



Resolutions for 2017

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

I'd like to take this opportunity of wishing you, your colleagues and your families a very Happy Christmas and I hope that 2017 will be very prosperous for you and your business.

Over the last six months the team at ESS BIZTOOLS has brought you comments on a wide range of business issues that, we believe, are important for accountants to think about as you plan the services for your clients. As part of that planning, I would urge you to take into consideration feedback from the small/medium enterprise community as to the services that they require. There have been a number of surveys conducted over recent years by CCH, MYOB, Smithink, universities and other organisations that have all indicated that small/medium enterprises want additional commercial services.

Some of you have said to me *"that's not how it works with our clients, they don't want anything else other than taxation"*, but when I've said to those accountants have you sat down and had a conversation with your clients and have you talked to them about the additional services that you could provide and what was their reaction then, and some of them have admitted to me that, yeah maybe the clients thought that that work was normally done by other consultants because unfortunately the accountancy profession has ignored a lot of the issues that I'm going to talk about with you today and this has allowed other consultants to grab that space. In lots of ways it's already happened with financial planning and it will happen in some other commercial areas unless accountants start offering a proper service.

Let's look at the issues that I've identified for 2017 as part of your resolutions:

Debtors Management - a report released a couple of weeks ago by the Australian Government's Small Medium Enterprise and Family Business Ombudsman indicated that Australia had the dubious distinction of having the highest debtors' days' outstanding figure in the western world. The debtors' days' outstanding figure for Australia is 56.8 days according to the Ombudsman based on a world-wide report. That is something that none of us should be happy about and I believe it therefore makes debtors' management the number one task for accountants to think about for 2017. How can you work with your clients to assist them to reduce that staggering debtors' days' outstanding figure?

Personal Property Securities Register - this, I think, is the second problem. Whilst there is no doubt that there have been some improvements in how the register operates, this is still "quicksand legislation" for uninformed small/medium enterprises that are not aware of the consequences as to how much money they can lose and in fact could lose their whole business and their homes through ignorance of this legislation. It seems strange that you could lose your business through not having registered on a government register, but that is the case. I would urge you to talk to your clients about you undertaking, at least, an annual review on their internal systems relative to the Personal Property Securities Register.

Chief Financial Officer services - with the computer technology that accountants now have and a significant number of small/medium enterprises have, together with the improvement in communications, you should be able to run a "virtual CFO service" for clients situated anywhere in Australia. Not just taxation. Clients need more than taxation. They definitely need taxation advice, I'm not disputing that, but they also need other advice. Advice in areas like two of the areas that we've already mentioned - their debtors' days' outstanding, their overall debtors' management and keeping them out of trouble on the Personal Property Securities Register and many other areas.

Succession Planning - there are thousands of "baby-boomers" in Australia contemplating retirement or doing something in their businesses. Succession planning should be a major issue for accountancy businesses.

Capital Raising - for the last 25 odd years, since Paul Keating first introduced Section 708 of the Corporations Act, that section was the only way that SMEs could raise capital, but the government has now expanded that; not only do we have Section 708 which enables a company to raise up to \$2M per annum from 20 investors, we now have the Early Stage Innovation Company legislation and hopefully in 2017 we're going to have the Crowd Funding Equity Raising legislation passed by the Parliament. This is an area that I also believe that accountants should be staking a claim for. There are other players in this market when it comes to capital raising, but most of the businesses are going to be small businesses, the natural clients of the accountants that this Accountants Minutes is targeted at.

Government Grants - this is a "fund" that is put together by the Federal and State governments that is being contributed to by every taxpayer in Australia, yet I suspect there are thousands of small/medium enterprises that have paid into this grant fund, but do not know what they could get back from it; no one ever gives them any advice about it and therefore they are ignorant of it. Ignorant until they hear that one of their competitors has received a government grant and then they can get quite annoyed. As someone from Sydney told me about a situation the other day where a client had gone to their accountant and said why haven't you told me about this grant? I want you to put the application in. The accountant said that they were too busy doing tax so the client terminated all of their dealings with that firm and apparently this was a client who was paying a substantial amount of fees to that accountancy business. They were upset that they had never been told about particular grants.

Other areas that you might look at:

- Budgets & Cashflow Forecasts
- Business Valuations - especially for companies that are going to try to raise capital; they need valuations.
- Business Plans - like maps for tourists.
- Information Memorandum - if they are going to raise capital, then will then need to produce an Information Memorandum
- Investment Pitches - if they're going to be talking to potential investors undoubtedly they're going to have to make investment pitches.
- Directors' duties & responsibilities is another area where many of your clients need some assistance with the complexities of the law and that relates also to corporate governance.
- Many businesses are looking to develop long term visions, call them five year plans if you like, they need a financial input, not a taxation input, and they want a financial input into that planning.
- Management accounts I believe should be prepared so the management team clearly understands how the individual operation that they are responsible for is performing. Out of that should flow:
 - key performance indicators
 - ratio analysis
 - comparison to budget reports

Another big area is benchmarking. Relating your client's performance to that of their peers in that industry. Benchmarking.com is an organisation which can supply that information for around 130 different types of businesses in Australia.

Portfolio Allocations - I conducted a seminar with some directors a couple of weeks ago and it was amazing when you listed out all the portfolios in the business, how many of them were still being performed by the Managing Director or CEO. A list should have been prepared and some advice given to those clients to allocate responsibility for those portfolios to other people.

I believe though one of the biggest resolutions you should be making for 2017, if you have not already done so, is to appoint "product champions" to each of those items that I've just discussed, because when you look at them there is a lot of different aspects there and for accountancy businesses that are busy doing tax returns and other things, I don't think you're going to cover these jobs unless your individual team is allocated the responsibility for individual products.

The other key appointments that I would be suggesting you make is "industry champions". The accountancy firm of the future is going to require in-house "champions" on the industries that your clients relate to. How many different industry groups does it make to equal 80% of your clients? Is it 5? It is 8? It is 10? If so, that's how many industry portfolios you should be allocating within your accountancy business. A couple of them might be allocated to the same person of course, but if you have a strong medical industry, who is your "medical industry" expert. If you have a strong stainless steel manufacturing clientele, who is your "sheet metal" industry expert? If you have a clientele of sugar cane farmers, who is your expert in that industry? And there is plenty going on in that industry at present. Who is your expert in beef cattle and so on?

That way when your clients or prospects come to you, you can really "talk the talk" to those clients and prospects.

I hope that in 2017 you will be able to make Business Advisory Services a very important component of your mix of services that you're offering to your clients. You will always have taxation. You will always possibly have audits and self-managed superannuation funds and financial planning, but I would really like to see you resolve that 2017 is the year when Business Advisory Services is going to be treated as an equal service offering within your accountancy business.

Once again, may I take this opportunity of wishing you a very happy Christmas and a prosperous 2017!!

Goodbye and we'll talk to you next in 2017 - from the team at ESS BIZTOOLS.

Peter Towers

MANAGING DIRECTOR – ESS BIZTOOLS PTY LTD

+61 7 4724 1118 | 1800 232 088

peter@essbiztools.com.au

www.essbiztools.com.au | www.essbasip.com.au | www.essbizgrants.com.au | www.esssmallbusiness.com.au