

Business conditions still challenging

The difficult trading conditions in most areas of Australia have obviously continued in the last month and are expected to continue for, at least, a few more months

Some commentators believe that there will be a strong recovery in 2013, irrespective of the ongoing problems in Europe. Part of the rationale of expecting stronger growth in 2013 is that many larger businesses have deferred equipment replacement decisions and there is an expectation that these replacements will need to be made in 2013.

Whilst some commentators are expecting interest rates to decrease further, others believe that, with their prediction of economic recovery in 2013, interest rates will start to rise again.

Unfortunately, there is a lack of confidence by many consumers (caused by terminations, worries about economic conditions) and this is placing large pressures on many retail businesses, especially when the effect of internet sales is also taken into account.

If you believe that the economy is likely to recover in 2013 and that there will be a corresponding increase in interest rates, it would be desirable to consider locking in interest rates in the near future.

Another problem that many Australian businesses are encountering is that consumers don't trust businesses. To counteract this, operators should consider the beliefs and attitudes that they're bringing to their business. Some questions to consider include:

- What is the purpose of your business? Is your business adding value and making a meaningful contribution to consumers?
- Is your business encouraging your team's talent?
- Are you encouraging innovation from your people and your customers?
- Is the performance of your business satisfactory?
- What are you doing to enhance the planet? - Does your business involve itself in the broader community through philanthropy or being involved in community organisations?
- Do you accept that profit is important, but it's not the only reason for being in business?

Profit is a result of doing other things correctly, so talk with us about the profit drivers in your business by calling 02 6686 3000. As accredited Value Improvement Benchmarking Advisers ([viba](#)), Collins Hume is able to help you to increase your profit and business value, therefore helping you to secure your future.

Cash flow management is still important

Continued from last month

If we were undertaking a cash flow management review of your business (other than debtors), these are some of the items we'd review:

Stock review

- Examination of procedures for stock turn calculation
- Written procedures for effective control of the business' investment in stock?
- Does your business utilise a 'stock matrix' to assist your staff in identifying the "Star" stock items?

Work in Progress

- Review of Work in Progress System to identify whether you have procedures to monitor the investment in Work in Progress
- Is there regular monitoring of the profit/loss for each completed job.

Financial Institutions

Has your business prepared a detailed schedule of your bank's covenants (i.e. conditions) for each loan, hire purchase agreement, leasing agreement or debtors' financing facility (in other words, what does the bank require from you; either on a monthly, quarterly or annual basis and upon what financial parameters / KPIs is the continuation of the bank loan/facility conditional).

If you would like to discuss your cash flow management system, contact us on 02 6686 3000.

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How to manage the creation of value in your business

Succeeding in business doesn't happen unless you manage it, and performance measurement doesn't happen on its own

You have to manage the creation of value in your business. If you aren't adding value for your customers, but simply following the crowd in what you are offering, then you may be settling for mediocre results.

The best businesses have a great product or service, can easily sell that product or service, know what their customers want, their employees are happy and their shareholders are happy. Business activities continue day after day.

Yet no one is immune from business failure – no matter how successful they are today

The traditional profit and loss, balance sheet and tax return have their place but will not on their own enable a business to successfully compete, survive and add value to customers and shareholders.

The most successful businesses will utilise more relevant performance management measurement techniques. What about your business?

At Collins Hume we know that business value is affected by a range of factors. Not only are the quantifiable profit and cash flow figures important but also the non-direct quantifiable or non-financial value drivers.

Talk with us about your business valuation and we can show you strategies to grow the value of your business.



Obtain a business valuation with confidence

Are you getting the best price for the sale of your business? Is the asking price too much?

Our independent valuation can provide you with answers to the questions you need to ask about the value of your business so call us on 02 6686 3000 to get your business valuation underway.

Quote of the month

“Working with Collins Hume is like a breath of fresh air. My tax is ticking over. I receive clear and frequent communications. The team is on the ball and it's nice to be put through on the phone straight away.” Medical Practitioner



Did you know?

As the Government encourages Australians to take responsibility for and reach their financial retirement goals, citizens are repeatedly required to deal with superannuation funds:

- 36,270 new Self-Managed Superannuation Funds (SMSFs) were established between 1 July 2011 and 30 June 2012.
- As at 30 June 2012, there were 478,263 SMSFs holding \$438,995 million in assets.
- The median assets per SMSF as at 30 June 2011 was \$539,486 (the average was \$963,002).

One of Collins Hume's SMSF Specialists would be happy to assist you with all your SMSF issues, including compliance with Stronger Super legislation which came into effect on 7 August 2012. **Call us on 02 6686 3000 to make an appointment.**

Ballina Surf Shop riding the crest of a new wave

As the owners of one of Ballina's long established and most iconic surf shops, Richard and Wendy Beckers wanted to build on their strong reputation to take advantage of emerging technology and more

Initially prompted by a change in business name, Richard and Wendy could see the possibilities of myriad things they could do. The key was to allocating resource and prioritising their time to get through everything they wanted to achieve.

Collins Hume Partner and avid surfer Peter Fowler has a thorough understanding of Ballina Surf both as their adviser and as a customer, so could see the potential from both sides. One step was to consider how to make the leap from marketing as a bricks and mortar enterprise to embracing the extra leverage available from social media.

Ultimately, the idea was that an enhanced approach to market would strengthen the brand when the business was ready to launch a second shop.

Richard and Wendy are over the moon with Collins Hume's thinking. Social media was a first step, but Ballina Surf's relationship with Collins Hume goes much deeper than that.

"Although seemingly unorthodox for accountants to advise anyone on marketing and especially social media, it is all part of the proactive approach that Collins Hume takes with our business," says Richard.

"In-the-box accounting advice can actually end up costing business money, and that's why we switched to Collins Hume in the first place!"

"Basically Collins Hume knows what's going on and gets our tax affairs done properly which has saved us money over the years. We don't have huge issues but what we have gets done on time, and gets done properly."

"They ensure that our decisions never jeopardise our business – they present all the options and work with us to make informed choices about the best course of action to take."

"With some of the Collins Hume team also being our customers, we have the opportunity to chat in-store which inevitably turns towards what is happening in our business. We appreciate the one-on-one interaction – it makes us feel like we have back-up."



The difference is that we have a proper understanding of the trends in the Beckers' business, and make sure they are on the front foot when it comes to the correct tax liability.

As a firm we are delighted to be able to act for Ballina Surf. Proper tax planning occurs not as a hasty financial year-end meeting each 30 June.

Peter Fowler said, "By knowing the intricacies of their business we can plan for the spikes and arrive at each financial year end fully knowing the tax position, having already put in place the best measures."

Intimate understanding of a business and confidence with its tax strategy gives us the opportunity to apply other initiatives – in this case it was appropriate to discuss channels to market which has worked wonderfully well for Ballina Surf.

Contact us today on 02 6686 3000 to arrange an obligation-free consultation with our industry specialists to see how we can help you maximise profits, minimise tax, build your wealth and have the lifestyle you've always dreamt of.

Landlords, the ATO and deductions

One in seven taxpayers in Australia are property investors. Each year we claim around \$5 billion in rental losses. So you can understand the Australian Tax Office's (ATO) close scrutiny of the deductions claimed by landlords

But a recent case before the Administrative Appeals Tribunal (AAT) demonstrates how far the ATO will go to test the boundaries of what is and isn't deductible.

In this case the taxpayer owned a property in country NSW. The owner stated that the property was available for rent but she had been unable to find tenants. As a result, the property did not derive any income for a number of years. The owners however had incurred the costs of interest on the property loan, maintenance costs, and rates, which they claimed as a deduction.

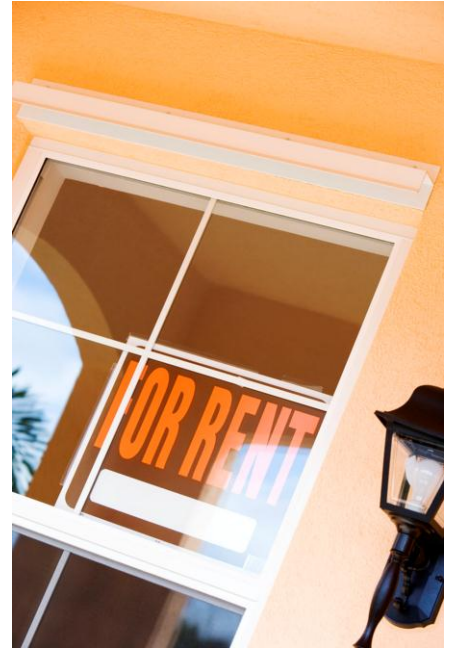
The Tax Commissioner had a different view and denied the deductions. The central issue was whether the property was genuinely available for rent. If it was not available for rent then the expenses incurred by the taxpayer are not deductible. If the property was available for rent, then the expenses are deductible. This is because you must show that the expenses were incurred in gaining or producing income, even if no income was actually produced in that income year.

What's interesting in this case is how far the ATO will go. The ATO used electricity and telephone records to argue that the taxpayer had been living in the property and that it was not genuinely available for rent. Fortunately for the taxpayer, the AAT accepted that she had only lived in the property while carrying out repairs and maintenance work.

So, even if a property is not deriving rental income during the relevant income year, taxpayers may still be entitled to deductions for interest expenses, council and water rates and other holding costs. The key issue is whether the property is genuinely available for rent and whether continuing efforts are being made to improve the property to attract renters.

The AAT also accepted the taxpayer's argument that she had genuinely tried to rent the property. She had evidence of some limited newspaper advertising but stated that the most effective way to find tenants for this particular property was through word of mouth.

The case did not go all the taxpayer's way. The AAT upheld the Commissioner's decision to disallow a number of deductions because of a lack of supporting documentation.



Broadly, there are two types of rental property expenses you can claim

- Expenses you can claim in the year that you paid for them – for example, council rates, repairs, preparation of lease agreements, insurance and loan interest; and
- Expenses that are deductible over a number of years - these are either depreciating assets or capital works.

If it's new, bigger and brighter than what was already there, it's likely to be capital expenditure and depreciated. But, to claim a deduction, the property must be genuinely available for rent.

If we can assist you with any additional information about your rental property and how to manage it effectively, please phone us on 02 6686 3000.

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Collins Hume's International Business Development Conference in October

Surf the Wave to Success, in the beautiful Telo Islands off the coast of Western Sumatra, promises to be a world-class event

With personalised guidance from Peter Fowler, one of Australia's premier Business Strategists and nationally recognised CPA Young Business Leader, conference workshops will allow you to identify areas of business improvement and provide great strategies that can be implemented immediately to achieve instant results upon your return. You'll be provided with comprehensive session notes, industry-specific market research and benchmarking reports.

Conference sessions will be run in five daily workshops of 2-3 hours per day at the end of each day to ensure you get in a few daily surfs whilst still learning proven strategies to improve business performance.

We have fully booked luxury boutique resort Resort Latitude Zero on a privately owned island and have exclusive use of all facilities. The resort's three speed boats can deliver you to any one of the 40-plus surf breaks in the Telo Islands group with all skill levels catered for.

As well as exclusive use of the resort, attendees receive exclusive conference merchandise, resort massage and two complimentary Bintang's each afternoon from the bar. The five-star service also includes three chef-prepared meals every day.

For business owners and managers this package is potentially tax deductible!



Find all the information you need to organise your place on the Collins Hume website at www.collinshume.com.au/services/events. For a preview of Resort Latitude Zero and the island visit www.resortlatitudezero.com.

Places are now limited! To avoid disappointment, contact Wendy Gleeson at wendy.gleeson@collinshume.com.au or Peter Fowler at peter.fowler@collinshume.com.au or phone us on 02 6686 3000 to book.

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.



New financial year; new ways to communicate with Collins Hume

It takes more than experience and drive to create a successful business, so consider how you can tap into the many resources that exist that might give you a leading edge.

The internet is undoubtedly the biggest and best information resource available. Irrespective of where you are and what you do, you can use your PC or any device to get the latest news from Collins Hume. We now have some excellent tools which help you to effectively organise the information flow and help you stay informed and up to date.

To start browsing our website from your smart phone, simply type www.collinshume.com.au into your phone's web browser. Before you're connected to our website, you'll be prompted to choose from our mobile site view or the desktop site view. Choose the mobile site option to connect with our smart phone format for an easier and clearer view of the Collins Hume website. You can revert to the full site view at any time. Enjoy!

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