

## FINANCIAL TASKS

Tasks necessary to prepare financial statements should be performed regularly. Waiting until the end of the financial year or when your quarterly Business Activity Statement (BAS) is due will put you and your staff under unnecessary pressure, and may reduce the quality – and therefore the usefulness – of financial data to your decision making.

Delaying financial tasks will also deny you regular financial information such as cash flow statements, which can be critical to helping you manage the everyday ebb and flow of your business. It is also important to note that a number of returns and forms have to be completed very soon after the close of the financial year.

The below financial activities are necessary to produce financial statements, such as profit and loss statements and balance sheets. Such financial statements give you information that is critical to helping you understand how your business is performing and highlighting possible areas for improvement. It is important to never become complacent in this area.

1. Task: **Install and/or update financial software**

Regularity: With new updates

Possible Actions:

- Undertake a full review of your accounting software every few years. You may end up with a better software package that can help improve your business.
- Ask potential software vendors to list what functions their software performs, including what reports they produce.
- Ask potential vendors whether their software is in the 'cloud' (online) as this will help you avoid having to do updates and other tasks.
- If considering moving to new software, enter real data from your business into your preferred software and play around before making a decision.

2. Task: **Enter all data promptly, and with accurate transaction dates**

Regularity: Ongoing

Possible Actions:

- Regularly check data entry for quality.
- If possible, separate "cash handling" from "data entry" to minimise potential for fraud.
- Where possible, implement a live feed between your bank and your system to reduce handling and transcription errors.
- Consider using electronic workflow systems or apps such as Receipt Bank, EzzyBills or Hubdoc that help you digitise accounting records, including invoices, and transfer that data into your accounting system to reduce the need for manual data entry.

3. Task: **Review Stock balances and reconcile to physical stock take**

Regularity: Every six months

Possible Actions:

- Dispose of old/slow moving stock.
- Write off excess stock.
- Review purchasing policies to prevent over-spending on stock.
- If stock is a high cost item, consider using software that tracks stock and is integrated with your accounting software.

4. Task: **Review work-in-progress (for construction firms, professional practices, etc**

Regularity: At least quarterly

Possible Actions:

- Bill clients regularly or at key milestones.
- Regularly review work-in-progress for “bottlenecks”.

5. Task: **Review Debtors**

Regularity: Monthly

Possible Actions:

- Invoice as soon as your good or service is delivered.
- Consider referring bad debts to collection agents.
- Undertake a credit check of new debtors.
- Renegotiate trading terms with consistently slow payers.
- Contact slow payers early.
- Reconcile payments promptly and regularly to identify and resolve discrepancies.
- Make sure your sales staff are aware of the debtors position on all sales calls to assist with collection.

6. Task: **Reconcile bank and investment accounts**

Regularity: At least weekly

Possible Actions:

- Have two people undertake the reconciliation. These people should not be the same people who handle cash.
- For high volume cash businesses, reconcile daily.

7. Task: **Reconcile debtors' ledger/ageing report**

Regularity: At least monthly

Possible Actions:

- Identify customers with large outstanding amounts and follow up.

8. Task: **Reconcile creditors ledger/ageing report**

Regularity: At least monthly

Possible Actions:

- Reconcile suppliers owed money with list of approved suppliers.
- Reconcile payments with other records, such as purchase orders.
- Have someone other than the person who enter creditor invoices check what is due and payable.
- Review that payments are in line with trading terms.
- Check the bank account details of suppliers quarterly to reduce the risk of payment going to another account.

9. Task: **Reconcile equipment and fixed assets**

Regularity: At least quarterly

Possible Actions:

- Do an asset stock take to ensure you still have the assets that are on your books
- Identify obsolete, unusable or written-off assets. Ask your Accountant to adjust balances and/or see if such assets can be turned into cash.
- Don't over-invest in new capital equipment without an appropriate payback. Speak to your Accountant before making such an investment.

10. Task: **Reconcile GST**

Regularity: At least quarterly

Possible Actions:

- Make adjustments quickly in the next activity statement.

11. Task: **Reconcile equity accounts (especially in partnership) and shareholder loans**

Regularity: At least quarterly

Possible Actions:

- Operate equity accounts in accordance with the partnership agreement.
- Try to avoid large imbalances in the amounts contributed by or retained by each partner.

12. Task: **Review Annual Leave Entitlements**

Regularity: Quarterly

Possible Actions:

- Encourage staff to take leave regularly – avoid a large build-up of entitlements.

13. Task: **Review long-service leave entitlements**

Regularity: Quarterly

Possible Actions:

- Consider a reserve to fund leave liability.

14. Task: **Review superannuation entitlements of employees**

Regularity: Monthly

Possible Actions:

- Comply with legislation regarding frequency of payment, choice of fund and reporting to staff. See <https://www.ato.gov.au/Business/Employers/Payments-and-reporting/Superannuation-payments/>

15. Task: **Review PAYG Withholding obligations**

Regularity: Monthly

Possible Actions:

- Ensure employee declarations are up to date.
- Comply with legislation regarding frequency of payment of PAYG withholding to the tax office. See <https://www.ato.gov.au/business/payg-withholding/> for more details

16. Task: **Review fringe benefits tax obligations**

Regularity: Quarterly

17. Task: **Review payroll tax obligations (payable to state governments)**

Regularity: Monthly

18. Task: **Review paid parental leave obligations**

Regularity: Quarterly

Possible Actions:

- If you have an employee who is about to give birth or has just given birth, you may wish to opt-in to provide the Australian government's paid parental leave to your employee. See <http://www.humanservices.gov.au/business/services/centrelink/paid-parental-leave-scheme-for-employers/opting-in> ).

19. Task: **Prepare profit and loss statement, balance sheet and cash flow statement**

Regularity: Monthly or Quarterly

Possible Actions:

- The profit and loss statement, balance sheet and cash flow statement can if prepared regularly, show emerging problems in time for corrective actions.
- A Professional Bookkeeper or your Accountant can assist with preparation.
- Use financial software to produce regular financial statements and 'dashboard' reports.

## CONCLUSION

Good business practices will help ensure your business is well run. A well-run business will help place your business in the best possible position to respond to whatever trading conditions you face, and help you move your business in the direction you want it to go.

Whatever the state of your business, look for services or products that are not "earning their keep" – low sales might be the indicator; frequent problems with product support might be another. Your financial system should be able to tell you whether there is little or no gross profit from a product, or the product might tie up too much working capital relative to its profit level. Once you know the source of the problem, see whether it can be corrected or whether you should consider no longer selling that product or service.

Structural changes are best made in the good times. However, if you need to make structural changes in less positive periods, communicate openly with the affected people; make sure you treat them with dignity and pay them any entitlements.

Whether your business is strong, weak or patchy, this checklist will help you make the most of any situation and feel more in control of your business.