



BUSINESS ACCELERATOR MAGAZINE

Your Quarterly Business, Tax & Accounting
newsletter to help you grow your business



Part 2: More key performance indicators for your business



More ways to track and drive growth

Read part 2 of our series to discover the KPIs critical to business success and the role of a trusted accountant.

KPIs as a benchmark for success

Understanding key performance indicators (KPIs) not only offers an instant view of business health, but boosts your financial literacy.

Business KPIs to track

Part one:

- [1. Cashflow forecast](#)
- [2. Revenue growth](#)
- [3. Revenue per client](#)

Part two:

- [4. Profit margin](#)
- [5. Client retention rate](#)
- [6. Accounts receivable/accounts payable ratio](#)

4. Profit margin

What is it?

Your profit margin is how much of every dollar your business keeps from its earnings.

What does it indicate?

Monitoring profit margins can uncover pricing issues and identify costs that threaten your profitability.

How is it measured?

Subtract your costs from your revenue, divide by your revenue and multiply by 100 to calculate your gross profit margin percentage.

Who measures it?

Run the numbers yourself in your accounting software or get expert support from your accountant.

What do you compare to track performance?

Choose your profit margin calculation (gross, net or operating) and check in each month.

What's the industry benchmark/target KPI range?

This varies widely across industries. For instance, hospitality runs on thinner margins than a business consultancy.

Why and how it can impact your business?

A thin profit margin makes your business vulnerable in uncertain economic times. Widening your profit margins ensures you make more from every dollar of revenue.

What to ask your accountant?

Should I be calculating gross, net or operating profit margins?

What percentage should I be aiming for in my industry?

5. Client retention rate

What is it?

The number of clients your business retains over a given period of time.

What does it indicate?

A high retention rate indicates a good level of client loyalty which is a great indicator that you are on the right business track.

How is it measured?

- Select a time period
- Subtract new clients gained from the total clients at the end of the period
- Divide by the number of clients you had at the start of the time period
- Multiply by 100 to calculate the rate as a percentage

Who measures it?

You can run the numbers or get your accountant to do it for you.



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What do you compare to track performance?

Monitor client retention over the same time period (month, quarter or year) to get a more accurate result.

What's the industry benchmark/target KPI range?

A realistic KPI for most businesses is 80-90%.

Why and how it can impact your business?

Keeping existing customers is cheaper than trying to win new ones. Loyal customers are worth up to 10x the value of their first purchase, generating referrals, promoting your brand to others and offering valuable feedback.

What to ask your accountant?

What client retention rate should I aim for in my sector?

How often should I be measuring client retention for maximum impact?

6. Accounts Receivable/Accounts Payable ratio

What is it?

This compares how much money is owed to you (accounts receivable or AR) with how much money you owe to others (accounts payable or AP).

What does it indicate?

Your business cashflow is impacted by outstanding invoices. If you owe more money than you are due to receive, your business could be in trouble.

How is it measured?

Divide AR (money owed to you) by AP (money you owe others).

Who measures it?

You can run the numbers or get support from a trusted accountant.

What do you compare to track performance?

Measuring your AR/AP ratio on a monthly basis helps identify seasonal trends.

What's the industry benchmark/target KPI range?

A ratio of 1:1 indicates you can just get by. A ratio of 2:1 or 3:1 signals you are in a healthier financial position.

Why and how it can impact your business?

It's difficult to operate a business without the cash to meet all your obligations. Increasing your AR/AP ratio gives your business room to grow, allowing you to save and invest without worrying about cashflow.

What to ask your accountant?

What is my current AR/AP ratio?

Where can I increase revenue/reduce costs to improve the ratio and boost my bottom line?

How to track your KPIs

Check if your online accounting systems can track your business KPIs and targets, or ask a trusted accountant to guide you through the process of creating customised reports.

Measure what matters

Talk to your accountant about which business KPIs suit your business to track.

Plan a sustainable business future with expert advice on KPIs.

[Ask for a callback from Scotts Chartered Accountants.](#)

How late invoice payments can put your business at risk



Protect your business from the impact of overdue invoices

Get late payments under control to free up your cashflow.

Late payments, large impact

As the Australian economic uncertainty continues, shrewd business owners are continuing to keep an eye firmly fixed on their cashflow. Even with purse strings pulled tight, late payments put businesses at risk of financial difficulty – with far-reaching ramifications.



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Recent research showed **64% of SMEs have been negatively impacted** by late customer payments – being paid an average of 6.4 days late.

In this article, we outline how late payments could put your business at risk and the tactics and tools to avoid late payers in the future.

How late payments affect your business cashflow

1. **Inability to forecast** – if you can't depend on clients to meet your terms, this unpredictability can add to a 'boom or bust' mentality that prevents sustainable growth.
2. **Insufficient working capital** – limited cashflow limits your capacity to take on new projects, procure supplies, and invest in new equipment.
3. **Difficulty meeting operational and supplier expenses** – operational efficiency and supplier relationships suffer when you're unable to keep up with payments.
4. **Bad credit ratings** – inability to pay off loans and credit cards can cause credit ratings to drop, making it more difficult and expensive to access funds in future.

Auditing your Accounts Payable (AP) and Accounts Receivable (AR) terms

Setting appropriate AR terms for your customers is key to preventing late payments. Terms should clearly cover:

- payment deadlines
- how much credit you are willing to extend to your customer.

Aim to set terms that are fair for both you and your customer to encourage a healthy relationship and increase the likelihood of on-time payment.

Tips for avoiding late payments

1. **Make paying easy** – it makes a big difference. Clearly communicate payment options and terms so customers know how to pay and when.

2. **Consider payment plans** – payment plans can ease the financial challenge for customers by breaking the payment down into manageable chunks.

3. **Consider an early payment discount** – if it works for your business, you can offer a saving to encourage customers to pay upfront.

4. **Send a reminder BEFORE the due date** – prevention is better than cure, so stay on top of deadlines.

5. **Leverage automation** – let automated follow ups do the hard work of follow ups for you.

Is it time to renegotiate with customers?

Renegotiating terms with your customers can help to prevent late payments.

Handling these issues with care is key, but it doesn't have to be awkward or end the relationship. A simple change to align with their own AP terms and time invoices more mindfully can reduce late payments.

About the Payment Times Reporting Scheme

The Payment Times Reporting Scheme aims to improve payment times for Australian small businesses. Under the scheme, large businesses and government enterprises must report their payment terms and times every 6 months.

This creates transparency for small businesses and informs decisions about who they do business with, while public scrutiny encourages large businesses to improve payment times.

Partner up to protect your business

Late payments can have a significant impact on your cashflow. Practice good, sustainable business by staying on top of your terms and supplier terms.

Protect your business from late payments with expert accounting advice.

Ask for a callback from Scotts Chartered Accountants.



How to create a supplier questionnaire to assess risk in 2023



Information is power – and protection – when managing supply chain risk

Growing business means increasing risk

As your business grows so does your supply chain – and the work involved in managing supplier relationships and expectations. More suppliers means less visibility and greater difficulty keeping a handle on your exposure to risk.

Cyberattacks, governance failures and questionable ethical practices – such as modern slavery and environmental harm – threaten the reputation of your brand. Business must be across the immediate supply chain, and their suppliers too.

It's a complex process, but collecting and aggregating information from your supply chain is now a must as regulatory bodies and consumers expect holistic operational transparency. Managing the risk posed by your suppliers – and harnessing the value they provide – is crucial to long-term business growth.

Part of the process is creating and distributing a business as usual (BAU) supplier questionnaire to help you assess supplier risk, diversity and compliance, and benchmark performance across your supply chain.

Reassessing the supply chain post Covid-19

The Covid-19 pandemic which threw supply chains into disarray. Scrambling to manage worldwide transport delays, fear was a key driver in purchasing and procurement decisions.

It's understandable if your business brought on some new suppliers during the pandemic without adhering to the

usual assessment processes. But as supply chains stabilise, it's time to go back and reassess those suppliers with a BAU supplier questionnaire to mitigate potential risks.

How to create a BAU supplier questionnaire

Your BAU supplier questionnaire gathers the information you need to make an informed decision about your working relationship. Evaluating suppliers through a questionnaire streamlines the process, saving you time and resources.

What to include

- An introduction explaining the purpose of the survey, asking suppliers to be honest, and outlining your expectations.
- A rundown of resources and tools to assist suppliers in completing the survey – e.g. the Australian Government's Modern Slavery Act 2018.
- The body of the survey with questions asking if the supplier is:
 - compliant with the Modern Slavery Act
 - subject to any ongoing investigations or charges relating to modern slavery and other abuses
 - taking any action to tackle modern slavery, other abuses and environmental harm through their own organisation and their supply chains (e.g. training employees)
 - equipped to respond to any allegations of modern slavery, substandard working conditions or environmental harm in its operations or supply chains
 - engaged in due diligence activities to identify, prevent and mitigate fraud and corruption in its operations and supply chains
 - self-funded or reliant on another party
 - resourced to provide quality products in a timely manner
 - proven to have a good reputation (e.g. positive testimonials)
 - equipped with solid operational and communication policies and procedures
 - certified with any required legal or industry bodies.



Modern Slavery Register

The **Modern Slavery Register** is an Australian Government initiative, providing an online register for entities that must (or choose to voluntarily) report under the Modern Slavery Act 2018. Organisations submit their modern slavery statements to the online register for review and publication by the Australian Border Force.

These statements must identify the risks of modern slavery in the reporting entity's operations and supply chains, describing the measures taken to assess and address those risks. The effectiveness of those measures must also be outlined in the statement.

Launched in 2020, the register is a publicly accessible website and acts as a valuable resource for sharing best practice across sectors.

What if a supplier doesn't meet your standards?

If your supplier questionnaire reveals some discrepancies between your expectations and your supplier's operations, it doesn't have to be awkward or end the relationship (unless you decide that's the best decision for your business).

If you want to keep doing business, encourage suppliers to see the gaps as areas for improvement that can be resolved together for the benefit of both parties. This might mean providing supplier training or on-site assistance for a period of time. Make the changes required clearly measurable and follow up on an ongoing basis so you can track the supplier's performance and benchmark improvements.

Forming a partnership and providing suppliers with resources to increase their competencies results in a stronger and more competitive supply chain – and significant business gains.

Get the insights you need to protect your business

When it comes to managing supplier risk, it pays to be proactive and take a good look at your suppliers now, before a crisis hits. Get advice from an expert accountant to inform your BAU supplier questionnaire, and then guidance around how to act on the insights it extracts.

Mitigate supply chain risk with expert accounting advice.

[Ask for a callback from Scotts Chartered Accountants.](#)

Do you know your responsibilities as a director in 2023?



Protect your personal position by understanding your obligations

Directors face increasing scrutiny and a range of penalties for wrongdoing

There are an estimated 2.7 million company directors in Australia. Amid an uncertain economic landscape and

increasing regulatory requirements, directors may find themselves facing new scrutiny.

The introduction of the Director Identification Number scheme means directors are now easily identified, and there's nowhere to hide should their actions go awry. Every director must register to receive a 15-digit identifier valid for life:

- prevents the use of false or fraudulent director identities
- makes it easier for external administrators and regulators to trace directors' relationships with companies over time
- identifies and eliminates director involvement in unlawful activity, such as illegal phoenix activity.

Director key role and responsibilities

Directors don't always know the full extent of what they've signed up for. As a director, key responsibilities include:

- Oversee and manage the affairs of the company, including assets, debts, employees and investments.
- Act for a proper purpose, with care and diligence, in good faith; avoid conflicts of interest in transactions; and



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prevent insolvent trading – per the [Corporations Act 2001](#).

- Ensure adequate and up-to-date records of ledgers, debtor and sales records, wages and superannuation records, tax returns and calculations, inventory records, investment records, deeds and contracts, and minutes and resolutions.
- Maintain the company's required registers (e.g. ASIC register, Form 484s).
- Pay the required Pay As You Go (PAYG) withholding and Superannuation Guarantee Charge (SGC) amounts to the ATO.
- Ensure the company holds a shareholder annual general meeting, in accordance with the terms of the constitution or Shareholders Agreement.
- Seek trusted professional advice when needed to make informed decisions.

Potential penalties

What happens if you fail to meet the above responsibilities? There are several penalties for a breach of directorial duties. The [Corporations Act 2001](#) outlines criminal sanctions, which can range from fines, imprisonment, and civil penalties of up to \$1,100,000.

Parties including shareholders, the company or its creditors can also bring civil actions against a breaching director, resulting in personal liability in the form of damages.

The director can also be permanently disqualified from directorship, which is enforced via their Director Identification Number.

What is a Director Penalty Notice?

When it comes to tax and super, if you fail to report and pay on time, you could be hit with a Director Penalty Notice (DPN). A DPN recovers a company's unpaid amounts, making directors personally liable for three types of debt:

1. Pay As You Go (PAYG)
2. Superannuation Guarantee Charge (SGC) liabilities
3. Goods and services tax (GST).

There are two types of DPN:

1. The traditional DPN gives a director 21 days to either pay the penalty amounts in full, negotiate a payment plan or dispute the penalty to potentially avoid personal liability.
2. The Lockdown DPN which makes a director automatically personally liable if company tax returns are not lodged within 3 months of their due date and provides no avenues for disputing or avoiding the DPN.

Tips for good governance as a director

Ensuring good governance is an important part of avoiding risk to the company – and to yourself as director. Good governance relies on:

- **Diversification** – embrace a diverse range of people, cultures, ideas and opinions, recognising that diverse businesses make better decisions.
- **Sustainability** – build long-term strategic value rather than chasing potentially volatile short-term wins.
- **Risk management** – act proactively to identify and mitigate risk with an internal control framework and disaster recovery plan.
- **Compliance** – implement a process for monitoring company activities, identifying any breaches of compliance and rectifying them promptly.
- **Documentation** – ensure recordkeeping is watertight across all facets of the business.
- **Transparency** – be willing to openly share accurate information (good and bad) with stakeholders and shareholders.
- **Accountability** – show integrity by being personally accountable to shareholders, vendors, employees and the general public for the decisions you make.

Protect yourself and your future

Being a director comes with significant responsibilities and personal risk. Protect your reputation, career and financial position by ensuring you're across expectations and obligations.

If in doubt, it pays to get advice from an expert accountant who can guide you through the complex tasks on your to-do list, ensuring you – and the company – stay compliant.

Decipher your director duties with expert accounting advice.

[Ask for a callback from Scotts Chartered Accountants.](#)



How Australian businesses can maximise tax efficiency in 2023-24



Your guide to EOFY tax planning and minimisation

Take the critical opportunity to minimise liabilities.

The EOFY brings a crucial opportunity to optimise tax strategies and minimise liabilities.

As we face uncertain economic conditions and changing tax laws, effective tax planning is critical to enable your business to navigate challenges, seize opportunities, and maximise their financial position.

As part of end-of-financial-year tax planning and minimisation for Australian businesses, accountants play a pivotal role in helping businesses save money and maximise their tax efficiency. By implementing effective tax planning techniques in keeping with the intricacies of tax laws, businesses can:

- optimise their cash flow
- minimise their tax liabilities
- position themselves for long-term success.

Why is End-of-Financial-Year Tax Planning so important?

Taxation is complex and ever changing – it's critical for businesses to stay informed, adapt to regulatory changes, and capitalise on available incentives.

- Know how EOFY impacts business taxation and reporting obligations
- Access benefits of planning ahead such as reducing tax liabilities, maximising deductions, and optimising cash flow
- Stay compliant with tax laws and manage risk to avoid audits or penalties.

Bigger picture strategies for minimising tax at EOFY

Keep accurate records

An easy one to ignore, how is your record keeping going to impact your tax?

Without accurate and organised financial records – diligently recording income, expenses, receipts, and invoices – businesses can accurately determine their financial position and identify potential deductions. A comprehensive record-keeping system ensures compliance as well as a clear overview of business operations that makes it easier to identify where tax savings can be made.

Dig deeper into deduction optimisation

Businesses can optimise their tax position by taking advantage of deductions including operating expenses such as office supplies, rent, utilities, and marketing costs.

Get the timing right of income and expenses

Strategically timing income and expenses is a powerful way to optimise tax outcomes. Your options may include deferring income to the following financial year or accelerating expenses to reduce their taxable income in the current financial year.

This strategy is particularly relevant for businesses employing the cash accounting method, as income is recognised when received, and expenses are recognised when paid. For businesses utilising the accrual accounting method, careful consideration of revenue recognition and prepayments can also result in tax savings. Collaborating with accountants helps businesses understand the potential impact of timing decisions on their tax position and ensures compliance with relevant regulations.

See what's on the table for business

The Australian Taxation Office (ATO) offers several tax concessions specifically designed to support small businesses. Talk to your accountant for expert advice on eligibility criteria and application for any concessions.

Check your structure is serving you

Strategic structuring or restructuring may optimise tax outcomes and enhance overall financial efficiency. For example, a family trust can allow for distributing income to beneficiaries with lower tax rates. Ask an accountant with tax planning and business structure expertise for a review of your structure.



Get specific: 10 example tax minimisation strategies for Australian businesses

Here are ten key strategies that businesses can consider during end-of-financial-year tax planning:

1. **Utilise small business CGT concessions:** Take advantage of the capital gains tax concessions available to small businesses, such as the 15-year exemption, retirement exemption, and small business rollover relief.
2. **Explore research and development (R&D) Tax Incentives:** Investigate eligibility for R&D tax incentives, which offer tax offsets or cash refunds for eligible R&D activities.
3. **Maximise deductible expenses:** Ensure all eligible business expenses, such as marketing, training, and professional fees, are claimed to reduce taxable income.
4. **Superannuation strategies:** Consider making additional superannuation contributions for eligible employees, which can provide tax benefits and help meet retirement savings obligations.
5. **Instant asset write-off:** Take advantage of the instant asset write-off scheme to immediately deduct the full value of eligible assets purchased for business use.
6. **Depreciation and capital allowances:** Ensure accurate depreciation calculations and claim capital

allowances for eligible assets over their useful life to maximise deductions.

7. **Prepay expenses:** Consider prepaying deductible expenses, such as rent, subscriptions, or insurance, before the end of the financial year to bring forward deductions.
8. **Stock valuation:** Evaluate stock valuation methods and choose the most tax-effective approach, such as the simplified trading stock rules, to optimise reporting and minimise tax liabilities.
9. **Charitable contributions:** Explore opportunities to make deductible donations to eligible charities, benefiting both the community and reducing taxable income.
10. **Carry forward losses:** Utilise carried forward tax losses from previous financial years to offset taxable income, reducing the overall tax liability.

Every business has an individual and nuanced tax and financial profile. It's important to note that the suitability of these strategies may vary depending on individual business circumstances. Seeking professional advice from expert accountants is crucial to ensure compliance and to benefit from these strategies.

Optimise tax and minimise liabilities with expert accounting advice.

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How Australian businesses are budgeting and forecasting into FY23



Does your business have new financial year resolutions?

Develop a robust strategy for challenging conditions.

Strategic budgeting and forecasting will be instrumental to financial sustainability for businesses as we head into FY23.

Developing a robust budget that sets the stage for financial success requires expert support across forecasting revenue, managing expenses, and identifying key financial goals.

Why make the time for budgeting and forecasting

Research from the ABS shows that nearly 60% of small businesses cited inadequate cash flow management as a major reason for failure. By developing a well-structured budget and accurately forecasting revenues and expenses, businesses can better anticipate cash flow fluctuations and plan ahead to reduce risks. The data that's most useful to you will depend on your business.



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For example, an Australian retail store planning for the new financial year might analyse historical sales data, market trends, and consumer behaviour as part of forecasting store revenue growth.

Bring a local perspective to forecasting

Your accountant brings the advantage of a broader perspective across the business landscape that considers specific local context.

For example, for an Australian tourism company aiming to forecast revenue for the new financial year you may focus on international travel restrictions, domestic travel trends, and the impact of major events or festivals on tourist arrivals. The more relevant data you have, the more accurate your revenue projections as part of the budgeting process.

Managing expenses is critical to budgeting

An accountant can analyse financial statements, identify cost-saving opportunities, and provide insights on optimising resource allocation.

For example, for an Australian manufacturing company looking to reduce expenses, your accountant may conduct a thorough review of the company's operational costs, analysing areas such as raw material procurement, energy consumption, and labour expenses. By benchmarking against industry standards and utilising cost control strategies, the accountant can help the company develop a competitive market strategy with a budget that minimises expenses without compromising quality or productivity.

3 steps to identify and optimise recurring costs

A crucial aspect of business budgeting is effectively managing recurring costs. These expenses can often accumulate over time and have a significant impact on the overall financial health of a company. Here's 3 steps you can take to get recurring costs under control.

1. **Audit and review** – The first step in managing recurring cost, work with your accountant to analyse financial statements, invoices, and contracts to identify areas to reduce or eliminate costs. Scrutinise your ongoing subscriptions, service contracts, and supplier agreements for anything that doesn't align with your business needs.
2. **Negotiate with suppliers** – Negotiating with suppliers to secure favourable terms and pricing can help optimise your purchasing agreements and reduce recurring costs.
3. **Automation and technology** – streamline processes, improve efficiency, and reduce recurring costs. Ask your accountant about cost-effective software solutions, cloud-based platforms, and automation tools to optimise operations.

Gather your support team

You don't need to approach your business budgeting and forecasting alone. Work with your expert accountant to conduct a comprehensive audit, negotiate favourable terms with suppliers, and leverage automation and technology to optimise recurring expenses.

Partner with your accountant to identify cost-saving opportunities, drive sustainable growth, and maximise profitability in the upcoming financial year.

Optimise business finances with robust budgeting and forecasting.

[Ask for a callback from Scotts Chartered Accountants.](#)



**Get in touch with us today if you
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