



ACCURACY ACCOUNTING & TAX

ACCOUNTING FOR THE FUTURE

WHY START YOUR OWN BUSINESS?

STARTING YOUR BUSINESS JOURNEY

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WHY START YOUR OWN BUSINESS?

INTRODUCTION

In this guide, I will walk you through the decision-making process for starting a new business and some of the best practices to put in place, as well as some of the pitfalls to avoid.

This guide is for entrepreneurs and business owners who are either considering starting a business, or have started a business and are looking for some general support to make sure they give themselves the best opportunity for a successful business.

One of the most important aspects to remember about being in business is that it's a journey, and like any journey, you need to know your destination in advance. Make sure you set yourself regular goals – it's very unlikely they will stay the same, but you must always set them.

There are many different aspects to running your own business. In this guide, we will cover the aspects that are considered the most important.

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GOING OUT ON YOUR OWN

WHY START YOUR OWN BUSINESS?

People start their own business for many reasons, including being able to:-

- Make your own decisions
- Have a business to be able to pass onto your children
- Create employment for your family
- Capitalise on specialist skills
- Have flexible working hours
- Reduce stress and worry
- Have the satisfaction of creating something that is truly your own
- Be your own boss
- Fund your retirement

BEFORE YOU START

Before you start your own business, you need to prepare. Fail to prepare, prepare to fail.

Some of the key questions you need to ask yourself are:-

- Are you capable?
- Is there a market for your product or service?
- Is it financially viable?
- What funding will be needed?
- What is the break-even point for the business before you are able to make money?
- What makes your service/product better than your competitors?

Research every aspect of your business including:-

- Customers - who, where, what, when
- Competitors - who, where, why
- Product Service
- Always research to see how things can be done better
- Price - being the cheapest is a huge pitfall which we will cover later in this guide
- Location - is location important to your type of business?

If you need to raise money, you should consider:-

- Loans from bank or family
- Grants
- Crowd funding
- Business angels
- Asset finance

You need to make sure that you are aware of exactly how much money is needed. It's easier to go to a lender to borrow the money once rather than go and request additional sums, as it gives the impression that you have not carried out your research properly and you are more likely to be turned down. A great source of information is www.gov.uk.

WHAT WILL YOU GET FROM BEING YOUR OWN BOSS?

When being your own boss, you should really aim to do something you enjoy. There's nothing worse than the daily trawl of your employment. So, make sure that whatever business you decide to go in to, you enjoy the work and have passion for it. This will have such a positive effect on the business and your life as a whole.

You should research your chosen business heavily, which we will cover later in this guide, and also consider:-

- The hours of work your business will involve, as it's no longer just a case of supplying goods and services that people need, but also:-
- The administration
- Bookkeeping
- Networking
- The marketing of your business

Also, accept that not everybody will work in the same way that you do. You may, for example:-

- Settle your invoices for your business before taking any surplus money out for yourself, which I would recommend doing, whereas others may:-
- Take their money out before settling any other bills which means they pay you late.

Not everybody will act in the same way that you do, much to your frustration.

Will you also have the support of your family? Sometimes you will have to work late; would they be able to assist you with this additional work until you are in a position to either employ staff or outsource?

BEING IN BUSINESS

Being in business means different things to different people. It could be as simple as working

for one person on a self-employed basis, or employing a team of staff to work for you.

It could be opening up a shop, a hairdresser or a coffee shop, being a consultant, sales rep or administration assistant. I'm always amazed at how many different business opportunities there are available.

No matter which business you wish to go into, the fundamentals are the same and we will cover them throughout the guide.

How they can be applied will depend on your type of business, so someone who runs a coffee shop will succeed with a different method of marketing to someone who is running a consultancy business.

FULL OR PART TIME

Some people start out in business on a part-time basis.

- This gives you a low-risk way to see if you like running your own business.
- It may give you the opportunity to still be in employment, which will give you the security of a regular income.

Your own circumstances will dictate if this is even possible.

- You can't run a restaurant on a part-time basis, but you could supply a consultancy service, albeit you won't be able to respond immediately to any enquiries etc. due to your employment commitments.

2. CHOICE OF BUSINESS

BUYING AN EXISTING BUSINESS

When buying an existing business, it's essential to take advice from an accountant, solicitor and bank manager, as they will be able to give you a different opinion on the business which you may not have considered.

You can search online to see what businesses are for sale; make sure you research them very carefully:-

- Review the accounts
- Find out why they are selling the business
- How profitable they are
- Have there been any major changes in their business in the last year or so?
- Has a large competitor opened up just down the road from them?
- What staff do they have?
- Any key suppliers?
- Any key customers?

3. CHOICE OF BUSINESS STRUCTURE

BUSINESS STRUCTURE

Partnership

This is where you and A. N. Other set up in business. All partners are jointly and severally liable for the business debts. It's free and easy to set up and get running. I personally recommend avoiding partnerships, as quite often the partners disagree and eventually fall out, I have seen this time and time again. This tends to happen if the partnership is doing really well or really badly.

If you do use this as the legal status for your business, I would recommend having a partnership agreement drawn up by a solicitor. Profits are split between the partners who then use their personal allowances and pay 30% tax on profits, which is 20% tax and 10% National Insurance; (higher rate tax applies).

Sole Trader

This is the same as a partnership tax wise, at 30% above your personal allowance but only involves you. Again, this is free and easy to set up and is normally used for a small business with little or no risk.

When your business grows, you tend to change structure into that of a limited company to save tax. Again, as with the partnership, you are liable for any debt of the business.

Limited Company

This is my preferred method of trading. You can form a company online for as little as £12. You then pay just 19% - 25% tax on profits (there is a marginal rate on taxation of trading profits between £50,001 - £250,000 is taxed at 26.5%) and you are also not personally liable for any debt, unless you have either given a personal guarantee or in very rare cases, you have not run your company properly.

Limited companies used to be much more difficult to operate, however, successive governments have ensured that compliance is now kept to a minimum and can be easily dealt with by your accountant.

LLPs

LLPs were formed because of accountants. Accountancy practices were partnerships then when an audit was carried out for people like ENRON which were found to be flawed, the accountant would be sued and would be personally liable. They then lobbied the government for a new form of partnership which had the benefit of a limited company protection, hence, LLPs.

An LLP reports in a similar manner to a limited company which then splits profits between the partners who then pay tax and National Insurance at 30%, but they are also protected from the creditors of the partnership.

4. NAMING YOUR BUSINESS

TIPS AND ADVICE

Naming your business is vital. The name should reflect what you do within the business. For example, “ABC Supplies Ltd” does not tell potential customers what you are supplying, therefore, the business name is making it more difficult to promote.

You should also make sure that the name:-

- Is not already taken
- Has no negative connotations
- Reflects what your business stands for
- Is appropriate and appealing to your audience
- Has the potential of being memorable
- Won't limit your business in any way
- Is easy to spell and speak

Some people opt to call their business after themselves and there are pros and cons to this:-

The main pro is that:-

- The company is immediately recognised and linked to you and as such, carries your reputation.

However, there are several cons:-

- If the company fails, then it's linked directly to you
- It's much harder to create a systems-based business on a business that's linked to you.

We will cover system-based business later in this guide, which is a method that allows your business to grow above a certain point.

5. BUSINESS PLANNING

BUSINESS PLAN

Business plans and cashflows are a good way to see if your business idea is viable. You will also find out what capital is required to start up your business and if there are any points during trading where cashflow is tight. I call this the “pinch” point.

If you are using this to help raise funds, make sure that your business plan looks great as this is a reflection upon you and your business.

You may be looking to operate a franchise, which gives you the right to operate using a preset structure of the business.

Not only do you pay for the right, but you also often have to pay a commission fee on all the sales you receive. You do however, in return, get support systems and a brand. There are some very good franchises out there, but there are more bad franchises, and therefore, I would always say to tread carefully.

Depending on the services or products offered, you may also have to look into patents and trademarks; a solicitor will be able to assist with this.

MONEY AND PRICING

Be prudent with your money. Your work is unlikely to be steady at first and cashflow is likely to be an issue.

Quite often a business will fail because when a business starts to earn more money, the owners take more out. Therefore, when there is a downturn, the owners still need to take the higher level of money out, which the business can no longer afford.

Instead, let the surplus grow then at the end of the tax year, see how much you have, pay your tax and then with the remainder, decide what you need to use it for. This could be for:-

- Expansion of business
- New equipment
- Or for you, the owner, to take

With pricing, most people in business charge too little. They feel that to get the business, they have to undercut the competition and be the cheapest; this is an incredibly high risk strategy that very few companies can pull off. Your price should reflect what level of service or product you provide.

Let me give you a prime example using two restaurants:-

The first restaurant lets you eat as much you want for just £9.99. Already you are imagining a very quick restaurant, the food quality is not high end, and they are just trying to get you in

and out as quickly as possible.

The second restaurant offers an a la carte menu and is £200 per head. As you can imagine, the first thing that enters your head is that this restaurant, simply because of pricing, is the best restaurant around with superb food and an overall great quality dining experience.

As you can see from the above you have already selected which restaurant is the best although you haven't eaten in either. As long as the second restaurant delivers the high expectations that the price indicates, it will succeed and prosper.

ADVISORS

You have to choose your advisors carefully. Look at this as if you are taking on a member of staff. Interview several advisors and see who is best suited to your business. Remember, you are their client, and you will pay their wages.

Accountant

A good accountant is worth their weight in gold. They should be able to explain all aspects of tax in a clear and concise way. They should also quantify why you should do something.

There's no point in saying "you'll be better off as a limited company", unless they show you how and also explain how much you will save.

Business coach

I cover business coaching near the end of this guide, but there seem to be a lot of people jumping on the coaching band wagon. From experience, for every one great coach, there are several bad ones. Make sure that if you do take on a coach don't get tied into a contract.

Bankers

All high street banks basically offer the same service, so it's down to your interaction with your manager. Often, you use the same bank account for business which you do for your personal account.

For a brand-new business, you will be able to get free banking for a period of time. You should also make sure you utilise online banking and mobile banking, as this is now standard and will assist with the running of your business.

Solicitors

Having a solicitor on board is essential. As your business grows, you would utilise a solicitor for all types of services, for example, employment contracts, legal disputes etc.

Make sure your solicitor is approachable and down to earth, and will be able to assist you with a quick telephone call without charging you.

PERSONAL COACHING/BUSINESS ADVISOR

With larger companies, quite often, you will be sent on training courses and personal development courses to develop your skills for the benefit of the company.

In business you tend to be the person at the top of the organisation and often neglect yourself in terms of personal and business development.

As you know, all athletes in sports will have a coach to help them develop and grow in trying to achieve their targets. You should consider having regular contact with someone, either a business coach or another professional where you can cover all aspects of your business.

This can even be linked to your business strategies to ensure that you are given any input in relation to questions you need to deal with.

This is a piece of advice I wish I had known twenty years ago. A lot of people think that an outsider won't have the knowledge needed, but the fundamentals of a successful business are the same for all types of business.

A business advisor can provide:-

- a periodic review of your business
- an opportunity for you to work on your business, rather than in your business
- an opportunity to discuss past or future business decisions
- a sounding board for you to discuss new business ideas or issues
- you with personal development ideas

6. MARKETING

WEBSITE AND BUSINESS CARDS

I have put these two together, as these are two items that I feel are very important.

There are plenty of online business card websites which will create business cards free of charge or for next to nothing.

These cards are low cost and poor quality and will reflect upon your business.

Your business card will be the second impression you make on a person, the first being you, therefore, it's very important to ensure that the business card reflects the business and person that you are.

From this business card, the next impression will be the company website.

I have seen large companies with incredibly poor websites and small companies with really good websites.

A website is like an interactive business card and portrays your company's image to the world. There are certain aspects in a website that will help you with your business, which consist of the following:-

- Blogs - creating a blog on your website is a great way to promote your business and increase sales through social media. It will also help your website to climb up the Google rankings which, in turn, will boost visibility to your target customers.
- Testimonials - you should have as many testimonials on your website as possible as this will show you are able to achieve what you say you are able to.
- Video - people like watching videos and there has been a large increase in videos on websites. Again, this will knock up your natural listing within Google.
- Free downloads - there will be many people that come to your website and a lot of these will not do business with you. At that point, however if you offer a free download, this gives potential customers something useful and makes you stand out from competitors. It may be worth considering having more than one website for different markets, depending on your type of business.

With these being so important, make sure you seek professional advice as this is part of your company branding which is more important to some businesses than others.

MARKETING

With marketing it's essential first of all that you find out who your good customers are. You should have done this by using the Boston Matrix for your customers.

This will let you know the type of client you should be marketing to, as these are the perfect clients you will wish to achieve.

Henry Ford once said "50% of my advertising budget is working; I just don't know which 50%." So that you don't waste money, you need to ensure you monitor and record every single bit of marketing that you do and take note of the results from this.

There is no point in advertising where you get no results, or advertising where you get lots of enquiries which will only lead to bad customers. You need to understand what your customers want and look at things from the customers' point of view.

There are several methods of free marketing which are:-

- Press release
- Charity events
- Referrals
- Virals
- Joint ventures
- Seminars
- Networking
- Data capture
- Newsletters

There is also low cost marketing:-

- Shop windows
- Local magazines
- Local papers
- Brochures
- Sponsorship
- SEO
- Pay per click
- LinkedIn/Facebook/social media

Other marketing:-

- Radio
- Specialist magazines
- Mail shots
- Trade shows

You have to ensure that for each piece of marketing you carry out, you record the cost and time spent on it. Ensure that, for each person who makes an enquiry, you are aware of where they have come from.

This will give you a cost per lead generated.

When you are sure of what works, you then need to improve the adverts – you should always look to review and improve and monitor all of this on a regular basis.

Having the best service or product isn't good enough, you have to let your target market and your future customers know that you are the best service or producer.

Consider

There are two bricklayers I deal with, the first being an outstanding bricklayer whose work is the best I have ever seen. He earns a good living but can't see why he isn't making more.

The second bricklayer is average, and he makes a lot of money, simply because he is a great marketer. He knows how to promote things and capture his customers' attention.

With the first bricklayer, because his work is great, he gets all his work through recommendations or repeat business, whereas the second bricklayer gets nothing from these sources but gets all his new business from marketing.

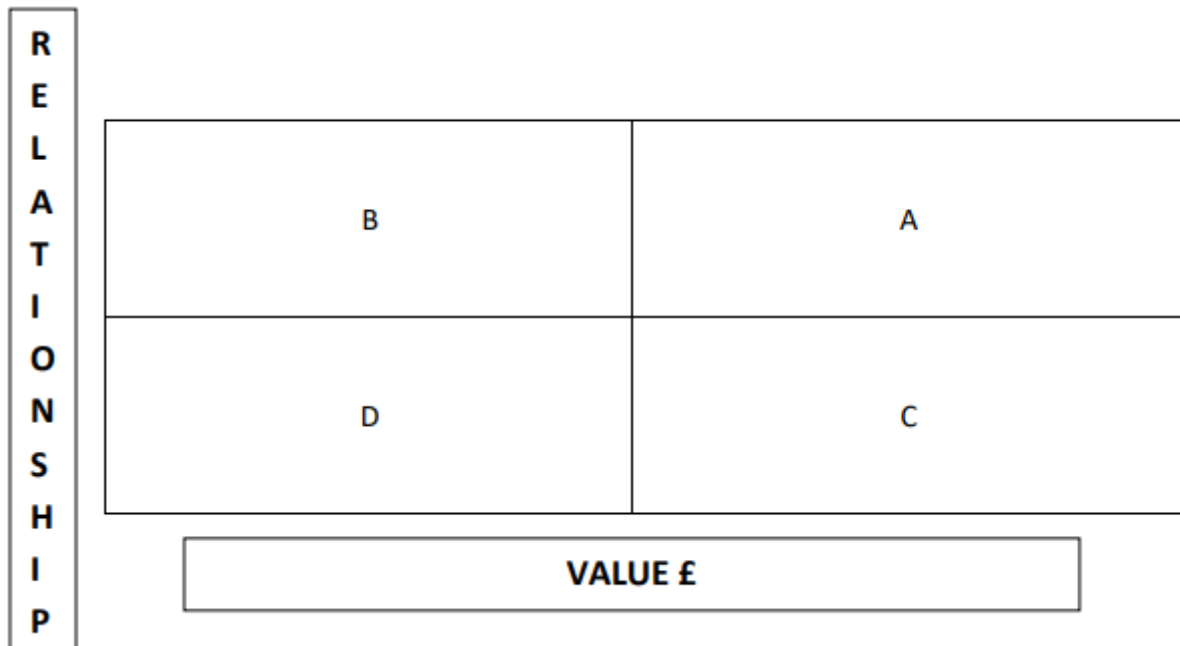
Can you imagine if the first bricklayer could market his business as well as the second bricklayer?

7. HOW TO GET THE MOST FROM YOUR BUSINESS

CATEGORISING CUSTOMERS

There is a system called the Boston Matrix which can be adapted to many different scenarios. This is where we would separate your customers into A, B, C and D, based on your relationship and the amount of money you earn from them.

On this chart, let me define each category.



C and D Clients

The relationship with them is not great:-

- They do not respond to communication
- They leave everything until the last minute
- They never tell you what is going on
- They never work as agreed
- They forever change their mind
- They upset you and your staff
- They complain about everything
- They demand instant attention
- They pester you
- They haggle over price
- Their own administration is poor
- They don't listen to advice
- They always blame you

The only difference between C and D clients is at least you are earning a decent income from the C clients.

B Clients

These are clients who are nice to work for and you earn from them, but not a great amount. However, they are hassle free and, in effect, your bread and butter.

A Clients

These are the crème de la crème, nice to work for, you earn good money, and they are your perfect customer.

So, what is happening here? Your C and D clients are demanding and take up all your attention, so much so that you don't spend the time looking after your A clients. These are the same A clients your competition is trying to pick up from you.

So, what should you do?

With your C clients, sit down with them and explain the situation. If you can improve the relationship, they easily become an A client.

With your D clients, it's simple....get rid.

You should not be dealing with this type of client. Let your competitors have them. Let them damage their business.

As a D client, they make a small contribution to your turnover and cashflow but take a huge amount of time and energy which could be much better spent elsewhere.

So how do you get rid of these clients?

- You could package them up and sell them to your competitors
- You could out price them
- Or you could just sack them

Another way is to use them as a reward scheme. Every time you hit a target or gain new business, you use it as an excuse to get rid of a D client.

WORST NUMBER IN BUSINESS

The worst number in business apart from 0 is 1:-

- 1 main customer
- 1 main supplier
- 1 main member of staff

Whenever you are reliant on just one customer, supplier or member of staff, you are not in control of your business. The loss of one of these will have such a catastrophic effect on the business, it is best to be avoided.

Customer

You may well pick up a large customer from the very beginning and this would be great for business and, most businesses would then stop marketing because of this.

What you need to do is use this as a springboard to obtain other new clients. You should always treat your biggest client as if they are going to leave you at the end of the month and operate your business accordingly.

Supplier

Imagine you have the best supplier ever who never lets you down, great price, superb product. Then they go out of business.

- You no longer have a product to sell or use
- You need to secure another quickly which has to be as good a product and within a price range you can afford
- How much time and effort would this take?
- Always have more than one supplier, play them off against one another – both want to look after you as you should be in their A list clients.

Staff

Probably the most difficult in a start-up business is when you take on a member of staff. This will be your first one and therefore only one. However, by having a systemised business, which we will cover later, your member of staff should be a great member of staff, but not an irreplaceable one.

KNOW YOUR FIGURES

It's very important to keep on top of your figures for your business. This is vital as it ensures that you are able to review your business on a regular basis and be aware of its success or failure.

Many businesses will suffer from a cashflow problem, which is where you supply services to a third party and have to await their payment, thus creating a debtor's figure.

It isn't a restaurant that doesn't have enough money – they get paid at the end of the meal, so, it isn't a cashflow issue but a profit issue.

Additional problems are often in carrying stock. If you carry too little stock, you will not be able to supply to your customers; if you carry too much stock, it not only ties up your money, but also stock will be wasted and will have to be written off.

The bookkeeping for a business is very important and there are software packages available which will not only help you with the bookkeeping, but also supply you with a profit and loss as well as a balance sheet. These reports are essential and part of your reporting structure which should be made available to you on a regular basis.

Make sure you understand the profit and loss and balance sheet as these can show you what is happening within your business and will flag up any anomalies straight away. If you control your books, you control your money.

With your business, you also have to make returns to the Inland Revenue on various aspects of business. This can include payroll and RTI, VAT on a quarterly basis or annual accounts to both the Inland Revenue and, for limited companies, to Companies House.

With the VAT, there are many methods which can be applicable to your business, flat rate, cash counting, invoice accounting - it is always worth comparing these over a period of time to see which one benefits your business the best.

By failing to comply with these regulations, the Inland Revenue has linked fines to almost all aspects of non-compliance, therefore, it is vital not only to understand what you are doing, but that it is carried out correctly and promptly to avoid unnecessary expense.

STAFF

When you first start in business, it is unlikely that you will have any staff. You should therefore, think about outsourcing.

If you are spending a day a week raising invoices, completing the bookkeeping and other administrative duties, it means this is a day a week you are not earning.

If you are outsourcing this, it will free you up plus the people you outsource to will be quicker than you and quite often, more professional.

I had a friend whose business grew well but was spending two days a week in the office rather than out on the tools.

He thought the cost of a VA (Virtual Assistant) of £25 per hour was excessive. I sat down and agreed with him that he use my VA for a month's trial. My friend was spending 16 hours per week doing administration which he hated.

He is now out working and has created an income of approximately £250 in those two days, doing what he enjoys doing. The VA did his work at a much faster rate and spent only six hours doing what normally took him 16, which then cost him £150. His administration is better run; he enjoys his business more and is making more money.

However, when you do need permanent staff, they can be your greatest asset, but it is also the biggest headache many employers face.

By taking on staff, you have to ensure you are aware of various matters which include:-

- Employment rights
- Minimum wage
- Holiday entitlements
- Health and safety
- Written statement of employment which has to be issued within 8 weeks of start date
- Maternity, paternity and induction pay
- Equal rights

As with your good customers, you should also grade your staff on the Boston Matrix. There are some great sources of free information including:-

- Chamber of commerce
- gov.org

There are currently on the market several subscription services that can help you with your employment rights, however, with these you should tread carefully, as I am aware that some will tie you into a long contract unfairly.

CRM SYSTEM (Customer Relationship Management)

A CRM system is nowadays essential for business.

You can get free cloud-based systems, but every business should have these.

By using them properly, it creates for you:-

- A marketing tool
- A client file
- A diary
- A note pad
- An alarm clock

It will help you with every client in every situation.

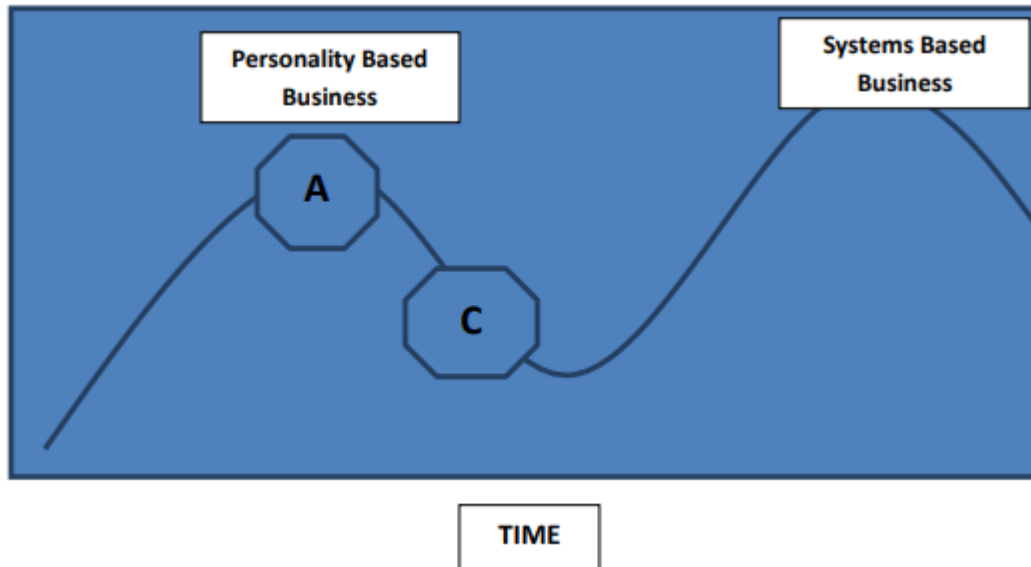
These systems can be used for a lot of purposes; each business will have their own requirements but we will deal with some possibilities:-

- 1) Which customers spend the most with you and which are the most profitable? This will help you determine your A customers and those are the ones you need to look after the most.
- 2) Who has stopped using you? Sometimes clients just get out of the habit of using you. You should have a marketing plan to re-activate past customers.
- 3) To know about a customer. If you have 500 customers, you will not be able to remember everything about everyone. When a client phones up, you will have an instant record about everything. How do you think this makes the client feel?
- 4) Efficiency. There have been various calculations on this. From experience in my business, it has made us 40% more efficient, which means during a normal 40 hour working week, it has freed up an extra 16 hours, two whole days.
- 5) Access. Most CRM systems can be accessed by any device, anywhere.

SYSTEMISED BUSINESS

The starting point of a business is usually created by an individual, typically the owner, who is, very hands on at this stage with few, if any, staff and modest resources. The early period of the business does well as customers receive a high degree of attention with good levels of service as a result. Overheads tend to be low, and the business can respond quickly to both customers and the market needs.

Word is spread by customers and referrals of new business are easily achieved.



This is where you peak in point A. The business is doing well because of you, because of your skills and personality. In an ideal world two conditions will be met. Firstly, the owners will recognise they have reached the pinnacle for personality driven business and secondly, they will be happy with where they are financially and stop growing. Neither of these normally happens. The owner continues to drive forward but with growth comes problems. Staff and resource levels have been increased to serve the growing business, which now has increasing costs and is tying up the owner's time. Owners themselves come under increasing pressure being torn between customers, staff and running the business.

Falling service levels and a rise in costs see the growth restricted and dissatisfaction as the business grows (point C). This is where people often say, "this was so much easier in the earlier days". At this point, you have hit a crossroads. You have three options:-

- 1) Carry on, which is what most people do
- 2) Remain a personality driven business and downsize
- 3) Spend time and move forward becoming a systems-based business

If you are going to systemise your business, I would recommend that you do it at the beginning of your business as it will be easier.

Also, when you sell your business, it will be worth much more than a personality driven business, as this business isn't dependent on you. To create a systemised business, you need to go through every aspect of your working week and input this into flow charts. You need to see if these flow charts can be improved or made more efficient by doing things differently. This also gives you, in effect, a staff handbook for when a member of staff starts, which means they follow things in exactly the same fashion as you would like them to be done.

You also have to encourage staff to review your systems and procedures as they may have methods which will improve what you are doing. You should always be looking to improve and monitor the results.

BUSINESS STRATEGIES

Have you ever heard the phrase, "working on the business, not in the business"?

This is essential for people in business.

When people become busy in business, they are tied up with all business-related matters, without taking the time out to see what can be done differently to improve the systems or to drive the business forward.

This again stops the growth of the business. You need to ensure you set aside one session per week where you have no phone calls, no emails, no internet access and no form of distraction and during this time, you should cover all parts of your business.

Each of your strategies should have:-

- Plan
- Control
- Review

Your business strategies should cover:-

- Your business performance
- Your marketing performance
- Review of your customers
- Review of your staff
- Review of your suppliers
- What you should delegate
- New products and services
- What efficiency can be implemented
- What new technology is around

8. GOOD LUCK

SUMMARY

I hope that you have found this useful. Being in business can be one of the biggest challenges that you can take on; it can also be one of the most rewarding and can really change your life for the better.

Good luck with your business. If you need any help, please do not hesitate to contact us.