

LIVE LONG AND PROSPER

How to achieve your business and lifestyle goals



SHANE KOUROS

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Introduction

Back in 2006, a small but innovative New Zealand company launched a real-time accounting program for non-accountants. Its good sense and simplicity soon heralded calls for business owners to get 'in the cloud'.

Fast forward to 2018, where cloud accounting for financial management is largely the norm for businesses (certainly for my clients), and the calls have changed from encouraging cloud take-up to challenging business owners to use it effectively so they *REALLY* do prosper.

Accountants (including yours truly) have needed to invest personally in cloud accounting systems to fully understand their power. That is, the ability to provide the business management support required by today's innovative, entrepreneurial and growth-oriented business owners.

I hope you enjoy these articles and I invite you to contact me if I can help you to achieving your business and lifestyle goals.

Shane Kouros

About Shane Kouros

Shane is a Chartered Accountant, business advisor and systems designer who is known for helping business owners of large and often unconventional enterprises with complicated circumstances who operate in Australia and across multiple international jurisdictions.

Among those he works with are esports events & entertainment and FinTech organisations including foreign exchange (FX), financial derivative traders, payment processors and blockchain technologies companies.



He delivers bespoke advice and uses efficient and custom-designed processes, to help business owners grow and protect assets that generate wealth to help his clients can live with financial freedom.

His clients typically experience great complexity in their business circumstances. He helps them by analysing and solving problems, leveraging opportunities and turning their businesses around, ultimately increasing their value.

He has a special interest in building accounting systems. He overcomes the most common problem experienced by business owners, enabling them to know where they are financially at any given time. With a clear understanding of the numbers, Shane's clients are able to take control, mitigate risks, identify trends and build extremely successful businesses so they may live long and prosper in business and achieve their lifestyle goals.

Set a Course for Smooth Cash Flow – Make it so!

Overcoming lumpy cashflow



It's a recurrent story...lumpy cash flow. Surplus cash isn't generally a problem, and if it is, it's a good one to have.

However, no cash or poor cash flow is stressful, and not just for you. It also puts pressure on your team to perform and often leads to unhappy suppliers who can tighten up their terms or put you on 'stop' until your account is up to date. The ripple effect can be far-reaching and result in lost sales and other missed opportunities.

Your financial management system should provide reporting that indicates the ups and downs of your cash flow over the past 12 months. This information allows you to identify the peaks and troughs in your income as well as the outflows required to meet your obligations.

Your cloud accounting program should provide cash flow management reporting at this fundamental level. Access to earlier years' records will provide even clearer insights as cash flow patterns or trends will emerge.

Clear (easy to understand) cash flow reporting is particularly helpful for business owners who may feel they're losing control of their business but aren't sure why. It will also benefit those who are seeking to grow.

Understanding your cash flow creates a sense of financial freedom, confidence and entrepreneurial licence that enables you to meet your day to day business obligations while allowing you to fund your business, personal lifestyle or philanthropic projects as well as appropriately rewarding the efforts of others in your business.

So, what should you do next?

Firstly, record your cash position right now as of today.

There are a number of reasons why this information may not be available to you. You may need to wait until your bookkeeper comes in and logs in for you; data entry may not be up to date; or the reports may not have been designed to generate the information you need - whatever the issue, it needs to be fixed as a priority.

Next, you'll need to analyse the numbers and truly understand where your cash comes from and where it goes to. You'll need a 12-month Profit & Loss Statement and a 12-month Balance Sheet with monthly comparatives.

Finally, you need to decide what you want your cash flow to look like in a year's time, and this may require advice.

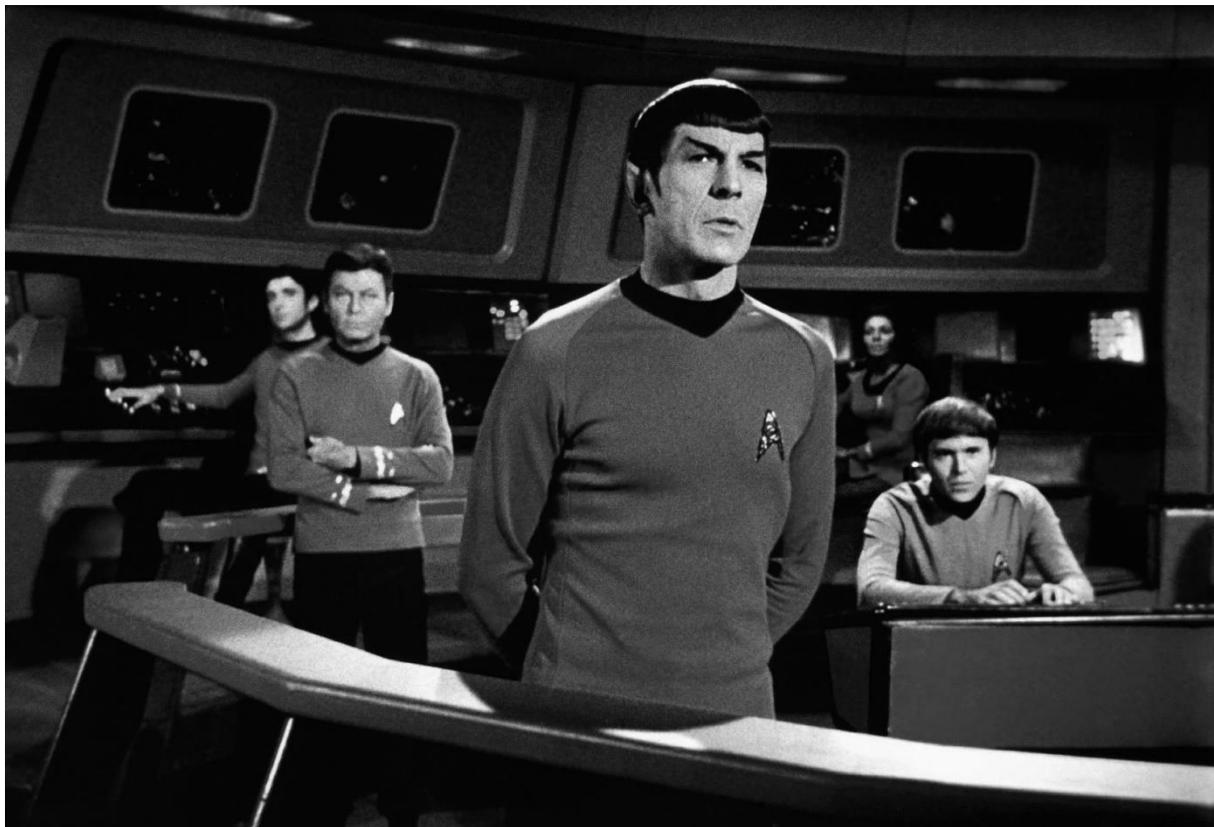
If you are unable to progress beyond the first step, I invite you to contact me as your management accounting systems may require attention. While it's important for you to have 24/7 access from anywhere, our goal is to tailor your cloud systems so that they are relevant and meaningful to you so that you may better manage your type of business.

With appropriate cash flow reporting in place, we can help you to understand your numbers, expose problems, identify opportunities and help you to implement the actions necessary to achieve smooth cash flow to ... *make it so*.

* Live Long & Prosper – Spock

Logic is the beginning of wisdom not the end

Effective financial management relies on effective systems



The right accounting and financial management systems are central to your business success. But systems are just systems. It's how you use and develop them that really counts.

It's great that you're in the cloud and using real-time numbers, but are those numbers helping or hindering your financial and business management decisions?

Effective financial management relies on effective accounting systems that deliver accurate information that is a true reflection of your real-time financial position. And, while many business owners take steps to update their accounting systems, that's no guarantee the reporting will be accurate. Missing crucial elements can skew your figures with repercussions showing up later, often in the form of insufficient cash.

When I work with clients, an early recommendation is for a systems audit, especially if the client has an established cloud accounting system.

In my experience there's often a disconnect between what a technician sets up (even if that person is your bookkeeper) and what's required by those who rely on those systems for financial management and critical decision making. Make Cents system audits regularly throw up red flags that have previously gone unnoticed and, if left unattended, have the potential to adversely influence the business and in turn, your personal prosperity.

As your accountant and External CFO, I need to know that I can trust your numbers.

This allows me to confidently develop financial management strategies for you to implement.

Those strategies commonly include eliminating the lumpy cash flow that can result when you work with tight margins or on special projects and, importantly, when you are on a growth trajectory.

Sustainable cash flow will help you to thrive and prosper, rather than grow so quickly that your cash is eaten up and your business, along with your future, is at risk of dying from starvation.

Clean systems deliver clean financial reports that provide a true reflection of your financial position.

Other benefits include less stress and more confidence when making decisions and seizing opportunities. You'll be secure in the knowledge that your cash flow is reliable and your business more valuable and more attractive to potential purchasers.

So, what should you do next?

Rather than accept the default set-up, insist that those systems are customised to suit the specific financial management requirements of your business and to support your business decision making.

Then, organise a Systems Health Check to make sure everything's up to scratch.

System design is central to your business success *and* your personal prosperity.

Why do you need a TAX Plan before a TAX Return?

Because, “Insufficient facts always invites danger”*



When there’s around six weeks until the end of financial year and if you haven’t already considered what your tax position will be, it’s time you found out.

While early tax planning is recommended, even at this late stage, planning can deliver a more favourable tax outcome for you. Leave it too late and your accountant will simply have to make the best of the limited options available in the absence of planning.

Spock made a good point back in 1968 when he famously observed that, “Insufficient facts always invites danger”.

As I will outline here, tax planning is all about compiling sufficient information *prior* to tax return preparation so that your tax outcome can be improved.

Put simply, tax planning is consultative while tax return preparation is administrative.

Tax planning is particularly important for business owners who have tight working capital arrangements; who rely on cashflow from their business to generate personal wealth; who need to service large personal debt; or who want more ‘free’ cashflow to provide the leverage they need to achieve goals.

Tax planning creates options, and this provides greater control, especially in terms of your cashflow.

Tax planning enables you to consider the timing of your tax obligations, allowing you to meet your obligation now or later by deferring income and/or bringing forward expenditures. You may also consider paying more to super (a tax-effective savings vehicle), which will provide tax minimisation benefits now as well as contribute to your personal wealth for retirement.

Tax planning can lessen your tax liability, which inevitably provides more money for implementing new projects, buying assets or paying yourself a bit extra.

Tax planning allows you to take advantage of government incentives, including the small business \$20K instant asset write-off provision and it can enable you to make the most of investment opportunities. For example, a capital protected investment loan can allow you to pre-pay interest to enjoy the full year's tax deduction in the current year, which may offset establishment costs and interest.

In the absence of the business facts that tax planning identifies, you will certainly be in danger of paying more tax than needed. There are other benefits of pre-end of financial year tax planning as well. Tax planning discussions will extend to the important matter of your accounting systems and their ability to provide accurate figures; the general health of your business in terms of profit or loss; the impacts of debtors and cashflow; and your own personal prosperity as a business owner.

So, what should you do next?

If you are a business owner and this article has caused a light bulb moment or two, make an appointment for tax planning advice now. If your own accountant only offers tax returns and not tax planning, call me. Tax planning is central to what we do because these discussions consider all aspects of your business and personal prosperity.

When tax planning with me, we'll discuss your current accounts, profit & loss report and balance sheet to end of May. Bring along your sales/revenue forecast as well as any expected but out of the ordinary expenses to June 30. The key outcomes from our meeting will be for you to understand your tax position and how we may be able to improve it; and how you will meet any tax liability in a manner that is comfortable for your business, so that you are well prepared for the new financial year.

To make the most of your tax planning meeting, you would need to prepare these reports and documents for discussion:

- Accounting file - E.g. Xero fully reconciled and up to the date for the meeting
- Purchase & sale documents for any assets purchased or sold during and up to end of financial year
- Your 'projected' income and expenses for the remaining part of the financial year
- Last year's tax returns, but only if you are not a client of MCA, and you would like to know more about tax planning for your affairs.

*Spock - Star Trek, season 1, episode 24 ("Space Seed," 1968)

Sustainable Cashflow is the key...

To boldly go where no man (or business) has gone before*



If you take a moment to think back to why you started your business, you'll remember that you believed you could generate greater wealth and a better lifestyle as master of your own destiny.

Strong and sustainable cashflow is the essential element that will enable you to achieve that goal, and *boldly go where no man (or business) has gone before*.

Business owners who want to grow their business, as well as their personal prosperity, need smooth and sustainable cashflow.

Sustainable cashflow provides choice.

Strong cashflow allows you to grow and invest in valuable assets without the need for, or cost of, an external financier.

Consistent and predictable cashflow provides a safety net that affords you the luxury of time for thoughtful decision making rather than panicked responses when unexpected or emergency issues arise.

Sustainable cashflow is a constant theme that underpins just about every conversation I have with my clients.

It is, in my opinion, the key to business longevity, success and personal prosperity as all decisions and business functions – good and bad – stem from and in turn affect your cash position.

While the general concept of sustainable cashflow is pretty straightforward, the reality of regular revenue inflow that provides sufficient cash in advance of outflowing cash necessary for debts and other financial obligations, is usually significantly more difficult in practice.

Effectively managing your cash ins and outs involves at least three key considerations: effective financial management systems, tax planning and business advice.

Addressing each of these matters will enable you to competently forecast your cash position and implement actions that will enable your business to be financially safe and well prepared to take up opportunities that can present at the least opportune times.

1. Effective Systems

Your ability to immediately access accurate financial information will empower you to make good decisions and act on them. Understanding how much of your cash is tied up in debtor days, stock turnover, payroll and operating expenses will guide your actions.

For example, if you're not getting paid and your debtor days have escalated, something is wrong and you need to fix it. A recent [Dun & Bradstreet](#) [1] article indicated that research revealed Australian small businesses were good payers, settling their accounts in a 'record-low' 11.7 days!

2. Tax Planning

Planning in advance can avoid paying unnecessary tax, but it also provides options for timing your tax payments. For example, bringing forward or deferring major capital transactions or by making the most of tax effective structures including the use of various forms of trusts, a company or even an SMSF structure that can help minimise your tax obligation.

3. Business Advice

The fact is, businesses go through cycles. When I advise clients, I analyse their financial reports not only to check past performance, but to identify any emerging indicators or trends that may have potential to accelerate or derail plans.

While some businesses have pronounced seasonal matters they need to manager, for others, issues including currency fluctuations and government announcements such as a pending election or new legislation, can cause changes in business confidence which can change cashflow patterns.

Informed professional insights will help you successfully navigate the issues that affect cashflow and business growth; create surplus cash through better profit practices; and use the surplus cash to invest in worthwhile assets that build the value of the business AND your personal wealth.

Advice will also alleviate the stress of 'chasing your tail'. This is because a clear understanding of your business and cash position will create financial self-assurance.

So, what should you do next ...

Step one is to fix your accounting system. If the thought of updating your software is daunting, give me a call. I'll arrange a systems audit to identify what needs to be done, an order of priority and how to go about it.

Next, and once you are confident your systems data is current and correct, you need to analyse your past, present and most importantly, your future financial position. Through this process you will identify immediate issues needing your attention and the steps to be taken.

With this information a strategy for improving cashflow may be prepared. This strategy would involve regular meetings and ongoing advice for achieving, then maintaining your optimum cashflow position.

**Star Trek Space: The Final Frontier*

[1] Australian Late Payments Analysis: Small business leads pack to settle bills faster (22 May 2018) <http://dnb.com.au/article-tpa-1Q18-report.html#.Wwn9pEiFM2w>

Building effective teams

There is strength in unity*



Every successful 'enterprise' (pardon the pun) needs a strong crew of highly trained and qualified individuals who perform at their individual best so that the whole may prosper. Here's what I've learned working with fast growing businesses...

Rapid growth is all consuming and teams are often left to flounder as business leaders focus on what they consider more pressing priorities. With huge workloads, individuals survive the best they can often working on their own and without direction. Their performance is far from their best.

When business owners finally come up for air, they often find themselves in a mess.

Disengaged employees and low productivity negatively affects cash flow and this ultimately delivers poor financial results. Your poor work environment quickly taints your reputation as team members leave and you find it increasingly difficult to attract quality talent. Your profitability and market share decrease.

Imagine a group of highly skilled individuals (just like Captain Kirk's crew) all working together as one complete unit. Each performing at their optimum level of capability and productivity while proactively interacting with other team members and external advisors.

While the clear success markers of a great team will be increased profitability and out performing your competitors, the less obvious benefits that translate into financial success include employee loyalty, a strong sense of belonging, feeling appreciated, enjoying reward for effort and the camaraderie that comes from being part of a group that's committed to achieving a united outcome.

Creating a great place to work is significant, but more so are the financial flow on effects.

Innovation and IP not only creates opportunity for revenue, reliable cash flow and growth in market share, it increases the value of your overall business. As the business owner, this is important for your own personal prosperity.

A happy, stable workforce in a workplace where morale is high translates directly into financial wins.

Less sick days, increased productivity and fewer expensive 'rookie' errors for starters. Recruitment costs will be down as you become a sought after employer choosing from the cream of available talent.

While leadership is a key ingredient for building effective teams, so too is having the right building blocks in place.

Here's what you'll need...

You'll need a clear vision and understanding of your business needs now and in the future, so that you can recruit accordingly, among other things.

You'll also need business and financial management advice to ensure you have a sound grasp of your current and future financial position so you can afford the salary and remuneration packages you'll need to consider. Additional team building financial considerations will include investing in technology and the equipment necessary for your team to do their jobs.

Your technology will include financial systems capable of providing accurate financial data that will support decision making so you can fund your growth overall.

This is where my work as an external CFO provides the support, advice and services necessary. I can work in advance of inhouse financial management teams (usually helping to select them), but more often I'm on the team because I'm a viable and cost effective alternative to an inhouse CFO.

Generic accounting programs generally don't cut it for growth businesses, customised systems will be required to deliver meaningful financial reporting.

These reports, which commonly include cash flow projections, profit improvement strategies and predictive modelling will enable thorough analysis and the business, accounting and tax advice that you'll need to support your day to day operational needs while funding your continued growth.

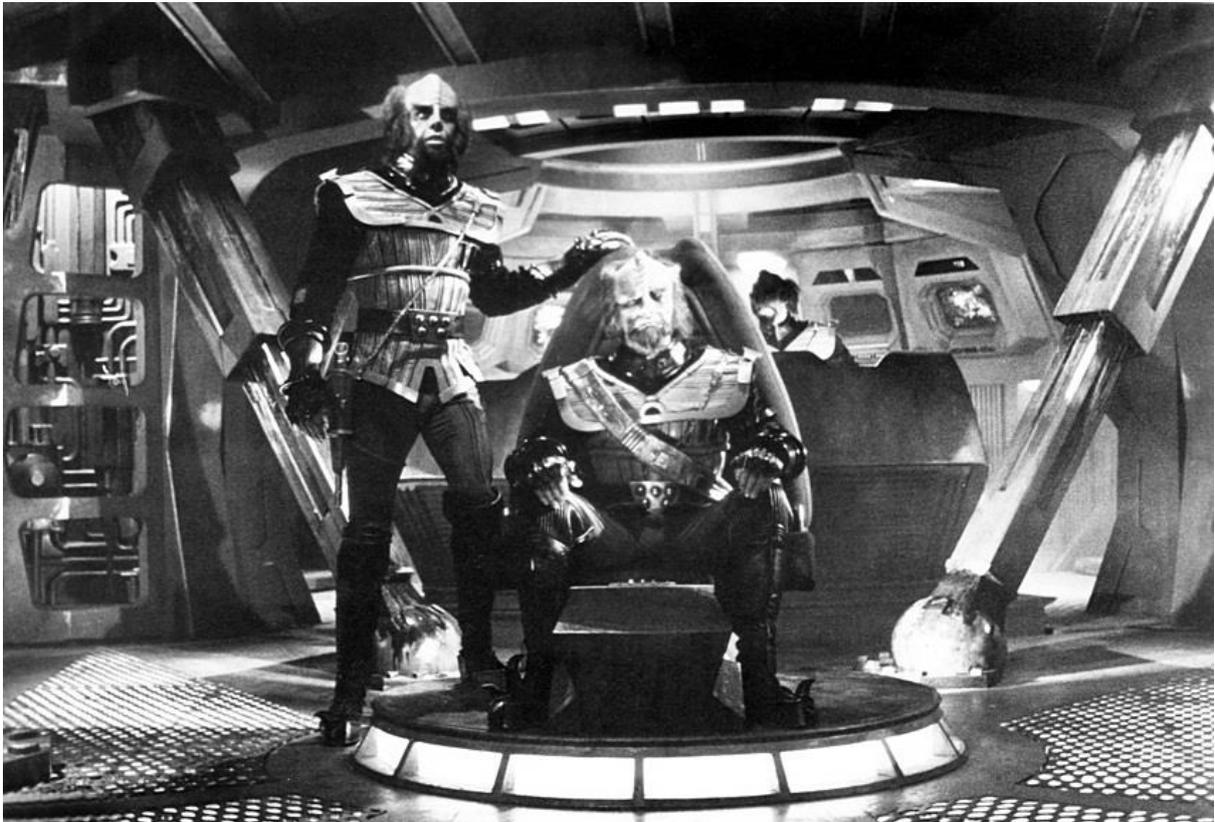
What should you do next?

- Initiate a discussion about teams and financial management.
- Consider how an external CFO services can support your internal team.
- Review your technologies, equipment and customise your financial systems.

***Lieutenant Uhura, Star Trek Beyond (2016)**

There's Klingons off the Starboard bow

THREE Profit Boosters that will get you back on course to success



Fat overheads, paying for stuff you don't need, poorly performing team members, blow-outs in your cost of goods sold and trying to flog products and services that the market no longer needs or wants, these are the *Klingons off your starboard bow* that reduce your profit.

While they can seem threatening, here I've outlined THREE things you can do to boost your profits, and get you back on course for success and the prosperity you deserve.

Poor management can lead to cash leakage and that directly translates to less money in the bank. That's less money to reinvest in making your business great and perhaps more importantly, for spending on yourself or building your personal wealth.

Most business owners know, or suspect, there's money going down the drain but fail to do anything about it. In my experience, the business owners who manage their Profit & Loss and Balance Sheet effectively have the most profitable businesses and enjoy more personal and financial success.

#1 Measure & Monitor

Business owners who regularly review their P&L and Balance Sheet – daily, weekly, fortnightly, monthly or regularly enough to recognise changes in the numbers – are able to address problems that could be limiting their profits, seize opportunities for boosting profits and at the very least take a wait and see approach when it comes to emerging trends.

Of course, if your financial systems aren't up to scratch, and you can't access accurate and up to date financial data, it will be impossible to closely measure and monitor your profit, or any other financial aspect of your business for that matter.

Accurate, real-time financial accounting systems, preferably tailored to the specific needs of your business, are critical for measuring, monitoring and making decisions that can boost your profits.

If you aren't financially confident, take heart. In 2000, Richard Branson famously admitted on CBS News that he can't read a Balance Sheet either! The solution is to get professional help from those who can explain the purpose of your Balance Sheet and make it meaningful for you.

#2 Change your behaviours/Rework your processes

Of course, it's not enough to just monitor and measure your numbers, you also need to make decisions and take action.

Sometimes these decisions can be tough and often involve changing your behaviours and admitting the things you don't know. Leading change begins with understanding your numbers, knowing your break even and implementing profit benchmarks that you are committed to achieving, and preferably exceeding.

Business environments change rapidly. Products and services that you may have traditionally delivered may no longer be needed or wanted by your clients. Your team may be performing tasks that strip your profit and add no value for your customers. Reduced sales revenue combined with inefficiencies – poorly trained staff, old equipment and technology – can cripple profit. Reviewing and reworking your operations will increase productivity and efficiency.

Then set goals, share them with your team and implement KPIs so you can all celebrate getting jobs done faster, reducing waste, closing more sales, saving on expenses or achieving any other profit boosting outcomes.

#3 Implement the one-percenters

Boosting profit is about doing the small things well – ALL the time.

Implement clear systems, train your team, maintain equipment, compare prices, review established suppliers' terms of trade (including your financiers), check your invoices before you pay them, and only hold the stock you need. The latter can significantly reduce your freight, warehousing and insurance expenses. Ask your customers what they want – it might be different from what you're giving them. Imagine how your sales revenue could increase if you made more of a favourite colour, and how your expenses might decrease if you deleted a slow seller from your range.

What should you do next step?

You're busy and by your own admission, you're better out the front of your business or working on the tools than out the back, crunching numbers.

The problem is, without financial clarity you'll never truly feel in control of your business or your future. At best, lack of financial understanding causes you to worry and at worst you'll go broke, lose the business, burn relationships and sacrifice your livelihood and lifestyle too.

It all sounds a bit dramatic, doesn't it? The truth is, it's not that difficult to set up profit boosting practices in your business.

Step one is to understand that you don't need to do this alone.

When I'm working with business owners, I analyse their numbers for them and explain my findings in terms that empower them to take action that will make a positive difference. Being an arm's length third party providing these insights has many benefits, including fresh eyes that see things without bias, emotion or excuses.

Often my findings reveal short comings in systems, errors in accounting and easy fixes that require little effort to implement. With the facts in hand, I help business owners to develop then action their profit boosting plan.

Businesses are meant to make profits, it's as simple as that.

For a bit of fun, check out this video – a parody of Star Trek by British group The Firm (1987).

<https://www.youtube.com/watch?v=FCARADb9asE>

* “Star Trekking” by The Firm 1987

How to use excess cash

Perhaps man wasn't meant for paradise. Maybe he was meant to claw, to scratch all the way



When you are captain of your own ship, the critical decisions rest with you and this includes how you use excess cash. There are numerous courses you could navigate, but generally it comes down to three: Reinvest in the business or buy some income generating assets; reward yourself by splurging on something special; or do nothing.

Okay, so let's set the scene.

You've worked hard generating new business, you've kept a close eye on your operating costs, you've got the right people for the job and your outstanding customer service has resulted in committed customers returning again and again to buy from you. Your cashflow is good and there's excess money in the bank.

In my experience, business owners are both excited by and a bit stumped by what to do with excess cash.

Some can't wait to get their hands on it and splurge on a new Porsche or a Rolex, while others who may have lingering memories of doing it tough and a fear of adversity ahead, will begrudgingly leave it in the bank, just in case something happens.

The key to making the most of your excess cash is to understand your options and do something with it.

For most business owners their first consideration is: 'How much of the excess can I extract from the business without causing harm?'

You will only know the answer if you have a firm grip on your numbers, and that will be dependent on a couple of key elements.

Firstly, you'll need a decent accounting system. One that has been tailored to provide management reports that are meaningful for you and your business.

Secondly, the financial data that is keyed into your accounting system needs to be up to date and accurate.

The financial management reports generated by your accounting system, together with intel provided by effective tax planning (that provides an advance indication of your tax obligation) along with your business plan's short and long-term growth and asset management, you'll have the confidence to make decisions about how to use your excess cash.

It may mean that your new Porsche becomes a reality but if that's a stretch too far, you can always settle for a slightly older model that will still provide a very satisfying reward for effort.

Similarly, you'll feel confident to put your excess cash to work rather than leaving it to stagnate in the bank, or worse waste away in bank fees, taxes or those unnecessary miscellaneous and non-value adding expenses that can erode your bank balance.

If you'd rather reward yourself in the longer term then purchase income producing and appreciating assets. You can potentially enjoy investment growth that can directly contribute to your personal prosperity and a happy, financially stress-free retirement.

The point is, with accurate financial information and sound advice you can be proactive with your excess cash. Whether you buy a Porsche to enjoy the reward now or invest it to enjoy the reward in future, you can do it knowing you're making excess cash decisions that are right for you.

What you should do next ...

If you've found this article worthwhile and you'd like to understand your options for making the most of your excess cash, here's what you should do next.

- Review your management accounts to be certain of your excess cash balance.
- Consider what excess cash could mean for you, how would you spend it and what would make you happy - a Porsche parked in the driveway, an opportunity to retire in style, achieving a philanthropic goal or something else?

Further Information

For further information about any of the matters raised here or to discuss your accounting and financial management requirements, please contact:

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