

Business Matters

News & Information from M R Curd Limited

1st Quarter 2008



M R CURD LTD

Kick-start your year of success

What do you want to achieve this year? How much money do you want to make? It's wise to develop an annual plan each year, and, now is the ideal time for you to sit down and create one for 2008.

Most people don't like planning, they prefer dreaming: thinking up great schemes and imagining great success. But planning is a lot more uncomfortable – it requires making decisions, sometimes tough ones. How to proceed...

Annual planning doesn't have to involve a long, drawn-out process. Even sitting down for a few hours or a half-day – ideally with key employees, if you have them – can help you be more successful in the coming year.

Here are a few questions and ideas to help you to kick-start your annual planning process:

1. What is your financial goal for this year? Put down a specific dollar figure of the amount of gross revenue you'd like to achieve. Be realistic. Don't be overly aggressive. If you are, you and your employees will inevitably be frustrated when you can't reach your target. But don't be too conservative, either. Stretch yourself a bit.
2. If you have different product or service lines, different locations, or different distribution

channels, set specific financial goals for each of these.

3. What do you see as the biggest challenge in reaching the financial targets you've just set? Acquiring new customers? Increasing revenue from the customers you already have? Adding staff? Adding products or services? List the issues you'll have to address if you want to be able to achieve your financial success.
4. What are the steps you and your staff need to take to deal with those challenges? If you need to acquire new customers, does that mean you have to increase your advertising, exhibit at trade shows, increase referrals? Think through some of the major activities you're going to have to do to expand, add, or contract to enable you to achieve your financial goals.
5. With each of the actions you've outlined in Step Four, put a dollar figure of estimated costs and also an estimate of other resources each will take: staff time, your time, equipment and so on.
6. How are you and your staff currently spending your time? Are you using your time in ways that make it possible to achieve your 2008 goals? How can you restructure your time to enable you to take the actions outlined in Step Four?
7. How are you currently spending your money?

KEEPING YOU ON THE RIGHT TRACK

We can help your business and your personal finances stay on the right track.
Call us now and we'll arrange a meeting to discuss:

- Strategies to help your business improve its efficiency and profitability
- Reducing the burden of taxes on your business
- The tax issues that affect you and your family
- Maximising your wealth
- Retirement planning strategies for you and other family members

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Are there ways you can reduce current expenditures to free resources for new activities?

Now, look at the total picture. You have a list of the activities you'd like to add and the activities you're currently involved in. You've indicated the costs – in terms of time and resources – for each. Go through the list and give each activity a priority. Then ruthlessly eliminate low-priority, overly

costly, or unrealistic items.

Finally, turn these priorities into a plan-of-action. Put target dates and staff assignments with each. Input your financial needs and targets in your accounting software program so that you can measure your progress each time you review your financials. At the very least put it on paper. There, you have your 2008 annual plan!

Provisional tax & GST

The provisional tax rules have been amended to make paying provisional tax easier for small businesses.

From the beginning of the 2008-09 tax year, GST and provisional tax can be paid together in the months provisional tax is due. Businesses can continue to file their GST return as normal, and make a combined payment for GST and provisional tax in the months that provisional tax is due. In all other periods you can continue to make GST payments only, unless you choose to make voluntary provisional tax payments.

The IRD has also introduced a new option for determining provisional tax - the ratio option. The ratio option takes your sales during the year into account, matching your provisional tax payments more closely to your income. Using this option will enable businesses to make provisional tax payments every two months.

This option is designed to assist small to medium-sized businesses, particularly those who need to align their tax payments with cash-flow, for example those businesses that are highly seasonal.

Summary

The number of times GST is paid will remain the same, but the frequency of provisional tax payments might change, depending upon how provisional tax is calculated and how often GST is paid. For most, only your provisional tax due dates will change so they are the same as your GST due dates.

From the beginning of the 2008-09 tax year, the IRD will issue new GST and provisional tax returns if GST and provisional tax are payable during the year. This will replace the current GST return. Each return will show the required information to match the particular requirements for each period. For example, provisional tax payments will be shown when required.

When an employee leaves

Having to replace someone who has retired, or simply decided they want a change, can be a challenging experience for the owner/manager. As owner/managers typically rely on their key employees, the transition may even have a detrimental impact on operations.

To ease the stress and raise the odds that you will find the right replacement employee, here are a few tips on hiring correctly.

Involve others

The first rule of thumb is not to conduct the entire interview process on your own. Not only are owner/managers usually too busy to carry out the interview and selection process for every position, other employees will benefit from the opportunity to develop their interviewing skills. As the selection of the new employee will affect most of the people in the business,

have supervisory staff conduct the initial interviews to narrow the selection to the best candidates. Make hiring a team decision, by encouraging their input before you make the final selection.

Understand the job

A failure to match prospects with the position often results when management does not have a clear understanding of the job function. You need an in-depth understanding of the work and the required skills to be able to attract the right candidate. Consider that quality candidates looking towards future opportunities within the company may shy away from a position if the job definition is lacking or unfocused on their chosen career directions.

The best practice is to complete an in-depth review of the job function when an employee gives notice. Discuss every aspect of the job. Once you assess the current job, you can set out the education, skill and training requirements more accurately.

Dividends: to pay or not to pay

Business tax reforms introduced by the government are intended to help create an economic environment to enable local businesses grow and compete more effectively on a global basis. One of these reforms is the reduction of the company tax rate. From the start of the 2009 tax year the tax rate for companies will be reduced from 33% to 30%.

These changes apply to all New Zealand companies, including unit trusts.

In future, when dividends are declared out of company profits, they will carry an imputation credit of only 30%. The Government realises there are accumulated imputation credits from past years and these represent tax paid at 33%. To deal with this, transitional rules have been introduced. These rules enable companies that plan to use up these 33% credits to have until 31 March 2010 to take advantage of this. After that time, all tax credits attaching to dividends will be at 30%.

Pre-end of year planning may help take advantage of this change, but actions need to be taken before the year's end. If you are unsure of how these changes affect your company please call our office.

Rethink the position

When an employee leaves, this is an opportunity to rethink a job position. The longer employees are in a position, the more their tasks and responsibilities may broaden and develop. A combination of new technology, a changing market, and the experience and skills of other employees could make all, or part, of the old position redundant. Or, the function may have evolved to the point where you need a person with more experience and training.

Look for the correct fit

The majority of people who leave their jobs cite a key factor was "bad chemistry". Selecting the right replacement is not simply a matter of finding someone with the right job skills. Often an excellent source of candidates are the people who already work for you. Since they already have many of the attributes that your company values, they may know someone who has similar characteristics and the right job skills.

Use staff meetings and job postings to let your employees know that the company is looking for staff. Some businesses offer cash incentives to the employee who recommends a candidate who is ultimately hired. When you consider the cost of advertising or a placement agency, this incentive could actually save working capital. In addition, employee rewards encourage them to recommend a good fit, which also helps narrow the selection process.

Consider temporary staffing

When a business is picking up, labour costs can often outstrip the revenue stream. If you are reluctant to hire permanent staff, consider temporary staffing until you are better able to assess the company's needs. You could also consider hiring a contract worker or part-time employee to fill the position during the time it takes to find a full-time replacement. Hire students part-time, or join a local secondary school, or university co-op program to give students an opportunity to learn about your business. If the position requires more experience and skills, or your employees are too busy to provide the necessary training, consider the wealth of experience that a retired worker can offer.

A transition period will give you more time to find the right candidate as well as provide opportunities for your staff

to train and supervise others. Covering labour shortages for a short term may be fine, but if the situation continues, you risk exhausting your valuable employees who must handle the additional responsibilities.

Succession planning

Perhaps the greatest shortfall in managing a company's staffing needs is not planning for the inevitable loss of employees. Plan not only for the inevitability that some employees will decide to move on, but also the career development of valued employees who need an opportunity to move up the ladder of responsibility, and be rewarded for their gains in skills, knowledge and performance. Good management looks at the long-term future of the organisation to determine how the company can develop the strengths of the people already on board.

Hire right the first time

Smaller organisations need individuals who are strong in specific job skills but also have the flexibility, creativity and desire to learn new skills and work co-operatively with the entire team. The key to a successful, consistent work force in small business is making sure that employees are the right fit for your company and that includes a positive attitude about their jobs, fellow employees and the organisation.



Directors guarantees; what you need to know

It is common for suppliers of goods to seek personal guarantees from company directors. This normally occurs as part of the credit application and approval process.



The purpose of a guarantee is to provide the supplier with additional security in the event that the debtor becomes insolvent and is unable to settle their account.

A guarantee imposes separate contractual obligations on the guarantor (usually a company director) and as such subject to the normal terms of a contract. The effect of a guarantee is to place the guarantor in a similar position to the principal debtor.

Interestingly, the guarantor is expected to find out if the debt is being paid and there is no obligation for the creditor to notify the guarantor if the debtor is in arrears.

In addition, a guarantee cannot be avoided simply because the guarantor did not consider the implications of the guarantee or signed the guarantee on the say so of a spouse. Similarly, a guarantee cannot be avoided because it was never explained to the guarantor or no time was taken by the guarantor to think before signing the guarantee.

A guarantee is a legal commitment. Before signing or attempting to cancel a guarantee, it is important to get the advice of a legal professional. In addition, when cancelling

a guarantee always seek written confirmation from the other party that a guarantee, has indeed been brought to an end.

Did you know?

- Personal guarantees do not cease when you die and repayments can be taken from your estate.
- A guarantee is still effective after a debt is repaid. It may even be used to satisfy other debts (whether past, present or future), unless you have limited your obligation to a particular transaction.
- Each individual who signs a guarantee is 100% responsible for the amount being guaranteed.
- It may be possible to negotiate the terms of the guarantees, lenders or creditors.
- Personal guarantees can be cancelled, and you will only be liable for the debt to that point.

Greater flexibility with working arrangements

The Employment Relations (Flexible Working Arrangements) Amendment Act 2007 will come into force on 1 July 2008. The amendment is aimed at encouraging workplace flexibility by requiring employers to consider the request for flexible working arrangements. It also provides the only grounds upon which they can refuse a request. The Act sets out a process determining how requests are to be made and responded to.

Eligibility

Any employee who has worked for six months for the same employer and cares for another person of any age outside of their employment may use the process and request changes in hours, days and/or place

of work. When making the request, the employee must explain how the variation will help the employee provide better care for the person concerned.

An employer must consider every request but may refuse the request if it cannot be reasonably accommodated on the grounds specified in the Act.

Dispute resolution

The Act sets out a clear process in the event that a dispute arises. The employee may refer the refusal to a labour inspector who will help the employer and employee to resolve the matter. An employee who is not satisfied with the outcome of a labour inspector's intervention can refer the matter to mediation. This process can only commence if an employee believes that their employer has either wrongly determined that they are not eligible to make a request, or has not followed the correct process set out in the Act.

A great read

Title: *Selling to Anyone Over the Phone*

Author: **Renee P Walkup with Sandra McKee**
(AMACOM Books)

This clear, informative book provides the tips professionals need to effectively engage their customers. With over twenty years of experience in sales and sales management, Renee P. Walkup shares her knowledge and performance tips for successful telephone sales.

Customers now have less time than ever and are more selective about how they make their purchases. *Selling to Anyone Over the Phone* explores key ways to develop successful telephone skills to win reluctant customers, build effective relationships and gain more sales.

The telephone is an important, undervalued sales tool in business. Walkup investigates four customer and salesperson personality types and suggests strategies to close sales with each. Characteristics for each personality type are given so they can be easily identified over the telephone.

Another chapter explores how to reach the sale when various "gatekeepers" stand in the way. Included are scripted examples of greetings with receptionists and emphasis on the importance of tone.

The principles provided in this book are essential to all salespeople. Walkup discusses a "Tell Me" approach to telephone conversation which allows salespeople to connect with their customers through improved listening skills.

The importance of planning, organisation and strategy are key elements of success that are repeatedly focused upon throughout the book. These tools will give you the confidence and skills needed to have meaningful interactions with clients over the phone.

Business and personal planning need not be left until the end of the tax year - talk to us now about tax and financial strategies for you and your business.

We are sometimes asked if we are able to help additional clients. We are a growing firm and do appreciate your referrals. We consider it a compliment when you recommend us to your friends and business contacts.

WEB WATCH

ESSENTIAL SITES FOR BUSINESS OWNERS

INSEAD: The Business School for the World <http://www.insead.edu>

As one of the world's leading and largest graduate business schools, INSEAD brings together people, cultures and ideas from around the world to change lives and transform organisations. This website provides a great source of easy-to-read, slightly academic business material.

McKinsey & Company <http://www.mckinseyquarterly.com>

Quarterly articles, written by McKinsey consultants, offer practical ideas based on the Firm's experience with the world's leading companies. The site contains a wealth of detailed resources for businesses of any size.

REMINDERS FOR YOUR DIARY

JANUARY

- 15 GST return and payment due.
- 21 Employer deductions (IR 345) or (IR 346) form and payment due and Employer monthly schedule (IR 348) due.
- 28 GST return and payment due.

FEBRUARY

- 7 2007 end-of-year income tax due for people and organisations with a March balance date and don't have an agent.
- 20 Employer deductions (IR 345) or (IR 346) form and payment due and Employer monthly schedule (IR 348) due.
- 28 GST return and payment due.

MARCH

- 7 Provisional tax instalments due for people and organisations with a March balance date.
- 20 Employer deductions (IR 345) or (IR 346) form and payment due and Employer monthly schedule (IR 348) due.
- 28 GST return and payment due.