



The Money Stuff



BUDGETING/FORECASTING

Before starting a business, you need to have a handle on your personal finances and a good understanding of how starting a business might impact on those.

That means being clear about:

- **One-off Start-Up Costs** – these can be pricey and include things like: Leases or purchasing of buildings or land; compliance costs (e.g. licences); equipment; vehicles; shop/office fittings; branding/advertising; website related costs; registrations (e.g. trade-marks).
- **Fixed Costs** – these are otherwise known as overheads – regular running costs and bills e.g. rent/mortgage; utilities (e.g. power, gas, internet etc); insurance; wages.
- **Variable Costs** – these expenses change according to business success and are subject to market influences e.g. production materials; stock required; supply chain factors; growth or reduction in business; tax.

Figure out how much you'll have to earn to cover the cost of sales/services and your monthly overheads. It's a good idea to add 20-30% to cover costs you haven't thought of – unforeseen bills or price rises can quickly add up. It's also good to have realistic estimates of future income and costs to work out when you'll be making a profit. If the numbers show you won't make profits for some time –do you have funds to carry you through? Talk to an accountant/your bank business advisor if you need assistance with forecasting.

PRICING

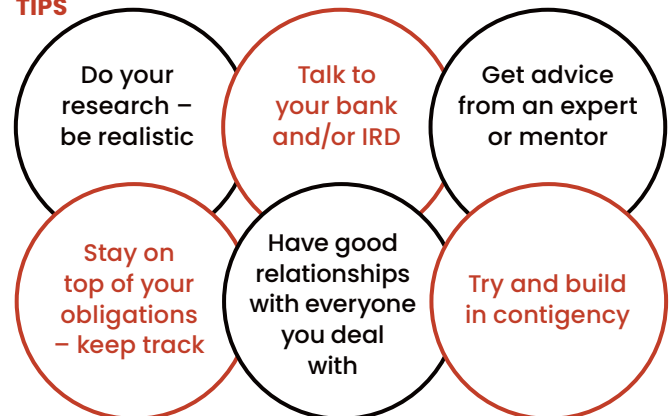
- Check out Xero's more in-depth guide on pricing [HERE](#).

Once you are clear about your costs, you need to decide what you will charge for your product/service in order to make a profit and ensure sustainability over time.

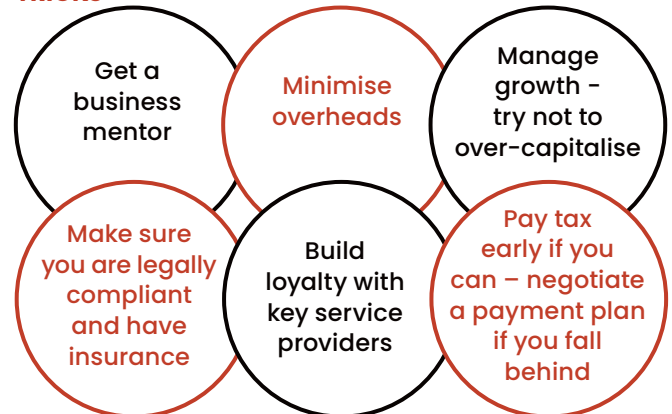
It's useful to work out what your competitors charge for the same or similar products or services, and how much customers are prepared to pay for yours – you can do this by asking a sample group of your potential customers. You should also check if there are

STAYING LEGIT

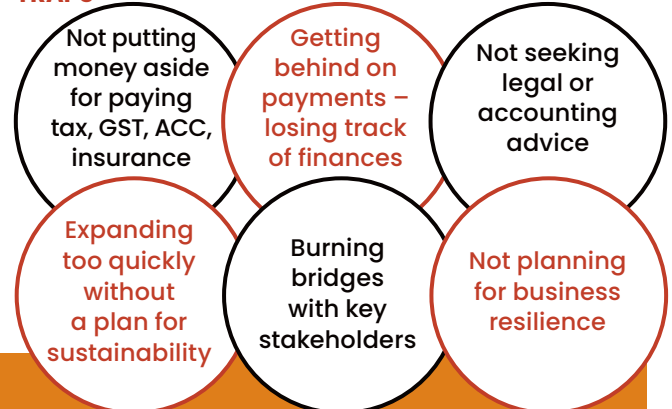
TIPS



TRICKS



TRAPS



industry-standard prices for your type of service or product.

Think about the perception of your pricing too – if you charge less than your competitors could your product or service be seen as inferior? If you charge more, can you justify this by offering better quality products, or superior service?

FUNDING

- If you're planning on approaching lenders or investors check out our resource on Funding EC25.