

# BELMORES BUSINESS PLUS +



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## Issue Number 39

### Work On Your Business - June Review

#### Action

- Make superannuation contributions prior to 30th June 2009, to take advantage of the higher deduction limits that are currently available. (See page 3)
- If you require new depreciable plant and equipment, you can purchase now to gain an investment allowance. (See page 3)
- New employment rules commence for all businesses (except those employing less than 15 people) from 1st July 2009. Have you considered the effect of the new workplace rules on your business?
- June is a good time to give your team members a "state of the union address"?



#### Review

- Review financial performance to 31st March or more recently, if possible. What improvements can be made? Are financials being prepared so that individual business units can properly be examined to determine their contribution to profitability?
- Have you conducted appraisals for each team member?
- Loan facilities to ensure that loan debt is in lower interest term loans
- Review payroll to ensure that all superannuation liabilities have been bought to account
- Review Workers Compensation records to ensure that income estimates are the same as actual payroll for the year

#### Planning

- Budgets - June is a great time to give detailed consideration to how you envisage your business operating during the next financial year. Why not have a planning meeting to look at budgets for operations, teams, sales, direct costs, expenses, inventory, debtors, creditors, capital expenditure, research and development, and marketing.
- Cashflow Forecasts - Have you been realistic in calculating debtors? Do you need to have discussions with your banker regarding increased facilities? Have you considered approaching the bank to convert part of your bank overdraft into a term loan?
- Website - MYOB released a report recently which indicated that 60% of SMEs do not have a website and that 68% of those SMEs with a website do not use it for selling the business' products or services. What strategies should you be developing in your business for an effective website?

If you would like any assistance in the development of these strategies, please contact us.

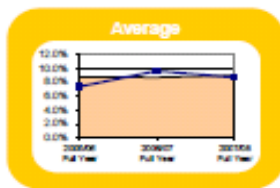
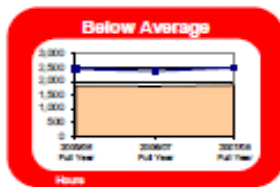
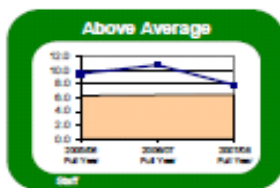
## Steps To Ensure Business Survival

### Gross Profit Review

It's a good idea to prepare a product matrix identifying the targeted gross profit percentages on the various products that have been purchased for the business. A periodic analysis could then be conducted to calculate the actual gross profit being earned for comparison back to the original target.

Can the gross profit percentage be improved by:-

- purchasing from different suppliers?
- purchasing in larger quantities to reduce freight costs?
- renegotiating freight costs?
- changes to handling procedures to reduce wastage and deterioration of the stock?



### Benchmarking Review

Many businesses are able to identify potential improvements using benchmarking facilities.

Some of the benefits from benchmarking can include:-

- How much revenue are you earning from each employee as compared to the benchmark?
- What is your gross profit percentage as compared to the benchmark?
- Labour productivity figures?
- Expenditure on staff training?
- Expenditure on research & development and innovation?
- Salary comparisons to various employee categories?
- Percentage of sales being exported?
- Reject and rework percentage of production?

This type of information can significantly assist in a business introducing strategies to ensure survival during the difficult economic times.

### Leadership

- Does your business tell people what needs to be done to achieve results?
- Where the business is going?
- What is the business trying to achieve?
- What does the business mean to customers?
- What does the business mean to team members?
- Has effective delegation been affected in the business?

## Business Plans – Some Questions To Consider

### Production Process

Have you reviewed the production process of your products or services covering items such as factory, workshop, warehouse, plant and equipment, fixtures and fittings, air conditioning, refrigeration, motor vehicles, computers, location, quality control systems, staff skill, staff training, improvement in productivity, reduction in rejects and reworks? These and many similar questions would be considered in a business plan on production process.



## Investment Allowance

Small Businesses (*with turnovers under \$2M*) can claim an investment allowance of 50% for the purchase of eligible assets ordered between 13th December 2008 and 31st December 2009, subject to the eligible asset being installed by 31st December 2010. The Investment Allowance does not affect the amount of depreciation that can be claimed on the asset; the Investment Allowance is in addition to depreciation.



To claim the Investment Allowance, the business must satisfy the business-purpose test. If the asset being acquired was able to be depreciated under the Taxation Act and was primarily for the business with a minimum of 50% business use, then you are entitled to claim the Investment Allowance. If there is some private use of the asset, which is not an exempt private use item, then the private use should be declared in the business' Fringe Benefits Tax Return.

The Investment Allowance is a tax deduction of 50% of the cost of an eligible depreciable asset. For example, a business which purchases an eligible asset for \$23,000 excluding GST, will be entitled to an Investment Allowance tax deduction of \$11,500. If the business is trading at a loss, the Investment Allowance is included in the carried forward taxation losses that can be claimed in future income years.

Small businesses with turnovers under \$2M can claim the Investment Allowance on items from \$1,000 upwards. A business is able to group assets to establish the cost of \$1,000, where those assets are part of a set or are substantially identical assets used for the same purpose, (eg set of spanners or a number of computer workstations attached to the same server) and the aggregate cost is \$1,000 or more.

If you wish to purchase a luxury car, then the 50% tax deduction is only calculated on the luxury car limit of \$57,180, irrespective of the cost of the luxury car.

If your turnover is over \$2M, you can claim an Investment Allowance of 30% for expenditure on eligible assets ordered between 13th December 2008 and 30th June 2009, subject to the eligible assets being installed by 31st December 2010. To claim the Investment Allowance for businesses with turnovers in excess of \$2M, the minimum expenditure is \$10,000. For acquisitions made from 1st July 2009 to 31st December 2009, the Investment Allowance is 10%.

If you would like to discuss any aspect of the operation of the Investment Allowance, please do not hesitate to contact us.

## Superannuation - Last Opportunity For Maximum Contributions

The Federal Government has announced changes to the taxation treatment of superannuation contributions after 1st July 2009. If you wish to maximise salary sacrifice contributions to superannuation then you should do so on or **before 30th June 2009**.

The maximum contributions allowable includes superannuation contributions paid by employers under the Superannuation Contribution Rules (9% of ordinary time earnings). The maximum superannuation contributions that can be made on or before 30th June 2009 are taxpayers aged 50 and over - \$100,000 and under 50 - \$50,000 (from 1st July 2009 these contributions limits will be halved).

## Superannuation Guarantee Payments

The 9% superannuation guarantee payment for the quarter ended 30th June 2009 is due to be paid by 28th July 2009. If you are lodging your income tax return on a "cash" basis, to claim a deduction for the year ended 30th June 2009, you have to make the payment on or before 30th June 2009. If not, the payment will be claimable in the year ending 30th June 2010.

## WARNING - Advertising Laws

The Australian Competition and Consumer Commission (ACCC) has announced "**clarity in pricing**" changes to the Trade Practices Act which came into effect on 25th May 2009 and which may affect businesses offering products and services that come with extra fees and surcharges.

The amendments require that businesses "clearly display the total cost of a product or service after all other charges and fees have been applied".

Examples include:-

- Restaurants must now clearly print the total extra charges for public holidays and weekends;
- Businesses requiring a number of payments over a period of time for a product, must display the final cost;
- Car rental groups advertising a rental price, but also requiring a charge per km driven, must clearly display the full charges.

The penalties for failing to comply with the new laws are quite harsh with penalties up to \$1.1M for corporations or \$220,000 for individuals. If you have concerns as to how the new law may affect your pricing strategy, please contact your lawyer.



## What's It Mean?

**Stock Turnover / Stockturn**... is the number of times on average during the year, that the entire inventory of stock on hand is sold and replaced.

eg

Stock purchases for the year = \$735,000

Stock on hand at the end of the month = \$83,000

Stock turnover calculation = \$735,000 divided by \$83,000 equals a stockturn of 8.9 times, during the year.

Stock turnover or stockturn can also be calculated on individual stock items or individual groups of stock. Management should establish a Key Performance Indicator (KPI) for stockturn based on budget expectations and previous financial performance and monitor each month.



### 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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