

# BusinessPlus+ Newsletter



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## Issue – July 2020

### ***Happy New Financial Year - All the Best for 2020/21!***

#### **Strategic Planning - Now Is The Time!**

Whilst strategic planning is important for most businesses every year, most commentators believe it is extremely important this year with the ongoing problems from COVID-19 coronavirus.

Unfortunately, there is a strong expectation that it will be very difficult for small businesses and medium-sized enterprises to enter into new loan agreements after 30th September 2020.

It was pleasing to note that the major banks have announced that they will be prepared to negotiate with individual borrowers who wish to extend their loans beyond the 6 months repayment holiday that expires for most businesses around 30th September.

The Australian Banking Association has confirmed that banks will continue to support customers who need it up to another 4 months of deferred repayments on already deferred loans.

A spokesman for a major bank has indicated that the bank will be seeking assurances that those customers, granted additional relief, would be able to repay the loans.

The announcement in the "Financial Review" (8th July 2020) indicates that bank customers will not be granted extensions automatically at the conclusion of the 6 months and will be required to work with the bank to arrive at a solution. Banks may also seek to re-structure or vary a customer's loan following these discussions.

A strategic plan review will equip business operators with documentation (Business Plan, Budgets and Cashflow Forecast) that will be required to have meaningful discussions with their bank and perhaps identify other opportunities for funding the business.

If you would like to have discussions with us relative to the preparation of a strategic plan or the assembly of information that could be submitted to your bank, please do not hesitate to contact the person in our firm with whom you normally deal.

The strategic planning process commences with a meeting, which your accountant attends, with your leadership team to undertake a review of your business as it exists now and what you envisage that your business will look like in 3 or 5 years' time.

The key items to be discussed include:

- Where are we at present?
- Leadership Team – Do you have a team that is recognised as being the "leadership team"? Does the leadership team meet for a "daily huddle"? Is there a weekly meeting? Is there an in-depth monthly business review meeting? Does the leadership team identify up to 3 items each quarter for in-depth review to see whether a new product or service or operational strategy or some other improvement to the business could be made?
- Customers – How are they performing? – Have sales to them dropped or increased? Has contact been made with them? What are their comments on their possible future purchases from your business?

- Suppliers – Where are they? – Are they reliable in delivering of your orders? Should you be seeking alternative suppliers? Should you be looking to diversify the country of origin?
- Team – How has your team performed during COVID-19? Is additional training required? Are they working from home or at your facilities? What is the best strategy for your team's working environment in 2020/21?
- Team Meetings – Are "daily huddles" (about 5 minutes for each team) held daily to allow any problems to be discussed and to give feedback to the team? Is a team meeting held each week to review progress, analyse key performance indicators and generally discuss how that team's performance could be improved?
- Premises – Are they suitable for how you plan to operate in 2020/21? What changes are necessary? If you qualified for JobKeeper and you are leasing commercial premises have you negotiated a rent waiver/deferral with your landlord? If not, do you intend to have these negotiations?
- Debtors' Management – What is your debtors' days outstanding? If it is over 30 days, have you developed a strategy on how debtors' days outstanding could be reduced? (There is an expectation that business finance will be very tight for most of 2020/21, therefore a thorough review of all aspects of debtor's management might be necessary).
- Inventory – How does the investment in inventory compare with your budget estimate? Are you monitoring stock turn rates for stock items regularly?
- Pricing of Goods (if applicable) – Are you conducting a retail pricing review that takes into account sales mix of products – mark ups – overhead expenses – to determine whether the projected pricing and the sales mix will generate the net profit that has been targeted for the business?
- Charge out rates for trades businesses and manufacturers (if applicable) – are you conducting a charge out rate review which takes into account productivity and wages of your team members – materials markup – overhead expenses – to determine whether the charge out rates that you are currently using and the productivity figures that are being achieved will generate the profit that has been targeted for your business?
- Charge out rates for professional firms (if applicable) – are you conducting a charge out rate review which takes into account productivity and salaries of your team members – overhead expenses – to determine whether the charge out rates that you are currently using and the productivity figures that are being achieved will generate the profit that has been targeted for your professional services business?
- Technology – Is the leadership team happy with the technology assets that the business currently has? This is the time to identify any new technology that the business could meaningfully use during 2020/21 so that consideration could be given to acquiring that technology.
- Machinery – Is the machinery that the business has suitable for the projected operations of the business during 2020/21? If any new machinery's proposed – what are the costs of that machinery and what would be the return on investment from acquiring that machinery?
- Research and Development – The Research and Development Rebate is only available for companies which have spent in excess of \$20,000 in the financial year on qualifying research and development expenditure. Has the company spent in excess of \$20,000 on research and development? Has the company implemented a research and development documentation management system so as to ensure that all of the information that is required to be submitted to the Australian Taxation Office and AusIndustry to support a claim, is available? Is the company planning research and development activities during 2020/21? If so, research and development documentation needs to be produced and submitted to the Board of Directors for approval.
- Development of Products and Services – Have any new products or services been developed or are any new products or services in the process of being developed? Have steps been taken to protect the intellectual property in those new products and services? Has determination been given as to the further processes to be implemented and the cost of those processes for the successful commercialisation of those new products and services? It might be advisable to give consideration to applying for an Accelerating Commercialisation Grant to assist with the funding of the commercialisation expenses. This will be subject to the company being able to identify how it would fund its 50% share of the costs which must be borne by the company
- Creditors and Creditors' Days Outstanding – Is the business abiding by the trading terms that have been stipulated by individual suppliers? In particular, has there been a review of creditors' days outstanding for major suppliers? If the creditors' days outstanding for a major supplier is longer than that stipulated by the supplier, is there a contingency plan if the supplier elects not to supply further product to the business? This may identify a funding problem for the business.
- Arrangements with Banks and Financiers – Does the business have any undrawn funding commitments from banks and financiers that could be drawn down, if required during 2020/21? If the business has a high amount owing by debtors has consideration been given to a debtors' factoring facility being sourced to receive cash advances on debtors' balances?

Having completed this type of review, we are then in a position where we could prepare the following documents for you:

- Business plan
- Budgets
- Cashflow forecasts

The Cashflow Forecast will identify any projected funding shortages in the future.

The important question is *"Where will you obtain the funding shortfall?"*

Funding potentials could include:

- Owners/Shareholders' Loans
- Friends Loans
- Loans from a bank or other financial institution (which will probably be very difficult after 30th September 2020 for at least a year)

Consideration could then be given to attempting to raise capital from the public. For example:

- A company can raise up to \$2 million in a 12 month period from a maximum of 20 investors utilising Section 708 of the *Corporations Act*
- A company can now raise up to \$5 million from the public as a Crowd Sourced Funding Equity Raising Company.
- If your company is under 3 years of age, turnover under \$200,000 in the last 12 months and expenditure under \$1 million in the last 12 months and you have developed a new product, process, service, marketing or management methodology, you could be eligible to be classified as an Early Stage Innovation Company which is a company category that is very attractive to investors because of taxation breaks available to arms' length investors in a company deemed to be an Early Stage Innovation Company by the Australian Taxation Office.

As part of the strategic planning review we will discuss with you these options.

The preparation of a strategic plan is not an end in itself. The strategic planning document is part of an overall process that could include:

- Monthly business review meeting, which your accountant would participate in, with your leadership team to review all aspects of your business operations and the achievement of the strategic plan. (We do not envisage that the business review meetings are for taxation review).
- Monthly financial accounts prepared for the individual business units within your business so that profit and loss accounts are available for the responsible manager or foreman so that they can monitor the financial performance of the business unit for which they are responsible.
- Key Performance Indicators prepared for each business unit.

We would welcome the opportunity of having a discussion with you about implementing a strategic planning strategy that is suitable for your business. Please don't hesitate to contact the person in our organisation with whom you normally deal.

### **Coronavirus SME Guarantee Loans**

These loans are 50% guaranteed by the Australian government and are available for application from banks and other financial institutions until 30th September 2020.

The loans are for a maximum of 3 years for a maximum amount of \$250,000. To apply for one of these loans, you will need to supply the bank with a Business Plan, Budget and Cashflow Forecast for 3 years.

If you would like our assistance in the preparation of the documentation, please don't hesitate to contact the person in our firm with whom you normally deal at your earliest opportunity.

### **Instant Asset Right Off Continues**

Businesses with turnovers of less than \$500 million per annum can write off expenditure on individual items installed and ready for use by 31st December 2020, up to a value of \$150,000 for any individual item.

From 1st January 2021 the Instant Asset Right Off amount reverts to \$1,000 per individual item for businesses with turnovers of less than \$10 million per annum.

### **Early Stage Innovation Company Report on Shares Issued**

If your company is an Early Stage Innovation Company and you issued shares to investors during 2019/20 you are required to lodge an "Early Stage Innovation Company Report" summarising details on your new shareholders to the Australian Taxation Office by 31st July 2020.

### **Research and Development - "Overseas Finding" Application**

A reminder that if you have lodged a "Provisional Advance" (that was due 30th June 2020) to the Australian Taxation Office relative to overseas' expenditure that you wish to claim as research and development in respect of 2019/20, you have to lodge the complete "Overseas' Finding" application with the Australian Taxation Office by 30th September 2020.

### **Single Touch Payroll - Finalisation Declaration**

A reminder that the finalisation declaration for Single Touch Payroll lodgement dates are:

- Employers with 20 or more employees – by 14th July 2020.
- Employers with 19 or less employees – by 31st July 2020.

## Not Using Single Touch Payroll

If you are not using Single Touch Payroll:

- Payment Summaries have to be prepared and sent to all employees by 14th July 2020.
- PAYG Withholding Tax Annual Summary has to be lodged with the Australian Taxation Office by 14th August 2020.

## Reportable Payment Reports

Reminder, if you are operating in the following industries you are required to lodge a Summary of Payments made during 2019/20 to the Australian Taxation Office by 28th August 2020:

- Building and Construction Industries
- Courier Services
- Information Technology
- Road Freight
- Security, Investigation and Surveillance Services
- Cleaning

If you require any assistance relative to the preparation of the Summary of Payments, please don't hesitate to contact us.

## Access to Superannuation

If you are a sole trader or self-employed individual you could access up to \$10,000 from your superannuation fund from 1st July 2020 to 30th September 2020 in the following circumstances:

1. At any time after 1st January 2020 was your business suspended? If yes, go to 3. If no, go to 2.
2. At any time after 1st January 2020 was there a reduction in your turnover by 20% or more? If yes, go to 3. If no, you cannot access the temporary early access to superannuation.
3. You could access up to \$10,000 from your superannuation fund from 1st July 2020 to 30th September 2020.
4. If you are eligible to receive a JobKeeper payment or after 1st January 2020 your working hours were reduced by 20% or more, you can also access up to \$10,000 from your superannuation fund.

Applications need to be lodged with the Australian Taxation Office through the myGov website – <https://my.gov.au/LoginServices/main/login?execution=e2s1>.

## Business Terminology

### Accounting Period

Any period of time utilised to measure accounting performance e.g. 1 year, 1 month, 3 months.

### Accounts Payable (Sundry Creditors)

Short term, or current financial obligations, that are created through the purchase of merchandise, or obtaining of service.

### Accounts Receivable (Sundry Debtors)

Amounts owed to the firm by customers in the form of regular accounts for services rendered or goods supplied.

### Assets

Those items acquired by the firm to aid it in accomplishing its business objectives.

#### 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.*

#### Contact us:

**CMA Collins Melody**

**P:** 03 9836 1533

**F:** 03 9836 3025

**E:** admin@colmel.com.au

**W:** <http://www.cmagroup.com.au>

Ground Floor 1 Chapel Street, Blackburn, VIC, 3130