

BusinessPlus+ Newsletter



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Issue – February 2021

Our theme for February 2021 - "Items That Could Be Considered For Your Strategic Plan"

Business Review Meetings Contribute To Success

Most businesses benefit from conducting a monthly Business Review Meeting attended by all members of the leadership team and the business' external accountant, who may be acting as a "Virtual Chief Financial Officer".

Many businesses have found that these meetings enhance their business' performance by ensuring that all aspects of the business are evaluated on a monthly basis.

These meetings are not a Tax Review Meeting – quite the contrary, they are being held to assist all members of the leadership team to improve the business activity for which they are responsible and to enable financial information, comprising profit and loss account for each individual business unit, key performance indicators for those business units, comparisons to budget, new customers and other business improvement information to be discussed on a regular basis.

If you would like to have a discussion with us relative to organising a Business Review Meeting for your organisation, please do not hesitate to contact the accountant in our organisation with whom you normally deal.

Export Market Development Grant Categories

If your business is exporting Australian products or services to overseas' markets or marketing to overseas' people to encourage them to visit Australia e.g. an Australian-based business that is marketing to international tourists to utilise their business' services in Australia, such as accommodation, tourist attractions, white water rafting, Barrier Reef scuba-diving, then the business could be eligible to claim an Export Market Development Grant, subject to the business' turnover being under \$50 million per annum. Eligible expenditure includes actual payments that have been made relating to:

- overseas' representation
- marketing consultants
- marketing visits to potential export markets
- free samples being sent to potential overseas' customers
- trade fairs and promotional events registration fees and other allied expenses
- promotional literature and advertising
- expenses of overseas' buyers visiting Australia that are paid for by the Australian business
- registrations and/or insurance of eligible intellectual property

Export Market Development Grant applications are made for the full financial year. Applications relating to 2020/21 have to be lodged with Austrade by 30th November 2021.

If you are interested in exploring the practicalities of lodging an Export Market Development Grant claim for your business, please do not hesitate to contact us.

Research And Development Registration

A reminder that research and development registration in respect of any research and development expenditure for the 2019/20 financial year has to be lodged with AusIndustry prior to 30th April 2021, or the date of lodgement of the company's income tax return, whichever is the earlier.

If, during the COVID-19 coronavirus lockdowns, you have undertaken research into a new product or service or of even come up with an "idea" on something that you could develop, there are significant benefits in having discussions with us as soon as possible so we can ensure that you are undertaking your research and development within a company structure and that you are abiding by the other requirements to be able to successfully claim the Research and Development Incentive Rebate in respect of 2019/20 (if the work was undertaken by a company during 2019/20) or if you started the work after 1st July 2020 that the company is properly structured and the correct records are being maintained for claiming research and development expenditure in the current financial year. In that case, the registration with AusIndustry does not need to be completed until 30th April 2022.

If you would like to discuss with us the procedures for claiming research and development, please do not hesitate to contact the accountant in our organisation with whom you normally deal.

What Causes Shrinkage?

Shrinkage can be very expensive for many businesses and unfortunately the "Cost of Shrinkage" is rarely quoted in any financial reports. Shrinkage occurs when the business fails to sell an item at its full price. The difference between the "potential selling price" and the "actual selling price" is shrinkage.

Shrinkage can be caused by many items including:

- damage to a product
- incorrect pricing or invoicing of a product
- theft by a customer
- theft by an employee
- errors in recording product details
- not adequately checking goods when they are received into the business
- poor handling techniques leading to damaged stock
- leaving perishable products out of refrigeration
- over ordering a product and then having to discount that product to make a sale
- stock going out of date or fashion and having to be sold at a discount

Shrinkage is a major problem for retailers, but it can also cause loss of profits for wholesalers, manufacturing businesses and tradies' businesses. If you would like to have a discussion with us relative to conducting a review of the "shrinkage cost" for your business, please contact us.

Waste Management – A Key Management Challenge

Waste is another significant cost area for many businesses.

Waste is defined as anything within the process, people or structure that is wasteful, including space, time, parts, people's potential and more. Accountants can assist management by ensuring that, at each "Business Improvement Meeting", a discussion is held about what is happening relative to waste on the workshop floor, shop floor, office, hospital, surgery etc., to get a full understanding of the potential for waste reduction. It is generally accepted there are 7 major waste areas:

1. Overproduction
2. Waiting (delays)
3. Transport
4. Extra Processing (inappropriate or excessive processing which does not add value to the customers)
5. Inventory (extra inventory increases costs)
6. Unnecessary Motion (any movement that is not adding value)
7. Defects (costs involved in rejects or reworks)

If you would like to have a discussion about introducing strategies to your business to reduced waste, please contact us.

Scaling Up Needs To Be Planned

As we consider the challenges, potential problems and rewards that might be possible in 2021, business leadership teams could do well to incorporate the strategies of “scaling up” in their strategic plans for the next few years.

The key concepts of “scaling up” require businesses to:

- Attract the right people – leadership team and team members with adequate training and motivation.
- Create a truly differentiated strategy – relating to customers, suppliers, supply chains, communications, products and services.
- Drive flawless execution – “daily huddle”, weekly team meetings and full business review meetings, financial accounts and key performance indicators produced for each business department – not all consolidated into one Profit and Loss Account which makes meaningful analysis very difficult.
- Having plenty of cash to weather the storms – using Predictive Accounting to identify cashflow shortages, awareness of the opportunities that private companies now have to be able to raise capital from the public:
 - Crowd Sourced Funding Equity Raising
 - Early Stage Innovation Companies Capital Raising
 - Section 708 of the Corporations Act Capital Raising

Not many businesses can successfully “mark time” – “scaling up” leads to rewards.

If you would like to have a conversation to explore how the concept of “scaling up” might apply to your business, please do not hesitate to contact the accountant in our organisation with whom you normally deal.

Director’s Role In A Small/Medium-Sized Business – Part 1

Legislation

Directors have many legal issues they need to consider in the performance of their duties. The legislation that directors will probably have some involvement with includes:

- Corporations Act, which includes the legislation for the creation of Crowd Sourced Funding Equity Raising, directors’ duties and responsibilities, operation of companies.
- Taxation Act including:
 - all taxation legislation including Research and Development
 - and the legislation relating to Early Stage Innovation Companies
- Fair Work Australia legislation.
- Workplace Health and Safety Laws.
- Environmental Laws.
- State and Territory Government Laws.
- Ensuring that any product sourced overseas has been purchased from legitimate businesses.

Directors also need to ensure that the company is aware of any abiding rules that have been made at short notice that potentially involve high penalties relating to lockdowns caused by the COVID-19 coronavirus.

Board Of Advice

Many company directors have found that a satisfactory way to get started on the journey to appointing a Board of Directors is to initially appoint a Board of Advice. A Board of Advice has no decision-making powers and normally only meets about 4 times per annum to give “advice” to the owner, CEO, Managing Director. In the final analysis, it is the directors who make the final decisions.

The concept of a business having a Board of Advice goes back many years – in fact it is claimed that Mr L. J. Hooker, the founder of L. J. Hooker and Co, Real Estate Agents, established a regular routine of a weekly “coffee meeting” with a small group of people who were supplied with details on his business operations and those people gave him “advice”.

Many businesses successfully utilise a Board of Advice as part of their business growth strategy. A Board of Advice would normally consist of 1 to 3 people who the director/directors believe have skills that are complimentary to the directors’ skills.

If you would like to have a discussion about the pros and cons of forming a Board of Advice for your business (and it does not have to be a company) please contact us.

Personal Property Securities Register Due Diligence

The Personal Property Securities Act (PPSA) and the Personal Property Securities Register (PPSR) is legislation that company directors and leadership team members should have a good working knowledge of as it relates to your business. Unfortunately, many business people are not aware of the financial ruin that can be caused to business operators through ignorance of this legislation.

Don't be fooled by the term "personal property". This legislation most definitely applies to "business property".

"Personal property" in the legislation is described as "all forms of property other than real estate". This means that the "personal property" includes a vast range of business property including:

- stock
- livestock and crops
- goods
- artist's works
- plant and equipment, construction equipment
- motor vehicles
- boats and other types of watercraft
- aircraft
- other physical personal property
- debtors
- licenses and trademarks
- intellectual property

Unfortunately, millions of dollars have been lost by businesses that didn't appropriately register their assets on the PPSR.

The difficulties of this legislation can affect the big end of town as well as small/medium enterprises.

In one major court case, a major international corporation lost assets valued in excess of \$60 million because they had not registered those assets on the Personal Property Securities Register.

If you would like us to conduct a review of your internal systems relative to the protection of your assets, 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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