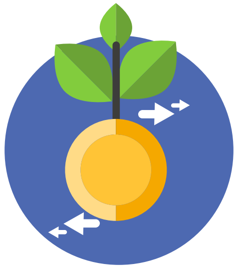
Biz4Afrika

Microsoft

THE FINANCE TOOLKIT

What Small and Medium Enterprises Need to Know

Table of contents



THEME 04 BUSINESS FINANCE MANAGEMENT SIMPLIFIED

THEME 05 NEXT STEPS: GETTING FINANCIAL SOFTWARE FOR YOUR BUSINESS

THEME 06 FINANCE ROADMAP

01

WHAT IS THE FINANCE TOOLKIT?

Microsoft has developed this finance toolkit to guide entrepreneurs and small business owners in understanding their finances and to enable them to get better insight into the financial performance of their businesses, so that they can make the right management decisions.

FINANCES EXPLAINED

The terms finance and accounting are used interchangeably, and while the two constructs do go hand in hand, understanding the difference between the two is very important. Accounting deals with the day-to-day flow of money in and out of a company, whereas finance is a broader term that includes the management of assets and liabilities and the planning of future growth.

Cash flow problems and mismanaged finances are major causes of business failure. Some companies fail to plan properly, while others set their sights too high or low. Some do not keep track of costs, and others fail to chase payments. Neglecting any of these activities, or taking a half-hearted approach to them, could land a business in serious financial trouble, ultimately resulting in business failure. A small business can maximize its chances of success by being aware of the common pitfalls that usually land the business in trouble. Having financial knowledge will allow a business to manage its finances carefully and keep a close eye on its cash flow. Taking sensible, practical steps will assist entrepreneurs in controlling spending and growing the business without taking excessive financial risks.

At the end of the day however, no report or advice is going to be any more accurate and reliable than your own data. This is the main reason why most businesses today integrate accounting software with the rest of their business software. This integration ensures that whoever is reconciling the accounts and generating reports has the most up-to-date and accurate data. Once the reports have been generated, they will provide you with the information you need to not only understand your business health, but properly consider future decisions and actions.

At a glance

Establishing a relationship with a financial expert is beneficial in achieving your goals. The financial expert will meet with you to assess your business's financial situation and develop a comprehensive plan customized for you.

Here are some useful financial tips to consider.

Keep accurate records
Keep everything up-to-date and in one place so that you do not have to rush to meet a request.

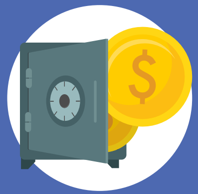
Greater integration
Collect and keep up-to-date records of taxes as soon as a sale is made or immediately upon payroll generation. Remember taxes such as collecting VAT and employee taxes are not part of your cashflow, keep it in a separate account if you can, so you don't impact cashflow when it is due.

Sort and file receipts
Keeping an accurate account of all receipts is a tedious yet time saving exercise in the long term.

Do accurate invoicing
Invoices are records of all your sales transactions, and because of this, it is critical that you enter information that is accurate and complete.

ADVANTAGES OF HANDLING FINANCES CORRECTLY

When a business handles their finances correctly, they are in a better position to determine their short and long-term financial goals and will be one step closer to creating a balanced plan to meet those goals. Below are some of the advantages that you will see in your business as a result of handling your business's finances correctly:



Income

You can handle your income more effectively through planning. Managing income helps you understand how much money you will need for monthly expenses, tax obligations and savings.

Cash Flow

Increase cash flows by carefully monitoring your spending patterns and expenses. Tax planning, sensible spending and meticulous budgeting will help you keep more of your hard-earned cash.

Capital

An increase in cash flow can lead to an increase in capital, enabling you to consider investments to improve your overall financial well-being.

Investment

A proper financial plan considers your business circumstances, your objectives and your tolerance for risk. It acts as a guide to help you choose the right types of investments to fit the needs and goals of your business.

Financial Understanding
Better financial understanding can be achieved when realistic and measurable financial goals are set, the consequences of decisions are considered, and results are reviewed regularly. This will give you a new approach to the budget for the business and improved control over its finances.

Assets
A healthy inventory of assets is desirable. However, many assets go together with attached liabilities. It is therefore important to determine the real value of an asset. The knowledge and ability to settle or cancel the liabilities comes with the understanding of the overall finances. The overall process helps build assets that do not become a burden in the future.

Savings
Unexpected financial changes can throw a business off track. It is advisable to have some investments with high liquidity. These investments can be utilized in times of emergency.

Which processes that you currently have in place when it comes to handling your finances should change to improve your financial oversight?

Think about it.........

Finances communicate much of the information that owners, managers, and investors need to evaluate the health of any business.

In fact, the purpose of accounting is to help you make better business decisions by providing you with accurate financial information.

THE IMPORTANCE OF FINANCIAL COMPLIANCE

When it comes to all business functions, it is important that all the right boxes are ticked. The same can be said for business finances. Financial compliance refers to a business that conforms to all legislation and regulations required to properly manage the business finances. The concept of compliance is to make sure that a business acts responsibly, ethically and with integrity.

The ways in which businesses conduct transactions has been put under the spotlight and has resulted in a need for businesses to change the way they handle these transactions. There is an obligation for increased transparency in financial records, making business owners more accountable for their decisions and actions. Financial regulations are designed to give a business a conscience with a focus on ethical practices regarding revenues and profitability. Many countries have incentives for small and medium sized businesses in terms of tax breaks and incentives, so ensure you ask your accountant about these to benefit your business!

Advantages of Financial Compliance

Keeping your business finances up-to-date does not just mean you are ticking the regulatory requirement boxes. It improves your business performance and chances for financing by having:

- Up-to-date records for reporting
- Accurate reports on hand
- Finance application readiness

Consequences of Non-Compliance

Not submitting your taxes on time, not submitting financial documents on time and not having them up-to-date could result in numerous penalties including:

- Fines
- Imprisonment
- Loss of Reputation
- Loss of Productivity
- Unnecessary business downtime

02 BUSINESS FINANCE MANAGEMENT

Financial management and accounting are both important tools for a business but serve different purposes. Accounting is reporting the financial information of a business. Financial management involves financial planning, control, and decision-making for a business.

ACCOUNTING BASICS

As you dive into the world of small business, you will realize as an entrepreneur just how important financial management is. There are several terms that will come up on numerous occasions. If you are not familiar with the terminology, it could become quite overwhelming and even slightly frightening. Here are a few basic terms that you will need to familiarize yourself with:

Gross Revenue

Also called total revenue. Gross revenue is the sum of all monies that you have received from customers in exchange for your product or service, before taking any deductions or expenses (such as rent, costs of goods sold, taxes, etc.).

Expenses

In the simplest terms, expenses are everything that keep your gross revenue from going straight into your pocket. Things like rent and payroll, costs of materials for goods sold, taxes, interest on debt, utilities and other operating expenses, and more.

Net Profit

Sometimes called the bottom line, net income, or net earnings, net profit is essentially what is left over after you deduct your expenses from your total revenue. When this is a positive number, it means that your revenue is greater than your expenses, and your business is profitable.

Cash Flow

Beyond basic profitability, having enough cash on hand at a given time can often make or break the success of a small business. Even if your business is profitable, you can run into issues if you do not have enough cash in the bank to pay your bills at any given time. Your cash flow is the difference between the available cash at the beginning of an accounting period compared to the end of the period. Cash comes in from sales, loan proceeds, investments and the sale of assets and goes out to pay for operating and direct expenses, principal debt service, and the purchase of assets.

Break Even Point

For the first several months (or even years) of doing business, many small businesses will operate at a loss, meaning their expenses are greater than total revenue. The breakeven point is the level at which total revenues equals total expenses. This is typically the turning point to profitability, an important milestone in the life of every small business.

Working Capital

Working capital is a measure of the liquidity and overall health of a business. It includes cash, inventory, accounts receivable, accounts payable, the portion of debt due within one year, and other short-term accounts. The working capital therefore reflects the results of several activities including inventory management, debt management, revenue collection and payments to suppliers.

Think about it.........

Were you familiar with the terms above?

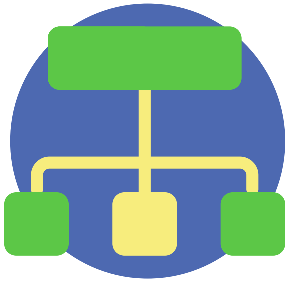
Do you know how to accurately use these in your business?

FINANCIAL MANAGEMENT FOR SMALL BUSINESS

Meaning of Financial Management

Financial Management means planning, organizing, directing and controlling the financial activities such as planning, procurement, utilization (appropriating) and reviewing of funds of the business. It involves the application of general management principles to financial resources for the business.

So why good Financial Management?



To plan a sound capital structure there should be a good composition of capital so that a balance is maintained between debt and equity capital.

To ensure regular and adequate supply of funds to the business.

To ensure optimum funds utilization. Funds should be utilized in the maximum possible way at the lowest cost.

To ensure safety on investment. For example, funds should be invested safely so that adequate rate of returns can be achieved.

Functions of Financial Management

Understanding how much capital you need
Capital requirements are dependent on expected costs and profits and future programs and policies that will affect a business. Estimations of the capital requirements that you will have for the business have to be done in an adequate manner which increases the earning capacity of the business.

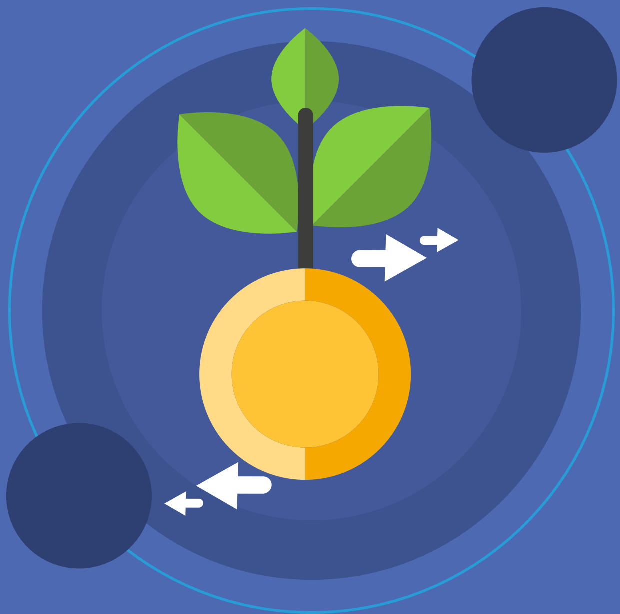
Understanding what the capital should look like
Once the estimation has been made, the capital structure must be decided. This involves looking at your short-term and long-term debt/equity financing decisions. The capital composition will depend on the proportion of equity capital a business possesses and additional funds which have to be raised from outside parties.

Choosing where to get the money from
For additional funds to be sourced, a business has many options. These are discussed in more detail below.

Managing your cash
Cash is required for many purposes, such as paying wages and salaries, payment of electricity and water bills, paying your suppliers, meeting current liabilities, maintenance of enough stock or inventory, buying of raw materials, etc.

Financial controls
The finance function is not only responsible for planning, getting and using the funds, but must also exercise control over finances.

03 BUSINESS FINANCING



This section deals with the sourcing of finance when a business needs help starting up or for growth. If a business requires financing (debt or equity), a basic knowledge of financial management principles provides the information to know how much a business can afford, as well as which financing sources are best suited for them.

TIPS AND TRICKS

Biz4Afrika is a dedicated platform that helps entrepreneurs to better understand financing for their businesses. The site offers Access to Funding advice and is a one stop portal for finance ecosystem players in Africa. You can use the site to understand potential funding opportunities available throughout Africa that best suits your business and objectives.

Visit the Biz4Afrika Portal

FINANCING

To enable business expansion, it is necessary for a business owner to tap into available financial resources. Business owners can utilize a variety of financing resources from two categories, debt and equity. Debt involves borrowing money to be repaid, plus interest, while equity involves raising money by selling interest or shares in the company. Essentially, you will have to decide whether you want to pay back a loan or give shareholders stock in your company.

Debt financing

Many business owners are familiar with loans, whether you have borrowed money for a mortgage, or to purchase your first car or for a study loan. Debt financing for a business is no different. The borrower accepts funds from an outside source (a financing company such as a bank or an individual willing to loan money to the business) and promises to repay the principal plus interest over an agreed period.

Borrowers will make monthly payments toward both interest and the principal loan, as well as put up some assets as collateral as reassurance to the lender. Collateral, sometimes referred to as security, can include inventory, real estate, accounts receivable, insurance policies or equipment, which will be used as repayment if the borrower fails to make loan repayments.

Alternatives to business loans include cash advances, personal lines of credit, loans against the debtors' book and business credit cards. With some of the alternative financing methods, borrowers may be required to make weekly payments or repay a percentage of their profits, rather than make fixed monthly payments.

Debt financing is widely available in various forms for most small business owners. It is a popular avenue for many businesses. This is because the terms are often clearer and business owners retain full control of their operations, unlike in an equity financing arrangement.

However, the cost of credit can become unreasonably high, and repayments and interest terms can be steep depending on the loan structure. Borrowers typically begin making payments the first month after the loan has been funded, which can be challenging for start-ups, because the business does not yet have firm financial stability.

But as an entrepreneur, you know that the first couple of years you will have to accept funding or finance in different forms to ensure the business is sustainable long term, so do it wisely!

Owners retain full control of their operations, unlike in an equity financing arrangement.

Equity financing

Equity financing entails selling a stake in your business to investors who hope to share in the future profits of the business. There are several ways to obtain equity financing, such as through a deal with an angel investor, a venture capitalist or equity crowdfunding. Business owners who opt for this form of financing are not burdened with regular instalments and do not have to contend with fluctuating interest rates. The investors, however, become partial owners of the business. They are thus entitled to a portion of business profits and they can potentially acquire a say in future business ventures. Depending on the structure of this financing, investors' interest can be limited to a number of years when they have received expected or agreed returns.

Angel investors and venture capitalists pursue start-ups who have the potential for rapid growth. These angel investors and venture capitalists are often highly experienced business people. To entice an angel or venture capitalist to invest, entrepreneurs will have to provide undisputed documentation backed by solid financials, have some impression of a working product or service, and a qualified management team. Angels and venture capitalists can be difficult to contact if they are not already in your network. If this is the case, consider reaching out to incubator and accelerator programs which are available to coach start-ups on streamlining their operations and getting investment ready.

Another version of equity financing, known as equity crowdfunding, allows businesses to sell very small shares of the business to many investors. These campaigns usually require immense marketing efforts and a great deal of groundwork to hit the intended goal and become funded.

Unlike debt financing, equity financing is more difficult to obtain for most businesses. This type of funding is well suited for start-ups in high growth industries, such as the technology sector. It requires a strong personal network, an attractive business plan and a strong foundation to back it all up. However, businesses that obtain investments will have capital available to scale up and will not be required to start paying it back (with interest) until the business is profitable.

Equity financing allows the business owner to spread the financial risk among a larger amount of people. When you are not making a profit, you do not have to make repayments. And if the business fails, none of the money needs to be repaid.

Business owners must exercise caution when selling shares of the business. Giving up more than 49 percent of the business, even to individual investors, will result in the loss of the majority stake in the business That implies having less control (or equal in the event of a 50/50 stake) over business operations and, potentially, risking removal from a management position if most of the shareholders deem it wise to change leadership. Also remember, taking on equity funding early determines the value of your business for the next round of funding, so be very careful when negotiating the percentage equity you are willing to part with, especially in the early funding rounds.

Ultimately, the decision between whether a debt or equity financing model is needed is dependent on the type of business you have and whether the advantages outweigh the risks. Do some research on what the norm is in your industry and the stage of your business.

Equity financing allows the business owner to spread the financial risk among a larger amount of people.

TYPES OF FINANCING

Equity Funding Options
Angel and Venture Capital (Professional Investors)

Angel and Venture Capital (VC) investors offer you funding in exchange for a stake in your business. Both angel investors and VCs fall under the "professional" investor category since they are more experienced and are dedicated investors. Both categories of investors expect high growth in their investment. They also bring significantly more capital to your business, but to do that they would conduct a thorough assessment of all aspects of your business (a due diligence) before deciding to invest.

Angel investors are typically wealthy individuals who invest their own money in start-ups or small businesses, in exchange for a share in the business. They are motivated by the potential to make high returns on their money (In the form of sharing profits or the sale of their shares at a later stage). Angel investors are often former entrepreneurs, who want to support entrepreneurship in general and do so by investing and mentoring other entrepreneurs.

Venture capital investors manage third-party investors' money through a fund. The fund is tasked to make investments in a number of high-growth, early stage businesses within a specified timeframe. This is known as the fund mandate. VCs seek investments that can deliver massive returns and are less risk averse than traditional funds. However, to do that, they often take on a considerable stake in the business and in most cases a seat on the board.

But as an entrepreneur, you know that the first couple of years you will have to accept funding or finance in different forms to ensure the business is sustainable long term, so do it wisely!

Angel investors are typically wealthy individuals who invest their own money in start-ups or small businesses

Advantages of equity funding

Opportunity to raise larger amounts of money

No need for insurance

No monetary repayments

Flexible business arrangements (in most cases)

Many investors can offer useful business advice, guidance, and knowledge

Disadvantages of equity funding

The fundraising process is time-consuming

High competition among businesses competing for funding

If business growth is not properly analyzed, the financing may not be a good fit

Some VCs come with complex investment structures, which requires some experience on the legal and financial side

Angel Investors and Venture Capital	
Time to get money	3 – 9 Months
Effort	Very high
Best suited to	Early stage businesses with the potential for very high growth. Businesses likely to have a high impact in their industry
Suggested Funding goals	New product launch Marketing campaign Hire staff Expansion to new markets

When you are considering investment into your business, remember to evaluate the Angels or VCs in the same way they are evaluating you, as they will become business partners, and it is important that you believe you will be able to have them in your business for a number of years.

Debt Funding Options
Bank loans
(Term loans and Working capital loans)

When borrowing money from a bank, you generally have two options: a term loan, or a working capital loan. Term loans are more suitable for long-term expenses like expanding into new markets or purchasing an asset. Working capital loans are ideal for short-term financial commitments, like hiring seasonal staff or buying stock ahead of a busy season.

Term loans are repaid in regular payments, generally monthly, over an agreed period. Term loans are subject to interest repayments and finance charges, which can be substantial and are affected by economic fluctuations such as the prevailing interest rate.

Working capital loans take the form of overdrafts, short-term loans (three to six months) or debtors funding, to fund the day-to-day running of the business and to cover immediate and short-term financial commitments. Do some research on what the norm is in your industry and the stage of your business.

Generally entrepreneurs have two: a term loan, or a working capital loan.

Advantages of debt funding

No need to sell shares in your business, so you maintain full control

Among the most secure funding options

Working capital loans do not require collateral

Working capital loans are relatively straightforward products and are typically better options to alternative lending financial

Disadvantages of debt funding

You may need to attach an asset to secure the loan

It can be a long, tedious process and involves a lot of paperwork before you actually see any money in the bank

If you default on payments, the bank could attach your assets

Bank loans can be difficult to secure for start-ups that do not have the necessary credit history or personal sureties and assets

Bank loans are subject to interest rate repayments, which means you end up paying a lot more for the money you borrowed

Term loans – Traditional Bank	
Time to get money	2 – 6 Weeks
Effort	Medium to High
Repayment Terms	3 months – 5 years
Best suited to	All industries can apply for a loan
Suggested Funding goals	New long-term asset Expansion into new markets New product launch

Working Capital Loans – Traditional Bank	
Time to get money	1 – 4 Weeks
Effort	Low – medium
Repayment Terms	6 months
Best suited to	Any business can apply for a loan
Suggested Funding goals	Inventory Launch a marketing campaign Hire staff

Government loans	
Time to get money	6+ Months
Effort	Medium to High
Repayment Terms	1 – 5 years
Best suited to	Businesses that align with government objectives
Suggested Funding goals	New markets New product launch Long-term assets

Looking at the financing options above and considering your business needs, which avenues can you explore for financing?

04 BUSINESS FINANCE MANAGEMENT SIMPLIFIED

ACCOUNTING SOFTWARE

It is often stated that no one works harder than a small business owner. To streamline your administrative tasks and save time, you will need comprehensive accounting software.

While large corporations have impressive finance departments, entrepreneurs only have a handful of resources, sometimes none. After dealing with customers, managing staff, and cleaning up after a long day, you should not have to spend hours on bookkeeping.

Managing financial documents can quickly become overwhelming if you are trying to manage your accounts manually. There are several accounting software options available that will streamline bookkeeping practices in your business and generate all required accounting documents automatically. Using these cloud-based software services, you can have all your most important accounting documents always accessible and you will be able to handle invoicing and other bookkeeping needs.

Benefit of using accounting software

Making you more productive

Accounting software solutions optimizes your business processes and allows you more time to focus on important tasks. They also keep your books up-to-date with minimal hassle.

Reduced Monthly Expenses

When running a small business, time and money are your most precious commodities. Using accounting programs, you can save on both. Instead of outsourcing to an expensive professional, computer software enables you to do it all yourself, whilst only needing a professional accountant for the sign-offs. In addition, top-quality developers provide fully functional products free from annual license fees that include training, support and self-help services.

Help you reduce mistakes

In the small business world a small mistake could spell large disasters. With accounting software, the chances of calculating incorrect totals are vastly reduced. It is also easier to check digital documents and instantly fix input mishaps before printing.

Simplified Tax Compliance

Accounting software features include analysis tools, reporting applications and payroll assistance. It is also the most efficient source of information for tax and audit preparations, with income and expense trackers. Some also come with comment capabilities, enabling you to make notes for future reference.

Making sure your data is safe

Having valuable business data in the wrong hands can jeopardize all your business efforts. Therefore, whether you own a large or small organization, keeping sensitive information safe is crucial. Password protected software is the best place to keep all your information safe.

Know what is happening 24/7

Whether you are running a retail operation where each transaction is electronically entered as it occurs, or a one-person consultancy where you are entering your transactions bi-weekly, using small business accounting software forces you to keep up with data capture and stay current.

Work anywhere, anytime

Cloud-based accounting software gives you the advantage of being able to access your business accounts anywhere, anytime. As well as supporting the most commonly used web browsers, most online accounting software vendors provide iPhone/iPad and Android apps, allowing you to (for example):

- Send an invoice directly from your mobile device.
- View client, expense, or invoice information.
- Record expenses immediately and attach receipts. For example, you can snap a picture of a dinner tab with a client and attach it to the expense.
- Track billable time with a built-in timer.

One place for everything

Using accounting software centralizes many aspects of your financial management as you will be able to deal with tasks such as inventory management, invoicing, payroll and some aspects of customer relationship management, all from within your accounting software program.

Simplifies tax compliance

Besides showing how much tax is payable on invoices, small business accounting software also allows you to prepare reports showing, for instance, how much of a specific tax your business has paid over a certain period. This makes it easier to gather the data you need to complete and file required government tax forms.

Helps you to analyse so you can manage your business better

Having good business accounting software is like having an in-house financial advisor. The customized reports allow you to analyze different aspects of your small business, providing the data you need to make better financial decisions. Reports such as Balance Sheet Summaries show exactly how well your business is doing.

Accuracy

Because small business accounting software does so many of the necessary calculations for you, your financial data will have a higher level of accuracy than it would if you were keeping old-style pen and paper records, especially if you have several people capturing the data.

Examples of accounting software packages

Below is a list of a few of the accounting packages available to businesses to help streamline and simplify the accounting processes. There may be more in the country your business is registered:

Package	About
QuickBooks	QuickBooks Online is a simple software package that small business owners can use. The software allows you to view the status of your finances using dashboards or create customized reports. You will also be able to generate invoices, accept payments, process payroll and import expenses by simply taking pictures of receipts with your phone. QuickBooks Online links with your bank accounts and credit card accounts so data is always up to date
NetSuite	NetSuite's financial management solution quickens daily financial transactions, accelerates the financial cycle and ensures compliance. The solution ensures real-time visibility into the financial performance of the business from a consolidated level right through to individual transactions.
Xero	Xero uses dashboards, generates reports, creates invoices, handles payroll and expenses and links to your bank account. Xero integrates with add-ons which allows businesses to automate tasks such as time tracking, mobile payments and more.
Sage	Sage was designed to meet the needs of both small and large businesses. Sage accounting software is easy to use and has many features including invoicing customers, analyzing business performance, and more.

MICROSOFT SOFTWARE

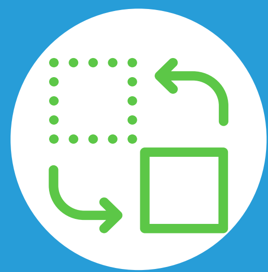
Dynamics 365 for Finance and Operations delivers unified, real-time visibility of financial and business operations for better and faster decision-making.

Dynamics 365 allows you to elevate your financial performance and get a streamlined approach across your business. Dynamics 365 has the following advantages:

Increase profitability

Optimize workforce productivity

Reduce operational expense



Adapt quickly to requirement changes

Find out about Dynamics 365 here

CASE STUDIES

A small business using an accounts payable expert solution

By using a leading cloud-based accounts payable (AP) invoice automation solution, small businesses can automate and simplify their entire accounts payable process, providing customers with shortened lead times, greater control, and improved visibility of financial metrics.

The AP solution is hosted on Microsoft Azure, integrates directly with Microsoft Dynamics, and has a competitive edge in the marketplace due to its speed and ease of use. An uncomplicated user interface process (UIP) allows for rapid deployment of the solution and ensures the end customer can readily experience the value the solution provides. This makes onboarding new customers simple, fast, and pain-free.

The AP solution is 100-percent focused on AP expertise and remains engaged with customers to reach benchmarks, maximize AP efficiency, and help them gain control over their company.

Read the full case study here

Unifying business operations with Microsoft Dynamics 365

A leading temporary employment agency specializes in recruiting high-quality job applicants. However, the company faced a significant problem: The business applications it used to support the all-important recruitment process were not working well together. In addition, the company's customer relationship management system and other tools were archaic, making it increasingly difficult to respond to customer demands as quickly as the competition.

The temporary employment agency turned to a Microsoft partner who recognized the challenges the client was facing and set out to streamline and unify their business applications using Microsoft Dynamics 365.

By developing proprietary modules on top of Dynamics 365 and deploying the full range of relevant Microsoft products, the solutions provider was able to automate many of its client's tasks and analyze results to create greater overall efficiency. The temporary employment agency is now able to process and manage more users, and grow their business without being held back by their IT infrastructure.

Read the full case study here

05 GETTING FINANCIAL SOFTWARE FOR YOUR BUSINESS

It is obvious that the advantages of financial software far outweigh archaic paper-based accounting practices. The biggest benefit of getting financial software is that it can provide small and medium enterprises significant savings. The ability to save and access files through the cloud enables employees to easily work from the same master document, be it from home, office or travel. Entrepreneurs can use specialized services that integrate with back-office operations, from human resources to marketing to accounting, giving them the opportunity to focus on the more critical areas of business.

Do not let this be the end of your migration to a financial software solution for your business. Find out more and register below to get financial software implemented in your business today.

Financial software options	Find out more
Learn more about Microsoft 365 for your business	https://www.microsoft.com/en-us/microsoft-365
Learn more about Office 365 for your business	https://products.office.com/en-us/business/office
Learn more about Azure and how to use it in your business	https://azure.microsoft.com/en-us/
Find out more about Dynamics 365	https://dynamics.microsoft.com/en-ca/

06

FINANCE ROADMAP

DOCUMENTS REQUIRED BY SMALL BUSINESSES

Managing a small business can involve a lot of paperwork. If you do not use a software platform, you will need accounting documents to file your taxes, apply for business financing, and for internal tracking of your revenue, expenses, and profitability. There are four main accounting documents that every small business owner should regularly maintain. These are listed:

Important financial documents

Document	About
Balance Sheet	The balance sheet is the snapshot of your business' financial standing at a specific moment. The balance sheet lists all the assets, liabilities, and equity your business has, and it is used to calculate the net worth of your business. Maintaining a "balanced" balance sheet, that is, one in which your total assets (everything your business owns) equals liabilities plus equity, is the foundational rule of basic bookkeeping.
Income Statement	This is sometimes referred to as a profit and loss statement. An income statement summarizes the business revenues and expenses over the course of a year, allowing you to calculate your net profit or loss for that year. Maintaining an accurate income statement is critical to determining the break-even point for your new business, as well as measuring profitability over time.
Cash Flow Statement	Maintaining a healthy cash flow is so critical to a business that there is an accounting document dedicated to the tracking of cash flow. The cash flow statement reflects the inflow of revenue and outflow of expenses resulting from all your business activities during a specific period. Inflow typically comes from selling goods and/or providing services and receiving payments on invoices for the goods/services rendered. Outflow will be incurred by purchasing inventory, payroll, and paying marketing costs and other overhead expenses.
Revenue Forecast	This will help you answer the questions of whether you can afford to hire a new employee or launch a new marketing campaign. A revenue forecast is an educated prediction for the upcoming year about how much money your company will likely bring in, so that you can estimate what you can afford to spend, and what your profit margin will be. The more thoroughly researched and realistic your forecasting is, the easier it will be to stay on budget throughout the year.

Think about it.........

Were you familiar with these terms?

Which of the documents have you used?

POINTS TO REMEMBER

- **Manage your accounting diligently.**
  Whether you hire a good accountant or purchase accounting software, with the accountant just signing off on the right things, it is crucial that you keep accurate records of your income and costs.

- **Review your costs.**
  Keep track of all your small business expenses. They can add up and escalate rapidly if not properly managed. Reviewing your expenses allows you to modify where your money goes.

- **Make financial projections.**
  It is imperative that you have clear financial projections. Your business plan will help you to anticipate and address possible future obstacles.

- **Do not neglect invoicing.**
  Send out invoices straight after providing goods or services. Set clear payment terms and ensure adherence to these terms. Always follow up on sent invoices. You can make this easy by creating set templates for email or SMS follow-ups.

- **Separate your business and personal bank account.**
  Mixing business money with your personal finances is a recipe for disaster. Keeping your business finances separate from your personal finances will make determining profitability easier and help you to keep proper track of your expenses.

- **Keep track of personal loans to your business.**
  Keep accurate records of what you loan to your business. When your business starts making money, you can pay back these loans first before paying tax on the remaining profit.

- **Do not wait too long before getting financing.**
  It is too late to ask for assistance when the business is already struggling. This is exactly when you will be least likely to receive financing. Consider applying for business financing when your financials are still in a good state. This way the money received can be used for expansion or as an emergency line of credit instead of rescue.

KEYS TO SUCCESS

Below are a few of the finance keys to success for any business

Key to Success	Description
Cashflow projections	Very few business owners perform regular cashflow projections. The importance of managing liquidity is much bigger than being profitable. Your cash flow cycle is important to the health of your business. A cashflow projection looks at the amount of sales forecasted in a given period, less the costs incurred to make those sales happen. Understanding how much cash you need to run your business is critical.
Accounting and bookkeeping expertise	While you can hire someone to handle these tasks, you still need to understand how to read the reports they are producing. A good accountant or financial advisor will help you to understand the figures.
Knowing how and when to get financing	Sometimes you will need finance to purchase new equipment, extra inventory for growth, or to get your business through tough times. While proper cash planning and bookkeeping are important steps in preparing for financing, you will also need to research which finance option is the best fit for your business, what programs they offer and their guidelines.
Develop a savings and investment plan	Everyone accepts the need to save, but surprisingly few people get around to doing it. Saving means planning. For a start, accept that your business account is not your personal account so do not treat it as such. Make sure that you have separate business and personal bank accounts. Treating your business account as your personal account can be dangerous as it can get you in trouble during tax time and make it difficult to get a loan, or to sell your business. In some cases, it can also make you personally liable for the actions of your business. Being your own boss can be liberating since the buck literally stops with you. However, this also means you are solely responsible for the financial health of your small business. Only you can decide what to do with the money and this starts with having a good idea of where it comes from and where it is going.

Key to Success	Key to Success
Pay attention to compliance	Keeping your financial records up-to-date is critical to make sure that you are in good standing with regulations and laws. Having a transparent financial record will not only keep you on the right side of the law but is advantageous when applying for financing.
Know when to go digital	The advantages of keeping your records up-to-date using a digital solutions package speaks for itself. Using accounting solutions reduces the likelihood of human error, keeps all your records in one place, can be accessed from anywhere and gives you what you need when you need it.

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TENTMAKER GHANA

"Remember, don't make money by all means, make money by the right means and these three simple steps will set that path; planning, diligent spending (appropriation) and reviewing"

Henry Agyei Asare, CEO, Tentmaker & Prime2Prime Ideas

"If you can't measure it, you can't manage it"

Tyronne Nel, Phezulu VBO

PHEZULU VIRTUAL BACK OFFICE VBO

MCB

"Your SME Partner"

The Mauritius Commercial Bank Limited

Website Resources:

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Notes

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