

# BUSINESS AND MONEY

WORKBOOK 8

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-  Chapters that are essential to this workbook.
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# DEALING WITH FINANCIAL ADVISERS





YOU MUST HAND IN YOUR WORK BY TO



HOW LONG  
should this assignment take?

Every person works at his / her own pace.  
As a guide, this should take you 1 hour to read and research and another 2 hours to write your answers and discuss them with your tutor.



HOW  
will I be assessed?

Your tutor will assess your work. He / she will give you feedback on how you have done. If your work needs further work to be passed, then you will be given the chance to do further work to bring it "up to scratch". For more details, please refer to your music provider's own guidance.



WHAT  
do I do now?

Read the TASKS section below.  
Then read the NOTES AND GUIDANCE section.  
Carry out the TASKS.

TASKS

1 Read these statements - which financial adviser can help you? Tick one or more boxes

	ACCOUNTANT	BOOK KEEPER	or can you DO IT YOURSELF?
Preparing your tax return			
Preparing your accounts			
Borrowing money			
Giving you tax advice			
Raising money			
Collecting and keeping business receipts			
Preparing your VAT statement			
Balancing the day to day receipts you might need in business			
Helping you to understand how a pension scheme may help you in the future.			

2 Research 3 potential financial advisers

FINANCIAL ADVISER	ADDRESS, TEL AND E-MAIL	Do they have a website? Does it give information about their current client list?

3 Research your local area to see if there any music industry support services that can help you find out more about financial advisers such as accountants, book keepers and banks.  
Use the internet to find any local schemes that may be of use to you.

Is there a Music Development Agency in your region? If so, write the details here.

Search for any local music projects that may be looking to help you move forward. Write the details here.

Speak to your music provider about this (if appropriate ).

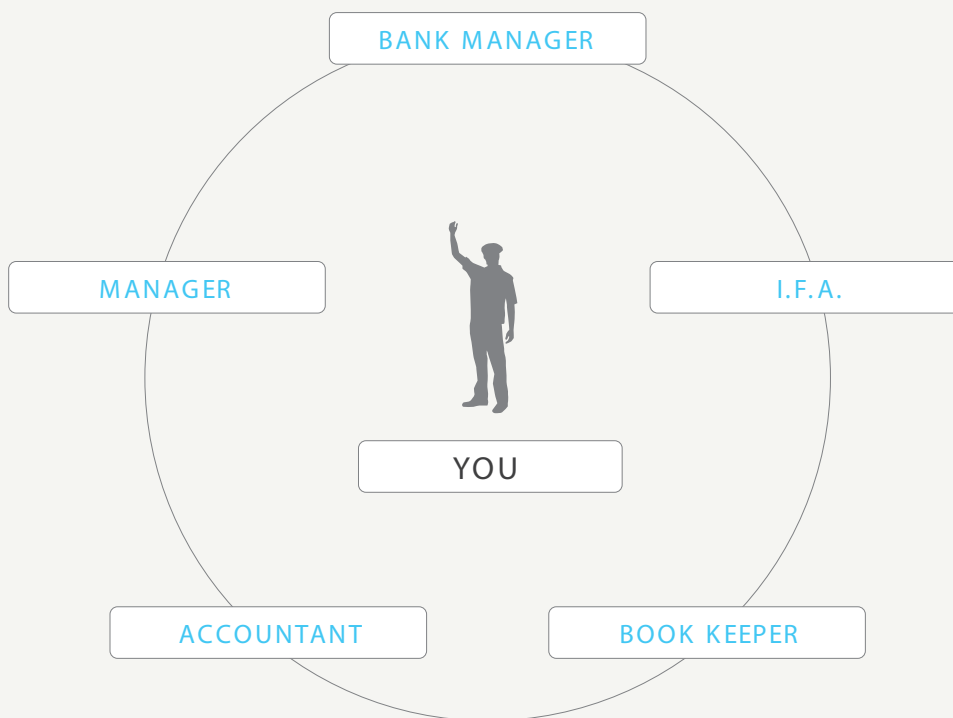
➤ revisit WORKBOOK 7 – COPYRIGHT, LEGAL AND MANAGEMENT – CHAPTER 1

4 Go to three banks and get some details on their business banking services.  
Fill in the box below :

BANK NAME	Do they offer business bank accounts for new startup businesses?	What are their charges?

## DEALING WITH FINANCIAL ADVISERS

As your career in music progresses, you may find yourself coming into contact with one or more of the following financial advisers.



If you have a **MANAGER**, they will have an important part to play in your financial team as they represent your business interests.

See **WORKBOOK 7 – COPYRIGHT, LEGAL AND MANAGEMENT** – for more information.

The **ACCOUNTANT** is a professional financial adviser. Their job is to prepare financial statements such as management accounts or audited accounts ( for larger businesses ) and annual tax returns. They can also perform a wider variety of other financial services.

A good accountant can often save more than their costs with their knowledge of tax and VAT rules. Having your books done by an accountant can also simplify dealings with the Inland Revenue.

ACCOUNTANTS FALL INTO DIFFERENT CATEGORIES:

Small accountancy firms

This may be a local chartered accountant, whose clients are generally small businesses and individuals. They will not be experts in music, but if you are self employed and turning over a modest income, they will offer you a good value service which will include preparing your tax return. If you are not using them for anything other than to assist you in preparing your tax return, you may only come into contact with them once or twice a year.

Medium size and large accountancy practices

These are larger organisations with many employees, often with numerous offices around the UK and sometimes the world. Their customers are usually bigger businesses and you would not generally use them until you were turning over several hundred thousand pounds as a minimum. The advantage is that they can offer additional services ‘in-house’ such as payroll, tax planning, fundraising, pensions and investment advice.

Specialist music industry accountancy firms

This type of accountant offers a specialised service for the music industry in areas such as touring, recording, publishing and merchandising. They are used to dealing with the music industry and therefore you may get a more focused service.



# WHEN DO YOU NEED AN ACCOUNTANT?

ARE YOU:

Responsible for paying your own tax?

If so, you will need to file your own tax return.  
An accountant can help you prepare this.

About to set up your own business, either as self employed, partnership or a limited company?

If so, an accountant will provide you with advice on tax and financial issues.

Earning a bit of extra money as well as your normal daytime job?

You may be concerned about tax implications and require some advice.



How much do they cost  
and what do they do for the money?

Most accountants will give a quotation for their fees in the first year, which may include preparing your tax return, setting up a book keeping system for you and giving you some tax advice.

Their level of fees obviously depend on how much work is involved:  
If you are a self employed person with a turnover in the region of £5,000 - £30,000, and have prepared all your accounts in advance, with a small number of transactions to review, then your bill could be just a few hundred pounds.

Specialist music industry accountants will normally charge between £150 - £250 per hour for their services, so you can rack up a large bill quite quickly! However, if the money starts rolling in, it is definitely worth employing them, as they will be able to properly assess your financial situation.

- Where can you find accountants?
- You need to do your research!
- ☐ Speak to your music provider, who should be able to give you some advice.
  - ☐ Speak to people within the industry and see if they recommend someone. Personal recommendation is always good.
  - ☐ If there is a Music Development Agency near you, they will have lists of established accountants that you can research yourself. It is also important to shop around and make sure you are dealing with professionals that you feel comfortable with and that speak your language.

# BOOK KEEPER

Book keepers are financial administrators who help you to keep your accounts up to date. If you are busy earning money, you might not have the time to collate all your receipts, expenses and other financial information.

The book keeper does this work for you and helps to prepare a set of accounts that make it easy ( and cheaper ) for the accountant to read.

Many self employed people do their own books.



# BANKS

If you are in business, you will need a business bank account. All of the main high street Banks offer advice and guidance packages to help you start your own business, in the hope that you will choose them as your bank.

It is important to try and form a good relationship with your bank manager, or what are now called ‘business relationship managers’.

At some stage, you will need to borrow money, either through a loan or an overdraft facility. It's important to keep the bank manager up to speed with your business as it makes it easier for them to make a decision.

## Opening a business bank account

Make sure that you research all the deals available from all the banks. Some banks offer a better package for sole traders ( freelancers ) or partnerships, others are better for larger limited companies.

You can now open online bank accounts, where all your banking is done on the internet. The upside is that you can do all your banking from the computer, but the downside is that you don’t develop the same relationship with the bank as with a manager.

Bank Charges - Remember that if you are in business, banks charge for their services. You may have to pay a monthly service charge, plus charges for cheques and other transactions. Many banks do special offers on this, for example Free Banking for one year.

## WANT TO KNOW MORE?

### LINKS

New Deal for Musicians has no responsibility for or control of the following sites. The inclusion of any site does not necessarily imply New Deal for Musicians approval of the site. To access any of the sites please type in the address into a browser or search using keywords from the name of the link.  
www.dfes.gov.uk/ukonlinecentres Find Internet access that's close to you.

### BOOKS AND MAGAZINES

- ☐ **www.bbc.co.uk/radio1/onemusic**  
Loads of relevant information about moving forward in the music business, tips on careers, getting advice from managers, agents and lawyers.
- ☐ **www.bbc.co.uk/radio2/soldonsong/guide/manager.shtml**  
The Sold on Song pages tell you what to look for in a manager.
- ☐ **www.getsigned.com**  
Tips and advice on the music industry – US based site.
- ☐ **www.musicjournal.org**  
Music Business Journal  
A collaborative online resource about the entertainment and music industry.
- ☐ **www.bemuso.com**  
A comprehensive resource site for independent artists, DIY record labels and self-publishers. Information and opinions about the music industry. Lots of stuff on doing it yourself.

- ☐ **Guide to Survival & Success in the Music Business**  
The Association of Independent Music's guide to the business in an interactive CD-Rom format. Available from www.musicindie.org - free to members
- ☐ **The Guerilla Guide to the Music Business**  
Sarah Davis, David Laing  
An introduction guide for artists and managers, covering most aspects of the music business, such as a 'Contracts & Agreements' section, which reproduces standard contracts.  
Continuum International  
Publisher : Academi  
ISBN : 0826447007
- ☐ **Music: The Business - The Essential Guide to the Law and the Deals**  
Ann Harrison  
Publisher : Virgin Books  
ISBN : 1852270136
- ☐ **The Music Management Bible**  
Music Managers Forum  
Publisher : Sanctuary Publishing  
ISBN : 1844920259
- ☐ **I.M.F. ( International Managers Forum ) Handbook: A Guide to Professional Music Management**  
Andy Allen, Andrew Forbes, Jef Hanlon, et al  
Publisher : Sanctuary Publishing  
ISBN : 1860742572

### MORE TASKS

- 1 Find out how much an accountant would charge to prepare your annual tax return, as a freelance musician earning around £10,000 per annum.
- 2 Find the name and contact details for a local book keeper who can help you to prepare your books and accounts for your business. You will need to speak to other freelancers who have used book keepers in the past. Alternatively, research courses on accounting and book keeping using the 'Learn Direct' website or your local library.
- 3 You need to set up a business bank account. Find out as much as you can about the various business bank accounts that are available, then go and see one or two banks. It is an important experience to meet people from the bank as you start to develop an understanding of the issues.
- 4 Read at least 1 of the books from the recommended reading list.
- 5 Investigate what music industry training is available via the MMF website.

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CHAPTER 5  
MONEY AND EARNINGS 

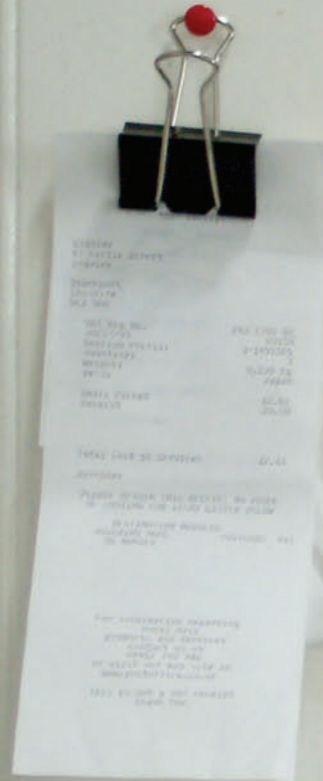
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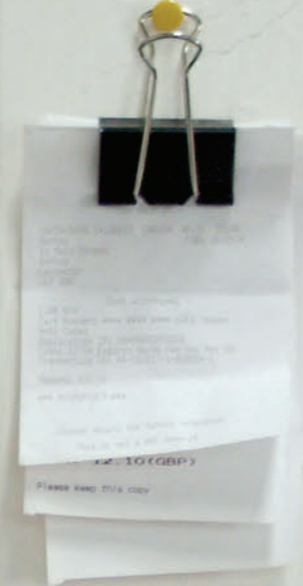
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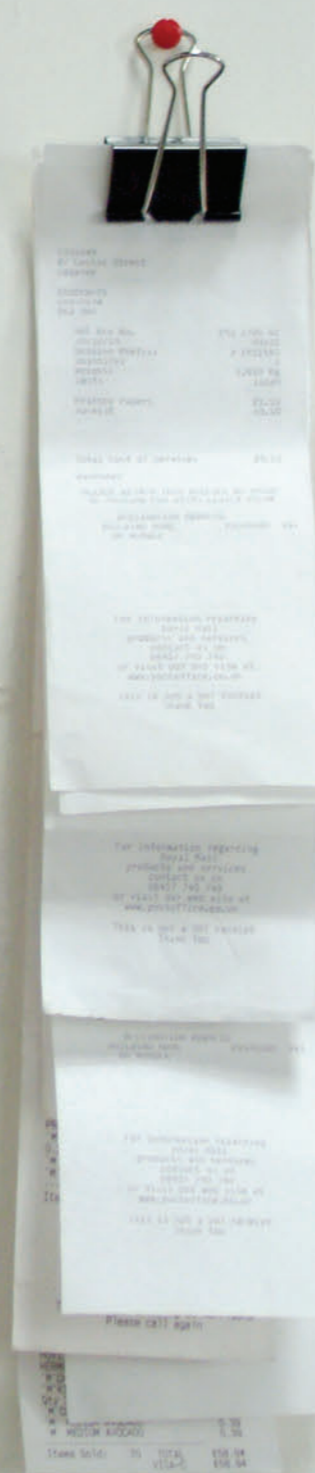
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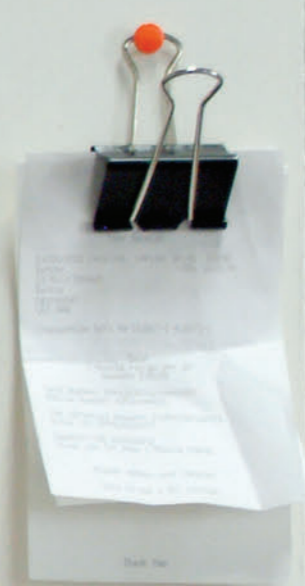
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PREPARING  
YOURSELF  
FOR  
SELF-EMPLOYMENT



TO

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Read the TASKS below.  
Then read the NOTES AND GUIDANCE section  
Carry out the TASKS

1 Ask yourself the 'Tough Questions' on P30. Discuss your answers with people you trust and your music provider. Write your responses here:

- 2 **Create a business plan**  
You are seriously thinking about becoming self-employed. You have an idea for a business and need to raise money to get it started.  
Read the Notes and Guidance section carefully, then start to create a short summary business plan, using the following headings.

BUSINESS PLAN SECTION	EXPLANATION
INTRODUCTION ( 200 words )	A brief summary of who you are, what you are trying to do, how the business works and how much money you need.
THE BUSINESS ( 200 - 300 words )	More detail on what it is you want to do – what type of product or service you are offering – what experience you have in this field – how the business actually works and what type of business it will be.
THE MARKET Go to Q3 for help with this	More detail on your customers – who they are – and how many of them exist? – who is your competition and what makes you different? (Market Research)
YOUR PLAN ( 200 - 400 words ) Go to Q4 for help with this	How will you actually make it all work – what are the timescales, what exact steps will you take and in what order, what resources do you require? What will be your marketing strategy? Where do you want the business to be in 3-5 years?
THE FINANCIALS	More detail on your current financial position, your projected sales figures and cashflows for 1-3 years.

You should tackle each section separately, using the information supplied in Notes and Guidance.

- 3 **Market research** is a crucial part of the business plan. Prepare the ‘Market Research’ section in Q2 by answering the following questions:

**MARKET RESEARCH MEANS:**

**Who are your customers?**  
Find out more about your customers.  
Who are they, what type of people, what age groups, gender, location?

**What is the market size?**  
How many potential customers do you have?  
Try to find out how many REAL customers your competitors have, this will give you an indication of how many customer you can expect to target.

**Who are your competitors?**  
Analyse the competition.  
For example, if you were looking to set up as a guitar tutor, look in the Yellow Pages, search the internet, speak to friends and colleagues, search local newspapers and adverts in shop windows.  
Try and test out competitors – speak to them or visit them – get others to try their service or product out.

**What makes you different?**  
Have you spotted any flaws in your competitors?  
Are they too expensive?  
Are they too far away?  
Do they have a poor reputation?  
Work on your strengths and try to differentiate yourself from your competitors.  
Remember that your competitors probably have more experience than you, so don’t underestimate them.

- 4 Now prepare a marketing strategy and a cashflow for your business plan, based on information in the Notes and Guidance.  
Your marketing strategy is a plan for how you are going to find your customers and sell to them.  
Your cashflow gives an indication of how much money you are hoping to generate and what level of profit you expect.
- 5 You should now have created all the component parts of a business plan. Put them all together into one document and hand it into your tutor.

## WORKING FOR YOURSELF - BEING SELF-EMPLOYED

Before you launch headlong into starting your own business or becoming self-employed, you need to do some preparation work.

Firstly, you need to ask yourself some tough questions and reflect on your answers with people you trust. It is important to look honestly at what you are capable of before you decide to proceed with your plan.

Secondly, you need to prepare a business plan. This will help you to focus on whether your business idea is viable. It will also help to identify important key issues before proceeding.

TOUGH QUESTIONS

Answering these **tough questions** will help you to examine your motives closely when starting a business. It's a really useful exercise to talk through your ideas with your friends, colleagues and tutors. Your need to bounce ideas off people and see what they say about things.

Q. What is the real reason behind you wanting to become self-employed?

It isn't an easy route or alternative to being employed by someone else. Examine your motivations. By going self-employed you are effectively setting up your own business, which you are totally responsible for.

Q. Are you self motivated?

Can you work hard for long periods of time without any immediate reward? Being self-employed can be a lonely business and you will need to inspire and motivate yourself on a regular basis.

Q. Can you adapt?

Self-employment will present you with new challenges that you will have to face. You need to be able to adapt to different situations and learn new skills to get by.

Q. How much do you know about yourself?

Examine your strengths and weaknesses – discuss them with a trusted friend or relative. You will need to know about yourself as a person. Are your strengths matched to what you are intending to do?

Q. Have you got staying power?

Many people in business say it's less about talent, it's about persistence and staying power.

Q. Can you do without a regular income?

If you speak to self-employed people, they never have a regular income. If they are on holiday, they are not earning money. If they are sick, they are not earning money. If they lose a regular gig, it can't be easily replaced. If you work on a tour, you might earn good money for a few months, then nothing.

Q. Can you cope with the physical demands?

You need to be physically and mentally prepared for the stress and strain of being self-employed.

Q. Can you take risks?

Business is all about taking risks. If you are not prepared to take calculated risks with your time or money, then you may not be able to move forward.

**MARK**

This person recently started a new business in the music industry. He asked himself the tough questions – here are his answers.

Mark is 24 years old and has recently set-up a mobile Karaoke & Disco entertainment business. He operates a self contained Karaoke rig and now has a weekly residency plus party bookings based on word of mouth and flyers that are distributed at his events. This is the first time that he had considered self-employment. He had no direct prior knowledge.

**WHAT ARE MARK' S VIEWS ON THE ISSUES?****Q. What is the real reason behind you wanting to become self employed?**

I was bored in my job and enjoyed singing at karaoke nights. I thought I could make a business out of it and I enjoy the social aspect to working in the evening.

**Q. Have you got staying power?**

I didn't realise how hard it would be, but yes, I suppose I do have staying power. But its just like another job now – the only difference is the bit I really enjoy which is performing.

**Q. Are you self motivated?**

I am generally a good worker and finisher. I will have to assess my endurance qualities at periods in the year when my type of business is at its peak.

**Q. Can you do without a regular income?**

When I'm working regularly, the money is good. But I have already found that it's not guaranteed. One week, the pub I have a residency in was closed due to a flood and another week I was sick and couldn't get out of bed. I lost quite a lot of money on that.

**Q. Can you adapt?**

I've had to learn about new things like insurance policies and keeping my own accounts. It's hard but I am adapting.

**Q. Can you cope with the physical demands?**

At the beginning I used to join in and have a few drinks with the crowd, but it affected my work, especially the next day when I had to deal with a hangover. I've learnt to try and keep mentally and physically fit.

**Q. How much do you know about yourself?**

I have found out a lot about myself since doing this. I know more about what I can and can't do very well and it has helped me to move the business forward. I'm looking for new gigs at the moment and also considering some part time work in the day with a PR agency.

**Q. Can you take risks?**

I think most people take risks from time to time. I figured that the basic cost of starting-up would mean working less than 4 shows a month in year one to meet the investment, as long as I kept another day job. But then I lost my day job, so I need to work extra hard to keep enough money rolling in.

# BUSINESS PLANNING

## WHAT IS A BUSINESS PLAN?

A business plan is a document created to persuade yourself at first, then other investors or lenders that you have a viable business proposition.

A business plan is also a complete description of a business and its plan for the next 1- 5 years, which includes lots of financial forecasts and details.

Writing a full business plan is beyond the scope of this workbook, but you should be able to create a short summary business plan, which is only a few pages long and explains the basic facts about your business activity, and what you would like to achieve!

For example, if you want to raise money to set up some community music workshops, you may require a short business plan to provide evidence that you have clear plans and ideas.

In order to create a short summary business plan, you will need to ask yourself some straight questions, then find some answers!

**Q. Who are you and what is it you are trying to sell?**

You need to explain very clearly and simply what your business status is and what your product or service is.

**For example**

"I am a new startup business, operating as a sole trader. I plan to be a professional guitar tutor, offering private lessons to individuals or groups of students, at all levels from beginners to advanced, in peoples homes or in a room at house.

**Q. Do you have a track record?**

**Q. How does the business work?**

**Q. How will you price your product or service?**

Give information which demonstrates that you have the necessary experience to be able to make the business work.

**For example**

I have 3 years experience of teaching guitar in a local school and community centre. I have 5 years experience of playing guitar semi-professionally, and I am well known in the local area as a musician.

My plan is to build up a customer base of 20 individuals, 2 small groups and one college class. I will charge £20/h for individual lessons, £30/h for groups up to 4 and £15/h for volume work over 10 hrs. I have converted a room in my house to cater for small group tuition, but I will also travel to individual's homes and college/community centres.

**Q. Who are your customers and how will you sell to them?**

**Q. Who else does it and what makes you so different?**

You need to be very clear about who your customers are, where they are and how many of them there are! You need to explain how you will market your service to them. You will need to do **MARKET RESEARCH** to determine the size of your market and find out more about the competition.

Analyse your competition. What is about your offering that differentiates it from the competition?

**For example**

Are you better qualified? Are you cheaper? Do you have better facilities? You need to have good answers to all these questions!!

**Q. What' s the plan?**

Where do you want to be in 1,3,5 years time? Now you have to describe the exact steps you are going to take to get this business up and running, find some customers and start trading!

**For example**

I have already started to convert a room in my house, which I have funded through a part time job. This will be complete by the end of next month. I will commence the marketing strategy in one month.

I have already built up a small customer base of one individual and 3 hours per week at a local college.

**Q. How will you execute it?**

You also need to show how you intend to grow your business, and over what timescale. What are your business goals?

**Q. How much money do you need?**

Every business needs some money to get started. A summary business plan will just have some basic headline figures about what is required. A full business plan will contain complete financial projections. You need to work out how much money you need and back it up with some evidence. This section will contain financial information, such as projected cashflows and information on your current financial position.

**For example**

My financial projections forecast a turnover in Year 1 of £12,400, rising to £16,700 in year 2. This is based on building up a customer base of 6 individuals per week, 2 groups and one regular college / community session. I require a capital injection of £2400 to pay for additional guitar equipment, marketing materials, a mobile phone and extra travel costs. I hope to start breaking even by 6 months.

**Q. How will you pay the investment back?**

Do you want the money as a straight loan, a recoupable advance, a grant or even as a swap for a share in your business? The investor or funder needs to know how, when and what size of return they hope to get on their investment.

**For example**

I hope to borrow the £2400 over 2 years, at a fixed interest rate, with a 6 month payment holiday.

Once you can answer these questions, you have the basic information you need to write a basic business plan:

BUSINESS PLAN SECTION	CONTENTS
INTRODUCTION	<div><div></div><div>A brief summary of who you are, what you are trying to do, how the business works and how much money you need.</div></div>
THE BUSINESS	<div><div></div><div><div>More detail on what it is you want to do</div><div><div>– What type of product or service you are offering</div><div>– What experience you have in this field</div><div>– How the business actually works and what type of business it will be.</div></div></div></div>
THE MARKET	<div><div></div><div><div>More detail on your customers</div><div><div>– Who they are</div><div>– How many potential customers are there?</div><div>– Market research</div><div>– Who is your competition and what makes you different?</div></div></div></div>
YOUR PLAN	<div><div></div><div><div>How will you actually make it all work</div><div><div>– What are the timescales, what exact steps will you take and in what order?</div><div>– What resources do you require?</div><div>– What will be your marketing strategy?</div><div>– Where do you want the business to be in 3-5 years?</div></div></div></div>
THE FINANCIALS	<div><div></div><div>More detail on your current financial position, your projected sales figures and cashflows for 1 - 3 years.</div></div>

TIP

Whenever possible look for realistic hard evidence to back up your findings. For example, is there someone else out there who is making money at doing the same thing? Find good solid evidence to support your argument.

Is your idea a simple one to get started or is it a grand operation? If it's a grand operation, think very carefully about how you will be able to get it started with limited resources.

The answers to questions may be found by:

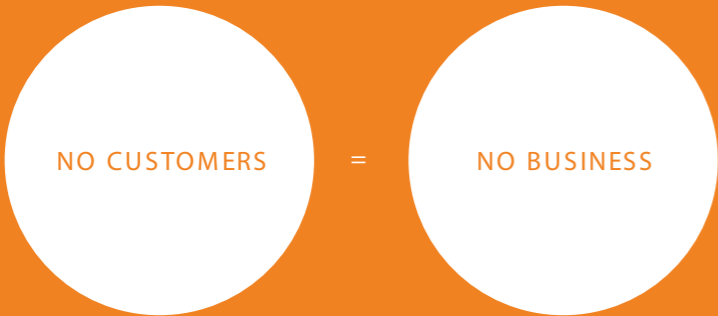
- Home research
- Newspapers, advertisements, libraries, market surveys
- Visiting competitors
- Talking to them, obtaining literature, price lists and samples
- Visiting users of your intended service
- Discussing what benefits you can offer

**Research other Business Plans** to find examples of what you need to put in your plan. You can find example business plans on the internet (look in the More Information section) or through your local Business Link – ask your music provider for help.

Once you have prepared the business plan and used it as a plan to get started, don't just think that the work will come flooding in – you still have to get out and make it happen!

# MARKET RESEARCH

An important part of your business plan is to conduct some market research. Whatever your talents are, one thing is true in business.



## MARKET RESEARCH MEANS

**Who are your customers?**  
Find out more about your customers.  
Who are they, what type of people, what age groups, gender, location?

**Who are your competitors?**  
Analyse the competition.  
For example, if you were looking to set up as a guitar tutor, look in the Yellow Pages, search the internet, speak to friends and colleagues, search local newspapers and adverts in shop windows.  
Try and test out competitors – speak to them or visit them – get others to try their service or product out.

**What makes you different?**  
Have you spotted any flaws in your competitors?  
Are they too expensive?  
Are they too far away?  
Do they have a poor reputation?  
Work on your strengths and try to differentiate yourself from your competitors.  
Remember that your competitors may have more experience than you, so don’t underestimate them.

**What is the market size?**  
How many potential customers do you have?  
Try to find out how many REAL customers your competitors have, this will give you an indication of how many customers you can expect to target.

You need answers to these questions before you can prepare your **MARKETING STRATEGY**.  
Have you got them? If you haven’t, it could be that you have already identified some weaknesses in your plan, or that you have not tried hard enough!

# MARKETING STRATEGY

Your **MARKETING STRATEGY** needs to be a simple and clearly costed plan which sets out the steps you are going to take in order to build your customers. You need to set yourself a target, for example ‘x’ new customers or ‘£ x’ revenue by a certain date.  
Here are some examples of what you might find in a costed marketing strategy for an **instrumental teacher business**.

MARKETING STRATEGY	COST £
Develop A5 colour flyer	100
Develop A4 colour brochure and rate card	100
Develop business card	50
Develop personal website	250
Photography	30
<b>Advertising</b>	
1000 A5 flyer drop into local homes and business	150
10 postcards into local newsagents windows	50
Advertisement in local newspaper and Loot	50
Advertisements in local music shops	0
<b>Press and Media</b>	
Develop press release and send to all local press	10
Gain exposure in at least one local press article	0
Create a buzz by generating publicity through your activities	0
<b>Profile / endorsement / branding / pricing</b>	
Seek endorsement by local band or well known local music artist	0
Build awareness in local music community through regular gigs and networking	0
Build word of mouth awareness by marketing your services to potential customers	0
Make special offers, such as free first lesson or buy two, get one free	0
<b>Set your targets</b>	
Set a timeline or deadline for each element.	
Monitor your progress and see how each part of the plan is working.	
If its not working, try something else!	
<b>TOTAL COST</b>	<b>£ 790</b>

If you have graphic design or web design skills, you could reduce this cost considerably.  
Have you got a friend who can help you?

# PREPARING A CASHFLOW

As part of the financial section of a business plan, you will need to prepare a cashflow forecast. This helps you to see how your business will actually operate financially, and whether your estimates sales figures stack up.

Estimate what you might charge for your product or service each month. Enter this figure onto your sheet. Remember to bear in mind peak months and likely quiet periods ( for example holiday periods )  
If you have not seen a cashflow before, it will take you some time to understand it. Remember that all these rows can be changed to fit your own business model.

Turn the page and have a look at this example cashflow to get a better idea of how it works.

DETAILS	MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5	MONTH 6	MONTH 7	MONTH 8	MONTH 9	MONTH 10	MONTH 11	MONTH 12	TOTAL	EXPLANATION
Sales														All your incoming payments
Other income														Any other income
A. Total Receipts														The total of the two boxes above
EXPENDITURE														
Wages (inc PAYE, NI)														Any salaries or other staff costs (include any tax where relevant)
Rent /rates														Premises
Light /heat /power														Electricity, water rates, gas
Insurance														Insurance costs
Travel														Petrol / Taxis / transport
Advertising														Adverts, promotions, flyers
Telephone / Postage														Phone bills and postage
Legal fees														Lawyers fees
Accountancy														Accountants fees
Bank interest														(For example bank overdraft)
Loan repayments														Any loan repayments
B. Total Payments														The total of all EXPENDITURE in that month
C. Net cashflow ( A - B )														This is your Profit or Loss in that one month period
Closing balance ( = previous month closing balance + C )														This is what you have left in your bank balance. It's the difference between what you had in the month previous and box C.

# EXAMPLE CASHFLOW

DETAILS		April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
INCOME														
Studio rental		0	400	600	800	600	1000	1200	1400	1600	1200	1400	1600	11800
Loans received		4000												4000
Tape sales and duplications		0	50	50	100	0	50	50	100	100	0	0	50	550
Capital injected	2000													0
A. Total Income		4000	450	650	900	600	1050	1250	1500	1700	1200	1400	1650	16350
EXPENDITURE														
Purchases		4000					1200							5200
Salary / Drawings (inc PAYE, NI)		320	320	320	320	320	320	320	320	320	320	320	320	3840
Rent / rates		200	200	200	200	200	200	200	200	200	200	200	200	2400
Electricity / Gas				120			120			120			120	480
Insurance		500												500
Travel		20	20	20	20	20	20	20	20	20	20	20	20	240
Advertising		20	20	20	20	20	20	20	20	20	20	20	20	240
Telephone		20	20	20	20	20	20	20	20	20	20	20	20	240
Postage				50			50			50			50	200
Legal fees		200											100	300
Accountancy													200	200
Bank charges		15	15	15	15	15	15	15	15	15	15	15	15	180
Loan repayments		140	140	140	140	140	140	140	140	140	140	140	140	1680
B. Total Payments		5435	735	905	735	735	2105	735	735	905	735	735	1205	15700
C. Net cashflow ( A - B )		-1435	-285	-255	165	-135	-1055	515	765	795	465	665	445	650
Closing balance carried forward ( assumes £2000 capital injection)	2000	565	280	25	190	55	-1000	-485	280	1075	1540	2205	2650	

This is a projected cashflow for a small recording studio business. The owner has assumed the following:

**CAPITAL INVESTMENT**  
The owner has £2000 of their own money to invest as well their existing equipment and they will borrow £4000 on a 3 year personal loan.

**PURCHASES**  
£4000 of new equipment is required to set up the studio. A further £1200 is planned to be spent on new equipment after 6 months. £200 per month is assumed for the rent and rates of a small business unit.

**SALES**  
Studio time has been based on a rate of £100 per day, with sales forecasted from zero up to about 16 days per month. Additional income can come from sales of tape stock and cassette duplications.

**NOTE**  
Before you start doing your cashflow, you need to do a survival budget for yourself to see how much you actually need to live on. See CHAPTER 5 for more details.

This is an imaginary cashflow projection for an imaginary business. Examine it carefully and see if you can spot any potential problems. For example: Is there enough profitability in this business to justify taking such a risk?

Total expenditure

Estimated profit

You will need an overdraft facility with the bank to cover this

Closing balance - this is what you have left in your bank account

You should always use your own figures when preparing a cashflow. Strongly resist the temptation to copy figures from other cashflows.





**Consequential Loss / Non-Performance** - covers your business for loss of profits if you unable to trade for a period of time because of fire or flood or if you have to cancel a performance for some reason. For example: a musician or group may have to cancel a gig or tour due to illness or a transport crisis. This type of insurance covers items such as fees, refunds and costs.

**General equipment / goods in transit insurance** - protects equipment, cash or goods in transit or when on business premises.

Note: some policies will not pay out for equipment stolen from unattended vehicles!



Leave somebody with the van at service stations; many musicians have lost valuable property in this situation.

Personal health and sickness insurance and permanent health insurance is a policy which pays you an amount equal to your average wage if you are unable to work due to illness.

Note: Many financial institutions recommend (even insist on) this type of cover when taking a large loan against a business, vehicle or credit card.



## BUSINESS PREMISES

Making a decision to move into commercial property needs thought and planning. You would have to sign a lease or rent agreement in most cases and would have to rely on enough business income to meet the payments.

Commercial space ranges from factory space and workshops to managed business centres ( currently favoured by many in the music industry ).

How much space do you need? ( for example, a recording studio might need a large space in a remote area due to noise restrictions ).

How much can you afford to pay? Include the cost of premises in your business plan and cashflow forecast.

How often is it paid, what is the method of payment and is it reviewed or increased?

Will the rent include the business rates?

Are there any service charges?

Alterations –are you allowed to make changes to the premises. Also remember if you do make changes, most rental agreements state that you have to return the premises in the same state as when you moved in.

The location for your business can be very important. Consider the importance of the product or service that you will supply. Can your customers or clients reach you by bus, train and car with ease?



## BANKING

See the previous chapter for more on financial advisers and banks.



Like any other business agreement, take advice from a solicitor.

## WANT TO KNOW MORE?

### LINKS

New Deal for Musicians has no responsibility for or control of the following sites. The inclusion of any site does not necessarily imply New Deal for Musicians approval of the site. To access any of the sites please type in the address into a browser or search using keywords from the name of the link.  
www.dfes.gov.uk/ukonlinecentres Find Internet access that's close to you.

- ☐ [www.startinbusiness.co.uk/flowchart/8flowchart\\_licences.htm](http://www.startinbusiness.co.uk/flowchart/8flowchart_licences.htm)  
Information about when you need licences before you start trading. Really important stuff!
- ☐ [www.bbc.co.uk/freshstart/start\\_a\\_business/](http://www.bbc.co.uk/freshstart/start_a_business/)  
Informative BBC website on starting a business
- ☐ [www.business-plans.co.uk](http://www.business-plans.co.uk)  
Lots of links and details on how to write a business plan
- ☐ [www.businesslink.gov.uk/bdotg/action/home](http://www.businesslink.gov.uk/bdotg/action/home)  
Practical advice for business
- ☐ <http://news.bbc.co.uk/1/hi/business/2943252.stm>  
How to write a business plan
- ☐ [www.princes-trust.org.uk](http://www.princes-trust.org.uk)  
Practical solutions from the Prince's Trust
- ☐ [www.bpi.co.uk/pdf/BPI\\_Guide\\_to\\_Setting\\_Up\\_a\\_Record\\_Label.pdf](http://www.bpi.co.uk/pdf/BPI_Guide_to_Setting_Up_a_Record_Label.pdf)  
The BPI guide to setting up your own label

## MORE TASKS

- 1 Once you have prepared your business plan and discussed it with your music provider, listen to the advice given and make any necessary changes to it. For example, many business plans need the cashflow to be adjusted, or the marketing plan.
- 2 Find out where your nearest Business Link is and ask them for advice in setting up your business. Alternatively, search their internet site and find some useful pointers for adding to your business plan.
- 3 Have a close look at the cashflow example on p42. Do you think it represents a realistic financial picture of the business? Discuss with your music provider.

# BUSINESS AND MONEY

WORKBOOK 8

## CHAPTER 1 DEALING WITH FINANCIAL ADVISERS

- P6 What is it?
- P6 Why do I need to know about this?

P7 Project

Notes and guidance

- P11 Dealing with financial advisers
- P14 When do you need an accountant?
- P17 Book keeper
- P18 Banks

Want to know more?

- P20 More information
- P21 More tasks

## CHAPTER 2 PREPARING FOR SELF-EMPLOYMENT

- P24 What is it?
- P24 Why do I need to know about this?

P25 Project

Notes and guidance

- P29 Working for yourself - Being self-employed
- P32 Case study
- P34 Business planning
- P38 Market research
- P39 Marketing strategy
- P40 Preparing a cashflow
- P42 Example cashflow
- P44 Other factors to consider before becoming self-employed

Want to know more?

- P48 More information
- P49 More tasks

CHAPTER 3  
EXPLOITATION OF COPYRIGHT 



P52	What is it?
P52	Why do I need to know about this?
P53	Project
	Notes and guidance
P57	The exploitation of copyright and related rights
P59	Exploiting your musical and literary work
P59	The collection societies
P60	MCPS and the mechanical royalty
P60	PRS and the performance royalty
P62	PPL and exploitation of the sound recording
P63	Record royalties
P63	Other income from performance
	Want to know more?
P65	More information
P67	More tasks

CHAPTER 4  
THE BUSINESS OF PERFORMANCE 

P70	What is it?
P70	Why do I need to know about this?
P71	Project
	Notes and guidance
P75	The business of performance
P76	How gigs work
P82	Case study
	Want to know more?
P84	More information
P85	More tasks

CHAPTER 5  
MONEY AND EARNINGS 

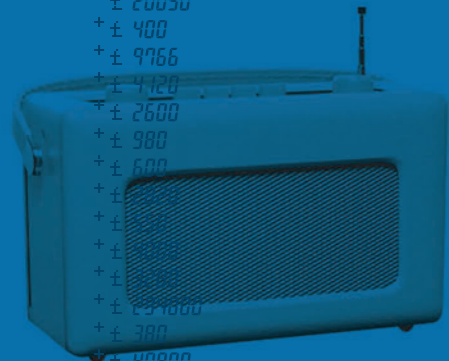
P88	What is it?
P88	Why do I need to know about this?
P89	Project
	Notes and guidance
P93	Earnings from music
P96	Income from recording
P98	Publishing income
P99	Your survival budget
P100	Taking control of your money - Book keeping and accounts
P104	Raising money
	Want to know more?
P105	More information
P107	More tasks

-  Chapters that are essential to this workbook.
-  Chapters that are optional to this workbook.

Please note

Any details or photographs of equipment, software, manufacturers or suppliers do not constitute a recommendation or endorsement by DWP, but are intended to provide typical reference examples only.

# EXPLOITATION OF COPYRIGHT







Every person works at his / her own pace.  
As a guide, this should take you 1 hour to read and research and another 2 hours to write your answers and discuss them with your tutor.

☒

Your tutor will assess your work. He / she will give you feedback on how you have done. If your work needs further work to be passed, then you will be given the chance to do further work to bring it "up to scratch". For more details, please refer to your music provider's own guidance.

?

Read the TASKS section below.  
Then read the NOTES AND GUIDANCE section.  
Carry out the TASKS.

1 Revenues from songwriting

If you write songs, write down three ways in which you can generate money from them.

1

23

If you make sound record

If you make sound recordings, write down three ways in which you can generate money from them.

1

23

3 Explain what a 'mechanical royalty' is.

Who collects it?

4 There are two 'Collection Societies' in the UK that collect royalties for the use of music works. Write their names and their website addresses here.

NAME

WEBSITE

5 What does the 'PRS' stand for?

What does the 'PRS' do?

6 Two people wrote a song. Smith wrote the lyrics, Smith and Jones wrote the music. If there has been no prior agreement between the writers, the songwriting split would usually be:

Smith owns: 75% of the song

Jones owns: 25% of the song

Explain why this is the case:

7 Collection Societies

Which Collection Society do you deal with if	PRS, MCPS or PPL?
You want to use a sample of a recording?	
You have written a song that has been performed in public?	
One of your songs is available on a commercial recording?	

# THE EXPLOITATION OF COPYRIGHT AND RELATED RIGHTS

As a writer of music, copyright law allows you to control the exploitation of your music. It is possible to either licence ( rent ) or assign ( sell ) your rights to other people who will commercially exploit your work. It is the rental or sale of your copyright that will make you money and entitle you to the payment of royalties.

Even if you are not a writer, the law gives you rights in your performance which allows you to prevent or restrict the exploitation of your performance and entitles you to fair compensation in the event that your performance is commercially exploited.

Several copyrights can exist in a single piece of music, a song or a sound recording.

If you are the writer of the music and the lyrics :



You will be the **first copyright owner** of the musical copyright work and the literary copyright work.



= first copyright owner

If your song is then recorded and a master sound recording created, a **third copyright** is created :



The copyright in the sound recording.  
This is owned by the person "who made the arrangements necessary for the making of the sound recording."

Let’s look at the different **INCOME STREAMS** :

WRITING MUSIC AND LYRICS



You can make money when **your original music and / or lyrics are recorded, broadcast or performed.**

Collection societies such as the **PRS** and **MCPS** collect royalties on your behalf arising from the performance and recording of your music and lyrics.

**Music publishers** are businesses that seek to create revenue streams from your music and / or lyrics.

CREATING SOUND RECORDINGS



If you are signed to a **record label**, the label will probably own the copyright in the sound recording. You will get paid a **royalty** for every record you sell.

You could create MP3 files and ‘ **licence**’ your recordings to a digital download site, who will sell it on your behalf.

You can also licence your recordings to other **labels** who may for example use them on compilation albums.

It is those rights in the sound recordings which are exploited to make money.

PERFORMING MUSIC



As an artist, you do have rights in your performance – this is not ‘copyright’ it’s a separate performance right.

You can receive royalties for your performance through organisations such as PAMRA, AURA and PPL.

EXPLOITING YOUR MUSICAL AND LITERARY WORK

As a **SONGWRITER** you will be entitled to receive royalties from the exploitation of the musical work. These sources of **INCOME** are:



- 1 royalties from the publication and sale of sheet music
- 2 royalties from the exploitation of the synchronisation rights ( see P61)
- 3 mechanical royalties which are payable in respect of the manufacture of records ( see MCPS )

and

- 4 royalties payable for the public performance of the musical work ( see PRS )

A songwriter / composer will normally sign a publishing deal with a music publishing company. It will be the publisher's responsibility to ensure all the songwriter's royalties are collected for the exploitation of songs covered by the publishing deal. PRS writer members receive a minimum of 50% of their performance income direct.

THE COLLECTION SOCIETIES

The two collection societies in the UK that deal with the collection of royalties for the musical work ( as opposed to the sound recording ) are

the **Mechanical Copyright Protection Society ( MCPS )**

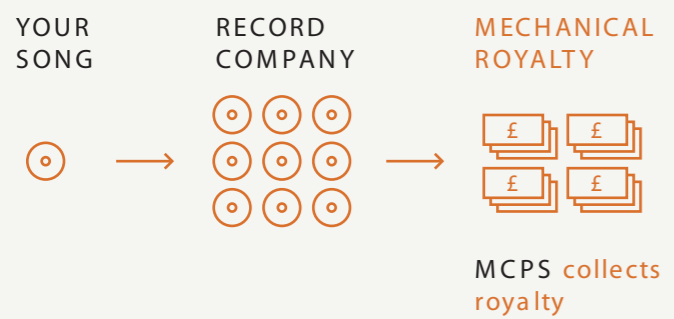
and

the **Performing Right Society ( PRS )**.

Both societies are based in London.

# MCPS AND THE MECHANICAL ROYALTY

Every time copies are made of your work, a royalty is payable. So for example every time a record company makes another CD of your song, a royalty is payable.



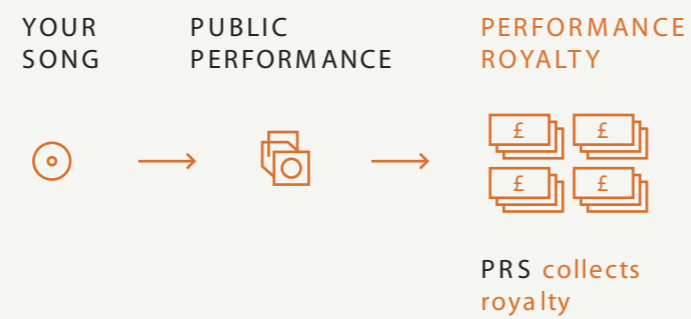
Record companies have to supply details of all the recordings they manufacture and pay royalties quarterly to the MCPS. This royalty is known as the "MECHANICAL ROYALTY".

The MCPS presently collect a statutory rate of 8.5 % of dealer price in the UK from record companies for the sales of records and 12% of gross on downloads ( currently reduced to 8%, but watch out for changes ). It is the role of the MCPS to collect these mechanical royalties on behalf of composers and publishers.

The MCPS collects mechanical royalties in respect of recordings manufactured in the UK. They can also collect worldwide royalties through their various affiliates around the world such as GEMA ( in Germany ) and the Harry Fox Agency ( in the USA ).

# PRS AND THE PERFORMANCE ROYALTY

The PRS also collects royalties from exploitation of the musical work but PRS is only concerned with the public performance of the musical work rather than the copying of the musical work.



The royalties that PRS collect are known as "PERFORMANCE ROYALTIES". Performance royalties are paid every time the musical work is performed in public or broadcast. So for example, all of the radio stations and television broadcasters are obliged to pay royalties for the use of any musical works that they broadcast. These royalties are paid to the composer and publisher via the PRS.

In the case of radio stations and television broadcasters they are obliged to provide the PRS with what are known as "cue sheets" which set out all of the details of the music that has been broadcast and royalties are paid on the specific works. By using the cue-sheets the PRS can work out if music has been used and which writers are entitled to the income received.

In addition, the PRS issues licences to venues which play or broadcast music. So for example restaurants, shops and night-clubs that play music will be committing an offence if they do not obtain a PRS licence. The income from blanket licences cannot be allocated to a specific artist because cue sheets are not provided.

The PRS collects and distributes many millions of pounds of income on behalf of its 40,000 members. The PRS and MCPS have formed an operational alliance in the interests of efficiency. Joining fees are currently £100 for PRS and £50 for MCPS.

MCPS will collect the mechanical royalty and distribute the money to the writer via the publisher ( or directly to the writer if their works are not published ).

PRS will collect the performance royalty and then pay 50% direct to the writer and 50% to the publisher. If a work is unpublished, the writer will receive 100%

Royalties from synchronisation ( i.e. the right to use the music in conjunction with pictures or images ( e.g. ) in films, videos, commercials ) and from the publication and sale of sheet music are negotiated and collected directly by the music publisher.

**NOTE**  
There is a difference between the royalty from PRS for a performance of a work and the royalty from PPL for a performer ( see P63 )

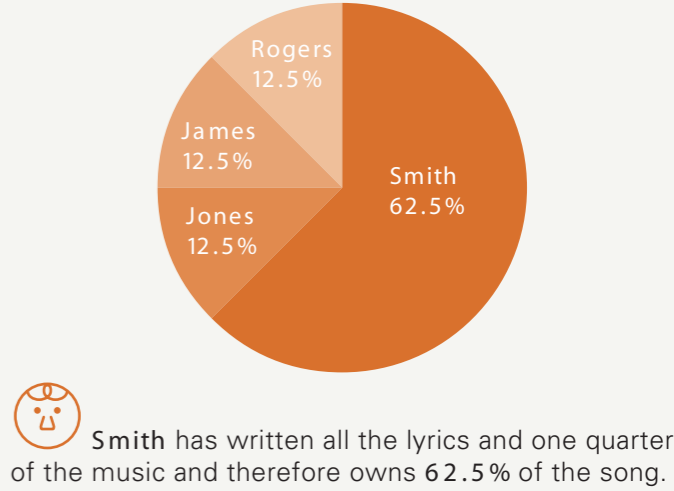
## SONGWRITING SPLITS – who gets what share?

If you have co-written a song with someone else, then the royalties will be divided according to your share of that song. The recognised share from writing a song is usually divided into two, allowing 50% for the music and 50% for the lyrics. Writers should agree and divide the shares prior to embarking on a career for the obvious reasons that fame may happen and court cases may follow!

**example**  
A song has been written by four members, as follows:



The shares would usually be allocated in this way, unless the band has made an agreement to the contrary:



# PPL AND EXPLOITATION OF THE SOUND RECORDING

As the owner of the copyright in the sound recording, the record company will be entitled to royalties from the exploitation of the sound recording.

These potential income streams are:

- 1 synchronisation rights
- 2 licences for the use of samples and compilation albums
- 3 public performance fees

The record company itself will negotiate in respect of synchronisation and licences. In respect of the collection of public performance fees, **PHONOGRAPHIC PERFORMANCE Limited (PPL)** collect this income on behalf of the record companies.

PPL was set up by the record companies to control the broadcasting and public use of sound recordings. Each record company that is a member assigns it's copyrights in their catalogues of sound recordings to PPL. PPL then issues licences authorising the public performance of the sound recordings in the same way as PRS licences the public performance of music. Its sister operation the **VPL** ( video performance ltd) collects the same for videos broadcast.

## LICENCES AND MONEY FROM THE PRS / MCPS / PPL

To perform a work in public, PRS permission or a licence is required. ( Look for the PRS sticker on the doors of pubs where live music is played )

To record or cover a work or use a sample of a recording, MCPS permission or licence is required.

To play a sound recording in public two permissions or licences are required :

one from the PRS for the performance of the music

and

one from the PPL for the use of the recording of the work. ( For instance in clubs )

# RECORD ROYALTIES

Even if you are not a songwriter in a band, as a recording artist, you will contractually be entitled to receive record royalties from the record company as a fee for allowing the record company to record and exploit your performance.

The Artist will usually sign a recording contract with a record company and will produce recordings exclusively for that company. The master sound recordings will belong to the company but the artist and the record company will both benefit financially from the sales of records / CD's of the recording. Within the recording contract, the record company will agree to pay the artist a record royalty in respect of each record sold.

## ROYALTY SHARES

The share of royalty income generated by writers was traditionally divided into 'A' and 'B' sides on a vinyl record. With CD's and downloads, the royalties might be divided 'Pro-Rata' between the amount of tracks contained on that release.

For example a CD single may contain four tracks. The writer(s) of each song would each receive 1/4 of the total publishing income.

In the case of a compilation album, the writers would have a royalty shared between the various writers with tracks on that album.

See Chapter 5 in this workbook for more on royalty rates and earnings.

# OTHER INCOME FROM PERFORMANCE (PPL, AURA, PAMRA)

A performer can now be entitled to income for the public exploitation of his performance. For example, if your performance is broadcast on television or radio or in a public place, a royalty is now payable to the performer. Previously, it was only the copyright owner that was entitled to payment for the public performance of the copyright work, now this has been extended to the public performance of the performance right.

Performance rights are particularly important to session musicians who are unlikely to have any copyright in the music they perform. A session musician actually has rights in his / her performance.

Although a session contract may buy out the musician's right to object to the exploitation of their performance without his / her consent, session musicians will be able to sign up directly with the PPL and collect income from the exploitation of their performance on the recording.

PPL collect a usage fee from the user ( licence ) for the public performance of the sound recording. PPL represent the copyright owners ( the record company ). The performers including the session musician have no right against the user. Following recent changes in EU law the performers have a right to equitable remuneration from the copyright owners ( represented by PPL ).

The performer ( including session musician ) can make a claim directly from PPL, or join a performer organisation. The performer organisations at present are AURA and PAMRA, both charging a percentage fee against the moneys they collect, they lobby PPL and their international equivalents on behalf of the performers. There are also agents who will administer performers collections but they tend to charge a higher fee and are likely only to work with featured as opposed to session musicians.

How does it work in practice?

BPI /MU forms should be filled in during the session and submitted to PPL by the record company. This will tell PPL who performed on the track. Although PPL have collected licence fees from users for 70 years, the performers have only had a right to equitable remuneration since 1998. The session musician or their representative performer organisation should regularly check their listings at PPL to make sure that the forms have been correctly submitted. Because these payments to recording musicians are a relatively recent development, the value and understanding of them is evolving. In Germany the performance right is paid to musicians unions, and recording artists who have a share in the royalty of CD sales. In America the right only exists on some digital delivery systems.

At present PPL collect the licensee fee and deduct costs. PPL then divide then money between labels and performers on a track by track basis. Of the performers share PPL's current distribution policy runs 65% to the featured musicians, 35% to the session musicians. Any individual session musician receives a maximum of 7% at this first pass. On the second pass any monies left over are divided pro-rata amongst ALL performers.

You can actually register with three different organisations for the collection of the performer right – AURA, PAMRA and PPL.

PAMRA and PPL accept as members all musicians, both "featured" ( for example, members of a band ) and "non-featured" ( for example, session musicians, orchestral players ). AURA concentrates only on "featured" performers, not session musicians.

UK Performer Services is a centralised department housed at PPL that provides customer service to members of all three societies. They deal with new members.

For more information on registering, call UK Performer Services on 020 7534 1234 or visit [www.royaltiesreunited.co.uk](http://www.royaltiesreunited.co.uk)

WANT TO KNOW MORE?

LINKS

New Deal for Musicians has no responsibility for or control of the following sites. The inclusion of any site does not necessarily imply New Deal for Musicians approval of the site. To access any of the sites please type in the address into a browser or search using keywords from the name of the link.  
[www.dfes.gov.uk/ukonlinecentres](http://www.dfes.gov.uk/ukonlinecentres) Find Internet access that's close to you.

- ☐ [www.mcps-prs-alliance.co.uk](http://www.mcps-prs-alliance.co.uk)  
Website for the UK Collection societies whose members are songwriters, composers and music publishers.
- ☐ [www.ppluk.com](http://www.ppluk.com)  
PPL  
Collection society for record companies and performers
- ☐ [www.pamra.org.uk](http://www.pamra.org.uk)  
PAMRA  
Collection society for Performers
- ☐ [www.aura.org.uk](http://www.aura.org.uk)  
Collection society for performers and producers
- ☐ [www.mpa.org.uk](http://www.mpa.org.uk)  
Music Publishers Association
- ☐ [www.musictank.co.uk](http://www.musictank.co.uk)  
Online music business network and information site
- ☐ [www.royaltiesreunited.co.uk](http://www.royaltiesreunited.co.uk)  
UK Performer Services on 020 7534 1234
- ☐ [www.bbc.co.uk/radio2/soldonsong/guide/](http://www.bbc.co.uk/radio2/soldonsong/guide/)  
Sold on Song’s guide to songwriting and the music business
- ☐ [www.getsigned.com](http://www.getsigned.com)  
Tips and advice on the music industry – US based site.
- ☐ [www.bemuso.com](http://www.bemuso.com)  
A comprehensive resource site for independent artists, DIY record labels and self-publishers. Information and opinions about the music industry. Lots of stuff on doing it yourself.
- ☐ [www.bbc.co.uk/radio1/onemusic](http://www.bbc.co.uk/radio1/onemusic)  
Loads of relevant information about moving forward in the music business, tips on careers, getting advice from managers, agents and lawyers.

BOOKS AND MAGAZINES

- ☐ **Guide to Survival & Success in the Music Business**  
The Association of Independent Music's guide to the business in an interactive CD-Rom format. Available from [www.musicindie.org](http://www.musicindie.org) - free to members
- ☐ **The Guerilla Guide to the Music Business**  
Sarah Davis, David Laing  
An introduction guide for artists and managers, covering most aspects of the music business, such as a 'Contracts & Agreements' section, which reproduces standard contracts.  
Continuum International  
Publisher : Academi  
ISBN : 0826447007
- ☐ **Music: The Business - The Essential Guide to the Law and the Deals**  
Ann Harrison  
Publisher : Virgin Books  
ISBN : 1852270136
- ☐ **The Music Management Bible**  
Music Managers Forum  
Publisher : Sanctuary Publishing  
ISBN : 1844920259
- ☐ **I.M.F. ( International Managers Forum ) Handbook: A Guide to Professional Music Management**  
Andy Allen, Andrew Forbes, Jef Hanlon, et al  
Publisher : Sanctuary Publishing  
ISBN : 1860742572

MORE TASKS

- 1 Find out how you become a member of the PRS
- 2 How many published works do you need to have written in order to become a composer member?
- 3 Find out what the meaning of ‘copyright control’ is.
- 4 How can a performer make a claim from PPL for their performance on a recording?
- 5 Find out more about AURA, PAMRA and PPL.

# BUSINESS AND MONEY

WORKBOOK 8

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- P6 Why do I need to know about this?

P7 Project

Notes and guidance

- P11 Dealing with financial advisers
- P14 When do you need an accountant?
- P17 Book keeper
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THE BUSINESS OF  
PERFORMANCE




YOU MUST HAND IN YOUR WORK BY TO




**HOW LONG**  
should this assignment take?

Every person works at his / her own pace.  
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**HOW**  
will I be assessed?

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**WHAT**  
do I do now?

Read the TASKS below.  
Then read the NOTES AND GUIDANCE section  
Carry out the TASKS

TASK

- 1 Find venues in your area.  
Find out about three venues in your area that are suitable for you to play at. What kind of deals do they offer bands / acts?
- VENUE 1

What kind of deal will they offer?
- VENUE 2

What kind of deal will they offer?
- VENUE 3

What kind of deal will they offer?
- 2 Planning and costing a gig or event. Imagine that you are hiring a local venue ( capacity 200 people ) for a gig. Consider some of the following headings and find out what some of the costs are. You can then decide if it is viable ( worth staging ).

ITEM	COST	ESSENTIAL OR OPTIONAL?
Venue hire		
Door staff		
PRS licence		
Equipment hire ( backline, decks etc )		
Equipment transport		
Flyers, leaflets and marketing		
Internet site / ads		
Telephone		
Gathering database		
PA system		
Lighting rig		
Vehicle hire		
Food and refreshments		
Sound engineer		
Stage dressing		
Projection		
Other staff		
Your own time!		
TOTAL GIG COST ( estimated )		

Ring van hire companies, printers, PA companies and get the best quote.

3 Profit and Loss  
Now let’s work out how many tickets you need to sell to actually break even.

TOTAL GIG COST

TICKET PRICE

=

Number of tickets you have to sell to break even

Remember that you may have to give some tickets away as guest list. You may also be able to get some extra income through sponsorship. For example, a local business might sponsor the production of the flyers in return for their logo on the design. You may also consider getting some T- shirts or other merchandise produced for sale at the gig.

Do your workings here:

TOTAL INCOME	£ AMOUNT
Ticket sales	
Sponsorship	
Other income ( e.g. merchandising )	
TOTAL EXPENDITURE ( Total gig cost from table in Q3 )	
PROFIT OR LOSS ( Income – Expenditure )	



Think – when a promoter puts on a show, they are considering the same things. It’s a useful exercise for you to do a business plan in advance, as it may help you to avoid losing money!

- 4 In the early stages of your career, its very difficult to make any money from gigs. If it’s an event you are having to pay for and stage, ask yourself ;
- Will it be beneficial to your career?

Will I meet new people useful in my network

Can I sell anything to them

Can I make new and useful friends/contacts

Am I going to gather more database contacts

These are some of the extra benefits you may gain from putting on a gig.

## THE BUSINESS OF PERFORMANCE

Financial arrangements for acts that play live are many and varied, ranging from “pay to play” in small venues up to large “stadium” shows. Much will depend on the type of act and more importantly their status. The most obvious distinction is whether or not they have a recording contract or not and if so, how popular they are!

A band performing cover versions in pubs, clubs or at functions will expect to be paid a fee, as financial reward is the main aim when they play gigs. Once an act wants to become successful through performing their own material, then the circumstances and the purpose for gigging alters, a fact that some promoters take advantage of.



# HOW GIGS WORK

## SMALL SIZE GIGS

Unsigned nights are a good way to start out. These usually involve the acts ( often 3 or 4 ) taking responsibility for a good turnout by entering into an agreement with the promoter to ensure the sales of a minimum number of tickets. The details of this vary, from the band buying a specified number of tickets from the promoter, to a flyer or ticket system where fans are identified by which flyer/ticket they present at the door, and an amount of each ticket money going to the band they have come to see.

By these methods the promoter thus minimises his own risk, by sharing the responsibility for promoting the event, and spreading the financial risk between himself and the bands.

He still has to hire the venue and equipment, but he doesn't have to pay any guaranteed fees to the bands, or provide any catering.

The artist’s objective behind this is to eventually impress a record company A&R man in order to secure a recording contract. A singer / songwriter might also put on a gig with the objective of impressing a music publisher and securing a publishing contract. Building a mailing list and selling CDs and merchandise will all help to achieve this. Making lots of money at gigs should not be a priority.

If you want to set up your own event, you have to start thinking like a promoter, hiring the venue and equipment, and taking responsibility for the advertising. All the risk will be yours. So you will of course work really hard to try and get as many paying customers into the show as possible!

A step up from these kind of unsigned band nights can be to play at the events organised by small promoters who deal with smaller touring bands, the kinds of acts you might read about in NME who are touring their first small single or album release.

These acts will be getting a small guarantee from the promoter, and often this will have been organised via an agent. The promoter will be looking to put one or two local bands on as support acts, hoping that they will bring their fans along to fill out the venue. The local bands might get a small fee, or have an arrangement where they sell a certain amount of tickets and get a share of the ticket money, similar to the unsigned nights mentioned above. Supporting a 'name' band can do your reputation a lot of good, so in many cases you're not so bothered about the money as you are about building up your credibility and 'profile'.

### “ Pay to Play ”

For many unknown acts wishing to get their first gig, “pay to play” is a well known option. A venue or promoter will give you tickets to sell, but there will be a minimum number you MUST sell in order to play, above that number you receive a share of the profits. The problems arise if you don’t manage to sell enough tickets, the promoter often asks you to pay the shortfall. You should try and avoid having to end up paying a promoter to put you on.



Universities pay well and provide enthusiastic audiences. Approach the Events committee with a demo. Once you have played at one it is easier to get bookings at another.



MEDIUM SIZED GIGS

Objective – to extend the fan base and use the tour to promote and sell a new album. Will often combine gigs with regional radio and press interviews.

Once your act is established, you will be in a position to take offers from promoters who think they can make a success, and profit, from booking you for a show. The promoter will work out how many tickets he thinks he can sell, and this will be based on your market value, or how popular you are. The promoter needs to be sure that he has correctly anticipated this, so that the event makes money.

Bad situations arise when a promoter thinks he can sell 500 tickets at £10 each ( worth £5000 ), lays out costs of £4000, expects to make £1000 profit, but only sells 300 tickets, thus losing £1000. The promoter will generally expect you to have a current record release around the time of the event, so that advertising by the record company, along with reviews which a new release generates, will complement the promoter's own advertising for that particular show.

Shows like this are nearly always part of a tour. This will have been coordinated by the agent who will have a booked a number of shows with different promoters around the country. It's important to understand that this level of show has often been booked many months in advance, and the agent will have explained to the promoter about the expected timings of the new release, and guaranteed that there will be a focused promotional effort by the record company. This gives the promoter the confidence to agree to taking the risk on a particular act, and this is where trust enters into the relationship.

Acts at this level will have a booking agent who will be in charge of putting the tour together by liaising with local promoters. The promoters will estimate how many tickets they can sell, armed with knowledge of how heavily the act will be advertised in magazines and "plugged" on radio. They will then negotiate a fee with the agent. Occasionally a percentage of takings, once an agreed attendance figure is met, can also be arranged. This means someone with a counting machine stood by the entrance all night. In this situation a promoter can easily lose money if they over estimate the act's pulling power.

This sort of tour may lose money; the aim is to sell albums. The act will travel on a "sleeper coach" or use a splitter van and hotels. They will have a small road crew with a tour manager to look after them. They will certainly have their own sound engineer and may even bring some lights and a technician. The crew will be paid a fee for each day on the road, including travel days, and be given "PDs". Short for "per diems", these are an amount of money per day for food. Session musicians will be paid in the same way as crew, important staff are given retainers to keep them on call at all times.

The "rider" will be an important aspect of life on the road for this act. This is not just a list of strange requests from temperamental musicians, it is essential to be given good meals every night. Also in the rider is the "tech spec or technical rider", this lets the promoter know how many channels the desk should have and what equipment they must provide.

Sound Engineers

To spend a lot of money putting on a show, only to have it ruined by a poor mix is bad planning. It is a false economy not to spend extra money on an engineer who knows your sound and will make the performance a success

If you are a signed artist, the record company, by means of an additional advance called "tour support", may, meet the cost of this whole operation. This will be recoupable against album sales in the usual way.



Managers should not take commission on tour support, only profit from the tour after expenses.



STADIUM ACT

Objective – to sell more albums, build on the already huge fan base, as well as make money from merchandise and ticket sales.

The amounts of money and organisation involved are immense. The act will have their own PA, lights and stage show. They will travel with coaches for crew and articulated lorries full of equipment, even bringing a catering company along with them! Setting up the show will start early in the morning and last all day. Local "humpers" will be drafted in to help with the load in and load out. A production manager will oversee the logistics and liaise with venues, tour manager and stage manager.

Some record companies now take a cut of "live" revenues, including merchandise, when they sign megastars e.g. Robbie Williams.

Support acts at these large events must pay for the privilege of playing in front of so many potential new fans. This is called a "buy on". The support must still pay for its own engineer, crew, transport and sometimes a separate mixing desk. Not surprising then, that smaller acts with record contracts get these slots.

MERCHANDISE

Selling T-shirts and CDs can make the difference between breaking even and losing money. The value of merchandise should not be underestimated at any level of gig.

- ☐ Giving the sales person a share is a good motivator.
- ☐ T-shirts – a simple logo, slogan or design with few colours will be much cheaper and more effective.
- ☐ Large / Extra-Large / “Girls” tight fit are the most popular sizes.
- ☐ Some venues charge you to sell merchandise.
- ☐ Some door staff help themselves to t-shirts, even some takings.
- ☐ Use the sales area to add to your mailing list – A&R are often excited by large mailing lists.
- ☐ Have a demo or a business card ready just in case.
- ☐ Big names licence their merchandising rights to a manufacturer in return for an advance and then royalties – just like a recording deal.

CLUB NIGHTS

DJs will often have to play for free to get a "foot in the door" at a venue. Try offering your services where there is no DJ at present.

If you are a DJ and you fancy becoming a club promoter, then a lot of the information for unsigned acts will also apply to your circumstances. The big difference is that instead of concentrating on one show, you intend to BUILD a night. This means you must budget for a month or more, not just one event.

Do some market research, find a scene not catered for in a particular place or on a particular day of the week. Try to corner a niche market.

Pick a venue that isn’t too big, doesn’t have very expensive drinks, is easily accessible at all times of the night and doesn’t have a big competitor too nearby. When you hire the venue make sure you know what is included and what isn’t, watch out for guaranteed bar spends. This is equivalent of pay to play, in that the venue wants to achieve a certain amount of expenditure at the bar and will ask you for the difference if it is not met!

Work hard at your promotion, make sure you are in all the magazine listings and go for originality with your fliers.

PRS

The PRS will pay its members for songs they have written that are performed live. As of January 2004 they have run the Gigs and Clubs Scheme, for songwriters registering 10 or more UK shows via e-mail. Check their web site for details.



**VUZ**  
concert promoter 'Vman events'

I promote concerts for bands. We are currently promoting approximately 20 nights a month covering all types of modern guitar based music.

We hire out the venues, take the risk on the night, promote the event, pay the bands accordingly, and hopefully come out with a profit after this.

#### How did you get started?

I started by putting on local bands, and more specifically organising a 4 day battle of the bands style event. I worked hard on each small event I was putting on, which meant I had more and more bands contacting me.

#### Some of the typical things you have to do in a day

Answer phone calls from bands wanting to play at various venues in Manchester.

Answering emails from agents: placing offers for their bands, or booking them into venues.

Speak to my gig rep, making sure everything is ok with the gigs they are running.

Sending details of flyers to designers or printers.

Meeting bands at my gigs, making sure important ones are treated well.

#### Any hints or tips at all

Look at what is going on around you, and think of small but important ways you can improve on what other people are doing.

When you're starting out, you need to do every job as well as you can. Don't take on too much, and risk harming your reputation

Don't get upset when problems arise. This is inevitable, but just think once you've dealt with the problem once, when it arises again, you'll easily be able to find the solution.

## WANT TO KNOW MORE?

### LINKS

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[www.dfes.gov.uk/ukonlinecentres/](http://www.dfes.gov.uk/ukonlinecentres/) Find Internet access that's close to you.

- ☐ [www.gig-guide.co.uk/index.html](http://www.gig-guide.co.uk/index.html)  
Information on gigs in the UK
- ☐ [www.vocalist.org.uk/musicians\\_job\\_listings.html](http://www.vocalist.org.uk/musicians_job_listings.html)  
Music industry job listings
- ☐ [www.ukbands.net/index.php](http://www.ukbands.net/index.php)  
Information portal for bands
- ☐ [www.entsweb.co.uk/directories/](http://www.entsweb.co.uk/directories/)  
UK Directory of music sites
- ☐ [www.musictank.co.uk](http://www.musictank.co.uk)  
Online music business network and information site
- ☐ [www.mcps-prs-alliance.co.uk](http://www.mcps-prs-alliance.co.uk)  
Website for the UK Collection societies whose members are songwriters, composers and music publishers
- ☐ [www.bbc.co.uk/radio1/onemusic](http://www.bbc.co.uk/radio1/onemusic)  
Loads of relevant information about moving forward in the music business
- ☐ [www.bbc.co.uk/radio2/soldonsong/guide/](http://www.bbc.co.uk/radio2/soldonsong/guide/)  
Sold on Song's guide to songwriting and the music business
- ☐ [www.getsigned.com](http://www.getsigned.com)  
Tips and advice on the music industry – US based site.
- ☐ [www.bemuso.com](http://www.bemuso.com)  
A comprehensive resource site for independent artists, DIY record labels and self-publishers. Information and opinions about the music industry. Lots of stuff on doing it yourself.

### BOOKS AND MAGAZINES

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Music Managers Forum  
Publisher : Sanctuary Publishing  
ISBN : 1844920259

## MORE TASKS

- 1 If you feel that you would like to promote your own events, try answering the following questions :
  - Is the venue recognised?
  - Is it easy to get there?
  - Are the drinks well priced?
  - Is the fee competitive?
  - Can I tap into an existing event? ( If you can find an existing event that you can piggyback onto, it will make it easier for you when you get started )
- 2 Draw up an itinerary and a budget for a short tour of four gigs ( one local and three out of town ). Remember to include travel, accommodation, per diems etc.
- 3 Find an act from another town that you could possibly swap gigs with.
- 4 Compile a list of ten venues nationally, at which you could play.
- 5 Find an act with that you could share a gig venture.
- 6 Find out about T-shirt printers and wholesalers. Find out how much it would cost to design and print 100 T-shirts.
- 7 Find out about two sound engineers who would be willing to do your live sound. How much do they charge?
- 8 Look on the MCPS - PRS web site to find out how money is paid to songwriters for live shows. How much does it cost to become a member and what criteria must you meet?

# BUSINESS AND MONEY

WORKBOOK 8

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CHAPTER 5  
MONEY AND EARNINGS 

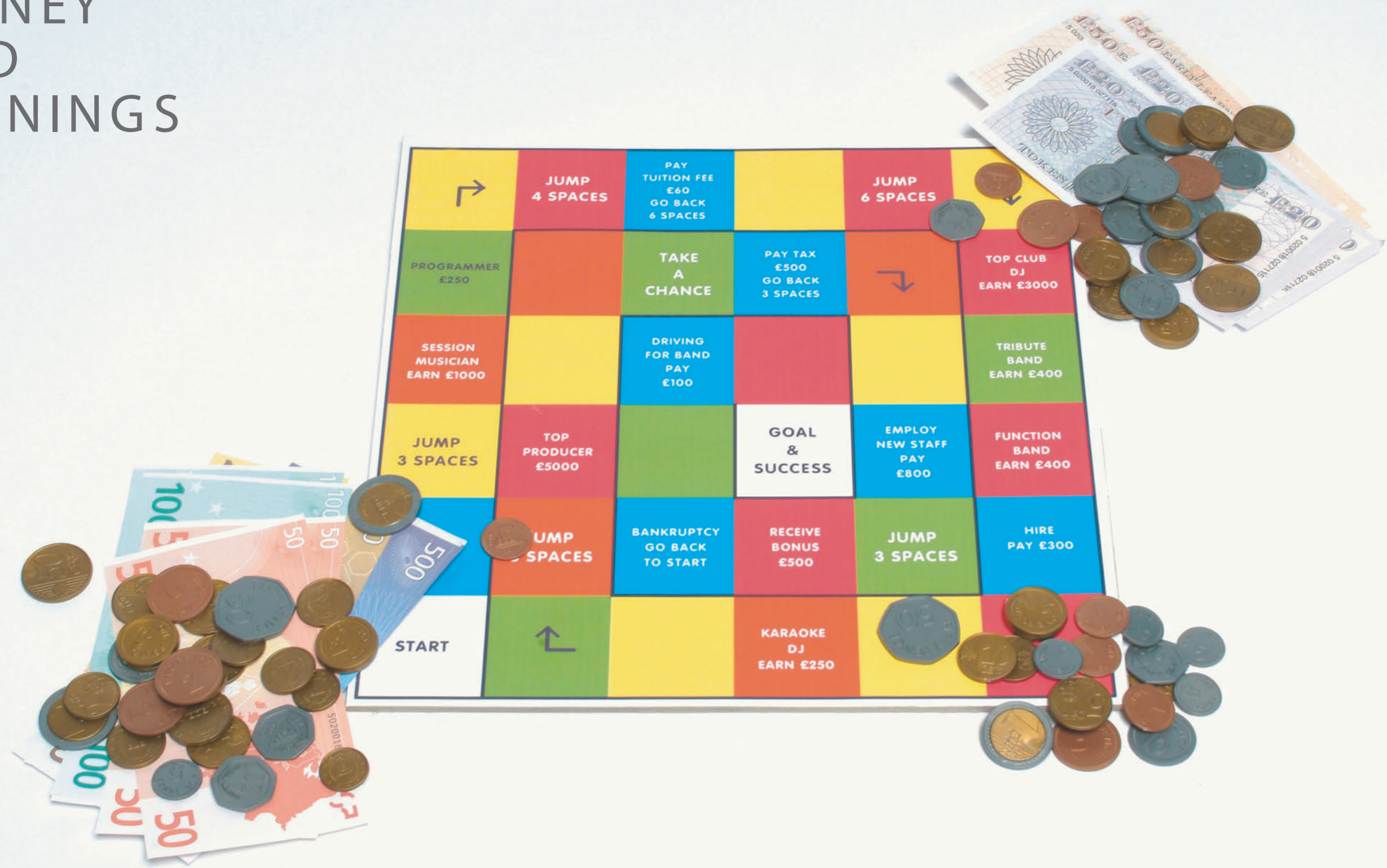
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**WHAT**  
do I do now?

Read the **TASKS** below.  
Then read the **NOTES AND GUIDANCE** section.  
Carry out the **TASKS**.

TASK

1 Read Notes and Guidance P93 - P104 and answer the following question:

How much would you expect to earn if you were a :	Give an estimate of earnings either per hour, per day, or per week
Musician in a working men's club	
Live sound engineer	
Mobile DJ	
Musician in a working function band	

2 Complete a monthly survival budget using the table on P99 to see how much you need to live on.

3 There are 4 stages to doing your book keeping. Explain what they are:

4 STAGES TO BOOK KEEPING

PURCHASES

SALES

BANK STATEMENTS AND CASH BOOK

PETTY CASH

4 Do some research and find out about AT LEAST ONE of the following funding or business support organisations. Discuss your findings with your music provider.

Funding or business support organisation	Who are they? What can they do for you?
Business Link	
Prince’s Trust	
European Social Fund or European Regional Development Fund	
The National Lottery	
Your regional Development Agency ( or specialist Music Development Agency )	
A local Business Enterprise unit	

5 Design an invoice for your new business, remember to include invoice number, date, payment terms, your details, a space for customers details and description of service given. Show it to your music provider.

6 Find out which banks locally have a small business adviser in the branch.

BANK DETAILS ( e.g. Nat West )	Who is the small business adviser?

7 If an unpublished songwriter has composed every track on an album with a PDP £7.00, approximately how much MCPS revenue will they earn from 10,000 sales?



See Chapter 3 MCPS and the Mechanical Royalty.

8 How much will the ARTIST earn on the same 10,000 sales, if their artist royalty is 12% after deductions?

## NOTES AND GUIDANCE

# EARNINGS FROM MUSIC

The Musicians' Union can provide you with details of rates for working musicians, which are a useful guide.

However, not all musicians are in the Musicians Union, and not all employers pay MU rates either. If you are a new act with not much of a track record, it is likely that you will have to 'pay to play' by hiring the venue and selling tickets to your friends.

➤ WORKBOOK 8 – BUSINESS AND MONEY  
– CHAPTER 4

A working musician in a function band or cabaret band, playing 3 or 4 regular gigs every week, could expect to earn around £200 - £400 per week on average.



Working men's clubs pay about £80 - £120 for a musician for an evening. A well known vocalist on the club circuit could charge more than this.



A musician in a successful touring 'tribute' band, on the road all the time, could expect to earn £500 a week or more, depending on the size of venue played.



A session musician is usually paid a minimum of MU rates, although top players ask for (and get) much more than this, up to £1000 a day. On tour, a professional musician could expect to earn several thousand pounds per week with a big name artist.



Commercial music composers earn one-off fees for commissioned music, such as title music for TV shows and film soundtracks. This could be small sums for a short jingle for incidental music on a tv / cable programme, up to larger sums for top film composers. Often money is paid for length of time the piece is audible during a show.



They also earn from public performances in the same way as songwriters. Sometimes they publish their works with music libraries, which TV companies use for many purposes.

A programmer will charge by the day, and this figure will usually include rental of his/her equipment. A typical rate would be around £250+ for a professional programmer with all their equipment.



Good live engineers who are the 'in house engineer' for a venue can expect to get £40 - £100 per night.



Backline technician for band – commonly known as a roadie (roadcrew) – these people make sure all the bands gear works on the night and is set up correctly on stage, guitars tuned etc. – £30 - £200 per day dependent upon experience, responsibility.

Independent TV / Film Production Companies often need incidental / theme music. Rates are often buy-outs and there are no repeat fees (there would be broadcast royalties payable if you were the composer). Rates can be anything from several hundred pounds for incidental music.



Theme tunes that are repeated regularly can earn more. Remember to maintain rights per territory, i.e. if the series / show is 'syndicated', there will be extra payments to buy out the rights for that territory.

A remixer may make an overall charge, which will include all studio time and musicians / programmers fees. A top remixer can ask for many thousands of pounds for a remix, though in recent years this has become less common, with points and smaller fees being preferred by record companies.

Transport / Driving for bands - £50 - £100 per day (must be able to drive and hire vans)



Mobile DJ's – minimum £100 up to £400 per night (but needs continuous investment in new material.) Some DJ's use laptops, but make sure you have legal music files and the appropriate DJ licence from PPL.



Karaoke Systems – if you have the equipment, you can get £100-£350 a night, more for special events.



"On spec", or speculative work, is where you take no fee initially, with an agreement to receive a royalty or payment if the project is successful. This is widespread amongst producers; make sure you have an agreement in writing.



A record producer can earn a one off fee for making a record, although in most cases they are paid an advance and a share of the potential royalties. Top producers can demand £5,000+ per track and around 3% of sales.

They also make money from hiring their equipment out, and using local recording studios where they can get a 'preferential deal'.



If you own any equipment at all, think about ways in which you can make money out of it. For example, can you compile cd's, re-master mixes, offer a (legal) sampling service? Often you can charge anywhere between £15 - 25 per half day on a 'mates rates' basis to friends.

Your negotiation skills are essential here. Many average musicians earn more than exceptional ones, purely due to the fact that they are better negotiators. That is one of the reasons why musicians have agents and managers working for them.



Many musicians and DJ's earn money working part time in record stores or musical instrument shops – staff discounts are useful here. It can also be a great way of meeting people who could help you find other work in a related field.



# INCOME FROM RECORDING

A recording artist earns money through royalties on the sales of their recordings. They may also receive an advance on royalties from a record label, which is recoupable ( they have to pay it back from their earnings ). It is impossible to predict exactly how much money an artist can expect to make on sales.

**INDEPENDENT RECORD COMPANIES** sometimes offer a 50/50 split of profits, after the record company has recovered all costs.

However, most **MAJOR COMPANIES** stick to a complex percentage system that changes according to the deal struck.

A **NEW ARTIST** might enter the initial term of a record deal with a royalty presently around 12-14% of the wholesale price or ‘PDP’ – ( published dealer price ). This is roughly equal to 7-8% of the retail price ( the price in the shops ). The industry jargon for percentages is ‘POINTS’.

**ARTISTS WITH A PROVEN TRACK RECORD** may presently negotiate up to 20% of the PDP, which is around 14% of the retail price.

## IMPORTANT NOTE

The record producer that the company engages on your behalf will almost certainly require a percentage on sales too. Make sure that you know who is paying for this, as it could be coming out of your share!

## SINGLES AND ALBUMS

The artist's percentage share on sales of singles is usually less than that of the album percentage. This is because the single is generally utilised as a promotional tool and often makes a loss. The same principle would apply to compilation albums, budget ( mid-price ) products, book clubs and sales outside the UK ( other territories ). Be wary of agreeing to expensive remixes and videos for singles, because the money could be recoupable.

## DOWNLOADS

Songwriters receive a royalty on downloads via the MCPS / PRS Joint On - Line Licensing agreement (this rate is currently 12% discounted to 8%, but songwriters may not receive the entire sum). Deals for the artist vary dramatically because downloads are a relatively new product. Deals must be made retrospectively on albums made prior to the popularity of downloads, so often a “new formats” clause is invoked. There are many download retailers who now contribute to the download chart, these retailers take a cut from every download sold and pass on the remainder to the label. The label then passes on the artist share according to their contract. Major labels have direct deals with the retailers, but indie labels often use a “middle man” or “aggregator” to negotiate on their behalf. These companies also take a cut, before passing on money to the label, who then pays the artist! The role is similar to that of a distributor for an indie label. In general an unsigned act would be better off selling downloads or CDs from their own web site.

## RETURNED OR DAMAGED STOCK

It is worth remembering that many record deals stipulate that the artist is to be paid against 90% of sales. This allows for returned or damaged stock, but you should ask your legal adviser to limit this as much as possible in the negotiations.

## FREEBIES

The record company will want to give away quite a lot of product for promotional purposes. Although they pay for the manufacture of the records, remember that you will not get any royalties on these items.

## OTHER DEDUCTIONS

Record companies may take up to a quarter of your royalties for a contribution towards packaging! They could also cut your royalty rate in half for any period where they run a TV ad campaign.

Royalties are usually paid from the record company twice a year. The artist will receive a statement of accounts for that period.

You should have a clause in the agreement that allows you to inspect the company accounts relating to your affairs.

# PUBLISHING INCOME

A songwriter earns money by having their compositions publicly performed on radio, TV and in venues. They also get a share of any recordings sold which have their songs on ( Mechanicals ).

Successful songwriters generally earn more money than any other type of musician. For example, every time a composition is played on BBC Radio 1 for 3 minutes, it generates a performance fee of ( currently ) around £40, and the amount received by the songwriter will depend on whether they are published and the terms of their publishing agreement.

However, remember that out of the 33,000 writer members in the PRS, only a small proportion receive more than £10,000 a year in performance royalties, while half of them receive less than £250. See chapter 3 for more information.

# YOUR SURVIVAL BUDGET

If you are thinking about going self-employed, it's a useful exercise to draw up a survival budget to work out how much you need to live on.

## MONTHLY EXPENDITURE

Mortgage / Rent	
Council tax	
Contents / buildings insurance	
Gas	
Electric	
Water	
Phone	
Mobile	
Internet charges	
Food / household	
Clothing	
Holidays	
Other items ( alcohol / cigarettes )	
Car insurance	
Car tax / MOT / repairs	
Travel ( bus, taxi, bicycle )	
TV licence	
Credit cards / store cards	
Loans / hire purchase	
TOTAL	

When you are doing a business plan, you will need to use this monthly figure as the minimum amount you can afford to live on.

# TAKING CONTROL OF YOUR MONEY

## - BOOK KEEPING AND ACCOUNTS

Many people have a fear of bookkeeping and accounts and would prefer to leave it all to someone else. However, accountants can charge a lot for basic monthly records that you could easily complete yourself.

The law requires every business to keep a record of money received and money spent. A simple list of transactions will fulfil this legal requirement and form the basis for any accounts. You must also keep receipts for things you buy, invoices you send out and business bank statements.

### DOING YOUR OWN BOOK KEEPING

Buy a “Cash-Book” from any stationer. Write down monies you receive and spend in this book. Get into the habit of keeping every receipt; every penny you can claim as a legitimate business expense is a penny less to pay in tax!

There are four stages to doing your book keeping:

#### 1 PURCHASES

These are “debits” or money spent. When you receive a bill, pay it as soon as you can and write “paid” in the corner, along with the cheque number and date. Place this bill face down in another tray marked “paid”. Any debit card slips and receipts should also be placed in this tray.

#### 2 SALES

These are “credits” or money earned. Make a copy of every invoice you send to customers, each invoice should have an individual number. Keep a record of all invoices in a sales book. Again, have an “invoices to be paid” and an “invoices paid” tray. When an invoice is paid, write the date on it and transfer to the “invoices paid tray”. Tick off the payment in the sales book and periodically check through for non-payers and chase the money.

#### 3 BANK STATEMENTS AND THE CASH-BOOK

Every month you should reconcile your receipts and invoices with your bank statements and make sure they tally with each other. Write down each transaction on the correct page of the cash-book and check it off against the bank statement, you will have a pile of receipts and a pile of invoices in date order. Number the receipts as you enter them in the book. Place the bank statements in a ring binder and the receipts and invoices in their own envelopes. Write the month and year on each envelope; remember you are obliged to keep all receipts and invoices. Other amounts on the bank statement, such as refunds, loans, interest or money you have invested in your business, should also be entered into the cash-book.

Here is an example of a cash-book for a recording studio:

#### PURCHASES June 2006

No	DATE	NAME	DETAILS	✓	REF	AMOUNT
1	3/6/06	L.E. Electronics	50 x CDR	✓	MAE	£20.00
2	7/6/06	Studio Space	Rent	✓	101	£300.00
3	12/6/06	Phone Link	Mobile ( May )	✓	102	£50.00
	19/6/06	The Loan People	Car Loan	✓	SO	£200.00
	24/6/06	Inland Revenue	Nat. Insurance	✓	DD	£10.00
4	25/6/06	“Cash”	Petty Cash Float	✓	ATM	£50.00
					TOTAL	£630.00

No = receipt number, not needed for direct debits and standing orders.  
SO = standing order, DD = direct debit, MAE = debit card, ATM = cash point, 101 = chq number  
✓ = checked on bank statement

#### SALES June 2006

DATE	NAME	DETAILS	INV. No	AMOUNT
2/6/06	The X Band	Recording Session	011	£200.00
10/6/06	Six FM	Jingle Production	012	£250.00
15/6/06	J. Richards	CD Duplication	013	£100.00
21/6/06	Soul Four	Vocal Editing	014	£150.00
			TOTAL	£700.00

4 PETTY CASH

For small purchases such as tea, coffee, stamps and so on, it will be necessary to use cash. You can pay for these items out of your own pocket and then write yourself a cheque every month from the business account to cover your expenses. Or, withdraw a cash “float” from the business account and use this money for small purchases. You should keep all receipts and enter details into a petty cash book. Keep the money and the book in the same place to remind you to fill it in! Store all petty cash receipts in a separate envelope with the other receipts and invoices.

Example of a petty cash book:

PETTY CASH    June 2006

DATE	DETAILS	No	AMOUNT	BALANCE
8/6/06	Postage	1	£1.62	( Carried ) £13.38
14/6/06	Batteries	2	£5.99	£7.39
18/6/06	Strings	3	£7.00	£0.39
25/6/06	FLOAT FROM BANK		( + £50.00 )	£50.39
27/6/06	Tea / Coffee	4	£5.00	£45.39

ATM receipts : If you use an ATM, get a receipt and write on it what the cash was for, you won’t remember when you do your books.

BALANCE SHEETS    You can track the progress of your business using a separate balance sheet.

MONTH	SALES	PURCHASES	BALANCE
April	£630.00	£230.00	£400.00
May	£850.00	£400.00	£450.00
June	£700.00	£630.00	£70.00
TOTAL	£2180.00	£1260.00	£920.00

COMPUTER BOOK KEEPING

There are many software packages available to assist with bookkeeping, but you can also use a spreadsheet program. Your books will look more professional and easier for a professional to read, just remember to BACK THEM UP!

INLAND REVENUE

You need to put some money aside to pay your tax bill. This will be roughly 25% of the profit of the business ( more if you are doing well, although it will be hardly anything if you make a profit of less than £5000 pa ). Keep the money in an interest earning account and don’t spend it! Not everything will be allowable e.g. a silver sequined jacket will be classed as stage clothing and therefore tax deductible, but a pair of jeans can be worn day to day and is not allowable. Similarly, you can claim for a train fare to a meeting and the cost of a meal when you are there, but not for travel to a regular place of work and food bought locally. Refer to Workbook 7 Legal and Business issues for more on income tax.

LATE PAYMENTS

Many companies are notoriously poor bill payers. Don’t be embarrassed to ask for what you have earned, and get a name for someone in the accounts department.

CLAIMING BENEFITS

It is often very difficult to get through the ‘transition period’ of moving from benefits to full time paid employment. If you are self-employed, there is the possibility of taking the Self-Employment Route through New Deal, which will enable you to try out your business idea while still receiving benefits. Speak to your adviser for more details. It is also possible to get part time work and still claim benefits, although the amount of benefits will reduce depending on how much paid work you are doing.

ARE YOU STRUGGLING FINANCIALLY?

Don’t ignore financial problems, they will only get worse. Prioritise your debts. There is excellent information available on the Citizens Advice Bureau and the Consumer Credit Council sites ( see More Information )

# RAISING MONEY

There are many ways of raising finance to run a business. Some of the options include:

- Borrowing money from friends and relatives
- Borrowing from a bank
- Loans from private institutions
- Business venture capital
- New business support
- Grants and funding from arts and other organisations. ( for example, the National Lottery or the Prince’s trust )

There are many local, national and European schemes to help the growth of new business. ( see the web links at the end of this chapter )

## BANK LOANS OR OVERDRAFT FACILITY

One of the simplest ways to borrow money for a business venture is through a bank loan or an overdraft facility. Deals and interest rates vary, and there are often special schemes available for new businesses. It is an advantage to have an established relationship with a bank.

Some banks have a small business manager in each branch, they are easier to convince than an advisor at a call centre. They are usually very helpful once your business is up and running as they are experienced in the difficulties faced by new ventures.

It’s tricky to borrow money with no track record and with no collateral. Ask someone to check over your business plan to make sure it will hold up under scrutiny.

## THE PRINCE'S TRUST

The Prince’s Trust offers a combination of grants and loans to 18 - 30 year olds. They offer a maximum of £5000 loan at a 3% interest rate, plus a £1500 grant per person or £3000 per group.

## CAREER DEVELOPMENT LOANS

These are available to help anyone over 18 years of age through a training course or qualification. It is essentially a bank loan that you only start repaying after the course, while the government subsidises the interest. Amounts start at £300 up to £8000 that you can put towards 80 % of fees ( 100 % if unemployed ), materials, travel or living expenses. For more details go to [www.lifelonglearning.co.uk/cdl/](http://www.lifelonglearning.co.uk/cdl/)

## GRANTS

Grants are available at European, national and regional levels. You will have to have some money of your own to invest in a new project. Make sure you have a specific use for the grant and that a direct benefit from the finance can be easily predicted. Any business idea that will support employees other than just yourself will be looked upon favourably. Innovative or research and development ventures are also seen in a good light. You may have to wait a long time for an answer to your application.

# WANT TO KNOW MORE?

## LINKS

New Deal for Musicians has no responsibility for or control of the following sites. The inclusion of any site does not necessarily imply New Deal for Musicians approval of the site. To access any of the sites please click on the link or search using keywords from the name of the link.  
[www.dfes.gov.uk/ukonlinecentres/](http://www.dfes.gov.uk/ukonlinecentres/) Find Internet access that's close to you.

- ☐ [www.musiciansunion.org.uk](http://www.musiciansunion.org.uk)  
Website for the Musicians Union
- GENERAL BUSINESS ADVICE
- ☐ [www.businesslink.gov.uk](http://www.businesslink.gov.uk)
- ☐ [www.businessbureau-uk.co.uk](http://www.businessbureau-uk.co.uk)
- ☐ [www.hmrc.gov.uk](http://www.hmrc.gov.uk)  
Inland Revenue and Customs & Excise
- ☐ [www.startups.co.uk](http://www.startups.co.uk)
- ☐ [www.smallbusinessservice.gov.uk/home/](http://www.smallbusinessservice.gov.uk/home/)

## FUNDING ADVICE

- ☐ [www.culture.gov.uk/arts](http://www.culture.gov.uk/arts)
- ☐ [www.artscouncil.org.uk](http://www.artscouncil.org.uk)
- ☐ [www.lotterygoodcauses.org.uk](http://www.lotterygoodcauses.org.uk)
- ☐ [www.dti.gov.uk](http://www.dti.gov.uk)
- ☐ [www.youthmusic.org.uk](http://www.youthmusic.org.uk)
- ☐ [www.citycol.com/rfrecords/fundingadvice.html](http://www.citycol.com/rfrecords/fundingadvice.html)

## DOWNLOADS

- ☐ [www.bpi.co.uk](http://www.bpi.co.uk)
- ☐ [www.bemusoso.com/resources/index.html](http://www.bemusoso.com/resources/index.html)
- ☐ [www.cdbaby.net](http://www.cdbaby.net)

## STRUGGLING FINANCIALLY

- ☐ [www.citizensadvice.org.uk/macnn/](http://www.citizensadvice.org.uk/macnn/)
- ☐ [www.adviceguide.org.uk](http://www.adviceguide.org.uk)
- ☐ [www.uswitch.com](http://www.uswitch.com)
- ☐ [www.hmrc.gov.uk/taxcredits/index.html](http://www.hmrc.gov.uk/taxcredits/index.html)
- ☐ [www.dwp.gov.uk/lifeevent/benefits/index.asp](http://www.dwp.gov.uk/lifeevent/benefits/index.asp)
- ☐ [www.cccs.co.uk](http://www.cccs.co.uk)  
Consumer credit counselling service

## WANT TO KNOW MORE?

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[www.dfes.gov.uk/ukonlinecentres/](http://www.dfes.gov.uk/ukonlinecentres/) Find Internet access that's close to you.

### BOOKS AND MAGAZINES

- ☐ **Guide to Survival & Success in the Music Business**  
The Association of Independent Music's guide to the business in an interactive CD-Rom format.  
Available from [www.musicindie.org](http://www.musicindie.org) - free to members
- ☐ **The Music Management Bible**  
Music Managers Forum  
Publisher : Sanctuary Publishing  
ISBN : 1844920259
- ☐ **101 ways to start your own business**  
Christine Ingham  
Publisher : Kogan Page  
ISBN : 074942186X
- ☐ **The Daily Telegraph Guide to working For Yourself**  
Godfrey Golzen  
Publisher : Kogan Page  
ISBN : 0749426772
- ☐ **Managing Your Business Accounts: A Handbook for Business Owners, Managers and Students**  
Peter Taylor  
Publisher : How To Books  
ISBN : 1857032616

## MORE TASKS

- 1 Find out the current average dealer price of singles and albums in your local record shop.
- 2 Do more research into the current licensing agreements on downloads. (MCPS – PRS)
- 3 Start keeping your own accounts using the methods described earlier in this chapter.

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## NEW DEAL FOR MUSICIANS BUSINESS AND MONEY

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Sound Advice

MU Musicians' Union

MPG Music Producers Guild

AIM Association of Independent Music

PRS Performing Right Society

MCPS Mechanical - Copyright Protection Society

MMF Music Managers Forum

BPI British Phonographic Industry

MPA Music Publishers Association

PPL / VPL Phonographic Performance Limited / Video Performance Limited

MIA Music Industries Association

PAMRA Performing Artists' Media Rights Association

BBC Radio 1

British Music Rights

British Academy of Composers and Songwriters

