

2020 EDITION

THE ULTIMATE
Finance Checklist
For Startups



THE ULTIMATE FINANCE CHECKLIST FOR STARTUPS.

Building a Finance function from scratch is hard. Dealing with a broken finance function later on in your business is even harder. There may be gaps in your finances that will cause issues later on, or functions that you weren't even aware you should be setting up.

We've put together the ultimate finance checklist to give you peace of mind.

ACCOUNTING

The very basics of your finance functions start with mandatory filings and business processes. It is generally advised that you get a 3rd party accountant to support these functions early on:

- Bookkeeping
- Tax filing processes (Corporation, VAT, Personal)
- Payroll & Pension
- Companies house filings
- Chart of accounts (set up your chart of accounts to be relevant to your business)

FINANCE AUTOMATION

The good news is that you don't need to do most of the more manual finance work. Save yourself hours of tedious work by making sure you have these tools set up:

- Cloud-based accounting system.** We recommend Xero (in the UK). It is easy to set up and use. It is also widely used by 3rd party accountants. Xero has a range of functionality which you should make the most of, such as management reporting and expense reimbursements.
- Financial Reporting tool.** A good tool will help you report on the KPIs that matter to you, including any relevant financial insights. Fathom and Spotlight Reporting are a couple of the tools we use most.
- Customer invoicing tool.** You'll need a tool to automate and organise customer billing. Good examples are Chaser or Recurly (for SaaS).
- Receipt collection tool.** This will help you collect and organise receipts (digital). Most commonly we see startups using Receipt Bank for this.
- Written Standard Operating Procedures / Process Map.** This ensures consistency across your company and finance functions.
- Company cards.** You don't want to be chasing employees for that one coffee receipt from 2 weeks ago. Let tools such as Soldo and Pleo do it instead.
- Application Connectors.** Connect your apps and automates workflows. We recommend Zapier for connecting multiple data sources and automated actions.

[Check out our full list of useful resources and tools here »](#)

KEY PERFORMANCE INDICATORS (KPIs)

Measuring your performance is the first step in making informed decisions. KPIs vary across businesses but here are some general ones. A good place to start is with [Pirate Metrics \(AARRR\)](#):

- Acquisition:** Number of downloads, sales, leads, new customers, new users, sign ups
- Activation:** The metric that is your customer's "Ah ha!" moment. This could be completing a purchase on your website, connecting with someone on your platform or engaging with content you've created within your service or product.
- Retention:** The % of customers you retain each day, week, month or year. Measuring retention at different stages in the customer lifecycle can give you even more insight in to your ability to retain customers. Use cohorts for even more insights.
- Revenue:** How you monetize your customers. Some KPIs associated with this will be revenue growth %, average revenue per customer and % of users who are paying.
- Referral:** Number of users being acquired through customer referrals.
- Number of Customers & Users:** Tracking how many customers you have that are paying and those who aren't
- Customer Acquisition Costs (CAC):** How much it costs you to acquire a new customer.
- Lifetime Value (LTV):** Total revenues over the life of that customer, less the costs of delivering service to that customer.
- LTV / CAC:** A ratio comparing the value of your customer vs the cost of acquiring that customer.

CASHFLOW MANAGEMENT

Most business owners track their cash by looking at their balance in their bank account and getting a rough idea of how much money they've spent. Don't be like most business owners. Cash is one of the most important aspect of your business. Without cash, you can't pay your suppliers or staff. And you can't run your business. Make sure you have the following:

- Company runway & cash burn per month
- Cash coverage ratio (How many months of expenses can you cover with the cash you have on hand)
- Short-term cashflow forecast (26 weeks)
- Long-term cashflow forecast (3 years)
- Target cash balance (typically 3-12 months of expenses)

Here is a resource for a great KPI dashboard we use at Ralston in order to keep track of our KPIs.

[Get it Now »](#)



REVENUE

Revenue isn't just "revenue." It can be analysed and viewed in different ways to drive insights. You want to track who owes you what, and when you will likely receive your payments. You want to know who are your main customers, how they behave, and what they want. And lastly, you want to know what your revenue is going to look like in the future. If you don't know what your goals are, how are you going to achieve them?

- Revenue by customer type
- Revenue by product / service
- Revenue by sales channel
- Revenue by geography
- Monthly / quarterly / annual revenue targets
- Days Receivable Outstanding - This tells you how many days, on average, it takes your business to get paid and receive the actual cash from your sales.

KNOWING YOUR COSTS

Costs can easily soar sky high if you don't keep a close eye on them. You can split your costs up by different function, and track them as a percentage of your sales to make sure they are in line. Track the following expenses:

- Cost of Goods Sold** - This is what it costs you to deliver your service or product.
- Sales & Marketing Expenses** - Any expense related to acquisition, branding, sales team, content creation, etc.
- Research & Development Expenses** - These are any cost that relate to the development or creation of your product or service.
- General & Admin Expenses** - These include rent, utilities, insurance, bank and legal fees, as well as your operations staff.
- Fixed vs. Variable Costs** - Fixed costs are costs that are constant, regardless of the amount of goods produced. On the other hand, variable costs are dependent on the amount of goods produced or how much of your service is delivered.
- Total Staff Costs** - This includes your staff's wages, payroll taxes and other benefits. This is a good number to track to be aware of how much cash you need for payroll each month.
- Gross Profit Margin %** - This a measure of your company's profitability. Gross profit margin is the percentage that remains once cost of goods sold are deducted from sales.
- Net Profit Margin %** - Similar to gross profit margin, net profit margin refers to the portion that remains once cost of goods sold, operating expenses, taxes, depreciation and interest have been deducted from sales.

TAX INCENTIVES

Taxes also fall under the finance function, though your accountant will probably take care of this for you. If you've never heard of the below terms before, you may want to set these up to help your business become tax efficient:

- R&D Tax Credits:** If you haven't done so already, check out if your business is eligible for R&D Tax Credits. The R&D Tax credit is a UK government incentive designed to reward businesses that innovate. Any company that invests resources into developing or enhancing new and existing products may be eligible. [See the criteria here »](#)
- EMI Option Scheme:** The EMI Options Scheme is a tax efficient way to offer equity to your employees
- SEIS/EIS:** These are UK government incentives that encourage investment into startups. [Read more about it here »](#)

FUNDRAISING MATERIALS

Lastly, if you are thinking about fundraising any time soon, you will need to ensure that your financials are in a good shape. This includes having clean books, budgets & forecasts in place, pitch decks and investors sheets. Here are our recommended materials:

- 1-page Company Summary
- 10-page Short Form Pitch Deck. This is your elevator pitch that you'll use when you're presenting to investors.
- Long Form Pitch Deck. Similar to the short form pitch deck but a content rich version. This should include even more details, slides and appendix. This version should be designed to share not present.
- Financial Projections (Excel or Google Sheets)
- Cap table
- Investor Customer Relationship Management (CRM) database or tool
- Investor FAQ database & cheat sheet

CONCLUSION

And there you have it! Building your finance function is a lot more than just putting together the bookkeeping. It can have a direct effect on how you manage your business, and if your business will be successful.

If you need help setting up any of the tasks mentioned, feel free to reach out for a [free consultation with us](#).

ABOUT RALSTON FINANCE PARTNERS

We provide strategic financial services to start-ups and scales-ups that believe in what they are building and want to see themselves succeed. As a financial extension of their team, we offer expertise, fortitude and honesty in every custom strategy we provide, so that our clients and their companies can grow and thrive.



WHAT WE CAN HELP WITH



SEED STAGE

Finance Managers

Go beyond traditional reporting. Get the right information to boost profitability and optimize revenue.



GROWTH STAGE

Controllers

We create finance processes that scale, improving your working capital and reliability of information.



EXPANSION & EXIT

FDs & CFOs

Our partners provide experienced advisement around the decisions that make or break your business.