BUSINESS ACCELERATOR MAGAZINE

Your Quarterly Business, Tax & Accounting newsletter to help you grow your business

JANUARY 2023

BHT PARTNERS
FORWARD THINKING ACCOUNTANTS

Preparing to sell your business?

Where and when to start? Selling your business can be fraught with stress. Here's how a business valuation accountant can set you up for a successful sale.

Preparing to sell

Post pandemic, you may be one of the business owners ready for change or retirement, and looking to hand on the keys for the right price. There's over 19,000+ Australian businesses for sale on Commercial Real Estate.

The first step is to value your business for sale . Reaching a valuation through covid-affected financials might be challenging; data may not accurately indicate future performance.

Forecasting models informed by external economic data, due diligence and an emphasis on current cashflow should enable you to arrive at a fair valuation.

Once you have a sales goal in mind, it's time to get the ball rolling. Let's take a look at:

- Where to sell your business and when
- How to sell as a joint owner
- The key steps in the business sale process
- How a business valuation accountant can support a better business sale.

Where to sell

Not sure where to sell your business? You have a couple of options:

- Engage a business broker to act on your behalf. Brokers aim to get you the best price, ensure the sale is legally compliant, and make the selling process as stress-free as possible. Most brokers charge an upfront fee and take a commission of around 10%. Make sure you do your research to understand their processes, fees and specific industry experience.
- Do it yourself leveraging the power of technology. But, be prepared – what you save in broker commissions you trade for your own time and energy. If you're going it alone you'll need to get your financials in order, advertise online, field enquiries and arrange a contract of sale with your lawyer and business valuation accountant.

Where to advertise depends on your business type, industry and contacts. Consider these channels:

- Online marketplaces like SEEK Business and Commercial Real Estate
- Social media – particularly if you have an engaged following
- Industry publications and platforms
- Existing networks e.g. family, friends, employees and customers

When to sell

Timing is everything to put your business on the market. Much like winter is the perfect time to sell coats, every industry has its peaks and troughs.

Consider these variables:

- Seasonal trends
- Local economy (particularly cash rate status)
- Industry-specific events
- Competitor movement
- Your cashflow and financial history

Selling as a joint owner

Selling when you own the business with someone else adds another layer of complexity.

Ideally, you'll have a shareholder or partnership agreement in place which stipulates:

- What share of the business each person owns
- What happens if one of you decides to exit the business
- The process for mediation if there is a dispute

If not, what happens if you want to sell and your partner doesn't? If you own 95% of the business and your partner only owns 5%, then the decision making will likely come down to you. If you own an equal or minority share, things can get more complex.

Start by working out what your portion of the business is worth. If there are assets involved, establish who owns what, and what needs to be included in the overall valuation.

To sell your share, you then have a couple of options:

- Your partner buys out your portion of the business and becomes the sole owner.
- You sell your portion of the business to another buyer.

It's a good idea to work with a solicitor and a business valuation accountant when managing the sale of your business.

Together they conduct due diligence and ensure you understand your obligations – such as non-compete clauses, transfer of skills, and handover expectations.

The business sale process – step by step

1. Define your sales strategy including your goal price, how and when you will sell.
2. Advertise your business through the best-fit channels.
3. Get your paperwork sorted including financial, loan and tax statements.
4. Negotiate the sale price, dates, non-compete clauses, staff arrangements.
5. Get a contract of sale from a professional that includes managing issues.
6. Communicate with your employees about impacts of the sale.
7. Exchange funds on the settlement date per the agreed terms.
8. Transfer lease agreements, permits, licences, registrations, assets etc.
9. Sign over directorship of the company ensuring transfer of liability.
10. Notify others of the sale including customers, government agencies etc.

How a business valuation accountant supports a better business sale

Even if you decide to DIY, a good accountant plays a crucial role in ensuring a smooth business sale. How can they help?

- Get the best price on your terms – unsure how to value your business and therefore what price to shoot for? An accountant can calculate a thorough valuation that facilitates a sales price beyond what you might have thought possible.
- Keep the assets you want – want to sell your business but retain ownership of physical property, infrastructure or IP? An accountant can help you navigate through these complexities to support your desired outcome.
- Determine the most suitable sale structure – navigating a joint partner sale or want to implement a staggered takeover? An accountant can outline your options and ensure you're across the regulations.
- Invest wisely post sale – once you've sold, what will you do with the proceeds? Perhaps you need to clear some debt or you might be ready for your next investment? An accountant can help you explore your financial options, ensuring you put your newly injected bank balance to best use.

Don't go it alone

Even the smoothest business sale is stressful. Set yourself up for success by partnering with a trusted business valuation accountant who can devise a well-considered sales strategy. Expert advice will ensure you get the best price, stay on top of complexities and compliance, and use the proceeds wisely.

7 strategies to manage business COSTS IN 2023

Get expert business advice in challenging economic conditions.

Balancing business budgets in the 2020s

There's no getting around it; rising costs have left many SMEs feeling the pinch. Over half of Australian businesses experienced increased business costs in early 2022. Business has pushed through a global pandemic, natural disasters, supply chain issues, staff shortages, and now? Record levels of inflation. The economic challenges of 2023 mean it's a good idea for every business to consider costs: here's 7 strategies to discuss with your accountant.

• Forecast for informed decisions

Forecasting your revenue and costs is a good place to start. In uncertain economic times, regular forecasts inform better financial decisions. Your accountant can help you gather the correct information – like your P&L, cashflow statement, and balance sheet – to create a realistic forecast aligned with your business goals that prepares for the highs and the lows.

• Checking recurring costs

Recurring costs for app subscriptions can add up. Make a date in the March quarter to review your subscriptions.

For each app, ask if it:

- Connects to a clear ROI
- Saves time and/or money
- Can be replaced with existing functionalit

2023 is a good time to simplify your processes and streamline recurring costs.

• Review payment terms

The gap between delivery and payment can be a cashflow squeeze for some businesses. Reviewing your average times to receive or make invoice payments can help inform decisions on your AP and AR payment terms. This can require negotiation with both customers and suppliers to ensure partnerships are not impacted negatively.

• Start tax planning early

Starting early on tax planning allows your accountant to review your income and expenses before the end of the financial year - leaving room for some strategic decisions in the final quarter.

Your accountant may recommend tax planning as part of a broader tax minimisation strategy.

• Consolidate debt

Multiple sources of debt can be stressful for business owners and leaders. Debt consolidation or refinancing rolls all debts into a single consolidated loan which can help improve cashflow and save on interest payments.

Your accountant can support the debt consolidation process, create a strategy, and provide key information to lenders

• Plan for your future

Knowing your current position helps inform financial planning decisions for longer-term benefits. Your accountant and financial planner can work together to align your strategies with business objectives.

• Don't disregard growth

Not all businesses and industries slowdown in tough economic conditions. If you're ready for growth in 2023, keep an eye on costs and get expert support to forecast and plan your finances.

Support to optimise your spend
Like regular health checkups, every business owner should plan for ongoing cost reviews.
If keeping on top of your reporting obligations, tax planning, and rising costs feels overwhelming – get support in 2023.

DECEMBER 2022

BUSINESS ACCELERATOR MAGAZINE

7 questions to ask your accountant in 2023

Set your business up for a happy new year - Tough conditions, unpredictable supply chains, and rising inflation mean it's time for expert support for your finances.

Ask the experts

Being in business can be an unpredictable path. After the impact of the COVID-19 pandemic, many SMEs are battling supply chain disruptions, natural disasters and rising inflation.

It's times like these that an expert can help you navigate through the current business storm. Read on for seven questions you could ask your accountant to get your 2023 planning started.

1.How do I manage my cashflow?

Cashflow is notoriously tricky to manage for many SMEs. In busy times, do you pay yourself more or keep all the cash in the business? The answer depends on your specific circumstances, business structure, and how your industry is expected to fare over 6-12 months.

Ask your accountant for tailored advice specific to your business on balancing your salary with your business finances without risking your personal assets.

2.Should I be tax planning?

The first step to start with tax planning is understanding your current business structure.

Ask your accountant if your structure meets your needs, about superannuation planning to minimise tax, and any recommendations to optimise tax.

Business structure background

- Sole Trader
  - Pros: flexible, simple and inexpensive to setup
  - Cons: limited growth opportunities, no flat tax rates
- Company
  - Pros: flat tax rate, separate legal entity to protect your personal assests
  - Cons: can be expensive to set up or wind down, more reporting requirements
- Partnership
  - Pros: efficiencies, shared responsibilities with partners, less expensive to set up
  - Cons: partners in partnerships are jointly liable for risks can leave you exposed.
- Trust
  - Pros: flexibility, assets protection, more private than a company
  - Cons: complex legal structure, expensive to set up and run, difficult to make changes to the structure once it is set up

3.How can I set up profit targets for 2023?

Ask your accountant how to get proactive with forecasting income for the year ahead. It's not enough to stay on course, forecast for the income you want to see and start planning on how your business can get there.

Your accountant may suggest reviewing your performance, costs and pricing to create a strategy to reach your 2023 financial goals.

4. What does inflation mean for my business?

Every business owner is concerned about the rising cost of living, interest rates and inflation.

In the June 2022 quarter, 41% of businesses continue to face supply chain disruptions and almost half are experiencing increased operating expenses.

Talk to your accountant about the impacts on your costs and pricing. Can your business weather the increased costs? Is it time to review your interest rates?

5. Should I raise my prices? Accountants can be a wealth of knowledge regarding your business pricing.

Ask your accountant about reviewing your pricing system and existing rates against the market – and rely on the data to make informed decisions to increase revenue and profit.

A realistic look at pricing and supply chain pressures may result in a recommendation to end a product or service that isn't delivering the margin levels you need to achieve your overall financial goals.

6.Is my business debt being managed effectively?

Your accountant can look at this from two perspectives: your system for collecting customer debts, and your debt and finance responsibilities.

If your business is at risk of losses from bad debts, your accountant may advise on your current terms of trade to improve cashflow and profit.

If your business has outstanding debt and loans, ask about the best structure to minimise interest and if refinancing could provide any bottom-line benefits.

7. What tax or super changes will impact my business in 2023?

The impact of any tax or superannuation changes on your business is likely one of the most important questions to discuss with your accountant to ensure compliance.

Superannuation changes will likely impact your business, with the rate set to increase by 0.5% on 1 July until it peaks at 12% in 2025.

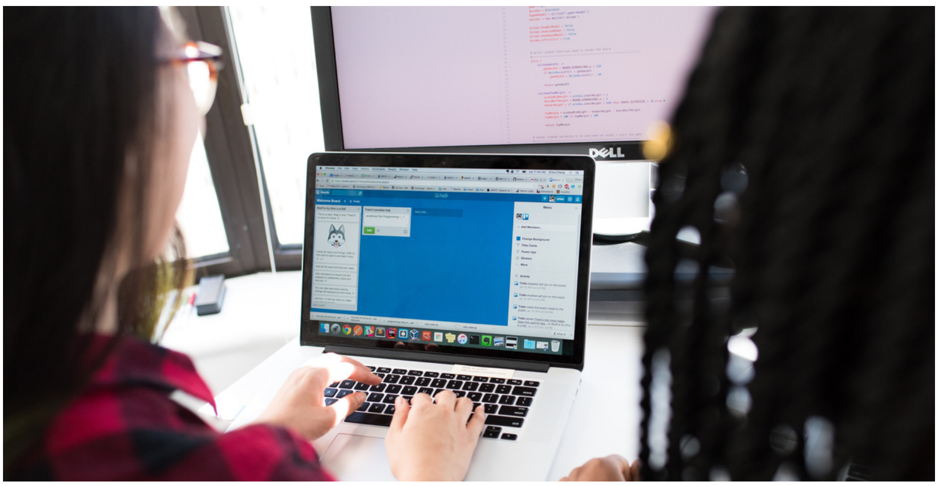
The next tax change on the horizon is the 2024 introduction of the Stage 3 tax cuts. These cuts lower the current 32.5% marginal tax rate to 30% on up to $200,000 and abolish the 37% rate altogether.

It's worth checking with your accountant if any pandemic-related funding, subsidies, costs or waivers your business received may be ending.

Asking questions to understand your business numbers

Being across your business numbers starts with knowing what you don’t know.

Asking questions about your own finances is a positive step towards a healthy business in 2023 and beyond. In a tricky economic climate, keep communicating with your accountant.



Get in touch with us today if you want to chat about anything in this newsletter.

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