

# **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
- income splitting by streaming to beneficiaries including Companies
- flexible and preferable vehicle to hold capital gains assets
- superior vehicle for asset protection
- consider, appointor, and trustee appointment for maximum control

## **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