

Solutions



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Strategies For Improving Times

There are signs of business improvement occurring in various parts of Australia, primarily led by the resource states of Western Australia and Queensland. This will assist smaller businesses all over Australia improve during 2010, as long as there are no major problems in overseas markets such as China, USA or India.

However, there will be growing pains in the recovery period that will cause severe problems for some businesses. Interest rates are rising, so if you are using borrowed money you would be well advised to factor in interest rates of around 8% by the end of June 2010 (*based on a forecast prime bank rate of around 5%*).



Strategies for improvement - Cashflow management is extremely important. Monitor debtors' payment times and try to get your debtors back to normal trading terms (Dunn & Bradstreet have indicated that in the December quarter the average outstanding payment time was 53.9 days).

Monitor investments - Monitor stock by conducting regular stockturn calculations and comparing actual turns achieved to budgeted position and then take action to ensure the anticipated stockturn is achieved. Also monitor investment in work in progress (if you have any).

Plan for the future - Staff are going to be very important in ensuring that businesses have a sound future in the recovering economic climate. Have you recruited the right mix of staff and are you investing in staff training?

Innovation - All businesses need to be innovating and developing new products and services which can be offered to customers. What research & development projects could be undertaken in your business? Are you aware of the research & development tax incentives that are available within the Taxation Act (*to claim these you need to be incorporated as a limited liability company*) and the Government Grants (*assisting companies undertaking innovation*) that are available?

Export Opportunities - Have you considered exporting your products and services or licensing your technology or business know-how for overseas markets? It might be a good idea to visit the AusTrade website at www.austrade.gov.au to familiarise yourself with the strategies that will need to be implemented to successfully commence export of products or services.

If you would like our assistance in planning strategies for your business to take advantage of the improving times, including market research and business plans, business reviews etc. please do not hesitate to contact us.

Government Grants Available - Enterprise Connect

The Australian Government Enterprise Connect Program provides support to eligible SMEs, including business reviews conducted by an Enterprise Connect Business Advisor. For eligible businesses there is no charge for this review which can take up to 3 days. If the business is admitted to the Enterprise Connect Program, the Government will assist in appointing an external consultant to implement the recommendations from the Enterprise Connect Business Advisor's Review. Items eligible for funding may include:



- Supply Chain Management
- Business Plan
- Quality Management Systems
- Lean Manufacturing Review
- New Product/Service Development
- Export Strategy
- Strategic Planning
- Resource Management
- Waste/Resource Management
- People and Change Management
- Market Development Strategies

Grants are available for 50% of costs to a maximum of \$20,000. Grants are available to companies with turnovers from a minimum of \$2million to a maximum of \$100million; however for companies with their major business operations in regional areas, the minimum turnover is \$1.5million. For businesses operating in remote areas the minimum turnover is \$750,000.

Industry segments for eligibility for Enterprise Connect Grants include:

- Manufacturing
- Mining Technology
- Creative Industries
- Defence Support Industry
- Clean Energy
- Innovative Regions
- Remote Enterprises

If you would like further information on the Enterprise Connect program please contact us.

Debtors' Financing (Factoring)

The latest Dunn and Bradstreet report on debtors' day outstanding has indicated that debts are outstanding for on average 54 days.



To help overcome the severe cashflow problem that this delay in payments by debtors causes, many small/medium enterprises are using debtors' financing (factoring). Debtors' financing (factoring) effectively allows the business to borrow against the "value of their debtors' book". Businesses in sectors with very long payment terms such as manufacturing; clothing; wholesale; mining; professional services and printing are suitable businesses for debtors' financing.

If your business is offering credit to customers and you have amounts owing to you in sundry debtors, subject to your turnover level being in the range required by the debtors' financing companies, debtors' financing may enable you to have access to a significant amount of cash without having to offer security over real estate or other assets. The key is then to effectively use that cash in your business for payments to creditors and to negotiate discount rates with suppliers for earlier payment.

We would be happy to have discussions with you relative to your debtors' management system and the possibility of applying for a debtors' financing facility.

REMINDER: Research & Development Registration for year ended 30 June 2009 needs to be made with AusIndustry prior to 30 April 2010.

Fringe Benefits Tax Return

The Fringe Benefits Tax year ends on the 31st March 2010 and Fringe Benefits Tax Returns need to be lodged with Australia Taxation Office (if they are being prepared by our firm) by the 28th May 2010.

Items included in the Fringe Benefits Tax Act:

- car fringe benefits;
- loan fringe benefits;
- debt waiver fringe benefits;
- expenses payment fringe benefits;
- housing fringe benefits;
- board fringe benefits;
- airline transport fringe benefits;
- living away from home allowance;
- entertainment benefits;
- car parking; and
- in some cases, property residual fringe benefits.



If a benefit does not fit in any of the 13 categories it will be classified as a residual fringe benefit.

A Fringe Benefits Tax exemption applies for the following work related items:-

- portable electronic device;
- item of computer software;
- item of protective clothing;
- brief case; and
- tools of trade.

Exemption is limited to items primarily for work related use and limited to one item per Fringe Benefits Tax year for items that have a substantially identical function unless the item is a replacement item. Certain minor benefits are not included for GST including newspapers; employee subscription to a trade or professional journal; an employee membership fee for a corporate credit card; an employee membership fee for an airline lounge membership; and taxi travel provided to employees.

If you would like discuss your business' Fringe Benefits Tax position, do not hesitate to contact us.

Business Plans - Questions To Consider Part 19

Distribution

- Have you compared the costs of the various distribution methods?
- Are deliveries being made within a reasonable timeframe?
- Do you receive many complaints re distribution methods used?
- If you are using an external distributor, do you:-
 - hold meetings with the distributor?
 - train distributor's staff in your products?
 - set annual sales targets for distributors?



To be continued.....there are over 50 questionnaires relating to the preparation of a business plan. In the next issue we will consider "Business Operations".

What's It Mean?

Net Asset Value... describes the market value of a business' total assets less its liabilities. Normally determined by adding the value of all tangible assets in a business eg plant and equipment, motor vehicles, land, buildings, debtors, cash on hand then subtracting liabilities owed by the business including creditors and loans. The resulting figure is termed the New Asset Value.

Please note the value of Goodwill is not included in Net Asset Value.



Advertising - Comply With The Law

There are various laws relating to advertising which can be summarised by saying "be honest" and if you are promising to do something, you have to do it. The experts believe you should be putting yourself in the shoes of consumers. **Don't** promise what you can't deliver and ensure your advertisement will be clearly understood by the consumer.



Over-promising or not delivering what you promised can cause you problems under the Trade Practices Legislation which could involve prosecution by the Australian Consumer Competition Commission (ACCC). Some of the common breaches of advertising rules include:-

- **"two-pricing" advertising** - this is where an item was originally claimed to having been listed for sale at the original price (eg \$800) and it has now been reduced to half price (eg \$400). If called upon to do so by the ACCC, you need to be able to prove that not only was the item listed for the original sale price, but that you actually made sales at that original price.
- **"bait" advertising** - this is where an advertisement is placed which lists an item for a very attractive price but when the potential customer goes to purchase the item, he is told "sorry, it is no longer available" and then the sales person tries to sell the potential customer another product. If the potential customer complains to ACCC they will investigate and take action against the business if the ACCC believe there was never any stock available to be sold at that very low price. The ACCC consider that the advertising was only used as a "bait" to get the potential customer into the store.
- **"omission in advertising** - another problem that can occur in advertising is if important information is deliberately omitted from the advertisement. This can be an offence as it could be alleged that the business has deliberately misled the consumer.

We would be happy to refer you to a competent advertising consultant.

"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
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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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