

Going into business checklist

1. PRELIMINARY – KNOW YOURSELF

Maybe you should ask a friend for their assessment of you using these questions.

Why do you want to go into business?

- Are you unhappy in your present position?
- Have you been retrenched and want to 'buy a job'?
- Have you seen an opportunity of which you can take advantage?
- You need to be convinced that by going into business you will be better off than staying in employment.

Are you the right type to run a business?

- Can you deal with the demands – long hours, staff problems, complaints?
- Can you persevere when things get tough?
- Can you exercise self-discipline?

Do you understand the business you are going into?

- Do you have the necessary experience and/or qualifications?

What are your chances for success?

- Other than enthusiasm, what do you have that will make the business successful?

Can you afford the financial risk?

- Do you have the financial resources to commence or acquire the business and to continue to operate it?

Do you have the support of your family or others dependant upon you?

- Are the people closest to you in agreement with your plans?

Have you undertaken any business training?

- Have you attended any small business intenders' courses or done any other preparation?

2. MARKET RESEARCH

Feasibility Study

You should research thoroughly:

- The industry you are entering
- Your product or service
- The potential market
- Competitors
- Sources of supply
- Staffing requirements

Sensitivity Analysis

- The likely outcomes of changes in turnover, in prices and in costs should be explored.

Business Plan

- It is strongly recommended that a business plan be prepared which will incorporate the above two items as well as a range of other information that will help you to plan ahead. If finance is required, potential lenders will demand to see a business plan.

3. LEGAL STRUCTURE DECISION

Under which of the following legal structures will the business be operated? You may need the advice of an accountant or solicitor to help you choose.

- Sole trader
- Partnership
- Company
- Trust

4. LEGAL STRUCTURE IMPLEMENTATION

Partnership Agreement

- This may be a simple written memorandum of understanding between the partners setting out their respective rights, obligations and duties or it may be a more formalised agreement prepared by a solicitor.
- If you do not have a partnership agreement, then the Partnership Act will apply.

Company Formation or Purchase

- A solicitor or accountant can form a company for you or you may purchase one that has already been created.
- Shelf companies that have not previously traded may be acquired through an accountant, a solicitor or from a company that markets them.
- You can apply to Australian Securities and Investment Commission for registration of a company, but you must be confident that you understand what is involved in being a Company Director.

Business Name Registration

- If using a business name it must be registered in each of the states and territories in which you propose to carry on business.

Trademark or Patent Registration

- To ensure that no one else can take advantage of your business name, product name or design it may be necessary to apply for a trademark or patent.
- It may be advisable to seek the assistance of a patent attorney

Franchise Agreement

- If operating under a franchise it is advisable to consult an accountant and/or solicitor before signing any agreement.

Contracts

- Legal advice should be sought before signing any contract, purchase agreement, lease or other legal document.

5. PHYSICAL REQUIREMENTS

Location

- Are the business premises situated in a location which suit the market you are targeting?
- Have you done a study of all the available plans for the future of the area to ensure there are no potential problems eg. Restricted access?

Space Requirements

- Do you have enough space for your immediate needs and for the foreseeable future?
- Is there an adequate loading bay if one is needed?
- Is parking available for customers and staff?

Services

- Are electricity, water, telephone and gas services available?
- Are they reliable?
- Does the building meet your requirements for computer and telephone connections and cabling?
- Is there enough light?

Major Equipment

- Do you have, or can you acquire at the right price, the plant and equipment your business will need?

- How will the equipment be acquired – by purchase, lease, hire-purchase?
- Has a lease/buy analysis been done?
- Is finance required and is it available?
- What security does the lender require?
- Has a feasibility study been done indicating that the use of the equipment will fully justify operating costs, including servicing and maintenance, insurance and safety requirements?
- How dependant will the business be on the equipment?
- Is there a disaster plan including alternative facilities in the case of a major breakdown?

Support Equipment

- What are your requirements for office furniture, telephone, fax, answering machine, computers, photocopiers or any other electrical equipment?
- Has lease/buy analysis been done?
- Is the necessary expertise available to install and operate computer systems, etc.?
- Is outside assistance necessary to choose the most suitable hardware and software?

Motor Vehicles

- What vehicles are available or need to be acquired?
- Select on the basis of suitability and affordability.
- Has lease/buy analysis been done?

Inventories

- If stocks of goods are to be acquired from a vendor, has a valuation been arranged?
- Does inventory include any slow-moving or obsolete stock?
- Are the right levels of stock maintained?
- Will good stock control procedures be put into place to ensure optimum levels are maintained?

Consumables

- What aids to manufacture or other consumables are required?

6. PLAN FUNDING NEEDS

Capital and Recurrent Budgets

- Have budgets been prepared estimating what funds will be needed to commence or purchase the business, to acquire necessary assets and to provide working capital to operate the business?

Cash Flow Forecasts

- Have cash flow forecasts been prepared on a monthly basis for at least the next twelve months?

Profit Projections

- Have profit and loss budgets been prepared on a monthly basis for at least the next twelve months?

No responsibility for any loss or damage howsoever caused by reliance on any of the information or advice provided by or on behalf of the State of South Australia or the providers of this service or damage arising from acts or omissions made is accepted by the State of South Australia, the providers of this service or their officers, servants or agents.

7. SOURCE OF FUNDS

Personal Contributions

- How much cash is available from personal resources and how much can be raised by the sale of assets etc.?

Family Involvement

- If funds or physical assistance are to be provided by family members, their duties, responsibilities and rights of each person involved should be agreed in writing.

External Investor

- Can an external party be induced to introduce equity by way of partnership, joint venture, share subscription etc.?

Bank or Other Lender

- If monies need to be borrowed, what security is offered?
- Have likely interest charges been included in the cash forecast and profit budget?
- Has an application for business finance been prepared for submission to prospective lenders?
- Has your accountant been consulted before any approach is made to lenders?

Lease/Purchase Alternatives for Land and Business

- Has a lease/buy analysis been done to see whether leasing, hire purchase or direct purchase is the best way to acquire assets?

8. PARTICULAR INDUSTRY REQUIREMENTS

Trust Accounts

- Is your industry required by a law or by your professional association to maintain trust accounts and to have them audited?
- What requirements cover the earning of interest on trust accounts?

Insurance Compensation Funds

- Are you required by government or professional association regulation to carry professional indemnity or public liability insurance or to contribute to any industry compensation fund?

Labelling

- What information is required by law to be shown on labels attached to your products?

Contracts

- Are there legal or ethical rules that require a standard form of contract to be used within the industry?

Professional Associations

- Is it necessary or advisable to belong to an industry association?

9. MARKETING

Analysis

- Have you identified any advantages you may have over your competitors?
- Has your target market been specified – who are your potential customers, where are they?
- Is it advisable to seek marketing advice?

Advertising

- To what extent is advertising necessary in your industry?
- Has an advertising budget been worked out?
- Has the target audience been identified?
-

Pricing Policy

- Has a break-even analysis been done?
- Has a price been set and compared with that of competitors?

10. STAFFING

Personnel

- How many staff will be required and at what levels of experience?
- How will they be recruited?
- Are apprenticeships to be offered and if so, through what scheme?
- Can government incentives to employ staff be utilised?
- What training will be necessary?

Working Hours

- What hours are staff required to work?
- Will overtime be paid?
- How many permanent, part-time and casual staff will be needed?

Remuneration

- Will employees be paid on a time or piece-work basis?
- Will commission be paid?
- What incentives will be offered?
- Will salary packages be negotiated and, if so, has fringe benefits tax been included in calculations?
- Has the cost of the packages, including purchase and maintenance of motor vehicles etc. been carefully estimated?

Award Requirements

- Has reference been made to all appropriate industrial awards or relevant advice otherwise obtained so that all conditions of employment are fully understood?

No responsibility for any loss or damage howsoever caused by reliance on any of the information or advice provided by or on behalf of the State of South Australia or the providers of this service or damage arising from acts or omissions made is accepted by the State of South Australia, the providers of this service or their officers, servants or agents.

Other Legislation

- Are the requirements of the Superannuation Guarantee Levy Act, Occupational Health & Safety Act, Payroll Tax Act, Workers Rehabilitation and Compensation Act and the group tax provisions of the Income Tax Assessment Act fully understood or has appropriate advice been received from an accountant or solicitor?

11. INSURANCE

The following insurances should be considered. It may be necessary to consult an insurance broker.

- Building
- Professional Indemnity
- Contents
- Motor Vehicle
- Commercial (theft, fire, cash, plate glass etc.)
- Personal Disability
- Workers' Compensation
- Loss of Profits
- Key Person
- Fidelity
- Superannuation
- Public Liability
- Retirement Planning
- Product Liability
- Buy/Sell Agreements

12. LOCAL GOVERNMENT REQUIREMENTS

Lease Purpose Clause

- Will the proposed activity at the proposed location be permitted under local government regulations?

Zoning Requirements

- What requirements need to be satisfied in order to commence business at the proposed address?
- Has the local government authority been consulted concerning future re-zoning plans?

Health/Environment Regulations

- What regulations cover health and environmental aspects of the proposed activity?

13. REGISTRATIONS AND LICENSING

Business Licenses

- Has the Business Licence Information Service been contacted to determine what regulations cover the proposed activity and what permits and approvals are required?

Are registrations required in respect to any of the following?

- Company Formation or Acquisition

- Business Name
- Australian Business Number
- Tax File Number
- Group Employer
- Fringe Benefits Tax
- Payroll Tax

Government Charges

- Have all relevant charges been considered such as stamp duties on purchase of business and on transfer of assets, rates and taxes, land taxes etc.?

14. RECORD KEEPING

Accounting System

- What accounting system needs to be put into place?
- Will it be computerised or handwritten?
- What sort of information will it produce and is that information relevant and sufficient for your needs?
- What training is necessary to understand the system?
- Will qualified staff need to be employed?
- Has advice been sought from your accountant?

Secretarial

- If you are operating under a company, who will maintain the secretarial records and comply with the reporting requirements if the Corporations Law?

15. BUYING AN EXISTING BUSINESS

Purchase Price

- Financial statements for the previous three years and, if possible, income tax returns should be obtained from the vendor and checked by your accountant who will suggest a reasonable purchase price. This may include an element of goodwill.
- Stamp duties and other acquisition costs should be considered.

Assets

- Assets to be acquired should be specified in writing and their values checked by reference to their importance by an experienced valuer.
- It may be advisable to have a professional stock-taker value inventories.
- If purchasing shares in a company rather than its assets and business, legal and accounting advice is essential.

Contract of Sale

- A solicitor experienced in commercial matters should be retained to advise on the terms of the contract.

Transfer of Title of Assets, Including Motor Vehicles

- What procedures are necessary to transfer titles?
- It may be necessary to consult a solicitor.

No responsibility for any loss or damage howsoever caused by reliance on any of the information or advice provided by or on behalf of the State of South Australia or the providers of this service or damage arising from acts or omissions made is accepted by the State of South Australia, the providers of this service or their officers, servants or agents.

16. OTHER SOURCES OF INFORMATION

State and Territory Advisory Services

- Each State Government operates a service providing advice to small business and those intending to commence business. They also act as a referral centre to courses in small business management, publications and professional advisers, and can provide access to the Business Licence Information Service.

Accountants

- The accountancy profession provides much more than just preparation of income tax returns. Your accountant is able to help you at every stage, from commencement of the business through to ongoing involvement in management.
- You should ensure that your accountant is a member of one of the major accounting bodies.

Solicitors

- A solicitor experienced in commercial matters should be consulted before signing any contract or legal agreement.

Courses

- A number of educational institutions offer courses in various aspects of small business management. A listing is available from your State Government's small business centre.

Publications

- Your local library's catalogue should include titles on small business.
- Some banks and other institutions publish handy guides for small business.
- The internet is a great source of information.

17. FINAL REVIEW

Do you understand that things could go wrong and business could fail?

Are you aware of the factors that could contribute to business failure?

- Undercapitalisation – not having sufficient funds to continue operating
- Too much debt – inability to service debt capital
- Inadequate cash flow
- Insufficient range of products, customers or suppliers
- Poor record keeping and inadequate management information
- Poor management skills, including inexperience
- Lack of planning and inability to adapt to changing circumstances
- Poor credit control and inadequate debt collection methods
- Stock levels too high or slow moving
- Ill health of principals or key employers, loss of key managers

Have you considered all the possible consequences of business failure?

- Do you understand that, in the worst case, you might lose most of your possessions, including the family home?

Further Information

Call 1800 188 018 to talk to an Information Officer. If you would like to make a free appointment with a Business Adviser in your local area, ask an Information Officer for details of your local centre.