

A large, lush green tree with a full, rounded canopy is growing out of a stack of gold coins. The stack of coins is held between the fingers of a hand, and the tree's roots are visible at the bottom, extending into the soil. The background is a light, neutral color with a subtle geometric pattern of triangles at the top.

AS YOUR BUSINESS GROWS, SO TOO DOES YOUR FINANCIAL RESPONSIBILITY

Lisa Martin, Managing Director of specialist bookkeeping and accounting firm, GoFi8ure, says don't lose sight of your financial obligations

IN THE BEGINNING:

When you first start out in business, often it's just you. You're the one up early sketching out business plans, researching distribution channels and working out how to reach your target market. You're also the one up late sending out the invoices.

Without doubt you are the Chief Exec, but you're also in charge of sales, marketing, new business, customer services, accounting and cleaning.

We Kiwis are notorious for our DIY attitude and we really do believe we can do everything ourselves. For many start-ups it's also a case of 'needs must'. Most independent businesses launch on a shoe-string, with limited resources.

If you've no financial backing or big brand support, you don't want to start out with a fancy office, a fleet of cars and staff in place – just in case. Better, then, that it is just you paying yourself a small wage or taking manageable amounts (drawings) from your business bank account.

AS YOU EVOLVE:

You probably kicked off your venture as self-employed or set up as a limited company, confident that your operation will grow, and that one day, you will need to employ an entire team. For now, all you really have to worry about is keeping things ticking over and paying yourself.

Well, have I got news for you? If you really are an entrepreneur – and I know you are – you'll already know your business' potential, and soon you'll start to get impatient. You're creative, ingenious, a go-getter: so why would you sit on your laurels when you could be taking on the world?

With your personality, drive and ambition, your sole-trader business isn't going to stay as a one-man band for long. When it takes off you'll be so busy and so immersed that you simply won't have time to be chief cook and bottle washer.

If you don't recognise this early on, things will start to slip; and typically, that means the financials, as, for most people,

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they are the most complex and the least fun. Ironically, it is precisely at the point of business growth that you need to pay extra special attention. Your financial responsibilities will grow at the same rate as your business and this can catch you unawares.

As you expand and start to employ, so you become financially responsible for other people. Yes, you have to pay them, but you also have to make sure that your PAYE systems are set up correctly to reflect holiday pay, extra hours, sick pay, special leave and fringe benefits. You have to have in place the correct tax rates for each employee and

make the right deductions: ACC levies, for example.


This all gets pretty complicated – I know because I studied for eight years to learn it all and still take refresher exams every year – and this is why some employers, often new to the game, take the ‘easy’ route and bury their heads in the sand.

I have come across business owners who manage to keep themselves above water by paying their staff regularly, but peep round to their back office and there’s no official PAYE process in place, tax deductions (if paid) are approximations, and provision for sick pay is non-existent.

DON'T GET CAUGHT OUT:

You can offer up all the excuses in the world – “I’m a creative”, “I’m not a numbers person”, “I was too busy growing the business”, “I worked 24/7 and just didn’t have the time”, “I didn’t know what to do” – however, none of them will wash.

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Without all the behind the scenes admin in place you are in breach of your legal obligations and you will be found out. Not only will you have to pay penalties but you will have to spend time (a valuable commodity, I know) reconciling documents from years back.

What's more, if you think about it, you are not only responsible for paying wages, tax, ACC and all the rest of it but you are also responsible for paying your staff's mortgages, their car finance, and for putting food on their table. Your staff rely on you to pay them so that they can then pay and support their families. If you haven't set up your employment contracts or your PAYE correctly this could put their income in jeopardy. This may sound

extreme, but we've all heard about companies going into liquidation due to unpaid taxes: and where does that leave your employees?

THINK AHEAD

The best advice I can give to entrepreneurs is make sure you plan for the future. Know your legal obligations and put the financials high up on your agenda. If money and tax isn't your forte, there are plenty of other people who can crunch the numbers for you.

If you are in a mess, or even if you have a slight nigggle at the back of your mind that your employment processes might be incorrect, don't ignore it. Do the right thing for your business and your staff and get some help now. It may well be a pain to sort everything out but, boy, will it be worth it – and just think about the peace of mind. •

Lisa founded GoFiBure in 2002, recognising a need for efficient, accurate, mobile and on-site financial administration and accounts management for small businesses operating in the greater Wellington region. She is currently the Vice President of the New Zealand Bookkeepers Association Inc. Contact details: Lisa Martin GoFiBure 0800 463 488 or Lisa Carruthers Loop PR 021 122 0364