

## INTRODUCTION

Now you're going to look at the basics of how you manage and control your finances and 'how the money works' in terms of where you get your income and what you need to spend to keep the business going

**STEP 15** is about identifying where the money comes from to set up your business - the original investment, and how you keep track of it to be able to repay investors in your business - which includes you. Also, in this step we'll look at 'Working Capital'

**STEP 16** is about determining your financial targets and policies. You'll need these should you be looking for investment in your business from outsiders and sometimes for compliance purposes

**STEP 17** is about the all-important topic of forecasting, management accounting, and in particular the Cash Flow Forecast.

**STEP 18** is about the nitty gritty of financial record keeping. In fact, it's very easy and not particular burdensome - provided you keep up to date!

**STEP 19** is about how you set up your accounting system. What you need to record, how you categorise it in detail plus the reports you need to produce and how to generate them

As you go through this Workbook refer to Chapter 6 of "**How To Set Up Your Personal Business**" for further information.

This Workbook comes with an additional Microsoft Excel workbook comprising a set of important spreadsheets and a set of videos that show you how to operate them. Make sure you have downloaded this.

I will again be recommending preferred and trusted providers for the various services that you need.

Download the PBCS Financial Pack containing several spreadsheets you will need during this part of the programme.

*Now listen to Audio 15*

## STEP 15 - Financing Your Business

### Initial Funding

This section discusses how the business is funded.

Whatever business you decide to set up there WILL be some up front investment required. Anyone who tells you you can start a business on 'no money' is either lying to you or plain ignorant.

There are schemes that you can join without investment, but they are all essentially 'jobs' disguised as self-employment. Remember, being self employed is not the same as owning a business.

The initial funding is the money you need to invest to get your business ready for launch, **before** any income takes place.

There are two things to consider:

- How much money is needed and for what?
- Where does this money come from?

Start-up needs should include any one-time only purchases, such as major equipment or supplies, down-payments, or deposits, as well as legal and professional fees, licenses/permits, insurance, renovation/design/decoration of your location, personnel costs prior to opening; advertising or promotion

### Start-Up Expenses

**Check the things you need to have in place before you can start operations and add any further items.**

Training, Education, Courses etc.	
Insurance	
IT & Telecoms Equipment	
Manufacturing Equipment	
Other Equipment e.g. required for delivery of service	
Workwear	
Marketing costs including branding	
Website and internet costs	
Vehicle up front costs	
Premises up front costs	
Registration fees and costs	

General expenses incurred during pre-launch period	

**From where has the business obtained any funding required to establish it as an operational going concern?**

**Summarize key details concerning arrangements and terms for repayment of any monies on loan and any interest being charged.**

## Determining Start-Up Capital

**Next, itemise all your start-up expenses (actuals or estimates) *using StartUp sheet in the financial pack***

Remove any lines that are not applicable and insert any other items that are.

Watch the Video for full instructions on how to use it.

Begin by filling in the figures for the various types of expenses. These should match the expenses shown in the previous table on Page 2.

# EXAMPLE

Expenses	Up to now	Now until Launch	Total
Type 1	1000	500	1500
Type 2	1000	800	1800
Type 3	1000	1100	2100
<b>Total Expenses</b>	<b>3000</b>	<b>2400</b>	<b>5400</b>
Source 1	2000	2000	4000
Source 2	1000	400	1400
<b>Total Investment</b>	<b>3000</b>	<b>2400</b>	<b>5400</b>

In the first column enter the amounts that have already been invested and in the lower part of the table, the amounts provided by each source of investment. The total invested from the various sources must match the total amount expended.

In the second column enter any further amounts that need to be invested matched with sources in the same way

☐ Done

If you operate as a Limited Company you can record investments made up to two years before the date of formation, those investments are then repayable by the company.

If you operate as a Sole Trader, you can only record business expenditure from the date of launch as an expense against your personal taxation.

## Working Capital

From where will the business obtain the funds it needs to operate, otherwise known as 'working capital'?

Working capital should normally be fully funded from income from products and services provided to customers but from time to time it may be necessary to inject additional funds.

**From where might these come and under what terms?**

Details of Working Capital requirements will be derived in Step 18 when you create your Cash Flow Forecast

## Operating Budget

Once you are ready to open your business, you will need an operating budget to help prioritise expenses. It should include the money you need to survive the first three to six months of operation and indicate how you intend to control the finances of your company.

Include rent, utilities, insurance, payroll (including taxes), loan payments, office supplies, travel and entertainment (of clients where applicable), legal and accounting, advertising and promotion, repairs and maintenance, depreciation, and any other categories specific to your business.

Details of Operating Budget requirements will be derived in Step 18 when you create your Cash Flow Forecast