BUSINESS ACCELERATOR MAGAZINE

Your Quarterly Business, Tax & Accounting newsletter to help you grow your business

DECEMBER 2022

NEXUS ACCOUNTANTS
connecting your business to profit$

Why a proactive accountant might save your business

Support navigating uncertain times and operating reactively is a trap for small business. A proactive partnership with your accountant can protect and grow your SME through uncertain times.

Avoiding the reactivity trap

Do you need to break the pattern?

SMEs are facing rising inflation, geopolitical issues and persisting pandemic challenges. In uncertain times, it's easy to fall into survival mode and operate reactively.

How do you interrupt this pattern? Proactive, strategic advice and planning support that sees beyond the next quarter. The right accountant supports you to take stock of what you have, brings a critical eye to your operations, and encourages stability through proactive forecasting and planning.

No news from your accountant is not necessarily good news. Let's explore how a proactive partnership with your accountant can protect and grow your SME.

Proactive planning

Tax

Many SMEs think about tax only when they scramble to meet a deadline for their bookkeeper or accountant. You may see tax as inevitable, and it never feels like a good time to try and improve your net tax outcome.

Working with a proactive accountant throughout the year – one who takes the time to understand your business and financials – can minimise your tax payable while growing your net worth.

Tax is not set and forget. Strategies need to be maintained, reassessed and tweaked throughout your business journey as economic and operational circumstances, legislation and compliance responsibilities continue to evolve. A good accountant acts as your eyes and ears ensuring you stay ahead of the tax game.

Debt

There are certainties: death, taxes and debt. There's an important distinction though between good debt and bad debt – and a proactive accountant knows the difference.

They help you identify the least expensive borrowing strategies, with the right mix of repayment flexibility and low interest. They can also advise whether spare cash should be used to pay back debt or reinvested into your business. Managing your debt wisely is key to setting your business up to grow.

Investment

It's difficult to know where to start with business investing, so spare cash often ends up sitting in the bank accruing very little interest. Depending on your circumstances, your accountant may start by setting a strong financial foundation, detailing your cashflow revenue and cost forecasts.

They'll explore a range of investment strategies and options to meet your investment goals and assess your risk tolerance and capacity to ensure you protect the funds you invest and avoid costly mistakes.

Strategic planning for financial milestones and goals

Strategic planning is a process of identifying where you want your business to be and then charting how to get you there. You can't get where you want to go without the financial resources to execute your vision. Financial planning is the process of connecting your financial milestones, forecasts and goals with your overarching strategy.

This requires an in-depth understanding of your financial levers coupled with some big picture, strategic thinking. The best proactive accountants deliver both.

The process of getting external eyes on your strategic planning can reshape your business.

A good approach aims for the stars to set you up for growth, but also incorporate some backup strategies should you come crashing back to earth. As with all good plans, it should involve a process of ongoing evaluation and adaptation — a good task to leave in the hands of your accountant.

Business and income insurance

When times are uncertain, it pays to protect what we can, within reason. Depending on your business type or the locations you operate in, you may be contractually or legally required to carry some level of insurance – workers' compensation or public liability. Are you across your obligations?

Other types of insurance are optional, but may mitigate risk and protect your:

- Business assets (equipment, premises, stock)
- Customers
- Employees
- Earnings

If you're the SME owner, you should consider protecting yourself financially. What happens if you're out of action? Income protection insurance can replace up to 80% of your income if you can't work because of sickness or injury.

If you're juggling competing expenses, it is possible to over-insure. Ask your accountant about balancing your risk profile against premiums. Striking the right balance offers adequate protection without stretching business costs beyond your means.

Have you got the right accountant?

Take a moment to see how your current accountant stacks up.

Have they taken the time to understand your unique business and goals? Are they in regular contact with you to assess your progress? Are they approachable if you have questions?

Have they helped you to optimise your tax planning, prepare a financial plan and pay for the right level of insurance?

Talk to your accountant about what's missing, your expectations, and positive change.

Partner up to plan ahead?

Managing your business can be overwhelming at the best of times. One thing is clear – planning ahead is always better than cleaning up a mess.
Don't be the business with an accountant who contacts you once a year. Find an accountant who acts as the proactive partner you deserve, communicate with them regularly and watch business flourish.

DECEMBER 2022

BUSINESS ACCELERATOR MAGAZINE

Preparing to sell your business?

Where and when to start? Selling your business can be fraught with stress. Here's how a business valuation accountant can set you up for a successful sale.

Preparing to sell

Post pandemic, you may be one of the business owners ready for change or retirement, and looking to hand on the keys for the right price. There's over 19,000+ Australian businesses for sale on Commercial Real Estate.

The first step is to value your business for sale . Reaching a valuation through covid-affected financials might be challenging; data may not accurately indicate future performance.

Forecasting models informed by external economic data, due diligence and an emphasis on current cashflow should enable you to arrive at a fair valuation.

Once you have a sales goal in mind, it's time to get the ball rolling. Let's take a look at:

- Where to sell your business and when
- How to sell as a joint owner
- The key steps in the business sale process
- How a business valuation accountant can support a better business sale.

Where to sell

Not sure where to sell your business? You have a couple of options:

- Engage a business broker to act on your behalf. Brokers aim to get you the best price, ensure the sale is legally compliant, and make the selling process as stress-free as possible. Most brokers charge an upfront fee and take a commission of around 10%. Make sure you do your research to understand their processes, fees and specific industry experience.
- Do it yourself leveraging the power of technology. But, be prepared – what you save in broker commissions you trade for your own time and energy. If you're going it alone you'll need to get your financials in order, advertise online, field enquiries and arrange a contract of sale with your lawyer and business valuation accountant.

Where to advertise depends on your business type, industry and contacts. Consider these channels:

- Online marketplaces like SEEK Business and Commercial Real Estate
- Social media – particularly if you have an engaged following
- Industry publications and platforms
- Existing networks e.g. family, friends, employees and customers

When to sell

Timing is everything to put your business on the market. Much like winter is the perfect time to sell coats, every industry has its peaks and troughs.

Consider these variables:

- Seasonal trends
- Local economy (particularly cash rate status)
- Industry-specific events
- Competitor movement
- Your cashflow and financial history

Selling as a joint owner

Selling when you own the business with someone else adds another layer of complexity.

Ideally, you'll have a shareholder or partnership agreement in place which stipulates:

- What share of the business each person owns
- What happens if one of you decides to exit the business
- The process for mediation if there is a dispute

If not, what happens if you want to sell and your partner doesn't? If you own 95% of the business and your partner only owns 5%, then the decision making will likely come down to you. If you own an equal or minority share, things can get more complex.

Start by working out what your portion of the business is worth. If there are assets involved, establish who owns what, and what needs to be included in the overall valuation.

To sell your share, you then have a couple of options:

- Your partner buys out your portion of the business and becomes the sole owner.
- You sell your portion of the business to another buyer.

It's a good idea to work with a solicitor and a business valuation accountant when managing the sale of your business.

Together they conduct due diligence and ensure you understand your obligations – such as non-compete clauses, transfer of skills, and handover expectations.

The business sale process – step by step

1. Define your sales strategy including your goal price, how and when you will sell.
2. Advertise your business through the best-fit channels.
3. Get your paperwork sorted including financial, loan and tax statements.
4. Negotiate the sale price, dates, non-compete clauses, staff arrangements.
5. Get a contract of sale from a professional that includes managing issues.
6. Communicate with your employees about impacts of the sale.
7. Exchange funds on the settlement date per the agreed terms.
8. Transfer lease agreements, permits, licences, registrations, assets etc.
9. Sign over directorship of the company ensuring transfer of liability.
10. Notify others of the sale including customers, government agencies etc.

How a business valuation accountant supports a better business sale

Even if you decide to DIY, a good accountant plays a crucial role in ensuring a smooth business sale. How can they help?

- Get the best price on your terms – unsure how to value your business and therefore what price to shoot for? An accountant can calculate a thorough valuation that facilitates a sales price beyond what you might have thought possible.
- Keep the assets you want – want to sell your business but retain ownership of physical property, infrastructure or IP? An accountant can help you navigate through these complexities to support your desired outcome.
- Determine the most suitable sale structure – navigating a joint partner sale or want to implement a staggered takeover? An accountant can outline your options and ensure you're across the regulations.
- Invest wisely post sale – once you've sold, what will you do with the proceeds? Perhaps you need to clear some debt or you might be ready for your next investment? An accountant can help you explore your financial options, ensuring you put your newly injected bank balance to best use.

Don't go it alone

Even the smoothest business sale is stressful. Set yourself up for success by partnering with a trusted business valuation accountant who can devise a well-considered sales strategy. Expert advice will ensure you get the best price, stay on top of complexities and compliance, and use the proceeds wisely.

7 strategies to manage business COSTS IN 2023

Get expert business advice in challenging economic conditions.

Balancing business budgets in the 2020s

There's no getting around it; rising costs have left many SMEs feeling the pinch. Over half of Australian businesses experienced increased business costs in early 2022. Business has pushed through a global pandemic, natural disasters, supply chain issues, staff shortages, and now? Record levels of inflation. The economic challenges of 2023 mean it's a good idea for every business to consider costs: here's 7 strategies to discuss with your accountant.

• Forecast for informed decisions

Forecasting your revenue and costs is a good place to start. In uncertain economic times, regular forecasts inform better financial decisions. Your accountant can help you gather the correct information – like your P&L, cashflow statement, and balance sheet – to create a realistic forecast aligned with your business goals that prepares for the highs and the lows.

• Checking recurring costs

Recurring costs for app subscriptions can add up. Make a date in the March quarter to review your subscriptions.

For each app, ask if it:

- Connects to a clear ROI
- Saves time and/or money
- Can be replaced with existing functionalit

2023 is a good time to simplify your processes and streamline recurring costs.

• Review payment terms

The gap between delivery and payment can be a cashflow squeeze for some businesses. Reviewing your average times to receive or make invoice payments can help inform decisions on your AP and AR payment terms. This can require negotiation with both customers and suppliers to ensure partnerships are not impacted negatively.

• Start tax planning early

Starting early on tax planning allows your accountant to review your income and expenses before the end of the financial year - leaving room for some strategic decisions in the final quarter.

Your accountant may recommend tax planning as part of a broader tax minimisation strategy.

• Consolidate debt

Multiple sources of debt can be stressful for business owners and leaders. Debt consolidation or refinancing rolls all debts into a single consolidated loan which can help improve cashflow and save on interest payments.

Your accountant can support the debt consolidation process, create a strategy, and provide key information to lenders

• Plan for your future

Knowing your current position helps inform financial planning decisions for longer-term benefits. Your accountant and financial planner can work together to align your strategies with business objectives.

• Don't disregard growth

Not all businesses and industries slowdown in tough economic conditions. If you're ready for growth in 2023, keep an eye on costs and get expert support to forecast and plan your finances.

Support to optimise your spend
Like regular health checkups, every business owner should plan for ongoing cost reviews.
If keeping on top of your reporting obligations, tax planning, and rising costs feels overwhelming – get support in 2023.

Get in touch with us today if you want to chat about anything in this newsletter.

(03) 9500 8666
admin@nexusaccountants.com.au

NEXUS
ACCOUNTANTS
connecting your business to profit$

Level 1, 33 Glenferrie Road, Malvern VIC 3144
Phone: (03) 9500 8666
Email: admin@nexusaccountants.com.au