

# Solutions



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## INDEX

Do You Have A Strategy For The Recovery? .....	1
Insurance Reviews.....	2
Investment Allowance - As A Sales Aid.....	2
Business Plans - Questions to Consider Part 14.....	3
Capital Raising .....	3
What's It Mean? .....	4

## Issue Number 42 - September 2009

### Do You Have A Strategy For The Recovery?

Whilst many other western economies remain in recession, economic forecasters are indicating there are signs of recovery in Australia. Facing a recovery is as important as planning for a slowdown.

- Should you lock in interest rates on borrowed funds from banks and other institutions before any interest rate increases?
- Have you had discussions with your suppliers to ensure that they will be able to supply the quantity of stock that you believe you will need in your business so that you can supply your customers?
- What have you learnt from the down turn in the last two years?
- What changes in strategies need to be put in place for the recovery?
- Have you got sufficient working capital to cover the money that you will need to invest in stock and work in progress?
- What is the state of your investment in debtors?
- Are your debtors' days outstanding in line with your budget expectation?
- As the business recovery takes off, will you be able to fund your business requirements?
- Do you need to negotiate now for additional loans or to raise capital from Business Angels?
- Is now the time to review your market distribution channels?
- Are you happy with the performance of resellers/salespeople?
- What has happened to your competitors during the downturn?
- Have you analysed competitors' businesses?
- Can you effectively compete with your competitors?
- Are your staff motivated and trained to take the business forward as the recovery emerges?
- Have you got a vision for the business?
- Are you able to supply the leadership to take the business forward as the recovery emerges?
- Now is the time to review your marketing plan and business plan and calculate capital requirements so you can end up with a larger market share at the end of the business downturn.



The world hasn't collapsed; business is still occurring; there are potential market opportunities if you don't sit back but actually aggressively plan what your business is going to do as the recovery unwinds. If you need assistance in determining a recovery strategy, please contact us.

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

## Insurance Reviews

Have you reviewed the adequacy of your insurance covers? The end of the financial year is a good time to undertake this exercise, comparing the items contained within your business' balance sheet with your insurance schedule.

Some of the matters to be considered include:-

- **Fire and General Insurance** - Ensure that the sums insured adequately reflect the significant cost increases in the building industry. Have you reviewed the allowances made for removal of buildings, especially if there is asbestos in the buildings?
- **Loss of Profits Insurance** - Review the key components especially relative to items such as indemnity period. This is the estimated time that you will be unable to conduct business from your business' premises and it must take into account council applications and the rebuilding process.
  - **Ongoing Expenses** - Expenses that will be continued to be incurred irrespective of whether the business is actually trading or not.
  - **Retained Staff** - Salaries of key people who you would want to retain for the indemnity period so that you have key people to restart the business.
- **Public Liability Insurance** - Is the level of insurance acceptable for the work you currently undertake? .
- **Professional Indemnity Insurance** - Is your business giving advice? If so, you probably should apply for a Professional Indemnity Insurance policy.
- **Key Person Insurance** - Has there been a review of the quantum of the Key Person Insurance cover? Have all key persons, been included in the insurance cover?
- **Partnership Insurance** - If you are in a partnership or a shareholder in a company, have you reviewed whether the insurance cover on the individual partners or shareholders represents sufficient money for a potential payout under a buy/sell agreement?
- **Tax Audit Insurance** - Have you considered taking out an insurance cover in the event of a tax audit to cover the extra professional fees you would undoubtedly incur in the event of a tax audit?
- **Income Protection Insurance** - Have you considered whether you need Income Protection Insurance (and most people will)? Have you reviewed the adequacy of the Income Protection Insurance policy?
- **Credit Insurance** - If you are selling a large proportion of your sales by credit, have you given consideration to taking out a credit insurance policy?



It is recommended that insurance "should be a permanent item on the agenda for the monthly management meetings". The person responsible should report whether the insurance company/broker has been notified of any new acquisitions or changes for the business' insurance policies.

If you would like us to undertake a review of your Insurance covers please contact us.

## Investment Allowance - As A Sales Aid

Are you selling plant and equipment, motor vehicles etc?

Are you highlighting the investment allowance benefits to encourage prospective customers to order before the 31 December 2009?

If you have customers who are primarily small businesses, with turnovers under \$2M, then they can obtain a 50% Investment Allowance on eligible plant and equipment that is ordered prior to 31 December 2009 and installed before 31 December 2010. For prospective customers, the investment allowance is 10% of the value of the eligible product purchased from your business.

The key requirement is that orders must be placed with you by your customers on or before 31 December 2009 if they wish to obtain the benefits of the Investment Allowance.

## Business Plans - Questions to Consider Part 14

### Quotes/Proposals

- Do you use printed quotation forms?
- Do the printed quotation forms contain the terms and conditions of the quotations and sale of product?
- Have you had the terms and conditions checked by your solicitor?
- Does the presentation of the quotation form comply with your business' desired image?
- Do the forms look professional?
- Are brochures and other sales aids current?
- Do you include customers' testimonials?
- Do you follow-up quotations by telephoning the customer?



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

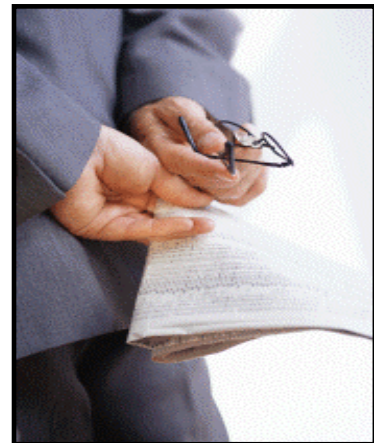
## Capital Raising

Many public companies have been raising new capital to replenish their reserves following trading difficulties during the Global Financial Crisis (GFC). Many small/medium enterprises will also be looking to raise additional loan funds or capital to be able to exploit the expected market opportunities when trading conditions improve.

Banks are imposing financial stress testing to any new loan applications, which means SMEs need to carefully prepare loan applications. The expected upturn in business confidence has encouraged some Business Angels to start re-evaluating proposals for capital investments in some small/medium enterprises. If you are trying to raise a substantial loan or capital from Business Angel investors, your business application will be enhanced if the appropriate planning strategies have been implemented so as to professionalise the approach being made to potential investors or lenders.

The company has to be able to exhibit that it has developed a product/service that the market needs. You will need to be able to answer the following questions:-

- What problems are solved by the product/service or technology?
- How is it different from competitors' products/services or technologies?
- What is the stage of development?
- What is the sustainable competitive advantage?
- How will the products succeed in the market?
- What testimonials can be produced from current customers?
- Is the product/service or technology already available in the market place and is there further research to be undertaken?
- Has an independent technical assessment on the product/service or technology been conducted?
- Is it a standalone product/service or technology or will it form part of a product stream?
- How is the intellectual property protected?
- What market research analysis has been undertaken?
- What is the "WOW" factor?
- Who are the members of the management team?
- What is the management team's experience? It is a good idea to attach the management teams' CVs to a funding application.
- Who are the directors of the business? (especially if they are different to the management team)



There are many aspects to consider in completing applications for large loans or capital raising strategies for SMEs. If you would like to discuss this with us, please do not hesitate to contact us.

## What's It Mean?

**Working Capital...** Working Capital is the excess of current assets over current liabilities. Calculated current assets less current liabilities.



**Current Assets** are those items used by the business which are usually turned into cash within the normal operating cycle of the business (usually 12 months). Examples of current assets are cash, sundry debtors, stock, work in progress, deposits and cash floats.

**Current Liabilities** are amounts owed by the business which would normally be paid within the operating cycle of the business (usually 12 months). Examples of current liabilities are bank overdrafts, sundry creditors, accruals, provisions for employee benefits due now or within 12 months. Loan repayments due within the next 12 months.

Example:-

<b>Current Assets</b>		<b>Current Liabilities</b>	
Sundry Debtors	\$210,000	Bank Overdraft	\$122,000
Stock	\$170,000	Creditors	\$ 89,000
Work In Progress	\$ 95,000	Accruals	\$ 7,000
Deposits	\$ 5,000	Provisions for:	
Cash Floats	\$ 15,000	Employee Benefits	\$ 35,000
		Loan Repayment	\$ 49,000
		Income Tax	\$ 84,000
	\$495,000		\$386,000

### Calculation of Working Capital

Current Assets	\$495,000
Less Current Liabilities	\$386,000
The business has a working capital of:-	\$109,000

*"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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