

Starting your own SMALL BUSINESS

So you've been thinking about going into business or have been presented with an irresistible opportunity to go it alone. The decision to leave steady employment and go solo should not be taken lightly, writes John Corias.

Those who make the decision to start a small business seem to think that it's just a matter of doing the work and the rest will take care of itself. All too often, we see individuals coming to us seeking our help and guidance because they have taken the brave step without really knowing what is involved in running a business on a daily basis. Yes, that's right, running a business will require your daily attention. So be prepared to allocate time to just running the business, apart from actually doing business; the two are not mutually exclusive.

GETTING STARTED

So now that you've thought long and hard about going into business, there are many areas that you need to educate yourself in.

One of the first aspects you will need to concern yourself with is establishing the correct business structure. This can have a significant impact on all areas of the business, but is most important from a tax minimisation and asset protection stand point. Having the proper structure in place before you start your business is vital for the following reasons.

- Effective tax minimisation.
- Asset protection.
- Succession planning.
- Selling your business/retirement.

ATO REQUIREMENTS, OBLIGATIONS AND OPPORTUNITIES

I'm sure you've heard the old saying "there are only two certainties in life; death and taxes". Well we can't do much about the former, that's in your hands! But the fact that the ATO must be dealt with and taxes paid cannot be denied. Of course, how

well you handle your taxes will have a major say in your ability to live a relatively stress-free business life. The amount of tax you pay is reliant on so many factors. Tax office requirements, obligations and concessions seem to be changing at an ever increasing rate, often as a result of politics rather than good economic sense – and no small business person can be expected to keep up to date with the ATO.

To be fair, in recent years the ATO has certainly stepped up its efforts to work with small business and this, combined with changes being made by successive governments, has resulted in a number of concessions that are generally available to businesses with turnover less than \$2 million per annum.

INSURANCE

Insurance is often seen as a necessary evil but should not be treated lightly. Contemplate for just a second, how you would get your small business back to operating status should you be affected by flood, fire or major theft of critical data or stock. Do your business insurance policies provide adequate cover and are they all up to date, do they cover stock or other valuable items of equipment? Other insurance that is actually compulsory is worker's compensation insurance for your staff. You may also need to consider personal insurance such as life insurance and income protection insurance, should you be personally affected. This is especially vital for those of us with partners. Other policies that may need to be considered are key man insurance and public liability and indemnity policies. Again, these are issues that should be in place before business commences; you just never know when you might need to call on them.

EMPLOYING STAFF

One of the biggest expenses of any business is going to be your staff. Ignoring this aspect of your business can result in disgruntled, underperforming employees who can actually do a lot of damage to a small business either directly via theft and fraud, or indirectly through the loss of your hard won reputation.

You should carefully check the awards in place with Fairwork Australia to make sure that staff is being paid the correct amount of wages; especially take note of some awards that specify various allowances and conditions relating to shifts, breaks and leave entitlements. Any underpaid staff can and will take you to the Fairwork Australia ombudsman.

CASH FLOW

Cash flow is often treated as one of the dark arts by many small business operators as they are invariably failing to understand how vital it is to the ongoing success of any business. It is important to try and start with a cash buffer as businesses in the first phase of their life cycle will often not yet be strong enough to sustain themselves. There is no exact amount I can give you, but having enough cash put aside to cover at least two months without any income would be a good start.

Keeping cash flowing through the business is dependent on a steady stream of income into the bank account. This doesn't just mean keeping work coming in, it means focusing on your debtors on a weekly basis and having a clear and definite strategy to prevent any debts from blowing out to the point where your business suffers. Having this job allocated to one specific person in your business is a good start.

On the flipside are the expenses of your business. Keeping a firm control of these is also vital, as all the cash in the world will not help you if expenses are being left to run out of control. A weekly budget and forecast can assist in seeing where the money is going and will allow you to focus on key areas where savings can be made.

FINANCING YOUR BUSINESS

When we talk of finance, people often only think of the interest that loans and leases end up costing them. It is my experience that finance is not a

dirty word and by purchasing costly items on hire purchase agreements and even operating leases can free up your cash flow and create opportunities that will more than outweigh the cost of any interest.

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Even the initial outlay of capital to either buy or start a new business from scratch can be financed, if your credit record allows. By doing so, you may just prevent some of the issues previously discussed from arising, namely falling behind with the ATO due to a lack of cash flow.

Establishing and running your own small business can be one of the most rewarding challenges in life if handled properly. Seeking out a core group of trusted advisers will ensure that you get off on the right foot and hopefully hit the ground running. It will never be all plain sailing but for businesses that can survive the tough times be assured that you will invariably see greater successes over the long term if you have the right strategies in place and stick to your game plan. **TGR**



John Corias is a Senior Partner at m.a.s accountants, the original accounting office for small business. www.masaccountants.com.au