

# Starting a Business



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This presentation is the property of MMS Accounting Corporation with information gathered from multiple sources. It is intended to provide general knowledge about starting a business in Canada and various business structures.

You may contact our office for advice based on your individual circumstance and/or if you need additional information.

*E&OE*





I have an idea!

# 01

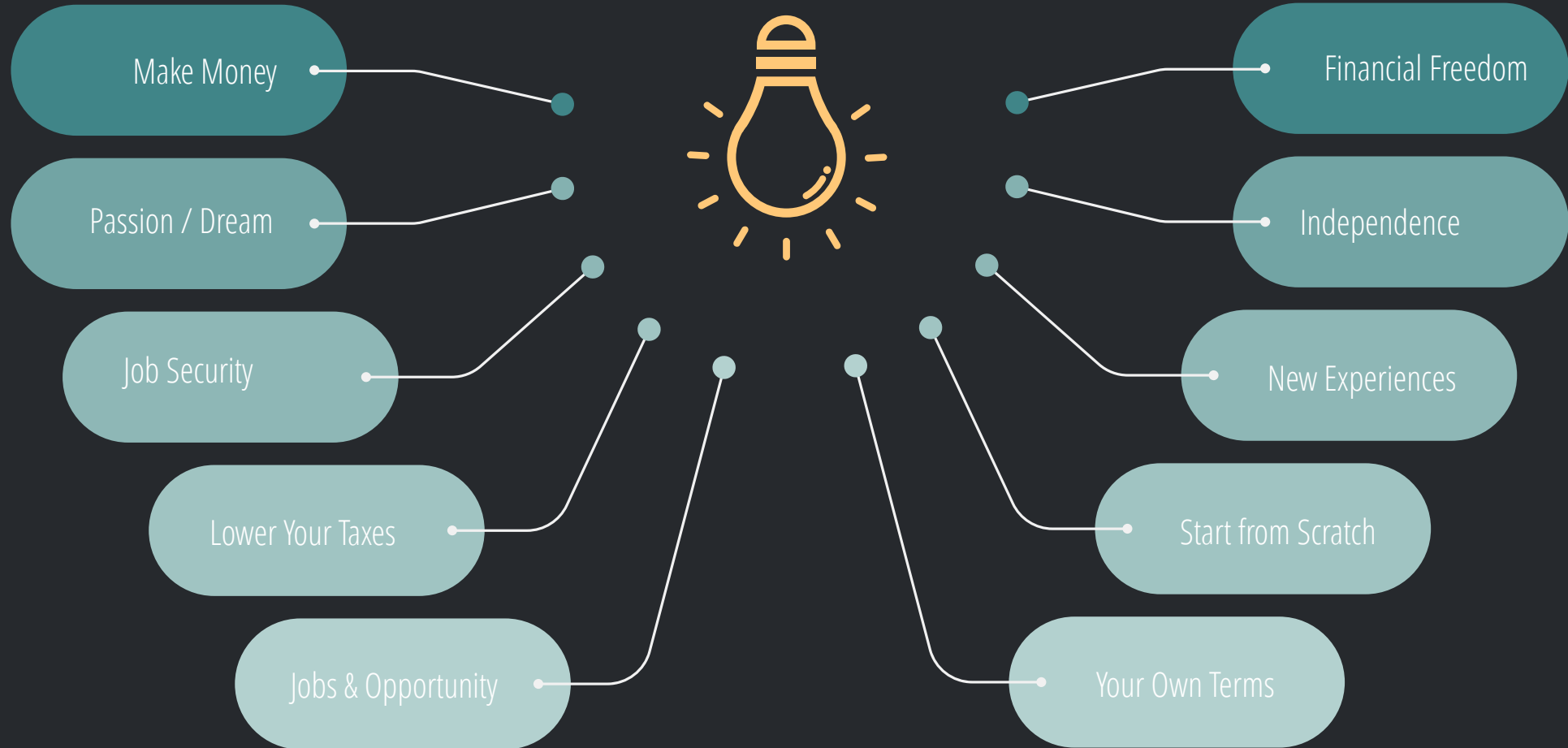
## Part One

REASONS TO START YOUR OWN  
BUSINESS



OWNING YOUR OWN BUSINESS MEANS  
BEING YOUR OWN BOSS, DECIDING WHEN  
YOU WORK, HOW YOU WORK, AND WHAT  
YOU WORK ON.

# Top Reasons to Start Your Own Business



# 02

## Part Two

TYPES OF BUSINESS STRUCTURES



# Types of Business Structures

Essentially there are four types of business structure in Canada ...

• SOLE PROPRIETOR •

• PARTNERSHIP •

• CORPORATION •

• COOPERATIVE •

# 03

## Part Three

PROS AND CONS FOR EACH TYPE

# Sole Proprietor

Informal and easily created. The business and the owner are one and the same in the eyes of the legal and tax authorities.

## EXAMPLES

- Store owner
- Landlord
- Realtor
- Physician
- Trainer
- Tutor

## PROS

- Easy and inexpensive to set up (you will only need to register your business name provincially, except in Newfoundland and Labrador)
- Relatively low cost to start your business
- Lowest amount of regulatory burden
- Direct control of decision making
- Minimal working capital required to start up
- Tax advantages if your business is not doing well i.e. deducting your losses from your personal income, lower tax bracket when profits are low, and so on
- All profits will go to you directly

## CONS

- Unlimited liability (if you have business debts, personal assets would be used to pay off the debt)
- Income would be taxable at your personal rate and, if your business is profitable, this may put you in a higher tax bracket
- Lack of continuity for your business, if you need to be absent
- Difficulty raising capital on your own

# Partnership

A business partnership consists of two or more legal entities pooling their resources to operate a shared business. The “legal entities” that form the partnership may be individuals, corporations, trusts, or partnerships.

## TYPES OF PARTNERSHIP

- General Partnership
- Limited Partnership
- Limited Liability Partnership

## PROS

- Easy to start-up a partnership
- Start-up costs would be shared equally with you and your partner
- Equal share in the management, profits and assets
- Tax advantage, if income from the partnership is low or loses money (you and your partner include your share of the partnership in your individual tax return)

## CONS

- Similar to sole proprietorship, as there is no legal difference between you and your business
- Unlimited liability (if you have business debts, personal assets would be used to pay off the debt)
- Hard to find a suitable partner
- Possible development of conflict between you and your partner
- You are held financially responsible for business decisions made by your partner (for example, contracts that are broken)

# Corporation

A corporation is a business set up that is treated by law as an entity that is separate from its owners (shareholders) that is made up by an individual, or group of individuals. A company has the same rights and obligations under Canadian law as a natural person.

When a corporation is created, each owner is issued a number of shares based on the percentage of ownership. Ownership can be transferred through selling those shares.

## PROS

- Limited liability ~ for the shareholders
- Lower corporate tax rates ~ 12.2% for a small business corporation in Ontario
- Easier access to capital ~ issue bonds and shares to investors
- Continuous existence ~ shares transferred to heirs

## CONS

- Higher start-up costs compared to sole proprietor or partnership
- Increased formalities ~ filing requirements and maintaining records
- More complex structure ~ individuals act on behalf of the corporation

# Types of Corporations

- Public such as RBC, IBM, Apple, Microsoft
- Private such as MMS Accounting!
- Not-for-Profit such as sports association, theatre/dance group, charity, social club
- Federal Incorporation
- Provincial Incorporation

## PROFESSIONAL CORPORATIONS

- Lawyers
- Physicians
- Dentists
- Accountants
- Personal Real Estate Corporation (PREC)



# Things to Consider



IDEA



PRODUCT



BUSINESS PLAN



START UP COSTS



WORKING CAPITAL



LOCATION



MARKET RESEARCH



CASHFLOW



STAFFING



FINANCING

# SWOT Analysis

## STEPS OF SWOT ANALYSIS

While undertaking a SWOT Analysis of your business idea, you can follow the following SWOT analysis steps:

1. Analyze the external environment
2. Analyze the industry and competition
3. Identify the external opportunities and threats
4. Analyze the internal environment and identify the internal strengths and weaknesses
5. Assess the attractiveness of the organization's situation and conclude the need for strategic action

S  
STRENGTHS

W  
WEAKNESSES

O  
OPPORTUNITIES

T  
THREATS



# 04 Part Four

WHEN IT'S A GOOD TIME TO START  
YOUR OWN BUSINESS

# When it's a Good Time to Start a Business

**STARTING A BUSINESS AND BEING AN ENTREPRENEUR INVOLVES LONG HOURS AND LOTS OF SACRIFICES, THEREFORE YOU NEED TO BE YOUNG TO START A BUSINESS....RIGHT?**

There are many people that switched careers and became very successful at a later stage in their lives like:

- Vera Wang designed her first dress at age 40
- Henry Ford was 45 when he created Model T car
- Arianna Huffington started her publication when she was 55
- Stan Lee created his first hit comic at age 39
- Donald Fisher was 40 when he and his wife opened the first Gap store
- Sam Walton founded the first Wal-Mart at age 44
- Julia Child launched her career as a celebrity chef at age 50
- Taikichiro Mori became a real-estate investor at age 51 and became the richest man in the world in 1992
- Ray Kroc bought McDonald's at age 52 and grew it into the world's biggest fast-food franchise



# 05 Part Five

THE BOTTOM LINE

# The Bottom Line

- The most common reason people launch their own business is to be their own boss
- Owning your own business brings some great benefits, and many entrepreneurs are satisfied with their decision after they took the leap
- Other benefits include flexibility, financial rewards, the opportunity to innovate, and a chance to impact others
- There are risks associated with starting your own business and you should carefully consider your decision and your situation before taking the leap



# 06 Part Six

Questions & Answers

# Thank You!