

# Business Plus+



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## Written Systems Help

Businesses that are using written systems' manuals, similar to a written franchise system, normally give themselves a far greater chance of success at being a successful business. The time and discipline required to draft a written systems' manual should assist in ensuring that, when problems arise, management and staff can refer to the systems' manual for guidance on what **should** be done in a particular situation.

The business system should be able to produce key information including:

- daily bank balances;
- sales;
- number of customers;
- weekly performance reports;
- staff productivity;
- monthly debtors' aged analysis;
- monthly creditors' aged analysis;
- cashflow position;
- departmentalised financial accounts compared to budgets; and
- key performance indicator data for the month.

The systems' manual should also summarise business records that are to be maintained including:

- procedures relating to opening accounts with suppliers;
- use of purchase orders;
- checking suppliers' tax invoices against delivery;
- payment of tax invoices;
- cheque preparation;
- substantiation of expenditure record;
- bank account operation;
- general ledger postings;
- checking cash register takings;
- stock purchases' systems;
- employee wage records;
- capital expenditure;
- research and development expenditure;
- insurance covers;
- business activity statement preparation;
- updating budgets and cashflow forecasts; and
- establishment of appropriate control of e-commerce and internet banking transactions.



We would be happy to conduct a detailed review of your systems including Systems' Manual and business records etc.

## Business Plans – Questions to Consider

### Organisational Matters

When preparing a business plan, the Questionnaire on Organisational Matters, asks the business proprietor to think about a wide range of matters relative to the business including:

- Who opens the business premises?
- Is there a security service on the business premises?
- Who does security contact after hours?
- Do you have staff meetings?
- Who has keys to the business premises?
- Are your Work Place Agreements in line with the requirements of the Fair Work Act and the Modern Awards?



Next month we will discuss Research & Development.

## Personal Property Securities (PPS) Register Commences Soon

The Australian government and the various State governments have agreed to establish a National Register of Personal Property Securities which will commence early in 2012.

Personal property to be recorded in the register is any form of property other than land, buildings or fixtures, which form part of that land. It can include tangibles such as cars, art, machinery, crops; as well as intangibles such as intellectual property and contract rights.

A personal property security is when a secured party (such as a company, individual or other entity that has a security interest in a grantor's collateral, such as:

- taking fixed and floating charges;
- long term and finance leases;
- chattel mortgages;
- retention of title arrangements;
- commercial consignments; and
- factoring)

takes an interest in personal property as security for a loan or other obligation, or enters into a transaction that involves the supply of secured finance. An example is when a person borrows money from a bank and offers it as collateral or security for the loan. The bank's interest over the collateral is a personal property security.

The register will be available for searching by secured parties. Other people who wish to search the register can create an account or search as a casual user. A fee is payable to search the register. Search criteria that can be used include:

- grantor detail, or
- the serial number of certain types of property.

Consumer motor vehicles will only be able to be searched by serial number.

If you are securing finance by mortgaging these types of properties, then you need to be aware that the details will appear in the Personal Property Securities Register and be available for access Australia wide.



## Budget and Cashflow Forecast Reviews Assist in Adding Value

It has been proven, time and time again, that the setting of a budget is the same as setting a “goal”. The fact that you have sat down with your accountant in some “isolation planning” and thought about the issues relating to your business and, from that process, have then established the goals and have seen the results on paper, implies that there is a reasonable chance that, by working hard and continually reviewing the budget and measuring actual performance against it so that you can better manage the business, will help you to achieve your overall business objectives.

The budget process requires some “goal setting”. What do you want to achieve in the business by way of salary for yourself and any other working owners in the business and what is your target of net profit?

You should then be able to calculate, with our assistance, realistic sales targets for the next 12 months. From the sales targets, it is then possible to calculate the required stock purchases so that, as far as possible, the level of stock directly relates to the volume of sales being made in any particular time of the year, so that the business is not tying up funds and stock unnecessarily.

The overhead expenses of the business also need to be evaluated with some questions being asked. What benefits are being received from this type of expenditure?

An important point to remember is that “profit” is not cash in the bank. Many SME owners get very disturbed to see a certain profit figure and then ask “*where is the money?*” Unfortunately, a significant amount of your profit will probably be tied up in the “cashflow cycle” which is the investment that you have in stock, work-in-progress and debtors.



Part of the aim of preparing Budgets and Cashflow Forecasts is so your accountant can make suggestions as to strategies to be introduced to try to reduce the number of days invested in “cashflow cycles”.

We're happy to be involved in the preparation of Budgets and Cashflow Forecasts for our clients. As well as preparing the Budgets and Cashflow Forecasts for our clients, we also prepare an Action Plan which will identify any components that we've discussed with you as part of the budget preparation which may require some fine tuning during the year, so as to improve your overall business performance.

Budgets and Cashflow Forecasts are vital tools for effective management of all types of businesses, both large and small. The key strategy is to ensure that there is a regular review of actual performance as compared to budget to determine where any adjustments should be made in the budget or to seek guidance on an actual area of operation of the business that should be subject to additional due diligence to understand what is causing a particular problem.

If you would like assistance in the preparation of Budgets and Cashflow Forecasts and in the establishment of a system to ensure ongoing monitoring of the Budgets and Cashflow Forecasts during the year, please do not hesitate in contacting us.

## What's It Mean?

### Gearing

Gearing represents the level of borrowings, expressed as a percentage, on the value of assets:

Example:

Assets worth - \$540,000  
Borrowings - \$286,000

$$\begin{array}{r} \text{Gearing:} \\ \frac{\$286,000}{\$540,000} \quad \times \quad \frac{100}{1} \\ = \quad 53\% \end{array}$$



## Key Aspects to Achieve Business Success – Part 2

Development priorities - this is where you list what you are going to achieve over the next 3, 6 or 12 months, as part of a business plan.

Business plans for businesses are just as important as maps for tourists. How are you going to know when you get there, if you did not have a plan of where you were going in the first place?

One of the key ways of developing a business plan is by conducting isolation planning meetings every 6 months. During these meetings an analysis should be made of:

- What action is required?
- Who is going to do it?
- What is the targeted completion date?

These strategies should be written down and reviewed, on a regular basis, to ensure that implementation is achieved. Please don't hesitate to contact us if you require any assistance on the development of your business strategies.

### **ATTENTION**

Additional information on the articles contained within this issue of **Business Plus+** is available. Please contact your Client Manager if you are interested in this additional information.

### An Important Message

*While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.*

