

BusinessPlus+ Newsletter



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Issue – July 2018

Do You Want More Time?

Time management is a very important issue for everyone whether you are a business person, a student or a stay at home parent looking after the household and children. Everyone has the same 24-hours or 1,440 minutes a day! You cannot purchase any additional “time”– but you can plan for a better allocation “time”!

Time cannot be expanded, but it can be better managed. Some people are better managers of time than others. Time management is a real issue for business people. Business people need to allocate the number of hours per day that they are prepared to spend at work and then prioritise how they are going to spend that time.

Managers need to consider a lot of things when allocating time including:

- technical issues
- sales – client/customer work

Management issues:

- planning – team leadership – training and development – conferences
- controlling operations – developing new products and services
- social media – newsletters – videos – webinars
- administration – preparing reports for senior management/board of directors/board of advice
- finding some “quality time” for thinking and planning

How do you better manage your time? Here are some suggestions:

- Establish a weekly or monthly “time allocation plan” at the beginning of the week or month and record the time allocations into the calendar on your computer. Contact any other person that you need to discuss an issue with and arrange for them to be available for discussions at a time that you have established in your calendar.
- Establish daily and weekly priority goals – “to do” lists. Mark off the task when it is completed and periodically prepare a log sheet of the amount of time you spend on various tasks. Could any of the work that you did be delegated to other members of the team?
- Control the telephone. Do not allow the telephone to control you. Perhaps you could have messages taken during the day and have your mobile phone turned off and then have some very specific time allocations to return telephone calls (e.g. one in the morning, the other in the afternoon).
- Have a “quiet time” each day when you could undertake some “quality thinking” about all aspects of your business and the responsibilities that you have for various aspects of the business.
- Don't let emails be your master! Don't let an incoming email interrupt a work assignment that you are currently working on. Establish a process of when you will review your incoming emails and reply to them rather than rushing to respond as soon as an email is received. Not all emails are urgent!
- Consider and analyse those persons or tasks that cause you to waste time. Can you change your management style to overcome these time wasters (e.g. might be better if you visited others in their offices or business premises rather than meeting in your office – when you are finished discussing what you went to talk to them about you can leave – it's not as easy to close a meeting if it's being held in your office or your business premises).
- Book times for telephone or Skype calls and record these times into your calendar rather than drop everything (possibly except for a valuable client for senior manager) to accept a call.
- Meetings - all meeting should have an agenda and should start and finish on time. At meetings ensure that minutes are being recorded by an allocated person and that that person promptly types and distributes those minutes, together with an “action plan” allocating responsibility to the persons who were allocated that responsibility at the meeting. At the next meeting the minutes of the previous meeting should be considered, together with a review of the implementation of the action plan from the previous meeting. If this type of strategy is introduced the time spent at meetings should be reduced.

Time management is important for everyone, but it is up to each of us to think about and plan our allocation of time.

If you would like to have a discussion with us about the management of time and delegation issues within your business, please do not hesitate to contact the person in our organisation that you normally deal with.

Elimination Of Waste Is A Key Management Challenge

Waste is defined as anything within the process, people or structure that is wasteful, including space, time, parts, people's potential and more. Management needs to observe what's happening on the workshop floor, shop floor, office, hospital, surgery, hotel, restaurant, mine, seaport or airport to get a full understanding of the potential for waste reduction. There is no use worrying about tomorrow when you cannot identify today's waste!

Businesses need to monitor the way the business is operating so the entire team develops the ability to observe waste in the workplace.

Customers ultimately will not pay for waste!

The business strategy that has been identified in the entity's business plan should be to eliminate waste, improve customer satisfaction thus contributing to improved profitability.

The 7 major waste areas are generally considered to be:

- **Overproduction**
Overproduction is caused by producing goods over and above the amount required by the market. Getting ahead of demand results in extra raw materials, labour and storage being utilised. There is greater chance of damage, deterioration or obsolescence.
- **Waiting (delays)**
 - Operator waiting for components or materials - waiting for instructions.
 - Waiting for set up or the change-over of production flow.
 - Parts queueing, waiting to be processed.
 - Waiting for breakdowns to be fixed.
- **Transport**
Management should ensure that when allocating where a job is to be set up, consideration has been given to the next job at that location, particularly if the location is going to involve excessive movement around the workshop.
- **Extra processing**
 - inappropriate or excessive processing, which does not add value to the customers.
 - performing work that provides no additional value to the customer.
- **Inventory**
Excess inventory increases cost. For example, the extra capital tied up in materials, extra handling, extra storage consumes resources that could have been used in other aspects of the business.
- **Unnecessary Motion**
Any movement that is not adding value is waste. The movement of a team member walking from one floor station to another to find materials or tools and equipment is waste.
- **Defects**
Costs involved in rejects or reworks, downgraded products and refurbished items are waste. Can the work process be changed to reduce defects? A key performance indicator that management should be monitoring daily is the quantity of defects. Management should then mentor the team members on how to reduce the quantity of defective products being produced.

If you would like to have a review undertaken on the potential cost savings to your business if areas of waste within your business were reduced, please contact us for a discussion.

Grant For Mining Support Industry Participants

The latest grant targeted at businesses operating in the wider mining industry as:

- an equipment supplier or trades contracting business servicing the mining industry
- a technology supplier to the mining industry
- a service industry for the mining industry

is now open with applications - closing on **31st August 2018**.

Grants range from \$100,000 to \$3,000,000. This grant is called METS Ignited which is a special grant funding organisation that has been established by the Federal government for the businesses servicing the mining industry working in conjunction with a mining company to solve a problem which the mining company has. The targeted businesses are generally referred to as "METS organisations".

The funding is for a consortium which must include a mining company and two "METS organisations" working on a syndicated basis to solve a mining industry problem. The consortium needs to fund 50% of the project cost – this funding is normally paid for by the mining company.

An example of an acceptable consortium could be a trades business working in conjunction with a software writing business with a mining company to solve a problem that the mining company has.

The intellectual property that is produced by the consortium would be owned by the consortium according to an ownership formula agreed to by the participants. The funding from the mining company and the METS Ignited Grant would be expended primarily with the two METS organisations.

If you would like to have discussions with us relative to your organisation's potential to be a participant in a project that might be able to be funded under the METS Ignited Program, please contact us.

PPSR Misunderstanding Could Cause Big Problems

Unfortunately, not understanding the ramifications of not registering on the Personal Property Securities Register can cost business operators significant amounts of money or could lead to business failure. Millions of dollars have been lost by SMEs and some big businesses through ignorance of how the Personal Property Securities Act operates.

The "risk areas" for potential problems relating to the Personal Property Securities Register include:

- businesses having stock stored on someone else's premises.
- businesses supplying consignment stock to other businesses.
- having assets stored at someone else's premises.
- having motor vehicles, boats, aircraft, plant and equipment leased to other businesses for more than 2 years.
- having motor vehicles etc., leased for an indefinite period that could be extended past 2 years.
- being a trades subcontractor who has contracts with contractors and other businesses from which progress payments are being received – this can cause problems if a liquidator is appointed to the other business and the liquidator makes an allegation that "preferential payments" have been made and demands a repayment of those "preferential payments".

There is some confusion because this legislation refers to "personal property" which is in fact better described as "business property" as it relates to every type of business asset with the exception of land and buildings.

Unfortunately, a business could lose an asset that the business owns or has purchased with a loan from a bank or financial institution with a significant amount still owing on the loan and yet if the appropriate registrations have not been made on the Personal Property Securities Register the property owner could lose ownership of that property. Some of the problems that have been documented over the last few years, relative to problems that businesses have had with the Personal Property Securities Register, include:

- Consignment stock that was located in a retail business with a number of locations that had a liquidator appointed where the liquidator was able to claim the consignment stock owned by various businesses with a value of approximately \$29,000,000 for the benefit of the secured creditor.
- A cabinetmaking business which constructed a number of kitchens in display homes and then rented those kitchens to the display home developer on a three-year deal – unfortunately a liquidator was appointed to the developer – the cabinetmaker had not registered this transaction on the PPSR resulting in the cabinetmaker losing the kitchen suites to the liquidator on behalf of the secured creditor and then, to rub salt into the wound, received a preferential payment claim from the liquidator relating to rental payments that had been made to the cabinetmaking business.
- Incorrect documentation and confusion with terminology has also caused very expensive problems for some businesses.
- A lack of awareness of the necessity to lodge registrations on the PPSR within a very short timeframe has also caused problems for some businesses.

If you have business transactions similar to those which we have identified as "high risk areas" and you have not discussed these "risk areas" with us previously we recommend that you contact us for a discussion on the strategies that could be implemented to protect your business from the "quicksand" effect of the Personal Property Securities Act.

Reducing Debtors' Days Outstanding Is Important

Do you calculate your debtors' days outstanding each month? Would you like some assistance on developing strategies to reduce your businesses debtors' days outstanding thus contributing to a cashflow improvement within your business?

Australia has the dubious title of having the "*longest debtors days outstanding in the world*". We are committed to assisting our clients to reduce debtors' days outstanding.

In undertaking a review of your business' debtors' days outstanding we would first of all consider the system or processes that you have implemented for the control of debtors including:

- Do you have a written debtors' system?
- Do you supply people requesting a debtor's account with a "debtors' application form" for them to complete?
- Is there any internal system to check on the information supplied by the potential new credit customer and do you check their references?
- Is a "welcome to new customer" letter/email prepared and sent to every new credit customer? Does this welcome letter include details of the terms of trade and credit limit that has been agreed to for them? Are the "Terms of Trade Agreement" and "Retention of Title Agreement" attached to the letter?
- Has someone in your organisation been given the task of following up with the new customer to ensure that the Terms of Trade Agreement and Retention of Title Agreement are promptly signed by the new customer and returned to your office?

- Does management decide whether the new customer should be registered on the Personal Property Securities Register?
- If registration is to be made on the PPSR, has the person responsible for this task been trained in all aspects of making a PPSR registration?
- Are tax invoices prepared promptly, showing due date for payment and sent to customers?
- Is debtors' days outstanding calculated properly at the end of the month?

If these questions raise queries relative to your debtors' system, we would be happy to have discussions with you on the approach that we could take to review your debtors' system and make a contribution towards reducing your business' debtors' days outstanding.

If you would like to have a conversation, please contact the accountant you deal with in our business.

GST – Now Applies To All Overseas Purchases

The Goods and Services Tax has operated in Australia since 1st July 1999 and this applies a 10% tax on nearly all goods and services within Australia to Australian consumers and was introduced into an economy that was still considered to be a traditional goods and services economy. Since this time however, the rise of the internet economy and online retailers has significantly affected the way people buy and interact with businesses and a significant portion of purchases are conducted online and also a large portion of these are done internationally. This has caused concern in the Australian Taxation Office which is entrusted with protecting the Revenue base but also significantly upset Australian retail businesses who are now actively competing with international businesses, often in low or no tax jurisdictions.

One of the key concerns of Australian retailers and the Australian Taxation Office is the fact that GST is not levied on importation of goods from outside Australia unless they are valued at over \$1,000 which means the bulk of purchases made from overseas online ecommerce stores are exempt from GST and income tax in Australia. These are known as low value imported goods which have traditionally not had any GST applied to them when they are imported into Australia and when the GST system was implemented this was not an issue of much concern or worry. This exemption over the last 10 years and the rise in online shopping has given overseas competitors an unfair advantage against Australian businesses and was also a loss of revenue to the Australian government from the non-collection of GST from the sales.

The law has now changed and GST now applies to goods imported from overseas, regardless of the price and this change will affect anyone who imports goods or "dropships" goods from overseas into Australia from sites such as Alibaba, Amazon, eBay and the many other sites which retail into Australia. However, the difference is that the online retailer is now responsible for charging, collecting and remitting this income to the Australian Taxation Office and, if not done so, the goods imported from overseas will remain in customs until the GST is paid. This is a worldwide trend, not just in Australia and it now applies as the law was recently changed in Australia by the government to level the playing field for Australian retailers against online retailers who are not subject to GST in Australia.

This law was introduced to apply from 1st July 2018, however some online retailers have changed the way they interact with Australian consumers and forcing Australians to only interact with their Australian sites, not their international sites which is a significant change in policy from what they have traditionally done. The statement released by Amazon is that these changes, which make this work by ensuring online retailers collect GST from purchasers in Australia as part of the purchase price and to remit this to the Australian government, is simply too onerous and difficult for them to enforce and apply to their site and systems as they do business around the world and the problems would be too difficult for them to implement.

This change in the application of the law is fairly simple and will not affect most Australia small businesses but should help level the playing field for Australian retail businesses against foreign competition that have been previously exempt from GST due to not being an Australian business but being able to sell to Australian consumers.

If you would like us to undertake a business review on your business, please contact us as soon as possible.

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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