



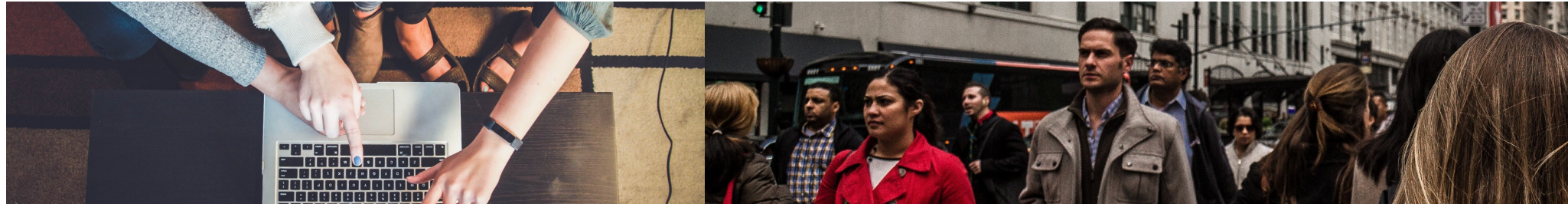
STARTUP SCALING BOOTCAMP

Session 4
Understanding Your Financials

WITH TAREK EL GAMMAL

SESSION 4 CONTENT

WHAT WILL WE TALK ABOUT?



- 1 Identifying Your Business Model
- 2 Financial Literacy
- 3 The Key Financial Statements
- 4 Financial Tools For Startups



IDENTIFYING YOUR BUSINESS MODEL

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THE MOST COMMON BUSINESS MODELS

1. Leasing model



2. Manufacturer Model



3. Retailor Model



4. Distribution based business model



5. Multi-brand business model



6. Enterprise business model



7. Bundling model



8. Razor and blade business model



9. Reverse Razor and Blade business model



10. Franchise model



11. E-Commerce business model



■ THE MOST COMMON BUSINESS MODELS

1. Subscription business model

NETFLIX

6. Peer-to-peer business model

 **airbnb**

2. Freemium business model

 **MailChimp**

7. One-for-one business model

 **TOMS**

3. Drop-shipping business model

 **doba**

8. Hidden revenue business model

 **Google**

4. Cash machine business model

 **Alibaba Group**

9. Affiliate marketing business model

 **wirecutter**
A New York Times Company

5. Multi-sided platform model

 **freelancer**

10. User-generated content business model

You 

■ COMPONENTS OF A BUSINESS MODEL

1. Value proposition
2. Target market
3. Competitive advantage
4. Cost structure
5. Resources
6. Problem and solution
7. Revenue model
8. Revenue streams
9. Profit margin



IDENTIFYING YOUR BUSINESS MODEL



FINANCIAL LITERACY

UBUNTU EDUCATION



FINANCIAL LITERACY

■ WHY FINANCIAL LITERACY?

1. 47% of start-ups failures are due to lack of financial assessment [CB Insights](#)
2. You need more than passion
3. Your financial skill set
4. Clear business overview
5. Analysis-based decision making
6. Budgeting and cash flow management
7. Monitor & measure performance

FINANCE VS. ACCOUNTING

FINANCES

1. Forward-looking
2. Planning of future growth
3. Analyzing financial statements
4. Managing assets and liabilities
5. Increasing profitability

ACCOUNTING

1. Backward-looking
2. Reporting of what already happened
3. Creating financial statements
4. Flow of money in and out of a company
5. Compliance with laws and standards

■ THE ROLE OF FINANCE

1. Making profits
2. Setting financial goals
3. Managing unavoidable risks
4. Financial projections
5. Company valuations



FINANCIAL LITERACY



STAYING ON TOP OF YOUR FINANCES

FINANCIAL LITERACY

WHAT YOU NEED TO DO

1. Track and monitor all spending
2. Calculate your margins
3. Control your fixed expenses
4. Manage your cash flow
5. Make sure you pay yourself
6. Remain optimistic but prepare for the worst

■ WHAT YOU NEED TO TRACK

1. Customer acquisition cost
2. Average transaction value
3. Average no of transactions
4. Retention Rate
5. Customer lifetime value
6. Gross margin
7. Net Income





THE KEY FINANCIAL STATEMENTS

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THE KEY FINANCIAL STATEMENTS

■ YOUR KEY FINANCIAL STATEMENTS

1. Balance Sheet
2. Income Statement
3. Cash Flow Statement
4. Statement Owners' Equity

■ THE BALANCE SHEET

1. Report's assets, liabilities and shareholders' equity
2. Snapshot of what a company owns and owes
3. Both side have to always be equal



THE BALANCE SHEET

| Company name: Company XYZ | | | |
|---------------------------------------|----------------|---------------------------------------|----------------|
| Balance sheet as of December 31, 2020 | | | |
| Assets | | Liabilities & Equity | |
| Current Assets | | Liabilities | |
| Checking account | 5,000 | Current Liabilities | |
| Savings account | 6,000 | Accounts payable | 5,000 |
| Petty cash | 1,000 | Line of credit | 5,000 |
| Accounts receivable | 3,000 | Payroll liabilities | 2,000 |
| Invesntory | 10,000 | Total Current liabilities | 12,000 |
| Total Current Assets | 25,000 | | |
| Non-Current Assets | | Non-Current Liabilities | |
| Accumilated depreciation | (5,000) | Long term debt (loan) | 50,000 |
| Computers, Office equipment | 10,000 | Total Liabilities | 62,000 |
| Office finishing | 50,000 | | |
| Building | 100,000 | Equity | |
| Total Current Assets | 155,000 | Owner's capital | 98,000 |
| | | Retained earnings | 20,000 |
| | | Total Equity | 118,000 |
| Total Assets | 180,000 | Total Liabilities & Equity | 180,000 |



THE KEY FINANCIAL STATEMENTS

■ THE INCOME STATEMENT

1. Reports income through a particular time period
2. Focuses on revenue, expenses, gains, and losses
3. Does not differentiate between cash and non-cash receipts

THE INCOME STATEMENT

| Company name: Company XYZ | |
|--|----------------|
| Income statement for the year ending December 31, 2020 | |
| Revenue | |
| Revenue from operations | 200,000 |
| Other revenue | 50,000 |
| Less returns and discounts | (5,000) |
| Total Revenue | 245,000 |
| Cost of goods sold (C.O.G.S) | 100,000 |
| Gross Profit | 145,000 |
| Operating Expenses | |
| Admin expenses | 2,000 |
| Travel expenses | 2,500 |
| Maintenance expenses | 1,000 |
| Marketing expenses | 5,000 |
| Salaries | 25,000 |
| Rent | 20,000 |
| Other expenses | 5,000 |
| Total Operating Expenses | 60,500 |
| Income from operations | 84,500 |
| Interest expenses | 5,000 |
| Income before income tax | 79,500 |
| Income tax expense | 7,950 |
| Net income | 71,550 |



■ THE CASHFLOW STATEMENT

1. Report the cash generated and spent during a specific time period
2. Measures how a company generates cash to pay its debt and fund operating expenses
3. Components
 - Cash from operating activities
 - Cash from investing activities
 - Cash from financing activities

THE CASHFLOW STATEMENT

| Company name: Company XYZ | |
|---|----------------|
| Cash flow statement for the year ending December 31, 2020 | |
| Cash flow from operating activities | |
| Cash received from customers | 50,000 |
| cash paid for merchandise | (20,000) |
| Cash paid for wages | (10,000) |
| Cash paid for operating expenses | (5,000) |
| <i>Net cash from operating activities</i> | 15,000 |
| Cash flow from investing activities | |
| Cash received from sale of assets | 100,000 |
| Cash paid for purchase of assets | (70,000) |
| <i>Net cash from investing activities</i> | 30,000 |
| Cash flow from financing activities | |
| Cash received from issuing stock | 20,000 |
| Cash received from long term debt | 15,000 |
| Cash paid for dividends | (40,000) |
| <i>Net cash from financing activities</i> | (5,000) |
| <i>Net cash during the period</i> | 40,000 |
| <i>Opening cash balance</i> | 40,000 |
| Ending cash balance | 80,000 |

■ STATEMENT OF OWNERS EQUITY

1. Shows the changes in the capital account
2. Capital is increased by owner contributions and income
3. Capital is decreased by withdrawals and expenses



THE KEY FINANCIAL STATEMENTS

STATEMENT OF OWNER'S EQUITY

Company name: Company XYZ

Statement of owners equity for the year ending December 31, 2020

| | |
|--------------------------|-----------------|
| Beginning balance | 100,000 |
| <i>Add: Net income</i> | <i>30,000</i> |
| <i>Add: Investments</i> | <i>20,000</i> |
| <i>Less: Withdrawals</i> | <i>(10,000)</i> |
| Ending balance | 140,000 |

A man in a dark suit and glasses is shown in profile, looking at a tablet device. He is standing in a modern office with large windows in the background. The scene is dimly lit, with light coming from the windows, creating a professional and focused atmosphere.

FINANCIAL TOOLS FOR STARTUPS

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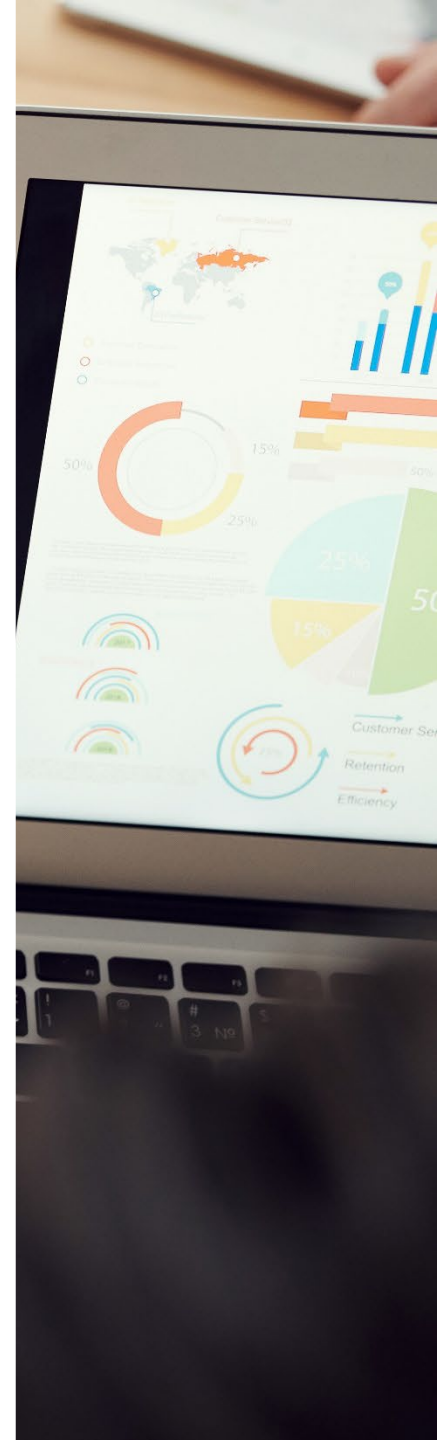


**STAYING ON
TOP OF YOUR
FINANCES**

FINANCIAL LITERACY

FINANCIAL TOOLS FOR START UPS

1. Quick Books
2. Fresh Books
3. Wave
4. Xero



A person is sitting at a wooden desk, writing in a notebook with a pen. The desk is cluttered with various items: a laptop, a glass of iced coffee, a glass of water, a pair of sunglasses, and some papers. The scene is dimly lit, suggesting an indoor setting during the day or evening. The overall atmosphere is one of focused work or study.

THANK YOU!