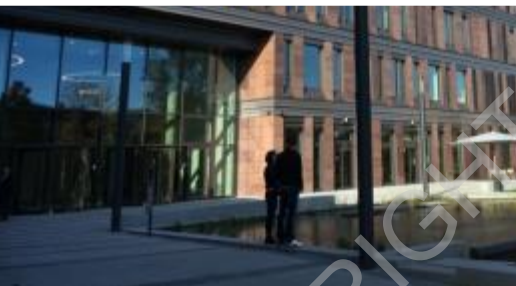


## TA Programme to EIB Financial Sector Operations in the Caribbean Region

**Business and Financial Planning:  
Create a sound financial basis for your business**



## Course Outline



Business Planning



Financial Management



Digital Accounting

## Intended Learning Outcomes

- ☐ Develop clear and specific business goals and objectives
- ☐ Demonstrate understanding of key business concepts
- ☐ Improving financial performance through implementation of fundamental knowledge of business finance
- ☐ Implementing digital solutions to adapt to changes in business

## Business Planning







## What is a Business Plan?

- ❖ A business plan is a vital document that provides a comprehensive report of the company's strategies.
- ❖ The company's core business activities, objectives and the way it plans to achieve its goals.

The business plan has two broad goals:

- ❖ To assess the feasibility of the business prior to establishment and to manage business operations after start-up.
- ❖ To be used for seeking external funding and is usually required by funders as part of the grant or loan application package.



## The Key Elements of the Business Plan

**Executive Summary**

**Vision & Mission statements**

**Company History**

**Business and Industry Profile**

**Business Strategy**

**Description of Products/Services**

**Competitor Analysis**

**Marketing Strategy**

**The Management Team**

**Plan of Operation**

**Forecasted Financial Statements**

**Loan or Investment Proposal**



## SUMMARY OF ELEMENTS

- **Executive Summary** - Concise, max 2 pages, hook to capture investors
- **Vision & Mission statements** - Clearly defined business strategy, short simple, specific
- **Company History** – business formation, key milestones achieved, company status
- **Business and Industry Profile** – overview of the business environment, challenges and opportunities
- **Business Strategy** – clearly define goals and objectives, key business strategies
- **Description of Products/Services** – details of goods and or services offered



## SUMMARY OF ELEMENTS

- **Competitor Analysis – know the products, services, places, prices, promotion and advertising of the competition**
- **Marketing Strategy – detailed sales strategy and specific targeted market, clear plan of products, services, prices and location of the business**
- **The Management Team – profile of management team, credentials and past achievements, core responsibilities**
- **Plan of Operation – opening hours/days, critical issues related to the operations of the business**
- **Forecasted Financial Statements – balance sheet, income statement, statement of cash flow and other financial statements**
- **Loan or Investment Proposal – how the business will be funded, collateral for coverage, proposal for return on investment**





## GUIDELINES FOR PREPARING A BUSINESS PLAN

Show how you plan to set your business apart from competitors; don't fall into the “me too” trap

Potential lenders want to see financial projections, but they are more interested in the strategies for reaching those projections.

Identify your target market and offer evidence that customers for your product or service exist.

Use visual aids.

## FINANCIAL MANAGEMENT

Assets





## KEY BUSINESS CONCEPTS

# ASSETS are:

- ✓ Resources
- ✓ Positive economic benefits
- ✓ Owned by the business

### Intangible

- ✓ Trademarks
- ✓ Patents
- ✓ Software

### Tangible

- ✓ Land
- ✓ Building
- ✓ Equipment



### Current Assets

- ✓ Cash
- ✓ Inventory
- ✓ Trade receivables



### Non-Current Assets

- ✓ Land
- ✓ Machinery
- ✓ Motor Vehicle





## KEY BUSINESS CONCEPTS

# LIABILITIES are:

- ✓ Present obligations
- ✓ Transfer economic benefits
- ✓ Owed by the business

### Current Liabilities

- ✓ Trade payables
- ✓ Bank overdraft
- ✓ Tax payable

### Non-Current Liabilities

- ✓ Long-term loans
- ✓ Capital leases
- ✓ Deferred taxes



## KEY BUSINESS CONCEPTS

**Equity are:**

- ✓ Business Book value
- ✓ Share of ownership
- ✓ Capital (stock)
- ✓ Retained earnings



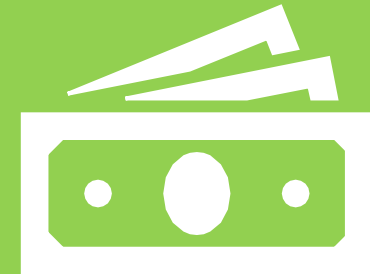




## KEY BUSINESS CONCEPTS

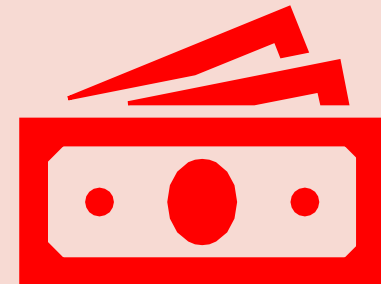
### Income

- Revenue/Sales
- Gross income
- Net income



### Expenses

- Cost of good sold
- Wages & Salaries
- Delivery
- Repairs & Maintenance





## KEY BUSINESS CONCEPTS

### ASSET ACCOUNTS

- ✓ Checking
- ✓ Petty Cash
- ✓ Inventory
- ✓ Accounts Receivable

### EXPENSE ACCOUNTS

- ✓ Payroll
- ✓ Insurance
- ✓ Rent
- ✓ Equipment
- ✓ Cost of Goods Sold

### LIABILITY ACCOUNTS

- ✓ Payroll Tax Liability
- ✓ Sales Tax Collected
- ✓ Credit Memo Liability
- ✓ Accounts Payable

### EQUITY ACCOUNTS

- ✓ Owner's Equity
- ✓ Common Stock
- ✓ Retained Earnings

### INCOME ACCOUNTS

- ✓ Product Sales
- ✓ Earned Interest
- ✓ Miscellaneous Income



## THE BALANCE SHEET

The balance sheet is basically a list of all the things a business owns and owes, it is categorized into three components, assets, liabilities and equity. The balance sheet also shows a snapshot of the financial position of the business at a point in time.

### Assets



### Liabilities



### Equity





## THE BALANCE SHEET

123 Company

Balance Sheet

For The Year Ended December 31, 2020

| Assets  | Dec-20              | Dec-19              | Dec-18              |
|---|---------------------|---------------------|---------------------|
| <b>Current Assets:</b>                              | <b>\$</b>           | <b>\$</b>           | <b>\$</b>           |
| Cash  | 4,123.00            | 3,056.00            | 2,864.00            |
| Petty cash  | 1,013.00            | 617.00              | 851.00              |
| Trade receivables                                   | 10,417.00           | 18,209.00           | 14,975.00           |
| Inventory   | 32,491.00           | 28,412.00           | 31,495.00           |
| Prepayment  | 1,407.00            | 4,169.00            | 2,054.00            |
| <b>Total current assets</b>                         | <b>49,451.00</b>    | <b>54,463.00</b>    | <b>52,239.00</b>    |
| <b>Non-Current Assets:</b>                          |                     |                     |                     |
| Land  | 156,207.00          | 156,207.00          | 156,207.00          |
| Building  | 680,540.00          | 560,782.00          | 560,782.00          |
| Equipment   | 263,000.00          | 184,000.00          | 184,000.00          |
| Motor Vehicles                                      | 87,430.00           | 132,000.00          | 132,000.00          |
| Accumulated Depreciation                            | (107,157.00)        | (63,200.00)         | (31,600.00)         |
| <b>Property, plant &amp; equipment - Book value</b> | <b>1,080,020.00</b> | <b>969,789.00</b>   | <b>1,001,389.00</b> |
| <b>Intangible assets</b>                            |                     |                     |                     |
| Goodwill  | 36,000.00           | 36,000.00           | 36,000.00           |
| Patents   | 43,000.00           | 31,000.00           | 27,000.00           |
| <b>Total intangible assets</b>                      | <b>79,000.00</b>    | <b>67,000.00</b>    | <b>63,000.00</b>    |
| <b>Total assets</b>                                 | <b>1,208,471.00</b> | <b>1,091,252.00</b> | <b>1,116,628.00</b> |



## THE BALANCE SHEET

**123 Company**  
**Balance Sheet**  
**For The Year Ended December 31, 2020**

| <b>Liabilities</b>                            | <b>Dec-20</b>       | <b>Dec-19</b>       | <b>Dec-18</b>       |
|---|---------------------|---------------------|---------------------|
| <b>Current Liabilities</b>                    | <b>\$</b>           | <b>\$</b>           | <b>\$</b>           |
| Trade payable                                 | 3,814.00            | 4,623.00            | 3,203.00            |
| Wages payable                                 | 8,500.00            | 6,400.00            | -                   |
| Taxes payable                                 | 25,031.00           | 18,924.00           | 27,345.00           |
| <b>Total current liabilities</b>              | <b>37,345.00</b>    | <b>29,947.00</b>    | <b>30,548.00</b>    |
| <b>Non-current liabilities</b>                |                     |                     |                     |
| Loan  | 210,000.00          | 230,000.00          | 250,000.00          |
| Capital lease                                 | 45,000.00           | 50,000.00           | 55,000.00           |
| <b>Total non-current liabilities</b>          | <b>255,000.00</b>   | <b>280,000.00</b>   | <b>305,000.00</b>   |
| <b>Owners' Equity</b>                         |                     |                     |                     |
| Share capital                                 | 650,000.00          | 650,000.00          | 650,000.00          |
| Retained earnings                             | 266,126.00          | 131,305.00          | 131,080.00          |
| <b>Total equity</b>                           | <b>916,126.00</b>   | <b>781,305.00</b>   | <b>781,080.00</b>   |
| <b>Total liabilities &amp; owners' equity</b> | <b>1,208,471.00</b> | <b>1,091,252.00</b> | <b>1,116,628.00</b> |





## THE INCOME STATEMENT

The Income Statement (profit and loss statement) is one of the core financial statement that tells the financial performance of a business at a particular period. It displays the revenue, cost, expenses and net profit/net loss.





## THE INCOME STATEMENT

| Extract of Profit and Loss           | Year ended 2018 | Year ended 2019  | Year ended 2020  |
|--------------------------------------|-----------------|------------------|------------------|
|                                      | \$              | \$               | \$               |
| Revenue                              | 400,000         | 500,000          | 650,000          |
| Cost of sales                        | (290,000)       | (263,000)        | (286,000)        |
| <b>Gross profit</b>                  | <b>110,000</b>  | <b>237,000</b>   | <b>364,000</b>   |
| <b>Operating expenses</b>            |                 |                  |                  |
| Salaries                             | 45,000          | 50,000           | 100,000          |
| Payroll Taxes                        | 4,500           | 5,000            | 10,000           |
| Rent                                 | 24,000          | 36,000           | 48,000           |
| Other expenses                       | 5,000           | 16,000           | 27,000           |
| <b>Total operating expenses</b>      | <b>(78,500)</b> | <b>(107,000)</b> | <b>(185,000)</b> |
| <b>Net profit/(loss)</b>             | <b>31,500</b>   | <b>130,000</b>   | <b>179,000</b>   |
| <b>Gross profit margin</b>           | <b>27.5%</b>    | <b>47.4%</b>     | <b>56.0%</b>     |
| <b>Net profit margin</b>             | <b>7.9%</b>     | <b>26.0%</b>     | <b>27.5%</b>     |
| <b>Salaries/margin ratio</b>         | <b>11.3%</b>    | <b>10.0%</b>     | <b>15.4%</b>     |
| <b>Inventory turnover period</b>     | <b>91 days</b>  | <b>44 days</b>   | <b>55 days</b>   |
| <b>Receivables collection period</b> | <b>23 days</b>  | <b>40 days</b>   | <b>30 days</b>   |
| <b>Payables payment period</b>       | <b>45 days</b>  | <b>40 days</b>   | <b>35 days</b>   |



## THE STATEMENT OF CASH FLOW

The statement of cash flow is one of the core financial statement, it summarizes the liquidity position of the business and how well it can fund its operations. Additionally, it measures the amount of cash and cash equivalent flowing in and out of the business .

Operating  
Activities

Investing  
Activities

Financing  
Activities



## THE CASH FLOW STATEMENT

### 123 Company Statement of Cash Flows

|  | 2020            | 2019            | 2018             |
|--|-----------------|-----------------|------------------|
| <b>Cash Flows From Operations</b>                                  | \$              | \$              | \$               |
| Total Loss for the year before tax                                 | 179,000         | 130,000         | 31,500           |
| <b>Cash flows before changes in working capital</b>                | <b>179,000</b>  | <b>130,000</b>  | <b>31,500</b>    |
| Decrease / (increase) in Inventory                                 | (11,340)        | 40,940          | (72,500)         |
| Decrease / (increase) in Trade receivables                         | 1,370           | (29,589)        | (25,205)         |
| (Decrease) / increase in Trade payables                            | (1,397)         | (6,932)         | 35,753           |
| (Decrease)/ increase in Other liabilities                          | 1,000           | 1,000           | 5,000            |
| <b>Net cash generated from / (used in) in operating activities</b> | <b>168,633</b>  | <b>135,419</b>  | <b>(25,452)</b>  |
| <b>Cash Flows From Investing Activities</b>                        |                 |                 |                  |
| Purchase of fixed assets   |                 |                 | (230,000)        |
| <b>Net cash generated from (used in) investing activities</b>      | <b>-</b>        | <b>-</b>        | <b>(230,000)</b> |
| <b>Cash Flows From Financing Activities</b>                        |                 |                 |                  |
| Loan (repayment)/addition  | (20,000)        | (20,000)        | 420,000          |
| Owners Contribution / withdrawal                                   |                 | -               | -                |
| <b>Net cash generated from (used in) financing activities</b>      | <b>(20,000)</b> | <b>(20,000)</b> | <b>420,000</b>   |
| <b>Net increase in cash and cash equivalent</b>                    | <b>148,633</b>  | <b>115,419</b>  | <b>164,548</b>   |
| <b>Cash and cash equivalent - At the beginning of the year</b>     | <b>284,967</b>  | <b>169,548</b>  | <b>5,000</b>     |
| <b>Cash and cash equivalent - At the end of the year</b>           | <b>433,600</b>  | <b>284,967</b>  | <b>169,548</b>   |
| <b>Cash and cash equivalent</b>                                    |                 |                 |                  |
| <b>Cash at bank as at December 31, 2020</b>                        | <b>433,600</b>  | <b>284,967</b>  | <b>169,548</b>   |
|  | <b>433,600</b>  | <b>284,967</b>  | <b>169,548</b>   |



## CASH MANAGEMENT

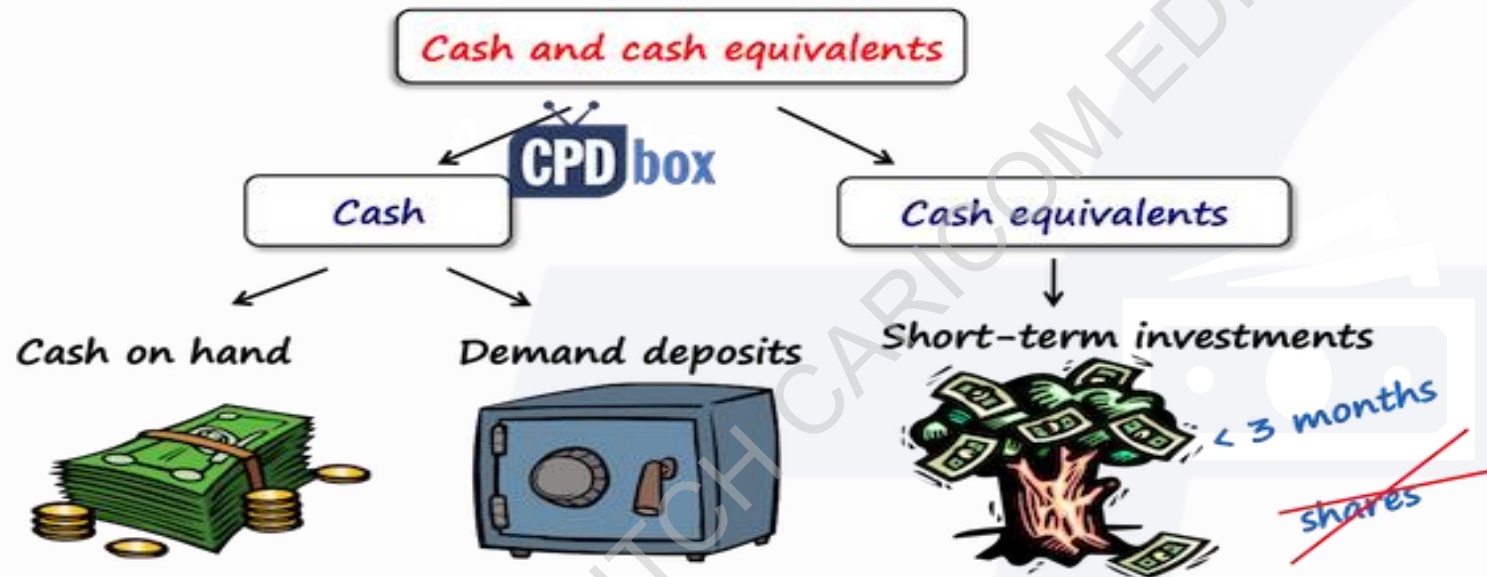
The process of collecting, disbursing and managing a business' cash and cash equivalent. Cash is perhaps the most important resource of any business. Therefore, proper cash management is critical to the survival of the business.

Accounts  
Receivables

Accounts  
Payables

Inventory





Cash is money that is on hand or can be accessed immediately upon demand.

Cash equivalent are short-term, highly liquid investments that are readily convertible to cash, usually 3 months or less, without the significant risk of changes in value.

## DIGITAL RECORD KEEPING AND ACCOUNTING





## DIGITAL RECORD KEEPING AND ACCOUNTING

### ☐ Definition

- the formation, representation, and transfer of financial information in an electronic format.
- electronic storage of all business transactions instead of using papers and books.

### ☐ Benefits

- Quick and easy access to data.
- Ability to convert data into meaningful reports.
- Improves safety and security of data.
- Enhances collaboration in the workplace.
- Ability to work remotely
- Improves accuracy and completeness of data



## DIGITAL RECORD KEEPING AND ACCOUNTING

### ☐ Solutions

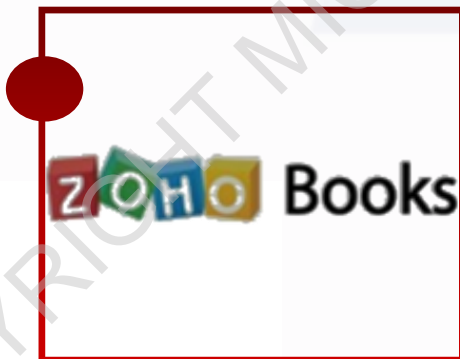
- Off-the-shelf Desktop Accounting Software Solutions.
- Customized Desktop Accounting Software Solutions
- Cloud Based Accounting Software Solutions

### ☐ Cloud Based Accounting Software Solutions.

- Entire accounting system is stored on an online platform,
- Includes all functionality as desktops solutions.
- Offer more security features.
- Provides remote access from anywhere and from any devices with internet and browser.
- Constantly updated with the latest version, features and security.



## Examples for Small Businesses







**Before deciding on an accounting system, you must first consider the needs of your business and accounting skills of your staff or yourself.**

**Ease of Use**

**Affordability**

**Expandability**

**Compatibility**

**Security**

# Thank You!

