



Invest capital in your business

Making the right investment in your business can help you to increase profitability, improve productivity and support product and service development. Choosing the right investment option will help to maintain a viable and sustainable business.

This involves:

1. setting targets for making investments
2. assessing the return and benefits that will arise from making investments
3. identifying possible problems in your plan to make investments
4. monitoring how investments affect your business

What you need to do

- set clear targets for making investments
- identify and use sources of advice to help you make investments
- compare different ways of making investments and work out the costs and benefits of each investment accurately
- assess the return your business is likely to get for different investments
- identify and calculate the cost funding for the investments
- work out the effect of taxation, grants and allowances accurately
- assess how the investment will affect revenue, expenses and cash flow over an appropriate period
- include any potential problems that might arise during the period of investment
- monitor how the investment affects your business

What you need to know and understand

Investing capital

- what investment targets might be achieved. (For example return on capital, improved profitability, improved productivity, product or service development.)



- how much investment costs. (For example capital costs, interest rates on loans and their effect on your business during the repayment periods, running costs and depreciation.)
- what problems there may be depending on whether or not you invest capital in your business
- what the benefits of investments are. (For example providing revenue, increased profits, increased productivity, market position and profile.)
- what uncertainties there may be in different investments. (For example fall in sales or increased costs, and the effects of changes in costs or revenues on your profit margins)
- what sources of funding are possible. (For example improving cash flow, getting an overdraft, own savings, loans from friends and family, bank loans, government grant or other outside investment.)
- how to assess return on capital for different investments. (For example by forecasting the possible high and low performance of the investment.)

Information and advice

- where to get reliable information to help you to identify investment targets and costs. (For example business associates, banks, financial advisers, business advisers, and business advice centres.)

