

5 TOP STRATEGIES for the new financial year

In the lead up to the end of the financial year, many business owners made the mistake of making tax reduction their number one goal. Butch Mawdsley shares his strategies for minimising the impact of this on their business.

As the end of the tax year beckoned many business owners would have become paralysed by the negative spin the media has been dishing out. What has happened amounts to plenty of political rhetoric without any radical changes.

According to Butch Mawdsley, director of accounting firm RES Group on Auckland's North Shore, local business owners should not wait for the politicians to change the tax laws but should instead focus on the challenges of the new financial year.

The following factors in particular are expected to impact on their business:

- Reduced cashflow, restricted by the increased expenditure;
- Limited ability to attract new business, due to less cash to invest in marketing and production resources;
- A decreased value of the business, as a result of reduced profit; and
- Inability to accurately measure and analyse business performance, due to the delaying of account receivables and prepaying of expenses.

However, it's not too late for these business owners to start to turn their situation around. Mawdsley offers his top five strategies for businesses to start afresh in the new financial year:

1 Create a financial growth strategy for the next 12 months. "Businesses need to be setting 2010-2011 KPIs and performance drivers now," says Mawdsley. "Use these as a framework to work against over the next year to boost the performance and success of your business."

2 Increase marketing and initiative-based expenses. "It's imperative to keep these up as they are vital for increasing customers and generating revenue. Marketing is the key driver in growing your business and securing future revenue and cashflow."

3 Reduce non-marketing, non-advertising and non-production expenditure. "It's simple – the less cash you spend, the more you have. Ask for better deals from suppliers, and reduce the high value expense items, whose absence doesn't disrupt the business, first."

4 Collect from debtors straightaway. "You don't have to do what everyone else is doing and carry out jobs on account. You are entitled to ask for payment on completion, or even in advance. And the sooner you collect what is rightfully yours, the sooner the pressure that last year's expenditure may have had on your cashflow will be eased," says Mawdsley.

5 Get rid of your obsolete and surplus stock. "Focus on moving your stock and selling it as quickly as possible. Converting your stock to cash will again free up money available to you in your business."

The time is right

The new financial year presents the best time for business owners to seek more than just tax advice, and develop a strong working relationship with their accountant. "Your accountant has all the information about your business, and is in the best position to help you achieve your performance goals," says Mawdsley.

Butch Mawdsley is director of RES Group. Phone 09 918 3690, email butch@resgroup.co.nz or visit www.resgroup.co.nz

