Seshachalam & Co.
Chartered Accountants

NEWSLETTER

JUNE 15th 2022 | BIMONTHLY | VOLUME II

BOOTSTRAPPING - STARTUP FUNDING

INTRODUCTION

Bootstrapping is a common word used in the startup funding. Every emerging startup has gone through bootstrapping phase. It is a one of the famous modes of financing for startups. This article will help you to understand Bootstrapping phase.

An individual is said to be bootstrapping when he builds a startup from his own sources or from revenue of his startup. It is an initial stage, where all the money invested in business by its founders from their own funds without any investor.

The common mistakes made by most of the startups is that they incurred more expenditure on marketing, buying new offices that leads to higher expenditure in the inception phase, it results in wasteful expenditure. Whereas, when the founders bring money from their own pockets they spent it only for "what actually a business needs".

SOME OF THE COMMON METHODS OF BOOTSTRAP

LEASING

In simple words taking premises, machinery, furniture, etc. on rent from vendor rather than buying them and invest huge funds in it. It will help to reduce capital cost of startup and results in having more funds in hand to be used for production or in operations.Leasing arrangement also provides tax benefits to lessor & lessee. Lessee can claim rent as an expenditure whereas lessor enjoys the benefit of depreciation on asset

TRADE CREDIT

It means obtaining goods or raw material on credit. It is difficult for startup to obtain such facility in the inception phase. In such case start up should prepare its financial plan and explain it to the owner in case where the supplier is having small business or CFO.

It is recommended to meet in person with owner or CFO and explain financial plan. Here, communication skills play a very important role. However, a startup can also use credit card for obtaining credit for shorter period of time.

FACTORING

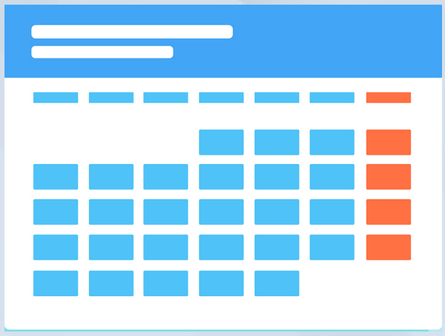
It is also big task for a startup to recover money from customer against sales. In case of new product start up sales such product on credit basis to vendors.

Here factoring adjustment comes in picture. Factoring is a financing method where startup can raise finance against receivables. Here, factor holds the receivables and assumes the task of collecting receivables. It can be performed without informing customers that their account has been sold.

This process reduce cost for a business organization in relation to maintaining receivables like collection, verification, etc. however, a factor also charges some charges. In such a case proper comparison should be made whether it is profitable or not to enter in a factoring or not. In most of cases it is fruitful to utilize this financing method.

The whole arrangement results in immediate cash inflow for a startup to meet its other commitments.

COMPLIANCE CALENDER JUNE 2022



GST	
GSTR 3B MAY 2022 (Turnover in the previous financial year more than five crores)	20-06-2022
GSTR 3B MAY 2022 (Others)	22-06-2022
GSTR 1 MAY (Turnover more than Rs. 1.5 Crores)	11-06-2022
Income Tax	
Deposit of TDS	07-06-2022
ESI	
Payment for the month of MAY 2022	15-06-2022
PF	
Payment for the month of MAY 2022	15-06-2022
Return Filing for the month of MAY 2022	25-06-2022