

Business Plus+



Hack, Anderson & Thomas
CHARTERED ACCOUNTANTS

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Ingredients for Business Success

Preparing a plan and then monitoring it, on an ongoing basis, is a very important ingredient for business success.

The other key ingredients for business success include:-

- being concerned about your staff, communicating with staff, letting staff know what your business plan is;
- having concern for customers, establishing databases, having an ongoing communication strategy to keep customers informed about developments within your business; and
- having concern for suppliers, having open and frank discussions with suppliers about your customers' demographics and preferences, arranging to purchase products suitable for sale within your business and supported by extraordinary service from your suppliers.



The key is to keep on reviewing the plan. When you start in business, find a "difference" in your offerings. Find a "niche market". Try and "learn" from other people. Employ people who are very capable and maybe smarter than you. Know what you are doing and where you are headed in the market place.

Be humble and patient and realise that a business is not a sprint - it's a marathon.

Risk Management - Annual Review

Shortly after the end of the financial year is always a good time to give consideration to the risks that might affect your business. If you believe that a particular risk poses a real threat to your business, then it is a good idea to prepare a short commentary on the exposure and consider a risk mitigation strategy. If the risk does occur you will have a well thought out action plan to minimise the damage.

Some of the potential risks for a small business include:

- Business Continuity Plan
- Emergency Planning
- Business Planning
- Corporate Governance
- Financial Management
- Outsourcing
- Human Resources Management
- Research & Development, Innovation and Commercialisation
- Product/Service Development
- Supply Management Maintenance
- Product/Service Delivery
- Contract Management

If you would like us to assist you with a risk management review for your business, please contact us.

Keep On Marketing

In difficult economic circumstances it is tempting to stop marketing. However, if you wish to take advantage of the business upturn when it arrives, you have to be thinking differently to take advantage of changed economic circumstances.

Businesses need targets, especially to customers:-

- Give guarantees on your product or service.
- Have a vision; don't try to be all things to all people.
- You don't need to spend huge sums of money on advertising.
- Have you considered being proactive with the use of public relations and communications by issuing well prepared news releases on products/services/activities that your business has undertaken?
- It is a good idea to employ a journalist to "professionalise" your news release and then send it to the media in your region.
- If you have slow moving stock in your business, is it possible to package the slow moving stock with other stock items and sell them as a package of products?
- Have you explored the opportunities of marketing your business in conjunction with another business, whereby you share the customers and jointly market and promote the businesses?



You need to be thinking differently in the current economic circumstances by being proactive in marketing, public relations, communications and targeting products and services directly to specific customer segments.

Cash Flow Monitoring Is Very Important

The ongoing monitoring of cash flow is extremely important at any time in a business' life, but extremely important in the current economic circumstances. Businesses need to be aware of the necessity of having strong relationships with suppliers in relation to products, and the pricing of those products. They need to be doing more than looking at bank statements to determine cash flow performance. Many businesses use computer systems and many of our clients seek our advice to assist in the monitoring of cash flow and to prepare projections on future cash flow movements.

Whilst many SMEs are trying to reduce the number of days credit they grant to customers from 30 days to 15 days, the average debtors outstanding reported by Dun and Bradstreet is in the vicinity of 54 days. As the economy starts to improve there is a strong expectation that interest rates will increase and many landlords will take the opportunity to increase rents for business premises.

Cash flow monitoring includes the reviewing of investment in:

- stock,
- debtors,
- work in progress
- commitments to sponsorship, advertising, marketing, and
- other business expenses to which some cost reductions can be affected.



We are able to assist you in Cash Flow Monitoring. If you would like a copy of a short term cash flow monitoring sheet please contact us.

"Plans are worthless, but planning is invaluable."
Sir Winston Churchill

Business Plans - Questions to Consider Part 15

Costings

- How do the mark-ups utilised in your business compare to your competitors?
- Do you compare the gross profit percentage that you earn for various products to your competitors?
- Do you have an accurate time costing system?
- Do you accurately record all purchases and outlays for particular jobs?
- Have you considered alternative work practices such as the 5-s system? A structured systematic approach to housekeeping and the cornerstone of every world class manufacturing operation?
- Are you using a standard costing system? Have you recently reviewed the calculations of the various components of the standardised costing system?
- Do you calculate regularly (e.g. daily or weekly), labour productivity and communicate the productivity percentage achieved back to team members?
- If you utilise a work in progress job costing system, has management enquired as to why a job may have remained in the "work in progress" system for longer than other jobs? This may indicate that the responsible person does not wish to highlight problems within the job before finalising costings.



To be continued.....

There are over 50 questionnaires relating to the preparation of a Business Plan. In the next issue we will cover Pricing.

Important Financial Implications of the Fair Work Act

The Fair Work Act commenced initial operations on the 1/7/09 and will become fully operational on 1/1/2010. The time line of the changes are:

- 1/7/09 most parts of the Fair Work Act commenced.
- 1/1/10 modern awards and national employment standards (NES) commences.

Financial implications for SME operators include:

12 Month Parental Leave

Available for all workers, except casuals, of up to 12 months unpaid parental or adoption leave. Once an employee has performed 12 months of continuous service, the employee may request an additional 12 months of unpaid leave and the employer may not unreasonably refuse this request.

Cashing Out Annual Leave and Paid Carer's Leave

Modern awards and enterprise agreements may include provisions allowing for the "cashing out" of unused leave, provided the employee retains a balance of at least 4 weeks. The NES grants employees a minimum of ten paid carers and personal leave days per year. These may also be cashed out where an award or an agreement allows, provided the employee retains a balance of at least 15 days.

Payment on Dismissal

Employees must be advised of their dismissal in writing and provided with a minimum period of notice or payment in lieu of that notice, calculated as follows:

Less than 1 year service = 1 week	4 to less than 5 = 8 weeks	7 to less than 8 = 13 weeks
1 to less than 2 = 4 weeks	5 to less than 6 = 10 weeks	8 to less than 9 = 14 weeks
2 to less than 3 = 6 weeks	6 to less than 7 = 11 weeks	9 to less than 10 = 16 weeks
3 to less than 4 = 7 weeks		

A small business which is defined as having less than 15 full time equivalent employees is exempt from the redundancy pay provision. If you employ fewer than 15 full time equivalent employees we recommend that you keep accurate records each year to substantiate your business as a small business. If you would like a copy of the Paper – "10 Most Important Financial Implications of the Fair Work Act", please contact us. **To be continued next month.....**

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What's It Mean?

Price/Earnings Ratio... Defined as the share price divided by the earnings per share.

The terminology "Price Earnings Ratio" originated from quotations for listed public companies on a stock exchange and is available on a daily basis in the Financial Review for all companies listed on the Australian Stock Exchange.



Negative Gearing Can Help Reduce Tax

Negative Gearing is the creation of a legitimate tax loss. This occurs where the expenses of owning a rental property, including interest on money borrowed to buy that property, are greater than the rental income received from that property.

The expenses that can be claimed include:

- Accountancy Fees for the preparation of the income tax return,
- Real Estate agents fees,
- Rates/Land Tax,
- Repairs and Maintenance,
- Depreciation on fixtures and fittings,
- Insurance,
- Body Corporate Fees,
- Building Write-Off Depreciation (calculated at 2.5% of the building construction costs for a new building),
- Mowing and Landscaping, and
- other operational costs.



If the costs exceed the rental income and you have not used the rental property for your own purposes, then you can claim the loss as a tax deduction in your income tax return.

**REMINDER: Export Market Development Grant Applications
must be lodged by 30 November 2009**

Previous Editions of the Business Plus Newsletter can be found on our website –

<http://www.hat.com.au>

An Important Message

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