

WHY ARE YOU IN BUSINESS? IS IT TO BECOME WEALTHY

BY SHAREE WEBSTER, CA DIRECTOR, HOLMANS ACCOUNTING & TAXATION

Winter is over, and Spring is upon us. At the start of the financial year you would have set your business goals for the new financial year; are you on track?

Becoming wealthy from your business is easy; the winning formula is Income - Expenses = Profit. But if it's so easy why do many businesses get it wrong? According to the Australian Bureau of Statistics, more than 60 per cent of small businesses cease operating within the first three years of starting.

The three main reasons businesses fail are cash flow issues, growing too quickly and lack of knowledge. So, what do you need to do to avoid this happening and create a sustainable business and a wealthier you, be that money, time or freedom?

Clear-cut goals and purpose are the key to your business success; not just monetary goals but also cultural goals, relationship goals and non-business goals. We need to know what we are working towards and why.

You need to invest in your business and your team. Investing in your business assets is not mandatory. As the business owner, you get to decide how to spend your money. Business owners may believe the only way to improve their business profits and cash flow is to make drastic and major changes to their business. However, often the most effective way to improve your business is to work on making small improvements to several things.

It is what we at Holmans call the 'Power of One'. What if we increase turnover by one per cent, increase prices by one per cent, improve our gross profit by one per cent and reduce costs by one per cent? What if we then increase the productivity of our workers by one per cent, increase our average customer sale by \$1 and reduce our

debtor days by one day whilst increasing our stock turnover by one day and receiving a discount from our suppliers of one per cent?

The impact of doing all these things as part of an overall review of a business can have a profound effect on profitability and cash flow. Also, remember that every dollar increase in net profit may lead to a three-dollar increase in the sale value of your business.

Jim Blasingame, an American commentator on small business - still relevant for Australian businesses - said, "Being successful in small business isn't complicated, but the degree of difficulty is hard to explain."

So, if you get the formula correct for your business, you should be on your way to becoming wealthier. ■

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Sharee Webster joined Holmans in April 2007. Sharee manages the Holmans Maroochydhore office, which was opened in April 2008. Sharee is a Chartered Accountant and holds a Bachelor of Commerce from the University of Queensland, a Chartered Tax Adviser from the Taxation Institute of Australia and a Registered Tax Agent. At Holmans, Sharee specialises in business structures, taxation advice, superannuation and in particular Self-Managed Super Funds (SMSFs). She has extensive experience in providing strategic tax advice to private clients, owner-operated family businesses and large corporate entities.

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We want to know where you're heading, what your goals are, how you plan to get there and everything else in between. Obviously we are interested in your accounting and taxation needs and how you manage your business, but **it's your ideas that get us really excited.**

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