

Simeen Gaidhar-Bhanji, Financial Expert Columnist



Simeen Gaidhar-Bhanji, CA is a Partner of Simeen Bhanji Chartered Accountant that offer a variety of services to corporations and individuals ranging from tax planning and consulting, compilation, reviews and audits of financial statements, corporate and personal tax returns, GST/PST services, and consulting for internal control, financing and tax.

Sound financial plan keeps great businesses steady when times get tough

Believe it or not, those long hours you've worked, the endlessly nagging voices from your accountants, bankers and lawyers, plus the financial investments you've made combined with the right formula – all these will pay off big-time! You are building yourself a great business.

Two clients of mine have built great businesses from the ground up. One, a construction company, almost went out of business – then revamped their entire business and processes. Now they're grossing over \$5 million in revenue.

The other, a manufacturing company that solely distributes their product to all over North America, soared from being a mere a hobby to a dynamic business grossing over \$1 million a year. Both of these businesses used tools that were key to their amazing success.

Both set up an efficient structure allowing expansion, growth and tax planning.

A business that pays attention to the planning details can be almost certain of impressive growth in the future.

Both businesses maintain a plan with cash flow projections, ensuring that they have a monthly minimum balance in their accounts to cover business expenses. The construction company keeps enough in the bank for three months of fixed and variable costs. Because the market can sometimes be volatile for construction companies, or projects can go sideways, they also keep a contingency fund for any emergencies. This fund allows them to be forward-thinking and reduces stress in our recessionary environment.

The manufacturing company keeps at least enough on hand to cover a few months of expenses, just in case; also, a contingency fund that would pay for the replacement of any one piece of equipment. It costs the company \$50,000 per month to operate. They maintain about \$150,000 in a GIC or some other secure investment vehicle – again, just in case. When the recession hit, they were prepared for a dip in revenues. The contingency fund allowed them to see what the landscape was and make the necessary adjustments without sinking.

In addition to the above cash flow, these two business owners leave as much money as possible in the business, allowing them to consider franchising, expanding, upgrading assets and other business decisions that would otherwise be difficult to move forward on.

Good business owners have a grasp on their finances and processes. Great business owners master both these areas. In my experience, regardless of what type of business they run, I find that owners who stay on top of their accounting issues, and ask for regular advice, are the most successful.

That said, a business is only as good as its team. The two businesses I've cited are committed to staff quality-of-life and training. Ditto a company like Westjet, which provides stock options. Such approaches nurture loyalty and long-term dedication.

Another tool for success: both business owners have great systems in place. For example: to document and file their paperwork each month in separate categories; and, to scan and back up important documents required by Revenue Canada for seven years' retention.

Clients who take time every month to report on and analyze their business, and understand the implications of the information they find, make guided and successful business decisions. A business owner should take a minimum of a half-day every month for a thorough review.

I put some of my clients to the test. I assigned them to take one day a month on performance review, filing documents, and creating systems. Six months later, I can say with satisfaction that these businesses are on the straight path to greatness. The construction company, now on top of their contracts, is job-costing every month, thanks to an efficient reporting structure.

Reviewing your business entails reviewing financial performance, cashflow, corporate goals, staff performance and other key indicators of success that you've put into place. Your accountant can assist you in performing these reviews.

Business plans, goals, cash flows, tax planning, team unity, plans in place for worst case scenarios, and being on top of accounting and processes – all these add up to a winning formula for building a great business with continued success.

The preceding is for information purposes only. Prior to making any decisions, please contact your accountant for advice.

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