

Chartered Accountants

Business **in focus**

Monthly audio program > presented by Michael Schildberger

November 08



The extras



Chartered
Accountants

NUMBER ONE IN NUMBERS



In times like these we are even more aware of the needs of our subscribers to not only survive but maintain growth in their businesses. We are proud that over the years, including during past recessions, we have been able to help business owners and operators. We are particularly pleased to have regular access to the always reliable economist Professor Neville Norman. Once again he stood out from other economists and financial experts by predicting a substantial interest rate cut while others were nowhere near the mark. On this month's program he gives us his view on the economic road ahead.

And in a special feature on China this month Neville Norman describes the growth in that massively populated country and comments on the future in terms of our economic dependence. We also talk to Austrade's head in China about business opportunities there.

The global economic crisis also raises questions about tax locally and chartered accountant Stephen Cribb of Prosperity Advisers has a checklist.

It's also a time for better workplace engagement in all firms and Joe Watkins of Hewsons International tells us how best to embrace it.

In this topsy-turvy sharemarket world we are advised by some to buy now and by others to wait a little longer. Lincoln Stock Doctor says you should buy and lists some solid stocks for you to consider. You'll hear from Lincoln's CEO Elio D'Amato on the CD.

Among other items you'll hear some watchouts on the tax implications when selling a business from Michael Jones of Cummings Flavel McCormack.

Lawrie Stanford of the Australian Wine and Brandy Corporation gives us a taste of what's to come at this month's Chartered Accountants Wine Industry Day.

Enjoy this month's program and this Extras booklet.

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Track 1

GLOBAL ECONOMIC CRISIS & TAX

Stephen Cribb CA, Prosperity Advisers

- > Stop the loss mindset with people fleeing to cash. Watch out for the CGT sting in selling long term shareholdings
- > Wash sales. Beware of selling and immediately repurchasing a similar bundle of shares as the taxman may deny the benefit
- > A good opportunity to consolidate: Transfer listed company shares to superannuation at a point of low value. Divert future capital growth to low tax superannuation environment
- > For small businesses with retiring owners, the lower EBIT multiples on offer together with a desire to insulate owner/operator from risk may mean that a restructure using small business CGT concessions is appropriate
- > Government may bring forward 2009 tax cuts if the financial crisis deepens

Track 2

ECONOMIC ROAD AHEAD

Prof. Neville Norman, Melbourne University

- > Australia is better fire-proofed than most countries. It's had fewer silly financial decisions than US/UK and a stronger real economy to start with
- > We have some special risk areas: Minerals and China dependence, long-term IR potential problems, too much reliance on slow-working monetary policy
- > Rate reductions immediate impact - very little. The capacity of rate reductions to spur spending is limited even if it's 2% in the next year. Why not do it now?
- > I'd be very surprised if Australia went into recession
- > Inflation and wage changes will NOT stop because of real economy slowdowns while cost and uncertainty factors remain
- > Summary: Tough and testing time for business. It's not a time to depart from standard business best practice principles of cost efficiency, seeking relevant product differentiation and risk management in business planning.

This month's **essentials**

Track 3

CHINA AND YOU - ECONOMIC CONSIDERATIONS

Prof. Neville Norman, Melbourne University

- > Australia is well placed to withstand international difficulties because of the China connection
- > No country in history has had such a large and sustained real growth rate as China in the last 30 years
- > China's real growth rate of 12-15% will come down but it will sustain a high rate
- > China's economy has its own inertia and is not dependent on external banks

Track 4

CHINA AND YOU - OPPORTUNITIES & WATCHOUTS

Christopher Wright, China Country Manager, Austrade

- > Get advice beforehand. There are differences in China such as cultural, regulations, etc
- > Do your sums. Doing business in China is no different from anywhere else
- > If you're selling services allow time to set up
- > If you're exporting products the challenges are no greater than most markets
- > China was product oriented but now it's changing and services are growing
- > Austrade helps SMEs overcome barriers to succeeding in China

Track 5

CHINA AND YOU - SUCCEEDING IN THE CHINESE MARKET

Chris Kath, Superbee Honey Factory

- > We've been working on China for a couple of years, exporting honey products, and the operation is still relatively small
- > It's been a tough nut and one of the biggest problems is knowing what Customs documentation is needed
- > Research is always important but more so in China
- > Our biggest mistake was choosing the wrong distribution company
- > It's been more costly than expected but we're starting to reap the rewards

Track 6

WORKPLACE ENGAGEMENT

Joe Watkins, Hewsons International

- > Having people engaged will maximise the value they can add to the organisation
- > Create an environment for them to participate, have it role-related and hold them accountable
- > When people attempt to avoid feelings that are uncomfortable, their comfort zones will be ineffective, limiting engagement
- > Take the time to find out what's important to the people who work with you and then structure the role so it helps with what's important to them

Track 7

WINE INDUSTRY OVERVIEW

Lawrie Stanford, Aust. Wine & Brandy Corp.

- > Global trading conditions are currently challenging for the industry with credit crises in key markets, a volatile Australian dollar, and increased costs of production and distribution
- > These conditions are likely to exist in the short-term and they're not under the control of winemakers
- > The longer-term goal of the industry - value-building - is still intact with world competitive winemaking companies and wines
- > Contraction of export volumes over the last 15 months partially reflects a turning back towards balance and a shedding of unprofitable bulk wine shipments that had been required to deal with surpluses
- > Increasing costs of production and in-market taxes are squeezing Australia out of lower price points

Track 8

SEXUAL HARASSMENT IN THE WORKPLACE

Joydeep Hor, Harmers Workplace Lawyers

- > Sexual harassment revolves around unwelcome behaviour and "how would a reasonable person feel about it?"
- > Employers have a big role to play in responding to a complaint
- > Some employers have paid big penalties for having a sexual harassment policy but not following up with training and compliance programs
- > An accessory who encourages someone else to harass is also liable
- > Despite better education, we find that more and more hostile work environment harassment is occurring

Track 9

SHAREMARKET UPDATE

Elio D'Amato, Lincoln Stock Doctor

- > The big bail outs haven't worked because they didn't come quickly enough
- > Most great companies are not going to disappear overnight
- > Don't forget the income stream of receiving dividends
- > If you wait too long for the bottom "bell" to ring it may be rung by those already in the market
- > The big banks are consolidating and offer good value. Other strong players: QBE, CSL, JB Hi-Fi, Leighton Holdings, MacMahon Holdings, Incitec Pivot.

Track 10

TAX & SELLING A BUSINESS

Michael Jones, Cummings Flavel McCormack

- > The best tax outcome is usually achieved if equity (shares, units) is sold rather than business assets
- > Is your investment still a pre-Capital Gains Tax asset?
- > Trading stock and depreciating assets, including intellectual property & software, are not taxed under Capital Gains Tax provisions
- > Small business CGT concessions can save substantial tax
- > An earn-out right must be valued as part of the sales proceeds received by the seller
- > If business assets are sold by a company or trust it's important to understand the tax consequences of retaining or winding up the company or trust

For more information about the topics discussed on this November 2008 program, please contact the relevant organisations listed below.

GLOBAL ECONOMIC CRISIS & TAX

The Institute of Chartered Accountants in Australia

1300 137 322

www.charteredaccountants.com.au/training

ECONOMIC UPDATE

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CHINA AND YOU

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WINE INDUSTRY OVERVIEW

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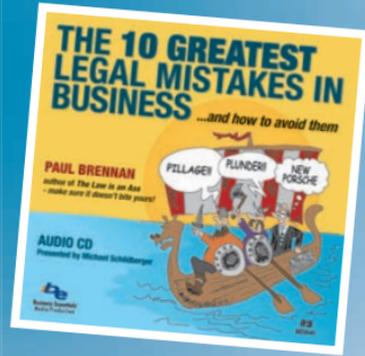
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1 The Underlying investment portfolio for the Lincoln Wholesale and Retail Australian Share Funds. 2 To view the Morningstar list please visit www.morningstar.com.au, follow the Fund QuickRank link, search for All Fund Managers in the Australian Large Growth Category, then rank the funds by Performance - Total Return over the 3 year period. Important information: Lincoln Indicators Pty Ltd ACN 006 715 573 (Lincoln). AFSL 237740. This communication may contain general financial product advice. This communication has been prepared without taking into account your personal circumstances. You should therefore consider its appropriateness in light of your objectives, financial situation and needs, before acting on it. Investments can go up and down. © Morningstar Research Pty Ltd ABN 83 062 096 342, AFSL 243161. All rights reserved. To the extent that any of the content above constitutes advice, it is general advice that has been prepared by Morningstar, without reference to your objectives, financial situation or needs. Before acting on any advice, you should consider the appropriateness of the advice and we recommend you obtain financial, legal and taxation advice before making any financial investment decision. If applicable, investors should obtain the relevant product disclosure statement and consider it before making any decision to invest. Please refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/fsg.asp.

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

AUDIO CD PLUS EBOOK



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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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