

Finances - Top Tips

Your Big Idea business can be 'for profit' or 'not for profit'. A 'for profit' Big Idea charges for the product or service they provide. A 'Not for profit' Big Idea may or may not charge. Some will be able to offer their services or products or run their campaign because they are 'sponsored' by another organisation or charity, who cover the costs, or from other fundraising such as donations.

KEY POINTS

Income and Expenditure

It is important to plan and keep track of how much you will spend (expenditure) and how much you earn (income) so that you don't run out of money. In the finance part of the Business Plan we need you to consider how you are going to generate money from your idea, and how much it is going to cost to keep your idea running. Remember that whether your idea is a product, a service, or a campaign, they each cost money to produce or run them. (People often think that campaigns don't have any costs, but, for example, the charity Oxfam spent over £384 million in the last reported 12 months!)

Income

Money received from sales and any other sources such as donations, grants and sponsorship. Make a list of where you think your money will come from, both before you start your idea and once it's up and running - remember, you want it to be a sustainable idea, one that can keep on going.

Expenditure

Any money spent, such as to pay for goods or services needed to run your business or campaign. Make a list of the things you think you'll need to spend money on (for example to promote your idea, to store your product, to pay people to manufacture the products, to perform the service, fuel for vehicles, etc.)

	Cost per item	Number of items needed	Total cost
Raw Materials.			
<i>List each of the raw materials you might need in a separate cell below.</i>			
Manufacturing a prototype			
<i>Do you have a quote for this?</i>			
Storage			
Packaging			
Equipment			
e.g. Computers			
e.g. Telephone			
e.g. desk			
Internet costs (e.g. domain)			
Marketing Materials or events			
e.g. Flyers			
Staff / Volunteer costs			
Office rent or room hire			
Other - list all the other costs you have to set up your Business/Service/Campaign			
		Total start-up costs	£ -

Cost = how much you need to spend to produce your product or service or to run your campaign.

Price = how much your customer pays you for your product or service.

Value = what your customer believes your product or service is worth to them.

Pricing:

There are two ways to calculate the price of your product or service:

1. "Cost plus" – Add together all the costs to produce, market and sell your product or service then add a percentage on top, that will be your profit.
2. "Market-based price" – Decide what the customer is likely to pay for your product or service based on competitor prices (the price other companies charge for similar products or services).

Profit = what is left after you take away everything you spend.

(Income - Expenditure = Profit)

Not-for-profit businesses, charities, and campaigns usually look to have enough income to cover their costs without making a profit. Or any profit that is made goes back in to the business or charity. If a non-profit sells a product or service, the price can still be calculated in one of the above ways. Remember, if a campaign sells merchandise such as wristbands or repurposed/recycled goods, they will need to be priced appropriately.