tr>
<td>Jack stands</td>
<td>$100</td>
</tr>
<tr>
<td>Oil burner</td>
<td>$3,000</td>
</tr>
<tr>
<td>Parts cleaner table</td>
<td>$150</td>
</tr>
<tr>
<td>Aerosol can recycling system</td>
<td>$700</td>
</tr>
<tr>
<td>Battery charger</td>
<td>$300</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$10,000</strong></td>
</tr>
</tbody>
</table>

A typical small operation with one or two mechanics will spend between $4,000 and $5,000 a year on parts. Some dealers offer discounts for large parts orders. For example, Marita Sea & Ski in Anchorage gives a 10 percent discount to customers that spend $1,000 or more annually at their store. When you are calculating how much parts will cost, make sure you talk to your suppliers about available discounts. The two parts lists above show the parts mechanics in rural communities order most commonly for land and water vehicles.

In addition to tools, you will need an oil burner, a battery disposal system, and an aerosol can puncturing and draining device to comply with the Environmental Protection Agency (EPA) waste disposal rules. You can use an oil burner to produce heat (lowering cost of utilities) for the shop, as well as to comply with hazardous waste regulations.
The type of machines your potential customers will need serviced will vary according to which region of Alaska you are in, and how you decide to structure your business. For example, you will not need to work on snow machines during the summer, if you live in Southeast Alaska; similarly, you will not work on boats during the winter, if you are in Interior Alaska. This means your inventory will vary throughout the year. Before purchasing replacement parts, you should find out what brands and types of machines are most common in your community, but you should always keep maintenance parts on hand.

Answer the following questions to determine the amount of start-up capital you will need to open your small engine repair shop.

How much money do you have saved to towards your business start-up?

How much money will you need for start-up and working capital?

Estimating Revenues

To project your revenues, you need to estimate how many customers will use your services and how much the average customer will spend. To estimate customer expenditures, review the rates of other small engine repair shops in your area.

Simple revenue estimates like the sample in the table below assume you will get paid as soon as the work is done, and that you do not take down payments or let customers pay through installments. It also assumes you are able to sell all the rebuilt engines every month. In the sample, 20 percent is added to the cost of the parts sold, and labor is charged at $50 an hour. Why is there a difference between the cost of labor in our variable costs and the cost of labor for our revenue? In our example the owner is doing all the repair work. He needs to make $20 an hour. His labor fee also needs to cover all fixed costs. You will need to add your labor rate, fixed cost rate and profit rate in order to cover your costs and make some profit. Additionally, you will need to manage costs and fees to still remain competitive. Making sure you stay competitive is one of the reasons you start off by studying the market, your competition, and your customers’ alternatives.
Sample Revenue Estimate

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repair jobs</td>
<td>$9,310</td>
</tr>
<tr>
<td>Sales of parts</td>
<td>$1,200</td>
</tr>
<tr>
<td>Sale of used/rebuilt engines</td>
<td>$2,500</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>$13,010</strong></td>
</tr>
</tbody>
</table>

*Estimating Costs*

To manage your finances effectively and plan for a sound and realistic budget, you will need to estimate your operational costs. Again, it is important to list your assumptions so you can track what you based your costs on. Costs typically include both fixed and variable costs.

*Fixed Costs*

Fixed costs are fees you pay yearly, with or without customers. These include minimum staffing, managers, rent, utilities, interest, and depreciation. Other fixed costs might be professional association fees and loan payments (if you have taken out a loan).

If you hire any staff, you must include staffing or labor costs, such as (FICA Tax, Workmen’s Compensation, Federal and State Unemployment, Medical Insurance and any Vacation or Holiday Pay. These expenses can amount to between 15 and 20 percent of your total labor costs.

*Variable Costs*

Variable costs are the costs you incur for each job you do, ideally you charge each to a specific job. You can calculate these per job, but you must eventually tie them into a timeframe – per week, per month or per year. This example uses a monthly calculation.

In this example, the shop repairs 35 engines a month. Repairs are estimated to take an average of 4 hours each. The owner wants to charge at least $20 per hour for his work. Each repair will require $50 in parts, and $5 in oil, lube and other materials.

The shop in this example also sells – an estimated $1,000 worth of parts a month. It also buys old engines and reconditions them for resale. In the example, the shop rebuilds 5 old engines a month. They cost $200 to buy, take 4 hours to repair, and need $50 of parts and $5 of materials each.
Sample Variable Costs

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>Cost per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repairs</td>
<td></td>
</tr>
<tr>
<td>Labor</td>
<td>$2,800</td>
</tr>
<tr>
<td>Parts</td>
<td>$1,750</td>
</tr>
<tr>
<td>Materials</td>
<td>$175</td>
</tr>
<tr>
<td>Parts</td>
<td>$1,000</td>
</tr>
<tr>
<td>Used engines</td>
<td></td>
</tr>
<tr>
<td>Purchase used engines</td>
<td>$1,000</td>
</tr>
<tr>
<td>Labor</td>
<td>$400</td>
</tr>
<tr>
<td>Parts</td>
<td>$250</td>
</tr>
<tr>
<td>Materials</td>
<td>$25</td>
</tr>
<tr>
<td>Total:</td>
<td>$7,400</td>
</tr>
</tbody>
</table>

What factors contribute to your variable costs and how can you manage?

---

Successful businesses are always looking for ways to increase profits. There are three basic ways to do this: increase what you charge, decrease your expenses, or increase the volume of work. One advantage of keeping good records is that it allows the business owner to see the best way to increase profits. You might be able to make more money buying, rebuilding and selling small engines than by charging for time and parts for repairs. You may be able to cut parts costs by ordering in quantity and negotiating better prices with distributors. Maintaining good records of your income and expenses is critical.

- What type of work will pay you the best for your time?
  - Straight repair work?
  - Buying and selling used engines?
  - Selling parts and accessories?

- Are there ways that you can negotiate better prices?
  - From distributors?
  - From shipping companies?
There are several calculations you can make with the figures from your financial statements to help you run your business more efficiently. For example, it would be nice to know where the sample business makes the most profit for each dollar spent – what the profit margin is on repairs, selling parts and selling rebuilt engines. The following example will help you in identifying profit areas:

**Example Calculations**

1. You know the margin on parts, because 20 percent was added to the cost. For every dollar spent on parts, 20 cents is gained when they are sold. You can calculate the profit margin on repairs by dividing the profit for repairs by the price charged for repairs. If each repair requires $80 in labor ($20 per hour x 4 hours per repair), $50 in parts, and $5 in materials (oil, lubricants etc.), it comes to $135 per repair.

2. The average charge of each repair is estimated at $266. This includes $200 for labor ($50 per hour x 4 hours per repair) plus $60 for parts ($50 plus 20%) and $6 for materials ($5 plus 20%). For each repair, you would make $131 ($266 minus $135). If you divide $131 by $266, you get 0.49 or 49 percent profit margin. As you assumed, repairs are bringing more profit than parts are.

3. In this example, each engine you rebuild costs you $405. This includes the $200 you pay for the engine, and $80 in labor, $50 in parts and $5 in materials to rebuild them. You sell the rebuilt engines for $500, making a profit on each engine of $95. When you divide $95 by $500, you get 0.19 or 19 percent margin. The rebuilt engines, therefore, make you the least amount per sale.

These calculations help you identify, that you want to spend as much time as possible repairing engines in order to maximize profitability. It also tells you that you should perhaps review how much you are charging for parts or rebuilt engines to improve your profit margin in those areas. Some businesses try to earn the same margin on all of their products and services. The following break-even example will show you one reason why this makes sense.

**Estimating Break-Even Point**

A tool often used in business planning is called a “break-even analysis”. A break-even analysis tells you how many sales you need to make to cover all your costs (fixed and variable). This is your “break-even point.”

To calculate a break-even point, take the following simple steps:
1. Determine the average sales price of your product or service.

2. Calculate the total variable costs and subtract these costs from the average sales price. The remainder is called the “unit contribution” or amount you have available to cover fixed costs.

3. Total your fixed costs (insurance, licensing, utilities), also known as overhead.

4. Divide your total fixed costs by your “unit contribution” to determine your break-even point.

A break-even calculation is useful in several ways. When you are starting your business, it gives you a minimum target. If you can’t realistically hit this target, you had better reconsider your business. If you have been in business for a while, you can use a break-even analysis to determine how additional sales would support increased salaries, medical benefits, purchase of equipment, or expansion of your business to the next level.

Break-Even Analysis Example

The extra money you make repairing engines, and selling parts and reconditioned engines, has to cover all your fixed costs. In the example, you had $4,638 in fixed costs every month. A break-even analysis will let you know how much business you need to bring in to cover these costs. It can help you see if you are going to be short, which gives you more time to figure out what to do.

To calculate the break-even point you need to know the average profit margin. Since you have three different margins, you need to weight them to get an average. If you look at the cash flow analysis, you can figure out what percentage of your revenue comes from repairs, parts, and rebuilt engines. You do this by taking the revenue you earned from each of these activities over six months, and dividing it by your total revenue for those six months.

1. With repairs you earned $46,550, and your total revenue was $65,050. If you divide $46,550 by $65,050, you get 0.7156. So, repairs made up about 72 percent of your business.

2. You earned $6,000 by selling parts. If you divide $6,000 by $65,050, you get 0.0922. So, 9.2 percent of your revenue came from parts.

3. You earned $12,500 by selling engines. If you divide $12,500 by $65,050, you get 0.1922. Engines accounted for 19 percent of your revenue.
Now you have these percentages, you can calculate your average profit margin. You do this by multiplying the percentage of revenue for each of your revenue sources by its profit margin, and adding them all up.

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Percentage of Revenue</th>
<th>Profit Margin</th>
<th>Calculation</th>
<th>Profit Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repairs</td>
<td>72%</td>
<td>49%</td>
<td>72% business x 49% profit margin = 0.35</td>
<td></td>
</tr>
<tr>
<td>Parts</td>
<td>9%</td>
<td>20%</td>
<td>9% business x 20% profit margin = 0.018</td>
<td></td>
</tr>
<tr>
<td>Engine rebuilds</td>
<td>19%</td>
<td>19%</td>
<td>19% business x 19% profit margin = 0.036</td>
<td></td>
</tr>
</tbody>
</table>

Average profit margin = 0.4065 or 41%.

To arrive at your break-even number, divide your fixed costs by your average profit margin. This gives you the amount of revenue you need to generate each month to cover all your fixed costs.

\[
\frac{\$4,638}{41\%} = \$11,313
\]

Even if this number is based on rough estimates, it still gives you a target. If you get halfway through a month and have only done $2,000 worth of business, you had better start coming up with ways to cut some costs or other ways to earn money, or you will soon be out of business.

These are just some examples of ways to calculate and use financial data. Hopefully, they give you an idea of how useful a bit of math can be in running your business more efficiently.

Answer the following questions to prepare yourself for making financial projections.

How many customers do you have the ability to serve in your Small Engine Repair Shop?

________________________________________________________________________

________________________________________________________________________

If you are a new business, how many sales do you need to hit break-even point, and how many sales do you need to reach your desired profit level?

________________________________________________________________________

________________________________________________________________________

Starting a Small Engine Repair Shop
Financial Statements

A primary indicator of the overall health of your business is its financial status. You will need to develop the skills necessary to monitor and track your fiscal progress as a regular part of running your small engine repair shop.

There is a wide range of computer software packages available to assist you in tracking your business’s financial position. If you are unfamiliar or uncomfortable with these systems, you might want to contract with an accountant to set up your accounting systems and train you in how to use them. Ultimately, even if you use an accountant or bookkeeper you need to be able to read the statements provided to you. Additionally, regardless of the system you use, you must strive to keep your business records current.

The primary financial statements that you will need to understand and use include:

- **Profit and loss statement** – This income statement lets you know how much your business is making or losing over a specific period of time (monthly, quarterly, yearly). Subtract expenses from revenues to arrive at a net profit or loss.

- **Balance sheet** – A financial “snapshot” of your business. Summarizes your assets, liabilities, and ownership equity on a specific date.

- **Cash-flow statement** – This statement of cash flows shows the inflows and outflows of financial activity for a specified period (often monthly or quarterly). It also tells you if you are generating enough revenue to cover your expenses during given periods.

Understanding and monitoring your cash flow will be of critical importance. All too often small business owners take in revenue without fully accounting for the expenses and costs that must be covered. Net cash flow is the difference between incoming cash and outgoing cash. Start-up costs and unforeseen expenses can quickly gobble up your cash reserves. Preparing cash flow reports helps you as a business owner to plan for payment of your bills.

Additionally, all businesses have sales cycles based on the seasons, community events, and the days of the week. A small engine repair shop is no different. Your financial projections should take into account any events or known activities that will positively or negatively impact your sales or expenses.

Let’s look at some example financial statements specific to a small engine repair shop:
**Income Statement**

An income statement shows how well your business did over a given period of time. The following page shows an income statement for the first year of your hypothetical repair shop. To keep it simple, just take your monthly figures and multiply them by twelve. Then take you total sales for the period and subtract your variable costs for the same period. The result is your gross profit. Finally, you add up your fixed costs for the whole year and subtract them from your gross profit.

Your income statement shows you if you are going to make money at the end of the year. Of course, there are some additional expenses this does not show, such as taxes and saving money for expansion. But it does show you whether or not you are making money. In the example, your shop will make $11,660.

**Sample Income Statement**

<table>
<thead>
<tr>
<th>INCOME</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sales (Sales for the year)</td>
<td>$156,120</td>
</tr>
<tr>
<td>Cost of Sales (variable costs for the year)</td>
<td>$88,800</td>
</tr>
<tr>
<td>Gross Profit (total sales - cost of sales)</td>
<td>$67,320</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FIXED EXPENSES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage</td>
<td>$12,000</td>
</tr>
<tr>
<td>Salaries/Wages (bookkeeper and admin)</td>
<td>$24,000</td>
</tr>
<tr>
<td>Repairs/ Maintenance (for building)</td>
<td>$6,000</td>
</tr>
<tr>
<td>Insurance</td>
<td>$2,500</td>
</tr>
<tr>
<td>Advertising</td>
<td>$2,400</td>
</tr>
<tr>
<td>Utilities</td>
<td>$2,760</td>
</tr>
<tr>
<td>Miscellaneous Expenses</td>
<td>$6,000</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$55,660</td>
</tr>
</tbody>
</table>

| Net Profit Before Taxes (Gross profit - Total Expenses) | $11,660 |

An income statement gives you a year-at-a-glance picture of your business. It does not tell you what is happening during the year or where your money is going. In the real world, revenue and expenses do not flow evenly every month. Following is a tool for predicting your cash flow.
**Cash Flow**

A cash flow statement provides you with a more detailed picture over time. It also shows expenses and revenue for a given period of time (typically half a year or a year), breaking them down into shorter increments of time, usually by month. On the following page you will see an example of a six-month cash flow statement that shows the expenses and revenue for each month.

The first month includes your start-up costs. If you assume your shop will be up and running in a month, you would put all the start-up costs in month one. This example also shows you are repairing 35 engines a month and selling $1,000 in parts. You purchased $4,000 in parts at the start-up, so you sold parts for two months before you needed to buy more parts.

The example also shows you did not sell all the rebuilt engines every month. You sold only two of the five motors in the first two months. But, by the end of six months you were selling eight motors a month: five you had rebuilt that month, plus three you had in inventory.

This example shows how useful a cash flow statement can be. You can see what happens when you don’t sell all the engines anticipated. In those months, you have a lot less money available to cover costs. An income statement will not show this, and may lead you to believe, falsely, that you have enough revenue to run your business. It shows only the totals at the end of the year, not that you might have a couple of lean months.

Looking at the cash flow statement, you can see it makes sense to have some extra cash on hand for those first couple of months, in case you don’t sell as many rebuilt engines as you projected. It also shows your progress toward paying off your start-up costs. In six months, your shop paid off $6,858 of the $39,050 needed to start up. This $39,050 would have to come from either your savings or an investor. The cash flow statement also helps you calculate how long it will take to pay off your investment.
# Sample Six-Month Cash Flow Statement

## Start-Up and Fixed Costs

<table>
<thead>
<tr>
<th>Item</th>
<th>Month 1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries/Wages</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$10,000</td>
<td></td>
</tr>
<tr>
<td>Business License (2 years)</td>
<td>$200</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$200</td>
</tr>
<tr>
<td>Miscellaneous Permits</td>
<td>$100</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$100</td>
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<tr>
<td>Insurance Down Payment</td>
<td>$750</td>
<td>$208</td>
<td>$208</td>
<td>$208</td>
<td>$208</td>
<td>$208</td>
<td>$1,792</td>
</tr>
<tr>
<td>Building /Occupancy</td>
<td>$20,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>Repairs/ Maintenance</td>
<td>$500</td>
<td>$500</td>
<td>$500</td>
<td>$500</td>
<td>$500</td>
<td>$500</td>
<td>$2,500</td>
</tr>
<tr>
<td>Training</td>
<td>$3,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$3,000</td>
</tr>
<tr>
<td>Tools &amp; Equipment</td>
<td>$10,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$10,000</td>
</tr>
<tr>
<td>Advertising</td>
<td>$500</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
<td>$1,500</td>
</tr>
<tr>
<td>Utilities Down Payment</td>
<td>$500</td>
<td>$230</td>
<td>$230</td>
<td>$230</td>
<td>$230</td>
<td>$230</td>
<td>$1,650</td>
</tr>
<tr>
<td>Miscellaneous Expenses</td>
<td>$0</td>
<td>$500</td>
<td>$500</td>
<td>$500</td>
<td>$500</td>
<td>$500</td>
<td>$2,500</td>
</tr>
</tbody>
</table>

## Variable Costs

### Repairs

<table>
<thead>
<tr>
<th>Item</th>
<th>Month 1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor</td>
<td>$0</td>
<td>$2,800</td>
<td>$2,800</td>
<td>$2,800</td>
<td>$2,800</td>
<td>$2,800</td>
<td>$14,000</td>
</tr>
<tr>
<td>Parts</td>
<td>$0</td>
<td>$1,750</td>
<td>$1,750</td>
<td>$1,750</td>
<td>$1,750</td>
<td>$1,750</td>
<td>$8,750</td>
</tr>
<tr>
<td>Materials</td>
<td>$0</td>
<td>$175</td>
<td>$175</td>
<td>$175</td>
<td>$175</td>
<td>$175</td>
<td>$875</td>
</tr>
<tr>
<td>Parts</td>
<td>$4,000</td>
<td>$0</td>
<td>$0</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$7,000</td>
</tr>
</tbody>
</table>

### Used engines

<table>
<thead>
<tr>
<th>Item</th>
<th>Month 1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase used engines</td>
<td>$0</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Labor</td>
<td>$0</td>
<td>$400</td>
<td>$400</td>
<td>$400</td>
<td>$400</td>
<td>$400</td>
<td>$2,000</td>
</tr>
<tr>
<td>Parts</td>
<td>$0</td>
<td>$250</td>
<td>$250</td>
<td>$250</td>
<td>$250</td>
<td>$250</td>
<td>$1,250</td>
</tr>
<tr>
<td>Materials</td>
<td>$0</td>
<td>$25</td>
<td>$25</td>
<td>$25</td>
<td>$25</td>
<td>$25</td>
<td>$125</td>
</tr>
</tbody>
</table>

### Total Costs

<table>
<thead>
<tr>
<th>Item</th>
<th>Month 1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$39,050</td>
<td>$11,038</td>
<td>$11,038</td>
<td>$12,038</td>
<td>$12,038</td>
<td>$12,038</td>
<td>$97,242</td>
</tr>
</tbody>
</table>

## Revenue

<table>
<thead>
<tr>
<th>Item</th>
<th>Month 1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repair jobs</td>
<td>$0</td>
<td>$9,310</td>
<td>$9,310</td>
<td>$9,310</td>
<td>$9,310</td>
<td>$9,310</td>
<td>$46,550</td>
</tr>
<tr>
<td>Sales of parts</td>
<td>$0</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$6,000</td>
</tr>
<tr>
<td>Sale of used/rebuilt engines</td>
<td>$0</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$2,500</td>
<td>$4,000</td>
<td>$4,000</td>
<td>$12,500</td>
</tr>
<tr>
<td>Used engines sold</td>
<td>2</td>
<td>2</td>
<td>5</td>
<td>8</td>
<td>8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Total Revenue

<table>
<thead>
<tr>
<th>Item</th>
<th>Month 1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$0</td>
<td>$11,510</td>
<td>$11,510</td>
<td>$13,010</td>
<td>$14,510</td>
<td>$14,510</td>
<td>$65,050</td>
</tr>
</tbody>
</table>

### Profit/(Loss)

<table>
<thead>
<tr>
<th>Item</th>
<th>Month 1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($39,050)</td>
<td>$472</td>
<td>$472</td>
<td>$972</td>
<td>$2,472</td>
<td>$2,472</td>
<td>($32,192)</td>
</tr>
</tbody>
</table>

---

Starting a Small Engine Repair Shop

39
Balance Statement
The balance statement is another snapshot of your business that shows what it is worth, what it owes, and who it owes money to. The following snapshot was taken at the end of month 4 of operation. It also shows you how part of the value of the business is tied up in the unsold, rebuilt engines.

A balance sheet has to balance. You start by listing all the things the business owns – in other words, its assets. In this example, the business owns its building, equipment, parts inventory (you had $4,000 to start but have sold $2,000 of them). It also owns an inventory of unsold rebuilt motors. You rebuilt ten (five a month for two months) but have only sold four. So, there are six in stock, which you have invested $2,430. Your total assets are $114,430.

Next you must show what the business owes – its liabilities. You still owe $80,000 for the mortgage on your building. You have not taken out any loans, but your liabilities have to equal your assets. Whatever the business does not owe to outsiders, it must owe to its owners. In this case, you the owner put up most of the start up money, so the business really owes you. If you subtract the mortgage from the assets (what the business owes from what it is worth), you have $34,430. This is the part of the total value of the business that you own outright – your owner’s equity.

Sample Balance Sheet

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>$100,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>$10,000</td>
</tr>
<tr>
<td>Parts</td>
<td>$2,000</td>
</tr>
<tr>
<td>Owed by customers</td>
<td>$0</td>
</tr>
<tr>
<td>Rebuilt Engines</td>
<td>$2,430</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$114,430</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage</td>
<td>$80,000</td>
</tr>
<tr>
<td>Business loans</td>
<td>$0</td>
</tr>
<tr>
<td>Owner Equity</td>
<td>$34,430</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$114,430</td>
</tr>
</tbody>
</table>

Why is a balance sheet useful? If you compare balance sheets from one year to the next, you can see how the business is growing. A balance sheet also lets you see where the value of the business is. This example shows that you have more than $4,000 tied up in
unsold engines and parts. You should keep an eye on that, to make sure you don’t end up with items that cannot be sold.

Bankers or lenders want to see a balance sheet to know who else the business owes money to, and to make sure there is enough owner equity to cover any loan requests.

**Summary**

Your income statement, cash flow statement, and balance sheet provide other useful information too. Use them as tools to manage your business. Consider running the projections you develop by someone already in the small engine repair business, to see if they have advice or agree with your assumptions.

The income and cash flow statements you develop before your start your business are based on guesswork, but provide good benchmarks for how your business is doing. After six months to a year of operation, you will be able to compare your actual income, cash flow, and balance sheet to your estimates. After you have been in business for two years, you can compare your statements from one year to the next to monitor how well your business is growing. You financial statements can also reveal potential problems. In the example, you started to accumulate unsold rebuilt engines. If this had continued and you had not being paying attention you could have sunk a lot of money into engines that were not earning you any money.
CONCLUSION

Machines with small engines will be used in Alaska into the foreseeable future. The cultural and historical tradition of hunting and fishing, combined with Alaska’s geography (remote areas covered with permafrost) make snowmachines, ATVs, and boats a necessity for many Alaskans. The state of Alaska, Native corporations, and various other entities offer a variety of grants that could potentially help you cut your business start-up costs, but you first must prove that you have a viable business.

To improve your businesses profitability you can see ways to reduce business expenses by further researching and comparing suppliers, buildings, and accounting practices, or networking with other companies or villages. You can contact many different parts and equipment suppliers to discover who would give the best discounts on parts and supplies and to learn who would be willing to provide technical assistance when you need it. When you first begin, you can call various real-estate agents to find out whether it is cheaper to rent or purchase a building. You can cut costs substantially by doing your own accounting, but make sure you have the time and knowledge to do this properly.

A variety of classes are available at little to no cost through the Small Business Development Center, the Small Business Administration, Alaska Village Initiatives, and other governmental or Native agencies. Networking is very important for small businesses, because, by networking with surrounding communities, you gain a much larger market to support your business and potentially learn from the experience of others.

If you contact Anchorage or national dealerships, you may find a way to obtain discounts on parts and technical advice on repairs. When working with the dealerships, make sure they understand the importance of these machines to rural Alaska; if a certain type of machine is more readily available than others, the residents of that area will tend to buy that type of machine out of convenience. You will receive a great deal of advice from speaking with local Native corporations, village councils, city councils, Native associations, and environmental compliance offices.
APPENDICES
Location Evaluation Worksheet

This worksheet should help you determine what type of small engine repair shop might be successful in your community.

1. What is the population of your community? ____________________________

2. Are you located on the road system?   Yes _____   No _____

3. If yes, how far are you from the nearest regional center, or urban area? __________

4. What lodging facilities exist in your community that might want mechanical services?
   - Hotels __________________________________________________________
   - Motels __________________________________________________________
   - Roadhouses ______________________________________________________
   - Bed & Breakfasts _________________________________________________

5. How many government projects are currently active within your community that might require mechanical services?
   - Short-term _______________________________________________________
   - Long-term _______________________________________________________

6. Are you a transportation or service hub for surrounding communities? Which communities? Are there opportunities to provide mechanical services to more than one community?
   □ No
   □ Yes   __________________________________________________________

7. Does your community have any special taxes or restrictions on small engine repair shops?
   □ No
   □ Yes   __________________________________________________________

Starting a Small Engine Repair Shop 46
Guidelines for Conditionally Exempt Small Quantity Generators (CESQGs)

Because waste oil can be damaging to the environment, its disposal is strictly regulated. As stated above, the Federal Resource Conservation and Recovery Act (RCRA) regulate how waste oil produced by businesses must be stored, handled, transported, and disposed of. If your business produces less than 100 kg (220 pounds) per month, it is considered a conditionally-exempt-small-quantity generator (CESQG), and you will not need to worry about so many regulations. Most small engine repair shops in rural Alaska will be CESQGs because of their small scale and limited market. It is important for you to comply with the work practices summarized below.

- Identify all hazardous waste at the business site.
- Generate less than 220 pounds of hazardous waste per month, so you can remain a CESQG. Never accumulate more than 2,200 pounds of hazardous waste at any one time.
- Properly store and label waste. Call the Compliance Assistance Office at 1-800-510-2332 for more information.
- Try to reduce, reuse, recycle, or treat your waste instead of disposing of it. If you must dispose of it, make sure it ultimately goes to a permitted hazardous waste management facility (also known as a treatment, storage, and disposal facility).
- If you don't recycle or treat it yourself, carefully choose a vendor to recycle, treat, or dispose of your waste.
- Arrange for a vendor to transport your waste. If the vendor does not provide this service, CESQGs may transport their own waste, although this means you would still need to comply with the Department of Transportation regulations.
- Train workers to respond to emergencies.
- Keep all records related to hazardous waste, including receipts, bills of lading, manifests, and logs. You need to be able to show the amounts and types of waste you deal with, as well as the date they were handled and where they were taken.
- Comply with other regulations pertaining to hazardous materials and wastes. These include health and safety, fire code, air pollution, surface and ground water, sanitary sewer, and solid waste regulations.

Below is a copy of the guidelines you need for follow for the handling of used oil, aerosol cans, batteries, and oil filters.
GUIDELINES CONCERNING USED OIL FOR CESQGS

Storage:
- Label all containers and tanks as “Used Oil”.  
- Keep containers and tanks in good condition. Don't allow tanks to rust, leak, or deteriorate. Fix structural defects immediately.  
- Never store used oil in anything other than tanks and storage containers. So long as they are labeled and in good condition, tanks and containers storing used oil do not need to be RCRA permitted. You are prohibited from storing used oil in lagoons, pits, or surface impoundments that are not permitted under RCRA.

Handling:
- Take steps to prevent leaks and spills. Keep machinery, equipment containers, and tanks in good working condition and be careful when transferring used oil. Have sorbent materials available on site.  
- If a spill or leak occurs, stop the oil from flowing at the source. If a leak from a container or tank can’t be stopped, put the oil in another holding container or tank.  
- Contain spilled oil. For example, containment can be accomplished by erecting sorbent berms or by spreading a sorbent over the oil and surrounding area.  
- Clean up the oil and recycle the used oil, as you would have before it was spilled. If recycling is not possible, you first must make sure the used oil is not a hazardous waste and dispose of it appropriately. All used cleanup materials, from rags to sorbent booms, that contain free-flowing used oil also must be handled according to the used oil management standards. Remember that all leaked and spilled oil collected during cleanup must be handled as used oil. If you are a used oil handler, you should become familiar with these cleanup methods. They may also be part of a spill response action plan.  
- Remove, repair, or replace the defective tank or container immediately.

Transporting:
- If not recycling on site, some requirements must be complied with before being transported. Waste must be packaged, labeled, and marked in accordance with applicable DOT requirements. DOT hazardous materials information line at 202-366-4488.  
- Hazardous waste sent off site for handling may only be sent to a hazardous waste Toxic Substance Disposal Facility (TSDF) or recycling facility unless otherwise exempt CESQGs which treats waste on site.

Disposing:
- Used oil off site- To be disposed of by TSDF or recycling facility.  
- Used oil on site- Waste oil burners, boilers, space heaters, or furnaces.
GUIDELINES CONCERNING AEROSOL CANS FOR CONDITIONALLY EXEMPT SMALL QUANTITY GENERATORS

Handling:
- When done using, puncture with puncturing device and drain.
- Collect empty aerosol cans in a five gallon container (just aerosol cans)

Disposing:
- Empty cans are considered solid waste and can be disposed of in the community landfill.
- Fluids must be kept separate from other waste and manifested.

GUIDELINES CONCERNING BATTERIES FOR CONDITIONALLY EXEMPT SMALL QUANTITY GENERATORS

Handling:
- Used Batteries need to be placed in a impermeable container and covered
- Container needs to be marked "Used Batteries".

Disposing:
- Can rejuvenate battery's by flushing them, but then there would be a concern of lead and acid in the wastewater produced.
- Fly batteries to Anchorage to recycling center, or make arrangements to exchange used for new batteries with Napa in Bethel.
- Contact Native Corporations and Environmental Specialist to see if there is a battery pick up system in place. For example Yutana Barge lines has made an arrangement to pick up used batteries and used oil for recycling for free.
GUIDELINES CONCERNING USED OIL FILTERS FOR CONDITIONALLY EXEMPT SMALL QUANTITY GENERATORS

Handling:
- Completely drain filters and make sure they are empty before putting the filters in the trash or recycling bin.
- Filters must be drained using one of the hot draining methods approved by the EPA

Disposing:
- Filters can be recycled as scrap metal
- Facility may contract with a service such as Safety Kleen, which takes filters.
- Filters may be disposed in the dumpster as trash if completely drained.
- Oil may be recycled or shipped out for disposal or recycling.
Occupational Safety & Health in the Automotive Repair Business

THE FOUR POINT WORKPLACE PROGRAM

A commitment to health and safety in the workplace is the only means of preventing accidents and injuries before they happen. Accidents and injuries not only inflict turmoil and pain into the lives of your employees, but may hinder the operations of your business. Losing a key employee to an injury, or a portion of your shop to a fire are a small businesses worst nightmares.

A commitment to safety and health in the workplace has been proven to be profitable by many businesses, small and large. An effective health and safety program means fewer worker compensation claims, a more productive and healthy workforce, and in some cases reduced prices for insurance coverage. OSHA also allows a 25% fine reduction for facilities with "effective" health and safety programs.

OSHA advocates a four-point approach to developing a health and safety program for your business. Each point of a well-organized program is equally important if effectiveness is desired. The goal of the four-point approach is to develop a priority driven "action plan" your company can follow towards a safer workplace.

POINT 1 – Management Commitment and Employee Involvement

A strong safety and health program begins with firm commitment of the owner and management of your company. At all times, the owner and management must express concern and demonstrate commitment for occupational safety and health. If the owner and management are not dedicated to a successful safety and health program and prevention and control of occupational hazards, it is likely that employees will not be interested either. Remember that success starts at the top.

POINT 2 – Worksite Analysis

Once commitment is assured from above, it is a good idea to review the entire business in an attempt to identify and list all potential occupational exposures. Make a quick review and identify those that seem imminent threats. Spend some time looking over this guide, and then review the facility again. It might even be a good idea to bring in a consultant or a voluntary compliance program like "Work Safe" at this time. Employees should be encouraged to report potentially hazardous situations without fear of reprisal. Finally, a review of "near misses" and investigation of accidents that do occur will help identify situations, machinery, or operations that need to be modified or corrected.
POINT 3 – Hazard Prevention and Control

At this point in the development of your "action plan", you need to spend some time organizing occupational exposures, required paperwork, recordkeeping, signage, and training into a priority driven system. Rank your list of "to do's" according to the imminent threat they pose employees if not immediately undertaken, the capital costs required to alleviate the threat, and your need for more information if a prevention and control measure has yet to be determined. After analyzing implement your "action plan". It should be someone's responsibility to periodically "inspect" the workplace for hazards, personal protective equipment use, and adherence to company and state policies and regulations.

POINT 4 – Training for Management and Employees

The most successful programs are engrossed with involvement at all levels of management and occupation. Start by getting help from other people employed in all aspects of the company's operation and people in the same business. Develop a safety and health committee and orient them to safety and health issues, your priority scheme, and the major tenets of the company's "action plan". Work with these people to increase overall concern for occupational safety and health issues, smooth the implementation of change, further your efforts to identify hazards, and prevent and control exposures. Develop a newsletter committee, or utilize an existing newsletter for the general promotion of occupational safety and health, as well as to provide written training on exposures or required prevention and control procedures with broad bearing. Organize exposed employees on a set and frequent schedule to discuss common exposures, prevention and control measures, and emergency response procedures. Meet individually with employees exposed to isolated hazards.

GENERAL STANDARDS

Listed below are standards typically found to apply to automotive repair industries. Standards are organized in this guide under broad headings and are not necessarily a reflection of the organizational pattern set forth in the original federal code of standards. Keep in mind that certain standards (lock-out/tag-out, electrical, hazard communication, personal protective equipment, etc.) may be applicable to multiple areas and operations of your shop, and should probably be referenced under multiple headings below. However, duplication of listings has been eliminated in this guide wherever possible, and by no means is this meant to suggest that these standards do not apply.
Safety and Health Program Management and Coordination

- RECOMMENDATION; Designate one person to be responsible for health and safety programs.
- RECOMMENDATION; Maintain procedures for handling employee complaints.
- RECOMMENDATION; Establish awareness procedures for continuous safety and health education.

Employer Posting

- OSHA workplace poster.
- Emergency telephone numbers.
- Toxic substance or harmful physical agents (e.g. lead, noise, asbestos standard posting.)
- Exiting/Means of egress.
- No eating, drinking, or smoking signs where appropriate.
- OSHA log 200 during the month of February each year.

Medical Services and First Aid

- RECOMMENDATION; Pre-employment physical examinations for all employees.
- A hospital, clinic, etc. must be within 4 minutes of the facility or an employee must be trained in First Aid. NOTE; if First Aid trained employees are required, then Blood Born Pathogen standard applies (see relevant section below).
- Arrangements for medical consultation, especially if respirators are required for any area or operation at the facility.
- Availability of First Aid kits that have been approved by a local physician. First Aid kits should be inspected and restocked on a regular basis.

Recordkeeping

- Track employee illness and injury on either OSHA form 101 or maintain OSHA log 200.
- Maintain employee medical and employee exposure records for bloodborne pathogens, carbon monoxide, solvents, welding fumes, asbestos, lead, benzene, ethylene glycol, noise, corrosives, and other toxics.
- Secure arrangements for long-term maintenance of records. For example, an MSDS or other record of chemicals used must be maintained for 30 years.
- Maintain permits for lifts, compressors, gas tanks, fire extinguishers, etc.
- Equipment grounding, equipment safety device and fire extinguisher inspection logs.
WRITTEN PLANS

- **Hazard communication**
  - Plan must;
  - List and describe all hazards; hazard characteristics or constituents; availability of Material Safety Data Sheets (MSDS’s); define routes of entry/exposure for each hazard; discuss signs of exposure; list procedures for preventing and controlling exposures; describe use of protective equipment; use/availability of engineering controls; and procedures for responding to each exposure.
  - Provide training for employees potentially exposed to hazards. Training program must also be written, describe the hazard communication standard, and communicate all aspects of the written plan.
  - Maintain a compilation of MSDS sheets.
  - Assure that all containers are labeled with the chemical trade name, its hazard (flammable, irritant, etc.), and target organ effects.

- **Emergency medical procedures**
  - Define whether first aid will be provided on-site. First Aid must be provided if medical facilities are not within 4 minutes of the facility.
  - If First Aid is to be provided on-site, responsible personnel must be designated and adequately trained (see also section describing Blood Born Pathogen standard).
  - Provide written procedures and employee training that describe how to differentiate between incidents requiring only First Aid and those requiring emergency medical attention; define appropriate name, telephone number and directions to the closest medical response facilities, or those medical facilities with which care has been pre-arranged; and define parties to be informed in both First Aid and Emergency medical situations.

- **Bloodborne pathogens**
  - Availability of personal protective equipment (gloves in first aid kit, etc.) and training for all employees is required whether policy is to provide on-site medical attention or not. Plan is required if employees will provide first aid.
  - Plan should identify those individuals potentially exposed, list available preventive controls (gloves, masks, shower, etc.), define procedures for First Aid response, define a schedule for reviewing control effectiveness, provide procedures for dealing with contaminated equipment, waste and/or potential exposure, establish a means of tracking and recording incidents, and document employee awareness training.
Blood testing should be available to potential source and exposed employees, and each exposed employee must be given appropriate counseling concerning precautions to take during the period after the exposure incident.

Employee awareness training should include; a description of the OSHA standard for Bloodborne Pathogens, symptomatology of bloodborne diseases, modes of transmission of bloodborne pathogens, the exposure control plan including control methods and post-evaluation and follow-up, and signs and labels used at the facility.

• **Fire prevention and egress**

Document and provide employee training on the availability and use of fire extinguishers, alarm systems, automatic fire suppression system, and describe safety procedures, responsibilities, and means of egress during fire emergencies. Fire extinguishers should be inspected monthly.

• **Exposures to toxic or physical agents (e.g. lead, asbestos, noise, etc.)**

Document for each toxic or physical agent; the hazardous effect, routes of exposure/entry, signs of over-exposure, use/maintenance/inspection procedures of protective personal equipment or mechanical and engineered controls, and procedures for dealing with over-exposure.

Respiratory Protection Program (where respirators are used or required)

Provide respirators in areas where engineering controls do not protect the health of employees, maintain a respiratory protection program, and require employees use respirators where appropriate. A respiratory protection program must include training for respirator users on selection, use, maintenance, and limitations of respirators. The program must be regularly evaluated to determine its effectiveness.

All respirators must be inspected, repaired, and cleaned at least monthly, or after each use.

Consult a local physician to determine which employees are physically able to use the equipment.

The respiratory protection standard is highly specific. Consult the OSHA (Health) "Work Safe" program for further detail.

**Fire Protection**

- Assure that the local fire department is aware of fire hazards at your facility.
- Maintain certification of fire alarm system and that sprinkler systems are frequently inspected and tested by a responsible party or professional.
• Availability of appropriate fire extinguishers that are regularly serviced, recharged and tagged.
• Periodic (annually recommended) employee training in proper use of fire extinguishers and fire protection procedures.

**Protective Equipment**

• Require eye protection where appropriate (check MSDS for detail).
• Require face shield protection for operations involving welding, cutting, grinding, or use of abrasive wheels, hand-tools, etc.
• Require approved protective clothing (aprons, etc.), gloves, and shields where an employee may be exposed to cuts, burns, skin irritants, caustics or skin absorbed toxins. Make available and require the use of approved respirators in cases of emergency or regular use (check MSDS for detail).
• Maintain protective equipment in sanitary condition, sanitize at regular intervals, and especially if used by multiple employees.
• Make dual eye flush, and in some cases even body showers, available in areas where injurious or corrosive compounds are used (check MSDS for detail). Designate eating and drinking areas separate from areas of potential exposure.
• Provide approved protective equipment and require its use for cleaning spills and leaks of toxic and hazardous chemicals, materials, and liquids; be careful not to violate other standards during these operations.

**General Work Environment**

• All work areas must be clean, orderly, and well illuminated. Even elevated surfaces must be cleaned of dust (combustibles) periodically and provided with standard guardrail and four-inch toe board where appropriate. Stacked, piled, or racked materials must be stored in a manner as to eliminate falling, rolling, etc. Provide at least two means of egress from any elevated work area. Spills and leaks must be contained and cleaned immediately.
• All walking surfaces must be clean and slip-resistant. Aisle space must be provided and kept clear, especially around machinery. Mark all directional changes in aisle ways and be sure sufficient headroom is available. Provide guardrails on walkways elevated more than thirty inches that can handle up to 200 pounds and allow 1.5 inches between rail and mounting. Stairs should be at least 22 inches wide, made from sound material, especially landings. Mark landings that exit into traffic.
• Toilets and washing facilities must be provided and cleaned regularly.
• All pits and floor openings must be covered or otherwise guarded; this includes grates over floor drains.
• All combustible or flammable materials, liquids, debris, etc. must be contained in approved metal containers and covered.
• All gas or oil fueled devices must be equipped with flame failure controls.
• Mark all doors by purpose; “EXIT”, “STORE ROOM”, “NOT AN EXIT”, etc.
• Do not use portable ladders as permanent fixtures. All metal ladders should be labeled, "CAUTION! Do Not Use Around Electrical Equipment"

Hand Tools and Equipment
• Use only hand tools that are UL approved and in good condition. Handle and store tools as to maintain proper working condition.
• Protective equipment such as safety glasses, face shields, etc. must be worn if tool may produce flying materials or be subject to breakage.
• Inform employees of the hazards of faulty or improper use of tools.

Abrasive Wheel Equipment - Grinders
• All abrasive wheels or grinders must be permanently mounted, grounded with metallic conduit wiring, have adequate adjusted work rests and tongue, individual on and off switches, have ample side guards, and splash guards, as well as dust collection, if necessary.
• Use of protective goggles or face shield is required.

Machine Guarding
• Training in the safe operation of each machine is required (see manufacturer manual).
• All machinery must be inspected regularly for safe operation.
• Operator must be able to reach all controls from point of operation and be protected from hazards in that position.
• Machines should not be able to start-up automatically in power-outage situations and low-level current surges should not be able to start-up machine.

Lock-out/Tag-out Procedures
• All equipment capable of storing energy must be locked-out and tagged as such for installation, service, repairs, adjustments, etc. Where power supply disconnection is not allowed, control circuit must be locked-out and tagged. A safety check of locked-out equipment must be undertaken prior to service, repair, etc. and may only be conducted by the party designated and trained in lock-out/tag-out procedures.
• Define which equipment in your shop store energy (e.g. mechanical, hydraulic, air, etc.) and differentiate as to whether they are energized by a single or
multiple energy source(s). Electrical equipment not storing other energy and that are of the cord and plug variety, may simply be unplugged with the plug remaining in view of whoever is providing service. Other equipment must have written lock-out/tag-out procedures.

- Employees undertaking lock-out/tag-out procedures must be trained in lock-out/tag-out procedures and are identifiable by lock, key or tag tracking mechanisms while undertaking a procedure.

**Compressors and Compressed Air**

- All compressors should be maintained and operated according to manufacturer recommendations. All should be equipped with pressure relief valves, pressure gauges, air intake filters, and guarding that completely encloses the belt drive system.
- Before repair of compressor, system must be locked-out and bled.
- Post signs that warn of the automatic start-up feature of compressors.
- Inspect safety devices on compressors frequently.
- Do not use to clean-off clothes or body.
- Employees must wear protective chip guarding and other protective equipment while using compressed air to clean.
- Compressed air abrasive blast cleaning equipment must be equipped with a manual-operating valve. Clip-on chuck and an in-line regulator must be used when inflating tires.
- Regularly drain from lowest point of pressure.

**Hoists**

- Rated load for hook and bridle must be marked and always visible to operator.
- All hoists must be able to hold up to 125 % of its rated load.
- Do not use hoist chain/rope as a sling and don't carry loads over people.

**Lifts**

- RECOMMENDATION: Lifts should have the ANSI (American National Standard Institute) label of compliance, manufacturer's name, rated load capacity, model, serial number, and operating instructions clearly posted.
- Lifts must have a locking mechanism in place anytime someone is under the lift. Some lifts have this feature only when they are fully extended. Compliance for these lifts requires that all work be conducted with the lift in its fully extended position. Lifts lacking built-in, step-locking mechanisms must be secured with an adjustable jack able to support three times the lifts rated capacity. Secure the lift, not the car.
Environmental Controls

- All employees must be aware of environmental hazards, trained to identify signs of exposure and over-exposure, understand how to choose and use protective equipment, and what to do in emergency or first aid situations. All must be provided in written form as well.
- Employers should assess employee exposure to any environmental hazard, including; welding fumes, abrasive or other respirable dust, asbestos, carbon monoxide, paints, especially epoxies, other solvents, caustics and noise to determine appropriate training, proper protective equipment and necessary engineering controls to limit exposure.
- CONSULT THE VOLUNTARY OSHA (HEALTH) "WORK SAFE" PROGRAM TO DETERMINE IF EXPOSURE STANDARDS ARE SURPASSED AND IF ENGINEERING CONTROLS ARE NECESSARY.

Flammables and Combustible Materials

- Storage rooms, cabinets and containers must be designed according to rating of materials to be stored/used in the area. In most cases gravitational or mechanical ventilation must be provided. In almost all situations, lighting must be of the explosion-proof type.
- All containers must be compatible with the material to be stored, fire resistant, approved as such, and grounded.
- All areas and storage tanks must be labeled with "NO SMOKING" signs.
- All storage tanks, containers, etc. must be equipped with venting.
- Appropriate fire extinguishers must be available wherever flammables/combustibles are stored. Sprinkler heads must be directed so that water will not be sprayed into operating electrical switchboards or equipment.
- IT IS HIGHLY RECOMMENDED THAT YOU CONSULT WITH THE OSHA "WORK SAFE" PROGRAM ON A CASE-BY-CASE BASIS!

Electrical

- All electrical equipment, both portable and permanent must be grounded or have the means of being grounded.
- All cords must have a grounding conductor.
- No outlets, circuit breakers, switches, or extension cord connections are allowed within eighteen inches of the floor (class I, division H areas) unless area is otherwise classified.
- Employees should inspect all machinery, equipment, and cords prior to energizing. All hazardous conditions are to be remedied immediately and prior to energizing.
- All electrical raceways and enclosures (switches, receptacles, junction boxes, etc. must be secured and provided tight-fitting covers or plates.
- All electrical contract work must be compliant with OSHA standards.
- Ground Fault Circuit Interrupters (GFCI) are required for new outlets, and sometimes on existing outlets.

**Source:** Vermont Pollution Prevention Division, Last Updated: 15 March 1999
Tables for Similar Business that can be Used for Further Analysis

Sales Volume of $10,000 - $250,000 Auto Repair Shop Income Breakdown

Sales Volume of 10,000-250,000
Auto Repair Shop Income Data

<table>
<thead>
<tr>
<th>Item</th>
<th>As a Percentage of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>100</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>39.32</td>
</tr>
<tr>
<td>Gross profit</td>
<td>60.68</td>
</tr>
<tr>
<td>General/administrative expense</td>
<td>53.37</td>
</tr>
<tr>
<td>Operating profit</td>
<td>7.31</td>
</tr>
<tr>
<td>Interest expense</td>
<td>.28</td>
</tr>
<tr>
<td>Depreciation</td>
<td>2.43</td>
</tr>
<tr>
<td>Profit before taxes</td>
<td>4.60</td>
</tr>
</tbody>
</table>

Additional Operating Items

<table>
<thead>
<tr>
<th>Item</th>
<th>As a Percentage of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor</td>
<td>18.28</td>
</tr>
<tr>
<td>Advertising Expense</td>
<td>.97</td>
</tr>
<tr>
<td>Travel Expense</td>
<td>.24</td>
</tr>
<tr>
<td>Rent</td>
<td>6.95</td>
</tr>
<tr>
<td>Insurance</td>
<td>2.81</td>
</tr>
<tr>
<td>Officer/Executive Salaries</td>
<td>15.76</td>
</tr>
</tbody>
</table>

Note: There will evidently be some differences in the breakdown of revenues and expenses in auto repair and ATV repair, but there should be similarities due to the similar characteristics of these types of businesses.

25% Most Profitable
Auto Repair Shop Income Data

<table>
<thead>
<tr>
<th>Item</th>
<th>As a Percentage of Net Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales (gross income)</td>
<td>100.0</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>41.19</td>
</tr>
<tr>
<td>Gross profit</td>
<td>58.81</td>
</tr>
<tr>
<td>General/administrative expenses</td>
<td>39.64</td>
</tr>
<tr>
<td>Operating profit</td>
<td>19.17</td>
</tr>
<tr>
<td>Interest expense</td>
<td>.43</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1.86</td>
</tr>
<tr>
<td>Profit before taxes</td>
<td>16.88</td>
</tr>
</tbody>
</table>

Additional Operating Items

<table>
<thead>
<tr>
<th>Item</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor</td>
<td>21.49</td>
</tr>
<tr>
<td>Advertising Expense</td>
<td>1.01</td>
</tr>
<tr>
<td>Travel Expense</td>
<td>.24</td>
</tr>
<tr>
<td>Rent</td>
<td>4.53</td>
</tr>
<tr>
<td>Insurance</td>
<td>1.88</td>
</tr>
<tr>
<td>Officer/Executive Salaries</td>
<td>6.85</td>
</tr>
</tbody>
</table>

Note: There will evidently be some differences in the breakdown of revenues and expenses in auto repair and ATV repair, but there should be similarities due to the similar characteristics of these types of businesses.

Estimated Start-Up Costs Worksheet

Start-up costs are any expenses endured as part of starting the business. This includes licensing, legal assistance, and other one-time-only costs. Start-up costs will be substantially higher if they include a mortgage and the purchasing of all Small Engine Repair Shop equipment. Any start-up costs paid with a loan should be factored in as fixed costs equal to the loan payments.

<table>
<thead>
<tr>
<th>Start Up Necessities</th>
<th>Estimated Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licenses</td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td></td>
</tr>
<tr>
<td>Legal services</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td></td>
</tr>
<tr>
<td>Mortgage</td>
<td></td>
</tr>
<tr>
<td>Phone</td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td></td>
</tr>
<tr>
<td>Licenses</td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td></td>
</tr>
<tr>
<td>Legal services</td>
<td></td>
</tr>
</tbody>
</table>

|                  |                |
|                  |                |
|                  |                |
|                  |                |
|                  |                |
|                  |                |

TOTAL:
Revenue Estimate Worksheet

Estimating revenue can be very challenging but is essential for planning the success and scope of your Small Engine Repair Shop. Pricing should be competitive with other Small Engine Repair Shops. Secondly, an estimate must be made on the number of customers you will have per year. Remember that these estimates need to be reasonable, or you may enter into an unrealistic business venture.

Now we estimate our revenue by taking our three assumed variables:

A) AVERAGE COST OF SERVICE: ________________________________

B) NUMBER OF CUSTOMERS PER DAY or MONTH: ________________

C) DAYS OPEN A YEAR: ________________________________

Now A X B X C= TOTAL REVENUE

Total Revenue= _____ X _____ X _____ = ________________

A    B    C       Total
Estimated Fixed Costs Worksheet

Fixed costs are monthly or yearly fees that must be paid, and remain relatively constant no matter the number of guests received a year. These “flat fees” must be accounted for in a different method than variable costs, which depend on the number of customers.

<table>
<thead>
<tr>
<th>FIXED COSTS</th>
<th>Estimated Costs per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td></td>
</tr>
<tr>
<td>Maintenance</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
</tr>
<tr>
<td>Phone</td>
<td></td>
</tr>
<tr>
<td>Loan Payments*</td>
<td></td>
</tr>
</tbody>
</table>

*If a loan was taken out to pay start-up costs, then the loan payments should be calculated here.
Variable Costs Worksheet

Variable costs are costs only experienced when there are customers. These increase when there are more customers and do not exist without customers. One example would be estimated supply expenses per customer for the average repair. These are more difficult to estimate, because you need to estimate the **per customer** cost rather than the yearly cost.

<table>
<thead>
<tr>
<th>Variable Costs</th>
<th>Estimated Cost Per Customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplies</td>
<td></td>
</tr>
<tr>
<td>Maintenance</td>
<td></td>
</tr>
<tr>
<td>Cleaning supplies</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL:**

This total gives you the variable cost per customer for your small engine repair shop.

Now for the total variable cost per year we take the **TOTAL** from above and multiply it by the estimated number of customers per year to estimate total yearly variable cost.

\[
\text{TOTAL} \times \text{Estimated Customers a Year} = \text{Estimated Yearly Variable Cost}
\]

Starting a Small Engine Repair Shop
# Profit and Loss Statement

## Revenue:
- Gross Sales $______________
- Less Returns and Allowances $______________
- Net Sales $______________
- Cost of Sales $______________
- Gross Profit $______________

## Operating Expenses:
- Salaries $______________
- Payroll Taxes $______________
- Employee Benefits $______________
- Insurance $______________
- Advertising $______________
- Depreciation $______________
- Transportation Expenses $______________
- Dues and Fees $______________
- Legal & Accounting $______________
- Office Supplies $______________
- Telephone & Internet $______________
- Utilities $______________
- Rent/Mortgage $______________
- Taxes and Licenses $______________
- Other $______________

- Total Operating Expenses $______________
- Operational Profit (Loss) $______________
- Other Income and Expenses $______________

- Net Income (Loss) Before Taxes $______________
- Income Tax $______________
- Net Income (Loss) $______________
**Balance Sheet**

*Pro forma* balance sheets and cash flows are similar to traditional balance sheets and cash flows, but they predict what will happen to your business in the future, so you can see where your money will be going and whether to expect a profit or a loss.

Year: _______________

### Assets

#### Current Assets

- Cash and equivalent: $____________
- Accounts receivable: $____________
- Inventories: $____________
- Prepaid expenses: $____________

$____________

Total Current Assets: $____________

#### Fixed Assets

- Land: $____________
- Buildings: $____________
- Equipment: $____________
- Furniture: $____________
- Vehicles: $____________

$____________

Less total depreciation: $____________

Net Total Fixed Assets: $____________

Total Assets: $____________

### Liability

#### Current Liability

- Accounts payable: $____________
- Short-term debt: $____________
- Current portion of long-term debt: $____________
- Income tax payable: $____________
- Accrued expenses: $____________

Total Current Liabilities: $____________

Long Term Debt: $____________

Total Debt and Liabilities: $____________
## Cash Flow Statement

<table>
<thead>
<tr>
<th></th>
<th>Month 1</th>
<th>Month 2</th>
<th>Month 3</th>
<th>Month 4</th>
<th>Month 5</th>
<th>Month 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Cash Balance</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>Cash Receipts:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash sales</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
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<td>$_______</td>
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<td>Accounts receivable</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
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<tr>
<td>Other</td>
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<td>Cash Disbursements:</td>
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<tr>
<td>Inventory</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
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<td>Salaries and wages</td>
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<tr>
<td>Utilities</td>
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<td>Interest</td>
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<td>Advertising</td>
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<td>Taxes</td>
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<td>Other payments</td>
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<td>Total Cash Disbursed:</td>
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<td>$_______</td>
<td>$_______</td>
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<tr>
<td>Total Operational Cash Surplus (Deficit)</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
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</tr>
<tr>
<td>Additional Funding (Repayment)</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
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<td>$_______</td>
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<tr>
<td>Ending Cash Balance</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
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Additional Resources

FREE PUBLICATIONS FOR ALASKA SMALL BUSINESS OWNERS


- **Establishing a Business in Alaska Reference Guide** (13th Edition, March 2006) – Provides information regarding critical steps to take before starting a business, such as: license, regulatory, tax and labor law requirements; business assistance information; financial institutions; and environmental protection requirements. Published by the Alaska Department of Commerce, Community and Economic Development, Office of Economic Development. Available on CD-ROM or download at [http://www.commerce.state.ak.us/investments/pdf/EstablishingABusiness.pdf](http://www.commerce.state.ak.us/investments/pdf/EstablishingABusiness.pdf).

- **Starting Your Small Business** (Spring-Summer 2007) – A general guide to starting a small business in Alaska, including lending resources. Published by the Alaska Department of Commerce, Community and Economic Development, Office of Economic Development. See [http://www.commerce.state.ak.us/oed/small_bus/pub/StartingaSmallBusiness.pdf](http://www.commerce.state.ak.us/oed/small_bus/pub/StartingaSmallBusiness.pdf).


OTHER PUBLICATIONS

- **Alaska Business Monthly** [http://www.akbizmag.com](http://www.akbizmag.com)
  907-276-4373 • editor@akbizmag.com
  501 West Northern Lights Boulevard, Suite 100, Anchorage, AK 99503

- **Alaska Journal of Commerce** [http://www.alaskajournal.com](http://www.alaskajournal.com)
  907-561-4772 • jeff.jones@alaskajournal.com
  301 Arctic Slope Avenue, Suite 350, Anchorage, AK 99518
ALASKA REGIONAL DEVELOPMENT ORGANIZATIONS (ARDORs)

The Alaska Legislature established the ARDOR program in 1988 to stimulate economic development. The ARDORs:

- Enable communities to pool their limited resources and work together on economic development issues
- Develop partnerships among public, private and other organizations
- Offer a technical, nonpartisan capacity to develop and implement an economic development strategy
- Often have extensive experience with federal/state programs
- Provide needed technical assistance via direct links with local citizens.

- **Anchorage Economic Development Corporation** [http://www.aedcweb.com](http://www.aedcweb.com)
  907-258-3700 • aedc@aedcweb.com
  900 West Fifth Avenue, Suite 300, Anchorage, AK 99501

- **Bering Strait Development Council (Kawerak)** [http://www.kawerak.org](http://www.kawerak.org)
  877-219-2599 • webmaster@kawerak.org • P.O. Box 948, Nome, AK 99762

- **Copper Valley Economic Development Council** [http://www.alaskaeconomicdevelopment.org](http://www.alaskaeconomicdevelopment.org)
  907-822-5001 • cvedc@cvinternet.com • P.O. Box 9, Glenallen, AK 99588

- **Fairbanks North Star Borough Economic Development Commission**
  [http://www.co.fairbanks.ak.us/mayoroffice/economicdevelopment](http://www.co.fairbanks.ak.us/mayoroffice/economicdevelopment)
  907-459-1309 • kdodge@co.fairbanks.ak.us
  809 Pioneer Road, Fairbanks, AK 99707

- **Kenai Peninsula Economic Development District** [http://www.kpedd.org](http://www.kpedd.org)
  907-283-3335 • info@kpedd.org
  14896 Kenai Spur Highway, Suite 103A, Kenai, AK 99611

- **Lower Kuskokwim Economic Development Council** [http://www.lkedc.org](http://www.lkedc.org)
  907-543-5967 • carl_berger@ddc-alaska.org • P.O. Box 2021, Bethel, AK 99559

- **Mat-Su Resource Conservation and Development Council**
  [http://www.matsurcd.org](http://www.matsurcd.org)
  907-373-1062, extension 108 • matsurcd@mtaonline.net
  1700 East Bogard Road, Wasilla, AK 99654

- **Northwest Arctic Borough Economic Development Department**
  [http://www.nwabor.org/edu](http://www.nwabor.org/edu)
  800-478-1110 • dhamilton@nwabor.org • P.O. Box 1110, Kotzebue, AK 99752

- **Prince William Sound Economic Development District** [http://www.pwsedd.org](http://www.pwsedd.org)
  907-222-2440 • pwsedd@alaska.net
  2207 Spenard Road, Suite 207, Anchorage, AK 99503
• Southeast Conference http://www.seconference.org
  907-523-2310 • info@seconference.org
  612 West Willoughby Avenue, Juneau, AK 99802

• Southwest Alaska Municipal Conference (SWAMC) http://www.swamc.org
  907-562-7380 • admin@swamc.org
  3300 Arctic Boulevard, Suite 203, Anchorage, AK 99503

**OTHER SMALL BUSINESS RESOURCES**

• Alaska Department of Commerce, Community & Economic Development, Office of Economic Development http://www.commerce.state.ak.us/oed/home.htm
  - Small Business Assistance Center
    http://www.commerce.state.ak.us/oed/smallbus/home.cfm
    907-269-8104 • michael.hanzuk@alaska.gov
    550 West 7th Avenue, Suite 1770, Anchorage, AK 99501
  - Made in Alaska (MIA) http://www.madeinalaska.org/mia/

• Alaska Manufacturing Extension Partnership (AMEP) http://www.ak-mep.org
  907-279-2637 • info@ak-mep.org
  701 Sesame Street, Suite 200, Anchorage, AK 99503
  - Ecommerce program: Alaska Manufacturing, Business, Industrial, and Technology Projects (AMBIT) http://www.ambit.cc

• Alaska Small Business Development Center (SBDC) http://www.aksbdc.org
  907-274-7232 430 West 7th Ave, Suite 110, Anchorage, AK 99501
  907-456-7232 604 Barnette Street, Suite 220, Fairbanks, AK 99701
  907-463-3789 3100 Channel Drive, Suite 306, Juneau, AK 99801
  907-260-5629 43335 Kalifornsky Beach Road, Suite 12, Soldotna, AK 99669
  907-373-7232 201 North Lucille Street, Suite 2A, Wasilla, AK 99654
  - BuyAlaska www.buyalaska.com
    800-478-2332 • ansj@uaa.alaska.edu
  - Procurement Technical Assistance Center (PTAC)
    http://www.ptacalaska.org
    800-478-7282 (Anchorage)
    800-478-1701 (Fairbanks)
  - Rural Outreach 907-274-7232

• Alaska Village Initiatives http://www.akvillageinitiatives.com
  800-478-2332 • cparker@akvillage.com
  1577 C Street, Suite 304, Anchorage, AK 99501

• Americans with Disabilities Act (ADA) http://www.ada.gov
  800-514-0301
• **Kauffman Foundation, EntreWorld** [http://eventuring.kauffman.org](http://eventuring.kauffman.org)

• **Occupational Safety and Health Administration (OSHA)** [http://www.osha.gov](http://www.osha.gov)  
  907-271-5152 • 222 West 8th Avenue, Room A14, Anchorage, AK 99513

• **SCORE** – Free small business counseling. [http://www.akscore.org](http://www.akscore.org)  
  907-271-4022 • [score558@gci.net](mailto:score558@gci.net) • 510 L Street, Suite 310, Anchorage, AK 99501

• **Small Business Administration (SBA)** [http://www.sba.gov](http://www.sba.gov)  
  800-827-5722 • [answerdesk@sba.gov](mailto:answerdesk@sba.gov)

• **University of Alaska Center for Economic Development** – Feasibility analysis, market research, business planning, and business implementation assistance for nonprofits and municipal and tribal governments. [http://www.ced.ualaska.edu](http://www.ced.ualaska.edu)  
  907-786-5444 • [ancab5@uaa.alaska.edu](mailto:ancab5@uaa.alaska.edu)  
  4500 Diplomacy Drive, Suite 507, Anchorage, AK 99508