CHECKLIST

Get finance for your business

Your business may need to raise money to start up, change or to get through a difficult time. Being able to get finance at the right terms when it is needed is important for the long term goals and survival of your business.

This involves:

1. reviewing different types of finance
2. deciding where and on what terms and conditions the finance will be obtained
3. monitoring the effects on your business of getting and servicing finance

What you need to do

- decide how much extra money your business needs in line with business's plans
- identify the types of financial help available from different providers and the costs and benefits of each
- assess any risks to your business or to you in getting finance, including tax and capital allowances in your assessment
- assess any developments in the financial market that may influence your decision
- gather information about the cost of borrowing and use it to assess the costs and benefits offered by each provider
- decide the targets and limits of financial borrowing that you can accept
- present the financial needs of your business to potential providers in terms they can understand.
- assess the costs and benefits of getting and servicing the finance on your business
- identify the most appropriate types of finance and financial providers to meet the financial needs of your business
- make sure your plans for finance can be met within the agreed timescale
- confirm the terms and conditions of the finance in writing, making sure that you fully understand what they are
- check that the contracts for the finance are drawn up in line with legal requirements

What you need to know and understand

Getting finance

- how to identify different needs of your business for finance. (For example to set up a business, to keep trading (liquidity), profitability, receiving the most interest, keeping interest costs and borrowing charges down, making investments, paying for insurance and making sure you have enough assets to meet the terms of finance.)
- how to identify different types of financial help. (For example, secured loans, overdrafts, sale or lease back of assets, employee share ownership plans, insurance policies, use of pension funds, loan guarantee schemes, external funding for equity capital or debt financing and venture capital from business 'angels'.)
- how to work out:

    the costs of different kinds of finance (for example, interest charges, administration charges, fees, commission, equity and capital gain, insurance, penalties for early termination, penalties for failure to meet interest and principal repayments, security requirements and risk); and

    the benefits of different kinds of finance (for example, availability of funds, cash flow, investment and the effect on business)

- what are the likely risks to a business or owner manager and how these should be assessed. (For example risks that your business cannot repay the loan and other debts, possible loss of control or even ownership of your business.)
- how to assess the financial state of your business. (For example in terms of profit, cash flow, current assets and liabilities.)
- what the main indicators of the financial market are. (For example movement in interest rates, inflation figures and move to medium term and long term loans.)

Information and advice

- who can provide financial advice on a business. (For example accountants, lawyers, advice centres, banks and other finance providers.)

- what sources of free and paid for information are available. (For example tax authorities, trade and professional journals, customers, suppliers, your own staff and competitors.)

Finance providers

- how to identify different financial providers or funders (For example through directories, business advice services, through websites, trade journals, trade associations, venture capital associations, press, brokers, banks and accountants.)
- how to choose the appropriate finance providers
- how to work out the cost of borrowing in terms of:

  interest cover (operating profit against interest costs); and

  how the costs vary with any changes in the interest rates

- how financial needs should be presented to providers and what they want from your business
- what are the targets and limits for agreeing terms with providers and how flexible these should be. (For example about the amount of finance, schedule of capital and interest repayments, discounts available, additional benefits, interest rates, keeping security to a minimum, interest rate capping, facility fees and charges.)
- what security you might need to provide the differences between secured and unsecured loans and the effect of making a personal guarantee
- how to agree terms and conditions
- what paperwork should be used for recording financial agreements
- why it is important to seek expert legal and financial advice before signing contracts