THE BUSINESS OWNER'S FINANCIAL STARTER GUIDE

Numbers made simple.

Everything you need to know to start your business on the right financial footing — in plain English.

01 Business Structure & Setup

Choose the right foundation from day one

The structure you choose affects how much tax you pay, how much personal risk you carry, and how easy it is to grow. Many business owners get this wrong early — and restructuring later is costly.

Structure	Key Features
Sole Trader	Simplest and cheapest to set up. You and the business are the same legal entity — unlimited personal liability. Tax is reported in your personal return.
Partnership	Two or more people sharing profits and responsibilities. Each partner is taxed on their share. A written Partnership Agreement is essential.
Company (Pty Ltd)	Separate legal entity — your personal assets are generally protected. Flat corporate tax rate. More admin, but usually preferred as you scale.
Trust	Can be highly effective for distributing income to family members. Complex to establish and administer. Best reviewed with your accountant first.

> 💡 **Donald & Co. Insight:** The right structure depends on your risk profile, expected income, and growth ambitions. Spend an hour with your accountant before you register — it will save you thousands down the track.

Your Setup Checklist

☐	Register your business name with ASIC
☐	Obtain your Australian Business Number (ABN)
☐	Register for GST if your turnover will exceed $75,000 per year
☐	Open a dedicated business bank account — never mix personal and business funds
☐	Set up cloud-based accounting software (Xero or QuickBooks) from day one
☐	Arrange professional indemnity and public liability insurance
☐	Have a shareholder or partnership agreement in writing (even a simple one)
☐	Register for PAYG withholding if you'll be hiring staff

02 Tax & Accounting Basics

Understand your obligations before the ATO does

Tax surprises kill otherwise healthy businesses. The most successful business owners don't just comply — they plan. Here's what you need to understand from the start.

The Key Tax Concepts

Tax Type	What It Means for You
Income Tax	Profits are taxed. Companies pay 25–30% flat; sole traders and individuals pay at marginal rates up to 47%. Know which applies to you.
GST	If registered, you collect 10% GST on sales and claim it back on purchases. Lodge a BAS monthly, quarterly or annually.
PAYG Withholding	If you employ staff or pay contractors, you must withhold tax from payments and remit it to the ATO regularly.
Superannuation	11.5% super on eligible employee wages (rising to 12% by 2025–26). Late payment attracts penalties — and is not tax-deductible.
Fringe Benefits Tax	Perks you provide to employees (cars, laptops, etc.) may attract FBT. Often overlooked until it becomes a nasty surprise.
Capital Gains Tax	Applies when you sell business assets. Significant small business CGT concessions are available — talk to your accountant.

📌 **Golden Rule #1:** Set aside 25–30% of every dollar of profit for tax. Open a separate 'Tax Savings' account and transfer to it each week. Treat it as untouchable.

📌 **Golden Rule #2:** Keep every receipt. Cloud-based apps like Dext or Hubdoc make this simple. In the event of an ATO audit, you must be able to prove every deduction.

📌 **Golden Rule #3:** Lodge on time, every time. Late lodgement penalties and GIC interest accumulate fast — and they're not tax-deductible.

03 Cash Flow & Budgeting

Profitable on paper. Broke in reality. Here's how to avoid it.

More businesses fail from poor cash flow than from a lack of profitability. You can be showing a profit while being unable to pay your rent, staff, or suppliers. Cash flow management is your most important ongoing skill.

> ⚠️ **Critical Distinction:** Profit is an accounting concept. Cash is reality. You can be profitable while cash-flow negative — for example, if customers haven't paid you yet, or you've just bought stock or equipment.

The 13-Week Cash Flow Forecast

Every business owner should maintain a rolling 13-week cash flow forecast. A simple spreadsheet works perfectly — here's all you need:

Column	What to Include
Week Number	Weeks 1 through 13 (roll forward each week)
Cash In	Expected customer payments, other income sources
Cash Out	Rent, wages, suppliers, tax, loan repayments
Net Movement	Cash In minus Cash Out for the week
Running Balance	Your projected bank balance at week's end

Review and update this forecast every single week. It will tell you about cash shortfalls before they become crises.

Cash Flow Improvement Actions

Area	Action to Take
Invoicing	Invoice immediately upon completion. Use 7 or 14-day terms. Follow up the moment an invoice is overdue.
Stock / Inventory	Never hold more stock than you need. Excess inventory is cash sitting idle on a shelf.
Suppliers	Negotiate extended payment terms. Pay on the last allowable day — not before.
Pricing	Review pricing annually. Underpricing is the #1 cause of cash-poor businesses.
Credit Facility	Arrange a business line of credit before you need it. Banks don't lend to desperate businesses.

04 Compliance & Legal Essentials

What you must do — and what to have in writing

Non-compliance is expensive. A missed lodgement or unresolved contract dispute can cost more than years of accounting fees. The good news: most compliance issues are entirely preventable.

Your Core Compliance Obligations

Obligation	What You Need to Do
Business Registration	Keep ASIC registrations current. Update your registered address, officeholders and business details promptly when they change.
BAS Lodgements	Lodge your Business Activity Statement by due dates. Can be monthly, quarterly, or annually depending on your GST registration.
Income Tax Return	Lodge your annual return on time. Extensions are available through registered tax agents (like us).
Super Contributions	Pay employee super by quarterly due dates. Late super is subject to the Superannuation Guarantee Charge — non-deductible and painful.
PAYG Withholding	Withhold correct amounts from wages and remit to the ATO. Errors attract automatic penalties.
Workers' Compensation	Compulsory insurance for employees in most states. Ensure your coverage is current and adequate.
Record Keeping	Keep financial records for a minimum of 5 years. Cloud storage (Xero, Google Drive) makes this easy.

Contracts: Don't Skip These

☐	Client Agreements — define scope, payment terms, IP ownership, and what happens in a dispute
☐	Supplier Agreements — know your obligations; watch for automatic renewal clauses
☐	Employment Contracts — comply with Fair Work minimum entitlements; underpaying staff is now a criminal offence
☐	Shareholder / Partnership Agreements — what happens if someone wants to leave, disagrees, or passes away?

> 💡 **Donald & Co. Insight:** Legal fees to get contracts right upfront are typically a fraction of dispute resolution costs later. A $500 contract template can save you $50,000

> in litigation.

05 Financial KPIs to Track

You can't manage what you don't measure

These are the metrics every business owner should review at the start of each month. Don't worry about tracking all of them from day one — start with the first three and build from there.

📊 **Gross Profit Margin**

`(Revenue – Cost of Goods Sold) ÷ Revenue × 100`

Shows whether your core product or service is priced correctly. Benchmark this against your industry.

💰 **Net Profit Margin**

`(Net Profit ÷ Revenue) × 100`

Profit after all expenses as a percentage. The clearest measure of overall business efficiency.

🏦 **Current Ratio**

`Current Assets ÷ Current Liabilities`

Can you pay your short-term bills? A ratio above 1.5x is healthy. Below 1x is a warning sign.

📅 **Debtor Days (DSO)**

`(Accounts Receivable ÷ Revenue) × 365`

How long customers are taking to pay you. Aim for under 30 days. Above 45 days needs attention.

⚖️ **Break-Even Point**

`Fixed Costs ÷ Gross Profit Margin %`

The revenue level at which you cover all costs and make zero profit. Know this number cold.

📣 **Customer Acquisition Cost**

`Total Sales & Marketing Spend ÷ New Customers`

Are you spending efficiently to grow? Compare this to average customer lifetime value.

👥 **Revenue per Employee**

`Total Revenue ÷ Number of Employees`

A useful productivity benchmark, especially as you add headcount.

📊 **Tip:** Set up a one-page dashboard in Xero or a spreadsheet showing your key numbers. Review it on the first Monday of every month. Trends matter more than snapshots — a metric moving in the wrong direction over three months is always a signal to act.

06 7 Common Costly Mistakes

We see these every week. Here's how to avoid them.

These are the most frequent — and most preventable — financial errors made by business owners. Recognising them early will save you thousands.

Mistake #1 Mixing Personal & Business Finances

Running personal expenses through the business (or vice versa) creates an accounting nightmare and flags your business for ATO audits.

✔ **Fix:** Separate bank accounts and credit cards from day one. Pay yourself a salary or regular drawings. Never mix.

Mistake #2 Not Saving for Tax

Tax is the most predictable large expense your business will face — yet many owners are caught off guard when the bill arrives. Spending your tax money on operations is effectively spending borrowed money.

✔ **Fix:** Transfer 25–30% of every profit dollar into a dedicated tax savings account immediately. Treat it as untouchable until your lodgement is due.

Mistake #3 Underpricing Your Work

Underpricing is epidemic among new business owners. Fear of losing clients leads to working hard and staying cash-poor. Your prices must cover all costs — including your own time at a fair rate.

✔ **Fix:** Calculate your true cost (including overheads and owner time at a fair hourly rate), then add a sustainable margin. Review pricing annually.

Mistake #4 Growing Too Fast Without Capital

Rapid growth consumes cash. More orders mean more stock, more staff, and more overhead — often before customers pay you. Many businesses have grown themselves into insolvency.

✔ **Fix:** Model your cash flow before accepting large contracts or scaling your team. Explore invoice financing or a credit facility to bridge timing gaps.

Mistake #5 No Written Agreements

A handshake deal can work with the right people. But people and circumstances change. Without written agreements, you have little legal protection when disputes arise.

✔ **Fix:** Document every material business relationship in writing. Even a brief email confirming key terms is better than nothing.

Mistake #6 Ignoring Bookkeeping Until Tax Time

Leaving everything to the last minute means decisions are being made without current financial information. It also means higher accounting fees and more stress.

✔ **Fix:** Reconcile your accounts weekly. Use cloud accounting software. Consider a bookkeeper for even a few hours per month — it typically pays for itself many times over.

Mistake #7 Not Having a Trusted Accountant

'I can't afford an accountant' is one of the most expensive statements in business. A good accountant doesn't just lodge your return — they identify savings, spot problems early, and help you make better decisions.

✔ **Fix:** Build an ongoing relationship with a qualified accountant from the start. The cost is typically tax-deductible and the return on investment is significant.

Donald & Co.
Accounting Service
Numbers made simple

Ready to take control of your numbers?

Book a free consultation with our team today.

donaldcoaccounting.com | info@donaldcoaccounting.com | 04 6884 5805