

FINANCIAL TIMES **Guides**

.....

BUSINESS START UP 2012

THE MOST COMPREHENSIVE
ANNUALLY UPDATED GUIDE
FOR ENTREPRENEURS

SARA WILLIAMS



Prentice Hall
FINANCIAL TIMES

The Financial Times Guide to Business Start Up 2012



In an increasingly competitive world, we believe it's quality of thinking that will give you the edge – an idea that opens new doors, a technique that solves a problem, or an insight that simply makes sense of it all. The more you know, the smarter and faster you can go.

That's why we work with the best minds in business and finance to bring cutting-edge thinking and best learning practice to a global market.

Under a range of leading imprints, including *Financial Times* *Prentice Hall*, we create world-class print publications and electronic products bringing our readers knowledge, skills and understanding, which can be applied whether studying or at work.

To find out more about Pearson Education publications, or tell us about the books you'd like to find, you can visit us at www.pearson.com/uk

The Financial Times Guide to Business Start Up 2012

Sara Williams

25th edition

Financial Times
Prentice Hall
is an imprint of



Harlow, England • London • New York • Boston • San Francisco • Toronto • Sydney • Singapore • Hong Kong
Tokyo • Seoul • Taipei • New Delhi • Cape Town • Madrid • Mexico City • Amsterdam • Munich • Paris • Milan

PEARSON EDUCATION LIMITED

Edinburgh Gate
Harlow CM20 2JE
Tel: +44 (0)1279 623623
Fax: +44 (0)1279 431059
Website: www.pearson.com/uk

The Financial Times Guide to Business Start Up was previously published as the *Lloyds TSB Small Business Guide*

First published by Penguin Books 1987–2000
Fifteenth to eighteenth editions published by Vitesse Media plc 2001–2004
Nineteenth to twenty-fourth editions published by Pearson Education 2006–2010
Twenty-fifth edition published by Pearson Education 2011

© Sara Williams 1987–2002
© Vitesse Media plc 2003–2011

ISBN: 978-0-273-76199-0

British Library Cataloguing-in-Publication Data
A catalogue record for this book can be obtained from the British Library

Library of Congress Cataloging-in-Publication Data
A catalog record for this book is available from the Library of Congress

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without either the prior written permission of the publisher or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency Ltd, Saffron House, 6–10 Kirby Street, London EC1N 8TS. This book may not be lent, resold, hired out or otherwise disposed of by way of trade in any form of binding or cover other than that in which it is published, without the prior consent of the publisher.

10 9 8 7 6 5 4 3 2 1
15 14 13 12 11

Typeset in 9pt Stone Serif by 3
Printed and bound in Great Britain by Ashford Colour Press Ltd, Gosport

Contents

Acknowledgements / vii

Updates and further information / viii

- 1 You and your ideas / 1**
- 2 Who will buy? / 13**
- 3 A spot of coaching / 28**
- 4 Your business identity / 38**
- 5 Are you sure? / 56**
- 6 The business plan / 66**
- 7 Timing the jump / 72**
- 8 Less than 100 per cent / 77**
- 9 Off the peg / 83**
- 10 Franchises / 105**
- 11 Beating the pirates / 123**
- 12 The right name / 132**
- 13 Getting the message across / 141**
- 14 Getting new customers / 157**

15	Building customer relationships / 172
16	How to set a price / 180
17	Choosing your workplace / 192
18	Information technology – and other equipment / 204
19	Professional back-up / 212
20	Getting the right staff / 222
21	Your rights and duties as an employer / 244
22	Your business and the environment / 282
23	Insurance / 287
24	Forecasting / 295
25	Raising the money / 316
26	Staying afloat / 333
27	Moving ahead / 351
28	Not waving but drowning / 364
29	Keeping the record straight / 370
30	Tax / 381
31	VAT / 419
32	Pensions and retirement / 433
	*References / 443
	Index / 458

* An asterisk after the name of an organization or source in the text indicates that contact details are given in the References section.

Acknowledgements

The number of people who have helped me produce this comprehensive guide continues to grow. My debt to those who commented and supplied information for the original edition remains enormous; they helped me to improve the quality and content of the advice it contains to help you get new enterprises up and running, and keep them that way. For the current edition, the seventh published by Pearson as *The Financial Times Guide to Business Start Up* but the twenty-fifth since it was first published as the *Lloyds TSB Small Business Guide*, the checking and updating was carried out with remarkable efficiency by Jonquil Lowe. I'd also like to thank all the team at Pearson Education for the work they have done in publishing the guide so successfully under its new title.

If you have any comments on the guide, please e-mail smallbusiness@vitessemedia.co.uk.

Note

I have taken every care and effort to check the information and advice in this guide. Nevertheless, with a book as comprehensive as this one the odd slip may occur. Unfortunately, I regret that I cannot be responsible for any loss that you may suffer as a result of any omission or inaccuracy.

Updates and further information

Free updates throughout the year!

The Financial Times Guide to Business Start Up went to press in September, but you can keep up to date with the latest news, economic trends and regulatory developments affecting new and established small businesses by regularly logging on to the web site www.smallbusiness.co.uk.

The site also includes a huge range of tips, ideas and links to useful services across the following channels:

- Start a business
- Small business finance
- Employing staff
- Business banking
- Technology in business
- Legal advice
- Office and homeworking
- Sales and marketing
- Franchise directory
- Women in business
- Business insights

Log on to www.smallbusiness.co.uk – the resource for *your* business's success.

3

A spot of coaching

'I don't have the time' might be the instant reaction of a budding entrepreneur if it is suggested that training or asking for advice would be beneficial. At the other end of the spectrum, there may be people who could make a success of self-employment but 'don't know how to start'.

Training, counselling and seeking advice can all improve your chances of success, so do not dismiss the idea. If you have not yet started on your own, try to fit in some sort of training before you do so. If you are already under way, look around to see what training or help is available to fit in with your schedule – and don't wait until things are going wrong. Give yourself the greatest chance of success and consider it now.

There are an extraordinary number of organizations offering training or help for new or small businesses, including local enterprise agencies*, private training companies, online providers, local colleges, chambers of commerce*, local authorities* and banks. However, the simplest way to tap into the vast majority of these sources is through Business Link* in England, Business Gateway* in Scotland, Business Wales*, or Invest NI* in Northern Ireland. These are government-sponsored organizations that offer you a one-stop shop for finding out about all types of support and information relevant to business. All deliver their information and services through a web site and traditionally have offered local, face-to-face networks too. However, as part of the government's spending cuts, the Business Link regional network in England is to be abolished by November 2011. But the Business Link web site is being expanded and enhanced. There will also continue to be a telephone-based national business support centre.

An important source of local advice, training and mentoring is the network of local enterprise agencies* (LEAs). These are independent, not-for-profit bodies that are dissimilar in name, size, how they are funded and what they can do for you, but share the common aim of supporting small and growing businesses. You can locate your nearest LEA through the National Federation of Enterprise Agencies (NFEA)*.

Training courses

Obviously, the main purpose of attending a training course is to learn new skills and techniques. But a secondary purpose is that it gives you an opportunity to meet people with similar problems and possibly meet potential partners, suppliers and customers.

The diversity of courses available makes it difficult to describe an average course. On the other hand, this very diversity should ensure that you will find a course run somewhere that meets your needs and suits your personality, although obviously you do not want to travel too far.

How long is a course?

The length of courses available varies. There may be a one- or two-day taster. Or there could be a series of short modular courses, attended part-time (say, at weekends, in the evenings or spread over several weeks or months). *LearnDirect** offers a wide array of courses which you can complete over the Internet at your own pace.

What topics are covered?

The content of most of the general self-employment or small business courses leans heavily on the financial side. Topics such as cash flows, business plans and sources of finance, financial control, tax and book-keeping are covered. There should also be a substantial content on selling and marketing. Apart from these key areas, other topics that may be covered include premises, information technology, employment law, recruiting, time management, exporting, and other legal aspects of business and insurance. HM Revenue & Customs* run workshops around the country on tax-related topics, such as becoming self-employed and taking on your first employee.

As well as general courses, some organizations run more specialized ones, for example a two-day course concentrating on finance or marketing. If

you feel fairly confident in general about your business expertise, this sort of course could help you to brush up your knowledge in your weakest area.

What sort of training?

Inevitably, with a fair number of courses, quite a lot of the information and training is given in a fairly traditional classroom format. However, in all courses there should be discussion and questions. The success of the course can depend as much on the quality and interest of the participants as on the trainers. Before you choose a course, try to find out a bit about the type of participants attending the course to gauge if it is the right level for you.

An increasing number of courses are trying to introduce a 'hands-on' approach. Your business plan will be presented to a trainer and the other course participants for discussion, suggestion and improvement. On a few courses, there may be an opportunity to present your plan to someone from a bank or other source of funds. This could simply be a training exercise. However, if you present your case well, the bank may want to discuss your business idea in more detail.

Attending a course in person is often the best route because of the chance to network with other people. But if this would be difficult – for example, you can't take time away from business during the day – an alternative is online learning. You study over the Internet at times convenient to you and at a pace of your own choosing. One of the biggest providers of courses over the Internet is the government through its *learnirect** initiative, which offers a large range of courses designed for small businesses. If you don't have access to a computer at home, you can study from a learning centre, typically based in local schools, colleges and community centres.

Who runs the courses?

Courses are run by a wide variety of organizations, including training and enterprise councils, local enterprise agencies or colleges of further education or technology. The ideal trainer for a small business course is someone who has had experience of running a business and is a trained tutor. Before you choose a course, look at the backgrounds of the people running it.

A newly launched organization that has government backing is *Start-Up Britain**. Based on a successful US format, this is a web-based resource set up by business organizations to provide a wide range of support for

new and growing businesses. One of its initiatives is StartUp Saturday*, a series of courses for people new to business or wanting to brush up their skills. The courses are held on Saturdays in the stores of Staples, the business supplies retailer, initially in seven locations but going nationwide from September 2011. Each session lasts an hour and can either be taken separately or as part of a full 12-week course, and participants receive a workbook with information and case studies. Topics covered include, for example, researching the market, drawing up a business plan, financial aspects, marketing and selling. Individual sessions cost £10.90 or the whole 12-week course costs £103.15.

One ingredient for successful business training can be the support that you can get before and after the training course itself. To maximize the benefit from the time you spend, look for an organization running the course that can provide mentoring or counselling or has close links with one that does.

How to find a course

A good starting point for locating courses in your area is to contact the following organizations or use the searchable training directories on their web sites: Business Link*, Business Gateway*, Business Wales*, www.nibusiness-info.co.uk (part of Invest NI*) or [learndirect*](http://learndirect.com). Alternatively you can contact providers, such as local colleges, direct. To find out about colleges in your area, contact the Association of Colleges*. For information about StartUp Saturday*, visit its web site.

How to choose a course

- 1** If you don't know whether training will meet your needs, ask for advice from Business Link, Business Gateway, Business Wales or Invest NI. Alternatively contact the careers advice helpline at [learndirect](http://learndirect.com).
- 2** Decide whether you want a general or specialized course.
- 3** Try to find out about the trainers. Is there a good mix of practical business knowledge and teaching experience?
- 4** Find out about the kind of participants for whom the course is designed and, if possible, the individuals who will be on the course with you.
- 5** Ask if the training is mainly classroom-based. Go for courses with practical emphasis on business plans, especially if there can be a mock presentation for raising finance.
- 6** See if pre- and post-course counselling is provided or easily arranged.
- 7** Check the cost – there may be training allowances available.
- 8** Check whether you can get tax relief on the cost. If the course is connected

to your business and involves updating your skills, you should be able to deduct the cost as an allowable trading expense (see p. 388). If you are acquiring new skills, claim the annual investment allowance (see p. 394).

- 9 Check the hours of the course and, if applicable, find out the childcare facilities. If you cannot get to a course, check out learndirect.

Mentoring, counselling and consultancy

A mentor can give you *ad hoc*, informal advice on any aspect of setting up and running your business. Mentors are people who have been there themselves, having set up their own businesses, and so have a good understanding of the issues you are facing and the options available. Increasingly, you are likely to contact mentors online and may have access to more than one.

Help and advice on a one-to-one basis is given by counsellors. You could approach a variety of advice agencies at any stage of starting a business. Initially, counsellors can help by discussing your idea, and its strengths and weaknesses, and suggesting ways of carrying out market research.

At a later stage, counsellors can help you to prepare a business plan, including cash flows; you may even find a counsellor prepared to approach a bank manager with you. And counsellors will spend time with you if your business is hitting a sticky patch or if you feel you have a weakness in a particular area of your business and need fresh ideas or guidance.

The background of counsellors can vary a lot. All of them should be able to help in discussing your business idea, finding out about markets, preparing plans and budgets, advising on finance and helping you to find your way around the business world. If you need specialist advice or have more detailed problems, your counsellor will be able to help or will know who can.

For established businesses, there may be a need for consultancy on specific topics: design, marketing, quality systems, manufacturing processes and so on. Agencies can signpost you to consultants and may be able to offer help at a 'fair' rate.

Who provides mentoring, counselling or consultancy?

There are several sources:

- 1 *Business Link**, *Business Gateway**, *Business Wales** or *www.nibusinessinfo.co.uk (Invest NI*)*. If you want to talk to someone face-to-face about your

needs, contact the organization's helpline or use the web site resources. For example, on the Business Link web site, find the Directories section and choose Business Support Finder. You are asked to specify the type of support you need from a list and could choose, say, 'Exchanging ideas and sharing expertise'.

- 2 From June 2011, the government plans to have added a new online service, The Mentoring Gateway, which is to provide access to a network of 40,000 experienced business mentors. At the time of writing, further details had not been announced. Check the Department for Business, Innovation and Skills* web site for updates. Start-Up Britain* has also announced plans to launch an online Mentor Marketplace.
- 3 *Local enterprise agencies* (LEAs)*. These vary in the services they offer, so it is worth checking whether your local one offers any consultancy services. LEAs operate throughout England and Wales. To find your local agency, contact Business Link* or Business Wales*. You can also find your local LEA in England through the National Federation of Enterprise Agencies (NFEA)*.
- 4 *Chambers of commerce**. Local chambers vary greatly in size and the resources they can offer. To find your local branch, see *The Phone Book* or contact the British Chambers of Commerce (BCC)*.
- 5 Other *ad hoc* agencies that may provide support for small businesses, such as Natural England*, English Heritage* and local authorities*, which offer advice and sometimes grants to businesses where this helps also to achieve the particular aims of the agency.
- 6 *Banks*. Many banks offer specialist services for small businesses and have a network of small business centres or advisers. They can direct you to appropriate counselling organizations and information services.
- 7 If you are unemployed and have been claiming Jobseeker's Allowance for more than six months, you may be eligible for the New Enterprise Allowance (NEA). This is a package to help you start up your own business and includes access to a business mentor during the planning phase of your business and the early days of trading. For information, contact Jobcentre Plus*.

Sharing problems with others

The business problem you are currently struggling with is unlikely to be unique; other businesses may have faced similar dilemmas. Picking someone else's brains can be a useful source of ideas and advice – if you can

find the right brains, that is. One way of meeting other business people is to find out if there is a chamber of trade or commerce or a small business club operating in your area. Try asking your local library or LEA* (some enterprise agencies also run small business clubs).

The aims of clubs such as these are variously to promote the growth of small business in a particular area or field, to keep small businesses informed of relevant information and legislation, to provide a social situation in which business can be discussed, to act as a voice for small businesses both locally and nationally and, possibly, to promote trade between members.

You may also find that there are web sites with chat forums, where you may find useful suggestions if you raise a problem. Social networking sites, such as Facebook* and LinkedIn*, are becoming increasingly important as a way of discovering and exchanging ideas with people operating in the same field as you.

If one of your problems is being too small to undertake effective marketing of your products, you could consider working with other businesses by forming a joint venture or consortium. This is sometimes called a purchasing or marketing cooperative. Contact your local Business Link*, Business Gateway*, Business Wales* or Invest NI* to see if they can provide further information and assistance.

The media, books and exhibitions

Some of the national newspapers devote some space specifically to the small business sector. The *Financial Times* (Saturday edition), the *Daily Express*, the *Guardian* and *The Times*, for example, have pages which include business-to-business ads for businesses offering or wanting services, products or money, or businesses to buy and sell or franchises available – but see p. 85 for how to find a business to buy. The pages also have some editorial. There may be an article on the experience of one small business, but there are also usually up-to-date bits of information, for example about training courses, exhibitions, books and new finance packages.

There are quite a number of books written for small businesses. Some of them aim to be comprehensive, such as this one; others are more selective in particular areas. You could contact your local library, whose staff can be very helpful on suggesting sources of information. The Internet contains numerous sites offering general business advice, including Business Link*, Start-Up Britain*

and *www.smallbusiness.co.uk* sites. Use search engines (see p. 23) to track down other sites covering areas in which you are particularly interested.

At an early stage of your business planning, wandering around business exhibitions can give you some ideas and useful literature. These are also an opportunity to speak to some potential customers and competitors. Ask your Local Enterprise Agency* if there is soon to be a local exhibition or check out the directory of events on the web site of Business Link* or your equivalent organization.

Other organizations

There are many trade associations covering different sectors – and you may gain information or support by joining one of them. There are also three well-known small business organizations that can lobby at a national level.

1. The Federation of Small Businesses*

This is the largest small business organization in the UK, representing over 205,000 small and medium-sized businesses. Its primary role is to act as a lobbying group promoting and protecting the interests of its members. But there are direct membership benefits too, including legal and tax advice, information on employment law and an employment disputes service. Members also get a range of special offers for insurance, factoring and so on. The yearly membership is £120 for a sole trader working alone and £170 for businesses with one to four employees, increasing after that on a sliding scale according to the number of employees. There is also a £30 registration fee in the first year.

2. The Forum of Private Business*

This Forum offers members a range of benefits including, for example, employment law guidance, a credit management service, marketing advice, help finding finance and a general advice helpline. The Forum offers four levels of membership. Introductory membership is free and offers web site and e-mail information; intermediate membership starts at £175 if you work alone, £250 for up to ten people, and includes extra services such as HR and finance templates, business advice and money-saving deals; advanced membership starts at £425 for a sole trader, £500 for up to ten people, and adds in networking events; expert membership is a more expensive package tailored to your business.

3. Professional Contractors' Group*

PCG represents the freelance small business community. Its members include professional freelancers, contractors and consultants in, for example, IT, management, finance, engineering, oil and gas, telecoms and accounting. PCG campaigns on issues such as taxation, agency regulations and e-commerce regulations. Membership benefits include professional expenses insurance (to cover the fees of professionals employed during tax enquiries, VAT disputes and so on), access to free tax and legal helplines, contract templates and preferential rates from a range of suppliers. It also maintains a fighting fund to back suitable legal cases to establish important principles in tax and employment law. Standard membership starts at £120 + VAT for a sole trader or company with one fee-earner.

Advice aimed at specific groups

If you are relatively young and thinking of starting a business, or if you are unemployed with little prospect of obtaining employment, or a woman or from an ethnic minority, or an older person, you are often able to choose more specialized counselling or advice.

If you are from an ethnic minority, you may find that there is a local agency in your area especially to help members of ethnic minorities who start small businesses. Many other agencies now recognize that you may prefer to see a counsellor from an ethnic minority.

Here is some information on three specialist national organizations:

1. Shell *LiveWIRE**

Shell *LiveWIRE* is a UK-wide community investment programme funded by Shell UK Limited to stimulate young people (usually meaning 16 to 30) to explore the option of starting or developing their own business. As well as being active throughout the UK, *LiveWIRE* programmes are now established worldwide.

Through the web site, young people can get free information on all aspects of starting and running a business, for example through an online Business Kit and Library, networking with other entrepreneurs, putting questions to online mentors and finding out where to get further business advice in their local area. Shell *LiveWIRE* encourages sound

business planning and continual monitoring of the business. It also runs an annual young entrepreneur competition with a £10,000 prize and monthly 'grand idea' awards of £1,000 for businesses in their first year of trading.

2. The Prince's Trust*

The Prince's Trust helps unemployed (or working less than 16 hours a week) 18- to 30-year-olds in England, Wales and Northern Ireland to set up and run their own business. It provides advice on employment options, business skills training, planning support, start-up funding and ongoing support from a mentor. Its web site includes a range of useful guides and a business planning pack. Young people on the programme also have access to a range of free or discounted offers, including, for example, online accounting systems, a legal helpline and office rental.

3. The Prince's Initiative for Mature Enterprise (PRIME)*

PRIME is a not-for-profit organization that helps people over 50 start up in business. On joining its free business club, you'll receive a starter pack of information, a list of organizations near you that can help new businesses, and details of training, workshops and other events coming up. PRIME runs taster sessions to help you decide whether self-employment is for you, its own training events and a mentoring service, all of which are free. It publicizes useful events arranged by other organizations, some of which are free and others low-cost. PRIME also lobbies government to remove barriers to older people's employment.

Summary

- 1** A great deal of help and assistance is available to businesses in the UK, much of it free. Please make use of it, as it can help you to avoid mistakes.
- 2** Business Link provides a centralized source of information about what help is available. It is often your best starting point.
- 3** Choose your training course carefully. Check that it is a practical course with emphasis on your own business plans.
- 4** Counselling can be a useful source of advice, not just when you start but also when you have been in business for some time.
- 5** Other business people can provide help and contacts – see if there is a small business club in your area.

Index

- accident book 263
- accountants 42, 68, 198, 213–14, 343, 441
 - balance sheet 306
 - buying a business 86, 87, 90, 94, 97
 - company formation 41, 50
 - franchises 109, 118
 - price discrimination 189
 - raising money 220, 321, 330
 - value added tax 429, 430
- accounts 42, 90, 205, 377
 - audit 41, 42–3, 214
 - tax and 42, 371, 381, 391
 - year end 45, 75, 385–6, 410, 418
- adoption leave and pay 269, 270, 379
- advertising 144–9, 154, 357
 - recruitment 230–2
- Advertising Standards Authority 149
- advice 28–9, 32–3, 68, 102, 366
 - buying a business 86, 87, 89–90, 90, 92, 94, 96, 97
 - consultancy 32
 - counselling 31, 32–3, 68
 - debts 368
 - franchises 109, 115, 116, 118
 - information technology 207, 220–1
 - mentoring 31, 32, 33
 - patent agents 125
 - pensions 47
 - small business organizations 35–6
 - specialist organizations 35–6
 - tax 381–2
 - see also* accountants; solicitors
- Advisory, Conciliation and Arbitration Service (ACAS) 244, 252, 274, 275, 276, 277, 278, 280
- age discrimination 248–9, 257, 266–7, 269, 279–80
- agency workers 227–8, 246
- agents 170
- Alternative Investment Market (AIM) 219, 321, 351, 361
- annual investment allowance (AIA) 393, 394
- apprenticeships 225–6, 234, 326
- Arctic Systems case 44–5, 413
- articles of association 41, 51
- assets 90–4
 - business valuation 97–8
 - current 307, 308
 - stock 92–3, 109, 206, 307, 353, 378
 - fixed *see separate entry*
- assisted areas 194–5
- audit 41, 42–3, 214, 353–5
 - HMRC 407–8
- balance sheet 42, 90, 306–9, 314
- bank reconciliations 373
- bankruptcy 39, 365, 368, 369
- banks 33, 86, 205, 214–16, 220, 323, 341–2
 - forecast balance sheet 306
 - loans 113, 216, 322, 327–8, 360
 - overdrafts 319–20, 341, 342
 - Project Merlin 316
 - references 343, 348
- black economy 413, 417
- brand image 132–40, 143–4, 357
- break-even point 239–41, 333–7
- British Franchise Association 117, 122
- broadband 207–8
- brochures 143, 219
- budgets 338–40, 342
- building society account 341
- business angels 47, 101–2, 219, 321, 329
- Business Gateway 28, 31, 32, 34, 196, 245, 324
- Business Link 28, 31, 32, 33, 34, 35, 40, 68, 194, 196, 206, 207, 212, 221, 250, 282, 406
 - employees 244–5, 251
 - finance 76, 320, 324, 325, 331
- business name 132–40
- business plans 29, 30, 66–71, 317, 318, 331
- business rates 91, 198, 402–5
- Business Wales 28, 31, 32, 34, 196, 324
- buying a business 83–104
 - business profile 84–5
 - changing the business 96–7
 - finding 85–7
 - investigation 87–96
 - negotiations 89, 97, 100–1
 - price 97–100
- capital 113, 299, 307

- working 319, 357
 - see also* funding
- capital allowances 210, 393–4, 395–8
 - annual investment allowance (AIA) 393, 394
- capital expenditure and tax relief 195, 210, 393–8, 415
- capital gains 198, 389, 400–2, 409, 441
- cars 209
 - driving convictions 268
 - insurance 289
 - tax 209, 390, 393, 395, 397–8, 418, 426
- cash 93, 307
 - control 334, 339–49, 353
 - records 371, 372–4
- cash flow 406, 430
 - budgets 339–40
 - forecasts 19, 296–302, 310–11
- casual income 414–15
- chambers of commerce 24, 33, 34
- change management 362
- checklists 56–64, 231–2, 241–2, 353–5, 356
- climate change levy 286
- community development finance institutions (CDFIs) 324
- Companies House 40, 41–2, 50–1, 136
- company secretary 41, 50
- company voluntary arrangement (CVA) 368
- complaints handling 173–4, 288
- computer system 205–7
- conflicts of interest 52, 164
- consultancy 32–3, 81–2
- Consumer Credit Act 1974 (as amended by 2006 Act) 210
- Consumer Credit Act 2000 149
- consumer protection 149, 170–1
- Consumer Protection (Distance Selling) Regulations 2000 149
- Consumer Protection from Unfair Trading Regulations 2008 149
- contract hire 211
- contracts 217
 - employment 239, 250–1, 256, 271, 274, 275, 280
 - fixed-term 228
 - franchises 107, 109, 112, 118–21
 - government 17, 343
 - insurance needed by 289
 - price escalation clauses 356
- cooperatives 38, 53–5, 103
- copyright 130–1
- cost of sales 302–4
- costs
 - cutting 352, 353–5, 358
 - employees 239–42, 335, 354–5
- credit cards 173, 341
- credit control 291, 342–7, 354
- credit ratings 169, 343, 346, 348
- credit terms 344, 348
- creditors 94, 309, 347–9, 354, 367–8
- criminal convictions 268
- Criminal Records Bureau (CRB) 268, 269
- current assets 307, 308
 - stock 92–3, 109, 206, 307, 353, 378
- customers 17–19, 93, 163, 172, 178–9, 307
 - building relationships 172–9
 - credit control 291, 342–7, 354
 - direct mail 158–61
 - face-to-face selling 161, 162–9
 - indirect selling 170
 - target group 14–17
 - telephone selling 161–2
- data protection 160, 176–7, 206, 238, 250
- data sheets 144
- data warehousing and mining 176
- databases 87, 221
 - potential customers 17, 145, 157, 158–9, 160, 175–8, 205–6
- Department for Business Innovation and Skills (BIS) 261, 269, 273, 274, 280
- dependants and flexible working 270, 274
- depreciation 305, 306–7, 377, 395
- design 218–19
 - registration 126–8
 - web site 155
- desk research 24–5
- direct costs 182, 302–4
- direct mail 158–61
- Direct Marketing Association 149
- directors 41, 50, 80, 341, 367–8, 369
 - duties 52–3
 - non-executive 81, 330
 - P11D forms 258
 - pensions 440–1
 - personal assets at risk 39, 367
 - residential addresses 50–1
 - state benefits 45, 412
 - venture capital funds 330
- disability discrimination 264, 269
- discounts 145, 159, 184, 344, 356, 373, 425
- discrimination 248–9, 256–7, 263–9
- dismissal 244, 268
 - breach of contract 276
 - constructive 244, 261, 279
 - probationary period 275
 - procedure 277–9
 - unfair 250, 268, 270–1, 276
- distance selling 173
- distributors 170
- dividends and salary 44–5, 411–12
- due diligence 330, 361
- e-mail 177, 207, 224
- earnings multiple 98–9
- emotional factors 19, 38, 132
- employees 7, 95–6, 260–3, 362, 372
 - contract of employment 239, 250–1, 256, 271, 275, 280

- employees (*continued*)
- cooperatives 103
 - cost 239–42, 335, 354–5
 - dismissal *see separate entry*
 - fringe benefits 258, 271, 341, 355, 411
 - national minimum wage 253, 254, 261, 266, 379
 - notice periods 251, 280
 - pay *see separate entry*
 - PAYE system 252, 257–8, 260, 299–300, 304, 411
 - recruitment *see separate entry*
 - retirement 267
 - rights and duties 245–7, 378–9
 - sales staff 163–5, 228, 289
 - working time 251, 260, 378, 379
 - written statement of terms 250, 251–2, 254, 256
- employers 7, 244–5
- rights and duties 245–7, 378–9
- Enterprise Finance Guarantee 320
- enterprise zones, new 195
- environment 282–6, 390
- tax 209, 286, 394, 395, 397
- equal pay 256–7, 269
- Equality and Human Rights Commission (EHRC)
- 245, 252, 260, 263, 269
- estate agents 199, 218
- ethnic minorities 36
- European Union 128, 343
- exchange rates 15
- Export Credits Guarantee Department 320
- export trading 15, 320, 325, 360, 425
- face-to-face selling 161, 162–9
- Facebook 150, 152, 153
- factoring of debts 291, 346–7
- failure 7, 8, 334, 364–9, 370
- family 58–60, 77, 197, 225, 226, 293, 323
- faxes 208
- Federation of Small Businesses 35
- filing
- accounts 42
 - tax returns 257–8, 386–7, 406, 417
- finance *see funding*
- financial advisers 47, 68, 219–20, 321, 330, 441
- Financial Services Authority (FSA) 54, 215, 288
- fixed assets 306–7, 372, 377
- see also land and buildings; plant and equipment*
- fixed costs *see overheads*
- fixed-term contracts 228
- flexible working 270, 272, 274
- floating charges 47
- forecasts 66, 70, 205, 295–315, 338, 339, 342
- balance sheet 306–9, 314
 - cash flow 19, 296–302, 310–11
 - profit and loss 19, 302–6, 312–13
- Forum of Private Business 35
- franchises 105–22
- advertising levy 111, 112–13, 120
 - contract 107, 109, 112, 118–21
 - cost 110–13, 120
 - deposits 118
 - duration 119–20
 - finding and buying 117–18
 - guide to choosing 109–10
 - operations manual 114
 - pluses and minuses 107–8
 - pyramid selling 116–17
 - service fee 110, 111–12, 120
 - setting up as franchisor 121–2
 - territory 113–14, 119
 - training 115, 120
 - workings in detail 110–16
- freelance workers 226
- fringe benefits 258, 271, 341, 355, 411
- funding 47, 219–20, 316–32
- amount 317–19
 - bank loans 113, 216, 322, 327–8, 360
 - business angels 47, 101–2, 219, 321, 329
 - CDFIs 324
 - charities 37, 324
 - corporate investors 331
 - government assistance 194–6, 320, 324–7
 - longer-term loans 321, 360
 - management buy-in/buy-out 102–3
 - overdrafts 319–20, 341, 342
 - partners 309
 - personal and family 322–4
 - Phase 2 money 360–1
 - presentation 331–2
 - security 47, 113, 320, 323
 - selling shares 321–2, 330, 360–1
 - setting up costs 319
 - timing 323–4
 - venture capital 47, 102, 219, 321, 322, 329–31, 360
 - working capital 319, 357
- furnished holiday lettings 415–16
- goodwill 94, 97
- government 225, 321, 324–7
- contracts 17, 343
- grants 194–6, 324, 325
- gross profit margin 240, 335, 336
- growth companies 358–62
- guarantee payments to employees 256, 275
- guarantees, personal 39–40, 320, 323, 348
- hazardous waste 284
- health and employment 268–9
- health and safety 227, 261–3
- Highlands and Islands Enterprise 324
- hire purchase 210, 289
- holiday pay 251, 254–5, 271
- home business 192, 196–8, 282, 283, 286, 290

- business rates 403
- tax 198, 389, 401–2, 418
- ideas, business 9–12, 79
 - checklist 63–4
- immigration checks 249–50
- income shifting 44–5, 412
- indirect costs *see* overheads
- indirect selling 170
- individual voluntary arrangement (IVA) 368
- inflation 356
- Information Commissioner 160, 178, 206
- information technology (IT) 204–7, 216, 220–1
- inheritance tax 441
- insolvency 39, 53, 365–9
- insurance 53, 92, 268, 287–94, 347
 - employer's liability 261, 288–9
 - intermediary 174, 287–8
 - life cover 267, 293, 391
 - motor 289
 - personal requirements 293
 - types required 288–90
 - types to consider 290–3
 - working from home 198, 290
- interest payable 323, 391, 393, 407, 414, 415, 417, 429
- Internet 15, 20, 34–5, 131, 206, 207, 208
 - banking 216, 341
 - businesses for sale 86
 - comparative tables of loans 328
 - employee authority 224
 - market research 23–4
 - marketing through 150, 151–5
 - social networking 150, 152–3, 233
 - student businesses 80–1
 - tax 257, 258, 383, 406, 429, 431
 - training courses 29
 - see also* e-mail; web site
- interviews 25–6, 235–9, 239, 407–8
- inventions 123, 124–6
- inventories *see* stock
- Invest NI 28, 31, 32, 34, 196, 324, 326–7
- investments 94
- invoice discounting 347
- invoices, sales 344
- joint and several liability 89
- keyman insurance 292
- labels and stickers 138
- Labour Relations Agency (NI) 244
- land and buildings 90–2, 114, 192–203
- lay-offs 256, 275
- leaflets 143–4, 219
- LearnDirect 29, 30, 31
- leases 201–2, 210, 289, 340, 390
- letterheads 137–8, 219, 414
- liabilities 94, 308–9, 365
 - creditors 94, 309, 347–9, 354, 367–8
 - see also* loans
- limited company 38, 39, 43, 46, 54, 300
 - accounts 42, 381
 - audit 41, 43, 214
 - buying a business 89, 95–6
 - corporation tax 43, 46, 300, 331, 393–4, 401, 411
 - meetings and resolutions 51
 - names 136
 - pensions 46–7, 438, 441
 - raising money 47, 321–2
 - salary and dividends 44–5, 411–13
 - setting up as 39, 40, 50–3
 - winding up 366–8
- limited liability partnership (LLP) 38, 39, 40, 42–3, 45, 49–50, 130, 322, 368
- LinkedIn 152, 233
- liquidation 367–8
- loans
 - bank 113, 216, 322, 327–8, 360
 - longer-term 321, 360
 - see also* funding
- local authorities 24, 33, 194, 202–3, 261, 324
- local enterprise agencies (LEAs) 29, 30, 33, 34, 35, 200, 324
- Local Enterprise Partnerships (LEPs) 196
- logos 135, 219
- loss leaders 353
- loss of profits insurance 290–1
- losses 46, 398–400, 410–11, 415
- mail shots 25, 149, 158–61
- Mailing Preference Service 178
- managed service companies 44, 412
- management buy-ins and -outs 102–3
- management reporting 338–9
- market
 - leader 15, 123, 186, 187
 - segment 14–17
 - share 21, 186, 188–9
 - size 20
 - structure 20
 - trends 22
- market research 13–27, 110, 134, 135, 189, 194, 233
 - buying a business 84, 86–7
 - techniques 22–6
- marketing 34, 123, 141–3, 149–55
 - see also* advertising; brand image; databases
- maternity leave and pay 269–73, 379
- media 34–5, 86, 146–50, 329
 - buyer 145–6
- memorandum of association 51
- mentoring 31, 32, 33
- Mentoring Gateway 33
- mobile phone 163, 208
- mortgage 197
 - on house as security 113, 323
 - intermediary 174

- name 132–40
- National Employment Savings Trust (NEST) 259–60
- National Insurance contributions (NICs) 43, 48, 226, 252, 257, 258, 260, 355, 378, 379, 400
 - expenses allowable for tax 392
 - forecasts 299–300, 304
 - pension contributions 433, 438
 - Regional Employer NI Contribution Holiday 44
 - salary and dividends 44–5, 411–13
 - SMP/SPP/SAP 272
- national minimum wage 253, 254, 261, 266, 379
- negotiations 201, 214
 - buying a business 89, 97, 100–1
 - networking 30, 34, 36, 96, 197
- New Enterprise Allowance 33, 72
- Northern Ireland, government support *see* InvestNI
- objectives 4–7, 66–7
- Office of Fair Trading 149, 171
- online tax returns 257, 258, 383, 406, 429, 431
 - value added tax 429, 431
- overheads 182, 304–5, 334–5, 336–7
- P11D forms 258
- packaging 138–9, 219, 285–6, 425
- parental leave 269, 270, 273–4
- part-time business 77–82
- part-time employees 228
- partnership 38, 39, 47, 48, 54, 368
 - accounts 42–3, 381
 - agreements 40, 49, 89–90, 322, 392
 - buying a share 88, 89–90
 - income tax 43, 45, 300, 323, 409–11
 - NI contributions 43, 45, 300, 392, 400
 - selling part of business 47–8
 - setting up as 40, 48–50
- patents 93, 124–6, 134
- paternity leave and pay 269, 270, 273, 379
- pay 251, 252–60, 271, 355, 411
 - adoption 269, 270, 379
 - dividends and salary 44–5, 411–12
 - equal 256–7, 269
 - fringe benefits 258, 271, 341, 355, 411
 - guarantee payments 256, 275
 - holiday 251, 254–5, 271
 - maternity 269, 271–2, 379
 - national minimum wage 253, 254, 260, 266, 379
 - paternity 269, 273, 379
 - sick 251, 255–6, 379
 - slips 253–4, 379
 - statement 253–4
- PAYE system 252, 257–8, 261–2, 272, 299–300, 304, 411
- pensions 46–7, 251, 259–60, 271, 355, 412, 436–42
 - contracted out 251, 434
 - stakeholder pension scheme 246–7
 - state 432–5
 - state pension age 434–5
- personal guarantees 39–40, 320, 323, 348
- personal service companies 44, 412
- petty cash 373–4, 378
- planning permission 96, 197
- plant and equipment 92, 109, 204–11, 284–5, 290, 393–8
 - cars 209, 393, 395, 397–8, 418, 426
- PLUS Markets 220, 321, 361
- portfolio work 81–2
- pregnancy *see* maternity leave and pay
- premises 192–203
 - investigating and negotiating 201–3
 - location 193–6
 - searching for 199–200
 - sort of 198–9
- press releases 150
- pricing 95, 180–91
 - increasing prices 352, 355–6, 358
 - interlinked products 190
 - penetration price 188–9
 - price discrimination 189–90, 356
 - price skimming 181
 - price wars 189, 356–7
 - range of prices 181–4
 - setting a price 184–90
- Prince's Initiative for Mature Enterprise (PRIME) 37
- Prince's Trust 37, 324
- printers 207, 208
- private company 41, 50, 51
- product differentiation 14, 17–19
 - pricing and 181, 185–6
- product liability insurance 292
- products 95, 178, 352–3, 354, 356
 - franchises 115–16
- Professional Contractors' Group (PCG) 36
- professional indemnity insurance 292
- profit and loss
 - forecasts 19, 302–6, 312–13
 - increasing profits 352–8
- profit margins 95, 240, 335, 336
- Project Merlin 316
- property income 415–16
- public liability insurance 292
- public limited company (PLC) 47, 50
- public relations 149–50
- purchases 302–4, 375–6, 377–8
- purchasing cooperative 34
- pyramid selling 116–17
- questionnaires, customer 178
- race discrimination 249, 265, 269
- rates, business 91, 198, 402–5
- raw materials 194, 307, 353
- recession 275, 320, 327, 353, 365

- records 370–80, 407, 414, 417, 418
 - credit control 334–5
 - creditors 348–9, 375–6
 - health and safety 261, 263
 - pay 254, 378–9
 - recruitment 232, 235, 238, 250
 - telephone calls 162, 165, 232
 - VAT 374, 375, 376, 377, 426, 427–30
 - waste disposal 283, 284, 285
 - working procedures 362
- recruitment 222–43, 355
 - advertising direct 230–2
 - agencies and consultants 233–4
 - alternatives to permanent employees 225–8
 - characteristics needed 229–30
 - costs of employment 239–42, 335, 354–5
 - criminal convictions 268
 - direct from school or college 234
 - discrimination 248–9
 - eligibility to work 249–50
 - interviews 235–9
 - job description 223–5
 - offer letter 239
 - recommendations 234
 - written statement of terms 250, 251–2, 254, 256
- redundancy 267, 272, 275, 279–80
- references 169, 175, 239, 343, 348
 - advisers 214, 217, 220, 321
- Regional Development Agencies 195–6
- religious discrimination 265–6, 269
- retirement 267, 433, 441
 - see also* pensions
- return on capital employed 99–100
- right to provide initiative 103
- risk assessments 261, 263
- rural businesses 326
- sales
 - buying a business 94–5
 - cycle 25
 - forecasts 19, 302
 - increasing 352, 356–8
 - mix 352–3
 - records 374–5, 378
 - staff 163–5, 228, 289
- science parks 199
- Scotland, government support 326
- search engines 23, 35, 151–2, 153–4, 288
- self-invested personal pensions (SIPPs) 47, 441
- self-knowledge 1, 2–9, 56–65
- selling skills 165–9
- sex discrimination 248, 256–7, 264, 269, 270
- sexual orientation discrimination 264, 269
- shareholder agreements 101–2
- shares
 - options 359
 - raising money by selling 321–2, 330, 360–1
- Shell LiveWIRE 36–7
- short-time working 256, 275
- sick pay 251, 255–6, 379
- skills, checklist 60–3
- small business clubs 34
- small enterprises 42, 43
- small self-administered schemes (SSASs) 47, 441
- smartphone 208
- social media 150, 152–3
- social networking 34, 150, 152–3, 233
- sole trader 38, 39
 - accounts 42, 381
 - bankruptcy 368, 369
 - buying a business from 95
 - income tax 43, 300, 323, 383–8, 405–8
 - allowable expenses 388–93
 - capital expenditure 393, 394–8
 - losses 46, 398–400
 - names 136–7
 - NI contributions 43, 45, 48, 300, 392, 400
 - pensions 46, 47, 436–41
 - raising money 47, 113, 321–2
 - selling part of business 47–8
 - setting up as 40, 48
 - unlimited liability 39
- solicitors/legal fees 40, 41, 50, 86, 92, 96, 217–18
 - allowable expenses 392
 - franchises 109, 118
 - insurance 292
 - overdue debts 346
 - partnership agreements 40, 49, 89–90
 - premises 197, 202
 - price discrimination 189
 - selling shares 321
 - shareholder agreements 102
 - value added tax 429
 - venture capital funds 330
- Solutions for Business 324–6
- spare-time earnings 413–15
- staff *see* employees
- stakeholder pension scheme 246–7
- starting up: step-by-step guide 72–6
- StartUp Britain 30–1, 33, 34
- StartUp Saturday 31
- state benefits 45, 400, 412, 432–5
- stock 92–3, 109, 307, 353, 378
 - computer control system 206
- stock market flotation 321, 329, 360–1
- suppliers/creditors 94, 194, 309, 347–9, 354, 367–8
- surveyors 202, 218
- syndication 330
- tax 42, 43–6, 47, 308, 341, 381–2
 - accounting year end 45, 75, 385–6, 410, 418
 - allowable expenses 388–93
 - assisted areas, premises in 195
 - black economy 413, 417
 - capital expenditure 210, 393–8, 415
 - capital gains 198, 389, 400–2, 409, 441

tax (*continued*)

cars 209, 390, 393, 395, 397–8, 418, 426
 corporate investors: tax breaks 331
 corporation tax *see under* limited company
 employment status 82, 226, 408
 environment/energy efficiency 209, 286, 394, 395, 397
 filing deadlines 257, 258, 386–7, 406, 417
 hire purchase 210
 home working 198, 389, 401–2, 418
 income tax *see under* sole trader
 inheritance 441
 interest payments: tax relief 323, 392, 393
 investigation 407–8, 418
 losses 46, 398–400, 410–11, 415
 new employee 250, 257
 NICs *see* National Insurance contributions
 online 257, 258, 383, 406, 429, 431
 P11D forms 258
 partnerships 43, 45, 300, 323, 409–11
 PAYE system *see separate entry*
 payment dates 45, 257, 300, 383, 386, 387, 406, 418
 pensions 437–9
 primary threshold 412
 private investors: tax breaks 329
 property income 415–16
 records 371, 372, 378–9, 407, 414, 417, 418
 revenue/capital distinction 393
 SMP/SPP/SAP 272
 spare-time earnings 413–15
 VAT *see* value added tax

Techmark 361
 telephone 25, 173, 177, 208, 232
 selling 161–2
 test-marketing products 26
 theft, insurance against 291
 time management 355
 timing of start: step-by-step guide 72–6
 trade associations 24, 35
 trade credit insurance 291
 trade effluent 283–4
 trade exhibitions/fairs 25, 35
 trade marks 93, 128–9, 135, 137

trade unions 267–8, 269, 275
 training 29–32, 161, 164–5, 239, 261
 apprenticeships 234
 franchises 115, 120
 Twitter 150, 152

UK Border Agency (UKBA) 250, 252
 unfair dismissal 250, 267, 271, 276
 unique features 18, 132, 133, 134, 181

valuation, buying a business 92, 93, 94, 97–100
 value added tax (VAT) 40, 419–32
 annual accounting 430, 432
 bad debts 431
 calculating 425–7
 flat-rate scheme 429–30, 432
 forecasts 297–9, 300, 302, 304, 307, 308
 online returns 429, 431
 payment of 430–1
 private motoring 427
 rates 423–4
 records 374, 375, 376, 377, 426, 427–30
 registration 406, 414, 420–3, 424–5, 431
 tax deductible cost 390–1
 venture capital 47, 102, 219, 321, 322, 329–31, 360
 victimization 266
 virtual business 81, 192, 204

wages *see* pay
 Wages Council 253
 Wales, government support 327
 waste disposal 282–6
 web research 23–4
 web site 20, 139, 144, 151–5, 206, 218, 220–1, 362
 wholesalers 170
 winding up 366–8, 369
 Work Place Training scheme 225–6
 working capital 319, 357
 working time 227, 251, 260, 378, 379

Young Enterprise UK 80