

12 rules to avoid going broke

- Make sure you have enough money when you start your business.
- As your business grows, make sure you have enough money to keep growing.
- Keep on top of work in progress and invoice it as soon as possible. Once you've invoiced, collect all debts quickly.
- Negotiate credit and trading terms with suppliers and subcontractors and stick to them.
- Prepare a realistic budget and cashflow at the start of every year without fail. Then throughout the year, keep referring back to them to see how well you have forecasted.
- If you see a cash shortage coming up - don't ignore it. Talk to your bank manager, suppliers and debtors to see if you can solve the problem. You may also have to put more of your own money into the business.

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- Use a proven system for estimating costs on each job. Ensure a margin is added to the cost of each job which covers your overheads and gives you a profit on the job.
- During the course of each job, regularly check actual costs to ensure they are within the estimated costs. If not, find out why.
- Keep up with industry changes and developments. They will affect your costs. Make sure you build the changes into your costings.
- Don't try to solve a short term cashflow problem by lowering your price on further jobs to the point where you might make a loss.
- At the end of each job, compare the estimated costs to the actual costs including overheads. If you were out, improve your estimating technique for the next job.
- Make sure you maintain an accounting system that suits the size of your business. Discuss it with your accountant and review it as your business grows.

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10 reasons why business fail

- **Lacking management systems.**
- **Lack of vision and purpose.**
- **Poor financial plan and monitoring.**
- **Excessive reliance on specific individuals.**
- **Poor market segmentation and strategy.**
- **Lack of communication of corporate goals.**
- **Lack knowledge of market and competition.**
- **Under capitalisation or poor cash flow.**
- **Absence of a quality program.**
- **Concentration by owners on technical rather than strategic work at hand.**

M Gerber – The E-Myth Corp

Source : www.e-myth.com.