

Developing SME's

The role of business advisory services

June 2017

Overview

What's the role of the CPA in supporting business (small or otherwise)?

We need to challenge our understanding of how we assist in developing the SME sector?

The influence of business advice on SMEs is critical

Developing SMEs through business advisory

- Technical support
- Education and training
- Facilitate the development of the regulatory environment

Technical Support

Getting business compliant with the rules

- Knowledgeable advisor
- Range of compliance issues
- IPA/ROC
- Tax and IRC
- Compliance environment is changing for all businesses

Technical Support

But there is more to developing businesses than just making sure they are compliant

Business growth comes from:

- Financial stability and security
- Access to finance
- Financial literacy for business owners

Technical Support

Some key areas for CPAs to support and to get involved

- Financial literacy
 - Direct client opportunity?
 - Business development
 - Formal/informal/partnering
- Budgeting
 - Moving from historic to forward looking
 - Change of mindset for many advisers
 - Wide range of approaches

Technical Support

- Cash management
 - Liquidity and solvency are key
 - Savings and investment
- Financing growth
 - Access to finance
 - Understanding the banking environment
 - What do banks need to support SMEs

Education and training

CPAs should be capacity builders

- Self educate, keeping up to date etc. (membership obligation plus)
- Within your own workplace, and broader area of influence
- Encourage compliance
- Tax morality
- Understand and explain
- Wider business community
- Engage with media
- Schools and education providers

Facilitate regulatory development

- Be aware of the rules and play a part in shaping them
- Awareness of policy directions
- Advocate for change to simplify the complex

Facilitate regulatory development

Awareness of policy direction

- What's happening for SMEs
- SME policy
- Major drivers and directions
- Progress?

Facilitate regulatory development

Advocate for change and simplify the complex

- Accounting standards
- Taxation
- IPA

Facilitate regulatory development

Accounting standards

- Differential reporting for exempt companies, excludes
 - IAS 7 Cash Flow Statements
 - IAS 12 Income Taxes
 - IAS 27 Consolidated Financial Statements
 - IAS 32 Financial Instruments: Disclosure and Presentation
 - IAS 39 Financial Instruments: Recognition and Measurement
 - IAS 41 Agriculture
- ASB already recognises, but an update required (last reviewed 2003)

Facilitate regulatory development

- However, need to go beyond “reporting” and “exempt” entities
- How to deal with
 - large reporting and exempt entities
 - PIEs and their subsidiaries
 - SMEs and micro
- Role of IASB – IFRS for SMEs (in place since 2009)

Facilitate regulatory development

- IASB – IFRS for SMEs (in place since 2009)
 - Globally recognised and adopted widely
 - Focus on cash flows, solvency
 - Around 90% reduction in disclosures
 - Designed for those without public accountability
 - Focus on general purpose financial statements
 - For everyone except PIEs
 - But what about micro business?

Facilitate regulatory development

Taxation

- Tax reform – current topics include;
 - Dividends
 - FCWT
 - Resource companies
 - Direct vs indirect taxation
- SME relevant?

Facilitate regulatory development

- Tax review committee
 - Characterising a SME (annual turnover PGK 250,000?)
 - Simplified tax rules, e.g. depreciation, record retention
 - Flat tax, or turnover based
 - Alternative taxation methods (e.g. PMVs, restaurants, trade stores)
 - Simplified monthly reporting
 - Lower tax rates
- Progress to date?

Facilitate regulatory development

IPA/ROC

- Current de-registration campaign
- IPA certification issues
- Reporting vs exempt
- On-line positive, but not error free

Final words

- Multi faceted role of the CPA
- Business adviser – in the here and now
- Business enabler – capacity builder for the future
- Business visionary – shaping the future for SMEs

Questions...

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