



SB Taxation
Small Business-Smart Business-Strong Business

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Beware The Christmas Cash Flow Grinch

The GFC and post-GFC era has, and will continue to claim victims. Most business owners accept the risk of failure as part of the 'game' but that knowledge doesn't ease the pain, suffering and stress when it actually happens. Unfortunately business failure can also have a domino effect and lead to relationship breakdowns, divorce, extreme financial hardship and division of families.

In many cases, the failure is a direct result of poor decision making or a lack of capital. Poor service, inferior products, small margins and high debt can all be business killers but the most common cause of business failure is inadequate cash flow. When the economy deteriorates, the business does not have the reserves to see through the tough times and when the banks lose confidence in the business the outcome is inevitable. Banks certainly have their own issues to deal with at these times, but the inevitable consequence of a credit squeeze is that they will call in debt where they fear a deteriorating position. Banks often appear to lack the patience and foresight to see a business through a tough period but significant damage is done to the economy when a business is closed and its capital value and intellectual property is extinguished.



Make no mistake, poor cash flow can even bring a profitable business to its knees. Cash flow is not just a means of keeping a business afloat, it is also the foundation of your future growth plans. With the Christmas trading season upon us we provide the following 6 tips to improve your business cash flow.

1. Plan and Forecast Now

This is probably the most important part of managing your cash flow. You need to understand your businesses cash flow cycle and prepare a cash flow forecast that takes into account your best and worst case scenarios. This process is designed to establish if you have sufficient cash reserves to get you through the troughs and identify when and how much additional funding is required.

They say, "Forewarned is forearmed" and there is no point running to the bank when your overdraft is about to hit the limit. If your cash flow forecast identifies the need for additional funds, contact your financiers now because finance applications are viewed more favourably when they are lodged before you run out of cash. If you don't get a positive response from your existing financier, look elsewhere.

2. Debt Collection

In some cases your customers or clients are using you to fund their business (interest free) while you're possibly paying interest on your overdraft. Clearly outline your terms of trade from the outset to avoid any misunderstanding when you have to chase any outstanding debts. A clear system and process is required where customers stretch your trading terms and never extend credit to customers with a poor credit history.

3. Inventory Management

Remember your stock is really your money tied up on your shelves. There is a fine line between having enough stock and having enough working capital to meet your ongoing financial obligations. Often, 80% of sales come from 20% of a business's product line so knowing what stock items and what level of stock to carry is a vital management issue. Run

The greatest compliment we receive from our clients is the referral of their friends, family and business colleagues. Thank you for your support and trust.

Beware The Christmas Cashflow Grinch *Continued*

down the level of slow moving stock in favour of your best selling items and consider a clearance sale to move some of your slow moving items to free up some cash.

4. Equipment Purchases

Where you need to acquire new equipment or capital items consider financing the equipment by lease or chattel mortgage rather than purchasing the item with your available cash reserves. This may have an impact on your profitability but it will free up cash that would otherwise be tied up in plant and equipment or motor vehicles. Most importantly, consult with us first regarding the finance options so you also understand the taxation and cash flow consequences.

5. Monthly not Annually

By simply rearranging annual payments for items like insurance into smaller monthly payments you can take the pressure off your cash flow. Sure, you might pay a small premium for the adjustment but you don't need to worry about paying lump sums during your slower months. If your insurer doesn't offer monthly payments you might need to shop around.



6. Use Surplus Cash

Understand your cash flow cycle so that short term cash surpluses are not seen as 'excess cash'. Where required, isolate these funds to support future cash requirements. Ideally, place the funds in an interest bearing account, an offset account or your overdraft that you can re-draw at a later period. Understanding your cash flow cycle and then implementing a cash management system can be critical.

Cash is the lifeblood of your business and planning can mean the difference between just surviving and potentially thriving. Strategic business planning can prevent business failures and if you need any help with your cash flow projections or if you are looking to fund new plant and equipment call our office today.

Top Web Tools For Business Owners

Technology can give your business a competitive edge and there are a number of web based tools available to help business owners. Most of the tools listed below are designed to help you develop, manage and grow your business.

- **Dropbox** gives you a safe and secure place 'in the cloud' to store your documents and files. With Dropbox you can have 2GB of free storage space or if you need more space you can subscribe to one of their paid business plans. In addition, you can access the files via the internet or your smart phone or tablet and you can also share files, which is great for files or documents too large to email or if you are working with an outsourced team member.
- **Google Alerts** lets you set an alert for your industry, your business name, your name and any topics that are relevant to your area of expertise. You can see who is talking about your business, respond to any criticisms or thank someone for a mention or endorsement. Google Alerts will also help you stay up to date with what is going on in your industry, identify any relevant news stories and alert you to any blogs you may be able to guest post on.
- **Skype** is a great alternative to face-to-face meetings and provides free calls and video conferencing to other users. You can stay in touch with interstate or international clients and outsourced team members. It can also help you control your phone bills.
- **MailChimp** will help you manage one of your most valuable business assets, your customer database. Your database obviously needs to be up to date and MailChimp lets you tailor your email and newsletter campaigns, share them on social networks and track your results. If you have fewer than 2,000 subscribers on your database you can send up to 12,000 emails every month at no charge.
- **Google Analytics** can provide you with valuable information on the people who are visiting your website. You can see which online marketing campaigns are working best, what keywords are attracting prospects and what content is working. You can then formulate more targeted marketing campaigns and edit your website content to attract more traffic to your site and turn browsers into buyers.
- **Survey Monkey.** Surveys are incredibly useful business tools and can provide you with information to help you grow your business. Survey Monkey allows you to create surveys to help you identify the needs, wants, frustrations and challenges of your target market. You can gain valuable customer feedback and product or service evaluations.
- **SourceBottle.com** is a fantastic way to intercept media call-outs from journalists who are looking for sources to input on their story. With the story angle already set and the story definitely going forward, all you need to do is pitch why your expert opinion or experience will be best for the story.

The Land of Business Start Up Opportunities

A recent study suggests Australia has the second highest rate of start-up businesses in developed countries behind the United States. According to research compiled by the Australian Centre for Entrepreneurship (ACE) in partnership with the Global Entrepreneurship Monitor (GEM), one in ten of all Australians are involved in an early stage enterprise.



Last year, GEM interviewed more than 140,000 adults in more than 50 countries. By surveying the adult population, GEM identifies entrepreneurs at the earliest stages of business creation. ACE participated as the Australian GEM partner, surveying 2,000 Australian adults.

The research found 10.5% of the Australian adult population was actively engaged in starting and running a new business in 2011. This suggests we have 1.48 million early stage entrepreneurs with 40% of them being women. This means 8.4% of the Australian female adult population is involved in starting or running a business. These are staggering statistics and the research also suggests that 80% are starting because their founders identified opportunities while only a small number set up business because of job loss or out of other necessity. As such, Australia is outperforming the US at the moment where necessity driven entrepreneurship has soared because of fewer employment opportunities.

In terms of job creation, a third of Australia's early stage entrepreneurs expect to create at least five new jobs in the next five years, while 11% expect to create 20 or more new jobs over the same timeframe. These jobs will primarily be consumer oriented (such as retail) or in business services as between them these industries account for 65% of new entrepreneurial activity.

According to the research, Australians are more confident about their ability to start and run a business than budding entrepreneurs in most other developed countries. Around 50% of Australian adults believe they can identify opportunities for business start-ups while 12% of Australians not currently involved in entrepreneurial activity intend to start a new business within the next three years. While this paints a rosy picture, 31% of established and new businesses closed during 2011. This is fairly average for developed economies and shouldn't necessarily be interpreted as failure because many businesses close due to successful business exits or their owners found better or alternate opportunities. Other studies conducted by ACE have identified that Australia has very few closures that could be considered 'disastrous'.

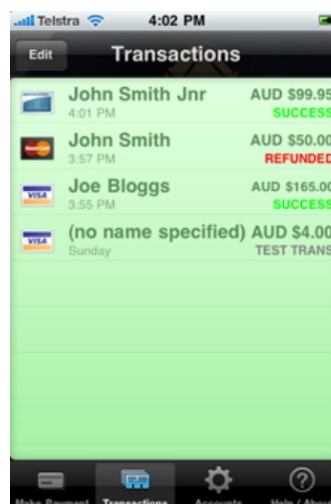
Australia is also ranked the second easiest place in the world to start a business behind New Zealand according to a report by the World Bank. The study found it was possible to set up operation in Australia in two days and after just two procedures. It might be hard to believe but Australia ranked fourth with regard to ease of obtaining credit, behind Malaysia, South Africa and the United Kingdom. While Australia may rank highly when it comes to the ease of starting up, it was ranked 10th with regard to the ease of doing business. The report suggests the Australian governments have done a good job in making the country a relatively easy place to set up a business but the red tape associated with running a business is onerous.

While starting a business sounds simple there are a large number of issues to address including structures, asset protection, insurances, tax and GST registrations, claiming car expenses, software selection not to mention finance, branding, marketing and issues around employing staff. If you are thinking of starting a business call us today!

Top Business Apps For iPhone 5

If you have a new iPhone 5 there are some great apps that can be used for business. For example, iCC Pay is perfect if you want to take payments from your customers via your mobile phone. A product called Square has been the market leader that provides a device to sit on top of your smart phone that lets you swipe customer credit cards. iCC Pay, however, is a little different from Square and allows you to take funds via the screen through payment gateways SecurePay, eWAY and DPS PaymentExpress.

You then add the details of the card into the system or take a customer signature via the touch screen. iCC Pay says it is the first iPhone app to specifically support Australian payment gateways and the Australian dollar currency. Even better, it recently dropped the app's price from \$43 to \$9.49.



Tax Office Soften Their Approach

The Australian Taxation Office's annual report published at the end of October 2012 suggests tax collections have increased by \$28 billion or 10% on the previous financial year, however, unpaid tax debts jumped by \$2.5 billion to \$16.6 billion at the end of 2011/12.

This report suggests the ATO is making it easier for small to medium sized businesses to pay back debts and some 280,000 "businesses experiencing short term financial difficulties" have entered into payment arrangements with the Tax Office over the past financial year. This is more than double the 113,000 businesses who entered payment arrangements last financial year. The payment arrangements in place at the end of June were worth \$3.8 billion and of these 35,900 were interest-free arrangements for small businesses with tax debts worth \$688 million.

The ATO has characterised the surge in payment arrangements as part of its more understanding approach to businesses struggling to pay debts since the global financial crisis. The annual report also revealed:

- The ATO raised \$11.4 billion in "active compliance liabilities" targeting tax evaders through audits, risk reviews, investigations and voluntary disclosure

campaigns.

- 85,000 businesses were helped via the ATO's Small Business Assistance Program.
- Over 539 million transactions received from third parties were matched to support a range of compliance and service activities, such as pre-filing of tax returns.
- Due to higher compliance activities, the number of objections and reviews completed in the past financial year increased to 33,272, up from 24,255 in the previous year.

If you are concerned about an unpaid tax debt we urge you to contact us immediately to discuss your options. We believe a pro-active approach with the ATO will produce a much better result and the GFC has certainly seen the ATO adopt a more empathetic approach.



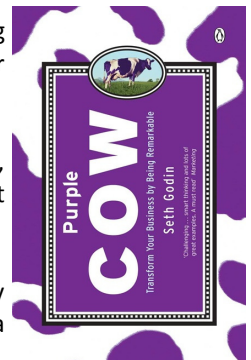
Business Builder Books

Seth Gordon's top selling book examines how you can transform your business by being remarkable. According to Gordon, "You're either a Purple Cow or you're not. You're either remarkable or invisible. Make your choice."

Let's face it, the tired checklist of P's that marketers have leaned on for decades – Pricing, Positioning, Promotion, Publicity, to name a few – just don't work anymore. There's an important and exceptional P that has been missing. That P is the Purple Cow.

Drive past a paddock of cows and once you've seen one you've seen them all. After a while they almost become invisible. On the other hand, what if you saw a Purple Cow in the herd? Basically a Purple Cow describes something phenomenal and exciting and flat-out unbelievable.

Let's face it, consumers now face a lot of boring, invisible, forgettable stuff (brown cows) but they don't forget a Purple Cow. It is not a marketing gimmick or function that you can do to your product or service. It is built in and it's inherent or it's not there at all. If you intend to grow your business, you need a Cow. Most big companies today haven't grown the old-fashioned way. Being remarkable and growing on the wave of word of mouth has been key. Be remarkable once and ride it: create the Cow, bring in the milking team and milk it for all it's worth. Then create an environment in which you are most likely to create a new Cow to replace the old and do it all again.



Seasons Greetings



It has been a very challenging year for many business owners and may we take this opportunity to wish you and your family a Merry Christmas, Happy New Year and a Prosperous 2013.

IMPORTANT DISCLAIMER: This newsletter is issued as a guide to clients and for their private information. This newsletter does not constitute advice. Clients should not act solely on the basis of the material contained in this newsletter. Items herein are general comments only and do not convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of these areas.