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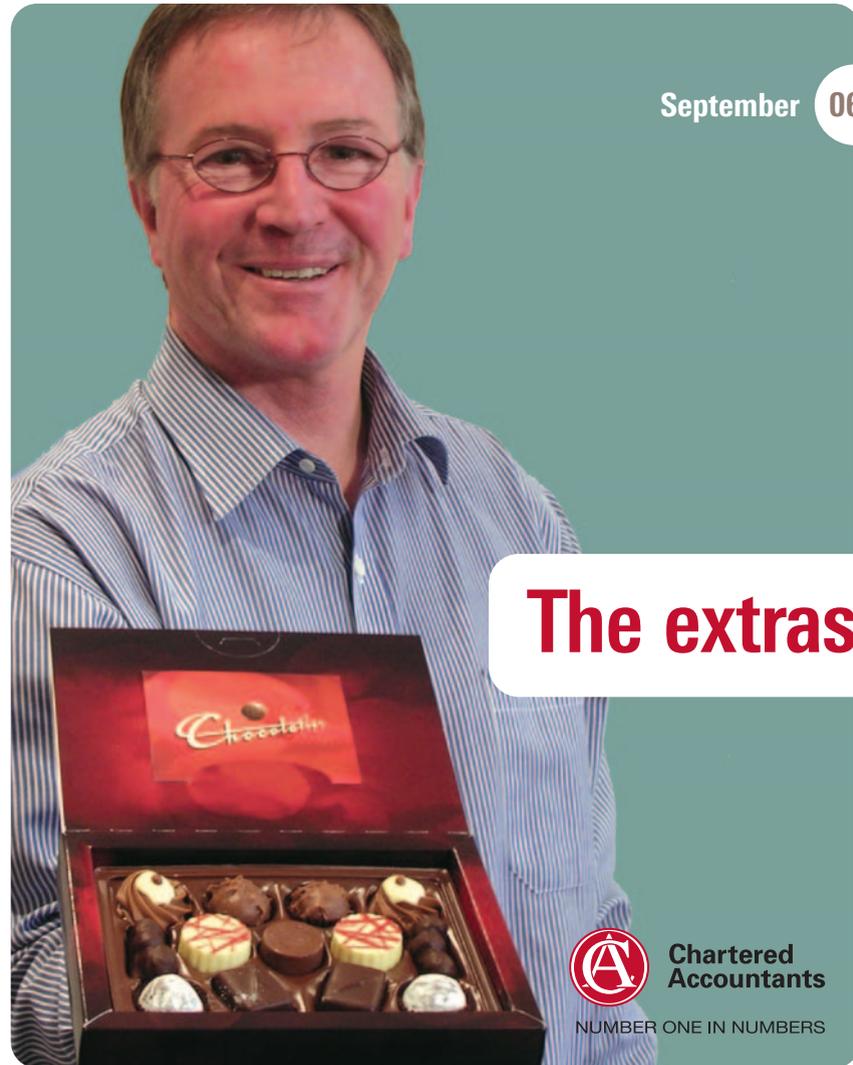
NUMBER ONE IN NUMBERS

Chartered Accountants

Business **in focus**

Monthly audio program > presented by Michael Schildberger

September 06



The extras



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Our intention with Chartered Accountants' Business in Focus is to provide with you with useful information for your practice but also hints you can pass on to your clients.

Our cover story, for example, is all about chocolate – and you would wonder why! The reason for introducing you to David Grisold of Chocolatier is to show how anything is possible in business. Fancy making a few chocolates at home and growing that into a multi-million dollar global enterprise. The Grisold brothers were not deterred by the challenge of competing with international brand names. But they admit they've always had to be concerned about cash flow.

And on that subject you'll hear from Verne Harnish who advises businesses to watch their cash every day.

The aftermath of the Federal Budget gives us all plenty to think about in regard to superannuation and Tammy Marshman has some thoughts.

We must not of course overlook the impact of interest rates. Our regular economist Professor Neville Norman, on whom Business Essentials subscribers have been able to rely for 22 years, forecasts another increase but also a reduction again quite soon.

In this Extras booklet you'll find some brief summaries of the CD interviews and also some further information on seminars that might be of additional assistance. And, take note of a special offer by Lincoln Indicators to help you with your share portfolio.

Enjoy this month's CD and I hope you find plenty of value.

Michael Schildberger
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This month's essentials

03

Track 1

SUPER BUDGET UPDATE

Tammy Marshman, William Buck

- > Major implications – abolition of RBLs and pensions and lump sums tax free to over 60s
- > We should be aware of undeducted contribution changes and abolition of compulsory cashing rules
- > Deductible employer and self-employed contributions impacts include:
 1. CDC \$50K (=50YRS - \$100K FROM 07/08 TO 11/12, THEN \$50K)
 2. CDC @ 15%. Excess @ top MTR
 3. 100% deduction for employer and self-employed (no cap or ABL) to age 75
 4. SG still cuts out at age 70
 5. Simplification of test for personal deduction on super contributions and expanded eligibility for co-contribution to self-employed persons
- > Employer ETPs – introduction of concessional taxation cap (\$140,00), and no longer able to rollover to super

Track 2

TAX CONSOLIDATION VALUATIONS

Michael Churchill, Capital Value

- > Almost all large groups have lodged their first tax return, and in the case of larger valuation uplifts have had those valuations reviewed by the ATO
- > Valuation issues remain central to the outcomes companies achieve when an acquisition is undertaken
- > There's an opportunity to reset asset cost bases when a new company or sub-group becomes 100% owned
- > The reforms enable an acquirer to write-up the tax cost base of assets to the amount that's been paid in a take-over (subject to what's called the "over depreciation" rules)
- > Companies can avoid the risk of an ATO audit on valuations with a process called the Advanced Market Valuation Agreement. The company submits to the ATO reviewing the valuation process and outcomes as it goes through the valuation and receives a sign-off from the ATO at the end.

Track 3

ECONOMIC UPDATE

Professor Neville Norman, Melbourne University

The recent winter 2006 interest rate rise was:

1. no basis for slowing banana or oil prices said to have caused it
2. justified in that everyone expected it
3. likely to slow pass-on effects of these instigating rises
4. likely to slow housing and consumer durable spending
5. likely to be followed by another, given the inability of the first to achieve its target
6. still likely to be reversed during 2006-7 (as my Age forecasts reflect)

Those who are risk averse will always find rate locking optimal. Those who did not rate lock have little to fear.

The chance of a change in the federal government is still less than 50% but has increased.

Inflation: between the March quarter of 1990 and 2006, CPI for all groups rose exactly 50% but near zero for clothing and footwear and communication outlays.

Track 4

KEEP IT SIMPLE

David Brewster, Business Simplification

- > A simpler business is also a happier and more profitable one
- > We can all learn from the new simplification strategy at Coles
- > Your business won't simplify itself - take time to stand back and have a good look at your business
- > Focus on how you can make it simpler for customers to deal with you
- > A common barrier - resigned acceptance of how things are
- > Beware the shortcuts and don't take risks without understanding the consequences
- > Don't simplify the wrong things by simplifying your business at the expense of customers.

Track 5

GOING FOR GROWTH

Verne Harnish, "The Growth Guy"

- > Focus on your operating cash flow if you want to double it in 12 months
- > So many business operators concentrate on profit and loss. The cash will make or break
- > The "accounts payable" person has most influence over cash flow. Think about employing an extra person in that department
- > Invoicing even a day or two late mounts up and costs you money
- > Track your cash as often as possible, even daily

Track 6

ACCOUNTING & AUDIT FOR NOT-PROFIT ORGANISATIONS

Stuart Cameron, Nexia Court & Co

- > The most likely impact of IFRS is in the disclosures to be made in financial statements, and assessing the possible impact of the impairment standard on the values attached to an entity's assets.
- > From 1 July 2006, Auditing Standards are legislative instruments under the Corporations Act, and must be adhered to regarding audits governed by that Act.
- > There are no real substantive changes coming from the above as the Standards are close to the previous Standards. ASIC's enforcement of those Standards will have the greatest impact.
- > Though it had effect from 1 July 2005, Section 324 regarding Independence is the other concern of ASIC.
- > In response, auditors should review their internal practices and quality control procedures to ensure the above are met.

Track 7

CAR OWNERSHIP - BUSINESS OR PERSONAL?

Michael Jones, Cummings Flavel McCormack

Consider: Usage / value method / claiming method

1. Valuing the fringe benefit:
 - > Statutory method
 - > Operating cost method
2. Personal car expense substantiation methods:
 - > Cents per kilometer
 - > 12% of original costs
 - > 1/3 of actual cost
 - > log book
3. Cost and usage: High or low business usage?
High or low annual kms traveled? Is the car an expensive model?

Rules of thumb:

- > Best to do the calculation, but in general:
- > A normal priced car, traveling more than 15,000 kms pa, without substantial business usage, with taxpayer at top marginal rate: business ownership has benefits
- > With substantial business usage: probably no material difference between business and personal ownership
- > Luxury high value car: generally should be owned personally
- > Consider substantiation burden: simplicity is important because life is short

Track 8

SHAREMARKET UPDATE

Tim Lincoln, Lincoln Stock Doctor

- > It's still a volatile market
- > Offshore reasons include the conflict in the Middle East and high oil prices
- > The latest interest rate rise has added to the volatility - but rates are still low
- > There are still great opportunities in the Australian sharemarket
- > A new reporting season is now underway - a busy time for investors
- > Star stocks to highlight: Ansell, Boom Logistics, Rio Tinto, Stockland Trust,
- > Primary Healthcare, West Australian Newspapers
- > Best tips: BHP, Rio Tinto, Campbell Brothers.

Track 9

SWEET SUCCESS IN A TOUGH MARKET

David Grisold, Chocolatier

- > Building relationships with retail outlets has been very important
- > Now the company needs to build relationships with the end purchaser also
- > Events and special occasions are integral to sales - it's important to sit down with customers to work out what they need, how much they can afford and tailor-make something for that special occasion
- > Staff, even customers, have input about the product. Staff will contribute ideas and speak up if they think it's not right
- > Packaging is vital in encouraging customers to select the brand
- > To find success you've got to work hard and keep your wits about you at all times
- > Cash flow can be a killer in this industry with boom-bust cycles through the year - it's a real challenge to manage it.

Track 10

BEWARE CLIENT BACKLASH

Paul Gardner, Grey Global

- > Two thirds of consumers don't trust big companies and will stop buying their products
- > Businesses should address how people feel about their ethics and morals
- > Businesses need a point of view on the environment, caring for their people with work/life balance and caring for the community
- > Technology has not fulfilled its promise
- > Small to medium-sized businesses should consider a receptionist instead of an automated phone system
- > People are saying "look at me, understand my thoughts and beliefs and represent me"

Information

For more information about the topics discussed on this September 2006 program, please contact the relevant organisation listed below.

SUPER BUDGET UPDATE

The Institute of Chartered Accountants in Australia
1300 137 322

TAX CONSOLIDATION VALUATIONS

The Institute of Chartered Accountants in Australia
1300 137 322

ECONOMIC UPDATE

Professor Neville Norman
Email: n.norman@unimelb.edu.au

SIMPLIFYING YOUR BUSINESS

David Brewster, Business Simplification
Tel: 03 9388 1650.

David's book, "Success with Simplicity: Take Management Back to Basics" can be ordered from www.successwithsimplicity.com

David's e-book, "Make It Simple! 100 Ways to Simplify any Business" is free from

www.businesssimplification.com.au
Email: davidb@simplebusiness.com.au

GOING FOR GROWTH

Verne Harnish, "The Growth Guy". Verne Harnish is presenting his Go for Growth seminars in Brisbane, Melbourne and Sydney in October. The Extras booklet has details of a discount offer for Chartered Accountants' Business In Focus subscribers.

ACCOUNTING & AUDIT FOR NOT-FOR-PROFIT ORGANISATIONS

The Institute of Chartered Accountants in Australia
1300 137 322

CAR OWNERSHIP - BUSINESS OR PERSONAL?

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SHAREMARKET UPDATE

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Website: www.stockdoctor.com.au
Please contact Lincoln direct for more details about its STOCKdoctor investment software or managed fund services on 1800 676 332 or 03 9855 1100

SWEET SUCCESS IN A TOUGH MARKET

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BEWARE CLIENT BACKLASH

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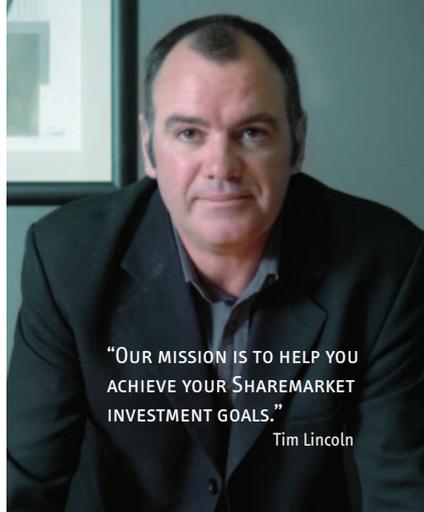
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