

Business Plus+

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November 2009

Major Issues Confronting SMEs

- The increase in interest rates by the Reserve Bank to 3.5% is confirmation that the economy is showing signs of recovery. Now is the time to review all aspects of your business operations.
- A recent Dun and Bradstreet report has indicated that debtors' days outstanding in the September quarter were 51.8 days. This is a three day improvement on the previous survey results but still highlights a significant departure from the normally accepted 30 day payment terms. SMEs' management need to continually analyse "debtors' days outstanding" and implement effective debtor management procedures (e.g. debtors' days outstanding calculator).
- Cash Flow Management is very important for all businesses; this includes monitoring debtors, stock, work in progress, capital expenditure, dividends and loan repayments.
- Various reports have highlighted the difficulties that SMEs are having in negotiating extended overdrafts and loans with their banks. SMEs need to ensure that financial information is current and that realistic budgets and cash flow forecasts have been prepared which can be submitted to the bank.
- Many businesses are worried about sales levels and gross profit margins. This highlights the necessity for effective marketing, but at the same time, continuing to measure gross profit margins actually being achieved.
- The management of costs is another area that many businesses are spending considerable time in reviewing to ensure that the best value is being obtained by the business for all expenditure dollars spent.
- One of the key aspects for all SMEs is staff, especially having adequate staff available to spearhead the business' performance in the recovery period. Now is the time to implement recruitment programs to ensure that you have an adequate team to service customer requirements during the upturn.
- If you are an importer or exporter the currency movements can either be giving you sleepless nights or improved business performance. However, you need to bear in mind that the currency has fluctuated dramatically over the last 12 months and can just as easily move the other way very quickly. This highlights the benefits from forward exchange currency contracts.
- If, as many experts believe, recovery from the Global Financial Crisis occurs over the next 12 months, how your business performs in the recovery phase could well be determined by your strategies to cover these types of issues.



If you would like our assistance in reviewing your business operations, please do not hesitate to contact us. If you would like a copy of the "Debtors' Days Outstanding Calculator", please contact us.

Important Financial Implications of the Fair Work Act

(Part 2)

SHAM Contracting - Refers to disguising a traditional employer/employee relationship as a "contracting arrangement" in order to avoid payment of Work Cover, Superannuation and other employee entitlements. Just because an employee has obtained an ABN (Australian Business Number) does not mean that the employee may be treated as a "contractor". The Legislation imposes heavy penalties to employers who engage in Sham Contracting practises.

Modern Award - Commences operation from 1 January 2010. Most of these awards will be industry based, and will reduce the overall number of awards from around 4,000 to just 130. Research undertaken by Workforce Guardian has indicated that many employers are unaware that their businesses will become bound by a modern award from 1/1/2010. Modern Awards are not just concerned with basic pay rates, they also set out other employee entitlements i.e. casual and part-time loadings, penalty rates, shift allowances. All of these have the potential to seriously impact a business' bottom line.



Unfair Dismissal Laws - Now apply to all businesses including those employing less than 100 employees. Virtually all employees can now lodge an application for Unfair Dismissal, if they feel their dismissal was harsh, unjust or unreasonable and they have worked for the employer for the minimum employment period. If the employer has fewer than "15 full time equivalent employees" (defined as a small business for this legislation) the period is 12 months. For all businesses in excess of "15 full time equivalent employees" the relevant period is 6 months. Heavy penalties apply to an employer who is found to have not dismissed in a "fair manner". Employers are required to abide by the Fair Dismissal Code (we will summarise in the December issue).

Collective Bargaining in Good Faith - The legislation indicates that all negotiations in relation to the creation of new enterprise agreements must be conducted in "good faith". To ensure that you do not breach this requirement, we recommend that you review your current practises and either obtain appropriate training or engage a professional bargaining representative to assist you in conducting bargaining in good faith.

Transfer of Business Rules - the Fair Work Act introduced a number of important changes in relation to the buying and selling of businesses. One of the most important of these changes concerns "continuity of service". A new owner of a business may decide not to recognise the period of service performed by employees for their previous employer when calculating their length of service to determine dismissal entitlements. However the new employer must inform employees of his/her decision in writing before the new period of service commences, otherwise an employee's prior period of service must still be included in any calculations.

If you would like a copy of the paper "Ten Most Important Financial Implications of the Fair Work Act", by Adrienne Unkovich of Workforce Guardian please contact us.

Business Plans - Questions to Consider Part 16

Pricing

- How often do you review your selling prices?
- Do you compare your prices to your competitors?
- Is there a reason for any major variations in prices?
- Have you got different mark-ups or charge out rates for different products or services?
- Do you prepare "what if" calculations on various sales mix items to see what the result would be?

To be continued.....there are over 50 questionnaires relating to the preparation of a Business Plan. In the next issue we will cover packaging.



Government Grants - Are You Aware of Them?

Key initial questions asked in Government Grant Applications include:-

- In what entity is the business operating?
- What is the entity's turnover?
- Are you importing goods that could be exported?
- Are you spending money on commercial office buildings?
- Are you undertaking manufacturing production processes?

Information required in applications include:-

- Proof of solvency;
- Annual financial accounts and tax return;
- Overview of market research;
- Business Plan (could be preliminary);
- Corporate Chart;
- Details of the Management Team;
- Directors' names;
- Details of Intellectual Property owned by the business;
- Details of intellectual property protection strategies; and
- Insurance Covers.



In most Government Grants the applicant has to supply some of their own funding towards the cost of the project. The Government wants:-

- to know where you are going to get your funding from;
- a detailed summary of the project;
- supporting documents to the claims made in the application;
- projected milestones; and
- a project budget showing the expenditure outlays, dates and amounts of contributions from the business, as well as the Government Grants.

Whilst individuals, partnerships and trusts can apply for Government Grants, companies are the preferred entity.

Turnover limits also apply to many grants. If you would like our assistance on completing a Government Grant, please contact us.

Exports by SMEs

In the quarter May to July 2009, 12% of SMEs reported exporting in the past quarter. SMEs in the metropolitan areas were 4 times as likely to export as their regional counterparts (16% compared to 4%). Individual components were:

- wholesale trade 40%;
- manufacturing 28%;
- business services 14%;
- personal services 12%;
- health & community services 5%'
- transport/storage 5%;
- retail trade 5%;
- financing/insurance 5%;
- accommodations/cafe/restaurants 3%;
- building/construction 2%.

Source Sensis ® Business Index; Sweeney Research - September 2009.

We can send you a paper on Export Activities.



“You can't overestimate the need to plan and prepare. In most of the mistakes I've made, there has been this common theme of inadequate planning beforehand. You really can't over-prepare in business!”

Chris Corrigan

Export Market Development Grants

Applications Close 30th November 2009

Applications for Export Market Development Grants for 2008/09 Grant Year must be lodged with Austrade by 30 November 2009. The EMDG provides a wide range of support to Australian Exporters and covers items such as, Overseas representation; Marketing Consultants; Overseas Market visits; Communication costs with overseas markets; Trade Fairs, Seminars and in store promotions in overseas countries; Promotional material, including advertising brochures, videos, CDs, etc. targeted at international buyers; Bringing overseas buyers to Australia.

Claims can be lodged by Australian residents, being individuals, partnerships, companies, who have an Australian Business Number (ABN) and who are the owners of eligible goods, services, industrial properties or knowhow. Applicants must not have income of more than \$50M in the grant year and have incurred expenses relative to export development of at least \$10,000 (a first time applicant can combine two years of expenses in the first year).

Grants are determined on the basis of 50% of eligible expenditure in excess of \$10,000; the maximum grant is \$200,000. A business **can only claim eight Export Market Development Grants**.



Expenses relating to exports in **New Zealand are not claimable** but export market development expenses incurred for all other countries are potentially claimable.

If you would like our assistance in finalising your Export Market Development Grant applications for the year ended 30 June 2009, please contact us urgently.

What's It Mean?

Benchmarking - The comparison of operating figures from one firm with another to assist in achieving best management practise by comparing firms so as to get an understanding of best performance figures, e.g. revenue generated per employee; gross profit percentage; labour to turnover percentages; net profit percentage to turnover; other performance data as compared to the overall industry performance figures.



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