

Applying for Finance

Small Business Development Corporation

Applications for finance should provide a potential lender with sufficient information to adequately assess the applicant and the viability of the business venture.

Applying for finance? The following key points for preparing an application for finance will improve your chances of success.

The applicant

The lender will assess the applicant's strengths, weaknesses and past business performance as relevant to the project. The lender will have to be confident that the applicant has the skills and ability to ensure the success of the project.

The business/project

Describe the business or project in some detail. Make sure that the lender understands precisely the nature of the business and the reasons for the loan. Information from *IBISWorld* reports can be useful in providing a broad overview of the industry. The overview should include forward projections, comments about barriers to entry, and current industry conditions and opportunities. (*IBISWorld* is a database of industry and enterprise information. It is available in read only format in the Small Business Development Corporation (SBDC) Business Information Licence Centre and at most Small Business Centres).

The feasibility/marketing strategy

This probably is the most difficult section to complete. Provide quality data, because unsubstantiated estimates do not inspire confidence in a lender.

The financials

If appropriate, include historical information relative to the past performance of your business, including income statements and balance sheets. For new businesses, show all forward estimates including cashflow forecasts, budgets and a

breakeven analysis. The projections are often best presented on a three scenario basis, best case, worst case, and something in between. The financial information must demonstrate the business will be able to generate sufficient funds to repay the loan and the interest.

The loan and repayment details

Specify precisely the amount required to achieve the objectives of the project, and how the loan, plus interest, will be repaid. The type and mix of finance should be specified, for example, an overdraft, a fully drawn advance or a fixed term loan. If you intend to operate from rented premises, advise the lender of the term of the lease as this will impact on the term of the loan.

Do not underestimate the amount you want to borrow. Lenders lose confidence when you have to return for additional funding to cover costs underestimated in the original financial forecasts.

Security

Finally, provide full details of available security, including any encumbrances currently attached to the title. Provide details of any life, sickness and accident and disability insurance cover for any key people.

Workshops

The SBDC conducts workshops on how to get a business loan, starting a business, the feasibility of your business idea, and business planning. For details of these and other SBDC workshops, call 131 BIZ (131 249) or visit the website www.smallbusiness.wa.gov.au/workshops.

Publications

Publications available from the SBDC bookshop at 553 Hay Street Perth, or online at www.smallbusiness.wa.gov.au/bookshop, include the following titles on financial issues, business planning, and growing your business:

How to improve your financial quotient : how to use school maths in everyday business

PLU 29\$19.95

Manage finances and develop financial plans : in your business

PLU 21\$54.95

Where's the money gone? : find the answer to your frustration

PLU 17\$24.95

Step by Step Business Plan

PLU 433\$25.00

Growing a Small Business

PLU 334\$32.95

Guide to Operating a Small Business

PLU 407\$25.00

For further information and guidance contact:

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This publication is also available upon request in alternative formats such as large print, electronic format, audio, or braille.

Disclaimer

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