

WHAT WENT WRONG?

Common Mistakes made by Business Owners - Part 1

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Whilst advising our small business client base we encounter various issues that they're faced with. Following are some common issues and possible solutions.

Start Up – Incorrect Structure

Everyone's circumstances are unique and you need a business structure that's tailored to you and your particular situation. Common structures include Sole Trader, Partnerships, Trusts and Companies. Whether it's a Sole Trader, Mum and Dad partnership, sibling owned business or unrelated partners will influence the type of structure that's best suited to your business. The industry you trade in or particular venture planned will also influence the structure due to the potential risks involved. Incorrect structures cause issues in relation to: tax payable amounts, mitigating trading risk or effectively selling the business.

Start Up – Documentation

Most people are very optimistic when starting their own or purchasing an existing business. This state of mind can cause you to ignore some potential pitfalls that may arise. A crucial document that should be drafted, whether you're involved in a family business or with an unrelated partner, is a partnership agreement/ shareholders agreement. These documents are invaluable when unforeseen events arise. e.g What happens when a business owner gets sick or passes away? What happens when someone wants to leave a business? How do we get remunerated? Will I sell my share of the business to you or someone else? Your solicitor and accountant can put a clear set of outcomes in place for these events that protect everyone's interests.

Operating – Falling Behind

Whilst operating a business some owners ignore their ongoing compliance commitments, e.g. quarterly BAS/superannuation guarantee. It's crucial to stay on top of these. Why? When you collect GST from your customers it sits in your

bank account but it's not actually yours. It's the ATO's, you just collect it for them. If you don't lodge and pay your BAS on time, you don't have a clear indication of cash flow, i.e. what actual cash asset you can call upon to pay your debts as they arise.

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Next article I'll cover more common mistakes encountered.

For more information on how you can better manage your finances, contact **Whitson Dawson Accountants on (07) 4957 2985 or by email business@whitsondawson.com.au**



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