

## New credit reporting rules in operation

### New credit reporting rules commenced in March 2014.

These have instituted substantial changes to the way banks and lending organisations approve loans and credit facilities.

Until now, lenders have only been able to access limited information about a loan applicant or a customer, such as major credit infringements.

That's all changed, as part of the [new privacy rules](#), which were also introduced in February 2014.

Under the new regulations, lenders and banks can share information with credit reporting businesses and then receive more information about their customers and loan applicants from the credit reporting agency.

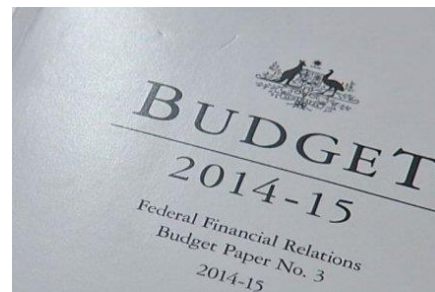
The new legislation allows banks and lenders to provide information to credit reporting agencies (e.g. Dun & Bradstreet) and enables banks and lenders to advise credit reporting agencies of any infringements in payment requirements that have been made by that customer or loan applicant. This enables the credit reporting agency to prepare a report for a bank as to how an applicant has performed on their current loan.

The repayment history is only available to the financial services segment of the credit providing industries. This means that credit providers can provide information about the accounts that an applicant has already opened. The repayment history is only available to banks and finance companies.

The problem for small business operators, who are utilising personal credit facilities to operate their business, such as a credit card or some form of secured personal finance, is that their payment history will find its way to a credit reporting agency's file.

If you are utilising credit cards in the financial management of your business, you will need to ensure payments are made on time, otherwise, adverse reports will be created within a credit reporting agency's files.

Contact Collins Hume on 02 6686 3000 if you wish to clarify or if you have any concerns about the new credit reporting rules and how they affect your circumstances.



## 2014-15 Budget highlights

**Federal Treasurer, Joe Hockey, delivered the first LNP government's budget on 13 May 2014.**

As the Treasurer foreshadowed, it was a Budget of structural reform with distinct short and long-term winners and losers. Much of the headline news was fairly accurately reported and old news by Budget night - 2% debt tax, biannual indexing of the fuel excise, and some severe tightening of social benefits. But the Budget also revealed changes to myriad taxes and thresholds including FBT and super guarantee.

None of the items contained within the Budget will become law until the Budget is passed by the House of Representatives and the Senate, and signed by the Executive Council. We prepared a special edition of The Strategist referring to many of the matters which will affect business owners and primary producers. To download our special Budget edition [click here](#).

## Reducing debtor days outstanding

**Why the management of debtors and the continual evaluation of debtors' days outstanding are *critical* for the operation of a successful small business.**

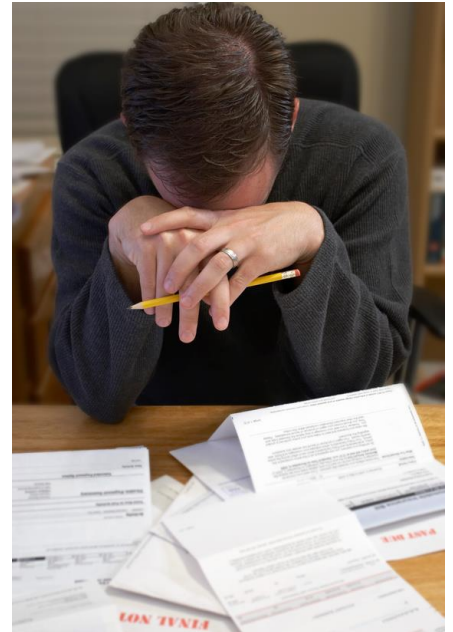
Preparing a monthly debtors' aged analysis is a powerful weapon in maintaining your [cash flow](#) and in so doing contributing to the operation of a successful business. However, your business can be prejudiced when late payers start pushing payment terms beyond the negotiated terms of trade. These payment delays can cause a lot of damage to your business' financial health.

Business owners need to pay particular attention to the [management of their debtors' function](#), to ensure that the debtors' days outstanding is being managed in accordance with the [business budget](#). A blowout in debtors' days outstanding is one of the prime indicators that there is potential danger emerging for the business. Debtors' days outstanding is an early indicator, because it's where 'the rubber meets the road' in terms of the health of the business.

If you budgeted your debtors' days outstanding to be 35 days and they're actually 55 days, you will need additional working capital in your business. Poor debtors' management is continually identified by liquidators as being one of the primary reasons for business failures.

Business owners need to place greater emphasis on chasing debtors as soon as they miss a scheduled payment date. Don't be embarrassed about contacting [customers](#); they owe you money and you are not in business to prop them up, nor are you their banker. Sending out statements and emails to debtors doesn't really work in encouraging debtors to make payments. The best procedure is to make a friendly phone call to your customer as soon as they slip outside the negotiated terms of trade. This is a courtesy call to ask them when you can expect to receive payment for your invoice. Most people will respond to this type of personal calls. If the customer has not responded to the friendly phone call, have someone else in your organisation, who is not involved in the day-to-day activities with that customer, make the next telephone call.

The type of person you employ to manage your debtors is someone who will listen to your customers, but will be very firm in stating your requirement to get paid, and they should confirm each telephone discussion with the customer in writing. When making telephone calls to debtors who are behind in making payment, it's a good idea to outline to them the various payment options available (e.g. credit card,



direct debit, cheque, etc). After outlining these options, say nothing. Wait for a response and for the debtor to make their commitment to you.

If the customer has any complaints or queries about any aspect of their account, they're going to raise them during these calls and this gives you the opportunity to render outstanding customer service by responding to those queries or complaints. However, what you are doing is really emphasising that, in a firm and reasonable manner, you expect them to make payment to you on a due date.

After two of these calls, if there has been no response from the debtor, you should immediately refer the file to a debt collection agency and cease further trading with the customer.

If you would like our assistance in [designing an appropriate debtors follow-up system](#), please contact us on 02 6686 3000.

### Ballina

97 Tamar Street  
PO Box 731  
Ballina NSW 2478

### Byron Bay

Shop 7B The Bay Centre  
6 Lawson Street  
Byron Bay NSW 2481

P (02) 6686 3000

F (02) 6686 7854

E [mail@collinshume.com.au](mailto:mail@collinshume.com.au)



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## You'd be hard-pressed to find a business as successful as Woodrabbit

**Woodrabbit Kitchens does no advertising, per se, apart from generating word of mouth. But there has been a specific reason for that.**

With growth comes responsibility, so owner Brett Adamson has made sure that from start up his business has grown measurably and controllably.

"After 16 years of working for the man I got a shove from my wife," says Brett. "We started Woodrabbit with just me plus one seven years ago."

"Stepping into my own business was like a kick in the face. I didn't understand the true meaning of cash flow and what would happen when our business grew. The first piece of accounting advice I ever received was to sit on my hands, and I'm glad I did albeit very limiting."

"However I was fortunate to have had so many years at the front of another business. It showed me how to grow it by positioning the right people in the right way."

"In our own business we've come so far; I put it down to being humble, being real and allowing things to happen which has opened up opportunities. But we came to a stage where we didn't want to be so powerful that we couldn't handle it."

That's when Brett looked for an accountant who could responsibly help him take his business to the next level.

"It was a natural progression to seek [Chris Atkinson's](#) advice – he is part of our local network and endorsed by one of the banks as a possible match for our business."

"From the first minute it completely changed how we go about things – looking at the way Collins Hume interacts with their own clients, with passion, has blown me away."

"This is more than an accounting lesson for me," says Brett. "It's about stepping back and looking at our business from an operations, client service and 'everything else' viewpoint."

"It's fascinating. We're seven years in, we've grown and grown, and we're looking for the next exciting thing. Chris is just what we need to take the business where it needs to go and we have full confidence that he can guide us."

"A lot of our business success has been about putting ourselves in the right place at the right time. The latest and best opportunity is working with Collins Hume and Chris who has fallen into our laps, and he's excited too! It's like he's sitting on the plateau currently looking at our options to make sure we can walk the walk."

"We're looking forward to understanding our business a lot better – how to monitor the numbers, the cash flow and projecting. With our client base steadily growing, a big part is job scheduling and figuring out what to take on, then being able to say to Mrs Smith that her kitchen will be ready in four weeks. We'll be very interested to see Chris' modus operandi, and excited about learning from him and taking it to the next level."

Brett is excited about his business again, so it's up to Chris to channel his energy.

Woodrabbit Kitchens is a great business which could be better with focus and discipline around understanding cash flow, and setting and reviewing key performance indicators (KPIs).

"The turning point was when my own client said, 'Brett, it sounds to me like you don't know what you don't know'. We've had time to ponder the realities as a start up, so we know that anything is possible – we all have the same get up and go, but it's what you do with it that counts."

"It's only up from here, but our business is still very 'Brett-centric' so it's important to ask, 'Yes we can conquer the world, but at what cost to achieve balance?'"

"We went to Chris with a lot of fingers in pies – investment properties, a new factory – and his handling has given me utmost confidence of our relationship being a long term one."

"We know we can do lots of things in the future so it's comforting to know there's so much still to do with Chris and Collins Hume riding alongside."

## Why are director's guarantees important?

**Have you implemented systems for filing and retrieving director's guarantee forms for your business?**

Unfortunately, there are some people within the business community who hide behind corporate entities and incur debts for which they are unable to pay. However, they do have personal assets. This is one of the reasons why it's a very common practice in debtors' management to ask for directors of private companies to offer personal guarantees to a business that is going to allow them credit.

The business' system should include a request for a director's guarantee form which is appropriately completed and signed before any credit is granted. The guarantee form should be filed so that it can be found at some future date when it may be needed. This could be four to five years' away. Have you implemented appropriate systems for the filing and retrieval of director's guarantee forms received by your business.

If you would like to have a discussion with us in regards to your business' director's guarantees, please contact us on 02 6686 3000.

## Why succession planning is necessary

**With thousands of business owners in Australia and New Zealand wanting to plan orderly business successions for themselves, the situation is complicated by the number of baby boomers contemplating disposal of their businesses.**

[Succession planning](#) is not just about someone who is 60-70 years of age. Succession planning can apply to businesses at any age of the owner. In fact, succession planning also applies to virtually every position within the business. Who is going to take over if something happens to a particular person? Who should be getting trained and developed through professional development training courses, etc, so, in two to three years' time, they will be able to perform specific duties within the business.

[Succession planning](#) is part and parcel of the ongoing activity within a thriving business. It is a challenge that every business operator should be taking very seriously. To start the process of succession planning, you first need to [review your business](#).

If you would like us to assist you in conducting a [review of your business](#) for the establishment of an effective succession plan, please contact us on 02 6686 3000.

***Congratulations to Shane and Mel Bartrim on the arrival of beautiful baby Lyla Jayne at the start of this month. Huge congratulations from all of us!***



ANALYSIS  
SOLUTION  
PROCESS  
OBJECTIVES  
TEAMWORK  
VISION  
SALES

## Business success factors

**Business leaders identify business success as:**

- 'Spirit' of the business – is there a 'can do' attitude?
- Being prepared to go the extra mile for customers.
- 'Culture' of the business.
- Engendering a caring attitude.
- Loyalty to customers, suppliers and the team.
- Growth of the team, customers and/or franchisees.
- Take up of [technology](#).
- Using [technology](#) to improve the situation for team members, customers and suppliers.
- Being prepared to work long hours.
- Do unto others what you would like them to do to you.
- Keep your promises.
- Golden rule – under promise and then over deliver.
- Above all else – **have fun, why are you in business after all?**

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## Building partnerships, guiding strategy well within this Business Manager's remit

**When a neurosurgeon once told Collins Hume's David Keith to put down his carpenter's tools or face life in a wheelchair, he didn't take the news lying down.**

In fact, David carted himself off to university as a mature age student and nailed a double major in accounting and information systems! It wasn't long after when David was in transition from university to his next career move when he filled up Peter Fowler's car at a servo in Alstonville and, as they say, the rest is history. Ten years later, he's keeping the wheels of commerce well-oiled at Collins Hume.

His role as Business Manager is hugely varied and keeps David extremely busy. In a nutshell, he keeps Collins Hume's system ticking over smoothly so the team can get on with what they do well – looking after clients.

To say David has a diverse portfolio is an understatement. On a daily basis he tends the firm's human resources, IT and some accounting, but realistically has a hand in most things including [website](#) management, CRM, [Nimbus portal](#), managing content providers, software updates, event coordination, Collins Hume's practice management system and all the other software they use.

David is also Collins Hume's privacy officer and is committed to the [Privacy Act](#) and the Australian Privacy Principles which are contained in the Act. This commitment ensures that any personal information held by Collins Hume is kept absolutely confidential at all times. It gives everyone peace of mind that both the firm's and clients' sensitive data is in safe hands and protected from risk.

Two years ago David completed his Training and Assessment formal certification. He also has an extensive dossier of real-world experience, having been a dairy farmer, merchant seaman and a carpenter. He moved to the Northern Rivers in the 1970s and, apart from a short stint in Canberra in the 1980's, has called the area home ever since.

"I like the job because of its variety and learning new things, which I enjoy doing. I often get grilled on employment issues due to my involvement in HR and [technology](#), with our clients wanting to know if things can work, so we set our minds to issues that may be non-accounting but nonetheless helpful to business owners."

"There is currently a lot of competition between software providers to get businesses into the cloud, so we're not only adopting [Xero](#), but also MYOB and Reckon on various levels, depending on how quickly or to what extent our clients are wanting to take on a cloud accounting system."



"Many of us in the firm attained [Xero](#) and/or [BankLink](#) certifications last year so we're set up to support our clients. This has led to our planning of some cloud accounting boardroom briefings this year, so watch this space."

The next big thing is the lead up to new tax year. David's extra insight thanks to his IT qualification comes in handy.

"Any big changes from the [Federal Budget](#) won't leave software providers very much time before the financial year-end to make and test updates, so we're anticipating a mad rush and lots of thinking on our feet about how the changes will affect our systems. There is always something that needs re-working to address the changes and obligations."

David has seen many ups and downs through the years. Apart from working on the new Parliament House back in his building days, these days he credits his colleagues as the reason why he has stayed with Collins Hume for as long as he has. Outside of work David is engrossed in family life and fishing.

"Collins Hume, as a firm, is a paragon of good business practice, and not laggards when it comes to adopting technology early. It's exciting to think that we can use our in-depth [accounting and tax knowledge to help](#) clients to become better streamlined and more efficient thanks to the leaps in [accounting technology](#) combined with our in-house expertise."

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# Federal Budget 2014: new government grants

The government has announced some new government grants and initiatives.

## Manufacturing Transition Grants Program

To assist manufacturers to move towards higher value and niche manufacturing opportunities (an additional \$50 million will be provided).

## Exploration Development Incentives

Available for small explorers not making any taxable income. The funding is \$100 million. This is a refundable tax offset, payable to Australian Residents Shareholders, of small minerals explorers that undertake green fields' exploration and have no taxable income against which to offset this expenditure.

## Entrepreneurs Infrastructure Program

From 1 July 2014, this fund will be allocated \$484.2 million over five years, to support the 'commercialisation of good ideas' and boost small business.

The program's focus is to support 'the commercialisation of good ideas', job creation and lifting the capability of small business, the provision of market and industry information, and the facilitation of access to business management advice and skills from experienced private sector providers and researchers. This program has been introduced after the removal of eight other program initiatives.

## Industry Skills Fund

Will be created to support the training needs of small and medium business, focusing on health, mining and advanced manufacturing (this will be after the abolishment of 10 different skills and training programs).

## Medical Research

Medical research will be boosted by the fund that will distribute \$276.2 million over the three financial years, starting in 2015-16 and, ultimately, aims to provide \$1 billion per annum in medical research funding by 2022/23.

## Apprentices

The introduction of a Trade Support Loans Program will give apprentices a loan of up to \$20,000 over a four-year apprenticeship. Loans will be provided at concessional interest rates and will be staggered across the four-year. The loan will not be tied to the particular spending requirements and recipients will be required to pay back the loan when their income exceeds the minimum repayment threshold of \$53,345. Those who complete their training will receive a 20% discount.

At the same time, the government will withdraw the previous scheme, Tools for your Trade, from 1 July 2014.



## Farmers Affected by Drought

The government has confirmed the announcement, originally made in February 2014, of a \$320 million drought package. Drought concessional loans will be available to eligible farm businesses.

The Farm Household Allowance commences 1 July 2014, to help farmers during times of financial hardship, ensuring income support, to assist with essential bills and to put food on the table.

## Agriculture Research and Development

The government will provide \$100M in new funding for rural research and development, specifically to support continued innovation in the agriculture, fisheries and forestry sectors.

The program will be known as Rural R&D for Profit Policy Initiative and will fund research activities which focus on enhancing the profitability of agriculture industries. The research will focus on delivering cutting edge technologies with an emphasis on making research accessible for farmers. The initiative will be delivered in a competitive grants process.