

Factsheets

No.1

Many people have the aspiration to run their own business. This can be for many reasons, some may have been made redundant and find themselves with financial recourses and lot of free time. Others make the resolution to start up in business. One then has independence and the full financial rewards for efforts made.

Whatever the motive, a number of dangers exist. The biggest concern for most being business failure.

Before trading begins some factors need to be considered. This factsheet however does not present every possibility and any decisions should be supported by taking professional advice.

Initial considerations

Key factors that should be considered in order to make your business a success:

- Commitment – Starting a business is challenging. Determination & passion is vital.
- Skills – you will require managerial, financial, technical & marketing skills. You might not have all of these skills, however they can be found in a partner or employee, or indeed through training.
- Your product or service should have an established or tested market, and must not conflict with the patent or rights of an existing business.

Starting up in business

Your business plan

The key to success is the business plan. If you need finance no bank manager will lend you money without a sensible plan.

The plan should make available the way in which the business will begin & develop. It should describe the type of business, product or service, the market, method of operation, capital requirements and proposed economic results.

Business structure

- **Sole Trader** – The simplest form of business. It can be started without legal procedure. The business of a sole trader is not distinguished from the proprietor's personal affairs.
- **Partnership** – This is similar to a sole trader but it is advisable to have a written agreement drawn up by a solicitor and for all partners to be conscious of the terms of the partnership. As with a sole trader, the business affairs are not separate to those of the partnership. All partners are responsible for the business debts and errors of others. So if the business fails and incurs debts, and your partner doesn't pay his or her share, you will still be required to pay. This is even the case if debts were incurred by your partner's dishonesty or mismanagement without your knowledge. A further possibility is to use what is known as a Limited Liability Partnership (LLP).
- **Company** – The business dealings are separate from the personal affairs of the owners, but there are legal regulations which companies have to comply.

The appropriate structure will depend on a number of factors, including consideration of taxation implications, the legal entity, ownership and liability.

Books & records – All businesses need to keep records. They can be computerised or maintained manually, but should contain details of payments, receipts, credit purchases and sales, assets & liabilities. Professional advice should be sought when purchasing computer software to maintain your records.

Accounts – The books & records are used to produce the accounts. If records are kept well, it will be easier for your accountant to finalise the accounts. Accounts must be prepared for HMRC & if a company is formed there are strict legal requirements as to their format.

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