

Financial Management

This program, *Managing and Financing Independent Business: Practical Tools for Control, Survival, and Success*, addresses your role as a money manager. Of course, most business owners have not been trained professionally in accounting or finance; but given the uncertain nature of business and economic cycles combined with an increasingly rapid rate of technological change monitoring your financial condition and making sound financial decisions has never been more important. In short, financial management is too important to leave solely to chartered accountants and bankers – after all, *it's your business* that will either prosper or suffer as a result of financial decisions.

Business Failures

Of all the new businesses that are formed each year, approximately 80% fail within the first ten years. Records show over 90% of business failures are attributable to faulty management – more precisely, poor financial management. Here are primary financial killers:

- 1) Failure to plan properly before start up.
- 2) Failure to monitor financial position
- 3) Failure to understand relationship between price, volume and costs
- 4) Failure to manage cash flow
- 5) Failure to manage growth
- 6) Failure to borrow properly
- 7) Failure to plan for transition

Fiscal Fitness: Control

Attempts to achieve physical fitness through crash diets, impulsive exercise, or superficial cosmetics and other quick-fix methods almost *never work*. The same is true in your business. Financing survival and health are the result of *continuous management and control* applied according to a plan. And the plan needs to be backed up by a sound knowledge of basic financial issues. That's how fiscal fitness is achieved and maintained.

The goal of this program is to provide access to all the necessary parts of the process. Your challenge is the gain control; to format the information and apply the process; to recognize symptoms and follow them back to causes – and to design corrective action steps. Financial management is not all-or-nothing proposition. Whether this program is a first step or a review of techniques learned long ago, the journey through the process can be as awarding as the result.

5 C's of CREDIT

1. CHARACTER

- Personal references, employment references, credit references
- Is there the commitment to endure?
- What skills and experience are necessary for the business and does the person have some of or most of them

2. CAPITAL/CASH

- Does the prospective entrepreneur have any cash to put into the business?
- No one will lend 100% of any project. Starting any business has risk and that risk must be shared.

3. COLLATERAL

- What assets are available to secure the loan? What is the realistic value of the assets if they have to be sold off to pay the debt? Are the assets free from other liens? Can you verify the assets? Is there personal Net Worth Statement?

4. CAPACITY

- Will there be enough profit to make the loan payments? Pay the operating expenses? Pay wages? Break-even?
- Marketing and advertising plans?

5. CONDITIONS

- What are the social conditions of the area? Population? Demographics?
- What are the economic conditions? Lots of jobs or unemployment? The competition? Trends?
- Laws and regulations and their effect?