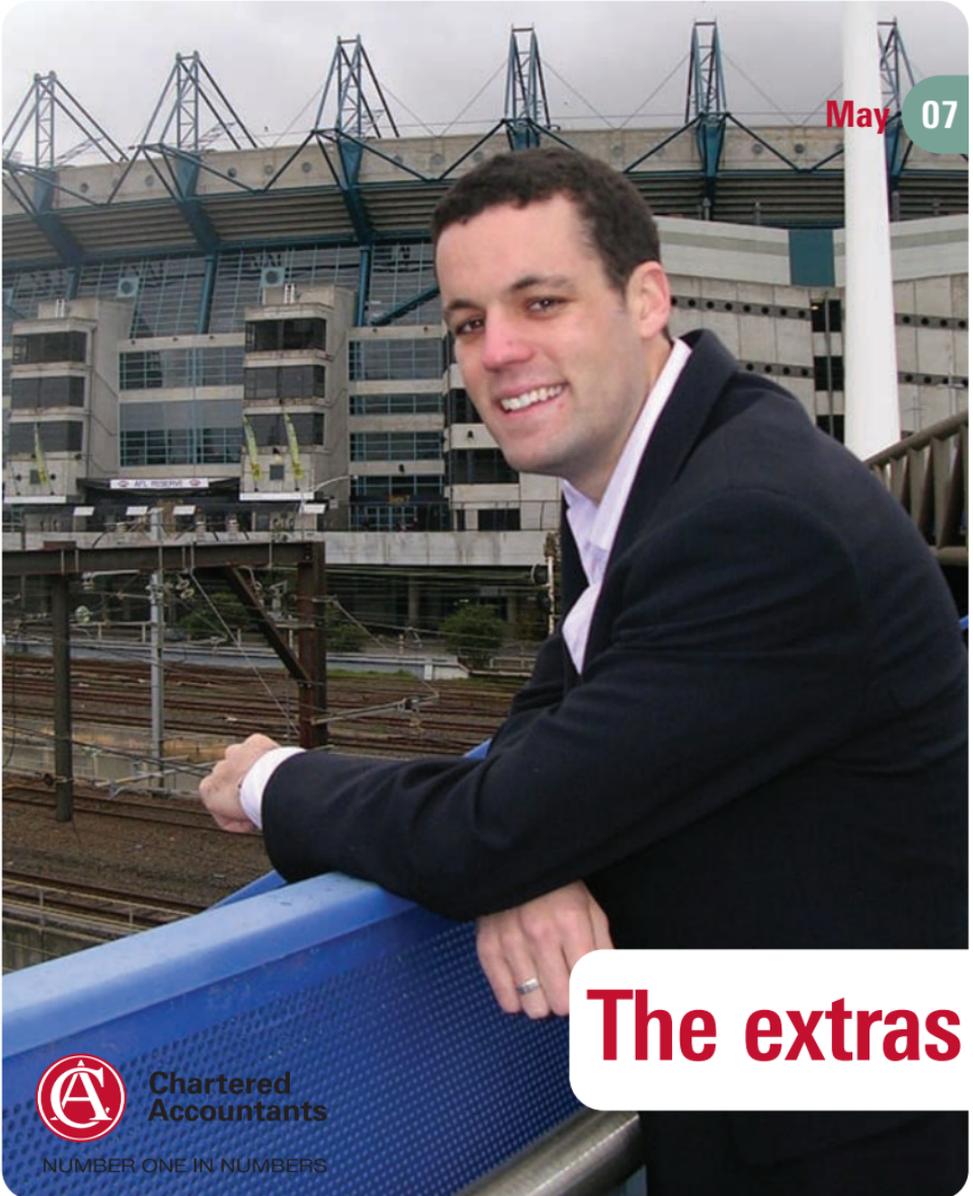


Chartered Accountants

Business **in focus**

Monthly audio program > presented by Michael Schildberger

May 07



The extras



Chartered
Accountants

NUMBER ONE IN NUMBERS



Bet you've never thought about owning a piece of the Melbourne Cricket Ground! Young entrepreneur Pete Williams turned a dream into a reality when he watched the MCG Members' Stand being pulled down and figured that people would want to buy a piece. He managed to get hold of the old timber and the carpet - with insignia - had it packaged into frames and went to the market place. Pete Williams has published a comprehensive book on how to turn million dollar ideas into reality. I talk to this very energetic chap on this month's CD.

If your clients are considering expansion, maybe internationally, you'll find valuable advice to pass on from DC Strategy's Managing Director Adrian McFedries. More and more are doing it, very successfully, but everyone needs to know about potential problems.

Chartered accountant Timothy Holden of Foremans Business Advisors tells us why he thinks that insolvency is a needle point in the spectrum of accounting as he takes us inside the world of insolvency.

Rox Dawson of Sustainability explains that flow charts are among the best tools in Business Process Improvement, and chartered accountant Wayne Basford of BDO brings us up to date on Auditor Independence.

I hope you enjoy this month's edition and gain from it.

Michael Schildberger
Managing Director

website
www.be.com.au
Chief Editor
John Hounslow
Production Manager
Heather Dawson
Studio Manager
Peter Letts
Advertising/Sponsorship
Nick Schildberger
nschildberger@be.com.au
Managing Director
Michael Schildberger
Publisher
Business Essentials Pty Ltd
ABN 98 006 144 449
405 Riversdale Road,
Hawthorn East VIC 3123
Phone (03) 9882 8333
Fax (03) 9882 8017

Track 1

INSOLVENCY

Timothy Holden, Foremans Business Advisors

- > Insolvency is an accounting discipline. However, it has a focus that sometimes appears more aligned with legislation and it is in fact defined by legislation (ie Corporations Act 2001 and the Bankruptcy Act 1966)
- > Being aware of the financial and non-financial warning signs of impending or actual insolvency can give business proprietors time to take action to protect themselves and potentially save the business
- > Being aware of the emotional aspects of insolvency will enable accountants to better advise their clients
- > Liquidations are governed by the Corporations Act 2001 and Bankruptcy is governed by the Bankruptcy Act 1966. As such, there are significant differences between the two
- > There are different purposes and uses for the various corporate administrations: Liquidation/Receivership/Voluntary Administration etc
- > There are different purposes and uses for the various personal insolvency administrations: Bankruptcy/Part X etc

Track 2

Business Process Improvement

Rox Dawson, Sustainability

- > Improving business processes is paramount for businesses to stay competitive in today's marketplace
- > As a first step, many organisations attempt to document their existing business processes
- > Usually the documents created are long, complex, rarely read or used and difficult to maintain
- > Flowcharting is the most effective method of documenting business processes
- > Flowcharts assist new and existing personnel to perform business activities consistently, improving quality and reducing costs and time
- > Flowcharts also allow analysis of bottlenecks, inefficiencies, over complexity and other areas for improvement, then form the basis for designing the new and improved process

This month's **essentials**

Track 3

ECONOMIC UPDATE

Professor Neville Norman, Melbourne University

The May 2007 Federal Budget poses a huge dilemma for the Howard Government

- > Too tight - it loses the (needed) political pluses of generosity
- > Too generous - it gets accused of fostering inflation and even higher interest rates
- > Federal tax will be close to \$200b in 07/08, personal tax will approach \$130b
- > Despite economic growth retarded from 3.5 to 2.5%, a large \$12b budget surplus is available to be pared back by "tax cuts" and other "giveaways"
- > Shaving the top marginal personal tax rate to 40% is attractive but risky
- > Spending the entire surplus would be canned by financial markets
- > Upshot: interest rates are held up by this dilemma, and also by the desire to quell any growth nearing 3%
- > Watch the budget for latest economic updates and business pointers.

Track 4

RECRUITMENT ADVERTISING THAT WORKS

Paul Hassing, the Feisty Empire

- > The biggest error is failing to list the benefits of the job
- > Avoid bloated, impersonal language - it'll save you a truckload of money
- > Use the language of the candidates you hope to attract
- > Don't dwell on the headline - write the body of the ad first and the headline will follow more easily
- > A good ad is full of subtle filters
- > There are formatting rules to make the ad easier to read
- > If you have the money, choose a relevant image to make your ad stand out.

Track 5

INTERNATIONAL GROWTH: YES OR NO

Adrian McFedries, DC Strategy

- > Ask yourself how well positioned are you? Do you have the cash flow and profitability? Can you remove a senior executive from the day-to-day business to concentrate on the overseas venture?
- > Most companies going overseas spend \$250,000-\$500,000 for one location
- > Don't confine your vision to expanding to one country. Think about 1-5.
- > Boost Juice, Bakers Delight, Flight Centre are examples of Australian companies which have succeeded internationally.

Track 6

AUDITOR INDEPENDENCE

Wayne Basford, BDO

- > Independence is covered by the Corporations Act and APES 110 "Code of Ethics for Professional Accountants" (Not F1). Many accountants have not picked up on this change
- > The rules affect anybody performing assurance services under the Corporations Act, anybody providing assurance services and who is a member of a professional body in Australia.
- > Anybody not complying with independence rules is directly breaking the Corporations Act, breaching professional ethics, and breaching auditing standards
- > Discussion of major areas impacting auditor independence: Self-interest, self-review, advocacy, familiarity, and intimidation threats
- > Discussion of steps professionals and firms need to undertake to comply with independence

Track 7

AVOIDING DISASTERS WHEN BUYING A BUSINESS

Paul Brennan, Brennans Solicitors

- > Take a good hard look at the seller before you buy
- > Seek a due diligence clause in the contract
- > Consider a handover condition. Seek warranties from the seller
- > Very important - look at restrictions on the seller's right to trade
- > Make sure your finance is secure before signing
- > What plant and equipment are included in the purchase?
- > Seek the help of a lawyer - it's well worth the money

This month's **essentials**

Track 8

TAX OFFICE AMNESTY ON TRUSTS

Michael Jones, Cummings Flavel McCormack

- > If you use a trust, you need to be aware of the Tax Office amnesty for family trust elections
- > Family trust elections for 2004 and earlier income years may be lodged up until 31 May 2007 - provided that the trust has acted as if it was an elected family trust
- > Family trust elections are relevant for trust losses, company losses and franking credit rules:
- > Trust loss provisions (since 1995) - a discretionary trust that is not a family trust must satisfy 4 tests as opposed to one test
- > Company loss rules. If a discretionary trust owns more than 50% of the company, the company cannot satisfy the continuity of beneficial ownership test
- > Franking credit rules. If a discretionary trust owns shares that were acquired after 31 December 1997, the trust cannot distribute franking credits from the shares unless it has made a family trust election
- > What is the family group?
- > Dangers of making a family trust election.

Track 9

SHAREMARKET UPDATE

Tim Lincoln, Lincoln Stock Doctor

- > Don't worry about the zigzag factor in the share market - the long term opportunities are still there
- > The 6,500 - 7,000 points prediction is still there but with a few caveats
- > Now that the latest reporting season is over, it's time to focus on valuations, share price trends and news and announcements
- > Stock highlight from the reporting season: Tax Free Solutions
- > Ongoing Star Stock highlights: BHP, Rio, Leighton Holdings, Computershare, St George Bank and CSL.

Track 10

TURNING YOUR DREAM INTO REALITY

Pete Williams

- > You should continually research new ideas as you run your operation
- > Spend at least a month looking at your competition
- > I "sold" the Melbourne Cricket Ground (Members' Stand) when it was demolished to make way for reconstruction before the Commonwealth Games
- > The biggest marketing tool was a press release - "21 Year Old Sells MCG for \$500". The media loved it
- > Create your business goals around your life goals. Do it the way you want to do it.

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

INSOLVENCY

The Institute of Chartered Accountants in Australia

1300 137 322

www.charteredaccountants.com.au/training

BUSINESS PROCESS IMPROVEMENT

The Institute of Chartered Accountants in Australia

1300 137 322

www.charteredaccountants.com.au/training

ECONOMIC UPDATE

Professor Neville Norman

Email: n.norman@unimelb.edu.au

RECRUITMENT ADVERTISING THAT WORKS

Paul Hassing, The Feisty Empire

Tel: 03 9417 3663

Mob: 0409 FEISTY (334 789)

Email: communicate@thefeistyempire.com

Website: www.thefeistyempire.com

INTERNATIONAL GROWTH: YES OR NO

Adrian McFedries, DC Strategy

Tel: 03 8102 9200 (Head office)

Website: www.dcstrategy.com

Email: growth@dcstrategy.com

AUDITOR INDEPENDENCE

The Institute of Chartered Accountants in Australia

1300 137 322

www.charteredaccountants.com.au/training

AVOIDING DISASTERS WHEN BUYING A BUSINESS

Paul Brennan, Brennans Solicitors

Tel: 07 5444 2166

Email: paul.brennan@brennanlaw.com.au

Website: www.brennanlaw.com.au

TAX OFFICE AMNESTY ON TRUSTS - ACT FAST!

Michael Jones, Cummings Flavel McCormack

Tel: 03 9252 0800

Email: enquiries@cfmc.com.au

Website: www.cfmc.com.au

SHAREMARKET UPDATE

Tim Lincoln, Lincoln Stock Doctor

Website: www.lincolnindicators.com.au

Please contact Lincoln direct for details about its Stock Doctor fundamental analysis software or Managed Fund services.

Tel: 1300 676 332 or 03 9854 9444.

TURNING YOUR DREAM INTO A REALITY

Pete Williams, On Hold Advertising

Tel: 1800 837 844

Email: info@onholdadvertising.com.au

Website: www.onholdadvertising.com.au

Subscription Form

I would like to subscribe to Chartered Accountants Business in Focus and/or Tax in Focus:

Family name: _____ First Name: _____

Company: _____

Address: _____

City: _____ Country: _____ Postcode: _____

Telephone: _____ Fax: _____

Email: _____ Member No: _____

Age Group *(please tick one)*: 18-25 26-35 36-45 46-55 56-65 >65

Type of Business: _____ Number of Employees: _____

Subscription Pricing (GST Inclusive)

Product	Australian Rates		Overseas Rates	
	Members	Standard	Members	Standard
<input type="checkbox"/> Business In Focus – CD	\$385	\$485	\$385	\$485
<input type="checkbox"/> Tax In Focus – CD	\$385	\$485	\$385	\$485
<input type="checkbox"/> Combined (Business in Focus + Tax in Focus) – CD	\$695	\$875	\$695	\$875
<input type="checkbox"/> Business in Focus - Online	\$250	\$300	\$230	\$280
<input type="checkbox"/> Tax in Focus – Online	\$250	\$300	\$230	\$280
<input type="checkbox"/> Combined (Business in Focus + Tax in Focus) – Online	\$450	\$540	\$420	\$500

Payment Options

Please find enclosed cheque made payable to Business Essentials Pty Ltd for \$_____

OR debit my: Amex Mastercard Visa

Cardholder's name _____

Card number _____

Expiry date _____

Signature _____

Please send your order details to:

Free Fax: **1800 656 351**

Free Call: **1800 039 098**

Free Post: *send this form, (accompanied by a cheque to)*

Business Essentials Pty Ltd,
Reply Paid 579, Hawthorn East,
VIC 3123, Australia
Tel: +61 3 9882 8333
Fax: +61 3 9882 8017

Please Note: Upon payment this notice becomes a **TAX INVOICE**. Please retain a copy for your records.

Business Essentials Pty Ltd ABN 98 006 144 449
405 Riversdale Rd Hawthorn East Vic 3123 Australia

Privacy Notification - The Institute of Chartered Accountants in Australia respects the privacy of individuals and acknowledges that the information you provide on this form is protected by the Privacy Amendment (Private Sector Act) 2000. The information collected by the Institute is used for the purpose of processing your registration and providing you information (via email and/or mail) on upcoming events, specific products and services provided by or associated with the Institute. To access a full copy of our policy visit charteredaccountants.com.au/privacypolicy



Training and Development – at your fingertips

Keep abreast of the latest development in business and tax in your car, at your desk, or even on the bus!

Your annual subscription will consist of monthly audio updates either on hot topics in business or the latest tax news.

You can choose to have your subscription delivered each month on CD or online. The online version has an optional MP3 download capability enabling you to keep up-to-date via your iPod®, compatible mobile phone, PDA or any other MP3 device.



**Chartered
Accountants**

NUMBER ONE IN NUMBERS



As a fellow Business Essentials listener, I share your enthusiasm to learn from the expertise of others to achieve your business and lifestyle goals.

For over 20 years, Lincoln has specialised in developing intelligent share market solutions to help investors achieve their investment goals.

The Lincoln Australian Share Fund is an ideal investment option for busy professionals to access Lincoln's unique financial health approach, which professionally hand picks quality, undervalued stocks for inclusion in our Australian Share Fund.

It's no coincidence that our Managed Fund's FY06 performance was ranked No.1 in its class by investment research firm Morningstar*.

Apply for an information pack today by calling **1300 676 332**.

www.lincolnindicators.com.au

Yours sincerely,

Tim Lincoln
Managing Director
Lincoln

Are you maximising your portfolio returns?



Investments can go up and down. Past performance is not a reliable indicator of future performance. *For more information about this performance ranking and for actual performance returns see our website. A Product Disclosure Statement (PDS) for the Lincoln Australian Share Fund is available on our website or by calling us. You should consider the PDS in deciding whether to acquire or continue to hold the product. Lincoln Australian Share Fund ARSN 111 734 279 (APIR ETL0043AU) Investment Manager: Lincoln Indicators Pty Ltd ACN 006 715 573 AFSL 237 740 Responsible Entity: Equity Trustees Ltd ABN 46 004 031 298 AFSL 240 975.



In-House Training that really measures up

For tailored In-House Training that provides your business with a competitive edge – turn to the experts at the Institute of Chartered Accountants in Australia.

We now offer customised training in three main areas – technical, general business and people skills.

If you would like more details about this or other products and services provided by Training and Development please contact us directly at:

The Institute of Chartered Accountants
in Australia, 37 York Street,
Sydney NSW 2000

Ph: 1300 137 322

Email: support@icaa.org.au

charteredaccountants.com.au/training



**Chartered
Accountants**

NUMBER ONE IN NUMBERS