

Financial Basics for Starting a Business

How to Start Strong and Stay Financially Smart

Presented by: Karen Patel, CFBS, CLTC Lead Advisor



North Metro Denver



Introduction

Starting a business requires more than a great idea—it requires financial readiness.

Today's focus:

- ▶ Understand foundational financial concepts
- ▶ Explore how personal finances impact business success
- ▶ Learn how to avoid early financial pitfalls
- ▶ AND.....questions from you??

The 5 C's of Credit (What Bankers Look For)

- ▶ 1. Character - Your credit history, reputation, and trustworthiness
- ▶ 2. Capacity - Your ability to repay loans (income, debt-to-income ratio)
- ▶ 3. Capital - Personal money you've invested (skin in the game)
- ▶ 4. Collateral - Assets to secure the loan
- ▶ 5. Conditions - External factors like industry trends and economic environment

Personal Finances & Business Success

Your personal finances reflect your ability to manage business finances.

Lenders and investors review:

- ▶ Personal credit score
- ▶ Personal debt obligations
- ▶ Personal savings as business backup
- ▶ Strong personal financial health = lower business risk

Managing Personal Debt & Savings

- ▶ Reduce high-interest debt before launching your business
- ▶ Build an emergency fund for at least 3-6 months of living expenses
- ▶ Separate personal and business finances early on
- ▶ Use personal savings for working capital—not credit cards, if possible

Key Financial Terms Decoded

INCOME STATEMENT

- ▶ Revenue - Total income before expenses
- ▶ Profit - What's left after expenses (Revenue - Expenses)
- ▶ Gross Margin - Revenue minus cost of goods sold (COGS)
- ▶ Net Margin - Net profit as a percentage of revenue

CASH FLOW - Money coming in and out of your business
(Sources / Uses)

BALANCE SHEET

- ▶ Assets - Liabilities = Net Worth
(debit) (credit)

example

Sources & Uses - Start Up Costs

Summary Statement			
<u>Sources of Capital</u>	<u>Dollars</u>	<u>Percent</u>	
	\$		
Owners' and other investments	-	#DIV/0!	
	\$		
Bank loans	-	#DIV/0!	
	\$		
Other loans	-	#DIV/0!	
	\$		
Total Source of Funds	-		Total must be equal to Total Uses of Capital below
<u>Uses of Capital</u>			
	\$		
Buildings/real estate	-	#DIV/0!	Asset
	\$		
Leasehold improvements	-	#DIV/0!	Asset
	\$		
Capital equipment	-	#DIV/0!	Asset
Location/administration expenses	\$		
	-	#DIV/0!	Some may be assets, not "expenses"
	\$		
Opening inventory	-	#DIV/0!	Asset
Advertising/promotional expenses	\$		
	-	#DIV/0!	Expense
	\$		
Other expenses	-	#DIV/0!	Expense
	\$		
Contingency fund	-	#DIV/0!	Asset - Cash in Bank
	\$		
Working capital	-	#DIV/0!	Asset - Cash in Bank
	\$		
Total Startup Expenses	-		Total must be equal to Total Sources of Capital above

One-Time vs. Ongoing Costs

One-Time Startup Costs:

- ▶ Licenses and permits
- ▶ Equipment purchases
- ▶ Website development
- ▶ Legal fees and branding

Ongoing Expenses:

- ▶ Rent and utilities
- ▶ Payroll and benefits
- ▶ Inventory replenishment
- ▶ Marketing and subscriptions

Creating a Budget & Revenue Projections

- ▶ Estimate monthly expenses and include both fixed and variable costs
- ▶ Forecast revenue conservatively (low, medium, and high scenarios)
- ▶ Use tools like spreadsheets or apps (e.g., QuickBooks, Wave, LivePlan)
- ▶ Update your budget monthly
- ▶ Schedule weekly meeting with yourself..... as Business Owner

Avoiding Common Cash Flow Pitfalls

- ▶ Don't overestimate revenue or underestimate expenses
- ▶ Build in buffer time for receivables (slow payments)
- ▶ Monitor accounts receivable weekly
- ▶ Keep business and personal accounts separate
- ▶ Plan for seasonal fluctuations

Recap & Final Encouragement

- ▶ Financial clarity brings confidence
- ▶ Strong personal financial habits set the stage for business success
- ▶ Get help ongoing and when needed—accountants, advisors, or mentors
- ▶ Start smart, stay steady, and grow wisely!

Questions?

Contact me

Karen Patel, CFBS, CLTC Lead Advisor

Free one on one advising through North Metro SBDC:

<https://northmetrosbdc.as.me/karen-patel>