

Creating a Start-up Business e-Guide

a CDS White Paper ©2021



Authored by our
Business Advisory
Services Team





Start-up Business Checklist

You're ready to turn your passion into a start-up business. You've got a great idea that may just lead to a successful business, and a career doing what you enjoy. While choosing to start a business is an exciting time, it may also seem like a daunting task filled with many questions. It can be difficult to determine where and how to begin. This white paper will provide a list of the initial steps for creating a business. While this list may not encompass all the steps required for your particular start-up business, it can serve as a guide to covering the necessary bases and asking the right questions.

1

Understand your idea/opportunity

The first step to starting your business is to get a good understanding of what you want to do and how you want to do it.

- What kind of **impact** do you want your business to make?
- What is the **mission** and vision for your company?
- What **purpose** will your company serve and how will it benefit others?

Determining goals and centering your idea around those goals is a great place to begin in understanding your new business opportunity.

2

Research your opportunity

You have your great business idea, but how exactly does it fit into today's market?

A little bit of market research is necessary to determine how your product or service can effectively address the needs of consumers. Here are a few important questions to ask when assessing the market:



Is there a demand for my product or service?



Who is the target market of my business?

Be sure to consider many demographics such as age, income, gender, and location.



Where should my business be located to best reach my target market?



Are similar products or services currently being offered?



Who are my key competitors?

While answering the questions above can help to provide an understanding of how your opportunity fits within the current market, it is also important to find a market advantage. What will make your product or service stand out and attract consumers? How can you differentiate your product within the market?

3

Create a business plan

A business plan outlines the plan of action for your idea. It is important to note that there is no correct way to write a business plan – your plan should outline and fit the needs of your business. The plan should illustrate the goals of the entity and the strategies that will be used to attain those goals. It should depict how you will organize, market, and finance your idea. A well-thought-out business plan is often necessary to obtain funding for start-ups. More information on creating a business plan can be found at <https://bit.ly/3s3Q0IG>



4

Identify your start-up costs

New businesses often encounter a variety of start-up costs before the business can take off running. These costs can vary depending on your business type and location. For instance, a brick-and-mortar business will likely have different start-up costs than an online business. It is critical to identify and anticipate what costs your business will incur before opening. Common examples are:

- » Equipment and supplies
- » Licenses and permits
- » Advertising
- » Office space
- » Utilities
- » Insurance
- » Lawyer and accountant fees
- » Employee salaries and wages

It is necessary to note that this is not an all-inclusive list. Each business will have its own unique costs pertaining to the type, industry, and location of the business.

5

Acquire the necessary funding



Not all new business owners will have the necessary cash to fund their start-up. While there are many different funding options available, it is important to select the option that best meets your needs and goals. The first step is to determine how much funding your start-up will require. After finding the appropriate dollar amount, you can begin to look at different funding options. The choice of which option to choose is not one to take lightly. Be sure to weigh the pros and cons of each. Consider talking to your financial advisor, banker, or accountant to help determine which type of funding is best for you. The good news is there are a lot of options to choose from:

- » Self-funding
- » Loans
- » Investors
- » Grants
- » Crowdfunding
- » Friends and family
- » Venture capital

6

Decide on your business structure

Choosing a business structure for your start-up is not an easy task. The decision of what legal structure to choose can influence many aspects of your start-up business including day-to-day operations and personal risk. There are many options and variations to choose from such as sole proprietorships, partnerships, limited liability companies, and corporations. Each option offers different advantages and disadvantages relating to the control of the entity, personal liability, and taxation. It is highly encouraged that new business owners seek help and guidance from their CPA/accountant when deciding on a legal structure.



7

Choose and register your business name

HELLO
my name is

While the process may look different depending on what region, state, or country you are in, registering your business is an exciting step. Make sure your business name reflects the kinds of goods and services you offer. Most states require that you register your entity name at the state level. This offers protection from other businesses using or operating under the same name. Since many states do not allow you to register a name that is already taken, it is important to get creative and do some research beforehand. A simple online search is sometimes the fastest way to see if a name is available. Be sure to also research your state's guidelines for naming restrictions. More information on registering your business name can typically be found on your state's Secretary of State website.

You may also want to consider a trademark which can protect your business name, goods, and services at the federal level and within your industry. Consult your lawyer if this is something you think would be beneficial to your business.

If your start-up has an online presence or is primarily operated online, it is strongly encouraged that you also register a domain name. A domain name refers to your website address or URL. It is often ideal and recommended that your domain name match your registered business name. This will protect the online presence of your business.

8

Obtain federal and state tax id numbers

An Employer Identification Number (EIN) is also known as a Federal Tax Identification Number. It is used to identify a business entity much like a social security number identifies an individual. An EIN is needed to pay federal taxes, open a business bank account, hire employees, and even apply for licenses and permits. There are guidelines to whether your business will need an EIN – most do. Visit <https://bit.ly/3lQkdKn> to determine whether an employer identification number is required for your business.

To apply for an EIN visit: <https://bit.ly/3fQg2du>.



9

Apply for licenses and permits



Different businesses need different licenses and permits. This can also change depending on your business location and industry. For example, if your business activities fall under the agriculture or aviation industries, you will need to apply for and obtain a federal license and permit within that industry. State licenses and permits are often necessary as well. Be sure to do the right research to determine what licenses and permits are required of your entity, the fees associated with them, and how often a renewal is needed.

10

Open a business bank account

A small business bank account should be used once transactions for your new start-up begin to occur. Maintaining a business bank account offers a variety of benefits such as greater protection and professionalism. It can also help generate more understanding and organization when it comes to managing your company's income and expenses. Since there are multiple types of business bank accounts, it is ideal to consult with your banker and accountant to help determine which type of account will best suit the needs of your business.

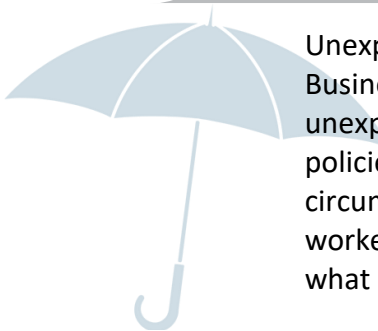
Depending on the business structure of your company, you may even be required to maintain a separate bank account. For instance, limited liability companies (LLCs) and corporations must have a bank account separate from its owners.



11

Get the necessary insurance

Unexpected events can have huge implications on small businesses and their owners. Business insurance can help protect your personal assets and your business when unexpected or unfortunate events occur. It is a good idea to research different insurance policies that may be necessary to make sure you are protected in an unforeseen circumstance. The federal government requires that all businesses with employees have workers' compensation, unemployment, and disability insurance. Be sure to also research what additional insurance is required by law in your state.



12

Set up your accounting system

An accounting system can help you track how your money is being spent, where it is going, and where it is coming from. Properly setting up an accounting system is key to having your books be transparent and more understandable. A bookkeeping system that has the ability to grow and expand with your company can be intimidating to create. Consider seeking advice from an accountant or even outsourcing your company's bookkeeping to help make the process easier.

13

Outsource functions where needed

Many new business owners have the tendency to think that all aspects of the business should be done by themselves. While this may be the instance in some cases, it is important to consider the benefits of outsourcing business functions that may not necessarily be in your area of expertise. Properly delegating certain tasks to industry professionals can save time, improve accuracy, and can even save you money. Start by considering which aspects of your business you may need help with, and which tasks take up a lot of your time. Then consider outsourcing those aspects to improve efficiency and effectiveness. Three common examples of outsourcing include:

Payroll services – <https://bit.ly/37tPwSR>

Bookkeeping services – <https://bit.ly/3IP0Voq>

Outsourced accounting services – <https://bit.ly/2VC1W8p>



14

Market and manage your business



Now that a lot of the initial tasks of setting up your business are taken care of, it's time to market, manage, and grow your business. Be sure to set up a website and custom email domain. This will add professionalism and credibility to your start-up. Also, consider your marketing plan and approach. How will you communicate with customers and generate sales?

15

Seek guidance, find a mentor, work hard

After taking these initial steps, your small business has a solid foundation to grow and expand. However, be sure to seek guidance and find a mentor. You'll probably have a lot of questions while creating and managing your start-up. Create a team of trusted advisors and peers to rely on for guidance. It is important to seek advice from a banker, an accountant, and a lawyer in the early stages of your business. Finding a mentor can also be a huge help when discussing goals, new ideas, and everyday operations. A strong support system can not only ease the burden and stress of starting a business, but it can also make it more enjoyable. Be sure to work hard, learn, seek guidance, and ask the necessary questions to ensure your business can meet your goals.



We're here to help!

Contact one of our CDS experts at (888) 388-1040. We'll connect you to resources that will address the business challenges of your unique situation and strengthen the financial health of your start-up.

Sources:

<https://quickbooks.intuit.com/r/starting-a-business/how-to-start-a-business/>

<https://www.sba.gov/starting-business%20>

<https://www.kpmgspark.com/blog/small-business-checklist>

Additional resources:

<https://mn.gov/deed/business/>

<https://www.sos.state.mn.us/business-liens>

<https://www.cdscpa.com/turning-your-hobby-into-a-business/>

<https://www.cdscpa.com/do-you-have-good-product-diversification-in-your-business/>

OUR FIRM AT A GLANCE

- » Over 75 team members, including 31 CPAs.
- » Our meaningful core values of integrity, quality, collaboration, innovation, and kindness guide our actions every day.
- » We provide a wide range of services at a level that exceeds your expectations.
- » G400 CPA firm, serving clients across the country.

LOCATIONS Willmar | Benson | Morris | Litchfield | St. Cloud-Sartell
VISIT US ONLINE AT cds.cpa

