

# **Session 2:**

# **Finance, Saving & Raising Money**

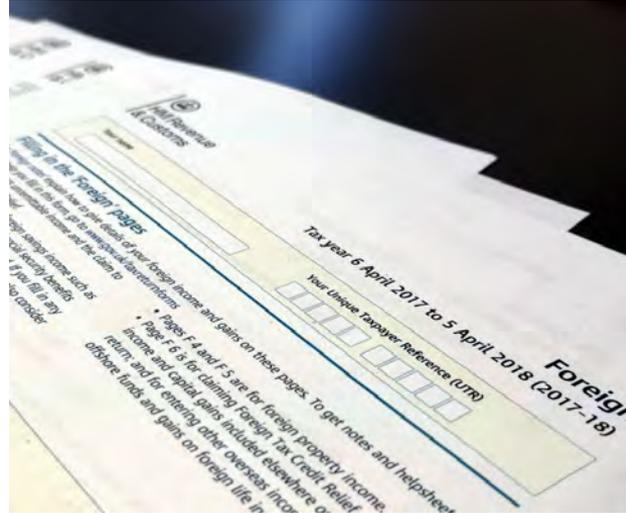




INVOICE

Bill To

Henry Higgins  
Melbourn, Victoria 3035



# Invoicing, VAT and Keeping Records



# Invoicing and VAT

## What is an invoice?

An invoice is a statement of the goods and services supplied by a seller to a buyer. An invoice should include, date, address, contact details, bank account details, quantity and type of goods/ services provided and a breakdown of costs including any VAT if applicable.

Your Company Name  
Company Address  
Company city, state ZIP  
Company phone, website, contact info

## UK Invoice no VAT

Bill To Name  
Address  
city, state ZIP  
phone, website, contact  
info

Invoice no. 0000  
Date 1-12-17/18  
Due Date  
Terms

Description	Quantity	Unit price	Amount
Product 1	10	£10.00	£100.00
Service 1	1	£100.00	£100.00
	<b>Total</b>		<b>£200.00</b>

Your Company Name  
Company Address  
Company city, state ZIP  
Company phone, website, contact info

## UK Invoice with VAT

Bill To Name  
Address  
city, state ZIP  
phone, website, contact  
info

Invoice no. 0000  
Date 1-12-17/18  
VAT Reg.  
No.  
P.O. No.  
Due Date  
Terms

Description	Quantity	Unit price	Amount
Product 1	10	£10.00	£100.00
Service 1	1	£100.00	£100.00
	<b>Subtotal</b>		<b>£200.00</b>
	<b>VAT</b>		<b>£40.00</b>
	<b>Total with VAT</b>		<b>£240.00</b>

# Invoicing and VAT

## What is VAT?

VAT stands for value added tax and is applied to invoices if a business trades **over £85,000 per financial year**. Although you can apply for VAT at anytime.

## Benefits and drawbacks of becoming VAT registered?

Becoming VAT registered means that you have to add 20% tax on top of all your invoices but also allows you to claim the VAT back on any purchases you make.

For example on a £2,400 Apple computer you would be able to claim back £400.

- + You claim back any VAT on purchases
- + When you do expand you don't have to absorb the VAT or charge your customers extra
- + You are perceived to turnover more than £85,000 a year
  
- You have to charge your customers 20% more (but other vat registered businesses won't mind) or take the 20% hit
- Increased accountancy costs
- More complicated paperwork

<https://www.gov.uk/vat-registration>

# Filing and receipts

## What do I need to keep a record of?

You need to keep a record of all your invoices, receipts from purchases, all your returns and statements from HMRC and companies house.

## What is bookkeeping?

Book keeping is a record (usually a spreadsheet) of all of your outgoings and incomings. You need to include date, description, quantity and the cost or revenue.

CASHBOOK Month: April Business / Name: My Fabulous Business

Details			Money In			Money Out						Bank Balance	Reconciled
Date	Description	Ref	Sales	Bank Interest	Total In	Station-ery	Office Equip.	Internet	Drawings	Bank Fees	Total Out		
1-Apr	Balance b/f				200.00							200.00	R
4-Apr	Folders and pens	1				15.00					15.00	185.00	R
15-Apr	Sale: Ms E Inkson	2	54.00		54.00							239.00	R
18-Apr	Sale: Mr R U Redy	3	30.00		30.00							269.00	R
19-Apr	Drawings	4							10.00		10.00	259.00	R
21-Apr	Envelopes & Stamps	5				20.00					20.00	239.00	R
24-Apr	Web host fees	6						40.00			40.00	199.00	R
27-Apr	Simply Chairs: Chair	7					127.00				127.00	72.00	R
29-Apr	Sale: Mr J Mighty	8	30.00		30.00							102.00	R
30-Apr	Bank Fee	9								2.50	2.50	99.50	R
30-Apr	Sale: Ms T Real	10	54.00		54.00							153.50	R
	Totals		168.00	0.00	368.00	35.00	127.00	40.00	10.00	2.50	214.50	153.50	C/F

# Organisation

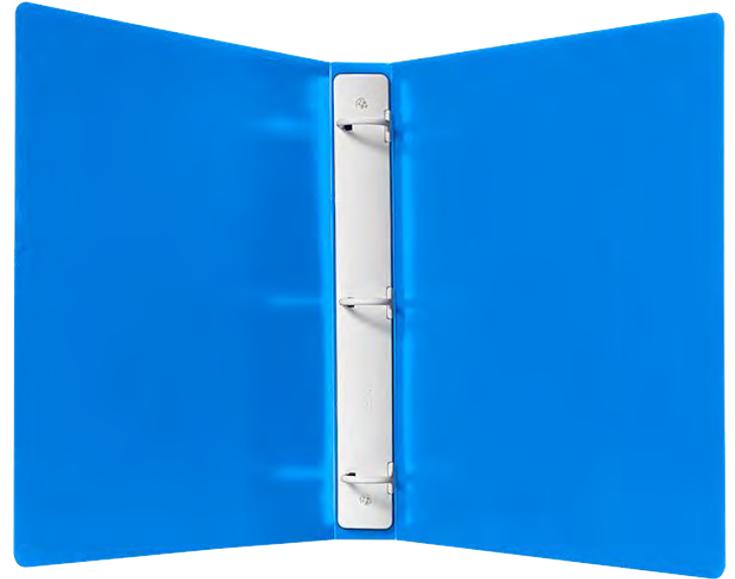
## Keeping organised

One of the best ways to keep your paperwork together is to use a binder folder.

You will need to keep records for at least 6 years

Weekly or monthly sessions will help keep this under control

If you are particularly organised you can move over to paperless record keeping  
But you will need backups as your accountant will need copies of everything



# So what are the minimum costs to be able to start trading?

Here is a quick example of the costs you need to be thinking of prior to starting up:

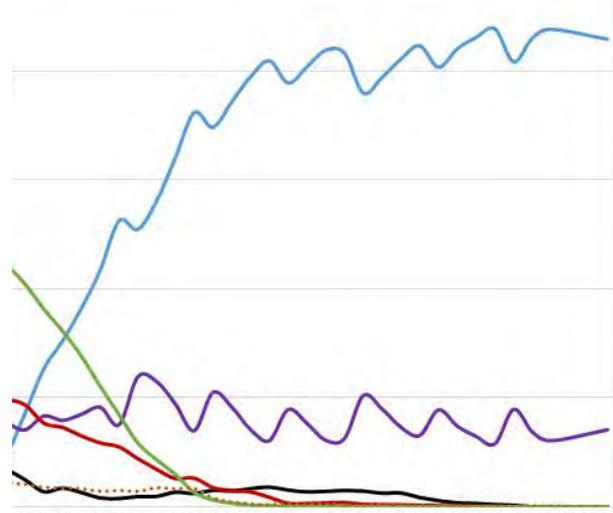
	A	B	C	D	E	F
1	Name of expense	Description	Type	When	Expense cost	When to be paid
2	Registration fees	Registration with companies house	Compulsory	One off	£12	Start
3	Insurance	Insurance which covers you and your business	Compulsory	Yearly	£80 - £400	Start
4	Legal - contracts/ terms	Terms and conditions to give to customers to protect your business	Highly recommended	One off	£60 - £1500 +	Start
5	Accountant	Filing your companies accounts	Compulsory	Yearly	£700 - £1500	End of first year
6	Self Assesment	Yearly self assesment which declares your personal income	Compulsory	Yearly	£150+	End of first year
7						
8	Marketing	Marketing of your product or service	Highly recommended	Monthly	£50 - unlimited	Start
9	Website hosting and emails	Assuming you build a website for free on website builders	Highly recommended	Yearly	£60 - £120	Start
10	Cost of stock		Highly recommended	Ad-hoc	....	Start
11	I.T equipment and software	Computers, laptops, tablets, phones, other hardware and software	Recommended	Ad-hoc	....	Start
12	Travel	Seeing clients and cost of business	Recommended	Ad-hoc	....	Ongoing
13	Expenses	Sustenance	Recommended	Ad-hoc	....	Ongoing
14	Wages	If you are fulltime then you are going to need an income	Recommended	Monthly	....	Ongoing
15						

# Prioritisation & doing things right

**The importance of not cutting corners** - Ensure you have insurance for your business - **public liability** (legal cover for protecting you against damage to members of the public) and **private indemnity** (protects your legal costs associated with giving bad advice or service).

**Get an accountant as soon as possible** - Accountants will help with the financial structure of the business and more importantly give you a plan that will help your personal financial plan. i.e. mortgages





# Ways of generating income

# Ways to generate an initial income

**Working a full time job** - This is how many people finance their business, investing time and money over a long period can make the transition as risk free as possible.

**Bank of Mum and Dad** - Asking for help from your parents is preferential to many high risk loans. Make sure you get a second opinion on the viability of your business before engaging family.

**Subsidised expenses** - Not an income stream as such, but living with parents or relatives can reduce your overheads to allow you to push capital towards your business.

**Friends and other relatives** - Trustworthy friends and relatives can be a great way to pool money together which spreads the risk across each individual. Make sure you have a document drawn up so you pay it all back via a payment plan.

**Grant funding** - These schemes are few and far between but the most likely are £1,000 start up funds. Contact your local enterprise scheme for more information.

# Investment

**Angel investors** - Angel investors are high net worth individuals who back startups or projects for a return of equity.

**Venture capitalists** - VCs are individuals or firms that pool money from a range of sources and invest in early startups for an equity stake. Usually VCs only invest in businesses that have been established for a while or have massive growth potential.

**Startup programs (Virgin Startup)** - Startup programs usually offer both mentoring and financing options to get you up and running. Most of which are loans which have very low interest rates (much better than banks).

- **EIS and SEIS** - Enterprise Investment Schemes offer investors of start up businesses tax breaks of up to 50%. This makes your business much more appealing for investment. You'll need to apply for 'advanced assurance' in order to for investors to gain this advantage.



# Things to be aware of

**Keep control** - When it comes to investment it can be easy to be influenced and pushed into a corner, make sure you keep control allowing you to call the shots.

**Get support** - When you have obligations to pay back finance, make sure you have support to keep you on track and calm your stresses.

**Don't lose your morals** - Try not to wander from your true self and maintain the quality and ethics in your business.



# Managing Cash Flow

**Keep expenditure low** - Buying costly items that are not necessary for the growth of the company are going to put financial pressure on both you and your business.

**Live within your means** - Avoid spending money on materialistic items and giving yourself a high salary, you will need to play the long game.

**Be tough on customers** - Small businesses tend to get taken advantage of when it comes to settling invoices. Make sure you have watertight client contracts and be prepared to chase clients for payment.

# Finances are linked to every part of a business

**Sales curve** - You need to be bringing in sales every month to mitigate stagnation

**Marketing and relationship management** - You need to be continually promoting your business to the right audience to fill the sales funnel.

**Managing operations** - You need to be able to plan your diary effectively in order to manage cash flow i.e. time supplier payments with revenue in order to balance the books.

**Building slow and strong rather than fast and unstable** - You need to manage expectations, whether that's holding back on building expensive Apple Mac's or taking a contract too big. Focus on building a stable business.

# **Life as a director**

**You won't be a millionaire in the first 6 months**

**You'll have to make financial sacrifices**

**A full time job may give you more money**

**You will be in control over your time**

**The buck stops with you**



# Homework

1. Think about how you would raise finance - what options are available to you?
2. Make a start on building a spreadsheet for your startup business
3. Work out what your personal income needs to be
4. Think about whether money will be important to you over the next few years

