



SADLER OAKLY NEWMAN  
CHARTERED ACCOUNTANTS

# Calculating Thoughts



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

October 2010

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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.

## Smart and Simple Price Increase Strategy

Whilst there are early signs of our economy improving, a good number of our business clients are still feeling the prolonged effects of what has been a deep recession.

Having said all that, it's timely to remind clients of how innovative and positive small business can truly be. Very recently one of our clients received this letter from their cleaning company:-

'Dear Sue

It has been our pleasure to have cleaned your home for the past two years and we thank you for that opportunity. In that time we have resisted any thoughts of raising charges. However, with the overwhelming rise in a number of our running costs, we have been forced to reconsider and as of 30th August we will be increasing our fee by \$5.00 per clean.

We trust you will understand and we look forward to continue doing the best job for you and your home.

Regards,  
The team at Select Cleaning'

Notice that the company did not even mention GST. In fact, the price increase is significantly more than the increase in the GST rate. The letter is so fair and honest and up front. There's no arguing with that logic.

## Inland Revenue Audit Activity - "Beefed Up"

The Government has budgeted for increased funding of \$119 million to Inland Revenue to facilitate additional auditing of taxpayers and their businesses. In a recent announcement the IRD have said their audit activity will target the 'hidden cash economy'. We will comment further on this issue in our next newsletter, including methods the IRD may use to assess whether taxpayers are accurately returning their taxable income.

## GST now 15%

We can make the change easier for you

If we are preparing your GST returns we will take care of any transitional adjustments and returns and advise you of any additional information we may need.

We're expecting an influx of client queries around the GST rate increase in October, so we'll be requesting your GST records much earlier.

If you are preparing your own GST returns we suggest that we check your calculations to ensure any transitional adjustments have been correctly applied.

Our firm has developed a GST Rate Increase Action Plan to help clients successfully manage the GST rate change. Send us an email or give us a call if you would like our help in ensuring a smooth transition.

## SADLER OAKLY NEWMAN LIMITED

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# Commercial Insurance

## Loss prevention information for small business

Operating a business requires a degree of forward thinking and planning, not only to position yourself firmly in a marketplace, but also to endeavour to be one step ahead of your competitors.

The Insurance Council of New Zealand (ICNZ) has developed some loss prevention guidelines that may help ensure that your business is not disrupted unnecessarily.



### Fire protection

- If you are in the market for new premises, consider those with a sprinkler system
- Install a dedicated fire detection system comprising of smoke/heat detectors as compliant with current Australian/New Zealand standards. It is not recommended that fire detection systems be incorporated into intruder alarm systems
- Ensure that hose reels and fire extinguishers are kept in strategic locations, are clearly visible, and regularly serviced
- Keep all exits clear
- Dispose all waste material on a daily basis outside of the building
- Comply with hazardous goods requirements
- Keep valuable records in fireproof cabinets, and where possible, hold copies off-site.

### Theft protection

- Ensure there is good physical protection on windows and doors in all areas of the premises (including loading bays), while maintaining egress (fire escape) requirements.
- Use an insurer-approved security system that is monitored. The Insurance Council recommends that any new security installations comply with the National Council for Security Systems Guidelines.
- Ensure all property (including machinery and motor vehicles) is securely stored after-hours, and not left outside the premises.
- Maintain good stock-keeping systems (to discover any stock thefts quickly).
- Securely store all valuable records and computer system programme material in an insurer-approved safe.

### Computer equipment

- Computer equipment, particularly laptops, are high-ticket theft items. Laptops should be securely locked away (either in the premises or at home) when not in use, and should never be left in an unattended vehicle.
- Ensure that the laptop is password protected. The loss of sensitive commercial information often has a far higher monetary value than the laptop itself, and is often unrecoverable.

### Consequential loss

Following any physical damage caused either by fire, earthquake, water or burglars, the business could also suffer consequential interruption losses. To minimise delays in getting your business back on track the following points should be considered:

- Have contingency plans for alternative premises and replacement equipment.
- Can any operations be contracted out to another party to maintain your turnover? You may need to discuss this with your insurer.
- Have alternative suppliers in mind.
- Maintain system / data back-up files offsite. This can now be done electronically via specialist security organisations.

### Fidelity of staff

This is a subject few people like to talk about, however theft by employees is a very real risk.

Although theft by employees may not be readily identified, it always contributes to a drain on profits.

The Insurance Council recommends that proper audit trails be maintained for all business assets including stock and monetary instruments (credit cards, cash, cheques etc).

### Computer system protection

Many businesses rely on the use of computer systems.

This means that a computer system failure may close a business. Therefore it is important to:

- Maintain a service contract for all computer systems
- Backup data offsite
- Consider protecting your premises' power supplies from damaging interference (ie. spikes and noise). Simple protection is available - speak to an electrical contractor
- Update your virus scanners regularly from your system's supplier
- Ensure that you have good firewall protection for e-mail and Internet systems.

### For more information

check out the website for ICNZ:- [www.icnz.org.nz](http://www.icnz.org.nz)

## Recovery—where to start

- **Act safely to prevent any more damage to your building.**
- **Try to make the buildings safe and weatherproof.**
- **Take pictures of the damage (building and contents) for insurance claims.**
- **Keep all damaged items for inspection.**
- **Get essential services repaired e.g. water, electricity, gas, sewerage - keep copies of your bills.**
- **Make a list of any perishables you have to dispose of.**
- **Don't start non-essential repairs without the insurance company's approval.**

# Do You Have A Strategy For The Recovery?

Whilst many other western economies remain in recession, economic forecasters indicate New Zealand is on the road to recovery. 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 did you learn from the downturn?
- 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.

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 your strategy, please contact us.

## Cash flow problems?

TAX pooling is a great way to conserve your cash. For a reasonably modest interest payment, a tax intermediary will enable you to buy time to pay your tax.

It works like this. Suppose you cannot afford the provisional tax payments, for a March balance date being 28 August, 15 January and 7 May. A tax intermediary will arrange to pay the tax for you. All you have to do is pay interest up front and then come up with the right amount of money in the end.

A client was unable to pay his tax for the year ended 31 March 2009. He needed about \$30,000 and had not paid the first two instalments. He went to a tax intermediary and "bought " tax for the 28<sup>th</sup> August 2008, 15 January 2009 and the 7<sup>th</sup> May 2009. He paid the intermediary for the tax, which was due by 7 April 2010, a lump sum of money on the 20<sup>th</sup> April 2010.

If you have cash flow problems and can't pay your tax on time, come and talk to us about using a tax intermediary. It's cheaper than paying IRD Use of Money Interest and better than paying penalties.

## IN BRIEF

### 1. Beating competitors for scarce staff

WHEN advertising for staff, look at the job from the point of view of the potential employee. If the person you are looking for is scarce, you will need to entice applicants. This means selling the job to applicants. What does your firm offer that others don't? Is it learning new skills, an opportunity to become a shareholder, great working conditions (be specific) or what? Many advertisements are presented from the employer's point of view – these are the skills we want etc. Present the job from the employee's point of view if you want to have a more successful advertisement than your competitors.

### 2. KiwiSaver to be 10%

THE GOVERNMENT is extending the contribution rates allowed to KiwiSaver. Currently the rates are 2%, 4% and 8%. New rates of 6% and 10% are to be added. This is great news for those nearing retirement, who may be keen to use the 10% rate.

### 3. Personal and Company Tax Rates - Down They Go

PERSONAL income tax rates have been reduced from 1 October 2010, summarised in the following table.

Current and New Tax Rates:-

Taxable Income (\$)	2009/2010	2010/2011*	2011/2012
0 – 14,000	12.5%	11.5%	10.5%
14,001 – 48,000	21.0%	19.25%	17.5%
48,001 – 70,000	33.0%	31.5%	30.0%
Over 70,000	38.0%	35.5%	33.0%

\*In 2010/2011 the rates are composite rates

THE COMPANY income tax rate decreases from 30% to 28% effective from the start of the 2011/2012 tax year i.e. 1st April 2011 for most companies.



## Telephoning the Office

Below is a reminder of the office extension and direct dial telephone numbers. When you ring the office please use the extension numbers when prompted as this system will take you direct to the person you are phoning and save you time.

Telephone:- 06 370-0811 Fax:- 06 370-8126

The direct dial and extensions are:-

### Newman Team

Allan	DDL 370-0910
David	DDL 370-0913
Monica	Ext 709
Nicole	Ext 721
Roslyn	Ext 703

### Southey Team

Leanne	DDL 370-0911
Fiona	DDL 370-0914
Carissa	Ext 723
Wendy	Ext 719
Donna	Ext 704
Christine	Ext 701

### Schofield Team

Rebecca	DDL 370-0912
Betty	Ext 708
Tessa	Ext 716
Kirsty	DDL 370-0916
Gail	Ext 700

### Office Manager

Stephanie Ext 718

### Consultant

Rod Ext 705

From a Sadler Oakly Newman Employee

## The Tip for the Month

GST goes up from 12.5% to 15%

### Carissa Price writes –

The key to completing the GST transitional return is to have a complete list of your Debtors (what people owe you) and Creditors (what you owe) as at 30th September 2010. This includes work ordered and deposits being paid.

Please do not hesitate to contact us if you have any questions.

# OFFICE NEWS

## GST Seminar

On the 8th September we held a seminar on the change of GST from 12.5% to 15%. We had over 100 clients attend—our largest seminar to date.

We were very fortunate to have Frank Owen— Chair of the GST Advisory Panel and Advisor to the Minister of Revenue present to us the implications during the GST change over, invoicing problems and accounting software issues. From the feedback we have had all those that attended learnt a lot of useful information.

## Christchurch Earthquake Appeal

The Directors and Staff at Sadler Oakly Newman have been fundraising for the Earthquake Appeal. The money collected from our Casual Fridays has been donated to this appeal and we had a "Donation Box" at reception for clients and visitors to contribute towards this worthy cause as well. The firm have contributed a dollar for each dollar raised and a donation of \$368 was made to the Earthquake Appeal.

## Starship Mobile Phone Recycling Appeal

Sadler Oakly Newman is supporting the Starship Foundation in its appeal to collect unwanted/old cell phones. The phones are refurbished and sold on with a percentage of the proceeds used to provide vital care for the sick kids at Starship. If you would like to drop in your old and/or unused cell phones we have the bags to send them to the Starship Foundation.

## SON Office Manager

We are very pleased to welcome Stephanie back from her five week overseas trip. She has had a great time and was lucky to miss out on a lot of our wet, cold and stormy weather.

## Tessa Southey

Tessa passed her exams in June 2009 and in September 2010 received her Accounting Technician Certificate at a function of the Wairarapa Branch of the New Zealand Institute of Chartered Accountants.



Tessa Southey (right) is being presented with her certificate from Clare Jacobsen, Chair of the Wairarapa Branch of the NZICA.

### 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.