

# Start-up Procedures for your VE firm

Tuesday, July 10, 9:00 AM

Presented by: Teri Jones & Paul Presti

# Agenda

- Beginning of the Year Portal Familiarization
- Business Registration Submission
- Equity Financing
- Debt Financing
- Out of Network Sales & Contracts
- Payroll Register & Templates





## Portal

VEI West Admin -



Central Office Admin



Firm Directory



International Trade Resources



E-Mail

### WE Curriculum

Home

VE Brief

Orientation

Accounting & Finance

Administration

Design / IT

Human Resources

Sales & Marketing

Communications

Personal Finance

Competitions & Rubrics

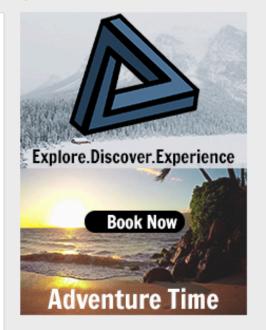
Submittal Forms

### 2017 National Teachers Conference



Take the 2017 Student Exit Survey
Take the 2017 Teacher Exit Survey

### Firm Advertisements



### Sidebar

VE Market Insights

Help



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Q

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### Accounting & Finance

### Tasks

### Reference Files

#### Videos

### Tasks

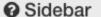
#### Guide to Keeping Financial Records in VE

- Task 1 & 2: Establish an Accounting System and Create Financial Records & Establish a Company Budget
- Task 3: Create/Review Financial Reports
- Task 4: Close former employees' VEC bank accounts
- · Task 5: Establish payroll procedures
- Task 6: Prepare a break-even analysis
- . Task 7: Determine firm's corporate debt; make interest payments
- . Task 8: Record sales; process customer payments and update
- Task 9: Prepare and file quarterly sales tax form
- Task 10: Establish internal control procedures for operation of the company VEC Bank account
- Task 11: Open VEC Bank accounts for new employees and create a presentation to inform employees on the online banking system
- Task 12: Record purchases; process payments to vendors and update accounts payable records
- Task 13: Complete payroll register and form 941

#### Firm Advertisements



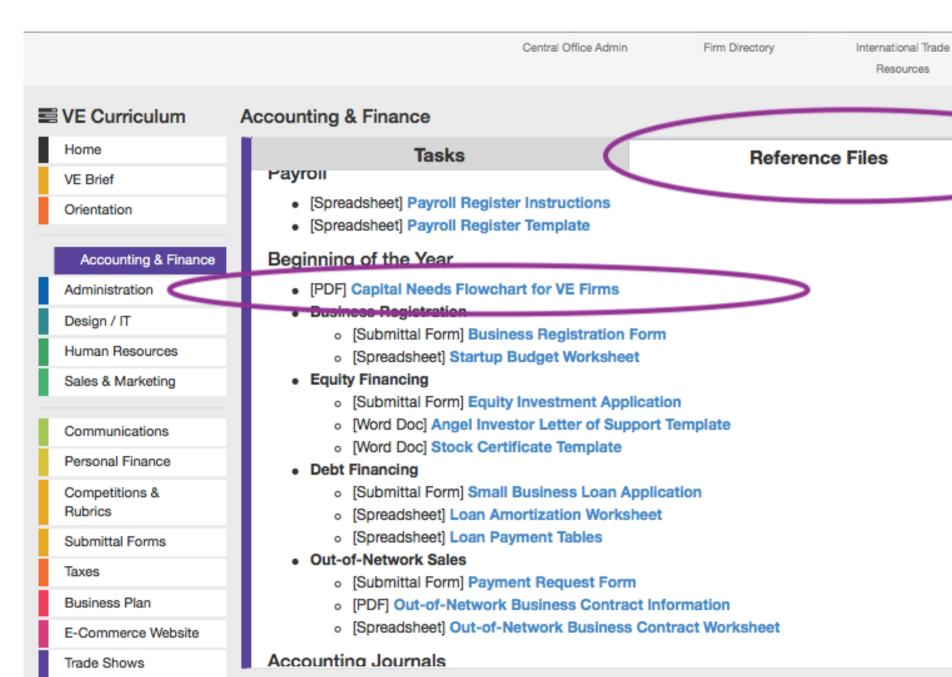




VE Market Insights

Help





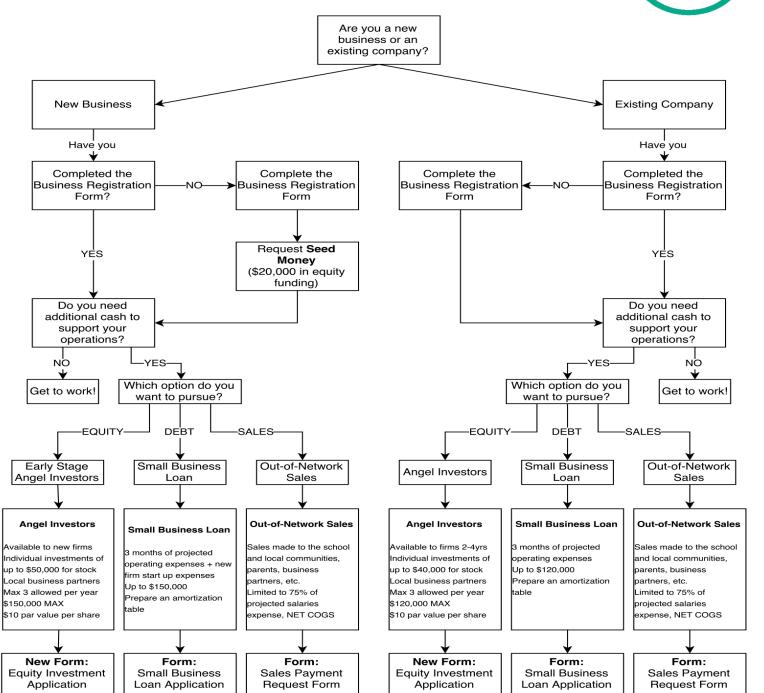
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E-Mail

**Videos** 

### Handout #1

## Capital Needs Flowchart





# Business Registration: https://form.jotform.com/62078237071151

## What this does:

- ✓ VEI approves business type, Name
- ✓ Firm name is put onto portal
- ✓ VE firm receives \$20,000 in seed money (shown as equity)
- ✓ This allows additional capital to be requested.

### What this does NOT do:

- ✓ Put the VE firm into marketing categories on the directory
- ✓ Automatically link your website
- ✓ Automatically approve or give additional capital



# Info Needed for Business Registration:

## More than just accounting department involved

- Contact information (Ask for an official VE email)
- Coordinator contact
- Firm info:

Please provide an overview of your business concept or idea. What products or services will your company offer? Why is there a need for this? What problem are you solving? \*

Describe your company's target market. Be specific! Who, exactly, will be your customer? Include Demographic, Geographic, and/or Psychographic attributes. \*

Describe the basics of your company's marketing plan: Product, Price, Placement, Promotion \*

- Application for incorporation
- Firm Budget



# Financing the Enterprise

<u>WHY?</u> To assure enough cash is on hand for successful operations <u>WHAT?</u> Borrowing money or increasing owner's equity or out-of-network sales.

- Debt vs. Equity Financing
  - How to know how much you need? Cash Flow next hour
  - Benefits and drawbacks of each
  - How to acquire
- Non-VE Sales/Out of Network
  - Application: need Payroll and Gross Margin
  - Need actual contract or proof of sales



# **Equity Financing:**

Giving up a portion of your business to get cash needed.

- Limit: \$50k per investor, up to three investors = \$150k
- Firm does not need to buy-back stocks (LLC = constant %)
- Equity Investment Application
  - Similar to information collected for Business Registration
- Angel Investment Letter of Support
  - Must be from a REAL business person that has listened to the pitch, and signs on their letterhead
- Stock Certificate Template
  - One stock is given for each \$10 investment



# **Debt Financing: Loan**

- Limit: \$150K
- Firms pays back over time: VE amortizes over 5 years
  - Either 2% above prime for fixed or 1% above prime for Variable.
  - WSJ prime rate: <a href="https://www.bankrate.com/rates/interest-rates/wall-street-prime-rate.aspx">https://www.bankrate.com/rates/interest-rates/wall-street-prime-rate.aspx</a>
- Continuing firms must continue to pay prior year's loans
- Activity: complete Amortization Worksheet & Payment Table.



# Payroll Register Needed to acquire Out of Network Sales & Contracts

- Each employee should receive between \$25,000-\$90,000 annually to be able to perform personal finance requirements, and for company cash flow.
- HANDOUT #2: sample job descriptions & salaries
- Walk through the payroll register template sample

Accounting & finance/reference files/payroll/payroll register template





### Firm Name

**Semimonthly Payroll Register** 

Pay Period: From October 1 to October 15

1	NAME	# of W-4											
1	NIA NAE			HOURLY		SOCIAL	MEDI-	TAXABLE FED.				TOTAL DE-	
1	NΙΔ N/I	exempti ons	HOURS	RATE	GROSS	SECURITY	CARE	INCOME	FWT	SWT	401 (K)	DUCTIONS	NET PAY
	Suzy	0113	70	\$20.00	1400.00	86.80	20.30	1400.00	178.75	43.50	401 (K)	329.35	1070.65
2	Frankie	1	70	\$25.00	1750.00	108.50	25.38	1496.87	193.28	57.50		384.66	1365.34
3	Anette	1	70	\$25.00	1750.00	108.50	25.38	1496.87	193.28	57.50		384.66	1365.34
4	Sandra Dee	0	70	\$30.00	2100.00	130.20	30.45	2100.00	306.25	76.00		542.90	1557.10
5	Gidget	2	70	\$25.00	1750.00	108.50	25.38	1243.74	155.31	57.50		346.69	1403.31
	Ken	1	70	\$20.00	1400.00	86.80	20.30	1146.87	140.78	43.50		291.38	1108.62
7	Barbie	1	70	\$30.00	2100.00	130.20	30.45	1846.87	245.78	76.00		482.43	1617.57
8	Joe GI	1	70	\$35.00	2450.00	151.90	35.53	2196.87	330.47	97.00		614.89	1835.11
9					0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
10					0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
11					0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
12					0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
13					0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
14					0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
15					0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
16					0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
17					0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
18					0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
19					0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
20					0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
21					0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
22					0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
23					0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
24					0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
25					U.80		0.00	0.00	0.00	0.00		0.00	0.00
	Total				14700.00	911.40	213.15	12928.09	1743.90	508.50	0.00	3376.95	11323.05

	911.40	2	13.15	0.00
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	151.9		35.525	
	130.2		30.45	
	86.8		20.3	
	130.2 108.5		30.45 25.375	
	108.5		25.375	
	108.5		25.375	
	86.8		20.3	
	SECURITY	(	CARE	401 (K)
	SOCIAL		ΛΕDI-	
	Cor	npa	Exper	ise
1				

# **Out of Network Contracts:**

# Out of Network Sales have no link to a VE bank account and must be deposited by the VEI Regional Bank

- What is and what is NOT an Out of Network (OON) Sale?
- The annual limit to any VE firm OON sales is 75% of annual salaries + COGS. (Net 75% profit on OON sales)
- How to get approved for OON sales: Application & submittal form
- Types of OON Sales:
  - Open Houses, grand openings, sales to non-VEI firms and employees
  - Contracts with non-VEI firms and business mentors

# **Out of Network Application**

Accounting & finance/beginning of the year/out of network sales/out of network worksheet

- OON Contracts need:
  - Payroll register
  - Application
  - Actual sales contract signed by VE firm & Business entity or VEI regional Office

Sales & Marketing/reference files/business contract sample

- OON other sales need:
  - Payroll register
  - Application
  - Proof of Out of Network
     Sales spreadsheet and other back-up



### Out of Network Business Contract Application: 2018/2019 Date of Application\_\_\_\_10/1/18\_\_\_\_\_

Name of Firm Contracted with\_\_\_\_\_\_VEI Regional Office\_\_

Name & Title of person submitting this form Frankie Avalon, CFO

Name & Title of person submitting this formFrankie Avalon,	CFO
1. Name of Firm Requesting Contract:	VE Bicycle
2. Description of products/services to be sold in contract:	Bicycles for retail and rental
3. Start date & end date of proposed contract:	October 1, 2018 - April 30, 2019
<b>4. Fiscal year/duration of firm:</b> (Number of months firm will pay employees. Example: October-April = 7 months)	7
<b>5. Total Gross Payroll Costs per month, including company payroll taxes:</b> Use the payroll register in the portal under accounting/reference files. CA firms need to add SDI. Submit <u>payroll spreadsheet with this</u> application.	15924.55
<b>6. Total Gross Fiscal Salary:</b> Multiply the monthly amount on line 5 by the number of months from line 4.	111471.85
7. Maximum 75% of Salary for out of network sales: multiply the total gross salary from line 6 by .75	83603.89
8. Gross Margin of your Maximum Out of Network Sales. This is the percent of profit after you deduct the cost of goods sold for the contract items. <u>Example: if COGS are 60% of your sales, gross margin is 40% of sales. Write this in decimal as .4</u>	75%
9. Maximum 75% Salary net of COGS: Take the 75% of annual salary from line 7 an divide this by the profit margin, line 8.	1011
Example Only: $$450,000 = line 7 \text{ or } 75\% \text{ of annual salary at } $600,000. COGS are } 60\% \text{ of your sales, so profit margin is } 40\% \text{ of sales. Take the } 75\% \text{ of salary } ($450,000) \text{ divided by } 40\% \text{ profit margin } (450,000/.40) = $1,125,000 \text{ maximum out of net work sales. This will cover payroll, company payroll taxes and your } $1.000 \text{ maximum out of net work sales.} $1.0000 \text{ maximum out of net work sales.} $1.0000 \text{ maximum out of net work sales.} $1.00000 \text{ maximum out of net work sales.} $1.000000000000000000000000000000000000$	
COGS for 75% of your fiscal year.	\$ 111,471.85
10. Other projected or actual out-of-network Sales/Contracts for the fiscal year: Enter \$0 if no other open house, out-of-network contract or sales to family/school are planned.) Contracts with VEI firms do not count here.	\$ 25,000.00
11. Maximum Allowed for this Contract: Subtract line 10 from line 9	\$ 86,471.85
12. Amount of this contract:	\$ 86,000.00
<b>Notes:</b> We plan to host an open house with \$25k of sales.	





#### **Business Contract**

Parties of this contract: Western Virtual Enterprise Central Office (Buyer) and VEI Bicycle (Seller)
Agreement: Seller hereby agrees to sell, and Buyer hereby agrees to buy, under terms of this contract Description of goods to be bought or sold: An average of 10 New hybrid bicycles per month delivered to

VEI Western Regional Office 18543 Devonshire Street #472, Northridge, CA 91324

Sales, Prices, Taxes, and Shipping Charges

Buyer agrees to pay seller \$15,924.55 per month
Buyer agrees to pay Seller 7% sales tax required by each U.S. Territory, and any such sales or use tax or customs duty imposed by a foreign country. Buyer also agrees to pay \$75 shipping per bicycle.

Warranty: Seller warrants that all sales items provided to Buyer under the terms of this contract shall be of good quality, and agrees to refund any trips that are deemed unsuitable due to weather hazards or other unforeseen hindrances. No refunds will be given due to Buyer cancellations. This shall be Seller's exclusive warranty and shall be in lieu of any warranty of general merchantability or fitness for a designated destination.

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661-555-4593

\$15,924.27 in sales = \$17,789.27 with sales tax + shipping





Go to veinternational.org to join the transformation.