

Business **FINANCE**

BUSINESS FINANCE: START A BUSINESS



Content •

| | |
|------------------------------|----|
| Business opportunities | 1 |
| Register your Business | 3 |
| SARS Requirements | 5 |
| Bank Account | 6 |
| Business Plan | 7 |
| Business Plan Template | 9 |
| Raising money for a business | 11 |
| Budget | 12 |

Business opportunities ●

Finding a business idea

Shopping

Go to a shopping centre and examine some of the products and see how they can be improved.

Media

While watching television or reading magazines think about the products advertised and see if they can be improved.

Talking to people

Ask your family and friends whether they have thought of any ideas for new products or services.

Household duties

Think about business opportunities while performing household duties, could you design a new labour-saving device?



Creating toys for children

Visit a nursery and see how children play and interact. Could you design new toys and games?

Holidays

While on holiday, do you see products or services that you do not have at home?

Sports and hobbies

If you have a hobby or play a sport, look out for products or services that are missing or could be improved.

Loss

Negative return on investment.



Register your Business •

Companies and Intellectual Property Commission

If you plan to register your business, you need to register with Companies and Intellectual Property Commission (CIPC). You have to print the form, complete the form and then submit the forms to the CIPC.

This form can be completed online www.cipc.co.za

Reserve your name

You must complete the form CoR 9.1 to reserve the name of your business.

Only once the name has been approved, you may use the name





Memorandum of Incorporation

The most important document governing a company is the MoI (Memorandum of Incorporation).

The Companies Act impose specific requirements on the content of a MoI, as necessary to protect the interests of shareholders in the company.

Payment

Proof of payment of the filing fee must be submitted, along with the completed notice of incorporation and MoI.

Ensure that you use the official CIPC forms

Registration

On approval and acceptance of the incorporation documentation, the CIPC will issue you with CoR 14.3, registration certificate.



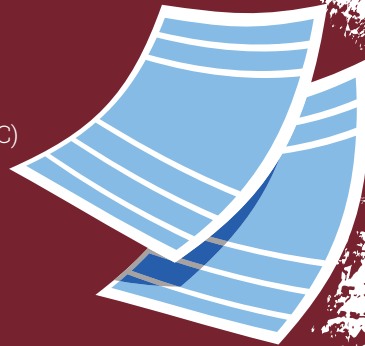
SARS Requirements •

Registering with SARS

As soon as you start a business, you are required to register with your local SARS office to obtain an income tax reference number.

You will be required to register with SARS for the following periodic returns:

- Register your business for income tax (Form IT77C)
- Register yourself as a taxpayer if you have never been registered before (Form IT77)
- Register for PAYE, Skills Development Levy and Unemployment Insurance Fund contributions (Form EMP101)



Registrations linked to turnover and payroll

Depending on other factors such as turnover and payroll amounts, you could also be liable to register for other taxes and duties such as:



• VAT



• SDL



• PAYE



• UIF



Definitions



Value-Added Tax (VAT)

Value-Added Tax is known as VAT. VAT is an indirect tax on the use of goods and services in the economy. Certain businesses are required to register and charge VAT on the taxable supplies of goods and services.



Pay-as-you-earn tax (PAYE)

Pay-as-you-earn tax (PAYE) is a withholding tax on income payments to employees. This means that an amount of money on salary or wages is not paid to the employee but rather directly to SARS. PAYE is treated as advance payments of income tax due. These payments are refundable to the extent they exceed tax as determined on tax returns.



Skills Development Levy (SDL)

The Skills Development Levy (SDL) is a levy imposed to encourage learning and development in South Africa. The funds are to be used to develop and improve skills of employees.



Unemployment Insurance Fund (UIF)

The Unemployment Insurance Fund (UIF) gives short-term relief to workers when they become unemployed or are unable to work because of maternity, adoption leave, or illness

Bank Account ●

Opening an account

You will not be able to open a bank account until you have your company registration documents.

Apply for a bank account by talking to the branch manager or one of the consultants responsible for dealing with new business accounts.

If you have been using a bank already, try this bank first. However, consider checking out other banks that may offer you a better deal.

Choose a bank / branch that is located conveniently near to your business.

Shop around for the best value and service, and check the bank fees charged by various banks for cheque and other transmission accounts.

Ask for overdraft facilities (this can take some time to approve).





What you need

- Valid ID documents of all members / directors in the business
- Proof of residence of all members / directors in the business
- Copies of all company documentation
- A signed lease agreement for the business premises (business-type dependent)
- A complete cheque account application, which requires detailed financial information
- Any other owner's signatures if there is more than one owner, although it is preferable if all concerned are present when opening the account



Keep your personal and business finances separate!

Business Plan •

Importance of a Business plan

- A business plan is an important tool for managing and growing your business.
- A well-designed plan lays out a vision of growth and the steps needed to get there.
- A plan is also an essential communications tool for attracting financing for your business as well as managers and staff as your business grows.





Components of a business plan

There are 7 components of a business plan, these include:

- Executive summary
- Business description
- Market analysis
- Organisation management
- Sales strategies
- Funding requirements
- Financial projections



Business Plan Template ●

Title page

It should be structured neatly and appeal to your intended audience.

The title page generally includes the following items:

- Name of your business or proposed name for your business
- Company Logo
- Name
- Contact details, address, telephone, email etc.

Executive summary

- An executive summary gives an overview of your business.
- It is the first thing that the reader will read, and it gives them the first impression of your business.



Vision



Competition



Mission



Risk / opportunity



Business



Management team



Achievements



Capital requirements



The target market



Title Page

Client's Name(s)_____

Business Name:_____

Contact Details: Tel - (____) _____

Email - _____

Address - _____

Executive Summary

Vision:_____

Mission:_____

Business: _____

Achievements: _____

The target market: _____

Competition: _____

Risk / opportunity: _____

Management team: _____

Capital requirements: _____

Financial plan _____

Raising money for a business •

When you are starting up your own business, it is likely that you will need money.

There are several types of funding available in South Africa, but it is not easy to come by.

When you are trying to secure funding, you must keep in mind that some sources of finance will be appropriate for some but not for others.

The different types of funding in South Africa are:

- Bank finance
- Own finances
- Investors
- Family loan
- Government funds
- Government grants



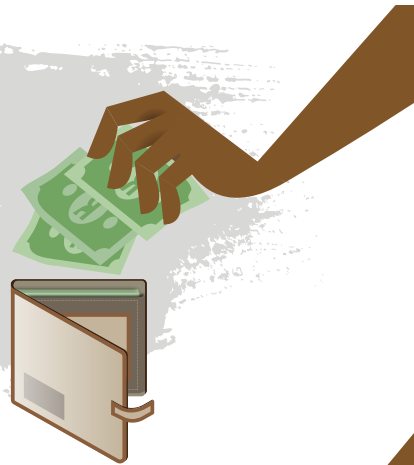
Budget •

Income vs. expenditure

Let us take a look at the difference between income and expenditure.

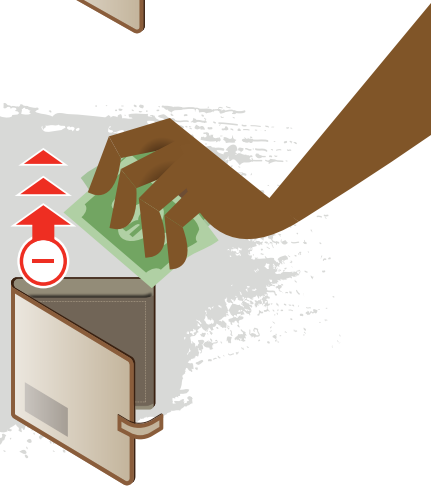
Income

- The money that comes into the business
- Sales
- Repairs that you might have done for someone
- Services offered



Expenditure

- Everything you have to pay for
- Rent
- Cell phone
- Salaries
- Transport



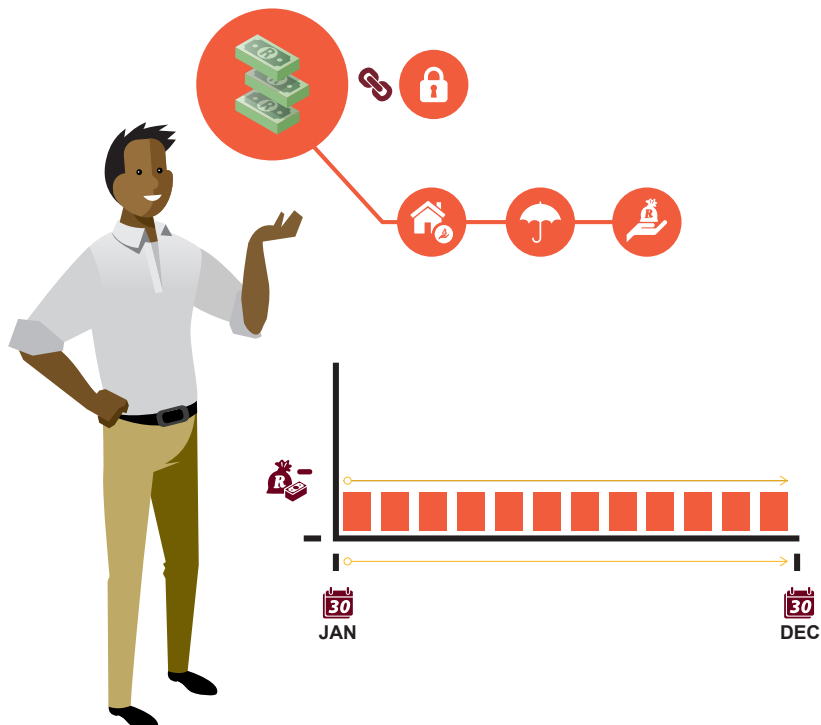
Fixed vs. variable costs

Let us take a look at the difference between fixed and variable costs.

Fixed costs

– Costs that do not change every month

- Rent
- Salaries
- Insurance

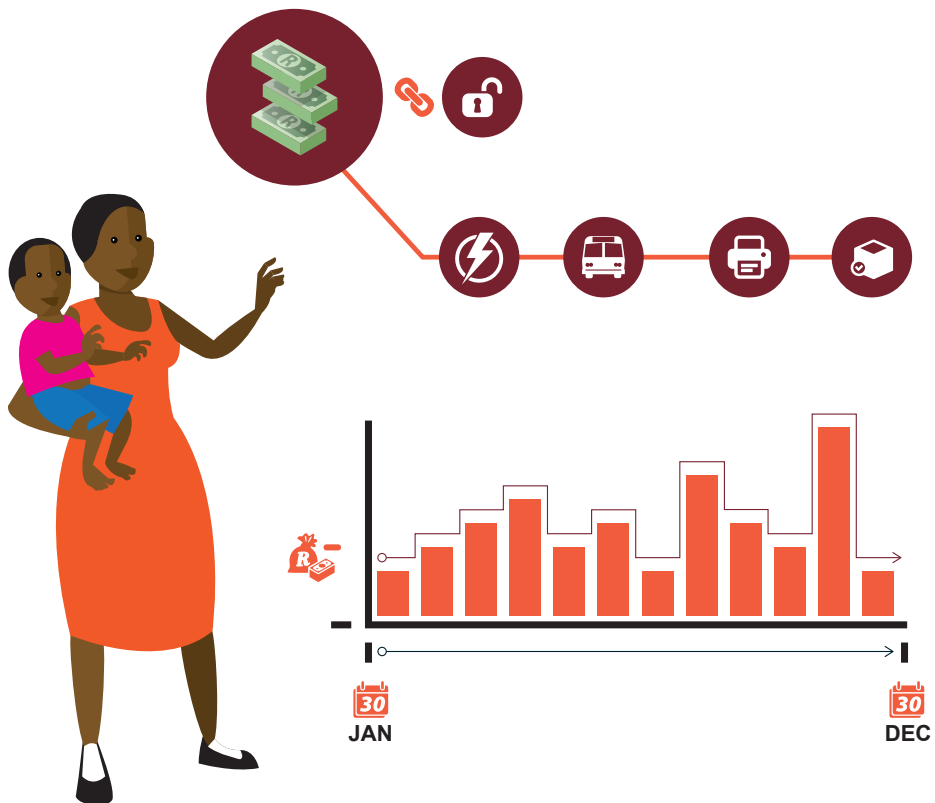




Variable costs

– Costs that change from month to month

- Electricity
- Transport
- Printing
- Stock



Budget •

Needs vs. wants

Let us take a look at the difference between needs and wants.

Needs

- Are the things you cannot live without
- Place of work
- Salaries (Need employees to provide the service or create the product)
- Equipment

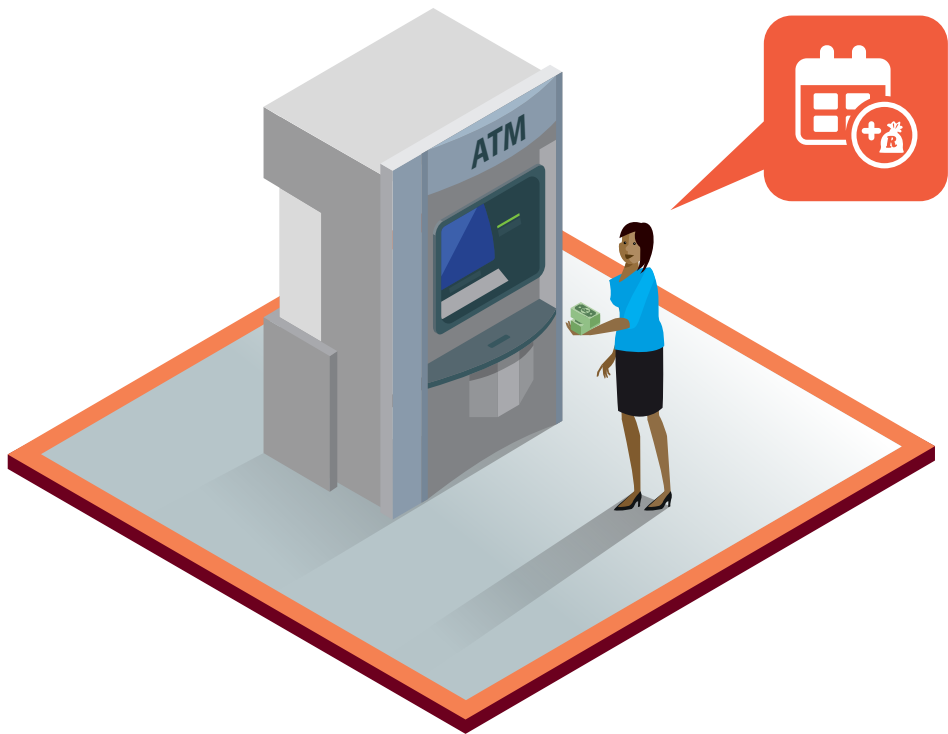




Wants

– Are the things you can live without

- Bonuses
- Fancy equipment
- Fresh flowers daily



Income and expenditure

Income

[illegible]



Expenditure

[illegible]

Budget ●

Steps to creating and maintaining a budget

Creating a budget

STEP 1

Make a list of all your income

STEP 2

Make a list of all your expenses

STEP 3

Review your financial goals

STEP 4

Add up all your expenses

STEP 5

Subtract your needs and wants from your expenses



Note: If your total expenses are more than your income you are in trouble and need to cut back on your wants



Maintain a budget

STEP 1

Control your spending

STEP 2

Keep track of your expenses

STEP 3

Update your budget monthly

STEP 4

List expenses by item and not place of purchase

STEP 5

Pay bills on time

STEP 6

Compare your budget with actual expenditure each week

STEP 7

Adjust your budget



Note: Remember to plan for unforeseen events, for example, breakdown in equipment, fuel increase, etc

Budget ●

Budget template



Let's take a look at a practical example of Lerato's budget.

Lerato has just opened a hair salon. She now needs to work out a budget.

The following is Lerato's budget:

| Items | January | | February | |
|--|-----------------|---------------|-----------------|---------------|
| | Budgeted amount | Actual amount | Budgeted amount | Actual amount |
| Income (your earnings) | | | | |
| Hair salon service | R10,200 | | | |
| Sale of hair products | R2,100 | | | |
| Rent from stylists | R3,000 | | | |
| Fixed costs (same each month) | R15,300 | | | |
| Rent | R1,000 | | | |
| Salaries | R3,000 | | | |
| Advertising | R1,500 | | | |
| Insurance | R500 | | | |
| Total fixed costs | R6,000 | | | |
| Variable costs (changing) | | | | |
| Electricity and water | R1,700 | | | |
| Telephone | R1,200 | | | |
| Products | R1,100 | | | |
| Transport | R800 | | | |
| Washing | R300 | | | |
| Total variable costs | R5 000 | | | |
| Total income | R15,300 | | | |
| Less costs | (R11,000) | | | |
| Surplus (amount of money left over) or Deficit (amount of money still needed) | R4,300 | | | |



Lerato's business made a profit of R4,300



Budget and tracking

Budget – month 1

| Items | January | | February | |
|--|-----------------|---------------|-----------------|---------------|
| | Budgeted amount | Actual amount | Budgeted amount | Actual amount |
| Income (your earnings) | | | | |
| | | | | |
| | | | | |
| Sub-total income | | | | |
| Expenses (Everything you pay) | | | | |
| Fixed costs (Costs that do not change) | | | | |
| | | | | |
| | | | | |
| Sub-total fixed costs | | | | |
| Variable costs (Costs that change) | | | | |
| | | | | |
| | | | | |
| Sub-total variable costs | | | | |
| Other expenses | | | | |
| | | | | |
| | | | | |
| Sub-total other expenses | | | | |
| Total Income | | | | |
| Less total expenses (fixed + variable + other) | | | | |
| Surplus or Deficit | | | | |

Tracking expenses – month 1

[illegible]



Start a Business

“

The purpose of this booklet is to help work through the process of starting a business.

”



© 2019 FSCA

Disclaimer

The information contained in this information booklet has been provided by the Financial Sector Conduct Authority (FSCA) for information purposes only. This information does not constitute legal, professional or financial advice. While every care has been taken to ensure that the content is useful and accurate, the FSCA gives no guarantees, undertakings or warranties in this regard, and does not accept any legal liability or responsibility for the content or the accuracy of the information so provided, or, for any loss or damage caused arising directly or indirectly in connection with reliance on the use of such information. Except where otherwise stated, the copyright of all the information is owned by the FSCA. No part of this information booklet may be reproduced or transmitted or reused or made available in any manner or any media, unless the prior written consent has been obtained from the Financial Sector Conduct Authority's Office of General Counsel.

FSCA Contact Details

Riverwalk Office Park, 41 Matroosberg Road, Ashlea Gardens, Extension 6, 0181, Pretoria, South Africa | 012 428 8000 |
Share call number: 0800 20 FSCA (3722) | info@fsc.co.za | www.fsc.co.za