

BusinessPlus+ Newsletter



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Issue – December 2016

Merry Christmas and best wishes for 2017!

Board Meeting Organisation

The organisation of a Board of Directors' meeting is a crucial part of ensuring that effective board meetings are being held.

Notification

Notification should be given to directors that a board meeting is to be held. The company secretary or chair should ensure that the notification is given within the time frame stated in the company's constitution.

Agenda

The preparation of an agenda for the meeting will contribute towards board of directors' meetings being held in an orderly manner so as to ensure that every item that should be discussed is actually considered at the board of directors' meeting. The agenda should make provision for:

- approving the minutes of the previous meeting
- discussing issues that arose from the previous meeting
- considering reports for discussion at this meeting
- consideration of other general items that have been submitted to the directors for consideration

The agenda should make provision for reports to be submitted for consideration at the meeting. Most businesses would have reports from the managing director, operations manager, sales manager, accountant/chief financial officer and financial reports.

Recording of Minutes

The recording of minutes is a very important function, normally performed by the company secretary or one of the directors. Minute books have been submitted as evidence in court cases, therefore whenever a vote is taken by the directors, the minutes should record the name of the mover and seconder of each motion and, if the voting is not unanimous, the minutes should record who voted for the motion and who voted against. The minutes of the board of directors meeting are normally prepared by the secretary or the director who undertook the preparation of the minutes. The minutes are then submitted to the chair for reading and authorisation of release to the directors. Each director should carefully read the minutes of the board meeting and, if a director disagrees with items recorded in the minutes, it is desirable that contact should be made with the chair to advise him/her that there is a difference of opinion to that recorded in the minutes or the director should raise the issue at the next board of directors' meeting.

Minutes of board of directors meetings have been produced and used as evidence against directors in court cases. In one case (Centro Group) some of the directors claimed that they had not been present at the board of directors' meeting when a particular motion was passed, even though the minutes apparently indicated that all directors were present. This highlights the necessity for directors to ensure that the minutes record the time that a director left the meeting and returned to the meeting, if they did and also that the names of directors who voted for a motion and against a motion are correctly recorded. Directors have a responsibility to declare an interest in any matter being discussed by the board and it is recommended that the director does not participate in any way on the discussion on the matter in which the director has declared an interest. If you would like us to conduct a review of the processes being utilised in your company's board of directors' meetings, please contact us.

Directors' Personal Responsibilities

Directors, by their appointment, accept a number of clear legal responsibilities under the Corporations Act, Workplace Health & Safety Act, Fair Work Australia, Income Tax Act and other legislation. Directors also have a personal responsibility relating to their own performance as a director. These items include:

- keeping yourself informed about what is happening within the company and the company's industry
- reading reports before the board of directors' meeting
- attending the board of directors' meeting with a list of questions relating to the reports that have been submitted for discussion
- ask questions at the meeting, especially if you don't understand the matters being discussed
- if you are having difficulties in understanding a matter being discussed, request legal or expert opinion to assist you in understanding a particular issue
- declare any personal interests in matters being discussed by the board
- respect confidentiality of board reports and discussions within the board meeting
- read minutes of the board of directors' meeting carefully and, if you disagree with any item, contact the chair and then raise that disagreement at the next board of directors' meeting
- keep your own records of matters discussed at a board of directors' meeting so you have your notes and briefing material available in the unfortunate event of subsequent litigation against you relative to the performance of your duties as a director

If you find that you are unable to conscientiously fulfil your director's role as a director then you need to consider resigning.

Directors need to be aware of the very significant financial risks relating to being appointed a director of a company, if you are not fully briefed and understand what is happening within the company.

Allocate Some Quality Time

Quality time is some "quiet time" where you can sit and think about business issues without being disrupted by visitors, telephone calls, emails etc. It's best to pick a time when you're getting the least number of interruptions and then tell your receptionist and/or personal assistant that you are not available for the next hour.

Utilise the "quality time" to think about issues relating to your business. What other strategies could be implemented. What changes could be made. What management appointments do you need to make.

A good strategy to consider when reviewing issues is to ask yourself - *"could you defend the decision that you are about to make if you were cross-examined on that decision in a court case?"*

Do You Need More Information On....?

Ratio Analysis in Profit & Loss Accounts

Are you receiving Profit & Loss Accounts for each business activity? If not, would you like to receive this type of analysis? Are you receiving ratio analysis on the Balance Sheet? Do you understand the significance of the ratios?

Source & Application of Funds

Do you require more information as to how this document is prepared?

Cashflow Management

Do you need more information on matters relating to:

- bank loan negotiations
- credit cards
- planning for payment of dividends and major drawings within the business

Competitors

Do you need assistance with:

- review of current activities of competitors?
- strategies to compete with competitors?
- establishment of competitor files?
- development of a system to monitor competitor activities?

Management's Role

Are you working "in the business" rather than some time "on the business"?

Would you like us to review the financial/commercial aspects of your business to determine if some functions of senior management's roles could be delegated to other personnel within the business?

Business Valuations

Do you know the current value of your business? Would you like us to prepare a business valuation report for you?

Do You Need More Information On....? (cont'd...)

Risk Management Issues

Does your company or business have insurance policies for insurance covers on key personnel within the business? Do you have a buy/sell agreement? Are there insurance policies to enable cash to be available in the event of a payout on a buy/sell agreement? Have the insurance covers been reviewed recently to determine the adequacy of insurance as compared to the potential payout under the buy/sell agreement?

If you would like to receive more information from us on any of these matters, can you please contact the person in our organisation with whom you normally deal?

Debtors a High Risk Area

Australia is lagging behind the world in terms of late payments, according to a recent report from the Australian Government's Small Business and Family Business Ombudsman.

The Ombudsman called debtors' management problems for SMEs the "silent killer of modern businesses". According to the world-wide report the average debtors' days outstanding in Australia is 26.4 days over the traditional trading terms of 30 days; meaning that debtors' days outstanding were around 56.4 days.

The Ombudsman indicated the total amount owing to small/medium enterprises in Australia by their debtors is \$26 billion.

If you would like to have a discussion with us relative to a review of your debtors' management procedures, please don't hesitate to contact us.

2016 - The Year That Was

2016 is nearly over. What were the highlights?

- There was no recession; however, there was high unemployment and significant business failures in some areas of Australia.
- Youth unemployment is still far too high in most parts of Australia.
- The Liberal/National Party government was returned with a significant lower majority.
- The government has had to negotiate with cross-bench senators to get legislation passed by the Senate.
- The Australian currency moved up and down during the year and finished at approximately 74.5 cents US -v- Australian dollars as compared to 73 cents US in December 2015.
- The Early Stage Innovation Company legislation was passed and commenced operations from 1st July 2016. The ESIC legislation introduced significant new incentives for investors relating to a 20% tax offset to a maximum of \$200,000 for sophisticated investors and \$10,000 for retail investors and a capital gains tax exemption that applied to investments in an ESIC where the shares have been held for longer than one year and less than ten years.
- The Crowd Funding legislation has still not been passed by the Australian Parliament.
- There appears to be far more money available for investment in technology companies than what has been available in recent years.
- The Reserve Bank of Australia's interest rate is at the lowest ever level at 1.5%.
- The Australian Small Business & Family Business Ombudsman has indicated that debtors in Australia are at a world high rate of 26.4 days over the normal 30 day payment terms - a total of 56.4 days. The Ombudsman indicated that \$26 billion was owing to Australian small/medium enterprises by their debtors.
- The Small Business Restructure Rollover Relief legislation commenced from the 1st July 2016.
- Capital gains tax for foreign residents for sales of real Australian property with a market value greater than \$2 million, excluding GST, was introduced from the 1st July 2016.
- A new definition of "small business" entity of \$10 million was introduced from 1st July 2016.
- Unfortunately many SMEs had ongoing employment issues relating to Fair Work Australia.
- There is a claim made with Fair Work Australia every 3.84 minutes of a working day.

The start of a new calendar year is a great time to review budgets and cashflow forecasts and business plans incorporating your strategies for the next twelve month period. Why not have a planning day to review all of the activities within your business. Many businesses have found that one of the best ways to do this is to engage an independent facilitator to chair this process.

If you would like assistance in this type of activity, please don't hesitate to contact us.

Casting Vote?

Should a company chair have a casting vote? In the first instance check the company's Constitution. There is an argument that the chair should have a casting vote so that the company can get on with its business activities. If you would like to discuss this issue as it relates to your company, please contact us for a discussion.

Small Business Tax Changes

One of the best changes in 2016-2017 budget proposals are the changes to the small business entity turnover threshold increase with the changes applying from 1st July 2016 that deem all businesses with a turnover under \$10 million to access the various small business tax concessions.

This results in the following concessions being available to businesses with an aggregated turnover of less than \$10 million per annum:

Simplified depreciation rules, in particular the ability to use the small business pool and immediate write off of depreciating assets costing less than \$20,000 up to 30th June 2017 and \$1,000 after this date.

Simplified trading stock rules allowing businesses to estimate the value of trading stock at year end.

Immediate deductions for prepaid expenses where the prepayment related to a period of less than 12 months.

A reduction of the amendment period by the Australian Taxation Office from four years to two years.

If the entity is a company, the change in the tax rate from 30% to 28.5% and if the entity is not a company, then a small business tax offset.

One of the areas where the concession has not changed is in regards to the small business capital gains tax concession which is remaining at \$2 million.

If you have any questions on these changes, please do not hesitate to contact us.

Ask "How" Questions

In many business situations, be it marketing, sales or a team meeting, 'how' can be a great word to start a question.

- How long has this been happening?
- How much longer is this going to happen?
- How does that make you feel?
- How does that impact on your family?
- How long has it been like this?
- How would you like your world to look in 12 months' time?
- How would you rate your business overall, out of 10?
- How many days, weeks or years can your business survive without you?
- How soon would you like to see the changes in your business?

Registration for Research and Development

If your company spent more than \$20,000 on research and development in 2015/16 you need to register your R & D projects with AusIndustry by the 30th April 2017 or the date of lodgement of your company's income tax return, whichever is the earliest. If you would like to discuss your research and development strategies, please contact us.

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.

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