



EBGRO ADVISORY

FREE CHECKLIST

Can I afford it?

The 15-minute checklist to run through before you buy that big bit of kit, so it makes you money instead of draining your cash.

BEFORE YOU SIGN ANYTHING

A great machine can still sink a good business.

New kit is exciting. More capacity, faster cycle times, bigger contracts. But I've seen plenty of profitable businesses get into a cash squeeze because a purchase that looked affordable on paper wasn't affordable in the bank.

"Can I afford it?" is really four questions in a trench coat:

- ☐ **Do I actually need it?** And is the work there to keep it busy?
- ☐ **What does it really cost?** Not the quote — everything.
- ☐ **Will it pay for itself?** And how quickly?
- ☐ **Can my cash survive the gap** between paying for it and it paying me back?

This checklist walks you through those questions in six short stages. You don't need a finance degree, just a pen, your latest numbers and the supplier's quote.

1

Grab your numbers

Last few months' sales, your bank balance, monthly fixed costs and the quote.

2

Work through stages 1–6

Tick what you can. Anything you can't tick is worth a closer look.

3

Score it

Use the traffic-light scorecard at the end to get a straight answer.

Honest bit: this is a sense-check, not financial advice for your specific situation. If the answer comes out amber or red, or the purchase is big relative to your business, it's worth talking it through with someone before you commit.

1 Why are you buying it?

Be honest about the reason, because it changes how hard the numbers need to work.

- ☐ I can say in one sentence what this machine will let us do that we can't do now.
- ☐ The work is there: it's backed by a signed contract, a firm order or a clear track record.
(A "promising conversation" doesn't count yet.)
- ☐ I know how many hours a week it will actually be running. _____ hrs
- ☐ I've checked whether we could get the same result another way: subcontracting, an extra shift, a second-hand machine or fixing the old one.
- ☐ If I'm replacing old kit, I know what the old machine is really costing us in breakdowns, scrap and downtime.

2 What does it **really** cost?

The quote is just the start. Add up everything it takes to get the machine running and keep it running.

ONE-OFF COSTS	£	ONGOING COSTS (PER MONTH)	£
Purchase price	_____	Operator wages + on-costs	_____
Delivery & installation	_____	Maintenance & service contract	_____
Foundations, power, air, extraction	_____	Energy	_____
Tooling, fixtures & software	_____	Consumables & tooling wear	_____
Training & programming time	_____	Insurance	_____
Lost output while it's installed	_____	Software licences / support	_____
Total one-off cost	_____	Total monthly running cost	_____

Common trap: owners budget for the machine and forget the 10–20% extra for getting it running, then fund that out of day-to-day cash.

3**Will it pay for itself?**

Work out what the machine adds each month, then how long it takes to earn back what you've spent.

Extra sales it will bring in each month	£ _____
...minus the materials & direct costs of those sales	- £ _____
...plus savings (labour hours, scrap, subcontracting, old-machine repairs)	+ £ _____
...minus the monthly running cost from Stage 2	- £ _____
Monthly benefit	£ _____

Payback (months) = **Total one-off cost** ÷ **Monthly benefit** = _____ months

- ☐ The payback period is comfortably shorter than the machine's working life. (As a rough guide, aim for well under half of it.)
- ☐ I've used **realistic** numbers, not best-case ones: real utilisation, real prices, real margins.
- ☐ I've allowed for a ramp-up period while we learn the machine and win the work.
_____ months

4**Can your cash take the hit?**

Profit and cash aren't the same thing. This is the stage most people skip, and the one that bites.

- ☐ After paying the deposit and set-up costs, we'll still have at least **2-3 months of fixed costs** in the bank. (Wages, rent, loan repayments.)
- ☐ I've mapped out our cash week by week for the next 3 months, including the purchase.
- ☐ I know when the extra money will actually arrive, after customer payment terms, not just when we invoice.
- ☐ It doesn't land at the same time as another big cash outflow. (VAT quarter, corporation tax, bonuses, a big materials order.)
- ☐ Our overdraft or facility has headroom left over for a bad month.

Worth knowing: if you sell on 60-day terms, a machine that starts earning in March might not put cash in your bank until May. Your finance payments start straight away.

5

How will you pay for it?

The right funding can turn a stretch into a comfortable purchase. The wrong funding can do the opposite.

Cash

Cheapest overall, but it uses the buffer you need for bad months. Only use it if Stage 4 still passes afterwards.

Hire purchase / asset finance

Spreads the cost and you own the machine at the end. The machine itself is the security.

Lease

Lower monthly cost, and you don't own the machine. Can suit kit that dates quickly.

Bank loan or grant

Worth checking for local growth or energy-efficiency grants. They're slow, but they're free money.

- ☐ The **monthly benefit** (Stage 3) is bigger than the **monthly payment**, with room to spare.
- ☐ I've compared at least two funding quotes on the **total amount repaid**, not just the monthly figure.
- ☐ I've asked my accountant about tax relief and timing. (Capital allowances, such as the Annual Investment Allowance, can often reduce your tax bill in the year you buy. Buying just before or after your year end can change when you get that relief.)

6

What if it doesn't go to plan?

Plans rarely go exactly to plan. A purchase that only works in the best case is a gamble, not an investment.

- ☐ If the extra work comes in **30% lower** than expected, we can still make the payments.
- ☐ If ramp-up takes **3 months longer**, our cash still holds up.
- ☐ If our biggest customer for this work walked away, we'd have a plan B for the machine.
- ☐ I know roughly what it would sell for second-hand in 2–3 years if we had to get out.

WORKED EXAMPLE

A £100k machine, step by step

An engineering firm wants a new machine to take on more work from a regular customer. Here's the checklist in action, with nice round numbers. (Illustrative figures.)

1	What does it really cost? £90,000 for the machine + £10,000 to install it and get it running.	£100,000	✓
2	What will it earn? Extra profit each month, after materials, the operator and running costs.	£2,500 / month	✓
3	How long to pay back? $£100,000 \div £2,500 = 40$ months. Just over 3 years, on a machine that should last 10.	3 years	✓
4	Can the cash cope? Finance over 5 years costs about £2,000 a month. The machine earns £2,500, so there's £500 to spare.	+£500 / month	✓
!	...but what if it's quiet? A slow patch cuts what it earns to £1,500 a month. The £2,000 payment still goes out.	-£500 / month	✗

The verdict: a good machine that pays for itself, but a few quiet months would hurt. Before signing, **lock in the work** (a longer contract or minimum volumes) or **put down a bigger deposit** to bring the payments down. Same machine, much safer purchase.

YOUR ANSWER

The traffic-light scorecard

For each stage, give yourself a **green** if you ticked everything, **amber** if you missed one or two, and **red** if you couldn't answer most of it.

STAGE	GREEN	AMBER	RED
1 · Why are you buying it?	☐	☐	☐
2 · What does it really cost?	☐	☐	☐
3 · Will it pay for itself?	☐	☐	☐
4 · Can your cash take the hit?	☐	☐	☐
5 · How will you pay for it?	☐	☐	☐
6 · What if it doesn't go to plan?	☐	☐	☐

All green

Go for it. You've done your homework, and that's more than most.

Any amber

Probably yes, but fix the gaps first. Usually it's the cash timing or the funding terms.

Any red

Pause. Not necessarily "no", but don't sign until that stage is sorted.



Want a second pair of eyes?

I'm Louis, a chartered accountant with 15+ years in manufacturing, engineering, aerospace, automotive and renewables. I help owners work out whether they can afford a purchase, how best to fund it, and how to make sure it pays off. Book a free 30-minute call: no jargon, no hard sell.

Book your free call → ebgro.com

© EBGRO Advisory · Bedfordshire. This checklist is general guidance to help you think a purchase through. It isn't personal financial, tax or investment advice. Figures in the example are illustrative.