

8.1 Your accountant

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You might have some skills in keeping books and preparing financial statements and tax returns, but are they enough to make your business succeed? After all, you are in business to work the business and make a profit and for this you will need specialist help.

Studies of business failures show that half are wound up within three years and three quarters close within five years. Getting the right advice from the start makes you think about your proposed business plans and prevents you from making a bad investment or becoming a business fatality.

Most businesses fail because of poor management, inadequate cash resources and poor cash control. You should not go it alone unless you really understand the world of accounting and finance. A good accountant will be as committed as you are to making the right choices for your business.

So how can an accountant help?

Reviewing your business plan before you begin

If you do your market research and sums before you start in business you will increase your chances of success. Your accountant can look over your projections and advise you on the likelihood of your plan being successful. To help the partnership between you and the accountant work you should know and understand clearly the basic information you must investigate before starting up any new venture. Once you have done your sums then you can move on to the next stage which is to choose a business structure that is right for you and your type of business.

Budgeting

A business plan looks nothing like a tax return and tax returns are not a good guide for planning a business venture since they are always a picture of past events.

What you need is the best guess prediction of future trends and economic conditions. For this you will need a business plan which is a comprehensive written account of what you want to achieve and how you will achieve it.

Your business plan will include a budget which will help you manage your finances, including seasonal fluctuations, tax planning and money for expansion, replacement of plant and fixtures and contingencies.

Your accountant will help you set out the initial plan which you will need if you are to obtain finance, and can also show you a record-keeping system to keep the plan up to date. That way you will always know your cash position.

Once the basic financial plans have been worked out it is your responsibility to keep the records up-to-date and to review them regularly to make sure that the business is really performing to expectations. If you don't keep control of the paperwork you may soon lose control of your business.

If you spot any sign that all is not going to plan you should talk at once to your accountant. She or he may be able to advise you on how to reduce costs, more efficient ways of managing your money or where to obtain better and cheaper finance. This may save your original investment.

Improving cash flow

When you are involved in the day-to-day running of a business it is sometimes difficult to see how you can speed up the cash receipts and how to control credit.

How often should you send out invoices and reminder notices and how long should you give customers to pay accounts before you need to take more serious action? Your accountant will advise you on some commonly accepted business practices for these processes.

Borrowing

If your venture requires more capital than you have ready to invest then your accountant should be able to assist you in finding money at the best market rates available. Money, like any other commodity has both dear and cheap options and it needs the advice of someone who is abreast of the economic climate and market fluctuations to help you make the best choice.



Pricing and stock control

If you are in business for the first time then you will need help managing and keeping control of stock. Without expert advice you can tie up a great deal of your investment in dead stock. With the right record keeping system and stock control you can minimise the impact of slow moving items on your cash flow.

In order to establish a good control system you will also have to know how to establish a unit costing system. This will enable you to measure the return through stock turnover and have a standard by which you can judge whether your sales are sufficient to keep up the business momentum.

An accountant can be invaluable in helping you set a product price which takes account of inflation and protects your profitability. If you are not adding enough mark up or you discount too heavily you will seriously erode your profitability. In this calculation you should also take account of the shrinkage to your business from theft, stock spoilage, shelf-life and poor management practices. Your accountant should be able to assist with advice on how to control this.

Your tax return

Your accountant is not just there to help with your tax return, but of course this is a very important aspect of your business reporting system! Your accountant knows the tax laws and can help you run your business in such a way that you gain the maximum benefit from deductible expenses and take the worry out of providing for taxation payments.

If your business is likely to attract provisional tax then your accountant will advise you on how much and how to set aside the money you need for this, based on your projected turnover and net profit.

In order to help you stay on track, your accountant should work for your business by providing you with financial reports which will show you how your investment is performing.

Partnership and company decisions

If you are involved in a partnership or a company with other shareholders, your business associates may ask you to decide upon financial matters on which you need advice. Given that these may have an impact on your assets and your future financial stability you should always ask your accountant for more information.

Finding an accountant

While there is no legal requirement to contract a qualified accountant, it is good business sense to find a trained professional who keeps himself or herself up to date. There are three significant professional bodies for accountants in Australia—the Institute of Chartered Accountants, the Australian Society of Certified Practising Accountants, and the National Institute of Accountants. Each society can tell you whether there are members with offices near your place of business.

It is also wise to ask around. Your fellow food producers or other business contacts will either gripe terribly about their accountant's poor service and high charges, or they will praise them to the skies. Nothing beats experience!

Websites

Institute of Chartered Accountants www.icaa.org.au

Australian Society of Certified Practising Accountants
www.cpaaustralia.com.au

National Institute of Accountants www.nia.org.au