

Winter 2011

CLIENT UPDATE

Welcome Brittany Muller

Brittany is a school leaver who joined our firm in January 2011.

She is currently working on a casual basis and studying a Bachelor of Business at CQUniversity's Mackay campus.

Welcome Madeleine Morgan

Maddy originally joined our firm in 2008 as a school based trainee.

Since completing high school last year she joined our firm on a part time basis and is currently studying a Bachelor of Accounting at CQUniversity's Mackay campus.

Lenore celebrates 35 years of service

Lenore started with the firm back in 1976 with Mr Cliff Flor. Since then Lenore has seen many changes and watched the firm grow.

We would like to congratulate Lenore on reaching this milestone and thank her for her 35 years of service.

Upfront Pricing

Since our firm was started in 1974 we have predominantly used a 'time multiplied by rate per hour' method to determine the price of the work. Nearly every accounting firm worldwide uses that method.

Proactive firms in the accounting industry are moving away from this type of feeing policy and more towards an Upfront feeing policy.

The old "time multiplied by rate per hour" method does not promote good customer service of faster completion time and the clients have no idea how much the job will be until the bill is received.

We don't think that is the best policy for our clients. As a courtesy to you we think you deserve to know in advance how much the job will cost and what it entails.

As a modern & progressive firm we have decided to change this 'old' business practice as of 1st July 2011.

What that means is before every job starts we will let you know how much it will cost you. There will be a method of written communication that you will need to sign off on. If you are unhappy with the outline of the project (or the price) you will have the opportunity to discuss that with us at the outset.

We feel that where appropriate we will still use arrears billing but are committed to implementing the Upfront Feeing policy in most cases.

We appreciate your business very much and we are confident that this new method of pricing will enable us to give you far better customer service.

Business Monitoring, Coaching & Improving

Many of our clients may not be aware that we offer services to assist with monitoring and improving their business by focusing on the five issues which we have found are most relevant to being a successful business –

1. Growth - growing your revenue
2. Profit - improving profitability
3. Cash flow - building your cash flow
4. Asset protection - protecting your business and assets
5. Succession planning - assistance with your estate, business sale and succession plans

In the past we have only been in a position to offer these value added services as and when requested by clients due to the tax compliance burden which left us little time.

Due to an increase in staff capacity and more efficient systems we can now offer such services to all our clients.

There are many other business coaches offering various services of this kind but we believe with the knowledge we already have of your businesses and financial situations that we are best equipped to assist in the growth, management and success of your business, leading to the enjoyment that comes from achieving you financial and personal goals.

If you are interested in discussing how we can help please contact us for a free meeting.



Company ASIC Management

For those clients who utilise companies as part of their tax affairs, we wish to advise that our fee for attending to the ASIC annual returns will be \$250+GST for the 2012 financial year. This also includes secure storage of company records, as well as acting as the registered office and ASIC agent.

Review of your Trust Deed

There have been a number of significant developments in the last 12 months which mean that most existing trust deeds have provisions that are out of date and which may trigger significant tax consequences if the deeds are not amended. The ATO have flagged a number of things in particular that they will be looking at more closely in the future. These are:

1. How your trust deed defines "income" will become very important.

For example if your deed does not have the correct provisions (and many do not) you could miss out on substantial tax exemptions on any capital gains.

2. If your trust deed requires decisions to be made by a certain date.

In most cases, it is not possible for the trustee to make the required decisions within this timeframe. The ATO has indicated that it will strictly enforce this requirement. As a result, a higher tax outcome is likely where the trustee does not meet the requirements of the trust deed and could result in:

- (a) the main beneficiaries being taxed on all the income at their marginal tax rates (usually mum and dad); or
- (b) the trustee taxed on all the income at the top marginal rate of 46.5%.

There are also a number of other issues raised that potentially impact the tax outcome of distributions from your trusts.

In most cases, these problems can be rectified by amending the trust deed. We will be contacting clients who will require trust deed reviews in the new financial year to discuss their options.

Super dates – ATO focus

The ATO have sent letters to a number of businesses reminding them of their requirement to pay their staff superannuation on time. These letters are part of an education campaign launched by the ATO and will be followed up with a compliance program.

The cut-off date for payment is the 28th day of the month following the end of the quarter. For example, for the quarter ending 30th September the payment is due by the 28th October.

If a super contribution is paid after the cut-off date a super guarantee charge statement must be lodged with the ATO and interest paid on overdue amounts at 10 per cent, per annum, plus an administration fee of \$20 per employee per quarter.

Reportable Employer Superannuation Contributions - PAYG Payment Summaries

Last financial year a lot of businesses incorrectly completed the reportable employer superannuation contributions section of the PAYG payment summary by including superannuation guarantee contributions (SGC). Reportable superannuation contributions are superannuation contributions where your employee influenced the rate or amount of super you contribute

for them. They are additional to the amounts you must pay under SGC or an industrial agreement.

Examples of RESC's may include salary sacrifice arrangements or an agreement in a family business for the father to pay a higher rate of super to his son.

If you are unsure about your reportable employer superannuation contributions contact our office.

Temporary flood reconstruction levy

The government has introduced a one-year progressive flood reconstruction levy in the form of additional income tax on Australian resident and foreign resident individuals in the 2011 - 2012 financial year.

Amount of the Flood Levy

A levy of 0.5 per cent will be applied on that part of an individual's income between \$50,001 and \$100,000 and a levy of 1.0 per cent will be applied on that part of the tax payer's taxable income above \$100,000. No levy is payable where the person has income of \$50,000 or less.



Debtors

In lean economic times, cash flow is king. There are small but important steps which can be put in place to improve cash flow starting from when the invoice is produced.

When it comes to your invoice, it is worth considering whether your invoice properly details your credit terms and states the time frame in which payment is due, i.e. 7, 14 or 30 days from the date of invoice.

By providing your customers details for both the means of payment and your payment address you are more likely to receive payment in a timely fashion.

If securing timely payments have been difficult in the past, you may consider offering a discounted rate should payment be received within your designated payment period.

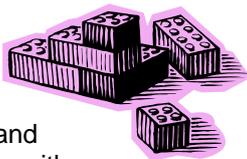
It is always best practice with debt recovery to adopt a proactive approach. While letters may be effective to show a paper trail of the work undertaken on your part for debt recovery purposes, it is more expedient if you pick up the phone and speak to the person concerned.

Do not pester clients, but ensure you are vigilant. Keep records of conversations or attempts to contact the debtor by letter, email or telephone.

If all else fails, consider engaging the services of a debt recovery agency. If further work is required by the debtor, either negotiate an upfront payment or secure instalment payments during the course of your services.

Lessons from Lego

Lego was founded in 1932. By 2004 sales had dropped by 35 per cent worldwide and the company was in severe debt. The company had lost focus. Instead of focusing on building its famous toy bricks, it had branched out into expensive Legoland theme parks and licensing deals with film makers, which were distracting management.



The company no longer knew its purpose.

Lego appointed a new Chief Executive who identified a turnaround strategy.

The following lessons for management came from the Lego experience:

- Don't get distracted by diversifying too far from the core products.
- Family run company's need to bring in outside experts when in trouble
- Don't be afraid to make mistakes
- Reverse bad decisions
- Undertake a listening tour and speak to your retailers, fans and staff to find new ideas and solutions to existing problems.

Time saving strategies – stop multitasking

Trying to juggle too many things at once? Never seem to get any task finished? Multitasking might be the problem.

When running a business it is hard to avoid interruptions but try these easy ideas:

- Check your emails once or twice a day rather than have them open constantly
- Set aside time each day to return calls. That could be 30 minutes before lunch and another 30 minutes in the afternoon.
- Take breaks – go for a walk to clear your head. The break will de-stress you and make you more focused.
- Eat lunch away from your desk. Use your lunchbreak to socialise with other staff.
- Close your office door and ask for no interruptions if you are working on a difficult task
- Try to handle each piece of paper only once.

Taking these suggestions will save you time and help bring order to your day.

The old maxim that 'people don't plan to fail but they fail to plan' applies equally to our personal goals as it does to our financial goals.

Investment strategies are not just a dull document that sits within your Self Managed Super Fund File along with your Trust Deed, just in case you ever get an audit from the tax office.

Having a strategy or a plan for implementing, managing and monitoring your funds investments is a legal requirement and the government is considering recommendations from one of the many reports it has commissioned to force SMSF Trustees to use it more widely, for example to potentially take into account insurance needs of the members.

Preparing your investment strategy has a number of benefits. Firstly it allows you to sit down calmly and decide exactly what sort of investments should be made on behalf of the fund members.

Secondly, if audited the Investment Strategy goes a long way to showing the tax office that you take your responsibilities as trustee seriously.

Monitoring your fund to ensure the assets are invested according to your Strategy is an activity that should be done at least annually.

If you are unsure about your investment strategy or would like to learn more about asset allocation, Darren Franklin will be in Mackay from the 3rd to the 5th of August, feel free to contact our office to make an appointment.

The contents of this publication are general in nature and we accept no responsibility for persons acting on information contained herein without first consulting us.

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OUR SERVICES

Some clients may not be aware that we offer not only taxation advice but all of the following services on request: -

- Self Managed Superannuation Establishment and Advice
- Retirement, Succession & Estate Planning
- Assistance when Buying or Starting a Business
- Companies & Trust Establishment and advice
- Compensation Negotiations
- Budgeting
- Computerised Record Keeping
- Bookkeeping and Wage Services
- Specialist Primary Production Advice
- Assistance with Financing, Marketing & Wealth Creation
- Investment Advice

If you wish to engage us to conduct any of these services please do not hesitate to call our office, likewise if you know anybody else requiring any of the above accounting services please feel free to refer them to us for a no obligation discussion.

THE FLOR HANLY TEAM

Partners: Tony Olsen, Andrew Zammit

Staff: Daneal Anderson, Jarrod Bettini, Kellie Borg, Jenny Borg, Lynda Cristaldi, Rose Daley, Darrell Flor, Judy Harris, Lenore Hughes, Tim Kummerfeld, Keith McDougall, Glen McFadzen, Lynn Miller, Madeleine Morgan, Brittany Muller, Veronica Muller, Dale Noack, Ashley Potts, Majella Sleeman, Sharnee von Snarski, Malea Zunker.

Consultants: Cliff Flor, John Hanly

Talking numbers is hard enough..... so speak to someone who knows the business and knows you!
Melissa Green

As the Owner-Manager of the Sydney Street branch, Melissa Green doesn't need to refer decisions to a senior member of staff – she is the senior member of staff. Wouldn't it be nice to talk to someone with the experience, and the authority, to assist you?

Cnr Sydney & Gordon Sts Mackay | P: 4967 4200 | F: 4967 4211 | M: 0418 708 112 | E: melissa.green@boq.com.au

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