

Chartered Accountants

Business **in focus**

Monthly audio program > presented by Michael Schildberger

December 09



The rules on refunds & warranties - ACCC

The extras



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Interest rates will continue to rise regularly in small amounts and we can expect them to be up about two per cent by mid next year. Who says so? The Governor of the Reserve Bank, Glenn Stevens. And it's unusual for the Reserve Bank to foreshadow its punches so far in advance. For those of us in business it's good to know what lies ahead. But there's another question: is the Board right in its planned approach? To answer my questions there's one person to turn to, our economist Professor Neville Norman, and we'll hear from him on this month's CD.

As we approach Christmas, it's a good time to examine our responsibilities and rights in regard to refunds and warranties. Just what are the rules? What are our obligations? If we've bought a product – or sold one – and it doesn't work, who's responsible? With the answers, the ACCC's Dr Michael Schaper.

The Tax Agent Services Act means changes both for professionals and clients. What are they and how will they affect you? Peter McGinty, Tax Training Specialist with the Institute of Chartered Accountants in Australia, explains.

Changes also are here to the administration of SMSFs. Andrew Bloore of smartsuper has watchouts on the advice professionals give to clients.

And how do you negotiate with a difficult client? Joel Gerschman of CMA offers a few tactics.

With plenty of advice in the investment area – both in shares and property – we'll hear from Tim Lincoln of Lincoln StockDoctor and Nicholas Don of Odyssey Financial. There's so much conflicting advice in both areas but we have been able to rely on the experience of these two experts who are in the midst of it.

Enjoy this program, the month and year ahead and the festive season.

Michael Schildberger

Executive Chairman

Information

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

TAX AGENTS SERVICES REGIME

The Institute of Chartered Accountants in Australia 1300 137 322
www.charteredaccountants.com.au/training

ADMINISTRATION OF SMSFs

Andrew Bloore, smartsuper
T: 1300 138 348
www.smartsuper.com.au
Australian Administration Guide for SMSFs available at :
www.thomsonreuters.com.au/catalogue/ProductDetails.asp?id=10402

ECONOMIC UPDATE

Professor Neville Norman, Melbourne University,
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THE RULES ON REFUNDS & WARRANTIES

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ASSESSING THE PROPERTY BOOM

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T: 1300 362 489 or 03 9818 6700
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NEGOTIATION SKILLS

Joel Gerschman, CMA
www.cmaservices.com.au

DON'T LET CLIENTS RISK THEIR CREDIT RATING

Damian Karmelich, Dun & Bradstreet
T: 13 23 33
www.dnb.com.au

BUILDING MUTUAL RESPECT

Ken Wright , Engage4Results
www.engage4results.com
www.thepeoplepill.com

SECRETS TO MAKING GREAT SPEECHES

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T: 02 9976 6777
www.tymson.com.au
www.standoutsite.com/products.html

SHAREMARKET UPDATE

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THE ESSENTIALS

December 2009

Track 1

TAX AGENTS SERVICES REGIME

Peter McGinty, Institute of Chartered Accountants in Australia

- The Tax Agents Services Act is legislation which allows BAS preparers to become licensed BAS Agents. It introduces a legislative Code of Professional Conduct for tax agents and BAS agents
- Existing tax agents do not have to re-register under the new system. When their existing registration is due for renewal, they will register under the new system at that time
- All tax agents will notice some change to work practices with the Code of Professional Conduct. However, Chartered Accountants who already operate under Institute guidelines and by-laws should not notice much of a change
- There is a graduated system of sanctions under the new system to allow the Tax Practitioner Board the ability to impose a sanction which is commensurate with the severity of the breach of the Code
- Tax agents will be able to use business structures that they themselves advise their clients to use
- BAS agents will be able to prepare and lodge BAS returns for a fee and represent their BAS clients with the Taxation Office in respect of BAS issues

Track 2

ADMINISTRATION OF SMSFs

Andrew Bloore, smartsuper

- Three key administration issues for funds this financial year stand out:
 1. Contributions cap changes and the effect they will have on clients
 2. Pensions – meeting minimum standards
 3. Lodging the returns on time
- Many small businesses pay super by direct debit. If they were funding their super by direct debit to last year's cap (\$100K or \$50K) then by Christmas that will have reached this year's cap
- Most of the funds in Australia are only reviewed at the time the tax return is done (ie well after the financial year end). As a result the only option is to add the contributions made to the MCS report and the fund will be in excess of the cap.
- This will result in the excess being taxed at a flat rate of 46.5% and then that amount is counted toward the non concessional cap. If that cap has also been used (perhaps even 3 years ago because of the "bring forward" rules) then the non concessional will also be in excess - a total of 93% tax
- Pensions are simpler under the simpler super rules but that does not necessarily make them simpler to administer

- You have always been required to lodge your returns by the due date, but now that the MCS return is part of the tax return, there is a penalty for not lodging the MCS return on time
- Review your clients' contributions before end of December and again before end of June. Review the pensions paid prior to the end of June and ensure clients pay the correct amount

Track 3

ECONOMIC UPDATE

Professor Neville Norman, Melbourne University

- There are dangers in announcements in advance from the Governor of the Reserve Bank on issues such as interest rates – there are ethical considerations and may be unforeseen changes
- I'm 99.9% certain that interest rates will go up – the Australian economy needs the brakes put on. But I'm not in favour of nibbling increases

The first decade of the new Millennium will end better than many had expected:

- The Australian economy avoided recession, just!
- Unemployment rates did NOT rise much
- Interest Rates DID start to rise, again
- Confidence and house prices boomed
- So did the stock market, from February, leading the way and recovering much lost ground
- \$A surged back towards parity with the \$US

Some other events to note:

- No significant policy reform or political events (elections)
- A downbeat May 2009 budget based on gloomy outlooks, bound to be wrong
- Most economists exaggerated the downturn
- They pronounced the Budget overly optimistic and predicted further rate cuts
- BE subscribers have been well served in 2009.

Some significant watchouts for 2010:

- Obviously, now, interest rate rises and fewer fix options
- Policy changes on emission taxes, industrial relations and tax/super
- Challenges in getting the stimulus packages out of the system
- Many specific areas of the economy will still struggle

Track 4

THE RULES ON REFUNDS & WARRANTIES

Dr Michael Schaper, ACCC

- Customers should be able to expect to get the goods or services they're paying for. If they don't there's an obligation on the seller to make good

- There's no fixed time frame for correcting problems – it depends on a reasonable assessment of the life span of the product
- It makes good business sense to deal with problems quickly – the customer's more likely to return and buy again
- A “no refunds” policy won't work with most transactions, and may be considered deliberately misleading
- Retailers selling defective products need to make sure they can get redress from the supplier. That's not the consumer's responsibility
- Consumer protection laws also apply to online transactions
- Dissatisfied consumers have the right to go to Small Claims Tribunals or Consumer Affairs Departments, and the ACCC will prosecute systematic offenders

Track 5

ASSESSING THE PROPERTY BOOM

Nicholas Don, Odyssey Financial

- There's been a dramatic change in economic circumstances in the past 12 months
- Doomsayers are predicting that the property market will overheat again, but the Reserve Bank appears to have that risk under control
- House prices have risen strongly in all capital cities except Perth

- The top end of the residential market is recovering strongly. Many areas have regained everything they lost in the downturn
- The median house price in Australia is now at a record high
- Apartment prices over the past 3 years have grown faster than house prices
- The gradual removal of the first home-buyer's grant has meant that its absence won't have a serious impact
- Investors who've been sitting on unused cash or equity have moved in take up any slack
- They're looking at the lower end of the market, but there are bargains to be had at the upper end, with prices well below levels of 3 years ago
- If you want to buy, act quickly

Track 6

NEGOTIATION SKILLS

Joel Gerschman, CMA

- People hear the term “win-win” negotiation, but often wonder whether it's possible when dealing with difficult or stubborn counterparts
- Based on research at the Harvard Negotiation Project, several strategies have been developed for transforming challenging counterparts into more collaborative problem-solvers

- Strategies include probing beneath stubborn demands to uncover parties' underlying interests or motivations – and using them to generate creative options
- Should you put forward the first option in negotiation, or wait for them to make the first move? The answer is: it depends

Track 7

DON'T LET CLIENTS RISK THEIR CREDIT RATING **Damian Karmelich, Dun & Bradstreet**

- A recent survey showed a majority of Australian businesses had paid up to 25% of their bills late over the past 12 months
- Looking ahead, many said that if they couldn't meet all their bills, they would default on payments to trade suppliers
- It's not just because of the recent downturn-- late payment has grown over recent years, with large companies often the worst offenders
- The greatest risk of regular late payment is that businesses will lose access to credit, either from banks or trading partners
- New Federal legislation, due next year, will provide more information to credit providers and increase the risk for regular late payers
- Generally, 95% of businesses pay their bills promptly, which helps to keep the wheels of commerce turning

- The new laws are not all bad news – businesses will be able to demonstrate that they've corrected earlier problems and got back on track
- Prompt payers will be able to access line of credit more easily and – even more importantly – more cheaply.

Track 8

BUILDING MUTUAL RESPECT

Ken Wright, Engage4Results

- Leaders have to show that they care – and mean it. That's the way to engage their people and develop mutual respect and trust
- The heart matters as much as the head. If you can make people feel valued, they'll respond well
- A leader must set high expectations, observe them themselves and hold their people to achieving them too
- Don't be afraid of "courageous conversations" with people who might be struggling. It's better to help them grow and improve than leave them in the dark
- Tough decisions will still have to be made, but they'll be more acceptable if you involve the team
- Look for ideas and advice from among your workforce... you might be surprised at the quality and size of the response! And don't forget to acknowledge and reward those who come up with good suggestions

Track 9

SECRETS TO MAKING GREAT SPEECHES

Candy Tymson, Tymson Communications

- The 5 Ps of good speeches: Proper Preparation Prevents Poor Performance
- Remember: it isn't about "You" but about what the audience wants or needs to hear
- Eye contact is very important. Look into the difference spaces of an auditorium where the audience is sitting or, if a small group of people, make eye contact
- Use the word "You" to connect with the audience
- Story-telling is a great way to make your messages memorable
- You need to practise your speech
- Don't read it – highlight key phrases
- Arrive early at the venue to get used to the environment
- Don't resort to alcohol or beta-blockers to calm the nerves
- When preparing your speech, consider the "Format" system: why, what, how, what's next
- Humour is important but be careful about cracking jokes
- Power point is a visual aid – and nothing more! Don't rely on it, have alternatives

- Consider the 1:6:6 rule per slide: one message, 6 lines per slide, 6 words per line
- Be positive about the experience. Don't admit that you're nervous. Keep going!

Track 10

SHAREMARKET UPDATE

Tim Lincoln, Lincoln Stock Doctor

- Savvy investors will always ride through volatile times as long as they take a disciplined approach, invest in the healthiest companies and look long-term
- New participants worry about a possible correction just around the corner. They're listening to too much negative noise in the media
- Guess what – there will always be another correction! But long-term, the up-cycles will always be stronger than the previous correction
- There's no time to procrastinate - if you leave your entry into the market until the top of a bull run, you lose out
- Australia has a world-class environment for investing – with low interest rates, low inflation, strong regulation, many healthy companies, there's no better place in the world
- There's increased capital raising activity and floats seem to be back in fashion – but we prefer to wait until a company has proved itself

- If you want to participate in a float, be careful and do your homework
- This month's stocks: CSL, JB Hi-Fi, Lihir Gold, Webjet and ANZ