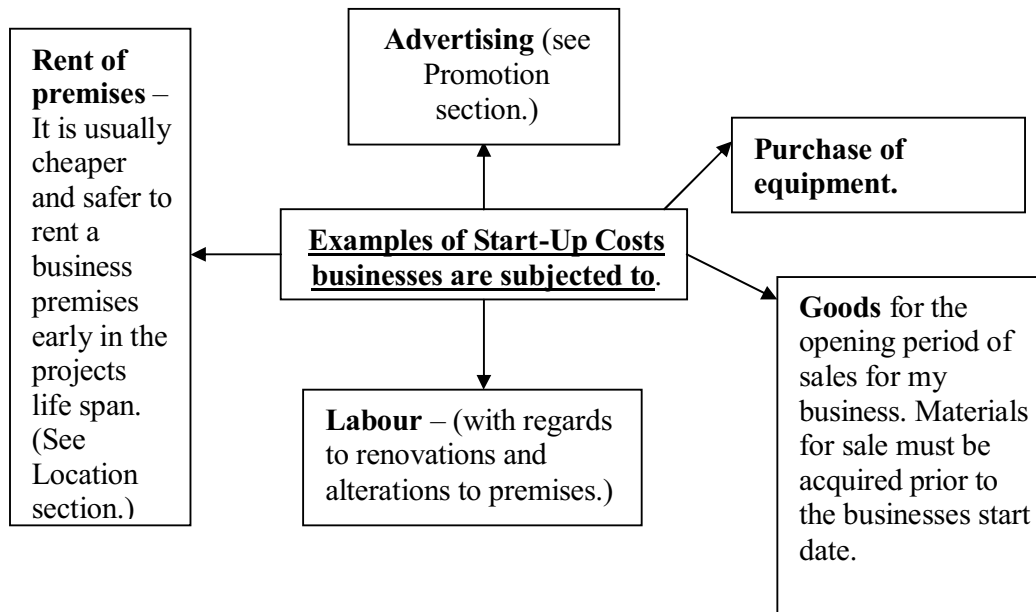


Finance

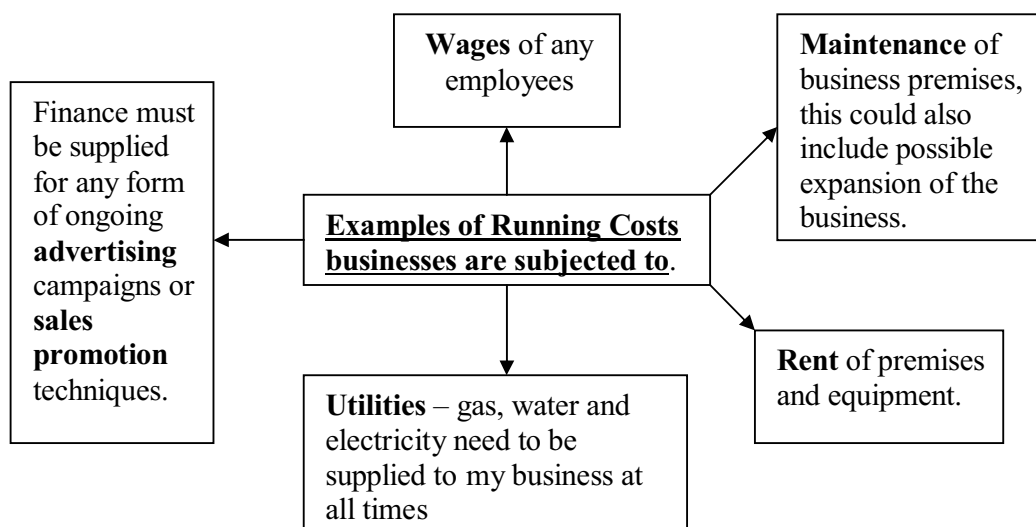
For a business to be successful in the increasingly competitive business environment detailed financial plans and accounts must be drawn up and followed consistently. With so many financial demands placed on small it is vital that all cost are calculated and accounted for prior to the businesses start-up date, these costs are referred to as 'start up costs'

Start Up Costs

Start-up costs are any payments that my business needs to make prior or opening.



Some Star-Up costs also apply during the general running of the business as 'running costs'. Running Costs are payments that are made once the business has started trading.



I shall now calculate how much the above costs will affect my business venture. I shall calculate firstly the start-up costs and then the running costs for a sample three-month period. In order to calculate costs effectively I shall design the outlay of my shop first.

Designing the layout of my shop.

When I began to design the layout of my shop I considered a number of potential problems and requirements, I came to the conclusion that the three most important requirements my shop needed were -

- Hygiene
- Appearance
- Safety

By applying serious thought and consideration I aim to solve these issues and be able to design a shop that is both efficient and appealing to customers.

Hygiene

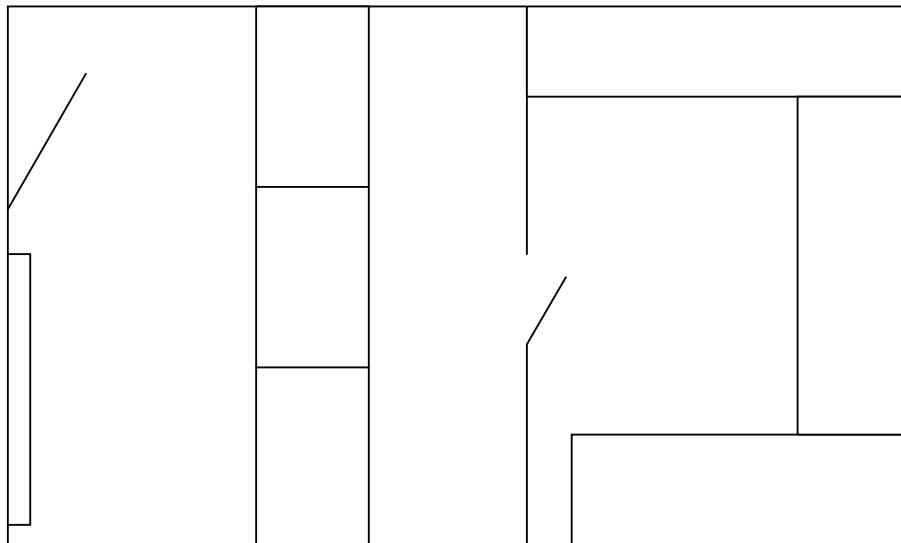
The layout of the equipment I require in my shop has to allow for easy cleaning. Equipment must be placed in areas that do not harbour dirt.

Appearance

As I am entering a competitive market it is important that the design of my shop is appealing to prospective customers. It should be colourful and practical. I will utilise a small expenditure on maintenance in order to achieve this.

Safety

Safety must be a priority to anyone setting up a business that deals directly with the public. There are tough regulations set by the government and these must be followed meticulously.



List of costs -

Equipment.

As my business requires specialist equipment such as frying equipments it is vital that costs are kept to a minimum. I aim to rent, as much of the equipment I require as possible, in order to ensure that start up costs are kept low.

The equipment I need is listed below with prices –

- Fish Frying Range - **£1235.00**
- Chipping Machine - **£234.00**
- Fridge - **£149.76**
- Deep Freeze - **£313.09**
- Batter Mixer - **£97.50**
- Microwave - **£116.93**
- Tables - **£120.98**
- Sinks - **£240.87**
- Utensils - **£54.00**
- Till - **£365.00**
- See-Through Drinks Fridge - **£213.43**

Premises Rental

£6,000.00 per annum (as stated in 'location' section) 6000 divided by 4 = **£1500**

Utilities –

- Gas and Electricity - **£127.00** from Scottish Power for 3 months
- Water - **£50.00** from North West Water for 3 months

Advertising –

- Wirral Globe - **£876.00** for 3 months.
- Radio City 96.7 - **£988.00** for 3 months.

Labour –

- Fitting of specialist equipment - **£1200.00**
- Tiling and decoration etc. - **£450.00**

TOTAL START-UP COSTS - £4790.56

TOTAL RUNNING COSTS (FOR 3 MONTHS) - £3451.00

Total capital required - £8241.56

Why do businesses use loans to raise capital for the start-up of their venture?

Often prior to a businesses start-up the prospective owners will calculate that large volumes of finance must be raised in order for the business to achieve its primary aim - to survive in the competitive business environment. The easiest and safest way to generate this finance is by acquiring a loan. Loan companies offer security that cannot be offered by private financing, such as insurance policies. Also loans allow for consistent repayments and easy budgeting, this permits businesses to make detailed plans that are more reliable than those who finance their ventures personally.

Repayment terms applying to different loans from different banks.

I require a loan of £10,000 to cover my start-up costs and running costs for the first 3 months of my venture. I shall compare repayment terms for 5 loans.

1. Nat West bank – For a 60 month term –

Amount Borrowed	Standard APR	Monthly Repayments	Total Amount Repayable
£10,000	12.9%	£268.48	£16,108.80

2. HSBC bank – For a 60 month term –

Amount Borrowed	Standard APR	Monthly Repayments	Total Amount Repayable
£10,000	10.9%	£216.93	£13,015.80

3. Royal Bank of Scotland – For a 60 month term –

Amount Borrowed	Standard APR	Monthly Repayments	Total Amount Repayable
£10,000	9.3%	£209.04	£12,542.40

4. Halifax bank – For a 60 month term –

Amount Borrowed	Standard APR	Monthly Repayments	Total Amount Repayable
£10,000	9.9%	£211.98	£12,718.80

5. Co-operative bank – For a 60 month term –

Amount Borrowed	Standard APR	Monthly Repayments	Total Amount Repayable
£10,000	9.7%	£211.00	£12,660.00

Repayment periods are spread over longer periods of time as this allows for the consumer to space payments out to make loans more affordable. This is also of benefit to the banks and loan companies as it allows greater interest to accumulate.

The loan I have chosen is from the Royal Bank of Scotland as it has the lowest interest rate and subsequently a lower total repayable amount. I shall now compare how this loan would differ if taken out on a 12-month term instead of the original 60-month term.

For 12 month repayment term

Amount Borrowed	Standard APR	Monthly Repayments	Total Amount Repayable
£10,000	9.3%	£875.91	£10,510.93

For 60 month repayment term

Amount Borrowed	Standard APR	Monthly Repayments	Total Amount Repayable
£10,000	9.3%	£209.04	£12,542.40

Although the total amount repayable is considerably less in the case of the 12-month term the monthly payments are significantly higher, this would prevent some businesses from having the capital available to take out this loan.