

Solutions



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We wish you and your team a Merry Christmas and a Happy New Year.



The Big Picture - Use Your "Inside Advantage"!

The world financial system is certainly in a mess. Staff layoffs are occurring in Australia in industries as diverse as Motor Vehicles, Mining, Manufacturing and Insurance.

The Chinese President has warned the Chinese population that the global financial crisis is threatening to undermine China's economy, even though some commentators believed the Chinese market would help Australia avoid a recession.

The prices of key commodity mineral exports such as copper, nickel, coal and iron ore have all decreased.

But it's not all doom and gloom! Small business leaders can't control everything; there are external economic factors that are outside their control. Small business leaders need to concentrate on the issues within the business that are controllable.

You want to make sure that your business is going to survive the downturn and be a viable business at the end of this difficult trading period. Businesses that achieve this will normally introduce continuous improvement programs to ensure that waste and bad work practices have been eliminated and that there is a contribution to the business' vision from all team members.

The key for management is understanding the "big picture". Are there opportunities for your business to improve its market share by being proactive in marketing, customer service, quality of workmanship and responding to customer requirements? Some of Australia's biggest retailers try to improve their market share during difficult trading periods by being very visible in advertising and marketing activities.

Now is the time to identify your "inside advantage" and then determine strategies to implement marketing, customer service, promotions, website etc which promotes your "inside advantage" to your customers and prospects.

A great attitude will help achieve results in a difficult trading environment!

**** Want more information on business survival? ****
Contact us for copy of a complimentary paper titled "Survival in Difficult Times".

Business Monitoring

There is a slowdown in the retail, commercial building and housing markets in Australia. Two major motor vehicle industry financial companies have announced that they are withdrawing from the Australian market.

Retail trade is down - some major stores ran "special sales" in November.

The government has changed its budget expectations from a surplus of \$20B to, at best, a very low surplus.

We are in tough economic times. How does all this relate to your business?

- Are your sales up or down?
- What is happening to costs?
- Are you analysing your gross profit percentage?
- What is the Wages to Turnover Percentage?
- Are you monitoring your cashflow position?



Detailed business diagnostics looking at the various questions that have been raised can assist you to analyse your current performance and determine how you are going to perform in the long term, especially in the economic downturn. If you would like to discuss business monitoring, please contact us.

Debtors' Management In Difficult Times

- Review dealing with a private company and obtain individual directors' guarantees;
- Ensure tax invoices are prepared correctly in accordance with the customers' requirements and sent promptly by the stipulated dates;
- Ensure follow-up of customers' invoices from the due date to ensure prompt payment or, if the customer has a query, make sure the query is resolved as soon as possible;
- Monitor Debtors' Aged Analysis on a weekly basis;
- Ensure any payment arrangements made with the debtor are confirmed in writing; and
- If payment is not received, prompt referral of a problem debtor to a debt collection agency

Business Plans – Some Questions To Consider – Part 8

Location

Location, Location, Location. Many people claim that for retailing, location should be listed 9 out of 10 times, if the business is going to operate from a successful site. Location is important for all businesses, but it takes on a crucial importance for some businesses, particularly retailing and also for businesses which must operate within specific council zones or in close proximity to other infrastructure eg shipping ports, railways, CBD offices etc.

Some of the questions to consider are:-

- Will the location be suitable in 5 years time?
- Can you expand from your present site?
- Are your neighbours compatible to your business?
- Are your customers comfortable in your location?
- Is your location going to be affected by a change in roads, highways, bridges that might affect traffic flow?



To be continued. There are over 50 questionnaires relating to the preparation of a business plan. In the next issue we will consider Competitors and Marketing.

Growing Your Business In Difficult Times



- Generate leads from core customers and prospects who look like core customers;
- Convert leads into sales;
- Conduct special promotions, demonstrations, supply literature and other information to increase the average dollar value of each sale by being very friendly and courteous to customers;
- Give customers and prospects a reason to visit your premises or to contact your business more regularly so that they increase the frequency of transactions; and
- If you can, adjust your margins to improve the gross profit from sales.

Cashflow Management Is Important

It will help your cashflow if you make it easier for customers to pay. This can include:-

- Accurate preparation and distribution of tax invoices to your customers; and
- Making provisions for direct payments to your bank account and offering credit card facilities.

A Cashflow Forecast is a key diagnostic tool for the health of a business. It is even more important during financially difficult times. If you find that your customers are delaying their payments, communicate with them, find out what the problem is and try and negotiate alternative payment arrangements. Don't sit back and wait, because it might be too late.

We recommend that you prepare a 3-monthly Cashflow Forecast on a monthly basis. The forecast should be closely analysed to determine whether specific action is required. A Cashflow Forecast should be monitored against actual performance and action taken to achieve forecast income figures.

If the forecast indicates that you need access to additional funds, we are happy to assist in the preparation of an application to your Bank/Financier or the preparation of a Business Plan to assist in raising capital from Business Angels.



Review Bank Covenants

In tough economic times, banks will revert to the "rule book" in dealing with borrowers.

Now is a good time to review your bank loans/facility documents and prepare a summary of any "debt covenants" included in those agreements so that you can ensure that you are able to supply the information on the due dates specified within the documents.



The debt covenants could include:-

- debtor ratio to borrowed funds;
- working capital ratio to borrowed funds; and/or
- debt to equity ratios.

Supply of financial information which could include:-

- trading and profit & loss account;
- ratio analysis on trading and profit & loss account;
- balance sheet;
- balance sheet ratio analysis;
- aged analysis of debtors;
- aged analysis of creditors;
- summary of investment in work in progress;
- summary of investment in stock; and/or
- updated 3-monthly cashflow forecast.

Romalpa Clause

Are you selling goods on credit?

If so, have you included a Romalpa Clause in the tax invoice and any other contracts for the sale of the goods?

The Romalpa Clause is a provision in a contract for the sale that the title of the goods remains vested in the seller until certain obligations (usually payment of the purchase price) are fulfilled by the buyer.



Credit Insurance



If you are selling a large proportion of your sales by credit, consideration could be given to taking out a Credit Insurance Policy. This policy will give you an insurance cover against pre-approved debtors not paying a legitimate account. The fact that you have taken a credit insurance policy may assist in negotiating ongoing loans from your bank or financial institution.

Reminder – Climate Ready Applications

The next round of the Climate Ready Program closes on 4th March 2009.

What's It Mean?

Productivity... is a measure of a business' output generated from internal resources eg people, premises.

Quick Ratio... is the ratio between current assets minus stock and current liabilities minus bank overdraft. This ratio is one of the measures of a firm's liquidity.



"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.

Financial Planning services provided by GTC Financial Services Pty Ltd Corporate Authorised Representative No. 314227 of Futuro Financial Services Pty Ltd ABN 30 085 870 015 AFSL No: 238478.

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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