



Trial Balance

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Drawn by Keegan (6 yrs old), on a visit to Middlemore Hospital.



We wish all our readers a Merry Christmas and a Safe and Prosperous New Year!

Focus on Getting Paid on Time

BEING VIGILANT OVER the management of your debtors is always good business practice, but it becomes even more critical during tougher economic times.

Getting paid on time ensures you, in turn, have sufficient cash to meet your salary bill, your GST payments, your commitments to your business partners, and hold down the interest payments on your overdraft.

Now is the right time for every business to review their debt management process and, if it is lacking, seek advice from their advisor.

STEP 1 in managing debtors is to stop thinking of it as 'debt collection'. Debt management involves seeking the payment of money that your terms and conditions of business have identified should have been paid to you.

STEP 2 is to have clear terms and conditions of payment, and ensure you are meeting your part by having your account in the hands of your customers early. You can facilitate this by emailing or faxing them a copy of the account, and following up with the original in the mail.

STEP 3 is to consider offering your customers alternative methods of payment. Direct credit to your bank or by cheque are the most common, but some businesses also offer their customers credit card facilities or credit options.

STEP 4 is to take immediate, decisive action when an account becomes overdue. Debt management should be the responsibility of one individual, and a weekly task.

If an account is not paid it will be for one of two reasons – a dispute or inability to pay. You must seek to resolve both immediately.

If there is a dispute, seek to have that portion not in dispute paid immediately, and work through the urgent resolution of the blockage. Don't let things slide. As well as holding up payment, not resolving disputes undermines the ongoing relationship. A dispute well managed and amicably resolved can lead to a stronger relationship being developed.

It is not a wise strategy to allow an account to be paid 'when they can' or 'when they're paid'. Such a business is one already under financial stress, and you are gambling. The longer the debt remains unpaid, the greater your chances of not receiving payment.

Four actions you can consider for collecting overdue money are; suggesting the customer seeks additional finance lines, going to the Disputes Tribunal, placing the debt with a collection agency, or legal action. The last three are actions of last resort, which may not be necessary if you actively and regularly manage the receipt of debts owed to you.

Source: Campbell Tyson
Cooper White



“ In the middle of difficulty lies opportunity ”

Albert Einstein

Funding Provisional Tax

PROVISIONAL TAX FINANCE LIMITED ("PTF") specialises in funding provisional tax payments for businesses. Their Tax Finance Facilities may help your cash flow and provide a useful working capital tool to compliment your existing funding arrangements.

Tax Finance is available with no security (other than the tax being financed), no credit approval process, no disclosure of sensitive financial information, over the phone or by internet and with same day confirmation. There are no approval fees and rates are competitive.

Working capital management can be a major headache for business owners. Provisional tax can cause issues as the due dates may bear no relationship with your business cash flows. In many cases, tax is due before profits are even made. Businesses with seasonal cash flows are particularly hard hit.

Provisional Tax Finance enables businesses to use their financial resources more productively on things like stock or equipment by re-circuiting payment of your provisional tax to a time more suited to your cash flow. Tax Finance Facilities are available for any amount over \$5,000 for periods from three to 20 months.

For example, a company with provisional tax due on 28 August but wishing to pay six months later will have its tax paid by PTF on the due date, with the company paying for that tax in six months time. The tax is transferred to the company's account at the IRD when it settles its tax Finance Facility with PTF (with an effective date of 28 August). Perpetual Trust, New Zealand's oldest independent trustee company, acts as trustee to ensure that customers interests' are protected.

The amount of working capital finance available to businesses is usually determined by the amount of security available to pledge to the bank and other financiers. Tax Finance Facilities use the tax as security. Using tax as a new form of collateral means more security. More security means more funding opportunities. As the tax is excellent security, Provisional Tax Finance has no credit approval process (if a customer does not pay for the tax on the agreed date, Provisional Tax Finance Limited simply keeps the tax). Where else can you get pre-approved finance in the middle of a credit crisis?

Compared with Use of Money Interest (UOMI) rates around 14.24% and potential further late payment penalties (which can add another 20%), PTF's rates are around 12% (depending on the amount and term). This usually compares favourably with business overdraft rates. Moreover, tax finance facilities are quicker and easier to arrange than asking the bank manager for more money.

Provisional tax finance has the blessing of the IRD. Its products are made possible by special legislation called the Tax Pooling Regime. PTF has been approved by the IRD to manage provisional tax payments under that regime. Unlike most finance companies, PTF is wholly bank funded and does not raise money from the public.

Tax finance facilities take only a few minutes to organise, but you must apply before your provisional tax payment is due. (Either call us to discuss or go online at www.taxfinance.co.nz to find out more).

Source: Provisional Tax Finance Limited

Are you Really in Business?

Getting into business is not easy.



WE SEE MANY clients who have what Michael Gerber calls the "entrepreneurial seizure". They get fed up working for a boss. They decide the profits they have been making would be better in their own pockets.

The day comes when they hand in their notice and have a go themselves. They work hard and the business grows. They might enjoy a bigger income than when they were employees, but they have merely swapped bosses from their former employer to themselves.

They invariably work long hours. They probably earn, after taking into account the evenings and weekends spent on accounting and preparing quotes, much the same rate per hour as they did before going out on their own.

These people are self-employed. They are not in business.

A business is a money-making machine. You should be able to leave it for a long time and it will continue to make money in your absence. It should not depend on you. A McDonald's franchise is a business.

The question is, how do you switch from self-employment to business?

- Start by finding a mentor. This is someone outside your business who has been successful and can help you analyse what you do and how you can do it better.
- Be ruthless with yourself. If someone else could do the job, don't do it yourself.
- Remember you don't have to delegate to your staff alone. You can outsource services.
- Make full use of modern technology. Make full use of your word processor. Use standard letters. Use cut and paste. Use the internet to access information. An outworker at home could access your computer just as easily as a person at your workplace.
- Plan to make yourself redundant and measure your progress. Others can do your work when you have given them systems to follow. Focus on systems for your business. This includes scripts when selling and checklists when performing work.
- You should be the ideas person, but never forget if you have staff, they also have brains. Use them. If you encourage contributions from your staff and reward them, they will help provide those ideas.

People in business do not need to work long hours. The test of being in business is – how long can you stay away and the business function.

“If the grass is greener on the other side – water your own lawn!”

How Do You Ensure Your Terms of Trade Apply?

WITH THE RECENT "Credit Crunch" we are seeing more and more businesses tightening both the amount of credit available to customers and the terms on which that credit is given. We have been actively involved in preparing terms of trade that comply with recent legislation, as well as recovering debts owed by customers where goods and services have been supplied on credit.

In business, the provision of credit is normally expected. The terms of that credit are a matter of contract between you and your customers. Your terms of trade are therefore critical to maintaining cash flow and the success of your business. In this article, we look at four questions relating to terms of trade that are particularly relevant in the current market.

1. How do you ensure your terms of trade apply?

First, you have to have terms of trade. This may be obvious, but many businesses do not have a standard set of terms of trade. In the current environment, this must be addressed. You need to ensure your terms of trade are up to date. There have been various changes to commercial and consumer legislation over the last few years which you need to comply with.

You need to ensure your customers' attention is drawn to your terms of trade. Often, terms are printed on the back of an invoice. If your customer has not seen your terms, then they can argue that they have not agreed to those terms. If you are in retail, this is vitally important.

If you are in trade, or have regular customers, you should get them to sign your terms of trade.

2. What happens if you change your terms of trade?

First, your terms of trade should reserve your right to amend the terms at any stage. You then need to ensure that your customers' attention is brought to the new terms of trade and/or new prices before their next purchase. If you conduct business via a website, your terms should provide that the amendment will be deemed to have taken effect and been accepted by customers from the time of publication on your website.

3. How can you make sure your customers cannot sue you for everything you've got?

You cannot contract out of your obligations under certain legislation, such as the Consumer Guarantees Act (unless you supply goods or services to other businesses and exclude your liability to them by the appropriate wording). While you may be prepared to stand behind your products and services, we recommend that you limit your liability to the value of those goods or services provided.

Other aspects of liability that you can also exclude include failure to perform for reasons beyond your control or statements made by your employees or agents. We endeavour to gain a good understanding of our clients' businesses so each set of terms of trade are tailored to suit your circumstances and level of exposure.

4. How do you ensure you get paid?

If you are supplying goods on credit, your terms of trade should specify a date for payment and the consequences of non-payment. If you are in the building industry, you should specify that each invoice is a payment claim under the Construction Contracts Act and ensure your invoices comply with the requirements of that Act.

For several years now, reservation of title clauses have worked hand in hand with the provisions of the Personal Property Securities Act. There are a number of requirements under that Act that you need to comply with so your security is effective, not the least of which is getting your customers to sign your terms of trade and agreeing to give you security.

Source: Gaze Burt Lawyers

Do we have the right people doing the right work – and are they motivated?

IT IS AN OLD adage that a business' most valuable assets are its people. This is probably truer today than it has ever been. So have you got the right people? Are they motivated? Do they know what they are doing? Do they know how to do it? Do you have the right physical environment conducive to success?

Here are some of the thoughts that will apply equally to many businesses in many industries:

The right people

It is better to hire on attitude than skills. Are new team members properly inducted? Consider shadowing by one or more existing team members. Just because someone has done the same job in a different business doesn't mean they know how to do it your way in your business.

To attract better quality people, pay above average salaries – which will in turn attract above average clients and customers!

Are they motivated?

Some of the factors that were named as strong motivators are as follows:

- The ability to work flexible hours so life and work can fit together easily;
- Recognition for a job well done – from both clients and internally;
- Being part of a great team – and knowing their team mates personally as well as just at work;
- A challenge – a bit of pressure was seen as a motivator, and even a lot of pressure was quite motivating although not necessarily enjoyable!
- Learning. Is there a win:win situation, with the team learning new skills along the way?
- Working for a firm whose values they respect;
- Fun. Do you have a budget for fun? How about say a budget of \$500 per month that has to be used in the month and doesn't roll over?
- Money, of course.

Do they know what they are doing?

Are goals and expectations clear? Do you have systems and procedures that people can refer to instead of having to ask or just muddle through?

Do you invest enough in training? Ask the team what they need. How about training that isn't necessarily technical. Most businesses are in the "people business" to a certain extent so how about communication skills? Sales training for non sales people? Writing skills?

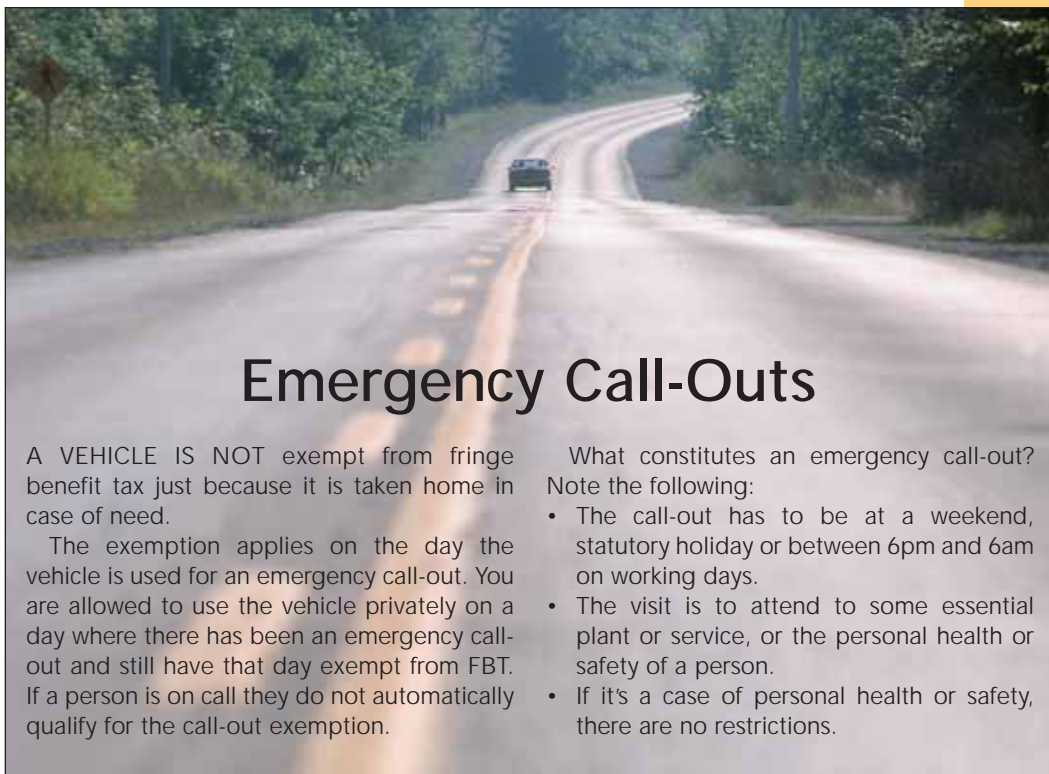
Do you have the right physical environment conducive to success?

Here are some thoughts:

- Good storage and a lack of clutter was a big one. Everyone likes a nice clear organised environment;
- Festive decorations at Christmas;
- A cappuccino machine;
- A lick of paint and some new pictures around the office.

People don't stay in jobs as long as they once did, so it's more important than ever to have the right people motivated and doing the right work for the time they are with you.

Source: Sudburys Limited



Emergency Call-Outs

A VEHICLE IS NOT exempt from fringe benefit tax just because it is taken home in case of need.

The exemption applies on the day the vehicle is used for an emergency call-out. You are allowed to use the vehicle privately on a day where there has been an emergency call-out and still have that day exempt from FBT. If a person is on call they do not automatically qualify for the call-out exemption.

What constitutes an emergency call-out? Note the following:

- The call-out has to be at a weekend, statutory holiday or between 6pm and 6am on working days.
- The visit is to attend to some essential plant or service, or the personal health or safety of a person.
- If it's a case of personal health or safety, there are no restrictions.

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Word of mouth

WORD OF MOUTH is the most authentic, carries the most weight, and can be the most valuable type of advertising a business can have. Try generating some of your own by:

- **Surprise:** Do something customers don't expect. If a product/service costs you less than you originally quoted, reduce the customer's bill accordingly.
- **Difference:** Do something for your customers your competitors don't. Look at some of the innovative things businesses not in your industry do, and apply them to your product/service.
- **Expectation:** Don't automatically turn unusual customer requests down. A little effort may reap a very appreciative reward.

Source: Main Report.

Donations

DONATIONS PAID THROUGH a company can save 39 cents in the dollar tax if it is going to reduce shareholder income, which would otherwise be taxed at the highest rate.

Changes in Particulars

Please remember to let us know of any changes in:
 * Physical address * E-mail address * Phone and/or fax numbers * Shareholdings * Directorships * Trustees
 Or anything else that may be relevant.

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NZ CA members have agreed to co-operate together to develop a national working relationship. Membership enables firms to access one another's skills and information whilst maintaining client confidentiality.

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