



THE GUIDE TO  
**BUSINESS START UP**



"Ideally, since 80 percent of your life is spent working, you should start your business around something that is a passion of yours. If you're into kite-surfing and you want to become an entrepreneur, do it with kite surfing.

Look, if you can indulge in your passion, life will be far more interesting than if you're just working. You'll work harder at it, and you'll know more about it. But first you must go out and educate yourself on whatever it is that you've decided to do - know more about kite surfing than anyone else. That's where the work comes in. But if you're doing things that you're passionate about, that will come naturally."

**Sir Richard Branson**

## Welcome

Britain is a recognised leader in the Creative Industries and has a lot to offer the rest of the world. As creative students, you will be part of that future.

**If you have signed up to one of our units you have taken the first step in seeking out the entrepreneur in you.**

Primarily this unit is for those of you who are creative and have 'an idea' for a business, or wish to work as a freelancer when you graduate. We also welcome those of you who just want to understand what it would be like to run a business.

We do not want to overload you with theory; just the knowledge you need when you start out, delivered by people who run their own businesses. You will explore your ideas and create a plan so those creative ideas will get the chance to be developed.

You may decide that starting a business is not for you after all. No matter: any employer will welcome your understanding of the challenges they as business owners face, so make sure this unit features on your c.v.

Please take advantage of the 'one 2 one' support and resources available to you. It is a vital part of the unit, and you will be reminded how to access this throughout your course. Our aim is to ensure that by the time you graduate we will have passed on the essential knowledge, and you'll have gained the confidence, to develop the entrepreneur in you.

Good luck,  
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## GETTING STARTED

Year upon year, the UK is seeing growth in business start-ups. More young people than ever before are considering self-employment over employment. In the media sector self-employment has become the norm, with creatives often moving from one contract to the next as a freelancer.

Alternatively you may decide to set up your own business. With the opportunity of free or low-cost technology to promote yourself, running your own business is accessible to all. This booklet provides a useful resource to your unit - and a few tips to get you started.

**TOP TIP****ALWAYS BEGIN WITH THE END IN MIND**

Entrepreneurs have vision. They have an idea and know what it is going to look like in one, two or five years time. The detail of how they are going to get there is irrelevant to them at first. They keep focused on the vision and fill in the detail during the journey. Whether designing a new product or launching a new service, keep focused on that vision. It can be taught, but generally creative people naturally have these skills.

**TOP TIP****SOURCING A NICHE MARKET IS BECOMING MORE IMPORTANT**

As technology now helps us all to create a professional image, we all need to strive to be different. If you can find a niche within your sector and promote yourself as a specialist, then customers will come to you for those products or services.

Bravissimo specialises in lingerie and clothes for ladies with fuller figures, and have built up a very successful international business. They started as a small business and successfully grew it with venture capital from outside investors.

[www.bravissimo.com/pepperberry](http://www.bravissimo.com/pepperberry)

## EXPLORING YOUR IDEA - TIME TO DO SOME RESEARCH

### You have a great idea. But...

- > Is it viable as a business?
- > Can you earn enough money to support yourself independently?
- > Is there a gap in the marketplace?
- > Is it unique?
- > Most importantly, will anyone want to buy your product or service?

Before you can turn your idea into a plan, you will need to do some market research to understand your potential customers, price point and competitors.

### Questions you might like to consider:

- > How many potential customers do you have – and, crucially, properly service?
- > What can you find out about their characteristics - how much they spend, where they are going for their goods and services now?

**Once you have a really good understanding of your potential clients and competitors, you will be in a good position to develop your plan.**

## DEVELOPING A PLAN

You will spend time on your unit looking at how to write a Business Plan.

But do you really know why you're doing it?

Your Business Plan will be your map. It helps you get all those great ideas down on paper.

Once you start working on them, you will then start to weed out those that will be unfeasible and put some on hold to be picked up again once you have got your business up and running profitably.

You will also need to prepare a Business Plan if you require external funding to start your business. The ideal way to do this is by using a 'canvas' - see [www.businessmodelgeneration.com](http://www.businessmodelgeneration.com) This helps you visually plot your idea and, when you are happy with it, turn it into a formal plan.

You can follow a standard Business Plan format or adapt one to suit your needs. It needs to include a little more than the points to the side but these are the key ones:

### Business Idea

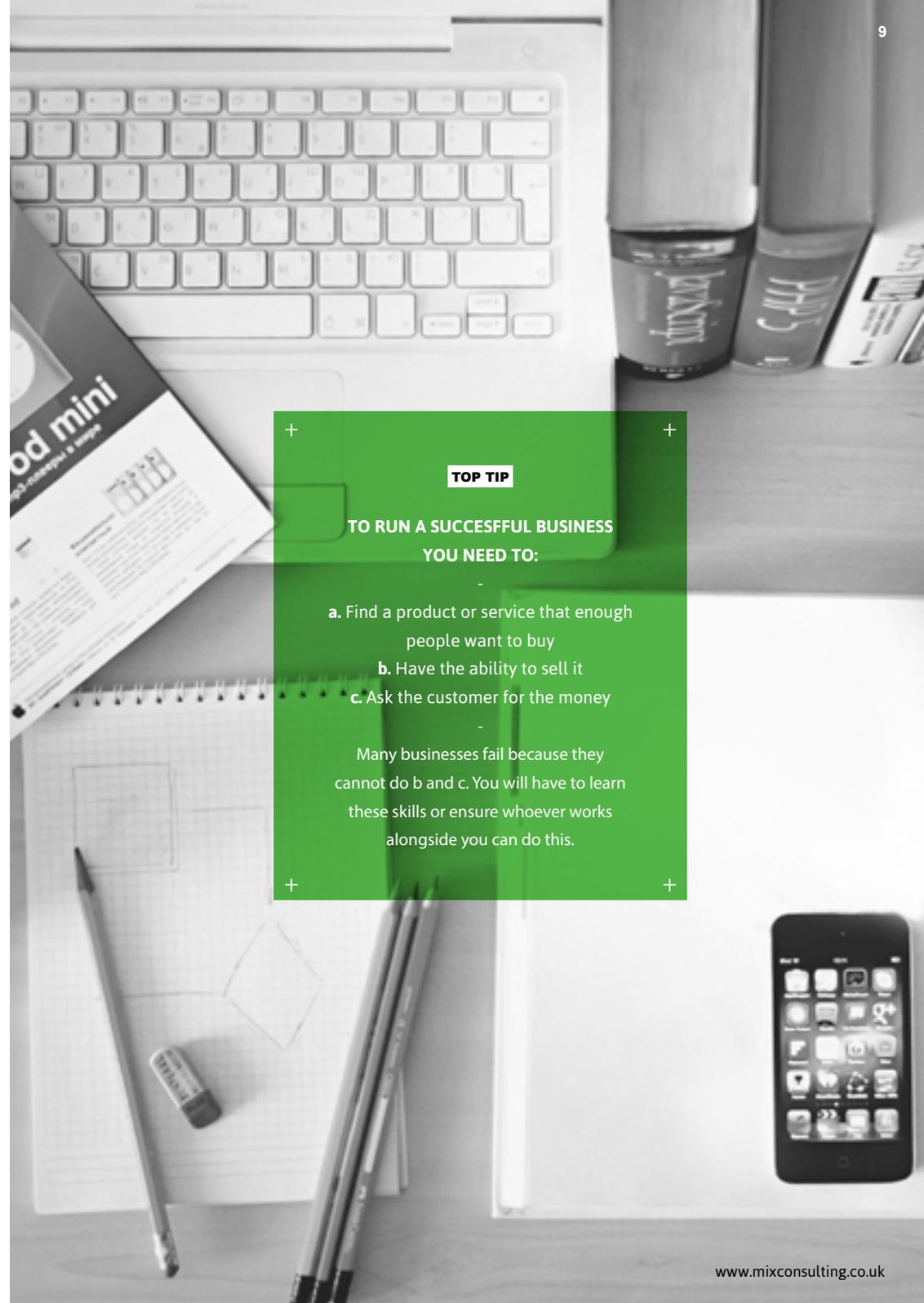
- > What is your idea? Make sure your reader understands your product or service and how it works.

### Market

- > Who will be your clients or customers?
- > Who are your competitors?
- > Don't forget your 'niche' or 'unique selling point'

### Operations

- > Who will run the business?
- > Will you need help?
- > How will you develop the idea, promote it and provide excellent customer service?
- > Where will you operate from?
- > What equipment will you need?
- > What skills do you not have that you will need to buy in?
- > IT – systems and procedures i.e. invoicing, client management, distribution etc.
- > Finance – great idea, but will it make a profit? You will need to work your finances out on a spreadsheet



#### TOP TIP

#### TO RUN A SUCCESSFUL BUSINESS YOU NEED TO:

- a. Find a product or service that enough people want to buy
- b. Have the ability to sell it
- c. Ask the customer for the money

Many businesses fail because they cannot do b and c. You will have to learn these skills or ensure whoever works alongside you can do this.

## START TRADING

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### TOP TIP

#### ALWAYS BEGIN WITH THE END IN MIND

If you have a very simple business model i.e. working as a freelancer without a Limited Company, you can probably do your own returns to the Inland Revenue for tax purposes. However, if in doubt use an accountant. It is their job to keep up to date with tax and relevant legal business requirements and might save you time and money in the long run. If your business is more complicated, then an accountant is a must. Find one via recommendation if possible.

**You have completed all your background work, decided on your name, the plan is in place and you are ready to move your idea into an operational business.**

Setting up your business is non-productive. It will not earn you any money. Nevertheless, all business owners have to comply with the law.

#### You will need to:

- > Decide on the legal entity of your business i.e. Self-employed/Partnership/Limited, Company/Community Interest Company and register your business accordingly.
- > Register with the Inland Revenue
- > Register for VAT. (if appropriate at this stage)
- > Ensure you have the appropriate insurances i.e. Public Liability/Employers Liability/Professional Indemnity Insurance etc.
- > Register your domain name – not a legal requirement
- > Engage legal professionals if required

## THE MARKETING PLAN

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### TOP TIP

#### REMEMBER: THE OLD WAYS STILL WORK

Bus shelters, for example, are still used to advertise the latest brands. In most cases your business will require an online/offline strategy.

**Think about your clients and how to reach them and the best medium for advertising.**

You will need a combination of offline/online, using all the digital tools widely and often freely available. Think about your customers. If you were selling medical equipment for elderly people, how would you go about it? Your first thought may be a leaflet drop to individual houses; a few do use the internet but their younger family members responsible for their care will be digitally savvy so you would need a varied approach.

You will need to prepare a plan for your marketing strategy with costs attached, even if it is your own time. And don't forget the action plan, or you will never get around to doing it.

- > **What** - needs to be done?
- > **When** - does it need to be done by?
- > **Who** - is going to do it?



## ***LOOKING FOR NEW BUSINESS OPPORTUNITIES***

**Whether you are freelancing or setting up a business, you will be looking for opportunities to sell your product or service.**

As a freelancer working on your own it is often tempting not to look for work if you already have a contract. If you want a constant flow of work you need to be looking for work as part of your daily routine. You could spend up to 80% of your time looking for new opportunities in your first two years of business. Life will often be 'feast or famine', too much or too little, but that is part of the excitement of working for yourself.

## GETTING THE FIGURES RIGHT

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**Unless you are doing all this work just for a bit of fun, you will need to make sure your business earns a profit.**

Very often businesses are born out of hobbies and creative people, especially, love to see their vision recreated. But you need to make sure that all the figures stack up and that your idea is financially viable.

If you are creative then your idea may be very labour intensive, and only done by you. There is only so much you can do in a week (trust me, I've tried!). Despite the planning, you do need to sleep. Think of ways you might be able to increase your income without you doing all the work, perhaps by paying others and taking a percentage of the profits or, if you are an illustrator or designer, reproducing your work so the copies can give you a passive income.

If you are fortunate enough to have an internet based business where you earn money while you sleep then you may have found the perfect business!

You will need to work your finances out on a simple spreadsheet. First, though, you need to know what it is that you need or want to earn out of your business in a 12 month period and work the spreadsheet based on this information.

As you start to put your projected/actual actual monthly figures into the sheet and take away all your expenses, it will soon become apparent how much marketing and business development you will need to do to achieve this sum. It can be a sobering thought.

### TOP TIP

#### DO THE FINANCIALS FIRST

Do the financials first - it may change how you develop your business.

## PROTECTING YOUR IDEA: INTELLECTUAL PROPERTY

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**Some of you will have come up with an idea that needs protecting and you will need to seek professional advice.**

First stop is [www.ipo.gov.uk](http://www.ipo.gov.uk).

Intellectual property (IP) refers to creations of the mind: inventions, literary and artistic works, and symbols, names, images, and designs used in commerce.

#### IP is divided into two categories:

> Industrial property, which includes inventions (patents), trademarks, industrial designs, and geographic indications of source; and copyright, which includes literary and artistic works such as novels, poems and plays, films, musical works, artistic works such as drawings, paintings, photographs and sculptures, and architectural designs.

> Rights related to copyright include those of performing artists in their performances, producers of phonograms in their recordings, and those of broadcasters in their radio and television programmes.

## INDICATIVE READING

Below is a list of useful books that will help you learn about how to **succeed in business.**

### Learning about the industry

#### T Shirts and Suits

*David Parrish*

All about integrating creativity with business.

#### Losing My Virginity

*Richard Branson*

Learn about how Richard Branson manages his entrepreneurial activities and be inspired.

#### The Business Plan Workbook

*Colin Barrow*

The definite guide to re-searching, writing up and presenting a winning plan.

#### Starting Up on Your Own

*Mike Johnson*

How to succeed as an Independent Consultant or Freelance.

#### Fashion Entrepreneur

*Sandra Burke*

Starting your own fashion business

#### Pinfluence

*Beth Hayden*

The complete guide to marketing your business with Pinterest.

#### Do It or Ditch It

*Bev James*

A no-nonsense guide to Business Start Up

#### The Lean Startup

*Eric Ries*

How constant innovation creates radically successful businesses.

#### Blah Blah Blah: What to Do When Words Don't Work.

*Dan Roam*

Enjoy and share ideas in a new and more effective way.

#### Business Model Generation

*Alexander Osterwalder, Yves Pigneur*

Exploring your business idea using a canvas and 'post-its'.

#### The Ultimate Small Business Marketing Book

*Dee Blick*

Packed with powerful tips, proven tools and many real life examples and case studies.

#### Blogging for Creatives

*Robin Houghton*

How designers, artists, crafters and writers can blog to make contacts, win business and build success.

#### Like a Virgin

*Sir Richard Branson*

Secrets they won't teach you at business school

#### Seizing the White Space

*Mark W. Johnson*

Business Model Innovation.

#### 2 of Velocity

*Ajaz Ahmed, Stefan Olander*

The seven new laws for a world gone digital.

#### Build a Business from your Kitchen Table

*Sophie Cornish, Holly Tucker*

Story of notonthehighstreet.com

## USEFUL WEBSITES

Below is a list of useful websites that will help you to **develop your business idea and plan.**

### The legal stuff

#### Accountancy

[www.freeagent.com](http://www.freeagent.com)

#### Insurance

[www.simplybusiness.co.uk](http://www.simplybusiness.co.uk)

#### Enterprise Nation

[www.enterprisenation.com](http://www.enterprisenation.com)

#### HM Revenue & Customs

[www.hmrc.gov.uk/startup](http://www.hmrc.gov.uk/startup)

#### Business Link

[www.businesslink.gov.uk](http://www.businesslink.gov.uk)

#### Federation of Small Businesses

[www.fbs.org.uk](http://www.fbs.org.uk)

#### Start Up Britain

[www.startupbritain.org](http://www.startupbritain.org)

#### HM Revenue & Customs Value Added Tax (VAT)

[www.hmrc.gov.uk](http://www.hmrc.gov.uk)

#### Intellectual Property (protecting your idea)

[www.ipo.gov.uk](http://www.ipo.gov.uk)

#### Health & Safety

[www.bbc.co.uk/filmnetwork](http://www.bbc.co.uk/filmnetwork)

[www.acas.gov.uk](http://www.acas.gov.uk)

[www.gov.uk](http://www.gov.uk)

### Setting up your business

#### Domain Names

[www.ukgodaddy.com](http://www.ukgodaddy.com)

#### Lawyers for your business

[www.lawsociety.org.uk](http://www.lawsociety.org.uk)

#### CIC Regulator

[www.socialenterprise.org.uk](http://www.socialenterprise.org.uk)

#### Social Enterprise

[www.socialenterprise.org.uk](http://www.socialenterprise.org.uk)

#### Trading Standards

[www.tradingstandards.gov.uk](http://www.tradingstandards.gov.uk)

#### Data Protection

[www.informationcommissioner.gov.uk](http://www.informationcommissioner.gov.uk)

#### Companies House

[www.gov.uk/register-a-company-online](http://www.gov.uk/register-a-company-online)

### Social Media

#### Twitter

[www.twitter.com](http://www.twitter.com)

#### LinkedIn

[www.linkedin.com](http://www.linkedin.com)

#### Facebook

[www.facebook.com](http://www.facebook.com)

### Funding

#### Shell Livewire

[www.shell-livewire.org](http://www.shell-livewire.org)

#### Princess Business Trust

[www.princes-trust.org.uk](http://www.princes-trust.org.uk)

#### Start Up Loans

[www.startuploans.co.uk](http://www.startuploans.co.uk)

#### CrowdCube

[www.crowdcube.com](http://www.crowdcube.com)

#### Seedrs

[www.seedrs.com](http://www.seedrs.com)

#### Kickstarter

[www.kickstarter.com](http://www.kickstarter.com)

#### IWOCA

[www.iwoca.co.uk](http://www.iwoca.co.uk)

### Research

#### Survey Monkey

[www.surveymonkey.com](http://www.surveymonkey.com)

#### Wufoo

[www.wufoo.com](http://www.wufoo.com)

## GLOSSARY OF BUSINESS TERMINOLOGY

Like any other sector, businesses have their own terminology. This glossary sets out the most common terms, most of which relate to financial matters.

**Accounting Year** – The 12 month period you use to draw up your accounts, which need not be the same as the tax year which runs from 6th April – 5th April.

**Accounts Payable** – These are the bills that you pay in the normal course of running your business. This is a standard accounting term, one of the most common liabilities (what you owe). A business receives goods or services from a vendor, then an invoice and until that invoice is paid the amount is recorded as part of 'Accounts Payable'.

**Accounts Receivable** – Debts owed to your business usually from sales on credit. It is a business asset as it is owed to you by customers who have not paid yet. The standard procedure in business-to-business sales is that when goods or services are delivered they come with an invoice, which will be paid later depending on the terms and conditions you have agreed when you started to do business with the company normally 30 days. The money involved goes onto the seller's books as accounts receivable and onto the buyer's books as accounts payable.

**Assets** – everything that the business owns.

**Acid Test** – used to make sure that the business can meet all its immediate cash requirements. Short-term assets minus accounts receivable and inventory, divided by short-term liabilities. A common business ratio used by financial analysts.

**Annual Investment Allowance** – A tax allowance that you can use to claim back some or all of the cost of buying new assets.

**Bank Reconciliation** – This is when you check off your bank statement against the figures written in your accounts. The discrepancies are often where cheques have not cleared the bank or standing orders posted to the bank have not gone out.

**Basic Period** – Period in which profits are taxed, usually your chosen accounting period except in the first few years of trading when early business start up rules apply.

**Benchmark** – A standard or guideline used to compare some aspect of a business to some objective or external standard measure. For example, when a banker compares a business' profitability to standard financial ratios for that type of business, the process is sometimes referred to as "benchmarking". It uses five standard business measures (sales, gross margin, net profits, collection days, and inventory turnover) as they change over time. In this case the benchmark is the business itself, so it compares past results to planned future results

**Bundling** - The practice of marketing two or more product or service items in a single package with one price.

**Business Mission** - A brief description of an organisation's purpose with reference to its customers, products or services, markets, philosophy, and technology.

**Business Plan** - The written document that details a proposed or existing venture. It seeks to capture the vision, current status, expected needs, defined markets, and projected results of the business. A business plan "tells the entrepreneur's story" by describing the purpose, basis, reason and future of the venture.

**Capital Allowance** – Tax allowances that you can use to claim back some of the cost of assets, e.g. equipment used in your business.

**Capital Gains** – Gains from selling an asset or investment (but not a product or service) for more than you paid for it. i.e. a property, piece of equipment.

**Capital Input** – Also known as paid-in capital. This could also be called investment, or new investment. It is new money being invested in the business, not as loans or repayment of loans, but as money invested in ownership. This is also money at risk. It will grow in value if the business prospers, and decline in value if the business declines. This is closely related to the concept of paid-in capital, on the Balance Sheet table. Paid-in capital is the amount of money actually invested in the business as money, cheques written by investors.

**Cash** – Readily available money like banknotes or a positive balance in your current account. If you run

out of cash your business will fail because you can no longer pay your bills.

**Cash flow** – Flow of cash into and out of the business. It is really important to make sure your creditors (people who owe you money) pay on time. If they don't and you cannot pay your suppliers it will be the end of the business. Tip: Check your cash flow monthly at the very minimum.

**Cashbook** – A spreadsheet that records all cash into and out of the business. In business terms this includes cheques and credit card payments i.e. any money that's paid to or by you.

**Cost of Sales** – Also known as cost of goods sold, cost of sales is the cost directly associated with the selling of a product e.g. cost of materials plus any labour directly involved in manufacturing but not so called overheads like lighting and other expenses. Cost of sales is also referred to as direct costs or variable costs because they vary with sales whereas overheads are generally fixed costs.

**Creditors** – Those to whom you owe money.

**Current Year Basis** – Profits are taxed in the year in which they were made.

**Capital Expenditure** - Spending on capital assets i.e. plant and equipment.

**Capital Assets** - Long-term assets, also known as Plant and Equipment, or fixed assets. These terms are interchangeable. Assets are generally divided into short-term and long-term assets, the distinction depending on how long they last. Usually the difference between short term and long term is a matter of accounting and financial policy. Five years is probably the most frequent division point, meaning that assets that depreciate over more than five years are long-term assets. Ten years and three years are also common.

**Cost of Goods Sold** - The cost of goods sold is traditionally the costs of materials and production of the goods a business sells. For a manufacturing company this is materials, labour, and factory overhead. For a retail shop it would be what it pays to buy the goods that it sells to its customers. For service businesses, that don't sell goods,

the same concept is normally called "cost of sales," which shouldn't be confused with "sales and marketing expenses." The cost of sales in this case is directly analogous to cost of goods sold. For a consulting company, for example, the cost of sales would be the compensation paid to the consultants plus costs of research and production of reports and presentations. In standard accounting, costs of sales or costs of goods sold are subtracted from sales to calculate gross margin. These costs are distinguished from operating expenses, because gross profit is gross margin less operating expenses. Costs are not expenses.

**Competitive Analysis** - Assessing and analysing the comparative strengths and weaknesses of competitors; may include their current and potential product and service development and marketing strategies.

**Cross Elasticity of Demand** - The change in the quantity demanded of one product or service impacting the change in demand for another product or service.

**Debtors** – Those who owe you money.

**Depreciation** - An accounting and tax concept used to estimate the loss of value of assets over time. For example, cars depreciate with use.

**Drawings** – The money taken out of the business for your own personal use.

**Direct cost of sales** - A shortcut for cost of goods sold: traditionally, the costs of materials and production of the goods a business sells, or the costs of fulfilling a service for a service business.

**Dividends** - Money distributed to the owners of a company as profits.

**Economies of scale** - The benefit that larger production volumes allow fixed costs to be spread over more units, lowering the average unit costs and offering a competitive price and margin advantage. Producing in large volume often generates economies of scale. The per-unit cost of something goes down with volume because vendors charge less per unit for larger orders, and often production techniques and facilities cost less per unit as volume increases. Fixed costs are spread over larger volume. This is why independent businesses have difficulty competing with larger multiple organisations; they can

on do it on 'added value'. If you are offering a consultancy service you will set yourself up a number of standard tools that are generic to all clients and this would be your economy of scale as it will save you time i.e. tendering process, procedures etc.

**Fixed Cost** - These are static running expenses that do not fluctuate with output volume and become progressively smaller per unit of output as volume increases. i.e. Rent, utility bills, wages.

**First Year Allowance** – Capital allowances that apply to new purchases of equipment in its first year of life.

**Fixed Assets** – Long term assets like property, plant and machinery lasting beyond 12 months.

**Invoice** – Document detailing the sale of products or services. A sales invoice is sent to your customer either when you complete the work or in stage payments if agreed. You receive purchase invoices from your suppliers. The receipts you keep to claim back any expenses are purchase receipts i.e. stamps, fuel etc.

**Harvesting** - Harvesting is most often referred to selling a business or product line, as when a company sells a product line or division or a family sells a business. Harvesting is also occasionally used to refer to sales of a product or product line towards the end of a product life cycle.

**Liabilities** - Debts; money that must be paid. Usually debt on terms of less than five years is called short-term liabilities, and debt for longer than five years in long-term liabilities.

**Loss** - Loss is an accounting concept, the exact opposite of profit, normally below the line of the Income Statement, which is also called Profit or Loss statement. Start with sales, subtract all costs of sales and all expenses, and that produces profit before tax. Subtract tax to get net profit. If the end result is negative, then instead of profit it is called loss.

**Net Profit** - The operating income less taxes and interest. The same as earnings, or net income. Tip: This is the figure you need to understand. It is the profit in your business that is important, not the turnover. 'Turnover is vanity, profit is sanity!'

National Insurance Contributions –NICs are a form of tax

paid by both employed and self-employed people. The latter pay two types of NICs, namely Class 2 and Class 4. Tip: If you set up a Limited Company, although you own it you will have to pay the employer's and employee's contribution as you are an employee, despite owning it. Take advice when you start out in business whether it is really necessary in the early stages to set up a Company. <http://www.hmrc.gov.uk>

**Pay as you Earn** – PAYE. Income tax for regular employees working for a company (as above) and company directors employed by their own company.

**Payroll** – the process of administering employees' pay, i.e. income tax, national insurance and all other statutory deductions.

**Petty Cash** – An amount kept for small purchases normally kept in a cash box with a book/voucher to record what it is used for i.e. stamps, tea and coffee. Make sure it is legitimate; too many packets of sandwiches and the Inland Revenue will be taking a huge interest in how you are using the money.

**Purchase Ledger** – Details of your suppliers and what you owe them.

**Product Life Cycle** - A model depicting the sales volume cycle of a single product, brand, service or a class of products or services over time described in terms of the four phases of introduction, growth, maturity and decline. Inevitably all products have a lifecycle even if it is re-invented as a different brand.

**Revenue** – Business income usually from sales but also from interest, dividends etc. Also known as turnover.

**Repositioning** - The process of strategically changing the perceptions surrounding a product or service.

Retained earnings - Earnings (or losses) that have been reinvested into the company, not paid out as dividends to the owners. When retained earnings are negative, the company has accumulated losses.

**Return On Investment (ROI)**- Net profits divided by net worth or total equity; yet another measure of profitability. Also called ROI.

**Seed capital** – The investment contributed at a very early stage of a new venture, usually in relatively small amounts. It comes even before what they call "first round" venture capital.

**Shareholders** - Individuals or companies that legally own one or more shares of stock in a company.

Stock Turnover - Total cost of sales divided by inventory (materials or goods on hand). Usually calculated using the average inventory over an accounting period, not an ending-inventory value. Also called Inventory Turnover.

**Sunk cost** - Past expenditures for a given activity that are typically irrelevant in whole or in part to future decisions. The "sunk cost fallacy" is an attempt to recoup spent pounds by spending still more pounds in the future.

**Surplus or Deficit** - (Non-profit organisations): Also called Profit and Loss statement, in for-profit businesses. An income statement is a financial statement that shows funding, cost of funding, gross surplus, operating expenses, and surplus or deficit. Gross surplus is funding less cost of funding, and surplus (or deficit) is gross surplus less operating expenses and taxes. The result is surplus if it is positive, deficit if it is negative.

**SWOT Analysis** - A formal framework of identifying and framing organisational growth opportunities. SWOT is an acronym for an organisation's internal Strengths and Weaknesses and external Opportunities and Threats.

**Sales Ledger** – Details your customers and what they owe you.

**Self-assessment** – A system of taxation where you have to calculate your own tax liability. Used by HMRC to tax sole traders.

**Tax Relief** – Things you can deduct from your income to bring down your tax bill e.g. a business loss.

Turnover – Business income usually from sales but also from interest, dividends etc. Tip: remember, you may have a high turnover but it is not your profit (see net profit).

**Target Market** - The target market is a defined segment of the market that is the strategic focus of a business or a marketing plan. Normally the members of this segment possess common characteristics and a relative high

propensity to purchase a particular product or service. Because of this, the members of this segment represent the greatest potential for sales volume and frequency. The target market is often defined in terms of geographic, demographic, and psychographic characteristics. Trading down - The process of reducing the number of features or quality of an offering to realise a lower purchase price.

**Trading up** - The practice of improving an offering by adding new features and higher quality materials or adding products or services to increase the purchase price. Valuation - Used as a noun, valuation is what a company is worth, as in "this company's valuation is £10 million." This would mean that a company is valued at £10 million, or worth £10 million. The term is used most often for discussions of sale or purchase of a company; its valuation is the price of a share times the number of shares outstanding, and the price of a share is the total valuation divided by the number of shares outstanding.

**Value** - The ratio of perceived benefits compared to price for a product or service.

**Variable cost** - Costs that fluctuate in direct proportion to the volume of units produced. The best and most obvious example are physical costs of goods sold, direct costs, such as materials, products purchased for resale, production costs and overhead, etc. The concept of variable cost is an important component of risk in a company, because generally variable costs are less risky than fixed costs, because variable costs are not incurred unless there are sales and production.

**Venture capital** – money invested in a business by venture capitalists who are looking for a quick return on their investment. They are looking for high growth potential in a business and it is often the way a true entrepreneur raises funds. However they will want a return on that investment (ROI) quickly; the average is five years. Tip: A great opportunity if someone is willing to invest but you must see your business as a way of earning money and not be sentimental about it, You will need to be prepared to sell it when the money needs repaying or, if you are now rich, have the money to buy their share.

**Value Added Tax (VAT)** – tax that is paid on goods and services. When your business reaches a threshold of £79,000 (Yr 2013-14) you will need to register.

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