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Welcome

Welcome to the seventh edition of the Accru Plus client newsletter.

Given the state of the world economy, this issue focuses on safeguarding your business, with tips on financial management, staffing and tax planning. Our client success story shows how a young man with a ute grew his contracting work into a \$5m forestry business. We also take a look at the new industrial relations laws and carbon emissions guidelines about to impact businesses.

Remaining robust in a downturn



Global economic crisis, credit crunch, financial meltdown – all terms that have been echoing around the world in recent months. The question is whether businesses do nothing and hope for the best, or take appropriate measures to strengthen themselves for the potential storm to come. Accru New Zealand provides some timely reminders of good business practice that will help you maintain a strong and healthy business in uncertain times.

Accru Smith Chilcott, Auckland

Cash Position

The mantra for businesses to ensure survival in difficult times must be “Cash is King!” Cash is the life blood of businesses. Businesses will need to take a more focussed approach to their cash requirements. What are the business cycles for the business? If cash resources are inadequate, the business will need to review its overdraft facilities for adequacy and you may need to talk to the bank to make appropriate arrangements.

For many small-to-medium enterprises, their stakeholders’ lifestyles are funded by the business. In the current economic climate, businesses should be prudent about the level of funds being extracted by stakeholders as drawings or otherwise.

Stock

Businesses must determine the levels of stock required for operating the business at an optimal or efficient level. Too little stock means the business could be caught short; however, too much stock means cash is tied up unnecessarily. To ensure stock levels are as optimal as possible, management should review turnover levels which will provide information about when stock should be re-ordered. As part of the stock review process, clear any obsolete or slow moving stock as soon as possible – for example as sale or discounted items. To move stock quickly, the business should also review its sales and distribution strategies.

Debtors

The first thing to remember about debtors is that they represent money belonging to the business – money that is sitting in someone else’s bank account. This is the time to ensure that the business has robust credit control policies. To encourage prompt or early payment, discounts could be given. Debtors who have been lax in the past with payment may need reminders to prompt them for payment.

Cost Management

Businesses must also review their cost structure and make savings where possible. Wherever feasible, concentrate on your core functions and costs. Where there is ‘dead wood’ within the business, consider pruning that part of the business. Management should identify which parts of the business are operating efficiently, and which parts are not. Can efficiencies be improved upon? Where there are inefficiencies, isolate the reasons for them and work on improving those parts of the business.

These are a just a few of the many areas and strategies that businesses can look at to ensure a robust future. Remember if your business has a strategy now, it is more likely to emerge from an economic downturn unscathed, as well as be in a position to take advantage of any opportunities that present themselves. If you would like to know more, contact your local Accru office.



By Annette Matthews,
Accru Felsers, Sydney

Shedding staff... Is it the answer?



As the slowing economy and share market crash hits home, the pressure on organisations to reduce their costs will be greater than ever. With employee costs being one of the biggest overheads, many businesses may feel they have no choice but to shed staff. However it is still vital to retain valuable and skilled employees to grow a successful business. What are your options?

Unfortunately when managers or owners are faced with the need to cut costs, downsizing by the use of redundancies is commonly the first approach taken. In some cases the decision is made hastily and in an adhoc manner. Unfortunately this can result in lower employee engagement levels, fewer people to complete the same volume of work, and a workforce resentful of its increased workload and loss of fellow employees.

The solution is to start by taking a more strategic view. On reviewing your organisation, you may find that there are other options available to make significant savings and even increase the motivation of your employees. Consider some of these alternatives:

Implement a Headcount Freeze

Instead of replacing staff, transfer or retrain existing staff to new roles.

Offer Shorter Hours

Consider allowing staff to work shorter hours over any period of difficulty. Many working mothers and fathers, students or people with outside interests will see this as an employee benefit that gives them the opportunity for work/life balance.

Introduce Unpaid Leave

Many businesses frown on unpaid leave however it is worth considering this as a way to reduce costs without losing highly trained staff.

Introduce a Loyalty Leave Policy

This allows staff to take unpaid leave of 2-3 months after a period of service. The policy should be clear that this leave can only be taken with management approval and during the non busy period. Employees may appreciate the opportunity to take time for extended travel, study or other pastimes.

Reduce Leave Accruals

Annual and long service leave accruals can have a significant impact on the liabilities of an organisation and increase each year with salaries. Review any leave accruals and encourage staff to make plans to take the leave regularly, particularly during the non busy period. You may also consider increasing any close-down period (eg Christmas) to reduce this leave component.

Additional Leave

Introduce a program where employees can buy additional leave. This involves reducing gross annual salary to pay for additional leave which can then be taken during the non busy period.

Reduce Casual Labour

In some cases casual staff can be replaced by unpaid interns or duties can be redistributed to permanent employees.

Start New Staff Later

If you are an organisation that has already committed to hiring new staff such as graduates or cadets, then consider delaying their start date.

Significant savings of up to 20% can be made by implementing these processes. In most cases employee motivation will actually increase due to greater flexibility, increased worklife balance and non monetary reward for service.

The Accru Group offer specialist HR support and we encourage you to contact your local office should you require further information.

Amidst the current economic downturn, conserving wealth can be just as important as creating it. Although tax planning may be the last thing on your mind, when cash is scarce it is even more pertinent to plan ahead rather than wait until 30 June. Here are some simple ways individuals and businesses can keep their tax bill to a minimum.

Tax planning in uncertain times



By Brian Mckenzie,
Accru Page Kirk & Jennings, Perth

+ Individuals

Records

Tax planning begins in July each year, simply by starting to keep all tax receipts, log books and other records so you don't miss out on any deductions. There are also a myriad of tax offsets (rebates) available. You are automatically entitled to some tax offsets based on income, age or other factors, while others require you to keep records such as the medical expense rebate, the education tax refund, zone rebates and the child care tax rebate.

Superannuation

For those aged 55 to 60, transition to retirement superannuation strategies are very popular. They involve replacing up to \$100,000 of taxable salary and wages with a concessional taxed pension. For those under 55, salary sacrificing into superannuation can offer up to a 31.5% tax saving.

Many people are currently wary of investing in super, however choosing the right investment option within the fund is the key. Most commercial funds offer various investment options which may reduce your exposure to the current volatility in the market.

Salary Packaging

Salary sacrificing can be a great way to reduce the cost of certain expenses as you pay for them from your pre tax earnings. It is most beneficial where exempt benefits such as lap tops, PDA's, brief cases or relocation expenses are packaged. Vehicles and other concessional taxed benefits may also help reduce your income tax depending on your circumstances.

Capital Gains Tax

If you have made a capital gain during the past financial year (I know that's a big if) – now is the time to review your other investments to see if you should realise any capital losses and relinquish those underperforming investments you have been holding onto. Excess capital losses can be offset against current and future capital gains.

+ Businesses

Investment Allowance

The Rudd government's second proposed economic stimulus package, if agreed by parliament, will make the investment allowance a very attractive proposition for small business entities (aggregated turnover <\$2M). If you need to upgrade that photocopier, now is the time. The allowance has been increased from a 10% to a 30% additional up front tax deduction for capital acquisitions of \$1,000 or more where the contract was entered into between 13 December 2008 and 30 June 2009. Therefore that new \$7,000 photocopier will give rise to an immediate \$2,100 deduction in addition to the normal deductible depreciation.

Bad Debts & Loans

If you have 'doubtful debts' then now is the time to take the necessary steps to ensure that by 30 June they can be written off. A deduction for bad debts may be allowable provided the debts were previously included in assessable income and there is little or no likelihood of recovering the debt. Companies are required to satisfy some additional criteria.

If you are considering forgiving a debt or loan then you may also be entitled to either a deduction or a capital loss depending on the nature of the debt. This may impact

on the debtor's tax position and therefore should be discussed with your accountant.

When cash is tight, borrowing funds from your trust or company may be the easy option, but it is not always cheap. Check with your accountant to see if the deemed dividend rules of Division 7A will apply to you. The current benchmark interest rate under a Division 7A loan is 9.45% – much higher than many bank loans offering around 6-7%.

Trading

Your profit is directly affected by your closing stock figure. In the current market, be realistic with your valuation of slow moving stock and write-off any obsolete items.

Prepayments

Small business entities can access a number of concessions, including being able to claim a full deduction for 12 months of business expenses such as insurance, leases, rent, advertising and interest which are prepaid prior to 30 June 2009.

Superannuation Guarantee Contributions (SGC)

SGCs are deductible when received by the superannuation fund. If your payroll closes on Friday 26th June 2009, then make your SGC payments on this day so the funds receive it by Tuesday 30th June.

There are many other areas we can look at to save tax, so it is worthwhile giving your accountant a call well before 30 June 2009 to discuss your personal business and tax circumstances.

Client success story
By Michael Burnett,
Accru Steele Burnett & Nelson, Hobart

From a small seed to a flowering eucalypt



Statewide Forest Services is owned by Mathew Burns, an Accru Hobart client of 15 years. His business started when Norske Skog, a world leading paper producer, contracted him to manage and renew part of their forest. Now a significant employer himself, Mathew's company specialises in forestry operations and land management.

Mathew was working for Norske Skog when he was offered the chance to operate one of their Silviculture areas, a section of their renewable forest. As Mathew says "It is cheaper and more efficient for them to contract some tasks than put their own resources into the job." This is typical in the industry nowadays, with more and more employees required to become business operators.

Early on the business was run as a partnership, but as Mathew's enthusiasm and ability to co-ordinate work became evident, he was given additional plots to monitor and tasks to undertake. "As I was working on the first contract, new opportunities presented themselves – planting, pruning, spraying, that sort of thing. I said "I can do that" and bought another couple of utes.

At this stage (1998), good business support from an accountant became crucial. Accru SBN helped Mathew review the business structure and moved the business into a company.

Mathew was always very conscious of ensuring he ran the business well from both a service and cost perspective. Many subcontractors new to business become 'price takers' and are destined to a business life of mediocrity and cash

struggles. Too often, they see only the prospect of earning a good hourly rate and having an income stream, without fully appreciating the need to cover expenses and provide for potential slow times.

Accru SBN worked with Mathew to properly cost proposals and tenders to ensure Statewide Forest Services P/L was a profitable as well as quality provider of silviculture and related services. Mathew was only 24 when he started the company so as he says, "having my accountant involved, sitting in at meetings with Norske Skog to ensure negotiations and price increases were understood and agreed upon was most beneficial. We wanted profitable growth not just growth!"

Mathew went on to secure more contracts – with Forestry Tasmania, Gunns, Forest Enterprises Australia and Rayonier – giving his business strength through diversity and the ability to utilise equipment over four seasons. His work has expanded to include not only forestry operations, but other aspects of land management such as roadside maintenance for local councils and clearing land under hydroelectric power lines for Hydro Tasmania and Transend.

Growing steadily, Mathew moved the business from the family home to a \$500,000 custom built facility

"We now have 60 on the workforce, a management staff of five, a fleet of 32 vehicles, four excavators, two dozers, two tractors, and nine ATV motorcycles."

The business now operates throughout Tasmania and also has a new operation in South Australia.

In 2001, Mathew was named the National Australia Day Council's Young Tasmanian of the Year for service to the community and for being a significant employer in the small central Tasmanian town of Maydena.

While Mathew's early challenges of costing a job remain, anti-growth payroll tax and changes to the MIS (Managed Investment Scheme for timber plantations) have created new issues which have seen Mathew lobbying politicians in recent times. In addition, the seasonal fluctuations and uncertainty within the Tasmanian forestry industry never seem to abate.

Accru's Daniel Richards and Michael Burnett continue to support Mathew every step of the way, helping to ensure the financial affairs of this successful \$5M turnover business are well-managed and the business remains strong into the future.

By Kate Cain,
Accru Danby Bland Provan,
Melbourne

New IR Laws to apply from 1 July 2009



The Rudd Government has introduced new workplace relations legislation titled 'the Fair Work Bill' which will replace 'Work Choices'. Assuming it passes through the Senate unchanged, alterations to Australia's unfair dismissal and collective bargaining laws will come into effect from 1 July, with other major changes due early 2010. What's in store for businesses?

Fair Work Australia (FWA)

In early 2010, 'Fair Work Australia' will become our new workplace relations body, incorporating the functions of Australian Industrial Relations Commission, the Workplace Ombudsman, the Australian Fair Pay Commission, the Workplace Authority, and the Australian Building and Construction Commission.

Changes to Unfair Dismissal Laws

Significant unfair dismissal changes are expected to take effect from 1 July:

- + Employers with 100 employees or less are currently exempt from unfair dismissal laws. Under the new law, this blanket exemption will be removed.
- + 'Small businesses', redefined as those with fewer than 15 employees, will still be able to avoid unfair dismissal claims by demonstrating that they have complied with the Government's basic 'fair dismissal code'.
- + To bring an unfair dismissal claim, an employee must have been employed for at least 12 months for small businesses and six months otherwise.

- + The process for dealing with claims has been simplified. As far as possible, claims will be resolved by FWA with limited presence of professional parties such as lawyers. Matters that require resolution by the courts will be determined in the 'fair work' divisions of the Federal and Federal Magistrates courts.

'Good Faith' Collective Bargaining

The negotiation of collective industrial agreements, known as collective bargaining, is also set to change from 1 July 2009.

Employers and employees will be required to bargain in 'good faith'. This means that while an employer or employees cannot be forced to agree to terms and conditions, FWA will be empowered to order parties to take actions such as attend meetings, disclose information, and provide reasons for responses to particular proposals. It also means that if a majority of employees wish to bargain collectively, then the employer must comply.

Minimum Employment Standards

From January 2010, employers will need to comply with new minimum employment conditions which will increase from five to ten. These will be fixed by legislated national employment standards and a new 'modern award' system. The new standards will incorporate:

- + Maximum weekly hours of work
- + Request for flexible working arrangements
- + Parental leave and related entitlements
- + Annual leave
- + Personal/Carer's leave and compassionate leave
- + Community service leave
- + Long service leave
- + Public holidays
- + Notice of termination and redundancy pay
- + Fair Work Information Statement

Overall, it looks like we're in for some fundamental changes.

Carbon emissions: Act now

By Sam Facy, Accru Harris Orchard, Adelaide

Within months you may be obliged under Federal Government law to report your company's energy usage and greenhouse gas emissions. Will your business be affected and what can you do to prepare?

The Kyoto Protocol is the strongest compulsory global action plan on global warming. It establishes legally binding greenhouse gas (GHG) emission targets for countries. According to the white paper recently produced by the Federal Government, Australia's targets are to reduce greenhouse gas emissions by 5%-15% compared to the levels in 2000. With this in mind, the government has implemented a reporting program so that reductions can start to be measured.

It is the responsibility of all businesses that emit greenhouse gases or produce or consume energy above specific thresholds to register and report on their emissions. You may even have to report your emissions if you are part of a larger company's supply chain in order to continue trading with them. The implications for business are extensive.

According to the National Greenhouse and Energy Reporting Guidelines, some businesses only have until August 2009 to register and report their emissions.

Not only are there legal obligations, but companies that respond early and effectively to climate change can benefit from business efficiencies, competitive advantage and market differentiation.

Developing appropriate action plans to address the challenges of sustainability is now a priority for Australian businesses if they are to prosper in the new carbon economy.

What can affected businesses do?

The process of measuring, managing and minimising your carbon footprint typically involves the three steps below.

1: Measure – GHG Emission Assessment

The first step is to assess your organisation's exposure to any compliance or supply chain obligations by calculating the greenhouse emissions associated with each applicable activity. This assessment should provide a clear understanding of your carbon footprint.

2: Manage – Risk and Management Planning

Using the results and findings from the assessment above, the next step is to develop a carbon management plan. This plan should outline the risks associated with carbon exposure, how to mitigate those risks, and how you can take advantage of marketplace opportunities by adopting a carbon management program.

3: Minimise – Energy Audit and Education Services

This stage combines a Level 1 Energy Audit and staff training to provide a breakdown of energy usage across your organisation. It identifies opportunities for your energy consumption and carbon emissions to be reduced.

To assist our clients to meet their obligations and take advantage of the opportunities available, Accru Harris Orchard has partnered with a leading carbon management company, Carbon Planet, to offer Greenhouse Gas Emission Assessments and other carbon management related advice.

If you wish to discuss the carbon assessment process, your reporting obligations or learn more about how reducing carbon emissions could improve your bottom line, please contact Sam Facy from our Carbon Emissions Team in Adelaide.

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