

How Can Business Owners Prepare For EOFY?



John Ryan

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[vc_row][vc_column][vc_column_text]We asked Wealth Adviser [John Ryan](#) for his insight on how business owners should prepare for the start of a new financial year, specifically what he believes is the most important review metric. John explains that many business owners judge their performance based on their top-line revenue number. However, this approach is not ideal as while top-line growth feels like a positive, it does not offer business owners enough helpful performance information. Instead, John suggests a more critical review point from the previous financial year is to assess

margins. Ask yourself, what profit margin has the business delivered over the last 12 months? This approach is my number one review metric, as cascading review points will naturally flow from this first question that will provide further insight into your business. According to John, reviewing margins can be ignored because it takes more time and effort. Analysing margins requires you to dig deeper and potentially expose changes to your business model needed to ensure sustainability and reduce risk. Every business is different, but I believe reviewing margins cuts across all industries.

Do economic factors influence the need for this review?

This margin review is critical, given we are closing off a very inflationary year. The cost of inputs, whether your business relies upon employees or computers, has increased. Supply disruption, low unemployment, or the cost of capital spiking through interest rate rises, you would be hard-pressed to find a business that has not seen costs increase. John notes that while your business revenue may have increased this year through organic growth, you may be worse off if you have not kept track of your inputs and adjusted your pricing accordingly. Look at your costs over the last year and see how they have risen relative to budget. Determine what the net effect has been on the profitability of the company. Then ask some questions:

1. Are there process improvements I have held off on implementing because the revenue has held to such a degree that the inefficiencies have been masked?
2. Is my strategic focus the right one? Is the strategy your business has undertaken to meet its customer demand the strategy that will provide a sustainable and profitable business? Or is it the one that has just formed over time and seems to get you by?
3. When was the last time I repriced my offering? Is the margin applied to cost adequate to compensate you for the functions performed, assets utilised and risks assumed in the delivery of one unit of output from your business?

Drawing on interactions with successful business owners, John highlights that a focus on turnover can mean the business strategy leans towards a high-risk, low-margin pursuit to hit revenue goals. Business owners could have a better chance of making sustainable business decisions and be adequately rewarded for their efforts, especially during periods of inflation by taking the time to look at last year's results more forensically than you may have in previous years. The reward being a business controls what it can and pre-empts change to position itself favourably, rather than being reactive and behind the eight ball.

If you or someone you know could benefit from speaking to a professional, do not hesitate to contact us.

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John works in partnership with his clients to build a wealth management strategy that provides them with absolute clarity in

| *their affairs.*

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