Key ways to access funding for your business

If you’re planning to found a new business, you’ll need enough startup capital to get this venture off the ground. And once you’re up and running, you’ll need additional business finance and investment at each stage of your growth and expansion along the business journey.

But where does this business funding come from? And what are the best routes for accessing the finance you need to bring your business plans to life?

Five way to access the right funding

There are multiple routes to funding, and many specialist types of finance that cater to a specific industry or a particular business type. However, it’s always a good idea to understand the funding fundamentals and the options they offer for your business.

We’ve summarised five different funding routes that are worth considering:

1. **Bank loans and overdrafts** – traditionally, your bank was the go-to place for business funding. Taking out a business loan allows you to pay back the loan over an agreed period, and in easy instalments. Extending your

business overdraft can give you more credit to play with. But in recent times, banks have become more reticent to lend and will need cast-iron evidence of your ability to repay any agreed loan or overdraft.

2. Pros: Large sums of money can be borrowed
3. Cons: Strict lending criteria and may require collateral
4. **Private investors** – getting high-net-worth individuals to invest in businesses is another well-worn path to funding. Private investors can be a great source of funding if your business is unable to qualify for a bank loan or needs a large amount of funding quickly. However, investors will usually expect shares in the business and some form of control over the direction and running of the company. Shrewd investors will also want a guaranteed return on their investment (ROI).
5. Pros: Can provide large sums of funding and more flexible criteria than banks
6. Cons: Can be difficult to find private investors and they will expect good ROI
7. **Business loan providers and niche industry lenders** – There are many lenders that specialise in providing loans to businesses in specific sectors, or at particular points in the business journey. These lenders may have less stringent lending criteria than the main high street banks and can offer more flexible repayment terms. If you’re trading in a niche and need money quickly, these lenders are well worth adding to the mix.
8. Pros: Less stringent lending criteria than banks and flexible repayments
9. Cons: Interest rates may be higher than bank loans and collateral may be needed against your loan
10. **R&D tax credits** – R&D tax credits are government incentives that can help you offset the cost of your company’s research and development activities. R&D tax credits can be a valuable source of funding for businesses that are developing new products or services and will help to cut your corporation tax bill – savings

that can then be reinvested back into the business.

11. Pros: Offsets the cost of R&D activities and can be claimed retrospectively
12. Cons: The application process can be complex and time-consuming
13. **Government loans and tax incentives** – there are a huge range of government loans, enterprise incentives, grants and tax incentives available to your businesses. These funding options can be used for a variety of purposes, such as starting a new business, expanding an existing business or creating jobs. Each country and territory will have its own specific government incentives, so it's worth doing your own research, or working closely with your advisers to find the most suitable loans, grants and incentives in your particular area.
14. Pros: Provides a valuable source of funding, and (if you meet the criteria) some grants may not require repayment
15. Cons: Criteria must be met in full and the application process can sometimes be complex and time-consuming

Talk to us about setting up your funding strategy

Whatever point you're at in the business journey, there's real value in having a clear funding strategy set up and agreed for your business. The right routes to funding will depend on your business goals, your ability to make repayments and whether your sector is classed as high or low risk. But having a funding strategy in place really is an essential element of your planning.

As your adviser, we can run you through the funding options available to you, with industry-specific advice on the most practical and effective routes to finance.

Your guide to claiming working from home expenses for 2023–24 income year

A taxpayer who carries on part or all their business or employment activities at home may be entitled to a deduction for part of their outgoings related to working from home.

There are two ways to calculate a work from home deduction:

Fixed rate method

From 1 July 2022, the revised fixed rate method allows individuals to claim running expenses incurred as a result of working from home at 67 cents per hour (PCG 2023/1).

The revised rate accounts for energy (electricity and gas), phone, internet, stationery and consumable expenses.

Also, a taxpayer is no longer required to maintain a dedicated workspace at their home.

To claim the fixed cost method, taxpayers must keep a record of:

- the total number of hours worked from home (for the entire year)
- the additional running expenses covered by the rate per hour (for example, phone bill, electricity bill, stationery and computer consumables etc.)
- any depreciating assets (and how much of their use of that asset was work-related).

A separate deduction may be claimed for any depreciating assets (not included in the rate per hour), like office furniture or technology.

Actual cost method

The actual cost method allows you to claim a deduction for the actual expenses incurred as a result of working from home.

To claim the actual cost method, taxpayers must keep a record of:

- the number of hours worked from home (whether that be the total hours, or a continuous four-week period representing the usual pattern of work, if their hours are consistent throughout the year)
- their additional running expenses (for example, phone bills, electricity bills)
- how the deduction was calculated.

Contact us

Please feel free to contact our office on 08 6118 6111 or hello@prescottsolutions.com.au, should you need help with collating the necessary information or preparing draft calculations to claim your work from home expenses.

Tax planning helps you do more with your money

Tax planning is a strategic approach to managing your business' financial affairs, with the aim of legally minimising your tax liability. In other words, you plan ahead to make sure you pay the taxes you should be paying, but not a penny more.

Working with your tax adviser, you can look for deductions, credits, exemptions and tax-saving strategies that will help to optimise your company's overall tax position.

How does tax planning affect your business?

The primary goal of tax planning is to reduce the amount of taxes your business owes. But it's also about making sure you stay compliant with all the tax laws and regulations applicable to your business.

But what are the main advantages? Let's take a look at five of the big benefits of careful, strategic tax planning.

By planning your tax across the year, you can:

1. **Maximise your profits** – strategic tax planning helps your company find the best available tax incentives,

deductions and credits. This reduces your overall tax liability, cuts your annual tax costs and increases your overall profitability as a business.
2. **Boost your cashflow** – tax planning is a great way to open up more liquid cash and achieve a better cashflow position for the business. When you cut down the company’s tax payments, that frees up cash and helps you achieve a positive cashflow position.
3. **Stay compliant and mitigate your risk** – being proactive with your tax planning keeps the company compliant with the relevant tax laws and regulations. It’s a sensible way to tick the compliance boxes and reduce the risk of costly penalties and legal issues.
4. **Drive your strategic growth** – smart use of tax planning helps you reduce your tax costs and reassign those funds to your strategic business goals. It’s a golden opportunity to invest in areas that promote long-term growth and competitiveness.
5. **Give your business a competitive edge** – if managed well, efficient tax planning leads to lower operational costs for the business. This gives you a competitive edge when it comes to pricing, innovation, sales and revenue generation.

How can we help you with tax planning?

Getting strategic with your tax planning has many advantages for your financial stability as a business. But to maximise your planning, it’s important to work with an experienced adviser.

As your tax adviser, we’ll help you look ahead across the whole financial year, looking for the opportunities to reduce your tax liability and find the best tax deductions and incentives.

If you’d like to know more about the impact of tax planning, we’ll be happy to explain.

Get in touch to talk about tax planning.

The ABCs of bookkeeping

In today's digital times, you're probably used to having unrivalled access to your financial numbers, key performance indicators (KPIs) and cashflow metrics. Without good bookkeeping, the speed and quality of your reporting can quickly fall down.

So, why is fast and accurate bookkeeping so important? And what are the main bookkeeping tasks that your business should be getting right?

The financial importance of good bookkeeping

Bookkeeping is a fundamental part of your financial process as a business. Without it, your accounting software has no financial data to work with, your FD doesn't have the most current numbers, and your accountant can't see the current financial health of the business.

Inputting your financial transaction into some form of record-keeping system is also a mandatory commitment if you're a registered business and paying goods and services or value-added tax. Bookkeeping is what provides you with a historic breadcrumb trail of your finances – allowing you to track your cashflow, revenues and profits over a given period.

How to maximise your bookkeeping

So, bookkeeping is a vital part of your financial management. And the key to having your transactions recorded, available for reporting and accessible whenever you need them.

But how should the bookkeeping process work, in an ideal world? Let's walk through the core bookkeeping steps and how you can get the most from this financial admin task.

To keep on top of your bookkeeping:

- **Scan all financial paperwork** – the initial part of the bookkeeping process is to scan and record all receipts, invoices and remittances. This gives you a digital copy of the paperwork that relates to your income and expenses – important when you get around to filing tax returns and expense claims etc.
- **Record all transactions immediately** – getting your transaction recorded and in the books ASAP is vital. This includes recording both your income and expenses, as soon as they occur, and matching them with the scanned paperwork. This not only helps you stay organised but also means your financial data is always up-to-date and can provide real-time reporting and numbers. This can be a huge help when running the business.
- **Categorise transactions accurately** – when recording transactions, make sure you're accurate and categorise each item correctly. Not only does this remove the potential for errors and miss-keying in your books, it also helps you track your spending and income more accurately, so your reports are an honest reflection of

your financial health.

- **Reconcile your accounts regularly** – reconciliation is the process of matching your transactions (both income and expenses) against your bank statement and other financial statements. It's a key part of your bookkeeping and should be done regularly, to ensure that your balances are correct and that your records are totally up to date.
- **Use a cloud-based accounting system** – bookkeeping doesn't involve books (ledgers, in accounting-speak) anymore. In the digital world, you can use cloud-based accounting software, like Xero, to record your transactions and access your financial data in the cloud from anywhere, at any time. This makes it easier to keep on top of your numbers when out of the office (and Xero will even automate the reconciliation process too).
- **Outsource your bookkeeping to a professional** – yes, you can do your own bookkeeping. But there's a LOT of value to delegating all the hard work to a professional bookkeeper. If you don't have the time or expertise to manage your bookkeeping yourself, outsourcing is a smart move. A bookkeeper will make sure your books are always accurate and under control. Plus, they can produce cashflow statements, revenue forecasts and other reports to help your business decision-making.

Talk to us about outsourcing your booking

With today's cloud accounting software, bookkeeping is a far less tedious task than it used to be. But it's still a regular, time-consuming job that can take you away from running the business.

If you're thinking about outsourcing your bookkeeping, and freeing up that admin time, we'd love to talk to you. Our outsourced bookkeeping service will take on your bookkeeping tasks, to streamline the whole process. We'll also introduce you to automated data-entry tools like Dext Prepare, Auto Entry and Hubdoc, that make snapping receipts and scanning invoices a breeze.

Let us do the books, so you can get back to talking to customers and winning work.

Contact us today on 08 6118 6111 or hello@prescottsolutions.com.au to discuss more!

Contractor Rules for Medical and Allied Health Practices and Payroll Tax

Payroll tax audits and court cases during 2023 have brought the issue of payroll tax for medical practices into focus. Until recently, medical practices largely excluded contractors from calculations on the basis that the contractor operates their own business out of rooms rented from a medical practice.

Payroll tax is a state-administered tax with different rules, rates and thresholds in each state. Employers that pay employees or contractors totalling more than the state threshold must submit wage reports to the relevant state revenue office and pay the calculated payroll tax monthly.

A medical or health centre that pays contractors is deemed an employer for payroll tax; therefore, relevant payments made to the practitioner are treated the same as wages.

Many types of arrangements could be counted as relevant for payroll tax. Contractor agreements, service arrangements, and management or agency agreements could all be considered for payroll tax.

The Rules Haven’t Changed

Various states have guidance on what contractors are included and excluded in payroll tax calculations. The recent focus is not because of changes to the law but because of audits and court cases where the final ruling required the practice to pay tax on contractor payments.

The rules in each state are similar but with some distinctions. It’s essential to check the contractor guidance for inclusions and exclusions in your state. In addition, each state currently has different dates at which they will enforce the tax on medical practice contractor payments, with some states offering an amnesty.

What You Need to Do

If your medical or allied health practice pays employees and contractors above the state threshold, you must do an internal audit on agreements with contractors. Check your state’s rulings on inclusions and exclusions and clarify written agreements with your contractors. If you need more clarification about the rules for contractors in your medical practice, start with the information at payrolltax.gov.au.

Payroll tax laws are notoriously complex and it’s a good idea to get professional advice about which workers should be included.

Contact us today on 08 6118 6111 or hello@prescottsolutions.com.au to discuss more!

How much should you pay yourself?

Being the boss means you get to make all the big decisions about your business – including how much to pay yourself in wages, salary or drawings.

As the owner, you might need to underpay yourself in the early stages of building your business, so you can reinvest the profits. But your time is valuable – and you need enough money to pay the bills. So how can you find the right level of pay? It has to be enough to keep the mortgage paid, while also building a thriving business.

If you're trying to decide how much to pay yourself, here are a few questions to ask yourself:

- **What can the business afford?** – You need to leave enough cash in the business to keep it ticking along, pay your basic costs, and meet your tax obligations. Once you've considered all those outgoings, how much does that leave you as a potential salary? We can help you work out what that number is, so you can establish a sustainable rate of pay.

- **What's the market rate for your role?** – What would you have to pay someone to do the work you're undertaking in this business? Maybe you wouldn't actually be able to find anyone to work the same long hours, but if you were hiring someone with your experience, to do the same sort of work for 40 hours a week, what would they expect to be paid? That number is a good starting point for thinking about your own salary or drawings. If you're being underpaid, it's time to think about ways to grow your profits. If you're being overpaid, congratulations on building a highly profitable business!
- **Could reinvesting profits grow your income faster?** – You can take all the profits out of your business, which should give you a strong and sustainable income. Or, could you reinvest your profits and grow the business faster, leading to a higher income in the long-term? You might choose to spend some of your profits on advertising, a better website, or developing a new offering, for example. Or you could pay for assistance in some area of the business. If the investment leads to higher growth, it might be well worthwhile.

We'll help you run the numbers

We can help you figure out how much your business can afford to pay you, analyse the potential gains of a business investment, or weigh up the pros and cons of hiring someone to help you.

Contact us today on 08 6118 6111 or hello@prescottsolutions.com.au to discuss more!

Plain English guide to cashflow

Why is cashflow so central to good financial management? Here's our plain english guide.

What is cashflow?

Cashflow refers to the movement of money into and out of your business over a specific period.

In the most basic terms, cashflow is the process of cash moving out of the business (cash outflows), and cash coming into the business (cash inflows). The ideal scenario is to be in a 'positive cashflow position'. This means that your inflows outweigh your outflows – i.e. that more cash is coming into the business than is going out.

When you're cashflow positive, the main benefit is that you have the liquid cash available to fund your daily operations and debt payments etc.

On the flip side, if you're in a negative cashflow position, this can be a red flag that the business is facing some financial challenges – and that some serious cost-cutting and/or revenue generation is needed.

How does cashflow affect your business?

Not having enough liquid cash is one of the biggest reasons for companies failing. So it’s absolutely vital that you keep on top of your company’s cashflow position.

Five key cashflow areas to focus on will include:

1. **Monitoring your cash inflows and outflows**
   this means regularly tracking your cash inflows from sales, loans and investments, as well as managing your cash outflows from expenses, purchases and debt repayments.
2. **Managing your account receivables and payables**
   efficiently managing your customer receipts and supplier payments helps smooth out your inflows and outflows – and delivers stable cashflow that’s easier to predict and manage.
3. **Getting proactive with your budgeting and forecasting**
   creating realistic cashflow budgets and forecasts helps you predict your future cash position. By anticipating your future cash needs, you can actively plan for potential shortfalls or surpluses.
4. **Being in control of your stock inventory**
   having excess stock in your warehouse ties up cash. So, it’s a good idea to optimise your inventory levels and to only manufacture/order the items you need on a day-to-day basis.
5. **Investing in your cash reserves**
   with emergency cash reserves in the bank, you know you have the funds to handle unforeseen cashflow issues or sustain your operations during lean periods. This makes your whole cashflow position more stable.

How can our firm help you with cashflow management?

Positive cashflow is the beating heart of your business. Working with a good adviser helps you keep that cashflow healthy, stable and driving your key goals as a company.

We'll help you keep accurate records, track your inflows and outflows and deliver the best possible cashflow position for the business.

Contact us today on 08 6118 6111 or hello@prescottsolutions.com.au to chat about improving your cashflow.

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5 challenges for small business – and how to beat them!

Founding, building and growing your own small business is a hugely rewarding experience for many entrepreneurs. But the road ahead isn't always smooth.

There are common challenges that crop up and ongoing issues that need to be factored into your business plan, your strategy and your own personal thinking.

So, what can you do to beat these challenges and make the journey as frictionless as possible?

5 proactive ways to overcome your business challenges

We'd all love to know what lies around the corner when it comes to the future path of your business. The truth is that every business journey is unique. But there are common challenges that every owner-manager or CEO will be faced with – and being prepared for these hurdles is the best way to leap over them and take each challenge in your stride.

We've highlighted five common challenges and the simple ways to overcome them:

1. **Uncertainty**:
   No-one has a crystal ball to know exactly what's coming around the corner. But there are ways to be prepared for some unknown circumstances. You can't fully predict the main external threats like government policy, economic conditions or freak weather conditions. But you CAN use forecasting and scenario-planning tools to build up contingency plans so you have a Plan A, Plan B and even a Plan C. With forecasts of your business data, finances and industry trends, you can be ready to react, pivot and take positive action.

2. **Competition**:
   Small businesses often face stiff competition from larger, more established companies. To stay ahead of the curve, it's important to be nimble and agile. It's also vital to find your niche and to know precisely why your customers value your offering. By ploughing a unique

furrow and keeping your customers happy, you can give yourself an edge over larger, slower-moving corporate-size competitors.

3. **Access to capital**:
   It can be a struggle to secure funding as a startup, particularly if you have limited financial resources or a poor credit history. Having a detailed funding strategy is a crucial way to overcome this problem. Keep your finances in order and make sure you have in-depth financial reports to show banks, lenders and investors. It's also helpful to focus on paying suppliers on time, keeping debt levels under control and ensuring your cashflow is in a positive position. These are all excellent ways to improve your business credit rating and show you're a stable, risk-free prospect for lenders.

4. **Hiring and retaining employees**:
   Attracting and retaining talented employees is difficult, especially during the ongoing talent shortage. Offering competitive salaries or benefits packages can be one way to attract people. But it's also important to think about your brand reputation, your sustainability credentials and your CSR policy – all things that Millennial and Gen Z workers value alongside decent pay and benefits packages. Employees want to be proud of where they work, so make your company a progressive, satisfying and rewarding place to work.

5. **Keeping up with technology**:
   Business technology is evolving at a rapid pace. It can be daunting keeping up with all the available apps, tools and software solutions that are aimed at your business. The trick is to be informed but selective about the apps you use. Start with the operational and financial needs of the business and look for apps that can automate, improve efficiency or provide improved

data and management information. Talk to other business owners and your profressional network to find out what the essential apps are in your industry. And do your research and homework before you choose any software solution to add to your app stack.

Talk to us about being an agile small business

Looking to the horizon for the upcoming pitfalls is essential as an ambitious and informed business owner. As your adviser, we can help you generate the most informative management information, to keep you agile and ready for what lies around the corner.

We’re also on hand to discuss your ongoing strategy, how to react to upcoming risks and the best ways to access capital and manage your company’s finances.

Arrange a meeting and let’s see what the future may bring for your business.

Understanding Your Profit and Loss Statement

Your profit and loss statement (P&L) helps you understand your business performance and profitability over time. It’s sometimes called an Income statement and its main purpose is to list income and expenditure.

Whereas a balance sheet is a snapshot in time, the P&L shows transactions over a specific period of time. This can be a month, quarter, financial year or any other period, and it can be a stand-alone report or a comparative period report.

Together with the balance sheet, these two reports provide a comprehensive understanding of the financial position and performance of a business.

The profit and loss statement has two main sections: income and expenses

These may be further subdivided depending on the complexity of the business and reporting requirements.

Income or Revenue

Income primarily includes main business activities such as sale of goods or services. Other income such as interest received, capital gains or income from secondary business activities is also reported.

Expenses

Expenses are usually divided into two sections: direct costs, or cost of goods sold, and expenses. Cost of goods are those that are directly linked to the provision of services or sale of goods. For example, if you buy widgets from a wholesaler and sell them at a marked-up value, the cost of the widgets is a direct cost, not an overhead expense.

Other types of direct costs might be importing and freight costs, contractor costs or certain equipment. Some direct costs are fixed, that is, they are the same from month to month, or they could be a fixed percentage of sales; others vary in value but are still related to the income producing activities.

Overhead expenses are all the other expenses required to run the business, regardless of the level of income: for example, rent, utilities, bank fees, bookkeeping fees, professional development costs, vehicle costs and staff costs. Many of these costs form the basis of working out your break-even point, or how much it costs just to open the doors for business.

There are some expenses which may be reported as a direct cost in one business but an indirect cost in another type of business, for example, merchant fees or contractor costs.

The Bottom Line

Total income minus total expenses results in the net profit (or loss), is often called ‘the bottom line’. Often business owners are just interested in looking at the bottom line, but a true financial picture requires an understanding of several reports and an ability to see the big picture that the reports are illustrating.

The P&L is a vital tool to analyse for trends over time

- What does your P&L tell you about relationships and

ratios between sales and expenses, seasonal changes and annual trends?
- Have all your direct costs been allocated correctly?
- Have you recouped all billable expenses from customers?

Financial statements help you understand the big picture for your business. With deeper understanding of your business operations and performance you can make informed decisions about your business finances.

Contact us today on 08 6118 6111 or hello@prescottsolutions.com.au to get a better understanding of your business!

Your taxable payments annual report (TPAR) is due soon

Prepare now for your taxable payments annual report (TPAR) lodgement. Whether you lodge your own report directly with the ATO or if you use our lodgement services, this form is due by the 28th August.

There are a number of supplier details required in the TPAR. If you have not kept up-to-date supplier records throughout the year, start updating your records now to ensure timely TPAR lodgement.

Things to review before finalising your

TPAR:

- Make sure you are clear about which suppliers have to be reported on the TPAR and which (if any) can be excluded.
- Check that you have current details for relevant suppliers: ABN, business name and business address.
- Check your supplier reports for the gross amount paid in the financial year and the amount of GST included.
- If you are not already in the habit of checking the ABN and GST registration of all suppliers, now can be a good time to do some checking. Have your suppliers quoted the correct ABN and GST registration status on their invoices?
- Do you have tax invoices for all supplier business-related transactions?

Most accounting software programs allow for the easy setup and maintenance of TPAR relevant supplier groups, making the annual report preparation quick and easy. Talk to us about setting up taxable payments reporting in your software for the lodgement of your TPAR.

Software Help Guides

- Xero TPAR Guide – The Taxable Payments Annual Report – Xero Central
- MYOB Essentials (Online) – Producing the Taxable payments annual report – MYOB Essentials Accounting – MYOB Help Centre
- MYOB AccountRight (Desktop) – Reporting taxable payments (Australia only) – MYOB AccountRight – MYOB Help Centre