

Business Startup Series

THE MONEY SIDE OF BUSINESS?

www.greateraiken.score.org



1



Funded in part through a cooperative agreement with the U.S. Small Business Administration. All opinions, conclusions, and/or recommendations expressed herein are those of the author(s) and do not necessarily reflect the views of the SBA.

www.greateraiken.score.org



2

What We Offer:



Workshops



Mentoring



Resources

www.greATERaiken.score.org

SCORE  POWERED BY 

3

Business Startup Series Workshops

1. Are You Ready to Start a Business?

- 6 Key Questions to Answer

2. Take the Stress Out of Business Planning

- What questions do you need to answer?

3. The Money Side of Business

- How much money do you need?
- Breakeven Analysis – Can I make money? How long before I do?
- Introduction to Financial Statements
- Do you need an accountant or bookkeeper?

4. Fund Your Business

- Funding Options (Loans, Grants, Crowdfunding)

www.greATERaiken.score.org

SCORE  POWERED BY 

4

SCORE.ORG Business Roadmap Series

- Chapter 1: Starting Your Journey
- Chapter 2: Are You Ready to Start a Business?
- Chapter 3: Defining and Validating Your Idea
- Chapter 4: Business Plan or Business Model Canvas?
- Chapter 5: Finding Funding
- **Chapter 6: Setting Up Your Business**
- **Chapter 7: Accounting, Insurance, and Legal Considerations**
- Chapter 8: Marketing Your Business
- **Chapter 9: Pricing, Sales, and Distribution**
- Chapter 10: Setting Up Your Physical Location
- Chapter 11: Staffing Your Business
- Chapter 12: Open for Business



www.greataiken.score.org

SCORE  POWERED BY 

5

Today's Class

Why is Financial Planning Important?

Do It Yourself / Who Can Help

Costs / Sales Projections

Break-even Analysis

Understanding Financial Statements

Next Steps

www.greataiken.score.org

6

Legal Entities

The Type of Business You Setup Can Impact the Financial Side of Your Business



www.greataiken.score.org

Sole Proprietorship

- One owner and can be included in your Form 1040 on a Schedule C or other forms depending on type of business

Partnership

- Where two or more partners come together and form a business venture. The organization and setup for the splitting of income, expenses, assets and liabilities needs to be clearly defined.

LLC (Limited Liability Corporation)

- Limited exposure to liability if set up correctly and maintained separate from any personal business. Can have one or multiple owners and ownership % and assignments needs to be decided at the get go for smooth operation. Flows directly to your personal income using a K-1

Sub Chapter S Corporation

- Similar to LLC but allows more owners and can afford different tax advantages based on income and other considerations

Corporation

- Used by most larger organizations with many owners/stockholders, generally a much larger entity.

7

Your Success Depends on the Money

- Find out how profitable before you make the go/ no go decision
- Increase chances of success

www.greataiken.score.org

WHY BUSINESSES FAIL

- Poor cash flow management skills / poor understanding of cash flow
- Starting out with too little money
- Lack of well-developed business plan, including insufficient research on the business before starting it
- Not pricing properly or failure to include all necessary items when setting prices
- Being overly optimistic about achievable sales, money required, and about what needs to be done to be successful
- Not recognizing or ignoring what they don't do well and not seeking help from those who do

SOURCE: Research done by U.S. Bank and cited on the SCORE.org

8

Forbes

Excerpt from article titled

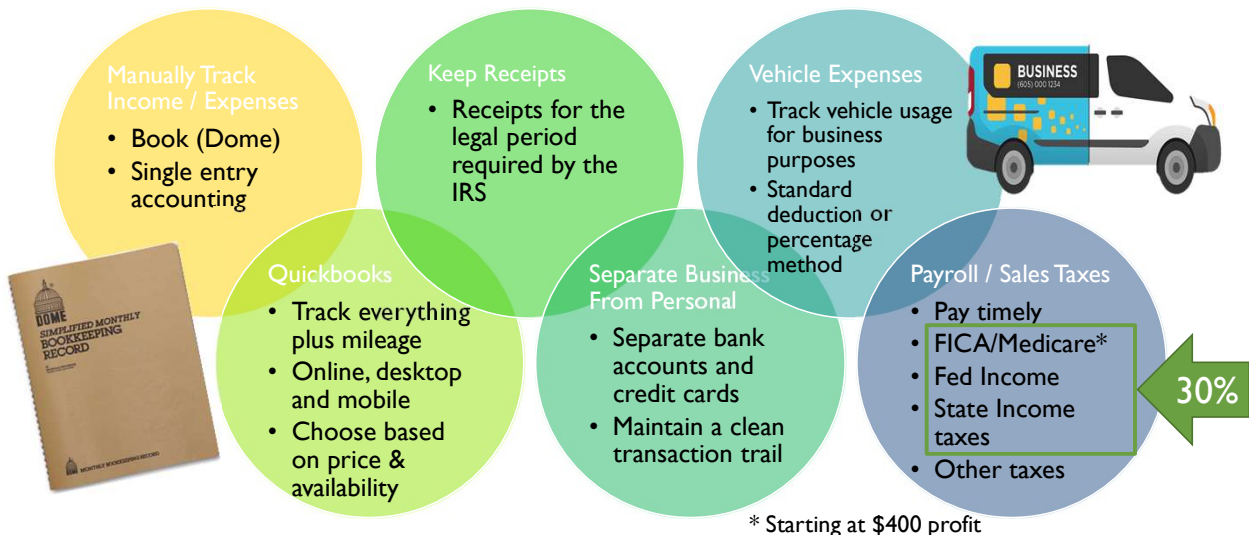
“10 Tips For Starting A Small Business That You Haven’t Heard A Thousand Times Already”

www.greateraiken.score.org

- Come up with the **most educated number you possibly can**. Then, take whatever you think that dollar amount is and **quadruple it**. Seriously, quadruple it. You’ll experience **unexpected costs** of running a business around every corner. It’s better to be over prepared than short on funds when bills start to roll in.
- When you're thinking of the cost to start a business, **don't forget about your personal budget**. Look at how much money you need to live, including rent, food, gas, healthcare, etc. Lay these expenses out in order of which ones you must pay (e.g., mortgage) to ones that can slide if the money runs out (e.g., entertainment).
- Once you have a grasp on all your expenses, start to create a business budget. At first, you might need to get some outside capital to make ends meet, like a small business loan. **Go over all of your options before putting your money into the startup.**

9

Bookkeeping Basics



www.greateraiken.score.org

SCORE  POWERED BY 

10

Getting Help – Who Does What?

Bookkeeper	Accountant	Tax Accountant	CPA (Certified Public Accountant)
<ul style="list-style-type: none"> • Maintains books • Gets books ready for tax accountant • Provide regular profit & loss statements • Other regular reports as needed • Less expensive than other forms of accounting help 	<ul style="list-style-type: none"> • Same as bookkeeper with more training and a degree in accounting, more education 	<ul style="list-style-type: none"> • Special training in tax accounting, income taxes, sales taxes, payroll taxes, etc. • Each tax situation is different • Usually registered with the IRS as a tax preparer. 	<ul style="list-style-type: none"> • Certify financial statements • Meet GAAP (Generally Accepted Accounting Principles) and FASB (Financial Accounting Standards Board) rules • Most SCORE clients will not need their financial statements certified.

www.greateraiken.score.org

SCORE  POWERED BY SBA 

11

How Do I Find These Resources?

- Ask family and friends
- Facebook Groups
- Chamber of Commerce
- Internet
- QuickBooks (online) Certified Pro Advisor



www.greateraiken.score.org

SCORE  POWERED BY SBA 

12

COSTS

According to the U.S. Small Business Administration, most microbusinesses cost around \$3,000 to start, while most home-based franchises cost \$2,000 to \$5,000.

www.greATERaiken.score.org

SCORE  POWERED BY SBA 

13

How much will it cost?

Startup Costs

(One Time)

- Deposits (rent, leases)
- Inventory
- Licenses/Legal
- Website Design
- Research
- Equipment

Fixed Costs

- Rent
- Salaries (Wages)
- Utilities (Phone, internet)
- Website Hosting
- Advertising
- Insurance

Variable Costs

(Directly Related to Sales Volume)

- Production Costs
- Credit Card Fees
- Commissions
- Shipping Costs

www.greATERaiken.score.org

SCORE  POWERED BY SBA 

14

Startup Cost Calculator

(sba.gov)

www.greateraiken.score.org

Startup costs — Joe's Pizza Place

This worksheet is set up for a fictional business, Joe's Pizza Place. Use it to get started calculating the startup costs for your own business. Change expense categories or add new ones to fit your business. Enter one-time and monthly expenses in the appropriate columns. Your estimations should go into the Budget column, and the exact amount spent should go into the Actual column. Total funds required is the total estimated amount you need to start your company.


One-time expenses	Budget	Actual
Rent		
Security deposit	1200	
First month's rent	1200	
First month's utilities (including phone and Internet)	250	
Improvement costs		
Kitchen improvements	800	
Tables and furniture	1500	
Utensils, dishes, and kitchen and bar equipment	350	
Inventory		
Food	1250	
Beverage	700	
Alcohol	900	
Miscellaneous		
Licenses and permits	150	
Legal fees	300	
Signage	550	
Technology	300	
Software	400	
Total funds required	9850	0

Monthly expenses	Budget	Actual
Rent		
Monthly rent	1200	
Property insurance	300	
Utilities	250	
Employees		
Payroll	3000	
Payroll taxes	1250	
Health insurance	650	
Professional services		
Accounting	200	
Legal	250	
Consultants	200	
Other	50	
Supplies		
Office supplies	150	
Operating supplies	200	
Marketing		
Digital advertising	350	
Promotional materials	400	
Miscellaneous		
Liability insurance	400	
Repairs and maintenance	200	
Organizational dues	75	
Total monthly expenses	9125	0

Total funds required	18975
-----------------------------	--------------

15

Soapy Rides Startup Costs



SOAPY RIDES STARTUP COSTS	
Purchase Trailer License and Registration	\$300
Purchase and Install Trailer Hitch	\$250
Signage – vehicle wrap	\$800
Generator	\$800
Water Tank	\$400
Water Pump	\$350
Vacuum	\$250
Extension Cords, Hoses and Nozzles	\$150
Cleaning and Detailing Products	\$200
Cleaning Supplies	\$175
Business Cards	\$20
Permits, City and State Licenses	\$100
TOTAL START UP COSTS	\$3,795

16

Soapy Rides Fixed Costs



SOAPY RIDES MONTHLY FIXED COSTS

Trailer Loan Payment (Interest)	\$250
Gas (500 miles/20 mpg/\$3 gal)	\$75
Insurance \$720/6 months	\$120
Maintenance (estimate)	\$40
Cleaning and Detailing Products	\$100
Cell Phone	\$65
Advertising	\$50
TOTAL MONTHLY FIXED COSTS	\$700

17

Soapy Rides Variable Costs



- What expenses are directly tied to our services?

WASH

\$10

- Soap
- Cleaners
- Disposable Rags

WAX

\$5

- Wax
- Buffing Pads
- Disposable Cloths
- Credit Card Processing Fees

18

SALES PROJECTIONS

www.greateraiken.score.org



19

Forecasting Sales



www.greateraiken.score.org

- You need to figure out if you're selling:
 - Products
 - Services (hours or fixed price)
 - Combination (packages)
- What makes up your "unit of sale"?
(*car wash, wax option*)
- What is your direct cost per unit/transaction (COG)?
- What will be your price(s)?

20

EXAMPLE: Soapy Rides Sales Projections

PRODUCT LINES	RATE	JAN	FEB	MAR	APR	MAY	JUN	JUL
WASH								
UNITS SOLD		16	19	23	28	33	40	48
SALES	\$50	\$800	\$950	\$1,150	\$1,400	\$1,650	\$2,000	\$2,400
COGS	\$10	\$160	\$190	\$230	\$280	\$330	\$400	\$480
MARGIN	\$40	\$640	\$760	\$920	\$1,120	\$1,320	\$1,600	\$1,920
WAX								
UNITS SOLD		4	5	6	7	8	10	12
SALES	\$40	\$160	\$200	\$240	\$280	\$320	\$400	\$480
COGS	\$5	\$20	\$25	\$30	\$35	\$40	\$50	\$60
MARGIN	\$35	\$140	\$175	\$210	\$245	\$280	\$350	\$420
COMBINED								
UNITS SOLD		20	24	29	35	41	50	60
TOTAL SALES		\$960	\$1,150	\$1,390	\$1,680	\$1,970	\$2,400	\$2,880
TOTAL COGS		\$180	\$215	\$260	\$315	\$370	\$450	\$540
TOTAL MARGIN		\$780	\$935	\$1,130	\$1,365	\$1,600	\$1,950	\$2,340
NOTES:		FIRST MONTH - ASSUMED 4/WEEK, 20% INCREASE EACH MONTH ASSUMED 25% WOULD ALSO BUY WAX OPTION						

www.greataiken.score.org

SCORE  POWERED BY 

21

Reality Check



www.greataiken.score.org

SOAPY RIDES INCOME STATEMENT

	JUL	AUG	SEP
UNITS	60	73	83
GROSS SALES	\$2,880	\$3,500	\$4,000
COGS	\$540	\$655	\$755
GROSS MARGIN	\$2,340	\$2,845	\$3,245
FIXED EXPENSES	\$700	\$700	\$700
NET INCOME	\$1,640	\$2,145	\$2,545

- Can you live on \$1,640/month?
- What if you can't work for a week?
- Can you save money to cover unforeseen expenses?
- Adding about 20% more sales in AUG increases monthly revenue by \$505 ...

22

BREAK-EVEN ANALYSIS

What do your sales need to be in order to make the profit needed?

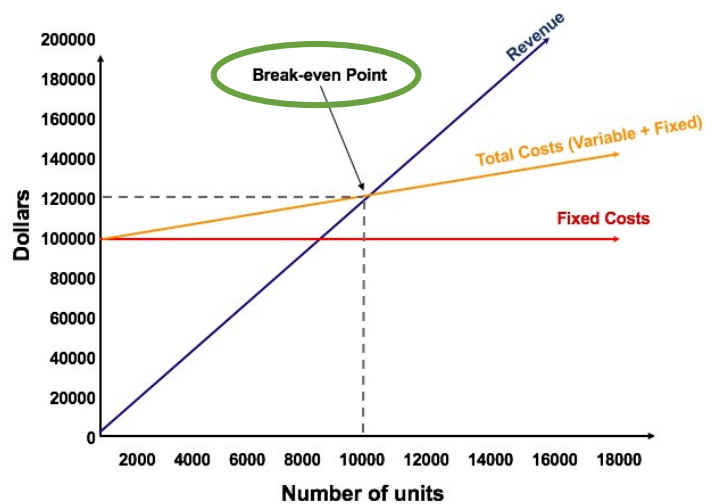
www.greateraiken.score.org

SCORE  POWERED BY 

23

Calculating Break-Even Quantity

Break-even quantity =
Fixed costs /
(Sales price per unit
– Variable cost per unit)



www.greateraiken.score.org

SCORE  POWERED BY 

24

EXAMPLE: Soapy Rides Break-Even Analysis



MONTHLY BREAK-EVEN

- Fixed costs = \$700
- Variable cost wash a car = \$10 per unit
- Price = \$ 50

$$\text{Break-even quantity} = \$700 / (\$50 - \$10) = 18 \text{ washes}$$

Owner's draw = \$2500

$$\text{Break-even quantity} = \$3200 / (\$50 - \$10) = 80 \text{ washes}$$

25

How Much \$ Do You Need?

26

Startup Funding – Soapy Suds Example

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTALS	
Start-up Costs	(\$3,795)												(\$3,795)	
Units Sold	20	24	29	35	41	50	60	73	83	100	100	100		
Sales	\$960	\$1,150	\$1,390	\$1,680	\$1,970	\$2,400	\$2,880	\$3,500	\$4,000	\$4,800	\$4,800	\$4,800	\$34,330	
COGS	(\$180)	(\$215)	(\$260)	(\$315)	(\$370)	(\$450)	(\$540)	(\$655)	(\$755)	(\$900)	(\$900)	(\$900)	(\$6,440)	
Gross Margin	\$780	\$935	\$1,130	\$1,365	\$1,600	\$1,950	\$2,340	\$2,845	\$3,245	\$4,015	\$4,015	\$4,015	\$28,235	
Fixed	(\$700)	(\$700)	(\$700)	(\$700)	(\$700)	(\$700)	(\$700)	(\$700)	(\$700)	(\$700)	(\$700)	(\$700)	(\$8,400)	
Trailer Loan Principal	(\$50)	(\$50)	(\$50)	(\$50)	(\$50)	(\$50)	(\$50)	(\$50)	(\$50)	(\$50)	(\$50)	(\$50)	(\$600)	
\$2,1337 Startup Loan	(\$498)	(\$498)	(\$498)	(\$498)	(\$498)	(\$498)	(\$498)	(\$498)	(\$498)	(\$498)	(\$498)	(\$498)	(\$5,976)	
CASH FOR BUSINESS	(\$3,795)	(\$468)	(\$313)	(\$118)	\$117	\$352	\$702	\$1,092	\$1,597	\$1,997	\$2,767	\$2,767	\$2,767	\$9,464
SALARY/DRAW		\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$30,000	
MONTHLY NEEDS	(\$3,795)	(\$2,968)	(\$2,813)	(\$2,618)	(\$2,383)	(\$2,148)	(\$1,798)	(\$1,408)	(\$903)	(\$503)	\$267	\$267	\$267	
FUNDING NEEDED		(\$6,763)	(\$9,576)	(\$12,194)	(\$14,577)	(\$16,725)	(\$18,523)	(\$19,931)	(\$20,834)	(\$21,337)				

www.greeteraiken.score.org

SCORE  POWERED BY SBA 

27

2nd Reality Check

How many hours can you work?

What is your hourly rate?

www.greeteraiken.score.org

- 80 washes / 20 waxes
- 2 hours / 1 hour
- TOTAL: 180 hours (includes travel)
- \$2500 owners draw (before taxes)
\$13.89 / hour (9 hours a day)
- \$2767 owners draw (before taxes)
\$15.37 / hour (9 hours a day)

- Reduce Travel Time (car lot / dealer)
- Reduce Time to Wash / Wax
- Increase Your Price

28

FINANCIAL STATEMENTS

www.greATERAIKEN.score.org

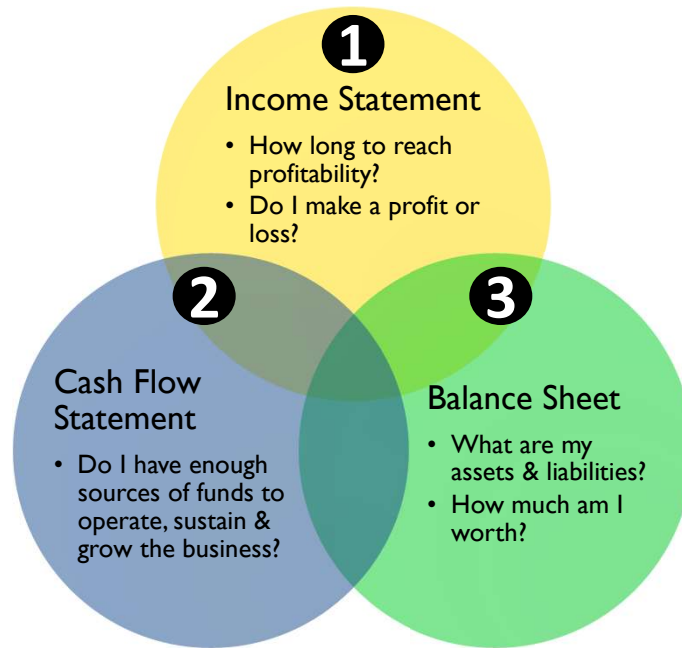


29

Financial Statements: Run Your Business



www.greATERAIKEN.score.org



30

1

What is an Income Statement?



www.greateraikenscore.org

- Normal costs - cost of goods sold and expenses
- Additional costs including taxes
- Standard revenues earned from sales
- Revenues gained from interest accrued by business investments



31

1

Income Statement Benefits



www.greateraikenscore.org

- Helps business owners decide whether they can generate profit by increasing revenues, by decreasing costs, or both
- Go-to document for judging the health of a company.

32

EXAMPLE: Soapy Rides Income Statement



SOAPY RIDES INCOME STATEMENT	
GROSS SALES (income)	\$4,000
COGS (variable costs)	\$755
GROSS MARGIN	\$3,245
OPERATING EXPENSES (fixed)	
Trailer Loan Payment (Interest)	\$250
Fuel Costs	\$75
Insurance	\$120
Maintenance	\$40
Cleaning and Detailing Products	\$100
Cell Phone	\$65
Advertising	\$50
TOTAL OPERATING EXPENSES	\$700
NET INCOME	\$2,545

33

2

What is a Cash Flow Statement?




www.greeteraiken.score.org

- Cash in and out of a business during a specific period of time
- Provides information about three types of business activities:
 - **Operations**
 - Cash received from sales and services
 - How much cash used to cover payroll, vendor invoices, rent, taxes, and utilities
 - **Investments**
 - Capital expenditures (equipment and property purchases)
 - Purchases and sales (stocks and other investments)
 - **Financing**
 - Cash proceeds from loans
 - Installment payments
 - Cash transactions with company owners

34

2

Cash Flow Benefits




www.greataiken.score.org

- Provides the most insight into day-to-day operations
- Show reasons for changes in cash balances from one period to the next
- Help an owner to budget for future periods
- Identify potential financial problems before they get out of hand
- Provide insight into a business's current health and long-term viability

35

EXAMPLE:
Soapy Rides
Cash Flow



	JUL	AUG	SEP
Beginning Cash Balance	\$3,200	\$1,199	\$228
CASH INFLOWS			
Income from Sales	\$2,880	\$3,500	\$4,000
Total Cash Inflows	\$2,880	\$3,500	\$4,000
Varies from Month to Month			
CASH OUTFLOWS			
Materials/Supplies Purchased	\$600	\$750	\$600
Fuel Costs	\$75	\$50	\$100
Insurance	\$720	\$0	\$0
Maintenance est \$40/month	\$40	\$75	\$40
Cleaning and Detailing Products	\$50	\$200	\$50
Cell Phone monthly	\$65	\$65	\$65
Advertising	\$50	\$50	\$50
Startup Loan	\$481	\$481	\$481
Trailer Loan Interest	\$250	\$250	\$250
Trailer Loan Principal	\$50	\$50	\$50
TOTAL CASH OUTFLOWS	\$2,381	\$1,971	\$1,686
CASH FLOW (net change)	\$499	\$1,529	\$2,314
OWNER'S DRAW	\$2,500	\$2,500	\$2,500
ENDING CASH BALANCE	\$1,199	\$228	\$42

36

3

Balance Sheet & Benefits



www.greeteraiken.score.org

- Snapshot of the assets (value of things the business owns) and liabilities (loans and debts) on a specific date

BENEFITS

- Can be used to secure business loans
- Show your payback on inventory or assets
- Help you identify potential issues before they turn into major problems

37

EXAMPLE: Soapy Rides Balance Sheet

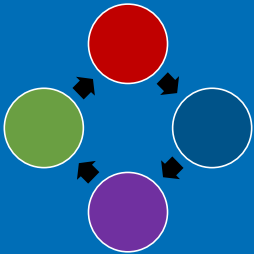


SOAPY RIDES BALANCE SHEET		
ASSETS		
CURRENT ASSETS	Checking	\$2,543
	Accounts Receivable	\$810
	TOTAL CURRENT ASSETS	\$3,253
FIXED ASSETS	Trailer and Hitch	\$11,250
	Less Accumulated Depreciation	(\$1,688)
	TOTAL FIXED ASSETS	\$9,562
TOTAL ASSETS		\$12,915
LIABILITIES		
CURRENT PAYABLES	Accounts Payable	\$250
	Credit Cards Payable	\$75
	TOTAL CURRENT PAYABLES	\$325
LONG TERM PAYABLES	Wells Fargo Loan	\$9,250
TOTAL LIABILITIES		\$9,575
OWNER'S EQUITY	Owner's Investment	\$3,795
	Owner's Draw	(\$3,000)
	Current P&L (net income)	\$2,545
TOTAL OWNER'S EQUITY		\$3,340
TOTAL LIABILITIES AND OWNER'S EQUITY		\$12,915

38

Business Roadmap Series

Combining Workshops, Webinars and Mentoring



www.greateraiken.score.org



Are You Ready to Start a Business?	<ul style="list-style-type: none"> • Chapter 1: Starting Your Journey • Chapter 2: Are You Ready to Start a Business? • Chapter 3: Defining and Validating Your Idea
Taking the Anxiety out of Business Planning	<ul style="list-style-type: none"> • Chapter 4: Business Plan or Business Model Canvas? • Chapter 6: Setting Up Your Business
The Money Side of Business	<ul style="list-style-type: none"> • Chapter 7: Accounting, Insurance, and Legal Considerations • Chapter 9: Pricing, Sales, and Distribution
Fund Your Business	<ul style="list-style-type: none"> • Chapter 5: Finding Funding
OTHER	<ul style="list-style-type: none"> • Chapter 8: Marketing Your Business • Chapter 10: Setting Up Your Physical Location • Chapter 11: Staffing Your Business • Chapter 12: Open for Business

39

Additional Resources

- **SCORE.org - Financial Projections Template**
 - **Startup expenses**
 - **Sales forecast**
 - **Balance sheet**
 - **Financial ratios**
 - **Break-even analysis**
 - **Payroll costs**
 - **Operating expenses for the first 3 years in business**
 - **Income statements for the first 3 years in business**
 - **Cash flow statements for the first 3 years in business**
 - **Cost of goods sold (COGS)**
 - **Amortization and depreciation for your business**
- **SBA.org – Startup Cost Calculator**
- www.quickbooks.intuit.com -Intuit - Free Quickbooks Video Tutorials
- www.gcflearnfree.org – Resources for learning/using Excel and QB (use search box)

www.greateraiken.score.org

40

Funding Your Business Workshop

Aiken
Tech

- Saturday, Oct. 9
- 10:00 am

www.greateraiken.score.org



41

Get Free Local Mentoring



We're here to help you succeed.

Our experienced business professionals provide valuable, timely, and practical advice. Whether you are a start-up or an existing business, our mentors will help you and your business open new markets, reach new customers, and achieve new goals.

[Request A Mentor ▶](#)

www.greateraiken.score.org

www.greateraiken.score.org



42