

Questions to Consider when Commencing a New Business

Following is a list of issues which you may need to consider when commencing a new business. It is not meant to be a comprehensive checklist, instead it should be used as a guide of issues to think about before starting a business and in the initial set up of a business.

These issues have different degrees of complexity and should be reviewed with your Accountant, Legal, Insurance or Financial advisor, in order to give yourself the best opportunity to start and eventually operate a successful business.

Business Structure:

1. What is the most appropriate legal structure for the business?
2. What are the advantages and disadvantages of operating as a company, trust, partnership or sole trader?
3. What are the likely costs in establishing the new business structure?
4. Who should hold ownership of the equity in the business?
5. Can you use your existing trade license for the business?
6. What is an Australian Business Number (ABN) and do you need to register for GST?
7. What does the business need to show on invoices issued to the customers?

Business Finance:

8. How do you intend to finance the business?
9. What information will a finance provider require to assess an application for finance (e.g. business plan, cash-flow statement, tax returns, other)?
10. What funding methods should be considered (e.g. leasing, chattel mortgage, overdraft, bank loans, other)?
11. How much should you borrow from a finance provider?
12. Should you prepare a business plan and if so, what is generally included?



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Business Protection:

13. What insurance is required for the business (e.g. public liability, workers compensation, business interruption, loss of profits, key man insurance, directors insurance)?
14. What insurance should you consider personally (e.g. income protection, life insurance)?
15. How do you assess how much insurance you need?
16. What controls should be in place to manage business risk?
17. What is the difference between a 'buy sell agreement' and a 'put and call option'?
18. What procedures and policies do you need to develop to cover key operating areas (e.g. internet and email usage, motor vehicle, reimbursements, other)?

Business Management:

19. How do you develop a budget for the business?
20. How do you prepare a cash-flow forecast for the business?
21. What are the best performance indicators for your business and how often should you review the indicators?
22. How do you prepare a break-even analysis to determine what you need to sell before making a profit?
23. Should you instigate a credit policy for customers?
24. How can you effectively speed up the collection of your receivables/debtors?
25. How often and how should you review inventory, work in progress and receivables/debtors?
26. If you intend to buy the business premises, should you acquire it in the same entity as the business?
27. If you intend to rent business premises, what are some of the questions you should ask before signing a lease?



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28. If you employ staff what issues do you need to ensure are undertaken (e.g. employment contracts, job descriptions, pay slips other)?
29. What employee entitlements, superannuation, tax withholding, fringe benefits tax, payroll tax and workers compensation do you need to consider?
30. Does the business need to pay you a wage?
31. Does the business need to pay superannuation in relation to your wages?
32. Can you claim interest deductions on loans that will be used for the business?
33. Are there any tax concessions available for the business?
34. What accounting software program is best suited to your business?

Business Compliance:

35. What type of records do you need to keep?
36. Do you have to keep electronic business records?
37. Do you pay tax on business income when it is received or invoiced?
38. When does the business have to prepare and lodge tax returns?
39. When do you have to pay annual tax for the business?
40. What regulatory requirements do you need to comply with (e.g. Business Activity Statement, PAYG withholding reports, solvency reports, ASIC reporting, Building and Construction Subcontractor reporting)?

