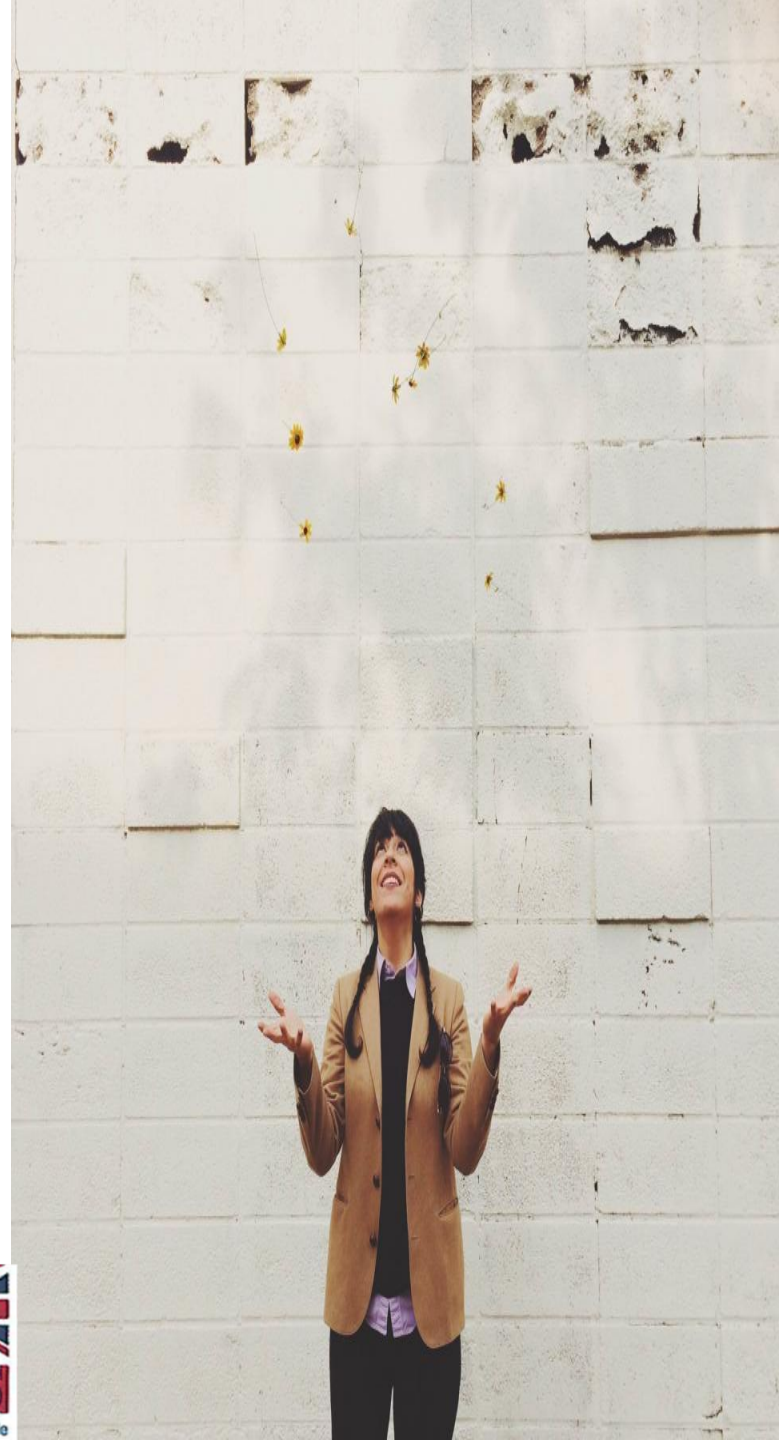


General Compliance Requirements For the Small Business

*Capacity Building on Business Finance for non-oil
Exporters*

Presenter: Yomi Kukoyi – FCA, MBA



CONTENTS

- ❖ **Introduction**
- ❖ **What is Regulatory Compliance**
- ❖ **Corporate Affairs Commission**
- ❖ **Tax Compliance**
- ❖ **Pension Contribution**
- ❖ **Review & Test Quiz**



Introduction...

- Businesses that operate in a particular domain are expected to adhere to some rules and regulations.



Introduction...

- These regulations have their roots in the laws, derived from the constitution of the domain.
- They usually set out the do's and don't's for the operators and non-compliance are usually sanctioned.



Introduction...

- Some of these regulations are industry specific and others are general in nature, which means they apply to all businesses.



Introduction...

- Industry specific regulators



Banking Sector



General Compliance Bodies

- Corporate Affairs Commission
- Federal Inland Revenue Service
- Pencom
- NSITF
- ITF
- State Internal Revenue Boards



NATIONAL PENSION COMMISSION



CORPORATE AFFAIRS
COMMISSION



FIRS



ITF



NIGERIA SOCIAL INSURANCE TRUST FUND

Providing Social Security Services to all Nigerians

Corporate Affairs Commission – (CAC)

- COMPANIES AND ALLIED MATTERS ACT - provide for the incorporation of companies and incidental matters, registration of business names and the incorporation of trustees of certain communities, bodies and associations
- Under Section 7 of the Act, it is to administer the Act by:
 - Regulating and supervising the
 - formation,
 - incorporation,
 - management and
 - winding up of companies;



Corporate Affairs Commission – (CAC)

Filing of Annual Returns

It is compulsory for every registered company and enterprise in Nigeria to file annual returns with the CAC not later than 30th June every year.

Failure to File Annual Returns

1. Company name may be struck off the register
2. CAC will not reply to due diligence request for information about the existence of your company in the event of loans or opening of bank accounts
3. A cumulative penalty will be applicable in the event of you deciding to file the returns at a later date.



Federal Inland Revenue Service - FIRS

Payment of Taxes

- ❖ All taxpayers, including those granted exemption from tax, are required to file their tax returns to the relevant Tax Authority every year.
- ❖ The audited accounts of the business for the preceding accounting year must be accompanied by:
 - ❖ Income tax computations,
 - ❖ Capital allowance computations,
 - ❖ Schedules of fixed assets, trade debtors and
 - ❖ Trade creditors and
 - ❖ Evidence of payment (whole or part) of tax being assessed

All companies must submit their audited accounts not later than six (6) months after the end of the company's accounting date.

A newly incorporated business is allowed to submit its returns within 18 months from the date of its incorporation, or not later (6) months



National Pension Commission

An Act to repeal the Pension Reform Act No. 2, 2004 and enact the Pension Reform Act, 2014 to make provision for the uniform contributory pension scheme for public and private sectors in Nigeria; and for related matters.

- 1) In the private sector, it applies to employees in organizations with 15 or more employees.
- 2) Notwithstanding the above provisions, the act also enables staff of orgs with up to 3 employees to enrol in the contributory pension scheme.

The contribution ratio now increased as follows:

- ❖ Employer contribution is 10%
- ❖ Employee contribution is 8%



NATIONAL PENSION COMMISSION

National Pension Commission

Penalty For Non-compliance

The Act requires employers to remit the deductions made in respect of pension within seven (7) days from payment of salary.

Late remittance will attract a penalty that the Commission will stipulate but the Act provides that it should not be less than 2% of the total outstanding contribution for each month or part month for which the default continues



NATIONAL PENSION COMMISSION

Final Words

When starting a business it is important to research all the compliance and regulatory requirements in order not to run foul of the law.

Non compliance can be costly and may affect the smooth running and credibility of the business in the medium to long term.

Ignorance is not an excuse, it is the duty of every business to ensure they know what they need to know.



...

The End

QUESTIONS?



Accounting For Your Small Business

Capacity Building on Business Finance for non-oil Exporters

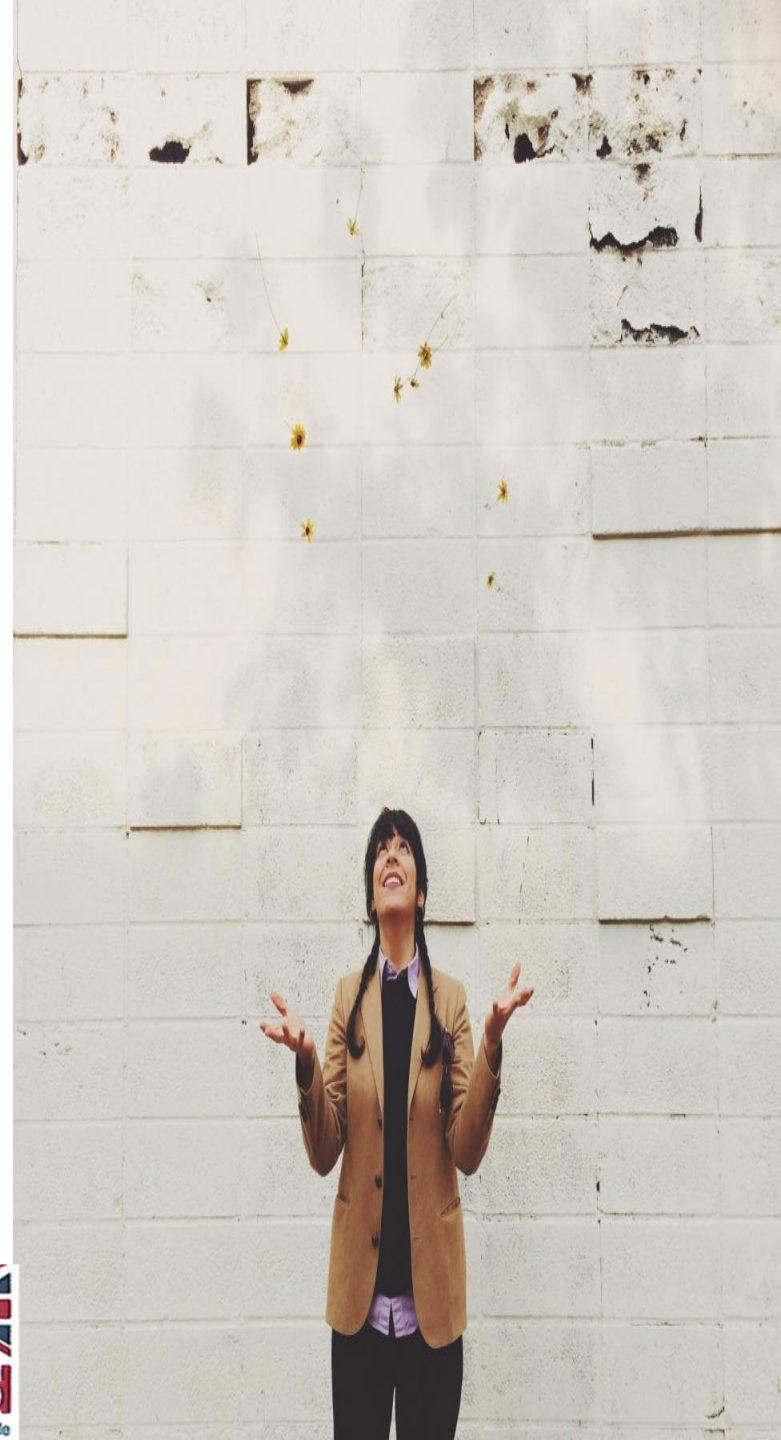
Presenter: Yomi Kukoyi – FCA, MBA



PDF II

Policy Development Facility Phase II

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CONTENTS

- ❖ *Introduction*
- ❖ *Record Keeping*
- ❖ *Building Financial Statements*
- ❖ *Interpreting your numbers*
- ❖ *Accounting Tools & Software*
- ❖ *Review & Test Quiz*



Key advice



“Spend time upfront to invest in systems and processes to make long-term growth sustainable.”

- Jeff Platt, CEO of Sky Zone



What is Accounting?

.....an information system that

- ❖ *measures business activities,*
- ❖ *processes information*
- ❖ *and communicates financial information*



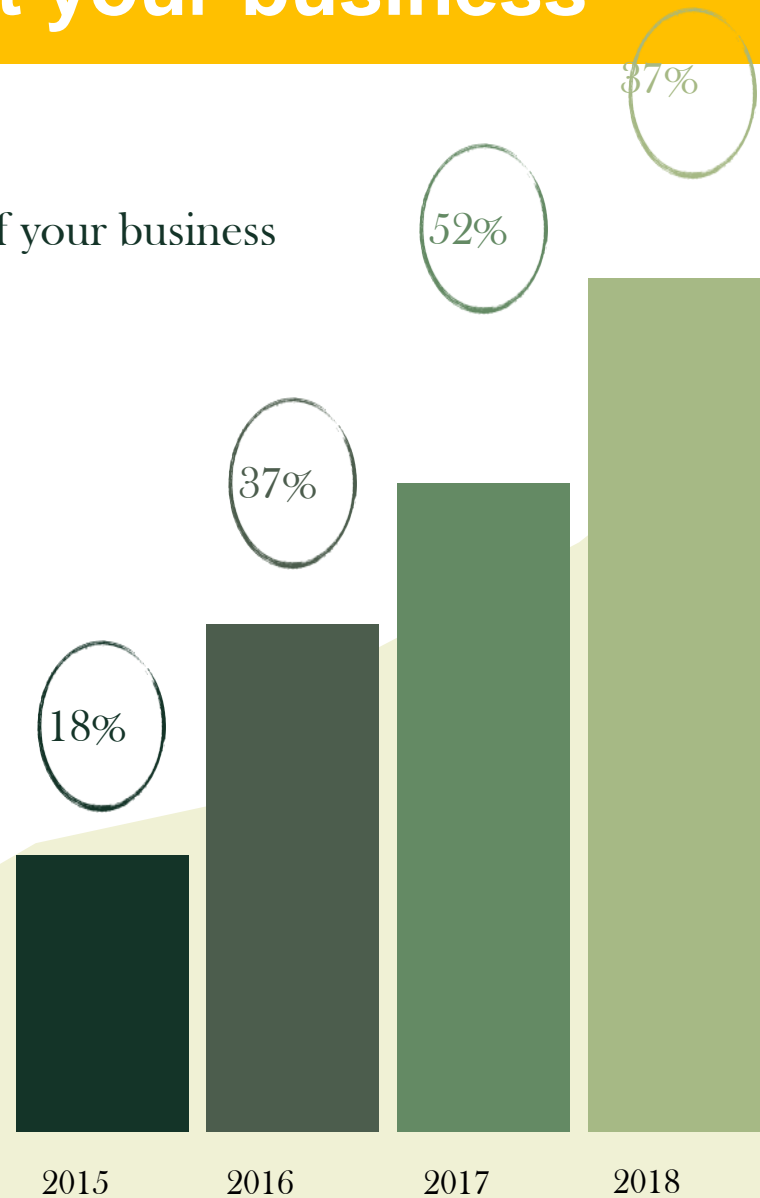
Users of Accounting Information

External users
make decisions
about the entity.

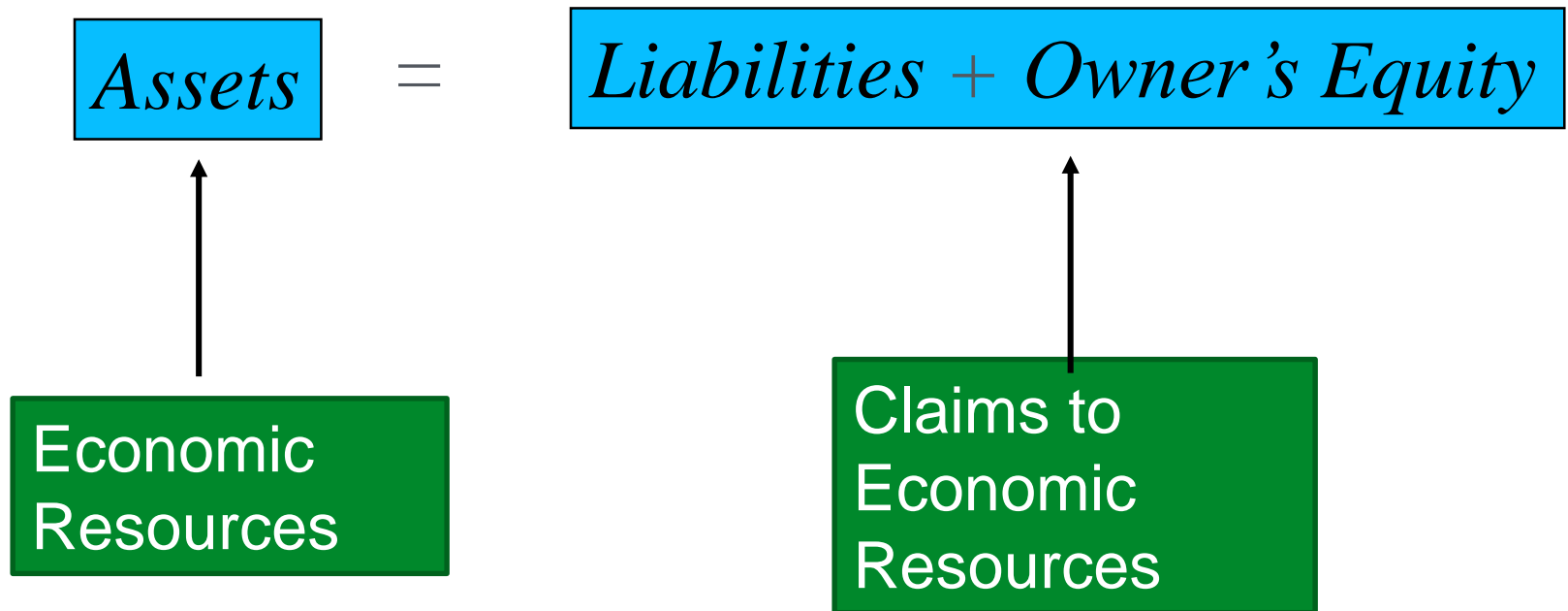
Internal users
make decisions
for the entity.

Information about your business

Accounting information points the direction of your business



The Accounting Equation



What is an asset?

It is something a company owns which has future economic value.

- ❖ *land*
- ❖ *building*
- ❖ *equipment*
- ❖ *patents,*
- ❖ *Copyrights*
- ❖ *Franchise*
- ❖ *Brands names*



What is a liability?

- ❖ *It is something a company owes.*
- ❖ *Money/Unpaid Loans*
- ❖ *service*
- ❖ *Advance Payments received*
- ❖ *Guarantees*
- ❖ *Undelivered Customer goods & Services*



What is owner's equity?

This is what's left of the assets after liabilities have been deducted.

–the same as net assets

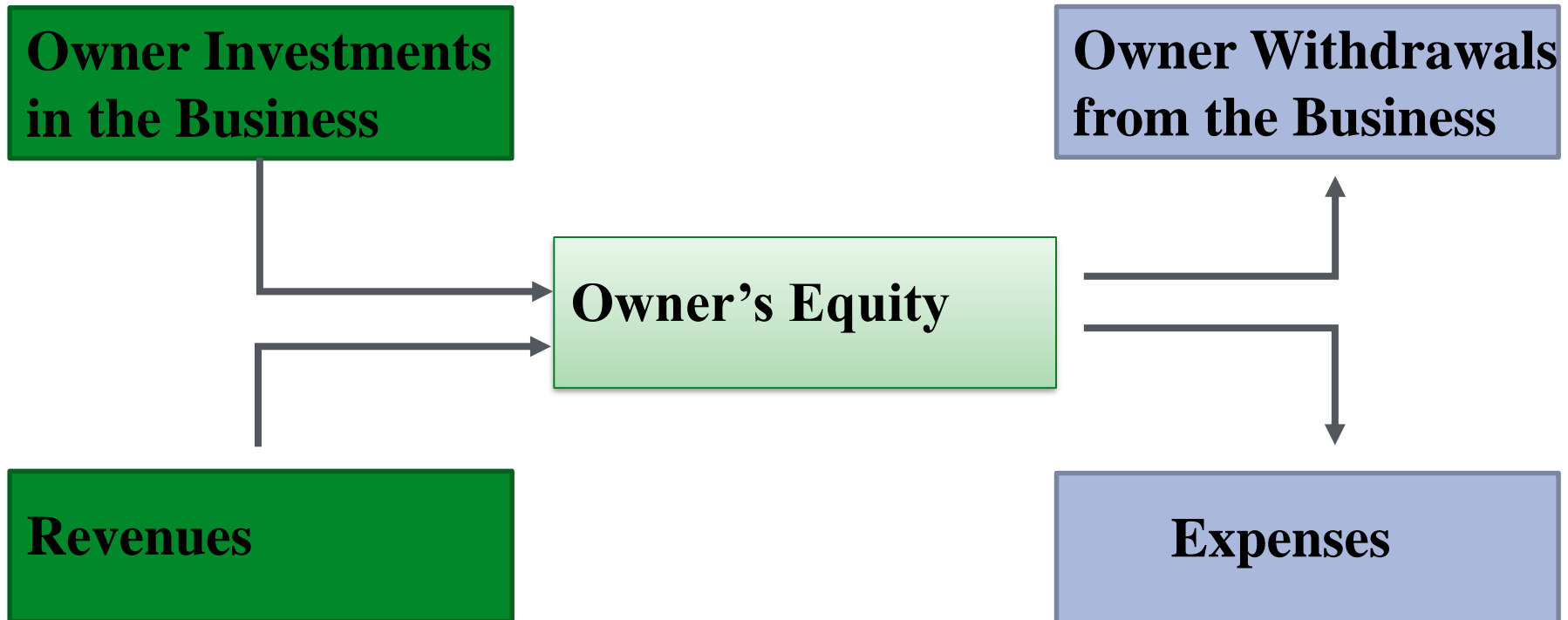
–the owner's claim on the entity's assets



Transactions that Affect Owner's Equity

Owner's Equity Increases

Owners's Equity Decreases



What are revenues?

*These are amounts
received or to be
received from
customers for sales of
products or services.*

- ❖ *Sales of physical products*
- ❖ *performance of services*
- ❖ *rent*
- ❖ *interest*



What are expenses?

They are amounts that have been paid or will be paid later for costs that have been incurred to earn revenue.

- ❖ salaries and wages
- ❖ utilities
- ❖ Supplies & Materials used
- ❖ advertising



Part 2

KEEPING RECORDS

What is a transaction

It is any activity that both affects the financial position of the business and can be reliably recorded

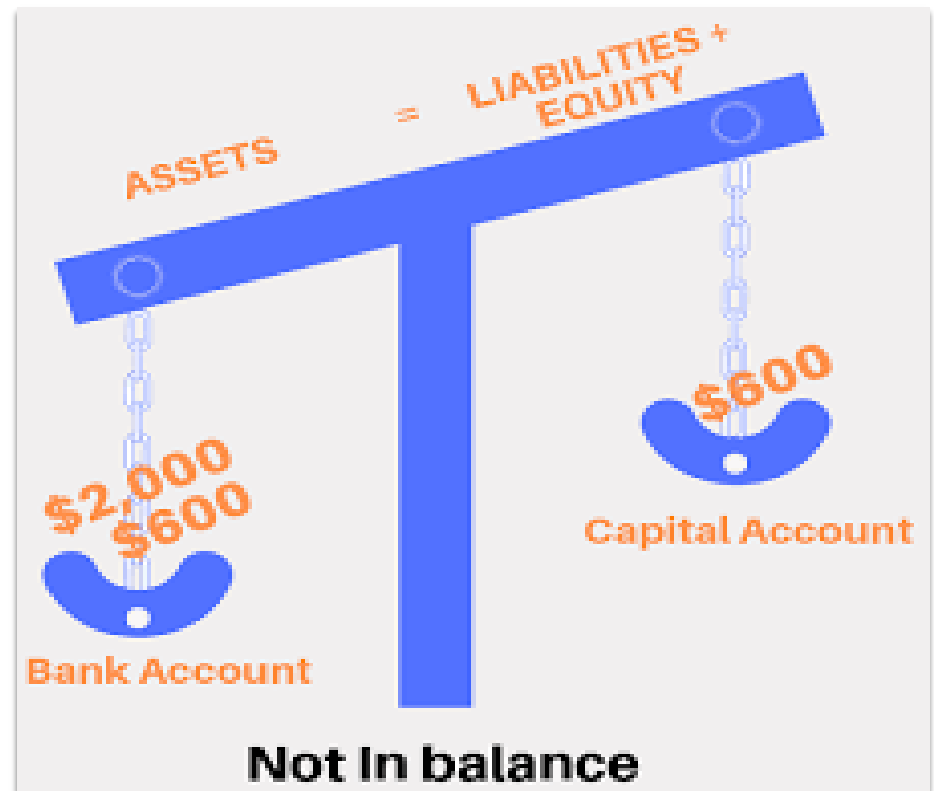


Accounting For Business Transactions

The equation always stays in balance.

Each transaction affects at least two accounts, sometimes more.

Some transactions affect only one side of the equation; some affect both sides.



Basics of Small Business Accounting

- ❖ *Open a bank account*
- ❖ *Track your expenses*
- ❖ *Develop a bookkeeping system*
- ❖ *Set up a payroll system*
- ❖ *Determine how tax affects your business*
- ❖ *Determine how you'll get paid*
- ❖ *Establish sales tax procedures – (VAT)*
- ❖ *Determine your tax obligations.*



Types of records to keep

- ❖ Receipts.
- ❖ Cash register tapes.
- ❖ Deposit information (cash and credit sales)
- ❖ Invoices.
- ❖ Canceled checks or other proof of payment
- ❖ Electronic funds transferred.
- ❖ Credit card receipts.
- ❖ Bank statements.
- ❖ Petty cash slips for small cash payments.



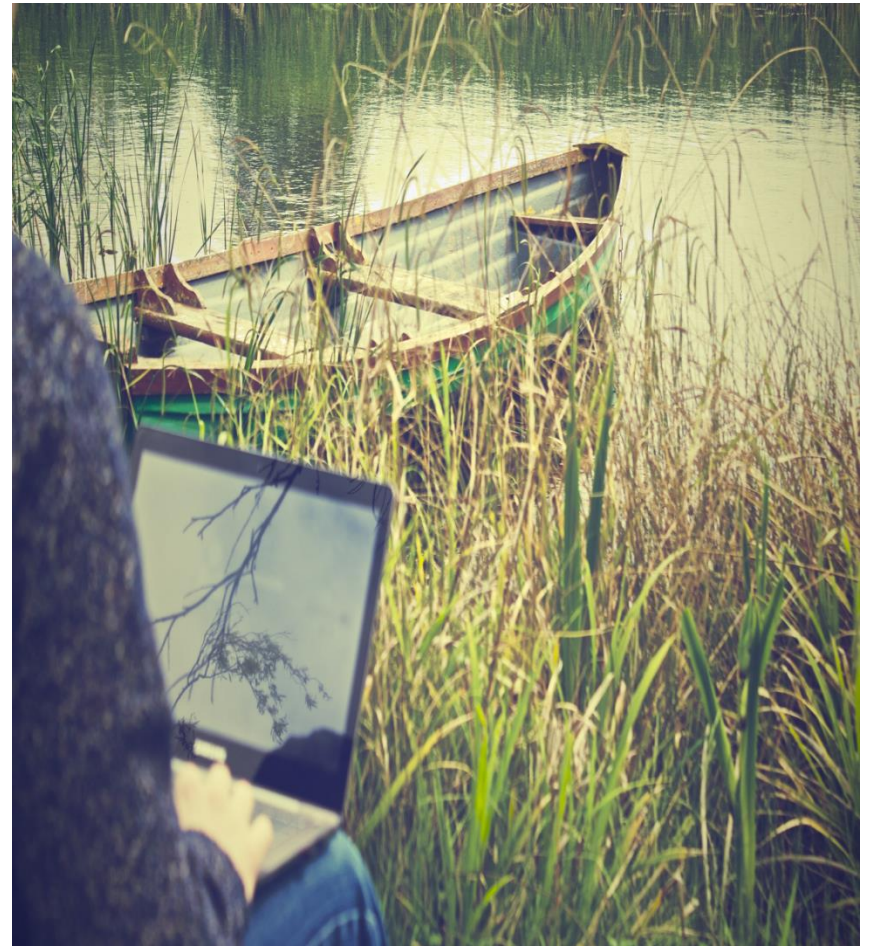
Record Keeping - Modern

*Previous page image is
just to scare you –
Better to be organized
so you can find
everything easily*



Benefits of Record Keeping

- ❖ ***Records** can help identify the source and nature of receipts.*
- ❖ *Helps to separate **business** from personal receipts and taxable from nontaxable income.*
- ❖ *Helps to **keep** track of tax deductible expenses*
- ❖ *Good **business records** helps for preparation of tax returns.*





PREPARING FINANCIAL STATEMENTS

The Accounting Cycle

The accounting cycle is the process by which accountants prepare financial statements for an entity for a specific period of time.



Bases of Accounting Preparation

Accrual-basis:

Transactions are recorded when revenues are earned or expenses are incurred.

Cash-basis:

Transactions are recorded when cash is paid/received.

The Main Financial Statements

- ❖ **The balance sheets**
- ❖ The Income statements
- ❖ **The Cash flow statements**
- ❖ The Statement of **shareholders' equity**.

Balance sheets show what a company owns and what it owes at a fixed point in time.

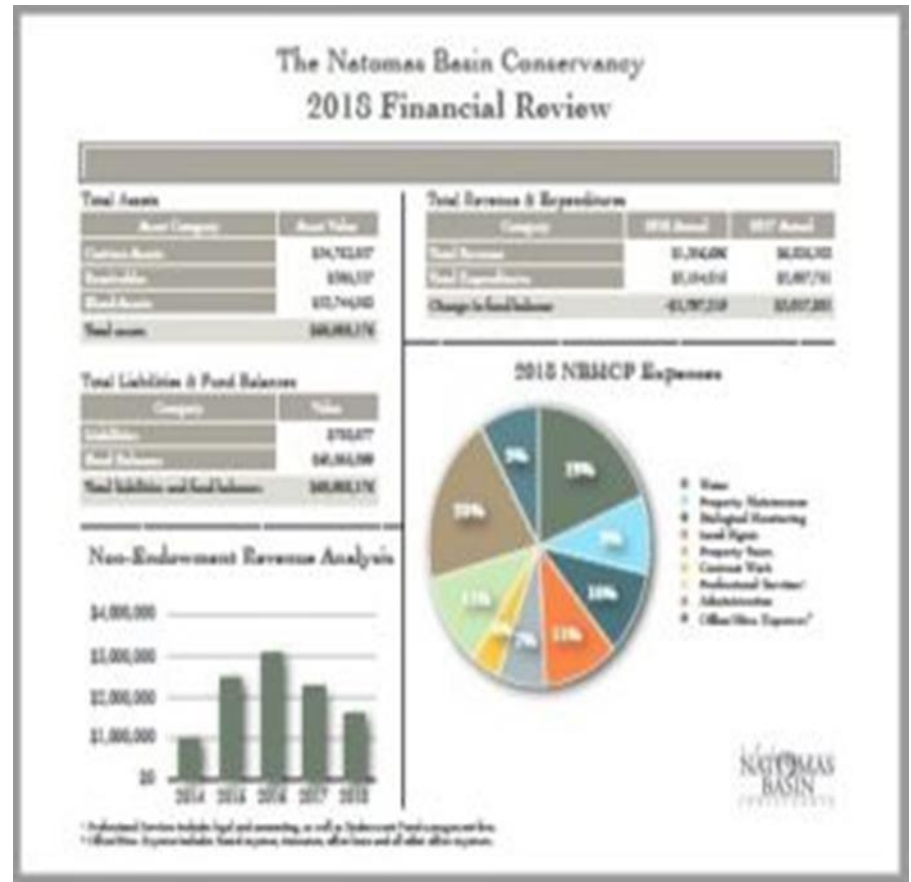


	GROUP	20.
		\$'000 (restated)
		45,421
		2,256
		7,344
		8,352
		12
		994
		61,379
		61,805
		112,489
		852
		40,90

Non-current assets
with plant and equipment

What does it all mean?

Analysis and interpretation of financial statements are an attempt to determine the significance and **meaning** of the **financial statement** data so that a forecast may be made of the prospects for future earnings, ability to pay interest, debt maturities, both current as well as long term, and profitability of sound ...



The Financial Analysis

The pinpointing of the strength and weaknesses of a business undertaking by regrouping and analysis of figures contained in financial statements,

Also by making comparisons of various components and examining their content.



The Financial Analysis

- ❖ To investigate the future potential of the concern.
- ❖ To determine the profitability and future prospects of the concern.
- ❖ To make comparative study of operational efficiency of similar concerns.
- ❖ To examine the earning capacity and efficiency of various business activities with the help of income statements.



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The Financial Analysis

- (v) To estimate about the performance efficiency and managerial ability.
- (vi) To determine short term and long term solvency of the business concerns.
- (vii) To enquire about the financial position and ability to pay of its debts



Accounting Tools

In order to keep up to date records on the go, you can use some invoicing and accounting software such as:

SAGEONE

PEACHTREE

QUICKBOOKS

FRESHBOOKS

Or simply get an Accountant and outsource the function for best results



Final Words

Accounting and keeping records is not a nice to have, it is a necessity for the very survival of the business!!



...

The End

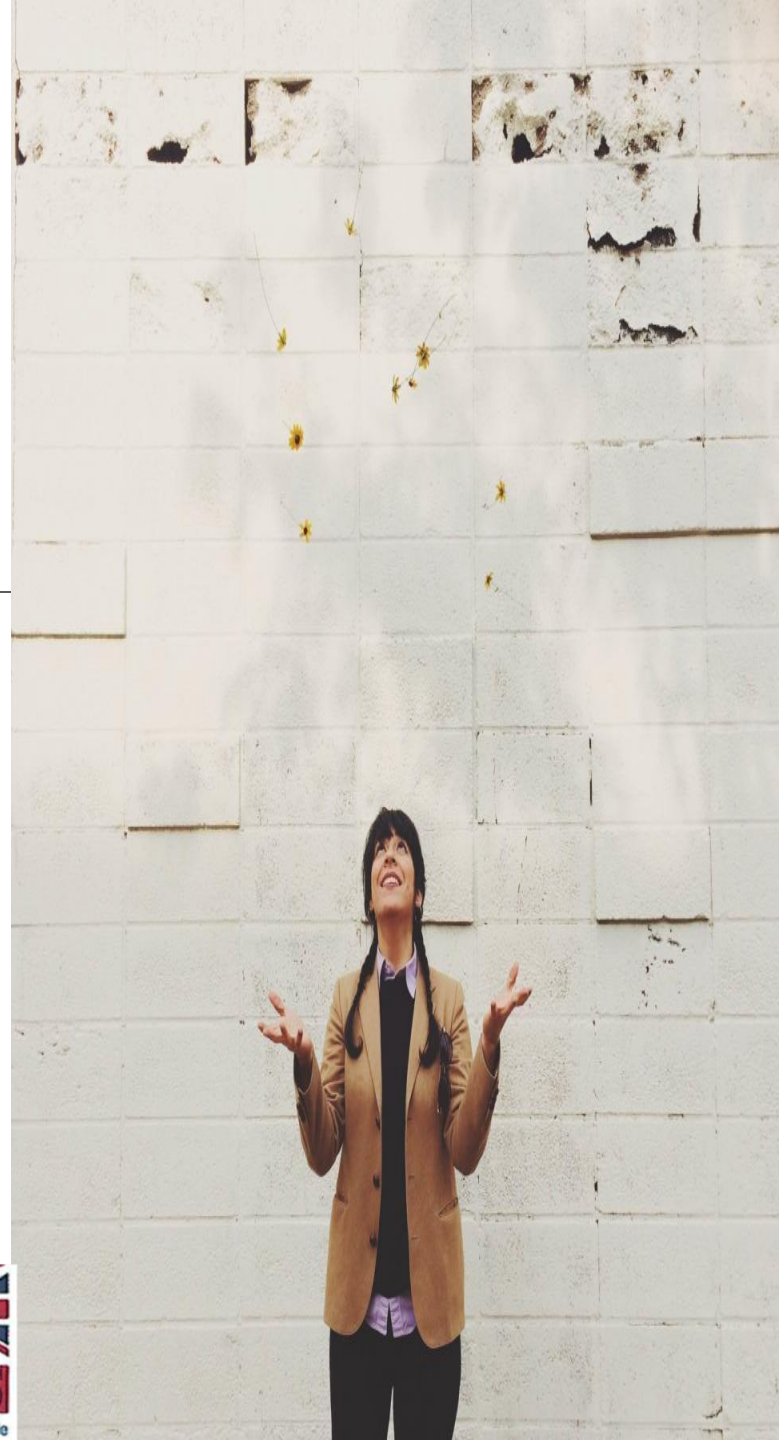
QUESTIONS?



Cash Flow Management

Capacity Building on Business Finance for non-oil Exporters

Presenter: Yomi Kukoyi – FCA, MBA



CONTENTS

- ❖ **Introduction**
- ❖ **The Principles of Cashflow Forecasting**
- ❖ **Avoiding Cashflow Problems**
- ❖ **Cashflow Forecasts as a Business Tool**
- ❖ **Cash Management In Action**
- ❖ **Review & Test Quiz**



Introduction

**Turnover is
Vanity, Profit is
Sanity but Cash
is King!**




Introduction

Cash is the oxygen that enables a business to survive and prosper and is the primary indicator of business health.

While a business can survive for a short time without sales or profits, without cash it will die.

For this reason the inflow and outflow of cash need careful monitoring and management.!

Cash is king

Profit  Cash



What is Cashflow?

Cash flow is the measure of your ability to pay your bills on a regular basis.

It depends on the timing and amounts of money flowing into and out of the business each week and month.

Good cash flow means that the pattern of income and spending in a business allows it to have cash available to pay bills on time.



What is Cashflow?

Cash balances include:

- ❖ Coins and notes
- ❖ Current accounts and short-term deposits
- ❖ Unused bank overdrafts and short-term loans
- ❖ Foreign currency and deposits that can be quickly converted to your currency



What is Cash is not!!

Cash balances does not include:

- ❖ long-term deposits
- ❖ long-term borrowing
- ❖ money owed by customers
- ❖ Stock

Cash flow is the movement of money in and out of your business.

It is not profit and loss, although trading clearly has an effect on cash flow.



Principles of Cashflow Management

The effect of cash flow is real, immediate and, if mismanaged, totally unforgiving.

Cash needs to be monitored, protected, controlled and put to work.

Cash is not given. It is not the passive, inevitable outcome of your business endeavours.

It does not arrive in your bank account willingly.

Rather it has to be tracked, chased and captured.

You need to control the process and there is always scope for improvement.



If cash is king
cashflow planning
is a must

Requirements of Good Cashflow Management

To do a proper job of managing your cash-flow, the following information is needed:

- ❖ your customers' creditworthiness
- ❖ your customers' current track record on payments
- ❖ outstanding receipts
- ❖ your suppliers' payment terms
- ❖ short-term cash demands
- ❖ short-term surpluses
- ❖ investment options
- ❖ current debt capacity and maturity of facilities longer-term projections.



Difference between Cash & Profit

Profit is the difference between the total amount your business earns and all of its costs, usually assessed over a year or other trading period.

You may be able to forecast a good profit for the year, yet still face times when you are strapped for cash.

To make a profit, you have to produce and deliver goods or services to customers before being paid.

Unfortunately, no matter how profitable the contract, if you don't have enough money to pay your staff and suppliers before receiving payment from your customers, you'll be unable to deliver your side of the bargain or receive any profit.



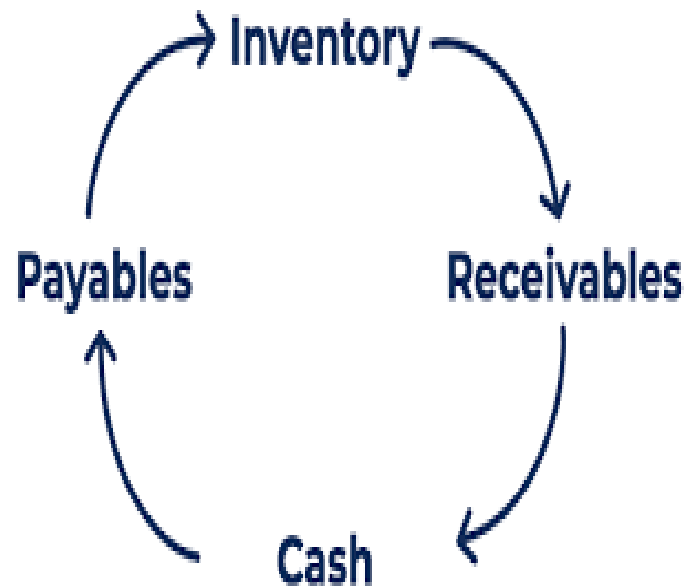
The Cashflow Cycle

Ideally, during the business cycle, you will have more money flowing in than flowing out.

This will allow you to build up cash balances with which to plug cash flow gaps, seek expansion and reassure lenders and investors about the health of your business.

You should note that income and expenditure cash flows rarely occur together, with inflows often lagging behind.

Your aim must be to speed up the inflows and slow down the outflows.



The Cashflow Cycle

Inflows

Payment for goods or services from your customers.

Receipt of a bank loan.

Interest on savings and investments.

Shareholder investments.

Increased bank overdrafts or loans.

Outflows

Purchase of stock, raw materials or tools.

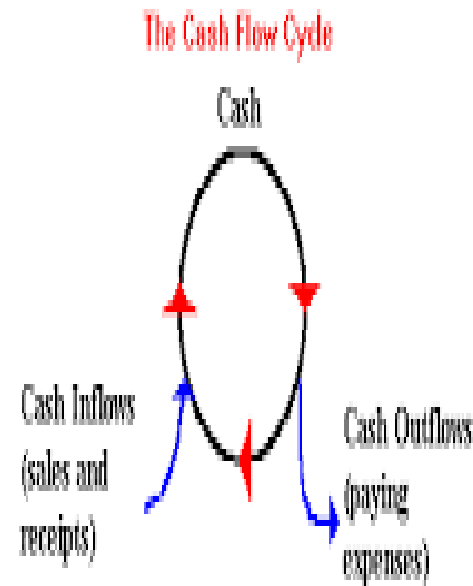
Wages, rents and daily operating expenses.

Purchase of fixed assets - PCs, machinery, office furniture, etc.

Loan repayments.

Dividend payments.

Income tax, corporation tax, VAT and other taxes.



The Cashflow Cycle

Inflows

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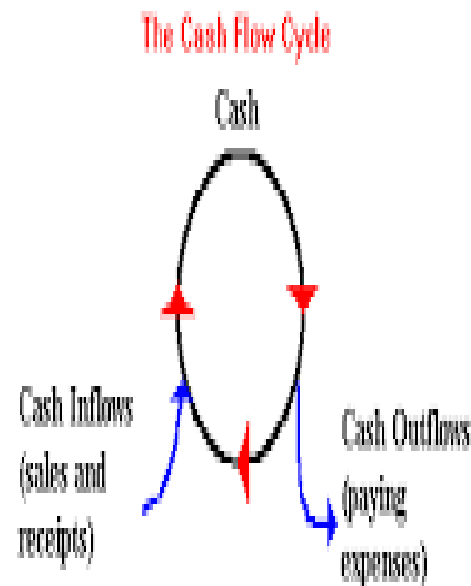
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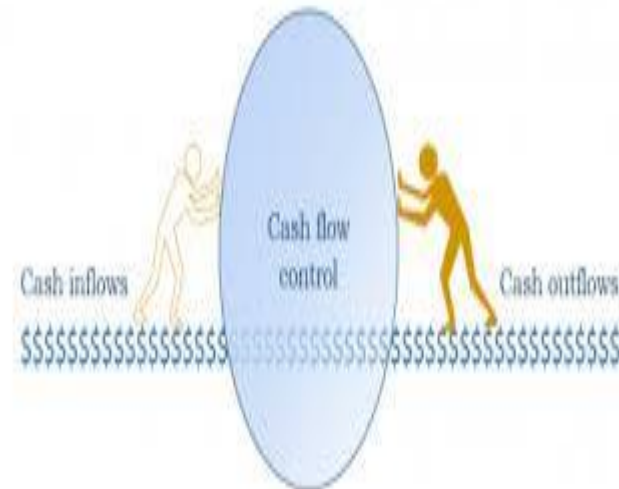
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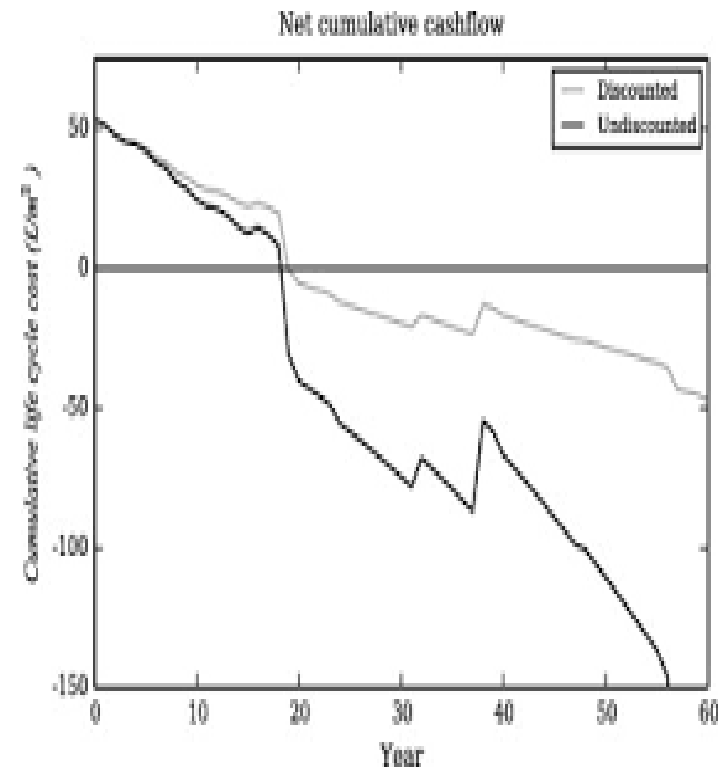
How to Improve your Cashflow

- ❖ ask your customers to pay sooner
- ❖ chase debts promptly and firmly
- ❖ use factoring
- ❖ ask for extended credit terms with suppliers
- ❖ order less stock but more often
- ❖ lease rather than buy equipment
- ❖ improve profitability



Elements of Cashflow Forecasting

- ❖ The cash flow forecast identifies the sources and amounts of cash coming into your business and the destinations and amounts of cash going out over a given period.
- ❖ There are normally two columns listing forecast and actual amounts respectively.
- ❖ The forecast is usually done for a year or quarter in advance and divided into weeks or months.
- ❖ It is best to pick periods during which most of your fixed costs - such as salaries - go out.



Elements of Cashflow Forecasting

The forecast lists:

- ❖ receipts
- ❖ payments
- ❖ excess of receipts over payments - with negative figures shown in brackets
- ❖ opening bank balance
- ❖ closing bank balance
- ❖ It is important to base initial sales forecasts on realistic estimates - If you have an established business, an acceptable method is to combine sales revenues for the same period 12 months earlier with predicted growth.



Managing Your Cashflow

1. Customer Management

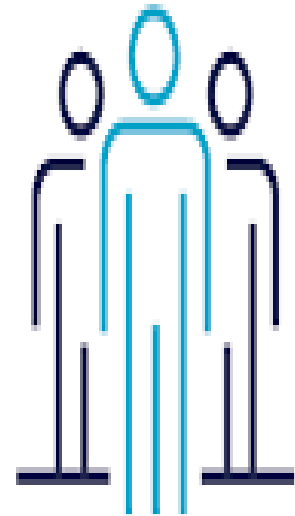
- ❖ Define a credit policy that clearly sets out your standard payment terms.
- ❖ Issue invoices promptly and regularly chase outstanding payments. Use an aged debtor list to keep track of invoices that are overdue and monitor your performance in getting paid.
- ❖ Consider exercising your right to charge penalty interest for late payment.
- ❖ Consider offering discounts for prompt payment.
- ❖ Negotiate deposits or staged payments for large contracts. It's in your customers' interests that you don't go out of business trying to meet their demands.
- ❖ Consider using a third party to buy your invoices in return for a percentage of the total



Managing Your Cashflow

2. Supplier Management

- ❖ Ask for extended credit terms.
- ❖ Giving your suppliers incentives such as large or regular orders may help, but make sure you have a market for the orders you're placing.
- ❖ Alternatively, consider reducing stock levels and using just-in-time systems
- ❖ Taxation - You may be liable for several different taxes including income tax, corporation tax, VAT, business rates and stamp duty.



Supplier
Management

Avoiding Cashflow Problems

- ❖ Poor credit controls - failure to run credit checks on your customers is risky, especially if your debt collection strategy is inefficient.
- ❖ Failure to fulfil your order - if you don't deliver on time, or to specification, you won't get paid.
- ❖ Implement systems to measure production efficiency and the quantity and quality of stock you hold and produce.
- ❖ Ineffective marketing - if your sales are stagnating or falling, revisit your marketing plan.

**CREDIT
CONTROL**

VectorStock

VectorStock.com/13788899

Avoiding Cashflow Problems

- ❖ Inefficient ordering service - make it easy for your customers to do business with you.
- ❖ Poor management accounting - keep an eye on key accounting ratios that will alert you to an impending cashflow crisis or prevent you from taking orders you can't handle.
- ❖ Inadequate supplier management - your suppliers may be overcharging, or taking too long to deliver.
- ❖ Create a supplier management system
- ❖ Poor control of gross profits or overhead costs.



Cashflows As a Business Tool

Set up a regular review of the forecast, changing the figures in light of your sales, purchases and staff costs. Legislation, interest rates and tax changes will also impact on the forecast. It will help you:

- see when problems are likely to occur and sort them out in advance
- identify any potential cash shortfalls and take appropriate action
- ensure you have sufficient cashflow before you take on any major financial commitment



Cashflows As a Business Tool

- ❖ Accurate cashflow forecast will help ensure that you can achieve steady growth without overtrading.
- ❖ know when you have sufficient assets to take on additional business
- ❖ It is important that you incorporate warning signals into your cashflow forecast.
- ❖ Build a contingency plan, such as retaining a minimum amount of cash in the business, perhaps in an interest-earning account. This 'rainy day' money can be used to meet short-term cash shortages.



Final Words

Cashflow planning is the lifeblood of any business and a company who cannot predict its cashflow cannot predict its future!!



...

The End

QUESTIONS?

