

Identify your business financial requirements

Overview

This standard is for entrepreneurs who need to identify their business financial requirements. To be successful you will need to establish that your business is financially sound. You should identify what you need to start up your business and to keep it running successfully. Identifying your financial requirements involves working out how much money you need for all parts of your business, comparing it with the money you put into your business and the money your business might generate and deciding if you need to get any additional funds.

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.

Identify your business financial requirements

Performance criteria

You must be able to:

1. develop and complete your business plan
2. prepare and finalise your budgets and a cash flow forecast aligned to your business plan
3. establish the required amounts of funding to run your business
4. estimate for how long you may need the funding using your forecasts
5. estimate how long it may take you to break even
6. carry out risk assessment
7. develop contingency planning to identify any additional funding that may be required
8. calculate the amounts of any potential investments and identify the sources of these
9. use investment finance to cover any development costs and initial start-up losses
10. identify any short-term borrowings to support your working capital requirements, if required
11. allocate any long-term borrowings to support your business
12. establish the requirement for loans and their amounts
13. establish whether your business may be eligible for any grants or additional support
14. seek additional assistance and financial from the central and local government, business support organisations, trade associations, charities and other organisations
15. apply for the funding you require, if eligible
16. identify any potential or seasonal cash flow peaks and troughs
17. complete your forecasts for sales and expenditure
18. check and review the accuracy of your forecasts
19. identify the variety of costs associated with running your business
20. calculate all capital costs, such as purchasing equipment, premises, supplies and other activities
21. research the costs for planned market research and advertising
22. establish the costs of any staff you may need to employ for your business
23. compare your figures with what money you expect your business to make and any money you have available for yourself

Identify your business financial requirements

24. seek advice from professional experts to assist you with your financial requirements

Identify your business financial requirements

Knowledge and understanding*You need to know and understand:*

Financial requirements

1. the essentials of a business plan
2. how to produce and use forecasts, estimates and projections of finance in your business
3. the actual budgets and cash flow forecasts
4. the actual profit and loss, income and spending associated with your business
5. what is included in cash flow forecasts, profit and loss statements and balance sheets, and how to interpret them
6. how to work out your expenditure
7. the amounts of money required for running your business
8. the amounts of money required for you to live on, considering any working tax credit and benefits
9. the gross income your business needs to bring to make a living
10. the duration of funding requirements in accordance with your forecasts
11. how long you may need to break even
12. the methods of carrying out a risk assessment and contingency planning
13. the additional funding that may be required for running your business
14. the types of investments and the sources of obtaining these
15. the cash you may require for covering delays between paying suppliers and receiving payments from customers
16. how to cover for any development costs and initial start-up losses

Identify your business financial requirements

17. the short-term and long-term borrowings that may be required for your business
18. the requirements for loans, their amounts and terms
19. the sources for obtaining grants or additional financial support
20. how to check eligibility and apply for funding
21. the potential or seasonal cash flow peaks and troughs
22. how to research and estimate the capital costs, such as premises, equipment, supplies, and any staff you need to recruit and employ
23. the cost of any market research
24. how to work out the right price for your products or services
25. how to check and review the accuracy of your forecasts
26. how to set clear business and financial objectives which are realistic, achievable and can be measured
27. the profit margins for your business and its products or services
28. how to calculate the difference between gross and net profit

Information and advice

29. the experts who can provide financial information and advice on your business
30. the sources of relevant information and advice

Identify your business financial requirements

| | |
|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Developed by | Skills CFA |
| Version Number | 1 |
| Date Approved | 14 Jan 2022 |
| Indicative Review Date | 01 Mar 2027 |
| Validity | Current |
| Status | Original |
| Originating Organisation | Instructus |
| Original URN | CFAMN1 |
| Relevant Occupations | Business, Administration and Law, Managers and Senior Officials, Arboriculture and forestry |
| Suite | Business Enterprise, Land-based Engineering Operations, Treework |
| Keywords | success, business, idea, social, enterprise, customers, products, service, support, creative, idea, skills, needs, suppliers, cash, flow, legislation, marketing, market, trends, competitors, health and safety, VAT, equipment, costs, profit, staff, product |