



SADLER OAKLY NEWMAN
CHARTERED ACCOUNTANTS

Calculating Thoughts



(the newsletter service of Sadler Oakly Newman, Chartered Accountants, Masterton) February 2011

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Tip for the Month

Be sure to read each article with the mindset "How this could apply to our business".

Thinking of it that way will guarantee that you get the best value. Share the newsletter with staff and colleagues.

To really make sure something positive happens talk to us for that special piece of advice that will manage and grow your business ideas.

Navigating the Business Minefield

There are so many things to keep track of, when you're running a business.

However, keeping a close eye on how you're doing can really help you.

Do you review your business' activities relative to:

1. financial performance - actual versus budgets
2. key performance indicators
3. benchmarking your business against comparable businesses or against industry benchmark
4. debtors' days outstanding
5. stock and work in progress levels
6. stock turn rates and cash flow position



Do you know how current events affect your business?

- Interest Rates - how will an increase affect you? Have you factored in an increase in interest costs in your forecast? It's also a good idea to review your cash flow forecast, factoring in higher interest charges.
- Exchange Rate. If you are an exporter, a high NZ dollar against the US dollar will affect your business. Should you be taking currency contract covers?
- What does your forward order book look like?
- Are inflationary pressures affecting your business?
- Are there potential problems in Britain, Europe and the USA which could cause upheaval in international financial markets? What can you do about all of these factors?
- Debtors - Have you done all that you can to reduce the debtors' days outstanding? Should you be talking to your bank, or a debtors' financing/factoring organisation about raising debtors' finance?
- It's good management practice to brief your bank on the performance of your business for the year and present a summary of your expectations for business activities in the coming year.

We have a new tool called MYOB Profit Optimiser which is specifically designed to measure performance and establish answers to all of the above. Ask us about this today.

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First Impressions Count

Most people make up their minds within seconds of meeting someone whether they like them.

Small business operators need to determine strategies to improve the chances of success from the first meeting of a potential customer or client. How are you going to influence these clients in the 5 seconds your business has to offer them outstanding service? Some ways this can be achieved include:

- determining greeting formats to be used when greeting visitors to your business premises
- determining telephone answering procedures - telephones should be answered courteously, promptly and in a way that the caller is made to feel very welcome

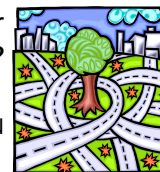
Businesses need to consider ways to improve their chances of getting a positive reaction from a first meeting or contact with a potential customer. One strategy would be to think carefully about what impressions you wish to convey to a visitor/prospect. How are you going to give them a positive message about your business?

Businesses need to understand that, after the initial judgement has been made by a visitor/prospect, it can be fairly difficult to change a negative view into a positive one.

This highlights the necessity to ensure that staff are aware that first impressions count in establishing an outstanding relationship with a visitor/prospect to your business

Your Website: Highway or Byway?

Have you thought lately about whether your website is advancing your business?



- Do customers know where to find you online?
- Does your website look attractive and easy to read?
- If you search for the products or services you deal with, does your company come up near the top of the list?
- Do you publish regular newsletters with links back to your website so clients can follow up items of interest?
- Is your site easy to navigate so prospective and existing customers can find what they're looking for quickly?
- Is it easy and secure for customers to order online?

Even if you don't sell directly from your site, make sure your site is clear about the products you're marketing and how to contact you to find out more.

Do you track activity on your website? It can tell you a lot about whether your site is working for you. Not only that. It can tell you if other sites are working for you. Social media and other sites can funnel traffic to your website.

Website Disclaimers—Do you have one?

A website disclaimer can protect your business from liability. It should be carefully worded to emphasise that information should not be relied upon without independent advice. It should also be prominently displayed and express acceptance is advisable where terms are onerous or where a sale of goods is concerned.

External Links — many business do not realise that in providing these links, they are exposing themselves to further liability. In this case website disclaimers are essential to avoid responsibility for the contents or reliability of other websites.

Business Plans - Questions to Consider

Stock:

If your business is product-oriented, your approach to stock can be a key part of your business plan and a key to your success in the marketplace:-

1. Do you conduct regular stock takes?
2. Do you identify slow moving, obsolete or damaged stock?
3. Have you used a stock matrix to identify your stars, problem lines, cash cows and dogs?
4. Does your staff know what your 'star' stock items are?
5. Does your stock ordering system enable you to have the 'right' amount of stock on hand?
6. Does someone watch 'fashion trends' to make sure you are buying stock that will sell?
7. Do you calculate stock turn reports on individual stock items?

Finding the balance between being able to satisfy your customers immediately and not having cash tied up in slow moving stock will have a direct impact on available cash. And a close watch on stock movement will tell you a lot about the effectiveness of your sales strategies.

Ask us if you'd like a copy of the business planning questionnaire on stock.



Insurance Review of Your Key Asset

Many businesses are not carrying adequate insurance for one of the key assets within the businesses - the human beings that work within the business.

The type of insurance policies that should be considered include:

- sickness and accident cover (particularly for owners and directors)
- key person insurance (directors/shareholders) and
- insurance cover within buy/sell agreements (these relate to partnerships and companies to enable funds to be available to enable a buy out to occur in the event of the death or serious injury/illness of a shareholder)

Have you reviewed the adequacy of these types of insurance policies of the key people within your business?

If you would like us to review the adequacy of your insurance covers and determine the current valuation of your business so the adequacy of insurance covers for buy/sell agreements can be determined, please contact us.

What's It Mean?

Accounts Payable... (also known as **Sundry Creditors**) are short term or current financial obligations that are created through the purchase of merchandise, obtaining of services etc.

At the end of each month it is normal to prepare a list of monies owing, (known as Accounts Payable or Sundry Creditors). Many businesses prepare an Aged Analysis for Accounts Payable (Sundry Creditors) which details the relative time period of the outstanding tax invoice e.g. 30-days, 60-days, 90-days.

Businesses should keep a close eye on the level of debt owing for accounts payable to ensure that the business is paying its bills in accordance with the terms of trade of the supplier.

Inventory... (also known as **Stock on Hand**) is the value of goods, being purchased or manufactured, that the business expects to sell to customers during the next accounting period or year. Businesses should closely monitor their investment in inventory (stock on hand). Inventory can tie up a lot of money and can expose the business to financial difficulties if too much money is invested in inventory.

Inland Revenue Department SPAM

Many of you have recently been bombarded with emails supposedly from the Inland Revenue Department.

These are SPAM

You will **NEVER** receive an email from the IRD. For security purposes they only use the Postal Service or Fax.

Trust me, we might be in for a shake up.

A recent article in the Sunday Star Times described the results of the Law Commissions recent examination of the law of Trusts.

The article states:

"The Commission is mooting whether ... Trusts become look-through entities, meaning that anyone pursuing an individual who has assets in a trust



will be able to "look through" the Trust to get to the assets. This would mean that the protection aspects of trusts could be severely dissipated."

Trust law is often governed by precedent and convention "Another avenue the commission is exploring is a statutory framework to be put in place, which must be complied with in order for a trust to be valid and robust enough to withstand challenge."

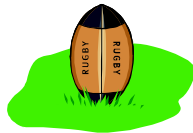
"A statutory framework for trusts would mean greater trust administration and reporting requirements and the actual separation of trust affairs from personal affairs would be of benefit to the New Zealand Trust industry.

It would certainly distinguish those who have trusts for genuine reasons (protecting assets for future generations and greater flexibility for wealth transition and retention) from those who have set trusts up purely to avoid paying their own rest home care, or simply because the next-door neighbor set up a trust so they should too."

Watch this space...

What to expect in 2011

- **Duty** to be abolished (but what will replace it ...)
- **The death** of LAQC companies.
- **Don't forget** 1st April 2011 will bring the end to depreciation on buildings.
- **Accountants** find further challenge in reconciling their clients GST returns after the change in rate part way through a financial year!
- **The exchange rate** will eventually fall as other economies grow.
- **OCR** predicted to remain below 3% until mid 2011.
- **Farming** – livestock shortage should keep prices high at the gate.
- **Retail** – hopefully there will be spin off's from the world cup.
- **All Blacks** win the world cup! - YES!



The Tip for the Month

BACKUP—BACKUP—BACKUP!

Always make sure that your computer software is backed up. There is nothing worse than getting close to the end of the financial year and having your computer crash on you with no way of retrieving your years work.



Not only should you backup to a CD or flash drive at minimum, on a monthly basis, but this backup should also be stored somewhere **other than** on top of your computer e.g. offsite.

Something so simple can save a lot of time and stress should this happen to you.

If you use CRS software you will see that they offer a free service where you send your backup to "email to archives@crssoftware.co.nz"

OFFICE NEWS

Congratulations to

Rebecca and Troy who were married on the 17th December. Rebecca now goes by the surname "Sayer."



Rebecca Sayer's Team

Welcome Emma Williams who has now become a permanent fixture. Emma is working four days per week (Monday – Thursday) leaving her time to complete her studies Extramurally.

Our trusty Office Manager Stephanie Rix has unfortunately left us and we wish Steph all the best for the future. We are looking forward to Rebecca Conole joining the Firm on the 28th February.

Allan Newman's Team

...will undergo some staff changes in the next few months with two new staff commencing work.

Allan has been one staff short most of last year, and a replacement and an additional part time person have been added to the Team.

Renee Cummings joins the staff on 21 February and will work part time whilst studying at Massey University. Renee has a background in tourism management and is making a career change to work and re-educate with an accounting degree.

Charlotte Moodie, a former after school and university student worker of the firm, has now qualified and is returning to the office after working for Deloitte's in Wellington. Charlotte will join the Team and work with David Castles to service our new MYOB Profit Optimiser software and high level accounting projects. Charlotte starts on the 7th of March.

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.