

## 2013/2014 challenges ahead

### Obstacles are those frightful things you see when you take your eyes off your goals (Henry Ford)

The start of the new financial year is a great time to undertake some forward planning as to what might happen during the next financial year. There are certainly many challenges. There is a lack of confidence in the business community at present. Hopefully, that will change, once the Federal government election is held.

There is a concern in the manufacturing industry after Ford's decision to discontinue manufacturing in Australia after 2015. This is obviously affecting many businesses, both small and large, highlighting the necessity for manufacturing businesses to try to create niche markets and products.

There is also a significant wind down of the mining boom relating to the construction phase. This will then be followed by the production activities of the new mining sites, primarily in Queensland and Western Australia. Eyes will be watching China, as a major market for coal and iron ore exports from Australia. China has established a 7% growth target, and as long as that is achieved, there is an expectation that Australian miners will be able to successfully sell their products.

Over the last few months, the US dollar and Euro have continued to strengthen against the Australian dollar. Exporters will be happy. There will also be some effect on the cost of products imported from overseas, which will generally be higher. Many economists believe that the Reserve Bank will lower the cash rate by a further 0.25% to 2.5% in the next few months. The uncertainty is contributing to a reduction in consumer spending which will affect some businesses. Some economists are now forecasting that the exchange rate between the Australian dollar and the US dollar could be around 80 cents by mid-2014.

[Debtors' days outstanding](#), according to Dun & Bradstreet, are now 55 days. Insolvency activities are increasing. Employers still have to navigate the employment law obstacles. There are obviously some significant challenges confronting every business operator. Now is the time to prepare or revise your [budget](#) expectation for 2013/14.

If you would like our assistance with planning your budgets for the new financial year, or undertaking a [review of your business](#), contact Collins Hume on 02 6686 3000.

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## Leadership in tough times

### Being a leader in these tough economic times is difficult

Motivating a sales team, managing [cash flow](#) and [planning](#) are all challenging issues for business leaders. Your ability to lead your business is affected by:

- how you plan future activities for your business;
- how you identify the 'big picture' opportunities;
- how you solve the business problems that you are facing; and
- how you manage change and think strategically.

We are all living in a world of change. The Deloitte report [Digital disruption – short-fuse, big bang?](#) indicated that there will be significant 'digital disruption' that will affect many businesses over the next three years.

Leaders need to think through how they are going to chart a path for their businesses to navigate through these obstacles. If you would like to discuss your leadership issues with us, please do not hesitate to contact us on 02 6686 3000.

# FY14 cash flow management is important for your business success

## Cash flow management is very important for the ongoing success of your business

It need not be complicated, but it is a viable way to increase the value of your business. [Cash flow management](#) can be divided into three categories:

- **Operating Activities** | What do you do in your business? You make a product or supply a service, and sell it. You send a tax invoice (perhaps a statement), and ultimately get paid by your debtor? How you manage that activity is important in trying to shorten the time it takes to receive your money. If there is a delay in sending the tax invoice or the statement, or if you do not follow up debtors, there will be a delay in payments being made.

Dun & Bradstreet recently indicated that debtors' days outstanding in Australia is 55 days. This highlights a major reason for improving the [management of debtors](#), which is an intricate part of cash flow management.

- **Investing Activities** | What assets does the business own that are not being used? Why not prepare a list of the surplus assets you have, which might be plant and equipment, vehicles, properties, stock, or fixtures and fittings. Why not have a 'fire sale', and turn that unutilised asset into cash which could be deposited to the bank account to improve the business' cash flow.

The key strategy is not to have too much money tied up in unproductive assets.

- **Financing Activities** | When you purchase products or services, do you negotiate payment terms with your creditors and pay your creditors according to the negotiated payment dates? In some businesses, payments are made earlier than what has been negotiated. Why?

In other cases, you need to be mindful of payments being made well after the creditor's stipulated terms. What would happen if the creditor suddenly demanded that payments be made by the stipulated date? Could you pay the arrears? What would happen if your supplier cut off supply? Can you purchase similar goods and services from other suppliers?

What is the cost of your overdraft and term loans? Could you have a conversation with your bank manager and negotiate lower interest rates? If you don't ask, you won't know.

Does the business need to spend capital expenditure at this particular time? Would it be better to lease an asset rather than pay cash upfront for the purchase of an asset that will be used over the next four or five years?

Cash flow is a 'whole business' operation. Money can be saved by improving terms and conditions of debtors monitoring. Money could also be saved by analysing the investment in stock and work in progress, and conducting 'fire sales' to dispose of



assets that are not being used. Avoid major capital expenditure, perhaps lease an asset vs. paying cash up front.

The concept of 'whole business' operation for cash flow management is that the sales and stock team and factory foreman should be involved in reviewing the cash flow situation of the business on a weekly basis. In this way, the team can be aware of the problems relating to the debtors not paying on time, stock turn being too low (thus meaning that there is excess investment in stock), invoices not being raised for progress claims each month for work in progress (thus leading to an increase in the investment in work in progress), and creditors' invoices being paid early rather than waiting to the agreed payment date.

It is also important that the whole team has an appreciation of what might be the effect, if the business is paying creditors on a delayed basis, as to what the position will be if the creditors demand payment in accordance with their stipulated payment terms. Where will your business find the money to urgently pay creditors?

If you'd like our assistance on reviewing your business [cash flow management](#), contact us on 02 6686 3000.

*The material and contents provided in The Strategist are informative in nature. It is not intended to be advice and you should not act specifically on the basis of this information alone. If expert assistance is required, seek professional advice from Collins Hume.*

## When is the best time to sell a business?

From the moment you acquire or start a business, you should assume one day that you'll want to sell or merge it with another

Ideally, the best **way** to sell is to prepare over a two to three year period, allowing time to sharpen financial results and ensuring that appropriate systems and records have been put in place to enhance the value of your business. The best **time** to sell is when your business is at the mature and developing stage, because a prospective buyer can see the potential, so know where your business is in its life cycle.

Plan adequately for your business sale. As the owner, whilst your personality, skills and marketing ability may have been crucial to establish the enterprise, all of those skills need to be delegated to people who will remain with the business once you are no longer involved. Even a very profitable business can be worth very little if all of the Goodwill is tied up in a seller who is leaving the business.

Just as you acquired your business to earn profits to fund your lifestyle, financial performance will be heavily scrutinised as part of the buyer's due diligence and often measured by your customer list, supplier loyalty and the capability of your staff. And whilst reasonable people will readily agree on the value of various fixed assets, where wide variances will emerge is in deciding the value of Goodwill and other intangible assets of the business.

If you are thinking about selling your business, get into the 'saleable state' mindset by ensuring that all aspects of your business have been reviewed and proper systems, management structure, and other housekeeping measures are in place so that every aspect of your business functions satisfactorily should a qualified buyer come along.

### Planning ahead is crucial when selling a business

Just as the operation of a business is complex and challenging, so is selling one. If you wish to obtain the top price for it, don't leave it until the last moment to start planning for the sale of your business or for putting it on the market. Allow time to fine tune the financials and work on your systems to enhance the overall value - talk with Collins Hume about doing this in a structured manner on 02 6686 3000.

## Do you know your competitive edge?

In business, you can't be everything to everyone. To be successful, devise a specific proposition or compelling claim targeting customers in such a way that they'd be foolish to go elsewhere. This is your point of differentiation, your 'competitive edge'. Consider what you have to offer that someone else doesn't:

- What competitive edge can your business present?
- Does your business have happy customers? How do you create happy ones?
- What benefits can you offer to your customers that other businesses cannot?
- What is your business the 'moment of truth' - the moment which occurs every time your business and a customer come into contact?

Customers' experiences at these times leave a lasting impression on them, so understand when 'moments of truth' occur and ensure your team knows how to respond.



## Finding the right team balance

**Employers need to find the right balance between friendliness and professionalism. This goes to the heart of business and your management style.**

Employers must be mindful of boundaries with their employees, whilst encouraging respect between colleagues, plus acknowledging that different tendencies exist amongst people. Being aware of differences and, at the same time, being conversant with employment law is key.

When someone joins your organisation, explain the job and performance expectations with the new team member, with at least another team member present. This will enable you to hear the expectations from the new team member. You should also explain what is acceptable behaviour in terms of your business culture.

The processes you have in place for the raising of complaints and performance reviews should be explained to the new team member so there is no misunderstanding of the reasons for performance evaluation.

Employers should be conscious of the employment rules, as ignorance is no excuse.

## Surf the Wave to Success Nov 2013

### Make FY14 count by booking for Collins Hume's exclusive Business Development Conference in Telo Islands

Collins Hume is proud to present our third International Business Development Conference 'Surf the Wave to Success' in conjunction with Baker Afflick Moffrey.

To be held on a privately owned island in the pristine surrounds of the Telo Islands, and hosted by [Peter Fowler](#) one of Australia's premier Business Strategists and nationally recognised Young Business Leader, the key objective of this conference is for attendees to achieve a work and play balance that will lead to greater success in their business.



## Conference Packages and Pricing

For a full list of conference package and pricing options, please phone Peter Fowler at Collins Hume on 02 6686 3000. Peter will be able to help you determine the best conference booking options to suit your needs.

All conference pricing is stated in AUD\$. Conference packages include conference fees, session materials, tailored reports, accommodation, all meals and pre-conference preparation carried out by Peter's team prior to departure including an industry market research report valued at \$845 and a benchmarking report valued at \$285. This conference is potentially tax deductible - we'll be happy to discuss your eligibility when you speak with us.

**Book by 6 September 2013 to avoid disappointment as places are strictly limited.**



## Resort Latitude Zero

For more information on Resort Latitude Zero's facilities, venue or location visit [www.resortlatitudezero.com](http://www.resortlatitudezero.com). We look forward to you joining us in November! [Click here](#) to read full conference details including package options and dates.



## Renee Hogan JP

**We're never surprised when our team members snag professional achievements.**

And our most recent was no exception when Renee Hogan (pictured right) was approved as a Justice of the Peace in May.

Originally from Goulbourn, Renee's family moved back to Lismore when she was a youngster. Many will know Renee as [Shane Bartrim's](#) Executive Assistant who can be found keeping things running smoothly during her bouts on reception, or behind the scenes when it comes to all matters ASIC.

Renee also processes the vast number of audit insurance applications and renewals annually so is our go-to expert on the audit insurance system.

Outside of Collins Hume, Renee enjoys spending time with family, friends and her pet dogs (especially in summer), and contrasts the professional office environment indoors with visits to the gym which she says is a nice way to start the day.

Renee, a huge Roosters fan and big NSW rugby league supporter, is due to complete her Certificate IV in Business Administration later this year, and we wish her all the best in getting that under her belt.

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## How do you grow into a successful business that can compete?

**Happy New Government Grant Year! We take this opportunity to extend to you our best wishes for some very successful funding this financial year!**

### Continuous Improvement Program

If you have participated in the Tailored Assistance Program, you could be eligible for admission to the Continuous Improvement Program. The aim of this program is to accelerate the competitiveness and raise the performance of individual Australian companies through a process of continuous improvement across the entire range of the business' activities. Eligibility is available to every company that has undertaken a business review and has completed Stage 1 of Tailored Assistance Scheme at least 12 months previously.

To be approved for the Continuous Improvement Program, your company needs to be able to demonstrate that it has achieved significant progress in addressing the outcomes of the original business review.

### Export Market Development Grant

The Export Market Development Grant application for 2012/13 financial year opened on 1 July 2013, with the closing date for applications being Monday 2 December 2013. Grants are available for businesses that have exported or undertaken export market activities and expended in excess of \$20k of eligible export market expenditure in the year ending 30 June 2013.

If this is the first grant year, the business can combine eligible export market development expenditure in 2011/12 with the expenditure incurred in 2012/13. This would then become the total expenditure in the 'first year' for the Export Market Development Grant. The minimum grant is \$10k, the maximum grant is \$150k.

### Tradex Scheme

The Tradex Scheme provides exporters with exemption from custom duties and other taxes (apart from excise taxes), but including GST, on eligible imported items. It is a requirement that you must intend to subsequently export the goods, or incorporate them in goods for export. This enables importers, who intend to export the goods, to avoid having to pay customs duty and GST at the time of import. This will mean that you have to claim refund (draw-back) after the goods are exported. There can be significant cash flow benefits if you're an importer who is then exporting product, including products that were originally imported.

There are many Australian and State government grants for small and medium sized enterprises. It is estimated that the total business grant market in Australia is in excess of \$5 billion annually so why not check if you're eligible? [Read more](#)



### Textile, Clothing and Footwear

If you operate in the textile, clothing and footwear industry, you could be entitled to a grant under the Textile, Clothing and Footwear Small Business Program. An eligible business will have fewer than 20 employees and undertakes eligible textile, clothing and footwear activities.

This grant applies to a textile, clothing and footwear business that manufactures or designs for manufacture in Australia, rather than businesses that solely import products made overseas, or only undertakes retail activities, the latter for whom this grant is unavailable.

### Medical Practitioner Rural Relocation Incentive Grant

Are you a medical practitioner wishing to relocate to regional, remote or very remote location? Grants are payable over a two-year period, with a grant of:

- \$120k available for a medical practitioner relocating from a major city to a very remote location.
- \$15k available for a medical practitioner relocating from a major city to an inner regional location.

### Tap your business potential

Call Collins Hume on 02 6686 3000 to find out more or to check your eligibility in the first instance.