

A Guide to becoming Self Employed

Developed by Mahmood Reza of **Pro Active Resolutions** for Mansions of the Future



Through the volunteer initiative and associated **Masterclass programme** Mansions of the Future is committed to the professional development of local creatives. This guide commissioned from Mahmood Reza offers an impartial insight into the challenges and considerations of becoming self-employed.

This guide to considering self-employment has been commissioned in response to a recognised paucity of available financial and business knowledge within the sector and a suggestion raised by our volunteers in a bi-annual round table event. We are very grateful to Mahmood for his expertise and advice and whilst becoming self-employed isn't for everyone, we hope the following information can help to demystify some of the pro's and cons of working for yourself if that is a direction your creative journey might take you on.

Beth Lambert
Front of House/Volunteer Coordinator

Table of Contents

INTRODUCTION3
Suitability for Self-Employment6
Bookkeeping Helps Make you Money: Tips for Success.....17
Call For action At the End of The Guide23
LINKS23

Introduction – Humble Beginnings

Excitement, nerves, and anxiety. Those were my thoughts as I made that transition over 25 years ago, into the world of self-employment.

A great number of individuals dream and think about being self-employed, our own boss, our own path. Many do make that move from dream to action, for most this proves to be a life changing event.

There are several highs and lows to being self-employed, the *positive* aspects include flexibility over working hours; greater variety of work; increased job satisfaction & work challenges; autonomy and independence; improved work/life balance and increased earning power.

The not so positive aspects of self-employment include no guarantee of work or income; greater degree of isolation and less human contact; increase in financial risks and exposure; increase in stress; and heavier workloads

Working for yourself can be quite lonely, even if you employ staff. The experiences are akin to experiencing a roller coaster ride; for example, busy work periods followed by quiet periods and feelings of optimism followed by ones of pessimism.

Remember though that Numbers will always be your best business friend; they will not lie to you.

You need your friends in bad times, as well as the good.

We hope you find this guide useful. If you want to be part of our Numbers family, to stay informed and learn, subscribe to our weekly podcast 'I Hate Numbers'.

Get in touch if you need more, we'll keep you in touch with help, support, and resources. We're in this together, numbers and more !

Happy Own Bossing



Mahmood Reza

The Numbers Crew – Here to Help You!

Self-Belief - A Personal View

My Brief Story

"My feeling is that labels are for canned food... I am what I am, and I know what I am" -Michael Stipe, American Musician

Where you are today may not be where you want to be tomorrow, but it is influenced by your past.

My business life of 25 years + has been about helping business & entrepreneurs of today and tomorrow, as well as social enterprises and charities.

Drive and passion

From pre-teenage years I always wanted to run a business, (did not know what) and dabbled in a few Entrepreneurial activities at secondary school, from running a coffee shop, lost property shop and dabbled in managing local bands.

Coming from a large family (nine brothers & sisters) with little money, bettering yourself & self-reliance was the best legal option.

How I got to where I am so far

An initial career in teaching which I left after 3 years, on the grounds that in the UK teaching is (unfairly) equated with the idea of not being able to do anything else.

I left teaching with no job to go to, not the most sensible thing to do, but it felt the right thing to do. Work hunting started, and eventually I got a job in the Hospitality Industry as an accountant, reporting to Board level.

A complete contrast to what I was used to, and in hindsight a back to front progression.

The money was not brilliant, but the experience and people I worked with compensated for it – even though that does not pay bills. The company had faith in me, and though not all was sweetness and light I'll be forever thankful to them. 5 and half years later, having juggled study, gained qualifications, working stupid hours, the desire to move on became too strong.

The most sensible thing to do was get a higher paid job, for me that thought process was not there. I love being an accountant, helping and informing people. I do like getting paid as well! My only option for me was to start my own business.

I had this idea that if I messed up, I would have a fall-back position of getting a job, I'd be like a start-up, but with experience. Besides if I didn't, I'd had that awful thought embedded in my brain of "I wish I had done...."

The Jump

My plush offices were my back bedroom in Feb 1995. I had a variety of part time jobs to keep money coming in. It was challenging, early years business income was more like 4 figures.

I made a fair number of mistakes, got my fingers burnt, and still have occasional lapses! I met my share of snake oil salesman and been convinced by them. I had my share of doubters, negative and positive people. I had the title of businessman, but in hindsight it was more book cover than substance.

Whether it was self-belief, obstinacy, not fit to get to a salaried job, I stuck at it,

My business situation today is much better than it was 25 years ago, it'd be depressing if it weren't.

The highs and lows, the dopamine rush when you have success, is a good one, but complacency is put into its box. What you build and create is no guarantee of permanence, others may see it differently.

Whilst I'm not an artist, my story of uncertainty and humble beginnings may not be different to your story, I hope it has resonance.

I still enjoy what I do and feel that I have only just started.

Keep the faith, listen to your own voice, the negativity tends to be the voices of others.

Remember, overnight success tends to be several years in the making.

Suitability for Self-Employment

- Are you a budding entrepreneur?
- Are you dreaming of setting up your own business?
- Do you have products or services that you believe others will want?
- Are you enterprising enough to achieve your goals?

You may have fantastic ideas and bold determination, but do you have the business skills and knowledge required to ensure you can pay your way in the world and make a success of your enterprise? It requires effort and a readiness to embark on new ventures, and to use initiative in business. For more information about working for yourself visit <https://www.gov.uk/working-for-yourself>

The main risks of self-employment

As with any change in life there are risks associated with moving into self-employment. You must consider these risks as part of your route to self-employment; not to put you off, but to ensure you are clear of the opportunities this offers, the challenges and actions you can take to minimise risks and maximise your opportunities before you start.

Being self-employed is fundamentally different to being employed. When you become your own boss, you will find that the distinction between work time and personal time becomes blurred. Your business decisions will have an impact on your personal life, and you will, in effect, be on call 24hrs a day if something occurs that will impact on your business. However, there are of course many benefits to consider also, such as no daily commute, taking credit for your successes, reaping the financial rewards of success.

There are several main risks you need to be aware of and consider as you set out on this journey which are summarised here:

FINANCIAL RISKS:

Legal Status. It will be vital for your success to ensure you set up and run the business in line with your legal responsibilities, such as paying your taxes and National Insurance. Failure to do this can result in incurring unnecessary heavy fines or even take legal action against you should you in extreme circumstances.

Uncertainty. Sometimes you will not be clear as to what lies ahead for you. Many times you may not know if you will have a project after the current one is finished So there may be a period of time between projects, commissions or sales when you are not directly earning any money as you will need to find new work/sales. You will need to be able consider the next opportunity and make financial savings for those quiet times when you will need to be marketing or selling to keep the cash flow coming in.

Being Money-Minded. You may have to go a few months without having any earnings as you build up your business. You should consider whether you have enough savings to cover your living costs as you

build up your business, or you may find you need to take on a part-time job to keep up with your living expenses.

No Employee Benefits. You will not have the benefit of holiday entitlement, sick pay and company benefits such as a pension scheme. You will not be covered if you take time off work for any reason as you are solely responsible for earning your living. You will need to earn enough money to cover your holiday etc. You may need to consider insurance cover to fill this gap in the event of an extended period off work due to illness. Also, a pension scheme is worth considering; but **always take independent financial advice before doing so.**

Insufficient working capital or expenses. Working capital is the capital you have available for use in day-to-day business activities. Many people who set up on their own underestimate how much money is needed to run a business even if you are simply operating out of your home with a laptop at your kitchen table. It is imperative that you determine how much money your business will require; not only the costs of starting, but the costs of staying in business (i.e. what will your overheads be?) It is important to take into consideration that many businesses take a year or two to get fully going. This means you will need enough funds to cover all your expenses until you have enough income from your business to cover them.

Failure to price your service correctly. Many people setting up on their own overestimate the number of clients they will be able to work with at any one time and undervalue their skills and the service they provide. You need a manageable and realistic supply of clients at the right fee level to make the business viable. Research your competitors to find out what the market will bear and ensure you do not under-cut them just to get business. You must value your business appropriately; customers can often (depending on the sector) equate higher costs with higher value, so undervaluing your product/service may not always be a good strategy.

Overdependence on a single customer. For some who are just starting up on their own, their first client is likely to be the company they used to work for. At first it looks great. You know the organisation; they know you and you have a steady stream of work all from the one organisation. But then you realise you are at their mercy. Whenever you have one customer so big that losing them would make the difference between business success or business failure, watch out. Having a larger number of smaller clients is a much safer option.

Poor financial controls. Yes, you must keep good financial and business records. You will have to review your revenue and expense report each month, and you must file taxes and other business-related documents. If you do not know how to do these, or do not want to, get help from someone competent who does.

Failure to clearly understand your market, your customers, and your customers buying habits. One of the risks of self employment is not answering some fundamental questions. Who are your customers? Are they companies? If so, what industry, what size, what location? Are they individuals? If so, what gender, what age, what type of issues? You should be able to clearly identify them in one or two sentences.

Ineffective marketing. Sadly, setting yourself up in business, getting a website and getting some business cards is not enough to get potential clients beating a path to your door. You need to learn the basics of sales and marketing and make sure you track the success or otherwise of each technique you use. Then stop those that are not working. Think about your 30 second 'elevator pitch' for use in any opportunity.

PERSONAL/EMOTIONAL RISKS:

Instability. In the modern age, job stability, even when employed by someone else, is becoming a thing of the past. Your employer or boss can let you go anytime they want, or they may create a hostile environment that leaves you with no other option than to leave. When you are self-employed and work on multiple projects for various clients you will need to commit yourself to completing the job to their satisfaction if there is any chance of repeat business. However, you will also need to be constantly aware of where the next piece of work or sale is coming from to create resources to fall back if business dries up.

Career Growth. You can choose to be self-employed for lifelong or only for a period, or you may choose to expand beyond self-employment and hire employees and grow into a bigger business. You will need to take responsibility for your own professional development to stay ahead of the competition and changes in technology, technical skills etc. So, make sure you consider this in your professional development plan and budget for it.

Becoming self-employed for the wrong reasons. Just because you love something does not mean you should convert it into a business. One of the risks of self-employment is when the newly-self-employed person gets excited about what it is they want to do and this leads them to feel their passion is/will be shared by others, which it may, or may not. Research your business idea for being self-employed and make sure it's viable.

Lack of business experience. There are so many hats you must wear to run a business effectively in addition to the professional skills to provide an effective service to your clients. For example, one of the most important areas of self-employment is that you need to understand the industry you operate in and trends in the marketplace, as well as the marketing and sales skills. Overall, always bear in mind that failure to enhance your business knowledge can be detrimental to the success of your business. If you do not know about these basic skills, do your research well. Talk to others who are successfully running their own businesses, talk to industry leaders, get a book, find a website, get a coach or business mentor. Overall, keep increasing your business and industry skills by attending classes/seminars or reading new books frequently.

Lack of planning. Anyone who has ever overseen a successful major event knows that were it not for their careful, methodical, strategic planning — and hard work — success would not have followed. The same could be said of most business successes. It is critical for all businesses to have a business plan even if it is a rudimentary 2 to 3-page plan. The point is that you have looked at all the aspects of your business and are prepared to handle problems when they arise. Your business plan helps you to focus on your goals and your vision, as well as setting out plans to accomplishing them. You will need to revisit your plan at least annually to ensure it is aligned with changes in your goals or the marketplace.

Lack of free time. You may find yourself working every day as you are not only responsible for selling your product or service you are also in charge of all administration tasks too. Work-life-balance is important for your health, wellbeing, and continued motivation. Keep in mind that your physical and mental health is more important than just making money. Here is a tip: Start allocating paid time off to you for every full month of work (like most of the companies do).

Poor workload management. Putting off tasks that you do not enjoy will sink your business faster than anything else. You cannot afford to waste time on unimportant tasks while critical tasks pile up. All tasks need to be done; if you do not like to do them (or do not want to spend your time doing

them), hire someone to do them for you. If you need help to work out what is most important for you to focus on, get a coach or business mentor to help you.

Bad luck. This includes changes in external circumstances which you could not have predicted, e.g. natural disasters, or sudden bereavement. Illness (either your own or that of someone dependent on you) can also be a problem as a self-employed person you have no automatic entitlement to sick pay.

Considering the risks for you:

Having considered these risks, and any other you identify as you set up your enterprise, it is recommended that you draw up a risk register to log and assess the risks these pose to your chances of success. You should regularly update this register to assess which risks have increased or decreased and why. You can then capitalise on your successful strategies to limit risks to your business and act to further reduce those still significant enough to do damage to your goal.

Factors to consider in this risk register are:

- What risks have I identified?
- What is causing the risk?
- What is the chance this risk will affect my plans or my business (why note assess the chance on a scale from 1-10)?
- How severe would the impact be on my plans or business (e.g. truly little, some, a lot but we can survive, disastrous)?
- What can I do now or in the future to limit the effect of this risk?
- Can I accept and manage any remaining risks after I take this action?
- If not, do I need to get support or advice on how to change my plan or business model?

Support and Advice

Deciding to start your own business can be a lonely and daunting task. Millions do it and therefore so can you. To make this task easier there will be several sources of support and advice already around you or new ones you can tap into (often completely free of charge). Organisations such as <https://www.princes-trust.org.uk/>.

For assistance with money issues and mental health, there are a variety of different support organisations that you can contact or review via sites like <https://www.moneyandmentalhealth.org/get-help/> and <https://www.citizensadvice.org.uk/debt-and-money/>

Lifestyle Implication of Self-Employment

When considering the move to self-employment you also need to consider how this lifestyle will be different to that of being an employee of someone else. There will be no one setting your work hours for you or telling you when to have lunch. You may well not have an office or premises to go to daily; you will be home based to start with. You may well no longer have work colleagues in the traditional sense. Your work schedule will be driven by other factors which will impact on when, how and with who you work.

What is vital that you can define a work routine and working practices that will support you achieving your goals. You will need to invent your professional working life to support you ambitions and maximise the impact you have for every hour you invest in this goal.

Here are some considerations of what you may need to do to manage your working time and social time appropriately.

- Have two computer logins on your PC or laptop - one for business, one for social E.g. Facebook on the social login only.
- Have two email addresses – one for business and one for social. Have separate calendars and contact lists.
- Have two mobile numbers– one for business and one for social (business calls may be tax deductible?)
- Force yourself to work office hours – set yourself a start time and end time for every day (for as many days as you need to work) and schedule your breaks (or arrange network meetings at breaks or lunch).
- Project manage your work i.e. plan out what needs doing how and when and schedule your time to achieve this.
- Make a separate office space in the house to work in or consider hiring or sharing space with others. This will give you focus and prevent unnecessary distractions for all or part of the day. You can rent office space for work or meetings and even have ‘virtual office’ spaces as your registered business address.
- Schedule social meetings to make sure you keep yourself fresh and revitalised.

What are the key factors you need to consider for your circumstances when deciding what your work lifestyle will be?

Now, draw up a contract of employment for yourself by filling in the sections below, as if you were employing yourself in this top position in the business, which you are! This will focus your thoughts on how you will manage your working days to achieve your goals. Consider what you would expect from a great employee and what are the additional elements you are committing yourself to make a success of your business. Once it is completed, why not ask one of your business network to review it with for more advice on the reality of a self-employed persons life style?

My Work Contract	
Job Title	
Routine Place of Work	
Routine Hours of Work:	
• Monday – Friday	
• Weekends	
• Bank Holidays	
• Scheduled breaks	
Annual Holiday Allowance	
Work resources provided:	
• Telephone	
• Laptop	
• Transport	
• Other	
Allowable expenses/Pay – What have you budgeted for?	
Benefits Package (e.g. what will you do/allow yourself to celebrate what milestones in your plan?)	
What other benefits will you have – e.g. Pension contributions, professional development plan.	

Business Structure

The choice of business structure will depend on the type of business, any inherent risks, industry stipulations and personal preferences. It is important to understand the relevance of each type to decide the one that is most appropriate to your needs.

The structure you select will affect:

- The financial records and accounts you may need to keep
- Personal liability
- Taxes
- Raising money
- Tax planning
- Management structure and decision making

The Types of Business Structure to consider:

- Sole Trader
- Partnership
- Limited Company – limited by share capital
- Limited Company – for not for profit organisations
- Franchise
- Unincorporated Association
- Other

Sole Trader

You are a sole trader if you are running your own business and have not set up any of the other type of business unit. A sole trader is business owned and managed by an individual, although it is not uncommon to also employ staff.

You can start trading immediately, but HMRC must be notified. This can be performed online by following the instructions on the HMRC website: <https://www.gov.uk/set-up-sole-trader>

A sole trader must annually complete a self-assessment tax return on line and will be liable for Income Tax and National Insurance on the taxable profits. Whilst sole traders do not legally have to complete a set of accounts at the end of each year, it is good business practice to do so as it will help with the submission of the tax return and can be provided to interested parties as evidence of successful trading and income, e.g. banks, landlords etc.

A sole trader's business is not a separate legal entity from the individual, therefore any debts incurred by the business are also debts for the individual. The individual can therefore be forced to sell personal items to clear the business debts e.g. homes and cars. On the plus side, all the profits also belong to the individual, and provided all applicable taxes are paid, the individual can keep any profits which they do not intend to reinvest in the business.

Advantages:

- There are minimal legal and compliance burdens
- There are potential (tax) cash flow benefits, especially if you think there will be trading losses in the start-up period.

Disadvantages:

- You cannot spread risk very easily without taking more owners on board.
- As a rule of thumb where taxable profits make you higher rate earner the overall tax burden will be greater than for a limited company.

Partnership

If you want to go into business with one or more people, then a partnership is an option to consider. This is where two or more people set up a business together and share the risks, costs, profits, and decision-making on an agreed basis. Each partner is self-employed and personally responsible for all debts run up by the partnership. However, they are therefore treated as individuals for tax purposes, so must register for self-assessment in the same way as a sole trader.

A written partnership agreement is highly recommended (often called a deed of partnership), as much to introduce clarity into the business relationship and to prevent misunderstandings later. This may include, the responsibilities of each partner, any cash, or assets they are bringing into the business, the income they expect to take, and the split of profits between the partners.

A partnership is not a separate legal entity from the individuals, therefore any debts incurred by the business are also debts for the individual partners, and the partners are jointly and severally liable for the debts. This means that if one of the partners runs up debts through the business which they cannot afford to repay, then all the partners can be pursued to pay the debt. It is therefore important to maintain good working relationships between the partners, be able to trust each other and maintain reliable business systems.

The responsibility for running the business is shared and the bringing together of complementary skills can improve the business' chance of success.

The requirements for Income Tax, National Insurance and VAT are the same as for sole traders.

A **Limited Liability Partnership (LLP)** shares many of the features of a normal partnership - but it also offers reduced personal responsibility for business debts. Unlike members of ordinary partnerships, the LLP itself is responsible for any debts that it runs up, not the individual partners. The main difference is that an LLP has the organisational flexibility of a partnership and is taxed as a partnership. In other respects, it is very similar to a private company.

Partnerships enable individuals to spread risks in several ways; decisions can be taken with the benefit of input from at least two persons, enabling a broader perspective to be taken of the issues concerned.

The business can fall back on the financial resources of more people, and there is also the possibility of tapping more sources of capital. Bigger, established partnerships may be able to attract venture capital, not normally available to a sole trader.

Most partnerships have a spread of skills and abilities not available to sole traders. There is also less likelihood of business failure due to illness or other inability to work, as other partners may be prepared to take on more work temporarily to avert a crisis.

A partnership has many of the issues common to sole traders. Tax is also a consideration and as a rule of thumb where taxable profits exceed £28,000 + per partner the tax burden will be greater than for a limited company.

Advantages:

- The responsibility for running the business is shared.
- The business can fall back on the financial resources of more people.
- There is less likelihood of business failure due to illness or other inability to work, as other partners may be prepared to take on more work temporarily to avert a crisis.

Disadvantages:

- There is unlimited liability unless a limited liability partnership is formed.
- As a rule of thumb where taxable profits exceed £28,000 the tax burden will be greater than for a limited company.
- Many partnerships break down because those involved cannot agree on direction, objectives, and split of profits or workload.

Limited Company – limited by share capital

Incorporating as a limited company allows you to set up the business as a separate legal entity. This has the advantage of limiting any liabilities of the business to the assets of the company only, and therefore your personal assets are kept safe. However, it does increase the level of business administration required and you may wish to employ specialists to help with this.

You may also find that banks will often request a personal guarantee from the directors; but then these personal guarantees can negate any limited liability.

A certificate of incorporation has to be granted by Companies House before trading can start. To obtain the certificate of incorporation, the following information must be presented:

- the company's name and registered address

- at least one director
- at least one shareholder
- memorandum of association - details of the company's shares
- articles of association - rules about how the company is run

For more information, visit the government website:

The company name needs to be approved by the Company Registrar, as the name must be unique.

There are strict legislative requirements when running a company, which are defined in the Companies Act 2006. This include

- maintaining statutory books of account
- holding an annual general meeting
- filing financial statements and annual return with Companies House

There are also detailed legal requirements for directors of a limited company, the gov.uk site states that directors must:

- try to make the company a success, using your skills, experience, and judgment
- follow the company's rules, shown in its articles of association
- make decisions for the benefit of the company, not yourself
- tell other shareholders if you might personally benefit from a transaction the company makes
- keep company records and report changes to Companies House and HM Revenue & Customs
- make sure the company's accounts are a 'true and fair view' of the business' finances
- register for Self-Assessment and send a personal Self-Assessment tax return every year

The Company must register with HMRC for Corporation Tax and submit a Company Tax Return at the end of each year.

It is common for owner / directors to be paid partly as an employee of the company and the remainder in dividends based on the shares they own; this may provide an allowable tax advantage to the individual. However, it is important to ensure that the processes are operated correctly, and tax is paid over to HMRC at the appropriate times. This will involve setting up a payroll to pay the director's salary.

The directors must declare their earnings and complete self-assessment tax returns each year.

A company limited by shares has shareholders and tends to be used in profit making ventures.

The owners of the business reap rewards in the form of dividends. These are distributed profits, so the more the company makes, the more the shareholders gain.

Advantages:

- It is a separate legal entity existing, distinct from the shareholders or people who own or run it.
- The directors' personal assets are not normally at risk should the business fail.
- Limited companies can also present a more flexible way for business and personal tax planning for the owners.

Disadvantages:

- It can be costly to set up and run.
- There is a regulatory and administrative burden, the company must register and file accounts with Companies House and are liable for corporation tax.
- If the distinction between company funds and personal funds is blurred, the directors may fall foul of employee benefit and tax rules.
- If directors provide banks with a personal guarantee this will negate any limited liability.

Limited Company – not for profit organisations

If you are considering setting up a social enterprise, or not for profit organisations, then options to consider could include companies limited by guarantee, Community Interest Companies (CICs) or Charitable incorporated organisation (CIO).

Profits (or assets) from these companies are not available for the “members” of these organisations.

Company limited by guarantee

A limited company protects its members from financial and legal risk (unless personal guarantees are provided). With a company limited by guarantee, members’ liability is typically limited to one pound. Accounts still must be submitted to the authorities, such as Companies House and corporation tax may still be due on any profits made.

Community interest companies (CICs)

A CIC is a special type of limited company which exists to benefit the community rather than private shareholders. This is becoming an increasingly popular company model encouraging social entrepreneurship and private investment; this benefits the individual investor and the wider community.

To set up a CIC an application needs to be made to Companies House, and must include a community interest statement, explaining what your business plans to do.

A CIC can include private shareholders, but an asset lock must be created, a legal promise stating that the company’s assets will only be used for its social objectives and setting limits to the money it can pay to shareholders. The company must be approved by the community interest company regulator. It cannot be a registered charity

Further details can be found at <http://www.bis.gov.uk/cicregulator>

Charitable incorporated organisation (CIO)

This is a new legal form for a charity and

- is an incorporated form of charity which is not a company
- only must register with the Charity Commission and not Companies House
- is only created once it is registered by the Commission
- can make contracts, trustees will normally have limited or no liability for the debts of the CIO

A CIO provides some of the benefits of being a company, but without some of its burdens.

More information can be found at www.proactiveresolutions.com and www.charitycommission.gov.uk/

Advantages:

- It is a separate legal entity existing, distinct from the people who run it.
- Funding bodies and public agencies see it as a more stable structure than a voluntary association.

Disadvantages:

- It can be costly to set up and run.
- There are regulatory and administrative requirements.

Bookkeeping Helps Make you Money: Tips for Success

“Making good judgements when one has complete data, facts and knowledge is not leadership – it’s bookkeeping,” Dee Hock

We try to capture moments that we will treasure for life. That’s why we end up taking videos and pictures, so that we never forget. We know we won’t be able to recall all of life’s events. The same thing applies in business. With all those financial transactions going on, it is hard to keep reliable mental notes.

Bookkeeping is the video recorder for your financial transactions. Bookkeeping is the key financial engine in your business. It is the core of your financial ecosystem, helping your business make money, prosper, and survive.

If you don’t capture the moments from your financial transactions, then you have no number business story to tell. Financial records are words to our business story. Those words show us how much money we are making, where the money is going, helps us figure out what our financial future holds.

Information for all over needs to be recorded. Our paper receipts, e-mail receipts (damned you Amazon), and the ones keeping the office draw company

Making Money in your Business is one of your key Goals and Responsibility. If you don’t aim to do that, all you have is a time consuming and expensive hobby. You need to know some important financial things. When do you need to know this? Not in several weeks or several months’ time, you need to know now!

Also, worth noting that keeping good records should keep your accountancy and tax fees at a reasonable level. Accountants’ fees are influenced by the quality of your bookkeeping.

Some basic things it’s good to know and get to grips with include

- Cash coming in and out of your business
- What your money is being spent on
- Thumbs up profit or sad face loss on products, projects, or services
- Whether budget targets are being achieved
- Getting paid on time
- Who owes what to who and by when?

Let me share some tips with you that will have you rocking your book keeping, connect with your business numbers, and help make you money.

System

Spend time setting up a system which you stick to on a regular basis. Choose a time where you can concentrate and have minimal distraction.

Security

Minimise the number of people involved in financial record keeping. Control access to those records and information.

Separate

Treat the organisation as separate to you, the individual. Ideally keep separate accounts for your business and personal. This separation focuses on how your business is performing, as well as keeping on the will show how your business is doing.

Tax

Put money aside in a separate account to cover your personal tax bill. As a crude rule of thumb, 15-20% of sales is average.

Connect to the Cloud

My favourite tip has been kept to the end. There is nothing stopping you managing your business numbers, powered by paper and spreadsheets. In fact, it is better than doing nothing.

If you prefer to liberate your time, inject some productivity and efficiency into your business, and make more money? If you want to connect with your numbers, navigating your business present & future with ease. Then embrace Cloud Accounting to do the power lifting of recording and fetching the numbers for you.

Automation and streamlining processes happen with Cloud Accounting. Cloud Accounting records with ease & panache all your financial transactions. Your Cloud system can connect with you bank, web site, CRM, spreadsheets. Cloud Accounting does the power lifting of record keeping. Processes can be automated, and bank feeds set up. Paper does a vanishing act, and your phone doubles up as a member of your accounts team.

Cloud Accounting brings information gold dust to your business. All from less than a weekly cup of coffee. You'll see where you stand financially, what to improve, keep the tax bods happy, and tell your business story in numbers.

Conclusion

A good bookkeeping system can release the power of your numbers. Blended with your vision, inspiration and perspiration can only be a force for good.

BUSINESS PLANNING

A business plan is not only essential for starting a business or for raising funds, but it is vital for running your business. It will help you keep on a specific course or alert you to situations when things are not going to plan and force you to act.

The following is a general outline of the content and structure of a business plan and forms the basis of the issues that you need to address.

- What is the nature of your business?
- What is the market?
- What potential is there to the business?
- Management team, skills, experiences, and competencies
- Forecast profit/(loss)
- How much money will you need for start-up costs, capital expenditure and working capital?
- What are the risks and rewards for investors/lenders?

Prove every part of your plan

A business plan needs to be a persuasive tool, and easy to read and digest. Emphasise what is stimulating about the prospects of your business, such as potential revenue streams, agreed contracts and customer base - back this up with accurate figures and thorough research, taking care not to get carried away and 'inflate' the numbers. Remember that investors and banks are flooded with business plans, and yours will stand a chance of being read if it stands out – the business plan must achieve a balance between optimism and realism.

Most business plans will be carefully evaluated, make sure that all assumptions are stated and can be justified – present it to a friend, partner and ask them to critically review it and try to pull it apart (Dragons Den style).

Financial forecasts

There is a relationship between the amount of money to be raised and the level of financial detail and the period it covers – more money = more detail. Typical statements include cash flow forecasts (critical), forecast profit & loss statements and balance sheets.

A three-year forecast is typical, the first year or two being broken down into financial activities on a monthly or quarterly basis. It is good practice to include sensitivity analysis and potential management action based on differing scenarios.

Executive summary

It is useful to write this part of the business plan, this gives a framework and direction for the content of the plan. The executive summary effectively provides the main elements of the plan and includes the mission and vision statements, proposed direction, benefits, and the 'business' case. This should be no more than one page and should inform the reader of the essence of the plan and what is required.

CASH FLOW is what you need when in the eye of a financial storm. It is what you need if your business is going to survive and thrive.

Nobody knows with 100% certainty what your business future looks like. However, not taking a financial peek beyond the here & now is understandable, but not a good business model.

Three Key Cash Numbers to build into a cash forecast.

- ✓ CASH IN
- ✓ CASH OUT
- ✓ WHAT'S LEFT

Putting together your 3 CASH numbers gives you so much. You have options, you make better and stronger decisions for your business.

Building your future cash story is based on

- What we know
- What we think we know
- What we do not know

When you have built your cash forecast, take a step back and check out what it's saying. Once you see what your Cash Numbers are saying then you can make many meaningful business decisions.

If some months (or weeks) look tough, then you have options; if things look positive, you have options.

The no Cash = Business Stops, applies whatever your business size, shape or form, private, social enterprise, or charity.

CASH FLOW FORECAST

Geraldine secures a six month short term contract to arrange and deliver a series of workshops, the contract begins in March. Her bank has agreed in principle to allow her a £1,000 overdraft limit, on the basis of a satisfactory cash flow forecast.

FORECAST INCOME

Six month contract £15,000, paid in equal monthly instalments, paid a month in arrears

FORECAST COSTS

- Monthly rent £300, payable on the first of the month
- Freelancer costs, average £400 per month, payable one month in arrears
- Van and equipment hire, £100 per month, payable in cash
- Materials, £100 per month, payable in cash
- Studio space, £100 per month, payable in cash
- Rehearsal rooms, £100 per month, payable in cash
- Travel costs, £100 per month, payable in cash
- Flyers and promotion, £800, £400 payable in March, £400 payable in April
- Drawings, £800 per month, payable in cash
- Loan (from sister) repayments, £250 per month beginning in April
- Depreciation £50 per month

Geraldine has estimated that GDS Theatrical will have £1,200 in cash reserves at the **beginning** of March.

Required

Prepare Geraldine's cash flow forecast for the three months from the beginning of March 2020

GDS THEATRICAL CASH FLOW FORECAST: MARCH TO MAY

	Mar	Apr	May	Cash statement	Profit statement
	£	£	£	£	£
RECEIPTS					
Contract				5,000	7,500
Other					
TOTAL (A)				5,000	7,500
PAYMENTS					
Rent				900	900
Freelance costs				800	1,200
Van and equipment hire				300	300
Materials				300	300
Studio space				300	300
Rehearsal rooms				300	300
Travel costs				300	300
Flyers and promotion				800	800
Drawings				2,400	0
Loan				500	0
Depreciation				0	250
TOTAL (B)	2,000	2,650	2,250	6,900	4,650
NET CASH FLOW (A-B)				(1,900)	2,850
BALANCE B/F	1,200	(800)	(950)	1,200	
BALANCE C/F				(700)	

NOTE

CONTRACT VALUE (6 MONTHS)	£15,000
MONTHLY EQUIVALENT	£2,500
TIME DELAY	ONE MONTH

Call For action At the End of The Guide

Numbers will always be your best business friend; they will not lie to you.

You need your friends in bad times, as well as the good.

We hope you found these TIPS useful. If you want to be part of our Numbers family, to stay informed and learn, subscribe to our weekly podcast 'I Hate Numbers'.

Get in touch if you need more, we'll keep you in touch with help, support, and resources. We're in this together, numbers and more !

Pro Active Resolutions

The Numbers Crew – Here to Help You!

LINKS

From Pro Active Resolutions

<https://www.proactiveresolutions.com/>

<https://www.linkedin.com/in/proactiveresolutions/>

<https://www.facebook.com/proactiveresolutions/>

https://twitter.com/mahmood_reza

<https://www.instagram.com/mahmoodnumbersrockstar/>

General Links

<https://www.moneysavingexpert.com/>

<https://www.princes-trust.org.uk/>

<https://www.gov.uk/set-up-business>

<https://www.gov.uk/government/organisations/hm-revenue-customs>

<https://www.gov.uk/government/organisations/hm-revenue-customs>