



A quick **guide**

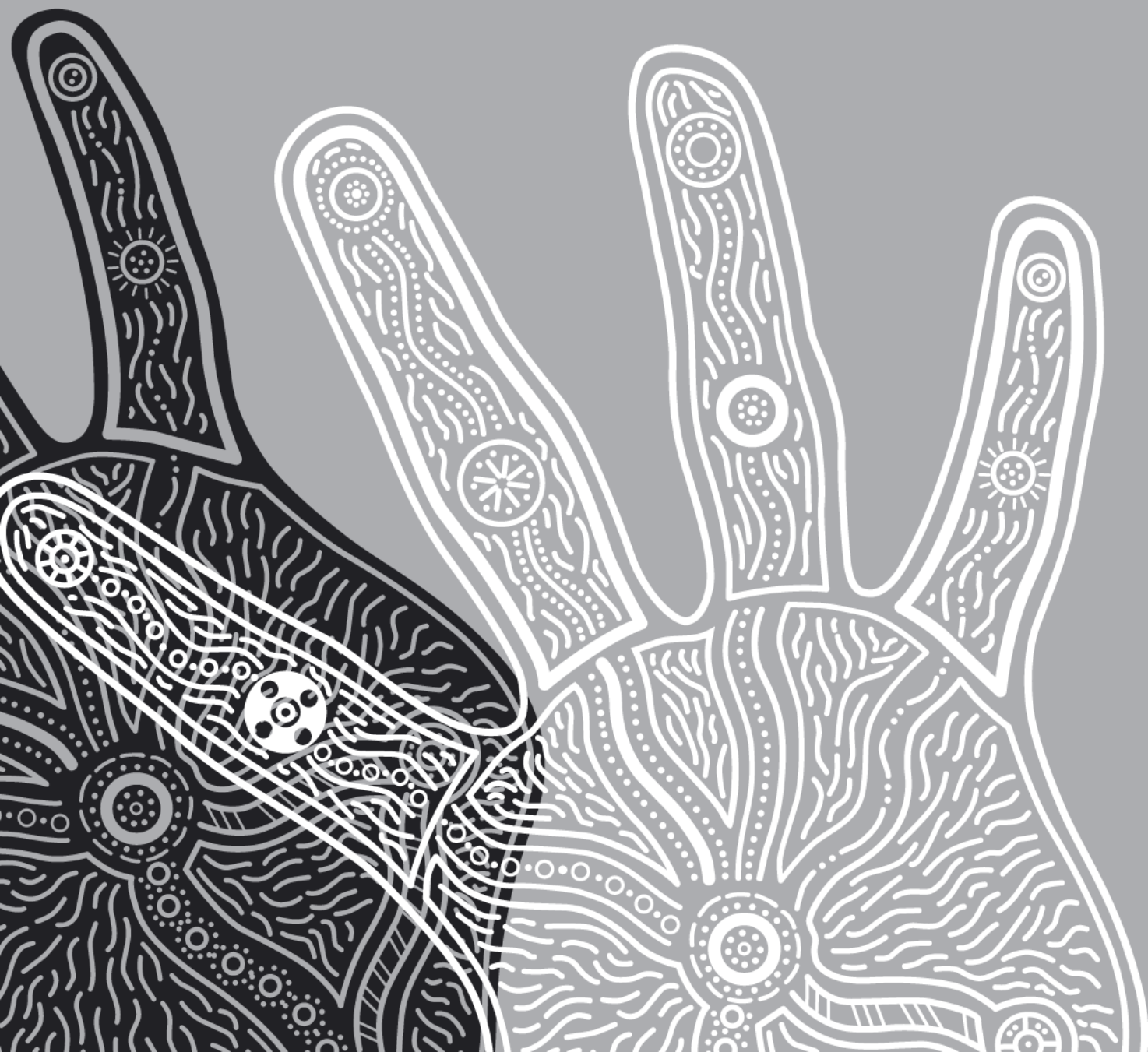
This chapter is a quick pointer to important issues such as:

Setting up a business: structure, money issues and location

Running the business including marketing, hiring staff, taxes and money management, and

Making a profit.

More detailed information is in Chapters 2 to 4.



A quick guide

Starting a business requires major decisions on how to set up, where the money comes from and the right location.

Before making decisions, it is important to be certain running a business is the right thing to do.

This guide includes a questionnaire which encourages people to think about:

- Why start a business
- What might it achieve and
- Is becoming a business owner the right option?

Read the questionnaire in Appendix 1a)

If the signs are positive, the next step is to make certain the business will work. Research the market the business will operate in, and the position the business will have in the market.

The questionnaires in Appendix 1b) and 1c) will help with these steps. Appendix 1d) gives an example of how to look at the positives and negatives of your business idea.

Setting up a business

The right time to set up a business is when the market research is complete and there is a sense of confidence it will work.

Complete Appendix 2 (Part B) and Appendix 3 (Part A).

What follows are some essential decisions:

The shape or structure of the business

A business can be operated:

- By one person (a sole trader)
- With someone else (in a partnership) or
- With several people (in a group).

A good way to work out the best business structure is to look carefully at the costs (taxation, legal, accounting and time), risks (personal and community) and the benefits of the different types for your particular proposal.

See Chapter 2 Business structure and governance.

Finding the money

All businesses need money to start and operate. Unfortunately, many small businesses fail in the early years because of a lack of money, especially when things go wrong.

It is very important to:

- Know how much money the business needs and when it will be needed
- Know where and how to get money before the situation becomes urgent, and
- Control business finances and review them regularly.

Appendix 3 shows how to create a business plan which is essential for borrowing finance from most institutions. Fill in details of your business idea.

Location location location

The right setting for a small business can have a significant impact on its success.

Decisions about the premises require careful consideration:

- Will customers find the business?
- Is the area attractive?
- Does it appeal to employees?
- Is there room to grow?

Most businesses operate out of commercial premises, so it is sensible to study the terms of the lease and get advice. This is also true for a home-based business. Be sure 'home' is the right place to run a business. There are special centres which offer low rents for new start-up businesses.

See Chapter 2, Setting up a business. (Special centres are mentioned in *Shared premises for start-up businesses*)

Practical things to think about

Basic things must be done such as registering a business name, obtaining appropriate licences and permits, taking out appropriate insurance, and getting essential equipment.

A business name – Nearly all business names must be registered with the NSW Government. Once the name is selected, contact the Office of Fair Trading for information on how to register it.

Licences and permits – Call the Office of Fair Trading, describe the business and then get the appropriate licences or permits. Do this before starting the business.

Insurance – Every business needs to be insured against theft, fire, equipment damage and personal third-party injury.

Equipment – Consider suitable equipment. Write a list and check each item off. Make sure it fits, and think about how to pay for it (purchase or lease).

Running a business

Once the business is set up, there are many issues to consider. Attracting and looking after customers, employing staff, planning for and paying taxes, and managing money. Be conscious of what is coming in and what needs to be paid out.

Marketing

This is about attracting customers to buy goods or services. Once the business is up and running, you need to work out a marketing plan. Think about the customers. Find out what they need or want when buying things, and how your products or services fit their requirements.

Discover what competitors (those offering the same or similar things) are doing – and if it can be done better.

Now look at the 'Four Ps': Price, Promotion, Product and Place.

Price – Carefully choose the prices to be charged (see Chapter 4).

Promotion – Tell people about the business and what you sell (Chapter 3).

Product – Make the products or services appear better than, or different from, the competition.

Place – Work out how to get the products or services to customers, and think about the best location for the business, especially if it's retail.

Thinking about each of these 'Ps' is a good start to a marketing plan.

Customer service

This means satisfying the people who buy from you, or those considering using your services or products.

Many customers buy from a business that offers good friendly, helpful service. A story about good service, passed from person to person by word of mouth, is fantastic advertising...and it's free.

Make sure to ask customers what they think about the business. If a customer is having a problem, fix it quickly.

Get a copy of the *Customer Service Guide* from the Office of Fair Trading.

Employing and managing staff

Employees are important. They help a business grow and keep customers happy.

Good, skilled, experienced staff who are working well, allow you to build up the business. They bring in extra customers, and give you a chance to take a holiday.

Be certain the business can afford to employ extra people. Make sure you know how to be a good boss. Get people to work with you, and for you.

Good interviewing techniques are important. Show staff what they need to do once they get the job, and make sure they are happy working for you.

It is vital to know the conditions that must be provided to staff. These include minimum wages, hours of work, holiday entitlements and what to do when a person's employment finishes. These conditions are covered in either an 'award' (an agreement already established for the industry or business in which you work) or in a 'workplace agreement' which is negotiated with staff.

Government laws apply to workplace safety and workers compensation insurance for staff who are injured or who become sick. Then there is the mandatory payment of nine per cent of each employee's wages for superannuation. Finally, make sure tax is deducted from staff wages and sent to the Australian Taxation Office (ATO). (See Chapter 3)

Taxation

This is something you need to learn about and know before starting a business. This is because a portion of the money earned by the business must be paid in tax to the Government.

Most of the tax goes to the ATO, which is part of the Federal Government, but State Government taxes may also apply.

Taxation on income is the most common form of tax paid, and it goes to the ATO. The next most common tax is the Goods and Services Tax (GST) where most businesses have to add 10 per cent to the price of the goods and services sold.

The most common form of State Government tax is stamp duty which is paid on the purchase of a business, or when a mortgage is approved through a bank.

While Chapter 3 has more detail about tax matters, it's wise to get advice about tax from a registered accountant.

Record keeping

You need to keep up-to-date details of all money spent and collected every day by the business. The records also let you know, at any time, how well the business is going. It allows you to claim tax deductions from the ATO. Record keeping must be done daily for all businesses. Some record keeping is required by law.

The section on record keeping in Chapter 3 gives a list of what must be kept. As a rule, keep all statements, invoices and receipts related to the business. One of the most important records is a cashbook. Use it to note the basic detail of every amount paid into or out of the business bank account. At the end of the day, the cashbook helps to keep track of where the money in the business comes and goes.

**The golden rule is:
If in doubt, keep a paper trail.**

Managing creditors and debtors

Getting the balance right between paying bills and collecting money is the key to ensuring a good flow of money through the business at all times.

Try to get the best possible deal for credit when paying bills, like paying over 90 days instead of 30. On the other hand, encourage customers to pay as quickly as possible. This can be a tricky part of business. Check who owes money. Put a system in place for requesting payments. Do not assume people will pay.

Chapter 3 has more details.

Making a profit

Most people in business want to make money or a profit. But many businesses fail quite quickly because the owners do not have a clear picture of how much money is coming in, and how much money is being paid out. If more money is paid out than is coming in, the business will fail.

Three simple rules ensure a business makes a profit:

- Set competitive prices to attract customers. But make certain the prices cover all costs involved, including equipment, repair and replacement. The aim is to finish with money left over after providing the service or selling the product. This is profit. It's a reward for running the business well.
- Make a minimum level of sales income to cover total costs. This is the break even point. It's the basic survival level in business.
- Make or have enough money to pay bills when they are due. This is cash flow management. Cash flow is the flow of money (cheques, cash or bank transfers) into and out of a business. Don't confuse it with profit.

Remember, you are only making a profit when there is money left over after all costs are covered.

Chapter 4 provides more detail on making a profit. Get advice from an accountant, or contact the nearest Business Advisory Service on 1300 650 058.

Chapter 5 has a list of useful contact details for government departments and agencies.