Review

Young start-up companies need access to finance, normally in the form of venture capital, in order to develop and grow.

The three key reasons why most new firms need to raise money during their early life are:

- Cash flow challenges
- The need to make cash investments for the fledgling business
- Long technology development cycles

This unit discusses how new firms facing a number of potential options might effectively raise funds at early stages, especially when a firm is small or has not yet developed a marketable product.

You learned that **financial projections** are a critical element of managing the money in a business. A financial projection is an estimate or forecast of future revenues and costs.

The unit provided a brief introduction to the three basic financial statements:

- profit and loss
- balance sheet
- cash flow statements

Options for financing the start-up include: (a) personal financing, (b) equity funding and (c) debt financing.

The three main ways entrepreneurs generate personal funds are (a) personal savings (b) friends and family and (c) bootstrapping.

Sources of equity funding are essentially comprised of (a) venture capital (b) business angels and (c) initial public offering.

The unit also addressed the critical success factors and typical problems associated with financial plans. Finally, the unit explained briefly how to prepare an elevator pitch. An elevator pitch is a very brief overview of your product, service, technology or project and the benefits associated with it.