

# How are prices determined?

## The costs that make up the pricing of loans:

- Funds
- Capital and risk
- Administration
- [www.betterbusinessfinance.co.uk/help-support/factsheets/loan-pricing](http://www.betterbusinessfinance.co.uk/help-support/factsheets/loan-pricing)

## An example may help...

10 customers



The Bank lends £100 to each customer



Interest rate 10% per annum



This gives the Bank an income of £10 per annum per customer



9 businesses pay back the £10 = £90 income



One customer defaults in Month 1 = £100 loss



End result = -£10

## Who is the Business plan actually for?

70% of businesses at any one time don't need to borrow so it can't solely be for finance. What else can it help you do?

What should be in it?

[www.betterbusinessfinance.co.uk/images/uploads/BBF\\_factsheet\\_writing\\_a\\_business\\_plan.pdf](http://www.betterbusinessfinance.co.uk/images/uploads/BBF_factsheet_writing_a_business_plan.pdf)

You don't need to produce a 40 page report. 6 – 10 pages about you and your business will help – most of the time banks don't get anything

## Cashflow

Which is the most important - Cashflow or Profit?

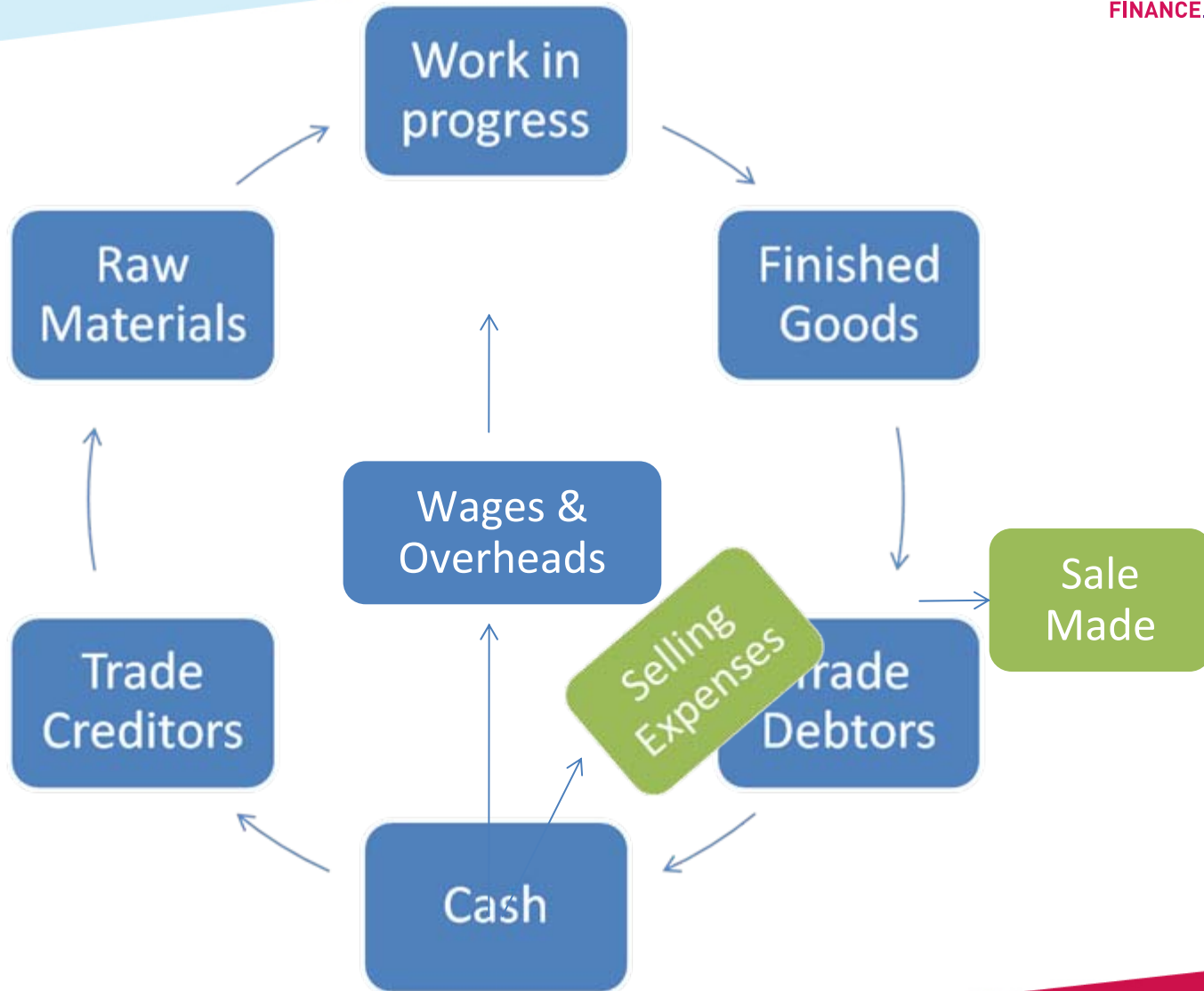
- What happens if you don't pay your gas bill?

## Debtors

If your debtors are slow payers, what does this say about you and them?

- Who is paying their overdraft?

# How the cashflow cycle works



# Example of cashflow finance

ACTIVITY	January	February	March	April	May
Capital Injected					
Direct Costs					
Buy Raw Materials					
Overheads;					
Marketing					
Sales Staff					
Premises					
Bank Charges/Int					
Sales Income					
Cashflow (Cumul)					

## Example of cashflow finance

ACTIVITY	January	February	March	April	May
Capital Injected	50				
Direct Costs					
Buy Raw Materials					
Overheads;					
Marketing					
Sales Staff					
Premises					
Bank Charges/Int					
Sales Income					
Cashflow (Cumul)					

## Example of cashflow finance

ACTIVITY	January	February	March	April	May
Capital Injected	50				
Direct Costs					
Buy Raw Materials	20				
Overheads;					
Marketing					
Sales Staff	5				
Premises	6				
Bank Charges/Int					
Sales Income					
Cashflow (Cumul)	19				



## Example of cashflow finance

ACTIVITY	January	February	March	April	May
Capital Injected	50				
Direct Costs		50			
Buy Raw Materials	20				
Overheads;					
Marketing		5			
Sales Staff	5	5			
Premises	6	8			
Bank Charges/Int					
Sales Income					
Cashflow (Cumul)	19	-49			

# Example of cashflow finance

ACTIVITY	January	February	March	April	May
Capital Injected	50				
Direct Costs		50	50		
Buy Raw Materials	20				
Overheads;					
Marketing		5	5		
Sales Staff	5	5	5		
Premises	6	8	8		
Bank Charges/Int			5		
Sales Income					
Cashflow (Cumul)	19	-49	-122		

## Example of cashflow finance

ACTIVITY	January	February	March	April	May
Capital Injected	50				
Direct Costs		50	50		
Buy Raw Materials	20				
Overheads;					
Marketing		5	5	5	
Sales Staff	5	5	5	5	
Premises	6	8	8	6	
Bank Charges/Int			5	8	
Sales Income					
Cashflow (Cumul)	19	-49	-122	-146	

# Example of cashflow finance

ACTIVITY	January	February	March	April	May
Capital Injected	50				
Direct Costs		50	50		
Buy Raw Materials	20				
Overheads;					
Marketing		5	5	5	5
Sales Staff	5	5	5	5	5
Premises	6	8	8	6	6
Bank Charges/Int			5	8	8
Sales Income					190
Cashflow (Cumul)	19	-49	-122	-146	20