**Start-up expenses and capitalization**

You will have many startup expenses before you even begin operating your business. It’s important to estimate these expenses accurately and then to plan where you will get sufficient capital. This is a research project, and the more thorough your research efforts, the less chance that you will leave out important expenses or underestimate them. Give sources, amounts, and terms of proposed loans. Also explain in detail how much will be contributed by each investor and what percent ownership each will have.

To determine how much seed money you need to start, you must estimate the costs of doing business for the first months. Some of these expenses will be one-time costs such as the fee for incorporating your business or the price of a sign for your building. Some will be ongoing costs, such as the cost of utilities, inventory, insurance, etc. While identifying these costs, decide whether they are essential or optional. A realistic startup budget should only include those things that are necessary to start a business. These essential expenses can be divided into two separate categories: fixed and variable. Fixed expenses include rent, utilities, administrative costs and insurance costs. Variable expenses include inventory, shipping and packaging costs, sales commissions, and other costs associated with the direct sale of a product or service. The most effective way to calculate your startup costs is to use a worksheet that lists both one-time and ongoing costs.

**Use the table with costs examples**.

|  |  |  |  |
| --- | --- | --- | --- |
| **1/Startup Expenses-one time expenses** | | | |
| Legal | | | - € |
| Logo design | | | - € |
| Initial website design | | | - € |
| Insurance | | | - € |
| Salaries before start (project preparation people) | | | - € |
| Rent/Security deposit | | | - € |
| Computer and office equipment | | | - € |
| Training | | | - € |
| Pre-opening marketing | | | - € |
| Office supplies | | | - € |
| Other (explain) | | | - € |
|  | | | - € |
| **Total Expenses** | | | **- €** |
|  | | |  |
| **2/Startup Assets** | | | |  |
| Cash in the bank | | - € | |
| Starting inventory | | - € | |
| Office furniture | | - € | |
| Company labels | | - € | |
| Plant and equipment | | - € | |
| Land | | - € | |
| Buildings | | - € | |
| Other assets – cars, machines…. | | - € | |
|  | | - € | |
| **Total Assets** | | **- €** | |
|  | |  | |
| **3/Monthly operational costs** | | | |
| Rent of buiding | - € | | |
| Utilities (electricity…) | - € | | |
| Salaries | - € | | |
| Inventory, Stock | - € | | |
| Marketing costs | - € | | |
| All other | - € | | |
| **Total Monthly costs** | **- €** | | |
| Number of months | Choose number of months which you want to cover from first loan | | |
|  |  | | |
| **Total Startup Costs** | **=1+2+(months \*table 3)**  **- €** | | |

**A NEED FOR CAPITAL**

|  |  |
| --- | --- |
| **1/YOUR TOTAL START UP COSTS(from previous table)** | **AMOUNT €** |
| **2/TOTAL CAPITAL REQUIREMENT (the same amount as in 1)** | **AMOUNT €** |
| **CAPITAL YOU WILL GET FROM:/SOURCES OF your CAPITAL** | **AMOUNT €** |
| * *You* |  |
| * *Family* |  |
| * *Friend* |  |
| * *Investor* |  |
| * *Loan* |  |

**B. Revenues – SALES plan**

|  |  |
| --- | --- |
| Examples | **AMOUNT €** |
| Sales revenue |  |
| Service revenue |  |
| Interest revenue |  |
| Other revenue |  |
| **Total Revenues** |  |

**Final question: will be profitable?**