

Chartered Accountants

Business **in focus**

Monthly audio program > presented by Michael Schildberger

January 10

Happy New Year?

- Ask Neville Norman

2010

The extras



Chartered
Accountants

NUMBER ONE IN NUMBERS

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I'd like to begin by wishing you a happy new year – but with a question mark. There's no doubt the outlook for the year ahead is brighter than at this time last year. Fortunately the predictions of our economist Neville Norman were correct and economic recovery began sooner than others had forecast. So now there are more and more positive signs but, as Neville Norman predicted, interest rates will continue to rise. Each year at this time Neville Norman gives us his forecasts for the calendar year ahead – and he does so again on this month's CD. We ask him whether we should expect a happy new year.

As well as looking forward we sometimes need to look back for new ideas. For example, depending on our age, we can no doubt recall when our milk was delivered in bottles to the front porch or poured into a billy we left out for the milkman. And the baker delivered our bread by horse and cart. Well, those days are back courtesy of Aussie Farmers Direct – a great business success story. Not by horse and cart but certainly delivery of fruit, bread and milk to your door. We can hear their story this month.

As we move into 2010, what's the state of Australia's accounting profession? Rob Nixon, an accounting consultant with many years of experience, gives us his thoughts.

Ten years after the invasive "Melissa" computer virus, the security of our technology remains a challenging issue. Richard Armstrong of e-Volve Corporate Technology tells us that social networking poses dangers now.

And Dr. John Lang of Good Health Solutions has compelling evidence that poor health affects any firm's bottom line.

We can expect a big year ahead and, as always, we'll do our best to keep you well informed with practical advice for your business.

Michael Schildberger
Executive Chairman

Information

For more information about the topics discussed on this January 2010 program, please contact the relevant organisations listed below.

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

IT & THE ACCOUNTING PROFESSION

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

HAPPY NEW YEAR?

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BUILDING WITH BRICs

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BE SURE CLIENTS' PRICES DON'T MISLEAD

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IS YOUR HEALTH AFFECTING YOUR BOTTOM LINE?

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MOVING ON: YOUR PERSONAL CHALLENGE

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BRINGING BACK THE MILKMAN

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THE ESSENTIALS

January 2010

Track 1

SUPERCHARGING YOUR ACCOUNTING FIRM

Rob Nixon, Accounting profession consultant

- Approx 65% of firms employ fewer than 5 people
- Average profit per partner slightly over \$200K pa
- Best ways to grow revenue: visit every client every 6 months and find out what they really need, run seminars with quality speakers, ask for referrals
- Best ways to improve profit: put all prices up by 15% today – either fixed fee or hourly rates, price every job up front, price all jobs based on value received by customer – not charge rates
- Best ways to improve cashflow: every week clean out all Work In Progress, notify clients of the price before beginning, speed up work throughput, have a rigorous collection process and make sure the client knows the terms and collect a deposit or all the money before starting
- Best ways to develop people in the firm: make more profit so funds are available to invest in people, pay them what they are really worth, invest in your premises and marketing and ask the team what it wants

Track 2

IT & THE ACCOUNTING PROFESSION

Richard Armstrong, e-Volve Corporate Technology

- Ten years on from the “Melissa” virus, security remains challenging
- Malware has become more insidious, turning un-patched PCs into vectors for malicious and financially-motivated activity
- The web has now become the focus of cybercriminals
- Web 2.0 platforms such as facebook and twitter, and alternative programs and tools such as Adobe Flash and PDFs are also under threat
- Three key areas that I see as important for any businesses to have on their security radar are: web security, email security, and end point device security (i.e. mobile devices, PDAs, mobile phones, notebooks, USB sticks)
- Businesses need to pay attention to: Web 2.0 and social networking, data leakage, mobile phones and wi-fi devices
- Concern is growing about malicious attacks from social networking sites, as well as the risks of users revealing sensitive personal or corporate data online

Track 3

HAPPY NEW YEAR?

Professor Neville Norman, Melbourne University

- December 2009 produced the third interest rate rise in a row: the RBA's "frog-in-the-pond" approach to getting rates back to where they were in early 2008. Most forecasters missed this entirely
- Government forecasts below for 2010 are averages of 2009/10 & 2010/11 (May 2009)

The BE Economist's numbers for 2010:

	Government Forecast	"The Age" Forecast Average	BE Most Likely	BE Top Credible	BE Bottom Credible
GDP growth	1.3%	1.1%	2.8%	3.6%	2.0%
Unemployment	8.4%	7.9%	6.7%	7.5%	5.8%
CPI Growth	1.6%	2.3%	2.8%	4.5%	1.8%
China Growth	7%	7.8%	9.5%	14%	6%
Budget Deficit	\$57.3 bn	\$51.4bn	\$18bn	\$5bn	\$40bn
RBA Cash Rate	No forecast	2.75%	5.25%	5.5%	4.25%
\$US to \$A	No forecast	80c	82c	105c	65c

Reasons & rationale

- China rebounds to high growth with limited inflation
- USA growth resumes with the Federal Reserve raising rates in 2010
- Confidence, equipment spending and stimulus packages push us to strong recovery
- RBA moves faster than the budget-setters in curbing this growth
- Inflation pressures resume in Australia despite the rate hikes

Business relevance

- Get ready for rate hikes, policy changes (see BE Dec. 2009) and economists eating humble pie

Track 4

BUILDING WITH BRICs

David Thomas, Think Global Consulting

- Brazil, Russia, India and China, together with other rapidly industrialising economies, will become increasingly important over the coming decade
- They represent both a threat and an opportunity to Australian businesses
- China, with its proximity and burgeoning economy, is especially important for us
- Our strengths lie in providing services, design, high-end manufacturing goods, as well as resources
- It's not necessary to target the whole country – there are cities with more than 20 million people
- Research carefully before you enter the BRIC markets, then follow up with personal visits
- Local know-how is important – especially with culture and language issues, but Australia has large overseas student communities who are looking for work
- Don't delay, or others will beat us to the punch

Track 5

BE SURE CLIENTS' PRICES DON'T MISLEAD

Dr. Michael Schaper, ACCC

- “Clarity of pricing” means when you advertise a product, the price must be the fixed price a consumer can expect to pay
- All of us at some stage have been frustrated to learn the item we intended to buy incurred an additional charge or levy
- The final price must be the most prominent displayed
- An alternative is to advertise each additional charge equally prominently
- Optional items which are the buyer’s choice don’t have to be included
- Fluctuations such as exchange rates should carry a warning that the price is subject to change
- The ACCC has already investigated breaches and there are penalties under the Act
- This does not apply to “business to business” transactions

Track 6

IS YOUR HEALTH AFFECTING YOUR BOTTOM LINE?

Dr. John Lang, Good Health Solutions

- More than 600 hundred published studies over the past two decades show that investing in employee health leads to significant returns in terms of illness, absence, productivity and Workcover claims
- Employees with five health risk factors experience around 32% lost productivity. Those with two or fewer only experience 14% loss
- Neck and back pain (experienced by 57% of workers) account for a total nationwide productivity loss of around 3%. Lack of sleep (and the associated fatigue), together with headaches/migraines account for about 8%
- Many progressive companies provide health and wellbeing programs for staff
- The top five risk factors for Australian workers are inactivity, overweight/obesity, poor nutrition, stress and smoking. 60% of workers feel they don't get adequate sleep/rest

Track 7

MOVING ON: YOUR PERSONAL CHALLENGE

Hugh Davies, Macfarlan Lane

- If you're contemplating moving on, make sure your business can be sold as a going concern, and doesn't rely wholly on you
- Irritability, intolerance of others, loss of enthusiasm for the business are all signs that it's time to move on
- Stepping back but staying involved in the business is possible, but requires great skill and forethought
- Moving on is a very personal decision, and it's important to develop other activities to replace fulltime involvement
- Employ a coach or other people you trust to brainstorm ideas for the next phase in your life, and be aware of the impact on others around you
- Build people and capabilities in the business around you, so that you progressively make yourself more redundant
- Starting or buying a new business might be right for some people; for others a portfolio of activities will prove more satisfying

Track 8

FAMILY TRUSTS IN 2010

Michael Jones, Cummings Flavel McCormack

- Trust beneficiaries are taxed on their share of a trust's income. This tax rule can become a problem when accounting income and tax income are different
- The High Court will hear an appeal in 2010 to answer key questions regarding the taxation of trusts
- What does "the income of the trust" mean? Does it mean accounting income, trust income or tax income?
- What does "share" mean? Is it "proportionate" or a "specific quantum"?
- Make sure you and your accountant understand how the deed in your trust defines income and draft resolutions carefully
- Know the tax consequences of trustee resolutions to distribute income

Track 9

SHAREMARKET UPDATE

Tim Lincoln, Lincoln Stock Doctor

- One of the key lessons of 2009 is that the sharemarket is very volatile – but it's predictable over the long term
- Over the past 100 years the market has appreciated by an average of 13% each year despite worldwide catastrophes
- Another lesson: it's impossible to time the market
- Don't over-expose yourself - diversify
- Never over-commit or over-borrow
- Don't invest in companies or products you don't understand
- Favourite stocks: CSL, BHP, Sirtex, JB Hi-Fi, Austin Engineering

Track 10

BRINGING BACK THE MILKMAN

Braeden Lord, Aussie Farmers Direct

- In four years, the company's gone from start-up in outer Melbourne to a fast-growing franchise network across the country
- Sourcing fresh food only from Australian-owned and operated producers continues to be a challenge

- Rapid expansion meant it outgrew its original IT system, now it has one which can handle future needs, both here and overseas
- Extra dairy products will be added to the range, with a business-to-business project also in the pipeline, as well as eventual expansion overseas