



BARRIER REEF ACCOUNTING

# HOW TO GUIDE

SMALL BUSINESS



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# STARTING YOUR BUSINESS

## DO YOU HAVE WHAT IT TAKES?

The best business people are:

- Good at their profession
- Well organised
- Reliable
- Determined to succeed
- Not afraid to take advice
- Careful money managers
- Able to handle stressful situations
- Good at selling themselves

Do you fit this category?



## A HOBBY OR A BUSINESS?

The following questions can help you work out if your activity is actually a business:

- Does your activity have a significant commercial purpose?
- Do you have more than just an intention to engage in business?
- Do you have a purpose of profit as well as a prospect of profit?
- Does your activity have repetition or regularity?
- Is your activity similar to other businesses in your industry?
- Is your activity planned, organised, and carried out in a business-like manner?
- Does your activity have characteristics of size, scale, and permanency?
- Would it be true to say that your activity is better described as a business, rather than a hobby, recreation, or sporting activity?

Each time you answer yes to a question above, it increases the possibility that you are in business. Each indicator should however be considered in combination and/ or as a whole.

# DO YOUR RESEARCH.

Once you have decided that you want to start a business, set off on the right foot.

- Talk to the team at Barrier Reef Accounting, we can help you plan your business and get access to the financial support you need.
- Talk to someone who has been successful in a similar business to yours. Ask them what their experience was when they started and what do they feel made their business a success.
- What rules and regulations will apply to you? Are licences and permits required?

## BUSINESS PLANS

A complete, well thought out business plan is one of the most valuable tools to help you reach your long-term goals.

It gives the business direction, defines your objectives and maps out strategies to achieve your goals.

A business plan is a living guide that you should develop as the business develops. Be sure to review your business plan regularly.

A business plan should include the following:

- **Business summary** – a one page overview.
- **Your business** – an overview of the structure, registrations, location, staff, and products / services.
- **Your market** – outline your marketing analysis of the industry you are entering; your customers and competitors. Include key marketing targets and strategies for delivering on these targets.
- **Your future** – outline your business goals, key business milestones, and include a vision statement.
- **Your finances** – how you will finance the business, costing, and financial projections.

# CHOOSING YOUR BUSINESS STRUCTURE

There are four main business structures commonly used by businesses:

- Sole Trader
- Partnership
- Company
- Trust

The structure you choose may affect:

- The tax you are liable to pay
- Asset protection
- Ongoing costs

Make sure you understand the responsibilities that go with the structure you choose.

Typically, costs and complexity increase as you move from a sole trader to a partnership to a company or trust.



**Unsure of which structure to choose?**

**Call us on 07 4041 6768 to book an appointment to discuss your needs.**



# REGISTERING YOUR BUSINESS

Some registrations are compulsory depending on the nature of your business...

## **Australian Business Number (ABN)**

If you do not have an ABN other businesses who deal with you are required to withhold 45% of their payments due to you unless you provide them with a hobby declaration.

## **Tax File Number (TFN)**

Partnerships, trusts and companies require their own TFN.

## **Business Name Registration**

Most business will need to apply for a registered business name with the Australian Securities and Investments Commission (ASIC).

## **Australian Company Number (ACN)**

If you choose to run your business through a company, you need to register the company with the ASIC who will issue you with an ACN.

## **State Government Licences**

Some businesses need licences to operate. The Australian Business Licence and Information Service website has a search tool that may help with working out the licences you may require:  
<https://ablis.business.gov.au/pages/home.aspx>

## **Council Permits**

You may need a council permit to operate your business (for example if you are selling food or to use a building for a specific purpose).

## **Goods and Services Tax (GST)**

If your expected turnover is \$75,000 or more, you must register for GST.

If your expected turnover is below \$75,000, registering is optional.

## **Pay as you go (PAYG) withholding**

If you are employing people, you are required to withhold PAYG on salary and wages.

## **Fuel Tax Credits**

If you use eligible fuels in your business (other than for cars travelling on a public road), you may be eligible to claim fuel tax credits.

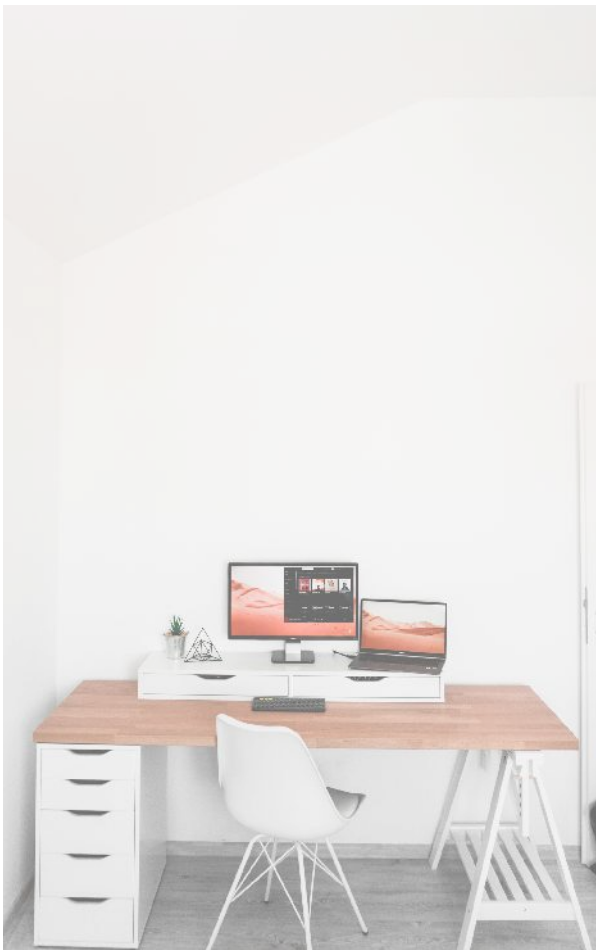


# SETTING UP YOUR SYSTEMS

Generally the first thing most businesses need to do is set up bank accounts. You will then need to decide if you want a manual or electronic accounting system to record your transactions.

When organising your systems, you should consider:

- Setting up your banking
- Establishing invoicing and payments systems
- Choosing suitable record keeping methods
- The range of records you will be required to keep, including:
  - Income and expenses
  - Payments to suppliers and contractors
  - Banking
  - GST
  - Stock and assets
  - Employee records, including payments, superannuation
  - Debtors and creditors
  - Documents to help you manage your cash flow



## QUALITY IS THE BEST BUSINESS PLAN.



When you think about storage, make sure you consider security issues such as back-ups and flood-proof systems.

# RUNNING YOUR BUSINESS

## KEEP GOOD RECORDS!

The most important reason for keeping good records is that it's a legal requirement. You can keep your records on paper or electronically.

**You must keep business records for five years after they are prepared.**

Other reasons for keeping good business records are to:

- Make it easier to prepare and complete your tax obligations;
- Monitor the health of your business to ensure you make sound business decisions (for example by keeping track of debtors and creditors);
- Business records are useful if you want to sell your business in the future;
- Help you manage your cash flow

## MANAGING YOUR CASHFLOW

Cash flow is what keeps your business going. You need to ensure your business is likely to make money and will have enough cash available at the right time to pay its bills and meet other obligations such as tax and superannuation.



A good way to help make sure you have enough cash available at the right time is to do a cash flow budget...



## USEFUL STEPS TO PREPARE A CASH FLOW BUDGET



### 1. Prepare a sales forecast

Use realistic estimates, take into account any seasonal fluctuations or trends for your industry.

### 2. Estimate your cash inflows

Receipts show only the cash you expect to actually receive in a period. Include money from your customers, loans received, money from assets sold off or money you put into the business.

### 3. Estimate your cash outflows

Payments show only the cash you expect to actually pay out a period. Include payments to your suppliers, wages, loan repayments, money for assets you expect to buy, money you take for your own use (drawings), and any loans you may provide to others.

Don't forget to include any infrequent payments in the relevant period; for example, insurance, rates and registrations. Also, remember to allow for any tax payments. These payments could include GST, PAYG withholding.

### 4. Calculate your net cash position

For the period cash balance.



# INSURANCE

It's essential to arrange insurance when you're starting out in business - you should insure your company, your income and your commercial risk.

Workers Compensation - you must provide accident and sickness insurance for your employees.

If you are self-employed, you will not be covered by workers compensation. It is recommended by law that you cover yourself through a private insurer for accident and sickness.

You should also consider cover for assets, revenue, stock and liability insurance.



# STOCK CONTROL

To ensure that your capital isn't tied up unnecessarily, it's important to have efficient stock control.

Deciding how much stock to keep depends on the size and nature of your business, and the type of stock involved.

# EMPLOYEES

Good employees can be your greatest asset; recruiting and retaining the right person is important.

Once you've hired new staff you need to make sure you understand your legal obligations to your staff:

- Find out what wages and employment conditions apply to your staff
- Register with the Australian Taxation Office (ATO) to deduct tax from their wages
- Set up employment records
- Pay superannuation
- Comply with occupational health and safety laws.

# CORPORATE GOVERNANCE

Small businesses need corporate governance too. Corporate governance is about good decisions being made by the right person.

A good structure will allow you to ensure that the start-up of your business occurs smoothly. Here are a few things to consider when setting up your governance structure:

## Creating and delegating authority

When making important decisions, it's important to have the right person making them.

Simply by setting up and communicating clear lines of authority, you can guide your employees to recognise the decisions that they can and cannot make on their own.

## Managing employees and ensuring accountability

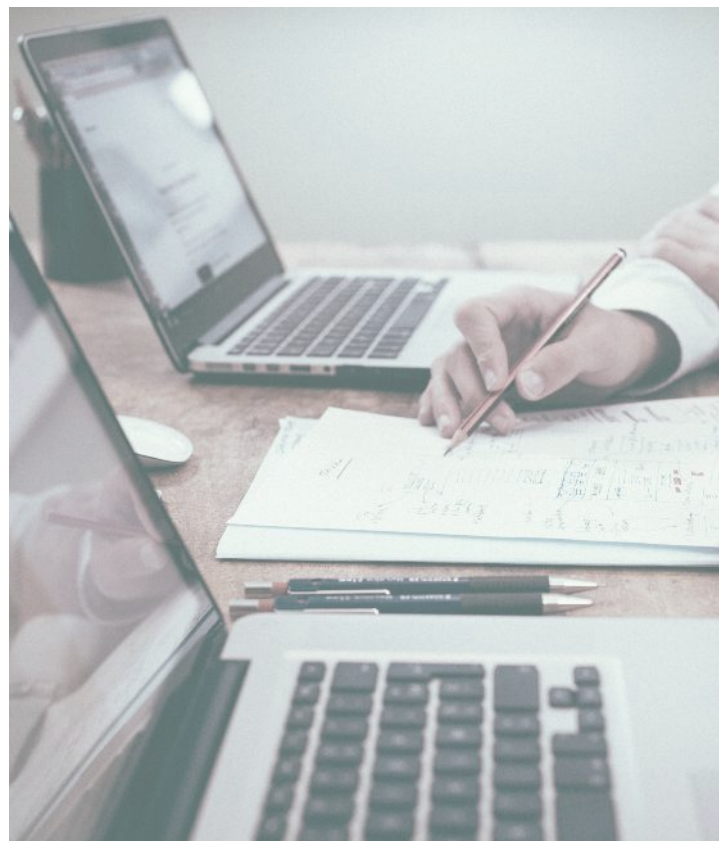
Clear policies and procedures allow everyone to be more accountable and comfortable with their decisions. Accountability is important and can involve rewarding or performance managing staff.

With a good governance structure, your employees become enabled to take on more responsibility.

As the business owner, you can then focus on other management activities to help make your business a success.

## Developing clear policies and procedures

- Written policies and procedures are essential for creating planned business outcomes. They are helpful in communicating clear steps to achieving a goal. Policies should be clear, concise and easy to understand.
- Having an agreed process will allow you to guide behaviours and reduce risk within your business.
- Make policies and procedures available to staff and revisit the documents regularly to ensure they are up to date with your business environment.



# PROFESSIONAL ADVISERS

## ACCOUNTANTS

As accountants, the team here at GKS Chartered Accountants love to help people with financial projections, record keeping, compliance with tax laws, preparation of your financial statements and tax returns.

Your accountant is the single most important adviser you can have, since many of the issues they deal with can be complex and time consuming to do on your own.

## LAWYERS

Legal advice may be needed from time to time, especially if you are signing a lease for rental of an office, entering into a contract or end up in a dispute with someone.

## SMALL BUSINESS CENTRES

Professional help doesn't have to come at a premium price.

Government-sponsored small business development organisations exist to provide free general management advice for people starting or running their own business..

A good adviser should be able to help you save money, help your business grow and provide new ideas and ways to work smarter!





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# Barrier Reef

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*Navigating Business...*