TaxDigital

SMALL BUSINESS: GOOD PRACTICE CHECKLIST

Good business practice, simply put, adds value to a business. Good business practices involve identifying tasks that must be done to keep a business in good shape and ensuring those tasks are carried out consistently and regularly.

Regulatory Requirements

Financial & Strategic Financial

Strategic Management

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INTRODUCTION

Good business practice, simply put, adds value to a business. Good business practices involve identifying tasks that must be done to keep a business in good shape and ensuring those tasks are carried out consistently and regularly.

This document contains checklists that will help any Australian small businesses identify the tasks critical to good business practice. TaxDigital believes that if you, as a business owner, regularly undertake these tasks, you will be in a position to manage and grow your business. Furthermore, periodically undertaking these activities will reduce the pressure you may face at the end of the financial year.

A business that has good internal practices will benefit in many ways, including:

- The business will likely be more profitable, have better cash flow and operate with less financial risk.
- The business may be easier to sell in the future and at a better price.
- The business will find it easier to access external finance if needed.
- The business will be better placed to respond to future economic and market opportunities or challenges

This checklist is by no means complete. However, it is intended to start Australian small businesses thinking about specific actions needed to put their business on the right track and keep it there.

If you need assistance

If you would like some personalised advice or assistance, feel free to reach out to us on 0407 438 849 or contact@taxdigital.com.au.

REGULATORY REQUIREMENTS

Staying up to date with the lodgement and payment of your statutory obligations is an essential measure of the health of your business by key stakeholders (banks, other creditors and potential investors). TaxDigital suggests diarising the lodgement and payment due dates for each of your regulatory requirements.

REGULATORY REQUIREMENTS CHECKLIST	
REGULATORY REQUIREMENT	**ACTIONS TO CONSIDER**
Income tax return and financial statements	Provide information, including access to your accounting file, to TaxDigital to review. Speak to us regarding any large or irregular transactions.
Business Activity Statement (BAS or IAS)	Run out of time or don't understand what you need to do? Reach out to us, and we can lend you a helping hand.
Companies only - ASIC annual statements and reports.	Ask TaxDigital to assist you in preparing these documents.
Single Touch Payroll (STP) monthly and annual lodgements	Reconcile STP lodgements to your accounts before lodging.
Payroll tax	Speak to TaxDigital if you are unsure whether you have a payroll tax obligation.
Workers' compensation insurance	• Calculate projected wages and salaries for the year. • Identify any exclusions and, if so, whether they are adequately covered in another way.
Superannuation	Pay monthly or when you do your pay run.
Fringe Benefits Tax (FBT)	Even if you are not lodging a return, it is essential to review any relevant transactions and calculate the required employee contributions.
Solvency resolution (companies only)	For information on solvency resolutions, go to http://asic.gov.au/for-business/running-a-company/annual-statements/
Employee remuneration and awards conditions	Review employee remuneration and conditions to ensure compliance with the relevant awards and other legal requirements. For more information on employee pay and conditions, go to Fair Work Ombudsman.
Government grants	If you are receiving any government grants, ensure you meet your reporting obligations under the grant.

FINANCIAL TASKS

The tasks necessary to complete your financial statements need to be performed regularly. By waiting until the end of the financial year or when your quarterly Business Activity Statement (BAS) is due will put your business and employees under unnecessary pressure. You may find that the quality and usefulness of your financial data is well... useless in making financial decisions.

By delaying everyday financial tasks, you are denying yourself crucial information such as cash flow statements, which can assist you in managing the everyday ebb and flow of your business. Note that there are a number of returns and lodgements that are required to be completed immediately after the end of the financial year.

We have listed below some regular financial tasks which are necessary to produce financial reports, such as profit and loss statements, balance sheets and cash flow statements. These statements give you timely information about your business that highlights your businesses performance. It is critical to never, I repeat, never become complacent in this area.

FINANCIAL TASKS CHECKLIST

TASK	REGULARITY
Update accounting and financial software	With new updates

- Undertake a full review of your accounting software every few years. You may end up with a better software package that can help improve your business.
- At TaxDigital, we highly recommend Xero for small businesses. Reach out to us to chat about switching to some more modern accounting software.

TASK	REGULARITY
Enter data timely and with accurate dates	Ongoing

- Regularly review and check data entry for quality.
- If possible, separate the duties of 'cash handling' from "data entry" to minimise the potential for fraud.
- Consider using an automated workflow system using apps such as Trello, WorkflowMax, HubDoc and Xero. These apps help you modernise accounting, including issuing invoices digitally and automating the flow of information into your accounting software.

TASK	REGULARITY
Review stock balances and reconcile to physical stocktake	Every six months

- Dispose of old/slow-moving stock.
- Write off excess stock.
- Review purchasing policies to prevent overspending on stock and wasting money on stock storage.
  Hint: Have you read about Toyota's seven wastes?
- If stock is a high-cost item, consider using software that tracks stock and is integrated with your accounting software.
- We recommend Vend and Dear Inventory as they work seamlessly with Xero.

TASK	REGULARITY
Review work-in-progress (WIP) (for construction firms, professional practices, etc.)	At least quarterly

- Ensure staff record their work in a timely and accurate manner.
- Invoice clients regularly or at key milestones. Better yet, consider getting paid upfront
  Talk to us to learn how to get paid upfront without losing potential customers
- Regularly review work-in-progress for "bottlenecks".

TASK	REGULARITY
Review and reconcile debtors (customers who owe you money)	Monthly

- Invoice your customers as soon as your good or service is delivered.
- Reconcile payments regularly to identify and resolve discrepancies.
- Identify customers with significant outstanding amounts and follow up
- Consider referring bad debts to collection agents.
- Contact slow payers early.
- Make sure you and your staff are aware of the debtor's position at all times to assist with the collectionprocess.

Reconcile bank	At least weekly
• For high volume cash businesses, reconcile daily.	
Reconcile equipment and fixed assets	At least quarterly
• Complete an asset stocktake to ensure you still have the assets on your list in your depreciation schedules. • Identify obsolete, unusable or written-off assets. Ask TaxDigital to adjust book balances and/or see if assets can be turned into a tax deduction or, better yet, sold for cash. • Don't over-invest in new capital equipment without an appropriate return. Speak to TaxDigital before making such an investment.	
Reconcile GST	At least quarterly
• Lodge and pay Business Activity Statements on time. • Make any adjustments quickly in the following business activity statement. Again, any modern accounting software should handle this for you.	
Review employee leave entitlements	Quarterly
• Encourage staff to take leave regularly and avoid a significant build-up of employee entitlements. • Consider a cash reserve to fund leave liability. • If you have an employee who is about to give birth or has just given birth, you may opt-in to provide the Australian government's paid parental leave to your employee. See http://www.humanservices.gov.au/business/services/centrelink/paid-parental-leave-scheme-for-employers/opting-in).	
Review superannuation entitlements of employees	Monthly
• Comply with legislation regarding your employee's choice of fund and staff reporting requirements. • Superannuation is required to be paid at least quarterly; however, TaxDigital recommends paying monthly to help a small businesses cashflow See https://www.ato.gov.au/Business/Super-for-employers/Paying-super-contributions/ for more details.	
Review PAYG withholding obligations	Monthly
• Ensure employee declarations are up to date. • Comply with legislation regarding the frequency of payment of PAYG withholding to the tax office. See https://www.ato.gov.au/business/payg-withholding/ for more details.	
Review fringe benefits tax obligations	Quarterly
Review payroll tax obligations (payable to state governments)	Monthly
Prepare profit and loss statement, balance sheet and cash flow statement	Monthly or quarterly
• The profit and loss statement, balance sheet, and cash flow statements can identify emerging problems in time for corrective actions. • TaxDigital can assist with the preparation of such reports. In fact, we specialise in it.	

STRATEGIC FINANCIAL TASKS

Financial tasks do not end with your Profit and Loss and Balance Sheet reports; this is really just the beginning. As owners, your financial tasks are crucial to the future success of your business.

STRATEGIC FINANCIAL TASKS CHECKLIST	
TASK	REGULARITY
Set targets for overall financial performance	At least annually
• Consider your 12-to-18-month plan and set your targets in line with that. • Incorporate these targets into your strategic plan, KPI's and budget projections. • To help set realistic goals, take a look at how other businesses in your industry performs. There are some basic benchmarking figures available through ato.gov.au. However, at TaxDigital, we have access to more detailed industry figures. • We recommend including not only financial targets but also non-financial targets such as number of sales calls, number of website views, number of dissatisfied customers, etc.	
Review and analyse financial statements	Quarterly
• Compare actual performance against financial targets (budgets) and past performance *Hint: Ask yourself why there is a gap between the budget and actual. How can you overcome this moving forward?* • Review key financial rations (Working capital, stock turnover, profit per employee, debtor days) against the industry averages.	
Prepare and update cash flow forecast in light of actual results	Monthly
• An excellent cash flow forecast shows the projected cash flow for each month in the following 12-month period. • Assess and manage any identified cash shortages through increasing sales, collecting debts sooner, reducing expenses or, if necessary, via an overdraft facility. • Update your cash flow forecast regularly to reflect actual events and monitor ongoing cash position	
Perform a financial sensitivity analysis	Annually
• Ask yourself difficult questions like, what if sales dropped by 30%? Or what would happen if we lost your biggest customer? What happens if there is a global pandemic? What if my best sales staff resigned? • Factor the answers into your budgets and forecasts, and risk management strategies.	
Other annual activities	Annually
• Provide financial reports and budgets to lenders and other key stakeholders • Review interest rates and conditions on your loans • Notify your bank immediately if you are in breach of any conditions of the loan (covenants).	

STRATEGIC MANAGEMENT TASKS

Late in each financial year is an excellent time to get your planning, budgeting and operational procedures up to date. Doing this lets you hit the ground running at the start of the new financial year. If there are significant changes in your business, it is suggested that such reviews be undertaken more regularly.

STRATEGIC MANAGEMENT TASKS CHECKLIST	
TASK	REGULARITY
Create and update your strategic plan	Three-year projections, updated annually
• At TaxDigital, we recommend that the owners of the business and the business itself have a strategic plan. This ensures synergy between the business and the owners. • Take time to reflect on hard-learned lessons and incorporate those into your strategic plan • Consider engaging an external export to assist you in the planning process	
Review employee performance and allocation of duties	At least annually
• It is recommended that you provide employees with regular feedback and not wait until the formal feedback process. • Review your staff allocation of duties and separate responsibilities to minimise fraud risk	
Review supplier contracts and terms of trade	Annually
• Negotiate lengthening of their terms of trade to assist in a smoother cash flow • Review inventory ordering quantities, shipping and movements to ensure your costs are low but needs are met • Consider the implications of the Personal Property Security Register and your interest in specific goods • Identify alternative suppliers of critical items to reduce your continuation risk	
Establish, update or review documented policies and processes	Annually
• A well-designed policy manual will make your business more valuable and easier to run in your absence • Use your policy manual for employee training and quality assurance reviews	
Other annual activities	Monthly
• Review your disaster recovery plan • Review your IT requirements, back-ups and staff training requirements • Review cybersecurity and plan • Consider any fraud risks and staff spending authority • Review your insurance needs • Review equipment and real estate leases • Review any outstanding legal disputes and keep them moving along • Determine eligibility for government grants	

CONCLUSION

Good business practices will help insure your businesses survival into the future. A well-run business will help put your business on the best possible footing to allow you to proactively respond to changing market conditions.

Whatever industry your business is in, identify products that are not performing. Low sales, problems with product supply or even large number of warranty claims are all indicators of bad performance. A modern accounting system, like Xero, will be able to identify gross profit per product and issolcate problems.

Whether your current business performance is strong, weak or patchy at best, this checklist will help you make the most of any situation and feel more in control of your business.