



Government
of South Australia

Department of Trade and
Economic Development

BizFacts

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How an accountant can help you manage your business

You need expert advice

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 fail 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 **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?

Conduct a feasibility study to get you off to the right start

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.

There are BIZFACTS to give you a basic understanding of the way businesses are organised which will help you discuss options with your accountant. Start with **choosing a business structure which is right for you**.

Getting the right financial advice for planning a new venture

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.

If your venture needs more capital than you have ready to invest then your accountant should be able to help 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.

Your business plan will include an annual Trading Budget and Cash Flow Budget which will help you manage finance, market variations, tax planning and putting aside 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 which will match the plan.

How do you keep control of the cash flow?

Once the basic financial plans are determined 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 get better and cheaper finance. This may save your original investment.

What other advice do you need to manage your business?

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.

Other help from an accountant

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.

What about joint business decisions?

If you are involved in a Partnership or a Proprietary Company 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.

Your accountant may also be able to direct you to marketing information

A good accountant works in a number of ways to help your business work. He or she may have a good and clear picture of the structure of the local business scene and the potential of the market for your product or service.

You may need assistance in identifying new or target markets, on how to promote your product and how much financial commitment you should make to this. You may also need help in establishing new products and services and expanding business developments. Those matters which relate to your financial capacity to develop and expand your marketing edge can be dealt with by your accountant.

If your accountant does not have special expertise which covers marketing, consult with business advisers who make this a speciality. The Department of Trade and Economic Development advisers can assist you with market advice.

What about personnel advice?

Again, your accountant can help you do the calculations, which you need to make the right decision about costings for help in your business. A good start would be to read the BIZFACT **Employing People in your Business**, before you talk money to your accountant.

Your accountant is not there just 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.

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.