

## Startup Expenses



\* Note to manage waste please print this document in greyscale or black and white rather than in colour. Please print on both sides of the paper (duplex) and if you can print multiple slides or pages on one page.

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## Possible uses of the tool

- **Analyze in detail the sources of capital for a new project.**

*This tool can be useful for an entrepreneur to realize expenses that, perhaps, he/she had not considered due to lack of knowledge or experience. The different sections have a sufficient level of detail and although it is not mandatory to fill in all the sections to generate a useful result, it is desirable that the entrepreneur understands all of them conceptually speaking.*

- **Convince new investors, if necessary, with reliable and real information.**

*By showing this tool to potential investors, the entrepreneur demonstrates that he/she has considered all possible initial expenses and thereby generates confidence in other investors. It demonstrates professionalism and seriousness, in addition to avoiding surprises once the decision is made to carry out the venture.*

- **Put all sources of funding for a project into perspective in order to make modifications and changes, if necessary.**

*Having visual clarity in an excel sheet on all expenses in a concentrated manner can help to weigh and analyze if the investment sources and expenses are the right ones to make investment decisions before starting the project. Investment decisions are key because it commits the entrepreneur to generate a return at least equal to the expenses in order not to lose, and ideally above that amount to generate profit.*

## How is the result of the tool interpreted?

*To analyze the results of the Startup Expenses tool, non-business faculty and students should first compare Amount 1 (total available funding) with Amount 2 (total projected expenses). If Amount 1 is greater, the venture is financially feasible with the current resources; if Amount 2 is higher, additional funding or cost adjustments are needed. Next, review each expense category to identify overlooked costs (e.g., permits, marketing, or unexpected fees) and assess whether they align with realistic projections. For clarity, group expenses into "essential" (e.g., equipment, licenses) and "discretionary" (e.g., branding, optional tools) to prioritize spending. If gaps exist, explore alternative funding sources like grants, crowdfunding, or partnerships. Collaborating with mentors or peers can help validate assumptions, especially for unfamiliar expenses. Finally, revisit the "notes preparation" section to ensure all concepts are understood before finalizing the plan. This structured approach helps non-business users avoid financial shortfalls and build confidence in managing startup costs.*

### ***Summary Statement***

#### **Sources of Capital**

Owners' and other investments	\$ 943,000	
Bank loans	145,000	
Other loans	20,000	
<b>Total Source of Funds</b>	<b>\$ 1,108,000</b>	<b>Amount 1</b>

#### **Startup Expenses**

Buildings/real estate	\$ 131,000	
Leasehold improvements	22,000	
Capital equipment	89,500	
Location/administration expenses	69,000	
Opening inventory	500,000	
Advertising/promotional expenses	52,000	
Other expenses	40,000	
Contingency fund	5,000	
Working capital	10,000	
<b>Total Startup Expenses</b>	<b>\$ 918,500</b>	<b>Amount 2</b>



## Recommendation

Do not delete the "notes preparation" section until you are absolutely sure that you have understood the concepts and filled in the sections correctly.

### Notes on Preparation

**Note:** You may want to print this information to use as reference later. To delete these instructions, click the border of this text box and then press the DELETE key.

Nearly everyone who has ever started a business has underestimated the costs, and then faced the danger of running with inadequate capital reserves. The key to avoiding this pitfall is to adopt a rigorous approach to your research and planning. Our Startup Expenses worksheet will lead you through the process.

**EXPENSES** - Begin by estimating expenses. What will it cost you to get your business up and running? The key to accuracy here is attention to detail. For each category of expense, draw up a list of everything you will need to purchase. This will include both tangible assets (for example, equipment, inventory) and services (for example, remodeling, insurance). Then determine where you might purchase these goods or services. Research more than one vendor; i.e.: comparison shop. Do not look at price alone; terms of payment, delivery, reliability, and service are also important.

**CONTINGENCIES** - Add a reserve for contingencies. Be sure to explain in your narrative how you decided on the amount you are putting into this reserve.

**WORKING CAPITAL** - You cannot open with an empty bank account. You need a cash cushion to meet expenses while the business gets going. Eventually you should do a 12-month cash flow projection. This is where you will work out your estimate of working capital needs. For now, either leave this line blank or put in your best rough guess. After you have done your cash flow, you can come back and enter the carefully researched figure.

**SOURCES** - Now that you have estimated how much capital will be needed to start, you should turn your attention to the top part of this worksheet. Enter the amounts you will put in yourself, how much will be injected by partners or investors, and how much will be supplied by borrowing.

**COLLATERAL** - If you will be using this plan to support a bank loan request, use the section near the bottom to show what assets are offered as collateral to secure the loan, and give your estimate of the value of these items. Be prepared to offer some proof of your estimates of collateral values.

