

# Finance Essentials for Startups

Understanding Break-even, Funding,  
and Revenue Streams

CM B-Plan Competition



# Introduction

Finance is the backbone of any startup—without proper financial planning, even the best ideas fail. Poor cash flow management, uncontrolled expenses, and lack of revenue forecasting lead to downfall.

Startups must focus on **capital allocation, cost control, and profitability** to sustain and scale in a competitive market.



## What we will learn today ?

**Understanding the Break-even Point**

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**Sources of Funding and Investment**

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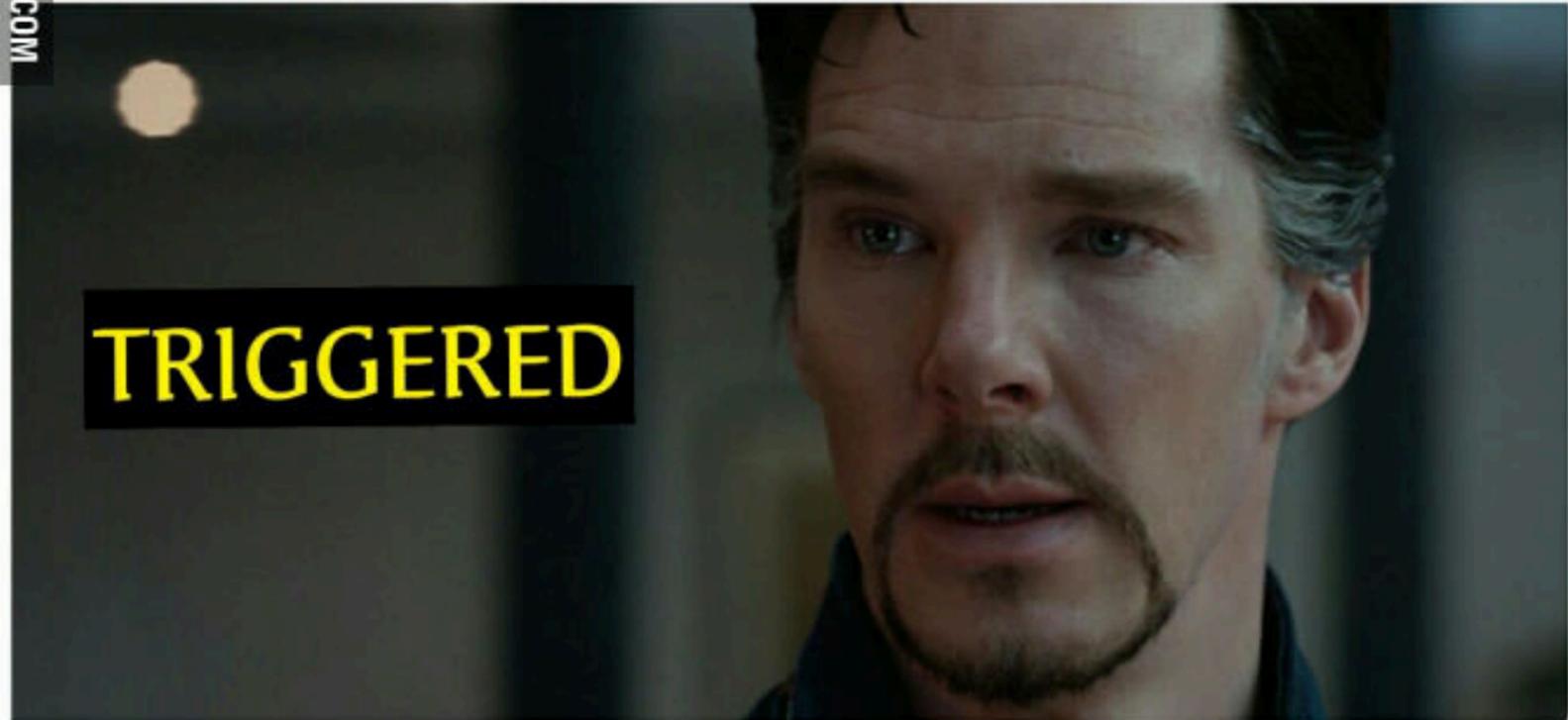
**Types of Costs & Revenue Streams**

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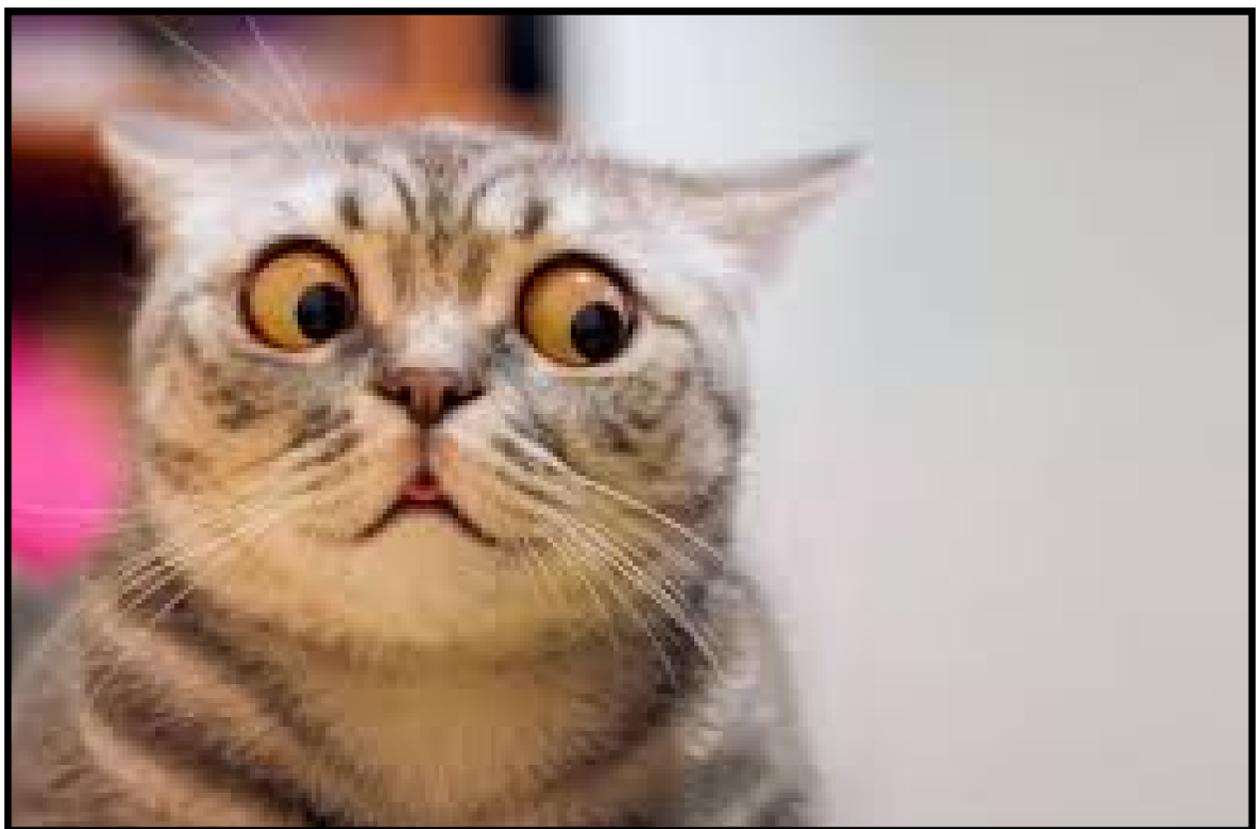
## Who all likes Shopping ?



VIA 9GAG.COM









# Fixed Cost Vs Variable Cost

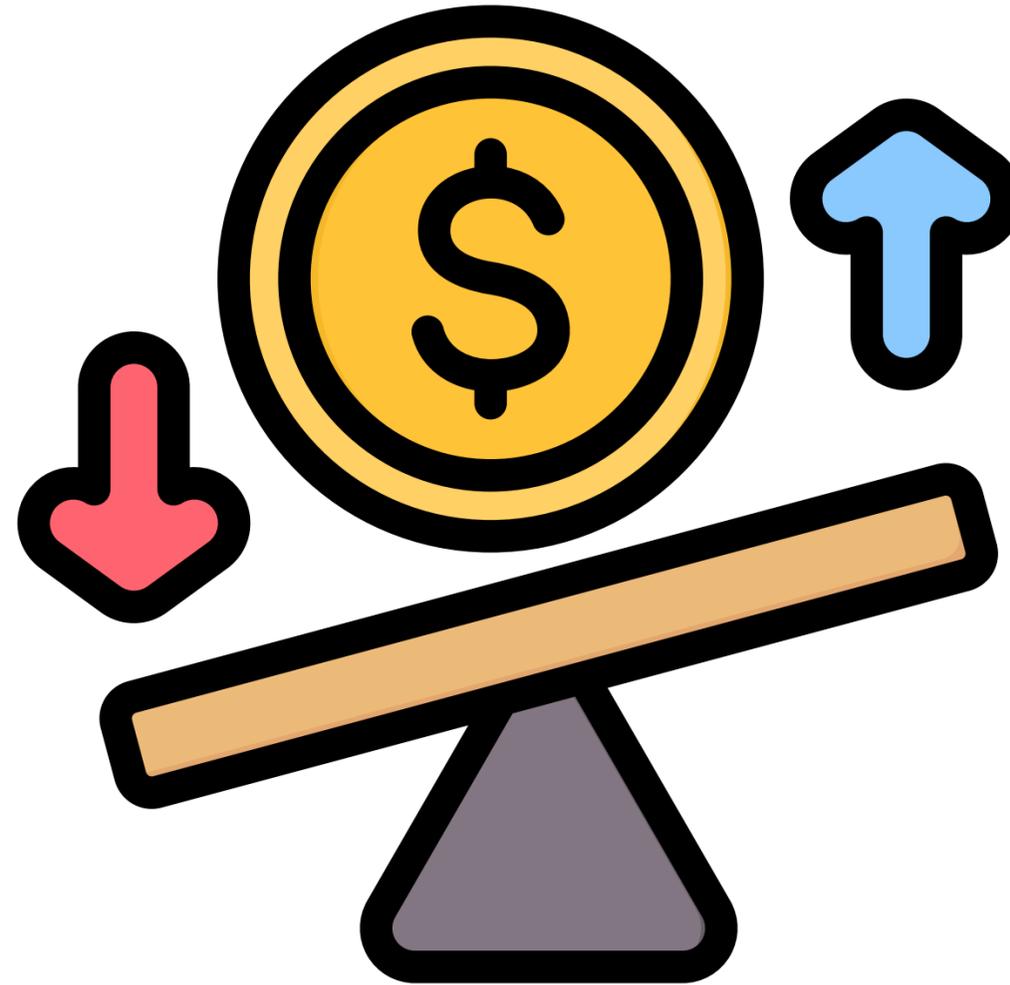


Aspect	Fixed Cost	Variable Cost
Definition	Costs that remain constant regardless of production volume.	Costs that change in direct proportion to production or sales.
Dependence on Output	Does not change with output levels.	Increases or decreases with output.
Examples	Rent, salaries of permanent staff, depreciation, insurance.	Raw materials, direct labor (if paid per unit), sales commissions, packaging.
Behavior	Incurred even when production is zero.	Incurred only when production happens.
Long-Term Impact	Becomes variable over a very long period (e.g., a company may renegotiate rent).	Always remains variable.
Calculation Basis	Time-based (e.g., per month, per year).	Output-based (e.g., per unit produced).

# Break-even Point

## Definition

The point where total revenue equals total costs. No profit, no loss.



## Example

Imagine u are selling eco-friendly bags

- Fixed costs: ₹50,000
- Variable cost per bag: ₹100
- Selling price per bag: ₹500
- Break-even point = ?

## Solution

Let's assume the total number of bags sold is **X**.

- Total Revenue = ₹500 × **X**
- Total Variable Cost = ₹100 × **X**
- Total Cost = Fixed Cost + Total Variable Cost = ₹50,000 + ₹100 × **X**

At the break-even point, **Total Revenue = Total Cost**

$$500\mathbf{X} = 50,000 + 100\mathbf{X}$$

Now, solving for X:

$$500\mathbf{X} - 100\mathbf{X} = 50,000$$

$$400\mathbf{X} = 50,000$$

$$\mathbf{X} = 125$$

## Formula

Break-even Point (Units) = Fixed Costs / (Selling Price per Unit - Variable Cost per Unit)

# What does Break-even tells us ?

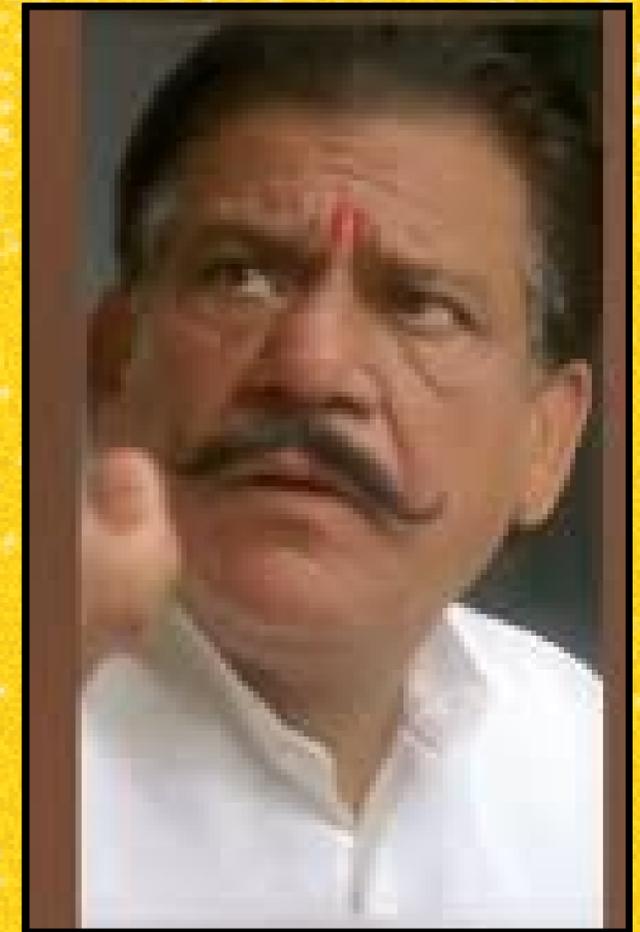


**Me to my Dad :-**

Dad, we have **Invested 5 lakh** in the my Startup Idea !!!

**Dad to me :-**

Really? Then how is your startup making a **loss of 6 lakh** ?



WAIT!! WHAT DO U MEAN BY "**WE HAVE INVESTED**"?

# Financing a Startup - Sources of Funding

## Bootstrapping

Full ownership,  
financial risk

## Debt Financing

Loans, structured  
repayments,  
interest burden

## Equity Financing

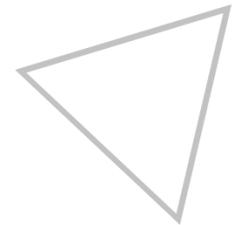
Angel Investors,  
VCs, equity  
dilution.

## Grants & Competitions

No repayment,  
credibility boost

## Crowdfunding

Market validation,  
uncertain success





# Types of Investors & What They Look For

**Angel Investors:** Early-stage, high returns, mentorship

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**Venture Capitalists (VCs):** High-growth, scalability, equity-based

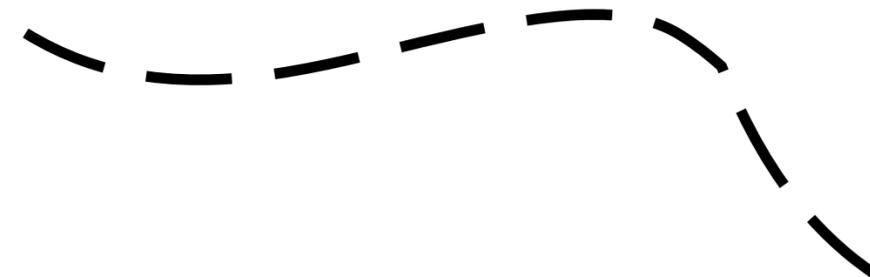
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**Banks & NBFCs:** Loan-based, repayment required

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**Government & Institutional Investors:** Grants, startup schemes

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# Revenue Sources & Business Models



# Revenue Sources & Business Models

## Marketplace Model

A platform where multiple sellers list their products/services



## Franchise Model

A business sells the right to operate under its brand in different locations



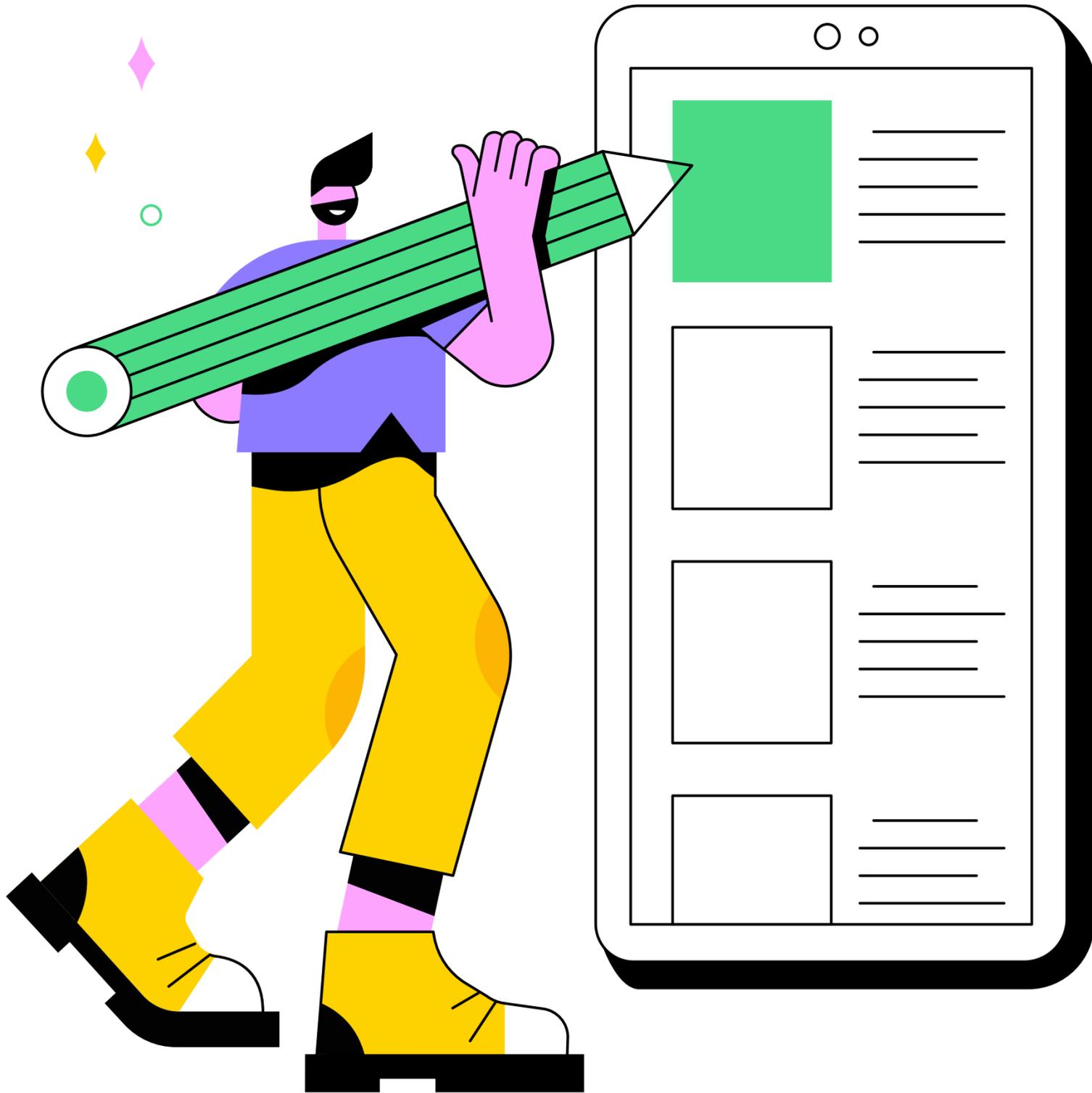
## Pay-Per-Use Model

Customers pay only for what they use



**SHILLONG RENTAL**  
YOUR COMMUTE IS NOW PERSONAL

# Financial Planning for a Startup



**Cash Flow Management:** Avoid exceeding expenses

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**Profitability Analysis:** Pricing strategy

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**Cost Optimization:** Cut unnecessary costs

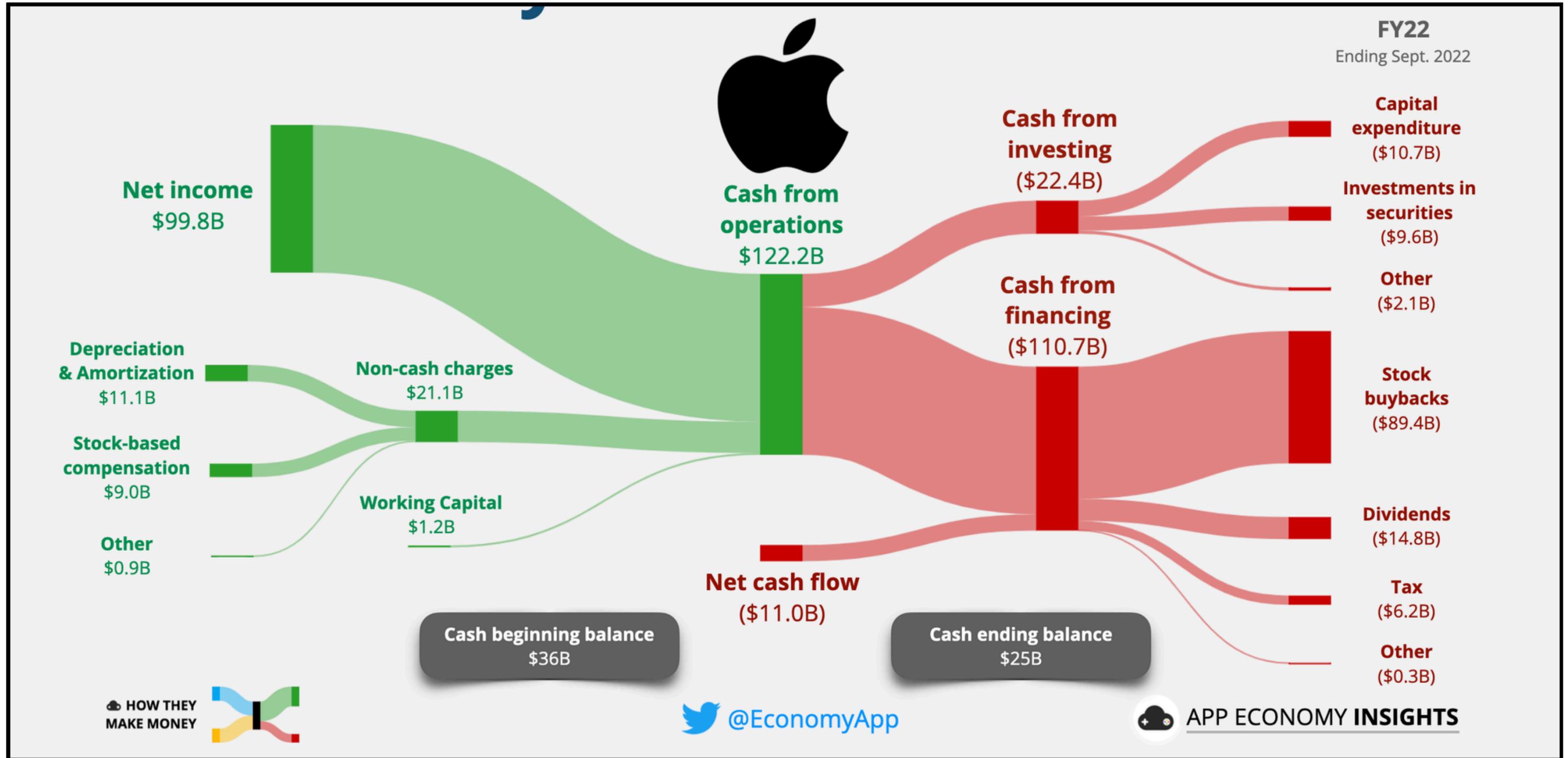
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**Fund Utilization Plan:** Effective investment usage

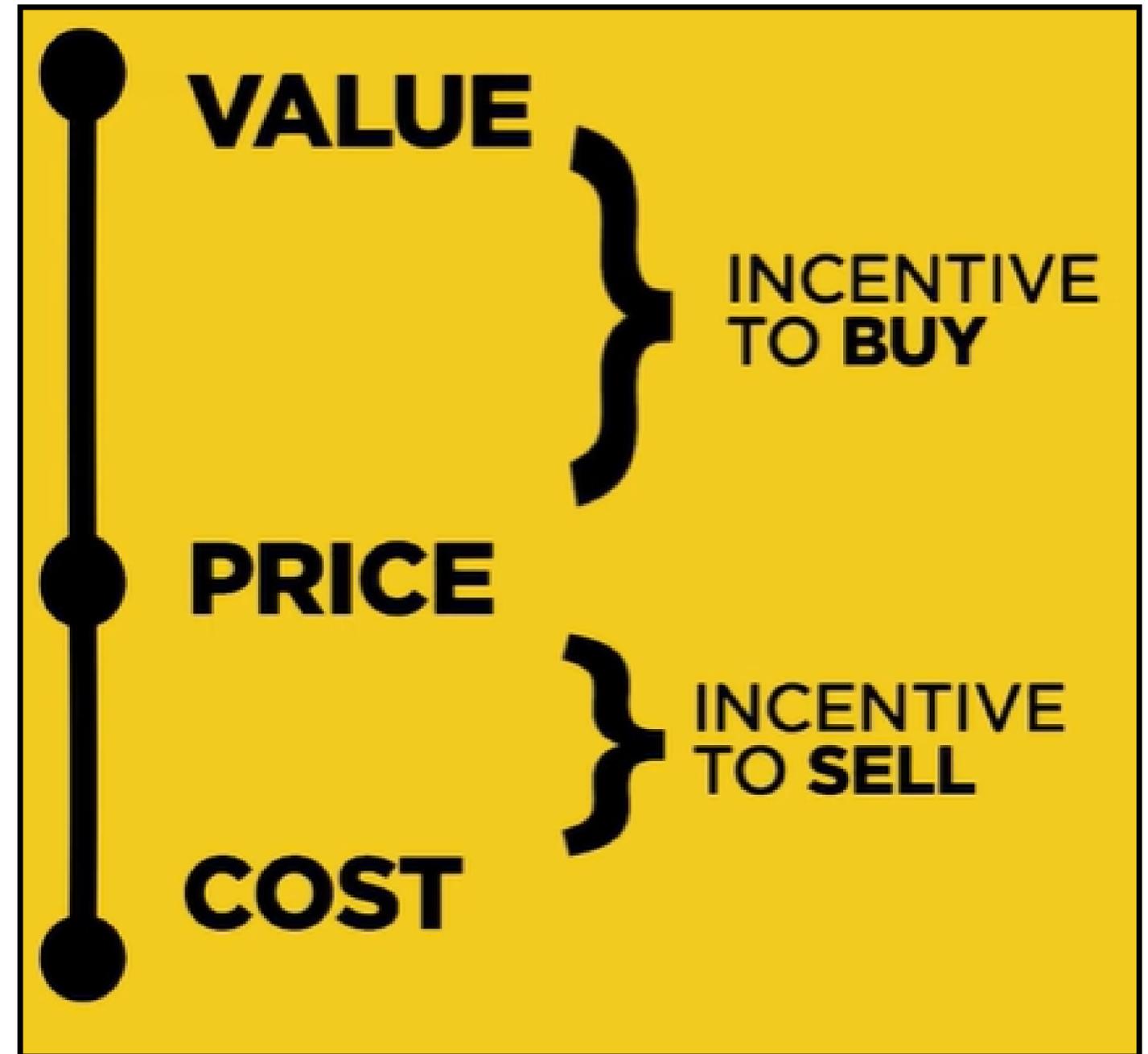
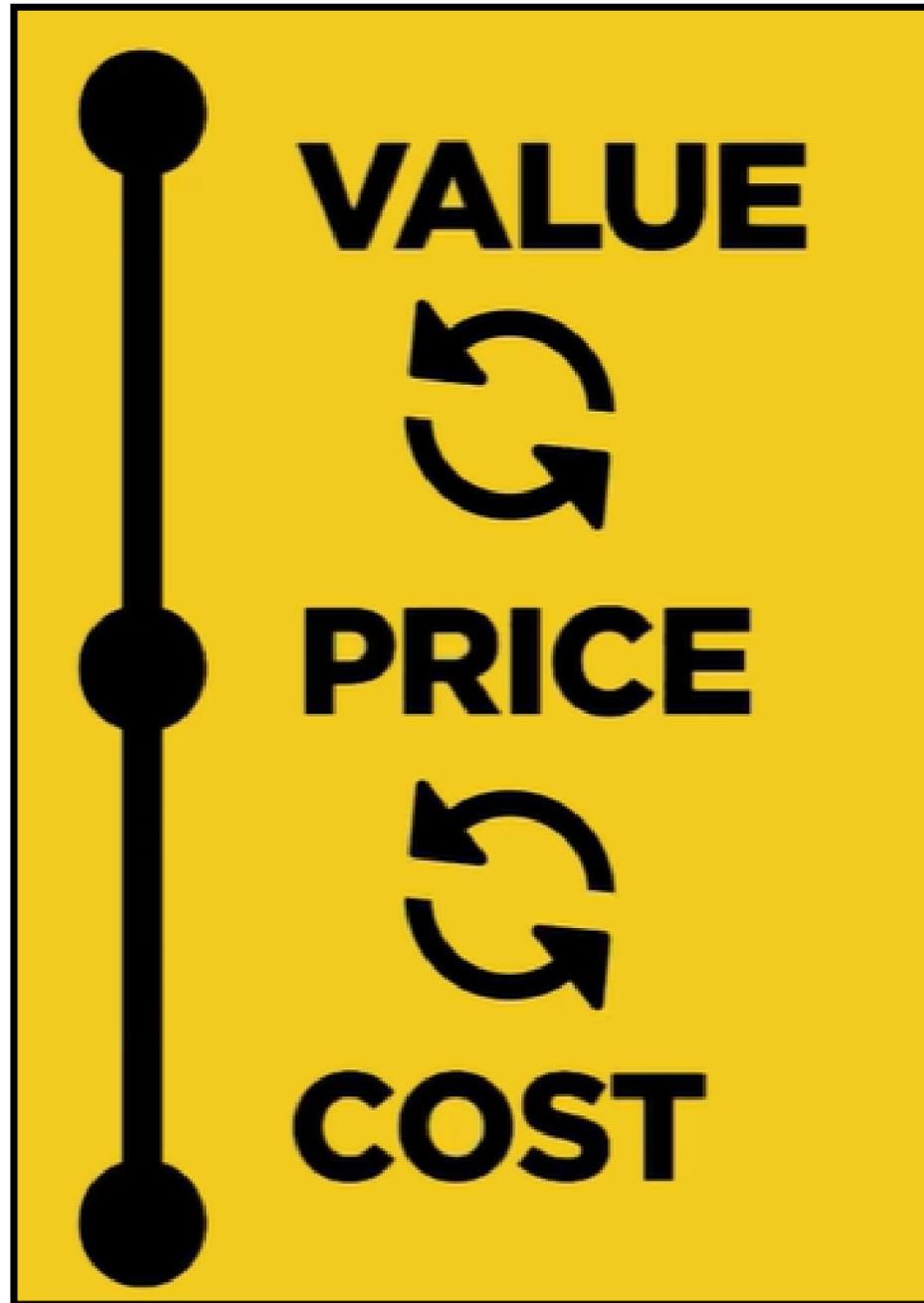
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# Cashflow Management



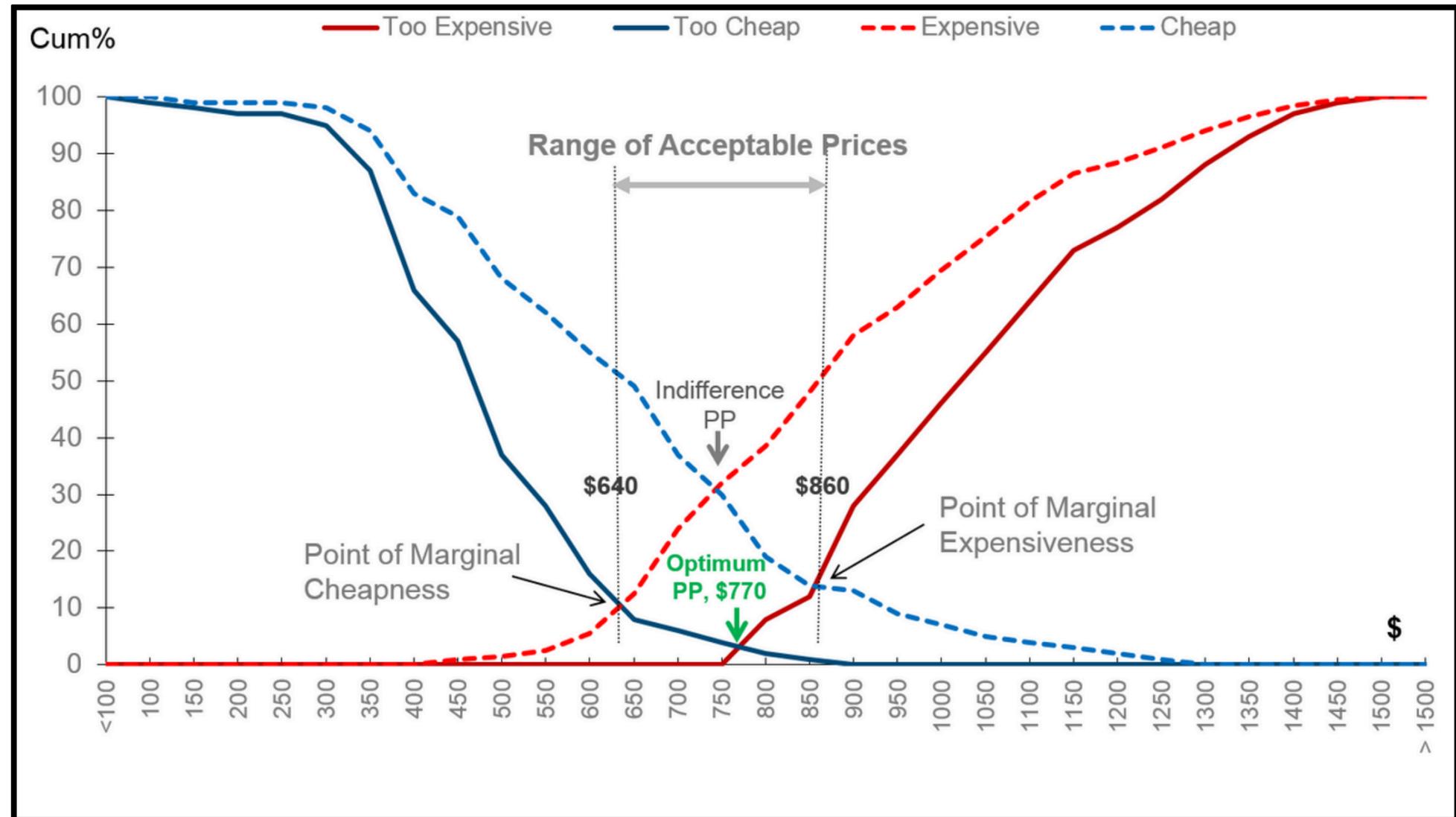
# Pricing strategy



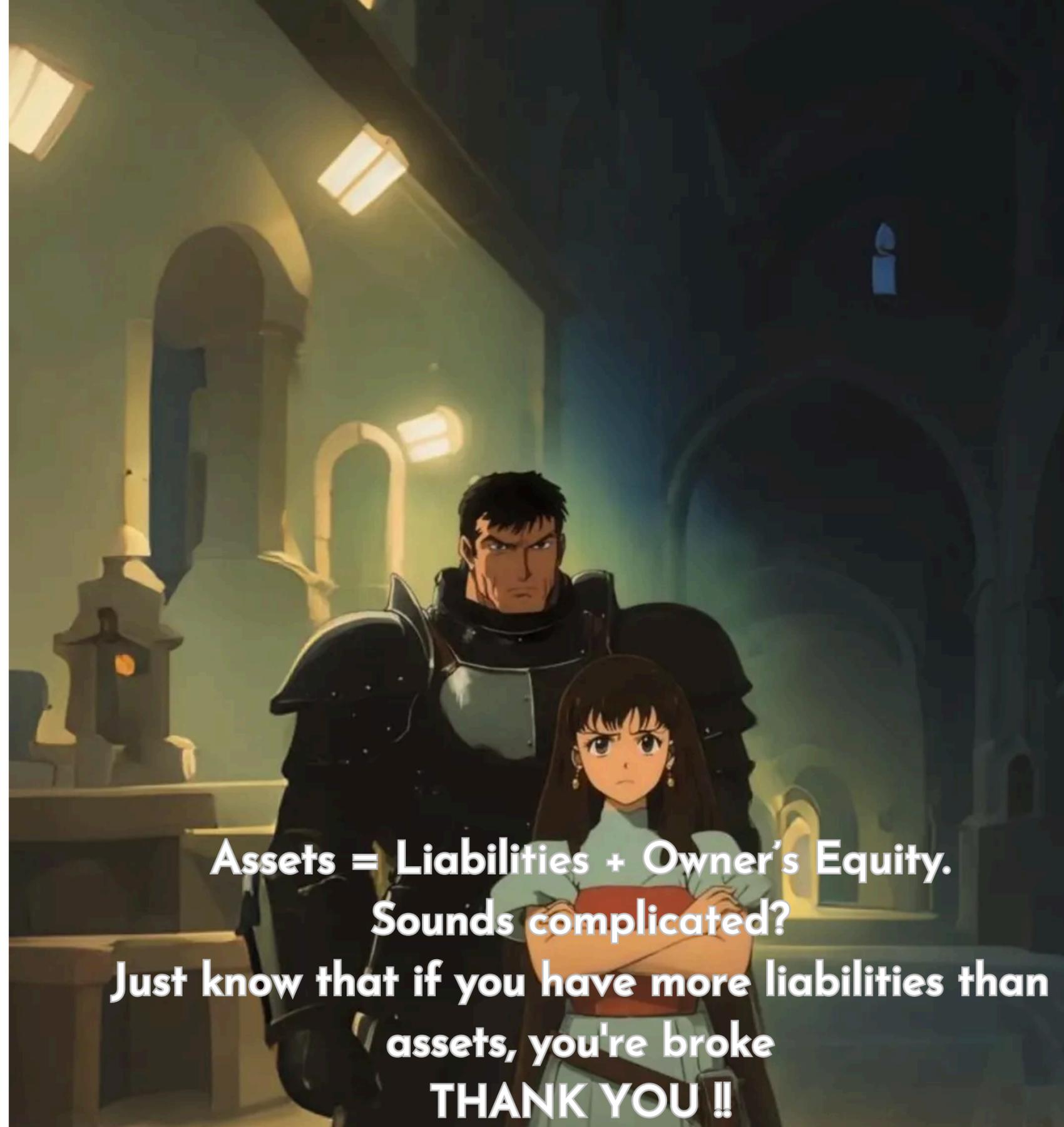
# Van Westendorp Pricing Model

## Questions

1. **Too Cheap:** "At what price would these Shirts be SO cheap that you'd think they're not very good?"
2. **Cheap:** "At what price would these Shirts be a really good deal?"
3. **Expensive:** "At what price would these Shirts start to get a bit expensive, but you'd still buy them because they're so good?"
4. **Too Expensive:** "At what price would these Shirts be SO expensive that you'd NEVER buy them?"



- The intersection of the number of people who think that the product is **"Too Cheap"** and **"Expensive"** is the Point of Marginal Cheapness(PMC).
- Similarly, the intersection of the **"Too Expensive"** and **"Cheap"** lines is the Point of Marginal Expensiveness(PME).



**Assets = Liabilities + Owner's Equity.  
Sounds complicated?  
Just know that if you have more liabilities than  
assets, you're broke  
THANK YOU !!**