A CTI training programme

Start-up and entrepreneurship
CTI Entrepreneurship

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

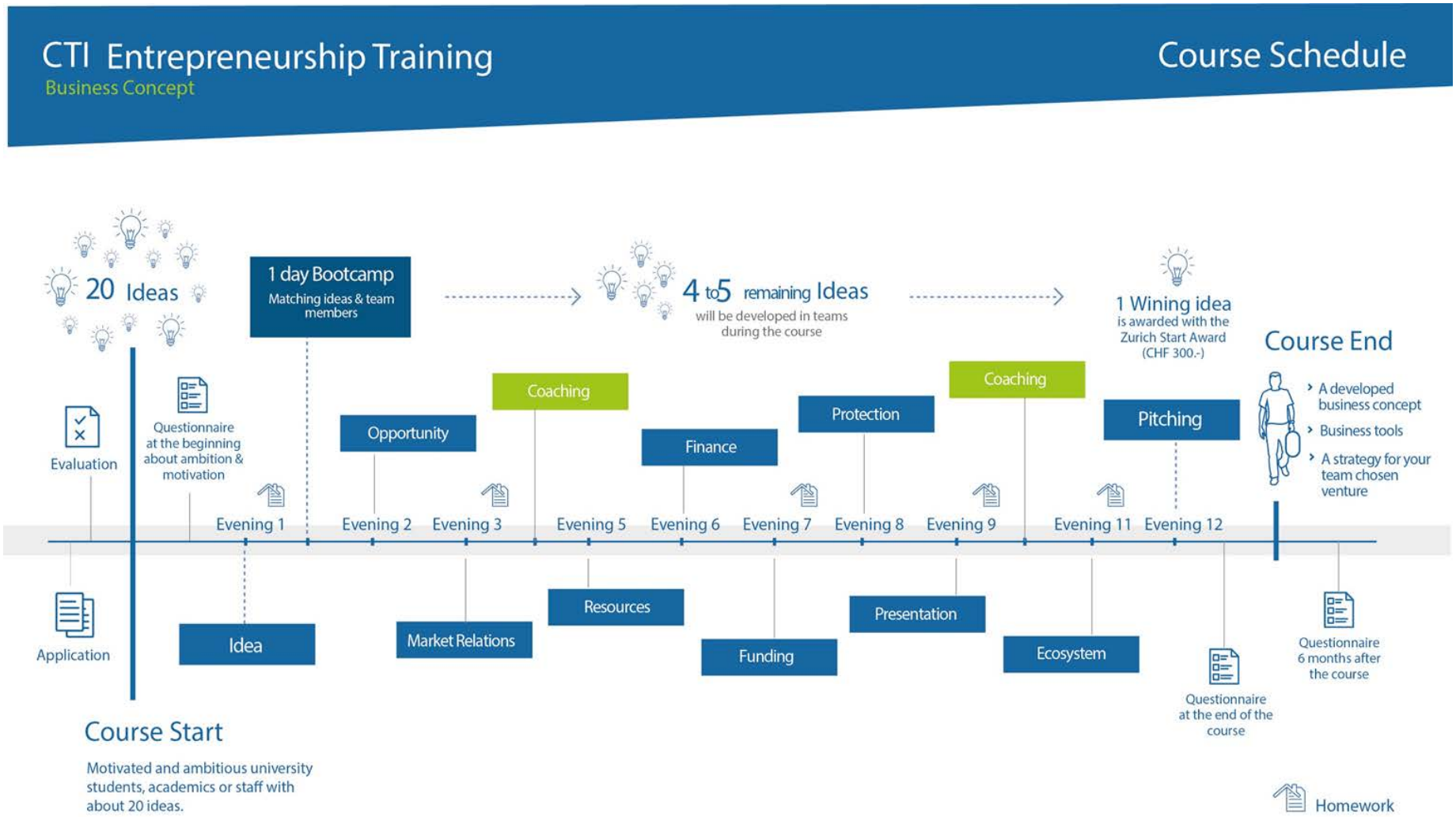
Swiss Confederation

Commission for Technology and Innovation CTI

CTI Entrepreneurship

Business Conception
Week 6: Finance

Module 2 - Business Concept



HOMEWORK REMINDERS

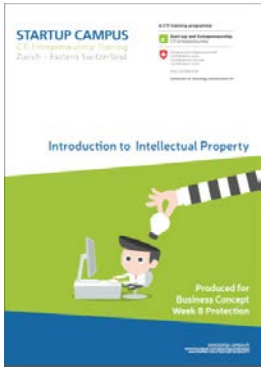
FOR Thursday 13th APRIL

Homework 1 - Poster

Create your poster on Podio by the end of the day Thursday 13th April.

Homework 2 - IP Canvas

Read the Intellectual Property (IP) handbook and complete the IP Canvas for your idea and **upload it to Podio by the end of the day Thursday 13th April.**



Course Structure

Week / Time	Hour 1	Hour 2	Hour 3	Hour 4	Deliverables
1 Idea	Welcome, Introduction	Entrepreneurial Acting and Thinking	Get to Know Each Other	Elevator Pitch Training, Wrap-Up	Elevator Pitch
1 Bootcamp	STARTUP CAMPUS Bootcamp				Ideas & Teams Chosen
2 Opportunity	From Idea to Opportunity	Work on Business Value Concept	Value Proposition Development	Group Presentations, Discussion, Wrap-Up	Business Value Concept, Value Proposition
3 Market Relations	Understanding your market	Market Positioning	Value Chain Analysis & Market Entry Strategy	Update Business Value Concept, Wrap-Up	Customer Segment, Positioning Map, Value Chain, Entry Strategy
4 Coaching (I)	Individual Coaching Sessions in Teams: Status Quo, Q&A, Roadmap				Review of Progress
5 Resources	Managing Yourselves	Human Resources and Skills Matrix	Founding Your Business	Roadmap, Wrap-Up	Motivation & Expectation, Skill Matrix, Roadmap
6 Finance	Financial Planning	Forecasting Sales and Costs	Income Statement	Free Cash Flow / Liquidity / Break Even, Wrap-Up	Definition of Key Financial Forecasts and Statements
7 Funding	Introduction to funding	Types and Sources of Funding and How to Secure Investment	Funding Strategy and Funding Battleplan, Wrap-Up		Funding strategy and battleplan
8 Protection	Introduction to IP Protection	Identifying IP Needs	IP Strategy and Management	Checking Operating Freedom / Discussion and Wrap-Up	IP Canvas
9 Presentation	Introduction & review of online training	Standing in the shoes of your audience	How to structure an investor pitch	Developing a your final pitch, Wrap-Up	A Start-Up Pitch (presentation)
10 Coaching (II)	Individual Coaching Sessions in Teams: Status Quo, Q&A, Roadmap				Review of Progress
11 Ecosystem	STARTUP CAMPUS CONNECT EVENT				Contacts to Ecosystem
12 Pitching	Final Pitches & Jury Feedback			Course Evaluation & Closing	Jury Feedback and Certificates

Week 6: Finance

WK	Topic	Trainer
1	Ideas	Lead Trainer
2	Opportunity	Lead Trainer
3	Market Relations	Lead Trainer
4	Coaching I	Lead Trainer
5	Resources	Lead Trainer
6	Finance	Lead Trainer
7	Funding	Lead Trainer
8	Protection	IP Trainer
9	Presentation	Lead Trainer
10	Coaching II	Lead Trainer
11	Ecosystem	TBC
12	Pitching	TBC

Learning Goals

The participants are able to:

1. Describe the most important elements of a financial plan.
2. Assess the performance of a startup based on financial key figures.
3. Evaluate the financing needs in a first version.

Deliverables:

1. Definition of key figures (first version)

(Usual Start Time: 17:00)

Week 6: Finance - Agenda

Part One	**Introduction to Financial Planning**
Part Two	**Forecasting your Sales and Costs**
BREAK	
Part Three	**Forecasting your Pro Forma Income Statement**
Part Four	**Forecasting your Pro Forma Free Cash Flow** **Calculating when you will breakeven**
Part Five	**Wrap-Up**

Week 6: Finance - Agenda

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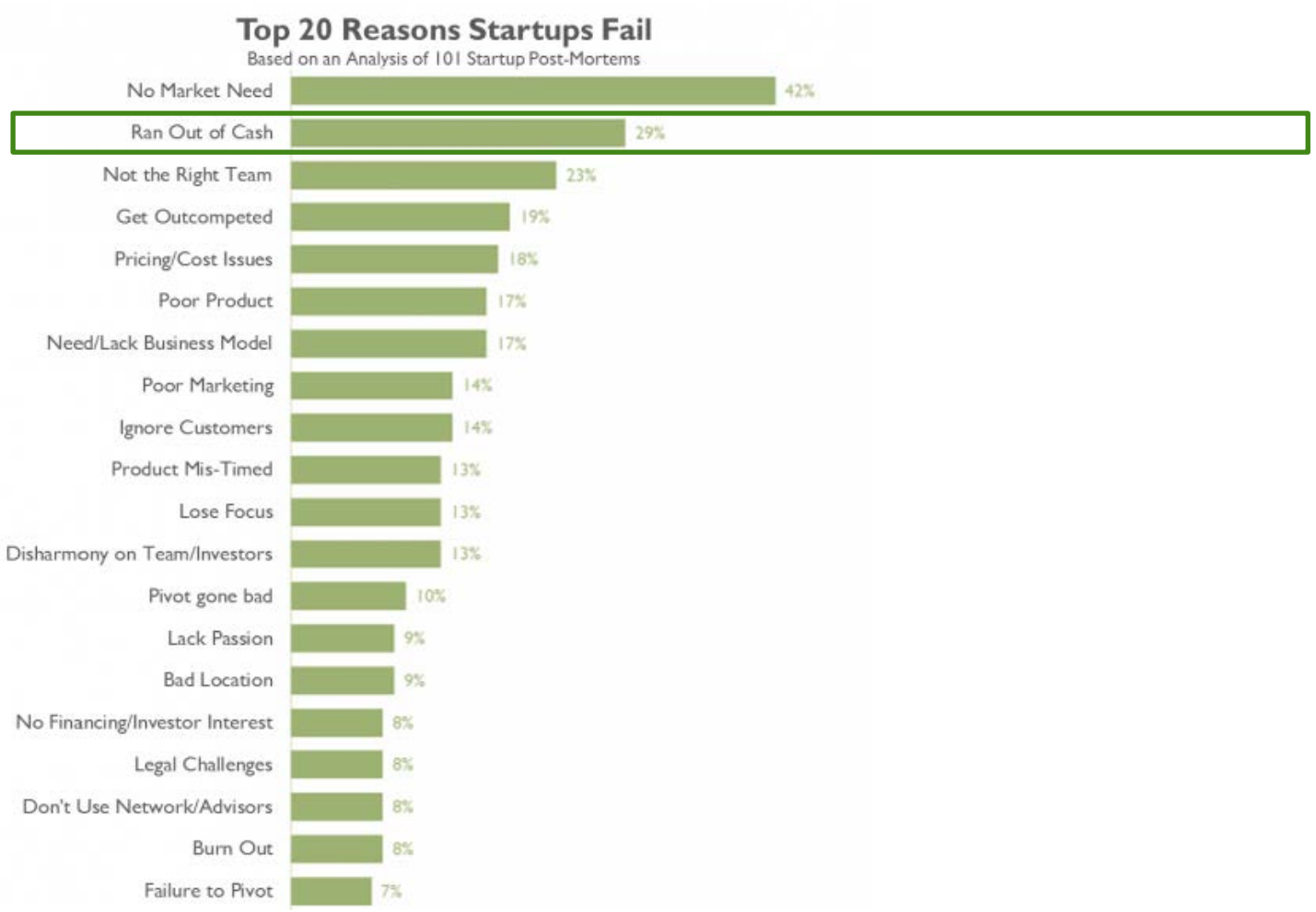
Introduction to financial planning

1. **Why is financial planning relevant?**
2. **What are the elements of a financial plan?**

Top 20 reasons why startups fail



Source: „Why startups fail according to their founders“, www.fortune.com, Jan 2015.

A viable business requires a financial balance

In order to realise a business idea financial resources are required:

- to develop the product / service
  > product investments / R&D costs
- to set up the initial business structures
  > general investment costs (Patent,…)
- to run the business
  > operational costs

These costs must be financed:

- by funding through business owners
  > equity
- by third party money
  > debt capital, loans, grants…
- by own sales
  > operational income, cash flow
- by additional income
  > disinvestments…

Some reasons why you need to plan financially…

Model and plan	Which activities/resources need funding? How do our financial flows look?
Project and analyse	How do our financial resources develop? Will we run out of cash?
Understand and decide	(When) do we need additional funding? How much do we need?
Convince and get access	Why investors want to invest in our startup. How we get the money.
Control and optimise	Are we earning or burning (our) money? How can we ensure to prosper?

Introduction to financial planning

1. **Why is financial planning relevant?**
2. **What are the elements of a financial plan?**

Founders need to plan the financials

Figures and instruments of a financial plan

Sales estimations and forecasts

Cost estimations and forecasts

- Operational costs
- Investments

reported in form of...

Instruments

- *Pro Forma Income Statement* (income or loss over a business period)
- *Pro Forma Balance Sheet* (assets and liabilities of a startup at a given point in time)
- *Pro Forma Cash Flow Statement / Liquidity Planning* (flows of cash-in and cash-out over a business period)

Key Figures

- *Break Even*

Note

- Financial planning is usually done for the next 3 – 5 years (or more if required).
- Basic business strategies and activities are “translated” or “mirrored” in the financials.
- Changes in your business fundamentals (product construction, marketing strategy etc.) will implicate changes in financials!
- Don’t forget to track and note the underlying assumptions of your forecasts!

How the elements of the plan are interlinked…

Sales forecasts

Month	Year 1			Year 2			Year 3		
	Pieces sold	x Price per piece	= Sales	Pieces sold	x Price per piece	= Sales	Pieces sold	x Price per piece	= Sales
Jan	0	5	0	...			...		
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Aug	5	5	25						
Sept	4	5	20						
Oct	3	5	15						
Nov	4	5	20						
Dec	4	5	20						
	40	5	200						

Cost forecasts

Costs / Expenditures	Year 1	Year 1	Year 1
Raw material costs	...	...	...
Personnel expenditures			
Marketing & sales			
Administration			
Logistics			
Support			
Royalties			
Taxes			
Depreciation & Amortization (> investment plan!)			
	...	...	...

Pro forma income statement

	Year 1	Year 2	Year 3
Operational income (earn) / expenditures (lose)			
Product sales	200	400	700
Costs of products sold	-100	-200	-350
Consulting services	100	250	400
Consulting personnel expenditures	-100	-100	-200
= Operational contribution margin	*100*	*350*	*550*
Other expenditures (lose)			
Personnel expenditures (overhead)	-50	-50	-50
Marketing expenditures	-50	-50	-50
Depreciation & Amortization	-50	-50	-50
EBIT (Earnings before interest & taxes)	**-50**	**200**	**400**
Interests	-30	-30	-20
Taxes	0	-30	-160
Profit/Loss	**-80**	**140**	**220**

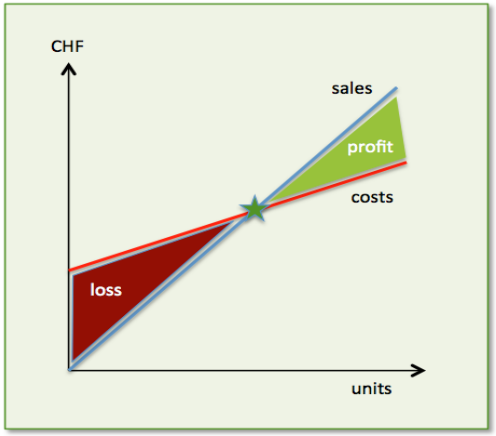
Pro forma balance sheet

		Year 1	Year 2	Year 3
ASSETS (OWN)	**Current assets**			
	Cash	10	15	20
	Bank accounts	60	245	410
	Non-current assets			
	Machines	100	80	60
	Intellectual property	100	80	60
	Office inventory	50	40	30
LIABILITIES (OWE)	**Debt capital**			
	Loan Family	100	100	0
	Loan Business Angel	200	200	200
	Equity capital			
	Shareholder's equity	100	100	100
	Year's profits	-80	140	220
	Accumulated profits & reserves	0	-80	60
	Balance sheet total	**320**	**460**	**680**

Pro forma cash flow statement

	Year 1	Year 2	Year 3
Cash beginning of year	**0**	**120**	**310**
Product sales	200	400	700
Costs of products sold	-100	-200	-350
Consulting services	100	250	400
Consulting personnel expenditures	-100	-100	-200
Personnel expenditures (overhead)	-50	-50	-50
Marketing expenditures	-50	-50	-50
Interests	-30	-30	-30
Taxes	0	-30	-150
= Operational cash flow	**-30**	**190**	**270**
Machines	-100	0	0
Office inventory	-50	0	0
Intellectual property	-100	0	0
= Investing cash flow (buy/sell assets)	**-250**	**0**	**0**
Shareholder's equity	100	0	0
Loan Family	100	0	-100
Loan Business Angel	200	0	0
= Financial cash flow (borrow/pay back capital)	**400**	**0**	**-100**
Total Cash Flow	**120**	**190**	**170**
Cash end of year	**120**	**310**	**480**

Break even analysis



In addition to sales & cost forecasts, you may need:

- Amounts invested/loaned to the business or paid back
- Interest/tax/depreciation/ amortisation rates

Pro forma income statement

Shows how much money your startup will earn or lose in a business period.

	Year 1	Year 2	Year 3
Sales income (earn) / variable costs (lose)			
Product sales (+)	200	400	700
Costs of products sold (-)	-100	-200	-350
Consulting services (+)	100	250	400
Consulting personnel expenditures (-)	-100	-100	-200
= Gross Profit (+/-)	*100*	*350*	*550*
Gross Profit Margin	*33%*	*54%*	*50%*
Fixed costs (lose)			
Personnel expenditures (overhead) (-)	-50	-50	-50
Marketing expenditures (-)	-50	-50	-50
Depreciation & Amortization (-)	-50	-50	-50
Net profit before interest & taxes	**-50**	**200**	**400**
Interests (-)	-30	-30	-20
Taxes (-)	0	-30	-160
Net Profit/Loss	-80	140	220
Net Profit Margin	*-27%*	*22%*	*20%*

Pro forma cash flow

Shows where your startup will earn or lose money (and how much is left) in a business period.

	Year 1	Year 2	Year 3
Cash beginning of year, CF_{Start}	**0**	**120**	**310**
Product sales (+)	200	400	700
Costs of products sold (-)	-100	-200	-350
Consulting services (+)	100	250	400
Consulting personnel expenditures (-)	-100	-100	-200
Personnel expenditures (overhead) (-)	-50	-50	-50
Marketing expenditures (-)	-50	-50	-50
Interests & Taxes (-)	-30	-60	-180
= Operational cash flow, CF_{op}	**-30**	**190**	**270**
Machines (+/-)	-100	0	0
Office inventory (+/-)	-50	0	0
Intellectual property (+/-)	-100	0	0
= Investing cash flow (buy/sell assets), CF_{inv}	**-250**	**0**	**0**
Free Cash Flow, $CF_{Free} = CF_{op} + CF_{inv}$	**-280**	**190**	**270**
Shareholder's equity (+/-)	100	0	0
Loans from Family (+/-)	100	0	-100
Loans from Business Angels (+/-)	200	0	0
= Financial cash flow (borrow/pay back capital), CF_{Fin}	**400**	**0**	**-100**
Total Cash Flow, $CF_{Total} = CF_{Free} + CF_{Fin}$	**120**	**190**	**170**
Cash end of year, $CF_{End} = CF_{Start} + CF_{Total}$	**120**	**310**	**480**

Note

This is generally the most important calculation for a start-up because:

- If your business runs out of money (cash) it will die.
- The free cash flow (FCF) indicates a business's ability to sustainably finance its operations.
- A negative FCF defines the funding need for the period.
- A positive FCF indicates the business is generating cash (which can be re-invested later or returned to investors/creditors).
- Only real money flow is being considered; virtual transactions (e.g. depreciation of assets) don't blur a venture's true status.
- A business may be cash flow positive at the end of the year, but not profitable (and vice versa).

Pro forma balance sheet

Shows how much money your startup will own or owe at a point in time (i.e. at the end of a business period).

		Year 1	Year 2	Year 3
ASSETS (OWN)	**Current assets**			
	Cash	10	15	20
	Bank accounts	60	245	410
	Non-current assets			
	Machines	100	80	60
	Intellectual property	100	80	60
	Office inventory	50	40	30
=				
LIABILITIES (OWE)	**Debt capital**			
	Loans from Family	100	100	0
	Loans from Business Angels	200	200	200
	Equity capital			
	Shareholder's equity	100	100	100
	Year's profits	-80	140	220
	Accumulated profits & reserves	0	-80	60
	Balance sheet total	**320**	**460**	**680**

Note

The amounts should balance because whatever money goes into the business from the outside (in the form of debt, equity or profits from sales) cannot disappear; it must be held somewhere in the business (and is therefore owned by the business as an asset of some kind).

Pro forma break even (analysis)

Shows when your startup will earn or lose money.

- Point at which cost or expenses and revenue are equal:

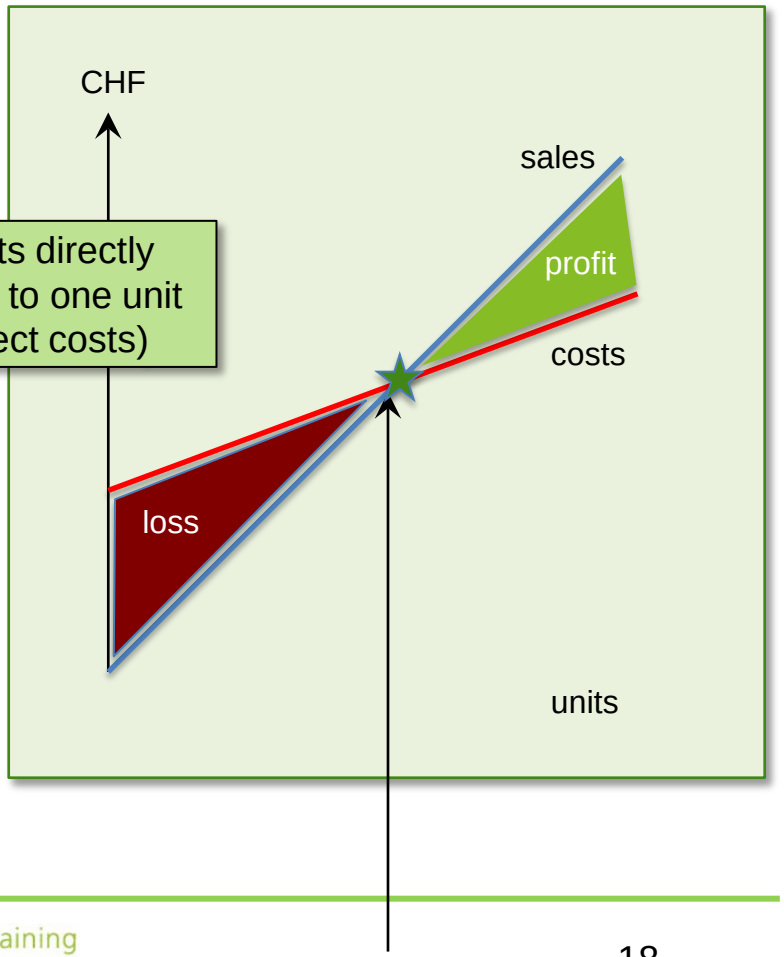
Number of units sold at breakeven

$$x = \frac{\text{fix costs}}{(p - \text{var. costs})}$$

Price per unit

Total costs that cannot be attributed to units (indirect costs)

Costs directly linked to one unit (direct costs)



- Generally, break even has to be realized in in the first 3 years in business
- To improve break-even three measures can be taken:
  - Reduce fix costs
  - Reduce variable costs
  - Increase selling prices

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Nov	4	5	20						
Dec	4	5	20						
	40	5	200						

Cost forecasts

Costs / Expenditures	Year 1	Year 1	Year 1
Raw material costs	...	...	...
Personnel expenditures			
Marketing & sales			
Administration			
Logistics			
Support			
Royalties			
Taxes			
Depreciation & Amortization (> Investment plan!)			
	...	...	...

Pro forma income statement

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Other expenditures (lose)			
Personnel expenditures (overhead)	-50	-50	-50
Marketing expenditures	-50	-50	-50
Depreciation & Amortization	-50	-50	-50
EBIT (Earnings before interest & taxes)	**-50**	**200**	**400**
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= Operational cash flow	**-30**	**190**	**270**
Machines	-100	0	0
Office inventory	-50	0	0
Intellectual property	-100	0	0
= Investing cash flow (buy/sell assets)	**-250**	**0**	**0**
Shareholder's equity	100	0	0
Loan Family	100	0	-100
Loan Business Angel	200	0	0
= Financial cash flow (borrow/pay back capital)	**400**	**0**	**-100**
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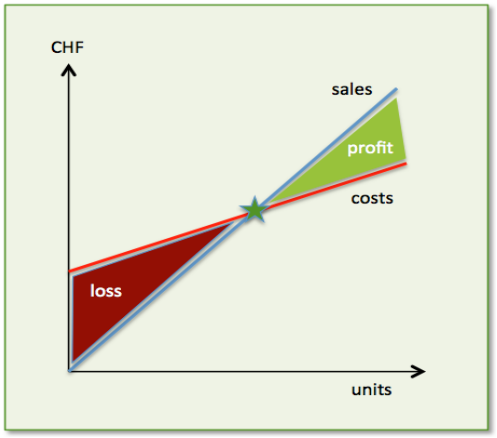
	Equity capital			
	Shareholder's equity	100	100	100
	Year's profits	-80	140	220
	Accumulated profits & reserves	0	-80	60
	Balance sheet total	**320**	**460**	**680**

Break even analysis



Forecasting your sales

Objective:

•Make the sales forecast for your business.

Tasks:

1.Define how many “products” you will sell (each month/year).

2.Define the price for your product and/or service.

3.Multiply the nbr of pieces sold by the corresponding price to get the sales.

Activity Guide

The forecast should cover:

1. The sales forecast covers the first 3-5 years of your business.

Key things to remember:

1. To acquire your first paying customer will need some time…
2. Existing customers might buy again at some point in time (or not).

Forecasting your sales - template

Adapt the Excel Template Provided

Month	Year 1			Year 2			Year 3		
	Pieces sold	x Price per piece	= Sales	Pieces sold	x Price per piece	= Sales	Pieces sold	x Price per piece	= Sales
Jan				...			...		
Feb									
March									
Apr									
May									
June									
July									
Aug									
Sept									
Oct									
Nov									
Dec									

Forecasting your costs / expenditures

Objective:

•Make the cost forecast for your business.

Tasks:

1.Define the cost for each cost category of your business in the first year.

2.Make the cost projections for each cost category for the years 2 – 5.

3.For more complex cost categories separate plans (e.g. sheets in Excel) can help (e.g. marketing plan, investment plan…).

Activity Guide

The forecast should cover:

1. The first 3-5 years of your business (or more if appropriate).

Key things to remember:

1. When sales grow, costs often grow, too.
2. Sometimes you need to make an new investment. Define the depreciation.

Forecasting your costs - template

Adapt the Excel Template Provided

Costs / Expenditures	Year 1	Year 2	Year 3
Raw material costs	…	…	…
Personnel expenditures			
Marketing & sales			
Administration			
Logistics			
Support			
Royalties			
Taxes			
Depreciation & Amortization (> see Investment plan!)			
	…	…	…

Investment plan for cost forecast – temp

Adapt the Excel Template Provided

Position	Year 1	Year 2	Year 3
Asset purchase			
Machines	…		
Intellectual Property (Patent)			
Depreciation (linear, 3years)			
Machines	…		
Intellectual Property (Patent)			
Remaining book value			
Machines	…		
Intellectual Property (Patent)			
	…	…	…

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Logistics			
Support			
Royalties			
Taxes			
Depreciation & Amortization (> Investment plan!)			
	...	...	...

Pro forma income statement

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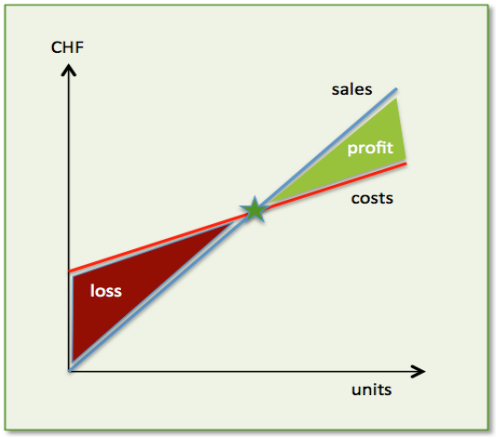
Marketing expenditures	-50	-50	-50
Interests	-30	-30	-30
Taxes	0	-30	-150
= Operational cash flow	**-30**	**190**	**270**
Machines	-100	0	0
Office inventory	-50	0	0
Intellectual property	-100	0	0
= Investing cash flow (buy/sell assets)	**-250**	**0**	**0**
Shareholder's equity	100	0	0
Loan Family	100	0	-100
Loan Business Angel	200	0	0
= Financial cash flow (borrow/pay back capital)	**400**	**0**	**-100**
Total Cash Flow	**120**	**190**	**170**
Cash end of year	**120**	**310**	**480**

Break even analysis



Forecasting your Pro Forma Income Statement

Objective:

- Define the pro forma income statement for the years 1-5 for your business

Tasks:

1. Transfer the sales forecast figures.
2. Transfer the cost forecast figures.
3. Complete the income statement.

Adapt the Excel Template Provided

Pro forma income statement - template

	Year 1	Year 2	Year 3
Sales income (earn) / variable costs (lose)			
= Gross Profit			
Fixed costs (lose)			
Net profit before interest & taxes			
Interests			
Taxes (in case of a positive NPBIT!)			
Net Profit/Loss			

Week 6: Finance - Agenda

Part One	**Introduction to Financial Planning**
Part Two	**Forecasting your Sales and Costs**
BREAK	
Part Three	**Forecasting your Pro Forma Income Statement**
Part Four	**Forecasting your Pro Forma Free Cash Flow** **Calculating when you will breakeven**
Part Five	**Wrap-Up**

How the elements of the plan are interlinked…

Sales forecasts

Month	Year 1			Year 2			Year 3		
	Pieces sold	x Price per piece	= Sales	Pieces sold	x Price per piece	= Sales	Pieces sold	x Price per piece	= Sales
Jan	0	5	0	...			...		
Feb	1	5	5						
March	3	5	15						
Apr	2	5	10						
May	5	5	25						
June	3	5	15						
July	6	5	30						
Aug	5	5	25						
Sept	4	5	20						
Oct	3	5	15						
Nov	4	5	20						
Dec	4	5	20						
	40	5	200						

Cost forecasts

Costs / Expenditures	Year 1	Year 1	Year 1
Raw material costs	...	...	...
Personnel expenditures			
Marketing & sales			
Administration			
Logistics			
Support			
Royalties			
Taxes			
Depreciation & Amortization (> Investment plan!)			
	...	...	...

Pro forma income statement

	Year 1	Year 2	Year 3
Operational income (earn) / expenditures (lose)			
Product sales	200	400	700
Costs of products sold	-100	-200	-350
Consulting services	100	250	400
Consulting personnel expenditures	-100	-100	-200
= Operational contribution margin	*100*	*350*	*550*
Other expenditures (lose)			
Personnel expenditures (overhead)	-50	-50	-50
Marketing expenditures	-50	-50	-50
Depreciation & Amortization	-50	-50	-50
EBIT (Earnings before interest & taxes)	**-50**	**200**	**400**
Interests	-30	-30	-20
Taxes	0	-30	-160
Profit/Loss	**-80**	**140**	**220**

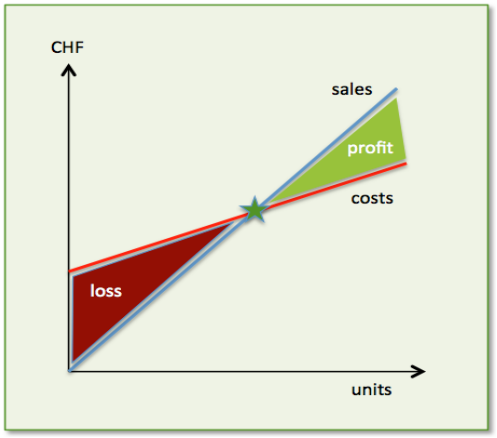
Pro forma balance sheet

		Year 1	Year 2	Year 3
ASSETS (OWN)	**Current assets**			
	Cash	10	15	20
	Bank accounts	60	245	410
	Non-current assets			
	Machines	100	80	60
	Intellectual property	100	80	60
	Office inventory	50	40	30
LIABILITIES (OWE)	**Debt capital**			
	Loan Family	100	100	0
	Loan Business Angel	200	200	200
	Equity capital			
	Shareholder's equity	100	100	100
	Year's profits	-80	140	220
	Accumulated profits & reserves	0	-80	60
	Balance sheet total	**320**	**460**	**680**

Pro forma cash flow statement

	Year 1	Year 2	Year 3
Cash beginning of year	**0**	**120**	**310**
Product sales	200	400	700
Costs of products sold	-100	-200	-350
Consulting services	100	250	400
Consulting personnel expenditures	-100	-100	-200
Personnel expenditures (overhead)	-50	-50	-50
Marketing expenditures	-50	-50	-50
Interests	-30	-30	-30
Taxes	0	-30	-150
= Operational cash flow	**-30**	**190**	**270**
Machines	-100	0	0
Office inventory	-50	0	0
Intellectual property	-100	0	0
= Investing cash flow (buy/sell assets)	**-250**	**0**	**0**
Shareholder's equity	100	0	0
Loan Family	100	0	-100
Loan Business Angel	200	0	0
= Financial cash flow (borrow/pay back capital)	**400**	**0**	**-100**
Total Cash Flow	**120**	**190**	**170**
Cash end of year	**120**	**310**	**480**

Break even analysis



Forecasting Free Cash Flow (FCF)

Objective:

•Define your Free Cash Flow Statement and your Liquidity for the next 1-5 years.

Tasks:

1.Identify the cash-in and cash-out positions by reviewing the income statement (for **operational** activities).

2.Identify the cash-in and cash-out positions by reviewing the income statement (for **investment** activities).

3.Identify the cash-in and cash-out positions by reviewing the income statement (for **financial** activities).

4.Complete the rest of the cash flow statement.

5.Define the position “cash end of year”.

1. How well is your startup performing?
2. What are your FINANCIAL NEEDS? (to be addressed to potential investors)

Activity Guide

Key things to remember:

1. Just integrate cash relevant payments-in or payments-out.
2. Depreciation is not a true cash-out position and must not be integrated in the Cash Flow Statement.

Pro forma cash flow - template

Adapt the Excel Template Provided

	Year 1	Year 2	
Cash beginning of year	**0**		
= Operational cash flow			
= Investing cash flow (buy/sell assets)			
Free Cash Flow = CF_{op} + CF_{inv}			
= Financial cash flow (borrow/pay back capital)			
Total Cash Flow			
Cash end of year			

Calculating when you will breakeven

Objective:

- Calculate when you will breakeven.

Tasks:

1. Define the sales price, fix costs and variable costs of your business (year 1).
2. Calculate the break even sales (year 1) by using the break even formula.
3. Repeat for the business years 2 – 5.
4. When do you break even?

Activity Guide

Key things to remember:

$$x = \frac{\text{fix costs}}{(p - \text{var costs})}$$

Note:

1. BE can be calculated yearly, for several years or on a daily basis.
2. BE can be expressed in form of the “BE sales” or “BE time”.

Week 6: Finance - Agenda

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Wrap-Up
(5 mins)

Objective:

- Summarise key outcomes from this week and look ahead to the next week

Tasks:

1. Group discussion of the key outcomes and deliverables of the week
2. Group discussion of any key considerations for next week

Week 6: Finance
Summary

Learning Goals
The participants are able to:

1. describe the most important elements of a financial plan.
2. assess the performance of a startup based on financial key figures.
3. evaluate the financing needs in a first version.

Deliverables:

1. Definition of key figures (first version)

Key Take Aways?

Week 7: Funding
Outlook

Homework:

1. **Complete your free cash flow forecast** (this will be needed for the funding week)
2. Complete your remaining key forecasts (e.g. pro forma income statement)

Learning Goals

The participants are able to:

1. Explain the types and sources of financing for an early stage company
2. Understand how to minimize initial costs by applying bootstrapping and lean start-up principles
3. Be able to understand and apply the DCF valuation method (basic case)
4. Understand the expectations of various types of investors

Deliverables

1. Funding strategy

HOMEWORK REMINDERS

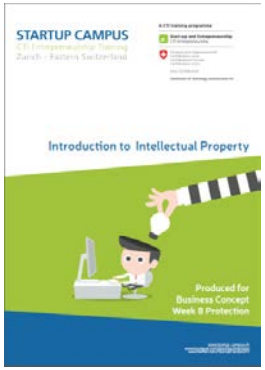
FOR Thursday, 13th APRIL

Homework 1 - Poster

Create your poster on Podio by the end of the day Thursday 13th April.

Homework 2 - IP Canvas

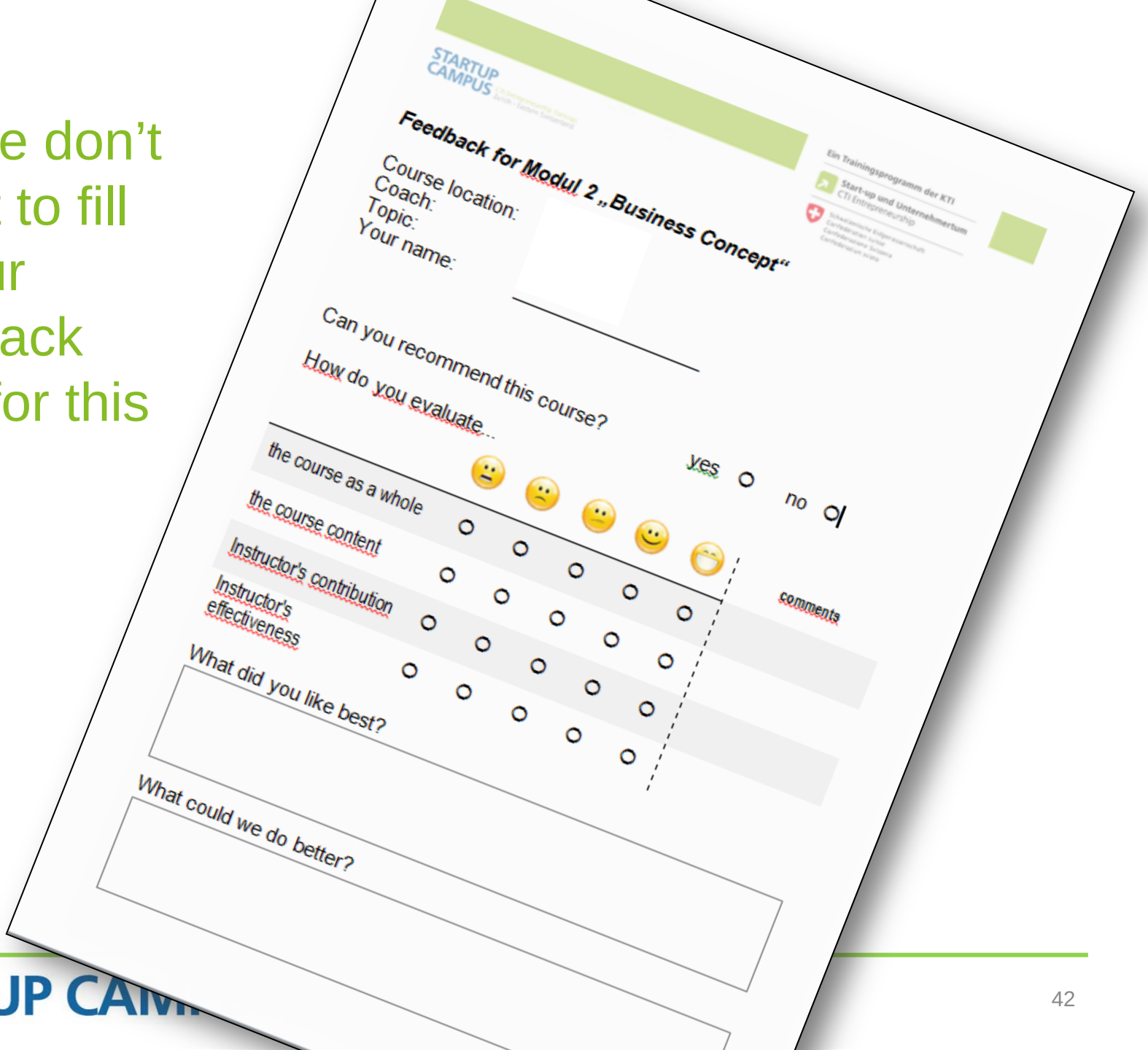
Read the Intellectual Property (IP) handbook and complete the IP Canvas for your idea and **upload it to Podio by the end of the day Thursday 13th April.**



Glossary

Terms and synonyms	Definition
• Equity	The value of a shareholding in a company (investment in return for shares)
• Debt • Loans	Money that must be paid back (usually with interest)
• Income Statement	Income and loss over a period of time
• Balance Sheet	Assets and liabilities at a given point in time
• Cash Flow Statement • Liquidity Plan	Cash in- and out-flows over a period of time. Liquidity refers to whether or not the business has enough readily accessible cash to meets its near term obligations.
• Sales • Turnover • Revenue	Total revenue through sales of goods and services
• Variable Costs • Direct Costs • Costs of Goods Sold (COGS)	Costs that can be directly attributed to one unit; they increase (linearly) with each unit produced
• Gross Profit	Sales – Variable Costs
• Fixed Costs • Indirect Costs	Overhead expenses that do not directly correlate to the units produced. They might increase when passing certain production thresholds.
• Net Profit Before Interest & Taxes • Earnings Before Interest & Taxes (EBIT)	Calculation basis for tax liabilities
• Earnings Before Interest, Taxes, Amortisation and Depreciation (EBITDA)	Calculation used by investors to compare the profitability of companies because it strips out all aspects related to the financing and tax handling of the business
• Breakeven	The number of units sold where costs match revenue. Any further unit sold creates profit.
• Free Cash Flow	Operational and investing cash flow; indicator for self-financing capability of a venture.
• Current Assets	Assets with short turnover period and relatively high liquidity
• Non-Current Assets	Mostly investments; usually being involved in the production of goods and services
• Amortisation	In accounting terms, amortisation defines the depreciation of intangible assets (such as patents, brand, goodwill)

Please don't forget to fill in your feedback form for this week



A CTI training programme

Start-up and entrepreneurship
CTI Entrepreneurship

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
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Swiss Confederation

Commission for Technology and Innovation CTI

CTI Entrepreneurship

Business Conception
Week 6: Finance

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