



## ***Business Start Up Guide***

# Message from Linda

At LCA Accounting, our mission is simple – to provide professional service, advice, skills and most importantly care for all our clients.

We believe that building long term relationships adds value and enhances your business. We have many third-generation clients and have enjoyed with them their successes as well as supported them through the challenges that they face.

If you are contemplating starting a new business, or have already made the decision, this handy guide will explain some of the steps that you will need to consider.

Have a read and be sure to do your research on what will be best for your situation. Myself and the staff at LCA are here to answer any of your questions.

Regards,

Linda Crawford



# Starting Your Business

## *Do you have what it takes?*

The best business people are:

- Good at their profession
- Well organised
- Reliable
- Determined to succeed
- Not afraid to take advice

- Careful money managers
- Able to handle stressful situations
- Good at selling themselves

## *Do you fit this category?*

## *A hobby or a business?*

The following questions can help you work out if your activity is actually a business:

- Does your activity have a significant commercial purpose?
- Do you have more than just an intention to engage in business?
- Do you have a purpose of profit as well as a prospect of profit?
- Does your activity have repetition or regularity?
- Is your activity similar to other businesses in your industry?
- Is your activity planned, organised and carried out in a business like manner?
- Does your activity have characteristics of size, scale and permanency?
- Would it be true to say that your activity is better described as a business, rather than a hobby, recreation or sporting activity?

Each time you answer yes to a question above, it increases the possibility that you are in business. Each indicator should however be considered in combination and/or as a whole.

# Do Your Research

*Once you have decided that you want to start a business, set off on the right foot.*

- Talk to an accountant or business advisory service provider. These organisations can help you plan your business and get access to the financial support you need.
- Talk to someone who has been successful in a similar business to yours. Ask them what their experience was when they started and what do they feel made their business a success.
- What rules and regulations will apply to you? Are licences and permits required?



## Business Plans

A complete, well thought out business plan is one of the most valuable tools to help you reach your long-term goals. It gives the business direction, defines your objectives and maps out strategies to achieve your goals.

A business plan is a living guide that you should develop as the business develops. Be sure to review your business plan regularly.

A business plan should include:

**A business summary** - a one page overview

**Your business** - an overview of the structure, registrations, locations, staff and products/services

**Your market** - outline your marketing analysis of the industry you are entering, your customers, and your competitors. Include key marketing targets and strategies for delivering on these targets.

**Your future** - outline your business goals, key business milestones, and include a vision statement.

**Your finances** - how you will finance the business, costing, and financial projections.

# Choosing Your Business Structure

These are the four main business structures commonly used by businesses:

**Sole Trader** - A sole trader is an individual running a business. It is the simplest and cheapest business structure. If you operate your business as a sole trader, you are the only owner and you control and manage the business.

**Partnership** - A partnership is a group or association of people who carry on a business and distribute income or losses between themselves. For example, if you and a friend or family member decide to set up a business together, you might operate it as a partnership. A partnership is relatively inexpensive to set up and operate. The partners share income, losses and control of the business.

**Company** - A company is run by its directors who make all the decisions but do not get a share in the profits. The company is owned by the shareholders who can receive dividends. The directors may be paid wages or directors fees.

**Trust** - Setting up a trust can be expensive as a formal deed is required outlining how the trust will operate and there are formal yearly administrative tasks for the trustee. A trustee is legally responsible for the operation of the trust. The trustee can be an individual or a company. Beneficiaries share the profits of the trust.

The structure you choose may affect:

- The tax you are liable to pay
- Asset protection
- Ongoing costs

Make sure you understand the responsibilities that go with the structure you choose. Typically, costs and complexity increase as you move from a sole trader to a partnership to a company or trust.

# Registering Your Business

Some of your registrations are compulsory depending on the nature of your business...

## **Australian Business Number (ABN)**

If you do not have an ABN other businesses who deal with you are required to withhold 45% of their payments due to you unless you provide them with a hobby declaration.

## **Tax File Number (TFN)**

Partnerships, trusts and companies require their own TFN.

## **Business Name Registration**

Most businesses will need to apply for a registered business name with the Australian Securities and Investments Commission (ASIC)

## **Australian Company Number (ACN)**

If you choose to run your business through a company, you need to register the company with the ASIC who will issue you with an ACN.

## **State Government Licences**

Some businesses need licences to operate. The Australian Business Licence and Information Service

website has a search tool that may help with working out the licences you may require:

<https://ablis.business.gov.au/pages/home.aspx>

## **Council Permits**

You may need a council permit to operate your business, for example if you are selling food or to be able to use a building for a specific purpose.

## **Goods and Services Tax (GST)**

If your expected turnover is \$75,000 or more, you must register for GST. If your expected turnover is below \$75,000 registering is optional.

## **Pay As You Go (PAYG) Withholding**

If you are employing people, you are required to withhold PAYG on salary and wages.

## **Fuel Tax Credits**

If you use eligible fuels in your business (other than for cars travelling on a public road), you may be eligible to claim fuel tax credits.

# Setting Up Your Systems

Generally the first thing most businesses need to do is set up bank accounts. You will then need to decide if you want a manual or electronic accounting system to record your transactions.

When organising your systems, you should consider:

- Setting up your banking
- Establishing invoicing and payments systems
- Choosing suitable record keeping methods:
  - The range of records you will be required to keep, including
    - Income and expenses
    - Payments to suppliers and contractors
    - Banking
    - GST
    - Stock and assets
    - Employee records, including payments, superannuation
    - Debtors and creditors
    - Documents to help you manage your cash flow



# Keep Good Records

The most important reason for keeping good records is that it's a legal requirement. You can keep your records on paper or electronically.

***You must keep business records for five years after they are prepared.***

Other reasons for keeping good business records are to:

- Make it easier to prepare and complete your tax obligations;
- Monitor the health of your business to ensure you make sound business decisions (for example by keeping track of debtors and creditors)
- Business records are useful if you want to sell your business in the future;
- Help you manage your cash flow

## Managing Your Cash Flow

Cash flow is what keeps your business going. You need to ensure your business is likely to make money and will have enough cash available at the right time to pay its bills and meet other obligations such as tax and superannuation.



**A good way to help make sure you have enough cash available at the right time it to do a cash flow budget.**

# Useful Steps To Prepare A Cash Flow Budget



## **1. Prepare a sales forecast**

Use realistic estimates, take into account any seasonal fluctuations or trends for your industry.

## **2. Estimate your cash inflows**

Receipts show only the cash you expect to actually receive in a period. Include money from your customers, loans received, money for assets sold off or money you put into the business.

## **3. Estimate your cash outflows**

Payments show only the cash you expect to actually pay out in a period. Include payments to your suppliers, wages, loan repayments, money for assets you expect to buy, money you take for your own use (drawings), and any loans you may provide to others. Don't forget to include any infrequent payments in the relevant period; for example, insurance, rates and registrations. Also, remember to allow for any tax payments. These payments could include GST, PAYG withholding.

**4.** Calculate your net cash position for the period.

# Insurance

It's essential to arrange insurance when you're starting out in business. You should insure your company, your income and your commercial risk. The usual types of business insurance include:

**Public Liability** - Protect your business against claims resulting from accidents or injuries that occur as a result of your business activities, as well as damage to property owned or controlled by someone else which also occurs as a result of your business activities.

**Professional Indemnity** - Professional indemnity insurance provides you and your business with protection against claims for financial loss, bodily/personal injury or property damage arising from an act, error or omission in the performance of professional services.

**Plant and Equipment** - Plant & Equipment Insurance provides cover for a range of construction equipment such as portable tools, bobcats and cranes etc.

**Income Protection** - Income Protection Insurance can give you up to 75% of your regular income if you are unable to work due to an illness or injury.

**Workers Compensation** - you must provide accident and sickness insurance for your employees. If you are self-employed, you will not be covered by workers compensation. It is recommended by law that you cover yourself through a private insurer for accident and sickness.

You should also consider cover for assets, revenue, stock and liability insurance.

# Accounting Programs

To streamline your accounting practices, you may find it beneficial to utilise a cloud-based accounting system. You can use cloud-based software from any device with an internet connection. Online accounting means small business owners stay connected to their data and their accountants. It's scalable, cost effective and easy to use.

In the cloud, there's no need to install and run applications over a desktop computer. Instead, you pay for the software by monthly subscription. Below are some of the programs we recommend to assist you:



## Bookkeeper

As an alternative to doing the accounting yourself, you could employ a bookkeeper to assist you. A bookkeeper can help with a wide range of services including payroll, accounts payable and receivable, credit card management and financial reporting. Other business bookkeeping services that they can provide include business bank reconciliations, balance sheets, labour cost management, and debt planning and reduction.

# Employees

Good employees can be your greatest asset; recruiting and retaining the right person is important. Once you've hired the new staff you need to make sure you understand your legal obligations to them. It is imperative that you comply with all relevant wages and employment conditions that apply to your industry and employee, and that you register with the ATO to deduct tax from their wages.

**TFN Declaration** needs to be given to each employee to complete and return to you. The top copy goes to the ATO. Keep the duplicate copy for your records.

**Superannuation** – the super fund choice forms needs to be given to each employee to complete and return to you. You need to add all the employees details including their super fund details into your payroll program.

**Workplace Health & Safety** - you must comply with all workplace health and safety laws to ensure you and your employees are kept safe and operate in a safe working environment.



**Workers Compensation** – all businesses who pay more the \$7,500 per year in wages need to have a current workers compensation policy which are done with icare – our office can organise this for you

**Contract of Employment** – we strongly recommend that all employees are given a contract of employment stating details about the job including the position and the role, the rates of pay and hours of work to name a few

**Employees Handbook** – all businesses should have an employees handbook stating the rules and obligation of working for your business that way there can be no misunderstanding of what is required in their employment with you.

# Tax

A boring, but very important part of your business!

It is crucial that you have a separate savings account to put money away for GST, income tax, employees PAYGW tax and employees super, **this money is not your money** – it's money you will owe the ATO and it's important to allocate money for these obligations.

**Tax** – We will assist you to calculate how much money to set aside for your personal income tax

**GST** – the amount of GST you collect and pay each week can be easily calculated in your accounting software and it's important you put this money into your savings account weekly to ensure you have the funds available at the end of each quarter to pay the ATO. **Remember GST is not your money** – you are simply a tax collector for the ATO. This is paid to the ATO each quarter when your BAS is prepared.

**PAYGW** – is the tax you withhold from your employees wages – you pay this to the ATO each quarter when you BAS is done.



# Corporate Governance

Small businesses need corporate governance too. Corporate governance is about good decisions being made by the right person.

A good structure will allow you to ensure that the start-up of your business occurs smoothly. Here are a few things to consider when setting up your governance structure:

## **Creating and delegating authority**

When making important decisions, it's important to have the right person making them. Simply by setting up and communicating clear lines of authority, you can guide your employees to recognise the decisions that they can and cannot make on their own.

## **Developing clear policies and procedures**

Written policies and procedures are essential for creating planned business outcomes. They are helpful in communicating clear steps to achieving a goal. Policies should be clear, concise and easy to understand.

Having an agreed process will allow you to guide behaviours and reduce risk within your business.

Make policies and procedures available to staff and revisit the documents

regularly to ensure they are up to date with your business environment.

## **Managing employees and ensuring accountability**

Clear policies and procedures allow everyone to be more accountable and comfortable with their decisions. Accountability is important and can involve rewarding staff or performance managing staff out of the business.

With a good governance structure, your employees become enabled to take on more responsibility. As the business owner you can then focus on other management activities to help make your business a success.

# Accountants

An accountant can help with financial projections, record keeping, compliance with tax laws, preparation of your financial statements and tax returns. Your accountant is the single most important advisor you can have, since many of the issues they deal with can be complex and time consuming to do on your own. LCA are here, willing and able to assist you to set up and help run your business. You simply have to ask. No question is a silly question and no problem is too big or small. Simply email or call, we are happy to help!

# Solicitors

Legal advice may be needed from time to time, especially if you are signing a lease for rental of a business premises, entering into a contract or if you end up in a dispute with someone.





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