

Finance facts: Starting a business

What is a business?

A business is an entity that offers products or services to customers in exchange for money. Successful businesses meet customers' needs and wants, generating revenue and profit for their owners.

If your business idea is to mow lawns for your neighbours, sell products online, or you're ready to put your training into practice as a tradesperson, this guide will help you get started.

How do you know you are meeting a need or a want?

Testing the market for a new product or service is crucial to assess demand, refine your offering, and make informed decisions before fully launching the business. Here are a few ways you can test the market:

1. Sell your product at a local market, through school or other networks
2. Utilise social media and online communities to share information about your product or service and obtain feedback
3. Conduct surveys and questionnaires through online survey platforms. Ask potential customers about their needs, preferences, and willingness to pay for your product or service
4. Organise small groups of potential customers to discuss and provide feedback on your product or service. You will need to consider how to entice these people to donate their time
5. Offer pilot programs or free trials. This is a good way to get feedback and use the results to refine your offering before scaling to a wider audience.

Do you know if you have a competitive advantage?

A competitive advantage is a factor that allows a business to outperform its competitors. Examples include:

- **Cost advantage:** can offer products or services at a lower price while maintaining profitability
- **Differentiation:** unique features or attributes that may include superior quality, innovative design, exceptional customer service or exclusive features
- **Brand reputation:** A strong brand reputation built on trust and reliability can give a business an advantage

- **Technological innovation:** Businesses that invest in research and development to develop cutting-edge technologies or processes can offer products or services not easily replicated by competitors.

Put your idea into writing with a business plan

A business plan will help you define how you'll run your business, market yourself, generate sales, make a profit, and grow. If you are thinking about asking for money from a bank, a friend or family member, having a business plan is essential. The components of a business plan include:

- **Executive summary:** provides a brief overview of your business idea that highlights unique selling points, target market and financial projections
- **Business description:** describes your business idea in detail, including the products or services you will offer, target market and your competitive advantage
- **Market analysis:** identifies your target customers and the size of the market
- **Organisation and management structure:** describes your legal structure (see below), key personnel, and their roles and responsibilities
- **Marketing strategy:** outlines your marketing plan and the cost to promote the product or service
- **Funding request:** specifies how much money you need and how you will use the funds
- **Financial projections:** Detailed information about your estimated income and expenses over the next 1–5 years
- **Appendices:** attach additional information that may include resumes, legal documents or market research information.

Legal structure

If you intend to formalise your business, you need to consider the type of legal structure that best suits your specific needs. While you will work to make your business successful, there is a chance that things won't go your way. The business may be negatively affected by disagreements with your business partners and/or fewer sales than expected, which leads to late bills and loan repayments. The legal structure and accompanying legal documents set out what will happen if business ownership changes and who owes the money if there are unpaid bills and loans.

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It is best to talk to an accountant and solicitor, as each business type has its own advantages and disadvantages. The main types of legal structures include:

- **Sole proprietorship:** the business is owned and operated by one individual, who is personally liable for all debts and obligations of the business
- **Partnership:** Two or more individuals share ownership and management responsibilities. Liability can be limited to the partners' investment in the business
- **Limited liability company:** The owners are not personally liable for the debts and obligations of the business
- **Corporation:** owned by shareholders who are not personally liable for debts and obligations of the corporation
- **Cooperative:** a business that is owned and operated by its members, who share profits and decision-making.

Getting up and running

After you've decided on your legal structure and received the appropriate advice, you can register your business name. To register a business name, you will need to have an Australian Business Number (ABN). You will also need to check that the business name hasn't already been used. More information is available on the [Australian Securities & Investment Commission website](#).

Before you start, you may also need to get business insurance, register for goods and services tax, and if you will be hiring staff, register for pay-as-you-go withholding and meet your superannuation obligations. The [ATO website](#) has important information about tax and superannuation, and the [Fair Work Commission](#) website has information to help small businesses meet their legal obligations when employing staff.

Opening a bank account for your business will be essential for receiving payments from your customers and paying bills. It's also essential that you keep your personal transactions separate from your business transactions from the beginning. This will make paying taxes and understanding your business's profitability much easier.

Depending on the type of business you are establishing, there are many more steps to take to get your business up and running. Seek out information and people who can help you establish a checklist and get going.



Did you know?

- There were more than 2.5 million small businesses in Australia in 2024.
- Over half of all businesses in Australia are sole proprietor businesses.
- Small businesses added \$590 billion of value in 2023, which was 33% of Australia's total Gross Domestic Product.
- 60% of businesses in Australia will fail within their first three years of operation.

Glossary

Gross Domestic Product (GDP)	is a measure of the total value of all goods and services produced within a country's borders during a specific period of time. GDP is a key indicator of the economic health and size of a country's economy.
Liability	is the legal obligation or responsibility of an individual or entity to settle a debt or perform an action.
Market	is where buyers and sellers come together to exchange goods and services or resources. It can be a physical location or a virtual platform.
Profit	is the financial gain or benefit that is obtained when the revenue generated from the sale of goods, services or investments exceeds the expenses, costs and taxes incurred in producing or acquiring those goods, services or investments.

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Talk Money with Ecstra Foundation is designed to help Australian students learn money lessons for life, to be confident talking about money and to make informed financial decisions. We offer facilitator led workshops for Years 5–10 students and additional resources to reinforce learnings. The program is provided at no cost to schools, enabling more students across Australia to access financial education at key life stages.

About Ecstra: Ecstra Foundation is an independent charitable foundation committed to building the financial wellbeing of Australians within a fair financial system. Ecstra launched Talk Money in February 2022.



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