**THINGS TO KNOW FOR BUSINESS STARTUPS**

**We are presenting a few basic points to be kept in mind before getting in the field of business. Before starting their own venture one must take proper care to decide on these three aspects very effectively:**

* **RIGHT FORM OF BUSINESS**
* **RIGHT ACCOUNTANT**
* **RIGHT BANKER**

**CHOOSING RIGHT FORM OF BUSINESS**

Choosing the right form of business is like laying the groundwork. On this decision depends the entire maintenance of your business from compliance point of view. Thus, making an appropriate choice of Form of Business is inevitable.

Keeping the present scenario in mind we currently recommend the start up ventures to register themselves as private limited companies. Most of the newly startup ventures have finance as a hurdle and being a private limited company one can easily procure funds from friends or relatives by issuing them shares without loosing control over the business..

The major forms of business that any start up venture can opt for are as follows:

a)Sole proprietorship:

b)Partnership:

**c)LLP: Limited Liability Partnership**

**d)One person company (OPC):**

**e)Private Limited company:**

**f)Public Limited Company:**

**a) Sole proprietorship:** The sole proprietorship is the simplest business form for operation. The sole proprietorship concern does not require registration as a separate legal entity but it refers to the person who owns the business (the proprietor) and hence the proprietor is personally responsible for its debts. It is easiest to form where all we need to have is to have a Trade License and get applicable local registrations wherever required. Sole proprietorship is a form of business entity where a single individual handles the entire business organization. He is the sole recipient of all profits and bearer of all loses. There is no separate law that governs sole proprietorship.

When: However, after introduction of the concept of One Person Company (OPC), it is not recommended to form a proprietorship in India. Mostly suitable for retail traders, small entities having limited area of operation.

**b) Partnership:** A business organization in which two or more individuals manage and operate the business. The owners are jointly and severally liable for the debts of the business. Partnerships are easy to form. There is no minimum capital requirement. You can start your partnership with a minimum of two people. The profits and losses are shared among the partners as per pre decided ratios. This form of business requires separate registration.

When: Partnerships are basically like proprietorship with only difference that it involves two or more persons. It is suitable for people who want to immediately start their business as registration of Partnership Firm is very simple and comparatively a faster process to execute. You can always change the form of business to Private Limited Company as and when you wish to!

**c) LLP: Limited Liability Partnership:** In the recent times of growth, LLP i.e. Limited Liability Partnerships have gained a lot of importance. Where, at one place it gives you the benefits of Limited Liability of a Company, at the same time it also gives you the flexibility of organizing your internal structure as a Partnership. The LLP can continue its existence irrespective of changes in partners. It is capable of entering into contracts and holding property in its own name. The LLP is a separate legal entity, is liable to the full extent of its assets but liability of the partners is limited to their agreed contribution in the LLP. Further, no partner is liable on account of the independent or un-authorized actions of other partners, thus individual partners are shielded from joint liability created by another partner’s wrongful business decisions or misconduct. Mutual rights and duties of the partners within a LLP are governed by an agreement between the partners or between the partners and the LLP as the case may be. The LLP, however, is not relieved of the liability for its other obligations as a separate entity. LLP form is a form of business model which enables professional/technical expertise and initiative to combine with financial risk taking capacity in an innovative and efficient manner

When: LLP enjoys the benefits of private limited company and traditional partnerships, therefore, because of increasing compliances in private limited company, it is recommended for start-ups to incorporate LLP if they are not planning to raise heavy funds in near future.

**d) One person company (OPC):** OPC can be thought to be a refined form of proprietorship. Only one person is required to form the OPC and enjoys all the benefits of a normal limited liability company.

When: If you are a single founder and planning to start a business or you are already running a business as a proprietor, then OPC is actually an ideal choice for you. Also, owner can anytime convert OPC at ease.

**e) Private Limited company:** Private Limited Company is the most preferred form of business as it has perpetual succession. They are governed by Companies Act 2013. Private company is the ultimate form of business, because in this form, owners can do any type of complex business transaction as they like. Unlike Partnership, Shareholders of the company are liable to the extent of their share. In India Ministry of Corporate Affairs being the apex body in this regard, the company is to be registered with MCA. This registration gives recognition to the company and also some reliance to the probable investors. The Private Limited Companies require a minimum paid up capital of Rs. 1,00,000 and a minimum of two directors to come into existence. Irrespective of Share Capital or Turnover Companies need to compulsorily get its account audited.

When: This form is recommended for startup businesses who have passed their test phase and plan to expand their business. Though a little more compliance oriented than the other forms mentioned above, a Private Limited Company gives you a more authentic status in the eyes of investors and other stakeholders.

**f) Public Limited Company:** This is the largest and the most powerful form of business in India and at the same time have larger number of compliances.

When: This form of business is best for you if you are already running business and want to expand it to considerable size. It is not really advisable for startups, If you are really planning something big or you have actually been running a big business, public limited company is the best option for you.

DCS has provided you with basic idea of different forms of business prevailing in India. There is no hard and fast rule for deciding a particular form of business We have aimed to help you in understanding the various forms of business and their suitability situations.

Choosing best form of business as important as the execution of the idea of business. If your idea needs funding then Proprietorship and partnership cannot not give the right plough back what your business needs. So, before choosing, look over all the aspects that can affect your decision of starting a business.

**FINDING A RIGHT ACCOUNTANT**

Following the industry trends we found that there was one general problem. The focus of the businessman is usually dissected between managing his business and maintaining accounts and regulatory compliances. If the same brain focuses on the business only, there can be a manifold growth in the business,.. Small business owners can often be heard to say that they can’t afford an accountant or that they think an accountant is just there to fill out forms to keep the tax man happy. . But this is true only in theory. Once you hire an accountant you are free from the regular maintenance of books of accounts and statutory compliances. You can then concentrate on your business operations more effectively.

**What Does an Early-Stage Accountant Do?**

It’s a misconception that at the early stage of business role of accountant can be avoided. A good Accountant would always be helpful right from the point where you conceive idea of having your own business, to say even before starting your business. Roles of accountant can broadly be segregated into three major heads:

**Starting up:**

**Up and running:**

**Growing your business:**

**Starting up:**

* Getting Business licenses
* Incorporating Company & Necessary Filings
* System Implementations of System & Control
* Policies and procedures
* Expense tracking
* Financial planning

**Up and running:**

* Day to Day Accounting and month end accounting
* Payment of Taxes & Filing of Tax Returns
* Checking Revenue Leakage
* Contracts administration
* Payroll
* Accounts payable/Accounts receivable
* Financial reports
* Control over Fixed assets

**Growing your business:**

* Cash flow analysis
* Audit support
* Financial forecasting
* Preparation of Budget

A good accountant would save your time and money and at the same time will be partner to your growth

Taking the angles of time and money first:

**Saving you Time**

In the current scenario it is almost impossible for business houses to get things done without the help of professionals. Often they end up in paying huge fines and penalties to Government.

One should spend their time in what they are good at. Your time is best spent doing what you’re good at. You can probably complete most of the forms yourself, but completing them correctly would be doubtful. An accountant will complete the appropriate forms for you and return them to the appropriate authority in order and on time, leaving you free to focus on earning more money.

**Saving you money**

Completing the forms correctly is one thing. Doing them in the way that’s going to save you the most money is another. A good accountant will make sure you take advantage of every legal way to minimize your tax bill. A good accountant will make sure that his client takes advantage of every possible tax allowance and benefit.

**Growing Your Business**

Having knowledge of various business and clients, accountants have an edge over understanding business. A few wrong moves in the early days can put you out of business. Accountant keeps your business updated with current business scenarios. Unlike traditional bookkeepers, the modern day accountants help the business in many ways such as preparing MIS Reports, drafting deliverables, updating the system as per the latest amendments in law and regime.

In order for your business to be a success it’s important that you take the correct financial and managerial decisions early on.An accountant can act as a sounding board. He or she knows your business almost as well as you do and probably knows the financial side of it even better. Objective input from someone that knows your business but doesn’t have the emotional attachment to it that you do is priceless.

It’s not a matter of whether you can afford an accountant – can you really afford not to have an accountant?

**CHOOSING A RIGHT BANKER**

Though opening an account with a bank may look simple but due care should be taken for same. If chosen rightly a banker can be of great help to the business concern. New startup would always like to save expenses wherever possible. If we do away with traditional way of banking and take use of proper e banking it can save tremendous staff cost.

## BENEFITS OF CHOOSING RIGHT BANKER

**a. Added convenience**

Benefits of relationship banking go beyond the obvious financial savings. For both individuals and businesses, "long-term relationship banking provides one point of contact and streamlines financial management. As a bank is already familiar with your financial situation, it takes less time to gather your information and vet the accuracy of what you report. This is not only beneficial when it comes to things like combining statements or transferring money, but also when applying for loans when the approval process can be lengthy and complicated if the lending institution doesn't "know" you from a previous business relationship.

**b. Privilege to have better interest rates and loan terms**

Customers can gain access to better interest rates than what is advertised to the general public. Based on your relationship with your banker, you may be able to get higher rates on your time deposits and lower rates on your borrowing.

**c.Higherlevelofcustomerservice**
Performance of a Bank’s branch manager is judged by their office's profitability, and losing a good customer can affect Branch’s performance. It's usual for customers with particularly profitable accounts to be treated with a much higher level of customer service, often having a single person appointed their personal banker to handle any need as it arises. A bank manager should treat his or her best and most profitable clients like royalty.

**d. Long-term insight and planning**

Belonging to a bank that is familiar with your financial status and history can also be extremely helpful when it comes to planning for the future. For a business customers banking relationship is essential.

**e Fewer fees**

Having a good relationship with your banker and because you're considered to be a highly valuable customer, things like checking account overdraft fees are easy to have waived. Worth mentioning, maintaining higher balances means you're likely to be exempt from common monthly maintenance fees, which are generally only charged when accounts fail to meet a minimum deposit requirement.

We at DCS aim to provide you complete services in starting new Business and being part of its growth. We Provide Services in relation to **Accounts, Taxation and Company Law Matters** .

You can get in touch with us for all your queries and concerns in relation to above at [**info@dcstax.in**](http://www.dcstax.in/) or visit us at [**www.dcstax.in**](http://www.dcstax.in/)



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