

All successful persons who I have met have unanimously stated that they would rather have one exceptional idea and no money than one million dollars and no ideas.

Dan Kennedy

Booklet for entrepreneurs, in starting of own business.

Manual's target

Starting of own business at the end of the 21st century second decade is not an easy task. Most of the market niches offering attractive business opportunities and bringing good profits are taken long ago. At first sight, beginning with big international trade companies which operate on multiple markets via their trade departments and finishing with small neighborhood shops and stores, it looks like that we could not find our place on the market when we start own business. However it is not exactly that way. On the market there is always a place for new starting trade enterprises. That is the charm of the main principles of market economy and free competition which are imposed by time in our society. Republic of Bulgaria membership in European Union gives new opportunities to entrepreneurs. Entering of Bulgarian goods and services on the common European Union market is already a certain fact. It is just a matter of time the starting entrepreneurs and their businesses to benefit from that momentum.

Last but not least we should underline that with the development of information technologies the world has been globalized in short period of time. Goods and services that 10 – 20 years ago were impossible today circulate in world trade. The use of Internet and the online trade capabilities give unlimited opportunities to starting businesses. We can say without any hesitation that there is a perspective in front of entrepreneurs of all ages and nationalities to sell their goods on all world markets.

The current manual targets to give a general idea what kind of basic steps should be taken by every entrepreneur that starts his own business.

The steps and their sequence are fundamental but not all of them are compulsory. Of course you cannot start an own enterprise and realize economic activity if the trader is not entered in Trade register of Registry agency and registered at National revenue agency.

The other steps pointed out in this manual such as consultation with marketing expert, lawyer and accountant are only advisable. However it does not make these steps less important than the compulsory ones because hearing or considering an expert opinion might protect the starting entrepreneur from many sometimes fatal errors when he begins his trade practice.

The information which is pointed out in the current manual's content will give you most general idea of what your action should be when starting own business in Republic of Bulgaria.

We wish you a success!

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1. Entrepreneurship concept

The entrepreneurial activity is realized in different organizational forms. The choice of one or another form is a consequence of the corresponding organizational business forms. In that sense different priorities are given to the entrepreneurship if it is conducted in the frames of a collective firm or big corporation.

However everywhere, not depending on the organizational form, the entrepreneurship has general characteristics. We can definitely assert that entrepreneurs and entrepreneurship can exist in both private and government sector. Innovation as striving and purpose in competitive struggle is common for entrepreneurs everywhere and entrepreneurial activity carries an entrepreneurial risk.

And yet we ask ourselves these questions: Do we know what it really means to be an entrepreneur, what he looks like, how he thinks and acts? What motivates him? What does it mean to give your best in order to find a better solution of a specific problem and to make the world a little better?

Let us examine the official definitions of word "entrepreneur" in the dictionaries:

- In accordance with world free internet encyclopedia Wikipedia "**The entrepreneur**" is a person who realizes entrepreneurship – taking of new initiative that targets profit

and development. The word originates from doing something, start dealing with something.

The understanding that there are two kinds of businessmen - entrepreneurs and business managers is widely spread. The first ones start or support a new business, and the second ones take up the management when the business is stable and mature. It is due to the fact that the necessary capacities for these two kinds of activities are different. While new business needs aggressive penetration of new niche, developed enterprise needs stable and sustainable management.

In modern economy the entrepreneurs are of very great significance because they generate the economic growth and competitiveness of national economies. Unique products (goods and services), which are often a result of entrepreneurial activity, are a product that has its own market niche, comparatively independent of the international financial situation.

- In accordance with Bulgarian interpretation dictionary – the entrepreneur is “A person who takes up a job which brings incomes.”
- In accordance with a definition of online dictionary - the entrepreneur is “A person who organizes and manages an enterprise and especially a business, usually with significant initiative and risk.”

It does not matter which of these definitions we will choose, it is true that the entrepreneur is a person who sees opportunities where the other see only problems.

The real entrepreneurs are visionaries, innovators, inventors, and people with motivation to change our future for good.

The entrepreneurs are changing tomorrow. They are people from all ages who believe that they can do something good for a given society or already existing business. They believe that their idea, product or service is different and better than the currently available ones. They set up targets and are completely devoted to their achievement. They go through all kinds of hardships and difficulties, being inspired by flaming desire for change.

The entrepreneurs are not afraid of dreaming. They know that all great achievements commence from an idea, which is initially realized in their own minds. They see which and where it can be done better, they see an opportunity in every problem and situation. They are ready to change things which they do not like instead of complaining that something is not OK. The entrepreneurs take risks. They make moves with high risk for their fortune, in the name of a given dream, risking their future. They fail constantly, make mistakes, fall behind, but what makes them different is that they continue every time. They get up, clean the dust from their shoulders, and start from the beginning. They learn from their mistakes, analyze their experience, they extract the essence so next time when they start something new they are stronger, more experienced, and more self-confident.

The entrepreneurs love what they are doing. They act with love and passion. The thought that the product or the service which they are working on will make someone's life better brings them joy and feels them with desire and motivation. They are everywhere – in all

countries, cities, towns and villages. They move the world economy and our social progress via the innovation which they introduce.

The entrepreneurs believe in their idea, in change, and in better future of humanity. **They do not only believe they act!** They do the necessary for the change and nothing can stop them.

II. Basic questions in front of the entrepreneur before starting an own business

When starting an own business the entrepreneur should coordinate his activities with the valid regulatory framework in Republic of Bulgaria. The future entrepreneur should take into consideration and get acquainted with some fundamental questions which emerge in the process of own business establishment. The main of them are:

- Can I be an entrepreneur?
- Which are my strengths and weaknesses?
- What to do, which entrepreneurial idea can I realize in order to achieve success?
- Where can I get information from?
- What does the invisible market hand tell me?
- How should I formulate my targets?
- How much money do I need and where can I find them?
- What legal form should I choose?
- How should I start my business – alone or in corporation?
- How should I choose the location of my trade company?
- How should I register a trade firm and get the necessary licences and permissions for my activity?

The answers of these basic questions are a subject of examination in this manual.

III. Consultation with marketing expert

The consultation with marketing expert is important if not a compulsory step when starting an own business. It is not a compulsory one because every entrepreneur is an individuality that has its personal qualities, education, professionalism, and empirically gained practical experience. Something that looks familiar and easy for one entrepreneur might be totally unfamiliar to another one.

The marketing expert is a professional who you can ask all your questions connected with commercial sales, markets and their functioning.

But what is actually marketing itself?

The marketing role is to research what is valuable for the counter party and what the counter party is ready to give in order to secure the desired active conduct. The market is a combination of all current and potential consumers of a given product. The sellers that offer the product and the mediators that create additional premises for concluding the deal.

The marketing is interested in the end consumer.

The marketing is a way of thinking that without the consumer there is no economic activity. When the firm works for formation of its consumers it works for its profit.

The marketing is a conception, a system of views and principles for creation, development and realization of products in conformity with market conditions and buyers' preferences.

The marketing is social and management process in which individuals and groups get what they need and necessity by the exchange of products and value between them.

Additionally to the characteristics mentioned above the marketing is:

1. Management conception – organization, management, planning, control and regulation of economic life should be based on market evaluations.
2. A way of action – it ensures concrete organizational, methodological, information and other instruments and techniques for fulfillment of marketing activities.
3. Process of strategic and tactical planning and control,
4. Integrated system – marketing unites all other firm sections. They should take into consideration marketing instructions.
5. It looks for an accord between business consumer orientation and the striving for maximum high profit.
6. Marketing is simultaneously a process of market research, product adaptation and market formation.
7. Marketing unifies in itself the following activities:
 - Creation of new products;
 - Realization of existing products;
 - Stimulation of producers and consumers;
 - Pricing;
 - Different kinds of communication.

All of them are subjected to one common strategy and aim.

8. The marketing can be used for the achievement of other aims except the high profit – increase of sales' volume, respectively growth of market share, improvement of

company image and products, displacement of competition or decrease of its market share, achieving of leader's position.

9. Marketing is a creative activity.

How will the marketing expert help you?

First you should present your business idea in front of the marketing expert. Tell him all about your plans for starting a business. For example how the idea has come up, why you think that it can be successfully realized and bring profit, do you have a capital, where do you consider to locate the production or services, what are your target groups, consumers, markets etc. Giving this information will enable the marketing consultant to get full image of your idea, which will help him to do his analysis and give you right advice from a point of view of distant from you and independent expert.

The marketing expert will give you information in the following directions:

1. Analysis of branch (sector) where you would like to develop your entrepreneurial idea;
2. Market analysis – customers, size and cycle of sales;
3. Market segmentation and target market;
4. Competition analysis – existing and potential competitors;
5. External market influences;
6. Marketing strategy and marketing plan;
7. Pricing;
 - Incomes and pricing methods, basic criteria;
 - Calculative pricing methods;
 - Pricing based on formula “incomes plus”;
 - Pricing on method variable (direct) costs;
 - Pricing “of profit”;
 - Market orientated methods and approaches of pricing;
 - Pricing “of competition”;
 - Pricing based on presumable competitive prices, tender pricing;
 - Pricing “of demand”;
 - Pricing on psychological factors;
8. Distribution;
9. Promotion and advertisement;
10. Sales plan

The points mentioned above indisputably show that although it is not a compulsory step, the consultation with a marketing expert could be very useful for every entrepreneur and every starting business.

IV. Consultation with a lawyer

It is a typical feature in Bulgarian national psychology “that everyone understands everything”. This feature has stood out very clearly and has been fed in the years of the so called “socialism” and “post – socialism transition” when due to the accumulated deficits of goods and services people were forced to cope with the situation on their own. We have emblematic examples of men leaning over open car bonnets of their private automobiles, doing repairs because there was a deficit of vehicle service stations or women leaning over their sewing machines making clothes because there were no quality clothes in the sales network.

But what is actually law?

In law there is no place for self – training and creative improvisation. The law in politics and jurisprudence is called system of social rules and norms which affirm, ban or permit certain kind of conduct or relations between people or organizations.

This unambiguously means that whatever legal issue appears in front of you it is necessary to consult with competent jurist. It is most appropriate this issue to be put for examination by a lawyer with competence in the specific field.

Starting of an own business is a serious step for the entrepreneur. On that reason he should investigate all aspects of his entrepreneurial intentions including those of legal character.

It is true that in social space and mostly in internet space there is a lot of information how to register a firm and what documents are needed. However this information will be insufficient to realize accurately your business ideas.

How a lawyer can help you in your business?

1. First he will give you the right advice what you need from legal point of view to start a business;
2. He will recommend you what legal – organizational form to choose for the registration of your trade enterprise as legal subject – sole proprietorship, general partnership, limited liability company, or joint stock company;
3. He will specify in front of you the advantages and disadvantages of each of these organizational forms;
4. He will prepare the necessary documents for trader’s registration in Trade register of Registry agency;
5. He could submit documents instead of you electronically which will save your time and energy and you will pay lower government entry fees;
6. The lawyer can be useful in documentation package when practically starting the business;
 - To prepare a lease contract of production premises, office or shop;

- To make a legal analysis of property (building or terrain) that you would like to buy;
- 7. The lawyer will give you the necessary information about permission and licensing regimes which are related to your commercial activity;
- 8. The lawyer will consult you about the necessity of taking out patents, registration of trade marks, geographical symbols etc. in front of the Patent agency. He can also prepare and submit the necessary documents;
- 9. The lawyer can give you an advice about international trade and custom regimes of separate countries and communities if your commercial activity is connected with export and import of goods;
- 10. The lawyer will prepare the necessary trade papers and contacts that your daily commercial activity requires;
- 11. Last but not least the lawyer can give you the right advices in connection with labour legal relations in trade enterprise itself, labour contracts, job characteristics, orders etc.

The list of activities where you need legal help is endless. On that reason the consultation with a lawyer before starting an own business and following use of lawyer's services is very important.

V. Consultation with an accountant

One of the most important business aspects is strict maintaining of finances. For this purpose the entrepreneur should get assistance from an expert as he should compulsory appoint with labour contract or hire against fee an accountant.

The accountant's work is not only to process the entire documentation package which is accumulated by commercial activity, but also to introduce the necessary information to government fiscal organs.

On that reason it is necessary even before starting a business the entrepreneur to make a consultation with expert accountant.

What is actually bookkeeping?

From technical point of view **Bookkeeping** is systematic registration, periodical presentation of financial reports, analysis of company deals in money measures. It is conducted by obeying certain rules which are often called Generally accepted accounting principles. The bookkeeping allows a given company to analyze its business financial results on the grounds of different indicators for example net profit (the profit for the period).

Nowadays the bookkeeping is often described as "business language" because it is an instrument for presentation of financial reporting information for assets, liabilities, capital, incomes and expenses, money flows of a given enterprise. This information could be used by different groups of people - information consumers for taking economic decisions.

How an accountant can help you in business?

1. First he will register your trade firm in front of Tax organs namely National revenue agency of Republic of Bulgaria;
2. He will maintain the bookkeeping account of your enterprise;
3. He will keep the records of assets and liabilities;
4. He will prepare enterprise chart of accounts;
 - Account of capital;
 - Account of long term assets;
 - Account of inventories;
 - Account of reconciliations;
 - \account of financial resources;
 - Account of expenses;
 - Account of incomes;
 - Off – balance accounts;
5. Monthly accounting of documentation and information in accordance with applicable International and national accounting standards;
6. Organization of corporate and valued added tax reporting;
7. Communication and representation in front of tax administration;
8. Preparation of international financial reports for management purposes;
9. Annual accounting balance and preparation of annual financial report and tax declaration;
10. Processing of salaries and wages;
11. Tax consultations;
12. Tax protection.

As a conclusion we should specify that before starting an own business the entrepreneur should compulsory make a consultation with expert accountant who should clarify the main parameters of business accounting.

The preliminary consultation with an accountant could spare significant losses of time and resources for the enterprise, and very often to prevent imposing of heavy sanctions by tax organs.

VI. Preparation of business plan

What is actually a business plan?

Generally speaking **Business plan** is a document that generalizes the intention of a given enterprise for specific initiative. Business plans are used for management and planning in the frames of the enterprise and also to persuade external organizations for example banks or venture capitalists to invest resources in the initiative.

What should a business plan contain?

Every business plan is different. Its content depends on the type of business that is developing or will develop and also on the capacity (economic, management and organizational) of the enterprise which will execute it.

The general type of business plan content is the following:

1. Introductory page.

The introductory page contains: firm name and address, telephone, fax, E- mail, as well as name and address of the entrepreneur, his telephone, fax, E- mail.

2. Summary

The summary contains short description of trade enterprise (firm) and company mission presentation. Products, services and target markets are shortly described. Main aims and marketing strategies are presented. Operational parameters are presented. Management controlling and technical experience is presented. Financial parameters and necessity of financing are set shortly.

As a conclusion we can say that the summary specifies the business plan essence, i.e. the summary extract of all its elements.

3. Business plan content

The business plan content contains broad explanation of title and subtitles of each exposition section.

4. Mission and targets

The company mission represents outline of what the entrepreneur will try to carry out. It is presented as formulated expression of sense for target orientation.

The mission is a formulation which aims at focusing the attention on business plan essence, this formulation generalizes specific entrepreneur's advantages and abilities in connection with serviced markets / clients I .e. the mission determines business position in society.

5. Description of business / enterprise

Here are described products, owned patents and trademarks, business size, potential for future development, unique business characteristics.

6. Marketing analysis

It includes general economic analysis, analysis of competition, prognosis for market opportunities.

7. Marketing plan

It includes product strategy, pricing strategy, distribution strategy, promotion and advertisement, sales plan.

8. Operative plan

It includes production process, location, premises, machines and equipment, supplies.

9. Organization and management

- Ownership structure and business legal form;
- Role of entrepreneur and management;
- Description of management team – qualification, experience etc.;
- Business provision and personnel;
- Personnel – job description and payment;
- Management organizational structure;

10. Information provision

The sources from which the entire volume of information related to concrete business plan are exposed in summarized form

11. Risk assessment

It includes envisaging of potential problems. Prognosticated obstacles and alternative ways of development.

12. Financial plan

- Investment costs and initial turnover capital;
- Amortization plan;
- Sinking plan;
- Labour costs;
- Calculation of products and services cost price;
- Plan of sales and supplies;
- Prognosticated incomes and expenses;
- Prognosticated money flows;
- Project investment evaluation.

13. Time schedule

Time schedule is prepared of actions and decisions. There the tasks are planned and they are arranged in time.

14. Applications.

The corresponding documents are applied.

VII. Submitting documents to Trade register of Registry agency

Why should a registration of trade subject be carried out?

Every physical person which is dealing or will deal with trade activity as independent subject (in accordance with Article 1 of Trade law (TL) with the exception of persons upon article 2 of TL is obligated to request an entry in Trade register (TR) of Registry agency (RA) in accordance with Article 4 of Trade register act (TRA). All consecutive changes and circumstances as well as termination of sole proprietor activity are subject of entry.

The aim of TR is to make known in public these circumstances connected with traders' activity that are of great importance for legal security of trade, protection of third parties' interest and lawful establishment of trade law subjects.

Which is the competent registration organ?

TR is led and maintained by RA towards Ministry of justice. TR is electronic database that contains conditions, entered by force of law, and acts declared by force of law, for traders and branches of foreign traders.

Registration services that maintain TR realize their functions in accordance with TRA on the territory of Juridical region of corresponding regional court (for the city of Sofia – Sofia regional court). Applications for entry and changes in conditions can be submitted in whatever territorial registration services of RA, at seats of regional courts.

The competent organ that examines the application is civil clerk in charge of registration towards respective territorial service.

Who are the authorized persons that can request an entry?

TR entry as sole proprietor can be requested by every competent physical person with residence in the country in accordance with article 56 of TL. Competent persons that are at least 18 years old and are not put under judicial disability. Persons' citizenship does not matter for their TR entry. "Residence" in the country means entry in Population registers in accordance with Civil registration act (CRA).

Is it necessary to make a firm reservation?

The requirement for exclusiveness (uniqueness) of the firm is introduced in Article 11 of TL. The firm is the name under which the trader does his work and sings with. Every firm additionally to the necessary content which is ordered by law might include subject of activity symbol, participating person, and a free chosen supplement. The firm should correspond with truth and not to put into misguidance, it should not offend social order and moral. The trader writes out his firm compulsory in Bulgarian language. He can additionally write it out in foreign language.

The firm of sole proprietorship should contain without abbreviation the first and father's or surname which is well – known in society and also the symbol sole proprietorship.

There is a possibility for everyone to reserve a firm before submitting the entry application. For that purpose the applicant makes check if another person has rights over the chosen firm by searching in registration deeds, list of reserved firms, enacted refusals and submitted applications. The checks are free of charge and they can be made by internet page of TR or in another way depending on RA technical capabilities.

The reservation of already chosen firm is made on the grounds of application form "D1" of Regulation № 1. The application is submitted personally by the interested person or by his representative.

Who can submit an application in registration service?

The entry application together with the enclosed documents is submitted in whichever territorial registration service of RA at seat of regional courts. The application signature is put in the presence of civil clerk from registration service of RA at seat of regional courts. The application signature is put in the presence of civil clerk from registration service that accepts the application and also checks the personal identity of the signing person.

The applying can be carried out by:

1. The trader;
2. Another person in the cases stipulated by law;
3. Lawyer with explicit letter of attorney which is composed in accordance with Bar association act.

What are the legal consequences of trader's entry?

After the trader's registration in Trade register his tax registration follows.

In accordance with Article 82, point 3 of Tax insurance procedure code, data upon Article 81, point 1 of Tax insurance procedure code for persons entered in TR and entered in BULSTAT register are officially entered by corresponding competent territorial department basing on the data of trade register, BULSTAT register respectively.

The trader's registration as insurer in National insurance institute is again made officially basing on the data in register and databases of National revenue agency in accordance with Article 80, point 1 of Tax insurance procedure code.

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