



INVEST
ASISTENT

Manual

Stages in the process of starting or developing a
business, investment, purchase
Business plan - **InvestAsistent**

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What is, why and how to become an innovative firm, company... .

What is an innovative company?

An innovative company is a company that constantly introduces innovations in its activity (products, design, technologies in production and environmental protection, intellectual property, organization) or develops new activities, all with the aim of optimizing operations for the sake of survival and development of competitiveness on the market.

Why an innovative company

Without the development of products, technologies and organization of work, the company has no perspective.

How to become an innovative company

Only by motivating all employees, which means for innovators a higher salary, career advancement and various benefits. In order for employees to be motivated to contribute to the company, the owner must set some rules that encourage and reward creativity.

The most common parameters for evaluating the contribution of a creative idea, innovation to the development of the company, are the SWOT analysis and the ratio of required investments and expected profit, in the distribution of which the innovator also participates.

Advanced companies have available to everyone:

- Questionnaire for SWOT analysis (advantages, disadvantages, chances and dangers of the proposed solution)
- Questionnaire in which innovators, with the assistance of management, enter input parameters: estimated investment value, estimated income (savings) and expenses, and the software recalculates the financial effects of the investment and shows the assessment of the profitability of the investment, through the software www.investasistent.com .

What is and why a Business Plan

A business plan is a document in which you present your business idea and evaluate the justification of the investment from a financial, and/or general social, energy, or environmental aspect. There are numerous methodologies for creating a business plan, which help you not to leave out some important data that could influence the decision on the acceptability of investment.

Regardless of which methodology you work with, the business plan contains the same data, only it may be arranged differently (data on the investor, description of the investment, duration of the project, value and duration of fixed assets, required working capital, dynamics of realization, planned sources of financing, estimated income and expenses, income statement projection, cash flow projection, financial effects of the investment and SWOT analysis).

The business plan is made in the form of Excel or software (such as our [Investasistent](#)), so that the financial effects of the investment can be subjected to a sensitive analysis, more precisely, to be able to see the effects in scenarios of changes in the value of the investment, sources of financing, income and expenses,

The lower limits of the acceptance of the parameters of the financial assessment depend on the type of investment.

Namely, the lower limits of acceptable financial assessment parameters in business start-up and development projects are stricter, and in infrastructure projects and projects to increase energy efficiency and ecology, they are usually lenient, because the social standard of the population is respected, so they are often encouraged with grants or other benefits.

You make a business plan primarily for yourself, in order to prevent investment risks, and not for the sake of potential creditors or co-investors.

A potential creditor is primarily interested in whether you are creditworthy, that is, what you can offer as a loan guarantee, i.e. do you have a property unencumbered by a mortgage, which is at least twice the size of the requested loan and that it is attractive, that it can be quickly cashed in if you do not pay loan installments. If this parameter is satisfactory, they analyze your creditworthiness, which you submitted with the loan request according to their form. In addition, the creditworthiness will be checked through official institutions (read more on the blog: [INVESTMENT AND CREDIT ABILITY OF INVESTORS](#)).

A potential co-investor is primarily interested in who you are as a company, so your previous reference in business is crucial, which should indicate a positive trend and successful management of the company. References and business operations are also checked by potential creditors through official institutions, and then they analyze the correctness of the presented financial analysis, with an emphasis on the analysis of the procurement and sales market and the SWOT analysis (read more on the [SWOT ANALYSIS](#) blog).

Kinds of investment

Investments are classified by their nature, so by nature they can include construction, reconstruction, adaptation and rehabilitation.

Construction

It includes investments that also include the construction of buildings.

Reconstruction

It includes works that change the size and appearance of buildings, as well as dimensions and significant technical characteristics of equipment.

Adaptation

It includes works that do not change the size and appearance of the buildings, nor the dimensions and essential technical characteristics of the equipment.

Sanitation

It includes works that are caused by the breakdown or breakdown of facilities, that is, equipment.

Note:

In the case of larger investments, which involve construction or reconstruction, which involve changes to the building and/or technological process, the designers involved in the creation of the conceptual or main project must have a state license. Before starting the works, they should be reported to the construction inspection.

Investments and legislation

The investment realization procedure is carried out in accordance :

- by the Law on Planning and Construction
- with the Law on Environmental Impact Assessment
- by the Law on Energy
- by the Law on Waste Management
- By the Law on Concessions
- For export and in accordance with the directives (standards) of the country to which it is intended to be exported
- For public companies and institutions, the procedure must also be in accordance with the Law on Public Procurement and the Law on Public Debt

Investment and creditworthiness investors

Investment and credit ability local self-government

Investment and credit ability local self-government it depends from the:

- Financial condition, and
- Supports investment (warranty) from the higher ones organs authorities.

Elimination criterion For realization planned investments is not that current budgetary deficit, which one se accounts by the formula:

$$\begin{aligned} + & \quad \text{Income current budget} \\ - & \quad \text{Expenses current budget} \\ = & \quad \text{Current budgetary surplus / deficit} \\ - & \quad \text{Payback long} \\ = & \quad \text{Net current budgetary surplus / deficit} \end{aligned}$$

Note:

- Income current budget make total current revenues without self contribution, capital transfers, donation, fees For arrangement land and one-time lease land.
- Expenses current budget make total current expenses without capital transfer others levels authorities and capital subsidy public companies.
- According to to the law about public long, For realization investments necessary is consent higher ones level authorities.

Investment and credit ability public communal companies

Investment and credit ability public communal companies it depends from the:

- Tendency in yearly income and not that get by the balance success.
- Heights capital by the current one the balance condition (Amount credit limited is Usually max to the height capital).
- Updates payments obligation.
- Realities billing claims and current stock, if they can quickly charge.
- Numbers of the day blockade accounts in the last ones 12 months (positive rating implies max 15 of the day blockade in continuity, or in total 30 of the day).
- Possibilities outcomes consent and guarantee authorities.

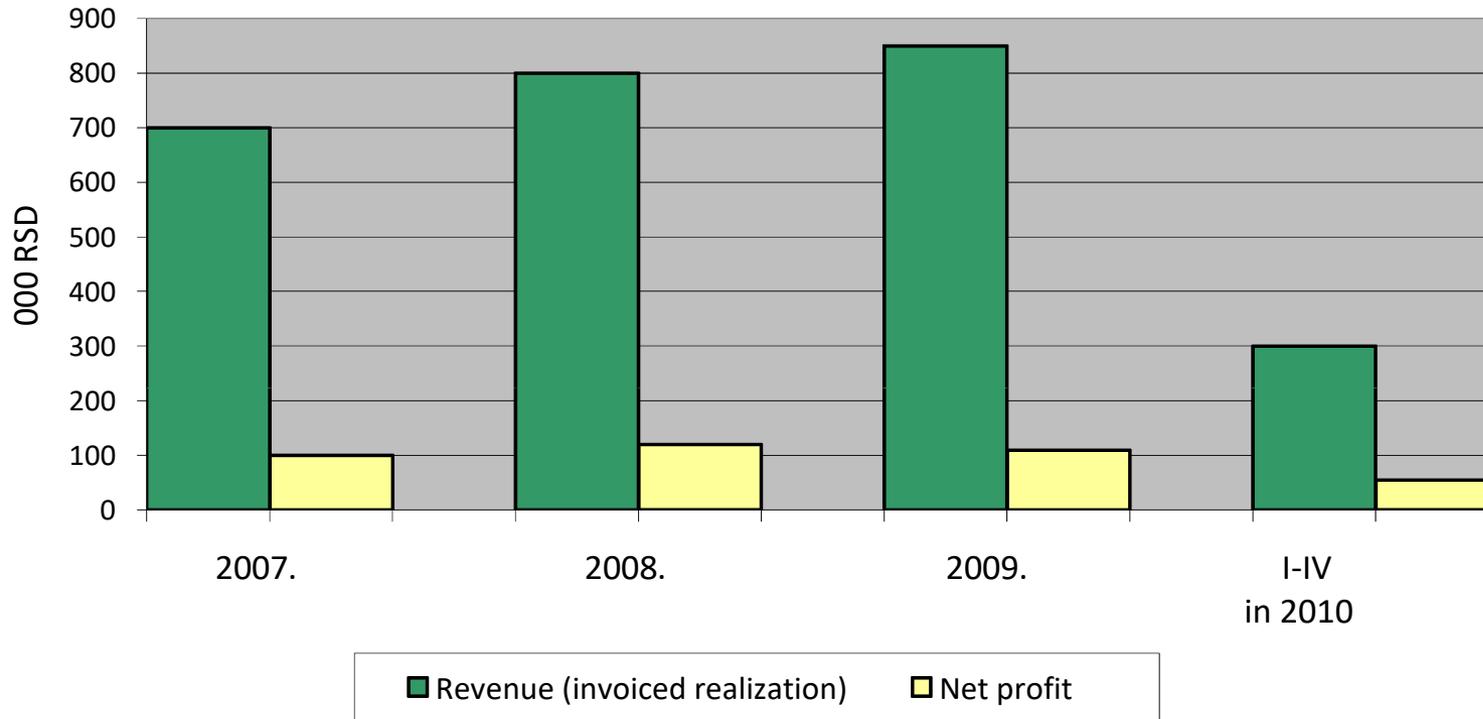
Investment and credit ability economic subjects

Investment and credit ability potential companions and creditors rate:

- On the basis general creditworthiness, that is, reputation ("Goodwill") which one an advantage that age of the investor, experience, quality of management, possession of intellectual property and brands (because that assumes possibility real predictions).
- On the basis tendency in development volume activities, income and profit.
- On the basis diversification markets and positions (shares) on the to those present markets.
- On the basis values and attractiveness property which can to serve For mortgage guarantees.

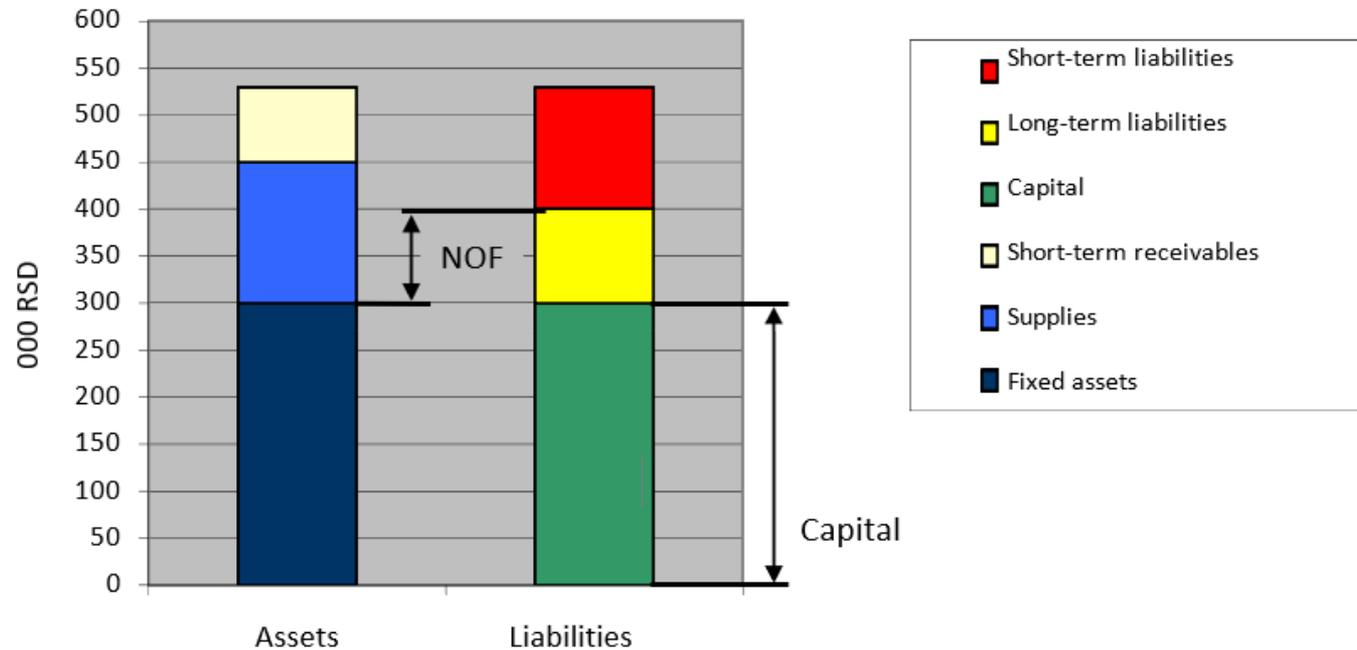
A positive rating implies a positive trend in income and net profit according to the income statement, positive trend in the net working capital (current assets - short-term liabilities), positive trend in capital value, correct liquidity in the last 12 months (account blocking max 15 days continuously, or a total of 30 days), the certainty of winning disputes (if any) and offered loan guarantees (if planned), which usually must be at least twice the evening from the planned credit. Too should to mention Yes the majority financial institution limits Amount credit max to the height capital by the current one the balance condition.

Example development balance success



A financially successful company is characterized by: a positive trend in revenues and net profit.

Example the current one balance condition



Net working capital (NOF) is the difference between long-term sources of financing (long-term liabilities and equity) and fixed assets in the Balance Sheet.

If the net working capital is positive, it represents the part of working capital that is financed from long-term sources.

A negative net working capital indicates disruptions in the company's operations, which can lead to Insolvency and losses on the income statement.

Golden balance rule: long-term financial balance is achieved if the firm covers fixed assets and a significant part of current assets from long-term sources.

Potential co-investors and creditors will check your creditworthiness and financial condition in the national agency for business registers (SCORING and Opinion on creditworthiness), as well as check the blocking of accounts in the Central Bank.

Note:

Foreign investors and co-investors also use the reports of the internationally recognized agencies STANDARD & POOR'S, MOODY'S INVESTORS SERVICE AND RATING FITCH for small investments when deciding to invest in another country, which evaluate the socio-political and economic environment of the country from the aspect of investment risk.

These agencies analyze and give opinions on the creditworthiness of countries ("sovereign rating"), and on request they also assess the rating of companies ("corporate rating"), ratings of local governments ("municipality rating"), as well as project ratings ("project rating").

Investment and credit ability registered rural farms

Investment and credit ability registered rural farms evaluates se on thebase:

- Values property and property in lease.
- Volume activities and yearly income.
- Professional ready and experiences members farms.
- Income farms and neatness servicing.
- Obligation farms.
- Values stock and reality placement.
- Assets convenient For guarantees.

Investment and credit ability physical faces or a beginner in business

Investment and credit ability physical faces evaluates se on the base:

- Numbers members families, expertise, the previous one work experiences the current one employment and income.
- Assets families.
- Financial condition families.
- Available own resources For planned investment.
- Offered real estate For warranty, a monthly rate credit is max to the 1/3 monthly income families.

BRAINSTORMING

idea generation

The author of Brainstorming is Alex F. Osborn, an entrepreneur from the USA. The reason for him to devise a method that would be universally applicable was an event during World War II, when the captain of an American merchant ship, on which he was also, asked the sailors to suggest a way to avoid German torpedoes. Alex won with a proposal to install powerful propellers on the ships, the jet of which would deflect the torpedoes. He called the method "**brainstorming**" and protected it with a patent.

Today, the method is mostly used in industry, and more and more in other branches of human activity (social development strategy, medicine, culture, education, sports, and also in the career choice of individuals).

The method is based on the factor of "**collective intelligence**", i.e. when professional and professionally heterogeneous groups create and evaluate and rank ideas.

The goal, that is, the problem that is set before the group must be clear and expressed in one sentence, with one question, and ideas are not criticized or rejected at the start. In the second phase, the ideas are subjected to detailed examination and ranking in terms of advantages and disadvantages.

The purpose of the brainstorming method is to collect the maximum number of ideas that are designed to solve the problem.

The method is constantly being improved, and it has significantly gained in popularity due to the development of brainstorming software (MindManager, OpenMind, XMind, FreeMind...) and the upgrading of SWOT analysis and financial analysis.

Verification of the idea from the aspect of intellectual property rights

When planning to start or develop a business, an important stage is to investigate whether your idea infringes someone's **intellectual property rights**, whether it is a product, design, brand/trademark/commercial name or copyright.

That is why it is necessary to study the legal regulations (or consult intellectual property experts), who will check your idea:

- Searches database of patents, trademarks, designs, copyright and other types of intellectual property (links to global intellectual property databases can be found through national agencies for the protection of intellectual property)
- Searches of scientific research papers ("Kobson" website)

If your business idea is innovative, do not publish the invention before filing a patent application, e.g. do not publish articles, at conferences, blogs,, do not sell products incorporating an invention before filing a patent application, do not give lectures or presentations, unless you have signed non-disclosure agreements. File a patent application before others do.

More about intellectual property, franchising, etc. you can find in our blogs at www.investasistent.com

SWOT analysis

SWOT analysis (acronym of the English words: Strengths, Weaknesses, Opportunities, Threats) is a technique that connects the strengths and weaknesses of the company with opportunities and threats in the external environment. The author of this method is Albert Humphrey (1960 from Stanford University, USA, where he analyzed and used the development strategies of the 500 strongest companies in the world (Fortune 500)).

Although it was originally intended for current technological companies for business purposes, it very quickly began to be applied in the domain of the development strategy of society (state, local self-government), social institutions, health, education, culture, art, as well as for the realization of personal existence in identifying one's own strengths and weaknesses, chances and threats when building a career with an employer for a better position or for making a decision about starting and developing your own business based on innovations in quality, design, productivity, competitiveness.

Whether you want to sell the idea, offer it to an employer, or start and develop your own business, you can use our **INVEST ASSISTANT** as an additional tool, in order to indicate the chances of the idea and the profitability assessment.

Analysis of internal factors

- Strengths: Your strengths can be qualified personnel, team, experience, available resources (technological equipment, raw material base), market position, innovative products, investment and credit capacity, ...
- Weaknesses: Bad credit rating - lack of team, experience, qualified staff, creditworthiness, ie. of financial resources (especially for beginners in business), inflexibility (poor adaptation to changes in the market), low-quality financial analysis to prove the profitability of the idea and attract co-investors...

Analysis of external factors

- Chances: Innovative product, developed more advanced technology, profitability of the idea, favorable situation on the market, i.e. favorable economic-social-political environment,
- Threats: Unfavorable economic-social-political environment, lack of state incentives and favorable loans, especially for beginners in business, strong competition in the planned activity, strong competition that quickly develops more innovative products,...

The choice legal forms business

ENTREPRENEURIAL FIRMS are conceived by legislators as small family businesses. The founder (entrepreneur), his family members and possibly several employees should work in them. Entrepreneurs are responsible for all the obligations of their business with all their assets, including business assets, but also their personal assets.

The percentage of tax obligations is the same as in companies.

BUSINESS COMPANIES are conceived as larger (economically more powerful) firms with larger capital and a larger number of employees. Of course, there are also companies with a small amount of capital and a small number of members. There are even sole proprietorships.

Commercial companies are divided into:

✓ **Capital companies**

- Limited Liability Company (DOO), Engl. "limited liability company"
- Joint Stock Company (AD), Engl. "joint stock company"

✓ **Societies of persons**

- Partnership company (OD)
- Limited partnership (KD), Eng. "limited partnership" and "special partnership"

All companies keep double bookkeeping, tax obligations are paid according to the realized profit, and contributions for pension and disability insurance, for health insurance, unemployment contributions are paid only for employees, while founders who do not work in their company and are not registered for representation and the representation of the company does not have the capacity of the insured, i.e. they do not register for compulsory social insurance.

All societies also pay local taxes.

A limited liability company (LLC) is founded by one or more legal and/or natural persons, in the capacity of members or founders, for the purpose of carrying out a certain activity or certain activities under a common business name. LLC is responsible for all its obligations with its entire assets, while the founders/members of a LLC do not respond with their assets for the obligations of their LLC. This is an important rule at LLC. which makes a key difference between LLC and the entrepreneur, where the entrepreneur is responsible for all the obligations of his business with all his assets, including the assets of the business, but also his personal assets. A big advantage of LLC in relation to all other forms of business companies, including entrepreneurs, is the principle of freedom of contract, which allows space to create further partnership relationships in society (new partners and investors are welcome). LLC is the most common form of legal form of business companies.

A joint stock company (JSC) is a company founded by one or more legal and/or natural persons as shareholders for the purpose of carrying out a certain activity, under a joint business name, whose basic capital is determined and divided into shares that are issued for that purpose. The joint-stock company is responsible for its obligations with all its assets. The shareholders of a joint-stock company are not responsible for the company's obligations, except up to the amount of the contracted and unpaid contribution to the company's assets, which practically means that when they enter the entire contribution that they contracted in the founding deed, any further responsibility of the shareholders ceases. Joint-stock companies are "magnets" for collecting large capital.

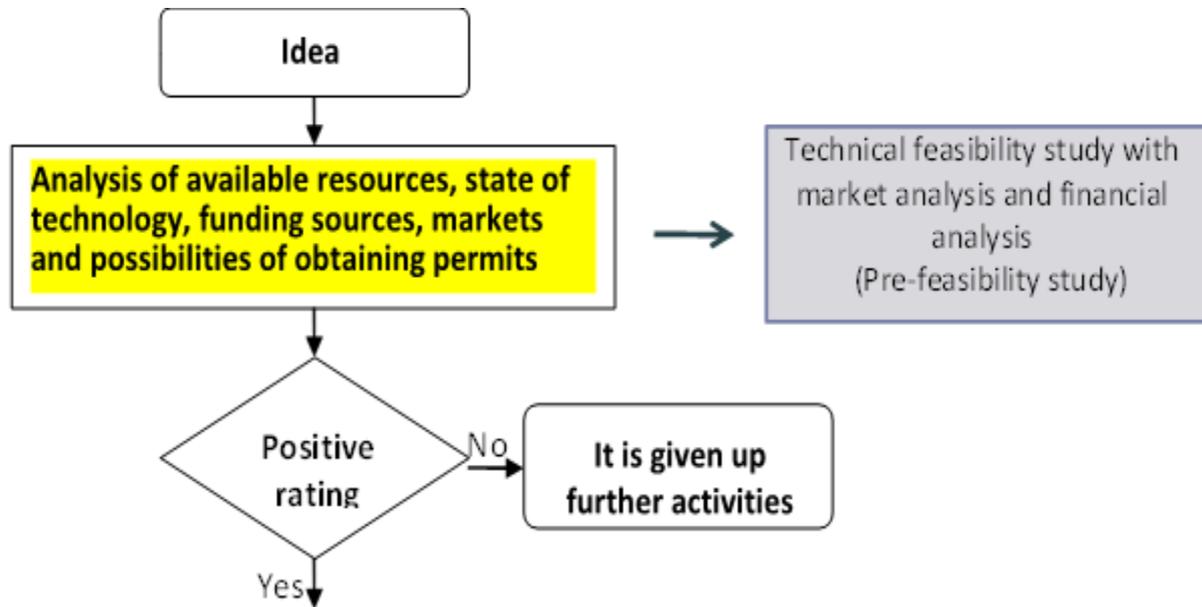
A partnership is a company founded by two or more natural and/or legal persons in the capacity of partners in order to perform a specific activity under a joint business name. The partnership is liable for its obligations with all of its assets. Partnership and LLC have a lot of similarities, with LCC. However, the key difference is that the partners of the partnership are jointly and severally liable for all the obligations of the partnership with their entire assets, while in LCC members are not liable with their assets for the obligations of the LCC except in exceptional cases. This is the reason why the number of partnerships in relation to limited liability companies is minor in the whole world (about 5% of all companies).

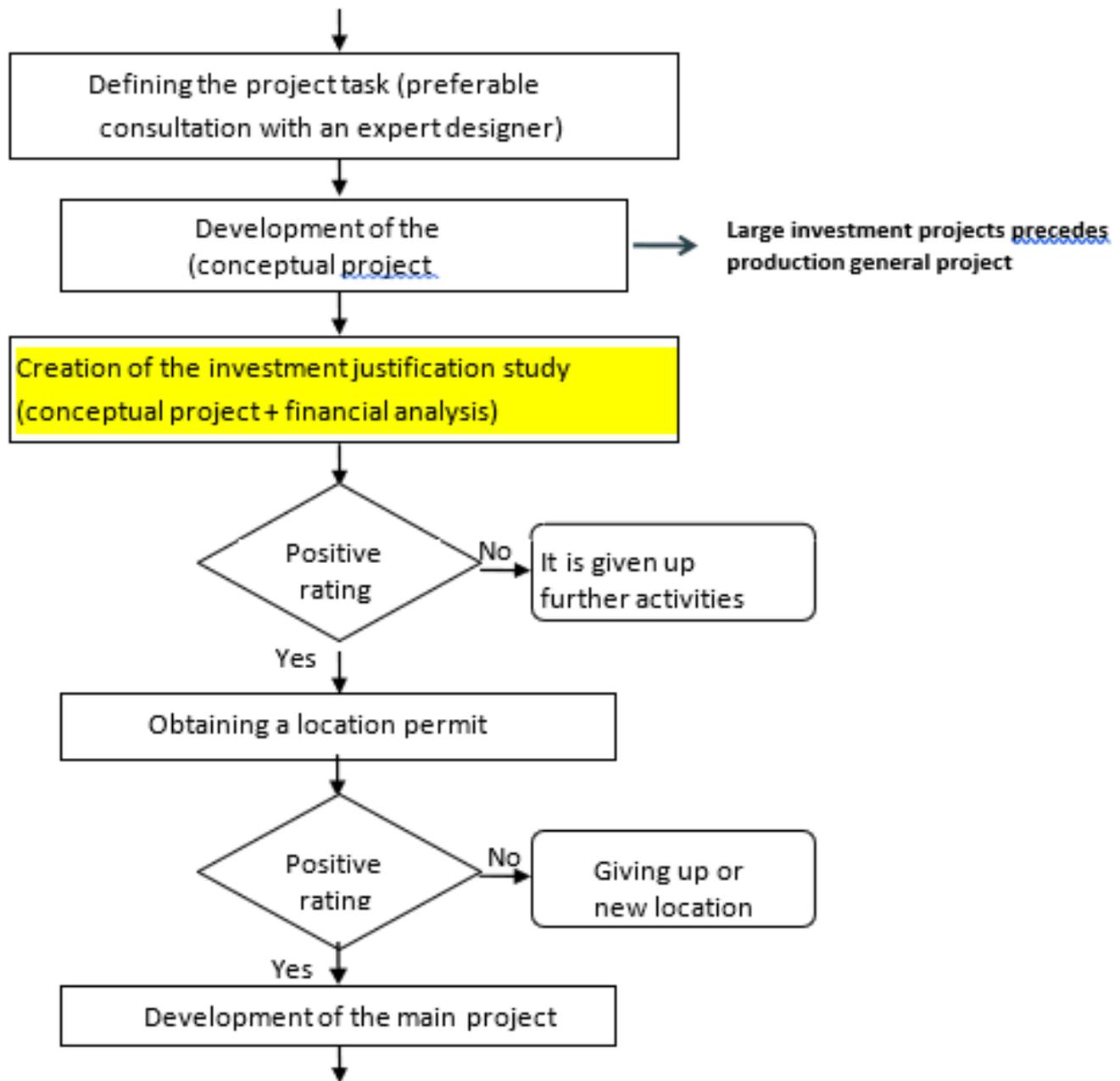
A limited partnership is a company established by two or more natural and/or legal persons in the capacity of partners (identical mechanism, rights and obligations in that part as with Partnerships), in order to perform a specific activity, under a joint business name, of which at least one person has unlimited liability for his obligations (general partner), and at least one person has limited liability up to the amount of his contracted role (limited partner). The limited partnership is liable for its obligations with its entire assets. This form has completely lost its importance and is almost non-existent in practice.

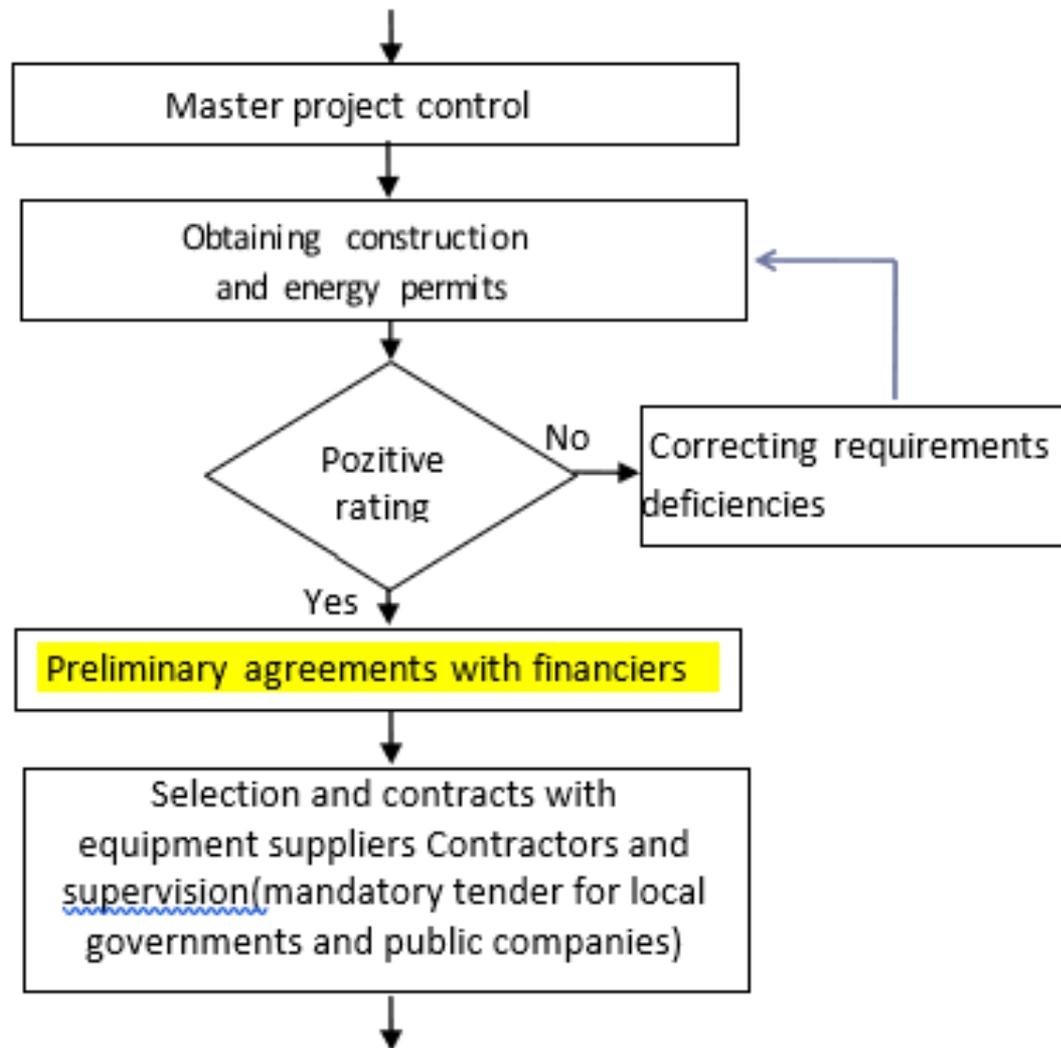
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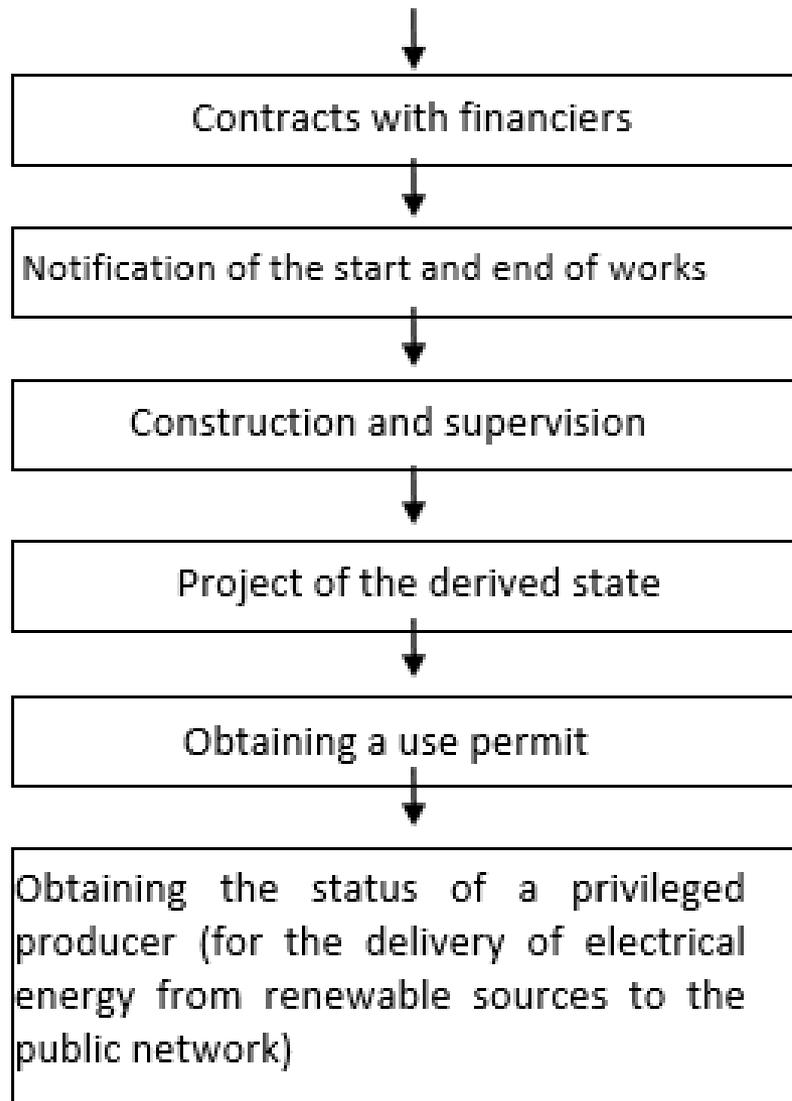
In the EU, the harmonization of national regulations in the field of company law, which the member states have included in their national legislation through the adopted directives, has been implemented.

Stages in the investment process

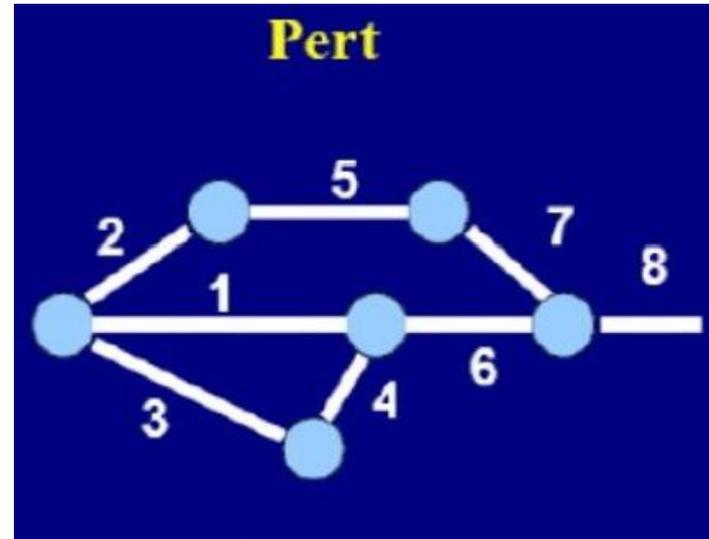
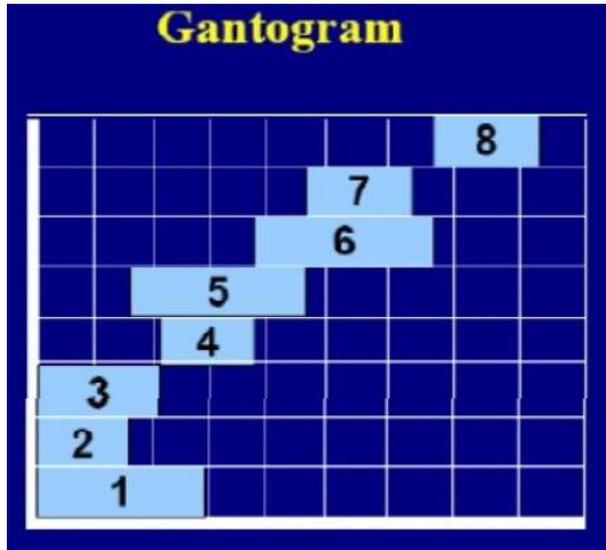








Tools For management investments



Softver PRIMAVERA
Time and dynamics of money investment

Gantt chart is the simplest and usually applied tool For management investments. It provides transparency in the sequence of activities in time. The downside is that you can't see the dependency between individual activities.

This one a lack corrected is in numerous more advanced tools based on the the so-called "perth" method, which shows the dependence of individual activities during the realization of the investment. By clicking on circles they get se and information about time duration activities, needed investments, needed workers, equipment and others.

Potential sources financing

Loans business banks

The most common is and the most expensive shape financing.

Short-term loans (up to one year) - working capital is usually financed Long term loans (across one years) - investments in basic resources.

Funds

They finance se from budgetary funds.

Unlike banks, they are not profitable institutions, but put the interest of society first community (an increase number employees, particularly in undeveloped areas, development infrastructure, the solution ecological problems and etc.).

Financing through the common investments

Represents economic the best vision financing, if company investor does not have enough own funds. Interests co-worker se achieve contract through the distribution get in proportions invested funds

Financing through the recapitalization

It is characteristic of joint stock companies. It is done through the issuance of shares for the purpose of increase capital, that is, additional long-term source financing.

Investments others legal and physical faces

They are characteristic of primary agricultural producers. Lenders are usually processors which one with that to myself provide needed raw materials For processing. This one Species financing has short term nature.

Financing via goods the stock market

It is characteristic of agriculture. The commodity exchange has the character of a source of financing if organizes the sale of agricultural products during their production, i.e. Before products reach the market. In our country, stock exchanges mostly trade in finished products, which is not the case considered funding, already realization finished products.

State subsidies

These are grants that are awarded during the life of the project, which are used for achieving economy of production. They are intended for the type of products that the state has interest Yes se products in certain quantities, because have got wider social and social consequences (primary agricultural production, cattle, milk,)

Incentives for investments in renewable energy sources

➤ In the investment phase

Loans with incentive interest, longer repayment terms and a grace period.

➤ In the working phase

- ❑ Green certificates for stimulating the production of electricity from renewable sources. Every user of renewable energy sources receives certificates, and users of fossil fuels must buy the appropriate number of certificates every year or pay some kind of fine, which is higher than the value of the purchased certificates. Certificates are sold and bought on the green certificate exchange.
- ❑ CO2 certificates (carbon credits) to encourage the reduction of carbon dioxide emissions. In order for a plant to get a permit to emit one ton of carbon dioxide, it needs to buy them on the CO2 certificate market. Users of renewable energy sources are "rewarded" with a certain number of credits, in accordance with the amount of carbon dioxide they save through their activity.

Note: In the EU, each country regulates this area in the way it considers most effective. Certificates can be traded, i.e. to be sold or bought outside the borders of countries, and their price changes depending on supply and demand. In the EU, the so-called "feed-in" tariff abolished

Parameters of the financial evaluation of the investment

- **Liquidity** (by financial current)
- **Economy** (avg.year.net gain / average annual income)
- **Profitability** (avg.year.net gain + depreciation / investment)
- **Accumulation** (avg.year.net gain / investment)
- **Time returns simple**, without discounting money flows (according to economic current)
- **Not that the current one value** - NPV-Net Present Value. Represents a collection discounted not that receipts investments by economic flow. Yes would be investment been acceptable, not that the current one value investments mor to be larger from the zero, that is, Yes positive effects surpass expenses investments. An advantage has investment which will to accomplish greater not that the current one value.
- **Internal Rate profitability investments** - Project IRR- Internal Installments Of Return. That is discount Rate which sum discounted not that receipts economic flow investments equalizes with the present one values investments. U economic meaning provides information about maximum acceptable average annual interest rate feet on the total sources financing, that is, "fixation" invested funds. IRR project should Yes be larger or least equal discount rate. An advantage has project which one has greater internal rate profitability. A lack this one indicators is the table can Yes favors projects which one require less investments and result smaller ones yields in absolute amount.
- **Internal Rate profitability own and action capital** - Equity IRR. For the difference from the Internal rates profitability investments in calculation takes only own resources invested in project (like and action capital if participates in sources financing).

Note:

In addition to the parameters *Liquidity* and *Time of simple return*, the most frequently reported parameters are foundations on the discounted economic flows investments, which one they appreciate time dimension of money (the dinar is worth more today than tomorrow), namely: Net present value, Internal rate profitability investments and Internal Rate profitability own and action capital.

Discounting se does using discount rates (d), which represents medium weighted value interest on the total sources financing and accounts se by formulas:

$$d (\%) = \frac{(\text{own funds} \times \text{interest}^* \text{ in } \% + \text{credit} \times \text{interest in } \%)}{\text{Investment}}$$

* at why is interest For own resources Usually interest which se can to accomplish depositing own funds to the bank or on the market capital. |

Eligibility criteria financial acceptability investments

Criteria of financial acceptability of investment for investments private capital

The usual eligibility criteria For positive grade are:

- Liquidity in to all for years century project,
- NPV >0,
- IRR investments > from the discount rates,
- IRR own capital 2 x > from the discount rates,
- Time returns investments less from the 1/2 century project.

Criteria of financial acceptability in general investments social significance

In projects of social importance, such as projects in the field of renewable energy use source Energy and protection vital environment, up listed eligibility criteria from social reasons (low social standard) I can to be it gets milder, and it often does bring down only on the:

- Liquidity and
- A minimally positive income statement, so that the investment would not affect the occurrence of losses in business investors, that is, cargo budget local self-government.

U the team cases investments they are not attractive For investments private capital ((public-privatepartnership).