



The Bean-counters life: Avoiding the horror story

SMALL BUSINESS GUIDES

If you think that bookkeeping and accounting fees are high consider this horror story which could just be the story that gets business owners thinking about their own small to medium business. Debra Lewis, CEO of the registered training organisation Bookkeeping Institute of Australia tells us how to avoid a costly disaster.

It's a nightmare scenario for any business owner and when it comes, it leaves few options but to submit. Imagine you're operating your busy, small business – distributing fresh produce to Sydney's restaurants. Your business is competitive; it needs to be in this space where customer loyalty is measured by the last delivery. You open your email and there it is; the horror movie right there on your PC, the email from the ATO:

Due to non payment of PAYG and GST obligations and repeated requests, the ATO will be garnishing the company's bank account.

And it does not stop there; a letter had been forwarded to your bank by the ATO advising them. Your body responds before you have a chance to think - a sickening feeling, your body flushed with fear. A moment later you panic at the thought of your bank receiving the note. "It won't be long before the bank manager calls wanting to know what is going on."

Debra Lewis CEO of the Bookkeeping Institute of Australia says "This is a real story but with the type of business changed. When I was a bookkeeper I produced management reports - in fact report after report, for this company. The reports were unequivocal: they needed to reduce their wages bill; their operating expenses. They made repeated request to the ATO to defer payments. I told them 'The tax office will catch up sometime'."

The consequences of this scenario are manifold. If a business is in financial distress and has no clear way to paying debts, insolvency is a real threat and bankruptcy is a likely outcome.

Financial stress is inevitable in business and can happen to the best intentioned and hardest working people. Things happen and often they are beyond an individual's control. Sometimes insolvency is a result of a business partner's personal life going awry: like a marriage break down. Sometimes a key client falls over at a time of cash flow shortages. The list of possible causes goes on. A business owner can find themselves drowning in debts they are unable to pay. Yet the nightmare scenario is entirely avoidable.

Too often business owners stubbornly drive the business without keeping an eye of the dashboard. They drive to fast, too hard and beyond the ability of the business to meet its financial obligations.

The nightmare scenario can be avoided by addressing the tough questions:

- If you are not able to meet the payroll or wages and contractor's bills then alarm bells should be ringing
- If you're GST and superannuation payments continue to fall behind, it is time to consider a review of your business case.



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Debra Lewis believes that timely management reports prepared by a bookkeeper are a cost effective way for the business owner to keep watch on the dashboard. “A good bookkeeper can produce your dashboard. A bookkeeper can:

- Set up a system to ensure invoices go out promptly and to send effective reminder notices to get paid on time
- Have a system for highlight late payers as soon as they trigger due date and then to follow up next day
- Set up terms on invoice so that collection costs can be reversed should a recovery service be called for

“It’s your job to adhere to these.” She adds “If the horror story emerges:

- Call bank manager before he calls you
- Call ATO
- Arrange payment plan
- Prepare budget
- Reduce head-count
- Have cup of tea
- Resume normal action stations
- Breath normally.”