

# Solutions



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## Create An Unfair Advantage!

Now is the time to create an unfair advantage in your business.

Many people are struggling but you still hear stories about businesses which are trading quite successfully during the difficult economic times.

It is important to allocate some quality time to think about your business:-

- undertake planning to review your products;
- the prices that you are charging;
- the promotions and marketing strategies that you are implementing; and
- any alliances or networks that you could form to add to your strength and presence in the market place.



Have you reviewed your position with your bank or lender?

Now is the time to implement strategies so you can show your bank that you are planning your business. A number of economists believe that, whilst interest rates might dip in the next couple of months, they will have started to rise again by the end of 2009. With banks increasingly looking to their loan covenants and starting to enforce them, many business operators are actively implementing strategies so that the business' ratios, performance and reporting to banks will enable the business to continue to qualify for bank loans without breaching any of the bank's lending covenants. Another important matter to consider is what state will your business be in later in 2009 when it is expected that market condition will have picked up a little from where they are now. (Hence the projected interest rate rises).

Planning now will help you create an unfair advantage in the market place and should give you a greater advantage as the economy strengthens, hopefully, later in the year.

## REMINDER - Fringe Benefit Tax Return

***Fringe Benefit Tax Return year finishes on the 31st March 2009 covering fringe benefits paid in the period 1st April 2008 to 31st March 2009. Fringe Benefit Tax Returns have to be lodged by 28th May 2009.***

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

## Steps To Ensure Business Survival - Part 3

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



### Sales Targets

The components in determining projected sales figures are:-

- the number of customers per annum;
- the frequency of transactions per annum;
- average sale price; and
- the projected gross profit percentage.

Have you considered strategies that your business might be able to introduce to increase the number of customers serviced by the business?

Are there value-adds that your business could offer to entice customers to increase the frequency of transactions they have with your business? This could involve increasing or improving marketing aids used within the business to prompt customers to visit or contact you for products or services on a more regular basis.

### Stock Review

- Do you monitor the level of investment in stock on a regular basis?
- Do you monitor stock turns regularly?
- Is there a system to identify slow moving or obsolete stock so it can be featured in special advertising and promotions?
- If there is a slowdown in the sale of "top of the range" products, should the business be purchasing additional "middle of the road" products?

### Succession Planning/Business

- Has appropriate insurance been affected on the key people within the business?
- If you have a Buy/Sell Agreement, has it been reviewed and updated?
- Do the members of the management team know the business' succession plan?
- What would be the reaction of bankers and suppliers in the event of the death or serious illness/accident of a key person within the business?
- Have external executives been introduced to the management team?
- Are non-family employees given the same benefits for promotion and training as that offered to family members?
- Are regular staff appraisals conducted for all team members including family members?
- Have job descriptions been prepared for all staff?
- Is there a Family Charter/Constitution?

These issues and more are discussed in a paper - "Survival in Difficult Times for SMEs". Please contact us if you would like a copy of this paper.

## Assets Eligible For Investment Allowance

In Issue 33 (February, 2009) details were given of the Australian Government's Temporary Investment Allowance. The assets which are eligible for the allowance are new tangible deprecating assets and new expenditure on existing assets used in carrying on a business for which a deduction is available under the Capital Allowances division within the Income Tax Act. Cars used for business purposes are included in the definition of new tangible deprecating assets.

If you would like to review the applicability of the intent regarding investment allowance to your business, please contact us.



## Don't Dismiss Changes To Unfair Dismissal Laws!

By Adrienne Unkovich, MD, Workforce Guardian

With the changes to Unfair Dismissal Laws, it is imperative that SMB employers understand the need to minimize their business risk and manage their compliance obligations. The fines and financial remedies for big business will be the same for small business – however the potential risk to their future viability is very different.

The Government's changes to unfair dismissal laws will come into effect on July 1 2009, as part of the Fair Work Act 2009. The ramifications for all businesses are considerable, including the risk of expensive and time consuming legal action or a fine, which is why you need to ensure you are well prepared.

### What Do You Need To Do?

Start by asking yourself these three critically important questions:

- Do you have legally compliant employment contracts?
- Do you have workplace rules and policies describing the behaviour that is expected of your employees?
- Do you have a disciplinary procedure in place which has been clearly communicated to all your employees?



### How Will The Unfair Dismissal Laws Affect Your Business?

Businesses employing more than 15 employees will be protected only if the employee has not completed the six months qualifying period, or the period of probation specified in the employment agreement. Protection for small and medium businesses is therefore substantially reduced.

Small businesses may follow the "Small Business Fair Dismissal Code". The definition for small business changes as follows:-

- Until January 2011, the threshold used to define small business for the purpose of applying the unfair dismissal arrangements will be less than 15 full time equivalent employees.
- From the 1 January 2011, the threshold used to define a small business for the purposes of applying the unfair dismissal arrangements is based on a headcount. Each full time, part time and long term casual employee will now count as 1 employee.

If you would like to receive the full article prepared by Workforce Guardian, please contact us.

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## 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.**

Contact us for a paper of "Research and Development Taxation Benefits"

### What's It Mean?

**Sales Mix...** If your business has identified its departments, it's desirable to isolate the Sales, Cost of Goods Sold, Gross Profit and Key Expenses such as Wages; Advertising and Rent for each Department.

The dissection of the Sales income for the business into Departmental Sales is known as "Sales Mix". Departmental Sales Mix measures the income to be contributed from each product group.



## Cashflow Is KING!

Many businesses are finding conditions very difficult at present. Not because they are unable to make sales, but because they are experiencing severe cashflow problems. Some commentators are forecasting that around 12% of small businesses are at risk of failing because of poor cashflow control. If you are giving credit to customers, now is a good time to fully review your credit management systems (if you haven't already done so).

One of the best formats you can introduce is to prepare a short-term cashflow forecast each week, whereby you analysis your anticipated cashflow performance over the next 4 to 5 weeks. If this analysis indicates that you are going to have a problem, then now is the time to act to try and rectify the situation by contacting debtors and trying to ensure that payments are made, having discussions with suppliers to slow down payments or presenting a case to your bank for a temporary overdraft facility.

Many businesses are considering alternative methods of getting payment including establishing direct debit facility, confirming your payment terms to all customers and then being proactive on the due date for payment. If a customer has not paid, immediately contacting them to encourage payment on time.



It is a good time to review your systems to ensure that invoices are being dispatched promptly as soon as goods or services are provided. Are the invoices in accordance with the customer's requirements? (Otherwise the invoice will be delayed in its processing, which will delay payment). Are you preparing a debtors' aged analysis each month and is the analysis being used to chase up any customer who has an amount outstanding for more than your stipulated payment time? If so, these people should be immediately contacted and arrangements made with them for payment.

If you would like a cashflow form to assist you in the short-term management of your cashflow position or any other advice on cashflow management, 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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