

## TOP 5 SMALL BUSINESS MISTAKES

The downturn of the mining sector has resulted in many workers looking for alternative means of making a living especially in the local region. Based on experience I have made a list of things to watch out for if you decide to work for yourself:

- Plan to succeed. Often business owners who eventually fail did not do enough homework before they went into business. Start off with a plan for your business. Seek honest feedback from your family and friends and don't be afraid of criticism. Ask yourself, "why would people want to buy my product/service over someone else". "How big is the market and how much of my products/services will I need to sell to break even?" Perform a SWOT (strengths/ weaknesses/ opportunities/ threats) analysis of your business.
- Failure to learn the basics of operating a business. Small business operators must wear many hats and success often follows those who have a basic understanding of the key areas outside of their chosen profession such as marketing and finance. If you don't get your marketing right then you will lose potential sales and if you don't keep your books in order it will cost both money and time.
- Taxation. It normally takes two years from the commencement of a small business to when it first pays tax on its profits. If not planned for this can quickly ruin a good business. Getting the right business structure can also result in large tax savings. Note also if you are taking advantage of the \$20K immediate tax deduction for small business asset purchases, be aware that due to the retrospective nature of the Pay-As-You-Go tax instalment system you will more than likely have a tax shortfall in future years.
- Your pricing is not set correctly. Many businesses match competitors pricing rather than focussing on selling quality, service, knowledge and expertise. Pricing needs to be well considered, it needs to be realistic and needs to be appealing enough to prospective customers.
- Starting without enough capital. Just like building a house there will be unexpected costs in starting up a business and you need to have enough provision of cash to see you through the infancy and growing pains.

As always seek advice from your accountant before you make any major business or investment decisions.

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