

# Report On a Café

## **Introduction**

I have chosen to set up a Café business. This would be a private limited company. I will rent a shop and pay a certain amount every month to the owner. In my cafe, you can relax and have a nice cup of coffee or you can simply take it away. My café also sells snacks made with the finest ingredients. We do not do deliveries because it may cost too much because you will have to pay the drivers and even pay for petrol. My business will be set up in a busy area where it can be accessed easily to purchase their drink. I will employ 2 people altogether, keeping it to a minimum because I cannot afford to employ so many people. I will employ a person to teach them how to make the beverages and I will employ another 2 people to help clean tables and other things. My job is to help out in a bit of everything but mostly on the tills, serving customers.

## **Why is finance needed?**

I would need to pay for a lot of things. A certain amount must be used for electricity bills and also pay rent every month. I would buy certain equipment like coffee makers because they do not cost that much but other advanced equipment would have to be rented for a short period of time until I have received a little profit to be able to buy it because renting things for a short period of time can reduce costs compared to long term uses. Also, the advantage of renting is that if a machine has been broken then the company which you have rented from will repair machinery for you. I also need money to buy raw materials like coffee beans to be able to start the business. On a monthly basis I have to pay for rent and bills but also wages and salaries for the employees. Money is needed for cash flow for day-to-day costs. The timing of payments for goods and services delivered to customers does not always match the outgoings of payments for raw materials and wages. Finance may be needed to cover those periods where the firm is short of cash.

Before opening the store, I need to buy cups and plates to be served on in order to start the business, also tables and chairs. I may spend a little more in the interior designing because it can attract more customers as they would like the environment therefore they will come to my café more often to relax.

For future planning, I may wish to expand the business and grow. In order to move into larger premises, open up new shops, employ more staff and purchase more equipment, the firm will need to seek finance. Some savings can slowly grow to be able to expand.

## How will I finance my business?

<b>Finance needed for</b>	<b>Finance by</b>	<b>Why?</b>
Products to sell E.g. Coffee Beans	Trade Credit	This can allow more time to earn money so we could pay them back.
Rental for shop	Leasing	This can prevent me from using my own capital and can still be paid.
Bills for electricity and gas	Retained Profit	There is no need to pay back and doesn't cost a big sum of money.
Tables & Chairs	Bank Loan	I want to buy good quality tables and chairs so customers can feel more comfortable so a lot of money will be used to buy these.
Equipment E.g. Coffee Maker and dishwashers.	Hire Purchase	These cost too much therefore for a short period of time I will rent it until I have enough profit to buy it.
Cups and Plates	Hire Purchase	I will need a lot of these and it has to be good quality so it will cost a lot. When I have enough profit I will buy them because if I rent it for a long period of time it will cost a lot.
Products to use E.g. Sugar	Trade Credit	This can allow time to earn money and pay the suppliers back.
Tills to keep a record of what types of drinks are sold	Leasing	For short term use because I won't have much money, when I get profit I shall buy it.
Computer to store stock details and make posters.	Own Capital	A computer does not cost a lot so I will use my own capital to buy it.
Money for cash flow problems	Overdrafts	This is for emergency uses and this is a quick method of obtaining money for a short period of time.
Expansion for the future	Retained Profit	There is no rush for expansion so I can slowly use profit. There is no need to pay anyone back using

		this method.
Wages and Salaries	Own Capital	Because there is no need to pay anyone back.

### **Conclusion**

In conclusion, if my business goes well then I will be able to expand and earn a lot of money but on the other hand if the business does not go so well then I will be in a lot of debt. But because my business is a private limited company then I do not need to sell personal possessions to pay off the debt.

My cafe costs a lot of money and if I am in debt I will be able to sell a few things off because I have used my own money to buy it like a computer for example.