



# 10 EASY FINANCIAL TIPS FOR BUSINESS SUCCESS

*This article is written by Jo Roberts, 25 years helping SMEs understand how to organise and manage their business finances using best practice and best of breed software apps. Jo is a registered BAS Agent and vendor accredited consultant for Xero, MYOB, Reckon and Intuit Quickbooks Online and a member of the Institute of Certified Bookkeepers. Having helped hundreds of businesses across diverse industries she has seen what works and what doesn't. So here are her quick and easy top 10.*

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# 1

You have a life and you have a business right? Well, now we have that down pat. Rule number one is don't mix your personal finances with your business finances. Get yourself a business credit card if you don't already have one and use it only for business. Don't use your business bank account for personal transactions. Even if you don't pay yourself a wage, having a business bank account teeming with ATM personal withdrawals, your gym membership and your weekly Woolies shopping is just plain silly. Why? Well, do you really want to spend the time or pay someone to code transactions that are not business related? Make one monthly withdrawal to cover all your living expenses – this is way more efficient. And just one more tip..... don't have multiple business bank accounts if you can help it. Tracking transfers between accounts is time consuming and prone to errors. At the most try limiting accounts to one trading, one business savings account and one credit card.

**2** CASH is king. Everyone knows that don't they – you hear this a lot in business. Hey, they are talking about cashflow here not dipping into your personal funds to pay for business expenses when you can use your business EFT or credit card. So rule number 2, never pay anything that is a business expense cash from your personal funds. So, why is this? Once again I'm referring to ease of recording. Do you really want to go fishing for receipts to make sure you account for every dollar? Even when you have found those receipts, the accounting involved in coding these expenses is far more involved than if the funds came from your business bank or credit card. Trust me on this one. Many times store attendants have refused to put through a transaction on my card because they have a minimum – so I buy 2 or 3 and make sure it will get recorded.





**3** You need a financial plan – I don't want to use that scary word BUDGET, there it is I have shouted it out. Not having a budget is like planning to drive from London to Edinburgh without a GPS or map (sorry chose these 2 destinations as you're unlikely to have a clue how to get there if you reside in Australia). Now, you might say, oh I don't need one, it's all in my head or I've managed to get this far without one why start now. So or the naysayers and those super confident self appointed CFOs – you are plain lucky you haven't met with financial ruin without a BUDGET. So rule number 3, every SME no matter how small needs a roadmap.

# 4

Plan for big expenses and downtime. This is related to rule 3. If you have a budget you will know if you need to buy that new piece of machinery or if you need to put money aside due to seasonal downturns in your industry. Getting to your Tax Accountant on time ie as soon as the financial year has ended will give you time to plan for this cash flow drainer. NEVER Wait until the last minute. Having your books up to date means you can see your Tax Advisor early on.



# 5

Now all this planning and recording is way easier using tools. Would you trust a carpenter to build you a deck in the fastest time possible if he or she only had a hammer and saw? No, you get what you pay for. INVEST in the best accounting software on the market for SMEs that is suited to your business. This is a difficult one because the Aussie SAAS market (SAAS stands for software as a service) is crowded these days. Should I use MYOB Essentials, MYOB AccountRight Live, Xero, Reckon One, Reckon Hosted, Intuit QuickBooks, Sage or SAASU? Do you have a headache yet? Clearly this is not going to be easy to work out on your own. But here are a few pointers. Don't let price determine what you choose. Do your homework and look at the interface – is it easy for you to navigate, are bank feeds and bank rules easy to setup and manage,? Is it scaleable ie if your business grows can you add payroll or integrate other applications so you don't have to keep duplicate records. For example if you want to have cashflow budgeting or manage your retail outlet – are there apps that can work in sync with your accounting software. Are there advisors in the market place that can support the chosen platform? Look at the software vendor itself – what track record do they hold. Has their software or the company received international recognition. Are they leaders in their field or followers?

But lastly and I say this with years of experience you need to understand the software and like using it. No point owning a Maserati if you can't find the ignition hey?

# 6

Now, that you have your accounting software – hopefully in the cloud worked out, we get on to Advisors. Yes, your trusted Financial Advisors. Why do you need more than one? Surely this is going to add to your costs? Right - no wrong. Consider very carefully the following – doing your own bookkeeping in Australia since the advent of GST is downright too complex. Mix in our ridiculously complex HR laws and you have a reason to right then and there to want to go and work for someone else. Let me be frank with you – keeping the books in the 21st century is not something mere business mortals should aspire to. Did you go into business to learn the intricacies of accounting, GST law and payroll? No, get yourself a good bookkeeper – one who is proficient and expert in the software, understands SMEs, cashflow and budgeting. One who will work in with your other trusted Advisor – your Tax Accountant. Notice the word “tax” – yes these professionals should be all about minimising your tax burden. No point making money and have it needlessly go the coffers of the ATO. You should get biyearly if not quarterly advice from these professionals. Seeing them after the fact in June or July is not going to do you much good. Also, make sure that both these advisors are willing to quote you fixed fees. Remember that budget – that can blow out if you don't know where you stand with these costs.





**7** Can we get back to CASHFLOW, yes cash.... That's what can make or break you. You can be profitable on paper and yet go broke. Did you know that? What determines the presence of cash in your business is sales. But it's no use having sales if they are not in your bank as soon as possible. Too many times, SMEs don't chase up their outstanding accounts. Did you know the average debtor days in Australia is 53? A frightening thought when most SMEs need to pay their wages weekly or fortnightly and their creditors monthly. So what am I on about here? You haven't really made that sale until you have the money!! Debtor management is critical to your business lifeblood. Allow yourself to slack off on this point and say hello to sleepless nights and overdraft interest (that's if you are lucky to qualify for an overdraft -not so easy for startups). Make it easy for your customers to pay. Offer them more than one way to pay. Have you considered integrated payments - they receive your invoice and pay online using their credit card. Chase your debtors and if you don't have time select a bookkeeping firm that offers this service.



# 8

Protect your business against fraud. We now live in the digital age – whether you like it or not that's our reality and with the ease of cloud and real time sharing come the risks of cybercrime. Make sure that you protect yourself when online. If your bank and accounting software have two factor authentication use it! Yes it can be a little annoying having to refer to your phone to get an authorisation code but think of the risk minimisation. Hackers have been known not only to target your bank account directly but also to hack into your cloud accounting records. Some accounting software ie Xero, send an email warning to users if bank accounts for employees or suppliers have been changed. Other simple strategies are to use different passwords and make sure that your browser is not set to remember these passwords. And last but not least make sure you have up to date virus scanning and malware software installed.





9 When hiring staff make sure you know what award they are covered by. Underpaying your employees by not knowing this could cost you dearly. We seriously have one of the world's most complex HR laws. Invest in outsourcing this function to a reputable company who can draw up legal employment contracts and advise you correctly regarding awards, payrates and conditions for your industry. Going it alone here is a definite NO NO! In outsourcing this function, do your due diligence and don't get locked into onerous ongoing contracts. We have heard of some of our clients being duped into expensive online HR Advice.

# 10

Working CAPITAL, now this is one area that is sadly underestimated by lots of SMEs and it's a tough one especially if you deal in trading stock. Note that any stock you buy for resale if you are a wholesaler/retailer is not an expense until you sell it. So, I have seen too many stocked up retailers unable to pay their taxes due to lack of working CAPITAL. This can also affect many businesses in construction where many months could pass before work is completed and payment made. You need to seriously consider if you have enough working capital throughout the year to ensure you can meet all your expenses including taxes ie GST, PAYG and superannuation liabilities not to mention income tax. If you started your business on a shoe string and haven't considered how working capital may impact your ability to continue in business you need to seriously get help from your trusted Advisor. Sometimes new businesses may not be able to get unsecured bank loans. Consider alternative short term finance including lines of credit to get you out of trouble while you iron out how to get on top of this problem.



# 11

Oops... need to slip this one in. So you have a bonus extra tip. Be organised with your paperwork! Use document management systems to get those financial transactions into your accounting software. Bank statements, expense receipts, capital purchases and loan contracts all important documents which your financial advisors need to help record your transactions. There are a myriad of these apps available to help you reduce hardcopy clutter and turn it into soft copy organised bliss! Apologies it is the organised bookkeeper in me that loves these apps. So, let's name some, Receipttank, Ezzybills, Entryless. Datamolino, Shoeboxed, Invitbox. Which one to choose? That's the subject of an entire blog post. Mmm... maybe my next one.

