

## Overview

This standard is for entrepreneurs who invest capital in their business. Making the right investment in your business can help you to increase profitability, improve productivity and support product and service development. Choosing the right investment option will help to maintain a viable and sustainable business. Investing capital involves setting targets for making investments, assessing the return and benefits that will arise from making investments, identifying possible problems in your plan to make investments, monitoring how investments affect your business.

You might do this if you are:

1. preparing a financial plan for a new business or a social enterprise;
2. reviewing the financial viability of an established business or social enterprise;
3. taking over another business or social enterprise in its early years;
4. developing your business or social enterprise through changing the products or services.

## Performance criteria

### *You must be able to:*

1. set targets for making investments
2. identify and use sources of expert advice to help you make investments
3. collate and compare different ways of making investments
4. work out the costs and benefits of each investment accurately
5. assess the return your business is likely to get for different investments
6. identify and calculate the cost of funding the investments
7. work out the effect of taxation, grants and allowances accurately
8. assess how the investment will affect revenue, expenses and cash flow over an appropriate period
9. include any potential problems that might arise during the period of investment
10. monitor how the investment works for your business on a regular basis

## Knowledge and understanding

### *You need to know and understand:*

#### Investing capital

1. the investment targets for your business, such as return on capital, improved profitability, improved productivity, product or service development
2. the investment costs, such as capital costs, interest rates on loans and their effect on your business during the repayment periods, running costs and depreciation
3. the problems related to investing capital in your business
4. the benefits of investments, such as providing revenue, increased profits, increased productivity, market position and professional profile
5. the uncertainties of different investments, such as fall in sales or increased costs, the effects of changes in costs or revenues on your profit margins
6. the possible sources of funding, such as improved cash flow, getting an overdraft, own savings, loans from friends and family, bank loans, government grant or other outside investment
7. how to assess return on capital for different investments
8. the benefits of forecasting the possible high and low performance of the investment

#### Information and advice

9. the sources of information about investment options, targets and costs

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**Relevant Occupations** Business, Administration and Law, Managers and Senior Officials

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**Suite** Business Enterprise

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