



Beyond the election: what lies ahead

Professor Neville Norman



Chartered Accountants Business in Focus
Monthly audio program

September, 2010

charteredaccountants.com.au/training



**Chartered
Accountants**

NUMBER ONE IN NUMBERS



Well, the federal election's finally behind us. What now? As we mentioned last month our economist, Professor Neville Norman, has been keeping a close watch on the economy, and in this program outlines for us the climate in which the newly-elected government will have to operate, and the implications for all of us in business. There are, he says, some dark clouds that weren't visible earlier in the year.

Also this month, we hear from Steve Wright, CEO of the Franchise Council of Australia, on why continuing education and some formal training are essential if business operators don't want to add to the unhealthy percentage of enterprises which fail within the first few years.

With a high-profile sexual harassment case so much in the headlines recently, workplace relations lawyer Joydeep Hor of People & Culture Strategies, points out problems that any business can face, and how to avoid them.

Fund manager, investment commentator and author, Roger Montgomery, takes a simple approach to beating the sharemarket and suggests how we can follow his lead.

Human behaviour expert, Dr Adam Fraser, explains his "3rd Space" concept and has advice on its benefits to all our relationships.

Chartered accountant David Sauer of GAAP Consulting has important news about dividend payments with a warning that all accountants need to be aware of changes.

And a reminder about our new iPhone application, "Business Inspirations", a collection of inspirational quotations from successful people. Each day a new quote automatically downloads on your iPhone for playing as often as you like until it updates in two days. You'll find a link to download the app on our homepage at www.be.com.au.

Enjoy those messages, and this month's interviews.

Managing Director

Nick Schildberger

Advertising/Sponsorship

Nick Schildberger
nschildberger@be.com.au

Production Manager

Heather Dawson

Chief Editor

John Hounslow

Producer

Bob Kearsley

Studio Manager

Peter Letts

Publisher

Business Essentials Pty Ltd
 ABN 98 006 144 449
 405 Riversdale Road,
 Hawthorn East VIC 3123

Phone 03 9882 8333

Fax 03 9882 8017

Web www.be.com.au

Information

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

BEYOND THE ELECTION: WHAT LIES AHEAD

Professor Neville Norman,
Melbourne University
Neville.norman@unimelb.edu.au

BUY VALUABLE STOCKS FOR LESS

Roger Montgomery
www.rogermontgomery.com

THE 3rd SPACE – THE KEY TO TRANSITION

Dr. Adam Fraser
www.dradamfraser.com.au

ARE YOU MOTIVATED TO SUCCEED?

Gavin Freeman,
The Business Olympian
T: 0413 043 417
www.businessolympian.com.au

HOW TO AVOID A SEXUAL HARASSMENT CASE

Joydeep Hor,
People + Culture Strategies
T: 02 8094 3100
www.peopleculture.com.au

DIVIDEND PAYMENTS

David Sauer FCA,
GAAP Consulting
www.gaap.com.au

MANAGING CAREER DEVELOPMENT TODAY

Roger Reidy, BPS Consulting
T: 0414 339 739
www.bpsconsulting.com.au

TAXING FAMILY TRUSTS, PART 2

Michael Jones CA,
Cummings Flavel McCormack
T: 03 9252 0800
enquiries@cfmc.com.au
www.cfmc.com.au

SHAREMARKET UPDATE

Tim Lincoln,
Lincoln Stock Doctor
T: 1300 676 332 or 03 9854 9444
www.lincolnindicators.com.au

WHAT IT REALLY TAKES TO BUILD A BUSINESS

Steve Wright,
Franchise Council of Australia
T: 1300 669 030
www.franchise.org.au



Training and Development – at your fingertips

Keep abreast of the latest development in business and tax in your car, at your desk, or even on the bus!

Your annual subscription will consist of monthly audio updates either on hot topics in business or the latest tax news.

You can choose to have your subscription delivered each month on CD or online. The online version has an optional MP3 download capability enabling you to keep up-to-date via your iPod®, compatible mobile phone, PDA or any other MP3 device.

Business in Focus/ Tax in Focus Subscription



Subscription Form

Personal details

I would like to subscribe to Chartered Accountants Business in Focus and/or Tax in Focus:

Family name	First name					
Company name	Position					
Address						
City	Country	Postcode				
Telephone	Fax					
Email	Member No.					
Age group	18 – 25 <input type="checkbox"/>	26 – 35 <input type="checkbox"/>	36 – 45 <input type="checkbox"/>	46 – 55 <input type="checkbox"/>	56 – 65 <input type="checkbox"/>	>65 <input type="checkbox"/>
Type of business	Number of employees					

Subscription Pricing

Product

- Business in Focus – Online
- Business in Focus – CD–Rom
- Tax in Focus – Online
- Tax in Focus – CD–Rom
- Business in Focus + Tax in Focus – Online
- Business in Focus + Tax in Focus – CD–Rom

Payment options

Please find enclosed cheque made payable to Business

Essentials Pty Ltd for \$ _____

OR I wish to pay by

- Amex
- Mastercard
- Visa

Cardholder's name _____

Card number _____

Expiry ____ | ____

Signature _____

- To unsubscribe from further communication relating to Training & Development products tick here.

The Institute of Chartered Accountants in Australia respects the privacy of individuals and acknowledges that the information you provide on this form is protected by the Privacy Amendment (Private Sector Act) 2000. The information collected by the Institute is used for the purpose of processing your registration and providing you information (via email and/or mail) on upcoming events, specific products and services provided by or associated with the Institute.

To access a full copy of our policy visit: charteredaccountants.com.au/privacypolicy.

Australian Prices

Members	Non-Member	Members	Non-Member
<input type="checkbox"/> \$375	<input type="checkbox"/> \$475	<input type="checkbox"/> \$340	<input type="checkbox"/> \$430
<input type="checkbox"/> \$445	<input type="checkbox"/> \$545	<input type="checkbox"/> N/A	<input type="checkbox"/> N/A
<input type="checkbox"/> \$375	<input type="checkbox"/> \$475	<input type="checkbox"/> \$340	<input type="checkbox"/> \$430
<input type="checkbox"/> \$445	<input type="checkbox"/> \$545	<input type="checkbox"/> N/A	<input type="checkbox"/> N/A
<input type="checkbox"/> \$635	<input type="checkbox"/> \$835	<input type="checkbox"/> \$577	<input type="checkbox"/> \$759
<input type="checkbox"/> \$795	<input type="checkbox"/> \$995	<input type="checkbox"/> N/A	<input type="checkbox"/> N/A

Overseas Prices (Exclusive of GST)

Please send your order details to:

Free Post

Send this form, accompanied by a cheque to:

Business Essentials Pty Ltd

Reply Paid 579

Hawthorn East, VIC, 3123

Australia

Free Fax

1800 656 351

Free Call

1800 039 098

Please Note: Upon payment this notice becomes a tax invoice. Please retain a copy for your records.

Business Essentials Pty Ltd ABN 98 006 144 449
405 Riversdale Rd Hawthorn East VIC 3123 Australia

The Institute of Chartered Accountants in Australia. Incorporated in Australia
Members' Liability Limited. ABN 50 084 642 571. 0709-22.



In-house Training that really measures up

For tailored In-house Training that provides your business or practice with a competitive edge – turn to the experts at the Institute of Chartered Accountants in Australia. We offer customised training in three main areas – technical, general business and people skills.

Visit charteredaccountants.com.au/inhouse
or call 1300 137 322 to find out more.



**Chartered
Accountants**

NUMBER ONE IN NUMBERS

THE ESSENTIALS

September 2010

Track 2

BEYOND THE ELECTION: WHAT LIES AHEAD

Professor Neville Norman, Melbourne University

- The world economy's current performance is slightly disappointing, and Australia's is not living up to the promise it showed earlier in the year
- Inflation remains an issue, and domestic indicators like plant and equipment investment are showing signs of a slowdown
- This means getting used to slower growth than was forecast
- For the new government, that means continuing short-term stimulus packages and avoiding any major policy stuff-ups
- I can't understand how the Rudd government came to mishandle the Henry Review, the mining tax (the worst

example of introducing a new economic policy in my experience) and the emissions trading scheme

- These had a devastating economic effect which will form the backdrop for government and business in the back half of 2010
- The slowdown will mean the return to budget surplus will be delayed by another year
- A couple of small official interest rate rises are still likely this year

Track 3

BUY VALUABLE STOCKS FOR LESS

Roger Montgomery

- Outperforming the market is not as challenging as it seems provided you follow three simple steps:
 - trading stocks is not the same as buying businesses. Don't take your cue from prices
 - establish the difference between an ordinary and an extraordinary business
 - even the best business bought at a high price can be a terrible investment. Find out how to pay the right price
- For more information about how to pick the best stocks and buy them for less than they are worth go to www.rogermontgomery.com

Track 4

THE 3rd SPACE – THE KEY TO TRANSITION

Dr. Adam Fraser

- Life is a series of transitions. During the day we change between different environments and roles
- Let's call each of them spaces. The 1st Space is the role/environment we're in now. The 2nd space is the role/environment we are switching to
- If we don't manage our transitions right it makes it very hard to "show up" with the right mind set for that new space
- The transitional space is called the 3rd Space
- A common transition we get wrong is from work to home. At work the mindset revolves around efficiency, quick decisions and tasks. If we take this mindset home it will lead to conflict
- We can use the 3rd Space between work and home to show up better for the people we live with
- A coaching client who works in a high-pressure environment has his 3rd Space down to a tee. Despite the stress of his job he manages to be incredibly patient, supportive and attuned to his home environment
- Others have their own variation of the 3rd Space. Some people use the train trip home, while others use the gym. One female executive parks her car three streets away from her house and sits in her car for 5

minutes practising meditation to calm down before she walks in the door. That is her 3rd Space

- We can also use the 3rd Space to change from home to work or from one meeting to another

Track 5

ARE YOU MOTIVATED TO SUCCEED?

Gavin Freeman, The Business Olympian

- People who are motivated in two different ways: to succeed, or to avoid failure
- Those who are motivated to avoid failure will decrease their intensity and their effort when problems arise and take steps to avoid being blamed
- They'll take on projects which are guaranteed to succeed, or widely expected to fail – no blame will attach to them in that case
- Those motivated to succeed will take failure in their stride as something to learn from and a stepping-stone to future success
- But some who are motivated to succeed will begin to change if they move into an area that's outside their comfort zone
- When you're recruiting, don't rely on a CV and a single interview – expose people to different situations and make a considered judgment

- Make sure you have a learning and development process in your business that can help people become motivated to succeed
- A work environment which encourages people to ask for forgiveness if things go wrong, and not permission to try something, will help their motivation
- Conversely, a boss who says “don’t stuff this one up” will probably ensure mediocrity
- Recording your experiences as you go along provides a great way of learning from your failures
- And an outside mentor who can offer objective advice will help you learn from both failures and successes

Track 6

HOW TO AVOID A SEXUAL HARASSMENT CASE

Joydeep Hor, People + Culture Strategies

- In law, there are two types of behaviour defined as sexual harassment in the workplace
- The first is when one person makes unwelcome sexual advances to another, and often there’s an imbalance of power between the two
- The second is a “hostile work environment”, which can cover any other unwelcome conduct of a sexual nature, which may involve language, or images or topics of regular conversation

- Problems can arise in small business because they may lack the infrastructure of policies, training and procedures that the law requires
- If a complaint is made, don't form an opinion. Ensure an unbiased investigation is carried out, by an external body if necessary
- Confirmed cases of sexual harassment can be grounds for summary dismissal if proper policies were already in place, or the risk of unwelcome publicity is too great
- Business owners and managers must ensure that they are also held accountable for dealing properly with any allegations
- The highest court-awarded judgment in a sexual harassment case in Australia was for nearly half a million dollars, but out-of-court settlements have gone into the millions
- Make sure you have policies and procedures in place and that everyone knows about them. And move swiftly to deal with any complaints that arise

Track 7

DIVIDEND PAYMENTS

David Sauer FCA, GAAP Consulting

- Dividend payment rules changed on 28 June 2010, effective immediately. The change resolves longstanding issues

- The “profits” test is replaced with solvency tests
- The capital maintenance basis of the previous law is removed - dividends may be paid out of capital
- Some uncertainties have emerged about application of the new law
- A company must satisfy all of three tests to be eligible to pay a dividend:
 - Immediately before the dividend is declared, its assets must exceed its liabilities, and the excess must be sufficient for the payment of the dividend
 - The payment must be fair and reasonable to its shareholders as a whole
 - The payment does not materially prejudice the company’s ability to pay its creditors.
- Assets and liabilities must be determined in accordance with Australian Accounting Standards in force at the relevant time
- There is debate about which Accounting Standards to use
- Consider whether it is necessary to amend the wording of dividend resolutions
- Review company constitutions to ensure they do not contain unwanted restrictions
- Identify the information that will be relied on to demonstrate eligibility to pay dividends

- Where Accounting Standards are not used in full, consider their impact
- Identify entities that may no longer be able to pay dividends
- Consider shareholder demands for unlocked funds dividends to be released as dividends

Track 8

MANAGING CAREER DEVELOPMENT TODAY Roger Reidy, BPS Consulting

- There's been a seismic shift in our attitude towards career development in recent years. The "cradle-to-grave" approach has given way to a climate in which employers have to earn the loyalty of their employees
- It's generational: baby-boomers generally were seeking security, Generations X and Y want access to learning and development
- Unlike their predecessors, they're more likely to take charge of their own careers and move on if they're not satisfied
- For employers, career development can be an excellent staff-retention strategy
- With the right help, it can lead to the development of new roles and career opportunities that the organisation hadn't foreseen

- Work-life balance is important to younger employees who've seen their parents working long hours, and want more flexibility
- External providers of career development strategies can help business operators tailor programs that will help them retain key staff
- People may still leave to improve their skills in another environment but, if they've been looked after, they may well come back later

Track 9

TAXING FAMILY TRUSTS, PART 2

**Michael Jones CA, Cummings Flavel
McCormack**

- In December 2009, the Taxation Office decided to treat unpaid entitlements which are retained by family trusts as loans and tax them accordingly
- A loan from a company will attract tax penalties unless it's put onto a formal arrangement with a prescribed interest rate and repayment over 7 years
- The Tax Office wants to see some form of return going to the company for the money retained in the trust
- Existing unpaid entitlements will be protected if they have been disclosed and treated properly in previous accounting statements

- If an unpaid entitlement has been provided in 2010, it must be dealt with by the lodgement date of the 2011 tax return, or it will be treated as a loan
- Two simple options exist: the entitlement can be paid to the company before that date, or it can be put onto a formal loan arrangement with interest paid and repayments made in the 2012 tax year
- A more complicated option, involving the use of sub-trusts, is also available but may not suit most taxpayers
- Everyone with a trust which has distributed income to companies should ask their accountant to check their current arrangements and make a plan for the future

Track 10

SHAREMARKET UPDATE

Tim Lincoln, Lincoln Stock Doctor

- The current reporting season, with annual results available, is the time to make decisions about which stocks to retain in your portfolio, and which should go
- Since the GFC, with its dramatic falls in the value of many stocks, investors are frequently asking what's the right time to exit
- You need the right tools – or good advice from a broker – to assess the fundamental quality of the stock and apply an exit strategy or hold on

- Questions about the financial health of companies, covering growth prospects, debt and gearing levels, profitability, cash flow will help inform your decision
- If you lack detailed information about the stocks in your portfolio, employ a stop-loss strategy to protect yourself
- Use the results from the reporting season as an opportunity to reshape your portfolio – don't just sit on the fence
- Stocks of the month: Webjet, GUD Holdings, Maryborough Sugar Factory, Rio Tinto, Navitas.

Track 11

WHAT IT REALLY TAKES TO BUILD A BUSINESS

Steve Wright, Franchise Council of Australia

- Too many small businesses fail within the first few years, mainly because of a lack of preparation. Enthusiasm alone is not enough
- Good planning will help you free up time, probably after hours, to brush up on the skills you may lack
- People with one set of skills, in selling for instance, will quickly realize they also need to grapple with managing cash flow, managing staff, and planning for future growth
- It's important to be able to step back from a hands-on role at times, and see your business from the outside

- The Franchise Council's new Diploma of Franchising aims to equip people with basic business skills as well as an understanding of franchising
- It's aimed at potential franchisees and franchisors and current employees, as well as people thinking of going into business in the future
- Australia has a strong entrepreneurial culture, and franchising offers attractive opportunities to be your own boss, while having the support of a franchise network
- Careful preparation and strong family support are essential additions to passion and the commitment to succeed