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Essential knowledge for
your business

SMALL BUSINESS HANDBOOK

EMPLOYING
PEOPLE

BUSINESS
MANAGEMENT

SETTING UP
ON YOUR OWN

H M Williams
Chartered Accountants

This is an excerpt from Lawpack's *Small Business Handbook*.

To get more expert business management tips and templates to help you get your business administration in order, [click here](#).

Small Business Handbook
by HM Williams Chartered Accountants

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For convenience (and for no other reason) 'him', 'he' and 'his' have been used throughout and should be read to include 'her', 'she' and 'her'.

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CHAPTER 8

Management tips, templates and checklists (TTCs)

Most management books are full of verbiage – and very good verbiage at that – but few, very few indeed, actually show you how to do management things. You will find lots of theory and calculations, graphs and diagrams, but very few actual guides as to how you should set about, for example, writing a letter or email to a job applicant inviting him to an interview, or how to write to him saying that he has got, or not got, the job.

This part of the *Small Business Handbook* is where we hope you will find that it scores where its rivals fail. This is where we hope you will get extra value for money from your purchase.

What we have done is arrange these management tips, templates and checklists into groups that correlate, roughly, with the chapters that have gone before; and then, at the end, we have added a host of other tips, templates and checklists that don't really fit under the headings already used, but which should be useful.

As we say at the start of this book, if there is anything here that you don't find helpful, or if there is a checklist that's missing and it's one you think we ought to include in a later edition, please let us know. If you send us a tip, template or checklist that we use, you will get a) a mention in the Acknowledgements page and b) a free copy of the next edition.

So what can you expect to find in this chapter?

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1. Running a business	1.01 Checklist of things to do when starting a business
	1.02 Self-employment questionnaire – is it for me?
	1.03 Heads of agreement for a partnership agreement
	1.04 The importance of a mission statement
	1.05 The importance of a vision statement

CHAPTER	TTC
2. Buying a business	2.01 Investors' aspiration form
	2.02 Possible sources of finance
3. Business law	3.01 Suggested terms of business
	3.02 Non-disclosure agreement
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	5.02 Sample full business plan
	5.03 KPIs
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	5.06 Budget sheet
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	8.15 Tips on one-to-one training
8.16 Creating a marketing plan	

1.01 Checklist of things to do when starting a business

	See Tips, templates and checklists number	Tick when done ✓
Am I made of the right stuff – have I filled in the self-assessment questionnaire?	1.02	
Have I developed a vision of what I hope to achieve?	1.05	
Have I developed a mission statement?	1.04	
Do I have a rough budget for the first few years?	5.06	
Do I have a cash flow forecast plan for the first year?	5.05	
Do I know the main reasons for business failure?		
Have I decided whether to trade as self-employed or through a limited company or partnership?	Chapter 1	
Do I know the basic rules of running a business?	Chapter 1	
Have I opened a business bank account?	Chapter 1	
Do I have sufficient finance in place?		
Have I registered this business with HMRC?		
Have I registered with HMRC for VAT? Do I need to?		
Have I registered with HMRC as an employer? Do I need to?		
Do I know what to do about displaying a trading name?	3.06 and 3.07	
Have I appointed a chartered accountant?		
Do I need to tell my local authority that I am running a business?		
Do I need any special insurance cover?	Chapter 6	
Am I aware of the basics of business law?	Chapter 3	
Do I know how to keep my accounts?	Lawpack's <i>Self-Employment Kit</i>	
Have I made a marketing plan?	8.16	
Have I created a website for my business?		
Have I ordered business stationery, invoices and business cards?		
Do my customers know what my terms of business are?	3.01	

1.02 Self-assessment questionnaire – is it for me?

Are you made of the right stuff to run your own business? Use the following questionnaire to discover to what degree you possess these needed traits. Be honest with yourself when answering the questions. Nothing is gained by being untruthful; the only person you hurt is yourself.

Read each question or statement carefully. Reflect on how strongly you either agree or disagree with it. Show how you identify with each remark by scoring from 1 to 10 at the end of each statement. For example, 1 will indicate you disagree with the question. On the other hand, 10 will signify that you strongly agree, i.e. it sums up your character precisely.

In respect of the question 'Do I perform well under pressure?', if you concur that you do perform well when under pressure, enter 10. If you feel your work deteriorates under pressure, enter 1. If you believe working under pressure makes you feel uncomfortable, but your work doesn't suffer, enter 4, etc.

	Your score out of 10
1. Do I perform well under pressure?	
2. Do I stay calm and not get stressed?	
3. Do I persevere when influences over which I have no control affect my life?	
4. Can I work with, and lead, a team?	
5. Am I prepared to make a plan for the future of my business and to revisit it regularly to see how things are turning out against this plan?	
6. Does making decisions come easily?	
7. Are the decisions I make usually the right ones?	
8. Am I positive, and do I enjoy taking risks?	
9. Am I prepared to delegate the work my business does to employees, so that I can concentrate on managing the business?	
10. Do I work well using my own initiative?	
11. Do I bounce back from setbacks and work at a problem until it's solved?	
12. Does the thought of learning new skills and the responsibility of being my own boss excite me?	
13. Do I have the ability to change my mind when it's obvious an earlier decision was wrong?	
14. Does explaining things to others come easily, and am I patient if I am misunderstood?	
15. How much might my spouse/partner object to my business interfering with our private lives? (no objection = 10)	
16. Am I a good listener, and can I take advice from others?	
17. Do I prefer to stand alone, rather than to be one of a crowd?	

1.02 Self-assessment questionnaire – is it for me? (continued)

18. Do I enjoy meeting and dealing with different people?	
19. Is having my success recognised by others important to me? (not important = 10)	
20. Am I at present in good health, and rarely get sick?	
Total:	

When you have answered all of the questions and statements, total your score. Look below to see how you shape up to becoming an entrepreneur. If in doubt, give your completed assessment questionnaire to a friend or relation you trust. Ask him for a fair appraisal of your abilities. Don't be afraid of criticism. Learning to accept your faults is another trait you'll need in your armoury. Learning to conquer your failings is the bedrock of successful businesses.

ASSESSMENT RESULTS

Look for the group into which your score falls. In addition, also reconsider any scores which were either extremely high or low; assess how accurate you have been.

180 to 200 If your score lies in this band, stress and pressure spur you on. You are dedicated and prepared to work hard to achieve your goals. The risk and insecurity of running your own business will motivate rather than worry you. You have every chance of success with the right business idea and sound planning.

140 to 179 Certain aspects of running your own business may give you problems. The severity of these will depend on your determination to overcome adversity. Concentrate on improving those areas where you did not have a high score. However, you seem to have the right frame of mind to deal with the day-to-day pressures of running a business. Your business should flourish and you'll probably enjoy the rewards more than those with a higher score.

100 to 139 If your scores varied wildly, such as a lot of 1, 2, 8 and 9s, you must try to improve the lower scores. Otherwise those regions could be the source of severe problems if you are unable to change them. If this score was reached with reasonably consistent scoring, you should have no cause for concern, but you must ensure that you have a good business plan and are prepared to make use of the various training schemes.

60 to 99 If your responses were born out of uncertainty, contact your local enterprise agency for details of training courses. While you may have the ability to run your own business, there are strong indications that you will not enjoy it. Not enjoying your business could cause you to give up under the slightest pressure. Think long and hard about whether you really want to run a business. If you still think going into business is for you, make use of the help and training that are readily available.

Under 60 Running your own business will be a strain – one you may not wish to endure for long. Running a business requires confidence, self-reliance and the competence to handle stress and pressure. Without these traits it would be unwise to set up your own business. You should find out about training courses in your local area to develop the skills you lack.

The above assessment results are only a general guide and only useful if you are frank and truthful. It is not an appraisal of your technical and commercial proficiency, but of your personal attributes, which could affect your business. It's basic and is only intended to give a broad idea of your aptitude. Contact your local Business Link for details of courses in your area, since even with the right personality and attitude, some skills instruction may be beneficial.

1.04 The importance of a mission statement

In the past we used to groan when it was suggested that every business should have a mission statement, but, as time has passed, this concept has become more widely accepted. Yes, I accept that it sounds like an American idea, but don't let's moan about and knock every idea that may come from the other side of the pond – and don't let's knock this one.

First of all, what is it? Well, mission statements are short, memorable and believable sentences that encapsulate what it is that your business stands for. I actually think they should be drafted in a way that the customers, as well as the employees, can read and, if they find they are true, accept.

Why have them? Because they summarise why you go to work. So often, people go to work simply to earn a crust. What I would like to see is people going to work to live; going to work to enjoy themselves, have fun and spread a little happiness each day both within their organisation and, more importantly, in the direction of their customers. Having a mission statement (at least having the right mission statement) can facilitate such an atmosphere.

You will probably be fed up with me harping on about my own experiences but it's these experiences that have given me the confidence to write this book – they are, I believe, important enough to share with you. In our business, we use the mission statement 'We want to score ten out of ten in everything we do for our clients.' We don't always achieve this score but, when we do, we get thank yous ('wows') accordingly.

This mission statement, which reflects our mission in our working life, is at the head of everyone's employment contract – if people don't believe it, they don't sign up to it and don't come to work for us. It's also measurable. We can ask our customers to rate us against this target, so we can tell how well or badly we're doing. It becomes a core belief and our reason for coming to work.

I happen to think that it's a particularly good one (not that I invented it, but the moment someone said it, I knew it was a winner) and you are welcome to use/plagiarise it.

But perhaps you can see that having a slogan like this provides a happy focus for everything you do at work, is easily remembered and, to counteract the criticisms of the moaners I mentioned at the start of this point, having a mission statement is actually rather a good idea.

1.05 The importance of a vision statement

A vision statement is a short (no more than one page) statement of what you want your business to look like in (say) five years' time.

Here is a typical template for you to develop in your own way. I've added some suggested words to fill the blanks:

Working vision statement

This firm has as its sole commercial purpose the objective of _____.

It will be acknowledged as the best in its industry and region.

Team members will be proud to be part of the firm and will benefit from above average compensation, a happy working environment, constant opportunity for professional advancement and personal growth and a close involvement in the decision-making process within the firm.

There will be a high level of trust and mutual respect among all team members, owners and clients.

Each person will understand and subscribe to the firm's mission and will regularly assist in its accomplishment.

The owners of the firm will always place the welfare of the firm and that of its clients above their own self-interests.

However, it will always be understood that the owners can expect to receive fair compensation reflecting the value of their contribution and the capital they have invested.

The firm will be innovative in its service delivery and will be guided by its principal purpose of always wanting to excel.

The service it offers will be clearly defined, highly structured and priced in accordance to the value it represents to its clients.

2.01 Investors' aspiration form

How well are the intended participators going to work together?

We suggest that everyone takes a copy of this list and writes his answers down for an independent and knowledgeable person to review and report on how well it appears everyone will work together in the new business:

Name of person completing this form:	
Questions	Answers
What do I hope this business will achieve?	
Why do I think this business will be successful?	
What will I bring to the business in terms of opening capital for shares and any other assets?	
How much time will I devote to the business?	
What would I like to do in the business?	
What title would I like to have?	
What do I not want to do in the business?	
Who do I think the boss of the business should be?	
Will I be prepared to bring more money to the business should it be necessary to do so?	
When would I like to retire from the business?	
What do I hope to earn from the business each year?	
What dividends would I hope to be paid?	
What benefits would I like the business to provide? E.g. a car, mobile phone.	
What would I like to happen to my shares in the event of my early death?	
Who should sign cheques, etc.?	
Over what level of payment should a cheque have more than one signature?	
Where should the business bank?	
Should accounts be prepared more frequently than annually?	
Which firm of accountants should be appointed?	
Should there be a shareholders' agreement?	

Signed: _____ Date: _____

Once the copies of these forms are complete, hand them to your chosen reviewer for him to look at, compare and then give his candid opinion of whether the people involved are likely to work well together, as well as to highlight where any potential difficulties appear to lie. The sort of person we have in mind to conduct this review might be a partner in the company's chosen firm of chartered accountants.

2.02 Possible sources of finance

- Your **family**
- Your **bank**
- **Leasing** (beware of the pitfalls) and **hire purchase**
- **Venture capital** – again there are pitfalls
- **Grants** – Small Business Service/Business Link, see below
- **Pension funds** and **insurance companies**
- **Others** – the list of individual organisations is very, very long.

Seeking government support

Borrowing money from a bank to start your business will be expensive and there are lots of tales of banks being 'fair weather' friends. Another source of finance could be a grant from the government to help with start-up costs.

Now, the government isn't in the business of giving grants to every small business that comes cap-in-hand to it. There are lots of factors (even limitations) that need to be adhered to.

Most grants are limited to the size of the business (in terms of employees). Location is also an important consideration and a grant may mean locating to another part of the country where special financial assistance is targeted.

Grants can be valuable, so it's worth checking out through your nearest Business Link office. Their helpline is 0845 600 9006 or go to the 'Finance and grants' section of their website, www.businesslink.gov.uk.

3.01 Suggested terms of business

What we enclose here is an example of the very minimum you should have. It should be available, or printed on the back of every invoice, and also included on your website.

As we have said before in this chapter, we strongly recommend you to take professional advice before you make your own terms of business public.

Here is some simple wording to get you started in a user-friendly way:

Thank you for using [*enter the name of your business*] for your purchase.

May we take a few moments to explain how we do business with our customers?

1. You may order products from us by telephone (01234 567890) or post (see the address below) or by email to sales@yourbusiness.com or through our website using PayPal.
2. When you pay by credit card you must be authorised to use the card you are charging.
3. Our prices include all postage costs within the UK.
4. All products are to be paid for prior to delivery, but see our two guarantees in the next two paragraphs.
5. We will deliver your order within 28 days. If we fail to meet this deadline, you are free to return the product, or cancel the purchase, and receive a full refund.
6. If having received any of our products you are not happy with any of them, send them back with original proof of purchase within 28 days to us at:

Freepost (enter Freepost code)

The name of your business

Anytown

Borsetshire

AB20 7CD

And we will send you a full no quibble refund.

7. If you have any complaints about our company, its employees or its products, please let us know and tell us how we can put the problem right.

3.03 Data protection recommendations

For data security generally:

- Shred all your confidential paper waste.
- Check the physical security of your premises.
- Train your staff:
 - a) so they know what is expected of them;
 - b) to be wary of people who may try to trick them into giving out personal details;
 - c) so that they can be prosecuted if they deliberately give out personal details without permission;
 - d) to use a strong password – these are long (at least seven characters) and have a combination of upper- and lower-case letters, numbers and the special keyboard characters like the asterisk or currency symbols;
 - e) not to send offensive emails about other people, their private lives or anything else that could bring your organisation into disrepute;
 - f) not to believe emails that appear to come from your bank that ask for your account, credit card details or your password (a bank would never ask for this information in this way);
 - g) not to open spam – not even to unsubscribe or ask for no more mailings. Tell them to delete the email and either get spam filters on your computers or use an email provider that offers this service.

For computer security:

- Install a firewall and virus-checking on your computers.
- Make sure that your operating system is set up to receive automatic updates.
- Protect your computer by downloading the latest patches or security updates, which should cover vulnerabilities.
- Only allow your staff access to the information they need to do their job and don't let them share passwords.
- Encrypt any personal information held electronically that would cause damage or distress if it were lost or stolen.
- Take regular back-ups of the information on your computer system and keep them in a separate place so that if you lose your computers, you don't lose the information.
- Securely remove all personal information before disposing of old computers (by using technology or destroying the hard disk).
- Consider installing an anti-spyware tool. Spyware is the generic name given to programs that are designed to secretly monitor your activities on your computer. Spyware can be unwittingly installed within other file and program downloads, and their use is often malicious. They can capture passwords, banking credentials and credit card details, and then relay them back to fraudsters. Anti-spyware helps to monitor and protect your computer from spyware threats, and it is often free to use and update.

3.03 Data protection recommendations (continued)

For using emails securely:

- Consider whether the content of the email should be encrypted or password protected. Your IT or security team should be able to assist you with encryption.
- When you start to type in the name of the recipient, some email software will suggest similar addresses you have used before. If you have previously emailed several people whose name or address starts the same way – for example ‘Dave’ – the auto-complete function may bring up several ‘Daves’. Make sure you choose the right address before you click send.
- If you want to send an email to a recipient without revealing his address to other recipients, make sure you use blind carbon copy (bcc), not carbon copy (cc). When you use cc every recipient of the message will be able to see the address it was sent to.
- Be careful when using a group email address. Check who is in the group and make sure you really want to send your message to everyone.
- If you send a sensitive email from a secure server to an insecure recipient, security will be threatened. You may need to check that the recipient’s arrangements are secure enough before sending your message.

For using faxes securely:

- Consider whether sending the information by a means other than fax is more appropriate, such as using a courier service or secure email. Make sure you only send the information that is required. For example, if a solicitor asks you to forward a statement, send only the statement specifically asked for, not all statements available on the file.
- Make sure you double-check the fax number you are using. It is best to dial from a directory of previously verified numbers.
- Check that you are sending a fax to a recipient with adequate security measures in place. For example, your fax should not be left uncollected in an open-plan office.
- If the fax is sensitive, ask the recipient to confirm that he is at the fax machine, he is ready to receive the document, and there is sufficient paper in the machine.
- Ring up or email to make sure the whole document has been received safely.
- Use a cover sheet. This will let anyone know who the information is for and whether it is confidential or sensitive, without him having to look at the contents.

3.06 Business names – what to do

Every business is legally obliged to display their business name – and other details – to inform customers and suppliers who they are dealing with.

DISPLAYING A LIMITED COMPANY NAME (This also applies to limited liability partnerships (LLPs))

You must display a sign at your place of business that shows your company name. It must be easily read, be clearly visible and always on display – not just during business hours.

You must also include the registered name on all letters, faxes, business cards and business communications, as well as on email and other correspondence and on your website (see also below).

You must also show the place of registration, the registered number, the address of the registered office, and the fact that it is a limited company or LLP.

You do not have to state directors' names on business letters unless you want to do so. However, if you do decide to include directors' names, then you must state all the directors' names.

DISPLAYING A SOLE TRADER OR PARTNERSHIP BUSINESS NAME

If you are a sole trader or partnership, you must display a sign at your place of business that shows your business name. It must be easily read, be clearly visible and always on display – not just during business hours.

Your business name, your own name and business address must be clearly displayed on all letters, faxes, business cards and business communications, as well as on email and other correspondence and on your website (see also below).

If you decide to display the partners' names, then all the names must be included.

THE FORMAL WAY OF DISPLAYING YOUR NAME

One way of displaying your name is to use the proforma sheet on the following page, a larger version of which is available from the publishers, Lawpack.

DISPLAYING ANY NAME ONLINE

If your business has a website, you must display:

- General information about your business – including business name, address, telephone and fax numbers, email address, VAT registration number (if applicable)
- Details of any relevant professional body that you belong to.

3.07 Notice of particulars of ownership

Notice of Particulars of Ownership

As required by Section 1202 of the Companies Act 2006

Insert name of business

Proprietor

Insert full name of business proprietor

Address within Great Britain at which documents relating to the business may
be effectively served on the proprietor

Insert full address

3.08 Business stationery – what it must show

All business stationery, order forms, emails, websites, etc. must include the following information:

- The company name, including the word 'limited'
- The place of its registration (England and Wales, Scotland or Northern Ireland)
- Its registered number
- The address of its registered office.

In addition it's also sensible to include:

- Its address, if it's not the same as the registered office
- Contact details such as website, phone and fax numbers, etc.
- VAT number, if appropriate.

If the names of directors are included, then all of the names must be printed. It's unwise to print the names of all directors because if one ceases to act, it will necessitate the reprinting of all business stationery.

An investment company must state that it is one on its stationery.