

## FREQUENTLY ASKED QUESTIONS SEEKING AND SECURING FINANCE

This webinar was delivered as part of Tourism NI's Tourism Enterprise Development (TED) Programme by Feargal McCormack, Managing Director of PKF-FPM. Following the session Feargal and his team kindly provided responses to a number of industry questions received during the webinar. Please find responses below.

### Questions and Responses

**Q: How do you assess funding requirement in a business?**

A: The first step is to assess the need for funding, the amount the business requires, when it requires it, and then consider where it will come from. All of this must be underpinned by risk assessment, forensic and sensitivity analysis managing expected receipts and payments inclusive of any estimation error. It is important to understand the cause of the funding requirement which may be for one or a combination of the following:

- Funding cash losses
- Working Capital
- Capital Investment (property, plant and machinery)
- Research & Development
- International Trade and entering overseas markets
- Business acquisitions

**Q: What are the different sources of funds for a business?**

A: There are several sources for a business to securing funding, some examples include:

- Refinancing of existing unencumbered assets or sell assets that are not required for the business
- Covid-19 Supports and Unsecured Loan Assistance
- Bank Debt – overdraft, loans, invoice discounting, and Asset Finance e.g. hire purchase / leasing / lease hire
- Promoters Equity (Ordinary Shares, Preference Shares, Quasi Loans)

- Working Capital Finance
- Grants
- Loan Funds
- Other alternative funding sources including Venture Capital, Business Angels, Private Investors, Enterprise Investment Scheme (EIS), P2P loans and crowdfunding.

**Q: What are the different types of bank funding?**

A: Bank funding generally includes the following types:

- Working capital funding – overdraft, invoice discounting, stocking facility
- Asset backed funding – hire purchase, lease facilities, Chattels Mortgages
- Business growth/expansion – commercial loans

**Q: What is the key criteria that funding providers use to assess applications?**

A: The key criteria for funding providers includes:

- Level of funding required and purpose
- Ability to repay borrowings (if applicable)
- Whether the business case is realistic?
- Growth potential of the business
- Management skills to deliver the business plan

**Q: What areas should a funding proposal include?**

A: The funding proposal will have to be adapted based on the type of funding and requirements of the funder. A typical funding proposal should include the following:

- Executive Summary
- Business Overview
- Coronavirus Impact
- Historic Financial Position
- Outline Business Case Going Forward
- Financial Projections with achievable and realistic Assumptions
- Funding Requirement & Funding Request
- Identify Key Performance Indicators and Smart Objectives

- Apply Sensitivity and Scenario Analysis
- Conclusion

**Q: What are the common pitfalls in a funding proposal?**

A: Some common shortcomings reported by lenders in applications seeking funding include:

- Generic proposal not specifically tailored to what the business wants the funding for
- Excessive commentary and periphery analysis
- Inappropriate sensitisation of financials
- Appropriate funding mix not identified
- Overly optimistic targets for turnover and profitability.

*Delivered as part of the Tourism Enterprise Development (TED) Programme  
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