Entrepreneurial Finance and Accounting

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- Special Funding Strategies
- Accounting Basics for Entrepreneurs
- Developing Startup Financial Statements and Projections

Introduction

Finance

Is the management of money and investments for individuals, corporations, and governments. Finance professionals work in careers such as investment banking, wealth management, and financial planning and analysis. Whether these professionals work on behalf of individuals or businesses, they are responsible for ensuring that there is adequate funding (capital) for the needs of the situation and that the funds are allocated as optimally as possible. Their job is to create value by managing capital in a way that earns higher than expected risk-adjusted returns.

Accounting

Accounting is the recording, maintaining, and reporting of a company's financial records. Accounting professionals work for individuals, in-house at corporations, or on behalf of other businesses at a public accounting firm (such as the Big Four). These professionals are responsible for ensuring that all financial transactions are correctly entered into the general ledger, that account balances are correct, and that financial statements are accurate.

Difference between Finance and Accounting

	Accounting	Finance
Clients	Individuals, businesses, governments	Individuals, businesses, governments
Main Employers	Public accounting firms, corporations	Banks, corporations
Financial Statements	Responsible for preparing them	Responsible for analyzing them
View Point	Backward looking	Forward looking
Focus	Accuracy, reliability	Insights, analysis
Business Purpose	Communicating the financial position	Figuring out how to add value
Thought Process	Rules based	Analysis based
Attention to Detail	High	High
Designations	CPA	MBA, FMVA

Overview of Entrepreneurial Finance and Accounting Strategies

Funds are the necessary capital to get a business, or idea, off the ground. But funding cannot make up for a lack of experience, poor management, or a product with no viable market. Nonetheless, securing funding is one of the first steps, and a very real requirement, for starting a business.

Basic inquiry and analysis should be completed as part of every business plan.

- First, you must determine the basic requirements for starting the business.
- What kinds of equipment will you need?
- How much labor and what type of skills?
- What facilities or locations would you require to make this business a reality?
- Second, how much do these items cost?
- If you do not possess an amount of money equal to the total anticipated cost, you will need to determine how to fund the excess amount.

Once a new business plan has been developed or a potential acquisition has been identified, it's time to start thinking about **financing**, which is the process of raising money for an intended purpose. In this case, the purpose is to launch a new business. Typically, those who can provide financing want to be assured that they could, at least potentially, be repaid in a short period of time, which requires a way that investors and business owners can communicate how that financing would happen.

This brings us to accounting, which is the system business owners use to summarize, manage, and communicate a business's financial operations and performance. The output of accounting consists of financial statements. Accounting provides a common language that allows business owners to understand and make decisions about their venture that are based on financial data, and enables investors looking at multiple investment options to make easier comparisons and investment decisions.