

Chartered Accountants

Business **in focus**

Monthly audio program > presented by Michael Schildberger

August 09

Prepare now for the recovery

Adrian McFedries, DC Strategy

The extras



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Accountants

NUMBER ONE IN NUMBERS



An upturn in the economy can be just as tough to handle as a downturn if we're not prepared. So now is the time to start planning. Once the economy starts improving, clients need to have marketing plans and budgets ready to go. They need to be sure that suppliers have sufficient stock in readiness. They need to have cash flow budgets in place. Both our regular economist Professor Neville Norman and the Managing Director of DC Strategy Adrian McFedries express their views on the subject on this month's CD.

As we look ahead we should consider taking advantage of the current lows if we have leases or are about to enter into new agreements. Now, says Natasha Goulden of Optim Legal, is a good time to negotiate deals. Even if you have a current property lease, for example, plan for the future. You are likely to find landlords quite anxious to keep you and will offer a better deal than you might secure in a few months. You'll find Natasha's advice on the CD of value.

How good is your time management? Gold medal paralympian Katrina Webb, now a successful public speaker, explains that reducing our "time debt" can give us greater control and help us make quick decisions under pressure.

Simon Brown-Greaves of the National Leadership Institute analyses the differences between generations in the workplace and has some fascinating conclusions.

Peter Bembrick of HLB Mann Judd traces the history of Division 7A and tells us what it means for accountants.

Enjoy this month's CD and I hope you gain a great deal from it.

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Track 1

TIME MANAGEMENT

Katrina Webb

- > Effective time management gives us greater control and helps us make quick decisions under pressure
- > We can't really manage time but we can make better choices about how we use it. Time management is really about priority management
- > At the beginning of each day or the end of the previous day write down a "things to do list"
- > Allocate priority with an "A" next to items of highest importance and urgency, then "B" next to items that are important but not as urgent
- > It's important to allow "buffer time" between your commitments
- > If something is not important and threatens to waste your time, be assertive and say no or "Dump it!" (This strategy works well for emails too)

Track 2

MULTIGENERATIONAL TEAMS

Simon Brown-Greaves, National Leadership Institute

- > Increasingly diverse workforces present a challenge, particularly for the "baby boomer" professional/manager
- > Generational differences are over rated in many cases
- > There are some changing workforce dynamics around mobility, tenure and desire for flexibility
- > Leadership is still more important than generational differences
- > To attract and retain the best (regardless of generation) modern workplaces need to embrace a current employee value proposition
- > "Baby boomers", on the cusp of retirement, will need increasingly flexible arrangements and employers will need their "baby boomers"

This month's **essentials**

Track 3

ECONOMIC UPDATE

Professor Neville Norman, Melbourne University

- > Avoiding "recession" was a great confidence booster
- > Diversity remains among Australian economists: The Fairfax Economic Survey
- > of 4/7/09

Forecast Item	Age Average	Top Extreme	Low Extreme	My number
Growth 2010	+ 0.5%	+3.5%	-6.0%	+2.5% (2-top)
China Gr 2010	+8.0%	+11.1%	+4.5%	+9.6% (2-top)
Unempl Jun10	7.9%	12.0%	7.0%	7.1% (21st)
Bud Def 2010	-\$51.4bn	-\$18bn	-\$60bn	-\$18bn (top)
RBA CR Jn10	2.75%	5.5%	0.5%	5.5% (top)
\$US/\$A Jn 10	80.1c	89c	74c	81c (mid)

Business action:

1. Take a view on the scene ahead: is it a recovery?
2. Make or watch price recoveries, including rents
3. Get resources and stocks in place
4. Learn from the journey since June 2008
5. Get ready for rate rises

Track 4

PREPARE NOW FOR THE RECOVERY

Adrian McFedries, DC Strategy

- > Planning for recovery is more important than planning for economic downturn
- > Ask yourself "What will I do if I buy my own business?"
- > You can cut costs all you like but you have to be able to drive revenue
- > So few people know anything about their competitors
- > Maybe you're in too low a position. What would a 10% price rise do?
- > It's a perfect time to hire new, good people

Track 5

NEGOTIATING A BETTER LEASE

Natasha Goulden, Optim Legal

- > Landlords don't like high vacancy rates - empty shops and offices cost them money as well as creating a poor image
- > The economic downturn offers tenants an unusually good opportunity to renegotiate leases
- > Look for extended terms, lower rents and avoid "ratchet" annual increases
- > Many tenants are paying higher rents than should apply in current market conditions
- > Landlords who unreasonably resist requests to renegotiate may find themselves the target of campaigns by unhappy tenants

Track 6

DIVISION 7A

Peter Bembrick, HLB Mann Judd

- > Division 7A is aimed at ensuring that private companies cannot make tax-free distributions of profits to shareholders, e.g. by making a loan
- > A loan or payment can be deemed to be a dividend, as long as the amount exceeds a company's "distributable surplus"
- > The deemed dividend rules don't apply to a loan if it has been repaid in full, or a qualifying loan agreement is in place, by a certain date
- > A deemed dividend can also arise if the shareholder fails to make one of the minimum yearly repayments on a loan from a prior year
- > Division 7A can also apply to loans from trusts, where an unpaid present entitlement to trust income exists in favour of a company
- > The ATO has a discretion to disregard Division 7A in certain cases

Track 7

MANAGING REDUNDANCY

Joydeep Hor, Harmers Workplace Lawyers

- > Redundancy is about the position, not the person
- > A level of fairness must be applied to the process
- > Beware using any grounds that could be seen as discriminatory
- > A "last in, first out" policy is sometimes applied but has dangers
- > Voluntary redundancy can work well, as long as you don't lose your best people
- > Best practice involves being clear about future roles in your business

Track 8

SHAREMARKET UPDATE

Tim Lincoln, Lincoln Stock Doctor

- > At this stage the market has bounced back 27% from its low point
- > There will always be hiccups, even in a strong market but we have more positive days than negative and we could be starting another bull run
- > Many strong companies are using raised capital to finance acquisitions
- > Property and retail are up and retailers we expected to struggle are doing well
- > Analysts are upgrading their earnings forecasts. That's often seen as a positive indicator
- > Favourite stocks: JB Hi Fi, Campbell Bros, CSL, Beach Petroleum, SMS, Westpac and CBA

Track 9

TAX UPDATE

Michael Jones CA, Cummings Flavel McCormack

- > A real risk of forfeiture must exist to access tax deferral under the new rules
- > There's no longer a choice to pay tax either upfront or later on receipt of the shares
- > What constitutes a real risk of forfeiture will be determined under an objective test
- > Private companies will be able to use employee share plans to provide equity to key employees
- > New rules will be coming for start-up, R&D and speculative companies
- > Spriggs & Riddell: important High Court decision that lowers the threshold on what constitutes carrying on a business

Track 10

ARE YOU KILLING YOUR CO-WORKERS?

Dr Adam Fraser

- > Your emotions will dictate your behaviour in the workplace, from the moment you walk in the door
- > Emotions are contagious - if the team leader is grumpy or depressed, colleagues will become infected too
- > Bosses are often unaware of how they're viewed by staff – 360 degree feedback can be helpful
- > It's important to "park your ego" and not reject the feedback
- > We can change our behaviour by getting a grip on our emotions
- > If the workplace atmosphere is sour, your customers will notice

For more information about the topics discussed on this August 2009 program, please contact the relevant organisations listed below.

TIME MANAGEMENT

The Institute of Chartered Accountants in Australia 1300 137 322

Web: www.charteredaccountants.com.au/training

DIVISION 7A

The Institute of Chartered Accountants in Australia 1300 137 322

Web: www.charteredaccountants.com.au/training

MULTIGENERATIONAL TEAMS

National Leadership Institute

Tel: 1300 886 629

MANAGING REDUNDANCY

Joydeep Hor, Harmers Workplace Lawyers

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ECONOMIC UPDATE

Professor Neville Norman, Melbourne University,

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SHAREMARKET UPDATE

Tim Lincoln, Lincoln Stock Doctor

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PREPARE NOW FOR THE RECOVERY

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TAX UPDATE

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NEGOTIATING A BETTER LEASE

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ARE YOU KILLING YOUR CO-WORKERS?

Dr Adam Fraser

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