

# MFR GUIDING STATEMENT 6

## SUPPORTING BUSINESSES IN INDUSTRY

EFFECTIVE OCTOBER 2023

**Supporting businesses in the building industry** to meet legislative requirements, such as financial reporting requirements, is crucial for compliance and overall success.

By implementing strategies such as sound financial management and industry engagement, licensees can enhance their financial sustainability and strengthen their position in the building industry.

A business can be at risk of financial distress when it faces significant challenges that threaten its ability to generate sufficient income, meet financial obligations, and maintain profitability.

Several factors can contribute to financial distress, and these can vary depending on market conditions and the specific circumstances of the business.

Here are some common factors that can assist in identifying a business at risk of financial distress:

1. **Poor financial management** – ineffective financial planning, mismanagement of funds, and lack of budgetary control can lead to cash flow problems and financial instability.
2. **Declining revenue/income** – Consistent declining sales or income can lead to reduced cash flow and put a strain on a business's ability to cover operating costs and debt payments.
3. **High debt levels** – excessive debt burden, especially when combined with declining revenues, can make it challenging to service debt obligations.
4. **Insufficient cash reserves** – inadequate cash reserves can leave the business vulnerable to unexpected expenses or changes in market conditions.

5. **Ineffective cost management** – inability to control costs and expenses can erode profitability and lead to financial difficulties.
6. **Intense competition** – competing in highly competitive markets may pressure margins and profitability.
7. **Economic downturn** – during economic downturns, businesses may face reduced demand and decreased consumer spending.
8. **Lack of diversification** – over-reliance on a single product, service or customer can expose the business to risks if that area falters.
9. **Poor credit management** – failure to manage accounts receivable and collect outstanding payments can impact cash flow.
10. **Unforeseen liabilities** – unexpected legal claims or liabilities can strain financial resources.

It is essential for businesses to regularly assess their financial health and implement proactive measures to mitigate potential risks. Strong financial management, and adapting to market conditions can help reduce the likelihood of financial distress. Seeking professional advice and support from advisors or consultants can be beneficial in identifying and addressing potential financial challenges.

The following agencies and organisations have been identified as being relevant and appropriate to provide support to businesses within the Queensland building and construction industry, assisting applicants and licensees in making informed decisions.

NAME	SERVICES	CONTACT DETAILS
AUSTRALIAN BUSINESS GROWTH FUND	An alternative to bank lending and private equity funding, they provide growth capital in exchange for a minority stake in the business. They can inject \$5-\$15 million of capital for a minority stake of up to 49%	<a href="http://www.abgf.com.au">www.abgf.com.au</a>
AUSTRALIAN BUSINESS LICENCE AND INFORMATION SERVICE	Helps users find government licences, permits, registrations, codes of practice, standards and guidelines needed for business. Business operators and those intending to start a business can obtain detailed information to manage compliance obligations	<a href="http://www.ablis.business.gov.au">www.ablis.business.gov.au</a>
AUSTRALIAN BUSINESS REGISTER	If you are running a business, you need to have an ABN (Australian Business Number) which identifies your business or organization to the government and community	<a href="http://www.abr.gov.au">www.abr.gov.au</a>
AUSTRALIAN FINANCIAL SECURITY AUTHORITY (AFSA)	Financial and legal counselling referral points, advice in relation to personal insolvency and entering into bankruptcy, provides assistance if debts can't be paid	<a href="http://www.afsa.gov.au">www.afsa.gov.au</a>

NAME	SERVICES	CONTACT DETAILS
BUSINESS QUEENSLAND	Provides information on starting or buying a business and they have an online business readiness health check tool. They provide information on employing people, business planning, legal obligations, managing risks, and selling or leaving the business. Free access to volunteer business experts who can provide suggestions relating to challenges and opportunities you are experiencing with the business	<a href="http://www.business.qld.gov.au">www.business.qld.gov.au</a>
BUSINESS QUEENSLAND	The Department of Employment, Small Business and Training administers grants and programs to help Queensland small business continue to recover, grow and thrive by committing grant funds for businesses to increase key capabilities, embrace innovation, and assist high-growth businesses to capitalise on opportunities	<a href="http://www.business.qld.gov.au/starting-business/advice-support/grants/schedule">www.business.qld.gov.au/starting-business/advice-support/grants/schedule</a>
CONSTRUCTION SKILLS QUEENSLAND	CSQ subsidised training to support workers on their construction career pathway. Offer around 75% of the training costs, and connects applicant to Registered Training Organisations	<a href="http://www.csq.org.au/tradies-workers-small-businesses/">www.csq.org.au/tradies-workers-small-businesses/</a>
GRANTS ASSIST	The Australian Government provides grants and development assistance to small and medium level businesses and start-ups, which can help trade industry operators to grow their business, provide increased employment, increase efficiency and productivity	<a href="http://www.australiangrants.org">www.australiangrants.org</a>
OFFICE OF FAIR TRADING	Consumer advice, rights and responsibilities, tips for starting and running business, avoiding unfair business practices, enforce consumer protection laws	<a href="http://www.qld.gov.au/law/fair-trading">www.qld.gov.au/law/fair-trading</a>
PROSPA	Small business loans from \$5,000 to \$150,000 in 24 hours	<a href="http://www.prospa.com.au">www.prospa.com.au</a>
QUEENSLAND GOVERNMENT GRANTS FINDER	Finds grants and assistance projects relevant to your business and/or location, for businesses or start-ups	<a href="http://www.grants.services.qld.gov.au">www.grants.services.qld.gov.au</a>
QUEENSLAND SMALL BUSINESS COMMISSIONER	Works to enhance the operating environment for small businesses by providing practical information, support and assistance, and they offer a range of assistance and advocacy services to support small businesses. They offer a starting business health check, marketing health check, finance health check, as well as information on how to win government contracts	<a href="http://www.qsbc.qld.gov.au">www.qsbc.qld.gov.au</a>
SERVICES AUSTRALIA	Tools for budgeting, forms and services to help run a business	<a href="https://www.servicesaustralia.gov.au/managing-your-money">https://www.servicesaustralia.gov.au/managing-your-money</a>