

Business Plus+

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BUSINESS ADVISERS
AND ACCOUNTANTS

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Issue Number 58 - December 2010

We wish you and your team a Merry Christmas
and a Happy New Year



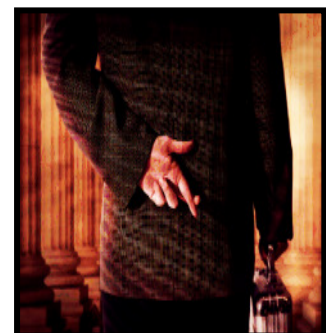
The Year That Was - 2010

2010 was certainly an improvement on 2008 and 2009, however there were still many problems affecting Small Medium Enterprises (SMEs).

Economic growth was approx. 3%, and unemployment approx. 5.1%. The inflation rate is just under 3%, cash rate (as set by the Reserve Bank of Australia) was 4.75% on the 6 December (not quite the 5% forecasted at the beginning of the year) but it is expected to continue to rise in early 2011.

The relationship between the Australian dollar and US dollar has fluctuated; it is currently around 98¢ to the US\$1. The strength of the Australian dollar, as compared to forecasts at the beginning of the year (when most economists thought it would average at around 82¢ for 2010) indicates the strong pressure being suffered by the US economy, higher interest rates in Australia and Australia's safe haven image.

The Chinese economy has continued to grow and this has been the most significant event that has enabled Australia to avoid many of the problems associated with the global financial crisis. Banks have continued to tighten their lending criteria and, unfortunately, liquidators are forecasting increased activity for their profession during 2011. The Fair Work Act is now fully operational and a number of prosecutions have already been conducted against small business and significant fines assessed for alleged misdemeanours against the Fair Work Act requirements. This highlights the necessity for SMEs to be fully aware of their obligations under the Fair Work Act, or to retain competent industrial relation advisers.



The economy is still running on a two speed basis around Australia, with Western Australia and Queensland benefiting from the mining boom, but even within Queensland there are still major problems with some mining operations not back to full production and the high value of the Australian dollar is causing havoc for many tourism operators targeting incoming tourism.

Cashflow management continues to be the No. 1 concern for many small businesses; debtors' days' outstanding is still very high (approx. 54 days) and, with banks adopting tighter lending criteria, it highlights the necessity for SMEs to be very vigilant in their cashflow management activities.

If you would like to discuss with us any aspects of your business' preparation for 2011, please do not hesitate to contact us.

Avoiding Christmas Function Problems

Work related functions and events are a major high risk zone for businesses. Just think of the problems that have occurred at one major retailer in the last year. With Christmas 2010 fast approaching, perhaps it's appropriate to review planning for Christmas functions. A recent webinar conducted by Workforce Guardian titled "*Christmas Headaches - Functions and Events*" referred to the following issues:

- A significant number of complaints and law suits relate to events organised by an employer.
- Protecting employees' health and safety is the employer's responsibility.
- Workplace policies should still apply at a Christmas event, where the same responsibility applies to the employer as it would if the event was held on the employer's premises.
- If an event is being held at the company's premises, it will be considered a work event.
- If a work related activity is being organised at off-work premises, in virtually every case, it will be considered a work event.
- If managers are going to leave the function and no senior person is left in charge, then the function should be shut down.
- Care should be taken when hosting events at another venue. Even when the event has finished and some employees have moved to another venue, if the manager "shouts drinks" and the company pays, should any problems emerge from that post function event, the company will probably be responsible.



Workforce Guardian advise that, by making appropriate preparation, you can prevent disasters from occurring including:

- send out an email in advance, advising of the event and indicating to employees that normal workplace behaviour standards will be expected at the work related event;
- plan the event in advance because employers have a responsibility relating to protection of employees;
- if you are going to hold a work event in a large bar area that you cannot restrict other people from attending, then perhaps you should move to another site where you can control access to your event;
- prior to the event, have a meeting with the venue management, advising them what your employment policies are and, in particular, insist that food is served with alcohol; and
- a senior manager should be in charge and he/she should adopt a no drinking stance for that function.

Courts have ruled that employers are responsible for safe onward travel after a work sponsored event. Think about providing taxis for your employees/spouses/partners to ensure their safe return to home.

If you have questions relative to employers responsibilities relative to work related events please contact us or workforce guardian at www.workforceguardian.com.au

Business Plans - Questions To Consider

Work in Progress - If you are operating a Work in Progress system, are all costs adequately recorded:-

- Labour?
- Material?
- Subcontractors?
- Outlays?
- Labour On-costs?
- Does the business raise invoices for progress claims on a regular basis?
- Is there a comparison between the actual cost compared to the estimated cost for the project?
- Labour productivity reports prepared weekly/monthly?
- Is a report prepared on results of "jobs completed during the month" so as to give management a guide as to the actual financial contribution made by individual jobs?

There are over 50 questionnaires relating to the preparation of a business plan..... in the next issue we will consider Benchmarking

Investment Allowance Reminder To Install The Asset

Installation by 31 December 2010:

If you are an eligible small business (turnover under \$2M) and you ordered an eligible asset, for investment allowance purposes, prior to 31 December 2009, you can claim the 50% investment allowance if you install the eligible asset by 31 December 2010.

If your turnover is over \$2M:

If you ordered an eligible asset prior to 31 December 2009 and your turnover is over \$2M per annum, you can claim 10% investment allowance, if you install the eligible asset by 31 December 2010.

Developing Leaders In Your Organisation

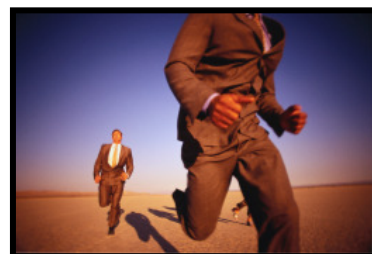
Are You Investing In Developing Leaders In Your Organisation?

Earlier this year a Drake International Survey forecast skills shortages, staff turnover, and leadership development as the first three issues of business concerns for 2010. Given the possibility of our two-speed economy developing further, it is likely that these issues will continue to be of prime concern.

Good leadership, the third forecast, if seriously implemented from top management down, will critically influence and minimise the negative effects of skills shortages and staff turnover.

Have you examined the effectiveness of your staff and their turnover rate? If there is a problem, or likely to be one, have you reviewed the state of leadership in your business – starting with your own?

The usual way to develop leadership is to send people on training courses. But most small businesses find it difficult to release staff – time away affects productivity and the training often does not focus on your specific concerns.



We have a suite of eight Leadership Development modules that will help you 'grow your own' leaders in your own environment and in your own time. They include:

- Teams and Teamwork;
- Leadership – Making the Difference;
- Developing Leadership People Skills;
- Developing Relationships and Trust;
- Motivation; Coaching and Counselling;
- Delegation; and
- Problem Solving and Decision Making.

All modules can be presented in less than an hour and a pre-facilitation Leadership Survey is also available to help provide a benchmark for present standards and continuing improvement.

Please contact us if you require more information. If you would like a copy of the Leadership Pre-Facilitation Survey, please contact us.

New Research & Development Bills

The new research and development has still not been passed. Parliament has risen for 2010 without passing the government's proposed new research and development legislation which was scheduled to commence from 1 July 2010. Many commentators now believe the new legislation, which may still be subject to further amendments, will not operate until 1 July 2011.

If you have any queries on claiming research and development expenditure, do not hesitate to contact us.

Managing Cashflow In Holiday Period

A number of industry commentators have indicated that they believe that sales in the Christmas and New Year period this year will be lower than many business people's expectations. This looming problem will place additional pressure on many businesses to effectively manage their cashflow over the next 3 months. Some suggestions for effective cashflow management at this time include:

- prompt despatch of invoices as soon as a sale is complete (rather than waiting till the end of month);
- prompt despatch of November debtors' statements;
- follow up any overdue amounts;
- closely monitoring stock re-orders to determine whether stock reordering can be delayed until the following month so as to move the cashflow commitment away from the holiday period;
- contacting major suppliers now and making arrangements for delayed payments for stock purchases; and
- preparing a realistic cashflow forecast covering the next 3 months (if the cashflow forecasts indicate that short term financial assistance will be required, contact your bank now to discuss assistance).

If you would like us to send you a short term cashflow forecast template, please contact us. If you would like assistance in reviewing your cashflow forecast please contact us.



Customer Advisory Meetings

The purpose of these meetings is to obtain feedback from a group of customers on the products, services, sales process and general impression of your business.

You can organise the customer advisory meeting yourself or alternatively some clients ask an independent person, such as their accountant, to act as the facilitator of the customer meeting and to prepare a summary of the matters discussed.

Some of the items that could be raised at a customer advisory meeting could include:-

- How do you rate the firm's services?
- Are there additional services that the business could supply to you?
- Have you asked the business to supply these services to you?
- What do you like about this business?
- What do you dislike about this business?
- How does this business compare to competitors?
- Do you receive prompt replies to telephone calls, emails and fax contact?
- Would you like to receive periodic information on products and services being offered by the business?
- What are the strengths of the business, as compared to its competitors?
- What are the weaknesses of the business, as compared to its competitors?



Many businesses are conducting customer advisory meetings 3 or 4 times per annum, and using the meetings to gain valuable feedback on the perception that their customers have on the business operations.

If you are interested in commencing a series of customer advisory meetings and you would like our input, please contact us.

What's It Mean?

Current Assets – those items owned by the business which could be turned into cash within the normal operating cycle of the business, usually 12 months. Examples of current assets are:-

- Cash on Hand;
- Sundry Debtors;
- Inventory or Stock
- Deposits; and
- Cash Floats.



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An Important Message

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