

BUSINESS FINANCE: START A BUSINESS







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Business opportunities •

Finding a business idea

Shopping

Go to a shopping centre and examine some of the products and see how they can be improved.

Media

While watching television or reading magazines think about the products advertised and see if they can be improved.

Talking to people

Ask your family and friends whether they have thought of any ideas for new products or services.

Household duties

Think about business opportunities while performing household duties, could you design a new labour-saving device?



Creating toys for children

Visit a nursery and see how children play and interact. Could you design new toys and games?

Holidays

While on holiday, do you see products or services that you do not have at home?

Sports and hobbies

If you have a hobby or play a sport, look out for products or services that are missing or could be improved.



Register your Business

Companies and Intellectual Property Commission

If you plan to register your business, as a company, for example, you need to register with Companies and Intellectual Property Commission (CIPC). You have to print the form, complete the form and then submit the forms to the CIPC.

This form can be completed online www.cipc.co.za

Reserve your name

You must complete the form CoR 9.1 to reserve the name of your business.

Only once the name has been approved, you may use the name

You can also set up a simple business, like a partnership. This is less formal and a partnership agreement would regulate the partnership.



Memorandum of Incorporation

The most important document governing a company is the MoI (Memorandum of Incorporation).

The Companies Act impose specific requirements on the content of a MoI, as necessary to protect the interests of shareholders in the company.

Payment

Proof of payment of the filing fee must be submitted, along with the completed notice of incorporation and MoI.

Ensure that you use the official CIPC forms

Registration

On approval and acceptance of the incorporation documentation, the CIPC will issue you with CoR 14.3, registration certificate.



SARS Requirements •

Registering with SARS

As soon as you start a business, you are required to register with your local SARS office to obtain an income tax reference number.

You will be required to register with SARS for the following periodic returns:

- Register your business for income tax (Form IT77C)
- Register yourself as a taxpayer if you have never been registered before (Form IT77)
- Register for PAYE, Skills Development Levy and Unemployment Insurance Fund contributions (Form EMP101)

Registrations linked to turnover and payroll

Depending on other factors such as turnover and payroll amounts, you could also be liable to register for other taxes and duties such as:



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Definitions



Value-Added Tax (VAT)

Value-Added Tax is known as VAT. VAT is an indirect tax on the use of goods and services in the economy. Certain businesses are required to register and charge VAT on the taxable supplies of goods and services.



Pay-as-you-earn tax (PAYE)

Pay-as-you-earn tax (PAYE) is a withholding tax on income payments to employees. This means that an amount of money on salary or wages is not paid to the employee but rather directly to SARS. PAYE is treated as advance payments of income tax due. These payments are refundable to the extent they exceed tax as determined on tax returns.



Skills Development Levy (SDL)

The Skills Development Levy (SDL) is a levy imposed to encourage learning and development in South Africa. The funds are to be used to develop and improve skills of employees.



Unemployment Insurance Fund (UIF)

The Unemployment Insurance Fund (UIF) gives short-term relief to workers when they become unemployed or are unable to work because of maternity, adoption leave, or illness

Bank Account •

Opening an account

You will not be able to open a bank account until you have your company registration documents.

Apply for a bank account by talking to the branch manager or one of the consultants responsible for dealing with new business accounts.

If you have been using a bank already, try this bank first. However, consider checking out other banks that may offer you a better deal.

Choose a bank / branch that is located conveniently near to your business.

Shop around for the best value and service, and check the bank fees charged by various banks for cheque and other transmission accounts.

Ask for overdraft facilities (this can take some time to approve).



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- Valid ID documents of all members / directors in the business
- Proof of residence of all members / directors in the business
- Copies of all company documentation
- A signed lease agreement for the business premises (business-type dependent)
- A complete cheque account application, which requires detailed financial information
- Any other owner's signatures if there is more than one owner, although it is preferable if all concerned are present when opening the account

Keep your personal and business finances separate!

Business Plan •

Importance of a Business plan

- A business plan is an important tool for managing and growing your business.
- A well-designed plan lays out a vision of growth and the steps needed to get there.
- A plan is also an essential communications tool for attracting financing for your business as well as managers and staff as your business grows.





Components of a business plan

There are 7 components of a business plan, these include:

- Executive summary
- Business description
- Market analysis (also known as a SWOT analysis, which is an analysis of your strengths, opportunities, weaknesses and threats)
- Organisational management
- Sales strategies
- Funding requirements
- Financial projections

IMPORTANT

Focus your attention on the information you put into your business plan.

Your business plan needs to be presented in a logical manner with the right type of information.

A well presented business plan will help to convince the bank manager to provide you with the financial assistance that you need to start your business.

Business Plan Template •

Title page

It should be structured neatly and appeal to your intended audience.



The title page generally includes the following items:

- Name of your business or proposed name for your business
- Company Logo
- Name
- Contact details, address, telephone, email etc.

Executive summary

- An executive summary gives an overview of your business.
- It is the first thing that the reader will read, and it gives them the first impression of your business.



Vision



Mission



Business



Achievements



Competition



Risk / opportunity



Management team



Capital requirements



The target market



Title Page

Client's Name(s)	
Business Name:	
Contact Details:	Tel - ()
	Email
	Address

Executive Summary

Vision:
Mission:
Business:
Achievements:
The target market:
Competition:
Risk / opportunity:
Management team:
Capital requirements:
Financial plan

Raising money for a business •

When you are starting up your own business, it is likely that you will need money.

There are several types of funding available in South Africa, but it is not easy to come by.

When you are trying to secure funding, you must keep in mind that some sources of finance will be appropriate for some but not for others.

The different types of funding in South Africa are:

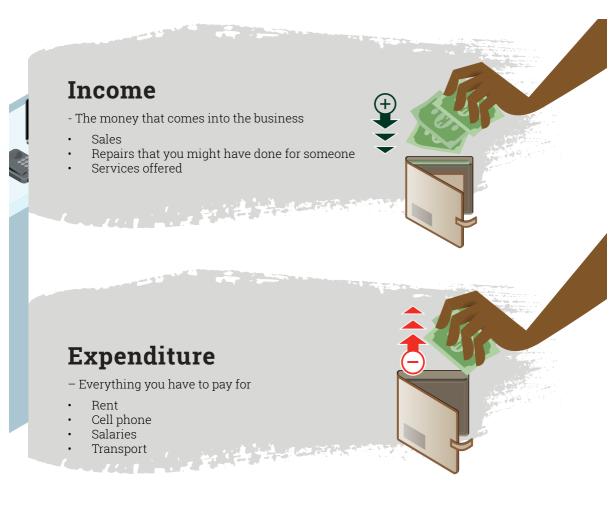
- Bank finance
- Own finances
- Investors

- Family loan
- Government funds
- Government grants



Income vs. expenditure

Let us take a look at the difference between income and expenditure.



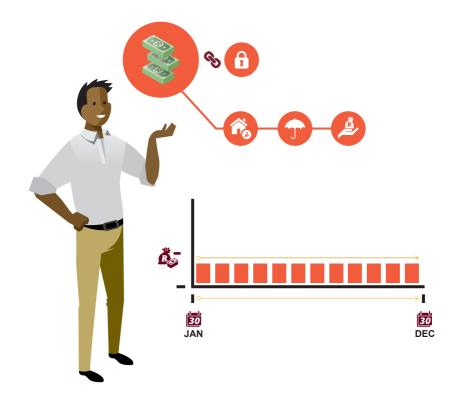


Fixed vs. variable costs

Let us take a look at the difference between fixed and variable costs.

Fixed costs

- Costs that do not change every month
- Rent
- Salaries
- Insurance



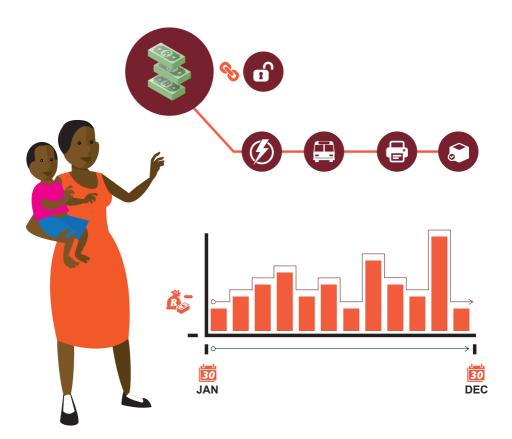


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Variable costs

– Costs that change from month to month

- Electricity
- Transport
- Printing
- Stock





Needs vs. wants

Let us take a look at the difference between needs and wants.

Needs

Needs are the things you cannot live without

- Place of work
- Salaries (Need employees to provide the service or create the product)
- Equipment





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Wants

Wants are the things you can live without

- Bonuses
- Fancy equipment
- Fresh flowers daily







Income and expenditure

Income

Income	Fixed	Variable



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Expenditure

Expenses	Fixed	Variable	Need	Want



Steps to creating and maintaining a budget

Creating a budget

STEP 1	Make a list of all your income
STEP 2	Make a list of all your expenses
STEP 3	Review your financial goals
STEP 4	Add up all your expenses
STEP 5	Subtract your needs and wants from your expenses

Note: If your total expenses are more than your income you are in trouble and need to cut back on your wants



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STEP 1	Control your spending
STEP 2	Keep track of your expenses
STEP 3	Update your budget monthly
STEP 4	List expenses by item and not place of purchase
STEP 5	Pay bills on time
STEP 6	Compare your budget with actual expenditure each week
STEP 7	Adjust your budget

Note: Remember to plan for unforeseen events, for example, breakdown in equipment, fuel increase, etc



Budget template



Let's take a look at a practical example of Lerato's budget. Lerato has just opened a hair salon. She now needs to work out a budget. The following is Lerato's budget:

	Jani	uary	February	
Items	Budgeted amount	Actual amount	Budgeted amount	Actual amount
Income (your earnings)				
Hair salon service	R10,200			
Sale of hair products	R2,100			
Rent from stylists	R3,000			
Total income	R15,300			
Expenses (Everything you pay)				
Fixed expenses (Costs that do not change))			
Rent	R1,000			
Salaries	R3,000			
Advertising	R1,500			
Insurance	R500			
Total fixed expenses	R6,000			
Variable expenses (Costs that change)				
Electricity and water	R1,700			
Telephone	R1,200			
Products	R1,100			
Transport	R800			
Washing	R200			
Total variable expenses	R5,000			
Total income	R15,300			
Less total expenses (fixed + variable)	(R11,000)			
Surplus (amount of money left over) or Deficit (amount of money still needed)	R4,300			





Budget and tracking

Budget – month 1

January		February		
Items	Budgeted amount	Actual amount	Budgeted amount	Actual amount
Income (your earnings)				
Total income				
Expenses (Everything you pay)				
Fixed expenses (Costs that do not change)				
Total fixed expenses				
Total fixed expenses Variable expenses (Costs that change)				
Total variable expenses				
Other expenses				
7 -4-1-40				
Total other expenses Total income				
Less total expenses (fixed + variable +				
other)				
Surplus (amount of money left over) or Deficit (amount of money still needed)				



Tracking expenses – month 1

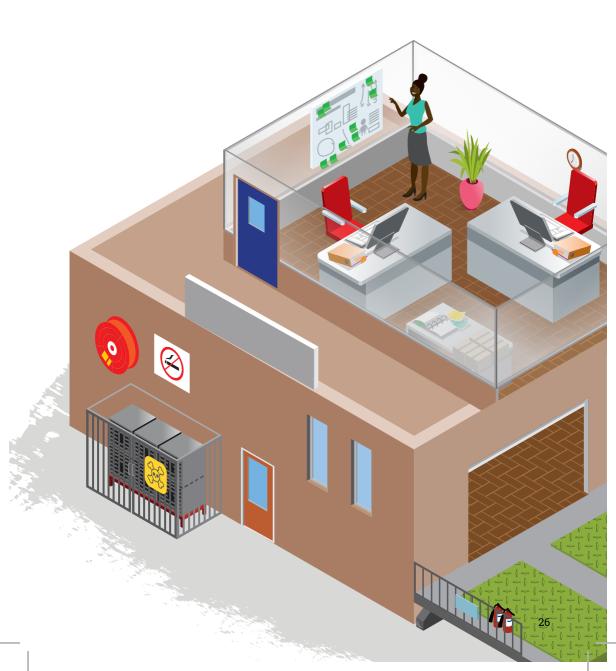
Expenses	Week 1	Week 2	Week 3	Week 4	Week 5
					×.
					1
Weekly Totals					
Monthly Totals					





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The purpose of this booklet is to help you work through the process of starting a business.

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Conduct Authority

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