

Creating Financial Statements For Start-Ups

Tanneru Anusha, Nedunuri Sushma, M.B Sai Rohit and A. Akhil

Anurag Group of Institutions, Telangana, India

OPEN ACCESS

Manuscript ID:
ASH-2020-08012391

Volume: 8

Issue: 1

Month: July

Year: 2020

P-ISSN: 2321-788X

E-ISSN: 2582-0397

Received: 17.03.2020

Accepted: 16.06.2020

Published: 02.07.2020

Citation:

Anusha, Tanneru, et al. "Creating Financial Statements For Start-Ups." *Shanlax International Journal of Arts, Science and Humanities*, vol. 8, no. 1, 2020, pp. 104–114.

DOI:

<https://doi.org/10.34293/sijash.v8i1.2391>



This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License

Abstract

This paper represents the sample of entrepreneurs who are in the process of starting a business. At investigates the determinants of financial projections and statements in start-ups. The predictions information in economics is consistent. There is a positive association frequency of financial statement preparation concerning the use of outside funding, level competition, and venture scale. There are alternative influences and suggestions that benefit in reducing competition and uncertainty in fundamental variations to prepare financial statements. For instance, cash statements are more important for start-ups, and frequency varies among different financial statements with products in earlier stages of development and with greater competition. In contrast to this financial statements projections and regular forecasts of sales by start-ups are positively associated with the importance of intangible investments such as patents, research, and development. The start-ups in high-tech industries are used for projections.

Keywords: Accounting Information, Projections, Financial Statements, Start-ups and Decision Making.

Introduction of Financial Statements

Financial reports are formal records of activities and position of a business, person, or other entity. Financial information should be presented in a structured manner and in the way, easy to understand. The four basic financial statements by a management discussion and analysis are as follows.

1. Balance sheet: This is a statement that shows the financial position or reports on a company's assets and liabilities, owner's equity for the year-end.
2. Income statement/Profit or loss report: It is a comprehensive statement of income and expenses or profit and loss over a started period. This statement provides information on the operations of the enterprise. These include sales and expenses during the period.
3. Equity Statement: The reports include the statements of retained earnings of the company.
4. Cash flow statement: The statement includes cash flow activities, particularly operating, investing, and financial activities.

Objectives of the Study

To find out the frequency before the entrepreneurs enter into business.
Frequency expected in preparation of financial statements.

Need for the Study

The financial statements are prepared using the facts that are related to events. Events are recorded in chronological order. Generally, we will first record all facts in monetary terms. We then process the facts using all applicable rulers and procedures. Then finally, we can use all the data to generate financial statements. The nature of financial statements depends on the following:

1. Recorded facts: Record all facts in monetary terms to create financial statements. We need to account for fixed assets, cash trade receivable, etc.

2. Accounting conventions: Certain conventions are prescribed by accounting standards applicable in the process of accounting. These conventions are applicable while preparing financial statements. For eg: Valuation of inventory at cost price or market price depending on whichever is lower.
3. Postulates: Even postulates play a big role apart from conventions in preparation of financial statements. These postulates are pre-assumptions made in accounting.
4. Personal Judgment: We have to rely on our estimations in calculating things like depreciation. These judgments also play a role in the preparation of financial statements.

Financial Statements Needed

Several types of statements required depending on the lender and technical expertise.

Statements required are

1. Start-up budget
2. Start-up cost work sheet
3. A pro forma profit and loss statement
4. A pro forma balance sheet

Required Financial Statements by the Lender

1. Source and Uses of Funds
2. Break-Even Analysis

Work on start-up budget and start-up cost worksheet. We must do a lot of estimation, and it becomes tough. Underestimate income and overestimate expenses are the first trick. Then work on profit and loss statement for the first year. Even though it is meaningless, everyone would like to see a start-up balance sheet. Even the other statements, like break-even analysis and cash flow statements, are good to have, even you can provide later. Depending on business activities, lenders may require different statements.

1. Create a Start-up Budget

It is a projected cash flow statement, but a little more work. It shows the budget estimation that is expected to bring in how much is expected to spend. Every lender wants to know what budget you want to follow. It also includes working capital and how long it will have positive cash flows.

2. Start-up Costs Worksheet

It answers the question, “what do you need the money for.” This is called as Day one statement. It must include every cost; it is better to over-estimate the cost.

3. Profit and loss Statement/Income Statement

The profit/loss statement should be completed in the first year itself. This statement also includes the estimation of tax. This statement shows enough income earned after deducting expenses.

4. Break-Even Analysis

This statement also shows that when the company starts making its profit. The break-even analysis is primarily for the business of manufacturing companies. It can also be used for service industries.

5. Beginning Balance Sheet

This statement is usually a complicated one. The start-ups get help from CPA for this. The Balance Sheet shows the value of assets and liabilities for start-ups.

6. Sources and Uses of Funds Statements

These statements include in annual reports. But can create a slightly simple statement to show lenders exactly needed for the start-up as working capital.

Introduction to Start-up

A company that is in the first stage of operations is called a start-up. These are founded by entrepreneurs who are often initially bankrolled as they attempt to capitalize on developing products or services, which they have demand in the market. Most of the small-scale operations are not sustainable in the long term due to limited revenue or high costs without additional funding from other sources like venture capitalists.

Importance of Financial Statements for Start-ups

From a long term perspective, it is important to understand the importance of preparing financial statements. Financial statements are indicators for investors, government authorities, stakeholders, and other agencies to know about business and profit sustainability. The important statements are the Balance sheet, Income statement; cash flows statement. These statements are used to communicate the state of the business.

Balance Sheet: It is a popular tool that involves clear segregation of assets and liabilities which entity owns and owes. It also facilitates in the calculation of key ratios like the current ratio, quick ratio, working capital ratio, and many more. Also, inventories are further classified into the closing stock of raw materials, working progress, finished goods. It also determines the short term and long term debt of the company.

Income Statement: In the initial year of their business start-ups generally incurs losses. It incurs expenses like direct and indirect, manufacturing, other cost associated with business operations and the transactions are to be recorded in chronological basis and preparation of income statement done on monthly, quarterly, half-yearly and annually.

Cash flow Statement: The income statement is different from the cash flow statement, while the income statement shows a profit, but still, cash flow statement can be negative. The cash flow statement should be prepared every month.

Research Methodology

- Data collected from primary sources through the questionnaire.
- Tools used in excel sheets.

Limitations of the Study

- **Collection of Data:** Data collection is only through the primary source.
- **Accuracy:** There is less accuracy of responding answers to questionnaires.
- **Limited area:** The collection of data is from limited area.

Literature Review

A panel study of entrepreneur dynamics (PSED) PSED collected over 30 universities and institutions for their research. They have made several phone interviews male Questionnaires and conducted a longitudinal survey. Their objective was to understand the start-up process. The screening was involved 64622 individuals aged 18 or above. Their main screening was in the US using stratified random sampling. The respondents eligible for follow-up interviews are 3592. The sub-sample of 1164 were selected and further screened.

Industry Analysis

The activities under taken to establish the organizational structure and process of a venture during the nascent stage are selection and acquisition of financial, human resources, operational procedures, marketing. The firm creation is highly uncertain. The firm creation has to be flexible and sustainable in formulating strategy. The capital investment, location, stakeholders, and target customers are to be considered.

The entrepreneur should have sufficient knowledge regarding markets to be served and the ability to serve. The operating activities should be certain and substantial. The cost incurred and the profitability rendered by the firm shows the successful operating activities of the business. There are many general and contextual factors that affect business success or failure. The symmetric and asymmetric are characterized by a firm's creation. Entrepreneurs with enough knowledge in the context of the venture and its environment would sustain in the long term. For outsiders, it is difficult to assess the future and current viability of established firms.

Data Analysis

All the respondents reported that their start-ups had achieved positive cash flows for greater than 3 months were removed at the time of the phone survey, resulting there were 83 who were interviewed subsequently by phone. A stratified random sampling method was used. The nature of the samples is unique in identifying start-up entrepreneurs. The unobserved organizational events are systematically related to the predictor variables.

For this study, the analysis is restricted respondents whose effort was not performed as a requirement of employees in start-ups. This made the response up to 71 by reducing the respondents. Take overs, acquisitions, mergers, franchise start-ups sponsored by an existing company; multi-level marketing initiatives are not considered for these. By this, the sample was reduced to 61 respondents who were only independent start-ups/entrepreneurs.

Table 1: Sample Construction

Sample Construction	Number
Start-ups identified from phone survey	83
Start-ups done as a part of your current job for an employer	19
Start-ups that were franchises, purchase or takeovers of existing businesses, or business sponsored	10
Start-ups in public administration (SIC 9100-9999)	4
Start-ups eligible for mail questionnaire	60
Respondents that declined to participate in mail questionnaire	7
Respondents that did not return mail questionnaire	17
Respondents that provided missing responses to any accounting questions	16
Final sample of start-ups	26
Respondents that provided missing responses to any dependent variables	6
Sample of start-ups used in main results	20

The respondents have 10 years of work experience 34.6 percent had been self-employed for at-least 1 year out of 10 years, and 57.9 percent are small business owners on an average. The examination revealed a statistically significant difference only for product development [$t=2.06$, $p<0.04$] and for respondent accounting [$x_2=9.61$, $p<0.01$], with 55.2 percent of respondent have control experience in accounting/finance compared to other 39percent of non-respondents.

This table represents the industry members of the start-up ventures. And also the estimated population weights of the sample. The samples consist of services (49.6percent) retail industries (22.5 percent). Three-digit code with industry membership by SIC of business services $n=44$, miscellaneous retail $n=30$, and personal services $n=22$. The four-digit SIC codes appeared at eating places $n=12$, real estate agents $n=9$, miscellaneous business services $n=9$, child day care $n=9$, two-digit SIC code industries with $n=10$ or greater from the sample.

Table 2

Industry Classification	SIC code	Number	Sample weight (%)	Estimated population weight (%)	Income statement monthly Preparation (%)	Cash flow monthly Preparation (%)	Balance sheet monthly Preparation (%)	Sales forecast monthly Preparation (%)
SIC Divisions Agriculture, Forestry, and Fishing	0100-0999	7	2.67	3.93	67	57	67	50
Construction	1500-1799	1.2	4.58	6.52	60	58	45	33
Manufacturing	2000-3999	1.4	5.34	5.84	79	86	86	43
Transportation & Utility	4000-4999	6	2.29	2.75	20	17	25	0
Wholesale	5000-5199	8	3.05	3.05	63	63	13	13
Retail	5200-5999	.9	22.52	24.04	63	81	61	40
Finance, Insurance, Real Estate	6000-6999	1.8	6.87	5.70	65	72	53	29
Services	7000-8999	13.0	49.62	45.90	54	59	49	25
Missing (Public Administration)	9100-9999	8	3.05	1.82	63	75	71	25
Total		26.2	100.00	100.00	61	66	57	32

SIC Major Groups (10 or greater) Business services	7300-7399	44	16.79	17.08	60	66	51	25
Miscellaneous retail	5900-5999	30	11.45	13.05	57	87	75	45
Personal services	7200-7299	22	8.40	5.86	37	45	37	19
Eating and drinking places	5800-5899	13	4.96	4.14	69	77	38	46
Social services	8300-8399	12	4.58	2.85	73	67	73	25
Real estate	6500-6599	11	4.20	2.77	50	64	50	40
Amusement and recreation services	7900-7999	11	4.20	4.17	60	64	55	50
Health services	8000-8099	10	3.82	2.12	44	40	33	11

Measurement and Descriptive Statistics Independent Variables

Table-3 represents operational and descriptive statistics for the sample. The sample of 30 reflects the descriptive statistics; all independent and dependent

variables are used for multi-variety analysis. Only 22 respondents are available in samples related to future size. Outside owner is represented as '1' and relatives or family members are represented as '0', out of the sample 43.1percent access outside financing.

**Table 3: Descriptive Statistics and Definitions of Variables of Sample Start-Ups
Panel A: Categorical Variables**

Variable	Definition	Response	Coding	Freq	%
Competition	Has the competition been/Do you expect the competition to be:	no competition	0	7	2.7
		low	1	85	32.4
		moderate	2	91	34.7
		strong	3	79	30.2
Outside funding	Have (will) others or financial institutions been (be) asked for funds?	No	0	149	56.9
		Yes	1	113	43.1
Outside owners	Does (will) the firm have multiple owners who were at arms length?	No	0	195	76.5
		Yes	1	60	23.5
Lower price importance	Importance of lower prices for the new firm to be an effective competitor	Insignificant	1	58	22.4
		Marginal	2	81	31.3
		Important	3	71	27.4
		Critical	4	49	18.9
Growth intention	Which best describes your preference for the future size of this business?	Manage by self	0	211	80.8
		Large as possible	1	50	19.2
Product development	What stage of development is the product or service this start-up will be selling?	No work done / idea stage	1	38	14.8
		Being developed	2	56	21.9
		Tested with customers	3	53	20.7
		Completed and ready	4	109	42.6
Employment of non-owners	Have (will) any employees be hired for pay – workers that would not share ownership?	No	0	117	44.7
		Yes	1	145	55.3
Accounting experience	Any work experience in accounting and financial control	None	0	113	44.8
		Some	1	139	55.2
Accounting courses	Number of courses taken in accounting and financial control	None	0	123	51.0
		Some	1	118	49.0

Form of organization	What is (will be) the legal form of the new business?	Unlimited liability Limited liability	0 1	215 43	83.3 16.7
Patent	Has (will) a patent, copyright, or trademark application been (be) submitted?	No Yes	0 1	178 84	67.9 32.1
Research and Development	Will spending money on research and development be a major priority for this new business?	No Yes	0 1	189 73	72.1 27.9
High tech	Would you consider this new business to be hitech?	No Yes	0 1	177 83	68.1 31.9
Venture capital	Have venture capitalists been asked for funding for this new firm?	No Yes	0 1	252 10	96.2 3.8
Bank	Has a bank been asked for funding for this new firm?	No Yes	0 1	228 34	87.0 13.0
Business planning	Has a business plan been prepared for this startup?	No Yes	0 1	98 164	37.4 62.6

Panel B: Categorical Variables

Team	Has (will) a start-up team been (be) organized?	No Yes	0 1	99 163	37.8 62.2
Financial Projections	Have projected financial statements been developed?	No Yes	0 1	154 108	58.8 41.2

Variable	Definition	Mean	Median	Standard deviation
Expected sales growth	Intended annualized sales growth of the venture between one to five years of operation	0.40	0.32	0.39
Log of predicted sales at year 1	Log 10 of the expected total sales, revenues, or fees from the first full year of operation	4.54	4.52	0.97
Log of predicted sales at year 5	Log 10 of the expected annual total sales, revenues, or fees in the fifth year of operation	5.11	5.00	0.94
Intangible	The sum of dichotomous variables: Patent, research and development, and high-tech; divided by 3	0.31	0.33	0.30

It also represents the funding from the bank from venture capital funding. Responses for this were coded '1' for Yes and '0' for No. 32.1percent of the sample indicated they did Yes for the first question related to trading mark, copy right and patent. For the second question, 27.9 percent was responded yes for spending money on research and development. For the third 31.9percent was responded for high-tech business. Level of competition for start-ups on a four-point scale is

- No competition
- Low
- Moderate
- Strong

Importance of price based on four-point scale rating:

- Insignificant
- Marginal
- Important
- Critical

Product development respondent perception is represented as

- No work is done/idea stage
- Being developed
- Tested with customers
- Completed and ready

42.6 percent of start-ups had completed and ready with product/service at the time of the survey.

Examining the respondent expectation of total sales and revenue is to be achieved in the first year. According to background accounting responses, 49

percent of the sample of entrepreneurs had taken at least one accounting course and 55 percent working with-some accounting control functions.

Table 4: Preparation of Statements by Sample Start-Ups

Frequency	Income statement (%)	Cash flow statement (%)	Balance sheet (%)	Sales forecast (%)
0. Never / Not relevant	2.7	7.6	8.4	29.0
1. Once a year	16.4	11.4	13.7	8.8
2. Every 6 months	4.6	3.4	3.8	11.5
3. Every 3 months	15.7	11.5	17.2	19.0
4. Every month	60.7	66.0	56.9	31.7
Total	100.0	100.0	100.0	100.0

Dependent Variable

The intended frequencies of financial projection preparation at the beginning stage of start-ups are considered for the study of dependent variables. The study is conducted based on a survey. The respondents expected to prepare the financial statements of the business and frequency.

- Once a year
- Every 6 months
- Every 3 months
- Every month

Table-5 represented interestingly with 66 percent of sample produce cash flow statements every month, 61 percent for income statements, and 57 percent for the balance sheet, respectively. The majority perceived that the need or cash flow statement is consistent in the early state of business ventures.

Table-5 represents the Pearson correlations among three financial statements preparation. All the variables are positively correlated with one another ($p < 0.001$). All this data is presented in panel A. Where-as in panel B summary of analysis results are provided. 75 percent of the correlation is greater than 1 (2.24). Panel C reports that the Pearson correlation between variables ranges from 0.84 to 0.89.

The financial projections used in the study are

- Scales forecasts
- Projected financial statements

**Table 5: Principal Factor Analysis of Preparation of Financial Statements
Panel A: Pearson Correlations between Preparation of Financial Statements**

Statement type	Income statement	Cash flow statement
Income statement	0.69***	0.58***
Cash flow statement		
Balance sheet	0.62***	

Panel B: Principal Factors (One Factor Retained)

Factor	Eigenvalue	Proportion explained	Cumulative proportion
1	2.26	0.75	0.75
2	0.43	0.14	0.90
3	0.31	0.10	1.00

Panel C: Scoring Coefficients of Retained Factor (Factor 1 in Panel B) and Correlations

Variable	Standardized scoring coefficient	Pearson correlation
Income statement	0.39	0.89***
Cash flow statement	0.39	0.87***
Balance sheet	0.37	0.84***

Only 32 percent intended to prepare a sales forecast every month. The income and cash flow statements are projected irrespective of the other statements. And only 41 percent of start-ups had developed projected financial statements.

Table 6: Pearson and Spearman Correlations between Variables^a

	1	2	3	4	5	6	7	8	9	10	11	12
Finstat		0.53**	0.17*	0.24**	0.11	0.20**	0.05	-0.19**	0.20**	0.26**	0.06	0.07
Sales forecast	0.51**		0.17*	0.15	-0.02	0.18*	0.08	-0.10	0.24**	0.15*	0.08	-0.01
Outside owners	0.14	0.16*		0.17*	-0.01	0.08	-0.00	-0.11	0.18**	0.32**	0.19**	0.09
Outside funding	0.22**	0.15*	0.17*		-0.07	-0.03	-0.07	-0.16*	0.23**	0.25**	0.22**	0.25**
Lower price importance	0.10	-0.02	0.01	0.07		0.08	-0.03	-0.00	0.09	-0.05	-0.10	-0.08
Competition	0.18*	0.16*	0.08	-0.02	0.07		-0.07	-0.04	0.09	0.02	0.00	-0.01
Accounting experience	0.03	0.07	-0.00	-0.07	-0.03	-0.07		0.05	0.01	-0.08	0.01	0.02
Product development	-0.19**	-0.12	-0.12	-0.08	-0.00	-0.03	0.03		-0.27**	-0.04	0.07	-0.02
Intangible	0.21**	0.22**	0.16*	0.23**	0.09	0.11	0.02	-0.30**		0.04	-0.01	0.07
Predicted sales at year 1	0.21**	0.17*	0.29**	0.35**	-0.03	0.04	-0.04	-0.06	0.14*		0.23**	0.14*
Limited liability	-0.01	0.07	0.19**	0.22**	-0.10	0.00	0.01	0.06	0.00	0.31**		0.00
Venture capital	0.09	-0.01	0.09	0.25**	-0.08	-0.01	0.02	-0.03	0.07	0.16*	0.00	

Findings and Empirical Specifications

The summary of descriptive statistics and coefficients is from the equation of INSTANT. The model is reasonable with overall predictive independent variables with 18.5 percent of financial statement preparation. Hypothesized Arguments have greater competition creates a greater demand for accounting information.

Financial Statement Preparation Frequency^a

Independent variables	Coefficient	Finstat	t-value
Outside owners	0.09		0.55
Outside funding	0.25*		1.80
Lower price importance	0.08		1.33
Competition	0.19**		2.58
Accounting experience	0.19		1.51
Product development	-0.11*		1.87

Intangible	0.28		1.23
Log of predicted sales at year 1	0.21**		3.02
Limited liability	-0.03		0.19
Venture capital	0.01		0.04
Intercept	-1.46		3.44
R ² (%)		0.185	
Adjusted R ² (%)		0.142	
F-stat		4.30**	
Condition index		2.37	
Observations		20	

It is observed that positive competition is intended for financial statement projections with frequency (B=0.19, P<0.01). In the case of product development, it is negatively related to the frequency of financial statement preparation (B=-0.11, P<0.05). Outside funding is also positively related to (B=0.25, P<0.05). The positive relation exists between the frequency of preparation of financial statements and venture scale (B=0.21, P<0.01).

Individual Financial Statement Preparation Frequency^a

Independent variables	Income statement		Cash flow statement		Balance sheet	
	Coefficient	Std. error	Coefficient	Std. error	Coefficient	Std. error
Outside owners	-0.17	0.37	0.97*	0.48	0.12	0.37
Outside funding	0.67*	0.33	0.14	0.36	0.49	0.32
Lower price importance	0.17	0.15	0.10	0.16	0.18	0.14

Competition	0.39*	0.17	0.39*	0.19	0.25	0.17
Accounting experience	0.36	0.29	0.10	0.32	0.43	0.29
Product development	-0.11	0.14	-0.46**	0.16	-0.11	0.14
Intangible	0.78	0.53	1.22*	0.62	0.50	0.52
Log of predicted sales at year 1	0.41**	0.16	0.42**	0.17	0.48**	0.16
Limited liability	-0.30	0.39	-0.03	0.44	-0.62	0.37
Venture capital	0.07	0.78	0.23	0.89	-0.08	0.72
n	200		200		200	
-2 Log likelihood	417.27		379.52		469.91	
Pseudo R ²	.13		.19		.13	
χ ²	27.01**		42.22***		27.07**	

Table-8 represents the summary of results for separate financial statement preparation. It is seen that greater competition was positively related to both income and cash flow statements (B=0.39, P<0.08). The balance sheet was not positively related to competition. Alternatively, it was seen that outside funding was a determinant.

Financial Projection Preparation ^a

Independent variables	Coefficient	Std. Error	Coefficient	Std. Error
Outside owners	0.29	0.33	0.08	0.40
Outside funding	0.36	0.29	0.56	0.34
Lower price importance	-0.11	0.13	0.22	0.16
Competition	0.32*	0.15	-0.04	0.19
Accounting experience	0.38	0.26	-0.34	0.32
Product development	-0.04	0.12	-0.02	0.15
Intangible	1.12**	0.47	1.59**	0.59
Log of predicted sales at year 1	0.20	0.14	0.51**	0.19
Limited liability	0.00	0.34	0.96*	0.43
Venture capital	-0.70	0.62	0.69	0.79
n	200		200	
-2 Log likelihood	581.82		229.41	
Pseudo R ²	.11		.20	
χ ²	23.91**		43.92***	

Preparation Frequency for Less Restrictive Sample Criteria ¹

Independent variables	Coefficient	Std. error	Coefficient	Std. error	Coefficient	Std. error
Outside owners	0.21*	0.13	0.23	0.27	0.06	0.33
Outside funding	0.22*	0.12	0.09	0.24	0.67*	0.28
Lower price importance	0.12*	0.05	0.02	0.11	0.11	0.13
Competition	0.18**	0.06	0.26*	0.13	-0.05	0.16
Accounting experience	0.24*	0.11	0.50*	0.23	-0.10	0.27
Product development	-0.13**	0.05	-0.20	0.11	0.11	0.13
Intangible	0.09	0.18	0.90*	0.38	1.43**	0.46
Log of predicted sales at year 1	0.15**	0.06	0.25*	0.12	0.39**	0.15

Limited liability	-0.02	0.14	0.32	0.29	0.72*	0.35
Venture capital	0.01	0.24	-0.14	0.51	0.43	0.62
n	274		274		274	
Adjusted R ² (%)	0.164					
F-stat	5.16**					
-2 Log likelihood			792.70		330.40	
Pseudo R ²			0.12		0.15	
χ^2			34.86**		45.54**	

Conclusion

The study investigates the determinants of financial statements and projections preparation. The only sample of entrepreneurs who are in the process of starting a business was considered. The level of sales is negatively associated with the stage of product development. The substantial scope for research is the domain. The preparation of reporting frequency is associated with benefits and may change over time as the venture scale changes. The positive competition is found for sales forecasts, income statements and cash-flow statements.

References

Armington, C. and Zoltan J. Acs. "The Determinants of Regional Variation in New Firm Formation." *Regional Studies*, vol. 36, no. 1, 2002, pp. 33-45.

Barth, Mary E., et al. "Analyst Coverage and Intangible Assets." *Journal of Accounting Research*, vol. 39, no. 1, 2001, pp. 1-34.

Barton, Jan, and Gregory Waymire. "Investor Protection under Unregulated Financial Reporting." *Journal of Accounting and Economics*, vol. 38, 2004, pp. 65-116.

Bellavitis, Cristiano, et al. "Entrepreneurial Finance: New Frontiers of Research and Practice." *Venture Capital*, vol. 19, no. 1-2, 2017, pp.1-16.

Butler, Marty, et al. "The Effect of Reporting Frequency on the Timeliness of Earnings: The Cases of voluntary and Mandatory Interim Reports." *Journal of Accounting and Economics*, vol. 43, no. 2-3, 2007, pp. 181-217.

Cassar, Gavin. "Are Individuals Entering Self-Employment Overly-Optimistic? An

Empirical Test of Plans and Projections on Nascent Entrepreneur Expectations." *Strategic Management Journal*, vol. 31, no. 8, 2010, pp. 822-840.

Cassar, Gavin. "Financial Statement and Projection Preparation in Start-up Ventures." *The Accounting Review*, vol. 84, no. 1, 2009, pp. 27-51.

Cassar, Gavin. "The Financing of Business Start-ups." *Journal of Business Venturing*, vol. 19, no. 2, 2004, pp. 261-283.

Murray, Ean. "Financial Statements for Business Plans and Business Startup." *The Balance Small Business*, 2019.

Čalopa, Marina Klačmer. "Analysis of Financing Sources for Start-Up Companies." *Management*, vol. 19, 2014, pp. 19-44.

Questionnaire

Directions: please indicate your level of agreement or disagreement with each of these statements.

Name: _____

Age: _____

Start-up company name: _____

Competition expected for a start-up company

1. no competition
2. low
3. moderate
4. strong

Answer: _____

Low prices for new firms are effective for facing competition.

1. insignificant
2. marginal
3. important
4. critical

Answer: _____

Product development is at which stage in the beginning of start-up.

1. no work done
2. being developed
3. tested with customers
4. completed and ready

Answer: _____

How often the start - ups expect to prepare financial statements.

1. once a year
2. every half yearly
3. every quarter
4. every month

Answer: _____

Author Details

Tanneru Anusha¹, Nedunuri Sushma², M.B Sai Rohit³ and A. Akhil⁴

Anurag Group of Institutions, Telangana, India

¹tanneruanusha97@gmail.com; ²sushmareddynedunuri123@gmail.com

³Rohit.madduri@gmail.com; ⁴akhiladdanki69@gmail.com