



ESS
AccountantsMinute

Do You Really Know Your Clients?

Hello, I'm Peter Towers, Managing Director of ESS BIZTOOLS. Welcome to Accountants Minute.

Accountants, do you really know your clients? At the ATSA Conference in Melbourne a couple of weeks ago, a number of the presenters referred to the concept of "trusted adviser". Are you the "trusted adviser" to your clients? It's an interesting question and I intend to explore that further next week.

For today, let's concentrate on do you really know your clients? Surely part of the concept of being the "trusted adviser" is knowing your clients.

What does that mean? I've conducted quite a number of sessions with clients of accountancy businesses over the years and when I sit and talk to the small/medium enterprises that comprise a good average cross-section of the clients of accountancy businesses, I have found that one of the most common statements I get from these people, near the end of the process, is *"I want my accountant to know more about my business than just the Profit & Loss Account"*.

What does that mean? I want to pose some answers to that question to you today and I would encourage you to think about it.

I think it means that those clients want you to understand something about their industries. What's going on in their industries? Is the international trade affecting them? What's going to be the impact of the current American presidential election on some of your clients?

Do your clients export? Are they proposing to export? In which case have you encouraged them to lodge an Export Market Development Grant application? Obviously they need to have spent more than \$15,000 on exporting activities, but they don't have to do too much to achieve that minimum figure. Do you know whether your clients are exporting or contemplating exporting?

Have your clients been undertaking research and development? Are they a company? They might be undertaking research and development as a sole trader or as a partnership. Do they understand that they need to be a company to claim research and development as a tax rebate?

When your team is preparing the financial accounts, are they looking for these signs? Are they exporting? Are they undertaking research and development?

Is the company less than 3 years old or over 3 and less than 6 years old? If so, they could be eligible to be deemed to be an Early Stage Innovation Company.

Is there expenditure under \$1M? Is there income under \$200,000? Have they received any funding from the Accelerating Commercialisation grant? If so, these are indicators that they could be eligible to be deemed to be an Early Stage Innovation Company.

Have they registered a patent, a plant breeders' right, an innovation patent or a registered design? Have they received investment funds of \$50,000 or more from arms-length investors? Have they participated in the Accelerator Programme? Have they entered into agreements for commercialisation joint venture arrangements with organisations that are specified under the Research and Development Act or the Higher Education Act?

If they have undertaken some of these activities they could well be eligible for the status of being an Early Stage Innovation Company and that opens the door, not for a government grant, but for investors to be able to invest with them to obtain a tax offset of 20% of their investment and a potential capital gains tax exemption which can last for 9 years. Do they purchase products from overseas and then export these products within 12 months? If so, they could register with a government agency to avoid having to pay any GST on those purchases or any Import Duties. This can have a significant bearing on their cashflows.

Talking about cashflows, what about their debtors position? What is your client's debtor's days outstanding? Is this a typical calculation that you have performed every time you prepare a set of financial accounts so you can sit down and talk to your client about debtor's reduction activities?

Risk management areas - are your clients vulnerable to the consequences of not registering on the Personal Property Securities Register? Just about every business in Australia is, but there are some that are probably more vulnerable than others. Are they a tradie who is working for a builder receiving progress payments? They could be caught out if they haven't registered on the PPSR because they've received what a liquidator might claim to be a preferential payment and they receive a demand to repay any money they have received over the previous 6 months.

There are various government grants offered by the Federal, State and Territory governments that are targeted at specific industries, whether it's medical research organisations, food production, trade type organisations or the construction industry. Have you classified your clients into the industries to which they relate, so that it is very easy for you to identify the clients that fit into various categories so you can be very proactive in advising them of new initiatives that are available?

ESS BIZTOOLS has developed a full range of product packages to assist accountants to offer these types of services. If you want to know more, why don't you look at one of our websites?

- ESS BIZTOOLS - www.essbiztools.com.au - for the full accounting package.
- ESS BIZGRANTS - www.essbizgrants.com.au - if you want to understand grants and incentives that are available for SMEs.
- ESS BASIP - www.essbasip.com.au - if you're interested in a one-off package from our range of services.

If you'd like to have a look at the site we've developed for small/medium enterprises whereby they can get a far better idea of the services that, we believe, accountants should be providing, if you are their trusted adviser, then you can go to www.esssmallbusiness.com.au. If you have any questions on any of the products or services that the ESS Group has available to assist you to really get to know your clients and to then offer them value adding services for their business, please don't hesitate to contact us.

Have a wonderful day!

Peter Towers

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