

businessessentials[®]

Advice and ideas to grow your business - presented by Nick Schildberger

June 2011 | Audio CD



the extras



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We've all been bombarded by facts and figures, claim and counter-claim, and plenty of political spin since Treasurer Wayne Swan brought down the Gillard Government's first Budget three weeks ago.

But do we really know what it all means, especially for our businesses? To shed some light, and hopefully penetrate the fog a little, we've asked our resident experts, economist Associate Professor Neville Norman, from Melbourne University, and tax specialist Michael Jones, from Cummings Flavel McCormack, to point us in the right direction. I think you'll find some down-to-earth, practical value in their assessments.

Also in this month's program, alarming food for thought from forensic accountant Brett Warfield, on the subject of bookkeepers. His firm has just published a report on recent bookkeeper fraud cases, and it makes intriguing listening. Brett also has some sound advice on how to make sure it doesn't happen to you and your business.

We hear from workplace relations lawyer Joydeep Hor, on the new parental leave arrangements which come into effect on July 1. And there's the fascinating story of Yellow Earth, an Australian footwear manufacturer which has taken big steps into the Chinese market before establishing a footprint here at home.

After a long and successful career in sales and marketing, Tony Gattari reflects on the things that matter most to him – you'll find you share some common ground – and Olympic gold medal-winning beach volleyballer Kerri Pottharst, now a motivational speaker, outlines the parallels between elite sport and the world of business, and how we can all learn to win.

There's plenty of variety this month. Enjoy!

Regards

A handwritten signature in black ink that reads "Nick Schildberger". The signature is fluid and cursive, with the first name being particularly prominent.

Nick Schildberger
Managing Director

For more information about the topics discussed on this June 2011 program, please contact the relevant organisations listed below.

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IS YOUR BUSINESS FIT TO SUCCEED?

Kerri Pottharst, Olympic gold medalist

www.thebusinessofbeinganathlete.com

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Accountants Who Help You See Further

Cummings Flavel McCormack are accountants who provide accounting, auditing and business advice to business owners. Cummings Flavel McCormack also provides tax consulting services.

Tax Consulting

Tax law is relevant to every major business and investment decision. Understanding the latest developments in tax is difficult.

The Cummings Flavel McCormack tax consulting practice works with clients to evaluate the taxation risks and benefits applicable to their business and investment plans.

We are proud of our ability to untangle the complexities of tax law to produce commercially practical tax advice that the client can understand and act on with confidence.

We have significant breadth of experience, having worked with successive governments in tax law development and holding key positions on advisory and education committees with professional tax bodies.

David Kent, Michael Jones and Neil Flavel lead a group of dedicated taxation professionals.



CFMC KEY TAX DATES FOR: JUNE AND JULY 2011

21 Jun 11 **May 2011 monthly activity statements:**
final date for lodgement and payment.

30 Jun 11 **End of financial year.**

14 Jul 11 **PAYG withholding:** payers must issue PAYG withholding
payment summaries to employees

28 Jul 11 **Activity statements:** Quarter 4 (April - June 2010) activity
statements - final date for lodgement and payment.
PAYG instalments: Quarter 4 (April - June 2010) - forms R and T,
final date for payment and lodgement.
GST instalments: Quarter 4 (April - June 2010) - forms S and T,
final date for payment and lodgement.
Superannuation: Superannuation guarantee contributions for
quarter 4 are to be made to the fund by this date.

Tax threshold levels - flood levy comparison 2011-12 (for those subject to the flood levy)

Taxable income (\$)	Rate (%)
0 - 6,000	00.0
6,001 - 37,000	15.0
37,001 - 50,000	30.0
50,001 - 80,000	30.5
80,001 - 100,000	37.5
100,001 - 180,000	38.0
180,001 +	46.0

Note: The rates above exclude Medicare levy.

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THE ESSENTIALS

June 2011

Track 2

Federal Budget 2011

Professor Neville Norman, Melbourne University;

Michael Jones, Cummings Flavel McCormack

- Neville: The 2011 Budget was a "magnificent document" given the trying circumstances, and the best thing about it, the skilled migration and training schemes
- The economy may be in negative growth in the March quarter. A downturn in tourism and business confidence, the flooding of the Queensland coalmines and the effects of the Japanese tsunami combined to hit government revenue
- As a result, the Budget forecasts growth of 2.25%, and 4% after that. Probably realistic
- The political scene is that a minority government in a hung parliament can't do all the things it wanted to, but it's done a pretty good job
- The outlook is for slightly higher inflation, and continuing strength of the Australian dollar - devastating for tourism and manufacturing but great for import-related businesses

- I disagree with those who say it isn't a tough budget: it's the first in 8 years not to include personal tax cuts. It's not as tough as the government wanted, but deserves a degree of credibility
- Michael: The tax changes are not as significant as in previous years, and a major one - the taxation of trusts - is happening "off-Budget"
- The main change in the Budget allows discretionary trusts owning a company to access small business CGT concessions in certain circumstances, something Cummings Flavel McCormack had argued for in a submission to the Tax Office
- But decisions on the concessions are arbitrary: you need to understand how they apply to the structure of your business
- There's a small but useful benefit for businesses buying a new vehicle: a deduction for the first \$5,000 of the price
- And businesses can write off in the first year of acquisition assets of up to \$5,000
- The other significant change is to Fringe Benefits Tax, with the phased-in introduction of a standard rate based on 20 percent of the value of the car
- On superannuation, there's some relief for people who inadvertently exceed the concessional contribution limits by \$10,000 or less
- From July 1, 2012, you'll only be able to make concessional contributions of more than \$25,000 if you're over 50 and have less than \$500,000 in your super account
- Two other tax issues loom over the Budget - the Mineral Resources Rent Tax and the Carbon Tax

- Neville: Revenue from the Minerals Tax is included in the Budget estimates from July 2012, comprising the whole of the estimated surplus of \$3.7 billion for that year
- No estimates are provided for the Carbon Tax - to do so might have disclosed the government's intended carbon price
- I still believe we'll get one interest rate rise this year, but wouldn't be totally surprised if we didn't
- Summing up: a good effort in difficult circumstances, better than could be achieved in most other world economies
- Michael: some good things for small business, the real tax action is taking place in changes to the law around taxation of discretionary trusts

Track 3

How Honest Is Your Bookkeeper?

Brett Warfield, Warfield & Associates

Fraud by bookkeepers can have a devastating impact on businesses, taking them to the verge of bankruptcy

- In this 6-year report, 65 cases were identified, 56 by women and 9 by men - although men are much more ambitious about the amounts of money stolen
- Most money is stolen by false electronic transfer of funds and falsifying cheques. Allowing one person unfettered access to these payments methods is asking for trouble
- Some frauds go undetected for several years. Business owners and managers often assume the business is performing badly rather than accuse their trusty bookkeeper of fraudulent activity

- The fraud often comes to light when the bookkeeper takes time off. Make sure your bookkeeper has annual holidays in at least two-week blocks, so that someone else needs to step in
- The motivation to commit fraud is often gambling, or for lifestyle reasons
- The perpetrators were often remorseful after being caught but that didn't necessarily keep them out of gaol
- Theft of more than \$50,000 will generally result in a gaol term
- Business operators need to understand the basics of accounting, rather than leave financial management totally to someone else

Track 4

New Rules On Parental Leave

Joydeep Hor, People + Culture Strategies

- The Act provides for up to 18 weeks' paid parental leave at the Federal minimum wage, which will be indexed
- The payments will be funded by government and paid via the employer, so cash flow should not be as adversely affected as many business owners had feared
- Paid parental leave should not be seen in isolation from the Fair Work provisions for unpaid parental leave and flexible working where family care responsibilities are concerned
- Employers need to take account of all three obligations, or face the risk of penalties imposed by the Fair Work Ombudsman

- They must also be aware of potential claims of adverse action under the Fair Work Act, or of discrimination under state or federal anti-discrimination legislation
- Employers won't need to verify claims for paid parental leave - that will be done by the Family Assistance Office which administers the Act - though they may be asked questions about eligibility
- The Family Assistance Office will make payments to employers, which should then be passed on promptly through the employee's normal pay cycle
- Employers should check very carefully before reducing their own paid parental leave schemes. The government has made sure no employee should be worse off when the national scheme takes effect

Track 5

"Fighting Clean" In Business

Richard Day, Life & Business Leadership Institute

- Commit to saying what you want to say in a respectful tone
- Never leave anything unsaid at the table
- Understand what your desired outcome is before you begin the conversation
- Ensure that the conversation remains respectful at all times
- Remember the "NICE" acronym: N = Nothing, I = In Me, C = Cares, E = Enough (to tell you the truth!)
- Become aware of the power of the "encoded" phase in communication as this is where all the power lies

Track 6

Winning Business In China - First!

Susy Artico, Yellow Earth

- The company founder had traded in China for many years, which helps explain the success of Yellow Earth today
- We continue to use Australian sheepskins for our products - the quality is hard to beat
- We've now moved to producing Ugg boots as a fashion accessory but we need to change the Australian mindset about Ugg boots as nothing more than a slipper
- Our biggest market is China, but we also export to Europe, Sweden, America - we're popular in colder climates
- We received a major boost in Shanghai after the Australian government asked us to be ambassador for Australian sheepskin at the World Trade Fair in 2010 . That exposed us to people from all over the world but particularly to the Chinese, who couldn't get enough of us!
- Our boots are finished in China. The quality of the work they do is hard to beat
- Australians need to realise that China produces top quality goods these days - our attitudes need updating
- Our boot designs are bound to be copied but others won't achieve the quality product that we offer
- To succeed in China, you need to make sure you're there to oversee your product being developed
- Yellow Earth benefits from the success of the Chinese economy. Tourism these is growing,

which exposes us to other parts of the world as well as to China itself

- We use Australia in our marketing material because everyone loves Australia!
- We've now opened our first store in Melbourne and plan to open in every state - just need to change Australian attitudes to Ugg boots

Track 7

The Things That Matter Most

Tony Gattari, Achievers Group

- It's extraordinary how much clarity you have about what matters most when you have a major health scare
- Things that were important to me prior to my health scare were no longer important to me after I became sick
- As I got better, I vowed to live by my new philosophy on life which contains 19 pointers:
 - 1. Success is more than just making money
 - 2. Life is hard and not always fair
 - 3. Life is fun and we're very funny - we shouldn't take ourselves too seriously
 - 4. We live by choice, not chance
 - 5. We can all choose our attitudes
 - 6. Good habits are the key to success. Discipline counts
 - 7. We need to be thankful and celebrate what we have
 - 8. We should build our lives on a foundation of respect: have manners, embrace people's differences; speak graciously, and honour the rules
 - 9. Honesty is the best policy - it's liberating!

- 10. Kind words cost little but accomplish much
- 11. Real motivation comes from within
- 12. Goals are dreams with timelines. Write them down
- 13. There's no substitute for hard work - but incorporate fun into it
- 14. Sometimes you can't have it all. Learn to close doors
- 15 Successful people don't find time, they make time. Respect it, don't waste it
- 16. Take responsibility for your own self-esteem - be kind, honourable and productive
- 17. There are both physical and spiritual elements to your being. Respect the power of meditation and prayer
- 18. It's OK to fail. Failure is a learning curve and a stepping stone to success
- 19. Life is simple if we know what's essential: we need to choose a good attitude, be thankful, if we like ourselves we'll like others, master integrity, accept the challenges of business and life, have a passion to learn, and enjoy life -not just the destination but the journey.

Track 8

Sharemarket Update

Elio D'Amato, Lincoln Stock Doctor

- The strength of the Australian dollar is a common theme at present - many companies in our portfolio are commenting on the adverse effect it's having on them
- Mining stocks, mining services, banks and building suppliers normally do well when the

dollar's high, but this time it's risen higher and faster than commodity prices, which is a problem

- Telecommunications, wagering, consumer staples and health care, where significant earnings are generated overseas, are also adversely affected
- On the plus side, importers benefit, as do airlines taking people overseas, media stocks and the big retailers. But losers outweigh the winners and that's not going to change quickly
- Reporting season for banks is over, with NAB providing the surprise result: margins improving, debt writedowns reducing and better performance by their European division
- But we still like ANZ best - they've come in as a Star Stock. Earnings growth of around 20 percent and continuing performance in Asia with a lot of potential there for further growth
- We don't see a major market correction as likely in the near future, but there are opportunities to diversify portfolios as protection against movement in particular sectors
- From around 100 companies presenting at a recent Macquarie analysts' conference, we particularly liked 5: Mineral Resources Limited; Thorn Group; Horizon Oil; Mermaid Marine and Fortescue Metals
- And there's a special end-of-financial-year offer for BE members to become Stock Doctor clients at a price that won't be repeated

Track 9

Is Your Business Fit To Succeed?

Kerri Pottharst, Olympic Gold Medallist

- There are many parallels between elite sport and the world of business: setting goals and striving to achieve them, strategising, handling competition, hard work, perseverance and teamwork
- When I took up beach volleyball after a serious knee injury, I realised we had a real chance at the Olympic level, but I needed to go fulltime
- We needed time to train and money to support ourselves, so we decided we had to become a business
- That meant learning about marketing and public relations, about sponsorship and how to attract it, and about generating support networks
- Elite athletes these days need to know how to become a brand in their own right
- We discovered that building relationships through networking produced results where cold-calling and written proposals didn't
- Then we over-delivered on our promises, making sure sponsors got more than they were paying for
- We had to offer something unique, just as businesses have to find the edge that separates them from their competition
- I've divided my book "The Business of Being an Athlete" into 3 sections: Passion for what you do; Preparation - the learning and hard work that you must undertake; and Belief - that you can succeed when it comes to the crunch

- We both lay awake the night before our gold medal match at the Sydney Olympics practising our victory speech - we knew we could win, and we did!