

MONEY MATTERS

by Shane Storey



TOP 5 FINANCIAL RESOLUTIONS FOR YOUR BUSINESS FOR 2013

Small business owners face many financial management challenges as they operate their businesses. While most of us have had our holidays and our New Year's resolutions may be already forgotten, small business owners would do well to make some New Year's Business Resolutions.

This plan should set out what your aim is for the year and how you will achieve this.

1. Better manage your cash flow

Cash flow is the life blood of any business. Even if you show a profit on your income or profit and loss statement, it doesn't matter if you don't have enough cash flow to pay your monthly bills. Profit should not be the focus at the expense of cash flow. It takes cash to pay your suppliers, meet your payroll obligations, and equip your business. Prepare a monthly cash flow forecast to help you determine how much money is coming in, and how much is going out, for the year.

Turnover = Vanity, Profit = Sanity, Cash flow = Reality

2. Prepare a budget

The budget for your business is your plan of action and drives all business aspects.

Determine:

- What you want your planning period to be
- What your budget should be for that period.

Your first step should be to put together a budget worksheet with entries for both the income you expect to receive and the expenses you expect to incur during the year.

It is always a good idea to establish your budget worksheet upfront and, even if your business does not receive income from every source or have every type of possible expense (such as replacement of tools) each planning period, have a line item for it just in case. Any deviations that you have

to make from your worksheet should be reflected in your next budget planning period.

Your planning should take account of your likely wage requirements and key tax deadlines.

DATES TO REMEMBER IN 2013 INCLUDE:

Provisional tax due in instalments on **15 January, 7 May and 28 September**. Depending on your Goods and Services Tax reporting periods, GST is due either: on the 28th of every month or every two months – except November (due 15 January) and March (due 7 May) – or six monthly on 7 May and 28 October.

3. Keep better records

If you use an accounting program, this resolution should be pretty easy since the software will do most of the work for you. Enter your receipts on a daily basis. But remember, your software is only as good as the information you give it.

The only way to keep your end of tax year from being a nightmare is to keep good tax records. It doesn't matter who does your accounts – you are ultimately responsible for supplying the receipts and documentation. If you keep your documents organised during the tax year, then the end of the year will be easy.

4. Keep better track of inventory

Your business inventory is the raw materials (timber, cement, iron), supplies (nails, door and window frames), work-in-progress goods (incomplete products) and completely finished goods that are for sale (products that are ready to sell in a prepared state). You need to hold the least amount of inventory that you can to satisfy the

demands of your customers without running out of stock. There are costs to holding too much inventory and those are costs you want to minimise. Many small businesses do not keep a close enough eye on the amount of inventory and end up cutting into their profits because of it. Resolve, in 2013, to go through your inventory and make more of it productive and less obsolete.

5. Benchmark your performance

The only way you know how your business is doing is to analyse the financial statements at the end of each accounting period. You need to use financial analysis to look at trends in your business and to compare your business with others in the same industry. This is called benchmarking. You can then make adjustments to get your firm back on the right track if you find any problems.

Put aside dedicated time for planning and review, look at current economic factors that may affect your industry and stick to these five New Year's resolutions and help your business to prosper in 2013.

GOT A MONEY QUESTION?

Email it to: tradeleader@carters.co.nz

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