
Overview

In order for your business to be successful you will need to establish that your business is financially sound. You must think about what you need to start up your business and what you need to keep it running well.

You might do this if you are:

1. setting up a business or social enterprise
2. taking over another business or social enterprise
3. expanding your business or social enterprise
4. changing the way an existing business or social enterprise is run

Decide on your financial needs involves:

1. working out how much money you need for all parts of your business
2. comparing it with the money you put into your business and the money your business might generate
3. deciding if you need to get any additional money

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Decide on your financial needs

Performance criteria

You must be able to:

- P1 decide what income you will need
- P2 research how much any premises and insurance will cost
- P3 research how much any equipment you need will cost
- P4 research how much any supplies you need will cost
- P5 research how much any market research and advertising you are planning will cost
- P6 research what the cost to your business will be of any staff you need to recruit and employ
- P7 estimate what it will cost to carry out all the activities needed to run your business properly
- P8 compare your figures with what money you expect your business to make and any money you have available yourself
- P9 decide whether you need to get any extra money for your business and if so how much
- P10 use advice from experts to help you check that your estimates are realistic

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Knowledge and understanding

You need to know and understand:

Financial needs

- K1 how to work out how much money you need to live on taking into account any working tax credit and benefits
- K2 what gross income your business needs to make to give you the money you need to live on
- K3 how to research and estimate the costs of the main items of expenditure, such as premises, equipment, supplies, and any staff you need to employ
- K4 how to estimate the cost of any market research
- K5 how to work out the right price for your products or services
- K6 how to work out your expenditure
- K7 how to produce and use forecasts, estimates and projections of finance in your business (for example cash flow forecasts, breaking even, profit and loss, income and spending and budgets for specific areas like marketing)
- K8 how to judge which information is reliable enough to base financial targets on
- K9 how to set clear business and financial objectives which are realistic, achievable and can be measured

Profit and Loss

- K10 what the appropriate profit margins for your business and its products or services are
- K11 how to calculate the difference between gross and net profit
- K12 what is contained in and how to make sense of cash flow forecasts, profit and loss statements, and balance sheets

Information and advice

- K13 who can provide financial advice on a business (for example, accountants, lawyers, advice centres, banks and other finance providers) advisers may be independent or tied to a particular company
- K14 what sources of information are available (for example, business associates, business advice centres, business advisers, mentors or counsellors, consultants, non-executive directors, tax authorities, trade and professional journals)

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Additional Information

Links to other NOS

1. MN2 Set and monitor financial targets for your business
2. MN3 Keep financial records for your business
3. MN4 Manage cash flow in your business
4. MN5 Get customers to pay on time
5. MN6 Invest capital in your business
6. MN7 Get finance for your business
7. MN8 Monitor borrowing for your business
8. MN9 Carry out the banking for your business
9. MN10 Prepare wages
10. MN11 VAT registration and returns

Links to other standards

11. If your business grows and develops a management team it may be appropriate to consider the following units from the Management and Leadership Standards.
12. E1 Manage a budget

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Suite Business Enterprise

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