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July 2012**What A Confusing Picture!**

The state of the Australian economy at present creates a confusing picture, especially for small/medium business operators. Only days after the Australian Reserve Bank reduced the official interest rate by 0.25% to 3.5% to improve economic activity, the Australian Bureau of Statistics released figures which show strong economic performance was achieved in the March quarter which ABS have calculated grew by 1.3% to achieve an annual growth rate of 4.3% - the best performance since the September quarter 2007!

The annual growth figures have been driven by strong economic performance in the Northern Territory, Western Australia and Queensland. Annual growth figures are as follows:

- Northern Territory 16.9%
- Western Australia 14.5%
- Queensland 7.5%.

The other states have shown significantly less growth:

- ACT 3%
- Victoria 2.7%
- South Australia 2.3%
- NSW 1.9%
- Tasmania -0.8%.

The financial report indicated that household consumption was up by 1.6% in the March quarter primarily because of extra spending on food, clothing, health services and recreational activities (such as gym memberships and movie tickets).

There has been an expectation that the Reserve Bank would announce further interest rate cuts in July/August however, the pace of these cuts may now be restrained because of this reported positive economic activity.

It is of great interest whether this strong activity will continue in the June quarter although many small/medium enterprise operators would say it is not, especially in the states other than Queensland and Western Australia.

Immense problems still remain in Europe, particularly in Greece and Spain. The Spanish Prime Minister stated recently that "Spain can no longer raise money on global markets or roll over their sovereign bonds".

In recent days the Australian dollar has fluctuated highlighting the need for exporters and importers to monitor the currency's position.

Closer to home the Federal Government Carbon Tax commences on the 1st July and this will cause problems for some small businesses.

The government's announcement of changes to the superannuation rules is also causing concern for some small business operators. Unfortunately liquidators are reporting that they are very busy at present. On a brighter side, the Government's announcement of Capital Expenditure 100% write off for purchase of assets costing up to \$6,500 and the immediate write off of \$5,000 on the purchase of cars for business operations after 1st July 2012, will be welcomed by many small/medium enterprise operators.

Within this confusing economic picture, business operators need to be mindful of cashflow management, primarily monitoring debtors and ensuring that bankers' covenants relating to individual loans are being closely monitored.

Small Business Has Achieved Some Tax Recognition

Every successive government always appears to try and claim that they are out to help the little Aussie battler small business owner. For many years this was something that never really had any substance, but in recent years, the small business entity regime has emerged as part of the Income Tax Assessment Act. This means that small business has become eligible for various useful tax concessions.

One of the most useful concessions for small business owners has been the depreciation and pooling allowances provided to eligible businesses. Small businesses have the ability to claim an immediate deduction for any asset costing less than \$1,000 in a tax year and for any asset costing more than this, they get an immediate deduction of 15% followed by 30% in the following year by allocating it to a small business general pool. This is claimable up to the 30th June 2012. This gives rise to more immediate and more generous deductions than other businesses which must depreciate any asset over \$300 and often at a rate of between 10 and 20 per cent.

From 1st July 2012, small business entities are now able to claim immediate deductions for any asset costing less than \$6,500 and all assets other than buildings will be allocated to the small business general pooling. As an additional benefit, if the asset is a motor vehicle, a small business entity will be entitled to an immediate deduction of \$5,000 and the residual value is depreciated at 15% in the first year of use.

This provides many planning opportunities for small business and helps reduce the tax burden in line with the reality of a small business' cashflow needs.

Marketing/Sales Hints

Collect Prospect Details

Every business should be maintaining a database of prospects. There are literally hundreds of Customer Relationship Management (CRM) systems available, many of which would be ideal for small/medium enterprises to use to record details of prospective clients. Make an attempt to collect mailing information from people who come into contact with your business or alternatively, run a weekly competition that requires a customer to submit their business or personal details by filling in a form. You will then be able to include these prospects as "leads" into your database or CRM and commence communications with them by mail or email (make sure you have their permission if you are going to send these "leads" promotional emails and always include an "opt out" option in a promotional email so that you do not incur problems under the SPAM Act.)

Use Audio To Communicate

There are opportunities for most businesses to prepare a CD and send it out to prospects. The CD should include details of the specific offer that you are prepared to make to that group of prospects. You can also include appropriate information on your firm, emphasising the professionalism and high standards maintained within your business.

On Hold Messages

If you haven't already commissioned an "on hold message" on your telephone why don't you have an appropriate message prepared listing the types of products and services that your business offers? Remember to change the message every 4 or 5 weeks so that regular callers hear a "new message" and are not subjected to the same message month after month.

Possible Risk Management Issues

Some of the potential risks for small business operators to consider include:

- business continuity planning
- emergency planning eg cyclones, floods, tsunamis, bush fires, epidemics
- business planning
- corporate governance
- financial management
- outsourcing
- human resources management
- research and development
- protection of intellectual property
- products/service development
- contract management.

If you would like us to assist you in the development of risk management mitigation strategies, please contact us.

Government Grants For SMEs

Commercialisation Australia – Experienced Executives

For companies who have developed a new product or service and who would benefit from bolstering their senior management team, Commercialisation Australia has a grant of up to \$350,000 on a 50/50 basis, over a 2 year period for an eligible company to engage an experienced Chief Executive Officer or other executives, who can bring real practical senior management skills to the company to assist in the commercialisation of the product or service that it has produced. This grant is designed to assist small innovative firms and people new to business to gain access to skilled executives with management experience. To be eligible an applicant must have a combined annual turnover (including the applicant and any related body corporate) for the last 3 years, of less than \$10 million per annum. The applicant must have access to, or the beneficial use of, the intellectual property necessary to carry out and/or commercialise the project.

If you would like to have a discussion with us relative to the submission of an application to Commercialisation Australia, please contact us.

Business Plans

Business Plans – Public Relations

When preparing a Business Plan for a small/medium enterprise, consideration should be given as to whether the business is seizing available opportunities to promote the business by:

- issuing news releases to the media;
- producing blog articles;
- preparing newsletters;
- utilising social media.

Having Problems Putting Your Plans Into Action?

In the “Australian Business Solutions” Issue 24, June/July 2012, the article “Principles of Execution – Making It Happen” by Graham Haines*, identified 36 barriers that prevent or delay execution (AKA implementation of plans to achieve desired outcomes). He lists 13 barriers in planning, 14 in execution, 6 in monitoring, measuring and adapting and 3 in revising the plan.

Briefly, barriers in planning arise from poor problem and decision making issues such as: failure to clarify the aim and the business context; not having clear results to aim for; insufficient time spent in planning with no clear action plan before moving to implementation; and underestimating the ‘execution’ cost.

Barriers in ‘execution’ include inadequate attention to factors such as: organisational alignment; management of change; leadership; teams and teamwork; employee engagement; and communication.

Monitoring, measuring and adapting barriers are the result of lack of awareness of the performance of direct competitors, too much reliance on quantitative measures, and failure to measure performance.

Revising the plan is essential to ‘doing things right’. One needs to recognise when circumstances change and make revisions accordingly. This is vital to the successful execution of the plan.

*Graham Haines “Execution to Die For: The Manager’s Guide to Making It Happen” Australian Institute of Management Bookshop.

We can assist you to implement leadership strategies utilising tools that reflect Graham Haines comments.

Planning Successful Succession Within Your Business

Succession planning is a very important issue for all businesses irrespective of size. Succession does not just relate to older persons wanting to retire nor does it only relate to the owner of the business. Succession planning is important at every level of the business as it relates to effective mentoring and coaching within the business to improve the skill levels of all team members.

There is no doubt that succession issues are a very topical subject amongst small business owners at present. This is because of the large number of “baby boomers” who will want to sell their businesses from now on. Therefore it is prudent for people who are contemplating selling their business over the next decade to start planning for succession now. There are some key questions to be answered relative to implementing a succession plan. The first series of questions start with the current owner:

- What do you want to achieve from the business?
- Are you building the business for a lifetime or an exit?
- Have you identified your fears?
- As part of your succession plan have you thought about your options for exiting the business?
- Are you motivated by a significant change or event to influence you to quit the business?
- Will the business survive with the reduced reliance on “you”?
- As part of the professionalising of the business can you effectively make yourself redundant?
- Do you think your business is “exit ready” or succession ready at this stage
- If you don’t believe the business is “exit ready” what are your motivations for staying in the business?

If you would like to have a discussion with us relative to your implementation of a succession strategy within your business and you would like to receive the “Succession Planning – Current Owner’s Strategies Questionnaire” please contact us.

What Does It Mean?

Net profit before tax....the amount remaining after cost of goods sold and operating expenses have been deducted from sales or business gross income.

Net profit after tax.... (NPAT) is the net profit less the applicable income tax on that net profit.

Important: This is not advice. Clients should not act solely on the basis of the material contained in this bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. This bulletin is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential.