

BusinessPlus+ Newsletter



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Challenges Galore In 2015

Happy new year and all the best for a successful business operation throughout 2015!

There are certainly a lot of challenges for 2015, including:

Digital Disruption – Two years ago, Deloitte Chartered Accountants produced a report, “Digital disruption – short-fuse, big bang?” This report predicted that six different industry groups, comprising:

- retail;
- ICT and media;
- business and professional service; and
- arts and recreation;
- finance;
- real estate,

would encounter 24% to 43% of revenue becoming “disrupted” over time.

“Disruption” doesn’t mean the revenue is gone. However, there will need to be new strategies, developed by the affected industry, on how to respond to changing market conditions.

Australian Economy – Last week, the Reserve Bank of Australia lowered the official interest rate to 2.25%, the lowest for many years. This is not a decision to assist borrowers. Instead, this is a reflection of the poor performance of the Australian economy.

Turbulence in Politics – Continuous “disputes” in the Australian government doesn’t help business confidence. The recent State election results in Queensland and Victoria highlight that electorates are becoming tougher to please. The uncertainty that is caused by the turbulence adds pressure to running businesses.

Chinese Market – Whilst the lower Australian dollar is welcome news for exporters to China, continuing uncertainty relative to the growth within the Chinese market, will cause ongoing concerns in Australia.

Currency Movements – The currency movements have been very good for exporters. However, this means higher prices for businesses that require imports for their business operations.

The economic forecasts for 2015 focus around the following:

- GDP growth – 3.2%
- Activity growth – 1.8% (this is down due to a lack of confidence and a reduction in resource prices, mainly because of less activity in China)
- CPI growth – approximately 2.7% (slipping back a little)
- Budget deficit - \$35billion (not the decrease the government was planning)
- Interest rates will probably remain at around 2.25% for some time (a great opportunity to lock in these rates)
- Exchange rates – will probably settle at approximately 77cents US to an Australian dollar

Business operators need to be preparing their own forecasts for 2015 for revenue and costs, dissected into individual cost control centres, if possible, to gauge potential performance for this year.

Cashflow management continues to be very important. This includes the monitoring of debtors, work in progress, stock and capital expenditure.

If you would like to talk to us relative to preparing budgets and cashflow forecasts and preparing or updating your business plan for 2015, please don’t hesitate to contact us.

Industry Skills Fund Launched

The government expects that 200,000 training places and training support services will be offered over the four-year period.

The fund primarily targets small/medium enterprises, which plan to upskill and re-skill their workforces to better position themselves for growth opportunities.

Assistance is available as follows:

- Skills Advice – help with identifying skills, opportunities and maximising training outcomes.
- Training Grant – for businesses which are looking to improve the skills of their workforce, for an identified growth opportunity.

Businesses may access one or both of these categories, depending on business needs, eligibility and merit.

The government has identified priority industries for these grants. These are:

- Food and Agribusiness
- Mining Equipment Technology and Services
- Medical Technologies and Pharmaceuticals
- Oil, Gas and Energy Resources
- Advanced Manufacturing
- Enabling technology and service industries that support one or more of the priority areas listed above

Applicants within the priority sectors will be fast-tracked through a streamlined assessment process. Applicants that don't fall within the priority sectors are still able to apply. However, they will need to clearly show in their application that they have significant growth potential and are preparing to reposition themselves to take advantage of economic opportunities.

Skills Advice will be available from experienced advisors, employed by the government, who would make recommendations on the type of training that is appropriate for the business.

Training Grant help the applicant with the cost of training that is approved by the Industry Skills Fund. The applicant's contribution would depend on how many Full-Time Equivalent (FTE) employees the applicant has.

The applicant would be required to contribute as follows:

- Micro-Businesses (0-4 FTE employees) – 25%
- Small Businesses (5-19 FTE employees) – 34%
- Medium Businesses (20-199 FTE employees) – 50%
- Large Businesses (200+ FTE employees) – 75%

Applicants must:

- be a company or a trust that has a trustee that is a company;
- have an Australian Business Number (ABN) and be registered for GST; and
- have operated in Australia and have filed Business Activity Statements, showing ongoing trading, for at least three consecutive years.

Eligible learners under the grant will include new and/or existing employed workers that:

- have not previously completed the training course;
- are permanent residents of Australia or a New Zealand passport holder who has worked in Australia for at least six months;
- are of legal working age; and
- satisfy the training program/licencing pre-requisites.

If you require further information on the Industry Skills Fund, please don't hesitate to contact us.

Capital Gains Tax – Update

If you're planning to sell your business, capital gains tax is an enormous issue.

The Australian Tax Legislation includes some generous capital gains tax concessions. However, they are also complex.

The first test relates to income. If the business' income is less than \$2million per annum, irrespective of the value of assets owned by the business, then capital gains tax would probably be able to be avoided on the sale of your business.

The second area relates to the value of assets. Your assets can include net assets of family members in your overall calculation. The value of assets is determined at a particular time. It's what the assets are worth at that time. Some assets are not included in the assets test. The calculation is made on net assets and, therefore, all liabilities should be brought to account in the calculation of the net asset value. If the net market asset value doesn't exceed \$6million, then, most probably, capital gains tax is not payable you can access the small business CGT concession to reduce or eliminate any capital gains. The net market value of assets includes all of your business assets but excludes your family home, superannuation and personal use assets. Personal use assets could include a holiday home if you're not renting it out.

Capital Gains Tax – Update (cont'd)

If you're selling a business, you can include in liabilities the commission for the sale of the business and any other expenses that are necessary to enable the sale of the business. It's important to consider all of the liabilities you have to ensure they're all included in this calculation.

The capital gains tax concessions are very attractive. However, there are traps and we recommend that, prior to finalising any business arrangements relative to the calculation of capital gains tax concessions for small business, you contact us for a discussion on your individual position.

Leadership – Pre-Facilitation Surveys

If you're contemplating conducting leadership training and mentoring within your business, we suggest that you commence the process with a pre-facilitation survey, so the team members can rate the leadership skills of their immediate supervisors and other people who have authority over team members within the organisation.

The questions raised in a pre-facilitation survey have been identified in various surveys as the questions that are of primary concern to subordinates at all levels and in virtually all types of organisations.

The results of a pre-facilitation survey will provide a benchmark that will assist facilitators to focus on issues relevant to your particular organisation. Good results can be highlighted for reinforcement and wider application, whilst poor results can be identified as priorities for analysis.

Discussion and Change Implementation

The key questions to be considered in a pre-facilitation survey include:

- Does your supervisor clearly explain the reason and purpose for a task assigned to you, the standard required, the resources you have available and time by which the task is to be completed?
- Do you receive regular and adequate feedback and, if necessary, coaching on your work performance and are your views sought in relevant discussions prior to decisions being made?
- Do you feel that you can go to your manager and openly discuss issues of concern?
- Do you receive adequate recognition for the work you do and are your suggestions being listened to and taken into account?
- Has your manager shown an interest in your "out-of-work" activities (eg family, community, hobby or sporting activity)?
- Does your manager ensure the personal relationships in the team are friendly, open and honest and that team spirit is high?
- Is your manager consistent in the way he/she makes decisions and deals with team members?
- Does your manager show enthusiasm and commitment to his/her work?
- Does your manager set a good example, lead through actions and consistently do what he/she says he/she would do?

If you would like to discuss the results of a leadership pre-facilitation survey, please don't hesitate to contact us.

What Services Can Accountants Offer – Part 10

BUSINESS HEALTH CHECKS – PART 2

Ratio Analysis

There are various ratios that can be prepared to enable a business to compare itself to its performance in previous accounting periods and to also benchmark the business' performance against other similar businesses. Some of the ratios include:

- Increase/Decrease in Sales Percentage – this is the percentage rate of increase of sales being compared to the previous year or accounting period.
- Break-Even Sales – this is the amount of sales that have to be made at the business' current gross profit margin, to cover the fixed and variable costs of running the business before any profit is earned.
- Stock Turnover – how many times does the stock turn over in the year? A higher turnover is normally considered better, as the business is not investing as much money in old stock.
- Debtors' Days Outstanding – this calculation gives the number of days the debtors are outstanding.
- Creditors' Ratio – measures the degree to which creditors are being used to finance the business.
- Gross Profit Percentage – is calculated by dividing gross profit by sales, multiplied by 100/1.
- Mark Up Percentage – is calculated by dividing gross profit by cost of sales, multiplied by 100/1.
- Net Profit Percentage – this is calculated by expressing the net trading profit as a percentage of sales.
- Net Profit Before Interest – this shows the net profit percentage if the business had no debt.
- Expense Ratios – this is the calculation of key expense percentages against sales, so that comparisons can be made against sales and percentage in previous accounting period, budgets, benchmarked against other businesses. Key expenses normally include wages and salary, employment on-costs, advertising and rent.
- Sales per Person – you need to calculate the number of equivalent full-time employees in the business. You do this by dividing the total hours worked by 38 to determine the number of full-time equivalent employees. The sales figure is then divided by the calculated full-time equivalent number of employees, to determine average sales. The calculated sales per person can be compared against other firms as part of a benchmarking review.

If you would like us to undertake a business health check of your business, please don't hesitate to contact us.

Characteristics Of A Well Run Business – Part 17

Management/Administration

An excellent administration system is vital for business' success. The key requirements of an administration system include:

- Employment of appropriate staff of all levels.
- Staff training.
- Management showing support and cooperation for the implementation of the business strategy.
- Appropriate communication within the workplace.
- Regular team meetings.
- Regular planning meetings.
- Retreat meeting – for example, once every six months, to fully review the operations of the business and to plan future activities.
- Development of a business plan with a detailed action plan.
- Regular review of the business plan and action plan.
- Establish a corporate responsibility chart for the business, irrespective of how small the business is. This will assist in the identification of the key duties to be undertaken by individual management and team members.

If you would like to discuss a review of administration functions within your business, please don't hesitate to contact us.

Professional Selling Skills Are Important

In the current difficult economic times, adherence to professional selling skills can improve the chances of successfully selling products and/or services. This is normally referred to as high performance selling.

The key words in formulating a professional selling approach are:

- Attention
- Conviction
- Close
- Interest
- Desire

Attention – The professional salesperson is trying to gain the favourable attention of the prospect to move the prospect from “rejection to acceptance.”

Interest – The purpose is to get the prospect interested in hearing more about the product and/or service. This involves creating an “interest in the product or service rather than indifference.”

Conviction – This is where the professional sales person attempts to convince the prospect that the product is of good quality, worth the investment and will perform appropriately for the purchaser. This is part of “achieving belief rather than doubt.”

Desire – The professional sales person is attempting to get the prospect to see themselves in the enviable position of their problem being solved and having what they want. This is “moving from procrastination to desire.”

Close – For the professional sales person to get a decision in their favour. The sales person will have to move the prospect from “fear to confidence in the products or services that are being offered.”

If you would like to know more about professional selling and how it might benefit your business, please contact us.

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.



Our business, is understanding *your* business.

T: (07)4772 7555 F: (07)4772 7899

PO Box 559, Hyde Park, Q4812