

BusinessPlus+ Newsletter



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Leadership – A Manager Has To Gain The Respect Of Those Being Led

Good leadership is needed in every type of business. Where do you start in understanding leadership?

Firstly, distinguishing between management and leadership. They're both different, but interdependent and must be closely related to be fully effective.

Management is essentially about the establishment of organisations, structures, processes and procedures including:

- staffing
- management of costs
- implementation of ideas
- team training

Leadership is about creating the environment in which people work willingly together to achieve commonly agreed ideas and goals.

Leadership skills are required in every segment of the business – not just at the board of directors or senior management positions but throughout the organisation. Very few people are “born leaders” – most people need to develop their leadership skills by training and real-life experiences.

The key components of developing your leadership skills are centred on an understanding of:

- teams and teamwork – an understanding of what is fundamental to good leadership
- coaching and counselling of members of the team
- solving problems in making decisions
- morale of the team for which the leader is responsible
- motivation of the team – developing ideas/strategies and “selling” these ideas and strategies to the team
- developing relationships – so that the leader has an understanding of the “challenges” that the team member is facing
- trust and delegation – leaders cannot do it all themselves – they have to inspire the team to go forth and implement – this is delegation.

A world-renowned leadership writer, Professor John Adair said, *“It is easy to be appointed to a senior management position, but that appointment is not recognised until the manager has gained the respect and support of those being led”*.

If you would like to discuss the development of leadership skills throughout your organisation, please do not hesitate to contact the accountant with whom you normally deal.

Corporate Governance Applies In All Types Of Entities

Corporate governance is an important process for company directors of small/medium enterprises. Whether it's a better understanding of the corporate law or other business issues which relate to performing the duties of a company director.

Similar requirements also apply to those of you who are involved as committee members in not-for-profits, charities or sporting organisations.

Directors and committee members need to have an understanding of the legislation that applies to their organisation, to

understand best practice relating to various business issues and to understand the ethics of running business entities whether they are companies, not-for-profits, charities or sporting organisations.

Directors are responsible for “setting the scene” for the development of the “corporate culture” for the organisation. An important role for directors is to plan the strategies for the business and then to appoint a chief executive officer or general manager to operate the business. However, it’s very important that the directors or committee members implement policies and processes whereby they can monitor what is happening within the business.

One of the key lessons learnt out of the revelations that have been made at the Banking Royal Commission, is that there is an expectation that directors of companies and committee members of not-for-profits, charities or sporting organisations will implement processes whereby they’re able to monitor the actual performance, not just accept without any independent review, what is being told to them.

This means directors and committee members need to develop an awareness of what is happening in all things legal, whether it’s the Companies Act, the Association Incorporation Act, Taxation, Workplace Health & Safety Code, Fair Work Australia, Environmental Laws, Privacy Act or Overseas Workers Rules to work in Australia.

Directors also need to develop some “financial literacy”. Directors need to be able to read, understand and analyse the financial accounts that are presented to them if they’re going to be able to adequately perform their duties.

There is also a need for the implementation of appropriate systems so that the directors and committee members are aware of key issues relating to:

- People – resignations, accidents, serious injuries or even deaths, warning letters issued to team members, complaints that have been made by team members to Fair Work Australia.
- Workplace Health and Safety, monitoring any correspondence received from appropriate government agencies.
- Monitoring Customers – “the life blood of a business”, frequency of sales, average sales, complaints and compliments.

In the market, what is happening with:

- competitors?
- suppliers?
- new technology?

Does the company have an innovation policy? Is research and development being appropriately recorded so that the research and development rebate can be claimed?

Is the intellectual property, that is being developed appropriately, protected?

These are the types of questions that directors should be asking so as to perform their duties and responsibilities.

If you have any questions relative to corporate governance, please do not hesitate to contact the accountant that you normally deal with in our organisation.

Setting Professional Firm Charge Out Rates To Earn A Predetermined Profit Target

Setting charge out rates to achieve a predetermined profit is an important strategy for professional service firms.

The process commences with the listing of each team member for the calculation of the “labour on-cost” that is applicable to the individual person.

The next stage is the calculation of the labour budget which includes details of each team member’s gross salary to which the system will add the labour on-cost. You will need to insert the total hours projected to be paid for over the 12-month period and then to deduct the total of leave, including annual, statutory, personal leave and study leave.

The author then needs to enter the expected productivity percentage for each team member. The system will then calculate the individual targeted chargeable hours for each team member.

The system will determine the total of the labour cost and the expected chargeable hours for the firm for the year.

The targeted practice productivity percentage is then able to be determined. The firm will be able to use it as a comparison to other similar professional firms.

The return on investment then needs to be determined. This is based on the net investment in the business, multiplied by a targeted rate of return to identify the targeted net profit prior to income tax. The net profit figure will be utilised in the calculation of the required professional fees to be charged.

The next stage in the process is to enter the business’ overhead expenses for the next 12-months.

The targeted income from the sale of labour is then able to be determined by adding:

- total labour costs including on-cost
- targeted profit
- overhead expenses
- allowance for any write-downs
- total income to be recovered from team member's time.

The system will then calculate the time cost that is able to be utilised in the calculation of professional charge out rates to be utilised.

Professional charge out rates will then be determined by the system.

The proof of the charge out rates can be determined by multiplying the calculated hourly charge out rate by the projected chargeable hours to determine projected fees to be raised by each team member over the 12-month period. The total of the targeted income should be virtually the same (subject to rounding adjustments) as the projected total income to be recovered.

The author will then be able to prepare a proof of the budget and profitability.

This type of "what if" calculation will assist professional services firms to determine whether appropriate charge out rates and individual team member's productive hours are sufficient to achieve a targeted net profit for the business.

There are a number of variables which need to be monitored on a regular basis e.g. monthly including:

- number of team members
- categories of team members
- labour on-costs applicable to various categories of team members
- rates of pay for the various categories of team members
- hours to be worked by individual team members
- productivity percentage actually being achieved by the individual categories of team members
- business overhead expenses – are they within the budgeted figure.

We are able to assist professional firms to establish appropriate strategies relating to charge out rates to achieve a targeted profitability and then to assist in the monitoring of the actual performance on a month by month basis so that, if variations need to be made, they can be considered.

If you would like to have a discussion with us relative to the establishment of a charge out rate strategy for your professional services business, please do not hesitate to contact the accountant in our firm with whom you normally deal.

Overseas Research and Development Expenditure

If you are wishing to claim any overseas research and development expenditure you have to register with the Australian Taxation Office by 30 June in the year in which the research and development expenditure was undertaken.

The overseas expenditure could have been with a researcher or a research organisation.

You need to lodge what is known as an "Advance/Overseas Finding" with the Australian Taxation Office for them to decide whether they will approve your company's overseas expenditure as part of the Research and Development Rebate Claim.

If you are undertaking a research and development project in your company and you are contemplating the need for some of the research work to be undertaken overseas, it is preferable that this activity is approved by the Australian Taxation Office before you incur the expenditure. This will then give you certainty on claiming that expenditure.

If you would like to have a discussion with us, please do not hesitate to contact the accountant with whom you normally deal.

Claiming Export Market Development Grant For Businesses Targeting Overseas Tourists

An Australian-based business in the hospitality industry operating a hotel, motel, resort or in a "activity" type business such as:

- white water rafting
- cruises on the Great Barrier Reef
- diving
- farm stay businesses

can potentially be eligible to claim the Export Market Development Grant, if they have spent more than \$15,000 on promotional activities targeted at the potential source of overseas tourists.

If you would like to have a discussion about the possibility of lodging a claim for these activities, please do not hesitate to contact us.

Are You Being Scammed?

We all get calls from the Australian Taxation Office and we tend to think a call from them is the real thing because honestly, who wants to pretend to be from the Tax Office?

This common belief is being used by scammers to target individuals and small businesses. The Australian Taxation Office has released a step-by-step process of what will happen if they do call you:

1. At the beginning of the call the ATO officer (or representative) will state that they are calling on behalf of the ATO, explain the call may be recorded for coaching purposes, offer the opportunity to stop the call recording, if preferred and offer access to the ATO privacy policy.
2. ATO staff use a two-step process to confirm identify using your business name and then a document ID number from relevant correspondence.
3. If you have any doubts, once the ATO officer has confirmed the taxpayer's identity, the taxpayer can request a confirmation of information held by the ATO to prove they are an authorised representative of the ATO which includes account balances, payment dates and amounts, payment methods or addresses listed on the account.
4. If you still believe it is a scam, a call can be made to the ATO scam hotline on 1800 008 540 to verify that it is the ATO or an external collection agency.

The ATO has advised that, if there is a telephone number displayed on your caller ID, then its not a call from the ATO because, whenever a legitimate call is made by an officer of the ATO, the ATO's telephone number is not displayed. If a number is displayed and the caller is claiming to be an ATO officer, it's a scam. The ATO will also never demand you transfer money whilst on the phone to them or divulge any more personal information, other than to confirm your identity with the ATO.

Phone spoofing is on the rise in regards to fake debt collection calls where the caller is attempting to get sufficient information to allow them to pretend to be the client and use their documentation in part of identity theft and lodgement of returns pretending to be the taxpayer to ensure they get a refund to which they are not entitled.

Budgets 2018/19

A new financial year is about to start. Now is a great time for you to be planning the development of budgets for your business or organisation for the next 12 months. Some businesses take their key team members away from the office for a few days to plan the next 12-months activities. Key issues for consideration in the preparation of a budget include:

- production targets
- labour budget including individual productivity forecasts
- stock/inventory budget for the control of purchases of goods
- work in progress budget for the control of work activities being conducted within the business
- direct material purchases budget – for the recording of items being purchased for the benefit of a customer
- overhead budget
- sales budget

Over the last 3 months we have included commentary on preparing forecasts for:

- retail businesses
- trade/contracting businesses
- professional firms

If you would like our assistance in the preparation of a budget for your business or organisation, please do not hesitate to contact the accountant with whom you normally deal.

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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