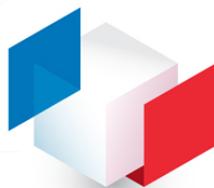


## **PRACTICAL GUIDE FOR ENTREPRENEURS**

Step-by-step guide  
to starting your own business



**AGENCE FRANCE  
ENTREPRENEUR**

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# **PHASE 1 : 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.

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

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### **◆ 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 ?

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*Example : starting private crèches serving several companies*

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### **◆ 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 ?

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*Example : salad bars (selling mixed salad ingredients by weight)  
From North America*

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### ◆ 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.



*For more ideas to think about see the **“Nouvelles idées et tendances”** page on the AFE website : [www.afecreation.fr](http://www.afecreation.fr)*

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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.

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*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 performances that potential customers could expect.*

*★ **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.***

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

Contact the National Intellectual Property Institute ([INPI](http://www.inpi.fr)) and see the **“Protéger son idée”** page on the AFE website : [www.afecreation.fr](http://www.afecreation.fr)

## 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 sketch the preliminary outline of your business. The details of this outline 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 “[Qui peut vous aider ?](http://www.afecreation.fr)” page on the AFE website : [www.afecreation.fr](http://www.afecreation.fr)*

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### *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"> <li>- to manufacture a luxury product</li>   <li>- to sell a fad product</li>   <li>- to base your business on a dangerous or harmful product</li>   <li>- to offer a service with a negative image</li> </ul>	<ul style="list-style-type: none"> <li>- the cost of creating a brand,</li> <li>- manufacturing costs,</li> <li>- distribution methods (selective channels),</li> <li>- advertising costs.</li>   <li>- the short-lived business potential of the product</li>   <li>- spontaneous hostile responses from your local community, nature conservationists or consumer protection movements that may stall your business plan</li>   <li>- the communication efforts required to win future customers' trust and make them understand the specific advantages of your service</li> </ul>

◆ **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"> <li>- untapped</li>   <li>- very crowded</li>   <li>- dominated by large corporate groups</li> </ul>	<ul style="list-style-type: none"> <li>- plan for major communication and prospection expenses</li> <li>- assess the customers' response time to a "disruptive technological innovation"</li>   <li>- plan for resources that enable you to differentiate your product or service from the competition, the "value added" that you provide to customers</li>   <li>- think about how to take on the competition</li> </ul>

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

### ◆ 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"><li>- regulated</li><li>- about to be regulated (example : a European Directive pending transposition into French law)</li></ul>	<ul style="list-style-type: none"><li>- the professional experience or diploma required? The authorisations required?</li><li>- accurate information about the potential consequences of the regulations for your business?</li></ul>

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- > **To find out about regulations applying to your business, you can :**
- visit the “**Activités réglementées**” page on the AFE website,
  - consult the public safety authorities (“**Direction départementale de la protection des populations**” (DDPP) or the “**Direction départementale de la cohésion sociale et de la protection des populations**” (DDCSPP), depending on your location,
  - consult the relevant agencies (veterinary services, préfecture, Ministry of Tourism, etc.)
  - consult the relevant industry body,
  - consult the **Projecteurs and Emergence** reports by the AFE, which cover more than 110 types of business.
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### **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 ?



*The AFE’s online planning service called “**Mon compte**” is now available to help prepare your plan. 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.*

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### **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 between :***

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



*For more information about this step, see the “Evaluer son idée de création d’entreprise” folder on the “Boîte à outils” page on the AFE website.*

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## **PHASE 2 : 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 objective 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 AFE website : [www.afecreation.fr](http://www.afecreation.fr), under the heading "L'étude de marché/Comment la faire ?/Trouver des informations".

- 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 fulfill ?***

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, trial periods, referrals from other customers, product demonstrations, home sales visits, price quotations, calls for tenders, 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.

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

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### ***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.

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**> 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.**

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## 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 will be profitable.

Your choices about the nature of your product or service, how you do business in your market and how you manage 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 a process that progressively reveals all of the financial needs of your business, once it is up and running, along with the potential resources to cover those needs.

We propose an approach that enables your to answer the following questions:

- 1- How much capital will you need to start your project and can you raise it ? You will use a table called the [initial financing plan](#) to assess your stable financing needs and the matching stable financing resources.
  
- 2- Will the planned activity of your business generate enough revenue to cover the expense of the human resources, material resources and financing used ? The [income forecast](#) 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 forecast](#) will reveal the balance or imbalance between income and outlay month by month.

This approach leads to a coherent and viable plan, since each choice is translated into financial terms and its financial impact.

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. It involves knowing how much the business will cost, as well as seeking the best financial solution for a balanced plan, which is set out in the form of a table with two columns.

At this stage, you may have to abandon your plan, if your capital is insufficient compared to the amount of borrowed funds required, or scale your plan down to reduce the financing needs (e.g. cut back capital expenditure by outsourcing certain functions), or else seek financial partners (investors).

The initial financing plan has two columns :

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

Stable needs	Stable resources
<ul style="list-style-type: none"><li>- Capital expenditure (excl. tax)</li><li>- Working capital requirement</li></ul>	<ul style="list-style-type: none"><li>- Share capital (corporation) or personal contribution (sole trader)</li><li>- Partners' current accounts (where appropriate)</li><li>- Investment grants</li><li>- Medium - and long-term borrowing</li></ul>
Total	Total

## ◆ IDENTIFYING STABLE FINANCING NEEDS

### *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 paid (unless the undertaking is not eligible for VAT refunds, as in the case of micro-entrepreneurs), since VAT is a short-term cash flow issue and the initial financing plan only deals with the future undertaking's stable financing needs.

### **Working capital requirement**

Depending on your business, you may have to purchase a minimum inventory.

You may also offer payment terms to your customers. The money owed to your business, once the products or services have been delivered, constitutes "accounts receivable".

Your suppliers may offer you payment terms as well, and the amounts owed by your business constitute "accounts payable".

This "mass of money" is tied up in the business and necessary for its operations.

The undertaking may also have to finance premises and personnel permanently in order to do business.

This capital expenditure to cover operating needs is called the working capital requirement. To calculate this requirement, the following need to be evaluated at their maximum level, if possible :

- inventories of raw materials 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 :

<b>Working capital requirement =</b>	Average inventories + Average accounts receivable, including tax - Average accounts payable, including tax
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### ***SPECIFIC CASE OF A SERVICE BUSINESS***

If your business is based on providing services (especially intellectual services), you probably do 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.

<b>Working capital requirement =</b>	Work in progress + Average accounts receivable, including tax - average advances from customers, including tax
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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.

You now need to estimate how much money it will take to cover your capital expenditure.

## ◆ Identifying stable resources

These funds break down into two categories :

- the funds that you provide, along with your partners (where appropriate),
- the supplementary funds that you need to raise, including medium- and long-term borrowing and subsidies.

This means that the totals for both columns (needs and resources) should be equal. Consequently, if the sum of funds that you contribute is less than the total stable needs, you will have to raise external financing to make up the difference.

If you rely on external financing, you must remember that lenders will not put more funds at risk than you do. They will agree to share the risk with you, but not to take on the largest share.

Furthermore, banks will generally finance only capital expenditure on tangible assets : they are very unlikely to finance your working capital requirement.

## ***DRAWING UP AN INCOME FORECAST***

The income forecast may be drawn up as a list or as a table : In the form of a table, the forecast tracks business and identifies :

- all of the expenses (costs) for the year in the lefthand column,
- all of the revenue (sales) from the year in the righthand column,

The difference between the two column totals shows whether the business generates enough profit (net amount after subtracting costs from sales).

To compile an income forecast correctly, you must :

- when filling in the lefthand column :
  - identify all 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 the financial expense (loan interest), where appropriate.
- when filling in the righthand column : include sales revenue and any other revenue (financial income or non-recurring revenue).

Do not include tax in the amounts entered (unless your business is not subject to VAT).

## Income forecast

EXPENSES				REVENUE			
	Yr 1	Yr 2	Yr 3		Yr 1	Yr 2	Yr 3
<b>COST OF SALES</b>				<b>SALES REVENUE</b>			
- Goods				- Sales of goods			
- Supplies				- Sales of services			
- Inventory change				- Operating subsidies			
<b>EXTERNAL EXPENSES</b>							
- Utilities (water, electricity, gas)							
- Financial lease payments							
- Outsourcing							
- Rent and maintenance fees							
- Insurance							
- Fees							
- Maintenance (plant and equipment)							
- Documentation							
- Postage, telephone, internet							
- Advertising							
- Transportation expenses							
- Packaging							
- Travel							
- Miscellaneous							
<b>OTHER EXTERNAL EXPENSES</b>							
- Apprenticeship tax							
- Local economic contribution (CET)							
- Other taxes (excluding corporate income tax)							
<b>PERSONNEL EXPENSES</b>							
- Wages and payroll contributions							
- Commissions paid							
- Manager's compensation							
<b>FINANCIAL EXPENSES</b>				<b>FINANCIAL REVENUE</b>			
- Overdraft charges and interest on loans				- Interest earned			
<b>DEPRECIATION, AMORTISATION AND PROVISIONS</b>							
<b>NON-RECURRING EXPENSES</b>				<b>NON-RECURRING REVENUE</b>			
<b>PROFIT</b>				<b>LOSS</b>			
<b>TOTAL</b>				<b>TOTAL</b>			

## DRAWING UP A CASH FLOW FORECAST

The cash flow forecast is a table that shows the financial balance of the business at any given moment. It shows the 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 (including 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 without any problems.

### Cash flow forecast

	JANUARY	FEBRUARY	MARCH	ETC.
<b>MONTHLY STARTING BALANCES (+ OR -)</b>				
<b>RECEIPTS (WITH TAX)</b>  <ul style="list-style-type: none"> <li>• <b>FROM OPERATIONS</b> <ul style="list-style-type: none"> <li>- Sales forecast</li> <li>- VAT refunds</li> </ul> </li> <li>• <b>NON-OPERATING RECEIPTS</b> <ul style="list-style-type: none"> <li>- Capital contributions</li> <li>- Release of medium- and long-term loans</li> <li>- Subsidies</li> </ul> </li> </ul>				
<b>TOTAL (1)</b>				
<b>DISBURSEMENTS (WITH TAX)</b>  <ul style="list-style-type: none"> <li>• <b>FOR OPERATIONS</b> <ul style="list-style-type: none"> <li>- Stock purchase forecast</li> <li>- Other external expenses</li> <li>- Taxes</li> <li>- Personnel expenses</li> <li>- Social security contributions</li> <li>- VAT paid</li> </ul> </li> <li>• <b>NON-OPERATING DISBURSEMENTS</b> <ul style="list-style-type: none"> <li>- Loan repayments</li> </ul> </li> </ul>				
<b>TOTAL (2)</b>				
<b>MONTHLY CLOSING BALANCE (1-2)</b>				

If the forecast shows a negative balance for a given period, plan to find a short-term financing solution, such as accounts receivable discounting or assignment of receivables (Daily Act), overdraft facilities, factoring, etc.

You must include the cost of this financing in your income forecast. Interest rates on this type of financing are generally higher than interest rates 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.

Consequently, you should 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
CAPITAL EXPENDITURE PROGRAMME (EXCL. TAX)				OWN FUNDS			
WORKING CAPITAL REQUIREMENT				OWN FUND EQUIVALENTS			
INCREASE IN WCR				SELF-FINANCING CAPACITY			
LOAN REPAYMENTS FOR THE YEAR				MEDIUM- AND LONG-TERM BANK LOANS			
OWNER'S WITHDRAWALS(sole trader)							
DIVIDENDS DISTRIBUTED(company)							
				<b>SURPLUS</b>			

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

## CALCULATING THE BREAKEVEN POINT

The breakeven point is the point at which sales revenue covers all of the undertaking's expenses. Once revenue exceeds this point, the business turns a profit.

To calculate the breakeven point, you need to :

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

- fixed costs, which are all of the expenses that the undertaking must cover, regardless of its level of sales (e.g. rent, social contributions, insurance premiums, etc.),
- variable costs, where the amount depends on the level of sales (e.g. cost of supplies corresponding to sales revenue, transport costs for sales and/or stock purchases).

2- Calculate the contribution margin.

This margin is the forecast sales revenue minus variable costs.

3- Calculate the contribution margin rate, which is the contribution margin expressed as a percentage of sales revenue. It is found by dividing the contribution margin by the sales revenue and multiplying the result by 100.

4- Divide the fixed costs by the contribution margin rate to obtain the breakeven point, which is the sales revenue that needs to be generated to cover fixed costs.

## Calculating the breakeven point

FORECAST SALES REVENUE (EXCL. TAX)	
VARIABLE COSTS	
SALES REVENUE – VARIABLE COSTS = <b>CONTRIBUTION MARGIN</b>	
$\frac{\text{CONTRIBUTION MARGIN}}{\text{SALES REVENUE}}$ = CONTRIBUTION MARGIN RATE	
$\frac{\text{FIXED COSTS}}{\text{CONTRIBUTION MARGIN RATE}}$ = BREAKEVEN POINT	

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

The breakeven point is a good indicator to supplement a realistic approach to your business project. It can be expressed as an average daily or weekly number of billable hours or units sold, etc. This is the profitability threshold.

## OBTAINING FINANCING

### ◆ Where appropriate, apply for an unsecured loan to supplement your own funds.

Your financial research may reveal that you need external financing to supplement your own contribution to the business.

Before contacting any banks, make sure that your own funds will be sufficient to cover your working capital requirement and to qualify for a bank loan.

If this is not the case, there are organisations that grant interest-free [unsecured loans](#) to entrepreneurs to supplement their own funds. Two examples of such organisations are the [Initiative France](#) and [Réseau Entreprendre](#) networks. These loans are distributed by selection commissions.

### ◆ Preparing a financing application

If you apply for a bank loan or other financing, you must provide a presentation of your future business that is both comprehensive and convincing. Your objective is to show that your plan is viable and that you are the right person or team for the job.

Your presentation must include:

- an introduction to the entrepreneur or entrepreneurs,
- a description of the product or service,
- market research,
- financial projections (income forecast, financing plans, cash flow forecast),
- purpose of the loan,
- the amount sought.

> **Banks play a decisive role for entrepreneurs starting new businesses** : they enhance the undertaking's chances for long-term survival by acting as financial partners able to help the business cope with growth and its cash needs.

Make sure you do not underestimate your financing needs !

> Feel free to consult the "[Trouver des financements](#)" page of the AFE website and submit your application to [banks that finance entrepreneurs](#).

> **Your presentation** may also be posted to a crowdfunding platform.

Crowdfunding is a financing technique for new businesses that uses the Internet to match entrepreneurs with people who want to invest in their projects.

This longstanding practice is currently very popular because of its simplicity and because of the problems that certain entrepreneurs are having finding financing. [Learn more](#)

## The main support schemes for entrepreneurs

TYPE OF SUPPORT	INSTRUMENT	BRIEF DESCRIPTION	LEARN MORE
<b>NATIONAL SUPPORT SCHEMES</b>	<b>Aide de Pôle emploi</b>	<b>Provides jobseekers on benefits with earlystage capital (ARCE) or continues paying their jobless benefits during their businesses' start-up phase.</b>	<b>Contact : Pôle emploi</b> <a href="#">Learn more</a>
	<b>Nacre scheme (Nouvel accompagnement pour la création et la reprise d'entreprises)</b>	<b>This scheme includes :</b> <ul style="list-style-type: none"> <li>• support and advice before starting a business,</li> <li>• an interest-free loan, which must be matched with a bank loan for the same amount or more,</li> <li>• follow-up support and advice.</li> </ul>	<b>Contact : Direct</b> <a href="#">Learn more</a>
	<b>Other financial support</b>	<b>Depending on the circumstances, other financial support may be provided, subject to certain requirements :</b> <ul style="list-style-type: none"> <li>- to disabled obseekers (Agefiph)</li> <li>- to entrepreneurs starting innovative businesses (Bpifrance),</li> <li>- to entrepreneurs starting businesses that make investments that meet certain requirements (Fisac)</li> <li>- entrepreneurs starting businesses located in regional development areas (ZAFR)</li> <li>- etc.</li> </ul>	<a href="#">Learn more about Agefiph support</a>  <a href="#">Learn more about Bpifrance support</a>  <a href="#">Learn more about Fisac support</a>  <a href="#">Learn more about PAT</a>
	<b>Accre Support for jobseekers creating or taking over a business</b>	<b>Partial exemption from social security contributions for 1 to 3 years, depending on the situation</b>	<a href="#">Learn more about Accre support</a>

TYPE OF SUPPORT	INSTRUMENT	BRIEF DESCRIPTION	LEARN MORE
	Tax relief for entrepreneurs and investors	<ul style="list-style-type: none"> <li>- Tax deduction for investment in new businesses</li> <li>- Tax deduction for loan interest</li> <li>- Wealth tax deduction for investment in small and medium-sized enterprises</li> </ul>	Contact : <b>Business Tax Service (SIE)</b> <a href="#">Learn more</a>
LOCAL SUPPORT	<p><b>This support takes various forms :</b></p> <ul style="list-style-type: none"> <li>- subsidies,</li> <li>- soft loans,</li> <li>- loans and advances,</li> <li>- Exemptions from tax on profits and exemptions from the business premises contribution for undertakings located in certain priority urban and rural areas,</li> <li>- etc.</li> </ul> <p><b>To find out more :</b></p> <ul style="list-style-type: none"> <li>- Contact your regional council or your local tax office,</li> <li>- consult the <a href="#">Répertoire national unique des aides publiques website</a></li> </ul>		



*For more information about support for new businesses, see the page “[Les aides](#)” on the AFE website: [www.afecreation.fr](http://www.afecreation.fr)*

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.

## C/ LEGAL RESEARCH

You are about to start your own independent business, working for yourself, 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 the right choice 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 built on an activity of a specific nature.

#### ◆ **Craft business :**

the activity consists of making, processing or repairing goods. 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.

#### ◆ **Trade :**

the commercial code defines trade activities. Basically, these are routine activities that consist of purchasing goods for resale, industrial activities and certain services : hotels and catering, entertainment businesses, private security, etc.

NB: industrial 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 production activity.

#### ◆ **Professions :**

there are two major categories of professions :

- “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 economic activities that are not trade, craft, industry or farming or regulated professions.

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

#### ◆ **Farming:**

this activity consists of growing crops and raising animals. Auxiliary activities, such as processing and marketing farm products, 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 micro-entrepreneurs (for more information, see the website [www.microentrepreneur.fr](http://www.microentrepreneur.fr)) 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 will 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 legal segregation of your personal and business assets. Therefore, the creditors of your business can come after all of your assets, except your main residence, including any assets you have acquired with your spouse, if your marriage contract calls for community of acquisitions.

You can protect your real property that is not used for your business 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 business (e.g. goodwill, lease, special equipment and tools, etc.), which you must register as business assets,
- assets used for the purposes of your business that you have the option of registering.
- In this case, your family name will be the official name of your business, but you can also add a business name.
- 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 trade profits if you are in a craft or trade business, and non-trade profits if you are a self-employed professional.

If you opt to do business as a micro-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 a natural person with the Business Formalities Centre (CFE).

If you choose to do business as a limited liability sole trader, you will file your registration of business assets with the relevant Business Formalities Centre for your activity.

◆ **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).

## **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.



*To learn more, especially about the tax and social security impact of your choice, visit the entrepreneur website: [www.afecreation.fr](http://www.afecreation.fr) and go to the "Choisir un statut juridique" page and consult with legal professionals.*

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## Summary of the main types of legal structures

	SOLE TRADER	EURL	SARL	SA (conventional form)	SAS
<b>NUMBER of partners</b>	-	Only 1 partner (natural person or legal entity)	Minimum: 2 Maximum: 100 (natural persons and legal entities)	Minimum: 2 (natural persons and legal entities)	Minimum: 1 (natural person or legal entity)
<b>AMOUNT of registered capital</b>	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.
<b>OFFICERS</b>	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
LIABILITY OF PARTNERS	<p><b>Conventional sole trader:</b> total and unlimited liability on personal assets<sup>1</sup></p> <p><b>If the entrepreneur opts for EURL:</b> Liability is limited to the registered business assets<sup>2</sup></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"> <li>- Members of the Board of Directors appointed by the annual general meeting (AGM)</li> <li>- Chairman and CEO appointed by the Board</li> </ul>	The company is free to choose its articles of association

<sup>1</sup> A sole trader's main residence is immune from seizure by law. A sole trader can protect other real property that is not used for business purposes by filing a notarised notice of immunity from seizure.

<sup>2</sup> 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
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 trade profits or non-trade profits If the entrepreneur opts for EURL: Option to pay corporate income tax (irrevocable option)	- No taxes on the company, the sole partner is taxed directly via personal income tax: industrial and trade profits or non-trade profits - Option to pay corporate income tax	Corporate income tax Option to pay personal income tax in certain cases <sup>3 4</sup>	Corporate income tax Option to pay personal income tax in certain cases <sup>4</sup>	Corporate income tax Option to pay personal income tax in certain cases <sup>4</sup>

<sup>3</sup> 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.

<sup>4</sup> 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
DEDUCTION OF OFFICERS' REMUNERATION	No	No, in principle (unless the entrepreneur has opted to pay corporate income tax)	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 MANAGER		Personal income tax on  - industrial and trade profits or non-trade 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-entrepreneur 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
WHO MAKES THE DECISIONS?	The entrepreneur alone	The manager (articles of association may limit the manager's powers if the company is managed by another person)	<ul style="list-style-type: none"> <li>- The manager for day-to-day management decisions</li> <li>- The annual general meeting (AGM) for other management decisions</li> <li>- An extraordinary general meeting for decisions that amend the articles of association</li> </ul>	<ul style="list-style-type: none"> <li>- The Board of Directors: for day-to-day management decisions</li> <li>- The annual general meeting (AGM) for other management decisions</li> <li>- An extraordinary general meeting for decisions that amend the articles of association</li> </ul>	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"> <li>- Total assets &gt; €1,550,000</li> <li>- Sales revenue excluding tax &gt; €3,100,000</li> <li>- More than 50 employees</li> </ul>	No, unless two of the three following conditions are met : <ul style="list-style-type: none"> <li>- Total assets &gt; €1,550,000</li> <li>- Sales revenue excluding tax &gt; €3,100,000</li> <li>- More than 50 employees</li> </ul>	Yes	No, except in certain situations <sup>5</sup>

<sup>5</sup> 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
TRANSFER	<ul style="list-style-type: none"> <li>- Sale of goodwill or customer base</li> <li>- Contributing the business to a company</li> <li>- Business leasing</li> </ul>	Unrestricted transfer of shares. No authorisation procedures.	<ul style="list-style-type: none"> <li>- Unrestricted transfer of shares between partners, their ascendants, descendants and spouses (unless the articles of association include an authorisation clause)</li> <li>- Transfers to non-partners : authorisation required</li> </ul>	Unrestricted transfer of shares, unless the articles of association include a clause to the contrary	Unrestricted transfers. The articles of association may include certain clauses (e.g. inalienability, prior authorisation for transfers, etc.)

## ***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.



***If you operate a craft or trade business, you are required to register with the relevant craft, trade or company registry, even if you choose to do business as a micro-entrepreneur !***

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## **PHASE 3 : SETTING UP YOUR BUSINESS**

You have now completed the preparations for your business. You will 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 several types of actions, which need to be carried out simultaneously :

- the initial financial procedures
- the legal formalities for setting up your business,
- physical installation of the business and recruitment of employees, where appropriate,
- the launch of your marketing actions.

### **A/ FINANCE**

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, obtaining the loans you have negotiated and finalizing applications for financial support.

### **B/ LEGAL REQUIREMENTS**

The formalities for setting up a business have been greatly simplified with the establishment of :

- Business Formalities Centres, which offer “one-stop service” for filing applications to register, change or transfer businesses,
- and the [www.guichet-entreprises.fr](http://www.guichet-entreprises.fr) website.

You must file the documents setting up your business with the relevant Business Formalities Centre, either by going there in person or by filing online. [Contact the relevant centre.](#)

The task of the Business Formalities Centre is to centralise the documents needed and transmit them to the following organisations :

- the national statistics institute (INSEE),
- the commercial court registry (or the court of first instance), which will then forward the information to the National Industrial Property Institute (INPI),
- tax offices,
- social security collection bodies,
- the self-employed social security scheme (RSI) or, where appropriate, the farmers social security scheme, and where warranted,
- the labour inspectorate,
- the regional health insurance fund for wage earners,
- the pension fund for self-employed professionals,
- etc.

Since 1 March 2010, Business Formalities Centres have made it easier to set up businesses providing certain regulated services by providing one-stop service. This service enables French and European entrepreneurs to accomplish all of the formalities required to do business at once. This includes completing the formalities for setting up a business, as well as registration with professional bodies, applications for authorisation, licences, approvals and registration with professional registries, declarations of new businesses, etc. with the relevant authorities.

Entrepreneurs can file their applications with the centre directly or by post.

The formalities for certain regulated service businesses may also be completed online through the [www.guichet-entreprises.fr](http://www.guichet-entreprises.fr) website.

For more information about the regulations applying to these businesses, visit the “[Activités réglementées](#)” page of the AFE website.

### ◆ Choosing the right Business Formalities Centre

YOU ARE	YOUR CENTRE IS
<ul style="list-style-type: none"> <li>- A merchant or manufacturer (including micro-entrepreneurs)</li> <li>- A company (SA, SAS, SARL, EURL, etc.) and not engaged in a craft business</li> </ul>	Chamber of Commerce and Industry
<ul style="list-style-type: none"> <li>- A natural person (including micro-entrepreneurs) who is required to register with the trades registry (craft businesses)</li> </ul>	Chamber of Trades and Crafts
<ul style="list-style-type: none"> <li>- A professional corporation</li> <li>- A non-trading company (SCI, SCM, SCP, etc.)</li> <li>- Commercial agent</li> <li>- An industrial and commercial public undertaking</li> <li>- An economic interest grouping</li> </ul>	Commercial court registry
<ul style="list-style-type: none"> <li>- Self-employed professional doing business as a sole trader (including micro-entrepreneurs)</li> <li>- An artist-author</li> <li>- An employer whose company is not registered in the company registry or the trade registry (e.g. professional associations)</li> </ul>	Social security (Urssaf)
<ul style="list-style-type: none"> <li>- Business registered with the independent inland waterway transport registry (independent inland waterway transport business)</li> </ul>	Chamber of Independent Inland Waterway Transport
<ul style="list-style-type: none"> <li>- A natural person or legal entity engaged in farming as their main occupation</li> </ul>	Chamber of agriculture

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**> Combined trade and craft business**

*You will be registered with the company registry and the trade registry simultaneously. However, the 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 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.*

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**◆ 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 trader (change of name, marital status, spouse employed by business, option for limited liability sole trader (EIRL), etc.)
  - The legal entity (change of name, legal structure, capital, purpose, term, officers, partners, etc.)
  - The business activity (expansion, business leasing, takeover, etc.)
- When the business ceases trading completely.

If you are filing an application for support for jobseekers who set up or take over businesses ([Accre](#) scheme).<sup>1</sup>

**Important !** The Business Formalities Centre does not handle some formalities that the entrepreneur needs to complete, such as :

- taking out professional liability insurance, regardless of your line of business. The Federation of French Insurance Companies (FFA) documentation centre can provide full information about insurance requirements for businesses, [Learn more](#)
- anteriority searches and registering trademarks, models and patents with the national industrial 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.
- registering the articles of association with the business tax office (SIE), if the articles include contributions of assets (goodwill, leaseholds, assets transferred for valuable consideration, etc.) or when the articles have been drawn up by a notary.

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<sup>1</sup> The application for the ACCRE scheme must be filed with the relevant centre at the same time as the declaration of the creation or takeover the business, or within the next 45 days.

- public legal notices, other than the ones in the company register (e.g. recording liens on the business),
- publication of legal notices,
- obtaining a visa enabling foreigners to engage in business,
- obtaining a telephone line, utilities, etc.
- joining a compulsory employee retirement scheme 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. After the three-month period, an inter-occupational scheme will be assigned to the business.

- joining a occupational medicine centre (for employers),
- filing the provisional business premises contribution (CFE) declaration with the relevant business tax office before 31 December.

### ◆ **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,
- anteriority searches, registering trademarks, patents or models,
- appraiser's fees,
- registering business assets, if you opt to do business as a limited liability sole trader (EIRL), etc.

LEGAL STRUCTURE AND FORMALITIES	COST
<b>SOLE TRADER ENGAGING IN TRADE</b> Registration with the company registry (RCS) <ul style="list-style-type: none"> <li>• Micro-entrepreneur</li> <li>• Other cases</li> </ul>	Free Approximately €34
<b>SOLE TRADER ENGAGING IN A CRAFT BUSINESS</b> <ul style="list-style-type: none"> <li>- Registration with the trade registry (RM)</li> <li>• micro-entrepreneur</li> <li>• Other cases</li> <li>- Preparation course of opening a craft business</li> </ul>	Free €190 on average €260 on average
<b>SELF-EMPLOYED PROFESSIONAL DOING BUSINESS AS A SOLE TRADER (INCLUDING MICRO-ENTREPRENEURS)</b> <b>Notification of social security (urssaf)</b>	Free
<b>Commercial agent</b> <b>Registration with the special commercial agent registry (rsac)</b>	Approximately €27
<b>SARL OR EURL</b> <ul style="list-style-type: none"> <li>- <b>Publication costs (legal notices)</b></li> <li>- Registration with the company registry)</li> <li>- Registration with trade registry, where appropriate</li> </ul>	€200 on average Approximately €50 €230 on average
<b>SA OR SAS</b> <ul style="list-style-type: none"> <li>- <b>Publication costs (legal notices)</b></li> <li>- Registration with the company registry</li> <li>- Registration with trade registry, where appropriate</li> </ul>	€230 on average Approximately €50 €230 on average

These costs change periodically. For more information, visit or call the relevant Business Formalities Centre or visit the entrepreneur web portal at: <https://www.afecreation.fr/>

Please note that other formalities may be required to do business, depending on your activity (applications for authorisation, professional cards, registration with professional bodies, etc.)

For more information, see the "[Activités réglementées](#)" pages on the AFE website.

## C / ORGANISATION

### 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.

Visit the “[S'installer chez soi](https://www.afecreation.fr/)” page on the AFE website to learn about the requirements : <https://www.afecreation.fr/>.

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

The Pinel Act of 18 June 2014 reformed the rules governing commercial and professional leases to provide better protection and information for tenants, with a rent adjustment index, list of charges, taxes, improvements to make and made, landlord's inventory at move-in and move-out, etc.)

### Important !

- If you need to improve leased premises do not underestimate the cost or time required for the work! You can always try to negotiate a partial contribution from the landlord for improving the value of the premises.
- Commercial and professional premises receiving the public are subject to a number of security and accessibility requirements to ensure personal safety and facilitate access for the disabled.

#### ◆ 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.)

## **GETTING READY TO PRODUCE / PURCHASE**

The agreements reached with equipment manufacturers and other capital goods to be purchased during the preparation phase need to be confirmed, along with the initial contracts with suppliers.

## **PREPARATION FOR HIRING EMPLOYEES, WHERE APPROPRIATE**

Some businesses need to hire employees. Hiring should be seen as an investment : signing an open-ended contract of employment is a long-term commitment.

Consequently, the cost of hiring employees had to be determined during the planning phase, but careful preparations need to be made for recruiting personnel in this phase, including :

- describing the job and expected tasks with precision,
- validating the impact of hiring an employee on personnel expenses (wages, payroll contributions),
- obtaining information and advice about labour code regulations (from a lawyer, for example).

## **D/ MARKETING**

Your objective here should be to get ready to make your first sales and use 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.

## **PLANNING YOUR FIRST MARKETING ACTIONS**

At this point, you need to set your objectives and choose appropriate actions with regard to your objectives and to your financial resources.

## **CREATING YOUR COMMUNICATION AND SALES MATERIALS**

This means :

- ordering your letterhead (with the words “registration pending”) and design it carefully to enhance its promotional impact,
- drafting technical literature or advertising material and disseminating them,

### **Important !**

Entrepreneurs are urged to draft the general terms of sale with the help of a legal specialist.

## ***PREPARING YOUR COMMUNICATION AND YOUR LAUNCH EVENTS***

As a practical matter, the first marketing actions must not be launched before the undertaking is able to meet customer demand.

Furthermore, in the early stages, it is better to adopt a "micro-targeting" communication strategy so as to have enough time to follow up your contacts and incorporate feedback.

If necessary, this is the point in the preparation phase where you should plan launch events, such as an official inauguration or an open house.

## ***CHOOSE THE RIGHT MEANS TO PROMOTE YOUR BUSINESS***

- 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, etc.
- 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.
- do your prospecting in person and continue all of the marketing actions that you have initiated.

## **PHASE 4 : START-UP**

The start-up phase is a critical time for the undertaking. The key now is to start selling and invoicing, but you also need to get organised so that you can work under the best conditions and put in place the tools to keep pace with the development of your business easily, particularly when scaling up, which, paradoxically, may turn out to be a dangerous time.

### **A / GETTING ORGANISED**

#### ***ORGANISING YOUR FILING SYSTEM***

Sound administrative organisation is the key to sound business management. From the first day, each document must be filed using a simple and coherent system to facilitate timely payments, reminders to customers, order tracking and inventory control, where appropriate, and, most importantly to save time !

#### ***PUTTING IN PLACE TOOLS TO TRACK YOUR BUSINESS***

To have a clear and accurate view of your business's situation at any time, you are urged to put in place simple management tools that enable you to track the following three items at the very least :

your sales revenue,  
your cash position and  
your profitability.

#### **◆ Management charts**

These charts present a small number of indicators in a meaningful and concise way to provide information about the business and financial health of the business. They can be used to spot possible deviations and implement rapid remedial actions.

There is no universal management chart; each undertaking and each entrepreneur will need to create and adapt their own charts.

**The indicators you choose for your chart** must be measurements of available data that will highlight deviations, particularly deviations from forecasts, and changes (growth rate in percent, for example).

It is important that the indicators 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).

- **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.

## **B/ TRACKING YOUR BUSINESS GROWTH**

### ***MEETING YOUR FORECASTS***

You drafted a forecast to see if your plan is coherent. It is now important to compare your results with the forecast. Some expenses may have been underestimated and, in contrast, some revenue may have been overestimated. Therefore it is critical to take note of these deviations so that you can act very quickly, before running into severe problems, particularly cash flow problems.

Nevertheless, certain opportunities may arise and certain "misadventures" may lead to obstacles. Some major changes may take place in your environment. All of these items will have an impact on the growth of your business. And if your forecasts are thrown off, you will need to rebuild them on the basis of the new information.

Beware of scaling up too quickly !

In addition to the usual problems encountered during the start-up phase, there are other problems that, paradoxically, stem from faster-than-expected growth. Rapid growth can create financial problems, particularly with regard to :

- cash flow, since orders mount and trigger excessively rapid and/or unexpected increases in working capital requirement,
- development project financing; in some cases, the lack of own funds makes it impossible to carry development projects out.

There may be financial solutions for dealing with these problems, including :

- short-term operating credit to finance the undertaking's business cycle,
- medium- and long-term bank borrowing to finance capital expenditures (purchases of machines, for example),
- venture capital when the undertaking needs an equity infusion.

## C/ IMPORTANT MANAGEMENT PRINCIPLES

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

- **undercapitalisation**, which makes the business very vulnerable if sales fail to grow quickly enough, or, on the contrary, growth is faster than expected (insufficient working capital, excess inventory build-up, longer payment terms),
- **excessive fixed expenses**, with respect to sales revenue, poor understanding of cost prices, excessive depreciation, overheads and payroll expenses.

Some important management principles can help attenuate these risks.

- Keep overheads down.
- Control your cost prices : if you do not pay attention to all of your costs, you are very unlikely to try to reduce them. You may unknowingly let your financial situation deteriorate and set selling prices too low, which means you will be selling at a loss.
- Keep an eye on accounts payable and accounts receivable: closely monitor payment terms, invoices, reminders, suppliers' missed deliveries and the creditworthiness of your customers and suppliers.
- Ensure quality control : the first impression is the one that your customers and suppliers will remember. It will be the foundation for their confidence in your business. If you lose their confidence at any time, you need to know that it will be very difficult to win it back.
- Monitor your inventory.
- And do not forget to keep track of changes in demand from your customers and what your competitors are offering.

# **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 !

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***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 : <https://www.afecreation.fr> / [Qui peut vous aider ?](#)***

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