



International
Federation
of Accountants

Good Practice Checklist for Small Business, Second Edition

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The [IFAC SMP Committee](#) represents the interests of professional accountants who work in small- and medium-sized accountancy practices (SMPs). The committee collaborates with IFAC member bodies in the development of guidance and tools to help SMPs provide a range of high-quality professional services. It works to ensure the needs of the SMP and small- and medium-sized entity (SME) sectors are considered by standard setters, regulators, and policy makers, by stressing the need for a stable platform of regulation and standards that are relevant to SMEs and SMPs and capable of being applied in a manner proportionate to size of practice and entity. The committee also speaks out on behalf of SMPs and SMEs to raise awareness of their role and value.

This checklist includes many examples for illustrative purposes only and does not reflect any policy positions of the International Federation of Accountants (IFAC).

Acknowledgements

This checklist is based on and has been adapted from CPA Australia's "Good Practice Checklist for Small Business," with their permission (see their [Small Business Knowledge Portal](#)) and the Environmental Management Tasks list was developed by Lynn Johannson, Co-Founder, the EnviroReady Report (<http://www.14000registry.com/>).

The SMP Committee extends its appreciation and thanks to its SMP Business Support Task Force for assisting the committee in developing this Checklist. The SMP Business Support Task Force consists of committee members Stuart Black (Chair), Dorothy Ngwira, Nnamdi Okwuadigbo, Mats Olsson, Florin Toma, Christina Foo, Cemal Ibis, Abdulwahid Aboo, and Inge Saeys.

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Preface

Small- and medium-sized practices (SMPs) constitute the vast majority of accountancy practices worldwide and, in many jurisdictions, employ the majority of professional accountants working in practice. IFAC-commissioned independent research, [*The Role of SMPs in Providing Business Support to SMEs*](#), has found that SMPs have a reputation for competency and trust, responsiveness, and geographical proximity and are well equipped to provide high-quality professional services to meet a wide range of client needs. Their services range from the more traditional services, such as audit, accounting, and tax, to value-adding business advisory services. And, SMPs are able to provide these services in a customized and personal manner. For these reasons, small- and medium-sized entities (SMEs) have often turned to SMPs for a broad range of professional services.

The case for supporting SMEs is compelling: SMEs account for the vast majority of businesses globally, and they account for the majority of private sector GDP, employment, and growth. Moreover, many consider SMEs to hold the key to the global economy's recovery from one of the deepest economic downturns in modern times. Concurrently, larger entities and governments are realizing the collective impact that SMEs have on the environment, which is estimated to be \$4.5 trillion, or 65% of the cost of global environmental externalities according to the World Business Council for Sustainable Development. While this is a measure of current inefficiency, there is a huge interest and opportunity in innovating "green" as a way to address recessionary and environmental challenges.

In recognition of the importance of SMPs, especially in supporting SMEs, IFAC created the SMP Committee in 2006. Since then IFAC, largely at the behest of its members, has increased its commitment to helping to cultivate robust SMPs as they are considered key to the prosperity of the SME sector and have a critical role to play in driving sustainability in SMEs.

The SMP Committee's Strategy and Work Plan includes a strong emphasis on helping to build the capacity of SMPs to better support SMEs. This checklist forms part of that support. For more information, see the SMP Committee's Strategy and Work Plan on its home page (www.ifac.org/SMP).

Giancarlo Attolini

Chair, SMP Committee

March 2013

Introduction

What are the benefits of good business practice?

Good business practice adds value to a business, in both good times and bad times. A business that follows good practice benefits in many ways, such as:

- the business is more likely to be profitable, have better cash flow, and operate with lower environmental and financial risk;
- the business is more likely to exercise sound risk management;
- the business is better able to attract, retain, and motivate staff, thereby enhancing the organization's resilience and agility in the global marketplace;
- the business has the potential to differentiate itself and be rewarded as a preferred vendor in a growing green supply chain;
- the business will be able to differentiate itself in a buyer's market, making it easier to sell the business in the future, and possibly at a better price;
- the business may be able to obtain environmental risk insurance, and possibly at a preferred rate; and
- the business may find it easier to access external finance, including bank finance, if needed.

What is the accountant's role in ensuring good business practice?

Implementing good business practice involves identifying the critical tasks that must be done to keep a business in good shape, and having the discipline to ensure that those tasks are carried out consistently and regularly. Good business practice calls for an annual review at least; *better* business practice will see you reviewing critical areas quarterly, or even monthly. Good business practice is not just about getting your house in order, it is about setting up your business for the challenges and opportunities it will face in the future.

Accountants can help their clients implement and maintain good business practices as they are often able to offer independent and expert advice. The IFAC SMP Committee has developed this checklist for use by accountants, especially practitioners who operate in small- and medium-sized accountancy practices (SMPs), to help them determine what sort of assistance their small business clients might need.

A checklist like this cannot be definitive. However, this checklist is intended to start you thinking about the specific actions your clients will need to take to put their business on the right track and keep it there.

How can this checklist help with good business practice?

The checklist highlights good business practices that small businesses should strive for at all times. Therefore, in addition to helping SMPs advise their clients on good business practice, it can also be used by accountants to ensure their own practices are operating in line with good business practices. If you undertake the tasks detailed in this checklist regularly, the end of the financial year should not create undue pressure for your business and you will be more likely to have the quality information you need to manage and grow your business, whatever conditions you face.

Additional Resources

In addition, a host of free resources and tools, mainly from IFAC member bodies, are available to download from Resources and Tools at www.ifac.org/SMP, especially those relating to Practice

Management (while intended for SMPs, much of this material is equally relevant to small business) and Business Advisory, to help you grow your business.

Checklist

Below are some ways to build relevant aspects of this checklist into your business practices:

- Use the checklist as part of the agenda in your regular staff meetings and allocate tasks so everyone knows what element of the checklist each person is responsible for. Ask for regular reports on each task.
- Write the checklist tasks into your calendar so that you are reminded of requirements at the appropriate times.
- Build tasks from the checklist into the job descriptions of relevant staff.

The checklist, which is found on pages 8–29, comprises six sections as shown below. Spaces are provided, where appropriate, in the checklist for you to insert information relevant to your business.

1. **Financial Tasks**..... 8

Tasks necessary to prepare financial statements should be performed regularly. Waiting until the end of the financial year to undertake many of these tasks will put you under pressure, as a number of returns and forms have to be completed very soon after the close of the financial year, which may jeopardize the quality, and therefore usefulness, of financial data. Delaying financial tasks can also deny you regular access to financial information, such as cash flow statements, which can be critical to helping you manage the everyday ebb and flow of your business. Financial tasks are necessary to produce financial statements, such as a statement of financial performance (income/profit and loss statement) and financial position (balance sheet), which provide information that helps you to understand how your business is performing and to identify possible areas for improvement.

2. **Strategic Financial Tasks** 12

Financial tasks do not end with bank reconciliations or balance sheets. There are other financial tasks known as strategic financial tasks that are critical in determining the future direction of your business.

3. **Strategic Management Tasks**..... 15

Periodically, preferably toward the end of each financial year, you should update your planning, budgeting, and operational procedures. This way your business will be well prepared for the new financial year. If there are significant changes in your business, it is suggested that these strategic management tasks be undertaken more regularly.

4. **Environmental Management Tasks**..... 21

There is mounting evidence proving that companies that establish better control of their relationship with the environment by increasing the formality of their management activities benefit from increases in productivity. In turn, there are improvements in profitability and prosperity. Better management control can also enhance compliance with legal requirements. Improved environmental management is becoming a requirement in supply chains as global businesses are motivated to manage risk and their reputation, especially when under pressure from non-governmental organizations (NGOs), or to meet expectations of consumers. It can help a business retain and attract new customers or gain access to overseas markets. Better environmental management is expected to become a factor that can differentiate one company from the next in an exit strategy or to enhance success in intergenerational transfer; it should be a

consideration in any succession plan. A management systems approach can both enhance environmental performance, such as resiliency in responding to unusual circumstances such as extreme weather events, and offer competitive advantage. See [The IFAC Sustainability Framework](#) for more information.

5. Regulatory Requirements: Lodging Returns and Forms..... 27

Keeping up-to-date with the lodgment and payment of your statutory obligations is considered an important indicator of the financial risk, health, and stability of your business by banks and other creditors. Therefore, recording the lodgment and payment due dates for each of the requirements below is recommended.

6. Personal Affairs of Business Owner..... 29

The end of the financial year is also an important time to make sure your personal affairs are in order.

1. Financial Tasks				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	Install financial software.		With new updates	<ul style="list-style-type: none"> Ask the software vendor to list what financial statements and reports the software can produce. Use the financial software to produce regular financial statements and reports.
	Enter all data promptly, and with accurate transaction dates.		Ongoing	<ul style="list-style-type: none"> Regularly check data entry for quality. If possible, separate “cash handling from “data entry” to minimize potential for fraud.
	Regularly review working capital items, including: <ul style="list-style-type: none"> Stock/inventory balances and reconcile to physical 		At least quarterly	<ul style="list-style-type: none"> Recycle or dispose of old/slow moving stock/inventory. Write-off dead stock/inventory. Review purchasing policies to prevent over-spending on stock/inventory. Post materials on a waste, scrap or materials exchange.

1. Financial Tasks				
√	Activity	Person Responsible	Due Date/Regularity	Some Actions to Consider
	<ul style="list-style-type: none"> • Work-in-progress (for construction firms, professional practices, etc.) • Debtors 		<p>At least quarterly</p> <p>At least quarterly</p>	<ul style="list-style-type: none"> • Bill clients regularly or at milestones. • Invoice as soon as your goods or services are delivered. • Refer bad debts to collection agents. • Review credit screening. • Renegotiate trading terms with consistently slow payers. • Contact slow payers early.
	<p>Reconcile major accounts in balance sheet, including:</p> <ul style="list-style-type: none"> • Bank and investment accounts • Accounts receivable/debtors' ledger • Accounts payable/creditors' ledger 		<p>At least monthly</p> <p>At least monthly</p> <p>At least monthly</p>	<ul style="list-style-type: none"> • Have two people undertake the reconciliation. These people should not be the same people who handle cash. • For high volume cash businesses, reconcile daily. • Identify customers with large outstanding amounts and follow up. • Reconcile suppliers owed money with list of approved suppliers.

1. Financial Tasks				
√	Activity	Person Responsible	Due Date/Regularity	Some Actions to Consider
	<ul style="list-style-type: none"> Property and equipment Sales/Value Added Tax (VAT) 		<p>At least quarterly</p> <p>At least quarterly</p>	<ul style="list-style-type: none"> Do an asset stock-take to ensure you still have the assets that are recorded in your accounts. Identify obsolete, unusable or written-off assets. Ask your accountant to adjust balances and/or see if such assets can be turned into cash. Don't over-invest in new capital equipment without an appropriate payback. Make adjustments quickly through the next activity statement.
	<ul style="list-style-type: none"> Equity accounts (especially in partnerships) and shareholder/stockholder loans 		<p>At least quarterly</p>	<ul style="list-style-type: none"> Operate equity accounts in accordance with the partnership agreement. Try to avoid large imbalances in the amounts contributed by or retained by each partner.
	<p>Review payroll system, including:</p> <ul style="list-style-type: none"> Annual leave entitlements Pension/superannuation 		<p>Quarterly</p> <p>Quarterly</p>	<ul style="list-style-type: none"> Encourage staff to take leave regularly – avoid a large build-up of entitlements. Consider a reserve to fund leave liability. Comply with legislation regarding frequency of payment, choice of fund and reporting to staff.

1. Financial Tasks				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	<ul style="list-style-type: none"> Income tax withholding Fringe benefits tax Payroll tax Paid parental/maternity leave 		<p>Monthly</p> <p>Monthly</p> <p>Monthly</p> <p>Quarterly</p>	<ul style="list-style-type: none"> If you have an employee who is about to give birth or has given birth, visit your Government's website for information on any obligations
	Translate foreign exchange gains/losses.		Year-end	<ul style="list-style-type: none"> Use foreign exchange rates from an official source, such as the tax authority. Speak to your accountant about how you can manage your foreign exchange risk.
	Market valuation of certain assets.		Year-end	Involve your accountant, or a specialist valuer, as required.
	Review forward orders.		Quarterly	Review forward orders as it will help you plan for any short-term need to expand or contract your business.
	Prepare a statement of financial performance (income/profit and loss statement).		Monthly or quarterly	The profit and loss statement, balance sheet, and cash flow statement can help identify any emerging problems in time for corrective action to be taken. Your accountant can assist in their preparation
	Prepare a statement of financial position (balance sheet).		Monthly or quarterly	
	Prepare a cash flow statement.		Monthly or quarterly	

2. Strategic Financial Tasks				
√	Activity	Person Responsible	Due Date/Regularity	Some Actions to Consider
	Set targets for financial performance.		At least annually	<ul style="list-style-type: none"> • Ask your accountant to help you set targets relevant to your industry and your business. • Incorporate set targets into your budgets and strategic plan.
	Review and analyze financial statements.		At least annually; preferably quarterly or monthly	<ul style="list-style-type: none"> • Compare key ratios from your financial statements, such as working capital ratio, stock/inventory turnover ratio or profit per employee, to averages in your industry. Your accountant may be able to help you get access to such industry averages and assist with calculating and analyzing the ratios. • Compare performance against financial targets and past performance.
	Review actual performance against budget.		Monthly	Undertake variance analysis (ask yourself: What may have caused any gap between budget and actual? How can we overcome unfavorable variances?).
	Undertake sensitivity analysis.		Annually	Ask yourself: What if sales dropped 15 or 20 percent? Or you lost a major customer? Or a major supplier stopped selling to you? What if your chief sales staff resigned? What if your power source or water supplies were unavailable after an extreme weather event - how long could your business endure this loss? Factor answers to such questions into your forecasts.

2. Strategic Financial Tasks				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	Set sales or production targets.		Ongoing	Undertake a break-even analysis to determine what you need to sell before you make a profit. Ask your accountant to help you with a break-even analysis if you are uncertain.
	Prepare income/profit and loss budget.		Annually	<ul style="list-style-type: none"> • Make sure your budget reflects your strategic and financial targets. • Incorporate any findings from the variance analysis of the last budget, sensitivity analysis, and the break-even analysis.
	Prepare cash flow forecast.		At least annually	<ul style="list-style-type: none"> • Have your cash flow forecast show the projected cash flows for each month in the 12-month period. Such forecasts should be updated at least monthly. • Address any future cash shortages, for example, more cash sales, reduced expenses or external finance (such as an overdraft facility). • If you decide to seek external finance for any purpose, go to your lender as soon as possible.
	Review cash flow forecast in light of actual results.		Monthly	Update cash flow forecast to reflect actual events and monitor ongoing cash positions.
	Review bank loans, leases, credit cards or other finance, ensuring you:			

2. Strategic Financial Tasks

√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	<ul style="list-style-type: none"> • Evaluate interest rates on your loans. • Provide historic and budgeted information to lenders. • Comply with repayment schedules. • Check compliance with debt covenants. 		<p>Annually</p> <p>Annually</p> <p>Ongoing</p> <p>Ongoing</p>	<ul style="list-style-type: none"> • Look at what other lenders are offering and consider whether you should switch lenders. • Provide information on profit and loss, balance sheet, cash flow statement and budgets. • Notify your bank immediately if you are in breach of a covenant. If you are uncertain of your covenants, ask your bank.

3. Strategic Management Tasks				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	Create or update your strategic plan.	Owner and key staff	3-5 year horizon, updated annually	<ul style="list-style-type: none"> • Have a strategic plan for the owners, as well as for the business. This ensures the business complements the owners' needs. • Take time to review lessons learned from the current year and incorporate those lessons into your strategic plan.
	<p>Review employment arrangements, ensuring you:</p> <ul style="list-style-type: none"> • Conduct performance reviews. • Consider incentive systems or commission-based pay. • Get staff to sign an employment agreement (including provisions for confidentiality obligations and ownership of intellectual property). 	<p>Team leaders</p> <p>Owner and key staff</p> <p>Owner</p>	<p>At least annually</p> <p>At least annually</p> <p>Commencement of employment</p>	<ul style="list-style-type: none"> • Don't wait until the formal feedback process. Provide regular informal feedback to staff. • Make incentive systems simple, pay promptly, and link the incentives to the controllable success factors for each role. • Consider only paying commission when you have received cash from the sale and paying higher commissions for sales of higher margin products and services. • Obtain legal advice to ensure employment agreements comply with the law.

3. Strategic Management Tasks				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	Consider if “restraint of trade” contracts are needed for key staff.		Commencement of employment	<ul style="list-style-type: none"> Obtain legal advice to ensure applicable contracts are enforceable and advisable.
	Review sales contracts and customer’s payment terms.		Annually	Determine whether your sales contracts protect your business. For example, in a difficult economic environment you could protect your business by: shortening the payment terms; implementing credit limits; and seeking personal guarantees and security.
	Review suppliers’ contracts or payment terms.		Annually	<ul style="list-style-type: none"> Negotiate a lengthening of your payment terms of trade. Review how goods are supplied to you (so that it better meets your needs). See if you can reduce the minimum quantity you can order. Look at payment discounts. As a risk management measure, check alternative suppliers of critical items.
	Review financial commitments, such as: <ul style="list-style-type: none"> Office leases Equipment leases 		<p>Annually</p> <p>Annually</p>	<ul style="list-style-type: none"> Exercise options to renew your lease if premises meet your needs, if they do not, begin planning a move. Understand ownership/payout arrangements at end-of- lease.

3. Strategic Management Tasks				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	<ul style="list-style-type: none"> Securities over assets Hedging contracts Other 		Annually Annually Annually	<ul style="list-style-type: none"> Check which of your assets is security for which loan and that, where a loan no longer exists, the security is removed. Speak to your accountant about what other forms of financing, not outlined within, that might be relevant to your business.
	Establish, update or review your "Policies Manual," ensuring you: ¹ <ul style="list-style-type: none"> Document your processes. Allocate specific tasks. Consider fraud risk. Review staff authority to spend money. 		Annually Annually Annually Annually	<ul style="list-style-type: none"> A good policy manual has the potential to make your business more valuable and easier to run in your absence. Use your process document as a training and quality manual. Separate record-keeping duties from duties involving the handling of cash and other assets to minimize the risk of fraud or theft by employees. Speak to your accountant about establishing appropriate internal controls. Consider authorizing all payments yourself for a short period as part of a cost reduction and quality assurance exercise.

¹ A sample manual, for a small practice, which can be adapted for a small business, is provided at page 54 of Module 1 of the [Guide to Practice Management for Small- and Medium-Sized Practices](#)

3. Strategic Management Tasks				
√	Activity	Person Responsible	Due Date/Regularity	Some Actions to Consider
	<ul style="list-style-type: none"> Inform and educate staff about your policies 		Annually	<ul style="list-style-type: none"> Conduct random spot checks to ensure both compliance with your policies and to reduce the risk of fraud.
	<p>Review and update IT systems, ensuring:</p> <ul style="list-style-type: none"> You have the licenses you need to use your software. Back-ups are performed frequently and held offsite. Staff training needs are met. Disaster recovery plan documentation has been reviewed. 		<p>Annually</p> <p>Daily/weekly</p> <p>Annually</p> <p>Annually</p>	<ul style="list-style-type: none"> Ensure current versions of software are being used, there are no unauthorized copies, and the number of users your license covers is sufficient for your needs. Test whether your staff knows how to restore the back-ups and that the back-ups work. Appoint a “champion” for each software product to enhance internal transfer of practical knowledge.
	<p>Review your intellectual property by:</p> <ul style="list-style-type: none"> Documenting procedures on how your intellectual property is used in your business 		Annually	

3. Strategic Management Tasks				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	<ul style="list-style-type: none"> Renewing trading names (including trademarks and business names) and domain names 		Annually	Speak to your lawyer to see if your intellectual property is adequately covered.
	<p>Review your insurances, including:</p> <ul style="list-style-type: none"> Types of policy required The amount of cover in place 		<p>Annually</p> <p>Annually</p>	<ul style="list-style-type: none"> Does your insurance cover match your needs, for instance insurance covering assets, business interruption, loss of attraction, life insurance, income replacement, etc.? Avoid under- and over-insurance.
	<p>Seek ways of reducing resource use in the business. Consider:</p> <ul style="list-style-type: none"> The use of water, electricity, gas, petrol/diesel The use of other resources Using local suppliers if possible Eliminating unproductive steps or processes 		Annually	<ul style="list-style-type: none"> Resource consideration should be part of a cost reduction strategy. Consider how to operate your business if there was a disruption to the supply of electricity, gas or water.
	Review any outstanding legal disputes.	Owner and solicitor	At least quarterly	<ul style="list-style-type: none"> Keep disputes moving along. Consider viable ways to settle disputes promptly.

3. Strategic Management Tasks

√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	Determine whether you undertake activities (such as exporting) that may be eligible for a government grant/subsidy.		Annually	Speak to your accountant about what grants/subsidies, if any, you may be eligible for and the eligibility requirements.

4. Environmental Management Tasks				
√	Activity	Person Responsible	Due Date/Regularity	Some Actions to Consider
1	<p>Plan to achieve better environmental management and performance, using a systems framework in which you will:</p> <ul style="list-style-type: none"> Define the scope of your business that will be included. Identify the significant environmental aspects of your plans, activities, products, and services. Identify applicable legal and other requirements related to your environmental aspects. Develop an environmental policy. 	Owner and key personnel	<p>Ongoing</p> <p>Initially, and reviewed when changes occur to location or organizational boundaries</p> <p>Initially, or with changes to plans, activities, products, and services</p> <p>At least annually</p> <p>Initially, and then review annually.</p>	<p>Refer to ISO 14001:2004 for the framework upon which a robust, credible, and reliable environmental management system can be established.</p> <ul style="list-style-type: none"> Ensure scope includes your facilities and covers the organization that resides under your control. Identify what it is you have or do that causes environmental impacts that add to or subtract from the company's ecological footprint, and can add to or reduce costs and risks, including reputation. As 80% of environmental impacts tend to be location-based, a map can help quickly identify where opportunities are situated. Consult services that provide access to lists of environmental laws. Speak to an environmental lawyer if your need is more acute. Ensure it reflects the culture and nature of your business. Make sure all personnel understand it. Post it or be ready to share it upon request.

	<ul style="list-style-type: none"> • Set environmental objectives and targets. • Identify the resources needed to set up, maintain and improve the management system to realize performance improvements. • Identify the education and experience needs of personnel. 		<p>At least annually</p> <p>Annually</p> <p>Annually</p>	<ul style="list-style-type: none"> • Make sure your objectives and targets support your policy. • Take into account legal and other requirements, your significant environments aspects, technical options, financial and business needs, and the views of interested parties when setting these. • Ask your accountant to assist in costing out objectives and targets to set priorities. • Establish a budget to ensure that you have the resources to meet your objectives and targets. Consult with your accountant for a more detailed analysis if needed. • Assign duties to others as required to meet your needs and any milestones. • Conduct a needs analysis to determine what training is needed to educate staff to enable the behavioral changes needed. • Determine the competencies and technical expertise required to ensure personnel can deliver on the policy and reduce the company's ecological footprint.
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	<ul style="list-style-type: none"> Determine the need to communicate with external stakeholders (see also activity 5 below). Maintain sufficient documentation to ensure efficiency and effectiveness of the EMS. Develop procedures to prevent and respond to emergencies. 		<p>Annually</p> <p>Ongoing</p> <p>Initially, and update as appropriate</p>	<ul style="list-style-type: none"> Identify the concerns of interested parties (customers, your community, investors, etc.) who are affected by your environmental performance. Determine what information you will share and how you will communicate. Establish procedures to inform appropriate community and regulatory agencies on matters related to emergencies and situations related to the impact of your products and services on the market. Document the key elements of your management activity such as your environmental policy, objectives, and targets to ensure you reduce your environmental footprint. Make sure that you and your staff understand what to do in emergencies. Run periodic tests to make sure your emergency plan works.
2	Do, by taking action to:			
	<ul style="list-style-type: none"> Establish procedures to prevent significant environmental impact from operations. 	Owner or assigned staff	Ongoing	<ul style="list-style-type: none"> Ensure that the most critical aspects of your business, which could cause significant environmental impact, are managed to avoid or control risks like spills or air emissions. Document where there is a low to zero tolerance for failure due to absenteeism or human error.

3	Check your progress, ensuring you:			
	<ul style="list-style-type: none"> • Establish procedures to test the tools used to determine whether indicators of your success are working. • Evaluate status of compliance with legal and other requirements. • Maintain records for easy crosschecks on work performed and progress. • Conduct an internal audit to ensure that the EMS is working well. • Review the audit results and ensure other key elements of the EMS are suitable, adequate, and efficient to realize value from the environmental management system. 	Owner and key personnel	<p>Annually</p> <p>Annually</p> <p>Ongoing</p> <p>Annually</p> <p>Annually</p>	<ul style="list-style-type: none"> • Monitor and measure your performance to ensure optimum outcomes. • Check to make sure you are in compliance with laws and other requirements. • Keep records on your progress up to date, legible, and easily accessible. • Periodically test your system to make sure it is delivering on the value you need. • Consider the results of your audit to make sure that you take advantage of the opportunity to improve and enhance your position in the market, whether it is with your customers and the supply chain in which they operate, your community, to differentiate yourself in a buyer's market if you are trying to sell the business, or simply for your own internal benefit.

4	Act to	Owner and assigned staff	Ongoing	Identify opportunities to improve your environmental performance, reduce costs,
	Ensure that you are staying current, improving, avoiding problems, resolving mistakes, and reducing impact on the environment.			lower risk, and minimize your ecological footprint.
5	Assess the business risk of environmental factors that may affect your business.		Annually	Ask your accountant to help identify and quantify these factors. Considerations may include climate change, extreme weather, biodiversity, carbon taxes/prices, or other environmental risks. Opportunities to be explored could include carbon trading, carbon offsetting, or district heating (whereby a local central plant producing steam, hot water, or chilled water eliminates the need for businesses to have their own boilers or furnaces, chillers, or air conditioners).
6	Monitor innovation in environmental technology and reporting.	Owner or assigned staff	At least annually	<ul style="list-style-type: none"> • Scan reports that provide free updates. • Subscribe to online news services that post highlights. • Read environmental or corporate social responsibility (CSR) reports posted by customers or industry leaders.
7	Monitor trends in enforcement.	Owner or assigned staff	Quarterly	Subscribe to news services provided by environmental lawyers on fines and court rulings on environmental offences.
8	Evaluate your succession plan and exit strategy to determine how better environmental management can	Owner	Annually	Involve your accountant, or a specialist adviser, as required.

	differentiate your business in a buyer's market.			
9	Determine the need, and value, in reporting on your company's environmental progress.	Owner	Annually, after the tasks above have been addressed	Ensure that you report on measureable and verifiable progress. Unsubstantiated or incorrectly worded claims can cause reputational risk, lead to your reporting being labeled "greenwash," and even give rise to lawsuits. Some form of assurance on what's reported may lend credibility to what you report. Consult a specialist advisor or involve your accountant or lawyer to avoid misinterpretation.

5. Regulatory Requirements: Lodging Returns and Forms				
√	Requirement	Person Responsible	Due/Payment Dates	Some Actions to Consider
	Income tax return			Provide information, including financial statements, to your accountant for review; highlight large or unusual transactions.
	Corporate/business tax returns			If you have difficulties with your BAS or IAS, ask your accountant to complete it or engage a bookkeeper recommended by your accountant.
	Securities regulator annual report/return/filing (listed companies only)			Ask your accountant to prepare these.
	Income tax withholding annual payment summary			Perform test reconciliation in the month before year-end to highlight any processing problems.
	Income tax statements (group certificate) for employees			Reconcile totals to your ledgers first.
	Payroll tax			Speak to your accountant if you're unsure of the rates and any thresholds.
	Workers' compensation insurance			<ul style="list-style-type: none"> • Determine your projected wages and salaries for the year. • Find out if there are any exclusions and, if so, whether they are adequately covered in another way.
	Pension/superannuation payments			Pay monthly; produce notices for staff regularly.
	Fringe benefits tax return			
	Solvency declaration—for companies only			

5. Regulatory Requirements: Lodging Returns and Forms

√	Requirement	Person Responsible	Due/Payment Dates	Some Actions to Consider
	Staff salaries and conditions			Review staff salaries and conditions to ensure compliance with awards (where appropriate) and legal requirements.
	Government grants			If you are in receipt of government grants, ensure you meet your obligations under the grant.
	Others (list)			

6. Personal Affairs of Business Owner				
√	Activity	Person Responsible	Due Date/Regularity	Some Actions to Consider
	Ensure trust distributions are properly made.		At least annually	The tax treatment of trusts can be complex and is subject to change: any could expose you to large unforeseen tax bills. Speak to your adviser about your trust.
	Undertake tax and personal financial planning.		Annually (before year-end)	<ul style="list-style-type: none"> Year-end presents a number of tax planning opportunities and risks. Speak to your accountant about tax and personal financial planning. Don't invest in any year-end tax planning schemes until you speak to your accountant.
	Review any loan agreements with your business.		Annually	
	Review personal insurances.		Annually	Disability, life, and trauma
	Ensure Power of Attorney is current.		Annually	
	Review your succession/retirement plan.	Your accountant & lawyer	Annually	Remember that your will does not take effect until you are dead so you need a succession plan for the handing over of the business or its management if you prematurely die, as well as a will.
	Review your will, particularly if there has been a change in your circumstances.	Your accountant & lawyer	Annually	
	Review the structures you have in place to protect your personal assets.	Your accountant & lawyer	Annually	This area of law is constantly evolving. Therefore, to be safe, you should review the effectiveness of your business structures and your asset protection strategies.

Conclusion

Good business practices will help ensure your business is well run. A well run business will help place your business in the best possible position to respond to whatever trading conditions you face, and help you move your business in the direction you want it to go.

If your business is growing strongly, then be cautious about increasing fixed overheads too early (it is recommended you try to support extra workload through overtime or with casual staff until you are confident in the strength of your recovery). Avoid over-buying stock items or over-investing in capital equipment.

If your business is experiencing weak or moderate growth, monitor closely indicators of future sales activity and stay focused on controlling costs.

If your business is struggling to grow, look for ways of maximizing each selling opportunity—often it is as simple as “asking for the order” or asking if the customer “would like something else with that.” A smart sales strategy does not require extravagant and risky promotional activities: simple sales tactics can be low-risk and low-cost and yet highly effective.

Whatever the state of your business, look for services or products that are not generating a good return—low sales or frequent problems with product support might be useful indicators. Your financial system should be able to tell you whether there is little or no gross profit/margin from a product, or the product might tie up too much working capital relative to its profit level. Once you know the source of the problem, see whether it can be corrected or whether you should consider no longer selling that product or service.

Structural changes are often best made during good times, since personnel can easily be redeployed elsewhere for greater profit. However, if you need to make structural changes in less robust times, then communicate openly with the affected people and make sure you treat them fairly.

Whether your business is strong, weak, or patchy, this checklist will help you make the most of any situation and feel more in control of your business.



**International
Federation
of Accountants**

529 Fifth Avenue, 6th Floor, New York, NY 10017
T + 1 (212) 286-9344 F +1 (212) 286-9570
www.ifac.org



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Good Practice Checklist for Small Business, Second Edition



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Good Practice Checklist for Small Business, Second Edition

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The [IFAC SMP Committee](#) represents the interests of professional accountants who work in small- and medium-sized accountancy practices (SMPs). The committee collaborates with IFAC member bodies in the development of guidance and tools to help SMPs provide a range of high-quality professional services. It works to ensure the needs of the SMP and small- and medium-sized entity (SME) sectors are considered by standard setters, regulators, and policy makers, by stressing the need for a stable platform of regulation and standards that are relevant to SMEs and SMPs and capable of being applied in a manner proportionate to size of practice and entity. The committee also speaks out on behalf of SMPs and SMEs to raise awareness of their role and value.

This checklist includes many examples for illustrative purposes only and does not reflect any policy positions of the International Federation of Accountants (IFAC).

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Preface

Small- and medium-sized practices (SMPs) constitute the vast majority of accountancy practices worldwide and, in many jurisdictions, employ the majority of professional accountants working in practice. IFAC-commissioned independent research, [*The Role of SMPs in Providing Business Support to SMEs*](#), has found that SMPs have a reputation for competency and trust, responsiveness, and geographical proximity and are well equipped to provide high-quality professional services to meet a wide range of client needs. Their services range from the more traditional services, such as audit, accounting, and tax, to value-adding business advisory services. And, SMPs are able to provide these services in a customized and personal manner. For these reasons, small- and medium-sized entities (SMEs) have often turned to SMPs for a broad range of professional services.

The case for supporting SMEs is compelling: SMEs account for the vast majority of businesses globally, and they account for the majority of private sector GDP, employment, and growth. Moreover, many consider SMEs to hold the key to the global economy's recovery from one of the deepest economic downturns in modern times. Concurrently, larger entities and governments are realizing the collective impact that SMEs have on the environment, which is estimated to be \$4.5 trillion, or 65% of the cost of global environmental externalities according to the World Business Council for Sustainable Development. While this is a measure of current inefficiency, there is a huge interest and opportunity in innovating "green" as a way to address recessionary and environmental challenges.

In recognition of the importance of SMPs, especially in supporting SMEs, IFAC created the SMP Committee in 2006. Since then IFAC, largely at the behest of its members, has increased its commitment to helping to cultivate robust SMPs as they are considered key to the prosperity of the SME sector and have a critical role to play in driving sustainability in SMEs.

The SMP Committee's Strategy and Work Plan includes a strong emphasis on helping to build the capacity of SMPs to better support SMEs. This checklist forms part of that support. For more information, see the SMP Committee's Strategy and Work Plan on its home page (www.ifac.org/SMP).

Giancarlo Attolini

Chair, SMP Committee

March 2013

Introduction

What are the benefits of good business practice?

Good business practice adds value to a business, in both good times and bad times. A business that follows good practice benefits in many ways, such as:

- the business is more likely to be profitable, have better cash flow, and operate with lower environmental and financial risk;
- the business is more likely to exercise sound risk management;
- the business is better able to attract, retain, and motivate staff, thereby enhancing the organization's resilience and agility in the global marketplace;
- the business has the potential to differentiate itself and be rewarded as a preferred vendor in a growing green supply chain;
- the business will be able to differentiate itself in a buyer's market, making it easier to sell the business in the future, and possibly at a better price;
- the business may be able to obtain environmental risk insurance, and possibly at a preferred rate; and
- the business may find it easier to access external finance, including bank finance, if needed.

What is the accountant's role in ensuring good business practice?

Implementing good business practice involves identifying the critical tasks that must be done to keep a business in good shape, and having the discipline to ensure that those tasks are carried out consistently and regularly. Good business practice calls for an annual review at least; *better* business practice will see you reviewing critical areas quarterly, or even monthly. Good business practice is not just about getting your house in order, it is about setting up your business for the challenges and opportunities it will face in the future.

Accountants can help their clients implement and maintain good business practices as they are often able to offer independent and expert advice. The IFAC SMP Committee has developed this checklist for use by accountants, especially practitioners who operate in small- and medium-sized accountancy practices (SMPs), to help them determine what sort of assistance their small business clients might need.

A checklist like this cannot be definitive. However, this checklist is intended to start you thinking about the specific actions your clients will need to take to put their business on the right track and keep it there.

How can this checklist help with good business practice?

The checklist highlights good business practices that small businesses should strive for at all times. Therefore, in addition to helping SMPs advise their clients on good business practice, it can also be used by accountants to ensure their own practices are operating in line with good business practices. If you undertake the tasks detailed in this checklist regularly, the end of the financial year should not create undue pressure for your business and you will be more likely to have the quality information you need to manage and grow your business, whatever conditions you face.

Additional Resources

In addition, a host of free resources and tools, mainly from IFAC member bodies, are available to download from Resources and Tools at www.ifac.org/SMP, especially those relating to Practice

Management (while intended for SMPs, much of this material is equally relevant to small business) and Business Advisory, to help you grow your business.

Checklist

Below are some ways to build relevant aspects of this checklist into your business practices:

- Use the checklist as part of the agenda in your regular staff meetings and allocate tasks so everyone knows what element of the checklist each person is responsible for. Ask for regular reports on each task.
- Write the checklist tasks into your calendar so that you are reminded of requirements at the appropriate times.
- Build tasks from the checklist into the job descriptions of relevant staff.

The checklist, which is found on pages 8–29, comprises six sections as shown below. Spaces are provided, where appropriate, in the checklist for you to insert information relevant to your business.

1. **Financial Tasks**..... 8

Tasks necessary to prepare financial statements should be performed regularly. Waiting until the end of the financial year to undertake many of these tasks will put you under pressure, as a number of returns and forms have to be completed very soon after the close of the financial year, which may jeopardize the quality, and therefore usefulness, of financial data. Delaying financial tasks can also deny you regular access to financial information, such as cash flow statements, which can be critical to helping you manage the everyday ebb and flow of your business. Financial tasks are necessary to produce financial statements, such as a statement of financial performance (income/profit and loss statement) and financial position (balance sheet), which provide information that helps you to understand how your business is performing and to identify possible areas for improvement.

2. **Strategic Financial Tasks** 12

Financial tasks do not end with bank reconciliations or balance sheets. There are other financial tasks known as strategic financial tasks that are critical in determining the future direction of your business.

3. **Strategic Management Tasks**..... 15

Periodically, preferably toward the end of each financial year, you should update your planning, budgeting, and operational procedures. This way your business will be well prepared for the new financial year. If there are significant changes in your business, it is suggested that these strategic management tasks be undertaken more regularly.

4. **Environmental Management Tasks**..... 21

There is mounting evidence proving that companies that establish better control of their relationship with the environment by increasing the formality of their management activities benefit from increases in productivity. In turn, there are improvements in profitability and prosperity. Better management control can also enhance compliance with legal requirements. Improved environmental management is becoming a requirement in supply chains as global businesses are motivated to manage risk and their reputation, especially when under pressure from non-governmental organizations (NGOs), or to meet expectations of consumers. It can help a business retain and attract new customers or gain access to overseas markets. Better environmental management is expected to become a factor that can differentiate one company from the next in an exit strategy or to enhance success in intergenerational transfer; it should be a

consideration in any succession plan. A management systems approach can both enhance environmental performance, such as resiliency in responding to unusual circumstances such as extreme weather events, and offer competitive advantage. See [The IFAC Sustainability Framework](#) for more information.

5. Regulatory Requirements: Lodging Returns and Forms..... 27

Keeping up-to-date with the lodgment and payment of your statutory obligations is considered an important indicator of the financial risk, health, and stability of your business by banks and other creditors. Therefore, recording the lodgment and payment due dates for each of the requirements below is recommended.

6. Personal Affairs of Business Owner..... 29

The end of the financial year is also an important time to make sure your personal affairs are in order.

1. Financial Tasks				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	Install financial software.		With new updates	<ul style="list-style-type: none"> Ask the software vendor to list what financial statements and reports the software can produce. Use the financial software to produce regular financial statements and reports.
	Enter all data promptly, and with accurate transaction dates.		Ongoing	<ul style="list-style-type: none"> Regularly check data entry for quality. If possible, separate “cash handling from “data entry” to minimize potential for fraud.
	Regularly review working capital items, including: <ul style="list-style-type: none"> Stock/inventory balances and reconcile to physical 		At least quarterly	<ul style="list-style-type: none"> Recycle or dispose of old/slow moving stock/inventory. Write-off dead stock/inventory. Review purchasing policies to prevent over-spending on stock/inventory. Post materials on a waste, scrap or materials exchange.

1. Financial Tasks				
√	Activity	Person Responsible	Due Date/Regularity	Some Actions to Consider
	<ul style="list-style-type: none"> • Work-in-progress (for construction firms, professional practices, etc.) • Debtors 		<p>At least quarterly</p> <p>At least quarterly</p>	<ul style="list-style-type: none"> • Bill clients regularly or at milestones. • Invoice as soon as your goods or services are delivered. • Refer bad debts to collection agents. • Review credit screening. • Renegotiate trading terms with consistently slow payers. • Contact slow payers early.
	<p>Reconcile major accounts in balance sheet, including:</p> <ul style="list-style-type: none"> • Bank and investment accounts • Accounts receivable/debtors' ledger • Accounts payable/creditors' ledger 		<p>At least monthly</p> <p>At least monthly</p> <p>At least monthly</p>	<ul style="list-style-type: none"> • Have two people undertake the reconciliation. These people should not be the same people who handle cash. • For high volume cash businesses, reconcile daily. • Identify customers with large outstanding amounts and follow up. • Reconcile suppliers owed money with list of approved suppliers.

1. Financial Tasks				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	<ul style="list-style-type: none"> Property and equipment Sales/Value Added Tax (VAT) 		<p>At least quarterly</p> <p>At least quarterly</p>	<ul style="list-style-type: none"> Do an asset stock-take to ensure you still have the assets that are recorded in your accounts. Identify obsolete, unusable or written-off assets. Ask your accountant to adjust balances and/or see if such assets can be turned into cash. Don't over-invest in new capital equipment without an appropriate payback. Make adjustments quickly through the next activity statement.
	<ul style="list-style-type: none"> Equity accounts (especially in partnerships) and shareholder/stockholder loans 		<p>At least quarterly</p>	<ul style="list-style-type: none"> Operate equity accounts in accordance with the partnership agreement. Try to avoid large imbalances in the amounts contributed by or retained by each partner.
	<p>Review payroll system, including:</p> <ul style="list-style-type: none"> Annual leave entitlements Pension/superannuation 		<p>Quarterly</p> <p>Quarterly</p>	<ul style="list-style-type: none"> Encourage staff to take leave regularly – avoid a large build-up of entitlements. Consider a reserve to fund leave liability. Comply with legislation regarding frequency of payment, choice of fund and reporting to staff.

1. Financial Tasks				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	<ul style="list-style-type: none"> Income tax withholding Fringe benefits tax Payroll tax Paid parental/maternity leave 		Monthly Monthly Monthly Quarterly	<ul style="list-style-type: none"> If you have an employee who is about to give birth or has given birth, visit your Government's website for information on any obligations
	Translate foreign exchange gains/losses.		Year-end	<ul style="list-style-type: none"> Use foreign exchange rates from an official source, such as the tax authority. Speak to your accountant about how you can manage your foreign exchange risk.
	Market valuation of certain assets.		Year-end	Involve your accountant, or a specialist valuer, as required.
	Review forward orders.		Quarterly	Review forward orders as it will help you plan for any short-term need to expand or contract your business.
	Prepare a statement of financial performance (income/profit and loss statement).		Monthly or quarterly	The profit and loss statement, balance sheet, and cash flow statement can help identify any emerging problems in time for corrective action to be taken. Your accountant can assist in their preparation
	Prepare a statement of financial position (balance sheet).		Monthly or quarterly	
	Prepare a cash flow statement.		Monthly or quarterly	

2. Strategic Financial Tasks				
√	Activity	Person Responsible	Due Date/Regularity	Some Actions to Consider
	Set targets for financial performance.		At least annually	<ul style="list-style-type: none"> • Ask your accountant to help you set targets relevant to your industry and your business. • Incorporate set targets into your budgets and strategic plan.
	Review and analyze financial statements.		At least annually; preferably quarterly or monthly	<ul style="list-style-type: none"> • Compare key ratios from your financial statements, such as working capital ratio, stock/inventory turnover ratio or profit per employee, to averages in your industry. Your accountant may be able to help you get access to such industry averages and assist with calculating and analyzing the ratios. • Compare performance against financial targets and past performance.
	Review actual performance against budget.		Monthly	Undertake variance analysis (ask yourself: What may have caused any gap between budget and actual? How can we overcome unfavorable variances?).
	Undertake sensitivity analysis.		Annually	Ask yourself: What if sales dropped 15 or 20 percent? Or you lost a major customer? Or a major supplier stopped selling to you? What if your chief sales staff resigned? What if your power source or water supplies were unavailable after an extreme weather event - how long could your business endure this loss? Factor answers to such questions into your forecasts.

2. Strategic Financial Tasks				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	Set sales or production targets.		Ongoing	Undertake a break-even analysis to determine what you need to sell before you make a profit. Ask your accountant to help you with a break-even analysis if you are uncertain.
	Prepare income/profit and loss budget.		Annually	<ul style="list-style-type: none"> • Make sure your budget reflects your strategic and financial targets. • Incorporate any findings from the variance analysis of the last budget, sensitivity analysis, and the break-even analysis.
	Prepare cash flow forecast.		At least annually	<ul style="list-style-type: none"> • Have your cash flow forecast show the projected cash flows for each month in the 12-month period. Such forecasts should be updated at least monthly. • Address any future cash shortages, for example, more cash sales, reduced expenses or external finance (such as an overdraft facility). • If you decide to seek external finance for any purpose, go to your lender as soon as possible.
	Review cash flow forecast in light of actual results.		Monthly	Update cash flow forecast to reflect actual events and monitor ongoing cash positions.
	Review bank loans, leases, credit cards or other finance, ensuring you:			

2. Strategic Financial Tasks

√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	<ul style="list-style-type: none"> • Evaluate interest rates on your loans. • Provide historic and budgeted information to lenders. • Comply with repayment schedules. • Check compliance with debt covenants. 		<p>Annually</p> <p>Annually</p> <p>Ongoing</p> <p>Ongoing</p>	<ul style="list-style-type: none"> • Look at what other lenders are offering and consider whether you should switch lenders. • Provide information on profit and loss, balance sheet, cash flow statement and budgets. • Notify your bank immediately if you are in breach of a covenant. If you are uncertain of your covenants, ask your bank.

3. Strategic Management Tasks				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	Create or update your strategic plan.	Owner and key staff	3-5 year horizon, updated annually	<ul style="list-style-type: none"> • Have a strategic plan for the owners, as well as for the business. This ensures the business complements the owners' needs. • Take time to review lessons learned from the current year and incorporate those lessons into your strategic plan.
	Review employment arrangements, ensuring you: <ul style="list-style-type: none"> • Conduct performance reviews. • Consider incentive systems or commission-based pay. • Get staff to sign an employment agreement (including provisions for confidentiality obligations and ownership of intellectual property). 	Team leaders Owner and key staff Owner	At least annually At least annually Commencement of employment	<ul style="list-style-type: none"> • Don't wait until the formal feedback process. Provide regular informal feedback to staff. • Make incentive systems simple, pay promptly, and link the incentives to the controllable success factors for each role. • Consider only paying commission when you have received cash from the sale and paying higher commissions for sales of higher margin products and services. • Obtain legal advice to ensure employment agreements comply with the law.

3. Strategic Management Tasks				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	Consider if “restraint of trade” contracts are needed for key staff.		Commencement of employment	<ul style="list-style-type: none"> Obtain legal advice to ensure applicable contracts are enforceable and advisable.
	Review sales contracts and customer’s payment terms.		Annually	Determine whether your sales contracts protect your business. For example, in a difficult economic environment you could protect your business by: shortening the payment terms; implementing credit limits; and seeking personal guarantees and security.
	Review suppliers’ contracts or payment terms.		Annually	<ul style="list-style-type: none"> Negotiate a lengthening of your payment terms of trade. Review how goods are supplied to you (so that it better meets your needs). See if you can reduce the minimum quantity you can order. Look at payment discounts. As a risk management measure, check alternative suppliers of critical items.
	Review financial commitments, such as: <ul style="list-style-type: none"> Office leases Equipment leases 		Annually Annually	<ul style="list-style-type: none"> Exercise options to renew your lease if premises meet your needs, if they do not, begin planning a move. Understand ownership/payout arrangements at end-of- lease.

3. Strategic Management Tasks				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	<ul style="list-style-type: none"> Securities over assets Hedging contracts Other 		<p>Annually</p> <p>Annually</p> <p>Annually</p>	<ul style="list-style-type: none"> Check which of your assets is security for which loan and that, where a loan no longer exists, the security is removed. Speak to your accountant about what other forms of financing, not outlined within, that might be relevant to your business.
	<p>Establish, update or review your "Policies Manual," ensuring you:¹</p> <ul style="list-style-type: none"> Document your processes. Allocate specific tasks. Consider fraud risk. Review staff authority to spend money. 		<p>Annually</p> <p>Annually</p> <p>Annually</p> <p>Annually</p>	<ul style="list-style-type: none"> A good policy manual has the potential to make your business more valuable and easier to run in your absence. Use your process document as a training and quality manual. Separate record-keeping duties from duties involving the handling of cash and other assets to minimize the risk of fraud or theft by employees. Speak to your accountant about establishing appropriate internal controls. Consider authorizing all payments yourself for a short period as part of a cost reduction and quality assurance exercise.

¹ A sample manual, for a small practice, which can be adapted for a small business, is provided at page 54 of Module 1 of the [Guide to Practice Management for Small- and Medium-Sized Practices](#)

3. Strategic Management Tasks				
√	Activity	Person Responsible	Due Date/Regularity	Some Actions to Consider
	<ul style="list-style-type: none"> Inform and educate staff about your policies 		Annually	<ul style="list-style-type: none"> Conduct random spot checks to ensure both compliance with your policies and to reduce the risk of fraud.
	<p>Review and update IT systems, ensuring:</p> <ul style="list-style-type: none"> You have the licenses you need to use your software. Back-ups are performed frequently and held offsite. Staff training needs are met. Disaster recovery plan documentation has been reviewed. 		<p>Annually</p> <p>Daily/weekly</p> <p>Annually</p> <p>Annually</p>	<ul style="list-style-type: none"> Ensure current versions of software are being used, there are no unauthorized copies, and the number of users your license covers is sufficient for your needs. Test whether your staff knows how to restore the back-ups and that the back-ups work. Appoint a “champion” for each software product to enhance internal transfer of practical knowledge.
	<p>Review your intellectual property by:</p> <ul style="list-style-type: none"> Documenting procedures on how your intellectual property is used in your business 		Annually	

3. Strategic Management Tasks

√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	Determine whether you undertake activities (such as exporting) that may be eligible for a government grant/subsidy.		Annually	Speak to your accountant about what grants/subsidies, if any, you may be eligible for and the eligibility requirements.

4. Environmental Management Tasks				
√	Activity	Person Responsible	Due Date/Regularity	Some Actions to Consider
1	<p>Plan to achieve better environmental management and performance, using a systems framework in which you will:</p> <ul style="list-style-type: none"> • Define the scope of your business that will be included. • Identify the significant environmental aspects of your plans, activities, products, and services. • Identify applicable legal and other requirements related to your environmental aspects. • Develop an environmental policy. 	Owner and key personnel	<p>Ongoing</p> <p>Initially, and reviewed when changes occur to location or organizational boundaries</p> <p>Initially, or with changes to plans, activities, products, and services</p> <p>At least annually</p> <p>Initially, and then review annually.</p>	<p>Refer to ISO 14001:2004 for the framework upon which a robust, credible, and reliable environmental management system can be established.</p> <ul style="list-style-type: none"> • Ensure scope includes your facilities and covers the organization that resides under your control. • Identify what it is you have or do that causes environmental impacts that add to or subtract from the company's ecological footprint, and can add to or reduce costs and risks, including reputation. As 80% of environmental impacts tend to be location-based, a map can help quickly identify where opportunities are situated. • Consult services that provide access to lists of environmental laws. Speak to an environmental lawyer if your need is more acute. • Ensure it reflects the culture and nature of your business. Make sure all personnel understand it. Post it or be ready to share it upon request.

	<ul style="list-style-type: none"> • Set environmental objectives and targets. • Identify the resources needed to set up, maintain and improve the management system to realize performance improvements. • Identify the education and experience needs of personnel. 		<p>At least annually</p> <p>Annually</p> <p>Annually</p>	<ul style="list-style-type: none"> • Make sure your objectives and targets support your policy. • Take into account legal and other requirements, your significant environments aspects, technical options, financial and business needs, and the views of interested parties when setting these. • Ask your accountant to assist in costing out objectives and targets to set priorities. • Establish a budget to ensure that you have the resources to meet your objectives and targets. Consult with your accountant for a more detailed analysis if needed. • Assign duties to others as required to meet your needs and any milestones. • Conduct a needs analysis to determine what training is needed to educate staff to enable the behavioral changes needed. • Determine the competencies and technical expertise required to ensure personnel can deliver on the policy and reduce the company's ecological footprint.
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	<ul style="list-style-type: none"> Determine the need to communicate with external stakeholders (see also activity 5 below). Maintain sufficient documentation to ensure efficiency and effectiveness of the EMS. Develop procedures to prevent and respond to emergencies. 		<p>Annually</p> <p>Ongoing</p> <p>Initially, and update as appropriate</p>	<ul style="list-style-type: none"> Identify the concerns of interested parties (customers, your community, investors, etc.) who are affected by your environmental performance. Determine what information you will share and how you will communicate. Establish procedures to inform appropriate community and regulatory agencies on matters related to emergencies and situations related to the impact of your products and services on the market. Document the key elements of your management activity such as your environmental policy, objectives, and targets to ensure you reduce your environmental footprint. Make sure that you and your staff understand what to do in emergencies. Run periodic tests to make sure your emergency plan works.
2	Do, by taking action to:			
	<ul style="list-style-type: none"> Establish procedures to prevent significant environmental impact from operations. 	Owner or assigned staff	Ongoing	<ul style="list-style-type: none"> Ensure that the most critical aspects of your business, which could cause significant environmental impact, are managed to avoid or control risks like spills or air emissions. Document where there is a low to zero tolerance for failure due to absenteeism or human error.

3	Check your progress, ensuring you:			
	<ul style="list-style-type: none"> • Establish procedures to test the tools used to determine whether indicators of your success are working. • Evaluate status of compliance with legal and other requirements. • Maintain records for easy crosschecks on work performed and progress. • Conduct an internal audit to ensure that the EMS is working well. • Review the audit results and ensure other key elements of the EMS are suitable, adequate, and efficient to realize value from the environmental management system. 	Owner and key personnel	<p>Annually</p> <p>Annually</p> <p>Ongoing</p> <p>Annually</p> <p>Annually</p>	<ul style="list-style-type: none"> • Monitor and measure your performance to ensure optimum outcomes. • Check to make sure you are in compliance with laws and other requirements. • Keep records on your progress up to date, legible, and easily accessible. • Periodically test your system to make sure it is delivering on the value you need. • Consider the results of your audit to make sure that you take advantage of the opportunity to improve and enhance your position in the market, whether it is with your customers and the supply chain in which they operate, your community, to differentiate yourself in a buyer's market if you are trying to sell the business, or simply for your own internal benefit.

4	Act to	Owner and assigned staff	Ongoing	Identify opportunities to improve your environmental performance, reduce costs,
	Ensure that you are staying current, improving, avoiding problems, resolving mistakes, and reducing impact on the environment.			lower risk, and minimize your ecological footprint.
5	Assess the business risk of environmental factors that may affect your business.		Annually	Ask your accountant to help identify and quantify these factors. Considerations may include climate change, extreme weather, biodiversity, carbon taxes/prices, or other environmental risks. Opportunities to be explored could include carbon trading, carbon offsetting, or district heating (whereby a local central plant producing steam, hot water, or chilled water eliminates the need for businesses to have their own boilers or furnaces, chillers, or air conditioners).
6	Monitor innovation in environmental technology and reporting.	Owner or assigned staff	At least annually	<ul style="list-style-type: none"> • Scan reports that provide free updates. • Subscribe to online news services that post highlights. • Read environmental or corporate social responsibility (CSR) reports posted by customers or industry leaders.
7	Monitor trends in enforcement.	Owner or assigned staff	Quarterly	Subscribe to news services provided by environmental lawyers on fines and court rulings on environmental offences.
8	Evaluate your succession plan and exit strategy to determine how better environmental management can	Owner	Annually	Involve your accountant, or a specialist adviser, as required.

	differentiate your business in a buyer's market.			
9	Determine the need, and value, in reporting on your company's environmental progress.	Owner	Annually, after the tasks above have been addressed	Ensure that you report on measureable and verifiable progress. Unsubstantiated or incorrectly worded claims can cause reputational risk, lead to your reporting being labeled "greenwash," and even give rise to lawsuits. Some form of assurance on what's reported may lend credibility to what you report. Consult a specialist advisor or involve your accountant or lawyer to avoid misinterpretation.

5. Regulatory Requirements: Lodging Returns and Forms				
√	Requirement	Person Responsible	Due/Payment Dates	Some Actions to Consider
	Income tax return			Provide information, including financial statements, to your accountant for review; highlight large or unusual transactions.
	Corporate/business tax returns			If you have difficulties with your BAS or IAS, ask your accountant to complete it or engage a bookkeeper recommended by your accountant.
	Securities regulator annual report/return/filing (listed companies only)			Ask your accountant to prepare these.
	Income tax withholding annual payment summary			Perform test reconciliation in the month before year-end to highlight any processing problems.
	Income tax statements (group certificate) for employees			Reconcile totals to your ledgers first.
	Payroll tax			Speak to your accountant if you're unsure of the rates and any thresholds.
	Workers' compensation insurance			<ul style="list-style-type: none"> • Determine your projected wages and salaries for the year. • Find out if there are any exclusions and, if so, whether they are adequately covered in another way.
	Pension/superannuation payments			Pay monthly; produce notices for staff regularly.
	Fringe benefits tax return			
	Solvency declaration—for companies only			

5. Regulatory Requirements: Lodging Returns and Forms

√	Requirement	Person Responsible	Due/Payment Dates	Some Actions to Consider
	Staff salaries and conditions			Review staff salaries and conditions to ensure compliance with awards (where appropriate) and legal requirements.
	Government grants			If you are in receipt of government grants, ensure you meet your obligations under the grant.
	Others (list)			

6. Personal Affairs of Business Owner				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	Ensure trust distributions are properly made.		At least annually	The tax treatment of trusts can be complex and is subject to change: any could expose you to large unforeseen tax bills. Speak to your adviser about your trust.
	Undertake tax and personal financial planning.		Annually (before year-end)	<ul style="list-style-type: none"> Year-end presents a number of tax planning opportunities and risks. Speak to your accountant about tax and personal financial planning. Don't invest in any year-end tax planning schemes until you speak to your accountant.
	Review any loan agreements with your business.		Annually	
	Review personal insurances.		Annually	Disability, life, and trauma
	Ensure Power of Attorney is current.		Annually	
	Review your succession/retirement plan.	Your accountant & lawyer	Annually	Remember that your will does not take effect until you are dead so you need a succession plan for the handing over of the business or its management if you prematurely die, as well as a will.
	Review your will, particularly if there has been a change in your circumstances.	Your accountant & lawyer	Annually	
	Review the structures you have in place to protect your personal assets.	Your accountant & lawyer	Annually	This area of law is constantly evolving. Therefore, to be safe, you should review the effectiveness of your business structures and your asset protection strategies.

Conclusion

Good business practices will help ensure your business is well run. A well run business will help place your business in the best possible position to respond to whatever trading conditions you face, and help you move your business in the direction you want it to go.

If your business is growing strongly, then be cautious about increasing fixed overheads too early (it is recommended you try to support extra workload through overtime or with casual staff until you are confident in the strength of your recovery). Avoid over-buying stock items or over-investing in capital equipment.

If your business is experiencing weak or moderate growth, monitor closely indicators of future sales activity and stay focused on controlling costs.

If your business is struggling to grow, look for ways of maximizing each selling opportunity—often it is as simple as “asking for the order” or asking if the customer “would like something else with that.” A smart sales strategy does not require extravagant and risky promotional activities: simple sales tactics can be low-risk and low-cost and yet highly effective.

Whatever the state of your business, look for services or products that are not generating a good return—low sales or frequent problems with product support might be useful indicators. Your financial system should be able to tell you whether there is little or no gross profit/margin from a product, or the product might tie up too much working capital relative to its profit level. Once you know the source of the problem, see whether it can be corrected or whether you should consider no longer selling that product or service.

Structural changes are often best made during good times, since personnel can easily be redeployed elsewhere for greater profit. However, if you need to make structural changes in less robust times, then communicate openly with the affected people and make sure you treat them fairly.

Whether your business is strong, weak, or patchy, this checklist will help you make the most of any situation and feel more in control of your business.



**International
Federation
of Accountants**

529 Fifth Avenue, 6th Floor, New York, NY 10017
T + 1 (212) 286-9344 F +1 (212) 286-9570
www.ifac.org

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The [IFAC SMP Committee](#) represents the interests of professional accountants who work in small- and medium-sized accountancy practices (SMPs). The committee collaborates with IFAC member bodies in the development of guidance and tools to help SMPs provide a range of high-quality professional services. It works to ensure the needs of the SMP and small- and medium-sized entity (SME) sectors are considered by standard setters, regulators, and policy makers, by stressing the need for a stable platform of regulation and standards that are relevant to SMEs and SMPs and capable of being applied in a manner proportionate to size of practice and entity. The committee also speaks out on behalf of SMPs and SMEs to raise awareness of their role and value.

This checklist includes many examples for illustrative purposes only and does not reflect any policy positions of the International Federation of Accountants (IFAC).

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Preface

Small- and medium-sized practices (SMPs) constitute the vast majority of accountancy practices worldwide and, in many jurisdictions, employ the majority of professional accountants working in practice. IFAC-commissioned independent research, [*The Role of SMPs in Providing Business Support to SMEs*](#), has found that SMPs have a reputation for competency and trust, responsiveness, and geographical proximity and are well equipped to provide high-quality professional services to meet a wide range of client needs. Their services range from the more traditional services, such as audit, accounting, and tax, to value-adding business advisory services. And, SMPs are able to provide these services in a customized and personal manner. For these reasons, small- and medium-sized entities (SMEs) have often turned to SMPs for a broad range of professional services.

The case for supporting SMEs is compelling: SMEs account for the vast majority of businesses globally, and they account for the majority of private sector GDP, employment, and growth. Moreover, many consider SMEs to hold the key to the global economy's recovery from one of the deepest economic downturns in modern times. Concurrently, larger entities and governments are realizing the collective impact that SMEs have on the environment, which is estimated to be \$4.5 trillion, or 65% of the cost of global environmental externalities according to the World Business Council for Sustainable Development. While this is a measure of current inefficiency, there is a huge interest and opportunity in innovating "green" as a way to address recessionary and environmental challenges.

In recognition of the importance of SMPs, especially in supporting SMEs, IFAC created the SMP Committee in 2006. Since then IFAC, largely at the behest of its members, has increased its commitment to helping to cultivate robust SMPs as they are considered key to the prosperity of the SME sector and have a critical role to play in driving sustainability in SMEs.

The SMP Committee's Strategy and Work Plan includes a strong emphasis on helping to build the capacity of SMPs to better support SMEs. This checklist forms part of that support. For more information, see the SMP Committee's Strategy and Work Plan on its home page (www.ifac.org/SMP).

Giancarlo Attolini

Chair, SMP Committee

March 2013

Introduction

What are the benefits of good business practice?

Good business practice adds value to a business, in both good times and bad times. A business that follows good practice benefits in many ways, such as:

- the business is more likely to be profitable, have better cash flow, and operate with lower environmental and financial risk;
- the business is more likely to exercise sound risk management;
- the business is better able to attract, retain, and motivate staff, thereby enhancing the organization's resilience and agility in the global marketplace;
- the business has the potential to differentiate itself and be rewarded as a preferred vendor in a growing green supply chain;
- the business will be able to differentiate itself in a buyer's market, making it easier to sell the business in the future, and possibly at a better price;
- the business may be able to obtain environmental risk insurance, and possibly at a preferred rate; and
- the business may find it easier to access external finance, including bank finance, if needed.

What is the accountant's role in ensuring good business practice?

Implementing good business practice involves identifying the critical tasks that must be done to keep a business in good shape, and having the discipline to ensure that those tasks are carried out consistently and regularly. Good business practice calls for an annual review at least; *better* business practice will see you reviewing critical areas quarterly, or even monthly. Good business practice is not just about getting your house in order, it is about setting up your business for the challenges and opportunities it will face in the future.

Accountants can help their clients implement and maintain good business practices as they are often able to offer independent and expert advice. The IFAC SMP Committee has developed this checklist for use by accountants, especially practitioners who operate in small- and medium-sized accountancy practices (SMPs), to help them determine what sort of assistance their small business clients might need.

A checklist like this cannot be definitive. However, this checklist is intended to start you thinking about the specific actions your clients will need to take to put their business on the right track and keep it there.

How can this checklist help with good business practice?

The checklist highlights good business practices that small businesses should strive for at all times. Therefore, in addition to helping SMPs advise their clients on good business practice, it can also be used by accountants to ensure their own practices are operating in line with good business practices. If you undertake the tasks detailed in this checklist regularly, the end of the financial year should not create undue pressure for your business and you will be more likely to have the quality information you need to manage and grow your business, whatever conditions you face.

Additional Resources

In addition, a host of free resources and tools, mainly from IFAC member bodies, are available to download from Resources and Tools at www.ifac.org/SMP, especially those relating to Practice

Management (while intended for SMPs, much of this material is equally relevant to small business) and Business Advisory, to help you grow your business.

Checklist

Below are some ways to build relevant aspects of this checklist into your business practices:

- Use the checklist as part of the agenda in your regular staff meetings and allocate tasks so everyone knows what element of the checklist each person is responsible for. Ask for regular reports on each task.
- Write the checklist tasks into your calendar so that you are reminded of requirements at the appropriate times.
- Build tasks from the checklist into the job descriptions of relevant staff.

The checklist, which is found on pages 8–29, comprises six sections as shown below. Spaces are provided, where appropriate, in the checklist for you to insert information relevant to your business.

1. **Financial Tasks**..... 8

Tasks necessary to prepare financial statements should be performed regularly. Waiting until the end of the financial year to undertake many of these tasks will put you under pressure, as a number of returns and forms have to be completed very soon after the close of the financial year, which may jeopardize the quality, and therefore usefulness, of financial data. Delaying financial tasks can also deny you regular access to financial information, such as cash flow statements, which can be critical to helping you manage the everyday ebb and flow of your business. Financial tasks are necessary to produce financial statements, such as a statement of financial performance (income/profit and loss statement) and financial position (balance sheet), which provide information that helps you to understand how your business is performing and to identify possible areas for improvement.

2. **Strategic Financial Tasks** 12

Financial tasks do not end with bank reconciliations or balance sheets. There are other financial tasks known as strategic financial tasks that are critical in determining the future direction of your business.

3. **Strategic Management Tasks**..... 15

Periodically, preferably toward the end of each financial year, you should update your planning, budgeting, and operational procedures. This way your business will be well prepared for the new financial year. If there are significant changes in your business, it is suggested that these strategic management tasks be undertaken more regularly.

4. **Environmental Management Tasks**..... 21

There is mounting evidence proving that companies that establish better control of their relationship with the environment by increasing the formality of their management activities benefit from increases in productivity. In turn, there are improvements in profitability and prosperity. Better management control can also enhance compliance with legal requirements. Improved environmental management is becoming a requirement in supply chains as global businesses are motivated to manage risk and their reputation, especially when under pressure from non-governmental organizations (NGOs), or to meet expectations of consumers. It can help a business retain and attract new customers or gain access to overseas markets. Better environmental management is expected to become a factor that can differentiate one company from the next in an exit strategy or to enhance success in intergenerational transfer; it should be a

consideration in any succession plan. A management systems approach can both enhance environmental performance, such as resiliency in responding to unusual circumstances such as extreme weather events, and offer competitive advantage. See [The IFAC Sustainability Framework](#) for more information.

5. Regulatory Requirements: Lodging Returns and Forms..... 27

Keeping up-to-date with the lodging and payment of your statutory obligations is considered an important indicator of the financial risk, health, and stability of your business by banks and other creditors. Therefore, recording the lodging and payment due dates for each of the requirements below is recommended.

6. Personal Affairs of Business Owner..... 29

The end of the financial year is also an important time to make sure your personal affairs are in order.

1. Financial Tasks				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	Install financial software.		With new updates	<ul style="list-style-type: none"> • Ask the software vendor to list what financial statements and reports the software can produce. • Use the financial software to produce regular financial statements and reports.
	Enter all data promptly, and with accurate transaction dates.		Ongoing	<ul style="list-style-type: none"> • Regularly check data entry for quality. • If possible, separate “cash handling from “data entry” to minimize potential for fraud.
	Regularly review working capital items, including: <ul style="list-style-type: none"> • Stock/inventory balances and reconcile to physical 		At least quarterly	<ul style="list-style-type: none"> • Recycle or dispose of old/slow moving stock/inventory. • Write-off dead stock/inventory. • Review purchasing policies to prevent over-spending on stock/inventory. • Post materials on a waste, scrap or materials exchange.

1. Financial Tasks				
√	Activity	Person Responsible	Due Date/Regularity	Some Actions to Consider
	<ul style="list-style-type: none"> • Work-in-progress (for construction firms, professional practices, etc.) • Debtors 		<p>At least quarterly</p> <p>At least quarterly</p>	<ul style="list-style-type: none"> • Bill clients regularly or at milestones. • Invoice as soon as your goods or services are delivered. • Refer bad debts to collection agents. • Review credit screening. • Renegotiate trading terms with consistently slow payers. • Contact slow payers early.
	<p>Reconcile major accounts in balance sheet, including:</p> <ul style="list-style-type: none"> • Bank and investment accounts • Accounts receivable/debtors' ledger • Accounts payable/creditors' ledger 		<p>At least monthly</p> <p>At least monthly</p> <p>At least monthly</p>	<ul style="list-style-type: none"> • Have two people undertake the reconciliation. These people should not be the same people who handle cash. • For high volume cash businesses, reconcile daily. • Identify customers with large outstanding amounts and follow up. • Reconcile suppliers owed money with list of approved suppliers.

1. Financial Tasks				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	<ul style="list-style-type: none"> Property and equipment Sales/Value Added Tax (VAT) 		<p>At least quarterly</p> <p>At least quarterly</p>	<ul style="list-style-type: none"> Do an asset stock-take to ensure you still have the assets that are recorded in your accounts. Identify obsolete, unusable or written-off assets. Ask your accountant to adjust balances and/or see if such assets can be turned into cash. Don't over-invest in new capital equipment without an appropriate payback. Make adjustments quickly through the next activity statement.
	<ul style="list-style-type: none"> Equity accounts (especially in partnerships) and shareholder/stockholder loans 		<p>At least quarterly</p>	<ul style="list-style-type: none"> Operate equity accounts in accordance with the partnership agreement. Try to avoid large imbalances in the amounts contributed by or retained by each partner.
	<p>Review payroll system, including:</p> <ul style="list-style-type: none"> Annual leave entitlements Pension/superannuation 		<p>Quarterly</p> <p>Quarterly</p>	<ul style="list-style-type: none"> Encourage staff to take leave regularly – avoid a large build-up of entitlements. Consider a reserve to fund leave liability. Comply with legislation regarding frequency of payment, choice of fund and reporting to staff.

1. Financial Tasks				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	<ul style="list-style-type: none"> Income tax withholding Fringe benefits tax Payroll tax Paid parental/maternity leave 		<p>Monthly</p> <p>Monthly</p> <p>Monthly</p> <p>Quarterly</p>	<ul style="list-style-type: none"> If you have an employee who is about to give birth or has given birth, visit your Government's website for information on any obligations
	Translate foreign exchange gains/losses.		Year-end	<ul style="list-style-type: none"> Use foreign exchange rates from an official source, such as the tax authority. Speak to your accountant about how you can manage your foreign exchange risk.
	Market valuation of certain assets.		Year-end	Involve your accountant, or a specialist valuer, as required.
	Review forward orders.		Quarterly	Review forward orders as it will help you plan for any short-term need to expand or contract your business.
	Prepare a statement of financial performance (income/profit and loss statement).		Monthly or quarterly	The profit and loss statement, balance sheet, and cash flow statement can help identify any emerging problems in time for corrective action to be taken. Your accountant can assist in their preparation
	Prepare a statement of financial position (balance sheet).		Monthly or quarterly	
	Prepare a cash flow statement.		Monthly or quarterly	

2. Strategic Financial Tasks				
√	Activity	Person Responsible	Due Date/Regularity	Some Actions to Consider
	Set targets for financial performance.		At least annually	<ul style="list-style-type: none"> • Ask your accountant to help you set targets relevant to your industry and your business. • Incorporate set targets into your budgets and strategic plan.
	Review and analyze financial statements.		At least annually; preferably quarterly or monthly	<ul style="list-style-type: none"> • Compare key ratios from your financial statements, such as working capital ratio, stock/inventory turnover ratio or profit per employee, to averages in your industry. Your accountant may be able to help you get access to such industry averages and assist with calculating and analyzing the ratios. • Compare performance against financial targets and past performance.
	Review actual performance against budget.		Monthly	Undertake variance analysis (ask yourself: What may have caused any gap between budget and actual? How can we overcome unfavorable variances?).
	Undertake sensitivity analysis.		Annually	Ask yourself: What if sales dropped 15 or 20 percent? Or you lost a major customer? Or a major supplier stopped selling to you? What if your chief sales staff resigned? What if your power source or water supplies were unavailable after an extreme weather event - how long could your business endure this loss? Factor answers to such questions into your forecasts.

2. Strategic Financial Tasks				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	Set sales or production targets.		Ongoing	Undertake a break-even analysis to determine what you need to sell before you make a profit. Ask your accountant to help you with a break-even analysis if you are uncertain.
	Prepare income/profit and loss budget.		Annually	<ul style="list-style-type: none"> • Make sure your budget reflects your strategic and financial targets. • Incorporate any findings from the variance analysis of the last budget, sensitivity analysis, and the break-even analysis.
	Prepare cash flow forecast.		At least annually	<ul style="list-style-type: none"> • Have your cash flow forecast show the projected cash flows for each month in the 12-month period. Such forecasts should be updated at least monthly. • Address any future cash shortages, for example, more cash sales, reduced expenses or external finance (such as an overdraft facility). • If you decide to seek external finance for any purpose, go to your lender as soon as possible.
	Review cash flow forecast in light of actual results.		Monthly	Update cash flow forecast to reflect actual events and monitor ongoing cash positions.
	Review bank loans, leases, credit cards or other finance, ensuring you:			

2. Strategic Financial Tasks

√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	<ul style="list-style-type: none"> • Evaluate interest rates on your loans. • Provide historic and budgeted information to lenders. • Comply with repayment schedules. • Check compliance with debt covenants. 		<p>Annually</p> <p>Annually</p> <p>Ongoing</p> <p>Ongoing</p>	<ul style="list-style-type: none"> • Look at what other lenders are offering and consider whether you should switch lenders. • Provide information on profit and loss, balance sheet, cash flow statement and budgets. • Notify your bank immediately if you are in breach of a covenant. If you are uncertain of your covenants, ask your bank.

3. Strategic Management Tasks				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	Create or update your strategic plan.	Owner and key staff	3-5 year horizon, updated annually	<ul style="list-style-type: none"> Have a strategic plan for the owners, as well as for the business. This ensures the business complements the owners' needs. Take time to review lessons learned from the current year and incorporate those lessons into your strategic plan.
	Review employment arrangements, ensuring you: <ul style="list-style-type: none"> Conduct performance reviews. Consider incentive systems or commission-based pay. Get staff to sign an employment agreement (including provisions for confidentiality obligations and ownership of intellectual property). 	Team leaders Owner and key staff Owner	At least annually At least annually Commencement of employment	<ul style="list-style-type: none"> Don't wait until the formal feedback process. Provide regular informal feedback to staff. Make incentive systems simple, pay promptly, and link the incentives to the controllable success factors for each role. Consider only paying commission when you have received cash from the sale and paying higher commissions for sales of higher margin products and services. Obtain legal advice to ensure employment agreements comply with the law.

3. Strategic Management Tasks				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	Consider if “restraint of trade” contracts are needed for key staff.		Commencement of employment	<ul style="list-style-type: none"> Obtain legal advice to ensure applicable contracts are enforceable and advisable.
	Review sales contracts and customer’s payment terms.		Annually	Determine whether your sales contracts protect your business. For example, in a difficult economic environment you could protect your business by: shortening the payment terms; implementing credit limits; and seeking personal guarantees and security.
	Review suppliers’ contracts or payment terms.		Annually	<ul style="list-style-type: none"> Negotiate a lengthening of your payment terms of trade. Review how goods are supplied to you (so that it better meets your needs). See if you can reduce the minimum quantity you can order. Look at payment discounts. As a risk management measure, check alternative suppliers of critical items.
	Review financial commitments, such as: <ul style="list-style-type: none"> Office leases Equipment leases 		<p>Annually</p> <p>Annually</p>	<ul style="list-style-type: none"> Exercise options to renew your lease if premises meet your needs, if they do not, begin planning a move. Understand ownership/payout arrangements at end-of- lease.

3. Strategic Management Tasks				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	<ul style="list-style-type: none"> Securities over assets Hedging contracts Other 		<p>Annually</p> <p>Annually</p> <p>Annually</p>	<ul style="list-style-type: none"> Check which of your assets is security for which loan and that, where a loan no longer exists, the security is removed. Speak to your accountant about what other forms of financing, not outlined within, that might be relevant to your business.
	<p>Establish, update or review your "Policies Manual," ensuring you:¹</p> <ul style="list-style-type: none"> Document your processes. Allocate specific tasks. Consider fraud risk. Review staff authority to spend money. 		<p>Annually</p> <p>Annually</p> <p>Annually</p> <p>Annually</p>	<ul style="list-style-type: none"> A good policy manual has the potential to make your business more valuable and easier to run in your absence. Use your process document as a training and quality manual. Separate record-keeping duties from duties involving the handling of cash and other assets to minimize the risk of fraud or theft by employees. Speak to your accountant about establishing appropriate internal controls. Consider authorizing all payments yourself for a short period as part of a cost reduction and quality assurance exercise.

¹ A sample manual, for a small practice, which can be adapted for a small business, is provided at page 54 of Module 1 of the [Guide to Practice Management for Small- and Medium-Sized Practices](#)

3. Strategic Management Tasks				
√	Activity	Person Responsible	Due Date/Regularity	Some Actions to Consider
	<ul style="list-style-type: none"> Inform and educate staff about your policies 		Annually	<ul style="list-style-type: none"> Conduct random spot checks to ensure both compliance with your policies and to reduce the risk of fraud.
	<p>Review and update IT systems, ensuring:</p> <ul style="list-style-type: none"> You have the licenses you need to use your software. Back-ups are performed frequently and held offsite. Staff training needs are met. Disaster recovery plan documentation has been reviewed. 		<p>Annually</p> <p>Daily/weekly</p> <p>Annually</p> <p>Annually</p>	<ul style="list-style-type: none"> Ensure current versions of software are being used, there are no unauthorized copies, and the number of users your license covers is sufficient for your needs. Test whether your staff knows how to restore the back-ups and that the back-ups work. Appoint a “champion” for each software product to enhance internal transfer of practical knowledge.
	<p>Review your intellectual property by:</p> <ul style="list-style-type: none"> Documenting procedures on how your intellectual property is used in your business 		Annually	

3. Strategic Management Tasks

√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	Determine whether you undertake activities (such as exporting) that may be eligible for a government grant/subsidy.		Annually	Speak to your accountant about what grants/subsidies, if any, you may be eligible for and the eligibility requirements.

4. Environmental Management Tasks				
√	Activity	Person Responsible	Due Date/Regularity	Some Actions to Consider
1	<p>Plan to achieve better environmental management and performance, using a systems framework in which you will:</p> <ul style="list-style-type: none"> • Define the scope of your business that will be included. • Identify the significant environmental aspects of your plans, activities, products, and services. • Identify applicable legal and other requirements related to your environmental aspects. • Develop an environmental policy. 	Owner and key personnel	<p>Ongoing</p> <p>Initially, and reviewed when changes occur to location or organizational boundaries</p> <p>Initially, or with changes to plans, activities, products, and services</p> <p>At least annually</p> <p>Initially, and then review annually.</p>	<p>Refer to ISO 14001:2004 for the framework upon which a robust, credible, and reliable environmental management system can be established.</p> <ul style="list-style-type: none"> • Ensure scope includes your facilities and covers the organization that resides under your control. • Identify what it is you have or do that causes environmental impacts that add to or subtract from the company's ecological footprint, and can add to or reduce costs and risks, including reputation. As 80% of environmental impacts tend to be location-based, a map can help quickly identify where opportunities are situated. • Consult services that provide access to lists of environmental laws. Speak to an environmental lawyer if your need is more acute. • Ensure it reflects the culture and nature of your business. Make sure all personnel understand it. Post it or be ready to share it upon request.

	<ul style="list-style-type: none"> • Set environmental objectives and targets. 		At least annually	<ul style="list-style-type: none"> • Make sure your objectives and targets support your policy. • Take into account legal and other requirements, your significant environments aspects, technical options, financial and business needs, and the views of interested parties when setting these. • Ask your accountant to assist in costing out objectives and targets to set priorities.
	<ul style="list-style-type: none"> • Identify the resources needed to set up, maintain and improve the management system to realize performance improvements. 		Annually	<ul style="list-style-type: none"> • Establish a budget to ensure that you have the resources to meet your objectives and targets. Consult with your accountant for a more detailed analysis if needed. • Assign duties to others as required to meet your needs and any milestones.
	<ul style="list-style-type: none"> • Identify the education and experience needs of personnel. 		Annually	<ul style="list-style-type: none"> • Conduct a needs analysis to determine what training is needed to educate staff to enable the behavioral changes needed. • Determine the competencies and technical expertise required to ensure personnel can deliver on the policy and reduce the company's ecological footprint.

	<ul style="list-style-type: none"> Determine the need to communicate with external stakeholders (see also activity 5 below). Maintain sufficient documentation to ensure efficiency and effectiveness of the EMS. Develop procedures to prevent and respond to emergencies. 		<p>Annually</p> <p>Ongoing</p> <p>Initially, and update as appropriate</p>	<ul style="list-style-type: none"> Identify the concerns of interested parties (customers, your community, investors, etc.) who are affected by your environmental performance. Determine what information you will share and how you will communicate. Establish procedures to inform appropriate community and regulatory agencies on matters related to emergencies and situations related to the impact of your products and services on the market. Document the key elements of your management activity such as your environmental policy, objectives, and targets to ensure you reduce your environmental footprint. Make sure that you and your staff understand what to do in emergencies. Run periodic tests to make sure your emergency plan works.
2	Do, by taking action to:			
	<ul style="list-style-type: none"> Establish procedures to prevent significant environmental impact from operations. 	Owner or assigned staff	Ongoing	<ul style="list-style-type: none"> Ensure that the most critical aspects of your business, which could cause significant environmental impact, are managed to avoid or control risks like spills or air emissions. Document where there is a low to zero tolerance for failure due to absenteeism or human error.

3	Check your progress, ensuring you:			
	<ul style="list-style-type: none"> • Establish procedures to test the tools used to determine whether indicators of your success are working. • Evaluate status of compliance with legal and other requirements. • Maintain records for easy crosschecks on work performed and progress. • Conduct an internal audit to ensure that the EMS is working well. • Review the audit results and ensure other key elements of the EMS are suitable, adequate, and efficient to realize value from the environmental management system. 	Owner and key personnel	<p>Annually</p> <p>Annually</p> <p>Ongoing</p> <p>Annually</p> <p>Annually</p>	<ul style="list-style-type: none"> • Monitor and measure your performance to ensure optimum outcomes. • Check to make sure you are in compliance with laws and other requirements. • Keep records on your progress up to date, legible, and easily accessible. • Periodically test your system to make sure it is delivering on the value you need. • Consider the results of your audit to make sure that you take advantage of the opportunity to improve and enhance your position in the market, whether it is with your customers and the supply chain in which they operate, your community, to differentiate yourself in a buyer's market if you are trying to sell the business, or simply for your own internal benefit.

4	Act to	Owner and assigned staff	Ongoing	Identify opportunities to improve your environmental performance, reduce costs,
	Ensure that you are staying current, improving, avoiding problems, resolving mistakes, and reducing impact on the environment.			lower risk, and minimize your ecological footprint.
5	Assess the business risk of environmental factors that may affect your business.		Annually	Ask your accountant to help identify and quantify these factors. Considerations may include climate change, extreme weather, biodiversity, carbon taxes/prices, or other environmental risks. Opportunities to be explored could include carbon trading, carbon offsetting, or district heating (whereby a local central plant producing steam, hot water, or chilled water eliminates the need for businesses to have their own boilers or furnaces, chillers, or air conditioners).
6	Monitor innovation in environmental technology and reporting.	Owner or assigned staff	At least annually	<ul style="list-style-type: none"> • Scan reports that provide free updates. • Subscribe to online news services that post highlights. • Read environmental or corporate social responsibility (CSR) reports posted by customers or industry leaders.
7	Monitor trends in enforcement.	Owner or assigned staff	Quarterly	Subscribe to news services provided by environmental lawyers on fines and court rulings on environmental offences.
8	Evaluate your succession plan and exit strategy to determine how better environmental management can	Owner	Annually	Involve your accountant, or a specialist adviser, as required.

	differentiate your business in a buyer's market.			
9	Determine the need, and value, in reporting on your company's environmental progress.	Owner	Annually, after the tasks above have been addressed	Ensure that you report on measureable and verifiable progress. Unsubstantiated or incorrectly worded claims can cause reputational risk, lead to your reporting being labeled "greenwash," and even give rise to lawsuits. Some form of assurance on what's reported may lend credibility to what you report. Consult a specialist advisor or involve your accountant or lawyer to avoid misinterpretation.

5. Regulatory Requirements: Lodging Returns and Forms				
√	Requirement	Person Responsible	Due/Payment Dates	Some Actions to Consider
	Income tax return			Provide information, including financial statements, to your accountant for review; highlight large or unusual transactions.
	Corporate/business tax returns			If you have difficulties with your BAS or IAS, ask your accountant to complete it or engage a bookkeeper recommended by your accountant.
	Securities regulator annual report/return/filing (listed companies only)			Ask your accountant to prepare these.
	Income tax withholding annual payment summary			Perform test reconciliation in the month before year-end to highlight any processing problems.
	Income tax statements (group certificate) for employees			Reconcile totals to your ledgers first.
	Payroll tax			Speak to your accountant if you're unsure of the rates and any thresholds.
	Workers' compensation insurance			<ul style="list-style-type: none"> • Determine your projected wages and salaries for the year. • Find out if there are any exclusions and, if so, whether they are adequately covered in another way.
	Pension/superannuation payments			Pay monthly; produce notices for staff regularly.
	Fringe benefits tax return			
	Solvency declaration—for companies only			

5. Regulatory Requirements: Lodging Returns and Forms

√	Requirement	Person Responsible	Due/Payment Dates	Some Actions to Consider
	Staff salaries and conditions			Review staff salaries and conditions to ensure compliance with awards (where appropriate) and legal requirements.
	Government grants			If you are in receipt of government grants, ensure you meet your obligations under the grant.
	Others (list)			

6. Personal Affairs of Business Owner				
√	Activity	Person Responsible	Due Date/ Regularity	Some Actions to Consider
	Ensure trust distributions are properly made.		At least annually	The tax treatment of trusts can be complex and is subject to change: any could expose you to large unforeseen tax bills. Speak to your adviser about your trust.
	Undertake tax and personal financial planning.		Annually (before year-end)	<ul style="list-style-type: none"> Year-end presents a number of tax planning opportunities and risks. Speak to your accountant about tax and personal financial planning. Don't invest in any year-end tax planning schemes until you speak to your accountant.
	Review any loan agreements with your business.		Annually	
	Review personal insurances.		Annually	Disability, life, and trauma
	Ensure Power of Attorney is current.		Annually	
	Review your succession/retirement plan.	Your accountant & lawyer	Annually	Remember that your will does not take effect until you are dead so you need a succession plan for the handing over of the business or its management if you prematurely die, as well as a will.
	Review your will, particularly if there has been a change in your circumstances.	Your accountant & lawyer	Annually	
	Review the structures you have in place to protect your personal assets.	Your accountant & lawyer	Annually	This area of law is constantly evolving. Therefore, to be safe, you should review the effectiveness of your business structures and your asset protection strategies.

Conclusion

Good business practices will help ensure your business is well run. A well run business will help place your business in the best possible position to respond to whatever trading conditions you face, and help you move your business in the direction you want it to go.

If your business is growing strongly, then be cautious about increasing fixed overheads too early (it is recommended you try to support extra workload through overtime or with casual staff until you are confident in the strength of your recovery). Avoid over-buying stock items or over-investing in capital equipment.

If your business is experiencing weak or moderate growth, monitor closely indicators of future sales activity and stay focused on controlling costs.

If your business is struggling to grow, look for ways of maximizing each selling opportunity—often it is as simple as “asking for the order” or asking if the customer “would like something else with that.” A smart sales strategy does not require extravagant and risky promotional activities: simple sales tactics can be low-risk and low-cost and yet highly effective.

Whatever the state of your business, look for services or products that are not generating a good return—low sales or frequent problems with product support might be useful indicators. Your financial system should be able to tell you whether there is little or no gross profit/margin from a product, or the product might tie up too much working capital relative to its profit level. Once you know the source of the problem, see whether it can be corrected or whether you should consider no longer selling that product or service.

Structural changes are often best made during good times, since personnel can easily be redeployed elsewhere for greater profit. However, if you need to make structural changes in less robust times, then communicate openly with the affected people and make sure you treat them fairly.

Whether your business is strong, weak, or patchy, this checklist will help you make the most of any situation and feel more in control of your business.



529 Fifth Avenue, 6th Floor, New York, NY 10017
T + 1 (212) 286-9344 F +1 (212) 286-9570
www.ifac.org