**Finance:**

**Where do people source their finance?**

Many people use their own savings to start their own business which is good as they do not owe anyone anything, although it will take a long time to save up and might not be enough.

Many ask friends and family for the money, this is good as they know you and trust you, they will not want to have the money back for a deadline and will not charge interest. Although they might not trust you with a lot of money and your company might fail, meaning you might struggle to pay them back.

Many will go to the bank for a loan where they can ask for money; this is good as you can get a decent amount to start your business, you will be given tax benefits since the percentage of profits used to repay the loan is exempted from tax. Although there are lengthy applications forms and you will need to fill out and banks are known to pay only 80% of the money asked.

Many go to their local government to ask for start-up funds, this is good as they can give you the money without having a loan. Although they keep checking on you to make sure you are using the money for what you said you would, they do not have much funding so they cannot give you much money.

**And how will you source yours?**

I will be sourcing the money by saving up and maybe asking family. This is the best option for me as I do not need much money to start up, I only need to pay my hosting bill every month, my domain name every year and the specialist software.

**Start-up Costs:**

My start-up costs will be very small as I do not need much, I may need to invest into some software to make making the websites faster and easier.

**Operation Costs:**

I will have to pay for the server where my website is hosted and my URL.

**Risks of running a business:**

You must invest wisely because if you invest too much, you may not get it back from the business; the business could fail and you will lose all of your money.

You must consider the building you will use as your business, your building might be in the wrong area so you do not get enough customers; also your building could fall down or need repairs so you could end up wasting money.

You could get a loan for your business, the interest could go up so you will need to pay more back; also you may be buying and selling on the stock exchange and the price may fall of a product.

**Profit:**

The money you make after all expenses are covered.

**Loss:**

When you cannot cover all expenses paid, meaning you have to add in more money.

**Assets:**

Assets are the things you own, anything in your business which has value is classed as an asset.

**Income:**

The money your business makes from customers, and then deducted by the total expenditure which will give you your net cash flow.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Month | | January | February | March | Total |
| Opening Balance | | £1000 | £798.58 | £649.15 | £2447.73 |
| Income (List Income) | | £100 | £150 | £300 | £550 |
| £ | £ | £ | £ |
| £ | £ | £ | £ |
| Total income | | £100 | £150 | £300 | £550 |
| Expenditures (List outgoings here) | Adobe Creative Cloud | £46.88 | £46.88 | £46.88 | £140.64 |
| Server | £2.55 | £2.55 | £2.55 | £7.65 |
| Domain | £1.99 | £0 | £0 | £1.99 |
| Salary | £250 | £250 | £250 | £750 |
| Total Expenditure | | £301.42 | £299.43 | £299.43 | £900.28 |
| Net cash flow | | £-201.42 | £-149.43 | £0.57 | £ |
| Closing Balance | | £798.58 | £649.15 | £649.72 | £ |

Although I am losing money in the first two months, my business does not get a negative closing balance because of my opening balance. In the third month I get my first positive closing balance.

As you can see, over the next 3 months I will make a net profit of £0.57 which will still leave me with £649.72 still in the bank, meaning I will be able to cover my own costs and still have some money for backup. I predict that in the next 12 months I will have a net cash flow of approximately £550.57 and a closing balance of over £1200. After the first few months I might increase my salary, as I believe the total income will increase as time goes on and as my popularity as a website designer increases.