

# Solutions



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## Issue Number 34

### Implementing Survival Strategies

If you haven't already done so, now is the time to review your business and develop an action plan to ensure your business' survival. The worst thing you can do is to do nothing and hope that the deteriorating economic conditions will not affect you and your business.

There is no doubt that Australia is feeling significant impacts from the world's economic problems. When you consider the range of negative indicators now evident in the Australian economy, it is obvious that managers and owners of SMEs must be diligent in their planning to ensure their business' survival.

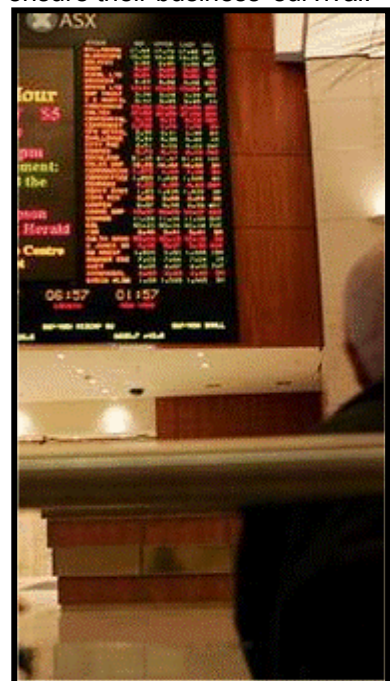
You only have to look at:

- big business company failures occurring in Australia;
- insolvency practitioners are forecasting 100,000 small firms could fail during 2009;
- large staff dismissals and losses being reported by some listed public companies;
- significant increase in unemployment rates in some areas - as high as 6-fold;
- reduced interest rates by the Reserve Bank to the lowest since the early 60's. Some economic experts are forecasting even lower interest rates in the near future with many warning that interest rates could rise again by late 2009;
- decreasing property values throughout Australia;
- significant changes in mining industry operations, a crucial part of export income generation in Australia, reducing its economic contribution leading to significant staff reductions and curtailment of contracts with businesses, primarily SMEs;
- debtor payment days, from big business to small business, are now nearly 60 days.

All of this is contributing to very difficult operating conditions for most SMEs.

The Federal government has been forced to introduce two stimulative packages totalling \$53 billion. Can you target some of the current incentive package of \$42 billion to be paid out in the next couple of months? A large portion of the payments are directed at schools, people earning less than \$100,000 per annum, public housing, home insulation, road, railways and local infrastructure construction.

**To repeat....** the worst thing you can do is do nothing and hope that the conditions will go away. Now is the time to plan for your business' survival. We are able to assist you with a complete review of your business operations using the "**Survival in Difficult Times for SMEs**" Workbook.



## Steps To Ensure Business Survival - Part 2

This month we're continuing with an overview of some of the checklists that are contained within **"Survival In Difficult Times For SMEs" Workbook** which we can use to analyse your business to ensure your business' survival.

In the previous issue we reviewed:-

- Financial Review
- Market & Customer Return
- Cashflow Review



### Banks/Lenders Review

SMEs will have to be very diligent in managing their relationship with bankers/lenders during 2009 because of the tightening of controls that many banks/lenders have implemented. There are claims that there is already a significant credit 'drought' for SMEs which has led to the Australian Government convening a special meeting, comprising representatives of banks and the small business community, in an attempt to highlight particular problems affecting SMEs' access to funding. Whatever the outcome of that meeting, SMEs would be prudent to review all aspects of their relationship with bankers/lenders to ensure that the relationship remains on a sound footing.

These strategies include:

- Are you able to supply financial reports, key performance indicators, debtors' analysis and updated cashflow forecasts throughout the year, as required by your bank/lender?
- Have you reviewed your loans documentation? Are you abiding by the terms and conditions of the loan?
- Is there the opportunity to renegotiate for lower interest rates? Will you be able to take advantage of future lower interest rates?
- Have you reviewed your Loan Agreements to see what undertakings you agreed to with the bank/lender relative to the supply of regular information?
- Do you know if you're in default on any of the bank's/lender's covenants? Are you able to rectify those defaults as soon as possible?
- If you need additional funding and you give credit to customers, have you reviewed your debtors' management system to try to improve cashflow?
- Have you considered approaching your bank/lender for debtors' finance (factoring)?
- If you owe money to your bank, do you communicate with your nominated relationship manager on a regular basis so he/she is aware of your business aspirations?

### Team Members' Review

- Have you reviewed salaries being paid to team members compared to salary packages for similar positions being offered by competitors?
- Could there be an improvement in team member productivity?
- Have you discussed productivity with the team members?
- Have you empowered team members to make decisions, to enable the business to meet and exceed customer expectations?
- Do you ask team members for suggestions?
- Do your team members have "an amazing attitude" to enhance the business' reputation?

### Cost Review

Cost review is one of the most important items that business people should be considering in difficult economic circumstances.

- Have you reviewed the prime cost of materials and supplies used in your business?
- Could costs be reduced by having discussions with your suppliers to see whether they're able to reduce prices or offer additional services and incentives?
- If your present suppliers are not inclined to reduce prices, have you had some discussions with alternative suppliers?
- If you're importing your prime materials/products, has the devaluation of the Australian dollar, against most major overseas currencies, dramatically affected the landed cost price of materials? If so, should you be looking for alternative products that might not cost as much to land in Australia?
- The individual overhead costs should also be reviewed. Could reductions be made in the expenses being incurred, particularly in items such as travel, accommodation and communication costs?

## Business Entities – Companies Limited By Guarantee - Part 1

Not for Profit companies or Charities which are registered under the Corporations Act are normally registered as Public Companies that are limited by guarantee.

"Limited by Guarantee" means that the liability of the company's members is limited to the amount the members undertake to contribute to the property of the company, if it wound-up.

A company limited by guarantee must have adopted its own Constitution or resolved to use the "Replaceable Rules" in the Corporations Act. Each company must maintain a register of members. A company limited by guarantee must have three directors.

Director's duties for a company limited by guarantee are the same as the Directors' duties specified for all other types of companies. There is no exemption for Not for Profit or Charity companies and Directors of Not for Profit companies should clearly understand their responsibility and the risks of being a Director.

The decision of the Commonwealth Bank of Australia -v- Friedrich (1991) 5 ACSR 115; 9 ACLC 946 "*that being an honorary director will not, of itself, be sufficient to exonerate a director from liability*". In that case, Tadgell J stated:

*"There is nothing in the Code (now Corporations Act) to suggest that the standard to be expected of a part-time non-executive director of a not for profit company is different from the standard expected of any other director of a profit-making company: Both are required ... to exercise a reasonable degree of care and diligence in the exercise of their powers and the discharge of their duties".*  
...continued in next issue.



## Business Plans – Some Questions To Consider – Part 10

### Marketing

One of the most important aspects of the preparation of a business plan is to firstly consider the business' market and the business' marketing plan.



Questions to consider include:

- Do you know your target market?
- Do you understand the diagnostics of your customers/clients relating to age, sex, occupation, salary levels, interests etc?
- Is the business capable of handling the market that you bring in?
- Have you checked your marketing activities/aids including promotions, videos, telephone answering, product wrapping, staff training, the image that you are presenting?
- Are all of these marketing activities presenting the correct image?
- Have you developed a customer database?
- Have you developed a web page? Is the web page regularly updated?
- Do you have systems to capture customer details for inclusion in your customer database?

If you would like a paper on Marketing, please contact us.

*To be continued.* There are over 50 questionnaires relating to the preparation of a business plan. In the next issue we will consider Advertising, Production, Process & Suppliers.

## Reminder – Research & Development Tax Benefits

*Companies who have spent in excess of \$20,000 on research and development for the year ended 30th June, 2008 and who wish to claim accelerated income tax deductions at 125% or 175% or be eligible for the R & D Tax Offset must register with AusIndustry by 30th April 2009.*

### What's It Mean?

**Stock Indicators...** measures the success of stock management in meeting customers' demands without over-investment in excessive stock. Factors affecting stock management include:

- stock displays
- department mix
- ordering procedures & systems
- stocktaking techniques & timing
- stock security controls using stock
- key performance indicators, including:
  - average stock on hand
  - turn (days)
  - return on inventory



### Reminder - Fringe Benefit Tax Return

*Returns for the period 1st April, 2008 to 31st March, 2009 need to be lodged by 28th May 2009.*

*If you would like a paper on Fringe Benefit Tax Return, please contact us.*

## *"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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