

SMALL BUSINESS WORKSHEET

INITIAL PLANNING**ACTION**

Motivation to commence and succeed in business
 Does intender have the personal characteristics to succeed?
 Does intender have the appropriate resources and support?
 Is intender aware of financial risks of business failure
 including loss of family assets?

MARKET RESEARCH

Feasibility/sensitivity study
 (the product or service must be what the consumer needs/wants)
 Consider what competition exists

LEGAL STRUCTURE**Sole Trader**

- easy to set up
- size is limited (ie. suitable for small operations only)
- capital is limited
- the sole trader is personally liable

Partnership

- cheap to establish
- burdens and benefits of business are shared by all partners
- more informal than a corporate structure
- partners are jointly and severally liable
- written or verbal agreements

Company

- separate legal identity
- liability is limited but personal guarantees may be required
- set up costs and operating costs are relatively high
- greater number of regulations to contend with
- continuity of existence
- ease of ownership change
- statutory reporting requirements must be complied with
- loss of privacy
- lower tax rates
- benefit of franked dividends

Trusts (Discretionary and Unit)

- liability is limited
- limited life
- expensive to set up and maintain
- financiers are wary of trusts
- consider settlor, appointer, and trustee appointment

Note: a change in structure could have capital gains tax implications

PREPARATION OF BUSINESS PLAN**ACTION**

Business plan prepared

LEGAL STRUCTURE IMPLEMENTATION

Partnership agreement
 Company formation or purchase
 Business names registration
 Trademark/Patent/Design registration
 Franchise agreement
 Contract agreements
 Memorandum of understanding/Heads of agreement

PHYSICAL REQUIREMENTS**Location**

- staff accessibility and proximity to customer base
- rent or buy premises

Business space needs

- layout of office for staffing structure
- allowance for growth of business
- suitability for the type of business
- parking for customers and staff

Services

- electricity, gas, water costs and reliability of supply
- computer and telephone connection and cabling

Major Equipment

- purchase, lease, H.P., commercial loan considerations
- if borrowing, what security does the lender require
- equipment should be able to be utilised fully to justify costs
- consider servicing and maintenance costs in purchase feasibility
- how dependent is the business on the equipment; is there an alternative in case of a major breakdown
- consider operating costs, ie. fuel, operator, maintenance
- consider the reliability vs. initial cost
- tax writeoffs
- insurance
- safety
- obsolescence

ACTION**Support Equipment**

- office furniture, telephone, fax, computers, photocopiers, etc
- consider purchase, rent or lease
- expertise in setting up systems, particularly for computers
- ensure all equipment (hardware & software) is suitable for the needs of the business

Motor Vehicles

- select on the basis of suitability and affordability
- consider finance options (buy, lease, H.P.)

Stock

- good stock control must be implemented to ensure optimum levels
- valuations

Consumables**PLAN FUNDING NEEDS****Capital and recurrent budgets**

- determine business plan
- determine growth expectations
- expected sales values; is product seasonal, a fad, or stable
- gross margin
- overhead costs
- ensure adequate liquid reserves to withstand fluctuations
- cashflows must be realistic and reviewed regularly

Credit assessment procedures for prospective creditors

Consider long term contracts at lower margins to provide steady cash income

SOURCES OF FUNDS**Personal contributions****Bank Finance**

- ensure finance applications are supported with detailed information
- project a professional image
- adequate security or a guarantor must be available

Leasing/Purchase alternatives - dependent on available cash
External Investor - personal qualities and motivation must be same as your own

ACTION

Family Associations - this option must be treated with caution

PARTICULAR INDUSTRY REQUIREMENTS

Trust accounts

Audits

- adequate records need to be kept
- choose auditors experienced in the industry
- check expected costs of audit prior to commencement
- determine the scope of the audit prior to commencement
- accessibility to auditor for professional advice

Insurance/Compensation funds

Contracts

- verbal or written
- performance standards to be met
- quality controls to be implemented
- control over items not included in contract, ie. variations
- time requirements/deadlines
- maintenance periods
- check liquidated damage clauses
- payment conditions
- terms and conditions

Professional memberships

- beneficial for making contacts within the industry
- be selective, only join those which will be of clear benefit

Labelling requirements of products

MARKETING

Advertising

- mail, leaflets, press, radio, television: choose right target audience

ACTION**Pricing Policy**

- price must be competitive, but people are prepared to pay for a superior product

Product

- must be what the consumer wants

Distribution

- must be the most efficient way to get the product to the customer

Other

- monitor the market continuously
- keep an eye on the competition
- keep on researching continuously

STAFFING**Number**

- determine a list of the required duties and tasks to develop the correct staff level

Casual or Permanent**Training**

- must be effective, relevant, and useful
- consider requirements under the Training Guarantee Levy
- accurate records must be kept in the correct form

Traineeships

- can be very cost effective

Apprentices

- to assist tradesmen

Recruitment

- use inhouse staff or recruitment agency
- determine specialist skills required in staff

Salary Package

- salary, fringe benefits, motor vehicle, super.

Owner/Manager must**ACTION**

- display enthusiasm
- inform employees about the business at the most basic level
- involve people in group social activities as well as work activities
- take an interest in each employee

RELEVANT AWARD REQUIREMENTS**Remuneration**

- must ensure that employees are being paid as per the award

Safety - Occupational Health & Safety

- employees have the right to expect a healthy and safe work environment

Superannuation - Superannuation Levy**SUPERANNUATION**

Award requirements

Guarantee Levy

Benefits should be portable if employee leaves

Staff voluntary contributions

Personal

Business

INSURANCES

Workers' Compensation

Buildings and contents; full replacement value

Public liability cover of minimum \$5 million

Professional indemnity (if required)

Personal disability (should include a personal loss of income cover in respect of illness or injury outside work hours)

Commercial; theft, loss of earnings, fire etc.

Keyman Insurance

Business Overhead

Buy/Sell Agreements

Retirement Planning

Goods in Transit

Product Liability

MANUFACTURING INDUSTRY CONSIDERATIONS

ACTION

Master Budgets
Production variance analysis

LOCAL GOVERNMENT REQUIREMENTS

Purposes clause of lease

- ensure proposed activity is permitted

Zoning restrictions
Future rezoning
Health/Environmental regulations
Government charges
Transfer of titles, including motor vehicles

APPLICATIONS AND REGISTRATIONS

Company formation
Business name registration
Tax file number
Group employer
Prescribed payment registration/variation
Fringe benefit registration
Sales tax registration
Payroll tax
Business Association Membership, Trade & Regional
Associations, Chamber of Commerce, etc.

ACCOUNTING AND ADMINISTRATION SYSTEMS

Regular monitoring of results is critical for survival
Cashflow budgeting
Ratio and Trend analysis
Tax planning
Determine how reporting systems are to be set up
What level of usage of external accountants
Ensure adequate record keeping for substantiation

Computer usage

- competency of staff
- hardware and software evaluation
- backup and off-site storage of backups

Internal Control systems
Filing systems
Secretarial records

ACTION

BUYING AN EXISTING BUSINESS

Financial statements/tax returns for 3 years
Valuation of Goodwill
Stamp duties and other acquisition costs
List of Assets
Valuation of Inventories
Purchasing shares in companies or its assets and business?
Contract of sale/legal advice

FURTHER INFORMATION SOURCES

Australian Taxation Office
Australian Bureau of Statistics
Business Licence Information Service
Australian Securities & Investment Commission
Australian Government Publishing Service
Occupational Health & Safety Office
State Revenue Office
State Small Business Agencies