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CHARTERED ACCOUNTANTS
Thinking ahead and beyond



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May Newsletter

Please click on the relevant links for access

to our featured articles in this months newsletter.

Those with a Self Managed Super Fund(SMSF), please refer to the Superstream Article link below.

Superstream Summary Article

We also look forward to releasing a special "Post Budget Newsletter" next week.

Thank you to all attendees of our Xero Seminar last month. We hope that all of our newly converted XERO members will enjoy the timesaving benefits of XERO in the years to come.

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

Contact Us....

Kind Regards

The Team
Mark Trovato Chartered Accountants

www.marktrovato.com.au

Featured Articles This Month:

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If you have any interest in converting to XERO please contact Mark or Alison for further information.

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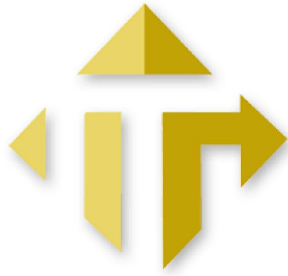
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Lull Before The Storm

Most commentators in the media of late have been talking about the forthcoming Federal Budget. However, there's been some other news, which has pleased some segments of the SME market, including:

- The announcement of the Japanese Free Trade Agreement has pleased some industry group, whilst others think it was not as good as they expected. Most importantly, the deal will introduce more income into the Australian economy.
- The Australian dollar has been moving upwards over the last couple of weeks. Each time it moves, it makes trading more difficult for exporters.
- The uncertainty for small business operators has not been helped by the Federal government's decision to place about 100 Federal government grant programs into 'recess' until after the Federal Budget is announced. The grants in 'recess' include the two largest grant programs, targeted at SMEs – Commercialisation Australia and Enterprise Connect. A number of SME operators are expressing dismay at the notification of the 'recess' months after they submitted their applications to the government organisations.
- There are some speculations about interest rates rising. The Reserve Bank has left the prime rate at 2.5%. The 10-year bond rate is currently at 4.096%.
- The International Monetary Fund (IMF) has sharply downgraded its estimate for Australia's economic growth by 2.6% (2.8%) this year and by 2.7% (3%) in 2015. Commentators believe this will mean the economy will remain in the 'slow lane' for at least the next two years.

In these uncertain times, it is best for small business operators to be closely watching business performance, by monitoring debtors, stock, work in progress, preparing weekly estimates of profitability and monthly financial accounts. Businesses should also be monitoring their potential exposure to the problems that have been caused by the Personal Property Securities Register (PPSR) by not registering security interests on the register.

Hopefully, some clear indication will be given on the government's monetary proposals, grant programs, etc, when the Federal Budget is delivered on Tuesday 13th May.

If you have any queries on any aspect of your business operations, please don't hesitate to contact us.



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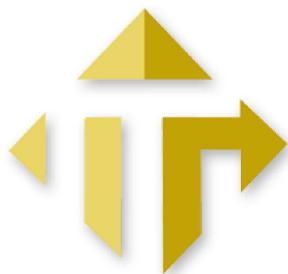
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Business Plans

Business plans are very important. They're like maps for tourists. If you haven't worked out where you're going, how are you going to know when you get there?

Assistance in Raising Capital and Loan Funds

More and more businesses are turning towards angel investors, in an attempt to raise capital to expand their business operations. Unfortunately you will not achieve a satisfactory outcome, unless you have a properly prepared and supported:

- business plan;
- intellectual property strategy; and
- budget and cashflow forecasts;
- proper basis for the proposal to the potential investors.



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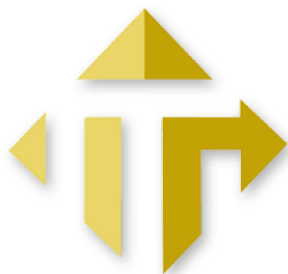
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Expansion Advice

Expansion advice has been identified as a major concern for small business operators from the CCH survey. There are a lot of matters to consider:

- When deciding whether to expand your business.
- What is happening in the general economy?
- What are the competitors doing?
- Is the proposed location a good location?

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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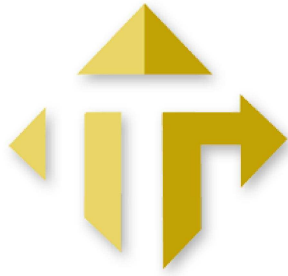
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Pre-Emptive Rights – Private Companies

A private company has a 'pre-emptive rights' requirement, which means that, before directors of a private company can issue additional shares in a company, or approve a share transfer, they should offer those shares firstly to the existing shareholders (who have the same class of shares). The board of directors can also reject a proposed purchaser of shares in the company from becoming a shareholder.



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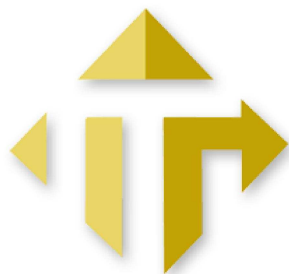
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Gross Profit Percentage – A Good Indicator

A good indicator, to determine whether you have purchased stock at a higher cost than what you would normally do, is to calculate the 'gross profit percentage' at least on a monthly basis.

Gross profit is determined as the difference between your selling price and your cost of goods sold. The calculated figure, the gross profit, is then divided by your sales figure and multiplied by 100/1.

Example:

Sales – \$140,000 Cost of Goods Sold – \$86,800

140,000 – 86,800 = 53,200 (Gross Profit)

53,200/140,000 x 100/1 = the gross profit percentage is expressed as 38%.

If your normal gross profit percentage was, say, 49%, this would give you an indication that the 11% variance could have been caused by:

- paying more for your purchases than you normally have, or perhaps paying more for your freight in;
- damaged or deteriorating stock, which has been written off – the effect of which is reflected in the gross profit calculation;
- paying for stock you haven't received; and
- there may have been a reduction in effective selling prices for the stock items sold.

Continually evaluating your gross profit percentage, in your various departments and lines of stock if you can, is a great way to give you a quick key performance indicator (KPI) on the efficiency of your purchasing within your stock control area.

If you would like us to review a gross profit percentage earned within your business, please don't hesitate to contact us.



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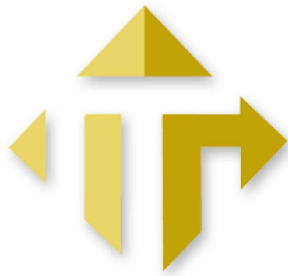
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Third Party Reporting To The Australian Taxation Office

The Australian Taxation Office (ATO) now receives information from third parties, for each taxpayer, in relation to:

- wage and salary data;
- dividend income; and
- government welfare payments;
- private health insurance details.
- interest income;

Tax Compliance – Improving Compliance through Third Party Reporting and Data Matching

From 1 July 2014, the third party reporting regimes will be extended to include:

- the sale of real property;
- sale of shares and units in unit trusts;
- sales through merchant debit and credit services; and
- taxable government grants and other payments

and will also result in more frequent reporting of information throughout the year to the ATO, on an event-based style reporting.

An ATO discussion paper mentions that, for an investment of \$80million, the ATO expect to recover an additional \$610million from taxpayers because of the third party reporting process.

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