



# Decide on the financial needs of your business

In order for your business to be successful you will need to establish that your business is financially sound. You must think about what you need to start up your business and what you need to keep it running well.

This involves:

1. working out how much money you need for all parts of your business
2. comparing it with the money you put into your business and the money your business might generate
3. deciding if you need to get any additional money

## What you need to do

- decide what income you will need
- research how much any premises and insurance will cost
- research how much any equipment you need will cost
- research how much any supplies you need will cost
- research how much any market research and advertising you are planning will cost
- research what the cost to your business will be of any staff you need to recruit and employ
- estimate what it will cost to carry out all the activities needed to run your business properly
- compare your figures with what money you expect your business to make and any money you have available yourself
- decide whether you need to get any extra money for your business and if so how much
- use advice from experts to help you check that your estimates are realistic



## What you need to know and understand

### Financial needs

- how to work out how much money you need to live on taking into account any working tax credit and benefits
- what gross income your business needs to make to give you the money you need to live on
- how to research and estimate the costs of the main items of expenditure, such as premises, equipment, supplies, and any staff you need to employ
- how to estimate the cost of any market research
- how to work out the right price for your products or services
- how to work out your expenditure
- how to produce and use forecasts, estimates and projections of finance in your business. (For example cash flow forecasts, breaking even, profit and loss, income and spending and budgets for specific areas like marketing.)
- how to judge which information is reliable enough to base financial targets on
- how to set clear business and financial objectives which are realistic, achievable and can be measured

### Profit and loss

- what the appropriate profit margins for your business and its products or services are
- how to calculate the difference between gross and net profit
- what is contained in and how to make sense of cash flow forecasts, profit and loss statements, and balance sheets



## Information and advice

- who can provide financial advice on a business. (For example, accountants, lawyers, advice centres, banks and other finance providers.) Advisers may be independent or tied to a particular company
- what sources of information are available. (For example, business associates, business advice centres, business advisers, mentors or counsellors, consultants, non-executive directors, tax authorities, trade and professional journals.)

