CHECKLIST

Monitor borrowing for your business

Most businesses need finance from outside sources. For the success of your business you will need to establish good working relationships with your financial providers and keep an eye on the impact of any borrowing on your business.

This involves:

1. keeping in contact with funders
2. checking the costs and benefits to your business of finance provided on a regular basis
3. meeting the requirements of finance providers

What you need to do

- identify and agree the aims of your relationship with each finance provider
- make the best use of the skills and experience of your finance provider
- keep in regular contact with finance providers and make sure that you understand what they want you to do
- agree the costs and benefits of the finance you are borrowing with your finance provider
- regularly monitor the costs and benefits of the finance provided
- assess other financial options to make sure the original ones are still the most appropriate
- set up systems to forecast and monitor the effect of the finance on your business plans
- regularly check that your business can meet the costs, borrowing charges and repayment schedule of the finance provider
- assess how effectively the finance meets the needs of your business and identify any potential problems
- meet the requirements of finance providers by taking suitable action and asking for help when you need it

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CHECKLIST

What you need to know and understand

Relationships with finance providers

- how to keep in contact with finance providers and how often
- the different kinds of information that finance providers need. This could include:

  an up to date business plan (for example including cash flow forecasts, variances against profit forecasts, information about debtors, creditors, stocks and borrowing position);

  what the finances are needed for (for example fixed capital and working capital, business expansion);

  the value of your business (asset worthiness) and the limit funding by the owner;

  information about business progress (for example daily, weekly or monthly); and

  reporting where actual figures do not match those that were forecast (variances)

- what paperwork should be used for recording financial agreements
- what are the requirements of finance providers and how they can be met

Getting finance

- how to assess that the sources of finance being used are still the most appropriate for your business needs compared to other finance providers. (For example high street banks, venture capital companies, private investors, credit agencies, local and national government agencies.)
- how finance should be monitored. This would include:

  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 their effect on your business)

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- what choices are available to you in managing the extra finance. (For example faster or lower repayment schedules, changing to different types of finance or to another funder.)

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