



Your Guide to Formalizing Your Business

Participant
Workbook

INCLUSIVE
ACTION
FOR THE CITY



CC BY-NC-SA

This license enables reusers to distribute, remix, adapt, and build upon the material in any medium or format for noncommercial purposes only, and only so long as attribution is given to the creator. If you remix, adapt, or build upon the material, you must license the modified material under identical terms. CC BY-NC-SA includes the following elements:

BY: credit must be given to the creator.

NC: Only noncommercial uses of the work are permitted.

SA: Adaptations must be shared under the same terms.

For educational use only.

“Once I found my ‘why’, I was good to go. Each time out, the moment I understood what I was doing and why I was doing it was the moment I was finally able to make something happen.”

- **Daymond John, author of “Powershift: Transform Any Situation, Close Any Deal, and Achieve Any Outcome”**





Inclusive Action for the City

Inclusive Action for the City is a non-profit, community development financial institution (CDFI) serving Los Angeles County and beyond. Our mission is to serve underinvested communities and build thriving local economies by improving access to transformative capital and advancing policy through collaborative research and community-driven advocacy. We envision diverse communities that have equitable and sustained access to resources and exercise agency over their futures.

Written by Inclusive Action for the City, 2023

About the Authors & Contributors

Primary Author & Project Lead

- > Josephine Gardner | Inclusive Action for the City

Contributors:

- > Sharon Senko | Inclusive Action for the City
- > Luis Moran | Inclusive Action for the City
- > Karina Guzman | Inclusive Action for the City
- > Norma Santa Cruz | Inclusive Action for the City

Project Advisors

- > Maribel Garcia | Inclusive Action for the City
- > Andrea Avila | Inclusive Action for the City
- > Nicole Anand | Inclusive Action for the City

Copyeditor

- > Sebrinia Welch | briniakmarketing.com

Graphic Designer

- > Anna Pierce | annapierce.com

Acknowledgments

We would like to express our deep gratitude to all those who played a pivotal role in the development of this course curriculum, tailored to empower entrepreneurs, street vendors, and business owners. Your unwavering dedication, invaluable support, expertise, and insights have been the cornerstone of our endeavor to create impactful learning modules.

A heartfelt note of appreciation goes out to our small business owners and clients who enthusiastically participated in a pilot testing phase. Your feedback has been instrumental in refining and iterating the curriculum. We extend our thanks to our subject matter experts and advisors, whose guidance and rich expertise significantly elevated the quality and practicality of the curriculum, ensuring its comprehensiveness and relevance.

We are also indebted to our colleagues and collaborators for their generous contributions of time, resources, and knowledge, which have been instrumental in bringing this project to fruition. Our gratitude extends to Inclusive Action for the City for their unwavering commitment to creating resources that support small business owners in our community.

This curriculum represents a collective effort and a shared passion for business coaching aimed at providing valuable support, inspiration, and empowerment to small businesses in our community. It is our sincere hope that it will be an invaluable asset on their journey to success.

TA: MISSION, VISIONS, AND VALUES

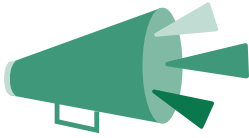
Mission Statement

Our mission is to provide business coaching and technical assistance to local business owners, with the purpose of helping them generate wealth, build collective power, and create an impact in their local community.

Vision Statement

Through providing business coaching and technical assistance, we aspire to empower business owners, enabling them to amplify their voices, cultivate strong leadership skills, expand their networks, and fulfill their business ambitions.

TA Curriculum Values



SELF-ADVOCACY

We encourage business owners to harness their inherent strengths, derived from their unique experiences, to self-advocate for their business growth and amplify their voice in their local community.

ACCESSIBILITY

We aim for business owners to have inclusive access to resources and tools, ensuring that they can readily understand and derive value from them.



FINANCIAL STABILITY

We guide business owners toward building financial stability, generational wealth, and overall well-being for themselves and their families.

LEADERSHIP

We aspire for business owners to develop confidence in their expertise, becoming influential narrators of their stories, resource connectors to their community, and active contributors in transforming systems and policies that impact their businesses.



COLLECTIVE POWER

We aspire for business owners to connect with their business network and discover that their influence is greater in unity with each other.

INTRODUCTION

What's your "why..."? Why do you want to start or formalize your business?

Getting your business started or formalizing your business license and all necessary permits approved, is a critical component of getting your business off the ground, offering your business legal protections and providing your business more financing opportunities. Determining how to formalize your business can be daunting. That is why we put together this guide to help you with the step-by-step process.

Table of Contents

<i>Section 1</i> Research Your Idea	08
<i>Section 2</i> Write A Business Plan	31
<i>Section 3</i> Do Budget And Forecasts	46
<i>Section 4</i> Set Prices	60
<i>Section 5</i> Choose A Business Structure	82
<i>Section 6</i> Sort Your Business Accounting	102
<i>Section 7</i> Register Your Business	116

SECTION 1

Research Your Idea

KEY IDEAS



- > Understand why market research is critical for the success of your business
- > Identify your target customers, as well as your competition

KEY TERMS



- > **Market Research**
The process of learning consumer behavior and economic trends to confirm and improve your business idea.
- > **Competitive Analysis**
The process of evaluating the strengths and weaknesses of your business or product/ services in comparison to others in the same market or industry to gain insights and inform your business strategy.
- > **Industry analysis**
The process of examining and understanding a specific business sector or industry to gain insights into the opportunities and challenges within a particular industry.



INTRODUCTION

It's probably safe to assume that as a business owner, you want your business to be successful as quickly as possible. In a perfect world it would be ideal if the goods and services we offered were needed by everyone and automatically purchased with ease. The

reality is that customers have different needs and wants, and there are many options of businesses they can choose from. Taking steps towards understanding this information will help your business differentiate itself and stand out among the rest.

CONDUCTING MARKET RESEARCH

Why is it important to conduct Market Research?

Market Research 🗺️ helps you know who is going to buy from you (your target customer), understand your competitors in the same market who are likely targeting the same customers, and help you to refine your business idea. By combining what you know of your customers' behaviors and needs with trends from the industry and your competitors, this information is crucial towards confirming and refining your business idea.



KEY TERM

> *Market Research*

The process of learning consumer behavior and economic trends to confirm and improve your business idea.



“I had to make my own living and my own opportunity. But I made it! Don’t sit down and wait for the opportunities to come. Get up and make them.”

- **Madam C.J. Walker**

The first Black woman millionaire in America

MARKET RESEARCH: A TWO-STEP PROCESS

1

Identify Your Target Customer

The most valuable relationship your business has is with your customers, so it is important to know who they are and understand what needs, interests and behaviors they have. By gathering this information of the audience you intend to target, you can better understand the opportunities and conditions for growth and set your business up more to increase your customer base.



2

Learn From Your Competitors

When you keep up with the latest industry trends and businesses in your community, you will better know who will be sharing the market with you, which in turn will impact future revenue and profits. By conducting a Competitive Analysis, you will pick up valuable information from the businesses competing for your potential customers.



MARKET RESEARCH STEP 1: WHO ARE YOUR CUSTOMERS?

Why is it important to conduct customer research?

By understanding your customers, you can

- > **Build better products and services:** when you know the challenges your customers have, you can anticipate their needs by providing them with solutions that can help solve their specific issues.
- > **Learn how your customers make purchase decisions:** the better you know their behaviors, the more informed you are in understanding their journey through awareness and consideration of your business towards actual purchase and conversions of what you offer.



RESOURCE



Create buyer persona

<https://www.hubspot.com/make-my-persona>

Stuck? Start by checking out who buys from known competitors.

ACTIVITY



CREATE A TARGET CUSTOMER PROFILE

Complete this activity to understand your target customer. Need more space? Additional pages located at the end of this chapter.

EXAMPLE CUSTOMER PROFILE

User description

USC student who enjoys cultural foods, like El Salvadorian food but are also price conscious.

Demographic

Name: *USC Students*
Age: *18-25*
Marital Status: *Single*
Gender: *Female/male*
Occupation: *Student*
Income: *Limited*
Language: *Spanish/English*

Psychographics

Activities: *listening to music & dancing, family time*
Personality: *likes to laugh*
Values: *family, reliability, consistency*
Attitudes: *hard-working &*

Geographics

Location: *Los Angeles, CA*

Behavioral

Motivations: *likes to walk, likes to choose brands based on price points, and likes to support Black and Latina small business*

Decision Making: *When considering food choices, they value: 1) quality of food 2) price-point 3) location*

Challenges: *Likes to shop at the farmer's market, pop-ups or online because they doesn't have a lot of time with their busy schedules.*



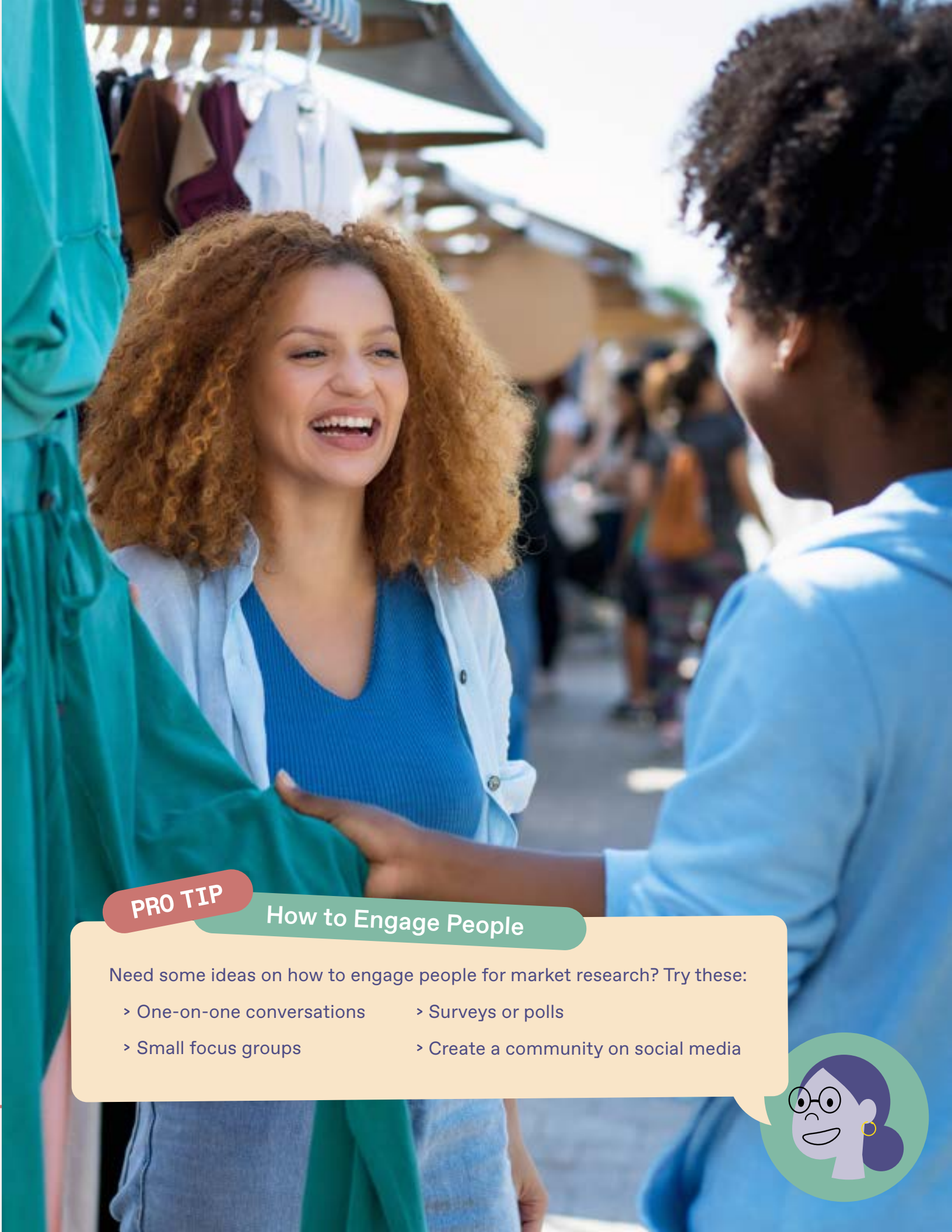
GOING DEEP: TALK TO PEOPLE

On your own time, find people who fit your target customer description and ask them about your business.

What do they need from a business like yours? _____

Where do they get that product or service now? _____

What product or service could be better? _____



PRO TIP

How to Engage People

Need some ideas on how to engage people for market research? Try these:

- > One-on-one conversations
- > Surveys or polls
- > Small focus groups
- > Create a community on social media



MARKET RESEARCH STEP 2: EVALUATE THE COMPETITION

Why do a Competitor Analysis?

By understanding your competitors, you can

- > **Copy what they do well:** From what they bring to the market to how they promote their business to consumers, you can gather highlights and strategies from their practices that you can integrate into your business.
- > **Work out what you can do better:** By researching what they do well, you can also find out things that can be done differently. Are there areas of improvement with their products and services? Are there gaps in their target audience that they are not serving? This type of insight provides you an opportunity to strengthen in areas they may struggle in and therefore, capitalize on that aspect of the market.

ACTIVITY



HOW TO CONDUCT A COMPETITOR ANALYSIS

	Torta Movil	Cancun Juice	Guisados
No preservatives, healthier, and less processed	xxx	x	xx
More for your Money	xxx	xx	x
Family business, consistency, impact	xxx		

Example of competitor analysis

1

FIND OUT WHICH BUSINESSES TARGET THE SAME AUDIENCE

Where are your customers buying from? There are two different kinds of competitors:

Direct Competitors: Businesses that fill in the SAME customer you fill in with your SAME product or service

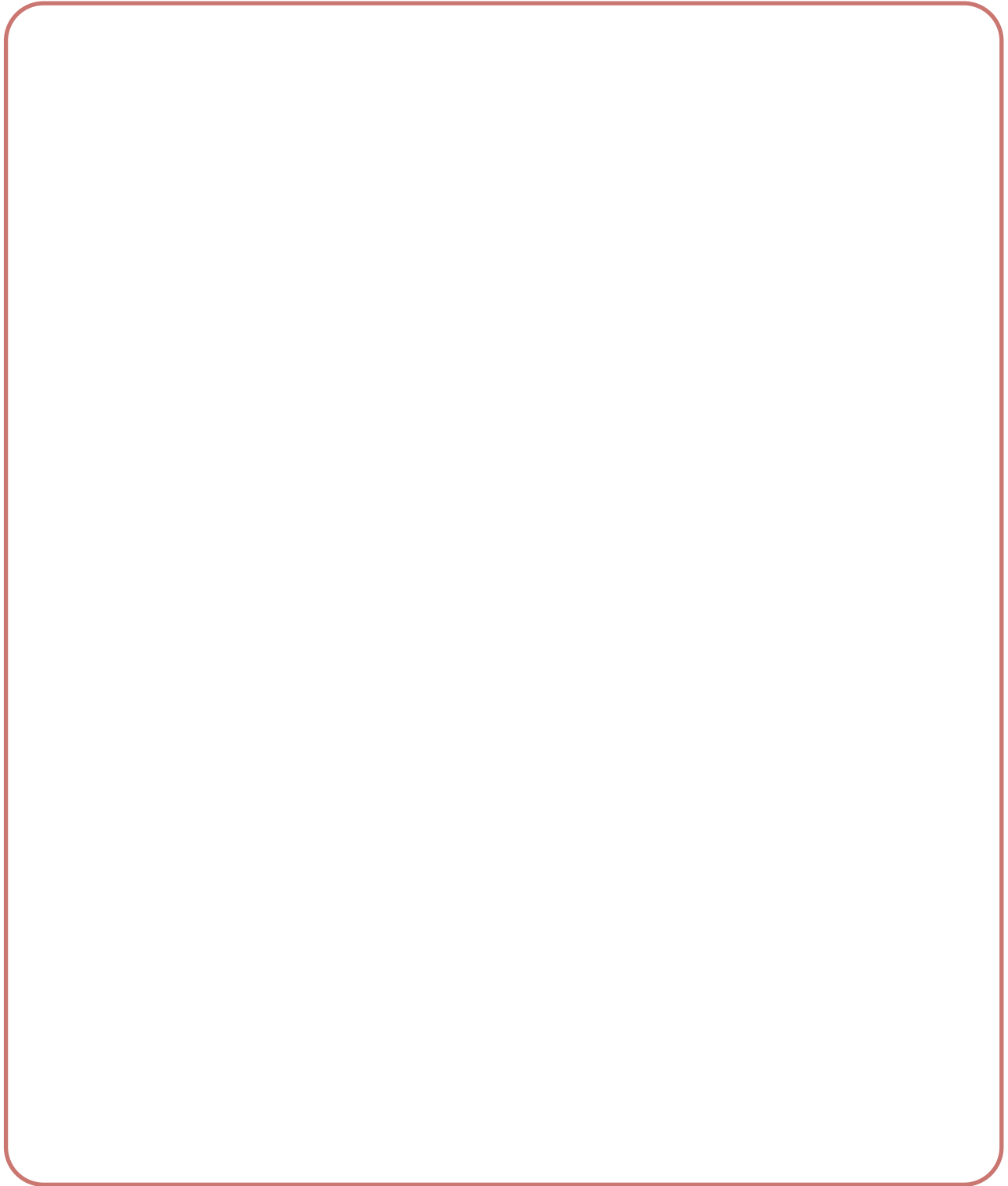
Indirect Competitors: Businesses that in fill the SAME customer you fill in with your DIFFERENT product or service and go after the same dollar

Activity continues on the next page

STUDY AND ANALYZE WHAT THEY DO

Competing businesses often go after different parts of the market. One will be the premium option, while another will compete on price. Or they will target different age groups or locations.

Map how they relate to each other in the space below.





WRAP UP

Researching and Knowing your Market is Key!

You may have an incredible business idea, however if your product or service doesn't solve a problem, isn't being sought out or there is something else out there that already does what you do, you may find it difficult to gain traction and grow.

By taking the time to understand who your target customers are and what they are seeking, as well as know who else is in the market and what they offer, the knowledge can help you build a more solid, sustainable business that is able to compete in today's market.

PRO TIP

Ask Your Customers!

Doing your own market research doesn't need to take a lot of money. Asking some key questions to a few customers and studying your competitors can give you plenty of information to help build and formalize your business.





SECTION 1



SELF - ASSESSMENT

Check your knowledge of this section with the following self-assessment. *Answers located in the back.*

1. Why is it important for a business to do market research?

- a. It determines the best way to brand your product
- b. It's only important for big businesses
- c. It helps identify potential customers and what needs they have
- d. It informs a business about the industry and their competitors more
- e. Both c and d

2. Which one of the following scenarios represents a marketing research study?

- a. A focus group is held for a local food truck to decide what flavors they should develop in their new vegan tacos
- b. A survey is conducted by a t-shirt manufacturer to determine how much customers are willing to pay for 100% cotton T-shirt
- c. A coffee shop owner interview it's current customers whether they will also purchase packaged coffee via e-commerce
- d. All the answers are correct

3. A customer profile is

- a. A complete picture of a business's prospective customers
- b. Places customers typically shop
- c. A method of purchases
- d. A customer's social media account

4. Customer profile helps you make decisions about

- a. Your product
- b. Your service
- c. Both
- d. None of the above

5. Customer profile assists you in developing

- a. A marketing concept
- b. A strategy for how you will reach the customer
- c. Both
- d. None of the above

6. Karina recently started a landscaping business. Prior to starting her small business, she spent considerable time doing research on the potential of the landscaping industry. The research that Karina is doing is called _____ analysis

- a. Industry
- b. Sector
- c. Commercial
- d. Business
- e. Target market

7. Once a business decides to enter an industry (i.e. beauty, manufacturing) and chooses a market in which to compete, it must gain an understanding of its competitive environment. This challenge can be undertaken by completing a(n)_____analysis

- a. Business
- b. Industry
- c. Competitor
- d. Strategic
- e. Market

8. What component is NOT part of a competitor analysis?

- a. Identifying what goods and services are provided by competitors
- b. Identifying how a business markets their goods and services
- c. Identifying how much revenue a business made and taxes they paid last year
- d. Identifying businesses that target the same potential customer groups

BLANK PAGES

SECTION 2

Write A Business Plan

KEY IDEAS



- > Understand the importance of a business plan
- > Learn how to write a one-page business plan

KEY TERMS



- > ***Business Plan***
A guide that takes you through each stage of starting and managing your business. It is a roadmap for how to structure, run, and grow your new business, as well as a way to think through the key elements of your business.



INTRODUCTION

Now that you have determined your target customer base and done some research on your competitors, it is time to flush out your ideas for the business and start implementing them. Whether you are seeking funding,

wanting to set your goals for growing your business, or creating the next steps for rolling out your products/services into the market, a business plan can help you process and formalize these significant components.

WRITING A BUSINESS PLAN

Why should I have a business plan?

By writing out your business plan, you are able to explain your ideas. It gives you a layout for executing them - essentially it describes what product or service you offer, identifies who your target customers are, explains how what you offer is needed by them, and predicts how you expect to make money from the business.

Oftentimes it is a requirement to submit a business plan when applying for financing. Your detailed plan helps to convince lenders or investors to put their money behind your ideas.

There are two types of **Business Plans** 🧐:

- > **Lean Business Plan:** short, to the point, and easy to understand and update
- > **Traditional Business Plan:** more comprehensive, required if you are going for funding for your business

Why every business should start with a one-page Lean Business Plan

A one-pager is a great place to start, as it doesn't take too much time (as little as an hour!) By writing about your customers, competitors, income and expenses, this high level plan will develop your thinking on key elements and help you launch quickly.

When do you need a longer business plan?

If your business requires funds from external sources, you will need to write a traditional business plan. This will be a longer, more detailed document that provides more specific, in-depth analysis, assessment and forecasts. This will be expected from and reviewed by banks and investors prior to their funding decisions.



KEY TERM

> **Business Plan**

A guide that takes you through each stage of starting and managing your business. It is a roadmap for how to structure, run, and grow your new business, as well as a way to think through the key elements of your business.



“My biggest piece of advice to aspiring entrepreneurs is to fail more. As women, especially Latinas, we don’t really have the privilege to fail. Unlike our Caucasian counterparts, we constantly feel the pressure to succeed, and the responsibility to our communities of color. Take the risk anyways. Welcome failure so you can learn the lessons early. And most importantly, bet on yourself because your vision matters.”

- **Patty Delgado, Founder of Hija de tu Madre**

BREAKING DOWN A ONE-PAGE LEAN BUSINESS PLAN

The Front Page: Your Product

1 Value proposition

2 The market opportunity and your solution

3 Target market and competition

4 Your team and the people you need to hire and your Partner(s), or potential business partners

5 Milestones (include due date, budget, and person involved)

TortaMovil

Business Plan

TortaMovil serves authentic D.F-inspired tortas made with fresh, premium ingredients.

The Market Problem

Finding a D.F Style torta in LA is not common, especially an authentic, cost-effective torta made with premium ingredients

How We Will Solve It

TortaMovil has been serving the community for over 20 years, with the goal of expanding and offering catering services to different demographics in order to expand their customer base. TortaMovil also has explored selling their signature chipotle salsa in bottles through e-commerce. TortaMovil's mission is to create authentic but cost efficient torta using premium ingredients without compromising on quality and price.

Target Market

Catering/Serving:
South Central LA, DTLA, Los Angeles County, Hispanic, and White

During our expansion phase we will like to cater to the following locations:

- > Culver City > Santa Monica
- > Long Beach > MidCity
- > Inglewood

Demographics

- > Latinos/Hispanics
- > African American/Black
- > White

Age

- > 25-45

Competitors




The Team

- > Owner (Luis)
- > Employee (mother)
- > Employee (brother)
- > Employee (Cook)

How is Our Product Better?

Our tortas contain unique, special recipes that give it an authentic taste. From our homemade chilies en vinegar, our chipotle salsa, our breaded seasoned steak, to our freshly baked bread.

Potential Partners

- > Photographer
- > Bloggers
- > Accountant

Milestones

- > Create a catering menu
- > List and connect with 5-7 local breweries who work with food stands.
- > Work on a marketing plan to promote salsa (photo/video shoot, calendar)

The Back Page: Financial

TortaMovil

Business Plan

TortaMovil serves authentic D.F-inspired tortas made with fresh, premium ingredients.

Sales Channels

Will sell tortas from the food truck, and market the catering services to existing customers. Will aim to have 2 events per month and increase the awareness of the product to different areas. One potential way is to vend at breweries. Will also be selling chipotle salsa via online.

Marketing Activities

- > Currently utilizing IG/Reels to advertise the tortas and bottled salsa. Invested in a sign to market our catering services to our existing customers.
- > Will be utilizing Tik-Tok to also increase awareness organically. Will also be looking at working with foodies/bloggers to attract attention to the main target audience.
- > Plan to use targeted ads as well (Google, YouTube)

Funding

\$10K - Looking to use the capital to buy equipment for the catering opportunities, and inventory for the salsa bottling/stickers. Also looking to use some of the capital for targeted ads.

Financial Projections

There is a growing demand from existing clients to cater events, parties.

There is an increase of events/food vendors at breweries.

Assuming we begin to sell at breweries, and start catering events (4 times a month)

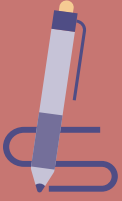
	2020	2021	2022
Revenue	\$247,777	\$396,000	\$546,000
Direct Costs	\$84,584	\$134,640	\$185,640
Gross Margin	\$163,193	\$261,360	\$360,360
Gross Margin %	66%	66%	66%
Operating Expenses			
Salaries & Wages	\$154,200	\$239,664	\$244,217
Employee Related Expenses	\$29,040	\$47,933	\$48,843
Sales and Marketing Expenses	\$1,800	\$1,800	\$1,800
Utilities	\$600	\$600	\$600
Insurance	\$1,800	\$1,800	\$1,800
Rent	\$8,400	\$8,400	\$8,400
Total Operating Expenses	\$195,840	\$300,197	\$305,660
Operating Income	(\$32,647)	(\$38,837)	\$54,700
Interest Incurred	-	-	-
Depreciation and Amortization	\$6,504	\$6,504	\$6,504
Gain or Loss form Sale of Assets	-	-	-
Incomes Taxes	\$0	\$0	\$0
Total Expenses	\$277,928	\$441,341	\$497,804
Net Profit	(\$29,151)	(\$45,341)	\$48,196
Net Profit/Sales	(12%)	(11%)	9%

6 Sales and marketing

7 Funding needed and how it will be used.

8 Budget and sales goals

ACTIVITY



HOW TO WRITE A LEAN BUSINESS PLAN

Follow this step-by-step guide to build a lean business plan.

1

VALUE PROPOSITION

What is your business and what do you do?

2

THE MARKET OPPORTUNITY AND YOUR SOLUTION

The Market Problem: What is the problem that needs to be solved? _____

Your Solution: How does your business provide the solution? _____

3

TARGET MARKET AND COMPETITION

Target Market: What is your target customer profile? _____

The Competition: Based on your Competitor Analysis, what businesses are your competitors?

Your Product: What makes your product or service different? _____

3

YOUR TEAM AND PARTNERS

Your Team: Who are the key people in your business? _____

Your Partners: Who are the current or potential partners of your business? _____

Activity continues on the next page

5

MILESTONES

How will you measure progress and success? Each milestone should include due date, budget and person involved.

6

SALES AND MARKETING

Sales Channels: What channels will your products/services be sold? _____

Marketing Activities: What marketing activities will be performed to reach your target audience?

7

FUNDING

How much funding is needed? How will the funding be used?



WRAP UP

Build the foundation with a Business Plan

Whether or not you need funding, having a written business plan is vital as it lays out the groundwork of what your business does, who it serves and how it expects to be profitable. It's a great resource for you, as the business owner, to help clarify your ideas and develop the path towards a sustainable and successful business.

PRO TIP

Keep Answers Short!

Keep your answers to each section brief, focus on what's important. Another benefit to keeping sections short is that it'll be easier to update in the future.



RESOURCE



Examples of Traditional Business Plan or Lean Business Plan

<https://www.sba.gov/business-guide/plan-your-business/write-your-business-plan#section-header-2>

SECTION 2



SELF - ASSESSMENT

Check your knowledge of this section with the following self-assessment. *Answers located in the back.*

1. What is a business plan?

- a. A written plan that is a description of all the aspects of the business and includes the business's goals
- b. Written document that describes all the steps necessary for opening a successful business
- c. Written document that only describes the ownership of the business
- d. Both A and B are correct
- e. All are correct

2. Why do you need a business plan?

- a. To explain your business idea
- b. The ability to get financing
- c. It's a road map that sets objectives and goals for the business
- d. To help reduce the risk of a business failure
- e. All of the above

3. Which type of business plan is this: A very detailed and comprehensive plan that sets out business objectives and strategies for achieving them

- a. SBA Roadmap
- b. Lean start up plan
- c. Traditional business plan
- d. Financial projections

4. Which type of business plan is this: High level focus plan, fast to write and contains key elements only. Also referred to as a business model

- a. SBA Roadmap
- b. Lean start up plan
- c. Traditional business plan
- d. Financial projections

BLANK PAGES

SECTION 3

Budgets and Forecasts

KEY IDEAS



- > Understand how formalizing a budget for your business is important to measuring success
- > Learn how to structure and create a budget

KEY TERMS



- > **Budget**
A prediction of how much money will come and go from your business over a period of time, usually a year
- > **Cost**
Money a business has to spend to make its product or provide its services such as buying materials, paying employees, covering bills.
- > **Forecast**
A strategic practice that connects your business's financial numbers to the key factors you need to manage. It involves monitoring the relationships between sales, costs, and expenses and observing the trends or ups and downs



INTRODUCTION

While you may have defined some goals around revenue and profits, as well as processed expected funding requirements for your lean business plan, now it is time

to crunch the numbers at a deeper level. By creating a budget for your business, you will be able to help make decisions to support its growth and decrease possible financial risks.

BUDGETS AND FORECASTS

What is the purpose of a budget?

When you create a budget for your business, you are making an estimate of the amount of money your business can make. This then can support you in making key decisions for the overall operation of your business.

Specific aspects that can be identified and defined in your budget could be:

- > How much it will cost to start
- > Whether you'll need to borrow money
- > Your break even point
- > What you need to charge customers
- > If you can afford to hire help/staff

Basically, budgeting and forecasting help businesses see if they can afford to start a business. It will also inform a business if their hard work will repay the initial funding put into their business, as well as return a profit.



“Listen to feedback, be open to change, leverage your strengths, accept your limitations, be persistent and never lose sight of your vision.”

- Saskia Sorrosa, Founder and CEO of Fresh Bellies

What's the difference between a budget and a forecast?

Small business budgeting and forecasting go hand in hand and will help you get better at estimating costs and income for the years ahead

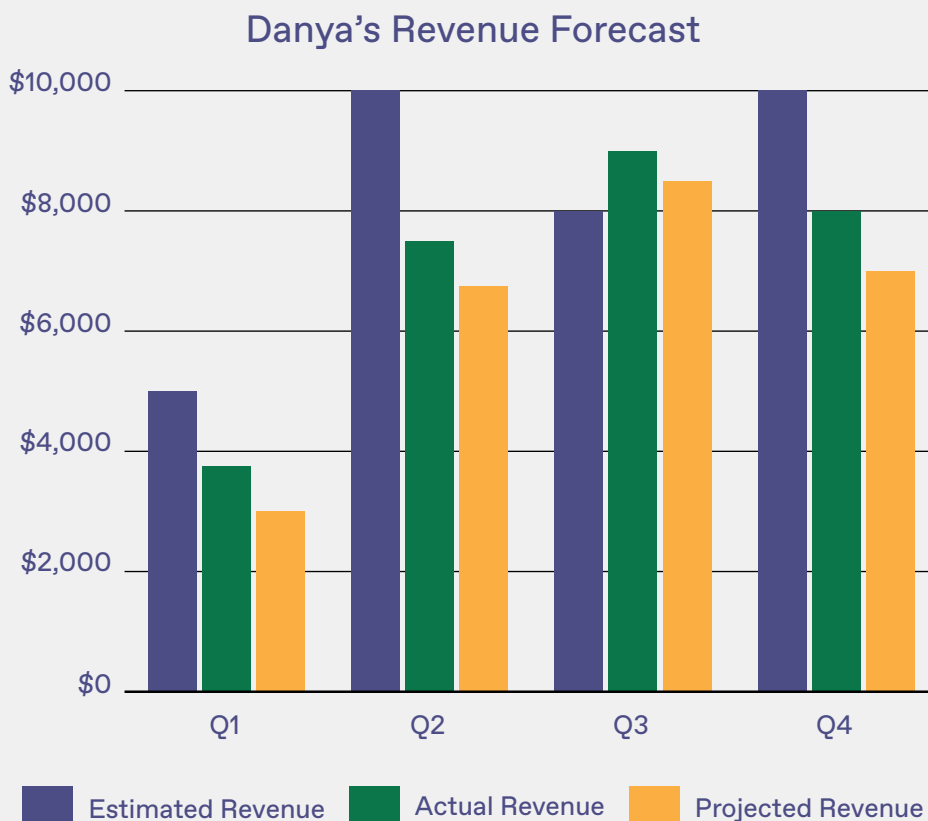
Budget 🗝️ Small business budgeting shows how you expect the business to perform over a given period of time.

Forecast 🗝️ Forecasts use real-life sales and cost data to show where things are actually headed for the budget.

EXAMPLE

Two years ago, when Danya first created her business plan for her custom woodworking business, she was able to estimate how much initial money she needed to put into operating her business and made informed guesses on her projected revenue based on the market research she completed and goals for sales.

For the upcoming year, Danya is able to create a forecasted budget for projected revenue based upon last year's actual expenses and sales, as well as goals for growth, which includes her ideas for increased marketing and hiring an additional employee.



KEY TERM

> Budget

A prediction of how much money will come and go from your business over a period of time, usually a year.

> Forecast

A strategic practice that connects your business's financial numbers to the key factors you need to manage. It involves monitoring the relationships between sales, costs, and expenses and observing the trends or ups and downs

2

FACTOR IN UNEXPECTED COSTS

Don't forget to deduct sales and income tax from sales revenue

Some jobs go wrong and some inventory gets broken, so set aside funds for unexpected events (build on contingencies)

Remember to calculate how much interest you'll pay on loans

Factor in costs to insure your business against liabilities

Put money aside to cover depreciation of assets like work tools (you'll have to replace them eventually)

Items	Project Cost	When

3

IDENTIFY YOUR INCOME

Make a list of your revenue streams and the income you expect to receive for the year. *

Product or Service	Projected number of sales		The Price You Charge		Expected Income
		x		=	
		x		=	
		x		=	
		x		=	
		x		=	
		x		=	
		x		=	
		x		=	
		x		=	

*You may need additional paper to list every projected cost.

Activity continues on the next page

WRAP UP



Understanding the numbers helps build a financially sustainable business.

Prior to getting started, a business needs to identify the costs associated with building it so they are able to confirm their business idea and conclude that there will be a return on investment. It also helps with making more informed operational decisions, which in turn helps to reduce financial risk.

PRO TIP

Think of all your costs!

When creating your budget, remember that timing is incredibly important to small businesses, because it can impact your cash flow. It's important to not only budget for costs that occur monthly, but also the costs that happen once or twice a year. For example, don't get surprised by a big lump sum insurance payment.



RESOURCE



Calculate Your Startup Costs

<https://www.sba.gov/business-guide/plan-your-business/calculate-your-startup-costs>

SECTION 3



SELF - ASSESSMENT

Check your knowledge of this section with the following self-assessment. *Answers located in the back.*

1. What is a budget?

- a. Calculating the total income paid out to business owners only
- b. A summary of all planned income and expenses for a specific period of time
- c. Assessing the funding needed to start up a new business
- d. A financial form you only need to do once

2. What are the basic components of a budget?

- a. Income (money coming in)
- b. Expected finances that will be earned in 10 years
- c. Expenses (money going out)
- d. Expected money to pay out to customers
- e. A & C

3. A budget is necessary for starting a new business.

- a. True
- b. False

4. A forecast is completely separate from a budget.

- a. True
- b. False

5. What is a “slow start” budget?

- a. A second possible budget created in case sales are slow at first
- b. A budget for business that work in a slower industry
- c. A budget for a business that doesn't plan to open right away



BLANK PAGES

SECTION 4

Set Your Prices

KEY IDEAS



- > Understand the process of setting prices for products/ services
- > Learn about different pricing strategies
- > Identify your COGS

KEY TERMS



- > ***Pricing Strategies***
A system to work out how much money you should add to your COGS/COSS.
- > ***Markup***
What you add to prices in order to make money
- > ***Cost of Goods Sold (COGS)***
The money a business spends to create, handle and deliver products to its customers. It may also be called cost of sales (COS).



Anne Preble / Unsplash


INTRODUCTION

Once you have created an initial budget for your business that includes working out the details of the expected funding you need to start up and the revenue you hope to receive, it's time to consider setting the prices for your products

and services. To generate sustainable growth and profit, it will be important to process how much you intend to charge customers for your products and services.

CALCULATE YOUR COGS/COSS

What is the cost of goods sold (COGS) or services sold (COSS)?

Cost of goods sold, or COGS , tells you what your business spends to deliver a product or service to your customer. This does not include general costs, like rent or employee wages, because these costs stay the same no matter how many sales you make.

To identify what COGS you have in your business, you should look for expenses that only occur when a service or product is provided and costs that change as sales increase or decrease.

How to calculate COGS or COSS:

Identify the costs* associated with producing your product or service. Then add up costs together to get your COGS/COSS.

**Not all costs may apply to your product/service*



KEY TERM

> **Cost of Goods Sold (COGS)**

The money a business spends to create, handle and deliver products to its customers. It may also be called cost of sales (COS).

HOW TO FIND YOUR COGS/COSS

COGS

Supplies

What are the costs of materials needed to create the goods/products?

+

Transport

What costs are associated with moving materials?

+

Manufacture

What associated costs are required with making or creating the goods?

+

Storage

Are there costs associated with storing your goods/products?

+

Distribution

Are there costs associated with delivering or shipping your goods or products?

=

Total Costs

By adding all cost up, you will have the total COGS for the products you are selling.

COSS

**Sales
Commission**

What commission do you give to your employees based upon the service given?

+

Contractors

Are there costs associated with contractors you employ?

+

Travel

What associated costs are expected with travel?

+

**Equipment
Use**

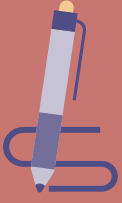
Are there costs associated with tools or equipment you need to perform your services?

=

Total Costs

By adding all cost up, you will have the COSS for the services you are providing.

ACTIVITY



CALCULATE YOUR COGS

Identify the costs* associated with producing your products, then add up costs together to get your COGS.

1

SUPPLIES

What are the costs of materials needed to create the goods/products?

Supplies	Cost	Supplies	Cost

2

TRANSPORT

What costs are associated with moving materials?

+

3

MANUFACTURING

What associated costs are required with making or creating the goods?

4

STORAGE

What costs are associated with moving materials?

+

5

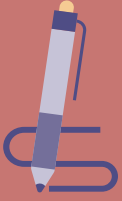
DISTRIBUTION

Are there costs associated with delivering or shipping your good/products.

=

CALCULATE TOTAL COSTS

ACTIVITY



CALCULATE YOUR COSS

Identify the costs* associated with producing your services, then add up costs together to get your COSS.

1

SALES COMMISSIONS

What commission do you give your employees upon the service given?

2

CONTRACTORS

Are there costs associated with contractors you employ?

3

TRAVEL

What associated costs are expected with travel?

4

EQUIPMENT USE

Are there costs associated with tools or equipment you need to perform your services?

CALCULATE TOTAL COSTS

=

SETTING YOUR PRICES

Why is price setting important?

The prices you set for your products or services will influence how much profit you will get, as well as how many sales are made. To make money from your business, you need to get more money out of a sale than you put into it. Before you set your prices, you should figure out how much money you'll be putting into your goods.

What are pricing strategies?

To make a profit on the products or services your business provides, you will need to decide how much your **markup** will be on top of your base cost so that you can make money with each sale. Find your base cost, which is the minimum amount you have to charge to break even.

To help with this decision, you can use a **pricing strategy**, which is a system to help you decide how much you should add. Here are some different pricing strategies you could use:

The different kinds of pricing strategies

Cost-Plus

Add a standard amount or percentage to everything you sell.

Market-Based

Check out the range of prices that your competition charges.

Price Bundling

Combine a few products or services together at a slight discount.

Launch Pricing

Penetration pricing, price skimming, and sweetener deals.



KEY TERM

> Markup

What you add to prices in order to make money.

> Pricing Strategy

A system to work out how much money you should add to your COGS/COSS.

“I believe that fortitude is key. More than anything, be consistent. Go at it. Go at it. Go at it. When you succeed, don’t forget the responsibility of making somebody else succeed with you.”

- Antonia Novello, Former US Surgeon General



DIFFERENT KINDS OF PRICING STRATEGIES

Cost Plus

You can simply add a standard amount to everything you sell. Check if there are industry-standard markups, as they can give you a good place to start.

EXAMPLE

Jaime makes candles and the COGS to create one candle is \$4.50.

Jaime decides to sell each candle at \$10. This means that Jaime used the Cost-Plus strategy by adding a standard \$5.50 markup to each candle.



Price Bundling

Businesses may decide to combine a few products or services together at a slight discount. The profit margins will decrease slightly for the individual products/services, however they expect to sell more as a result. Your market research may help you decide which product combinations will work.

EXAMPLE

Dana creates skincare products and decides to create a self-care kit that combines 4 products together. The total price of the products combined is \$60.

Dana decides to combine the items and charge \$50 for the kit.



SELF-CARE KIT



Two of the products are less popular than the others and haven't gotten a lot of sales, however Dana hopes that more customers will purchase the kit for the popular items and still make profit on the products that have been slow to sell.

Market Based

From your Competitor Analysis, check out the range of prices that your competition charges. There are a couple markup strategy decisions you can make with this information.

1 Go higher if you offer more convenience or a premium experience

EXAMPLE

Angel is building a spa business and knows that the services offered will use higher quality professional products. Since Angel plans to offer a premium experience, the service price will be set slightly higher than the competition.



2 Match the average if you don't want to turn off price-sensitive shoppers

EXAMPLE

Jordan is opening a sandwich shop and finds that other lunch businesses are charging \$8-\$14 per meal. Jordan decides to match the average of the competition range by offering a sandwich lunch at \$11 per meal.

SISTER'S BISTRO
LUNCH COST
\$14

BRIGHTSIDE BITES
SANDWICH COST
\$8

SANDWICH 365
LUNCH COST
\$10.99

JORDAN'S SANDWICH
SPOT
LUNCH COST \$11



DIFFERENT KINDS OF PRICING STRATEGIES: LAUNCH PRICING

New businesses sometimes use these strategies to grow their customer base. These include: Penetration Pricing, Price Skimming, and Sweetener Deals.

Penetration Pricing

This is where you lower your markup to increase the number of sales towards the beginning. The goal is to attract new customers fast and then keep them when your prices go up.

EXAMPLE

A+Music provides a live music service for events. At the start of the business' development, the team decided to offer their event services 5% lower than their competitors.

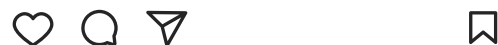
After celebrating 6 months of solid business and a high referral rate, they increased their prices while integrating client retention strategies, like loyalty discounts for those who make referrals.



79 likes

aplus.music Sign up for our grand opening deal!

[View all 15 comments](#)



79 likes

aplus.music Thanks for a great 6 months! Want to continue getting the best price? Sign up for our new loyalty program!

Price Skimming

This is when you start with higher prices on new products or services believing that customers will be excited early on and will pay more. After a period of time, you will then drop prices later on.

EXAMPLE

Christian owns a flower shop and wants to start adding a monthly subscription service of premium, fresh flower arrangements. Christian believes that customers are willing to pay more when the bouquets are created for them, so the subscriptions start off at a higher price of \$50 per month.

After a year, Christian decided to reduce the fee slightly to \$45 per month, in hopes of adding new customers to the service.



Sweetener Deals

This is when you set your price high but offer introductory discounts. It allows you to create the feeling of a deal without permanently minimizing your profit and devaluing what you offer.

EXAMPLE

Zion offers a weekly cleaning service at \$500 per month.

To build the client list, Zion offers a 20% discount for new customers, charging them \$400 for the first month, then \$500 for each month after.



ACTIVITY



SET PRICES

Mario is a street vendor in South Los Angeles. He uses fresh and organic fruit to make his homemade ice cream. He also distinguishes his ice cream by adding toppings that customers enjoy, such as waffle cookies or tamarind sticks. Currently, there are two other vendors selling ice cream, but they do not use fresh fruit. Those vendors sell their ice cream at \$4 (6oz cup) and \$6 (12oz cup) respectively.

1

DETERMINE PRICING STRATEGY

Below, please find the COGS for Mario. Help determine his pricing under each strategy. COGS are listed below: (average 100 cups, organic fruit \$80, ice \$50, water \$15, sugar \$10, styrofoam cups (1000 ct) \$86, plastic spoons (1000 ct) \$9, napkins (1000 ct) \$13, waffle cookie topping (100 ct) \$23.

Items	Project Cost	When
Fruit (\$80/100 per serving)	\$0.8	
Ice (\$50/100 per serving)	\$0.5	
Water (\$10/100 per serving)	\$0.1	
Sugar (\$20/100 per serving)	\$0.2	
6oz Cup (\$46/1000 per serving)	\$0.05	
Spoons (\$9/1000 per serving)	\$0.01	COGS: \$1.92
Napkins (\$30/1000 per serving)	\$0.03	Sales Tax: \$0.18
Waffle Cookie (\$23/100 per serving)	\$0.23	Total Cost: \$2.10

PRICING STRATEGY

Price Strategy	Price Mario Should Charge (\$) (6oz cup)	Profit per 100 Units
Cost-Plus Pricing	125% Markup ($2.10 \times 125\% = \$4.75$)	$\$475 - \$210 = \$265$
Market-Based Pricing	Competition's price: \$4 Mario's ice cream is organic and has a waffle cookie (premium) add +1: \$5	$\$500 - \$210 = \$290$
Penetration Pricing	Competition's price: \$4 \$3.75 plus the waffle cookie	$\$375 - \$210 = \$165$
Price Skimming	Competition's price: \$4 Mario's ice cream is organic and has a waffle cookie (premium). Start with a higher price: \$5.50	$\$550 - \$210 = \$340$
Sweetener Deals	Mario's price: \$5 25% discount for first time buyer, \$5 after $\$5 - \$1.25 = \$3.75$	$\$375 - \$20 = \$165$
Price Bundling	Regular ice cream cup \$4 Extras (ex. waffle cookie) for \$1.50 Ice cream with cookie \$5	$\$500 - 210 = \290

PRO TIP

Set Realistic Prices!

Avoid a mismatch with what you think a customer will pay for, and what they'll actually pay for. Have an open conversation with prospective customers about what they really want, to make sure there's a real need for your product or service.

Also, it's not a good idea to price low unless you have a steady supply chain and expect a lot of sales.





WRAP UP

COGS and pricing methods are key to profitability.

There are two important aspects for making money with your business, 1.) your profit margin (the price you set for a product/service minus the COGS/COSS) and 2.) how many sales you make.

Both are impacted by price, so make sure to give a lot of thought to how much you charge. The best place to start is figuring out your COGS, as this will tell you the minimum price per sale. Afterwards, process through the different pricing strategies to choose your markup, then you'll be on your way towards assessing your possible profits!



SECTION 4



SELF - ASSESSMENT

Check your knowledge of this section with the following self-assessment. *Answers located in the back.*

1. Which statement best describes “price”?

- a. The cost of producing items
- b. The amount customers are charged for items
- c. The profit earned from selling items

2. _____ is the amount of money charged for a product or service

- a. Price
- b. Wage
- c. Salary
- d. All the above

3. Which of the following costs will be included in the cost of goods sold line item?

- a. \$10 for the sauce used to make tacos
- b. \$1,500 in wages to your social media manager
- c. \$700 in coffee shop rent

4. Setting the price on the basis of the total cost per unit is known as _____

- a. Cost based pricing
- b. Demand based pricing
- c. Competition based pricing
- d. Value based pricing

5. In which pricing strategy do businesses set a high price initially for their product?

- a. Penetration pricing
- b. Price skimming
- c. Demand pricing
- d. None of the above



Clay Banks / Unsplash

6. Which of the following is the best explanation of price skimming?

- a. Where an employee steals part of the purchase price
- b. Increase a product price right before a sale
- c. Continually increase a product's price until consumers stop buying
- d. Periodically reducing the price of a product in phases

7. Amal owns a bridal gown business in Downtown Los Angeles. She has spotted another good location to set up a shop in West Hollywood but her bridal couture gown is not well known in that location and there is a lot of competition. She thinks it is worth a try anyway and decides to undercut the competition at least until she gets known/her brand is known. What pricing strategy is Amal following?

- a. Market skimming
- b. Penetration Strategy
- c. Pricing strategy
- d. Export strategy

8. For his basic sandwiches, Luis checks out what other sandwich shops charge and charges approximately the same. What kind of pricing is this?

- a. Customer value pricing
- b. Going rate pricing
- c. Contribution pricing

BLANK PAGES

SECTION 5

Choose a Business Structure

KEY IDEAS



- > Review and compare the different types of business structures
- > Find the structure that best suits your business

KEY TERMS



- > *Business Structure*
The legal structure of a company that influences the day-to-day operations of a business




Getty Images / Noun Project

INTRODUCTION

You may be just starting out or perhaps you've been offering your products or services for a while and are getting ready to register your business and/or file taxes for your business. Before you start into this paperwork, you will need to make a decision on how you want to formally structure your business.

A BUSINESS STRUCTURE THAT WORKS FOR YOU

The impact of a business structure

The **business structure**  you choose can affect how much tax you pay, as well as how you're treated by the law. If you don't choose a structure when starting a business, you'll be assumed as a sole proprietor, which is common. However, you will be required to declare your structure before registering your business.

It's worth considering the pros and cons before deciding on your legal setup, as it can be challenging to change the structure later on, and it is wise to consult with a lawyer or accountant prior to making any changes.

There are a number of options for how to structure your business, all with specific functions, benefits and requirements:



KEY TERM

> **Business Structure**

The legal structure of a company that influences the day-to-day operations of a business

Sole Proprietorship

A business owned by a single person

Partnership

A business owned by two or more people

Limited Liability Corporation (LLC)

A business that is legally separate from its owner(s)

Limited Liability Partnership (LLP)

A business designed to protect an owner from the malpractice or negligence of a partner.

Corporation

A corporation is a business entity that is owned by its shareholder(s) who elect a board of directors to oversee the organization's activities.

TYPE OF BUSINESS STRUCTURES

SOLE PROPRIETORSHIP

A BUSINESS OWNED BY A SINGLE PERSON

When a business has a single owner, this is the simplest structure available, as it only involves the owner. Even though they may have employees, the individual owner operates the day-to-day responsibilities.



EXAMPLE

Greta is a plumber who takes on contracts with households and companies by herself. She does not work with anyone else and is her own boss. All profit, losses and liability fall solely on her.

TAXES

Since the owner and business are one entity, income and expenses of the business are included in the tax return of the owner. They would file a Form 1040 and include Schedule C and Schedule SE for self-employment tax.

FORM
1040

SCHEDULE
C

SCHEDULE
SE

PARTNERSHIP

A BUSINESS OWNED BY TWO OR MORE PEOPLE

If a business is owned by more than one person, this structure is the simplest option available. Similarly to the sole proprietorship, the owners and business are considered a single entity.

GRETA



JIM



RAMON



EXAMPLE

Greta, Ramon and Jim are friends who met in their apprenticeship for plumbing and decided to go into business together. They all own the business together and have a detailed partnership agreement that lays out work they each do and how income is distributed among them. All profits, losses and liabilities fall on all three of them.

TAXES

When filing taxes, the profits and losses of the business are passed on to the partners, and each partner is required to report the information in Form 1065 with their personal tax returns. Also, partners are required to pay self-employment tax, depending on their share of the enterprise's profits. Schedule K-1, which records the profits or losses, should accompany Form 1065.

FORM
1065

SCHEDULE
K-1

LIMITED LIABILITY CORPORATION (LLC)

A BUSINESS THAT IS LEGALLY SEPARATE FROM ITS OWNER(S)

This structure gives you a mixture of benefits from both the corporation and partnership/sole proprietorship structures. It gives the business owner(s) personal protection from liabilities from the business, which means you're less exposed to legal or financial risks. It also allows for taxes and business requirements to be a bit easier than a corporation.

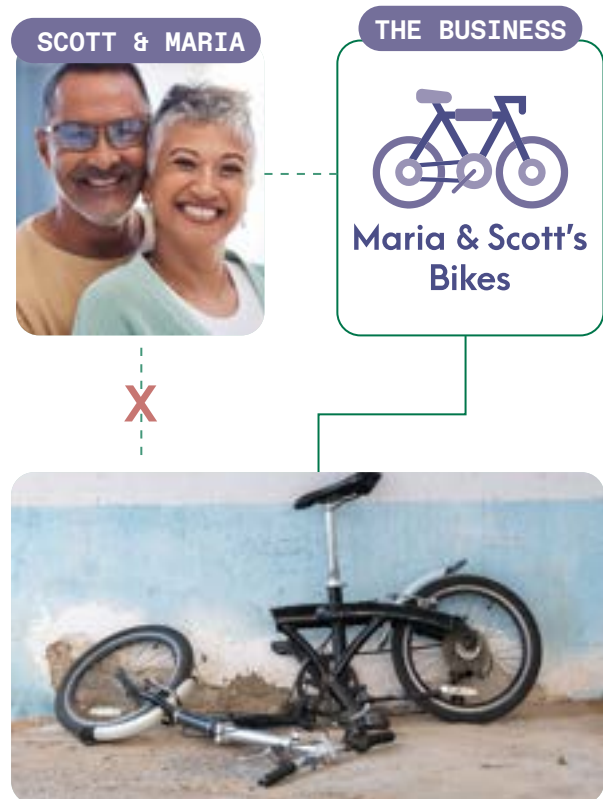
EXAMPLE 1

Kennadi owns a pet-sitting business. She hires and manages several contractors that take on the multiple job requests received daily. Because there are possible risks due to what her contractors might do and potential for injuries when working with pets, Kennadi's business is registered as an LLC for liability purposes.



EXAMPLE 2

Maria and Scott are partners in a bike business. One of their bike models malfunctioned and many customers were injured as a result. If they operate their business, Maria & Scott's Bicycles, as an LLC, they wouldn't be personally liable for the injuries.



TAXES

The IRS doesn't have a single set of rules for how to tax LLCs. If you're an LLC with one member, the IRS will treat you as a sole proprietorship. If you have more than one member, you'll be treated as a partnership. Or you can elect to be taxed as a corporation (irrespective of how many members you have). Profits and losses can get passed through to your personal income without facing corporate taxes. However, members of an LLC are considered self-employed and must pay self-employment tax contributions towards Medicare and Social Security.

FORM
1065

SCHEDULE
K

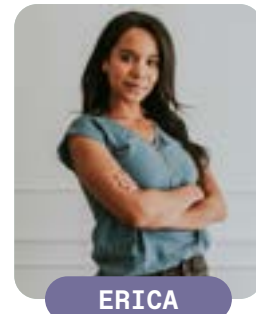
LIMITED LIABILITY PARTNERSHIP (LLP)

A BUSINESS DESIGNED TO PROTECT AN OWNER FROM THE MALPRACTICE OR NEGLIGENCE OF A PARTNER.

This structure is popular in industries like law, medicine, architecture or accountancy, where mistakes may carry heavy consequences and allows an owner to not be as badly impacted should one of the partners make a mistake.

EXAMPLE 1

Erica and Cristina are accountants that own their own firm. Because of the potential risks that could come from either one making a financial mistake with their clients, they decide to register as an LLP to ensure they each are not liable for the other.



TAXES

An LLP passes its taxation through to its partners. Each partner needs to report their share of the company's income or loss on IRS Form 1065 Schedule K.



A general partner's income is subject to income tax and self-employment tax.

A limited partner, however, reports their share as passive income or loss. Passive income is not subject to self-employment tax. But, any passive loss can only be deducted from other passive income or losses, and not from a limited partner's general income.

CORPORATION

A CORPORATION IS A BUSINESS ENTITY THAT IS OWNED BY ITS SHAREHOLDER(S) WHO ELECT A BOARD OF DIRECTORS TO OVERSEE THE ORGANIZATION'S ACTIVITIES.

There are two types of corporations:

- > **C-Corp** is a legal entity that's separate from its owners. Corporations can make a profit, be taxed, and can be held legally liable. This structure can be a good choice for medium- or higher-risk businesses, those that need to raise money, and businesses that plan to "go public" or eventually be sold.
- > **S-Corp** is a special type of corporation that's designed to avoid the double taxation drawback of regular C corps. S corps allow profits, and some losses, to be passed through directly to owners' personal income without ever being subject to corporate tax rates. S corps must file with the IRS to get S Corp status, a different process from registering with their state.

EXAMPLE

Common examples of corporations include, Apple Inc., Walmart Inc., and Microsoft, which are business organizations that possess a board of directors and a large company that employs hundreds or thousands of people.












TAXES

Corporations pay income tax on their profits. In some cases, corporate profits are taxed twice — first, when the company makes a profit, and again when dividends are paid to shareholders on their personal tax returns.

QUICK GUIDE

TOP THREE BUSINESS STRUCTURES

Structure Type	Ownership	Description	Advantages	Disadvantages	Taxes	Easy Admin	Simple Tax	Legal Protection
Sole Proprietorship	One Person	A sole proprietorship is a single-owner business. It doesn't have to be a single-worker business, so you can hire staff.	It's easy to set up as a sole proprietor. Tax is simple. You just declare income on your personal tax return.	No special legal status - the owner is personally responsible for what the business does. If the business gets into debt or legal trouble, so does the owner. Your choice of insurance becomes very important.	Self-Employment Tax Personal Tax			
Partnership	Two or More People	A partnership is owned by two or more people. There are no rules about how it's divided. One partner can own 99% of the business.	It's easy to set up as a partnership, though you'll need an official letter that sets out the agreement between partners. Tax is simple too. You just declare your share of business income on your personal tax return.	If the business gets into financial or legal strife, the partners do too. You could also get into difficulty if one of the other partners does something wrong. Your choice of insurance becomes very important.	Self-employment tax Personal Tax			
Limited Liability Company (LLC)	One or More People	An LLC is legally separate from its owner (or owners), which means you're less exposed to legal or financial risks.	You get some legal and financial protection if things go wrong - a lawyer can keep you informed. Banks and investors sometimes take LLCs more seriously when considering loans. And tax can be as simple as it is for sole proprietorships and partnerships.	It will cost you more to start up and operate as an LLC than as a sole proprietor or partnership, plus there will be more admin.	Self-employment tax Personal tax or corporate tax			



Instances where you may need to change your business structure

You are not locked into one structure forever. A lot of businesses start out as sole proprietorships or partnerships and grow into LLCs, LLPs, or corporations.

You might change your business structure if you start getting bigger and doing more complex projects which carry a greater financial or legal risk to you. It is recommended to work with a lawyer and/or accountant when you are ready to make a change.



WRAP UP

Your business structure choice will be influential.

Future decisions, administration, liability, and taxes of your business are impacted greatly by the structure you choose for your business. However, if you decide on one of the simpler structures and need to change due to growth or financing needs, you can always work with a specialist to assist you in making the switch.



RESOURCE : LEGAL SERVICES



Public Counsel Referral

<https://publiccounsel.org/services/small-businesses/>



Additional Reading

<https://aofund.org/resource/small-business-growth-changing-your-business-structure/>

“ Women of color are the fastest-growing segment of entrepreneurs, so this is an excellent time for us. I think getting the mentorships and training you need to go where you want to go is important.”
- **Angela Benton, Founder and CEO of NewME Accelerator**



SECTION 5



SELF - ASSESSMENT

Check your knowledge of this section with the following self-assessment. *Answers located in the back.*

1. Which can be considered disadvantages of sole proprietorships and partnerships?

- a. Partnerships require many people to write a charter, while sole proprietorships require one person to write a charter.
- b. Sole proprietorships require one person to know complicated tax laws, while partnerships require many people to know the rules.
- c. Partnerships require one person to do many things, while sole proprietorships require many people to weigh in on decisions.
- d. Sole proprietorships require one person to do many things, while partnerships require many people to weigh in on decisions.

2. A disadvantage of forming a partnership is that owners

- a. can find it tougher to start and stop a business.
- b. can find it more difficult to get a bank loan.
- c. are only responsible for their own finances.
- d. are fully responsible for their partners' losses.

3. Which best describes the difference between sole proprietorships and partnerships?

- a. Sole proprietors keep all profits and have unlimited liability, while partners split profits and share liabilities
- b. Sole proprietors share responsibilities, while partners are responsible for only a portion of the business
- c. Sole proprietors split profits and share liabilities, while partners keep all profits and have unlimited liability
- d. Sole proprietors pay taxes only on business profits, while partners do not have to pay taxes on profits



4. Susan, Phil, Robert, and Ruth are all lawyers. After several years of working for big firms, they decide to pull their resources and start their own law practice together. The four of them will make all their business decisions together and will share all of the profits and financial risk. Their new law firm is

- a. Partnership
- b. Sole proprietorship
- c. Corporation
- d. Monopoly

5. A characteristic of a sole proprietorship is that the owner

- a. Has access to unlimited funds
- b. Receives all the profits
- c. Transfers all the risks
- d. All the above

6. The profits and losses are shared between a few owners in this type of business

- a. Company
- b. Partnership
- c. Sole proprietorship
- d. Social enterprise

7. Which of the following is NOT an advantage of a sole proprietorship?

- a. Easy to start
- b. Owner is their own boss
- c. Owner has unlimited liability
- d. Owner receives all the profits

BLANK PAGES

SECTION 6

Sort Your Business Accounting

KEY IDEAS



- > Learn and understand accounting basics for your business
- > How taxes play a role in accounting

KEY TERMS



- > **Accounting**
The systematic recording, analyzing, interpreting and presenting of financial information
- > **Bookkeeping**
The recording, on a regular basis, of a company's financial transactions.



INTRODUCTION

Preliminary budgeting of expected expenses and revenue is critical at the early stages of developing your business, but this shouldn't be the only time you are keeping an eye on the coming and going of money. In fact, it is

also essential to track and document anything financial frequently and throughout your operations so that you are the most informed when it comes to future decision-making, as well as filing your annual taxes.

SMALL BUSINESS ACCOUNTING

Why is accounting important for a business?

It helps track money coming in (revenue) and going out (expenses), allowing better management of your business operations and informed future decisions. Another important reason is that these records are also needed for filing taxes each year.

Small Business Accounting Basics

There are three very simple, basic things you can do to start building your accounting system:

- 1 Basic bookkeeping: keep records of business transactions
- 2 Creating accounting reports to help manage the business
- 3 Dealing with taxes

1

Basic bookkeeping: keep records of business transactions

By tracking and recording a reliable and up-to-date picture of the business's income versus expenses, you can better understand if you're profitable (or at least moving in that direction), if you have enough cash flow to pay upcoming bills, and understand everything you need to know to file your tax returns.

To do this, make sure you:

- > Hold onto receipts and write down what each expense was for
- > Create a separate business bank account as soon as you can so you can use your bank statements as records
- > Make sure you keep business accounts separate from personal accounts

2

Creating accounting reports to help manage the business

Small business accounting gives you the data you need to make ongoing and future operational decisions. Start by tracking different types of information on a weekly and monthly basis to help provide insights into how things are going financially and what next steps may be for your business.



KEY TERM

> *Accounting*

The systematic recording, analyzing, interpreting and presenting of financial information

> *Bookkeeping*

The recording, on a regular basis, of a company's financial transactions.

ACCOUNTING CHECKLIST

Weekly Checklist



Sales

There's no money without sales, so it makes sense to keep a close watch on them. Just remember to consider: For example, extra sales often come with extra costs



Expenses

It is important to track all your expenses.



Profit

Make sure you get to keep some of those sales dollars after costs and taxes are taken out. Check your net profit margin, too. It shows what percentage of sales revenue becomes profit.



Wages

Wages are probably your most variable cost. It pays to keep an eye on them. Smart staffing decisions can go a long way to improving profitability.



Invoices: Money Owed to You

Check invoices are getting paid. Late payments mean less money in the bank, which creates all sorts of unpleasant knock-on effects for the business and your personal wellbeing.

Monthly



Budget vs. Actuals

See if things are going as planned. If not, why not?



Liabilities

Stay on top of what's owed across loans, bills and taxes.



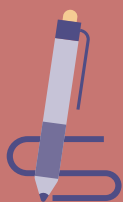
Cost of Goods Sold

Stay aware of inventory, transportation and storage costs to get your pricing right.



Annual Comparison: Last Year vs. This Year

Compare numbers from the same month last year to see if the business is getting stronger.



CREATE A BASIC ACCOUNTING REPORT

1

WEEKLY ACCOUNTING REPORT

Week of: _____

Sales

There is no money without sales, so it makes sense to keep a close watch on them. Just remember to consider, extra sales come with extra costs.

Product or Service	# Sold		Cost		Total Sales
		x		=	
		x		=	
		x		=	

Expenses

It is important to track all your expenses. This is a key detail when calculating your profit!

Expenses	Total Cost
	\$
	\$
	\$

Profit

Total Sales	\$
Total Expenses	\$
Profit**	\$

**Make sure you get to keep some of those sales dollars after costs and taxes are taken out. Check your net profit margin, too. It shows what percentage of sales revenue becomes profit.

Wages

Wages are probably your most variable cost. It pays to keep an eye on them. Smart staffing decision can go a long way to improving profitability.

Money Owed to You

Check invoices are getting paid. Late payments mean less money in the bank, which creates all sorts of unpleasant knock-on effects for the business and your personal wellbeing.

*You may need additional paper to list all sales and expenses.

2

MONTHLY ACCOUNTING REPORT

Month Of _____

Budget vs. Actuals

Take a look at your actual sales and expenses. Are things going as planned? If not, why?

Liabilities

Stay on top of what is owed across loans, bills, and taxes.

Cost of Goods Sold

Stay aware of inventory, transportation and storage costs to get your pricing right.

Last Year vs. This Year

Compare numbers from the same month last year to see if the business is getting stronger.

“Every great dream begins with a dreamer.”
- Harriet Tubman



3

Dealing with Taxes

Tax is one of the first things that come to mind when you think about small business accounting, and for good reason - mistakes can be costly.

The taxes associated with your business will impact your annual requirement of filing for your business. IRS requirements for small business taxes can be complex and details will depend on the type of structure you choose for your business. The IRS will also expect your business to file even if your business does not owe taxes.

The three most common forms of tax are:

- 1 **Income Tax:** Where you pay a portion of profits to the government.
- 2 **Sales Tax:** Where you add a tax to your sale prices and later pay that money to the government.
- 3 **Employee-Related Tax:** Where you collect tax from employee pay and send it to the government. Employers are also required to match employees taxes and also required to pay some other taxes.



WRAP UP

Accounting helps you see your success!

Collecting receipts, tracking expenses, and recording data regularly can be tiresome at times and may not be as fun as other day-to-day responsibilities, however setting up an accounting system is a great way to ensure your business is making healthy financial decisions, as well as help make tax season more of a breeze!

PRO TIP

A little help goes a long way!

Need professional help? Consider working with an accountant or bookkeeper. A professional bookkeeper will save you money and headaches in the long run. They can produce financial reports to show how the business is doing.

They could also have specialized knowledge in how to lower your business taxes by working out all your deductible business costs.



RESOURCE: LEGAL SERVICES



Tax Deductions

<https://www.incfiler.com/blog/tax-deduction-cheat-sheet-and-loopholes>

SECTION 6



SELF - ASSESSMENT

Check your knowledge of this section with the following self-assessment. *Answers located in the back.*

1. What does the term 'accounting' mean?

- a. The act of reporting data
- b. The act of collecting, organizing, and interpreting financial data
- c. The act of filling receipts from transactions
- d. The act of recording financial data to be used later

2. Why is accounting important to business?

- a. It lets business owners know how much money they are making
- b. It lets a business owner know how much money they are spending
- c. It provides the information that a business needs to file taxes with the IRS
- d. All the above

3. Fill in the blanks: Accounting is the process of tracking money as it comes (_____) and goes (_____).

- a. Expenses, revenue
- b. Revenue, expenses
- c. Receipts, expenses
- d. Receipts, wages

4. Which choice is NOT a common form of tax:

- a. Employee-related
- b. Sales
- c. Revenue
- d. Income



AVISO IMPORTANTE

EL COMER DE LAS ESCUELAS PUEDE CAUSAR UNA ENFERMEDAD COMO LA DIARREA Y LA NEFROSE EN CASO DE PERSONAS QUE PASAN DE EMPANIZADOS DEL 100% AL 200% A 200% AL 100%.

ESPECIAL

CAMARONES
EMPANIZADOS

\$6.50

PESCADO

EMPANIZADO

\$4.50

SOPA DE M

\$4.50

Re **RESTAURANTE**

Presentación



A large white rectangular area with rounded corners, containing 25 horizontal lines for writing.

BLANK PAGES

SECTION 7

Register Your Business

KEY IDEAS



- > Learn the importance of choosing and registering a business name and location
- > Understand the requirements to register your business

KEY TERMS



- > **DBA (Doing-Business-As)**
A trade name, fictitious name, or assumed name for your business, rather than using your personal name
- > **Trademark**
A design, symbol, word or phrase that identifies the source of your products and distinguishes them from the products of other companies
- > **Business license**
A legal document or permit issued by a government (city or county) that allows a business to legally operate within a specific area.



INTRODUCTION

Sometimes, in order to proceed with the sale of products and services, you may need specific permits and licenses, as well as process which type of taxes you may need to add to your prices. These conditions can be dependent on the physical location of

your business. It can be a bit overwhelming to navigate all the legal forms and requirements necessary, but there are a lot of resources available in helping you register your business with the government.

REGISTERING A BUSINESS NAME



KEY TERM


> *DBA (doing-business-as)*

A trade name, fictitious name, or assumed name for your business, rather than using your personal name

> *Trademark*

A design, symbol, word or phrase that identifies the source of your products and distinguishes them from the products of other companies

Before registering your business, you'll want to choose a business name that reflects your brand identity. Many times, your business name will be the first thing that your customer will interact with, so you want to choose something that will be memorable and aligns with the types of goods and services you offer. Once you settle on a name you like, you need to protect it.


Most states require companies and corporations to register a business name. The same applies to sole proprietorships or partnerships that trade under a name other than that of the owner(s). This is called a **doing-business-as (DBA)**  registration, and the SBA (Small Business Administration) website is the best place to get started.

Is Your Business Name Available?

Coming up with a distinctive and creative business name can be challenging, but fun - you want to pick something unique, easy to pronounce, and a name that makes a statement. Make sure that the name you come up with isn't shared with another business.

Once you check the availability of your business name, the next step would be to register your business. There are some fees and paperwork associated with registering for your business.

Getting A Trademark

You can also legally protect your business name and logo to prevent others from mimicking your identity. This is different from a DBA registration and can be a valuable step for businesses that plan to invest a lot in making their brand widely known. This is called a **trademark** .

At the very least, use trademark registries (and search engines) to check that no one already has your business name. It's an easy way to save yourself a lot of hassle. You can also ask for advice from a legal professional with experience in this area.

Picking Your Business' Location(s)

The location of your business is critical to its success - this means your business's physical space and it can also mean where and how the business lives online. Not only does it impact the operation of your business, like how and where your goods and services are offered, but it will also affect what type of requirements may need to be completed for registering your business.

Some essential operational questions you'll need to answer are:

- > Do you need a physical storefront to sell your goods and services?
- > Do you need an office?
- > Can your business live online?



RESOURCE : LEGAL SERVICES



Registering Your Business Name

<https://www.sba.gov/business-guide/launch-your-business/register-your-business>



Trademark Search Tool

<https://www.sba.gov/business-guide/launch-your-business/register-your-business>

REGISTERING A BUSINESS WITH THE GOVERNMENT

Depending on the type of business structure you've chosen, products and services to deliver, and the physical location of your business, there are a number of reasons why you might need to register your business with government bodies:

Business licenses and permits

As a business owner, you are responsible for making sure your business has the proper federal, state and local **businesses licenses** 🌐 and permits to operate legally. If you're going to employ people, you'll need an employer identification number (EIN), which is issued by the IRS.

Every new business must apply for a business license, and a corporation or LLC may need more than one license or permit to fully operate at the state level. Your city, county or state may require you to get a license if you have a physical location, sell taxable goods or services, or serve food and beverages. Certain service providers must also get a license. Your local chamber of commerce should be able to tell you what you need.

Steps involved when applying for a business license:

- > Get a license (which may involve a fee) to operate a business at your address or location
- > Your business may need to register under an Assumed Name, or you can incorporate your business and use your formal business name
- > Permits
 - > A great place to research your local zoning and operating laws is to look up Small Business Development Center (SBDC). Go to their website at: <https://americassbdc.org/>
 - > A business must register with the state tax office and submit appropriate taxes on the schedule indicated by your secretary of state



KEY TERM

> *Business license*

A legal document or permit issued by a government (city or county) that allows a business to legally operate within a specific area.



Setting up an LLC or LLP

If you're setting up as an LLC or LLP, you'll also need to register as a legal entity. This is handled by authorities in the state where your business is based. As part of the process, you'll also need to file documents identifying key decision makers in your business and outline some of your internal processes. In most states, you're also required to register a business name.

PRO TIP

Stay updated on requirements!

Your filing requirements are a critical aspect of maintaining your business's good standing. Make sure you keep up to date on federal, state and local registration requirements, like annual and tax reports, to ensure your business is up-to-date in compliance.

Check out the ongoing filing requirements here: <https://www.incfile.com/compliance-filing-requirement>



Additional Resources

CA Secretary Of State Website

Forms for registering a business in the State of California
<https://www.sos.ca.gov/business-programs/business-entities/forms>

Additional Information about registering a business with the Government
<https://docs.google.com/document/d/15QdpsAAaoFVmjNXRIJ-Sbd5BVT8ssuckRfJO2sqTvKQ/edit?usp=sharing>

Business License Research Package

<https://www.incfile.com/business-license-research-package>

Business License Search Tool

<https://www.incfile.com/business-license-tool>

Income tax

Sole proprietors don't have to do anything with the IRS until tax time, unless they hire someone. All other types of businesses are expected to at least apply for a federal tax identification number when they start out. Corporations have the most to do. The IRS has a handy guide for all types of businesses.

IRS Guide

<https://www.irs.gov/businesses/small-businesses-self-employed/sole-proprietorships>

Sales tax

Sales taxes are managed by state governments. Most goods and some services carry a sales tax. You're expected to add that tax to your price and collect the money for the government. Online businesses did not have to worry about sales tax in the past but it's becoming a more common requirement for them to collect it.

Search for your local state tax agency to find out your obligations and know that the sales tax rate changes depending on the state where your customer resides.

Retail licenses and manufacturing permits

If customers physically come to your business, you may need a retail license. If you make things, you could need manufacturing permits. This can be a catch for home-based businesses as local zoning laws sometimes don't allow certain business activities in residential areas. To check on the types of licenses and permits required by your local government, talk to the local chamber of commerce.



REGISTERING YOUR BUSINESS & GETTING LICENSED

BRICK & MORTAR CHECKLIST

Getting Started

Apply for an Employer Identification Number (EIN) aka Federal Tax ID Number from the IRS (if applicable). This is used to identify your business and allows you to hire employees. If you don't have any employees, you can use your social security number or ITIN to identify your business. Apply online or by mail.

Cost	Visit	You Need
Free, never expires	irs.gov to apply online or complete and mail form SS-4	ITIN or SSN

Choose and file a Fictitious Business Name (FBN) with the Office of the County Clerk, if you will be using a name other than your given name or the officially registered name of your LLC or corporation. Apply online or in person.

Cost	Renewal Period & Fee
\$26 filing fee + publication fee (approximately \$65)	FBN expires every 5 years, \$26 fee

General Liability Insurance (if applicable): protects your business and you from damages caused by unexpected events and liability claims

Cost	Renewal Period & Fee
Varies (average is \$42/month)	Thimble offers affordable insurance; check with your auto insurance company

Make sure the property has the right zoning for your business. To change the property zoning contact the Department of City Planning.

File Certificate of Occupancy (if applicable): when you move into a property that had a different business in it before, you need to update the Certificate of Occupancy with the [Department of Building and Safety](#) which describes the allowable use of the building.

Apply for Building Permits (if applicable) with the [Department of Building and Safety](#): needed to make changes to the interior or exterior of your building.

Getting Licensed

Apply for a **Business Tax Registration Certificate (BTRC)** from the LA City Office of Finance. Apply online or in person.

Cost	Renewal Period & Fee	You Need
Free	Annually by February 28th. No cost if your gross sales less than \$100K	ITIN or SSN

Apply for a **Seller's Permit** from the CDTFA. Apply online or in person.

Cost	Renewal Period & Fee	You Need
Free	Quarterly or annually depending on your NAICS code. Local district sales tax paid on reported taxable sales	ITIN or SSN, government issued ID (2 types), supplier receipt

Food-Based Business: Apply for a Public Health Permit from the LA County Department of Public Health. Apply online or in person.

Cost	Renewal Period & Fee	Permitting Process
Varies depending on food facility type and risk rating	Annually, the fee varies depending on food facility type and risk rating	Contact the LA County Dept of Public Health to obtain your health permit or to learn more about their "plan check program" if you're constructing a new restaurant or making major modifications to an existing restaurant.

**** Food-Based Business: Apply for a Certified Food Protection Manager Certificate**

Take training and test online by visiting: <https://www.cafoodmanagers.com/> or <https://aaafoodhandler.com/>

Cost	Renewal Period & Fee
Varies, \$30 for test only, \$78 for a course and test	Valid for 5 years

Apply for a **Conditional Use Permit from the City of LA and an Alcohol License** (if applicable)

Visit City Planning Department for Conditional Use Permit

Visit abc.ca.gov for Alcohol License

Professional Licenses

Barbershops, Hair Salons, Nail Salons

- > **Cosmetology, Barber, or Nail Technician License** from CA Board of Barbering & Cosmetology (education requirements need to be met to obtain this license)
- > License your salon for operations with the CA Board of Barbering & Cosmetology

Visit

Los Angeles County Clerk - FBN/ DBA

12400 Imperial Highway
Los Angeles, CA 90650
(800) 201-8999
lavote.gov

LA City Office of Finance - BTRC

200 North Spring St.. Room 205
Los Angeles, CA 90012
(844) 633-4411
finance.lacity.org

CDTFA Office (Multiple Locations) - Seller's Permit

5901 Green Valley Circle
Culver City, CA 9020
(310) 342-1000
cdtfa.ca.gov

LA County Department of Public Health, Environmental Health - Health Permit

5050 Commerce Drive
Baldwin Park, CA 91706
(626) 430-5200

City of LA Dept. of City Planning - Property Zoning and Physical Requirements for your Business Location

201 N. Figueroa St, 4th Floor
Los Angeles, CA 90012
(213) 482-7077

City of LA Dept of Building & Safety - Change of Occupancy

221 N. Figueroa St., 8th Floor, Rm 800
Los Angeles, CA 90012
(213) 473-3231

City of LA Restaurant and Hospitality Express Program (RHEP)

Free service for food establishments providing case management and guidance through city permit process. Offered through LADBS.

REGISTERING YOUR BUSINESS & GETTING LICENSED

STREET FOOD VENDOR OR FOOD TRUCK VENDOR CHECKLIST:

Getting Started

Apply for an **Employer Identification Number (EIN)** aka Federal Tax ID Number from the IRS (if applicable). This is used to identify your business and allows you to hire employees. If you don't have any employees, you can use your social security number or ITIN to identify your business. Apply online or by mail.

Cost	Visit	You Need
Free, never expires	irs.gov to apply online or complete and mail form SS-4	ITIN or SSN

Choose and file a **Fictitious Business Name (FBN)** with the Office of the County Clerk, if you will be using a name other than your given name or the officially registered name of your LLC or corporation. Apply online or in person.

Cost	Renewal Period & Fee
\$26 filing fee + publication fee (approximately \$65)	FBN expires every 5 years, \$26 fee

General Liability Insurance (if applicable): protects your business and you from damages caused by unexpected events and liability claims

Cost	Renewal Period & Fee
Varies (average is \$42/month)	Thimble offers affordable insurance; check with your auto insurance company

PRO TIP

Do your research!

There are many different types of insurance (event, business equipment, professional liability, commercial property etc), so do your research!



Getting Licensed

Apply for a **Business Tax Registration Certificate (BTRC)** from the LA City Office of Finance. Apply online or in person.

Cost	Renewal Period & Fee	You Need
Free	Annually by February 28th. No cost if your gross sales less than \$100K	ITIN or SSN

Apply for a **Seller's Permit** from the CDTFA. Apply online or in person.

Cost	Renewal Period & Fee	You Need
Free	Quarterly or annually depending on your NAICS code. Local district sales tax paid on reported taxable sales	ITIN or SSN, government issued ID (2 types), supplier receipt

Food-Based Business: Apply for a Public Health Permit from the LA County Department of Public Health. Apply online or in person.

Cost	Renewal Period & Fee	Permitting Process
Varies depending on food facility type and risk rating	Annually, the fee varies depending on food facility type and risk rating	Contact the LA County Dept of Public Health to obtain your health permit or to learn more about their "plan check program" if you're constructing a new restaurant or making major modifications to an existing restaurant.

Apply for a **Sidewalk Vendor ID** for City of LA if you are a food street vendor

Cost	Renewal Period & Fee	You Need
\$291, must apply and pay in person. Appointment needed, no walk ins. ** Increases to \$541 July 1st	Annually, \$290 to renew in person	Cash only (exact amount), government issued ID, BTRC, Seller's Permit, Health Permit

>

Apply for a **Certified Food Protection Manager Certificate** and apply for a **Certified Food Handler Certificate**

Certified Food Protection Manager Certificate	
Cost	Renewal Period & Fee
Varies, \$30 for test only, \$78 for a course and test	Valid for 5 years

Certified Food Handler Certificate	
Cost	Renewal Period & Fee
Varies, typically \$10	Valid for 3 years

Visit

Los Angeles County Clerk - FBN/DBA
 12400 Imperial Highway
 Los Angeles, CA 90650
 (800) 201-8999
 lavote.gov

LA City Office of Finance - BTRC
 200 North Spring St.. Room 205
 Los Angeles, CA 90012
 (844) 633-4411
 finance.lacity.org

CDTFA Office (Multiple Locations) - Seller's Permit
 5901 Green Valley Circle
 Culver City, CA 9020
 (310) 342-1000
 cdtfa.ca.gov

LA County Department of Public Health, Environmental Health - Health Permit
 5050 Commerce Drive
 Baldwin Park, CA 91706
 (626) 430-5200

StreetsLA Headquarters - Sidewalk Vendor ID
 1149 Broadway, Room 350
 Los Angeles, CA 90015
 (213) 847-6000
 vending.lacity.org

REGISTERING YOUR BUSINESS & GETTING LICENSED

ONLINE BUSINESS OR HOME-BASED BUSINESS (NON-FOOD) CHECKLIST:

Getting Started

Apply for an **Employer Identification Number (EIN)** aka Federal Tax ID Number from the IRS (if applicable). This is used to identify your business and allows you to hire employees. If you don't have any employees, you can use your social security number or ITIN to identify your business. Apply online or by mail.

Cost	Visit	You Need
Free, never expires	irs.gov to apply online or complete and mail form SS-4	ITIN or SSN

Choose and file a **Fictitious Business Name (FBN)** with the Office of the County Clerk, if you will be using a name other than your given name or the officially registered name of your LLC or corporation. Apply online or in person.

Cost	Renewal Period & Fee
\$26 filing fee + publication fee (approximately \$65)	FBN expires every 5 years, \$26 fee

General Liability Insurance (if applicable): protects your business and you from damages caused by unexpected events and liability claims

Cost	Renewal Period & Fee
Varies (average is \$42/month)	Thimble offers affordable insurance; check with your auto insurance company

PRO TIP

Do your research!

There are many different types of insurance (event, business equipment, professional liability, commercial property etc), so do your research!



Getting Licensed

Apply for a **Business Tax Registration Certificate (BTRC)** from the LA City Office of Finance. Apply online or in person.

Cost	Renewal Period & Fee	You Need
Free	Annually by February 28th. No cost if your gross sales less than \$100K	ITIN or SSN

Apply for a **Seller's Permit** from the CDTFA. Apply online or in person.

Cost	Renewal Period & Fee	You Need
Free	Quarterly or annually depending on your NAICS code. Local district sales tax paid on reported taxable sales	ITIN or SSN, government issued ID (2 types), supplier receipt

Visit

Los Angeles County Clerk - FBN/DBA

12400 Imperial Highway
Los Angeles, CA 90650
(800) 201-8999
lavote.gov

CDTFA Office (Multiple Locations) - Seller's Permit

5901 Green Valley Circle
Culver City, CA 9020
(310) 342-1000
cdtfa.ca.gov

LA City Office of Finance - BTRC

200 North Spring St.. Room 205
Los Angeles, CA 90012
(844) 633-4411
finance.lacity.org



REGISTERING YOUR BUSINESS & GETTING LICENSED

HOME-BASED COTTAGE FOOD BUSINESS CHECKLIST:

Getting Started

Decide what cottage food you will sell and how you will sell it. Only certain foods considered ‘non-hazardous’ can be legally prepared in your home kitchen (baked goods excluding custard, cream, meat fillings, popcorn, and granola). See the full list at cdph.ca.gov

There are two types of **cottage food health permits** and the process to obtain each is different.

Class A: if you’re selling food directly to customers

Class B: if your selling food through stores, restaurants

Apply for an Employer Identification Number (EIN) aka Federal Tax ID Number from the IRS (if applicable). This is used to identify your business and allows you to hire employees. If you don’t have any employees, you can use your social security number or ITIN to identify your business. Apply online or by mail.

Cost	Visit	You Need
Free, never expires	irs.gov to apply online or complete and mail form SS-4	ITIN or SSN

Choose and file a Fictitious Business Name (FBN) with the Office of the County Clerk, if you will be using a name other than your given name or the officially registered name of your LLC or corporation. Apply online or in person.

Cost	Renewal Period & Fee
\$26 filing fee + publication fee (approximately \$65)	FBN expires every 5 years, \$26 fee

General Liability Insurance (if applicable): protects your business and you from damages caused by unexpected events and liability claims

Cost	Renewal Period & Fee
Varies (average is \$42/month)	Thimble offers affordable insurance; check with your auto insurance company

Getting Licensed

Apply for a **Business Tax Registration Certificate (BTRC)** from the LA City Office of Finance. Apply online or in person.

Cost	Renewal Period & Fee	You Need
Free	Annually by February 28th. No cost if your gross sales less than \$100K	ITIN or SSN

Apply for a **Seller's Permit** from the CDTFA. Apply online or in person.

Cost	Renewal Period & Fee	You Need
Free	Quarterly or annually depending on your NAICS code. Local district sales tax paid on reported taxable sales	ITIN or SSN, government issued ID (2 types), supplier receipt

Register as a **Class A Cottage Food Operator** if you're selling food directly to customers through the LA County Dept of Public Health. Apply online or in person.

Cost	Renewal Period & Fee	Process
\$118	Every 3 years	Complete application and self-certification compliance checklist'

Register as a **Class B Cottage Food Operator** if you're selling food indirectly to customers through restaurants, stores, 3rd parties through the LA County Department of Public Health. Apply online or in person.

Cost	Renewal Period & Fee	Process
\$292	Every 3 years	Complete application and pass an inspection of your home kitchen

PRO TIP

Do your research!

There are many different types of insurance (event, business equipment, professional liability, commercial property etc), so do your research!



Visit

Los Angeles County Clerk - FBN/ DBA

12400 Imperial Highway
Los Angeles, CA 90650
(800) 201-8999
lavote.gov

LA City Office of Finance - BTRC

200 North Spring St.. Room 205
Los Angeles, CA 90012
(844) 633-4411
finance.lacity.org

CDTFA Office (Multiple Locations) - Seller's Permit

5901 Green Valley Circle
Culver City, CA 9020
(310) 342-1000
cdtfa.ca.gov

LA County Department of Public Health, Environmental Health - Health Permit

5050 Commerce Drive
Baldwin Park, CA 91706
(626) 430-5200



REGISTERING YOUR BUSINESS & GETTING LICENSED

FARMERS MARKET VENDOR, POP UP VENDOR BUSINESS CHECKLIST:

Getting Started

Apply for an **Employer Identification Number (EIN)** aka Federal Tax ID Number from the IRS (if applicable). This is used to identify your business and allows you to hire employees. If you don't have any employees, you can use your social security number or ITIN to identify your business. Apply online or by mail.

Cost	Visit	You Need
Free, never expires	irs.gov to apply online or complete and mail form SS-4	ITIN or SSN

Choose and file a **Fictitious Business Name (FBN)** with the Office of the County Clerk, if you will be using a name other than your given name or the officially registered name of your LLC or corporation. Apply online or in person.

Cost	Renewal Period & Fee
\$26 filing fee + publication fee (approximately \$65)	FBN expires every 5 years, \$26 fee

General Liability Insurance (if applicable): protects your business and you from damages caused by unexpected events and liability claims

Cost	Renewal Period & Fee
Varies (average is \$42/month)	Thimble offers affordable insurance; check with your auto insurance company

PRO TIP

Do your research!

There are many different types of insurance (event, business equipment, professional liability, commercial property etc), so do your research!



Getting Licensed

Apply for a **Business Tax Registration Certificate (BTRC)** from the LA City Office of Finance. Apply online or in person.

Cost	Renewal Period & Fee	You Need
Free	Annually by February 28th. No cost if your gross sales less than \$100K	ITIN or SSN

Apply for a **Seller's Permit** from the CDTFA. Apply online or in person.

Cost	Renewal Period & Fee	You Need
Free	Quarterly or annually depending on your NAICS code. Local district sales tax paid on reported taxable sales	ITIN or SSN, government issued ID (2 types), supplier receipt

*****Food-Based Business: Apply for a Public Health Permit, Community Event Permit**, etc from the LA County Department of Public Health. Apply online or in person.

Cost	Renewal Period & Fee	Permitting Process
Varies depending on food facility type and risk rating	Annually, the fee varies depending on food facility type and risk rating	Contact the Department of Public Health to find out more about the permitting process

Ask the farmer's market or marketplace what other permit you might need

Visit

Los Angeles County Clerk - FBN/DBA

12400 Imperial Highway
Los Angeles, CA 90650
(800) 201-8999
lavote.gov

LA City Office of Finance - BTRC

200 North Spring St.. Room 205
Los Angeles, CA 90012
(844) 633-4411
finance.lacity.org

CDTFA Office (Multiple Locations) - Seller's Permit

5901 Green Valley Circle
Culver City, CA 9020
(310) 342-1000
cdtfa.ca.gov

LA County Department of Public Health, Environmental Health - Health Permit

5050 Commerce Drive
Baldwin Park, CA 91706
(626) 430-5200



REGISTERING YOUR BUSINESS & GETTING LICENSED

STREET VENDOR (NON-FOOD) BUSINESS CHECKLIST:

Getting Started

Apply for an **Employer Identification Number (EIN)** aka Federal Tax ID Number from the IRS (if applicable). This is used to identify your business and allows you to hire employees. If you don't have any employees, you can use your social security number or ITIN to identify your business. Apply online or by mail.

Cost	Visit	You Need
Free, never expires	irs.gov to apply online or complete and mail form SS-4	ITIN or SSN

Choose and file a **Fictitious Business Name (FBN)** with the Office of the County Clerk, if you will be using a name other than your given name or the officially registered name of your LLC or corporation. Apply online or in person.

Cost	Renewal Period & Fee
\$26 filing fee + publication fee (approximately \$65)	FBN expires every 5 years, \$26 fee



Getting Licensed

Apply for a **Business Tax Registration Certificate (BTRC)** from the LA City Office of Finance. Apply online or in person.

Cost	Renewal Period & Fee	You Need
Free	Annually by February 28th. No cost if your gross sales less than \$100K	ITIN or SSN

Apply for a **Seller's Permit** from the CDTFA. Apply online or in person.

Cost	Renewal Period & Fee	You Need
Free	Quarterly or annually depending on your NAICS code. Local district sales tax paid on reported taxable sales	ITIN or SSN, government issued ID (2 types), supplier receipt

Apply for a **Sidewalk Vendor ID for City of LA.**

Cost	Renewal Period & Fee	You Need
\$291, must apply and pay in person. Appointment needed, no walk ins. ** Increases to \$541 July 1st	Annually, \$290 to renew in person	Cash only (exact amount), government issued ID, BTRC, Seller's Permit`

Visit

Los Angeles County Clerk - FBN/DBA

12400 Imperial Highway
Los Angeles, CA 90650
(800) 201-8999
lavote.gov

LA City Office of Finance - BTRC

200 North Spring St.. Room 205
Los Angeles, CA 90012
(844) 633-4411
finance.lacity.org

CDTFA Office (Multiple Locations) - Seller's Permit

5901 Green Valley Circle
Culver City, CA 9020
(310) 342-1000
cdtfa.ca.gov

LA County Department of Public Health, Environmental Health - Health Permit

5050 Commerce Drive
Baldwin Park, CA 91706
(626) 430-5200

Road map to securing permits and business licenses to operate your business in the City of LA

Food

City Department of Finance
Business Tax Registration Certificate (BTRC)

LA County Public Health Public Health Permit

California Department of Tax and Fee Administration
Sellers Permit

Food Handler's Certification

Needed to start the Plan Check Process:

- 1 Two sets of detailed plans
- 2 Completed Plan Check Application
- 3 Plan Check fee

Build cart based on approved plan

Final inspection of food cart

- 1 Cart build to Approved Plan
- 2 Submit documents located in box above.

Prior to scheduling final inspection of food cart, vendor must have:

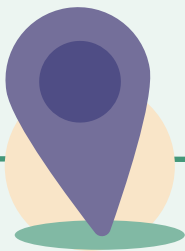
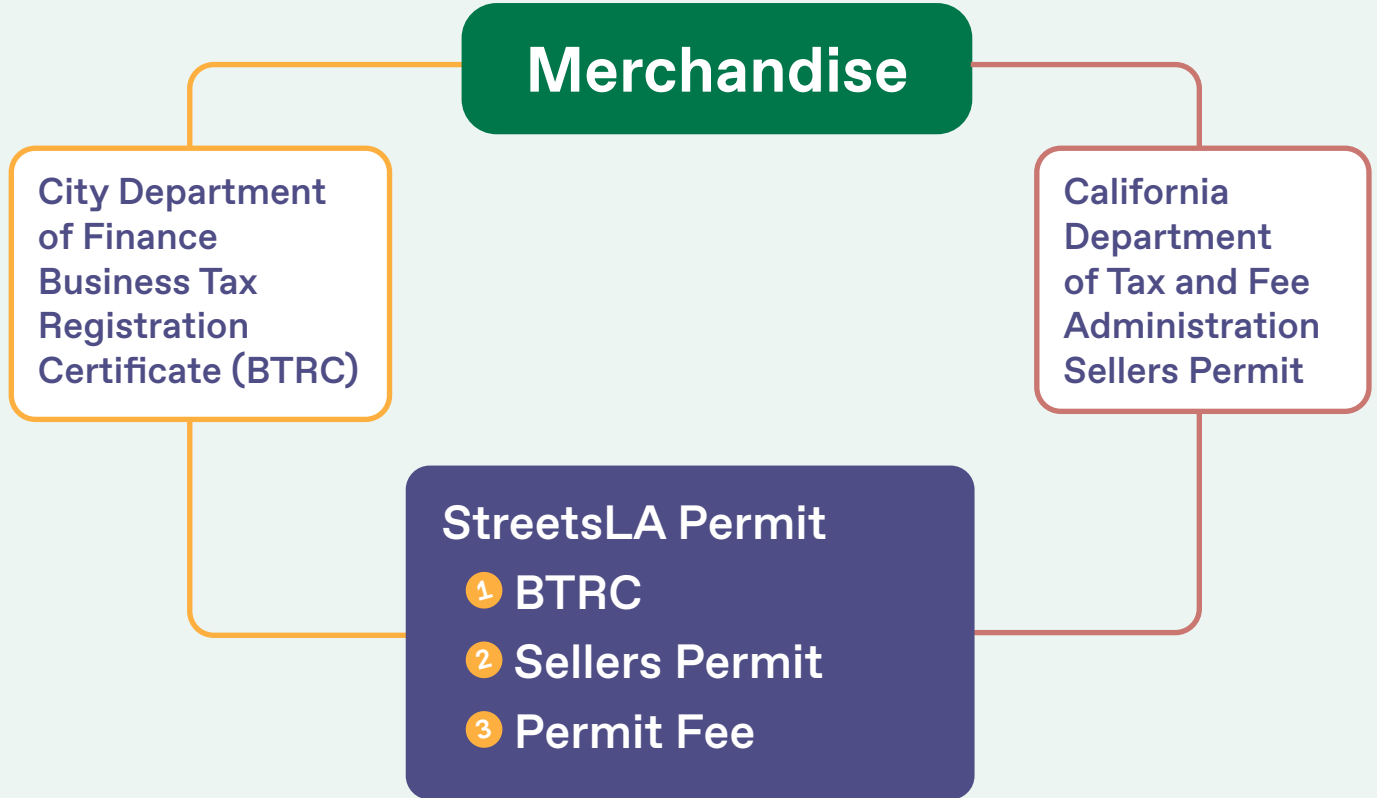
- 1 Commissary contract
- 2 Route Slip
- 3 Public Health Permit Application
- 4 Permit Fee

Public Health Permit issued

StreetsLA Permit

- 1 BTRC
- 2 Sellers Permit
- 3 Permit Fee

Road map to securing permits and business licenses to operate your business in the City of LA



WRAP UP

Ensure good standing by registering your business

Choosing a business name and registering the business with the correct agencies, involves several steps that depend on your goods and services you provide, the structure of your business and how your business operates. It is important to take time to think through each of these aspects, as it can impact your business taxes, legal standing and future success.

SECTION 7



SELF - ASSESSMENT

Check your knowledge of this section with the following self-assessment. *Answers located in the back.*

1. Janice is opening a restaurant, and intends to sell alcohol. Do you think she needs a special/additional license?

- a. Yes
- b. No

2. What is a DBA?

- a. It's where you use your legal name for your business name.
- b. It's when you use a business name that is used by another business
- c. It's where you register a business name that is different than your legal name

3. If you are a sole proprietor, do you have to get an EIN from the IRS?

- a. Never
- b. No, unless you have employees
- c. Yes

4. If you own a lotion-making business out of your home, you do not need to worry about zoning laws like commercial businesses. True or False?

- a. True
- b. False

5. What reason is not impacted by the location of your business?

- a. Sales tax
- b. Permits
- c. Zoning laws
- d. Business name

6. Maria is moving into a brick and mortar space to sell her authentic artesian jewelry, what should she check for before signing the lease?

- a. Check the property zoning
- b. Check the certificate of occupancy
- c. Only A
- d. A & B

7. Maria's owns a brick and mortar boutique selling authentic artesian jewelry, businesses have been blooming so she is planning on expanding and remodeling the space. Who should she contact to make these changes?

- a. Public Health
- b. California (CDTFA)
- c. The Department of Building and Safety
- d. All of the above

8. Teresa makes baked goods from her one bedroom apartment and sells them at pop-up shops located throughout the city of Los Angeles, what are the required permits?

- a. BTRC
- b. Seller's Permits
- c. Cottage A Health Permits
- d. All of the above

CONCLUSION

Congratulations! You have done so much for your business and your growth is tremendous. Now let's keep you moving forward towards sustainable success in the future!

Owning your business can be hard work and a solo entrepreneurial journey but you're building something meaningful to you, your family, and your community. This guide was formed to create a one-stop place for launching and formalizing a small business, utilizing and combining a number of incredible resources out there to support you and your business. Formalizing your business can take different forms: registration, obtaining permits or choosing a business structure. One of the biggest advantages on formalizing your business is you build up a track record that banks and other financial institutions can use when applying for capital. Formalizing your business means different things for different businesses. I hope you found this guide helpful. Investing in your business means putting in the time and believing that your efforts will lead to successful outcome. **You can do it.**



A large white rectangular area with rounded corners, containing 25 horizontal lines for writing.

BLANK PAGES

References

<https://www.sba.gov/business-guide/plan-your-business/market-research-competitive-analysis>

<https://learn.sba.gov/learning-center-plan/learning-center-how-to-write-a-business-plan/your-market>

<https://www.hubspot.com/make-my-persona>

<https://www.sba.gov/business-guide/plan-your-business/market-research-competitive-analysis#section-header-4>

<https://www.sba.gov/business-guide/plan-your-business/market-research-competitive-analysis>

<https://www.sba.gov/business-guide/plan-your-business/write-your-business-plan>

https://docs.google.com/spreadsheets/d/1V0Aw0idulffGPPr8VykQPDI_6-9HC8jh/edit#gid=247635242

<https://www.xero.com/us/guides/>

<https://www.xero.com/us/glossary/expense/>

<https://www.sba.gov/blog/why-bother-financial-forecasts>

<https://www.google.com/url?q=https://www.xero.com/us/glossary/markup/&sa=D&source=docs&ust=1676408346909053&usg=AOvVaw1GcjUQX27vE9G-qSkPXjd1>

<https://www.xero.com/us/glossary/cogs/>

<https://corporatefinanceinstitute.com/resources/management/business-structure/>

<https://corporatefinanceinstitute.com/resources/management/business-structure/>

<https://smallbusiness.chron.com/selfemployment-llc-examples-22689.html>

<https://smallbusiness.chron.com/tax-treatment-limited-liability-partnerships-4776.html>

<https://www.shopify.com/blog/what-is-a-corporation>

<https://publiccounsel.org/services/small-businesses/>

<https://aofund.org/resource/small-business-growth-changing-your-business-structure/>

<https://www.xero.com/us/glossary/business-accounting/>

<https://corporatefinanceinstitute.com/resources/accounting/bookkeeping-definition/>

<https://www.xero.com/us/guides/how-to-do-bookkeeping/>

<https://www.incfile.com/blog/tax-deduction-cheat-sheet-and-loopoles>

<https://www.sba.gov/business-guide/launch-your-business/choose-your-business-name>

<https://www.legalzoom.com/articles/what-is-a-trademark>

<https://www.sba.gov/business-guide/launch-your-business/register-your-business>

<https://www.uspto.gov/trademarks/search>

<https://americassbdc.org/>

<https://www.sos.ca.gov/business-programs/business-entities/forms>

<https://docs.google.com/document/d/15QdpsAAoFVmjNXRIJ-Sbd5BVT8ssuckRfJO2sqTvKQ/edit>

<https://www.sba.gov/business-guide/launch-your-business/register-your-business>

<https://www.incfiling.com/business-license-research-package>

<https://www.irs.gov/businesses/small-businesses-self-employed/sole-proprietorships>

<https://www.google.com/url?q=https://www.incfiling.com/compliance-filing-requirement&sa=D&source=docs&ust=1676408805273854&usg=AOvVaw0D53klKyaKBkNsnUQUNT4y>

<https://www.goodreads.com/quotes/430073-i-had-to-make-my-own-living-and-my-own>

<https://parade.com/931675/jessicasager/influential-hispanic-females-quotes/>

<https://www.blackgirlventures.org/post/15-quotes-by-powerful-latina-entrepreneurs-and-leaders-to-get-you-motivated-and-inspired-in-business>

<https://quotefancy.com/quote/1763246/Antonia-Novello-I-believe-that-fortitude-is-key-More-than-anything-be-consistent-Go-at-it>

<https://smallbiztrends.com/2022/06/black-entrepreneur-quotes.html>

<https://www.goodreads.com/quotes/5935-every-great-dream-begins-with-a-dreamer-always-remember-you>

<https://www.amazon.com/Powershift-Transform-Situation-Achieve-Outcome/dp/0593136233>

Lavote.gov

Finance.lacity.org

Cdtfa.ca.gov

publichealth.lacounty.gov/eh/about/permit

<https://planning.lacity.org/>

Ladbs

Vending.lacity.org

Self-Assessment Answers

Section 1

1. E, 2. D, 3. A, 4. C, 5. C, 6. C, 7. C, 8. C

Section 2

1. D, 2. E, 3. C, 4. B

Section 3

1. B, 2. E, 3. A, 4. A, 5. A

Section 4

1. B, 2. A, 3. A, 4. A, 5. B, 6. D, 7. B, 8. B

Section 5

1. D, 2. A, 3. A, 4. A, 5. B, 6. B, 7. C

Section 6

1. B, 2. D, 3. B, 4. C

Section 7

1. A, 2. C, 3. B, 4. A, 5. D, 6. D, 7. C, 8. D

This page left intentionally blank.



INCLUSIVE
ACTION
FOR THE CITY

