



## ESS BIZTOOLS

### “FUTURE PROOFING” – IS YOUR ACCOUNTANCY BUSINESS USING ESS BIZTOOLS SILVER PACKAGE?

The CommBank Accounting Market Pulse June 2018 identified a number of service lines, outside of traditional accounting/taxation services, in which some accountants are investing, including:

- Business Advisory Services
- Management Consulting Services
- Risk Management
- Private Equity Services

Accountants need to consider these types of products/services as you plan strategies to “future proof” your businesses from the challenges which include:

- finding and keeping quality staff
- changing market demands – supplying services that the SME market wants
- winning new business
- disruptive technologies
- new market trends – e.g. outsourcing
- commoditisation of taxation returns

The Market Pulse Report identified that 64% of the firm’s surveyed were pursuing “organic growth” within the firm and that 44% identified they were developing “new services”.

Where to start with “Future Planning” your accountancy business.

#### 8 Steps to “Future Proofing” Your Accountancy Business

In determining what’s to be included in your future proofing strategy, how do you respond to:

- disruptive technologies
- changing market demands by SMEs
- new market trends
- commoditisation of taxation returns

This is all about “future proofing” your accountancy business.

#### **Step 1 – Implement a “Future Proofing” Strategy**

By identifying a “range of new services” that your firm could introduce.

(The CommBank Accounting Market Pulse June 2018 report identified that, of the firms they surveyed, 44% indicated that they were developing “new services”, whilst 64% also indicated that they were pursuing “organic growth” within their firms).

Some of the services that accountants could provide to assist in “future proofing” accountancy firms include:

- Debtors’ Management Review – assist clients’ cashflows by implementing systems to reduce “debtors’ days outstanding”.
- SME Debtors’ Manual – a written system to ensure the work is performed on a consistent basis.
- Personal Property Securities Register Due Diligence Reviews – assists clients to “insure” their business against a “left field hit”.
- Corporate Governance – business reviews to assist directors and officers of SME companies to understand their duties and responsibilities.
- Chief Financial Officer Services – use the technology and communications now available to deliver a “virtual CFO service”.
- Early Stage Innovation Company – investment readiness consultancy assists clients to identify whether they could be classified as an Early Stage Innovation Company and then assist them on the “journey” – qualification, preparation of documentation for potential investors, preparation of request for ruling from the Australian Taxation Office, if the company is relying on “The Principles Test” to qualify as an Early Stage Innovation Company.

- Business Planning – help clients articulate their vision for the future.
- Crowd Sourced Funding Equity Raising – the amendments to enable private companies to raise up to \$5M annually from the public is expected to be law shortly – some of your clients could be interested in raising capital – is your firm going to be ready to assist them or are you going to watch some of your outstanding prospects being poached by other firms that are ready, willing and able to supply the services that those clients will require?
- Succession Planning – thousands of “baby-boomers” are thinking of retiring and exiting their businesses – is your firm geared up to help them sell their businesses?

## **Step 2 – Identify the Clients**

That you could offer additional services by using a service matrix to:  
(e.g. companies trading for more than 3 years with turnovers over \$1.5 million (\$750,000 in Northern Australia) in the growth sectors identified by the Australian government.

- businesses that have developed new products, services or processes
- businesses with high debtors’ days outstanding
- businesses working as subcontractors

## **Step 3 – Train Your Accounting/Marketing Team**

On a range of new skills required to successfully deliver a range of business services, as distinct from compliance services:

(Getting organised to deliver business advisory services)

- team training to deliver business advisory services
- leadership strategies for the delivery of new services
- training on the new services to be delivered
- identifying client needs by utilising the SME Needs’ Analysis

## **Step 4 – Training/Briefing of All Staff on the “Future Proofing” Strategy**

(So they can communicate with clients/prospects about the new range of services that your firm is offering)

## **Step 5 – Series of Small Seminars/Webinars**

To communicate to your clients the “new business services” that your firm is offering.  
(No more than 10 businesses at a time – enables discussions and prompt follow up)

## **Step 6 – “One-on-one” Meetings with Clients**

(Utilise the ESS SME Needs’ Analysis to help in identifying services in which your clients, who participated in the small seminars/webinars, are interested, e.g.)

- business planning, budget/cashflow forecasts, business valuation
- preparation to raise capital as a Crowd Sourced Funding Equity Raising Company or an Early Stage Innovation Company
- reduction in debtors’ days outstanding
- risk management – registration on the Personal Property Securities Register

## **Step 7 - Implementation**

Promptly submit a written proposal and quotation to your client.

(Do not delay in getting the proposal to your client quickly and when they have signed off on the proposal, get started on the project)

## **Step 8 – Ongoing Marketing**

Update your website, social media, brochures etc., to continually inform your client/prospects of the services that your firm is providing.

(Prepare videos, webinars, media releases (as appropriate) to inform your market that your firm is aware of SMEs’ desire for a broader range of services to be offered to them).

Commentary on the utilisation of individual product packages to contribute to “Future Proofing of Accountancy Businesses” as follows:

## **Debtors’ Management**

There are two major issues for accountants to consider relative to “future proofing” and SME debtors’ manager:

- Australia has the dubious title of having the “longest debtors’ days outstanding in the world”.
- Offering proactive debtors advice is a significant contribution to “future proofing” for accountants.

The problems to be solved include:

- Identifying the clients with high debtors' days outstanding – over 40 days.
- Identifying clients who are contracting and receiving progress payments. These will probably be trades and subcontracting businesses who are contracting with contractors and larger business organisations which could encounter a problem with a liquidator.

The consequences of this are that the liquidator might then decide that some of the progress payments made to your client have been made in such a way that the liquidator deems that these payments were “preferential payments” and that the liquidator then issues a demand for the repayment of the “alleged preferential payments”.

Whilst your client might be able to get some re-dress from the courts, this is costly and might not be successful.

If your client had registered on the Personal Property Securities Register, in all probability they will have avoided this problem!

- Do your clients have a written debtors' system covering these items?
- Credit application form
- Processes for checking credit application
- Approval of credit application and establishing – limit and payment terms
- Welcome to new customer letter including:
  - Terms of Trade Agreement
  - Retention of Title Agreement
- Follow-up to receive the signed documents back from the new customer
- Decision on whether to register the customer on the Personal Property Securities Register
- Processes for the preparation of the tax invoice – showing due date for payment
- Calculation of debtors' day outstanding at the end of each month
- Collection processes
- Alert in relation to approaching payment date
- Follow-up if payment not received
- Debt collection processes

What do you need to do to perform your duties as the “Trusted Advisor” to your small/medium enterprise clients who, in most cases, will not be employing people with sufficient knowledge and training for this very important process?

Advising your clients on improvements in debtors' management is a proactive service that will assist your clients to operate their businesses and will contribute to “future proofing” your accountancy business because, in most cases, this will be a new source of fees. Indicative fees for these services, if you are utilising ESS BIZTOOLS' products, are:

- Debtors' Management Review - \$900 to \$1,800 (plus GST)
- Debtors' Systems Manual - \$300 to \$500 (plus GST)
- Personal Property Securities Register Due Diligence Review - \$900 to \$1,800 (plus GST)

SMEs need assistance from their “trusted advisor” to solve these problems. This is “future proofing” in operation.

ESS BIZTOOLS has developed a range of product packages to assist accountants to offer services for most services that SMEs require. You can subscribe to these packages individually or in an overall package. Individual product package subscriptions for the services mentioned in this commentary are:

Debtors' Management Review	- \$440 (incl GST)	<a href="#">(Click here)</a> for details
Debtors' Systems Manual	- \$242 (incl GST)	<a href="#">(Click here)</a> for details
Personal Property Securities Register Due Diligence Review	- \$550 (incl GST)	<a href="#">(Click here)</a> for details

If you would like to view a 30-minute webinar on Debtors' Management utilising the ESS BIZTOOLS' product package [click here](#).

## Personal Property Securities Register

Unfortunately, the majority of SMEs are unaware of the potential consequences of ignoring the operations of the Personal Property Securities Register (PPSR).

Millions of dollars have been lost by SMEs and some big businesses through ignorance of how the *Personal Property Securities Act* operates.

If your accountancy firm is the “Trusted Advisor” (and we are sure that this is how you see your role) for your clients, surely you need to be advising your clients, especially those in the “PPSA High Risk Categories” of the consequences of not registering on the PPSR – which could be very costly and, in some cases, lead to business failure.

Have you prepared a list of your “PPSR High Risk Category Clients”? The clients which could be classified as “PPSR High Risk Categories” would probably be involved in the following business activities:

- Having stock stored on someone else’s premises.
- Supplied consignment stock to businesses.
- Have assets located at someone else’s premises.
- Have motor vehicles, boats, aircraft, plant and equipment leased to other businesses for more than two years.
- Have motor vehicles etc., leased for an indefinite period that could be extended past two years.
- Trades contractors who have contracts with contractors and other businesses that they are receiving progress payments from, could have problems with liquidators for alleged preferential payments and potentially have to repay the amounts received, if a liquidator is successfully able to claim that those payments were “preferential payments”.

Why not identify who these clients are and then have a meeting with each of these clients to advise them that “personal property” is in fact “business property” and, even though they own the assets or owe substantial amounts to banks or financiers for those assets, they could lose those assets if they have not registered their customer, or the business that they are dealing with relative to those assets, on the PPSR.

You could discuss some of the problems that have been documented over the last few years including:

- Consignment stock, value at about \$29M, which was located in a retail business at a number of locations that had a liquidator appointed, that was claimed by the liquidator for the benefit of the secured creditor.
- Cabinetmaking business which constructed a number of kitchens in display houses and then rented their kitchens to the developer on a three-year deal. Unfortunately, a liquidator was appointed to the developer – the cabinetmaker has not registered this transaction on the PPSR and the cabinetmaker lost the kitchen suites to the liquidator on behalf of the secured creditor and then, to rub salt into the wound, received a preferential payment claim from the liquidator relating to rental payments that had been made to the cabinetmaking business.
- Incorrect “Retention of Title” clause used – therefore registration on the PPSR was ineffective.
- Confusion with terminology in the registration process causing the registration to be rejected.
- Not completing the registration process in time. (There are strict lodgement deadlines for various matters relative to the PPSR which must be abided by if the applicant wants to have full protection)

These problems cost those businesses a lot of money, time and worry. You would not want any of your clients to go through these problems, would you?

SMEs need help from their “Trusted Advisor” to help overcome their PPSR ignorance.

Businesses in the “PPSR High Risk Categories” will benefit from accountants conducting a PPSR Due Diligence Review annually, or more frequently, if there has been staff changes within the client’s business.

ESS BIZTOOLS has developed a complete PPSR Due Diligence Package to assist accountants to undertake the review process. The indicative fee for the annual due diligence review is around \$900 + GST.

The ESS BIZTOOLS’ Personal Property Securities Register Product Package is available for an individual subscription of \$550 (incl GST) for details [click here](#).

If you would like to view a 40-minute webinar on “Personal Property Securities Register Due Diligence”, [click here](#).

## Corporate Governance Awareness

What is corporate governance? Our view is that corporate governance relates to an understanding of business. Many directors do not fully appreciate the wide range of items that they are legally responsible for, once they are appointed a director. It is this awareness and understanding of a director's key role and responsibilities that plays a significant role in understanding "corporate governance".

Why is corporate governance awareness a vital part of "future proofing" an accountancy business?

Accountants, who are conversant in all of the components of corporate governance, will be able to develop new "income streams" which will significantly contribute to "future proofing" the accountancy business.

Over the next couple of years, many SME businesses are going to be seriously looking at the opportunities to raise capital that are available to them via:

- Early Stage Innovation Company Capital Raising
- Crowd Sourced Funding Company Equity Raising
- Using S708 of the Corporation Act to Raise Capital

To raise capital in this manner, directors will need to be able to exhibit an understanding of "corporate governance" as it relates to company operations if they are going to be able to convince investors to invest in their companies. Directors will need training and advice on performance of their duties to avoid embarrassment relating to some matters that might be brought to their attention by more experienced directors.

Business related matters that contribute to "corporate governance issues" could include:

- An understanding of the general rules of Board of Directors' meetings relative to confidentiality and declaration of interest if a director and/or a member of his or her family is involved directly or indirectly in any matter being considered by the board.
- An appreciation of the need for directors to have carefully read the minutes of the previous meeting so that, if there are any matters that they disagree with, they can raise their queries with the chair or at the next board meeting.
- This includes ensuring that, if an individual director voted against a motion, that the director's dissension is appropriately recorded in the minutes.
- Understanding the need for anyone, who has a responsibility to report to the Board of Directors, to ensure that the reports are submitted in accordance with the board's timetable for reports to be submitted prior to the meeting so that they can be distributed to all directors.
- An understanding of "all things financial" and, if the director believes that he/she has difficulty in understanding financial reports, they should indicate this to the chair so that some extra training and explanations can be given to the director so that the director is able to fully participate in the discussions at the board table. Whilst directors are not required to prepare the financial accounts, they need to be able to understand the financial reports that are submitted.
- Being prepared to ask questions relating to reports submitted and discussions within the board meeting if the director does not understand a particular matter being discussed. This is a very important component of corporate governance; directors need to understand that they can fearlessly ask questions, so they have a clear understanding of the matters being discussed.
- Understanding financial matters then leads to the very important role that directors have to ensure that the company does not trade whilst it is insolvent.
- An understanding that ignorance of matters being discussed will not be accepted as an excuse for why a director agreed with a particular matter if there is a subsequent court case.
- Director's responsibility includes reading the board reports prior to a meeting, so they arrive at the meeting with a clear understanding of what the reports indicated and they are in a position to ask any questions that they deem appropriate.
- Directors need to ensure that they read material relative to the company's industry and to the markets in which the company operates, so they have a better understanding of the market place conditions relative to the company.
- Directors need to understand the key clauses of the *Corporations Act* that apply to the performance of their duties.
- If a director is uncomfortable about matters being discussed and decisions being formulated and is unable to agree with those decisions, then a director should seriously consider resigning from that Board of Directors. There have been numerous court cases in Australia that identified that not all of the board agreed on particular decisions but, unless those disagreements were clearly recorded in the Board of Directors' minutes, and if the director continued to serve on that particular board, then the director's opportunity to defend him/herself in a court is severely limited.

- Understanding the company's culture and in influencing the ongoing development of the company's culture.

All of this relates to "corporate governance".

An accounting firm, offering "trusted advisor" services relative to the development of a strong culture of corporate governance within a company or organisation, could also proactively offer corporate governance advice as it relates to:

- management team members
- board of advice members
- internal people being promoted to the Board of Directors

ESS BIZTOOLS has developed a range of products to assist accountants to "future proof" your businesses. You can subscribe to these packages individually or in an overall package.

The corporate governance material is included within the Chief Financial Officer Services Package.

The subscription for the Chief Financial Officer Services Package is \$550 (incl GST). [Click here](#) for details.

Our associated business ESS Small Business is presenting the Corporate Governance Network which is targeted at directors and officers of SME companies and committee members and officers of not-for-profits, charities, sporting and social organisations.

The Corporate Governance Network is also very suitable for accounting firm managers and accountants who will gain a significant insight into the challenges facing a key client segment group - company directors - by participating in the webinar series and hearing the keynote presenters, including Andrew Geddes former chair of Greencross Limited and other presenters with expertise in workplace health and safety, human resources, budgeting and cashflow forecasts, debtors' management, government grants, marketing and sales.

We will supply a Certificate of Attendance for CPD purposes.

The Corporate Governance Network subscription for the 12-month period covering the 8 x 90-minute webinar/workshops is \$499 (incl GST). [Click here](#) for details.

If you would like to view a 30-minute webinar on the matters that will be covered in the Corporate Governance Network, please [click here](#).

Indicative fee using ESS BIZTOOLS' product package for mentoring advice to a company's board of directors on corporate governance issues - \$5,000 - \$10,000 + GST.

### **ESS BIZTOOLS' Silver Package**

Each of the product packages mentioned are included in the ESS BIZTOOLS' Silver Package which is the featured "New Financial Year Promotion" with a 25% discount for 24/7 access for 12 months for \$1,641.75 (incl GST), normally \$2,189 (incl GST). The special offer package includes 3 x 60 minutes mentoring sessions delivered via webinars or Skype to help your firm implement a range of commercial services which will add value to your clients' businesses.

For details of the ESS BIZTOOLS' Silver Package, please [click here](#). [The New Financial Year Promotion 25% discount offer is available to 30th September 2018.](#)