

Business Matters

STRATEGIES FOR MANAGING YOUR BUSINESS



M R CURD LTD

Improve your profitability through better financial control

As a businessperson you will recognise the vital importance of financial control in sustaining and improving profitability.

Good financial control involves:

- Deciding which areas you need to monitor and how frequently
- Generating the numbers quickly and accurately
- Sharing the results with everyone who needs to know them
- Interpreting the numbers correctly
- Taking appropriate and timely action based on your interpretations
- The starting point is to set up a system that enables you to generate accurate reports as quickly as possible - certainly no later than ten days after the month closes.

To be fully in control, you need information on what is happening to your business now, not what happened weeks or months ago.

Weekly and daily updates

In key areas, such as sales, debtors, cash position, trade creditors, and employment figures, you can't afford to wait even for a month. Here you could consider setting up a system of weekly or even daily updates.

These 'flash reports' or executive summaries will give you better control in the short term.

Make sure key managers receive the flash reports as well as the monthly reports quickly, and encourage them to share the results with the relevant employees.

Compare projections with results

One of the most valuable instruments of financial control is drawing regular comparisons between projections and results. Not only does this keep you up-to-date on how your business is doing, it also reveals how realistic your expectations are and how in touch you are with the essentials of your business.

For best results, you should draw up projections for a six-week period and then set new projections at the four-week point.

Bottom line results

The key to good financial control is to have an effective system for collecting data and generating accurate and timely reports that is tailored to your specific needs. In our experience, such a system can make a considerable difference to your bottom line results.

Call us today to discuss how we can help you improve your profitability through better financial control.

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CHARTERED
ACCOUNTANTS



Director's personal liability

With the current state of the economy, directors may need to review their understanding of obligations. They must be aware of situations that arise on a daily basis involving potential personal liability issues. Directors are bound by rules and duties that attract this sort of liability.

The primary legislation governing directors' actions is the Companies Act 1993. Below is a summary of legislative obligations of directors:

Act in the best interests of the company

Acting 'in the best interests of the company' means that when a director makes a decision, it should result in the best outcome for the company. The decision should be made with an honest belief and based on reasonable grounds.

Act in good faith

The duty of good faith means that the director should act in an honest and transparent manner. A director must not act in a manner that demonstrates bad faith towards the company. A director cannot act in the 'best interests of the company' under the motivation of gaining a personal profit for instance.

Solvency test

The Companies Act 1993 requires that directors must ensure at all times that the company has assets that exceed its liabilities. In addition, a director must ensure that a company can pay all its debts as they fall due.

Fiduciary duty to the company

In addition to the legislative requirements, directors have common law obligations. Fiduciary duties are the responsibilities that govern people who are in positions of trust and control over others. Examples of fiduciary relationships include doctor-patient, teacher-pupil and solicitor-client, to name a few. A breach of a director-company fiduciary duty can result in penalties similar to those provided by the Companies Act.

Breach of duties

There are serious penalties for any director who does not comply with these duties. These include statutory fines or common law damages imposed on the director personally. Where a personal profit has been made to the detriment of the company, an account of profits may be ordered, requiring return of monies to the company. Furthermore, an injunction may be used to compel or prohibit that individual from a specific course of action.



Conclusion

Directors need to be clear about their obligations towards the company. Whilst a director may have control of the company, this does not mean that they may act in any manner they choose. Both statutory and common law duties have been established to prevent directors from acting in a way that benefits them personally and brings detriment to the company. However, if a director appropriately declares their interest, they may be able to continue so long as the company and if required the shareholders, permit. Any director who neglects their duties and obligations may be personally liable to statutory and common law penalties.

Respect the environment

Businesses are discovering that being environmentally friendly is not only good for the world, but it's also beneficial for the bottom line. Going green saves money and also boosts employee morale.

Developing eco-friendly policies is often a simple matter of attitude and awareness rather than having to make major changes. Sometimes even simple solutions can make a significant difference. Here's how businesses can take a proactive approach to helping preserve the environment:

Reduce waste and pollution: Waste includes something you bought, couldn't or didn't sell, and now have to get rid of. You've been paying for resources you won't fully consume, whether it's manufacturing material, excess packaging or just a lot of trash. The simplest, most cost-efficient and environmentally-sound step is to reduce waste. Look around – what do you 'waste' that could be used?

Reduce energy use: If you can produce your products or services or run your operation with less energy consumption, then you've not only saved money, you're also helping the environment.



Encourage employees to walk, bike, or use public transportation: The biggest impact you may have on the environment occurs before anyone even arrives at the

office - driving to work. Find ways for employees to use alternative methods of transportation, and consider access to public transportation when you choose a location.

Buy environmentally friendly supplies and materials: This is one of the simplest things a business can do to help the environment, whether it means using recycled paper or finding eco-friendly sources of raw materials for your manufacturing process. Look for products that don't use animal testing. Get toner cartridges for printers and copiers refilled instead of throwing them out, and recycle old computers by donating them to local schools or nonprofit organisations.

Recycle: That is not just limited to manufacturing plants or operations. Every office discards rubbish bins full of recyclable paper, aluminium (soft drink cans) and plastic (water bottles). Work with your maintenance or cleaning service to ensure there are marked recycling bins throughout your office.

Social media for business networking



Social media is online content created by people using highly accessible and scalable publishing technologies. In the last few years, an array of new opportunities have appeared on the Internet in the form of social networking sites. An online social network service focuses on bringing together communities of people who share interests and/or activities, or who are interested in exploring the interests and activities of others.

These sites give business owners greater opportunities to spread the word about their companies. Many business owners feel overwhelmed with new technology and struggle to keep up. The first steps to working out whether or not social networking is a suitable strategy for a particular business is to understand the associated advantages and disadvantages.

Advantages:

- Connecting with a large number of potential clients
- Low cost of delivery
- Instant distribution of messages
- No need for an intermediary or contractor to do the marketing
- Advertising your business as an expert in a field.
- Staying at the top of the game by directly obtaining customer feedback.
- Projecting a modern, tech-savvy business image

Disadvantages:

- Time involved in creating and managing online profile
- Large number of non-converting wasteful leads

Managing an online social presence can be a full-time job – in fact, many companies employ people just to be doing that. In addition, with the range of choices available with such sites, it is important to work with the platform that is best suited to a particular business.

Twitter.

Twitter is the current favourite, allowing users to send very short messages (limited to 140 characters) known as 'tweets.' Twitter is expanding wildly, but a recent study suggests that the majority who start Twittering stop within a month. Despite this, Twitter's a good way to present your business to customers and prospects.

Facebook.

Facebook allows people to network in a relatively secure environment. Businesses can create fan pages or start or join groups related to specific interests. Because so many people are on Facebook, many businesses link their websites directly to their Facebook page.

LinkedIn.

LinkedIn differs to other social networking sites because it focuses on helping people connect for business rather than social purposes. Whilst it may not be as popular as some social networking sites, some businesses use it to search for other companies they wish to conduct deals with.

MySpace.

Once the number one social networking site, MySpace is suited to building support for certain types of businesses: it has a relatively large following amongst those in the entertainment industry.

YouTube.

Some businesses have discovered that YouTube is a great way to provide information to prospects and customers. Common ways in which YouTube is being used include promotional footage, customer testimonials, product information and video instruction manuals. One of the other benefits is that footage can also be embedded into your website.

Social networking looks like it is here to stay. Most businesses will need to know how to use it. There's a virtual world of business opportunities waiting for you out there - connect by just clicking in.

New definition of the term 'building'

The Government plans to introduce legislation to reduce the impact on businesses of a possible change in the treatment of buildings and other structures for tax depreciation purposes.

One of the reasons for the change is to preserve investor certainty about how assets are treated for tax purposes.

A draft interpretation of the law has recently been issued by the Inland Revenue that generally broadens the category of the term 'building' in tax law to include some structures not previously treated as buildings, such as carparks, and agricultural and industrial structures.

One of the other changes proposed is that portable buildings would cease to be treated as 'buildings' for tax depreciation purposes.

The proposed changes are likely to have significant tax consequences for affected owners. That is because buildings



generally have lower depreciation rates than other structures, do not qualify for losses when disposed of, and do not qualify for the 20 percent depreciation loading allowed to other assets.

At this point, the draft interpretation has been issued for public comment. Once it is finalised, the Government will introduce a

law change to ensure that the present tax treatment continues for existing buildings and structures so long as they remain in the same hands. It is not expected that new expenditure would be covered.

If enacted, transitional 'grand-parenting' provisions will apply from the date that the changes to the legislation are announced.

Develop a new concept

Meeting needs is the basis of all business. It is easy to get caught up in the day to day operations of running a business and lose sight of ways to innovate and improve your business. Take time out to flesh out some new concepts and determine how your product or service can be newer or better than anyone else; Ideas should be strong in at least one of the following areas in order to truly be competitive:

Coming up with new offerings: This could be a new product, service, feature or technology.

Improving existing ones: This could be an improvement on an existing product or service encompassing more features, lower prices, greater reliability, faster speed, increased convenience, or enhanced technology.

Targeting an underserved or new market. This includes market for which there is greater demand than competitors can

currently satisfy, an unserved location, or a small part of an overall market – a niche market – that hasn't yet been tapped. Sometimes markets become underserved when large companies abandon or neglect smaller portions of their existing customer base.

Using a new marketing or distribution system: New technologies, particularly the Internet, allow companies to reach customers more efficiently. This has opened up many new opportunities for businesses to provide products or services less expensively to a wider geographic area, with far more customised options.

Increased integration. This occurs when a product is both manufactured and sold by the same company, or when a company offers more services or products from one location. This is a great way to save overhead expenses.

Not all concepts have the same ease or cost of implementation. Make sure that any strategy to move forward is based on a full consideration of cost versus benefit. Be realistic but creative.



A Great Read

Yes!: 50 Scientifically Proven Ways to Be Persuasive.

Author: Noah J. Goldstein, Steve J. Martin and Robert B. Cialdini
Free Press

This easy-to-read summary of the socio-psychological research on persuasion directs people on how to get to a 'yes.'

In *Yes*, three of the leading social scientists merge social psychology, pop culture and field research to demonstrate how the subtle addition, subtraction or substitution of a word, phrase, symbol or gesture can significantly influence consumer behaviour. Interspersing references to Britney Spears, the Smurfs and *Sex and the City* with more academic concepts such as loss aversion and the scarcity principle, the authors illustrate that the simple and surprising approaches that can hone a company's marketing strategies.

Clever chapters detail the attraction of the yellow Post-it, the tip-garnering capabilities of an after-dinner mint, how pointing out a product's weaknesses can increase its appeal, the powerful role of third-party testimonials, how doctors can convince patients to adopt healthier choices by prominently displaying academic credentials in their offices, and how modelling another person's actions can elicit a more generous response by strengthening a perceived bond. While *'Yes'* has been written primarily for a marketing audience, this practical book has equal value and appeal for executives and salespeople.

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

www.clickz.com

ClickZ – News and information for the digital marketer. Excellent source of news and ideas for anyone looking to improve their internet marketing activity. Site includes material for web, email and social marketing.

www.brooksgroup.com

The Brooks Group – Sales and management. Commercial site that has a range of resources which are practical and can be used by a sales manager of a business of any size.

REMINDERS FOR YOUR DIARY

AUGUST

- 20 Employer deductions (IR 345) form and payment due and Employer monthly schedule (IR 348) due.
- 28 GST return and payment due for periods ending 31 July.
- 28 Provisional tax instalments due for people and organisations with a March balance date.

SEPTEMBER

- 21 Employer deductions (IR 345) form and payment due and Employer monthly schedule (IR 348) due.
- 28 GST return and payment due for periods ending 31 August.

OCTOBER

- 20 Employer deductions (IR 345) form and payment due and Employer monthly schedule (IR 348) due.
- 28 GST return and payment due for periods ending 31 August.

Source: IRD