

Solutions



GTC Financial
29 Roseberry Street
Gladstone QLD 4680

Tel: +61 (07) 4972 5177
Fax: +61 (07) 4972 6349

E: gctcfin@gctcfin.com.au
www.gctcfinancial.com.au

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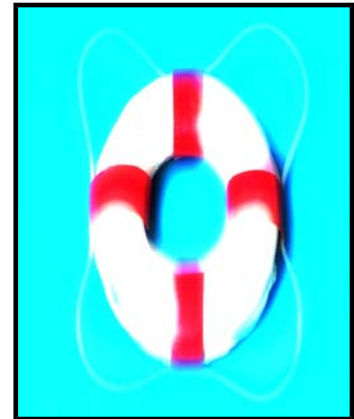
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Issue Number 31

Survival In Difficult Times

Many business operators have already taken steps to ensure that their businesses will survive these difficult times. Suggestions on implementing planning for survival in difficult times includes:-

- review costs - can any business cost be reduced or eliminated?
- review labour productivity - talk to your team members and see if agreement can be reached on improving productivity.
- review management of cashflow - including checking applications from new credit customers to ensure that you are not inheriting someone else's problem account. Are you receiving Directors' Guarantees?
- ensure follow-up of customers' from the due date to ensure prompt payment, or if the customer has a query, so that you can resolve the query as soon as possible .
- ensure tax invoices are prepared in accordance with the customer's requirements and sent promptly.
- monitor debtors' aged analysis on a weekly basis.
- ensure any payment arrangements made with a customer are confirmed in writing including details of key dates that the customer has indicated payments will be made. Follow-up with the customer to ensure that payments are made by the due dates.
- prompt referral of problem debtors to a debt collection agency.
- if you are an importer or exporter, should you consider locking in currency contracts?
- review cost controls throughout the organisation on a monthly basis.
- contact suppliers and try to negotiate improved payment terms.
- prepare monthly financial accounts; review KPIs with managers and team members.
- review marketing expenditure - if the expenditure is directly related to current sales, it is probably worth continuing, if not, consider curtailing some expenditure until market conditions return to normal.
- monitor stock holdings - can stock be reduced?
- monitor stock turns - will relocating stock within the store, or special promotions, help move stock?
- monitor work in progress - are jobs being completed and invoiced as fast as possible?



We can assist you in implementing strategies for the present difficult business environment. Please contact us if you would like to have a discussion.

Reminder – Climate Ready Applications

The next round of the Climate Ready Program closes on 4th December 2008.

Business Plans – Some Questions To Consider – Part 7

Experience

Business people need to honestly assess their experience in the industry in which they are operating and also in the peripheral business skill areas (marketing, human resources, management, budgets, cashflow management and understanding financial accounts etc). Some of the questions to be considered include:-

- What is your experience in this business?
- What business are you really in?
- Prepare a SWOT analysis based on your experience.
- What are your plans for personal development, especially in the areas that are not your strong points?



Customers

The preparation of a Business Plan involves a significant concentration on reviewing customers/clients. Questions to be considered include:-

- How many customers do you have?
- What is the value of your annual sales to the individual customers or types of customers?
- What is the average sale per customer or type of customer?
- Why do your customers come to your business?
- What is the frequency of their transactions with you?
- Do you conduct customer surveys?
- Do customers like your products?
- Have you classified your customers into 'A', 'B', 'C' or 'D' categories?
- Have you reviewed your customers utilising the "80/20" rule?
- What percentage of your business is represented by 20% of your customers?
- Do you encourage customers to give comments and feedback on your products, services, warranties, product information after sales service etc?

To be continued. There are over 50 questionnaires relating to the preparation of a business plan. This issue has considered Experience and Customers. In the next issue we will consider Location and Competitors.

Directors' Responsibilities

Directors are entrusted with the responsibility of administering the company. Some of the key tasks of the board of directors include:-

- appointment of chief executive officer;
- approval of the company's business plan, including budgets, cashflow forecasts and review and supervision of the company's risk management strategies;
- approving borrowing of funds by the company;
- reviewing interim financial reports and key performance indicators;
- ensuring that appraisals are conducted for all executives and team members;
- ensuring that exit interviews are conducted for all employees who have left the company's employment;
- ensuring that the company has introduced adequate internal control systems;
- monitoring the company's exposure to foreign exchange transactions (applicable if an exporter or importer);
- signing-off on the annual financial accounts for the company;
- ensuring that adequate reports are issued to the company's shareholders and key stakeholders;
- ensuring that all shareholders' meetings, including the annual general meeting, are held in accordance with the company's constitution and/or shareholders' agreement;
- monitoring the shareholders' agreement (if any) to ensure that it is properly implemented;
- ensuring that any resolutions, returns and other documents required to be lodged with Australian Securities and Investments Commission, are lodged by the due date.
- if the company has an Auditor, meeting with the Auditor to discuss the company's overall financial performance, including adherence to internal control procedures, risk management strategies, protection of intellectual property and other valuable assets.



Business Entities - Large Proprietary Companies

The Corporations' Code has created a specific type of private company known as a "Large Proprietary Company".

A Large Proprietary Company is a company that has any 2 of the following:-

- operating revenue of >\$25M
- gross assets of >\$12.5m
- number of employees of >50 full-time equivalent

A company that compiles with any two of these statements is classified as a Large Proprietary Company.



A Large Proprietary Company is required to appoint an external auditor who is required to audit the company's financial accounts on an annual basis and submit the report to the company's directors and the Australian Securities and Investments Commission.

A Large Proprietary Company can apply to ASIC for audit relief. ASIC will generally only give audit relief if:-

- all of the directors and shareholders of the company agree that an audit is not required;
- ASIC is satisfied that the company is well-managed and in a sound financial condition most directly relevant to the interests of creditors;
- the company's year-end financial report is compiled by a "prescribed accountant"; and
- the company lodged its financial report within the dead-lines in the Corporations' Code ie 4 months after the end of the financial year.

The ASIC Class Order indicates that the items that it will take into account in determining whether to approve an application to dispense with the appointment of an auditor include "Has the company got appropriate internal management systems which enable the directors to assess the financial condition and the solvency of the firm promptly?"

The Class Order indicates that, as a minimum, the assessment by director's must include:-

- a quarterly assessment of profit and loss statement;
- balance sheet; and
- cashflow statement

prepared for management purposes.

If you would like to discuss any aspect of a Large Proprietary Company, please contact us.

Shelf Companies

If you wish to utilise a company urgently, you can purchase a "shelf company". A shelf company is a company that has been incorporated by a "shelf company" business or a firm of solicitors.

A shelf company normally has widely drafted clauses for directors, shareholders and other matters and has not traded. You pay the shelf company business or solicitor a fee for the acquisition of the shelf company, the current directors will immediately transfer the shares to your nominated shareholders and will arrange for the original directors to resign and ratify the appointment of the directors nominated by the new shareholders.



The whole process can be completed within 24 hours and the shelf company can then be used in commercial transactions. It is a good business practice to immediately change the name of the shelf company to a name that is linked to the new shareholder's business operations.

Reminder - Export Market Development Grant Applications

have to be lodged with Austrade by 30th November 2008 for the year ended 30th June 2008.

Government Payment Guarantee



The Prime Minister has announced that the Australian Government will guarantee on-time payment (within 30 days) for new small business contracts with Federal Government Departments, entered into from 1st December, 2008, for contract sums up to \$1m.

The Prime Minister has indicated that, if a department fails to meet the 30-day payment guarantee, the small business will have the right to charge penalty interest.

Review Your Unique Selling Proposition!

How can you deliver outstanding service to your customers/clients each time you are dealing with them?

Consumers are looking to deal with businesses that they can trust. Is your business creating a feeling of trust with customers? It is a good idea to obtain testimonials, preferably on video, and use these on your website whereby individual customers are endorsing your products and services.



Survey or sample your customers to find out what they like and dislike about your business. If necessary, you will then be able to fine-tune your business model. Customers are looking for a "memorable experience" when dealing with a business. SME operators should be encouraging staff to show passion and enthusiasm when dealing with customers thus highlighting the business' "unique selling proposition" especially in these difficult trading times.

What's It Mean?

Overheads... normally include all expenditure that has to be paid out of gross profit of a business including accountancy fees, advertising, bank charges, interest, electricity, motor vehicle expenses, wages, salaries, superannuation, payroll tax, workers' compensation insurance, travel and accommodation, fringe benefit tax, rent, marketing, webpage expenses, staff training.



"Your financial solutions specialists"

GTC Financial is a Gladstone based firm which provides a comprehensive range of **ACCOUNTING, TAXATION AND ADVISORY** services to private business and their owners.

We also provide a wide range of **FINANCIAL PLANNING** services to individuals and families.

Providing customised service, GTC Financial can meet all your needs from Business Start Up and Planning for Growth through to Exit Strategies and Retirement Planning.

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An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.



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