

Bookmaking: What, Why, How



The word 'bookkeeping' is often associated with negative views, as people often align bookkeeping with stress, waste of time and energy. But

bookkeeping has an invaluable function and can be contained if set up and managed correctly.

Firstly, it is crucial to pick the right system or software to look after your accounting needs. This can range from customized Excel templates to user friendly packages in the 'cloud' such as Saasu and Xero, to more technical based packages such as MYOB and Quicken. Pick the one right for you and your business. No point picking something you don't know how to use or threaten to throw something at, every time you need to enter in your data.

Next, set up income and expense categories (chart of accounts) and make them relevant to you. For example, set up various income categories to reflect the various sources of income your business earns. This allows you to clearly see how each income stream is working when running any reports.

OTHER TIPS

1. Program due dates into your calendar/diaries. Even if you don't have money to pay the ATO on time, still

lodge the necessary paperwork and seek a pay arrangement BEFORE the due date.

2. Don't assume every transaction has GST. Ensure you are aware of the GST treatment for transactions with overseas customers and suppliers, residential rents, financial supplies, government costs and donations.

3. If unsure about something, ask your accountant on how to put the transaction through

4. Set up an expense account titled 'suspense' wherein you post any items you are unsure of and requires checking by an accountant

5. Compare months, quarters and financial year data amongst one another for variances and their causes. The quicker you have the required information, the quicker you can adapt to any changing circumstances!

You can DIY bookkeeping and quite efficiently too. If you're still stuck and not making headways and falling behind - consider outsourcing to a professional bookkeeper. **SSL**

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Time to Review Your Business



We are finally into a new financial year – most would argue a clean slate in the business world. Now that the pre financial year sales and promotions have

ended and business has resumed as per usual, may I suggest taking time to review and take stock of the business events from the financial year just ended?

You have a full years set of results (or part thereof for new businesses on the scene) – this is gold. Financial results are clearly important but they can also be used to supplement other business decision making.

Some important questions a review may highlight:

- 1 Highest selling item/service?
- 2 Lowest selling item/service?
- 3 Margin made per item/service?
- 4 Biggest expense?
- 5 Comparison of income and expenses to results from the prior year – major differences?
- 6 High debtors? – Why? Consider changing terms of trade and/or becoming more vigorous in chasing up your debts.
- 7 Known creditors? – any debts need to be renegotiated, rolled over or paid off as a priority?
- 8 Positive cash flow? – time to consider outsourcing, staff or new equipment?

9 Which marketing activities worked and which didn't and hence need to be stopped?

10 Do you need to update or set up a budget for 2011/12 financial year?

11 Achievements throughout 2010/11 which need to be celebrated or acknowledged?

12 Main driver of growth? – reflection of your direct skills, a new staff member, increased focus on marketing and PR activities as some examples?

13 Changes within your marketplace – direct and indirect and their effect on your business and the changes required (if any) as a result.

14 Time to survey your clients and database about current or new items and services or about different aspects of your business such as types of items or services offered, suggestions for improvement or even seeking out testimonials?

Please don't assume a 'review' is a scary or a big word. It is what you set it out to be in the format you appreciate and value from (text, visual graph or table or via a conversation with another). We all learn and appreciate differently, so take time to take extra stock of your business the best way you can. If you do end up struggling, get some pointers from a professional or another business owner's opinion that you look up to. SSL

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Food and Entertaining



We all love it but what does the Tax man think of it for tax purposes? This is an area too often confused and carried out incorrectly. Here are some facts

you should be aware of if wishing to wine and dine, or entertain your clients.

IN BRIEF: As a general rule, you are *not* allowed an income tax deduction for expenses incurred in providing entertainment. This is the case *even if* the entertainment is provided specifically for business reasons, such as business lunches and entertaining clients, or in connection with the performance of employment-related duties.

But, as always, exceptions apply.

1. The cost of providing entertainment in the ordinary course of business where your business is providing entertainment to paying clients or customers ie restaurants, theatres or amusement parks.
2. The cost of food and drink you provide to employees in an 'in-house dining facility' such as a canteen sort of scenario and one not open to the public at any time (ie not a boardroom or meeting room!).
3. The cost of food and drink that is

reasonably incidental to a person's attendance at an 'eligible seminar'.

4. The cost of providing an overtime meal to an employee under an industrial award or agreement
5. Certain advertising or promotional expenses relating to your business, including the cost of:

- (A) Supplying entertainment to a person as part of a contract for supplying goods or services, ie offering a free holiday as an incentive to customers to purchase goods
- (B) Promoting your goods or services by providing free or discounted entertainment for example, wine tasting at a winery
- (C) Exhibiting goods for public promotion ie a fashion parade.

The cost of entertaining clients and suppliers (that is, not employees) remains non-deductible except for the limited range of circumstances described above where the income tax law may allow a deduction. You may wish to think twice before shouting that next client lunch! **SSL**

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