Companies and Finance

Starting a company needs

- Capital
- Cash Flow
- · Sources of finance
 - Equity capital, government grants, loans
- Gearing
 - · Ratio of loan capital to equity

Balance sheet

- Assets: what a company owns, depreciation, debtors, current vs. fixed
- · Liabilities: what a company owes, creditors
- Net worth: Assets liabilities, parentheses denote negative value

Profit and Loss account

- Income and expenditure Account (approximation during a single year)
- Change in net worth = income expenditure
- Depreciation
- · "Monies owing"

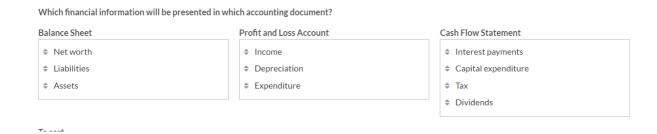
Should not include assets/concrete money

Cash Flow Statement

Movement of cash:

- Interest payments
- Tax
- · Dividends to shareholders
- · Capital expenditure

Disposals



Double Entry Bookkeeping

Every entry appears twice, has Balance sheet

Accounts and Budgets

- Accounts tell you what happened, costs
- Budgets tell you what you expect to happen, cashflow prediction

Labour

has Salaries. National insurance contributions

Income tax (PAYE), pension contributions

Can have days off sick, always have annual holidays (statutory minimum)

Overheads are expenses you can't avoid

- Rental
- Vehicles
- Bills (energy, water, rates)
- Telecomms
- Postage
- Insurance
- Staff training
- Advertising

Investment

Time and money

- <u>Discounted Cash Flow Analysis</u>, DCF, for return on investment
- Rate of return, whether it is viable

Problems with Forecasting

- · Market conditions
- Competitors
- Credit availability (and cost)
- Interest rates

Statutory Requirements

Annual returns and accounts

• Must be filed with Companies House, and sent to HMRC

Will contain: balance sheet, profit and loss account, notes on the accounts, directors' report

Company register

- Lists of directors, secretaries, shareholders
- Held at registered office