

PRACTICAL GUIDE FOR ENTREPRENEURS

Step-by-step guide to
starting your own business



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FIRST PHASE: FINDING THE IDEA

Every new business starts with an idea.

This idea may be the fruit of your experience, know-how, creativity or mere coincidence. It often takes the form of an intuition or a desire that takes shape and matures over time.

A/ WHERE IDEAS CAN BE FOUND

Usually, a business idea can be found by observing your environment.

➤ Working environment

You work with all of the stakeholders in a business and you discover problems or unmet needs.

Based on your observations, you think that it would be possible to improve:

- your company's products, or its production and marketing methods;
- services that could be outsourced and the quality of such services.

You may seize the opportunity to start a new business to put these ideas into practice.

Example: outsourcing such services as scientific computations using cloud computing techniques.

➤ Daily life

You or your friends and family may have run into problems obtaining a specific good or services near your home.

Would it facilitate your non-work activities if you could find that product or service easily when you need it?

Example: starting private crèches serving several companies

➤ Business activities

Reading the business and trade press and travelling to other countries are opportunities to discover new products and practices. Could you market or apply them in your own community, region or country?

Example: salad bars (selling mixed salad ingredients by weight) from North America.

➤ Other people's ideas

You could also:

- go into partnership,
- consider operating a franchise,
- buy a patent, a manufacturing or distribution license,
- take over a business.

But you must be wary of wonderful ideas that sometimes only make money for those who sell them to other people.

In any event, whether you use your own idea or other people's ideas, whether you are entering a known profitable market or exploring a new one, you must ensure that your idea has real business potential and then turn it into a plan. The success of your business venture depends on this crucial step.

In this phase, you can try various [creativity techniques](#), such as brainstorming, which involves the freest flow of ideas possible about a given subject, or "fault-finding", which aims to pinpoint users' dissatisfaction with products, services, institutions, etc.

Once you have done this work, you should be able to describe your idea: the characteristics of the product or service that you want to sell, why it is useful, how it would be used and the performance that potential customers could expect.

You can also complete an online [questionnaire](#) to validate your business idea.

★ **Is your idea innovative?** You must ask yourself the right questions: Are you really the best person for the job? How can you make this idea into a business? What is the real potential of the idea? You must also be careful about how much time it will take to market the idea: the more innovative it is the more reluctant customers will be to adopt it.

If your idea is an invention, a brand or software, you must also make sure that you protect it with by applying for a patent or a utility certificate.

Contact the National Intellectual Property Institute (INPI : www.inpi.fr) and see the "[Protéger son idée](#)" page on the APCE website: www.apce.com

B/ FROM AN IDEA TO A PLAN

DEFINE YOUR IDEA AS PRECISELY AS POSSIBLE

You now have to think about your idea within its economic and regulatory context to make the preliminary sketch of your business. The details of this sketch will change over time, as you obtain more information and advice in the course of your preparations.

➤ Define your products or services very precisely, as you first imagine them

- What are the main products and services that you want to sell?
- What needs will they meet?
- What further products and services could you offer?
- How are they different from the competition?
- What makes them better?

➤ Make a list of the potential customers to target first

- How did you identify them?
- Why did you select these target customers?
- Where are they located?
- Have you already tested your idea on some of them?

GATHER INFORMATION

- on what you want to sell: products or services,
- on your potential customers,
- on your market,
- on the equipment and products you will need to use and your potential suppliers.

GET ADVICE AND TIPS FROM SPECIALISTS

No matter where you are, there are professional entrepreneurship support structures that provide support and guidance.

The advisers that you meet will look at your project from the outside and be more objective than you are. Heed their advice.

To find such structures in your area, you can visit the “” page on the APCE website: www.apce.com

ANALYSE THE CONSTRAINTS OF YOUR PLAN

List the various constraints arising from your plan for a new business. Analysing them will help you find ways to overcome them from the outset.

➤ Constraints that are specific to the product or service

The type of product or service, along with its features, manufacturing process or marketing methods can all lead to constraints that you need to consider.

Examples

You are planning:	Don't forget to consider:
<ul style="list-style-type: none">- to manufacture a luxury product- to sell a fad product- to base you business on a dangerous or harmful product- to offer a service that has a negative image (such as “cleaning and floral decoration of graves”)	<ul style="list-style-type: none">- the cost of creating a brand,<ul style="list-style-type: none">- manufacturing costs,- distribution methods (selective channels),- advertising costs.- the short-lived business potential of the product- spontaneous hostile responses from your local community, nature conservationists or consumer protection movements that may stall your business plan- the communication efforts required to win future customers' trust and make them understand the specific advantages of your service

➤ Market constraints

The market may be new, in the early stages of growth, fully mature, declining, saturated, closed to new entrants, insolvent, widely dispersed, etc.

Examples

Your market is:	Don't forget to:
<ul style="list-style-type: none"> - untapped - very crowded - dominated by large corporate groups 	<ul style="list-style-type: none"> - plan for major communication and prospection expenses - assess the customers' response time to a "disruptive technological innovation" - plan for resources that enable you to differentiate your product or service from the competition, the "value added" that you provide to customers - think about how to take on the competition

➤ Resource constraints

The processes for manufacturing, marketing, advertising, managing and providing after-sales service may involve major constraints.

Examples

Your business involves:	You must plan for:
<ul style="list-style-type: none"> - difficulty obtaining supplies - difficulty finding skilled personnel (given the degree of expertise required or the location of the company, for example) - long payment terms for customers 	<ul style="list-style-type: none"> - the need for large inventories - the time and cost involved in building up your team - substantial cash holdings

➤ Legal constraints

Legal constraints may determine the feasibility and profitability of your business.

Depending on your plans, you should look into requirements:

- for prior authorisation to conduct business,
- for prior approval,
- regarding professional qualifications,
- stemming from specific security rules (fire safety, wheelchair access, etc.),
- stemming from health and safety rules,
- stemming from ethical rules.

Examples

Your business is:	Do you have:
<ul style="list-style-type: none"> - regulated - about to be regulated (example: a European Directive pending transposition into French law) 	<ul style="list-style-type: none"> - the professional experience or diploma required? The authorisations required? - accurate information about the potential consequences of the regulations on the conduct of your business?

☞ To find out about regulations applying to your business, you can:

- visit the www.guichet-entreprises.fr website
- ask the [local DDPP](#) (Direction départementale de la protection des populations)
- ask a relevant industry body, - visit the "[informations sectorielles/activités réglementées](#)" page of the APCE website.
- view the APCE [business fact sheets](#), which cover more than 150 types of business.

OUTLINE YOUR PLAN

At this stage, you should map out the preliminary components of your plan and start thinking about the following points, even though they are likely to change as your plan develops (Second Phase):

- what resources will you need to carry out your plan (equipment, premises, human resources)?
- how much money will you need?
- what type of undertaking do you want to create: sole trader, company, partnership?
- what should your business strategy be?

☞ To prepare your plan, you can now use the online planning service, "[Mon projet en ligne](#)". You can use this service to test your knowledge, draw up a timeline, save helpful addresses, store selected documents in your online briefcase and draft your business plan.

ASSESS YOUR OWN READINESS

Are you ready to be an entrepreneur?

Make an honest assessment of yourself.

➤ Do you have:

- The drive to be an entrepreneur?
- The right personality for your plan?
- The necessary skills?
- The time to carry your plan through?
- The money to cover your needs?

➤ Do your circumstances seem favourable?

- Professional circumstances (business relationships)
- Family circumstances

If your answer to one or more of these questions is "no", you need to think about the remedial actions needed, which may include:

- delaying or changing your plan,
- seeking further training or experience.

➔ **For the best chance of success, you must ensure the consistency of:**

- the specific constraints of your plan, which must be surmountable,
- your motivation,
- your objectives,
- your know-how,
- your personal constraints.

📄 For more information business ideas, visit the [“Valider son idée de création d'entreprise”](#) file online.

SECOND PHASE

DEVELOPING THE PLAN

As you develop your plan, you must make sure your business is feasible and profitable.

You can analyse customer expectations and the competition to determine the price that your future customers will be willing to pay. You can then define your sales target and the resources required to achieve it.

This calls for three types of research:

- market research,
- financial research,
- legal research.

A/ MARKET RESEARCH

Market research is a critical step in the development of your plan. The purpose of this research is to eliminate as much risk of failure as possible by providing a clearer idea of your future business's environment. The research should enable you to:

- know and understand your market,
- gather the information you need to forecast your sales revenue,
- make the best marketing choices in order to reach your goals,
- determine your "product", "pricing", "distribution" and "communication" policies.

KNOWING AND UNDERSTANDING YOUR MARKET

The market is the environment that you will do business in, where supply (your competitors) meets demand (your potential customers). This market can be national, regional, seasonal, concentrated, diversified, captive, closed, itinerant, etc. Each characteristic of the market creates constraints and provides specific keys to success that need to be identified at this stage.

You will need to study the market for the product or service that you want to sell in order to develop your plan further.

The research should enable you to:

- discover the opportunities and risks in your market,
- make a decision about carrying out more in-depth research.

FIND THE INFORMATION THAT YOU NEED

- By reading the material available from various information sources: chambers of commerce and industry, trade and craft bodies, industry bodies and associations, the National Statistics and Economic Studies Institute (INSEE), the Research Centre for the Study and Monitoring of

Living Standards (CREDOC), major libraries, specialised websites, etc. The main information sources are listed on the APCE website: www.apce.com, go to the "[Trouver des informations](#)" page.

- By collecting the advertising literature and press advertisements printed by your competitors.
- By visiting trade shows, fairs, exhibitions and other events.
- By interviewing industry professionals and customers.
- By carrying out surveys, interviews and mini-tests of potential customers.
- By observing your competitors in the field and, where appropriate, the reactions of passers-by.

ADJUST YOUR PLAN BY ANSWERING THE FOLLOWING QUESTIONS

➤ What are the features of your market?

You must ask the following questions about your market:

- Is it a business-to-business market, a consumer market, a leisure market or a mass consumption market?
- Is it a growing, stagnant or shrinking market?
- How much does it represent in terms of sales volume or sales revenue?

➤ What are you going to sell?

Define the features of your product or service: specialisation, quality level, advantages, range, presentation, finishing, requirements for use, additional products and services, etc.

➤ Whom are you going to sell it to?

- Will your customers be: businesses (small businesses, large corporations), individuals or institutions?
- How much money is available for investment in your product or service?
- What are your potential customers' needs?
- How do they make purchases?
- Where do they live?
- How do they behave?

➤ What need does your product or service fulfil?

Analyse your customers' expectations: saving time, space or money, safety, comfort, novelty or other expectations.

Explain the benefits that you will provide: quality, technical performance, punctuality, flexibility, rapidity, opening hours, range of choices, etc.

➤ How are you going to sell your product or service?

Your distribution method needs to be adapted to your customers' purchasing habits: mail order, internet, trial periods, referrals from other customers, product demonstrations, home

sales visits, price quotations, bidding procedures, etc.

➤ Who are your competitors?

- Who are they?
- How many are there?
- Where are they?
- What are they offering?
- How much are they charging?

Analyse their strengths (reputation, history, accessibility, advertising, sales area, range, credit terms, etc.)

➤ When are the best times for sales of your product or service?

In view of your potential customers, is your business subject to specific calendars, timetables or business hours?

Is demand occasional, random, periodic, seasonal or steady?

Are purchases made according to plan, on impulse or in an emergency?

➤ Where will you do business?

You need to ask yourself several questions: will you conduct your business in dedicated premises, in your customers' homes or in your own home? Do you need to set up your business near your sources of supply or near your customers?

If you are planning to open a retail business, the location will be critical for the success of your plan. When you are selecting a location, you must not hesitate to spend several days in the neighbourhood, talking to merchants, watching the foot and vehicle traffic and observing competing businesses.

👉 You can view the urban development plan for your location in order to find out about local amenities and future developments.

➤ How much will you charge for your product?

Should you sell a cheaper product than your competitors? Does your production cost or cost price allow you to sell for less?

You need to know your customers, your competitors and your costs in order to "[charge the right price](#)". The information that you gathered earlier will be critical for this step, especially the price-sensitivity of demand, the prices charged by competitors and the calculation of your cost price.

FORECASTING YOUR SALES REVENUE

The information gathered can be compiled to estimate the number of potential customers in your area and measure their purchasing volume, thus enabling you to come up with sales revenue forecasts and to explain the basis for your forecasts.

To obtain consistent and realistic results, use more than one [sales revenue estimation method](#) to provide a best-case and worst-case estimates of sales revenue.

Do not hesitate to show your estimates to local professionals and/or advisers in the relevant industry or business line: accountants, advisers working for entrepreneurship promotion bodies, industry organisations, etc.

Their experience can help refine your forecasts in many cases: a sales revenue forecast must not be overly pessimistic or optimistic; it should simply be realistic.

DEFINING YOUR STRATEGY

Working with the knowledge acquired in the previous steps, the third stage will help you build your business by validating or adjusting some key points in your plan.

For this purpose, you will need to analyse:

- demand, so as to meet needs as fully as possible,
- the competition, so as to differentiate your product or service by highlighting your advantages.

DEMAND ANALYSIS

Your market research provided information about:

➤ Who your potential customers are

You should adapt your range of products or services to the profiles of the customers that you have identified.

If your potential customer base is so diversified that it makes sense to segment your offer of products or services, you need to define the “product or service/customer type” pairs. You must then determine:

- which products or services will attract the most customers,
- which customers will form your steady clientele,
- which products or services are likely to generate the most profit.

➤ Choosing your location

If your customers are concentrated in specific areas, you must choose the fixed or mobile infrastructure that will enable you to do business in those areas.

Otherwise, you must choose the means to be used to reach potential customers over a wider area: location, advertising, attendance at specific trade fairs and events, website, etc.

FEATURES OF THE EXISTING COMPETITION

Your business strategy must also consider the solutions offered by competitors already established on the market.

Your market research may have revealed:

➤ A lack of competition

Under such circumstances, you have a wider range of choices, but such situations are rare, except in the case of truly innovative start-ups. You must not overlook “indirect” competition from suppliers of products and services that may be different from yours, but which meet the

same need. You may also have to compete with the consumers' capacity to meet their needs on their own.

Be aware that the lack of competition does not necessarily mean that the market is yours for the taking. Some competitors' ventures may have already failed in the same market.

➤ Existence of a market leader

If there is a market leader, you need to develop one or more competitive advantages or else to differentiate your product or service by aiming it at a niche market.

➤ Diversified competition

You must assess the advantages of your product or service compared to those offered by competitors and think about how you will present them to differentiate your business from the competitors'.

☞ **Stick to the essentials and simplify your decision-making as much as possible:** you need to be as operational as possible and closely attuned to your market.

☞ **Define a long-term strategy:** avoid short-term thinking as much as possible. It is important to establish guidelines and build for the future of your business.

CHOOSING YOUR MARKETING ACTIONS

Once you have decided what your business offers, you must organise your sales force, plan for dealing with your future customers and decide what actions to take to promote good customer relations.

All marketing actions break down into three categories.

Actions aimed at attracting consumers to a product constitute **advertising**. You must consider your budget and the reach of your business to decide which advertising medium will be the most effective: a listing in the Yellow Pages, signage and point-of-sale advertising, flyers, business cards, online advertisements, advertisements in the local or trade press or in business directories, spots on local radio, etc.

Actions aimed at pushing the product towards consumers constitute **promotion**. These actions provide exceptional advantages that give consumers an incentive to buy: open house days, special events, tasting sessions, product demonstrations, trade fairs, customer loyalty cards, etc.

Actions aimed at establishing direct contact with consumers constitute **prospecting** and **follow-up**: door-to-door sales, phone marketing, mail shots, faxes with reply coupons, online messages, etc.

All of these actions carry a cost, of course, and you must assess this cost at this stage in order to include it in your forecasts.

☞ You can carry out many of these tasks on your own.

If you call on a specialist to conduct this research, it is still critically important to be involved in the market research and to play a role in it. This is because mastering information is a key factor for an entrepreneur's success. You will learn how to find information in the field and how to use it for your future strategic choices.

You can find such specialists by viewing the "[Qui peut vous aider ?](http://www.apce.com)" page of the APCE website: www.apce.com

B/ FINANCIAL RESEARCH

The purpose of this research is to translate all of the information that you have gathered into financial terms and to ensure that your business plan is viable.

Your choices with regard to the nature of your product or service, the way you do business in your market and the management of your business will require the use of technical and human resources.

Here is a tip to ensure you do not overlook anything: imagine your future business. How will it operate in concrete terms?

Answer the following questions for each function (purchasing, inventory, manufacturing, sales, etc.): How? With what? With whom? Then, draw up a table showing these resources and their translation in terms of costs.

Financial research, like all of the other steps in starting a new business, is an iterative process that progressively reveals all of the financial needs of your business when it is up and running, along with the possible resources to cover those needs.

We propose a four-step approach to answering the following questions:

- 1) How much capital will you need to implement your plan and can you raise it? You must draw up a table called the **initial financing plan** to assess your stable financing needs, along with the relevant stable financing resources.
- 2) Will the planned activity of the business generate enough revenue to cover the expense of the human resources, material resources and financing used? The **forecast income statement** will provide the answer.
- 3) Will the revenues collected by your company over the year enable you to meet the expenses of the same period at all times? **The cash flow plan** will reveal the balance or imbalance between income and outlay month by month.
- 4) Will the financial soundness of the business planned for the in the initial financing plan be maintained as the business grows? **The three-year financing plan** can be used to ensure that the financial structure of the new business will be maintained and improved despite the appearance of new stable financing needs as time goes by. A sound financial structure is critical for the longevity of new businesses.

This approach should product a coherent and viable plan, since each choice is translated into financial terms and its impact on the finances of the business is assessed.

If the finances are not sound, the plan needs to be adjusted and the financial structure needs to be adapted.

BUILDING THE INITIAL FINANCIAL PLAN

Building an initial financing plan is a dynamic process. In addition to knowing how much money the business plan calls for, it can also help you find the best financing solution for you. After identifying the financial needs and the financial resources available, you need to come up with one or more solutions to raise the missing capital and balance the two columns of the table.

At this stage, you may have to abandon your plan, if your own funds are too little compared to the amount of borrowed funds required, or else scale your plan down to reduce the financing needs (e.g. cut back investment by outsourcing certain functions).

Be careful not to take the easy way out and cut back your working capital requirement arbitrarily. That would be a mistake and one that is likely to carry a very heavy cost.

The initial financing plan is set out in a table with two sides:

- the left side shows the stable financing needs created by the business plan,
- the right side shows the amount of stable financing resources that the new business will require to cover all of its stable needs.

Stable needs		Stable resources	
<ul style="list-style-type: none">- Start-up costs- Capital expenditure (excl. tax)- Working capital requirement		<ul style="list-style-type: none">- Share capital (or personal contribution)- Partners' current accounts (where appropriate)- Subsidies and bonuses- Interest-free loans and/or advances- Medium- and long-term borrowing	
TOTAL		TOTAL	

IDENTIFYING STABLE FINANCING NEEDS

Start-up costs

These are the first costs to be covered. The costs of setting up a company (advisers' fees, registration fees, initial public notices, etc.) are some of the expenses incurred that benefit the business over a long period.

Therefore, they need to be treated as a "special form of capital expenditure".

Capital expenditures

Acquiring the means of production, and physical plant and equipment in the broadest sense, is a capital expenditure.

It includes:

- patent fees, license fees, lease fees, franchise fees, costs incurred in acquiring premises, goodwill and creating a website (these expenditures are recorded as intangible fixed assets on the balance sheet),
- purchases of land, commodities, machines, furniture, vehicles, computers, construction costs, fixtures and fittings, etc. (recorded on the balance sheet as tangible fixed assets),
- payments of deposits and securities: e.g. three months' rent in advance upon signature of a lease (these are financial fixed assets, which may also include equity interests in other companies).

Capital expenditure does not include taxes (unless the undertaking is not eligible for VAT refunds, as in the case of freelance entrepreneurs in particular), since VAT refunds are a short-term cash flow issue and the initial financing plan only deals with the future undertaking's stable financing needs.

Working capital requirement

Before marketing a product, you usually need to have a minimum of stock in inventory. When you start your business, you may need to offer your customers credit terms: once the products have been delivered, the money owed to you is recorded as accounts receivable.

On the other hand, you are bound to obtain credit terms from your own suppliers that enable you to defer payment.

This means that you have to tie up a given amount of cash (average inventories + average accounts receivable – average accounts payable) to operate the business.

Just as the business needs its machines and premises at all times, it must also have the cash available to cover these requirements. Consequently, this amount is treated as a capital expenditure to be financed in the same way as any other.

This capital expenditure to cover operating needs is called the working capital requirement. It can be calculated by determining the following amounts as close to their peaks as possible (end of the year, since your sales are supposed to grow over time, or seasonal peak in sales):

- inventories of commodities that the undertaking needs on hand at all times, in view of supply patterns, production constraints and the level of sales,
- work in progress, which is determined according to the length of the production cycle and the production costs that can already be attributed to this item (labour, energy, etc.),
- the inventory of finished goods needed to meet demand in a timely manner,
- the amount of accounts receivable, including tax. This amount naturally depends on sales, as well as how much time elapses between delivery and the customer's payment (invoicing lag and payment terms),
- the amount of accounts payable, including tax, which depends on the credit terms granted by your suppliers and purchasing volume.

The usual formula for calculating the working capital requirement when starting a new business is as follows:

Working capital requirement	=	Average inventories
	+	Average accounts receivable, including tax
	-	Average accounts payable, including tax

SPECIFIC CASE OF A SERVICE BUSINESS

If your business is based on providing services (especially intellectual services), you may not need to carry inventory. In this case, your working capital requirement does not include an “average inventories” item.

You must replace it with a “work in progress” item, which includes the current expenses that you need to cover before invoicing your customers. This item can be calculated by determining the cost of a day of work, which is the sum all current expenses (including your own compensation), and then estimating the average number of days you need to work on each job before you can send your invoice.

If your business also enables you to ask for advance payments for every job, you need to include an item on the resources side called “average advances from customers”, which will replace the “average accounts payable” item.

You have just estimated the two types of capital expenditure required for your business:

- capital expenditure on fixed assets,
- capital expenditure on the working capital requirement.

IDENTIFYING STABLE RESOURCES

You now need to estimate how much money you will need to raise to cover your capital expenditure.

These funds break down into two categories:

- your own funds (personal contribution to the business),
- supplementary resources to be raised (subsidies, medium- and long-term borrowing).

The principles of sound management call for stable financing needs to be covered by stable financing resources. This means that the totals for both columns should be equal.

Consequently, if the sum of your personal contributions (plus any subsidies) is less than the total stable needs, you will have to raise outside funds to make up the difference.

This financing, which is often provided by banks, should be consistent with banking practices, which follow certain principles when making loans (medium- and long-term loans), such as:

- not risking more money than the entrepreneur does,
- not providing loans for capital expenditure on intangible assets (except goodwill) or on the working capital requirement in many cases,
- not financing more than 70% of the receivables, excluding tax (needs that can be financed by the bank),
- not accepting debt that exceeds the total cash flow from the borrower's first three years of operations,
- not accepting annual debt service for borrowed capital that exceeds more than half of the cash flow forecast.

The last two criteria imposed by banks cannot be checked until the income statement has been drawn up, which may lead to a review of the financing solution.

NB: The ratios vary according to the type of business. Banks may require larger personal contributions for businesses where most of the capital expenditure goes towards the working capital requirement (purchasing inventory, financing the initial payroll, etc.)

DRAWING UP A FORECAST INCOME STATEMENT

The income statement can be presented as a list or in the simpler and more conventional form of a table.

The table shows the business operations for the first three years and identifies:

- all of the expenses for the year on the left side,
- all of the revenue from the year on the right side,

and the difference between the two sides shows whether the business generates enough profit (net amount after subtracting expenses from revenue).

To compile an income statement correctly, you must:

- when filling in the left side:
 - omit none of the foreseeable operating expenses (a chart of accounts can be used as a check list),
 - estimate the depreciation allowance for capital expenditures (if they are eligible for depreciation and amortisation),
 - calculate financial expenses (interest expense) incurred by borrowing to achieve a balanced initial financing plan.
- when filling in the right side: include sales revenue and any other revenue (financial or non-recurring revenue).

All of the amounts must be entered without tax (unless your business is not subject to VAT, in which case, purchases must be recorded with VAT obviously).

At this stage, the income statement cannot be finalised, since the cash position of the business in the first months may make it necessary to take out short-term bank loans. If this happens, the relevant interest expense must be included in the financial expense already recorded in the statement. This calculation needs to be made after compiling the cash flow plan (see below).

Forecast income statement

DEBIT				CREDIT			
EXPENSES	Year 1	Year 2	Year 3	REVENUE	Year 1	Year 2	Year 3
OPERATING EXPENSES - Supplies - Outsourcing				OPERATING REVENUE - Sales revenue			
PURCHASES - Water, electricity - Maintenance supplies - Office supplies - Miscellaneous supplies							
EXTERNAL EXPENSES - Financial lease payments - Rent and maintenance fees - Insurance - Maintenance (plant and equipment) - Documentation							
OTHER EXTERNAL EXPENSES - Fees - Legal expenses - Postage, telephone, internet - Advertising - Transportation expenses - Packaging - Travel - Miscellaneous							
- Business tax (CET) - Other taxes (excluding corporate income tax)							
PERSONNEL EXPENSES - Wages and payroll contributions - Commissions paid							
- Depreciation allowance							
FINANCIAL EXPENSES - Interest and overdraft charges paid				FINANCIAL REVENUE - Interest earned			
- (Non-recurring expenses)				- (Non-recurring revenue)			
PROFIT				LOSS			
TOTAL				TOTAL			

DRAWING UP A CASH FLOW PLAN

This plan is a table that shows all foreseeable cash disbursements and receipts for the first year of operation, broken down month by month in twelve columns.

Each cash receipt or disbursement is recorded (with tax for transactions subject to VAT) in the column for the month in which it should take place. You must then determine the monthly cash balance and the cumulative cash balance from one month to the next so that you can compare them to your sales forecasts and ensure that the business will have enough cash on hand to pay everything it owes.

Cash flow plan

	JANUARY	FEBRUARY	MARCH	ETC.
MONTHLY STARTING BALANCES (+ OR -)				
RECEIPTS (WITH TAX) • FROM OPERATIONS - Sales cash at 60 days at 90 days (etc.) - VAT refunds • NON-OPERATING RECEIPTS - Capital contributions - Release of medium- and long-term loans - Subsidies				
TOTAL (1)				
DISBURSEMENTS (WITH TAX) • FOR OPERATIONS - Purchases: purchases of goods (supplies, raw materials) - Other external expenses - Taxes - Personnel expenses - Social security contributions - VAT paid - Financial expenses • NON-OPERATING DISBURSEMENTS - Repayment of loans due - Owners' withdrawals				
TOTAL (2)				
Monthly closing balance (1-2)				

If the forecast shows a cash shortfall at any given time, you must find a solution before starting your business.

You should not start your business knowing in advance that a serious cash crunch could occur in the coming months and that you will not have the resources to overcome it. Most new business that fail in their first year do so because of cash flow problems.

Therefore, you may need to plan bank credit to cover operating costs (such as discounting trade bills, accounts receivable financing under the terms of the Dailly Act, overdraft facilities, factoring, etc.) and you must include the cost of this credit in your forecast income statement. Interest rates on this type of credit are higher than those on medium-term loans).

BUILDING A THREE-YEAR FINANCIAL PLAN

A sound financial structure is the key to the long-term success of a new business. The business will be better able to cope with such hazards as slow sales growth or customers who do not pay if it has stable financial resources in reserve for such contingencies.

In order to plan the development of your business's financial structure, you must draw up a table, like the one for the initial financing plan, that projects the stable financing needs and stable financing resources at the end of each of the first three years.

For **year 1** you merely need to use the contents of the initial financing plan, supplementing them with new information from the first year of business, such as the new internal resources generated by sales: this is the self-financing capacity (for new businesses, the self-financing capacity is equal to profit before tax, plus the depreciation allowance for the year).

Three-year financial plan

STABLE NEEDS	Yr 1	Yr 2	Yr 3	STABLE RESOURCES	Yr 1	Yr 2	Yr 3
START-UP COSTS CAPITAL EXPENDITURE PROGRAMME (EXCL. TAX) WORKING CAPITAL REQUIREMENT INCREASE IN WCR LOAN REPAYMENTS FOR THE YEAR OWNER'S WITHDRAWALS (sole trader) DIVIDENDS DISTRIBUTED (company)				OWN FUNDS OWN FUND EQUIVALENTS SELF-FINANCING CAPACITY MEDIUM- AND LONG-TERM BANK LOANS			
				SURPLUS			

In **years 2 and 3**, you need only include new stable needs and resources that appear during the year in question.

In the first year, resources must exceed needs by an amount equivalent to 15% or 20% of the self-financing capacity. This surplus should grow in the following years.

CALCULATING THE BREAKEVEN POINT

The breakeven point is the level of sales where the gross margin (meaning the difference between sales revenue and the variable implicit cost of sales) covers all of the other expenses incurred during the year, which are the fixed costs.

In order to calculate the breakeven point, you must:

- Divide all of the expenses incurred during the year into two categories:

- fixed costs: all of the expenses incurred whether or not your business makes any sales (e.g. rent, wages, social security contributions, insurance, accountant's fees, etc.),

- variable costs: all of the expenses that vary automatically with the level of sales (e.g. cost of supplies, transportation costs for purchases and/or sales, sales commissions).

- Calculate the gross margin, which is equal to the sales revenue forecast minus the variable costs that depend on the level of sales.

- Translate this margin into a percentage of sales revenue (gross margin percentage) by dividing the gross margin amount by the sales revenue amount and multiplying the answer by 100.

- Divide the amount of fixed costs by this gross margin percentage to determine the breakeven point, which is the amount of sales revenue that covers all fixed costs.

Calculating the breakeven point

FORECAST SALES REVENUE (EXCL. TAX)
VARIABLE COSTS
SALES REVENUE – VARIABLE COSTS = GROSS MARGIN
$\frac{\text{GROSS MARGIN}}{\text{SALES REVENUE}} = \text{GROSS MARGIN PERCENTAGE}$
$\frac{\text{FIXED COSTS}}{\text{GROSS MARGIN PERCENTAGE}} = \text{BREAKEVEN POINT}$

Once sales exceed the breakeven point, the business starts to generate a profit.

The breakeven point is a good indicator and should be part of a realistic approach to your business plan, since it can be translated concretely into a number of hours to be invoiced or an average number of units to be sold each day or each week, etc.

C/LEGAL RESEARCH

You are about to start your own independent business, working for under your own responsibility, with no subordination towards to another entity. You need to choose a legal structure that is suited to the size and nature of your business, whatever it is.

This choice will entail a number of consequences in terms of taxes, employment and your assets. You must examine these consequences very closely, with the help of a specialised adviser if possible.

Be careful and take your time. You cannot carry out legal research until you have thought about your business plan and conducted serious market and financial research. The choice of a legal structure is the final step in the preparation of your business plan and should be suitable for your business.

DISTINGUISHING BETWEEN THE STRUCTURE AND THE BUSINESS

The legal structure and the business must be clearly distinct from each other. Every plan for a new business is based on an activity that in legal terms is qualified as:

> **commerce:** the commercial code lists the activities qualified as commerce. They consist primarily of the purchase and resale of goods for profit, as well as the sale of certain services: hotels, restaurants, entertainment, etc.

> **craft:** a craft business's activity consists of making, processing or repairing goods or providing services. Craft activities are identified on a list issued by decree and fall into different categories: food, construction, manufacturing and services. In addition, a new craft business should not employ more than 10 persons in principle.

> **industry:** the business's activity consists of processing raw materials. However, in contrast to craft activities, the role of machines and labour must be predominant. The earnings of the entrepreneur do not come from his or her own manual labour in this case, but from organising the business's production.

> **civil:** a number of activities are qualified as civil, including farming and the self-employed professional occupations.

The latter term refers to two major categories of activities.

- **“regulated” professions:** architects, lawyers, accountants, physicians, notaries, etc. The members of these professions must comply with strict ethical rules and are subject to the supervision of the professional bodies (colleges, associations, unions). Their titles are protected by law.

- **“unregulated” professions:** all professions that are not commerce, craft, industry or farming or regulated professions.

Some of these professions are free from any rules (e.g. consultants, interpreters...), while others need authorisation to do business (e.g. driving schools).

Farming consists of growing crops or raising animals. It also covers auxiliary activities, such as processing and marketing products, which also qualify as farming.

CHOOSING THE RIGHT LEGAL STRUCTURE

Whatever business you want to start, you will need to choose between:

- registering your business as a sole trader,
- or setting up a company.

> **If you choose to do business as a sole trader**, then you and your business will be one and the same. This legal structure concerns freelance entrepreneurs (for more information, see the website www.autoentrepreneur.biz) or entrepreneurs who opt to do business as a limited liability sole trader (EIRL).

Consequently:

- You will have a large degree of freedom: you will have the only say in your business and not be accountable to anyone. The notion of “misuse of company assets” does not exist for a sole trader.

- On the other hand, there is no segregation between your personal and business assets. Therefore the creditors of your business can come after all of your assets, including any assets you have acquired with your spouse, if your marriage contract calls for community of acquisitions.

However, you can protect your real property that is not used for your business activity from creditors by means of a notarised official notice of immunity from seizure filed with the mortgage registry and, where appropriate, with the company registry or the trade registry or published in a legal notices publication.

You can also protect your personal assets by choosing to do business as a limited liability sole trader (EIRL) and registering the assets used for the purposes of your business. This will segregate your personal assets from your business assets. Your liability will be limited to the registered business assets and, if your business runs into trouble, your business creditors can seize only the registered assets.

Assets that qualify as registered business assets include:

- goods, rights, obligations and guarantees necessary for the conduct of business (e.g. goodwill, lease, special equipment and tools, etc.)
- assets used for the purposes of your business that you decide to register.

- In this case, your family name will be the official name of your business, but you can also add a business name.

If you choose to do business as a limited liability sole trader, your name should be immediately followed or preceded by the words "*Entrepreneur individuel à responsabilité limitée*" or the acronym "EIRL". This language must be included in all of your business documents.

- Business income is subject to personal income tax. You must declare the profits from your business on your income tax return in the appropriate category, without deducting your own compensation. The categories are industrial and commercial profits if you are in a craft or commercial business, and non-commercial profits if you are a self-employed professional.

If you opt to do business as a freelance entrepreneur and choose a pay-as-you-go system, you will pay income tax on sales revenue as it is received. The amount of the tax due will be a fixed percentage of your sales revenue that depends on the nature of your business.

If you choose to do business as a limited liability sole trader, you can choose to pay corporate income tax if you are subject to the standard tax rules (*régime réel*). In this case, you also pay tax on your profits, but after deducting your own compensation. This choice is irrevocable.

- You will be in the social security scheme for non-wage earners and your social security contributions will vary depending on the tax rules applying to your business. If you opt for the social security scheme for micro-enterprises, your contributions will be based on your sales revenue.

- The formalities for registering your business are simple. All you need to do is register your business as natural person with the business formalities centre (CFE).

If you choose to do business as a limited liability sole trader, you will file your statement of registered business assets with the business formalities centre (CFE).

➤ **If you decide to incorporate your business**, you will create a new legal entity that is distinct from you and the other founding partners.

Consequently:

- The business will have its own assets, that are totally distinct from your assets. If the business runs into trouble, and if you cannot be blamed for any serious mismanagement, your personal assets will be protected from seizure by the business's creditors (unless you have incorporated as a general partnership - *société en nom collectif* – in which case each partner has full joint and several liability for all of the business's debts).

- If you use the company's assets for your own purposes, you could be liable to prosecution for "misuse of company assets".

- Since your incorporated business is a "new person" you must give it a name (company name), an address (registered office) and make a minimum contribution to its initial assets that will enable it to cover its first capital and current expenditures (registered capital).

- The manager that you name to represent the company to others will not be acting on his or her own behalf, but in the name of and on behalf of a distinct legal entity. This means the manager must comply with certain formalities when making important decisions. The manager must also make periodic reports to the partners about his or her management of the company.

- The incorporation of your business will require some further formalities: drafting and registering the articles of association, publication of legal notices, etc.

There are many different types of company, but we will mention only most common ones:

- limited liability company with a single shareholder - *entreprise unipersonnelle à responsabilité limitée (EURL)* : an SARL with only one partner,
- limited liability company - *société à responsabilité limitée (SARL)*,
- a conventional public limited liability company - *société anonyme (SA)* run by a board of directors,
- simplified joint stock company - *société par actions simplifiée (SAS)* and simplified joint stock company with a single shareholder - *société par actions simplifiée unipersonnelle (SASU)*

MAIN SELECTION CRITERIA FOR A LEGAL STRUCTURE

- Nature of the business
- Desire to form a partnership
- Asset structure: protecting and transferring assets
- Financial commitment
- Business operations
- Entrepreneur's social security scheme
- Tax rules applying to the entrepreneur and the business
- Credibility of the business with regard to others (bankers, customers, suppliers, etc.)

The table below summarises and compares the main features of the different legal structures.

🔗 For more information, especially about the tax and social security impact of your choice, see the entrepreneur portal at: [www.apce.com/espace créateur/étape 7 choisir un statut juridique](http://www.apce.com/espace_créateur/étape_7_choisir_un_statut_juridique) and talk to legal professionals.

SUMMARY OF THE MAIN TYPES OF LEGAL STRUCTURES

	SOLE TRADER	EURL	SARL	SA (conventional form)	SAS / SASU
NUMBER OF PARTNERS	-	Only 1 partner (natural person or legal entity, other than another EURL)	Minimum: 2 Maximum: 100 (natural persons and legal entities)	Minimum: 7 (natural persons and legal entities)	Minimum: 1 (natural person or legal entity)
AMOUNT OF REGISTERED CAPITAL	No notion of "registered capital"	Capital amount set freely by the sole partner 20% of the cash contributions must be paid at the time of incorporation, the balance must be paid up within five years.	Capital amount set freely by the partners 20% of the cash contributions must be paid at the time of incorporation, the balance must be paid up within five years.	Minimum of €37,000 50% of the cash contributions must be paid at the time of incorporation, the balance must be paid up within five years.	Capital amount set freely by the partners 50% of the cash contributions must be paid at the time of incorporation, the balance must be paid up within five years.
OFFICERS	Sole trader	Manager(s): must be a natural person - the sole partner or - another person	Manager(s): must be a natural person - partner(s) or - another person	Board of directors (3 to 18 members) including the chairman, who must be a natural person, and, possibly, a CEO	The company is free to choose its articles of association Minimum requirement: a natural person, who may or may not be partner, as the chairman

	SOLE TRADER	EURL	SARL	SA (conventional form)	SAS /SASU
LIABILITY OF PARTNER(S)	<p>Conventional sole trader: total and unlimited liability on personal assets¹</p> <p>If the entrepreneur opts for EURL: Liability is limited to the registered business assets²</p>	Limited to contributions	Limited to contributions	Limited to contributions	Limited to contributions
LIABILITY OF OFFICERS	Civil and criminal liability for the head of the business	Civil and criminal liability for the head of the business	Civil and criminal liability for the head of the business	Civil and criminal liability for the head of the business	Civil and criminal liability for the head of the business
APPOINTMENT OF OFFICERS	-	Decision of the sole partner	According to the articles of association or by the annual general meeting (AGM)	<ul style="list-style-type: none"> - Members of the Board of Directors appointed by the annual general meeting (AGM) - Chairman and Managing Director appointed by the Board of Directors 	The company is free to choose its articles of association

¹ However, a sole trader can protect his or her main residence and other real property that is not used for business purposes by filing a notarised notice of immunity from seizure.

² The value of the registered business assets must be assessed by the entrepreneur or by a professional (statutory auditor, chartered accountant, management and accounting association, or a notary for real property) if the value of the assets is greater than €30,000.

	SOLE TRADER	EURL	SARL	SA (conventional form)	SAS /SASU
DISMISSAL OF OFFICERS	-	Decision of the sole partner	Decision of AGM (on legitimate grounds)	Members of the Board of Directors, including the Chairman: decision of the annual general meeting (AGM) The Chairman may be dismissed by a decision of the Board of Directors at any time.	The company is free to choose its articles of association
TERMS OF OFFICE	-	Limited by the articles of association or unlimited	Limited by the articles of association or unlimited	Six years (three years for a new business)	The company is free to choose its articles of association
TAXATION OF PROFITS	Conventional sole trader: Personal income tax on industrial and commercial profits or non-commercial profits If the entrepreneur opts for EURL: Option to pay corporate income tax (irrevocable option)	<ul style="list-style-type: none"> - No taxes on the company, the sole partner is taxed directly via personal income tax: industrial and commercial profits or non-commercial profits - Option to pay corporate income tax 	Corporate income tax Option to pay personal income tax in certain cases ^{3 4}	Corporate income tax Option to pay personal income tax in certain cases ⁴	Corporate income tax Option to pay personal income tax in certain cases ⁴

³ Rules for family owned SARLs: when SARLs are owned by directly related family members only, meaning siblings, spouses or partners in a civil union, they can opt to pay personal income tax. This option is not available to professionals doing business as SARLs.

⁴ SARLs, SAs and SASs can opt to pay personal income tax for the first five years, regardless of their line of business. This option is available to unlisted companies that have fewer than 50 employees and annual sales revenue or total assets of less than €10 million, where more than 50% of the voting rights are held by natural persons, and more than 34% of the voting rights are held by the officers of the company and the members of their tax household. This option is available for five years, unless terminated by the parties concerned.

	SOLE TRADER	EURL	SARL	SA (conventional form)	SAS /SASU
DEDUCTION OF OFFICERS' COMPENSATION	No (unless option for EIRL and option for corporate income tax)	No, in principle (unless the entrepreneur has opted to pay corporate income tax or the officer is not the sole partner)	Yes (unless the entrepreneur has opted to pay personal income tax)	Yes (unless the entrepreneur has opted to pay personal income tax)	Yes (unless the entrepreneur has opted to pay personal income tax)
TAX RULES APPLYING TO CEO	Personal income tax on industrial and commercial profits or non-commercial profits	Personal income tax on - industrial and commercial profits or non-commercial profits if the EURL is subject to personal income tax, - wages and benefits, if the company has opted to pay corporate income tax	Personal income tax on wages and benefits	Personal income tax on wages and benefits for the Chairman of the Board and the CEO	Personal income tax on wages and benefits for the Chairman and the CEO
SOCIAL SECURITY SCHEME FOR OFFICERS	Non-wage earners scheme (ordinary scheme or micro-enterprise scheme)	- Non-wage earners scheme if the manager is the sole partner - Wage-earners scheme if the manager is another person	- Minority interest manager: wage- earners scheme - Majority interest manager: non-wage earners scheme	- Chairman and CEO: wage-earners scheme	- Chairman and CEO: wage-earners scheme
SOCIAL SECURITY SCHEME FOR PARTNERS	-	Non-wage earners scheme if the partner works for the EURL	Wage-earners scheme (if the partner has a contract of employment)	Wage-earners scheme (if the partner has a contract of employment)	Wage-earners scheme (if the partner has a contract of employment)

	SOLE TRADER	EURL	SARL	SA (conventional form)	SAS /SASU
WHO MAKES THE DECISIONS?	The entrepreneur alone	The manager (powers may be limited if the company is managed by another person)	<ul style="list-style-type: none"> - The manager for day-to-day management decisions - The annual general meeting (AGM) for other management decisions - An extraordinary general meeting for decisions that amend the articles of association 	<ul style="list-style-type: none"> - The Board of Directors: for day-to-day management decisions - The annual general meeting (AGM) for other management decisions - An extraordinary general meeting for decisions that amend the articles of association 	The company is free to choose its articles of association
MAIL-IN VOTES	-	-	Possible if stipulated in the articles of association	No	The company is free to choose its articles of association
STATUTORY AUDITOR	No	No, unless two of the three following conditions are met: <ul style="list-style-type: none"> - Total assets > €1,550,000 - Sales revenue excluding tax > 3,100,000 - More than 50 employees 	No, unless two of the three following conditions are met: <ul style="list-style-type: none"> - Total assets > €1,550,000 - Sales revenue excluding tax > 3,100,000 - More than 50 employees 	Yes	No, except in certain situations ⁵

⁵ A statutory auditor is required if:

- two of the following thresholds are exceeded: total assets of more than €1,000,000, sales revenue (excluding tax) is greater than €2,000,000 and or the average number of permanent employees stands at more than 20 for the year,
- the SAS controls or is controlled by one or more companies,
- one or more partners owning at least one-tenth of the equity petition the presiding judge of the commercial court for the appointment of a statutory auditor.

	SOLE TRADER	EURL	SARL	SA (conventional form)	SAS /SASU
TRANSFER	<ul style="list-style-type: none"> - Sale of goodwill or customer base - Contributing the business to a company - Business leasing 	<p>Unrestricted transfer of shares. No authorisation procedures.</p>	<ul style="list-style-type: none"> - Unrestricted transfer of shares between partners, their ascendants, descendants and spouses (unless the articles of association include an authorisation clause) - Transfers to non-partners: authorisation required 	<p>Unrestricted transfer of shares, unless the articles of association include a clause to the contrary</p>	<p>Unrestricted transfers. The articles of association may include certain clauses (e.g. inalienability, prior authorisation for transfers, etc.)</p>

PREPARING A BUSINESS REGISTRATION APPLICATION

Once you have completed your legal research, you can start gathering the papers that you will need to register your business.

The list of documents to be filed depends on the legal structure that you choose and the business that you will conduct.

📄 Use the online application from the APCE website "[Constituer son dossier CFE](#)" to get the list of documents needed to register a business.

Important! The list may not include all of the documents needed.

Exemptions from registration with the company registry or the trade registry

If you plan to conduct your business under the micro-enterprise tax rules and use the social security scheme for micro-enterprises, you may be exempt from registration with the trade registry (craft business conducted as a sideline) or the company registry (commercial businesses).

A business filing with the competent business formalities centre or on the website www.lautoentrepreneur.fr is all that is required to start doing business. Do not forget to include a copy of your identification document and, if you are starting a craft business, the special form (ISAA auto-entrepreneur) for craft businesses.

Important! Even though freelance entrepreneurs are exempt from registering their businesses with the company or trade registries, they are still creating a real one-person business and they are registered as such in the national business register and given a unique identification number (SIREN) by the national statistics institute.

Like any other entrepreneur, they are subject to regulations governing their activity and they must therefore comply with the statutory and regulatory requirements applying to their activity.

Self-employed professionals are not concerned by the exemption from registration with the company or trade registries. They merely need to file a declaration with the business formalities centre (CFE) to start doing business.

If you engage in a craft business as your main occupation, you must register with the trade registry, even if you opt for the social security scheme for micro-enterprises. You will also need to submit proof of your [vocational qualification](#) (AQPA) if your trade is regulated. However, there is no charge for this formality.

SUPPORT FOR NEW BUSINESSES

Type of support	Instrument	Features	Contact
Central government measures	Jobseekers receiving benefits	Seed capital or continuing benefit payments for jobseekers who create a business	Job centre
	Support for jobseekers creating or taking over a business (Accre)	Partial exemption from social security contributions for 1 to 3 years, depending on the situation	Social security (Urssaf)
	Support for employees who create businesses	Partial exemption from social security contributions for 1 year	Social security scheme for self-employed workers (RSI), CNAVPL
	Incentives to create businesses in certain locations	Local development bonus	Interministerial agency for local development (Datar)
		Exemptions from social security contributions in urban free zones (ZFU) or overseas departments (DOM)	Social security scheme for self-employed workers (RSI)
		For businesses located in certain priority development areas that meet certain requirements. - exemption from corporate income tax for new businesses, - exemption from local taxes	Datar and Business Tax Service (SIE)
	Tax breaks	- Tax deduction for investment in new businesses - Tax deduction for loan interest - Wealth tax deduction for investment in small and medium-sized enterprises	Business Tax Service (SIE)

Type of support	Instrument	Features	Contact
Central government measures (cont.)	Financial support	<ul style="list-style-type: none"> - Nacre (New support for creating or taking over businesses) available to jobseekers over the age of 50 and jobseekers who have problems finding lasting jobs: <ul style="list-style-type: none"> • support and advice before starting a business, • repayable advance between €1,000 and €10,000, which must be backed up by a bank loan of at least the same amount, • support and advice during the first three years of the business. - OSEO financing and support - New business loans (PCE) 	<p>Directe</p> <p>OSEO</p> <p>OSEO / participating banks</p>
Local government support	<p>This support primarily consists of:</p> <ul style="list-style-type: none"> - subsidies, - soft loans, - interest-free or interest-subsidy loans, advances, etc. - exemptions from business and property taxes. <p><i>For more information about the support available, contact the relevant local authority.</i></p>		

📄 For more information about support for new businesses, see the page “Les aides” on the APCE website: www.apce.com

There are also many private sector initiatives to help entrepreneurs raise funding for their businesses. This support is provided by non-profits, foundations, clubs or major corporations. Some of these initiatives are available to almost anyone, while others are aimed at specific types of businesses or subject to certain restrictions.

THIRD PHASE

SETTING UP YOUR BUSINESS

You have now completed the preparations for your business. You can create your business by implementing all of your own commitments and those of the other people directly or indirectly involved in your business plan: partners, employees, customers, suppliers, banks, etc.

This final stage covers three types of actions, which need to be carried out simultaneously:

- the legal formalities for setting up your business,
- the initial financial procedures
- the start (or continuation) of your marketing actions.

A/ LEGAL REQUIREMENTS

You must file the documents setting up your business with the competent business formalities centre, either by going there in person or by using the [website](#) to file.

These centres facilitate and expedite “red tape” for entrepreneurs by providing “one-stop” service for filing a single set of forms to fulfil all of their registration requirements.

There is no charge for this service. However, the centres for the chambers of commerce and industry and chambers of trades and crafts may offer optional additional assistance (advice, help compiling your filing, etc.) and charge a fee for this service. The charges are displayed in each business formalities centre.

CHOOSING THE RIGHT BUSINESS FORMALITIES CENTRE

You are	Your centre is
<ul style="list-style-type: none"> - A merchant or manufacturer - A commercial company (SA, SAS, SARL, EURL, etc.) and not engaged in a craft business - A freelance entrepreneur in a commercial business 	Chamber of Commerce and Industry
<ul style="list-style-type: none"> - An individual who is required to register with the trade registry (craft businesses) - A freelance entrepreneur with a craft business as a sideline 	Chamber of Trades and Crafts
<ul style="list-style-type: none"> - A professional corporation - A civil corporation - A self-employed commercial agent - An industrial and commercial public undertaking - An economic interest grouping 	Clerk of the commercial court
<ul style="list-style-type: none"> - A member of a regulated or unregulated profession doing business as a sole trader - An employer whose company is not registered in the company registry or the trade registry (e.g. professional associations) 	Social security (Urssaf)
<ul style="list-style-type: none"> - An artist-author - Subject to VAT, personal income tax on industrial and commercial profits or corporate income tax and not covered by the categories above (non-profits, furnished accommodation lessors, joint ventures, etc.) 	Business Tax Service (SIE)
<ul style="list-style-type: none"> - A company registered in the independent inland waterway transport company register 	Chamber of Independent Inland Waterway Transport
<ul style="list-style-type: none"> - A natural person or legal entity engaged in farming as their main occupation 	Chamber of agriculture

☞ If your business is both a commercial and craft business, you will be registered in the company registry and the trade registry simultaneously. However, business formalities centre at the Chamber of Trades and Crafts is the only one competent to receive your filing.

Territorial competence

Each business formalities centre is competent for businesses with their registered office, main establishment or secondary establishment located in its area.

E.g. If the registered office of a company is in Paris, the Paris business formalities centre is the one competent for the formalities for setting up the company. If the new company subsequently opens a secondary establishment in Lyons, the Lyons business formalities centre will be competent for that establishment.

THE RIGHT TIME TO CONTACT A BUSINESS FORMALITIES CENTRE

- When you set up your business.
- When you open, move or close an establishment.
- When there are changes concerning:
 - The sole proprietor (*change of name, marital status, spouse employed by business, etc.*)
 - The legal entity (*change of name, legal structure, capital, purpose, term, officers, partners, etc.*)
 - The undertaking's business (*expansion, business leasing, takeover, etc.*)
- When the business ceases trading completely.
- To file an application for support for jobseekers who set up or take over businesses ([Accre](#) scheme).
- To apply for a license for an itinerant merchant or craftsman.

Important! The business formalities centre does not handle some formalities that the entrepreneur needs to complete, such as:

- formalities relating to currency controls,
- specific formalities for foreign entrepreneurs,
- name searches and legal protection from the National Intellectual Property Institute (INPI),
- declaring a business address: signing a lease, requesting authorisation to operate a business from home from the landlord, applying for a change-of-use authorisation, etc.
- taking out the required insurance policies,
- practical needs: such as obtaining a telephone line,
- filing the articles of association with the Business Tax Service (SIE),
- public legal notices, other than the ones in the company register (e.g. recording liens on the business),
- publication of legal notices,
- taking out professional liability insurance, regardless of your line of business. The Federation of French Insurance Companies (FFSA) documentation centre can provide full information about insurance requirements for businesses,
- joining a compulsory employee retirement scheme (Arrco) within three months of registering the business, even if it starts operating without any employees. The retirement schemes will quickly make themselves heard if you do not join one within the three-month period and an inter-occupational scheme will be assigned to the business,
- joining a occupational medicine centre (for employers).
- filing a provisional business tax (CET) return before 31 December, with an application for an exemption if the business meets the eligibility requirements.

Business formalities centres provide one-stop service

The business formalities centres also provide one-stop service, accepting all of the applications for registration, authorisation and notification necessary to open certain businesses, in addition to actually starting a new business. The centres accept applications for authorisation to do business, registration with professional registries, notification of the local authorities, etc.

At present, this one-stop service covers 31 different types of business. This list will grow gradually as the one-stop service is expanded.

In addition, the website, www.quichet-entreprises.fr, can be used to:

- to view APCE [regulation factsheets](#),
- to find out which business formalities centre is the right one for your business,
- to file your registration application online,
- to track the progress of your application procedure.

This website is an online one-stop service for completing all of the formalities required to start certain regulated businesses.

THE LEGAL COSTS OF SETTING UP A BUSINESS

The approximate costs below are for the obligatory procedures only. Naturally, where appropriate, you must also count the cost of such items as:

- assistance with the formalities (provided by the business formalities centres),
- advice from professionals and the drafting of your articles of association,
- registering a trademark, name searches,
- an appraiser's fees,
- registration of business assets, if you opt to do business as a limited liability sole trader, etc.

Legal structure and formalities	Cost
Sole trader – commercial business - Notification of new business by entities that are exempt from registering with the company registry -Registration with the company registry	Free Approximately €63
Sole trader - craft business - Notification of new business by persons that are exempt from registering with the trade registry and conduct a craft business as a sideline - Registration with the trade registry - Training course for setting up craft businesses (optional for freelance entrepreneurs)	Free Approximately €130 (no charge for persons in the social security scheme for micro-enterprises) Approximately €200
Self-employed professional Notification of social security (Urssaf)	Free
Commercial agent Registration with the special commercial agent registry	Approximately €27
SARL or EURL - Publication costs (legal notices) - Registration with the company registry - Registration with the trade registry (if necessary)	Approximately €160 Approximately €84 Approximately €130
SA or SAS - Publication costs (legal notices) - Registration with the company registry - Registration with the trade registry (if necessary)	Approximately €230 Approximately €84 Approximately €130

These costs change periodically. For more information, visit or call the relevant business formalities centre or visit the entrepreneur web portal at: <http://www.apce.com>

B/ FINANCIAL ISSUES

If your financial research shows that you need long-, medium- or short-term bank loans, you must now initiate the financial procedures, which means opening a bank account and obtaining your loans.

For this purpose, you must give your bankers a document presenting all of the information needed to understand your business plan and earn their confidence:

- introduction to the entrepreneur or entrepreneurs,
- description of the product or service,
- market research,
- financial projections (projected income, financing plans, cash flow plan),
- purpose of the loan,
- amount requested,
- collateral offered.

The same information can also be helpful for requesting government support for new businesses. To find out what support is available, talk to your chamber of commerce and industry or chamber of trades and crafts, or visit the “[Aides](#)” or “[Qui peut vous aider ?](#)” pages on the www.apce.com website. These pages list the organisations that provide support for entrepreneurs. You can also visit the “[Trouver des financements](#)” page on the APCE website for information about finding financing.

➔ Banks play a critical role for entrepreneurs starting new businesses: they enhance the business’s chances for long-term survival by acting as financial partners that can help the business cope with growth and its cash needs.

OSEO promotes small business entrepreneurs’ access to bank loans by offering a special [new business loan \(PCE\)](#).

This loan is intended to provide cash to overcome the lack of capital and stable resources for new small businesses. It is backed up by a bank loan and applications should be made directly to participating banks.

🔗 For more information about these loans, visit the OSEO website (www.pce.oseo.fr) or the APCE website (www.apce.com)

Once you have compiled your information you should be ready to [talk to some banks](#) and submit your loan application.

You can supplement your personal contribution to the business by applying for an interest-free loan. These loans are unsecured and carry no interest. They make it easier to obtain bank loans. France Initiative is the leading network distributing interest-free loans.

C/ MARKETING ISSUES

Your objective here should be to implement the contacts with the customers that you talked to or won over when preparing your business plan so as to:

- book your first orders as soon as possible,
- and organise your production structure accordingly.

Sales growth is the key driver of success during your start-up phase. Landing your first contract will be the most important event during this phase. It could accelerate the on-going procedures by having a psychological impact on decision-makers in financial institutions and it can boost your credibility when applying for support.

➤ IMPLEMENTING CUSTOMER CONTACTS

First of all, you need to establish the promotional tools for your sales policy:

- order your letterhead (with the words "registration pending") and design it carefully to enhance its promotional impact,
- draft technical literature or advertising material and disseminate them,
- make your business known using all of the means suited to it: mail shots, website, flyers, advertisements in the technical and business press, listings in professional directories, membership of professional bodies, attendance at trade events, fairs and exhibitions,
- if necessary, raise your media profile through interviews with the local press, on the Internet or on the radio.
- mention your website, if you have one.

You must do your prospecting in person and continue all of the marketing actions that you have initiated.

During the start-up phase, you will be the leading salesman or saleswoman for your business.

Some common-sense tips include:

- Make personal calls on the most customers possible.
- Identify the different links in a customer's decision-making chain to make sure you call on the right person and to ensure that you understand your customers' purchase decision-making system in the case of large corporations and government agencies.
- Ask your customers questions: if they will help confirm your assumptions about what motivates them, their selection criteria, the state of the competition, the dates and amounts of future orders. You may also gather very helpful information: which trade papers they usually read and which gatherings they attend regularly,
- Open a file for each "prospect" and, when they become customers, open a file for each customer in order to track your dealings with them. You should also check their creditworthiness, etc. It is common for 80% of a new business's sales revenue to come from only 20% of its customers.

By building up your customer base in person, you will earn customers' loyalty more easily through the quality of your customer relationships.

The start-up phase is a great opportunity to earn your customers' loyalty. Later on, you will be swamped with many tasks and your sales employees will come between you and your customers.

If you do not have any marketing qualifications when you start, this experience will help you motivate and manage your sales team more effectively. Prospecting new customers is a decisive test for your business.

FOURTH PHASE

START-UP

Setting up a business involves a number of steps to ensure that it starts up under the best possible circumstances.

You need to design your sales literature, hire employees, set up the books, etc.

Make sure to control the growth of your business.

A/ LOCATING THE BUSINESS

➤ In your home

Do not confuse “administrative domiciliation of the business” with “working from home”.

It is now easier to domicile your business or conduct your business from your home. For more information, visit the “S'installer chez soi” page on the APCE website: www.apce.com, "Etapas de la création", "9. Installer l'entreprise", "Les locaux".

In cases other than those mentioned above, businesses need to operate from business premises, such as offices or shops.

➤ Business premises

If you need to rent business premises, you will be subject to the laws governing:

- [commercial leases](#), if you have an industrial, commercial, craft or professional business,
- or [leases](#), if you have a professional or craft business (without “craft premises”).

However, if both parties agree, there is nothing to stop you from choosing a commercial lease, subject to certain conditions.

➤ Another business's premises

Several solutions should be considered:

- a sublet,
- a domiciliation contract,
- business centres and domiciliation services,
- premises that host new businesses (business incubators, temporary workshops, business hotels, etc.)

B/ CONTROLLING THE GROWTH OF YOUR BUSINESS

Most of the new businesses that run into trouble in their first year have management problems stemming from:

- **a lack of capital**, which makes the business very vulnerable if growth is faster than expected: lack of working capital, excess inventory, longer payment terms,

- **excessive fixed expenses**, with respect to sales revenue, poor understanding of cost prices, excessive depreciation, overheads and payroll expenses.

To preserve the full potential of your new business, there are some major [management principles](#) to follow, along with some other points to look out for that are specific to your new business. The business plan should be your touchstone. A rigorously prepared business plan enables you to ensure the coherence of your business. Therefore, you must follow it and not be distracted by sudden and ill-thought-out moves to seize poorly researched opportunities. However, you must be ready to accept minor adjustments to the plan, as long as you re-estimate the forecasts and make sure that they are consistent.

C/IMPORTANT MANAGEMENT PRINCIPLES

- Keep overheads down.

- Control your cost prices: if you do not pay attention to all of your costs, you are bound to stop trying to reduce them, possibly letting your financial situation deteriorate unknowingly and setting a selling price that is too low, which means you will be selling at a loss.

- Keep an eye on accounts payable and accounts receivable: monitor payment terms, invoices, reminders, suppliers' missed deliveries and the creditworthiness of your customers and suppliers.

- Ensure quality control.

- Monitor your inventory.

- Monitor the implementation of your sales policy. Make sure that you achieve your initial sales targets.

However, your sales policy may be adapted according to your customers' responses and their changing tastes and needs, as well as changes in the competition. You must monitor your rivals' behaviour carefully: it may have changed since you made your projections and your arrival on the market may have evoked a response.

Finally, you may have to review your sales policy because of cost price constraints.

- Keep an eye on your capital: the two key components of your capital are your plant and equipment and your working capital requirement. They must be kept under tight control, especially when your business is experiencing rapid growth.

Do not be tempted by contracts beyond your capacity, "deals of the century" that will throw off your projections and could lead to your downfall because they are more than a young business can handle.

Once again, your working capital requirement would increase recklessly and soon put you in a difficult spot.

D/ MANAGEMENT REPORTS

To make sure your business is not derailed, you must monitor its growth and compare your results to your projections. This monitoring relies on tools called indicators.

These indicators may be expressed as raw data (e.g. euro amounts). They should show differences between results and projections, or changes (percentage growth rates). Design management reports that contain basic relevant quantitative indicators.

The [management report](#) is part of a rigorous control system that provides timely information about all of the business's functions, highlighting any inconsistencies and allowing you to take remedial action promptly.

The indicators in it may be qualitative (not in common use) or quantitative. Indicators taken from the financial statements (financial ratios and management ratios) are not of much use for a start-up.

It is better to use non-financial quantitative indicators that are relevant to your projections and monitoring results. They must be measurement instruments based on the available data.

The first tool to establish is a cash flow table. It should be compiled weekly or monthly and include all cash receipts and disbursements for comparison to your cash flow plan.

E) REQUIREMENTS

The indicators you choose or build must be:

- **simple:** they must be helpful tools and not a burden. The information they contain should be available or easily and rapidly accessible.

The following indicators are easy to track, provided you have a computer system: headcount, production quantities (by weight, units, volume), orders (in units and euros), invoices (in euros), overdraft (in euros and as a percentage of sales revenue),

- **meaningful:** they are tools for tracking the milestones in your business's early life. Therefore, they rely primarily on non-financial data (number of orders, deliveries, production quantities, etc.)

In some cases you may set a threshold for triggering remedial action (e.g. financial expense in excess of 3% of sales revenue).

In this case the indicator is called a *flashing light*.

Financial indicators and some management indicators are based on the income statement, the balance sheet or an interim financial statement.

These financial statements take a long time to compile and the data that they contain are too general. Most of them do not give a clear picture of the day-to-day reality of a business in the start-up period. On the other hand, they are useful once your business has reached its normal operating capacity and they should then be included in the management report at that point.

- **consistent:** you must compare like periods (weeks, months, years) and use the same components and the same calculation method from one period to the next.

CONCLUSION

THE KEYS TO SUCCESS FOR A NEW BUSINESS

Before you apply this method to your own business plan, we would like to stress the keys to successful entrepreneurship and, more specifically:

- the entrepreneur's professionalism,
- the entrepreneur's strength of character,
- adequate management skills,
- realistic sales revenue forecasts and adequate resources to meet the forecasts,
- reasonable and flexible investment in plant, equipment and personnel that do not require an excessive "critical mass" that would be difficult to achieve,
- a balanced financing plan with adequate capital.

However, the most basic key to success lies in the balance and harmony between all the components of the business plan, as well as between the entrepreneur and the business plan.

We propose using the methodology explained in this guide in order to achieve this harmony as nearly as possible.

Finally, one last tip: make sure you are not alone!

Contact the **organisations that assist and support entrepreneurs** and talk to business professionals (accountants, lawyers, notaries, consultants, etc.) They will provide invaluable help when you are developing your business plan.

To find the support structures in your community, visit the entrepreneurs' portal at: www.apce.com / [Qui peut vous aider ?](#)

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