



Calculating your costs when starting a business

Queensland Government, Australia

<http://www.business.qld.gov.au>

One of the most common causes of new business failures is not having enough cash to meet expenses, especially in the first 6–12 months of starting. But if you identify and plan for these costs, this is less likely to happen. You can use this guide to help calculate your start-up costs so you can avoid as many surprises as possible.

Common start-up costs

There are many costs associated with starting a business. These may include:

- market research
- preliminary accounting and legal advice
- tenancy/lease bond, stamp duty, and lease agreement advice
- telephone/internet installation
- statutory requirements such as licences
- power connection and bond
- signage and initial marketing
- equipment, fixture, and fittings purchases
- staffing and wages
- initial raw materials and/or stock purchases.

Your exact start-up costs will depend on the type of business you are starting and the industry you are entering. The amount of costs in the different categories can also vary across industries. For example, an online business may have less premises-related costs than a bakery.

Where to start?

There are many costs to consider when starting a business, and it might seem daunting trying to plan for every contingency. Even if you know what costs you will be facing, it can be difficult to know how much those costs will be. Below are some tips to help you to plan for your start-up costs.

Check financial statements

Look up the financial statements of any publicly listed businesses in your industry, especially competitors and market leaders. Although these companies will no longer have all the start-up costs you do, you will be able to get a general idea of what they are spending their money on.

It is particularly useful to see how much they are spending on sales and administrative costs as a percentage of revenue. Remember, larger businesses will have the cost advantages of economies of scale due to a stronger buying power. Read more about benchmarking.

Talk to industry associations

Talk to as many business people and associations as possible. There are many websites aimed at new business owners and entrepreneurs. These websites often have active forums and discussions where you can learn from other business owner's experiences, ask questions, and get advice from mentors or experts.

Most industries also have an association that provides support and information to businesses in the industry. Find out more about industry associations in Queensland.

Calculate ongoing and one-time costs

Make sure you identify which costs will be one-time costs and which will be ongoing. Some costs you may never have to cover again, while others may recur annually or every couple of years. It is important to identify and budget for this now so you do not get caught out in the future.

Get support and advice

Governments often offer tax and other incentives to help new businesses. Do your research, seek professional advice from an accountant, financial adviser, or other professional. You can also visit the Australian Business Licence and Information Service (ABLIS) to find support services tailored to your business.

More support and advice to help you start your business is available if you attend one of our free business webinars.

Set realistic expectations

As well as thinking about your start-up costs, also consider how long it will take until your business will open its doors and you will be generating revenue. Do not set unrealistic expectations. If you get this wrong, costs can escalate quickly and you can find yourself under pressure to meet new costs without an income stream.

Overestimate costs

It is better to overestimate than underestimate. Many experts recommend adding 10% on top of your total costs to cover any miscellaneous expenses and unforeseen blow outs.

Start-up costs calculator

Once you have followed the above steps to help you research your start-up costs, you can enter your projected monthly and one-off expenses into this start-up costs calculator. The calculator will automatically calculate your subtotal and total, as well as showing you the percentage for each item (e.g., you may estimate that rent will be 40% of your start-up costs). Remember, some costs may not be relevant to your business or you may need to add other items into the calculator.



Methods of conducting business in Malaysia

Malaysian Investment Development Authority (MIDA), Malaysia

<http://www.mida.gov.my>

What is a micro, small or medium enterprise?

The earlier concept of 'Industries' has been changed to 'Enterprises'

1. By an individual operating as sole proprietor;
2. By two or more (but not more than 20) persons in partnership; or
3. By a locally incorporated company or by a foreign company registered under the provisions of the Companies Act (CA) 1965.

All sole proprietorships and partnerships in Malaysia must be registered with the Companies Commission of Malaysia (SSM) under the Registration of Businesses Act 1956. In the case of partnerships, partners are both jointly and severally liable for the debts and obligations of the partnership should its assets be insufficient. Formal partnership deeds may be drawn up governing the rights and obligations of each partner but this is not obligatory.

Company structure

The CA 1965 governs all companies in Malaysia. The Act stipulates that a company must be registered with the SSM in order to engage in any business activity.

There are three types of companies that can be incorporated under the CA 1965:

1. A company limited by shares is a company formed on the principle that the members' liability is limited by the memorandum of association to the amount, if any, unpaid on the shares taken up by them;
2. In a company limited by guarantee, the liability of the members is limited by the Memorandum and Articles of Association to the amount which the members have undertaken to contribute to the assets of the company in the event the company is wound up.
3. An unlimited company is a company formed on the principle of having no limit placed on the liability of its members.

Company limited by shares

The most common company structure in Malaysia is a company limited by shares. Such limited companies may be incorporated either as a Private Limited Company (identified through the words "Sendirian Berhad" or "Sdn Bhd" as part of the company's name) or a Public Limited Company (identified through the words "Berhad" or "Bhd" as part of the company's name).

A company having a share capital may be incorporated as a private company if its Memorandum and Articles of Association:

1. Restricts the right to transfer its shares;

2. Limits the number of its members to 50, excluding employees in the employment of the company or its subsidiary and some former employees of the company or its subsidiary;
3. Prohibits any invitation to the public to subscribe for its shares and debentures; and
4. Prohibits any invitation to the public to deposit money with the company for fixed periods of payable at call, whether interest-bearing or interest-free.

A public company can be formed or, alternatively, a private company can be converted into a public company subject to Section 26 of the CA 1965. Such a company can offer shares to the public provided:

1. It has registered a prospectus with the Securities Commission.
2. It has lodged a copy of the prospectus with the SSM on or before the date of its issue.

A public company can apply to have its shares quoted on the Bursa Malaysia subject to compliance with the requirements laid down by the exchange. Any subsequent issue of securities (e.g., issue by way of rights or bonus, or issue arising from an acquisition, etc.) requires the approval of the Securities Commission.

Registrations of foreign companies

A foreign company may carry on business in Malaysia by either:

1. incorporating a local company; or
2. registering a branch in Malaysia.

Foreign company is defined under the CA 1965 as:

1. a company, corporation, society, association, or other body incorporated outside Malaysia; or
2. an unincorporated society, association, or other body which under the law of its place of origin may sue or be sued, or hold property in the name of the secretary or other officer of the body or association duly appointed for that purpose and which does not have its head office or principal place of business in Malaysia.

Registration procedures

1. Applicant must first conduct a name search in order to determine if the proposed name for the intended company is available. The name to be used to register the foreign company should be the same as registered in its country of origin. Applications should be submitted to the SSM using Form 13A with a payment of RM 30 for each name applied. When the proposed company's name is approved by SSM, it shall be valid for 3 months from the date of approval.

2. Upon approval, applicants must submit the following registration documents to the SSM within 3 months from the date of approval:
 - A certified copy of the certificate of incorporation or registration of the foreign company;
 - A certified copy of the foreign company's charter, statute, or Memorandum and Articles of Association or other instrument defining its constitution;
 - Form 79 (Return by Foreign Company Giving Particulars of Directors and Change of Particulars). If the list includes directors residing in Malaysia who are members of the local board of directors of the foreign company, a memorandum stating their powers that are executed by or on behalf of the foreign company, should be submitted to SSM;
 - A memorandum of appointment or power of attorney authorizing the person(s) residing in Malaysia, to accept on behalf of the foreign company any notices required to be served on such foreign company; and
 - Form 80 (Statutory Declaration by Agent of Foreign Company); and additional documents consisting of the original Form 13A as well as a copy of the letter from SSM approving the name of the foreign company.

Note: If any of the described registration documents are in languages other than Bahasa Malaysia or English, a certified translation of such documents in Bahasa Malaysia or English shall be required.

3. In determining the amount of registration fees, the nominal share capital of the foreign company should first be converted to the Malaysian currency (Ringgit Malaysia) at the prevailing exchange rate. In the event a foreign company does not prescribe any share capital, a flat rate of RM 1,000 shall be paid to SSM.
4. A Certificate of Registration will be issued by SSM upon compliance with the registration procedures and submission of duly completed registration documents.
5. Upon approval, the company or its agent is responsible for ensuring compliance of the CA 1965. Any change in the particulars of the company or in the company's name or authorized capital must be filed with SSM within 1 month from the date of change together with the appropriate fees. Every company is required to keep proper accounting records. Annual return must be lodged with SSM once in every calendar year.

Note: Foreigners are advised to seek the services of an advocate and solicitor, an accountant, or a practicing company secretary for further assistance.

World Intellectual Property Report

WIPO's second "World Intellectual Property Report" entitled "Brands: Reputation and Image in the Global Marketplace" offers fresh data, analysis and insight into how companies use brands to differentiate their products from those of their rivals - and what the growing use of brands means for consumers, market competition, and innovation.

According to the report, companies invested some USD \$466 billion globally on branding in 2011, the latest year for which there are reliable data. This figure would be even higher if spending on strategic marketing, corporate communications, other bought-in services that contribute to brand perception, as well as company-internal expenditures on branding were also considered. Fuller data for the US, which accounts for all branding expenditures, show that investment in branding stands at USD \$340 billion in 2010 for the US alone - twice as much as previous incomplete estimates. This exceeds US companies' investments in R&D or design, and accounts for a quarter of their intangible asset investments.

The report shows that the average brand value of companies based in middle-income economies has grown faster than that of companies in high-income economies. In fact, the share of middle-income economies in the total value of the top 500 brands increased from 6 percent to 9 percent between 2009 and 2013. The report also explores the role of the trademark system in supporting the branding activities of firms. Trademarks are the most widely used form of registered intellectual property (IP) throughout the world. Many low- and middle-income countries see companies intensively file for trademarks, even if they make comparatively less use of other IP forms. In a wider perspective, the report explores how companies' branding strategies interact with their overall innovation strategies. Through branding, companies can increase the demand for their products and enhance the willingness of consumers to pay for them. Evidence shows that branding is one of the most important mechanisms for firms to secure returns on product innovation

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