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Business **in focus**

Monthly audio program > presented by Michael Schildberger

March 07



The extras



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There's been so much hype about the birth of Microsoft's Vista that we figured we should not only explain what it does but also give some advice. Vista will change your computer usage entirely but there's a question about whether you need to install it before you buy your next computer. Our highly respected computer expert Ms Megabyte, sometimes known as Yvonne Adele, is pleased to answer all questions. You'll hear her on this month's CD and you'll read her conclusions in this Extras booklet.

If you're concerned about keeping your staff at this time when there appear to be more positions available than good people to fill them you'll be interested in the findings of a new survey by the Australian Institute of Management. Serge Sardo of AIM analyses on the CD why employees stay or leave - valuable information for you and your clients.

I've just read *The Power of Nice* and interviewed co-author, Linda Kaplan Thaler, CEO of a giant advertising group with more than a billion dollars in billings. On the CD she explains how you'll be healthier and wealthier, if you're nice. She has great examples.

Is valuing a business a precise science? Anne-Maree Denaro of Trio Business Intermediaries says it's a mixture of emotion and dollar factors.

Tom McLeod, General Manager, Internal Audit at Optus, looks at the opportunities and challenges facing Internal Audit in 2020.

Also, Ken Mansell of KPMG tells us about small business opportunities from the latest changes to CGT concession rules.

Enjoy this month's CD and this Extras booklet.

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Track 1

SMALL BUSINESS CGT CONCESSIONS

Ken Mansell, KPMG

- > Opportunities have arisen for small business to take advantages with changes to the small business CGT concessions. The changes are comprehensive and will mean in many cases there will be no capital gains tax payable on the sale of assets by small businesses. These provisions will apply to 96% of businesses in Australia and so every CA will need to know these rules
- > The controlling individual 50% test has been replaced with the new significant individual 20% test. The test can be satisfied directly or indirectly through one or more interposed entities. Therefore many more structures can be used that allow minimal CGT
- > The new active asset test requires the asset to be active for the lesser of 7 1/2 years or half the period of ownership. The asset does not need to be an active asset just before the CGT event
- > A taxpayer can choose to roll-over a capital gain before acquiring a replacement asset or making a capital improvement (replacement asset) and if no replacement asset is required within two years, CGT will be payable after the two years

Track 2

INTERNAL AUDIT IN 2020: OPPORTUNITIES & CHALLENGES

Tom McLeod, Optus

- > Understand the history of the profession, and the history of internal audit within your organisation
- > Understand the current dynamics and the changes they have brought and will bring. This includes:
 - > Understanding current dynamics within your organisation
 - > Post Enron/HHH - the changes in regulation and Board interest
 - > The impact of the rise of private equity
- > Predicting the future of internal audit
 - > It's time to revisit all aspects of the profession and the method of delivery
 - > We must look at the use of:
 - Google - best practice audit plans
 - Second Life - business process experimentation
 - Wiki technology - client involvement in fact establishment

This month's **essentials**

Track 3

YOUR COMPUTER & VISTA - AND YOU!

Ms Megabyte

See Page 11 of this month's Extras booklet for Ms Megabyte's verdict on Microsoft's new operating system, Vista.

Track 4

ECONOMIC UPDATE

Professor Neville Norman, Melbourne University

Economic activity continues to grow, avoiding recession, but:

- > The growth rate is 1.5% below our trend growth and capacity
- > Some regions, including most of NSW, are NOT growing
- > Building approvals are falling, from a high base
- > Car demand is stabilising, also at a high base

Some inferences for business planning:

- > Rising interest rates and electoral uncertainty are biting
- > Profit/margin recoveries will be hard in many areas of business
- > All the old adages of (sensible) cost saving and product differentiation apply even more fully than with 3.5% national economic growth
- > Tax "cuts" in this Budget/electoral ploy are an essential, not just a prospect.
- > As projected last issue - a rate rise is off. Falls in interest rates are more likely.

Track 5

NEW SURVEY: WHY EMPLOYEES STAY OR LEAVE

Serge Sardo, Australian Institute of Management

- > Up to 90% of employees said they worked for great companies - yet one in four said they'd leave their organisation within the next 12 months
- > Australian managers ranked well in relationship building but not so well in treating employees fairly or in managing performance and efficiency
- > Why employees leave: poor career advancement prospects, reward and recognition, boredom and / or for better pay
- > Why employees stay: sense of purpose and meaning, relationship with co-workers
- > Warning signs that employees might leave: absenteeism, under-performance, reduced levels of commitment
- > Employees prefer to work in a small business environment
- > Lessons: Managers need to develop career maps for employees
- > Managers need training as coaches and leaders, not just managing systems and processes
- > Managers need to diversify functions, and create more challenges
- > They need to develop strategies for positive workplace relationships, and reward and recognition programs that extend beyond pay.

Track 6

HOW BUYERS VALUE BUSINESSES

Anne-Maree Denaro, Trio Business Intermediaries

- > Valuing a business is a fairly even mix of emotion and factors with a \$ in front of them. Buyers often value businesses on their perception of the issues rather than the facts
- > The most common factors influencing the value a prospective purchaser will pay for a business include:
 - 1) What's left in the business once the current owners are taken out
 - 2) Then, competitive advantage, customer base, continuity of supply, staffing and management, location and where the prospective purchaser sees unexploited opportunity
- > Buyers make acquisitions based on their assessment of the future potential of the business. The industry and life cycle stage of the business strongly affect value
- > There are no rules of thumb. They assume homogeneity between businesses that plainly doesn't exist
- > Business buyers usually add back personal expenses and non-core adjustments. Also consider the cost of managing the business, commercially realistic premises costs and depreciation is not an add-back

Track 7

THE POWER OF NICE

Linda Kaplan Thaler, The Kaplan Thaler Group, New York

- > Nice is not being a doormat, you can be assertive in a positive way - and it's good for business!
- > Nice people help businesses grow, retain good employees, don't get sued and have happier marriages - and they're healthier
- > You never know where the seeds of kindness will lead you
- > Share the credit - think about "we" rather than "me" or "I"
- > Tune into people's feelings, look beyond words - and smile!

Track 8

MAXIMISING TAX DEDUCTIONS

Michael Jones, Cummings Flavel McCormack

- > Minimise the FBT on your car - go for a drive!
- > Maximise your tax deductions
- > You don't always need to wait until you've paid an expense to claim a tax deduction
- > Feasibility tests - when is it too early or too late to claim a tax deduction?
- > A practical guide on the rules on private and capital expenditure.

Track 9

SHAREMARKET UPDATE

Tim Lincoln, Lincoln Stock Doctor

- > The market has appreciated around 20% so far this financial year
- > While positive times continue it's a great time to bolster up our portfolios
- > Downturns always happen. Keep focusing on quality stocks
- > Don't invest more than you can afford to lose, and beware leveraging
- > Lincoln Star Stocks have produced more than 30% return p.a. over the past 5 years
- > Lincoln has just revamped its financial health model - with the help of Prof. Neville Norman
- > Tips for the month: Rio, BHP, Bradken.

Track 10

PREPARING FOR CHANGE

Paddy Spruce

- > Many employees are fearful of change and go into denial - so you need to reinforce the message that change is happening
- > Some people get annoyed or grieve about the ways things used to be
- > There will be diverse responses to change in the workplace
- > Managers too can be fearful of change
- > Beware the big resisters of change, they can sabotage the organisation. Speak to them!
- > Be careful when times of stress are ahead. Don't overload yourself or the business
- > Creating a sense of urgency is critical
- > Celebrate the small successes along the way.

For more information about the topics discussed on this March 2007 program, please contact the relevant organisations listed below.

SMALL BUSINESS CGT CONCESSIONS

The Institute of Chartered Accountants in Australia

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INTERNAL AUDIT IN 2020: OPPORTUNITIES & CHALLENGES

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YOUR COMPUTER & VISTA - AND YOU!

Ms Megabyte

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ECONOMIC UPDATE

Professor Neville Norman

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NEW SURVEY: WHY EMPLOYEES STAY OR LEAVE

Serge Sardo,

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HOW BUYERS VALUE BUSINESSES

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THE POWER OF NICE

Co-written by Linda Kaplan Thaler and Robin Koval and published by Allen & Unwin. RRP: \$35.00

MAXIMISE TAX DEDUCTIONS

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SHAREMARKET UPDATE

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Please contact Lincoln direct for more details about its STOCKdoctor investment software or managed fund services on 1800 676 332

PREPARING FOR CHANGE

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Yours sincerely,

Tim Lincoln
Managing Director
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Ms Megabyte

For more hints and tips and to join my free newsletter, visit www.getmega.com. If you liked this tip, you will also be interested in my extensive online lesson library at www.conquyourcomputer.com.au.



The Vista Verdict

Windows Vista is Microsoft's brand new operating system – to replace Windows XP. The hype surrounds these main features:

- The look and feel. With glass-like see-through window frames, 3-d flipping windows and a live preview of programs on the taskbar, it actually does make you say WOW!
- Instant search – you'll find the little search box everywhere and you can trust it to find what you need.
- A Sidebar with handy gadgets you can customise like a currency converter, clock, share prices, weather.
- New ways to organise and find your photos, videos and music
- Great parental controls to protect and manage the kids
- Improved security to keep your computer running smoothly
- An excellent Ready Boost feature which allows you to plug in a USB drive and use it as extra memory when you need it

My advice on whether you should upgrade? The answer is NO! Just take a step back and make sure your existing PC is ready. You can do this by following the Get Ready tools at www.microsoft.com/vista. The report will tell you if you need a new graphics card, more memory and also which programs and devices will not function properly. If your PC is more than 3-4 years old you may not have a good experience upgrading. If you're running Windows XP and you have no urgent need for any of the new features in Windows Vista, hold your horses and keep with the status quo! If you're buying a new PC, go for it – Windows Vista is a great choice – you'll love it!

At the same time, the brand new Microsoft Office 2007 was launched, including Word, Excel, PowerPoint, Outlook, etc. The major difference is the replacement of drop down menus with the new Ribbons. Before you upgrade, make sure you're prepared to give yourself a bit of time to find things because it very different. But believe me, it's worth it!