

**ENTREPRENEURSHIP DEVELOPMENT AND STARTUPS***DIPLOMA WALLAH***COMMON FOR ALL BRANCHES*****Jharkhand University Of Technology (JUT)*****UNIT 5: FINANCIAL, LEGAL & OPERATIONAL FOUNDATIONS****STARTUP FINANCIAL BASICS****1. Understanding Startup Costs****Definition:**

Startup costs are the total initial expenses incurred by an entrepreneur before launching a business. These costs include planning, product development, legal registration, marketing, equipment, and working capital. They form the foundation for financial planning and budgeting.

**Types of Startup Costs:****1. Fixed Costs:**

- These remain constant irrespective of production or sales level. ○  
Examples: Office rent, salaries, internet bills, insurance, administrative expenses.
- *Example:* A digital startup pays ₹10,000 rent monthly whether it earns profit or not.

**2. Variable Costs:**

- These change with production or sales quantity. ○ Examples: Raw materials, packaging, delivery cost, electricity usage in production.
- *Example:* For a café, cost of milk, sugar, coffee beans increases with number of cups sold.

**3. Semi-variable Costs:**

- Have both fixed and variable components. ○ Example: Phone bills (fixed line rent + usage charge), machine maintenance.

**Importance of Startup Cost Planning:**

- 
- 
- Helps estimate how much investment is needed before launching.  
Prevents financial shortage during startup phase.  
Guides in setting realistic pricing and profit goals.
- Builds investor confidence through financial clarity.

### Diagram (you can draw):

#### Startup Costs

- ├ Fixed Costs (Rent, Salary)
- ├ Variable Costs (Raw Material, Delivery)
- └ Semi-variable Costs (Phone, Maintenance)

## 2. Revenue Models - How Startups Earn Money

### Definition:

A **revenue model** describes the strategy a business uses to generate income from customers. It defines the sources through which money enters the company.

### Major Revenue Models:

Model	Description	Examples
<b>Product Sales</b>	Selling physical or digital goods directly to customers	Amazon, local shops
<b>Service Model</b>	Earning through providing a service.	Consulting, freelancing
<b>Subscription Model</b>	Monthly or yearly fees for continued access	Netflix, Canva
<b>Freemium Model</b>	Basic features free, advanced paid	Spotify, Duolingo
<b>Commission Model</b>	Taking percentage on each transaction	Zomato, Swiggy
<b>Advertising Model</b>	Generating revenue by displaying ads	YouTube, Facebook

- 
- 

<b>Licensing Model</b>	Charging others to use your intellectual property	Microsoft Windows
------------------------	---	-------------------

**Importance:**

- Decides long-term sustainability.
  - Helps forecast cash flow.
- Attracts investors by showing earning potential.
- Guides marketing and pricing strategies.

---

### 3. Pricing Strategies in Startups

**Definition:**

Pricing strategy refers to the method used to determine the right price for a product or service, balancing cost, customer value, and competition.

**Types of Pricing Strategies:****1. Cost-Plus Pricing:**

- Price = Cost + Profit Margin.
- Simple and ensures profit coverage.
- *Example:* Cost ₹100, profit 20%, price = ₹120.

**2. Value-Based Pricing:**

- Based on customer's perceived value, not just cost.
- Used for innovative or premium products.
- *Example:* iPhone priced higher due to brand value.

**3. Penetration Pricing:**

- Set low initial price to attract customers quickly.
- Increase later once the brand becomes known.

**4. Premium Pricing:**

- High price to show exclusivity or luxury.
- Used by high-end brands (Rolex, Tesla).

- 
- 

#### 5. **Competitive Pricing:**

- Match or slightly undercut competitor prices.
- Best for crowded markets.

#### 6. **Dynamic Pricing:**

- Prices change based on demand or season.
- Example: Hotel booking, flight fares.

#### **Factors Affecting Pricing:**

- Production cost
- Market demand
- Competitor pricing
- Brand positioning
- Customer affordability

---

#### **4. Sources of Funding for Startups**

Startups need capital to start and grow. Funding can come from different internal and external sources.

- 
- 

Source	Description	Example
<b>Bootstrapping</b>	Using personal savings	Student using own money for a website
<b>FFF (Friends, Family, Fans)</b>	Borrowing from close circle	Friend invests ₹5,000
<b>Grants/Subsidies</b>	Non-repayable funds by govt./NGOs	Startup India seed fund
<b>Bank Loans</b>	Borrowed funds repayable with interest	Mudra loan for entrepreneurs
<b>Angel Investors</b>	Wealthy individuals investing early	Ratan Tata investing in startups
<b>Crowdfunding</b>	Small amounts from many people online	Kickstarter, Milaap

#### Funding Stages:

1. **Pre-Seed Stage** – Idea development (usually self-funded).
2. **Seed Stage** – Prototype, small investors.
3. **Growth Stage** – Larger funding rounds, venture capital.

#### Activity:

Calculate your startup cost by listing items like:

- Office setup
- Marketing
- Website hosting

Licenses

Raw materials

Then calculate total cost = Fixed + Variable.

#### LEGAL & REGULATORY ASPECTS FOR STARTUPS

- 
- 

## 1. Choosing a Business Structure

### Definition:

The business structure defines the **legal form** of ownership that determines how taxes are paid, who controls the business, and the level of liability.

### Types of Business Structures:

Structure	Ownership	Liability	Example
<b>Sole Proprietorship</b>	Single owner	Unlimited personal liability	Local shop
<b>Partnership</b>	Two or more people	Shared liability and profit	Small café
<b>Limited Liability Partnership (LLP)</b>	Hybrid of partnership & company	Limited liability	Consultancy firm
<b>Private Limited Company (Pvt. Ltd.)</b>	Separate legal entity	Limited liability	Startups like Zomato
<b>Cooperative Society</b>	Owned by members	Collective profit	Dairy cooperatives

### Importance of Choosing Correct Structure:

- Determines how profits are shared.
- Affects tax benefits.
- Protects personal assets.
- Builds investor trust.

---

## 2. Business Registration and Licensing Steps to

### Register a Startup (India context):

1. Choose a unique name.
2. Register under **MSME / Udyam Portal**.

3. Get **PAN & TAN** for tax purposes.
4. Obtain **GST Registration** (if annual turnover > ₹40 lakh).
5. Apply for **Trade License** from local authority.
6. Open **Current Bank Account** in company's name.

#### Special Licenses:

- **FSSAI License** for food-related startups.
- **Import-Export Code (IEC)** for trading.
- **Environmental clearance** if manufacturing.

---

### 3. Contracts and Agreements

#### Definition:

A contract is a legally enforceable agreement between two or more parties that creates mutual obligations.

#### Types of Startup Contracts:

- **Founder Agreement:** Defines ownership and roles of co-founders.
- **Employment Agreement:** For staff and salary conditions.
- **Non-Disclosure Agreement (NDA):** Protects confidential information.
- **Vendor Agreement:** With suppliers or service providers.
- **Service Agreement:** For clients using startup services.

#### Elements of a Valid Contract:

- Offer and Acceptance
- Consideration (something of value exchanged)
- Legal purpose
- Mutual consent
- Capacity of parties

---

### 4. Intellectual Property (IP) Rights

#### Definition:

Intellectual Property refers to creations of the mind that have commercial value and can be legally protected.

Type	Purpose	Example
Patent	Protects new inventions	A new engine design
Trademark	Protects brand identity (name, logo)	Apple's logo
Copyright	Protects creative works	Software, books, art
Trade Secret	Protects confidential formulas	Coca-Cola recipe

### Importance for Startups:

- Prevents copying or misuse of innovations.
- Adds brand credibility.
- Attracts investors.

*Example:* A polytechnic student inventing a smart irrigation system can patent it to secure rights.

---

### Guest Speaker Suggestion:

Invite a **business lawyer** or **startup mentor** to explain local registration steps, tax filing, and IP protection process.

---

## OPERATIONS & TEAM BUILDING

### 1. Key Operational Considerations

Operations refer to how a business manages **resources, production, and service delivery** to ensure smooth functioning.

#### Core Operational Elements:

1. **Supply Chain Management:** Flow of materials from supplier to product delivery.
2. **Production/Service Process:** How products/services are made and delivered.
3. **Quality Control:** Ensuring consistency and standards.
4. **Inventory Management:** Balancing stock levels to prevent shortage or waste.
5. **Logistics:** Managing movement of goods efficiently.

**Example:**



A bakery startup's operations include – buying ingredients, baking, packaging, delivering to customers, and collecting feedback.

---

## 2. Building an Effective Founding Team

### Importance of a Good Team:

A startup succeeds only if the team members complement each other's skills.

Role	Responsibility
Founder/CEO	Vision, planning, leadership
COO	Managing daily operations
CTO	Technology, website/app
CMO	Marketing and sales
Finance Manager	Budgeting and funding

### Qualities of a Strong Team:

- Shared vision and trust.
- Complementary skill sets.
- Accountability and communication.
- Adaptability under pressure.

*Example:* A startup with a tech expert, marketer, and financial planner is more balanced.

---

## 3. Importance of Company Culture

### Definition:

Company culture is the shared set of values, beliefs, and behaviors that shape how employees work together.

### Positive Culture Includes:

- Respect and transparency
- Innovation encouragement
- Recognition and rewards
- Open communication

### Impact of Good Culture:

- Increases productivity and retention.
- Attracts talent.
- Improves teamwork and creativity.

---

#### 4. Defining Key Activities & Key Partners (in BMC)

##### **Key Activities:**

Main tasks required to deliver your value proposition.

- Product development
- Marketing & sales
- Customer support
- Supply management

##### **Key Partners:**

People or organizations that support your operations.

- Suppliers
- Manufacturers
- Delivery companies
- Investors
- Technology partners

*Activity:* Update your BMC with these sections.

---

#### **SUMMARY (Hinglish):**

Is unit mein humne seekha ki ek startup ke liye **finance, legal setup, aur operations** teen major foundations hain.

Agar entrepreneur in teeno areas ko samajhkar plan kare — jaise cost ka estimate, funding source, legal registration, aur ek strong team — toh business ke success chances kaafi badh jaate hain.

---

Diploma Wallah

Made with by Sangam