Considering your small business viability

Fast facts

Business viability

Viability is defined as the ability to survive. In a business sense, that ability to survive is ultimately linked to financial performance and position. A business is viable where:

- It is making a profit that is enough to provide a return to the business owner while also meeting its commitments to business creditors
- It has enough cash resources to sustain itself through a period when it's not returning a profit.

The ATO Business Viability Assessment Tool can help you get an indication of your business viability. Based on the information you enter this tool will provide you with a summary financial report and a visual summary of business performance indicators. This report may also help you to identify areas of your business where improvements could be considered. If you do have any concerns in relation to your business viability, the next step is to seek professional advice.

For more information visit – ato.gov.au/calculators-and-tools/business-viability-assessment-tool/.

You will need the following documents

- Statement of financial performance (or profit and loss statements)
- Statement of financial position (or balance sheet)
- Aged creditor listing, which is a list of creditors, otherwise known as suppliers, that you owe money
- Aged debtor listings, which is a list of debtors, otherwise known as customers who owe you money
- Total monthly repayment amount for all debt commitments, including your bank overdraft and any loan facilities.

If you need help reconstructing your records visit – ato.gov.au/Individuals/Dealing-with-disasters/Reconstructing-your-tax-records/.

Using the Business Viability Assessment Tool

- Use the 'help' function to explain the terms used in the tool.
- This tool can assess data across 3 financial years. The current financial year and the two consecutive or back-to-back financial years.
  - Data for one financial year only provides a snapshot of your business financial health for one point in time.
  - Two financial years, while more informative, is still not a good indicator of business performance or financial health over time as it provides less opportunity to factor out anomalies that may occur to your business in a given financial year, such as loss of a key contract or key employees or market fluctuations and so reduces the accuracy of the results.
  - It's better to add 3 years of data.

The business viability assessment result

- It's important to understand that in interpreting your results, the tool is provided for information purposes only and does not constitute a comprehensive business analysis.
- The tool is designed to provide an overview of business viability only and any results generated by the tool should not be considered as conclusive or definitive in relation to an assessment of your business viability or solvency.
- If, as a result of using the tool, you have any concerns or issues in relation to your business viability, you should seek professional advice from an accountant, solicitor or insolvency practitioner in the first instance.

Help and support

- Research conducted by the ATO has shown that there are common factors shared among successful small businesses. One of those factors is seeking advice and using the expertise of their accountants or trusted professional advisors.
    - If you want someone to prepare or lodge your tax returns, notices or statements, or to provide you with tax advice, you should ensure they are registered with the Tax Practitioners Board.
    - You can check the TPB Register to see if a tax practitioner is registered.
- Reach out to your industry association to find out more about the help and resources that they provide.
- If you don't have an accountant or a financial advisor there is free support available to small businesses. Visit business.gov.au for help.
- The National Tax Clinic program is a government-funded initiative to help people who may not be able to afford professional advice and representation

with their tax affairs.

- The National Debt Helpline offers free financial counselling services and a range of helpful tools.
- The Small Business Debt Helpline also offers free financial counselling to small business owners and sole traders in financial difficulty.
- You can contact your local Business Enterprise Centre (BEC) for low-cost advice and support.
- The ATO 'Supporting your small business' webpage has a range of information, tools, calculators and services available to help small businesses at tax time and throughout the year.
- The ACCC small business webpage has a number of resources that help you understand your rights and responsibilities.
- Australian Securities and Investments Commission (ASIC) registers all Australian business names and companies and assists, engages and helps to protect small business. If you run, or are looking to start a small business, visit ASIC small business webpage for an overview of resources, tools and services ASIC offer.
- The mission of the ASBFEO is to contribute to Australia being the best place to start, grow and transform a business.The ASBFEO understands the challenges facing small and family businesses and provides information to avoid costly formal legal avenues, access to dispute resolution services, advice, and research to improve policies, and services such as mental health support should the need arise.
- No matter what stage your business is at, the Fair Work Ombudsman helps you understand workplace rights and obligations.
- NewAccess for Small Business Owners is a free and confidential mental health coaching program, developed by Beyond Blue to give small business owners,

including sole traders the support they need. It is available nationally by phone or video call.

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