

BUSINESS & PROFIT MATTERS

Strategies for managing your business



IN THIS ISSUE:

- *Cybersafety & E-Invoicing - Protecting You And Your Clients From Cybercriminal*
- *Revenue Boosting Tips For Your Business*
- *SME Recovery Loan Scheme Expanded Under New Rules*
- *What Does Purchasing A Car For The Business Mean?*
- *And More...*

Revenue Boosting Tips For Your Business

Revenue streams are the lifeblood that sustains the business. This means that methods of generating revenue are constantly being discussed, analysed and looked into during every stage of the business.

However, there are four critical strategies to revenue management and generation that every business should take into consideration and plan around. These include:

- Increasing the number of customers
- Increasing the average transaction size
- Increasing the frequency of transactions
- Raising your prices.

Increasing The Number Of Customers

Essentially, this tactic means that you are trying to bring or attract more people to your business, in the hopes of increasing the number of transactions that might occur (assuming that the transaction price remains the same).

This might occur through promotions, discounts, special offers, or even cold-marketing to your prospects.

Increasing Average Transaction Size

This strategy of revenue generation means that you are trying to entice your customers to purchase more (and typically done through a process known as upselling). When a

customer purchases a product or service, you can offer them additional products or services that might be seen as a natural progression, or something that they might be interested in. The more of these items that the customer purchases, the more they spend and the more you collect in revenue.

Increasing The Frequency Of Transactions Per Customer

Basically, this method is about encouraging your prospects to purchase from you more often. If they visit your business to purchase something more frequently, your revenue should increase (assuming that the average transaction size stays the same).

Raising Your Prices

This might seem like a scary method, particularly if you are worried about retaining your customers. If you raise your prices, your revenue should similarly increase with every purchase made. Assuming your volume, average transaction size, and frequency stays the same, raising your prices should bring in more revenue for the same amount of effort. Raising the prices of your products/services should be carefully considered though prior, as a price spike that's deemed too high could lead to your business losing out on revenue instead. As technology is in a rapidly evolving state, often the law lags behind. One of the areas in which this may seem even more evident is in the signing of documents, and especially so in deeds.



HYD ADVISORY



Suite 3
284 Belgrave Esplanade
Sylvania Waters
NSW 2224

TEL 02 8543 6800

EMAIL
admin@hydadvisory.com.au

WEB
www.hydadvisory.com.au

DIRECTORS
Mark Pinhorn
Mark Gocher

Accounting
Cloud
Finance
Wealth

Strategies Around Dipping Into The Petty Cash

Some businesses may still have a small stash of cash and change in the office that's specifically for small and/or insignificant purchases. This may be to avoid having to hand out the company/business card for incidental expenses, such as purchasing coffee, topping up the office's milk or satisfying the stationary needs.

Known as the petty cash fund, this simple method of expensing is still a relatively common approach employed by businesses. However, it can be fraught with issues for your accountant,

as all of the money used from the petty cash needs to be accounted for. If you are not keeping accurate records about the petty cash transactions though, how do you know how much petty cash is actually available?

You don't want to be held liable for money missing from the business, so here's how (if your business uses a petty cash fund) you can keep it accountable:

- **Put into place a set policy for the petty cash** - stipulate who will be able to access the money, if there is to be a process in requesting, how records need to be kept etc. Enforce this policy across the business for those who have the access to petty cash.
- Have a set amount of petty cash available, and replenish when necessary - this should cover the expenditures covered through the petty cash.
- **Set a limit on the amount of money that can be withdrawn from the petty cash** - petty cash isn't designed for major purchases, so it does not need to be an

extravagant amount.

- **Specify what the petty cash can be used for** - this way you can keep track of what exactly is being bought with the petty cash, and identify anyone misusing the system.
- **Always keep track of what is being bought with the petty cash** - keeping track of receipts is perhaps one of the easiest ways to do this, but keep them separate from your other documentation.

A debit card for the business can be employed if you are looking for a way to modernise the petty cash fund. Again, records need to be maintained but electronic/digital transactions are a lot easier to trace.



What Does Purchasing A Car For The Business Really Mean?

Purchasing a car for the business is not like purchasing a car for your own personal use. There are a number of things that need to be addressed when deciding the usage of a car that you are looking to purchase.

Purchasing The Car For The Business

If a vehicle isn't solely required to perform your business activities, it could attract fringe benefits tax.

If you are a tradesman, a car might be a necessary purchase for your business (particularly as a sole trader) as it could be used full-time and won't incur FBT. However, if your car is purchased for business, but is used for a substantial amount of personal use, it will be subject to FBT.

Taxable Consequences

Initially, the purchase of a car for the business will reduce its taxable income, and any GST can be claimed. However, when you sell the car in the future, the amount will be added to your taxable income as a gain. You may want to consider temporary full-expensing, but sometimes that is not the best tax strategy if you have already reduced your taxable income substantially.

Before deciding whether or not a car is a purchase necessary for your business, it's best to speak with someone like us so that we can model out the benefits and disadvantages suited to your specific situation.

SME Recovery Loan Scheme Expanded Under New Rules

Are you a small or medium-sized enterprise that has been impacted by the ongoing financial effects of COVID-19?

The SME Recovery Loan Scheme was intended as a way to enhance lenders abilities to provide cheaper credit to SMEs that are otherwise viable for additional funding to get through the Coronavirus pandemic, recover and invest in the future.

The SME Recovery Loan Scheme is open to small and medium-sized businesses with up to \$250 million turnover, including self-employed and non-profit enterprises.

Under the Amended Scheme Rules (which came into effect 1 January 2021), the SME Recovery Loan Scheme is to be expanded to provide additional support to SMEs adversely affected by the Coronavirus Pandemic, amidst additional conditions.

Essentially, the SME Recovery Loan Scheme made it easier to access loans as the Government guaranteed 80% of the loan amount (from 1 April 2021-31 December 2021).

Under the current expansion, these loans are available from 1 January 2022 until 30 June 2022, with a government guarantee of 50% of the loan amount.

Participating lenders offer guaranteed loans under the SME Recovery Loan Scheme (2022

Scheme Expansion) with the following terms:

- the Government guarantee will be 50% of the loan amount
- the expanded Scheme will not be available for loans to flood-affected SMEs that are not adversely economically affected by COVID-19
- lenders are allowed to offer borrowers a repayment holiday of up to 24 months
- loans can be used for a broad range of business purposes, including investment support
- loans may be used to refinance any pre-existing debt of an eligible borrower, including those from the SME Guarantee Scheme
- borrowers can access up to \$5 million in total, in addition to the Phase 1 and Phase 2 loan limits
- loans are for terms of up to 10 years, with an optional repayment holiday period
- loans can be either unsecured or secured (excluding residential property)
- the interest rate on loans will be determined by lenders but will be capped at around 7.5 per cent, with some flexibility for interest rates on variable rate loans to increase if market interest rates rise over time

Electronically Executing Deeds

A deed is a much more formal type of document. Most people will execute deeds when establishing trusts or self-managed superannuation funds.

Traditionally deeds have had to be signed on paper or “parchment”, under common law. But COVID-19 has meant a shift in the way that things are done, particularly towards electronic/digital means of execution. Can a deed be signed electronically?

It comes down to deciding which legal jurisdiction covers the signing of the deed. Sometimes there will be two separate sets of laws that cover how a trust deed is executed.

For example, a company is regulated by commonwealth laws, whereas a deed itself is regulated by state or territory laws. If a company executes a deed in NSW as one party then Commonwealth law will apply, but if another party is an individual then the state

law of the state where they settled the deed will apply. This can get complicated and confusing, so advice should always be sought when executing a deed for your company or business.

The rules have changed recently for many states around the ability to execute a deed and other documents electronically. In some instances, a signature can now be witnessed remotely and a separate copy of a deed to evidence that the person signed the deed and someone else witnessed the event.

What Does This Mean For Your Business?

You may be allowed to witness a deed remotely legally, but will that document be accepted by the bank?

How can an original deed be provided if it was executed on a computer? Once a deed is printed, it becomes a copy - so how are you then able to take it to a Justice of the Peace and have them certify that it is a true copy

of an original? These are just some of the many questions that face those who require documents to be executed for their business and who choose to do so electronically.

Recently, a bank was unable to claim on a guarantee where an electronic signature of the guarantor was placed on the document by someone who had his password. As a result, banks are more cautious around electronic signatures.

There is still a ways to go before all deeds can be kept on the computer. While the law is proceeding slowly in accepting electronic signatures and copies of documents, other parties need to match the progress.

If a document is to be executed electronically, you need to first make sure that all people who will be relying on that document will accept electronic signatures. Otherwise, pen and paper are still proven to do the trick.

Can You Be Sued If Your Workers Catch COVID-19 At Work?

When a worker is injured or becomes ill as a result of their employment, they may make a claim for workers compensation from your business. As COVID-19 restrictions ease and borders reopen, there is a larger risk of exposure to the virus, which forecasts a potential rise in workers compensation claims. Additionally, your business could be at risk of legal action if staff members get sick as a result of work.

As an employer, you have a duty of care to your employees to maintain a safe workplace, as far as is reasonably practicable. This means that you need to ensure that there are preventative measures and precautions in place to avoid harm or injury as they perform their role. This includes implementing safeguards to avoid the spread of COVID-19.

If an employee catches COVID-19 at work, they can make a claim for workers compensation under their state-based Work Cover schemes which operate under a no-fault principle. This ‘no fault’ principle is when compensation is available to a worker if they are unable to work due to a work-related injury, even if their employer committed no wrong.

If a worker believed they had contracted COVID-19 because their employer was at fault, because of deliberate action or through negligence, they may be able to sue their boss

(you) in court for damages.

They would have to prove causation - that is, not only that you owed them a duty of care, but that there was a failure in fulfilling this duty of care that caused the injury (the contraction of COVID-19). This may be difficult to prove on their part.

If however you were aware of the risk of infection and did not put measures in place to prevent or minimise the risk of exposure, you may be held liable by your employees, and be subject to a potential lawsuit.

This means that employers need to ensure that they are being very stringent and dutiful towards the health and safety of their employees, lest they be left open to liability concerns. Carry out your operation in line with government regulations and OH&S principles to mitigate your liability risk.

How Can You Minimise The Risk Of A Lawsuit?

- Adopt stringent practices and procedures, such as hand-washing, sanitisation and practice distancing
- Keep up-to-date records of all procedures, incidents and measures for OH&S.
- Follow public health orders where possible, and implement additional safety precautions for your staff if necessary (e.g. wear masks if in a customer-facing

position, provide them with protective equipment and hand sanitiser, mandate check-in procedures).

- Increase security and surveillance.
- Adhere to the changing government regulations, prioritising understanding of and adherence to new directives as quickly as possible.



CyberSafety & E-Invoicing – Protecting You & Your Clients From Cybercriminals

As with all forms of revenue generation and payment methods in business, e-invoicing is just as prone to fraud and scams as any other. Thorough vigilance and hyperawareness of the issue is a key part in preventing access by scammers to your payments, invoice fraud can happen to any company or organisation, big or SME, paper invoicing or electronic.

E-invoicing is the direct, automated digital exchange of invoice information between a supplier's and a buyer's software based on an agreed standard.

Invoice fraud happens when an organisation is fooled into changing bank account payee details for a significant payment (usually a large lump sum). Criminals pose as regular suppliers and make a formal request for bank account details to be changed. You may not realise this to be a scam until

your actual suppliers contact you to complain about payments not occurring.

If there is a change to a normal payment between a buyer and a supplier it needs to be verified as legitimate (e.g. a change in account details). Significant changes and odd activity could denote criminal activity or scamming if it is not being conducted by the actual suppliers.

Be aware of potential scams that may be around, and have security checks in place to ensure that payment is being made to the correct suppliers. Before paying, ensure that your supplier verifies all major invoices using the contact details you already have on record.

Keeping Your Business Safe From Invoice Fraud

- Always check for irregularities, including

changes to supplier names and addresses and changes to invoiced amounts.

- Check any modifications to supplier financial arrangements should be verified against what is on file - if there are any doubts or concerns, contacting your supplier directly may be the best practice to put into place.
- Check bank statements carefully, and report any discrepancies or suspicious debits to your bank as soon as possible.
- If contacted, double-check with the numbers on file to contact your supplier (not any that they may leave you with) for verification.

If your e-invoicing is being handled externally, by us for instance, you can raise any concerns that you may have with us to look into.

Starting Your Business From The Ground Up

2022 might be bringing you a fresh start in terms of your business adventures, and you may be looking to start your next adventure on your own terms. Next year could be your year to start a business, but you might have concerns and trepidation about the process.

Starting a successful business requires three things:

- A good idea,
- The right amount of capital you'll need, and
- Creativity.

However, with the challenges that many businesses faced over the last few years, particularly those who were finding their feet and starting up, having just those three things to face 2022's business environment might be a little daunting.

That's why having a strategy in place for your business and a plan for its path in the future is of paramount importance.

Think Through Every Element Of Your Startup (From Top To Bottom)

Having the idea for your business is a great starting point, but being able to articulate to investors that idea to your investors with a solid foundation behind it is even more important. Think about the questions that your investors might ask you about critical elements of your business, including your target audience, the competition in the field, your company's goals and your potential marketing strategies, as well as potential questions investors might ask you about each of those aspects of your business. Having solid answers in place will give your investors (and you) a better picture of the idea and the potential of you as a business innovator.

Draft A Business Plan

Having a physical business plan that includes all of the

elements that you brought forward to your investors or partners will help you as you move forward on your business trajectory, but also gives a map of your business goals.

Creating a business plan should be fairly easy as it is simply putting in writing what you have already discussed ahead of time with your investors.

You may also be able to speak with us about creating business plans at the beginning of your business as well as throughout your business's lifetime.

Put Your Money Into The Resources You Need (Not The Ones You Want)

It might be tempting to shell out for the best and the flashiest equipment that your business could have a use for all at once, but it's best to plan out your expenses. Determine your needs upfront and invest in them. Are you planning to have a physical space for your business, or can operations be conducted remotely? Putting the extra money into the critical resources and equipment that your business needs at the start may help you to produce a quality product and earmark your businesses

Don't Skimp On The Marketing

Marketing is one of the most important business growth strategies but is often neglected or overlooked by new businesses. Use social media, create a website, set up a blog or create email campaigns to bring awareness to your business.

Hire An Accountant

An accountant is specially trained to handle the organisation of your finances and keep them in good order. While you might be able to keep track of your finances in the early stages of the business's growth, we're equipped to help when things start to pick up speed. Start a conversation with us to find out how we can help your business today.

Tax Dates

21 JANUARY

- Lodge and pay quarter 2, 2021-22 *PAYG instalment activity statement* for head companies of consolidated groups.
- Lodge and pay December 2021 monthly business activity statement except for business clients with up to \$10 million turnover who report GST monthly and lodge electronically.

28 JANUARY

- Make quarter 2, 2021-22 super guarantee contributions to funds by this date.

21 FEBRUARY

- Lodge and pay January 2022 monthly business activity statement.

28 FEBRUARY

- Lodge tax return for non-taxable large/medium entities as per the latest year lodged (except individuals).
- Lodge tax returns for new registrant (taxable and non-taxable) large/medium entities (except individuals).



Did this month's newsletter raise a few questions?

Book a consultation with us so we can help you answer them.