



TOP 5 MUST

ON FINANCE & ACCOUNTING



INTERNATIONAL A&A

1

¿WHAT IS THE BASIC I SHOULD KNOW ABOUT FINANCIALS?

Understand the Financial Model of your business, to have a clear idea of your P&L, Cash Flow and Working Capital. At the end of the day, this information will be the input of your Business' Valuation, projection's and Key information in an investment round.

- **Cash Flow** - Cash inflows and outflows (operating vs investing vs financing) to detect funding needs and KPIs (burn rate, runaway).
- **P&L** (sales, costs and expenses) to identify and analyze profitability, EBITDA and economic KPIs (ie: CAC, Churn, LTV).
- **Working Capital** to detect liquidity problems and performance need (days of collection vs days of payment).

2

¿HOW OFTEN SHOULD YOU BE LOOKING AT YOUR COMPANY'S FINANCIALS?

Although most tax obligations are "annual" (presenting tax return and Financial Statements); any startup should have at least a monthly managerial information to analyze how the business is growing, and identify red flags properly.

We recommend having an Operating Cash Flow, P&L and Working Capital on a monthly basis to monitor the startups' activities.

On the other hand, the frequency will depends on the business model and seasonality (short, medium or long term projects).

3

¿HOW SHOULD YOU STRUCTURE A BALANCE SHEET TO PREPARE IN AN INVESTMENT ROUND?

This is one of the most important documents in an Investment Round, together with the Cash Flow and P&L.

Balance Sheet shows the assets (what the startups own), liabilities (what the startups owe) and the Net equity (shareholders contribution plus retain earnings).

In a Seed or Series A round, you might have, or not historical information. If no historical information is available, the Balance Sheet should be estimated based on projections and with consistency against the Pitch Deck and growth expectations.

4

¿FOR AN EARLY STAGE STARTUP WHAT ARE THE BEST PRACTICES TO STRUCTURE FINANCIAL FOUNDATIONS?

Start building a P&L estimating Sales (considering target market size vs capabilities to attend that market); Cost and Expenses (how many employees do the startup will need to deliver services, hosting costs, Opex) and project it considering a reasonable growth rate, inflation effects.

With this information you can start estimating an Operating Cash Flow (at early stages cash basis is very similar to accrual basis), burn rate and cash flow needs in the future.

The Balance Sheet can be estimated considering the same inputs as for the P&L with the difference that P&L is an accumulated concept vs BS is a photo at one date.



5

¿WHEN DO YOU NEED TO HIRE A FINANCE PERSON FOR YOUR STARTUP?

The key of the success and scalability of any business is having a strong financial model.

In a point of time, the startup will go through into a Fundraising process (and/or M&A transaction) where the availability and consistency of Financial Information is key.

Doing the homework (having a finance person) since Day 1 will allow go through these process in a better shape than not having it.



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