

Business Plus +

February 2009 Issue

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A Belated Happy New Year!

Surviving the Business Downturn

There now doesn't seem to be any doubt that Australia is caught up in the global business downturn.

The International Monetary Fund announced last week that they believe the Australian economy, will go into recession during this year.

Many people had hoped that the Chinese economy would save the Australian economy, but recent comments from China have highlighted the major problems within the Chinese market, including:

- National growth of 6.8% to 31st of December 2008, well below market estimates of 8% and the double digit growth that had been achieved in previous years.
- 60,000 factories have closed in eastern China because of problems with China's export markets.

The consequences of the problems in China have been felt in employment in the Australian mining industry, with significant retrenchments of employees and contractors occurring. The downturn in the mining industry will have significant impact on many small/medium enterprises that relied on the mining boom for expansion in their businesses.

A disturbing statistic is that company liquidations are increasing throughout Australia. Many of these have involved small businesses who were not prepared for the business downturn.

Another worrying sign is a significant upturn in business for pawnshops, payday lenders and short-term loan companies.

The Reserve Bank of Australia's decision to lower the official cash rate to 3.25%, the lowest interest rate since 1964, also highlights the significance of a deteriorating market.

Businesses need to be taking action now to ensure survival during the most significant business downturn in 80 years.



Steps To Ensure Business Survival!

We are able to assist with a special “Survival In Difficult Times For SMEs Workbook”, containing 36 checklists, a complete review of your business operations and development of a summary report containing agreed strategies to ensure the business’ survival during these difficult times.

Financial Review

Business survival requires a detailed examination of all aspects of the business’ operations to ensure that the business will continue to perform throughout the economic downturn.

Steps that you could consider in reviewing your business include:

- keep the business’ books up-to-date so that management is able to foresee any cashflow difficulties before they happen;
- prepare monthly financial accounts including calculation of key performance indicators and discuss the accounts and KPIs with managers and team members;
- brainstorm creative ways to increase revenue and reduce costs; make brainstorming part of your daily routine;
- review the accounting and computer systems to ensure that you are able to receive prompt accurate financial and business operational reports.

Market And Customer Review

- Review marketing expenditure - Is the expenditure directly targeted to achieving sales in the prevailing market?
- Review your unique selling proposition - Are you delivering outstanding service to your customers each time you deal with them?
- Review what is happening in your industry - What market opportunities are emerging from the downturn?
- Demonstrate a “can do” attitude to the market. The downturn will not last forever. Can you get increased market share in the downturn?
- Analyse your market and customers - Can you offer inducements to them to increase frequency of visits, value of average sales, and attract new customers?



Cashflow Review

Now is a good time to review management of cashflow in the business:-

- Review debtors’ management - Are outstanding debtors being followed up promptly?
- Review costs - Can any costs be reduced or eliminated?
- Review labour productivity.
- Review waste control.
- Review the investment in stock - Can you have “sales” to clear out slow moving stock?
- Review the investment in work in progress - Can this amount be reduced?
- Can you sell unused assets?
- Can you negotiate with suppliers for improved payment terms and support?
- Can management increase the time working **ON** the business?
- Can you be proactive in getting the business in order before you receive an “invitation” to a meeting with your banker?
- If you are looking at business acquisitions, try to stick to your core competencies.
- Review risk management strategies for the business.
- Review bank and other financial loans - Can you renegotiate at the lower interest rates that are now emerging?

Reminder – Climate Ready Applications

The next round of the Climate Ready Program closes on 4th March 2009.

Business Entities – Public Companies

A Public Company is generally a company that wishes to raise capital, or borrow funds from the public. This type of company includes all of those companies which are listed on a stock exchange.

A Public Company:-

- must have at least 1 shareholder and 3 directors;
- has to abide by the Corporations Act and, if listed, the requirements of the Australian Stock Exchange (ASX) or National Stock Exchange (NSX);
- must have a constitution, similar to all other types of companies; and
- must prepare annual directors' reports and statements for distribution to shareholders.



Business Plans – Some Questions to Consider

Competitors

When preparing a Business Plan every business should carefully analyse their competitors.



Questions to consider are:-

- What are your competitors' strengths?
- What are your competitors' weaknesses?
- What are your competitors' opportunities to expand their businesses?
- In what areas are you better than your competitors?
- In what areas are your competitors better than you?
- What do your customers say about your competitors?
- Can your competitors easily diversify into your market?
- Do you maintain competitors' files?
- What strategies are you going to adopt to effectively compete with competitors?

To be continued. There are over 50 questionnaires relating to the preparation of a business plan. In the next issue we will consider Marketing and Advertising.

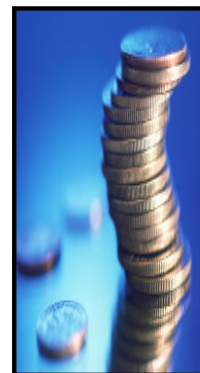
Temporary Investment Allowance – New Announcement

The Australian Government has announced a Temporary Investment Allowance, subject to Senate approval, for small businesses for assets costing \$1,000 or more. For all other businesses, the asset threshold is \$10,000.

The allowance provides an additional tax deduction for assets acquired from 13 December 2008 to 30 June 2009, where the asset is also installed before 30 June 2010. The deduction will be equal to 30% of the asset's cost.

For assets acquired between 1 July 2009 and 31 December 2009 and where they are installed ready for use before 31 December 2010, the deduction is 10% of the asset's cost.

If you would like to review the applicability of the Temporary Investment Allowance to your business strategy, please contact us.



Tax Concessions For Some SMEs – applicable in February 2009

The Australian Government has announced a 20% cut in the PAYG tax instalment for businesses with an aggregate turnover of \$2 million a year or less, applicable to the December, 2008 quarter. This would relate to payments which would normally be made in January or February 2009.

If you have any queries on the special concession to small business entities please contact us.

Reminder – Research & Development Tax Benefits

Companies who have spent in excess of \$20,000 on research and development for the year ended 30th June, 2008 and who wish to claim accelerated income tax deductions at 125% or 175% or be eligible for the R & D Tax Offset must register with AusIndustry by 30th April 2009.

What's It Mean?

Staffing Profile... describes the factors affecting staffing costs, such as:

- Full Time Staff
- Part Time Staff
- Casual Staff

which is usually the largest indirect cost for retail and many other businesses.



Staff structures and productivity should be monitored and geared to deliver the required standard of customer service. Factors affecting the staff profile, include:

- Customer Market Base and Demographics
- Trading Days and Hours
- Staff Training
- Staff Experience
- Employee Turnover
- Employee Morale and Productivity

HOW WOULD YOU LIKE TO KNOW THE FINANCIAL IMPACT OF EVERY BUSINESS DECISION BEFORE YOU MAKE IT?

ARE YOU PAYING TOO MUCH TAX AND LOOKING TO FIND LEGITIMATE WAYS OF REDUCING THIS TAX BEFORE IT'S TOO LATE TO ACT?

HAVE YOU GIVEN YOUR BUSINESS A HEALTH CHECK LATELY? LOOKING FOR WAYS TO IMPROVE YOUR CASH FLOW OR YOUR BOTTOM LINE PROFITS?

THINKING ABOUT OBTAINING FINANCE AND WANT TO KNOW IF YOU WILL BE SUCCESSFUL BEFORE WASTING TIME WITH LENGTHY AND COSTLY APPLICATIONS?

If you have answered **YES** to any of these questions, then you should definitely contact us to find out more about our exclusive **business planning** services.

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.

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