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November Newsletter



An early Merry Christmas from all of us at Mark Trovato Chartered Accountants. It's been an exciting 6 months for us with our new venture and we can't wait to announce what 2014 has in store!

In the meantime, we are pleased to announce that we have appointed a new Accountant who will commence in the new year.

Please note, our office will be closed from 20th December 2013 and will reopen 6th January 2014. If you have any urgent queries during this time, please contact Mark Trovato on 0438918057.

[For our direct contact details, please click here...](#)

XERO

[Thinking of converting MYOB to XERO and don't know what to do?](#)

We can deal with this process and make it seamless for you. All you have to do is provide us with your up to date MYOB data file, fully reconciled. Within 5 days, we can provide you with your new XERO file and the following data transferred across from MYOB:

- * Chart of Accounts
- * Year to date data (all transactions)
- * All Receivables (with full data)
- * All Payables (with full data)
- * All payroll data
- * Full payroll setup
- * All Contacts (Customers, Suppliers & Employees)
- * Previous FY balances.

If you don't want all this data above transferred across, we can customise the conversion to suit your needs. So, no need to wait until the start of the financial year, or start of the quarter.

To convert over, please **contact our** office before 1 February 2014, and we will include up to 1 hour free XERO training from our Certified Advisor PLUS 2 months free subscription for you!

[For more information on XERO, please see our website....](#)

Featured Articles This Month:

[Characteristics of a Well Run Business - Part 2](#)

[Characteristics of a Well Run Business - Part 3](#)

[Characteristics of a Well Run Business - Part 4](#)

[Getting a Business Ready for Sale](#)

[Government Grants for SME's](#)

[An Expectation of Improvement In Business Conditions - But Not Yet!](#)

[Risk Items to Be Monitored](#)

[Sales Manager's Contribution To Sales Performance](#)

XERO PRICING

We have been notified that there is a change in the price structure of XERO data files as of 5th December 2013.

For more information regarding the new pricing plans, please follow this link and click on Pricing.

NEW XERO PRICING PLANS

As a XERO client, you will not need to take any action, XERO will automatically transfer your file to the new plan that suits the level of transactions you undertake in the month leading up to the change. For most people on the current medium plan, this will result in a \$1 a month price increase.

Should you wish to review your new plan, please don't hesitate to contact **Alison Trovato** at our office to discuss.

Government Scraps Superannuation, FBT Reforms

The coalition government will scrap a series of tax proposals introduced under the previous Labor government, including planned changes to the fringe benefits tax and moves to raise taxes on earnings from superannuation pension funds.

This included the scrapping of the proposed 15% tax on superannuation pension earnings over \$100,000. A \$1.8 billion fringe benefits tax on the car industry announced in April will go too.

This is a good result for anyone looking to salary package a car.

The Government announced it would not go ahead with putting a \$2,000 cap on the amount people can deduct as self-education expenses.

For any other enquiries, please find our contact details below.

Contact Us....

Kind Regards

The Team

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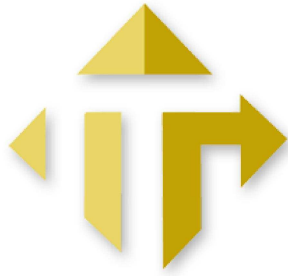
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Characteristics Of A Well Run Business – Part 2

Excellent Systems

You need excellent systems that give you current information on:

- bank balance;
- work in progress;
- sales made yesterday;
- debtors' days outstanding;
- amount owed by debtors;
- amount owed to creditors;
- stock on hand;
- last week's results compared to budget; and
- stock turn;
- cashflow problems likely to be encountered in the future.

Analysis Of Results

- analysed monthly financial accounts (including detailed profit and loss account);
- comparison of periodic financial accounts to budgets and cashflow forecast;
- key performance indicator report for every segment of the business;
- benchmarking comparison to other businesses in your industry; and
- regular team meetings to analyse performance.



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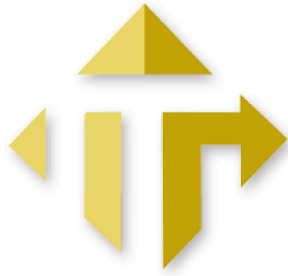
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Characteristics Of A Well Run Business – Part 3

Stock Control

- To improve stock control, utilise a stock analysis chart so your team members understand the financial contribution that is potentially available from each item or section of stock.
- Think about bonuses and other incentives to generate a desire from your team member to sell the higher margin lines of stock.
- Determine a desired stock turn rate for each stock item and ensure your team members, involved in the sale of product, have been informed of the targeted stock turn rate.
- Analyse the stock performance at the end of each week. This would relate to:
 - gross percentages generated for various items of stock;
 - stock turns achieved; and
 - sales person's individual performance, showing total sales, gross profit margin and gross profit percentage achieved.

Effective Cash Control

- If you're handling cash within your business, you need sound systems to protect the cash, including:
 - documentation of cash register receipts;
 - establishment of an appropriate system for the security of large sums of money located on the business premises.
 - system to ensure cash is banked intact daily; and

Work in Progress Control

- If your business is operating a work in progress system, it is recommended that appropriate controls are introduced, which include making sure all materials and subcontract invoices, for purchases of products for individual jobs, are charged on a progressive basis during the month, to the job for which the work relates.
- Ensure that all labour, including labour on cost, is charged to the job.
- Ensure that progress claims and progress claim invoices are processed regularly.
- Calculate the contribution received on each completed job.

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Characteristics Of A Well Run Business – Part 4

Debtors Control

- If you're offering credit, it is desirable you implement appropriate debtors control.
- The average debtors' days outstanding is currently 54 days (Dun & Bradstreet)
- If you're offering 30-day payment terms, it means most of your customers are taking nearly two months to pay your account.
- In planning your business' cashflow forecast, did you factor in that your customers might be taking around 54 days to pay your bill?
- Key aspects of a sound debtors' system are:
 - careful review of credit request;
 - obtaining directors' guarantees from directors of private companies;
 - sending a letter of confirmation to new customers;
 - stating credit limit granted and your terms of payment;
 - prompt dispatch of tax invoices;
 - preparation of detailed debtors' days outstanding analysis promptly each month; and
 - effective follow up of debtors' balances outside your stated terms of trade.



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Getting A Business Ready For Sale

Most businesses will require a complete review of a number of key factors, which will contribute towards the achievement of a satisfactory sales value from the sale of the business.

Key Items

- Are any changes needed to improve staff performance and attitude?
- Customers – are they happy? Are there more products or services customers could purchase?
- Suppliers – have key suppliers contributed support, which is reflected in the performance of the business?
- Management – is the management team functioning at an appropriate level? Will the management team be able to drive the business' performance if the current owner is no longer involved?
- What type of financial data is available? Are sales dissected into component sales, and are gross profit percentages and gross profit contribution figures determined for each sales segment?
- What is the labour-to-turnover percentage?
- How does the business' financial performance compare with industry benchmarks?
- What is the unique selling proposition of the business?
- If the business is offering credit terms, how effective is the business' debtors' system?
- What are the business' debtors' days outstanding?
- Has all intellectual property, owned by the business, been appropriately documented, and have any ownership disputes been settled?
- Will key staff remain with the business, if the sale is negotiated?
- If key staff decided to leave, could a new owner effectively operate the business, especially in the short term?
- Have you considered offering a staff retention bonus to retain key people for a period of time after the sale, so an assurance can be given to a purchaser that, for at least a period of time (say 12 months), the key people will remain in the business?

Action to Consider

As part of getting the business 'house in order' to maximise the sales value, a review of the following items is advisable:

- Review of the systems operating in the business – could improvements be made?
- Are steps being taken to eliminate unnecessary expenses and wastage?
- Are all business sales being appropriately recorded in the business' books of account?
- Does the database of customers show names, addresses, contact details and a record of previous purchases?
- Are the business' intellectual property records current?
- Have team members signed intellectual property agreements? Are these filed correctly?
- Do the business premises present a pleasing aspect to a potential buyer?
- Do the team members require additional training so the potential buyer may be favourably impressed?
- Have you reviewed your business' key performance indicators against industry best practice?

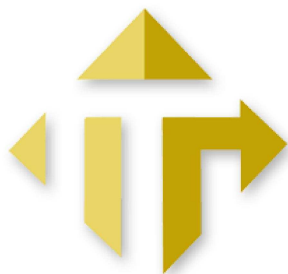
This article will be continued in the next edition. If you would like to have a discussion with us relative to a review of your business, to maximise the potential of a satisfactory sale, please do not hesitate to [contact us](#).

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Government Grants For SMEs

Export Market Development Grant – Lodgement Requirements

The lodgement date of Export Market Development Grant applications for the year ended 30th June 2013 is Monday, 2nd December 2013. If you were an exporter in the year ended 30th June 2013 and would like our assistance on completing the Export Market Development Grant application form, please do not hesitate to [contact us](#).

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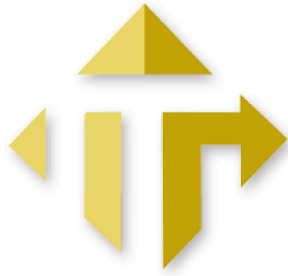
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An Expectation Of Improvement In Business Conditions – But Not Yet!

Australia continues to have positive economic growth, but at a slow rate. Growth is expected to be around 2% for 2013/14. Growth could rise to 3.5% for 2014/15.

The problems experienced by the US government, in not being able to negotiate an acceptable government debt limit, has not been solved, and has only been deferred for a few months. The uncertainty caused has been one of the contributing factors to the higher value of the Australian dollar. Inflation has been subdued, and in 2014, most economists are now expecting inflation to be around 3%.

In their Melbourne Cup Day meeting, the Reserve Bank Board has left interest rates the same, with a growing number of economists not expecting any further interest rate drops this year. Some economists are forecasting that interest rates will start to increase by around April 2014.

New data shows retail sales have increased, at least in big businesses, and housing prices have increased, primarily in the capital cities. This type of data could influence the Reserve Bank to increase interest rates in 2014. Now might be the time to consider locking in interest rates, if you are prepared for contractual limitations that you might not be able to get out of, when you wish to do so.

The new Abbott government appears to be concentrating on its audit of all aspects of government operations, and hasn't announced too many decisions at this stage.

The government is committed to the repeal of the Mining Tax and Carbon Tax, but small business will lose some of the tax concessions the previous Labor government had announced, which were linked to the Mining Tax. These benefits include the \$6,500 threshold for the small business asset write-off, and the loss carry-back provisions that were legislated for by the Labor government, near the end of its term in office.

The new government obviously has immense problems in managing the deficit, and therefore, is unlikely to be very receptive to small business requests for assistance until the May 2014 budget has been finalised.

Small business operators are becoming more vocal against discrimination by large businesses. If you feel you have been discriminated against, there is a potential remedy, which is to seek redress under the Consumer and Competition Act. If you're experiencing a discrimination problem, we recommend you consult your solicitor.

Overall, there are significant reasons for an expectation of improvement in business conditions, but it is going to take some time to eventuate.

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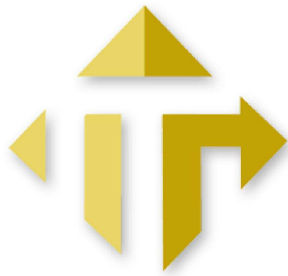
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Risk Items To Be Monitored

It's a good idea to review the following risk items, at least on an annual basis:

- Wills – are they still appropriate? Should any changes be made?
- Life insurance cover – is it sufficient? If the cover is part of a buy-sell agreement, is the amount of cover appropriate for what the business is now worth?
- Key person insurance – does the business have a policy on obtaining key person insurance policies? Have all key persons been insured?

If you would like to discuss these aspects of your risk management strategy, please do not hesitate to [contact us](#).



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Sales Manager's Contribution To Sales Performance

In every business, it's desirable to have a person who is defined as the 'sales manager'. That person may have other roles in the business. The person may be the owner or the CEO. If there are sales people working in the organisation, they need to know who the sales team leader is.

Every business needs a good sales leader. The sales leader is not necessarily a great sales person. A sales manager needs to be the 'chief encouragement officer' within the business. They need to be able to 'fire up' the sales team. The greatest challenge for the sales manager is recruiting 'great sales people'. The sales manager's role is to coach and mentor sales people, to encourage them to achieve their personal targets.

The sales manager needs to understand the strengths and weaknesses of individual sales persons, and to appreciate that their prime role within the organisation is to make sales. Therefore, don't lumber the sales team with administrative issues, but concentrate on trying to strengthen the individual salesperson's strengths. The sales manager needs to resolve any issues between production, administration and marketing, so the salespersons can concentrate on what they do best: selling the business' products or services.

The sales manager should ensure that the object of sales meetings is to encourage and inspire the sales team, not focusing too much on problems over which the individual sales person has no control, and making sure the salespersons leave the meetings inspired and very enthusiastic. Indeed, their best sales calls should be made shortly after having attended an 'inspiring sales meeting'.



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