

Business Matters

STRATEGIES FOR MANAGING YOUR BUSINESS



Paul D Harris
Chartered Accountants

The rise of online competition

The strong Australian dollar, combined with growing competition of online shopping, has many businesses worried about the economic outlook for the year ahead.

More than a third of companies predicted that the consistently high dollar would impact negatively on sales and profits, a recent survey conducted by Dun & Bradstreet has revealed.

Combined with the increasing dominance of online shopping and the uncertainty of the world economy, confidence among Australian businesses is low.

While you cannot change the economic position of the dollar, you can combat online competition. Despite its prevalence and growing popularity, traditional means of shopping still have a multitude of benefits to offer customers.

Almost half of all retailers believe that internet sales will have an adverse effect on their business. The following tips will help ensure you stay in front of your online competitors:

Adapt to consumer behavior

Technological development combined with consumer behavior means that businesses need to constantly improve their services,

products and standards to ensure customer satisfaction and loyalty. For example, a product you may have developed ten years ago will no doubt be outdated by technological advancements. As technology develops, consumer needs and wants change also.

Understand your competitors

Competition ensures businesses continually try to surpass one another, resulting in increased quality and service within the industry. It is crucial that you analyse your competitors, including your online ones, and turn their weaknesses into their strengths.

Customer satisfaction

Customer satisfaction is the key to the success of any business. Online shopping may offer a cheap, fast alternative to more traditional forms of shopping; however it can see a decrease in customer satisfaction.

If there is a problem with a product or service purchased online, it can often be a headache for the consumer to rectify the issue. With no physical contact point, postage can prove costly and communication can be difficult.

Making the most of your customer's experience with your business is a key factor in enhancing customer satisfaction. This could

...continues on page 2

PAUL D HARRIS
CHARTERED ACCOUNTANTS

PO BOX 46
SPRING HILL QLD 4004

•
TEL (07) 3832 8555

•
FAX (07) 3832 8551

•
E-MAIL
ph@pauldharris.com.au

•
WEBSITE
www.pauldharris.com.au

•
PRINCIPAL
Paul D Harris



Chartered Accountant



Liability limited by a scheme approved under Professional Standards Legislation.

INSIDE THIS ISSUE - 2nd QUARTER 2012

- The rise of online competition
- Ppsr - benefits and consequences
- How to create a positive work environment
- Payg instalments crack down
- Statute of limitations and division 7a
- Plus more

...continued from page 1

include complimentary coffee or tea when customers visit your business or using successful and interesting marketing tools such as lifestyle showrooms.

Stimulating the human senses will help make it an experience for your customer to deal with your business – something that your online competition cannot offer.

If you can't beat them, join them

There is a reason why online shopping has gained widespread popularity so try embracing the growing phenomenon.



PPSR – Benefits and consequences

The new Personal Property Securities Register means significant changes to the way you manage your security interests. While there are a number of benefits for businesses, there are some serious consequences attached to non-compliance.

The new PPSR, introduced on 30 January 2012, replaced multiple capital, state and territory registers to bring information into one national system.

Merging this information into one register means businesses and individuals will save time when registering and searching for security interests within Australia.

The reform also includes new rules for determining priority between competing security interests and other interests in the same personal property.

Bringing everything together under one legal framework can benefit your business in a number of ways.

Improves credit risk

Registering your security interest on the goods supplied or leased will result in the improved management of your business' credit risk. For example, you will be protected if your debtor becomes bankrupt or is liquidated.

In this situation your business will remain as a secured creditor, meaning the goods leased will still belong to you and you will be paid on time. Personal property includes boats, planes, cars, plant and equipment, shares, accounts receivable, crops, livestock and art. Because of the wide range of this classification it is crucial that you register anything before entering into a credit transaction of any kind.

Simplifies your records

With each territory, state and the Government having their own register prior to the PPSR, a business with personal property registrations in more than one state would be liable to pay the registration fee more than once. Under the new national register these costs are reduced with businesses only having to pay the fee once. Records and registrations held on properties are also simplified with only the single registration needed.

Retain ownership of your goods

You can claim 'retention of title' if your business supplies or leases collateral to a third party which becomes insolvent. This means that you can repossess the goods if they have not been completely paid for. Under this clause however, in order to repossess the goods you must have registered your security interest. If the supply or lease to a third party is on a regular basis, only one register is required for each customer, not for each supply.

Failing to understand and allow for the new PPSR can have consequences

resulting in a loss of assets to your business. To ensure that you avoid any penalties or ramifications from non-compliance it is important to consider the following:

- Do you have any current security interests not lodged that could be registered under the new PPSR?
- Ensure your clients are aware of the changes and direct them to the appropriate Government websites.
- Are there any areas of lending/credit who do not lodge a security interest over assets, but could under the easier processes of the new PPSR?
- Have you analysed the effects of the new system on your credit administration and management processes?
- What processes have you instated to advise customers before registering a security interest and to provide verification after lodgment?
- What processes do you have in place to monitor and manage the transition of existing interests on the new PPSR within the two year period allocated?



How to create a positive work environment



Creating a positive work environment is crucial to the success of a company. But is your business suffering as a result of a negative workplace culture?

A positive work environment offers a multitude of benefits; it increases productivity rates, employee retention levels and customer satisfaction. However, sometimes negativity finds a way in and engrains itself in the workplace.

Recognising a negative atmosphere in your business is the first step to creating a positive workplace environment.

It is crucial to take action to ensure that negativity does not encompass the entire workplace and impact on the success of your business in the long-run.

Changing the culture within your business is not necessarily a complex task; it just requires commitment from managers to implement successful strategies to enhance the workplace atmosphere. The following tips will get you started:

Communication

Communication is a key component to creating a positive workplace culture. Regular communication between managers and employees will help ensure that staff stay motivated and on track.

This can include regular meetings to discuss team and individual performances, motivations and other work-related issues.

Opening the communication channels will also mean that your employees feel valued. Listening and respecting staff

opinions will show that they are all valued individuals in the organisation.

Staff expectations

Communicating clear and specific goals to each individual employee will ensure that expectations are understood among your staff. Setting high expectations for your staff will see them strive to succeed. Mission statements are often used to see the organisation work together towards a unified goal with a specific measure of success.

Team spirit

Creating team spirit within the workplace will see your staff working towards a common goal. You will encourage cooperation by making sure that every employee feels like they are playing an important role in the team.

Training and development

Research shows that continued workplace training enhances employee retention rates and motivates your staff with continued growth and individual development. Your employees are the most valuable aspect of your business and it is essential that you invest in them.

Employee appreciation

Recognising and rewarding an employee's achievements and contributions will encourage a positive workplace. When your staff feel appreciated, they will be happier and more motivated.

PAYG instalments crack down

The ATO is strengthening its position in dealing with common, but costly, errors that SMEs make with PAYG instalments.

From this year the ATO is contacting SMEs regularly to discuss their PAYG instalment reports in their quarterly activity statements.

The focus of this scheme is to investigate reported PAYG instalment amounts that are significantly different from previous amounts. It was revealed the ATO receives up to 18,000 complaints per year relating to unpaid superannuation. The ATO estimates up to 70% of those complaints are related to SMEs.

In most cases the ATO has found that the complaints are due to common errors in statement preparation. Considering the following errors will help ensure that your quarterly statements are correct.

- Do you adjust installment income amounts rather than varying the installment rate?

- Do you report no PAYG instalments in the first two quarters, and then compensate by adding that installment income to the final two quarters?
- Do you include one month's installment income in the activity statement rather than income for the entire quarter?
- Do you not include installment income when the installment rate is 0 per cent?

All businesses in Australia which fail to pay employees' super by 28 days after the end of quarter risk having to pay interest on top of these payments.

The risk could soon be greater, with some sections of Government calling to make Directors personally responsible for employees who do not receive their full super payments.



Statute of limitations and division 7A

Whether you are a debtor with a loan, or a company seeking debt recovery, it is important to understand when loans repayable become statute barred.

The requirements are clearly outlined in Division 7A of Part III of the Income Tax Assessment Act.

If a financial debt is incurred and remains unpaid for a period of six years (three years in the Northern Territory), the debtor may not be sued by the creditor in a court of law and may be released from the debt. This process is called Statute Barred.

Under the Fact Sheet on the ATO's website, a debt can be forgiven if the company or individual seeking debt recovery releases the debtor.

Subsection 109G(4) allows the debtor to be forgiven by a private company if they are satisfied the following has taken place:

- Repayment of the debt would cause the debtor undue hardship.
- When the individual/company incurred the debt, they were in a position to pay it back.
- The individual/company lost the ability to pay the debt as a result of circumstances beyond their control

When determining if loans from private companies have become statute barred, it is important to consider the date the loan occurred and any tax consequences that may be connected.

It is also necessary to take into account the minimum requirements of Division 7A and the opportunity for taxpayers to repay any statute barred loans, or put the loan on terms that meet these requirements.

The loan will be treated as an 'unfranked' dividend at the end of year in which it becomes statute barred. It must be declared in the borrower's individual's tax return.

The unfranked dividend will be dealt with as reduced earnings for the creditor and franking credits may mean extra taxation.

To avoid outstanding debts becoming statute barred, use the end of financial year to revisit any outstanding debts on the balance sheets.

A great read

Built to Sell: Creating a business that can thrive without you

By John Warrillow

John Warrillow's 'Built to Sell: Creating a business that can thrive without you' is an excellent book for any small business owner. Warrillow helps readers to understand in-depth details of business ownership and includes topics such as creating value and how to grow your net worth.

The premise is that at the same time that you are running your business with long term goals, you should also be maximising its value in a way that will allow it to be sold at any moment. To keep this book interesting Warrillow uses a fictional character and a situation to develop and narrate the storyline.

Although the book is aimed at small business owners, there is a lot to be learnt by everyone. Most of the advice is about assessing what your business does best and expanding and streamlining that offering.

The last section of this book is an implementation guide that drives home the lessons from the storyline in a clear manner.

This book is an easy, interesting, insightful read. Even if you have no intentions of selling, it will help improve your company.

WEB WATCH

ESSENTIAL SITES FOR BUSINESS OWNERS

www.ppsr.gov.au Personal Property Securities Register

The Personal Property Securities Register (PPSR) is the register where details of security interests in personal property can be registered and searched. A search on the PPS Register will enable a consumer to find out whether there is a security interest registered against personal property that they may be about to buy, such as a car or a boat. The Register can be accessed electronically seven days a week, 24 hours a day.



REMINDERS FOR YOUR DIARY

May		June	
21	Monthly Activity Statement Final day for lodgment and payment of April Activity Statement	21	Monthly Activity Statement Final day for lodgment and payment of May Activity Statement
28	2012 Fringe Benefits Tax Return Final day for lodgment and payment if required	30	Super guarantee contributions must be paid for tax deduction End of Financial Year
	'Superannuation guarantee charge statement' for quarter 3 2011-2012 (January 1 - March 31). Final date for lodgment and payment.	July	
		14	Provide payment summaries to recipients for PAYG withholding.
		28	BAS statement due for April 2012 to June 2012

We are sometimes asked if we are able to help additional clients. We are a growing firm and do appreciate your referrals. We consider it a compliment when you recommend us to your friends and business contacts.

This newsletter is for guidance only, and professional advice should be obtained before acting on any information contained herein. Neither the publishers nor the distributors can accept any responsibility for loss occasioned to any person as a result of action taken or refrained from in consequence of the contents of this publication.