M.I.C.R.O.
MIGRANTS IDEAS CONVERTED INTO REAL OPPORTUNITIES

Chapter 2 - HOW TO MANAGE YOUR BUSINESS

2.5 ECONOMIC MANAGEMENT

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Economic Study

An economic study enables you to analyse the viability and sustainability of your business venture. It involves translating the information in the technical study of the business venture or in the business plan into numbers. It is always advisable to conduct an economic study prior to starting up a business.

This analysis can provide you with very important information:

- What is the minimum salary you need to earn in order to support your household economy?
- Do you have the necessary financing to start up the venture?
- What volume of sales is needed in order for the business to be profitable?
- How can you calculate whether the business will make a profit or a loss?

The data you need to analyse in order to study the viability of your business idea and to assess its economic effects are as follows:

Find out more about calculating your household economy or family budget in Chapter 3 under 3.1 Family Budget!

- **Household economy:** by analysing household expenses and incomes, you can identify the salary you will need in order to start up a business venture.

Learn more about what is important for an investment plan in the next subchapter 2.6 Investment and Financing Plan!

- **Investment:** includes those elements (assets and rights) that will be needed in order to start the business. For example: furniture, tools necessary for running the business, deposit on the premises or purchase of raw materials and necessary equipment, among other things.
- **Fixed costs:** are those that the company or venture will incur regularly regardless of the volume of business it does. For example, if the business is carried out on commercial premises, the rent and supply expenses will be fixed, since they are not affected by increases and decreases in sales volume.

- **Variable costs:** are those that will vary depending on the volume of business you do; the more business you do, the greater the variable costs, and vice versa. For example, in a restaurant, the purchase of food and drink products generates variable costs, since you will purchase more or less of a product depending on your sales volume.

- **Revenue forecast:** involves calculating a breakdown of the revenues expected during the first operating year, in detail and on a monthly basis. In this case, you will include revenues from the business's sales and/or provision of services. In order to calculate this, you need a thorough knowledge of the sector in which the business operates and must make your estimates as realistic as possible. Some questions you can ask yourself in order to find out this information are:

  - How many units of the product that you sell do you estimate that you can sell in one week? And in one month?
  - What is the sales volume of a business with similar characteristics to yours?
  - In your business, do you have the same customer volume throughout the entire year or are there months during which you sell more and others in which sales levels are lower?