

Czech University of Life Sciences Prague

Faculty of Economics and Management

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Bachelor Thesis

Optimal Business Plan for Micro-Accounting Firm

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BACHELOR THESIS ASSIGNMENT

Miroslav Špaček

Business Administration

Thesis title

How to launch a micro accounting firm

Objectives of thesis

The objective of this thesis is to demonstrate the most effective method of launching an accounting firm. It shows: how to create the business plan, ways of minimising costs, increasing revenue, creating a permanent clientele, expanding the business and making enough money to invest in other fields.

Methodology

This thesis will involve a theoretical and practical part. The theoretical part will be carried out through a literature-based analysis of the most effective uses of market research, financial planning, costing and other tools to create the best business plan. The practical part of the thesis will demonstrate, through a descriptive analysis, how these different elements were used in the launching of a particular micro accounting firm.

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JIRASEK A, Jaroslav, 2007. Benchmarking a konkurenční zpravodajství Prague: Profess Consulting. 120 p. ISBN: 978-80-7259-051-3

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RIES, Eric, 2019. Startup jako princip podnikání Prague: Management Press. 360 p. ISBN: 9780307887894

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Declaration

I declare that I have worked on my bachelor thesis titled "Optimal Business Plan for Micro Accounting Firm" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break any copyrights.

In Prague on 15.03.2023

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Optimal Business Plan for Micro-Accounting Firm

Abstract

The objective of this thesis is to demonstrate the most effective method of launching an accounting firm. It shows how to create the business plan, ways of minimizing costs, increasing revenue, creating a permanent clientele, expanding the business and making enough money to invest in other fields.

This thesis will involve a theoretical and practical part. The theoretical part will be carried out through a literature-based analysis of the most effective uses of market research, financial planning, costing and other tools to create the best business plan. The practical part of the thesis will demonstrate, through a descriptive analysis, how these different elements were used in the launching of a particular micro accounting firm.

In his conclusion conclude, the author highlighted the fact that opening a micro-accounting firm in 2022 or even in 2023 in the Czech Republic with the primary focus on foreigners legally living in the Czech Republic and conducting a given business activity is a good idea worth considering seriously. The conclusion is based on the serious of findings made by the author, such as: Short payback period of just a couple of months (depending on the success of the marketing strategy); Break-even point of 77 consultations per month; High net margin with 160 000 CZK of monthly revenues and just 70 000 CZK in monthly expenses, thus resulting in EBIT of 90 000 CZK, that might later on be used for further expansion and no competitors, as of now.

Keywords: financing, entrepreneurship, competition, business plan, SWOT, customers, tax laws, consulting, advertising

Title of Bachelor Thesis in Czech

Abstrakt

Cílem této práce je demonstrovat nejefektivnější způsob založení účetní firmy. Ukazuje, jak vytvořit podnikatelský plán, způsoby minimalizace nákladů, zvýšení výnosů, vytvoření stálé klientely, rozšíření podnikání a vydělávání peněz na investice do jiných oborů.

Tato práce bude obsahovat teoretickou a praktickou část. Teoretická část bude provedena pomocí literární analýzy neúčinnějšího využití průzkumu trhu, finančního plánování, kalkulace a dalších nástrojů k vytvoření nejlepšího podnikatelského plánu. Praktická část práce demonstruje prostřednictvím deskriptivní analýzy, jak byly tyto různé prvky využity při rozjezdu konkrétní mikroúčetní firmy.

V závěru autor vyzdvihl skutečnost, že otevření mikroúčetní firmy v roce 2022 nebo dokonce v roce 2023 v ČR s primárním zaměřením na cizince legálně žijící v ČR a provozující danou podnikatelskou činnost je dobrý nápad, který stojí za vážné zvážení. Závěr je založen na zjištěních autora, jako například: Krátká doba návratnosti jen několik měsíců (v závislosti na úspěšnosti marketingové strategie); Bod zvratu při 77 konzultacích za měsíc; Vysoká čistá marže při měsíčních tržbách 160 000 Kč a měsíčních nákladech pouhých 70 000 Kč, výsledkem je tedy EBIT 90 000 Kč, který by mohl být později využit pro další expanzi.

Klíčová slova: financování, podnikání, konkurence, podnikatelský plán, SWOT, zákazníci, daňové zákony, poradenství, reklama, SEO

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1 Introduction

The author of the following bachelor thesis always had a dream to be financially independent and at the same time, enjoy what he will be doing. Luckily for him, he came to the realization that opening a micro-accounting firm focused on foreigners living in the Czech Republic would be a great idea due to the fact that there are almost no companies operating in the chosen market segment.

Consequently, the author evaluates this startup throughout his narrative and comes to the conclusion of whether it is worth considering this startup as a good investment or not based on the evaluation techniques selected by him including both quantitative and qualitative methods.

2 Objectives and Methodology

2.1 Objectives

The objective of this thesis is to demonstrate the most effective method of launching an accounting firm. It shows how to create the business plan, ways of minimizing costs, increasing revenue, creating a permanent clientele, expanding the business and making enough money to invest in other fields.

2.2 Methodology

This thesis will involve a theoretical and practical part. The theoretical part will be carried out through a literature-based analysis of the most effective uses of market research, financial planning, costing and other tools to create the best business plan. The practical part of the thesis will demonstrate, through a descriptive analysis, how these different elements were used in the launching of a particular micro accounting firm

3 Literature Review

3.1 Business Plan

3.1.1 Purpose

A business plan is an outline that contains all of the data required to launch a firm. This information includes a market analysis, the full cost of the initial investments, the marketing strategy, the production timetable, the organizational structure, and the anticipated profit margins (Fairley, 1979). The origin of the business can be attributed either a team of the company's business managers or the business itself; the differences among the two accounts, as well as the events that gave birth to them, will be examined in a later section. This information must be remembered because this method is applied practically everywhere in the corporate organizational structure. The tasks that build up the company strategy are divided into phases to show the sequence in which the firm will launch. A clever task manager will create a thorough schedule that not only specifies the due dates for each work but also identifies the people in charge of making sure that it is completed. In any case, creating a corporate strategy involves more than just coming up with a plan of action that would result in a profitable venture. At this stage, it is vitally important to understand both the strategy of the company's goals and what those goals are.

A business plan's main goal is to accurately portray the idea of the company as a whole, in addition to luring potential partners or investors who could contribute time and money. It is composed in the format of a lengthy document and most definitely has a confidentiality clause to prevent the created detailed strategy from being taken without permission. There is a special section within business plan that not only illustrates the demand for the product idea and the presence of a marketplace, but also describes the project's goals, clarifies its purpose, and sets it apart from competing items that are already on the market. Additionally, this component establishes the presence of a market and the necessity for the suggested product. This section contains a comprehensive explanation of the new product, including what the company believes are its potential future applications. However, because it was created to market to two distinct categories of people, the firm plan as a whole aim to achieve more ambitious objectives. The first group of people involved in the business consists of the company itself, its owner, its personnel, and any additional business partners. Users from the

external world make up the second category. Potential investment associates, entrepreneurs, and financial institutions fall under this group. The foundation of a business plan is therefore fairly intriguing, and it also aids the organization in focusing on those components of the business and economy that will run concurrently both inside and outside the corporation. This will enable one to offer a general overview of the goals and structure of a business plan; the purpose of the plan is to show the likelihood that a concept will succeed given a specific budget. One can contemplate the possibility that not everyone who implements this plan will reach the intended result but the require for the production always will complement the decisions and objectives that are listed underneath, regardless of the situation.

1. By giving business the necessary information to make that decision, it enables one to decide if it would be beneficial for business to participate in the initiative that was proposed.
2. It provides a considerable benefit by assisting individuals who really are bringing a business concept into practice to fully comprehend the nature and evolution of an activity that needs to be done.
3. Lenders may learn from the business plan, that serves as a primary source of knowledge for them, more about organization's development expectations and the dangers associated with failing to return borrowed money. These details the dangers of not paying back money that borrowed.
4. The business plan presents an honest assessment of the potential hazards and the required financing line while also demonstrating that there is a chance that the endeavor will be successful. An extraordinary document should indicate that the company has chosen the proper path in order to achieve its goal, and this ought to be the fact if the business has done so (Osorio, 2012).

The organization structure of the marketing plan and the analysis is comparable, which may be characterized as a series of phases and actions that contribute to the author's goal. In this situation, the author of this work would want to compare the business plan and the thesis because both of these papers have a comparable task structure. The listed below is a summary of the objectives contained in the business strategy based on this information: a partition of the technique required to attain the goal into different phases, each with its own defined place, time frame, and responsible individuals. When creating a business plan, an investor

must consider a far broader variety of viewpoints and obligations than that when preparing a thesis, which requires only one individual to take responsibility. In contrast, only one individual is necessary to assume responsibility in this circumstance. The following are some of the most important tasks associated with the business plan:

1. Determining the purpose of the business, selecting specific key performance metrics, and setting project deadlines.
2. The choice that was made regarding the course of action and the justification for it.
3. A forecast of the company's position in the market, together with an analysis of the potential market and the industry that the organization will be concentrating on.
4. The choice of services and goods, together with an explanation of their key features
5. Formulating a plan and strategy to accomplish both short- and long-term objectives, in addition to setting together such a strategy to accomplish either one.
6. A thorough analysis of the company's financial situation at the moment, which should include a projection of the amount of cash on hand as well as the loan amount needed.
7. Deciding which employees will be responsible for carrying out each of the steps outlined inside the approach (financial planning, marketing, production, etc.).
8. Creating a list of all charges and dividing the total into monthly payments.
9. Reviewing the present staff's talents and how they match to the company's goals.
10. Analysis of possible risks is one example among many (Oakes, 1998).

Selecting the number of employees and outlining each one's specific job duties, creating a system to track the implementation, and assessing monthly cash transactions are some examples of the jobs that may be included. Building a system to track the implementation and assessing cash collections may also be included in the responsibilities. But what is the benefits of the business-plan in the accounting market.

3.1.2 Benefits

Despite all of these challenges, running a business requires the ability to make autonomous judgments and take risks. After deciding to establish a company, an owner must carefully prepare business corporation with the aid of a business plan, which is what is often used to launch any commercial event throughout the world (Smith, 2020). Such plans are vital for everyone in the market, including bankers and possible investors, workers of the

firm who want to assess their prospects and duties, and, most importantly, the entrepreneurs themselves, who must carefully consider their ideas and determine their viability. In actuality, without a business strategy, engaging in commercial operations is typically impractical due to the high risk of failure and this justifies the topic's relevance. Because of this, developing a business strategy is among the greatest approaches to develop a good or service.

The majority of businesses today are not creating officially accepted strategies, and there is also no essential planning mechanism: different types of standards, rules, etc. only apply to the immediate future and do not give direction to the present. It is thus hard to ignore the fact that the method for creating a business plan as well as its outcomes are mutually beneficial since they call for reasonably honest and equitable work in regard to both the production team and the company's management. Business planning involves a lot of specific needs or instructions, so errors, miscalculations, and deficits in entrepreneurial activity are only discovered that after monthly balance sheet is prepared.

Making different types of timely judgments, even the timeliest ones, obviously doesn't really substitute planning, which is a managerial function of a significantly greater level than decision-making. One can therefore confidently state that planning process is an essential instrument for layout and financial choices in line with market demands and the present economic condition, as well as an objective analysis of an enterprise's or firm's own entrepreneurial activities.

Although it takes work, using a business strategic plan has several advantages:

1. encourages managers to plan ahead; 2. offers the framework for wise management choices;
2. makes it easier to give the business the information it needs;
3. reduces the dangers associated with entrepreneurial activities;
4. makes it apparent that all business participants will coordinate their operations;
5. enables you to plan for a rapid shift in the market condition and predict adjustments that are expected.

What is the purpose of hiring accounting services with an outsourcing firm? Could be a valid query. Since the consumer pays the contractor a subscription model, active businesses frequently choose a monthly repayment plan, while the others go for a yearly payment period. Nevertheless, it is important to remember that an accounting firm will frequently place a cap on the amount of accounting entries this should handle as part of the membership cost. The contractor will impose an extra fee beyond this threshold. Therefore, it is difficult to consider the lump-sum technique independent. However, it is advantageous for both parties in terms of payment management. Once company simply established a legal requirement for the same amount through Internet banking, there is no need for accountants to meticulously send precise prepaid invoices every month and the client does not need to react to these bills. It is obvious that in this scenario, the accountant includes details about the amount of money transfers, declarations made, and hours worked in the bills that are periodically provided. This would be a more advantageous choice for a petty customer who also likes to control everything. Additionally, this approach is fairer than the prior one. When using the subscription costs payment method, money is not refunded for the periods where the account balances were either zero or below the threshold level. If everything else is equal, the amount of accounting data and occasionally the amount of overtime pay, which also relies on the amount and intricacy of the documents processed, will be the major differences between invoices given to various clients (Kumar, 2008).

3.2 Accounting in the Czech Republic

3.2.1 Accounting reform in Czech Republic

The reality that from the beginning of the 1990s, during in the Czech Republic's transformation to economic system and the emergence of the semi economic structure, there was a need to develop financial reporting is one of the most main motives why the author of this work chose to imply the occurrences and modifications in the organization of the Czech economy. In order to promote membership into the European Union, the ministry "looked forward" when implementing the accounting reform and attempted to abide by the principles distinctive of the accounting systems of other European nations. As a result, the core rules of the Fourth and Seventh Directives of the European Union form the foundation of Czech law on accounting (Schaub, 2004). Fascinatingly, the Czech Republic picked the French pattern as its foundation in 1991. Nevertheless, it is important to remember that at the time,

the Czech Republic and France did not have strong cultural or economic relations. And even though the Czech Republic was interested in the German model, it was rejected out of concern about Germany's undue influence on the nation's economy (Mead, 2013).

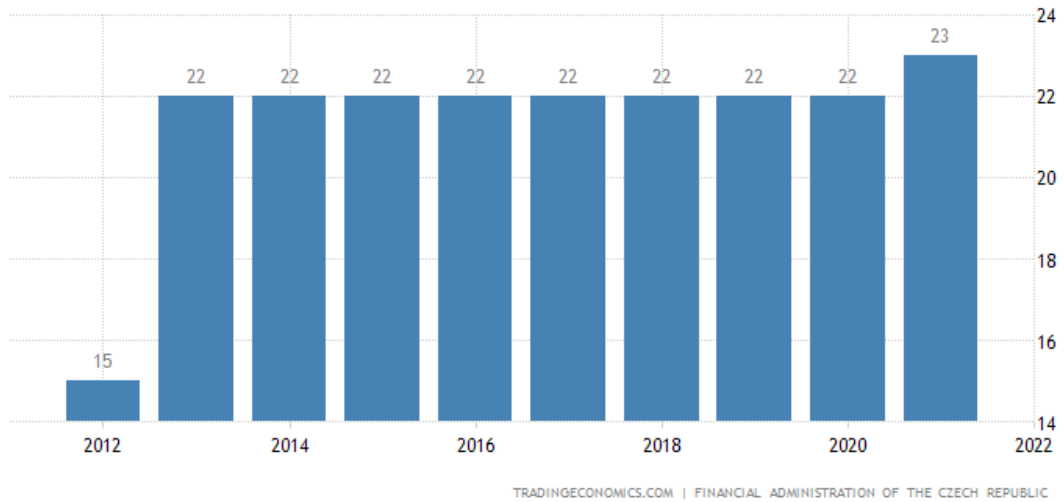
The 1991 accounting system prioritized state tax interests (Aspalter, 2009). Over time, a foreign investor-focused accounting system was needed due to the huge impact international economic connections had on the country's economy. Thus, by 2003, the Czech Republic implemented national accounting standards to harmonize its accounting system with international norms (Müllerova, 2010). National accounting rules closely follow International Financial Reporting Standards (IFRS).

However, foreign enterprises must generate IFRS-compliant consolidated financial statements. An whole new body of law was necessary to address this issue when the Czech economy shifted to a capitalist one. The Czech Republic's admission towards the European Union was the next significant stage. For a foreign buyer choosing to form a business inside the Czech Republic at the present, the accounting regulations inside the Czech economic region are more or less obvious. Yet especially for the accounting industry, breaking into the EU market is challenging. At least there is a separation into internal and outside VAT payers.

3.2.2 Taxation system

The strategic objective of a Czech Republic, as well as other Central Eastern European nations, is to establish a taxation regime like that of the EU nations and based mostly on historical customs from nations like Austria and Germany (Linz, 1993). Practical factors also dictate the necessity of aligning the growth of implementation of government policies in the Central and Eastern European nations with the pertinent rules and regulations in effect in the EU nations. The EU nations, and particularly Germany, represent the majority of the Czech Republic's international economic relations. From around turning of the 80s and 90s, the Czech Republic's taxation system was essentially born. It was estimated for a very long time, and it still is in concept. The current tax system was implemented in January 1993. Czech taxes are comparable to those in other EU nations. Consequently, the tax rates are relatively high there. Nevertheless, social policy in the Czech Republic always about equals the level in all of Europe.

Figure 1, Tax rate in Czech Republic for the last 10 years.



Source: Trading Economics, 2022

The taxes that are regarded as standard for EU nations are included in the categories of taxation inside the Czech Republic which have been specified has since and are still in effect today. Direct taxes (on corporate and individual income) are prominent on these statistics, together with income tax (VAT, excises, and customs payments) and social security contributions. Property tax, gift and inheritance taxes, car taxes, and other non-basic fees are typical examples of other costs.

Because all tax "regulation" requires taxpayers to contribute a portion of their earnings to the requirements of the state, it is thought that citizens are rarely happy with their tax system. However, in the Czech Republic, this isn't the case. The benefits of Czech residents are clear when one compares the tax systems of the Czech Republic with its neighbors. Companies find the Czech Republic appealing because, among other things, it grants exempt status on monetary operations and profits earned in the EU. As a result, less and fewer Czech businesses are interested in setting up a permanent address in offshore jurisdictions while continuing to be based there (Klazar, 2008).

3.2.3 Economic interest of the Czech Republic

Of all the nations that made up the old socialist alliance, the Czech Republic's economy is currently the most advanced and steady. According to a range of specialties, including Western ones, the Czech economy is generally more efficient than the economies of Poland and Hungary (Roderick, 2013). It should be mentioned that the Czech Republic has a significant policy in place to liberalize imports and exports. Today, the Czech Republic outpaces nations like France, Italy, etc. in terms of export quantities. Over the previous five years, thirty to forty percent of total national revenue was generated as a result of international commerce. Germany, Slovakia, Russia, Croatia, Romania, and France are some of the nation's top trading partners (World Bank, 2022). About 70% of the total international trade turnover belongs to them. Since nearly half of all Czech business was with Germany, the Czechs developed particularly tight ties with that country. In terms of direct investment, Germany has overtaken the United States, Italy, Netherlands, Austria, and other nations. The Czech Republic has been an affiliate member of the European Union since October 1993, and since March of that same year, it has gained from a free trade zone established in collaboration with Poland, Hungary, and Slovakia (Ram, 2003).

3.2.4 Legislation and Regulations

The necessity to unify accountancy inside the international economy as well as the presence of a common currency area in Europe provide challenges for all business entities. Since accounting in the Czech Republic has indeed advanced to an international stage, the vast majority of foreign professionals in finance and accountancy will be able to access the bookkeeping of Czech businesses. The Czech Republic agreed that after entering the European Union, it would need to significantly change existing customs and tax legislation in EU. Additionally, it was anticipated that the modifications would affect how Czech firms account for their assets and obligations (Sucher, 2004).

The underlying concept of double-entry accounting stayed the same even if national accounting regulations had to be updated and some organizations were forced to switch to IFRS accounting. IFRS are a set of accounting standards for publicly traded companies' accounting records that are intended to make them effective, transparent, and straightforward

to compare across borders (Choi, 2008). 167 countries, including those in the EU, currently have detailed IFRS profiles (Tahat, 2016). Statutory accounting in the Czech Republic doesn't actually involve unified management reporting since this aspect of the company's growth in the economy is always kept private in accordance with the requirements of confidentiality and trade secrets.

The Czech Republic is an EU member and is subject to the accountancy, audit, and economic reporting requirements outlined in EU rules and directives and incorporated in national regulations and laws (Toshkov, 2008). The Czech Republic's judicial power has been entirely pulled into accordance with the EU article role and contribution in aspects of accountants and auditors, based on the World Bank's ROSC (Boolaky, 2012). In 1991 Accountancy Law, as reformed in 2016, lays out the conditions for producing financial statements, including the relevant accounting rules including economic standardizations. In accordance with Czech constitution, the Finance Ministry seems to be in charge of developing standards for financial reporting (Bartková, 2021).

3.2.5 Accounting structure

The Czech Republic recognized that considerable reforms to its tax and customs laws would be required when it joined the EU, and that nearly all changes would also have an impact on how Czech enterprises are required to account for their assets and obligations (Vochozka, 2016). Although the fundamentals of double-entry accounting were not altered, national accounting rules had to be revised, and some businesses were compelled to move to reporting in accordance with the international IFRS standards.

The following are the main aspects of the modernized accounting:

- Static - establishing the condition of the property such that reporting users may always be certain that the entire purchase over all assets and capital equipment will pay for current accounts payable;
- Dynamic - ongoing evaluation of the efficiency of economic activity, management of the income-to-cost ratio, and creation of tax obligations;
- Emphasis on macroeconomic indicators and construct accounting such that national GDP and value-added indicators may be formed simply from the financial indicators of individual businesses.

Since this area of the business's economic growth is always kept hidden in compliance with the standards of secrecy and trade secrets, statutory accounts within Czech Republic doesn't quite entail centrally managed accounting. There is a sizable proportion of foreigners who have set up shop within Czech Republic who have outsourced their accounting needs rather than creating their own firm (Paseková, 2019). The justification for making such a choice is straightforward and obvious, as it will be more expensive for a small firm to pay salaries and train its own employees than to operate an accounting services agency, provide service continuity (without sick days or holidays), save time, and provide legal assistance for those who are unaware with the complexities and norms of tax regulations. In this instance, trusting a business with a poor degree of certification or blatant fraudsters has just one substantial danger for novice taxpayers. However, the secret to success is straightforward – “don't cut corners and stick to tried-and-true, reputable firms (Fader, 2020).”

3.3 Techniques

3.3.1 SWOT

The acronym SWOT, which is made up of the four terms Strengths, Weaknesses, Opportunities, and Threats, must first be appreciated by the author. A marketing examination of a company's internal and external factors called a SWOT analysis is used for strategic planning. Any goods, services, businesses, or even individuals can serve as the analytical method's subjects. The technique also was employed in rivalry disputes. The most alluring offerings for the target market might be determined from all those offered with the aid of SWOT analysis.

Figure 2, SWOT Analysis



Source: Al-Araki, 2013

The key benefit of such a SWOT analysis that it enables one to examine a business closely and spot potential avenues for growth and sales. Recall that strengths and weaknesses are the first two elements of analysis. The firm will have to consider how it varies from rivals, for better or worse, in order to expose them. Four variables make up the project's SWOT analysis and assist to analyze it from many perspectives.

Internal variables

These are the variables that firm personnel may affect to help the issue.

Strengths are the intrinsic characteristics of products and services that provide a significant competitive advantage for the business (product, service). The business may grow its market share and sales with their assistance.

Weaknesses are negative aspects of a company, product, or service, as well as technological constraints and possible barriers to quick growth and development. Prior to interfering with increasing sales and the attainment of important KPIs, they must be continuously checked and eradicated.

External variables

The business cannot control external causes, but it may take the chance early, make adjustments, and defend itself against prospective dangers.

Opportunities abound, and you can always use them to your advantage to advance your business. You must continuously scan the market for such chances.

External factors that might endanger your company include **threats**. These factors include things like manufacturing problems, reputational harm, and decreased earnings.

Overall SWOT analysis for overall business is completed by the SWOT matrix, which also contributes to reaching the appropriate conclusions when developing a corporate growth strategy. Strategic planning most frequently makes use of the company's SWOT analysis. It is advised to carry it out at least once every year. This will enable management to keep tabs on all market developments, manage the workplace environment, and establish realistic long-term objectives.

The very first two elements, either strength or weaknesses, are simple to evaluate independently. But do not cover over flaws; rather, approach the analysis cautiously. Assess

with such an inquisitive attitude. As a result, one will undoubtedly identify all the problems and create the ideal business expansion plan. Finding methods to exert control over the situation is crucial since external influences have a significant impact on the business and its employees. In this circumstance, prompt analysis and creation of the required countermeasures to threats (Al-Araki, 2013).

3.3.2 Porter's Five Forces

In 1979, Michael Porter developed the Five Forces model as a framework for performing in-depth market analysis (Porter, 2002). This model can help understand the competitive dynamics that impact marketplaces and industries. By examining the five forces of competition, businesses may get significant insight into the dynamics of their industry, identify major rivals, and make educated decisions. The prospect of new rivals is the most important competitive factor. This variable denotes how difficult (or easy) it is for new competitors to enter a market. Fast food and retail are two industries with low entry barriers, making them more vulnerable to competition from new enterprises. Yet, industries with significant entry barriers, such as aerospace and pharmaceuticals, are less vulnerable to new competitors (Franko, 1989).

The ability of suppliers to lower costs is the market's second driving driver (Bird, 2005). This suggests that suppliers have a substantial impact on both the price and the quality of materials. When suppliers in a sector have strong bargaining power, as they do in the automobile industry, they might demand higher input prices, raising the cost of manufacturing for manufacturers (Kumar, 2000).

The third competitive factor is customers' proclivity to bargain. Consumers can impact the final pricing and quality of an item or service since they have a say in the matter (Harris, 2001). Businesses may need to cut prices or enhance product quality in strongly competitive marketplaces with substantial client purchasing power, such as the retail industry. Substitute products and services are the fourth competitive factor. This motivational factor displays how much leeway purchasers have in choosing between rival items. To sustain market share, firms in the soft drink sector, for example, must continually produce new products.

The intensity of commercial competition is the sixth competitive component. The amount of rivalry for this element among established market participants is closely connected to it (Rajasekar, 2013). Companies in highly competitive industries, such as the airline business, must distinguish themselves in some way, whether via pricing, quality, service, or something else. By examining these five factors, businesses may gain a full understanding of their industry's dynamics and make sound strategic decisions. A thorough analysis of the amount of industry rivalry suggests the best course of action for a corporation to get an advantage over competitors.

Consider the pharmaceutical business, where new rivals face significant obstacles to entrance. To identify revolutionary medicines and persuade skeptic authorities, the new company must invest heavily in R&D (Light, 2011). Because of their privileged position and the high barrier to entry, incumbent enterprises prosper in this environment. But, in low-barrier-of-entry industries such as retail, new competitors may enter the market and compete with existing enterprises. Existing enterprises in such a market must differentiate themselves from competitors, whether via lower price, higher quality, or other techniques.

Another critical issue is the strength of the supplier's bargaining stance. Consider the widespread usage of aluminum in the aerospace industry. This feedback is extremely valuable to the industry (Hall, 2000). When one supply source has strong negotiating leverage, all firms that use that input may notice a rise in manufacturing prices. To retain profitability, businesses will need to acquire new suppliers or negotiate better terms with their present ones. Customers' power to barter for price reductions can have a similar influence on a company's bottom line. If customers have a lot of negotiation power, businesses may need to respond by decreasing prices or enhancing product quality. As a result, businesses' overall profitability and profit margins may suffer. Competitive goods or services may also have a detrimental influence on a company's earnings. Consider a new alternative product entering the market, similar to how electric automobiles did in the automotive sector. Companies will need to constantly innovate and release new items in order to remain competitive and keep their market share.

Lastly, the level of rivalry in a particular market can have an impact on the performance of individual enterprises. Businesses commonly employ pricing strategies to differentiate themselves in highly competitive markets (Egan, 2014).

3.3.3 Market Research

The customer is always one of the prominent factors in the services market, thus studying them is practically a crucial primary role in service market marketing research. Several things may be highlighted simultaneously because data analysis is the primary task:

- Analysis of the service's target market, including an examination of their socioeconomic characteristics;
- Which are the customer's expectations?
- Amount spent by consumers on this service
- Analysis of customer complaints

Hard research is already being done at this point, and the methods used range greatly – from straightforward questionnaires to peer review such as in conversations. It relies as to how comprehensive the client wants to have the business portrayed. As a result, research into the service industry is usually comparable to research into the consumer market. It is feasible to assess the wider market situation through marketing research, and advertising study of the marketplace for particular services in and of itself enables a company to do just that. The company can then decide on future strategies for its activities, determine what steps are necessary at this time to increase service efficiency, and finally, eliminate unneeded commercial risks. In general, the assessment of demand and availability in this specific market sector, as well as, more crucially, examining their dynamics, are prioritized in marketing research on the services industry. The analysis of service distribution and sales channels is also crucial since it enables companies to find new consumer niches and, ultimately, improvement prospects. Undoubtedly, one of the most important phases of the research is the service phase, during which one must learn everything, starting with the service's level of competitiveness and concluding with the caliber of the staff's delivery of it. The study of price policy, which has some depth and is a large issue, should not be overlooked either. Utilizing this strategy will undoubtedly lead to the research of the

company's promotional efforts' success, in addition to being a rather important signal (McGivern, 2009).

3.3.4 Break-Even Point

The break-even point is an important indicator of the efficiency of the entire enterprise. It is calculated to estimate the minimum required selling price of goods and services. If, to reach the break-even point, the cost of products must be higher than the average in the market, you will have to balance costs and analyze business processes.

The break-even point is needed to calculate the payback of a new project. These data are necessary, among other things, to attract investors. When changing fixed and variable costs, calculating the break-even point will allow the company to estimate the maximum possible percentage increase in costs. This is the amount of revenue at which the company can cover all its costs - variable and fixed. When the company is at the break-even point, it works "to zero", that is, it spends all income on maintaining its activities. If you constantly work at the level of the break-even point, such an enterprise does not generate profit, does not receive additional funds for its development. Also, this indicator can be measured both in money and in the number of goods (Kampf, 2016).

Indicators required for calculation The break-even point is the volume of products sold (revenue), the volume of variable costs and the volume of fixed costs, the cost of a unit of goods and the margin, i.e., revenue excluding variable costs. To calculate the break-even point in monetary terms, you must perform the following steps:

Fixed Costs / Profit Margin

At the same time, to calculate the break-even point in commodity terms, the calculation algorithm will be as follows:

- calculate fixed costs;
- calculate variable costs per unit of goods;
- find the margin per unit of goods;

Fixed Costs / (Unit Selling Price – Variable Unit Costs).

3.3.5 Payback Period

In the realm of finance, several measurements and ratios exist to determine the likelihood of success of an investment. The payback period is a well-known indication. Payback time is a simple concept to comprehend, particularly for those who are not financial professionals. Simply said, the payback period is the amount of time it takes for an investment to generate enough cash flow to cover its initial cost (Poullikkas, 2009). This statistic is generally used to determine the worth of an investment before any more study is undertaken.

The payback period is simple to determine. The payback period is defined by the initial investment cost as well as the future cash flows generated by the investment. Given this information, anyone can determine the payback period by dividing the total investment by the expected yearly cash flows. Author will show actual calculations in practical part of the thesis but the idea is quite simple. Also, the payback period can be used to judge if an investment is profitable (Hajdasinski, 1993). Having an investment create enough cash flow to recoup its initial cost and a shorter payback period is generally preferred. The payback period can be interpreted in a variety of ways, depending on the circumstances of the firm, the type of the investment, and the investor's risk tolerance.

A similar constraint applies to how the payback period is calculated: the nature of the investment. In general, the return on investment (ROI) for acquisitions of fixed assets like as equipment and buildings are significantly greater than the ROI for purchases of working capital such as inventory and accounts receivable (Bacon, 1992). At this point its also important to note that any ideas and methods that has been shown and explained will be used in the next part of the thesis.

4 Practical Part

4.1 Legal Establishment

To begin with, it is worth to start the practical part by explaining the type of legal entity that will be selected for the following company. Given the fact that in the Czech Republic, there are numerous types of business entity that can be established, it is wise to consider all of them in the initial step. Henceforth, the author will be selecting a particular type of entity from the following list – joint stock company, limited liability company and sole trader.

When it comes to the joint stock company, it is wise to say that this kind of business entity is desirable due to the prestige and the overall effect that it might create for potential customers and investors. Nevertheless, it is wise to understand that establishing this type of business entity requires a starting capital of at least 2 000 000 CZK, which seems as rather not feasible for the author of the following bachelor thesis. Undoubtedly, borrowing can help but it would add an unnecessary monthly interest to the bank that will put additional pressure on the business owner. Henceforth, this type of business entity is not suitable for a small accounting firm.

Then, the other type of legal entity that has to be considered is limited liability company, which is actually the most common type of business activity in the Czech Republic. With the starting capital of just at least 1 CZK, this business entity seems to be rather advantageous, since it does not require such a large starting capital as a joint stock company, and it also allows to hire people that can be registered officially in the company.

The final kind of business activity that is seriously considered by the author is sole trader license, and this type has a series of benefits such as a facilitated bookkeeping and less paperwork. Nevertheless, the biggest disadvantage of going for this type of business activity is the fact that it is rather complicated to hire someone officially and it is also not quite prestigious if, for instance, the firm would like to work with more prominent clients.

Henceforth, the author concludes that the best kind of legal entity that perfectly suits the objectives of the business (accounting and book-keeping service for small and medium-

sized companies and individuals) is limited liability company. When it comes to the starting capital, the author estimates that it will be the sum of money equal to 50 000 CZK. Henceforth, **58 500 CZK** is needed to establish a company, where 8 500 CZK is the administrative fee to be paid.

4.2 Recruitment

After that, it is vital to engage personnel that will assist the author in outsourcing part of his work in order to guarantee the smooth running of the organization. This may be accomplished by hiring a team. During the beginning stages of a company's operations, it is not absolutely necessary to hire a large number of accountants. However, at some point in the future, when the number of customers will increase and the existing number of employees will not be able to physically deal with it, there will become a requirement to hire additional staff. The author is of the opinion that the business owner, who will be responsible for the vast majority of tasks, will be able to get by with the assistance of only one junior accountant during the early stages of the company's operations. As a result of this, there is a need to employ a junior accountant who will get training from the proprietor of the company on the essentials of the work. Therefore, there is no need to engage a skilled expert who would ask for a substantial monthly pay; rather, it would be enough to hire a junior accountant.

The author carries out market research with the use of platforms that provide employment opportunities to individuals in the Czech Republic in order to make a projection about the amount of money that will need to be paid on a monthly basis to this junior accountant. According to the findings of the research that was carried out by the author, it has been estimated that the gross pay that is given out on a monthly basis to junior accountants in Prague is about equivalent to **35 000 CZK**. It is without a doubt a very large amount of money, but thinking about the fact that there is only one worker makes it perfectly reasonable. There is no need to recruit any more personnel outside a junior accountant who will help with accounting duties.

4.3 Equipment and Rent

Then, the cost of the rent and the equipment are two more significant variables that need to be taken into account. When it comes to the second aspect, rent and rental expenses, it is

fair to say that this cost is believed to be a troublesome one, especially given the overall situation with housing in the Czech Republic and Prague, especially in the times of the ongoing energy crisis. This belief is based on the fact that this cost is believed to be a troublesome one, and it is especially based on troublesome situation in the market. On the other hand, commercial real estate does not actually experience as high of a demand as the market for residential real estate or accommodations. This is something that is still very important to grasp. On the other hand, many businesses failed because of their inability to adapt to shifts in the market and especially to incredibly high costs. As a result, many offices are currently vacant, and the micro accounting firm can take advantage of the situation by locating an office that had been recently abandoned. According to the findings of another study of the market, it is feasible to lease a modest office (of around 20-30 square meters) in the middle of the city for only over **18 000 CZK**, with all of the required equipment and the costs of rent and utilities included (apart from computers).

After that, it is really necessary to concentrate on the machinery that the accounting business will want in the future. In addition to the obvious items of equipment like ledgers, paper, and pencils, etc., there is now a need to purchase either laptops or personal computers. The author is of the opinion that investing in desktop computers is not a smart move since they are difficult to maintain and may also provide challenges while trying to do work outside of the workplace. As a result, the author is of the opinion that it is in everyone's best interest to make a purchase of two laptops, one of which will be used by the owner of the company, and the other of which will be used by his assistant. The author comes to this conclusion after doing research on the market and estimating that it will cost around **30 000 CZK** for the business to purchase two computers that are nice, somewhat current, and brand new.

In addition to that, the author predicts that the total cost of all of the additional supplementary office equipment that will be required to be purchased will not exceed **10 000 CZK**.

From this point on, the price of the equipment will be **40 000 CZK**, and this equipment will be sufficient for the first six months of business.

4.4 Marketing

The next significant expense is marketing, which is the factor that determines whether or not the business will be successful as a whole. Because the author intends to launch a completely new firm, he does not already have any customers or clients who might readily get in touch with him to inquire about his services. As a result, there is a need to start from scratch in order to construct a clientele, which may initially prove to be a challenging endeavor. However, once a proper marketing strategy has been selected, proper market segmentation has been performed, and good targeting has been performed on this audience, the author believes that the company will become exceptionally productive and well-liked among members of the audience that has been targeted.

As a result, it is very necessary at this point to emphasize the profile of an ideal customer for the micro-accounting company. According to the author's personal experience, while he was attending classes taught in English at a university in the Czech Republic, he frequently interacted with people from other countries. Some of these people did not have any knowledge of the Czech language, which meant that their opportunities for doing business in the country were severely constrained. Naturally, some of those individuals may at some point in the future have an interest in launching a company of their own, but the majority of them will have to contend with a significant barrier in the form of red tape, which means they will have to invest money in the services of an accounting firm. It is also important to point out that many non-Czech speakers find it difficult to communicate officially with institutions in the Czech Republic due to a lack of knowledge of Czech and, in some cases, a lack of knowledge of the fundamental mechanisms in the country. It is wise to bring this up as a point of discussion. Due to the limited number of businesses that are solely focused on providing accounting services to non-native clients, the author of this piece is of the opinion that it would be prudent to direct one's attention toward foreign nationals currently residing in the Czech Republic who hail from countries both within and outside of Europe.

It is obvious that in order to accomplish this goal, it is necessary to make certain that individuals from other nations will be able to communicate with the organization. Therefore, when looking for an assistant, it is essential to consider a person who is fluent in Russian in order to broaden the scope of the target audience to include a greater number of people. This

is especially important when taking into account the fact that the largest linguistic minority in the Czech Republic is comprised of Russian speakers. When this is done, the firm will be able to assure contact with customers in three different languages: Russian, English, and Czech. Russian is the language that the assistant speaks, while English and Czech are the languages that the business owner speaks (spoken by assistant and the business owner).

The author believes that when it comes to the marketing strategy itself, the best way to ensure that the audience of foreigners will be properly targeted is by focusing on platforms that are extremely popular among them. These platforms include Facebook, Expats.cz, Telegram (for Russian speakers), and Instagram (for both English speakers and Russian speakers). It is very necessary to have both an Instagram account and a dedicated website in order to cultivate a positive public image. These online platforms should provide clients with information that will assist them in forming a favorable opinion of the business.

The author estimates that the cost needed for marketing, website development and Instagram account promotion will equal approximately **50 000 CZK**, while monthly cost for hosting and advertising will approximately equal **8 000 CZK**.

4.5 Evaluation

4.5.1 Payback Period

Now, after estimating the volume of initial investment alongside the monthly operating cost, it is possible to create the initial budget for the company and also calculate the payback period.

Table 1, initial investment amount

Name	Volume
Company Establishment	58,500 CZK
Salary	35,000 CZK
Rent (2 months)	36,000 CZK
Equipment	40,000 CZK
Marketing	58,000 CZK
Total	227,500 CZK

Source: own research

The author concludes that the volume of initial investment needed to open the described micro-accounting firm is **227 500 CZK**.

Table 2, monthly cost

Name	Volume
Salary	35,000 CZK
Rent	18,000 CZK
Marketing	8,000 CZK
Cleaning	4,000 CZK
Material	5,000 CZK
Total	70,000 CZK

Source: own research

The author plans to recover the value of original investment in 6 months with his sales, so the author proceeds to the calculation of monthly cashflow needed to ensure that the author will recover the amount of initial investment by sales of the service:

$$6 = \frac{227\,500}{x}$$
$$x = 37916.66 \text{ CZK}$$

Therefore, in order to recover the volume of initial investment of 227 500 CZK, the author will have to have a monthly cashflow of at least 38 000 CZK, which seems like rather achievable amount.

4.5.2 Break-Even Point

In the next chapter, the author focuses on calculating the number of consultations per month needed to be had in order to break-even and help the company to have the positive net income. Before proceeding to the calculations, it is essential to categorize cost according to their nature to variable and fixed ones.

Table 3, variable and fixed costs

Name	Fixed
Salary	35,000 CZK
Rent	18,000 CZK
Marketing	8,000 CZK
Cleaning	4,000 CZK
Total	65,000 CZK

Name	Variable
Material	5,000 CZK
Total	5,000 CZK

Source: own research

Then, it is essential to focus on sales projection. The author expects that the company will be working for 5 days a week with 8 hours of working time. It is expected that the hourly price for a consultation will equal **1 000 CZK** and the author anticipates that the average percentage of time that employees will be engaged into communication with clients is 50%. Given the fact that there are 2 servers (the business owner and his assistant), both of them will be able to generate a daily sales revenue of **8 000 CZK** (4 hours of communication for each of them). Henceforth, the average monthly revenue is projected to be at the level of **160 000 CZK** (20 working days per month multiplied by **8 000 CZK**). Hence, the author is able to proceed to the calculation of the number of consultations needed to be held in order to break even.

Table 4, break even point calculation in units

Break-Even Point (units)	
Fixed Cost	65000
Variable cost per unit	150
Cost of consultation	1000

Break-even point	76.470588
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Source: own research

Hence, it projected that the monthly number of consultations that must be held in order to break even is 77. Given the assumed number of monthly consultations of 160, it seems as a rather feasible objective for the company.

4.5.3 SWOT

Now, the author will evaluate his business plan according to SWOT analysis, whose quick overview is presented on the figure below.

Table 5, SWOT analysis

Strengths	Weaknesses
Low variable costs	Dependency on marketing strategy
High net margin	Limited number of potential customers
Unique business concept	
Opportunities	Threats
Expanding to new audiences	Potential new entrants
Cooperation with international firms	New immigration policy

Source: own research

When it comes to strengths of the company, the most obvious good points prompting the author to seriously consider this startup are low variables costs, high net margin and unique business concept (almost no competitors in the chosen market segment).

Unfortunately, there are some serious weaknesses, such as a strong dependency on the marketing strategy. To be more specific, it is wise to say that the whole success of the business solely depends on proper targeting, because the author himself does not have any clients willing to buy a consultation with him, so it will definitely take some time to establish a good name for the company. Also, given the fact that the author will be targeting an absolute minority (foreigners), who make up just 5% of the total population of the country, it might be rather possible that the business won't be able to get new clients after reaching a particular ceiling.

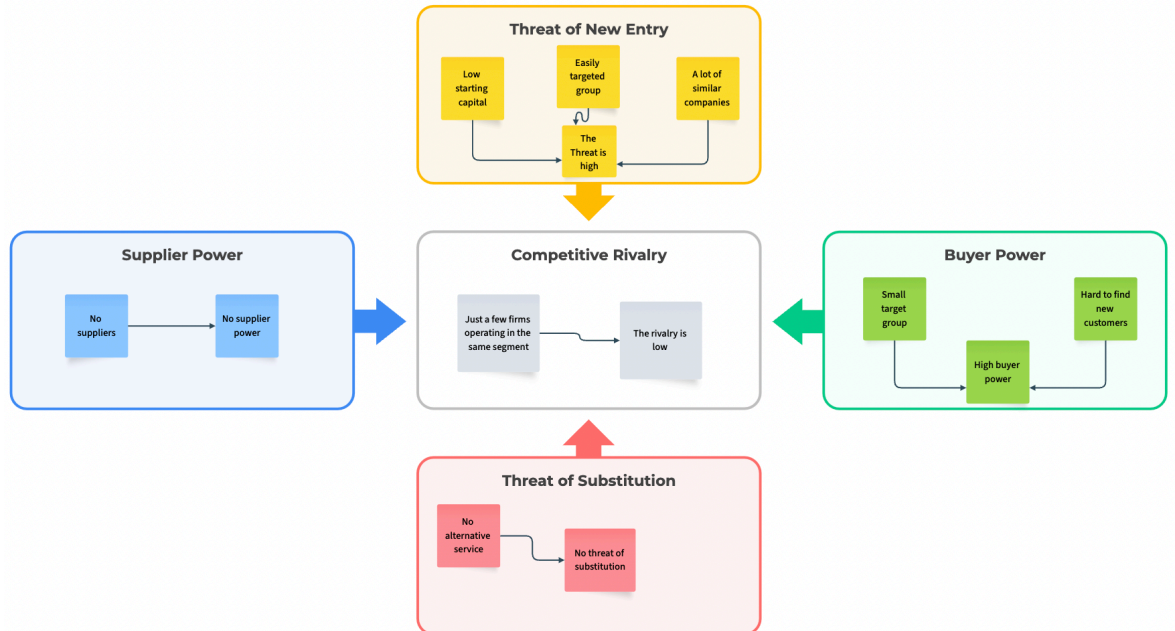
Yet, there are a few opportunities, such as expanding to new target group such as international companies. However, to be able to seize this opportunity, it is essential first to establish a good name for the company.

Finally, there are also serious threats to the business concept, especially the one which is related to new entrants. If the startup turns to be successful, it is almost inevitable that other accounting companies focused primarily on Czechs will try to shift their focus to foreigners. Also, potential changes in the immigration policy are something that should also be feared by the company because if the Czech government decides to somehow restrict the flow of immigrants to the country, it will inevitably reduce the number of potential clients.

4.5.4 Porter's Five Forces

Then, the author focuses on the Porter's Five Diamonds model to identify the market situation relatively to other firms.

Figure 3, Porter's Five Forces



Source: own research

When it comes to the question of supplier power, it is fair to say that there is not suppliers in this business, so the subject of supplier power is out of the question for this startup.

Then, almost the same situation with the threat of substitution, there are no goods or services that might even theoretically substitute what will be offered by the micro-accounting firm, so there is no threat of substitution, which is good for the company.

As for the buyer power, the situation is quite different. The number of customers that might theoretically use the company's service is quite limited and substituting them will almost be impossible, so the buyer power is quite high.

The threat of new entry is quite high due to the fact that the micro-accounting firm will still be a company operating in accounting segment but will be targeting just a specific audience. If the business turns out to be quite successful, it is likely that other accounting

firms will try to shift their focus to foreigners. Unfortunately, targeting them won't be hard, as well as establishing an entirely new organization, since the starting capital is low.

However, as of now, the competition is low and there is almost no rivalry because existing firms are quite reluctant when it comes to foreigners and marketing.

5 Results and Discussion

To answer the ultimate question of whether it is worthwhile to consider the following startup as a good investment and as something that will be able to generate stable cashflows for the author in the near future, it is essential to do a quick recapitulation of what was identified by the author. This will allow us to answer the question of whether it is worthwhile to consider the following startup as a good investment and as something that will be able to generate stable cashflows for the author in the near

To begin, the most favorable aspect of this new business venture is that the variable expenditures are astoundingly low. Because of this, the firm may sell their product without having to worry about having to catch up with the ever-increasing break-even point. In the case of this micro-accounting company, the break-even point is projected to be at the level of 77 consultations per month, which is quite feasible given the fact that there will be two workers. In other words, the break-even point is the point at which the company earns enough money to cover its operating expenses. The number of servers may easily be increased even more in the not-too-distant future, which will unquestionably result in a rise in the amount of money the firm makes each month. However, for the beginning stages of the company, two employees will be more than sufficient. This is particularly true when taking into consideration the fact that the cost of salaries accounts for the largest portion of monthly costs. In addition to all of that, the author will be able to recoup his original investment in a couple of months, particularly when taking into consideration the fact that the anticipated income each month is **160 000 CZK**.

This business model does, however, suffer from a number of significant drawbacks, the most significant of which is its high degree of reliance on its target demographic, which is susceptible to a wide range of shifts. When discussing non-citizens, it is important to keep in mind that they belong to a marginalized population and that their prosperity in the host nation is directly proportional to the amount of personal autonomy that is afforded to them. As of right now, the immigration policy of the Czech Republic enables people to express their business intentions openly and freely by establishing a multitude of companies on the condition that a given person has a legal permit to work in the country. This is the case because the immigration policy of the Czech Republic allows people to do so. However, in

light of the global trend toward and rise of right-wing movements in all parts of the world, a potential change in political leadership could significantly restrict the immigration policy. As a result, some of the potential customers of the micro-accounting firm might not even come to the Czech Republic, and those who already live here might think about going back to their home countries or choosing a nation with a more open-minded immigration policy. Naturally, as things are right now, the outlook is quite positive for non-natives, who do not have to contend with any limitations on the commercial pursuits they may pursue.

In the end, the author of this study sincerely believes that opening a micro-accounting firm in the Czech Republic, whose primary clientele will be people from other countries, is a very promising startup. This conviction is based on all of the analyses that he performed throughout the course of his research.

6 Conclusion

To conclude, the author highlights the fact that opening a micro-accounting firm in 2022 or even in 2023 in the Czech Republic with the primary focus on foreigners legally living in the Czech Republic and conducting a given business activity is a good idea worth considering seriously.

The conclusion is based on the serious of findings made by the author, such as: Short payback period of just a couple of months (depending on the success of the marketing strategy); Break-even point of **77 consultations *per month.***; High net margin with **160 000 CZK** of monthly revenues and just **70 000 CZK** in monthly expenses, thus resulting in EBIT of **90 000 CZK**, that might later on be used for further expansion; No competitors.

A serious drawback of opening this kind of firm might be the fact that the success of the given startup might attract major players who currently focus on domestic population rather than on foreigners.

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