



# How deep is your pocket?

## The keys to establishing your start-up costs

<http://www.smallbusinesssuccess.biz>

One of the challenges of planning and getting a new business off the ground is to establish what your start-up costs are going to be. At best, it's going to be a stab in the dark or a wild guess, but there are some specific steps you can take to make your costings more realistic.

### Why estimate your costs?

Before we look at where you can get help, we should consider why you need to get your estimate of start-up costs to be as close to reality as possible. Firstly, if you are seeking bank finance, the dreaded **business plan** is required! The bank manager is not going to be impressed by a comment such as, "I think my start-up costs are going to be around £10,000 but hey, who knows!"

Secondly, you need to go into any new venture with your eyes open. You have to be as sure as you can on how much it's going to cost to get your new business started. There is nothing worse than getting 90% of the way there, only to fall at the last hurdle because you didn't cater for one major expense.

Lastly, as a start-up you are likely to only have a limited pot of money available. You have to prioritize which costs are essential and which can be delayed until the business is more established. You can only do this if you have researched and understood what your costs are going to be.

### Where can you go for help?

It's easy to think that you have a good idea of what your start-up costs are likely to be, but do you really? Once you think about it, a whole can of worms starts to open! But there are sources of help you can turn to, which will ensure that you don't face oblivion within the first few weeks.

### Your local business link

A good starting point is your local **business link** office. Call and book an appointment to see an advisor. They will have a wide range of material and experience which will give you a good grounding in the costs you will have to cover. The service is free, so that's one cost you won't have to worry about!

### Chamber of Commerce or local business club/group

If you have a local arm of the Chamber of Commerce or any formal or informal business group, then they are a good source of knowledge and information. Within the group you will find a wealth of experience and people who have been through it all - good times and bad times! You may be lucky enough to attend a meeting when a speaker is there on just the topic you are looking for.

### Colleagues and other business owners

If you don't have a club or group you can attend, then seek out business people yourself. Ask all your contacts to tell you

### Robert Warlow, Small Business Success, UK

about their start-up experiences - what costs they budgeted for, what costs they didn't budget for, and where they overspent. Genuine business people are usually happy to share their experiences and give you advice. Listen to what they have to say and take note.

If you don't have a circle of business contacts, put the word out to all your personal friends. A few of them will have friends or relatives who are in business on their own. Ask for an introduction or referral. This will 'warm' them up before you ask your searching questions.

### Bank business guides

Many banks provide comprehensive brochures on starting up in business. They usually contain a business plan template which will include a section on start-up costs. Some go further and produce guides for specific industries and sectors. They provide in-depth analysis about the business, the market, the competition and estimated start-up costs. Call in at the local branch of the one of the larger banks and ask to see the **small business manager/advisor**.

### Suppliers

If you are looking to cost your raw materials or partly finished stock for buy in then, as a key part of your financing, call your potential suppliers and ask for quotations. Tell them that you are starting up and they should be more than helpful; after all you could be a potential customer!

### Examples of start-up costs

If you haven't got the time to try any of the above (and there's no reason why you shouldn't find *some* time!) here are some of the key costs you will have to cover:

- Equipment; Fixtures and fittings;
- Installation; Initial stock;
- Advertising; Decoration;
- Legal and other professional fees;
- Licences;
- Specialized computer software;
- Up front rental payment;
- Initial cash float; and
- Cash to cover trading for the first month or two until the payments start rolling in

The list is by no means exhaustive but it will provide you with the first step to finding out how much it will cost you to start up.

### Who said it was going to be easy?

Getting a new business off the ground is difficult enough, even if you fully understand what it's going to cost you. Doing it with no idea is not a recipe for success. Devote some time to this exercise and you will be amply rewarded. □



# Company establishment

## Reporting requirements in Thailand

<http://www.boi.go.th>

Board of Investment, Thailand

Firms must keep books and follow accounting procedures specified in the Civil and Commercial Code, the Revenue Code and the Accounts Act. Documents may be prepared in any language, provided that a Thai translation is attached. All accounting entries should be written in ink, typewritten, or printed.

Specifically, Section 1206 of the Civil and Commercial Code provides rules on the accounts that should be maintained as follows:

“The directors must cause true accounts to be kept:

1. Of the sums received and expended by the company and of the matters in respect of which each receipt or expenditure takes place; and
2. Of the assets and liabilities of the company.”

### Imposition of taxes

Companies are required to withhold income tax from the salary of all regular employees.

A value-added tax of seven per cent is levied on the value added at each stage of the production process, and is applicable to most firms. The VAT must be paid on a monthly basis.

A specific business tax is levied on firms engaged in several categories of businesses not subject to VAT, based on gross receipts, at a variable rate ranging from 0.1-3.0 per cent.

Corporate income tax is 30 per cent of net profits and is due twice each fiscal year. A mid-year profit forecast entails advance payment of corporate taxes.

### Annual accounts

A newly-established company or partnership should close accounts within 12 months from the date of its registration. Thereafter, the accounts should be closed every 12 months. The performance record is to be certified by the company auditor, approved by shareholders, and filed with the Business Development Office, Ministry of Commerce, within five months of the end of the fiscal year, and with the Revenue Department, Ministry of Finance, within 150 days of the end of the fiscal year.

If a company wishes to change its accounting period, it must obtain written approval from the Director General of the Revenue Department.

### Accounting principles

In general, the basic accounting principles practised in the United States are accepted in Thailand, as are accounting methods and conventions as sanctioned by law. The Institute of Certified Accountants and Auditors of Thailand is the au-

thoritative group promoting the application of generally accepted accounting principles.

Any accounting method adopted by a company must be used consistently and may be changed only with approval of the Revenue Department.

Certain accounting practices of note include:

**Depreciation.** The Revenue Code permits the use of varying depreciation rates according to the nature of the classes of assets which have the effect of depreciating the assets over periods that may be shorter than their estimated useful lives. These maximum depreciation rates are not mandatory; a company may use lower rates that approximate the estimated useful lives of the assets. But if a lower rate is used in the books of the accounts, the same rate must be used in the income tax return.

**Accounting for pension plans.** Contributions to a pension or provident fund are not deductible for tax purposes unless these are actually paid out to the employees, or the fund is approved as a qualified fund by the Revenue Department and is managed by a licensed fund manager.

**Consolidation.** Local companies with either foreign or local subsidiaries are not required to consolidate their financial statements for tax and other government reporting purposes, except for listed companies which must submit consolidated financial statements to the Securities and Exchange Commission of Thailand.

**Statutory reserve.** A statutory reserve of at least five per cent of the annual net profits arising from the business must be appropriated by the company at each distribution of dividends until the reserve reaches at least 10 per cent of the company's authorized capital.

**Stock dividends.** Stock dividends are taxable as ordinary dividends and may be declared only if there is an approved increase in authorized capital. The law requires the authorized capital to be subscribed in full by the shareholders.

### Auditing requirements and standards

Audited financial statements of juristic entities (that is, a limited company, a registered partnership, a branch, or representative office, or a regional office of a foreign corporation, or a joint venture) must be certified by an authorized auditor and submitted to the Revenue Department and (except for joint ventures) to the Commercial Registrar for each accounting year.

Auditing standards conforming to international auditing standards are, to the greater extent, recognized and practised by authorized auditors in Thailand. □