

DECEMBER, 2024

NEWSLETTER



Cash Flow Driver Articles

Over the coming month's we will be running articles around some key cash flow drivers that business owners can utilise to manage and improve the cash flows within their business. Please keep an eye out for the following upcoming articles:

- Debtor Days - December 2024
- Creditor Days - January 2025
- Stock Turnover Days - February 2025
- Gross Profit Margin - March 2025

Don't want to wait?

The experienced team at Accountplan has been guiding business owners for decades on ways to improve cash flows.

Call for an appointment on 07 3883 8999.



Cash Flow Drivers #1 – Debtor Days

Debtor Days Outstanding (or DDO) is a common measure to determine how long it takes a business to collect the monies it is owed – these monies owed are commonly known as Accounts Receivable (AR), or Debtors.

The goal is to have the lowest DDO possible and quickly recover payments sitting in debtors.

A high DDO means it takes a company a lot longer to collect the monies it is owed and could lead cashflow problems due to the longer time between the sale and the time the payment is received.

How to Calculate Debtor Days

While various complex formulas exist to calculate this, a straightforward method is to use the following formula:

$$\text{Debtor Days} = (\text{Current Debtors Owning} / \text{Annual Sales}) \times 365$$

For instance, if your annual sales amount to \$450,000 and your outstanding debtors total \$80,000, your debtor days calculation:

$$= (\$80,000 / \$450,000) \times 365 \text{ days}$$

$$= 65 \text{ days}$$

Calculate the Impact of Reducing Debtor Days

Even a one-day reduction in DDO can significantly impact your cash flow. To determine this, divide your annual sales by 365 to establish your daily sales level. Then use this figure to calculate the impact of different reductions in debtor days.

In the example mentioned earlier, reducing DDO from 65 to 40 would result in over \$30,000 in additional cash in the business's bank account:

$$= ((65 \text{ days} - 40 \text{ days}) / 365) \times \$450,000$$

$$= \$30,822$$

Think about this for a minute..

For every day it takes you to be paid outside of your standard terms, your cash is tied up in debtors.

Methods to Reduce Debtor Days

There are several strategies to reduce DDO and improve cashflow, such as:

1. Make it easier for your customer to do pay you:
Offering multiple payment methods such as credit cards and automatic payments, or an online option for customers to view invoices and statements. Providing greater flexibility for the customer will generally lead to improved cashflow for you.

2. Stricter credit approval:

Are you performing credit checks on all new customers who ask for payment terms? Are your standard credit terms appropriate for your business? Are these terms being followed by your team?

3. Invoicing:

Are your invoices accurate and sent out on time? Are payment terms and due dates clearly written on any invoices issued? Do you provide incentives for early pay? Are you sending out payment reminders?

4. Receivables management strategy:

Do you consistently follow up on late payments? Are you measuring performance against your standard terms? Do you regularly review AR reports? Do you have an understanding as to why customers are paying late?

5. Collections:

Do you have a collections process in place? Do employees have the tools they need to assist collection efforts?

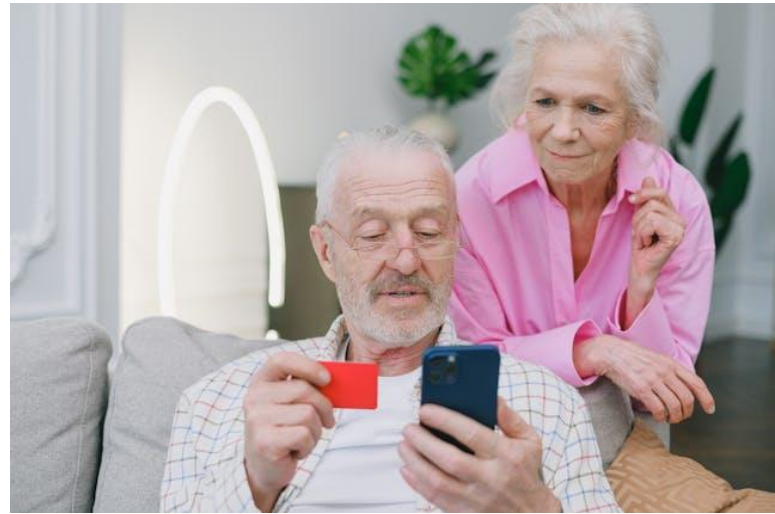
6. Incentives:

Do you offer incentives to customers to pay you more quickly? For example, you could offer a discount for paying within a week or 10 days when your payment terms are net 30. This discount can be easily offset by speeding up cashflow, savings on loan fees and better discounts from creditors.

7. Customer purge

No one wants to walk away from a customer, but do you know which customers are routinely inconsistent, unresponsive or continually paying invoices late despite offering outstanding services? Has your company considered dropping bad customers from your business list? DDO increases are often driven by a few large customers.

Source: Mick Doyle (Accountplan)



Seniors Card Explained

While you may not be eligible for the Age Pension, most retired Australians would be eligible for a Seniors Card, which opens up a world of discounts and rebates that could save you hundreds, if not thousands.

Here's how it works...

What is a Seniors Card?

The Seniors Card is a free discount card provided by Australian state and territory governments.

It offers savings on goods and services to seniors, including transport concessions and participating business discounts.

How Can I Get a Seniors Card?

Seniors Cards are available throughout Australia for residents aged 60 (or 65 for WA) and over who are no longer working full time.

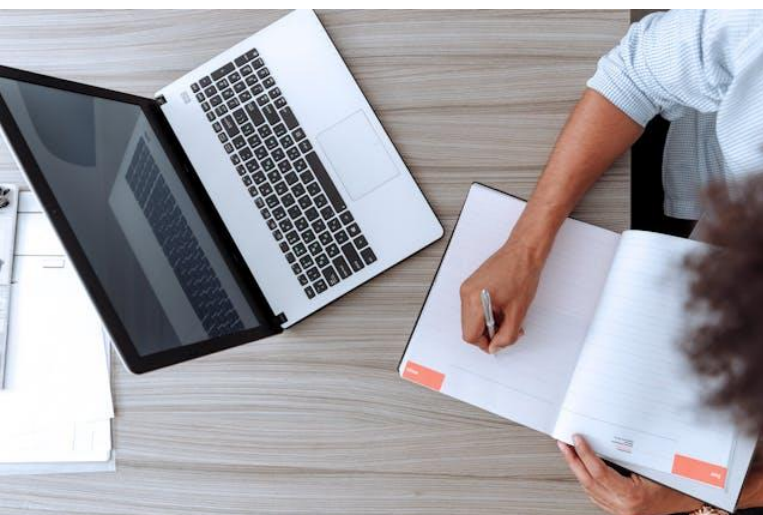
However, eligibility varies depending in which state or territory you reside, so it's best to check your state's or territory's website.

Where Can I Use My Seniors Card?

You can use your Seniors Card at thousands of participating businesses throughout your state or territory and, in some cases, interstate.

You can ask particular businesses whether they accept Seniors Cards or look up your state's or territory's online directory.

Some Australian states and territories also have reciprocal arrangements with New Zealand and the UK.





Australian Seniors Card by State and Territory

Queensland has three seniors cards:

1. Queensland Seniors Card

This card offers the following benefits:

- eligibility for certain Queensland Government concessions
- discounts on goods and services at participating outlets throughout Queensland
- access to the free Senior Shopper service.

2. Seniors Card +go

This card is for seniors who use, or plan to use, public transport in South East Queensland. It offers the same concessions and discounts as above, but also functions as a go card on Translink services:

- eligibility for certain Queensland Government concessions
- discounts on goods and services at participating outlets throughout Queensland
- go card for use on public transport in South East Queensland
- access to the free Senior Shopper service.

If you already have a Seniors Card, you can upgrade to the Seniors Card +go for free.

3. Seniors Business Discount Card

If you're not eligible for the Queensland Seniors Card or Seniors Card +go, you may still be eligible for the Seniors Business Discount Card, which offers:

- discounts on goods and services at participating outlets throughout Queensland
- access to the free Senior Shopper service.

Find out more and the eligibility rules for each QLD Seniors card [here](#).

If you reside outside of QLD you can view your relevant online directory for discounts here:

[Northern Territory](#), [NSW](#), [Queensland](#), [South Australia](#), [ACT](#), [Tasmania](#), [Victoria](#) and [WA](#).

Please be aware that it is free to apply for any of the following cards. If you are being asked for an application fee [it is a scam](#).

For nearly 30 years Accountplan has been providing guidance and advice around retirement, superannuation and aged care entitlements – including Seniors Cards.

Call our team to understand your entitlements on 07 3883 8999

Source: *Your Life Choices*

Don't Use Your SMSF for Bills or Presents this Christmas

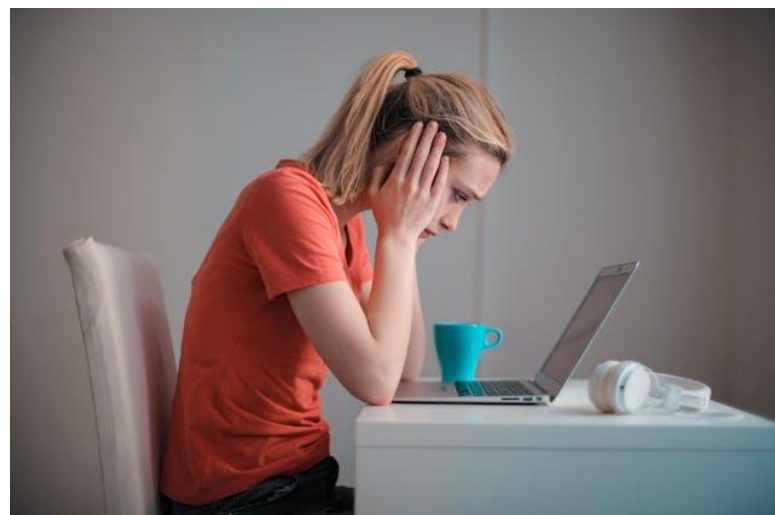
There are very limited circumstances where you can legally access your super early and paying bills and buying Christmas presents doesn't make the list.

Generally, you can only access your super when you:

- reach preservation age and retire, or
- turn 65 even if you're still working.

To access your super legally before then, you must satisfy a condition of release.

If you're an SMSF member and you illegally access your benefits, you may be liable for additional income tax, administrative penalties and could be disqualified as a trustee.



If you've illegally accessed your super, contact your accountant or the ATO immediately. The ATO will take your voluntary disclosure and circumstances into account when considering penalties.

If you've illegally accessed your super, returning it to the fund may be considered a new contribution. This may affect your Contribution caps and result in additional tax on excess contributions.

PLEASE, beware of people promoting early access schemes!

If someone offers you advice that you can withdraw your super early (other than by legal means) you should protect yourself by:

- stopping any involvement with the scheme, organisation or the person who approached you,
- not signing any documents,
- not providing them with any of your personal details such as your Tax File Number (TFN) or passwords,
- making a tip-off online or phone the ATO on **13 10 20** and advise us or your situation.

Source: ATO

Introducing Demara Gates

It is with great pleasure we introduce you to Demara Gates who joined the Accountplan team in recently in a bookkeeping role.

Prior to doing so Demara had accumulated nearly 6 years of bookkeeping experience in the SME sector, including that undertaken for her family owned electrical contracting business.

Demara, who is currently completing studies to obtain her BAS Agent status, assists both our accounting team and our clients with:

- Accounting software set up
- Single Touch Payroll compliance
- Employee superannuation guarantee
- Preparation and lodgement of BAS, IAS and TPAR
- Transaction recording and account reconciliations

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