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March Newsletter

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FREE SEMINAR

*MYOB TO XERO CONVERSION

We are thrilled to announce Andrew Whitelaw, Xero Territory Manager, will be presenting at our upcoming seminar in Busselton.

Mark Trovato Chartered Accountants will be hosting this event on Thursday, 3rd April 2014 at 6.30pm.

Bring your bookkeeper, your staff members, book your seats to learn about the exciting conversion to the Cloud!

XERO is a cloud based "single ledger" accounting software that suits anyone from a small business owner to a large multi-divisional business.

There will be special **Complimentary Conversion Packages available** to all attendees.

This is a free seminar and all are welcome, but be sure to **register** and secure your place.

** MYOB and other software.*

Click on this link for further information and registration details.

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

Contact Us....

Kind Regards

Featured Articles This Month:

Challenging Times for Business

Strategies to Minimise Digital Disruption

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Challenging Times For Businesses

It's autumn already and we're in the middle of widespread speculation in the media on what is going to be included in the Liberal government's policies, to be announced in the Federal Budget on the 13 May. The key economic data, from a business' perspective, includes:

- Economic Activity – this is the volume side of the economy and reflects demands for products produced by all types of businesses.
- Prices – are ultimately reflected in the Consumer Price Index (CPI). Prices for some services go up, some drop and they're all reflected in the CPI. It is expected that the CPI will remain between 2%-3% during 2014.
- Interest Rates – the Reserve Bank has set the interest rate currently at 2.5%. There is an expectation that, by the end of 2014, rates will increase to around 3%. If you're able to do so, this might be a good time to lock in a long-term rate, in accordance with your agreements with your bank.
- Exchange Rates – are expected to remain around AUD0.85 to USD1. Exchange rates can have significant effects on a large number of businesses and many will be closely watching what happens to interest rates.

There have been some other events initiated by the Federal government (mostly laws passed by the previous Labor government), which will have effects on many SMEs, including:

- There has been a decision handed down in Victoria, in a matter of liquidation, between Swans Services Pty Ltd and Central Cleaning Supplies (Aust) Pty Ltd, in which the court rejected the plaintiff's (Central Cleaning Supplies) appeal from the liquidator's decision to seize property that has been supplied to Swans Services Pty Ltd (in liquidation). This case highlights the necessity for businesses supplying goods with a 'Retention of Title' clause appropriately drafted after the 31 January 2012, to 'protect their security interest' by registering the security interest on the PPSR.
- Privacy Law Reform has been introduced, which affects all organisations with a turnover of over \$3million, that are:
 - health services holding health information; - organisations related to a larger companies.
 - organisations trading in personal information; and
 Reforms commenced on the 12 March 2014.
- Anti-Bullying Laws are now fully operational. Workers who feel they are being bullied will now be able to seek an order from the Fair Work Commission, requesting that the bullying stops.

These three items, PPSA, Privacy Law Reform and Anti-Bullying Laws, highlight the necessity for business owners to be having an annual legal check-up with their commercial solicitor, to ensure they are complying with the new laws and regulations.

We are certainly within challenging times. This edition of Business Plus+ includes commentary on:

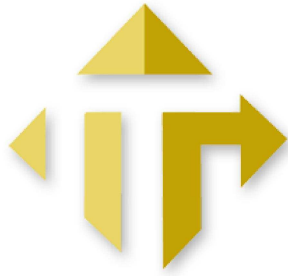
- Recalibrating cost structures and replenishing revenue streams, as strategies businesses might adopt to combat 'digital disruption'.
- Cost control strategies are discussed.
- Succession planning doesn't just apply when you're 60-70 years of age. Succession planning can apply to businesses at any age of the owner.
- Debtors' days outstanding are 80% above the traditional 30-day trading term that most Australian businesses establish with their customers. A dedicated debtors' system may assist in reducing debtors' days outstanding and freeing up cash into your business' bank account.

If you would like to discuss any of the issues that have been discussed within this edition of Business Plus+, please don't hesitate to [contact us](#).

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Strategies To Minimise Digital Disruption

Recalibrating Cost Structures

The management of costs is one of the biggest challenges facing small businesses. Indeed, a survey on small businesses, conducted by CCH in April 2013, identified that management of costs is the biggest single issue of concern for small/medium business operators in Australia.

Recalibrating cost structures involves:

- Thinking of changes in terms of personnel.
- Undertaking further training with your team.
- Changes in the supply chain.
- Strategies to reduce business overheads.

Businesses need to be able to compete with 'digitally-powered', low-cost, newcomers.

Replenishing Revenue Streams

This relates to building new sources of revenue across segments, geographies and business models, as traditional streams dry up in the wake of 'digital disruption'. Deloitte are predicting that there will be significant changes in the way successful organisations conduct their businesses.

If you would like to have a discussion with us relative to your cost structures and identifying possible new revenue streams for your business, please don't hesitate to [contact us](#).

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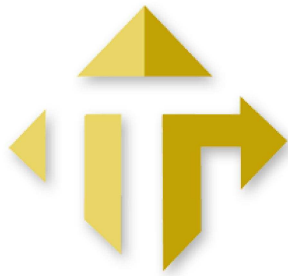
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Characteristics Of A Well Run Business – Part 7

Excellent Staff Management

Communication with the team can be improved by:

- use of job descriptions
- use of budget targets
- staff reviews at least every 6 months
- listen effectively
- review performance - the monthly 'bitch' session
- responsibility/authority delegation creates challenges and provides opportunities for team members
- effective training
- authority to implement strategies

If you would like to have a discussion with us relative to any of these issues, please do not hesitate to [contact us](#).

Click below to view previous Part's to this Article.

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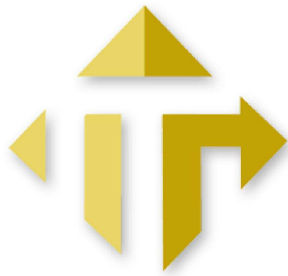
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Reducing Debtors' Days Outstanding

In Dun & Bradstreet's latest report on indebtedness to Australian businesses, it is indicated that the average debtors' days outstanding in Australia is 54 days. This does not compare well with the normal trading terms of 30 days. This means that, for a business which has credit sales of \$2million, the debtors' days outstanding would be in the vicinity of \$295,000, if their business were trading in 54 days. Whereas if they are abiding by the terms of trade stated by that business, the debtors' balance would be \$164,000. This is a difference of \$131,000. If this is the scenario in your business (normally 30 days), there is undoubtedly many things you could do with an extra \$131,000 in your bank account.

There are many businesses in Australia that are trading within the 30-day terms. They are utilising debtors' management systems, which comprise written systems to ensure all aspects of debtors' management are appropriately followed and include follow-up action, to keep on top of their debtors' systems.

If you are interested in having a discussion with us relative to the implementation of a debtors' management system for your business, in an attempt to reduce your debtors' days outstanding, please don't hesitate to [contact us](#).

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Succession Planning – Important At Any Age

There are thousands of business owners in Australia and New Zealand wanting to plan an orderly succession in their businesses. The situation is complicated by the number of business owners, now described as 'baby boomers', who are planning to dispose of their businesses.

Succession planning isn't just about those who are 60-70 years of age. Succession planning can apply to businesses at any age of the owner. In fact, succession planning also applies to virtually every position within the business.

- Who is going to take over if something happens to a particular person?
- Who should be getting trained and developed through professional development training courses so, in two-three years' time, they will be able to perform specific duties within the business?

Succession planning is part and parcel of the ongoing activity within a thriving business. It is a challenge all business operators should be taking seriously.

What do you want from your business?

- Did you set out to create a legacy? If so, have you?
- Do you need to provide a set inheritance for your children and grandchildren?
- Have you got any dependants, who are relying on you to provide for them as you get older?
- Do you want to develop the business, so you can sell it and move on to another business? There are plenty of people who do that. Not everyone likes sitting in one or two businesses for a long time. Some people get a great 'buzz' out of starting a business, building it up and then selling it.

If you would like to have a discussion with us relative to planning for a succession in your business, please don't hesitate to [contact us](#).

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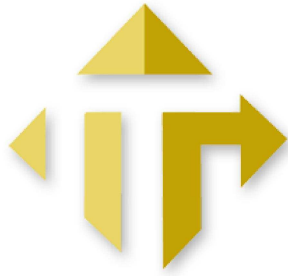
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Government Grants and Assistance for SMEs

Research and Development – Registration is required by 30 April 2014. An extra tax rebate is available for a company that incurred more than \$20,000 on Research and Development activities for the year ended 30 June 2013. If you wish to claim the rebate, you must register with AusIndustry prior to the 30 April 2014 or the date of lodgement of the company's income tax return, whichever is the earlier. If you are conducting ongoing Research and Development activities, you still have to register by the 30 April each year.

The Research and Development Tax Rebate for companies with turnovers under \$20M is 45% of the eligible research and development expenditure which can include salaries of team members who have been legitimately engaged in research and development project activities. If the company is trading at a loss, you can be paid the Research and Development Tax Rebate as a cash amount within 30 days of lodgement of the company's income tax return.

If you would like assistance, relative to completing the Research and Development Application Form and lodgement with AusIndustry, please do not hesitate to [contact us](#).

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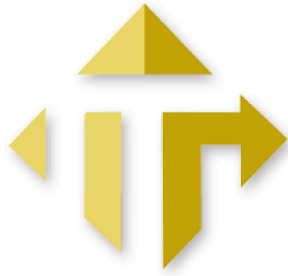
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PPSR – Now Fully Operational

The Personal Property Securities Act (PPSA) became fully operational from the 31st January 2014. This means that the Personal Property Securities Register (PPSR) is now fully operational.

The PPSA allows a 'security interest' in personal property to be registered and searched by anyone at any time. 'Personal property' applies to everything, except land and buildings. Whilst there is no compulsion to register any asset with the PPSR, if you don't register assets to which the legislation has deemed a requirement, you could end up losing those assets (even though you paid for those assets) to someone else who has a superior claim to you, because they have registered in accordance with the PPSA. That business will then be lawfully able to sell the asset for which you have paid and utilise proceeds, as contribution towards payments to secured creditors.

Virtually every business will be affected by this legislation. If you have not seen your commercial solicitor for advice on your 'Terms of Trade' and the 'Retention of Title' clauses ('Romalpa Clauses') included within your tax invoices, there is a strong possibility that you are not complying with the PPSA legislation. As your accountants, we are able to assist you in implementing appropriate systems for the management of transactions that should be considered for registering the security interests on the PPSR.

There have been major legal decisions, which have cost people, who thought they owned the assets but had not registered on the PPSR during the two-year transitional period. To their utmost dismay, they have found that the law didn't recognise their ownership. In the case of WOW Sight & Sound, the business went into financial difficulties and many of the suppliers, who had supplied stock and consignment stock to WOW Sight & Sound stores, did not register their interest in the stock they supplied with the Personal Property Securities Register. The liquidator was able to register the stock items that were in the premises at the time of their appointment, thus the 'owners' of the stock did not have a priority. As a result, the suppliers lost a large amount of money.

In the QES case, QES placed plant and equipment on someone else's property, which went into liquidation. QES did not register their security interest on the PPSR, and the liquidator was able to claim that plant and equipment, and sell it for the benefit of the secured creditor.

In the Kentor Minerals case, a business supplied a tank worth \$300,000 to Kentor Minerals, which then went into liquidation. The owner of the tank did not register their security interest on the PPSR, and they were unable to claim a priority on the tank. The liquidator was able to sell the tank for the benefit of the secured creditor.

This legislation is very important; if you have any questions as to how the legislation operations might affect your business, please do not hesitate to [contact us](#).

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Some of the Businesses Affected by PPSA

The Personal Property Securities Act (PPSA) will affect a wide range of businesses. Some of the key issues businesses which have transaction that could be registered on the PPSR include:

- retention of title clauses ('Romalpa Clause');
- Terms of Trade – both of these documents should be drafted by a commercial solicitor, who will ensure they comply with the PPSA;
- businesses operating in leased premises should seek legal advice on registering a security interest over plant, equipment, furniture, stock etc., that is situated on the leased premises; and
- another potential problem is preferential payments that may have been paid to your business. To protect yourself, you will need to seek legal advice on your Terms of Trade documents and the lodgement of a security interest on the PPSR.

Some of the businesses, which will be affected by the PPSA, include:

- restaurants, shops, offices, warehouses that are being leased from their owners;
- retail shop – retention of title clauses for credit sales;
- trades and sub-contractors – registration of security interests on tools, equipment, vehicle and machinery left on a third party workplace - gaining access to leased premises to retrieve tools, equipment, vehicles etc;
- risk of preferential payment claim by a liquidator, relative to leasing of furniture, fittings, equipment etc., that has been supplied to a third party e.g. a builder;
- wholesaler supplier – retention of title clause and registration of security interests for stock sold and not yet paid for and consignment stock;
- horses and other livestock that have been leased to a third party - registration of your security interest;
- farmers – crops – registration of a security interest in farm produce stored on someone else's premises; and
- equipment renters – registration of security interest.

In addition, other businesses will need to consider the PPSA legislation include:

- motor vehicle dealers;
- ingredient suppliers;
- water craft including boat owners;
- artists for paintings and other works of art;
- livestock on agistment;
- equipment such as harvesting equipment stored at someone else's property;
- share farmers;
- designers;
- automotive spare parts suppliers;
- second hand motor vehicle dealers; and
- prawn brokers;
- second hand dealers.

The type of transactions potentially effected by PPSA include:

- businesses buying assets – check the PPSR to see if there is any encumbrances on the asset you are proposing to purchase;
- service entity arrangements
- leasing goods – the legislation has introduced the term PPS Lease;
- leaving property at someone else's premises; and
- supplying goods on credit;
- dealing with your business' intellectual property.
- consignment stock;

The PPSA represents a very large change in commercial law, with some people claiming it is the biggest change in the last 200 years. If you have any concerns on your business transactions and how they might relate to the PPSA legislation, our recommendation is that you consult your commercial solicitor for advice on Retention of Title clauses and Terms and Conditions of Trade. Please **contact us** for a discussion relative to the implementation of an appropriate system, for the PPSR, for your business.

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Personal Property Securities Act – Creating Systems To Protect Your Assets

The biggest change the Personal Property Securities Act (PPSA) has introduced is that 'title is no longer king'. If businesses fail to register their security interest, created under the PPSA legislation and if there's an insolvency event of the business' customer, which would be evidenced by the appointment of an administrator, liquidator, receiver or trustee in bankruptcy, then the original owner of the goods or assets may lose the benefit of those assets, because the insolvency practitioner may be able to sell those goods or assets on behalf of a secured creditor.

We emphasise that registration of a title is not mandatory but is voluntary. It is up to individual businesses to decide whether to self-insure and not register, or to register for some or all of their customers.

Businesses should consider establishing a sum of money and, if an invoice exceeds that sum, then that transaction would be protected by lodging a security interest on the PPSR. Businesses should also determine a minimum value of assets. If assets located on someone else's property are valued at more than the 'minimum' amount, consideration should be given to registering those assets on the PPSR.

This is very important legislation. If you would like to discuss it with us, please don't hesitate to [contact us](#).



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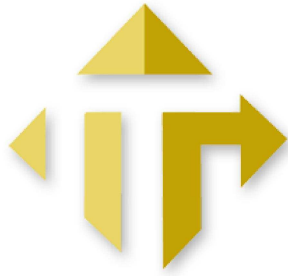
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What Services Can Accountants Offer?

As your accountants, we're happy to supply you with a range of services beyond the traditional annual accounts and income tax service. The additional services can include:

- In-depth review of your monthly financial accounts.
- Preparation of budgets on an annual basis, then monthly or quarterly updates.
- Preparation of annual cashflow forecasts, then monthly or quarterly updates.
- Review of your debtors' aged analysis.
- Advising on strategies to reduce debtors' days outstanding.
- Assisting in the management of costs.
- Reviewing your insurance needs.
- Identification of government grants that might suit your business.
- Reviewing your operations relative to your exposure to the Personal Property Securities Act.
- Advising on implementation of systems to ensure there is proper consideration given to tax invoices and location of assets owned by your business, in determining whether a 'security interest' should be lodged on the PPSR.

If you would like to have a discussion on any of the additional services we can supply to assist you in your operations, please don't hesitate to **contact us**.

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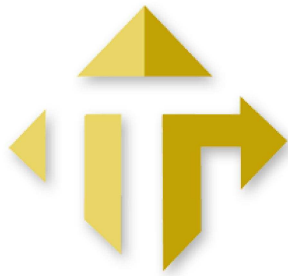
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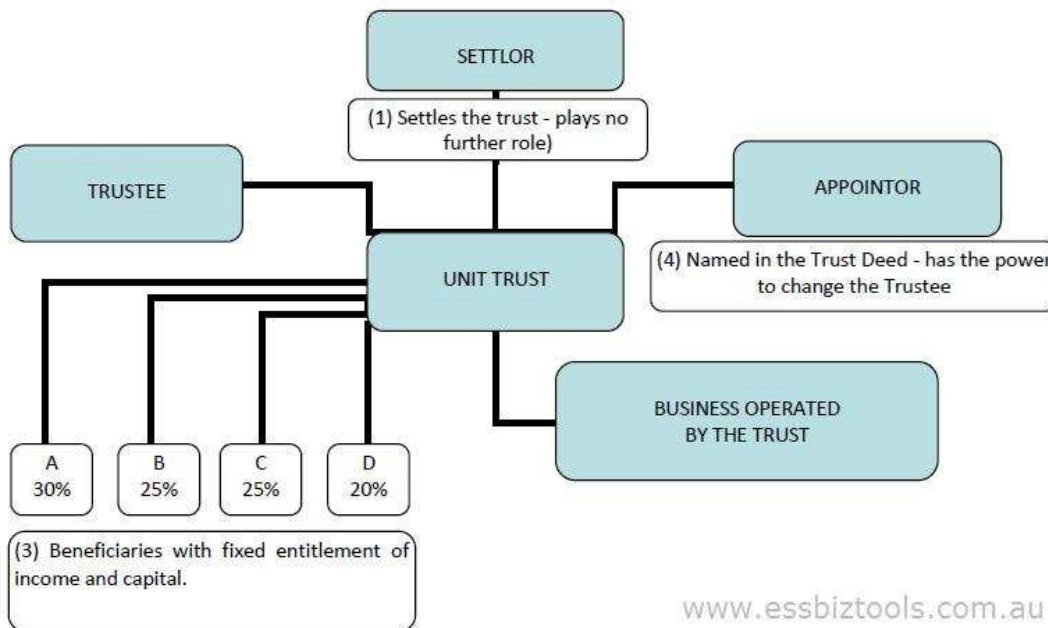
Businesses Entities – Unit Trusts

A 'unit trust' is different to a discretionary trust (refer Issue 98 – December 2013). Many small business operators use unit trusts for their business operations. In a unit trust, a beneficiary has a fixed interest with a designated number of units similar to a partnership. The beneficiary is called a 'unit holder', and is entitled to a distribution of income, in accordance with the percentage of units held in the unit trust. It is not unusual in a unit trust for there to have been a payment made for units allocated. A unit trust is normally used when there is more than one family or group of people involved in a business operation.

The unit trust needs a trustee. A trustee can be a company or, at least, two individuals. The trustee is responsible for all day to day activities of the trust. The activities of the trust are governed by the trust deed. A 'discretionary trust' is maintained by the trustee. This records the name, address and number of units owned by each unit holder.

A unit trust can operate virtually any type of business. In normal circumstances the unit trust does not pay income tax. The trustee must ensure there has been a distribution of the taxable income to the unit holders, in accordance with the percentage they hold in the unit trust. If the trustee does not make a distribution, then the trust has to pay income tax at the penalty rate of 46.5%.

There are special laws relating to unit trust losses and bad debts incurred by a unit trust. An example of a unit trust flow chart –



If you have any questions on any aspect of the operations of a unit trust, please do not hesitate to [contact us](#).

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