

Chartered Accountants

Business **in focus**

Monthly audio program > presented by Michael Schildberger

September 07



The extras



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Accountants

NUMBER ONE IN NUMBERS



We are always encouraged to grow our businesses. If we don't, and just stand still, we're going backwards. But we need to be careful that our growth actually delivers value. In other words, simple revenue growth might be good and even necessary for cash flow but we want our businesses to achieve greater profits and value for the longer term. Well known on the speaker circuit in the US preaching that philosophy is "The Growth Guy" Verne Harnish who's back in Australia next month for seminars in Brisbane, Sydney and Melbourne. I talk to him on this month's CD - and if you would like to see and hear him in person there's a special Business in Focus discount of \$100. Details in this Extras booklet.

With interest rates high on our agenda at present we ask our economist Professor Neville Norman to give us the real story in a totally unbiased, independent way.

Wanting to be independent Gillian Franklin set up her own business a few years ago. She had worked for large marketing companies and then chose to have chats in coffee shops with a couple of friends until coming up with a formula. And that included competing against the biggest in the world in the cosmetics arena. Her business, The Heat Group, is now showing more growth than any of the others. Gillian Franklin explains how - with a strong focus on how she deals with staff - on this month's CD.

The new Accounting Professional & Ethical Standards Board (APES) has released new standards as Andrew Archer of Grant Thornton explains.

Michael Charles of KPMG has details of mergers and acquisitions impacts under tax consolidations, and Owen Firth of FinanceMark tells us how to survive the worsening skills shortage in finance and accounting.

Enjoy the program and this Extras booklet and I hope you gain plenty of valuable advice.

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Track 1

APES: NEW APPROACH TO PROFESSIONAL & ETHICAL STANDARDS

Andrew Archer CA, Grant Thornton

- > Hot on the heels of other changes such as CLERP9, AIFRS and Force of Law Audit Standards, has been the formation of the new Accounting Professional & Ethical Standards Board (APES) in February 2006 and the recent appointment of Chairperson, Kate Spargo
- > The Board has released new standards including APES110 Code of Ethics (including independence) and APES320 - Quality Control of firms
- > These standards have force of law under the Corporations Act
- > The Board is guided by the international agenda (IFAC/ IESBA) and wants to influence the international agenda
- > Exposure drafts on taxation services, contingent fees, network firms and terms of engagement
- > Impact of recent changes to the auditor independence rules under the Corporations Act

Track 2

TAX CONSOLIDATIONS: IMPACTS ON MERGERS & ACQUISITIONS

Michael Charles, KPMG

- > Wholly owned corporate groups can choose to be a single taxpayer for tax purposes, allowing the tax cost bases of a subsidiary's assets to be aligned with the investment in it
- > This involves a lot of detailed work in tax, accounting and valuation to get there and may throw up some skeletons
- > Buying or selling a company out of a consolidated group increases the normal tax risks of takeover or sale, especially given the joint and several liability that each member of a consolidated group takes on, if the head company defaults. A tax sharing agreement can mitigate this but a purchaser will want to ensure it is valid
- > Consolidation brings in losses and franking credits to the head company and allows for restructuring of assets and entities without tax impacts but the detail is all important. Sometimes, it can be better to carefully choose when to start a tax consolidated group

This month's **essentials**

Track 3

ECONOMIC UPDATE

Professor Neville Norman, Melbourne University

Rate rises challenge Australia's dual economy

- > Product markets are strong, but asset markets (shares/housing) are booming
- > Why the rate rise? Super changes/inflows and fulfilling expectations are more important than the temporary up in the CPI
- > Recent rises still leave interest rates "relatively low" despite the hype about them
- > Asset markets are likely to slow, not slump, in the next 12 months
- > Rates will need to stay if no other action is taken
- > Other options for (any) Government? a) draconian lending controls (unlikely); b) bigger subsidies for home buyers (unwise - drives up prices further)
- > Fixing remains a good option for borrowers.

Track 4

FAST TRACK TO INDUSTRY LEADER

Gillian Franklin, The Heat Group

- > After 20 years of corporate life I decided it was time to start my own business with two former colleagues
- > Capital investors who started with me are still with me after seven years. We have almost 80 staff
- > It's important to have advisors from different backgrounds and different experiences
- > We're now the most successful cosmetics company in Australia
- > Success depends on choosing the right people for your business and keeping them happy
- > We conduct personal reviews every six months, setting new challenges for staff.

Track 5

THE FACTS ON DISMISSING STAFF

Joydeep Hor, Harmers Workplace Lawyers

- > Legally there are three accepted reasons for termination: Performance, serious and wilful misconduct and redundancy
- > "A poor cultural fit" does not necessarily fall into these categories
- > A commission would look at either of the three categories in an unfair dismissal claim
- > Employees earning less than \$101,300 pa can bring an unfair dismissal claim if the employer has more than 100 staff
- > An unlawful dismissal claim can be brought against employers with fewer than 100 staff
- > A genuine redundancy is excluded from unfair dismissal claims

Track 6

STRATEGIC TALENT PLANNING

Owen Firth CA, FinanceMark

- > What if you or your clients didn't have anyone skilled to process payroll, collect debts or create financial reports?
- > In the face of the worsening talent shortage in accounting & finance, it is critical to develop a talent plan for building, developing and retaining teams and take action now to ensure future survival.
- > Don't rely solely on HR! Take control of your own future resource needs and how you are going to secure them. It is too important for your success.
- > Strategic Talent Planning is the same as any planning. Start with defining your needs, understanding your market, developing your USP and your execution strategy.
- > Some recommended elements are: Clearly defining your target talent, understanding your market offer and who that will be attractive to and being a talent opportunist.

Track 7

BUILD VALUE WHILE GROWING

Verne Harnish

- > Many people try to grow for growth's sake and end up getting in trouble with cash
- > Profitability can come later. Some profitable people run out of cash and it's all over
- > Most companies don't know what their "X" Factor is
- > Growth with value starts with a few small steps then a couple of leaps
- > Great companies have two-thirds of staff all working in the same direction
- > Discipline in your growth phase is all important

Track 8

USING TRADE MARKS TO CRUSH COPYCATS

Paul Brennan, Brennans Solicitors

- > Trade marks can really add value to your business
- > Trade marks can cover the look of your brand, music, smells, even the Harley Davidson rumble!
- > Registering your business name is not enough
- > Beware DIY trade mark registration - the process is full of pitfalls
- > The examiner may be hard to comprehend
- > You need to register in the right class
- > The 3-month advertising period is an opportunity for others to try to block you
- > You need to consider registration in other countries
- > If you don't use the trade mark properly in 3 years, it can be removed
- > Professional advice is highly recommended!

Track 9

AMNESTY ON TAX PENALTIES

Michael Jones, Cummings Flavel McCormack

- > The Tax Office has announced an amnesty on loans to shareholders that are not properly structured
- > Corrective action needs to be taken by 30 June 2008
- > No penalties will apply provided an honest mistake has been made
- > This may also apply to loans from trusts
- > Expect extra audit activity after June 2008.

Track 10

SHAREMARKET UPDATE

Tim Lincoln, Lincoln Stock Doctor

- > Volatility presents opportunity!
- > There's nothing material to justify the latest correction - just fear and panic
- > The market fell 8% to early August (average fall of all corrections is 7.5%)
- > The average time for markets to recover: 5 months
- > It's a crazy market where people buy high and sell low
- > Expect a strong reporting season
- > Of note: Rio is no longer a star stock - shows the importance of taking a disciplined approach in investment decisions
- > Hot stocks: BHP, SMS Management, Tox Free Solutions, Mermaid Marine, CSL, St George.

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

APES - A NEW APPROACH TO PROFESSIONAL & ETHICAL STANDARDS

The Institute of Chartered Accountants in Australia

1300 137 322

www.charteredaccountants.com.au/training

TAX CONSOLIDATIONS: IMPACTS ON MERGERS & ACQUISITIONS

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ECONOMIC UPDATE

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FAST TRACK TO INDUSTRY LEADER

Gillian Franklin, The Heat Group

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THE FACTS ON DISMISSING STAFF

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STRATEGIC TALENT PLANNING

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1300 137 322

www.charteredaccountants.com.au/training

BUILD VALUE WHILE GROWING

Verne Harnish, "The Growth Guy"

See Pages 10 & 11 of this booklet for details about Verne's forthcoming seminars in Australia, plus a special offer for Business in Focus subscribers.

Call 02 9380 4288 or go to

www.goforgrowth.com.au

USING TRADE MARKS TO CRUSH COPYCATS

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AMNESTY ON TAX PENALTIES

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SHAREMARKET UPDATE

Tim Lincoln, Lincoln Stock Doctor

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.

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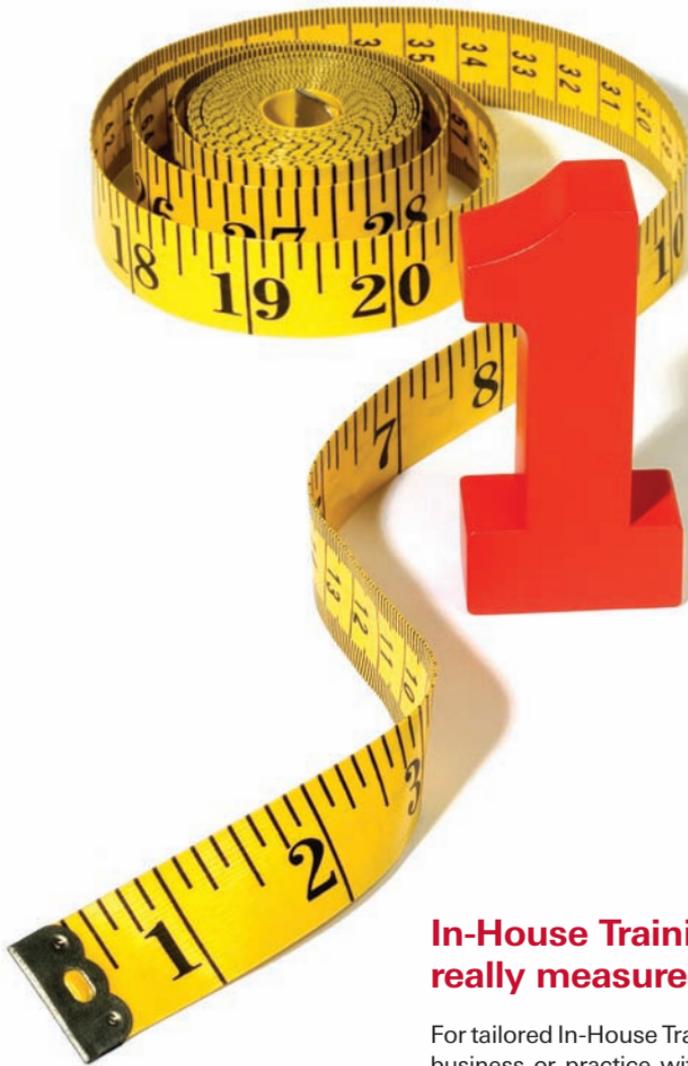
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