



SADLER OAKLY NEWMAN
CHARTERED ACCOUNTANTS

Calculating Thoughts



(the newsletter service of Sadler Oakly Newman, Chartered Accountants, Masterton)

June 2012

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Be sure to read each article with the mindset "How this could apply to our business".

Thinking of it that way will guarantee that you get the best value. Share the newsletter with staff and colleagues.

To really make sure something positive happens talk to us for that special piece of advice that will manage and grow your business ideas.

Google Places!

Are you aware that 97% of consumers search for local businesses online? Google Places is a free online business platform to promote your business and be there when your prospective clients come looking for you on the web.

Creating an account is quick and easy, visit <http://www.google.com/places/>. Your business listing requires a mailing address. If you're mobile or work from home you can specify a 'service area'.

Profile your business, including a detailed description of who you are and what you do. You can stipulate accepted payment alternatives, customer parking options, online support, business hours and contact details and more. Add images and videos of your team and/or products too.

As with Google Analytics, a dashboard gives insight into your business, helping you learn more about your customers. Armed with this knowledge, you can make better business decisions and proactively reach customers.

- Help your business stand out
- Show customers why they should choose you
- Highlight promotions
- Respond to reviews
- Direct people to your website
- Give customers instant directions to your premises

Once you've listed your business, make sure content is always current and keep track of Google functionality and updates to optimise your web presence.

Database - a valuable asset

The most valuable asset on your computer should be your database of customers and prospective customers.

This assumes you wish to have a real business you run as opposed to being a self-employed person. A real business is one you can walk away from



and it will run itself while you sneak off for a quick six months holiday to explore Europe.

You should be constantly growing your database. Use it to keep in touch with customers, clients and prospects. One of our clients, a consultant, sends newsletters religiously every quarter. He generates a steady flow of new business. His problem is how to handle it all. He's on the road to owning a business as opposed to being self-employed. He told me about a famous salesman, who is so paranoid about preserving his database, he uses three different methods, each day, to back it up. He's a car salesman.

Grow your database through networking and other means available to you and look after this most valuable asset.

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CHARTERED
ACCOUNTANTS

Prepared for a management emergency?

If an important team member were suddenly unavailable, would you have instant access to vital business information?

Below is a brief checklist of the types of information you should document to minimise potential disruption. Regularly discuss and update your important information 'log' to suit your needs, and keep it in a safe place.



Consider reviewing your will (and asking your business partners to do the same) agreeing on specific clauses for business continuation in the event of a serious accident or death.

Important Documentation Checklist :-

- ✓ Current business online banking, payroll system and accounting software details and login information.
- ✓ Documents relating to insurances, lease agreements, employment contracts, client customer contracts.
- ✓ Spare keys to PO boxes, safes and storage facilities.
- ✓ Client/customer database username and password.
- ✓ Information on current business accounts: Stationery? Website provider? Stock? Security Company?
- ✓ Who acts as the firm's lawyer? Banker? Accountant?
- ✓ Where does off-site system data backup take place?

How to negotiate - and get nowhere

On 14 January the *Dominion Post* published a photograph showing representatives of the Myanmar Government and representatives of the Guerrilla Army of the Karen People.

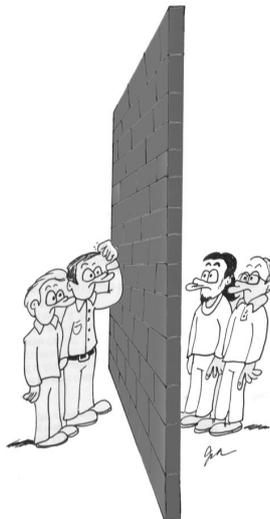
Separating them was a 2 metre wide table. Presumably the table was nice and wide to prevent anyone stretching over and throttling someone on the other side. The article stated that the parties had been involved in the world's longest running war.

We're not surprised if this is how they negotiate.

The photo shows how not to negotiate. If you want to reach an agreement, surely sitting opposite each other as adversaries is not going to help.

When negotiating, mix the parties so they sit next to each other. Take away the adversarial atmosphere and promote a working together feeling.

A similar situation exists when interviewing. When job hunting, if you can carefully move your chair so it is at the side of the desk instead of opposite the interviewer, you could improve your chances of success.



Stop the knowledge drain

Depth of knowledge provides stability in a business. If you don't document internal processes, you run the risk of losing critical 'tribal knowledge' when an employee leaves.

Quite simply, the knowledge will exit the building.

It's important that daily business isn't disrupted or compromised when a team member is absent. Audit your knowledge assets.



Work with your team to define what each of you does, how you do it and whether it can be done better. Collaborate, record, optimise and implement the best practice.

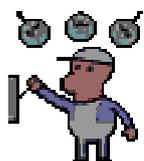
Establish who undertakes each process and make procedural documents readily available. This often begs the question: is the right person doing the job? Perhaps the task could be delegated to someone with more relevant skills, who is more available to perform the task.

Document internal processes to:

- 1 Minimise risk by following a tried and tested formula
- 2 Provide consistency between team members
- 3 Document tricky processes for infrequent jobs
- 4 Reduce disruption due to staff absence or loss
- 5 Save time when inducting new team members

It's important to seek each other's opinions and suggestions to define the best processes and to empower the team by sharing information and responsibility.

"The light at the end of the tunnel has been turned off due to budget cuts."



Tax Talk

Tax Payments - Internet Banking Options

A lot more IRD tax payments are now being paid by Internet Banking. It is important that when a tax payment is being made through this system that the **tax type** and **tax year** are entered correctly by you.

Most clients pay their provisional tax separately from any GST payments so if paying provisional tax you **must select "income tax"** **NOT** "provisional tax and GST" as the tax type.

The Tip for the Month

Take Care of your Bank Account

Here are some simple tips for making sure your bank account is looked after.

- It's unsafe to throw out bank account details – your own or those of the people you pay.
- Check, regularly, your on-line bank account details are the same as those shown on the creditors' invoices. Businesses change hands.
- Does your business insurance protect you from fraud?
- If staff are paying the bills using internet banking, have two people authorised to make each payment. Police this rigorously. An authoriser should not be allowed to give their access token to the other authoriser when they go on holiday. Provide for the absence of an authoriser.
- Set authorisation limits for those who have access to the business bank account.

Budget 2012

The key changes in the May Budget are:-

Redundant tax credits go

Three tax credits have been axed as they 'no longer fit the purpose for which they were created':

- The tax credit for income under \$9,880
- The childcare and housekeeper tax credit
- The tax credit for children's active income

Removal of these tax credits is effective from the current financial year, meaning the last year for their availability through an annual tax return will be the tax year ending 31 March 2012.

To avoid accusations of taxing children's pocket money the government has replaced the tax credit for children's active income with a limited income tax exemption for children. This means a child earning under \$2,340 per annum from babysitting or mowing the neighbour's lawn (for example) won't need to file a tax return. But if you pay children wages through your business/farm then they must now go through the payroll system. PAYE must be deducted.

Mixed use assets

In a bid to save \$109m over four years, the government has once again targeted mixed use assets.

If you own a bach, a boat or an aircraft that you sometimes rent out then you'll now be required to apportion deductions based on actual income earned and private use of the asset, instead of based on the availability to produce income.

For example if you rented your aircraft for 20 days in a year and used it for 20 days in that year then you will be able to claim a deduction for 50% of general costs associated with the asset.

Student loans & allowances

As anticipated the budget has delivered fresh changes to the Student Loan Scheme:

From 1 January 2013:

- Student allowances will not be available beyond the first four years of study

From 1 April 2013:

- The loan repayment rate (for borrowers earning over the repayment threshold) will increase from 10% to 12% of income
- The voluntary repayment bonus (a 10% discount on voluntary payments) will be scrapped

From 1 April 2014:

- The definition of 'income' for student loan repayment purposes will be broadened to include other types of income

As the belt tightens, the parental income threshold for student allowances will remain frozen until 2016 and the government will implement an information match system between IRD and New Zealand Customs Service to identify student loan borrowers in serious default.

Changes are designed to ensure the longevity of our Student Loan Scheme and provide better value for New Zealanders.



Make a Will and save others extra grief

From time to time we hear a sad tale about someone who has died and failed to make a Will.

If there is no Will, the Administration Act 1969 takes over and the result can be most unsatisfactory. Often people delay making a decision because they have a difficult situation to resolve and cannot find a solution. What should they do?

It will cost you, but the sensible thing to do is to sort it out with a qualified, independent third person such as your solicitor. You never know. Perhaps a family trust would work.

You don't have to leave your possessions and assets directly to a person. An entity such as a trust can sometimes be a good solution.

Don't procrastinate over making your Will. You can always change it. If you are going to remarry or enter a de facto relationship, renew your Will because your old Will is revoked on starting the new relationship.

For Your Information

Value Proposition:-

A business or marketing statement summarising why a consumer should buy a product or use a service. A value proposition must convince potential customers that a product or service will add more value or better solve a problem than other similar offerings.

It should be concise and appeal to the customer's strongest decision-making drivers. Your team must be able to articulate this statement easily so they can target customers who stand to benefit. Your website should feature your business' value proposition. Strategic leaders must refer to it to help the business remain focused and aligned with its ultimate goals.

Capital Appreciation:-

The increase in a company's or individual's wealth.

Conducting an exit interview

So that valued staff member has resigned leaving you with the costly task of recruiting and inducting a replacement. On the bright side now's your opportunity to gain insight and improve your business' HR management.

Judge what's more appropriate: a face to face meeting or an exit questionnaire to be completed in private. It might be beneficial to send them a questionnaire before the interview so you can discuss the issues. It depends on the employee.

If you're holding an exit interview, have it outside the office, over coffee or lunch. It's important that the interviewee feels comfortable discussing potentially sensitive issues. Start the interview with light conversation. Encourage honesty, show them their opinions are important and assure the employee that no negative consequences will result from their honesty.

The main objectives of an interview are to establish:-

- 1 The primary reason for the staff member leaving.
- 2 If their position and its duties lived up to expectations established upon induction, i.e. would they consider working for the company in the future?
- 3 The pros and cons of working for the company.
- 4 Did they receive adequate support and management?
- 5 What additional features does their new role offer?

Your staff are an important business asset. Their knowledge of the industry, customers and how they do their job is valuable and should play a role in recruiting and inducting a replacement.

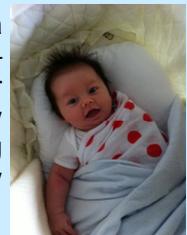
Remaining on good terms with the employee throughout their notice period will support the transfer of knowledge to the replacement staff member.

As an employer, best practice is to end an employment relationship how you began: thoroughly, professionally and positively. An ex-employee is entitled to decline the offer of an exit interview, and should they do so be sure to wish them well in their next position.

OFFICE NEWS

Sayer Team

Becks is now back in the office 3 days a week. Her hours are Tuesday to Thursday 8am – 4pm. She can always be reached via email or cellphone outside of those hours if need be. Emily is enjoying day care, particularly as she is hanging out with her Grandma Ju who is her Primary Carer.



Newman Team

Renee Cummings has recently competed in Miss Universe New Zealand 2012. She spent a week in Wellington attending public events and workshops. Renee really enjoyed the experience and thanks Sadler Oakly Newman and the community for their support.

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.