

BusinessPlus+ Newsletter



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Issue – January 2021

Welcome to 2021 – A Year That Could Be Both “Daunting and Positive”

Our theme for this month is “Setting your Plans for 2021”.

In this edition we are discussing a number of business issues that might be of interest to you as you're formulating your plans for 2021... a year which, hopefully, will be different to 2020. Some of the issues which we'd like to suggest to you include:

COVID-19 Coronavirus Impact

JobKeeper:

- We're now in the second extension period for JobKeeper fortnights between 4th January 2021 and 28th March 2021.
- To claim JobKeeper payments for this period, you'll need to show that your actual GST turnover has declined by more than 30% in the December 2020 quarter, relative to a comparative period (generally the corresponding quarter in 2019).
- If you'd like our assistance with the preparation of the required declarations to be lodged with the Australian Taxation Office for you to lodge a JobKeeper application for the March quarter, please do not hesitate to contact us as soon as possible.

Coronavirus SME Guarantee Loan:

- These loans are 50% guaranteed by the Australian government.
- Available for SMEs and other businesses with up to 200 employees.
- Loan applications close, at any bank and financial institution, on **30th June 2021**.
- Loans of up to \$1 million repayable over a five year period.
- The loans can be used for any business purpose.

Customers

- What happened to your customers during 2020? Have you talked to them? What are their thoughts on their business operations in 2021?
- Have you developed strategies to make up for any “missing sales”?

- Has your business instigated a brief daily meeting with “sales facing staff” to get feedback from the staff members on what customers are saying to them?

Debtors

- What is your debtors' days outstanding at present?
- How does your debtors' days outstanding compare to your budget estimate?
- If your debtors' days outstanding is higher than you anticipated, have you reviewed your debtors' system to check that invoices are being emailed promptly and debtors' statements are being prepared within a couple of days of the end of the month and emailed to your customers?
- Do you clearly highlight the invoice due date for payment on every invoice?

Inventory

- What is your investment in inventory and how does this compare to your budgeted figure?
- What are your current stock turn rates? How do these compare to your Budgets?
- Do you think that a promotional sale would assist to move old stock?

Work In Progress

- Are progress claim invoices being prepared on each work in progress assignment at least monthly?
- Is a review undertaken of any jobs that remain in work in progress to determine why the project is taking longer than what was originally anticipated? This review may identify that there are some problems with an individual project that might need to be sorted out.

Cashflow Position

- Is your business operating within the limits negotiated with your bank?
- Will you have sufficient financial resources to meet your anticipated requirements during 2021 – including planned capital expenditure, research and development activities, patent applications and the scaling up of your business?

Analysis Of Financial Performance To 31st December 2020

- Have you had the opportunity of reviewing your business' financial performance to 31st December 2020?
- Are the financial accounts prepared for the individual business units within your business so that these can be analysed as if they were a separate business, rather than being consolidated into one Profit and Loss Account?
- How did the results compare to your Budgets?
- Have you prepared your Key Performance Indicators and have these been analysed by the management persons responsible for the individual business' activities?

Budgets

- Have you prepared your written Budgets for 2021 calendar year?
- Are you happy with the forecast results?
- Or, have you identified changes that you'll need to implement?

Research And Development

- If your business is operating as a company, did you undertake research and development activities where the expenditure was, at least, \$20,000 on legitimate research and development projects during 2019/20?
- If your company conducted research and development activities, the company needs to register those activities with AusIndustry prior to **30th April 2021**.

Elimination Of Waste

- Have you conducted a review on the management of “waste” in your business? Waste is defined as anything within the process, people or structure that is wasteful, including space, time, parts, people’s potential and more.
- Should this be a project for your business in 2021?

Shrinkage Control

- “Shrinkage” occurs primarily in retail and wholesale businesses, but can also apply to trades and manufacturing businesses.
- Shrinkage occurs when the business fails to sell an item at its full price. The difference between the potential selling price of a product and the actual selling price is shrinkage.
- Does your business conduct ongoing “shrinkage” analysis?
- Should “shrinkage control” be an ongoing activity during 2021?

Charge Out Rates Review

- The start of a new calendar year is an appropriate time to undertake a review of the charge out rates being utilised in a tradie business, manufacturing business and professional services firm.
- This will require a review of the individual team members’ performance levels relative to hours worked, productivity, the business’ overhead expenses, salaries and the targeted profitability for the business.

Retail Pricing Review

- It is also an appropriate time to conduct a review of a retail business to analyse the product mix, mark-up percentages for the various products, overhead expenses and labour costs to determine whether changes can be made in any of these components so as to improve the business’ overall performance.

Business Review Meetings

- Many businesses find that they enhance their business’ performance by conducting a regular monthly business review meeting to consider all aspects of the business’ performance relating to:
 - Marketing;
 - Sales;
 - Production;
 - Team training and performance;
 - Individual business financial results;
 - Key Performance Indicators for each business activity;
 - Comparison to Budgets;
 - Current cashflow position; and
 - Where is the business heading analysis?

Export Market Development Grant

- If your business is an exporter and you have spent money to promote your business in overseas markets since 1st July 2020, you could be eligible to claim an Export Market Development Grant of up to \$150,000.
- The Export Market Development Grant Application is for eligible export development expenditure incurred up to 30th June 2021.
- The Export Market Development Grant Application deadline for applications relating to 2020/21 is **30th November 2021**.

Benchmarking

- Benchmarking is the comparison of your business activities to a group of other businesses operating in the same business activity as yours.
- The benefit for you is that you receive an analysis of how your business stacks up against your peers.
- This type of analysis will highlight any “problem areas” that, at the very least, require some examination to see where changes can be made.

Instant Asset Right Off

- Businesses with turnovers up to \$5 billion per annum are able to write off the full value of any eligible asset that they purchase until 30th June 2022.

Scaling Up

- Scaling up is the process that companies can adopt to strategically plan the company's growth over the next three to five years.
- The key components of establishing a scaling up strategy for a company are:
 - Leadership – having a capable leadership team that is continuing to upgrade their individual skills and knowledge.
 - People – having a team of people who are well trained and able to make realistic business decisions to service customers' requirements.
 - Strategy – the company's needs to be able to create a truly differentiated strategy to promote the company's products and services to customers.
 - Execution – the leadership team and people within the business need to be able to drive flawless execution of the strategies that have been adopted and ensure that the success of the execution strategy is being continually reviewed.
 - Cash – businesses which are scaling up need to have cash resources to be able to fund the expansion which might be in investment in inventory, debtors, research and development, patent applications, staff recruitment or new premises. Where is that "cash" going to come from?

Business Funding

- If this review and the financial forecasts are showing that your business needs additional funding, you can consider:
 - finalising a COVID-19 loan, that is 50% guaranteed by the Australian government, through your bank or financial institution.
 - Borrowing money from a bank under normal conditions which will normally require the borrower to submit security to the bank.
 - If the business is a company, consideration could then be given to raising capital from the public. There are a number of opportunities available for a private company to raise capital including:
 - Early Stage Innovation Company Capital Raising - if the company is under three years of age and meets the eligibility tests to be classified as an Early Stage Innovation Company. This status will assist the company to be able to raise capital from investors because the investors receive direct taxation benefits and potentially avoid Capital Gains Tax.
 - Crowd Sourced Funding Equity Raising - enables private companies to be able to raise up to \$5 million every twelve months from the public. The maximum investment by a retail investor is stipulated at \$10,000 per company, in a twelve month period.
 - Section 708 of the *Corporations Act* enables a private company to be able to raise up to \$2 million from a maximum of twenty investors, in a twelve month period.

Research And Development Activities In 2020/2021

- The Research and Development Incentive Rebate is able to be claimed by companies which have spent more than \$20,000, in the financial year, on legitimate research and development activities.
- The rebate for companies with turnovers under \$20M is 43.5% of the eligible research and development expenditure.
- If the company is trading at a loss and has incurred legitimate research and development expenditure, the company can claim a cash refund of the research and development rebate when the company lodges its income tax return. The cash refund is normally paid by the Australian Taxation Office within 30 days of the company's tax return being lodged.
- The object of the Research and Development Legislation is to encourage companies to conduct research and development activities which might otherwise not be conducted because of an uncertain return from the activities. There is an expectation that a significant amount of initial research activities may have been undertaken during the various lockdown periods around Australia during 2020.
- Research and development commences with an "idea" and then may proceed from there, if the leadership team believes that there is some possibility of cost savings being available because of the research and/or the possibility of the development of a new product or service that the company may be able to sell.

- If a company is going to be able to successfully claim the Research and Development Innovation Rebate, there is a process that needs to be implemented. If you have commenced research and development activities or you're planning these type of activities, please contact us for an overview on the processes that are required to satisfy the Australian Taxation Office and AusIndustry's requirements to successfully claim the Research and Development Rebate.

New Year New Business! – Or is it?

"We once again find ourselves in January, already feeling like we're hot on the heels of February. I hope that everyone has entered 2021 refreshed and ready for the year ahead.

If 2020 taught us anything, it was that we must prepare for the unexpected, as it may be just around the corner.

In the spirit of preparedness, a number of business owners use the early months of the year to ensure that they're up to date with Human Resources and Workplace Health and Safety compliance. However, too many times I speak to business owners who have the intention to update their employment contracts, safety policies or company handbooks and when we touch base another year on, they have done nothing because this task was pushed to the side as business distractions overtook compliance as a priority.

The risk posed by not prioritizing compliance can be detrimental to, not only a business' financials, but to its company culture and employee morale.

If you feel that you too are guilty of on putting compliance to the side you are not alone, however, you can be one of the employers who chooses to be proactive rather than reactive. With constant legislative change, especially in the wake of 2020, employers cannot afford to be reactive.

Even if you feel that your compliance is up to date, I recommend taking Blackstone Business Group up on a complimentary review of your contracts, policies and/or workplace health and safety paperwork.

You can contact myself directly on 0418 287 730 or via email at jordan@blackstonebg.com.au.

I wish you all a prosperous and successful 2021 and I hope to speak with some of you soon.

Warm Regards, Jordan Lowry, Managing Director, Blackstone Business Group".

"What do Blackstone do? We make sure that SMEs are in the best possible position to mitigate risk when it comes to managing employees and their business.

How does Blackstone ensure that they assist SMEs in mitigating risk? We make sure that SMEs receive the right advice surrounding due process with employee management and workplace health and safety. We also make sure that they have strong foundations in place, such as employment contracts, handbooks, systems and policies".

Setting Your Strategies For 2021

If you have any questions or would like our assistance on setting your business' strategies for 2021, please do not hesitate to contact the accountant/manager in our organisation with whom you normally deal.

Best wishes to you and your team for a successful 2021!

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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