11 EOFY RESOLUTIONS FOR YOUR SMALL BUSINESS

The end of a financial year is the best time to set business resolutions for the start of the next financial year. To jumpstart your planning, CPA Australia has put together 11 resolutions no small business should do without.

Do a financial health-check of your business

Year end is a good time to check the financial health of your business. Review your financials and do some basic calculations on liquidity, solvency, profitability and return on investment.

Comparing these results with previous annual figures and similar businesses in your industry will help you identify strengths and key areas of weakness or potential threats to your business.

Revisit your strategic plan

After doing a financial health check, you should use the end of the financial year to reconsider your strategic plan. This should involve an analysis of your market and predictions on future developments.

It is important that your strategic plan reflects the objectives you, as the business owner, have for your business and your personal life.

Your strategic plan should also address weaknesses identified in the financial health check and include a work plan, responsibilities and due dates. The work plan should be implemented and monitored throughout the coming year.

Draw up a budget for the new financial year

Your budget needs to align to your strategic plan so you can allocate resources to achieve your plan’s objectives. If the budget shows that an objective is not affordable, you may either need to seek more resources for that objective (for example, borrow funds from a bank) or modify your strategic plan.

List your assumptions when setting your budget. To stress test your business, you can amend these assumptions to see what it does to your financial position, for example include a 10 to 20 per cent reduction in sales or a 20 per cent increase in fuel costs.

A budget should be regularly monitored against actual results and variations should be questioned.

Prepare a cash flow forecast

One of the most significant problems a small business can face is poor cash flow. A cash-flow forecast is therefore a fundamental part of good business practice. Ensure that your cash-flow forecast aligns with your budget and is monitored regularly.

Review your business's profitability

Issues impacting your business profitability may come to light in your financial health check, review of your strategic plan and while drafting your budget. Other issues impacting profitability may also be found by reviewing:

- staff productivity
- your production process
- your supply chain
- how you are using your business assets
- costs.

You should consider tactics to increase sales of your most profitable products or services, reduce input costs and seek advice from your CPA Australia-registered tax agent on tax effective strategies.

Ensure you have finance options

All businesses need finance to fund ongoing operations and growth. Finance can be provided from debt, equity and internally generated cash flow. The purpose for the finance, for example an asset purchase, will help you determine the type of finance you should access.

If you borrow from a lending institution, year-end is the perfect time to meet with your lender to discuss your business plans for the coming year. You may find that they will offer finance for your plans.

It is good business practice to have some surplus finance available to cover business contingencies including taking advantage of new opportunities.

Revisit your marketing plan

While it may seem obvious, it is important that your marketing plan is focused on achieving your key objectives, particularly improving your cash position. Ideas for using your marketing plan to improve the cash position of the business include:

- focusing on sales that have a high margin and bring in cash quickly, e.g. well-placed visual displays such as in-store signs and posters to highlight a special or high-margin product
- rewarding staff for sales of products with a higher margin
- paying staff a commission only when payment is received
- measuring the success of each promotional activity or campaign so as to gauge its effectiveness
- focusing on encouraging customers to pay at the point of purchase or to pay as early as possible.

Go digital

CPA Australia's annual Asia-Pacific Small Business Survey continually shows there is a strong link between technology and business growth, with businesses selling online, using social media and investing in technology being significantly more likely to grow than other businesses.

If digital is not part of your strategy, speak to your CPA Australia accountant about how you can incorporate it into your strategy, implement it into your business and develop the capability to best exploit digital technologies.

If digital is already part of your business, check with your CPA Australia accountant whether what you are doing is best for your business. Look at what your competitors are doing. Look at what is happening overseas.

Identify your technology needs and invest. If uncertain, check with your CPA Australia accountant what technology may be best for your business and your capabilities.

Review your risk management strategies

Whether your business is facing good times or bad, it is important to always have appropriate risk management strategies in place.

Important risks to be aware of and manage include:

- relying too heavily on a small number of major customers: Can in part be managed through increasing customer numbers and helping smaller customers grow
- relying too heavily on one supplier: Identify potential alternative suppliers
- selling on credit: Subject potential customers to credit checks, limiting the amount of credit that a customer can have, following up on payment before the due date and not supplying customers if they pay late
- fraud: Have internal controls in high-risk areas, for example cash handling, and making sure those internal controls are enforced and breaches are acted upon promptly
- cyber security: Speak to your IT support provider about the cyber threats you may face and how best to mitigate those threats.

Take advantage of opportunities

Don't turn a blind eye to new opportunities that are consistent with your strategic direction and can be properly funded.

Avoid these record-keeping mistakes

The ATO has advised that the following are common mistakes they are seeing:

Failure to:

- record cash income and expenditure
- account for personal drawings
- record goods for your own use
- separate private expenses from business expenses
- keep valid tax invoices for creditable acquisitions when registered for the goods and services tax (GST)
- keep adequate stock records
- keep adequate records to substantiate motor vehicle claims.

Conclusion

Businesses that are well run use these ideas during good times and bad in order to maximise their profits, grow and minimise risk.

Using them now can help your business improve, which will likely lead to long-term growth.