

Small business good practice checklist



Introduction

CPA Australia has developed a checklist that outlines the strategic, financial and operational tasks that all small businesses should undertake throughout the year to avoid the end-of-financial-year ‘flapping’ around, as businesses try to get their financial data in order to meet business regulations, while still managing the day-to-day operations.

It is true that at this time each year, small businesses have no choice but to undertake good business practice; however, many see this as the once-a-year hindrance, and rush through the processes so as to return to normal business operations. To many businesses, this once-a-year discipline could be a lost opportunity.

To assist small business, the checklist sets out in general terms the regulatory requirements and the tasks required to meet those obligations. More importantly, the checklist details procedures that, if undertaken throughout the year as well as at the end of the year, will ensure the business is well-run and is positioned to go where the owner wants to take the business.

Good business practice should not just happen at the end of the financial year. If you undertake the tasks detailed in the checklist on a regular basis, the end of the financial year should not be a period of undue pressure. The end of the financial year gives you the opportunity to rule off on the past year and start afresh — by implementing practices that will enhance the operations of the business and most likely provide competitive advantage through continually up-to-date information that will assist with process improvement all year round. Year-end should be viewed as another month-end.

Good business practice adds value to a business. A business that is operating well is more likely to be successful and if sold, done so at a good price.

Using the checklist

Hints and tips

Following the checklist requires you to be disciplined and organised. Some hints and tips you can insert into your business practices so that the checklist becomes part of your normal operations are:

- › as part of your regular meetings with staff, include the checklist on the agenda and allocate tasks so everyone is aware who is responsible for what. These allocated task should be reviewed at each meeting.
- › insert the checklist tasks into your calendar so that you are prompted on a regular basis.
- › incorporate the tasks into the job descriptions of relevant staff.

Financial statements

The following financial statements will be required to meet your regulatory requirements:

- › profit and loss statement
- › balance sheet
- › cash flow statement

These financial statements should not be viewed as purely assisting you to meet your regulatory requirement, but as a necessary tool for you to manage the performance of your business and plan for the future.

To prepare the financial statements you will need to undertake a number of tasks to ensure the data is correct. It is strongly recommended that these tasks are undertaken at least monthly. If you wait until the end of the financial year to undertake many of these tasks, you will put yourself under significant pressure. And with some deadlines very soon after the close of the financial year, you can do without such pressure.

The end of the financial year is also an opportunity to bring your planning and operational procedures up-to-scratch.

Please note that the checklist is broad and therefore not all steps need to be completed by every business, nor is the checklist definitive. You may wish to add additional items to the checklist.

Checklist

Regulation requirements

✓	Regulatory requirement	Person responsible	Due date / regularity
	Income tax return		
	Business activity statement		
	Australian Securities and Investments Commission annual report — for companies only		
	Solvency declaration — for companies only and does not need to be lodged with ASIC		
	PAYG withholding payment summary annual report		
	PAYG statements		Must be distributed to staff by 14 July
	Payroll tax		
	Workcover insurance		
	Superannuation payments		
	Fringe benefits tax return		
	Other returns		

You should understand the lodgement dates for each of these requirements as they do vary. Also, the dates for payment may not necessarily be the same as the due date for lodgement of a return.

Financial statements

Historical

To be able to meet many of the above regulation requirements, and to provide you with the information you need to effectively manage and develop your business, you will have to prepare a:

- › profit and loss statement
- › balance sheet
- › cash flow statement

To prepare these financial statements, you will need to undertake the following at the end of the financial year (and through the financial year):

✓	Activity	Person responsible	Due date / regularity*
	Ensure all data is entered into the financial system and that data is entered into the correct period		Ongoing
	Stocktake		
	Analyse your debtors — identify who are not going to pay and who is unlikely to pay		

✓	Activity	Person responsible	Due date / regularity*
	Undertake key reconciliations of: <ul style="list-style-type: none"> › Bank accounts › Debtors › Creditors › Stock 		
	Payroll including: <ul style="list-style-type: none"> › annual leave entitlements › long service leave entitlements › superannuation › PAYG withholding › fringe benefits tax › payroll tax 		
	Assets		
	GST		
	Equity accounts		
	Loans		
	Translation of any foreign exchange holdings into Australian dollars		Generally at the close of financial year
	Value-trading assets including shares and stock at market value		Generally at the close of financial year

*While the regularity of these activities will vary from business to business, and depend on size and type of business activity, it is strongly recommended that each of these activities be done at least on a monthly basis.

The financial statements that this work will produce will allow you to analyse your performance through ratio analysis. You can compare key ratios such as working capital ratio, stock turnover ratio or profit per employee to averages in your industry.

Strategic / operational

Other key financial statements that should be prepared to help you manage your business and to track how you are performing against projections are:

✓	Activity	Person responsible	Due date / regularity
	Rolling 12-month budgeted profit and loss		Monthly with an annual review
	Rolling 12-month budgeted balance sheet		Monthly with an annual review
	Rolling 12-month cash flow forecast		Monthly with an annual review

Budgets enable you to translate your strategic plan into a financial statement and regularly review your actual performance against your anticipated performance. This allows you to quickly adjust your strategic plan or how you operate. You do this by using the budgeted and actual figures to:

- › undertake variance analysis
- › undertake sensitivity analysis

The budgets can be used to set targets through break-even analysis.

Good practice procedures

In addition to getting the financials in order, business should also be using the end of the financial year to look at other fundamental aspects of good business practice, which are:

✓	Activity	Person responsible	Due date / regularity*
	Updating or setting out a strategic plan		
	Review employment arrangements: <ul style="list-style-type: none"> › performance reviews › annual incentives › commissions › confidentiality agreements 		
	Review contracts and terms of trade		
	Review financial commitments: <ul style="list-style-type: none"> › office leases › equipment leases › securities over assets › hedging contracts 		
	Put in place or update policy and procedures, including internal controls		
	Document your tasks		
	Workplace health and safety review		
	IT backups and security		
	Protection of intellectual property such as renewal of domain name registration		
	Review any legal disputes		
	Make sure you are adequately insured and your insurances are up-to-date		
	Visit your adviser		See 'Find a CPA' at cpaaustralia.com.au/links?findacpa

*While the regularity of these activities will vary from business to business, and depend on size and the type of business activity, it is strongly recommended that each of these activities be done at least on a monthly basis.

Personal affairs

The end of the financial year is also an important time to make sure your personal affairs which are closely related to the business are in order.

✓	Activity	Person responsible	Due date / regularity
	Ensure trust distributions are properly made		
	Review any loan agreements with your business		
	Review your will, particular if there has been a change in your circumstances		

Conclusion

The beginning of the new financial year should not only be used to get your affairs of the last year in order, it should also be used as a time to put in place good business practices that will help to ensure that your business is well-run and places you in the best possible position to take your business in the direction you want it to go.