

Chartered Accountants

# Business **in focus**

Monthly audio program > presented by Michael Schildberger

November 07



**The extras**



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Accountants

NUMBER ONE IN NUMBERS



If clients are thinking of giving or selling equity to key employees in their business, this month's program has plenty of advice from Michael Jones of Cummings Flavel McCormack. There are of course many issues, ranging from the provision of funds to make the purchase to the tax implications, not to mention potential jealousies among staff members.

Kirsty Dunphey tells us how she has learned to rule her own world with sound advice for all of us to do the same, Janine Allis spells out how she's going global with her Boost Juice, solicitor Paul Brennan warns us about going to court and Candy Tymson signals the differences between men and women in business.

Chartered accountant, Anne-Maree Denaro of Trio Business Intermediaries tells us about the intricacies of due diligence and how to withstand it, and we hear the importance of good corporate governance from Dr. Jim Psaros of the University of Newcastle.

Susan Orchard CA raises our awareness of changes to auditing standards and superannuation, and says accountants face an increase in documentation.

And of course we'll hear from our regular contributors economist Professor Neville Norman and Tim Lincoln on shares. He earns our congratulations for winning number one status for his managed fund.

Enjoy the program!

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### Track 1

## WITHSTANDING A DUE DILIGENCE

Anne-Maree Denaro CA, Trio Business Intermediaries

- > A due diligence takes place as part of an acquisition of whole or part of a business. It might also relate to a merger, a joint venture or even provision of finance. A due diligence looks at financial and non-financial aspects of the target business and assesses the risks and opportunities
- > Several different parties are involved in a due diligence beyond the advising accountants
- > Due diligence reviews are limited by time factors, the nature of the transaction and the availability of verifiable information
- > Business sellers should ensure their house is in order and undertake a vendor due diligence in anticipation of the sale/merger
- > Business buyers can get the most out of a due diligence by keeping in mind the underlying strategy behind the acquisition and ensuring the non-financial elements of the business are also thoroughly considered

### Track 2

## CORPORATE GOVERNANCE

Dr. Jim Psaros, University of Newcastle

- > Effective corporate governance will help an entity in monitoring and assessing risk, optimising performance, creating value and providing accountability
- > Corporate governance has relevance and importance for all organisations, both large and small, and private or public sector
- > The importance of corporate governance can be broken down into two main themes: Increased transparency and accountability and improved performance
- > Poor corporate governance can result in missed opportunities, potential under-performance and potential failure
- > In the last few years Australian companies have instituted valuable measures to improve their corporate governance

# This month's **essentials**

## Track 3

### ECONOMIC UPDATE

Professor Neville Norman, Melbourne University

Indexes for Business to Watch and Use

- > The election is on. "The economy" will be the central debating point
- > Indexes are everywhere: E.g the CPI, PPIs, TWI, the All Ordinaries index
- > Many in business know little about them or how business can use them
- > Indexes exist for 2 reasons: (1) To combine non-comparables like prices of food and cars; and (2) to conceal information but preserve relative or percentage changes
- > Businesses can exchange index information to benchmark progress on profits, sales, expense and productivity
- > Economy example 1: Trade-weighted Australian foreign exchange index. Despite the 20%+ surge in \$US/\$A, the trade-weight index of all rates have risen less than 10% in a year
- > Example 2: The CPI all groups based on 1990 is: food 173, clothing and footwear 109, health 231, education 271 and "all groups" is now 158
- > Example 3: Australian share prices on the same 1990 base are now 488 -they're just on 800 in Hong Kong

## Track 4

### BUILDING A GLOBAL BRAND

Janine Allis, Boost Juice

- > We looked at growth and decided we couldn't do more in Australia, then embarked on extensive overseas research
- > We went to several countries and discovered there was no established brand for juice & health products
- > We invested heavily in trademarks, deciding the best entry strategy and finding the best franchising model
- > We based our concept selection criteria on "Ps" - Product, Position, Promotion and People
- > It's a long term project so we had to make sure we had the right people with the right resources to make the brand work in other markets
- > We're now in six countries and further partnerships are being negotiated

**Track 5****BRIDGING THE GENDER GAP**

Candy Tymson, Tymson Communications

- > In today's business world, women are very good at building teams and looking at work/life balance
- > They fall down badly in promoting themselves internally and externally and keep getting overlooked for jobs
- > Men are much better at negotiating and handling conflict
- > Most women are good at building relationships and excel in sales
- > Men focus more on getting the job done
- > Businesses are starting to realise the best approach is to send in a male/female team

**Track 6****AUDIT OF SMSFs**

Susan Orchard CA, Susan Orchard Chartered Accountants

- > Changes to the auditing standards and superannuation legislation have resulted in an increase in documentation
- > ATO plans to focus on auditors
- > Accountants need to manage risk
- > Force of law is applicable to Corporation Act audits but not superannuation funds. However professional standards require adoption
- > Changes require documentation of areas previously done intuitively
- > Changes to superannuation contribution and benefit rules will require the audit programs to be amended
- > Ensure staff are trained, work programs are updated, auditing standards are followed and documentation is complete

**Track 7****GOING TO COURT!**

Paul Brennan, Brennan Solicitors

- > Litigation is emotionally draining and should only be entered into as a last resort
- > Mediation is a better option but some people aren't ready for it
- > There are times when you must take court action - with unscrupulous people or those who are just plain difficult or ditherers
- > Don't assume you'll profit from a court case
- > Don't expect to get all your legal costs back
- > Make sure of your evidence
- > Be prepared to look for settlement and compromise
- > Prepare very carefully!

## This month's **essentials**

### Track 8

## GRANTING EQUITY TO KEY EMPLOYEES

Michael Jones, Cummings Flavel McCormack

- > It's important to identify the reasons for considering equity participation by employees
- > If the purpose is remuneration and retention, it may be better to consider alternatives before parting with equity
- > If the purpose is business development and succession, then equity participation may be suitable
- > If the employee does not want to pay, then the employee is probably not ready to make the transition from employee to business owner
- > Special tax rules apply - make sure there are no surprises

Questions to ask:

- > Will the employee pay income tax on receiving equity?
- > Will the employer be subject to FBT?
- > How will the employee fund the equity share? If the employer helps fund it, does that blur the ownership arrangement?
- > How do you agree on value?

### Track 9

## SHAREMARKET UPDATE

Tim Lincoln, Lincoln Stock Doctor

- > We've passed the 6500 points barrier and heading for our stretch target of 7000 points
- > Bad luck for investors who panicked and bailed out in the last correction
- > Remember that not all boats float: 1 in 3 stocks have produced negative returns and 50% of the market shows signs of stress
- > We're very proud: Lincoln is No. 1 out of 750 large cap growth managers in Australia - a wonderful achievement!
- > Star stocks: BHP, Mermaid Marine, JB Hi-Fi, CSL, Seek, St George, and QBE.

### Track 10

## RULE YOUR OWN WORLD

Kirsty Dunphey

- > Ruling your world means doing work that you love, working with people you admire and doing things you're passionate about
- > Taking risks doesn't mean you have to be risky
- > It's important to document everything going into a business partnership
- > Never stop educating yourself - read, read, read!
- > Negative people make you appreciate the positive influences
- > You can learn from any experience - even bad ones.

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

## WITHSTANDING A DUE DILIGENCE

The Institute of Chartered Accountants in Australia  
**1300 137 322**  
[www.charteredaccountants.com.au/training](http://www.charteredaccountants.com.au/training)

## CORPORATE GOVERNANCE

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## ECONOMIC UPDATE

Prof Neville Norman,  
Melbourne University  
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## BUILDING A GLOBAL BRAND

Janine Allis, Boost Juice  
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## BRIDGING THE GENDER GAP

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## AUDIT OF SMSFs

The Institute of Chartered Accountants in Australia  
**1300 137 322**  
[www.charteredaccountants.com.au/training](http://www.charteredaccountants.com.au/training)

## GOING TO COURT!

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## GRANTING EQUITY TO KEY EMPLOYEES

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## SHAREMARKET UPDATE

Tim Lincoln, Lincoln Stock Doctor  
**Website:** [www.lincolnindicators.com.au](http://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.

## RULE YOUR OWN WORLD

Kirsty Dunphey, author, "Retired at 27. If I can do it anyone can"  
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**Website:** [www.kirstydunphey.com](http://www.kirstydunphey.com)



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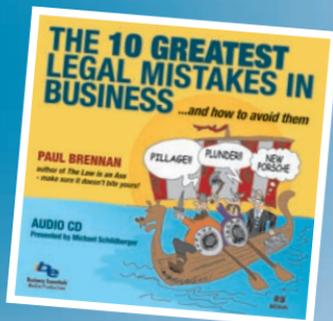
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# THE 10 GREATEST LEGAL MISTAKES IN BUSINESS *...and how to avoid them*

## AUDIO CD PLUS EBOOK



It is difficult for even the most creative business person to commit entirely new legal mistakes. They've all been done before - many, many times. Often people wait until they are desperate before they see a lawyer about a legal problem - this just seems to be human nature. But you don't need to learn the hard way.

You can avoid legal mistakes if you know what is coming.

Paul Brennan, author of *The Law is an Ass - make sure it doesn't bite yours!* lists the top 10 legal mistakes in business - plus other legal minefields. And it couldn't be easier. You can listen to the CD and then reinforce the key messages by reading the eBook.

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