

Director's Corner

Season's greetings to you and your family from everyone at Clarke Crow Limited. Have a safe, happy and enjoyable Christmas and New Year!

As 2008 draws to an end it is an appropriate time to reflect, once again on all the events that have happened this year. Clarke Crow has had another celebration – 5 of our staff have passed their final accounting exams and have completed their final steps to becoming Chartered Accountants, and, most importantly providing our professional services to help you succeed in your business.

Our offices will be closed for the holiday period from 1.00pm Tuesday 23rd December and we will re-open with skeleton staff on Wednesday 7th January. We will have a full team back on deck on Wednesday 21st January.

Just like every December, we have added some issues to consider for your business or home when you are closing the office or going on holiday:

- What will happen to the mail?
- Does the newspaper / milk need to be cancelled?
- Will there be any banking?
- Are the cleaners aware of your holiday hours?

- Do you have an answer phone so that you can advise of your closure and any contact details?
- Have you called your security company to let them know closure hours and provide them with contact details of key holders available over that time?
- Have you called your offsite data collection people to let them know your closure dates for your office back up tapes?
- Machinery – check all machinery that is not used is fully shut down.
- Ensure all doors and windows are securely fastened.
- Domestic – have a neighbour or friend call around regularly to empty your mailbox, to rearrange the curtains and organise to have the lawns mowed.
- Make arrangements for your pets.
- Perishable / Dangerous Goods – remember to make provision for these



Cars - Buy or Lease

Often business owners get confused when car dealers use 'buying vs leasing' as their sell-point. Leasing here refers to finance leases rather than operating leases.

There are no real tax advantages of one over the other, although sometimes treatment of GST between different types of finance leases may vary.

Whether the car is bought or leased, the tax treatment remains the same for:

- depreciation
- interest expense, if any
- FBT, if any

The question of buying vs leasing is more of a cash flow problem. If the business buys the car outright, it will not incur interest costs; however, leasing is probably a better alternative if the business is able to put the purchase money to better use.

For more information on this, please contact us.

Private Vehicle Use

If you have a company vehicle which is a "work-related vehicle" (for example, a ute) and you run your business from home, you are permitted to stop on your way home to shop. The vehicle must not travel significantly from the direct route. The rules are different for a car. You may not stop on your way home for shopping. This constitutes availability for private use and fringe benefit tax (FBT) applies.

A sole trader or someone in partnership is not working for a company. FBT applies only to the staff they employ. The sole trader or partner driving a car, which is used partly for business and partly privately, accounts for private travel by keeping a logbook in the usual way.

REMAINING ROBUST IN TIMES OF UNCERTAINTY

Global economic crisis, credit crunch, financial meltdown – all terms that have been echoing around the world in recent months. What has been happening around the world will inevitably affect New Zealand businesses. The state of the world economy is such that New Zealand cannot ignore what is happening – after all, given the relative size of the New Zealand economy, it is not able to influence the outcome of the current crisis.

From a New Zealand perspective, the question is whether businesses do nothing and hope for the best, or take appropriate measures to strengthen themselves for the storm to come and emerge on the other side in a relatively healthy state.

The majority of New Zealand businesses are small to medium sized enterprises (SMEs). Given the uncertainty for businesses at present, they need to make every attempt to safeguard themselves against the downturn in the economy. The mantra for businesses, to ensure survival in difficult times, must be “Cash is King!” Cash is the life blood of businesses.

What follows are some reminders for businesses of sensible and good business practice in uncertain times. They are by no means anything extraordinary that businesses must do; they are merely reinforcements of how to maintain a strong and healthy business.

Cash Position

Businesses will need to take a more focussed approach to what their cash requirements are. What are the business cycles for the business? If cash resources are inadequate, it will need to talk to the bank to make appropriate arrangements. The business will need to review its overdraft facilities for adequacy.

For a large number of businesses in New Zealand, their stakeholders’ lifestyles are funded by the business. In the current economic climate, businesses should be prudent about how much funds are being extracted by stakeholders by way of drawings or otherwise.

Stock

Businesses must determine the levels of stock required for operating the business at an optimal or efficient level.

Too little stock means the business could be caught short; however, too much stock means cash is tied up unnecessarily. To get stock levels at as optimal a level as possible, the management should review turnover levels of the business, which will in turn provide information about when stock should be re-ordered. As part of the stock review process, any obsolete or slow moving stock should be cleared as soon as possible – they could become sale or discounted items. To move stock quickly, the business should also review its sales and distribution strategies.

Debtors

The first thing to remember about debtors is that they represent money belonging to the business – money that is sitting in someone else’s bank account. This is the time to ensure that the business has robust credit control policies. To encourage prompt or early payment, discounts could be given. Debtors, who may have been lax in the past with payment, may need reminders to prompt them for payment.

Cost Management

Businesses must also review their cost structure and, where possible, savings should be made. Wherever feasible, businesses should concentrate on their core functions and costs. Where there is “dead wood” within the business, consideration should be given to pruning that part of the business. The business should identify which parts are operating efficiently, and which parts are not. Can efficiencies be improved upon? Where there are inefficiencies, management should isolate the reasons for the inefficiencies, and work on improving those parts of the business.

These are a few areas that businesses can focus on. There are many more areas and strategies that businesses can look at to ensure a robust future in difficult economic times. Businesses that have a strategy now are more likely to come out at the other end of economic unrest unscathed.



Managing Staffing Levels in Tough Times?

For the last couple of years employers have been saying that the lack of good staff is the biggest constraint to the growth of their business. In stark contrast with this, over the last few months as the economy has tightened, employers have started laying off staff. It is never an easy thing to do, and it is really tough breaking up a good team.

This article explores some of the alternatives to avoid having to break up the team and some of the pitfalls that employers have walked into.

Firstly, if employers are having a tough time with sales, they shouldn't kid themselves that the staff do not know. The good ones take pride in their work and productivity and they know if they are busy with orders, or filling in time with otherwise low priority tasks. They will be waiting and watching to see how the employer deals with the situation. The longer the employer tries to avoid dealing with it, the more nervous they will get. Even in tough times, the good ones will have other options and they will take them if they don't feel confident with the employer's handling of the situation. The good staff are also the ones the employer can least afford to lose.

If labour costs have to be reduced, several options can be applied. Start with controlling the hours of work. Unless it is absolutely critical, stop all overtime and casual / temporary workers. Where staff on wages are working more than the minimum hours stated in the employment agreement, their hours should be reduced to the minimum. Where staff have accumulated annual leave, they should be encouraged to take it.

The next step is to look at reducing the contracted hours of work. To do this the employer will need to have the

agreement of the staff affected, otherwise it is a unilateral change to the employment agreement. If this option is being considered, the employer will need to reflect on what is fair for the individuals. A reduction of 4 hours a week is a 10% pay cut for a full time staff member but a 20% cut for a person who works 20 hours a week.

If this hasn't achieved the desired savings, the employer will have to look at reducing staff numbers. Identifying those who want to go and pursue other options is the least painful approach. Are there any staff who are considering retiring or resigning? Is anyone planning to do their 'overseas experience' and do they want to bring it forward?

Finally, there might come the decision to actively lay off individuals. It is really important that there is genuine consultation with the staff, explaining the situation and the options. How should this be done? Should a team be removed, should all part time jobs be stopped or should there be a selection of individuals? Whichever choice is made, it has to be justifiable in the eyes of the law. That includes both a fair process and a genuine need for change.

In one case, an employer developed a comprehensive method for assessing and rating the suitability of the employees they were considering making redundant. But instead of appointing those who got the best ratings, they selected the individuals they wanted and ignored the ratings. The redundancies were found to be unjustified dismissals.

Therefore, employers who find themselves having to cut staff costs should seek advice before embarking down a path that may turn out to be the incorrect one. It is cheaper to get good advice than to get it wrong!

Leaving for Australia? IRD may still come knocking!

New Zealand and Australia are now able to assist each other to collect tax debts. Under the new article in New Zealand's tax treaty with Australia, the New Zealand Inland Revenue can now transfer tax debt cases to the Australian Tax Office to recover outstanding tax debt owed by New Zealanders now living in Australia, and vice versa. The arrangements are part of the protocol to the New Zealand-Australia tax treaty that was signed in January 2007. This Article 27 relating to the "Assistance in Collection of Taxes" came into force on 8 September 2008.

The New Zealand Inland Revenue has issued a statement encouraging New Zealanders who owe tax debts and are planning on moving overseas or already living overseas to contact the Inland Revenue to discuss the options for paying their debt.

Not only will this new article improve Inland Revenue's ability to collect outstanding tax from people who have left the country but reinforce cooperation between Australia and New Zealand in the enforcement of tax laws and the collection of tax.

NZ Public Holiday Dates 2009 & 2010

Christmas / New Year 2008/9

These are the Public Holidays: Christmas Day is on Thursday 25th December 2008, with Boxing Day on Friday 26th December 2008. New Years Day is Thursday 1st January 2009, with the day after being Friday 2nd January 2009. Because none of these dates fall on a Saturday or Sunday, they are all observed on the dates they fall. The only way any of these days can be observed on a different date is if substituted by an employment agreement.

While these lists have been compiled from the information provided, in good faith, we can give no guarantees of accuracy.

| New Zealand Public Holidays | Actual Date | 2009 | 2010 |
|---------------------------------|-----------------------|------------|------------|
| New Year's Day | 1 January | Thu 1 Jan | Fri 1 Jan |
| Day Following | 2 January | Fri 2 Jan | Mon 4 Jan |
| Waitangi Day | 6 February | Fri 6 Feb | Sat 6 Feb |
| Good Friday | Varies | Fri 10 Apr | Fri 2 Apr |
| Easter Monday | Varies | Mon 13 Apr | Mon 5 Apr |
| Anzac Day | 25 April | Sat 25 Apr | Sun 25 Apr |
| Queen's Birthday | 1st Monday in June | Mon 1 Jun | Mon 7 Jun |
| Labour Day | 4th Monday in October | Mon 26 Oct | Mon 25 Oct |
| Christmas Day | 25 December | Fri 25 Dec | Mon 27 Dec |
| Boxing Day | 26 December | Mon 28 Dec | Tue 28 Dec |
| New Zealand Provincial Holidays | Actual Date | 2009 | 2010 |
| Auckland | 29 January | Mon 26 Jan | Mon 1 Feb |
| Taranaki | 31 March | Mon 9 Mar | Mon 8 Mar |
| Hawke's Bay | 1 November | Fri 23 Oct | Fri 22 Oct |
| Wellington | 22 January | Mon 19 Jan | Mon 25 Jan |
| Marlborough | 1 November | Mon 2 Nov | Mon 1 Nov |
| Nelson | 1 February | Mon 2 Feb | Mon 1 Feb |
| Canterbury | 16 December | Fri 13 Nov | Fri 12 Nov |
| South Canterbury | 16 December | Mon 28 Sep | Mon 27 Sep |
| Westland | 1 December | Mon 7 Dec | Mon 29 Nov |
| Otago | 23 March | Mon 23 Mar | Mon 22 Mar |
| Southland | 17 January | Mon 19 Jan | Mon 18 Jan |
| Chatham Islands | 30 November | Mon 30 Nov | Mon 29 Nov |

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| *Christmas Day, Boxing Day, New Year's Day & 2 January Holiday | These public holidays are observed on the actual day when they fall on a weekday. When they fall on a Saturday/Sunday: * If the employee would normally have worked on the Saturday/Sunday, the public holiday is observed on the Saturday/Sunday * If the employee would not normally have worked on the Saturday/Sunday, the public holiday is observed on the following Monday/Tuesday |
| Provincial Anniversary Days | These are generally observed on the Monday nearest to the actual day. |
| Provinces | These relate to the former Provinces of 19th Century New Zealand and are not related to or determined by present-day Districts or Regions. |
| Taranaki Anniversary Day | Moves to 2nd Monday in March to avoid Easter. |
| Hawkes Bay Anniversary Day | Moved to Friday before Labour Day. |
| Marlborough Anniversary Day | Observed 1st Monday after Labour Day. |
| Canterbury Anniversary | Northern & Central Canterbury areas observe Christchurch Show Day. The definition for the Canterbury Anniversary Day celebration as decided by Christchurch City is the second Friday after the first Tuesday in November each year. South Canterbury observes Dominion Day, the 4th Monday in September. |
| Westland | Varies throughout Westland, but Greymouth observes the official day. |
| **Otago (2008) | Moved to Tuesday 25 March to avoid Easter |
| Southland Anniversary Day | The actual date of Southland Anniversary Day is not clear. |

Time for a Financial Tune Up

In many ways, running your finances is like running a car.

We know that cars need regular servicing to help keep them on the road and expensive repair bills down to a minimum, but in real life actually booking the car in with the garage and arranging alternative transport can be a mission.

We often have the same attitude towards our money. We don't lift the lid on our finances partly because we're a wee bit scared of what we might find or where to start. As long as we have enough money to keep life ticking over payday to payday, most of us are happy enough to put our dreams on the back burner, but it doesn't need to be that way.

Most of us do have the option of making those dreams or plans a reality by taking a serious look at and changing the way we spend money day to day. The following seven steps to financial freedom will help you on your way.

1. Spend less than you earn

There is one fundamental law that governs your money. If you master this, you have mastered the entire game: To gain wealth, you must spend less than you earn.

2. Join a subsidised superannuation scheme

One of the best returns you will ever earn on your money is to invest in KiwiSaver. Joining a subsidised scheme like KiwiSaver is a good way to start your retirement planning.

3. Pay off short-term debt

Getting rid of short-term debt should be one of your top priorities once you are spending less than you earn. Get rid of your high-interest debt first (such as credit cards and hire purchase). Next, see if you can increase your loan repayments to clear your other debt more quickly.

4. Set up an emergency fund

No matter how secure your situation is now, it's important you prepare for life's unexpected events. Having other funds set aside

can assist greatly if unexpected events arise. We recommend you hold around three to six months of your net salary in liquid assets (that can be readily converted to cash).

5. Pay off your mortgage

The first and most obvious reason to pay off your mortgage as soon as possible is that it will save you tens of thousands of dollars in reduced interest payments.

Overpay your mortgage each month if you can do it without penalty. Overpaying even \$50 a month could save you thousands of dollars in interest in the long term and take years off the term of your mortgage, bringing forward the day when you own your home outright.

6. Set up a savings and investment portfolio.

You will need two streams of savings. One should be for short- and medium-term goals such as a new car, a holiday or that new room you want to add to the house. You'll also need one for longer-term goals such as retirement. Although paying off your mortgage is a priority, it is good to get into the savings habit early so that once the mortgage has gone, you'll find it easier to save.

7. Protect your wealth

Creating wealth takes time, effort, focus and discipline. It's important to protect the wealth you create from adverse events that might destroy it. As well as insurance, good estate and tax planning will help preserve your wealth.

Like anything worthwhile, the time you invest in mapping out your 'big picture' financial goals can pay off many times over. Sorting out what you really want to achieve financially means you're not only covered if the worst happens, but can begin to use your pay packet to turn dreams into possibilities.

To discuss any aspect of this article, please call Russell Quin at Clarke Craw Limited on 03 477 0032, or Spicers on 03 477 0004 for a free, no obligation discussion. Russell's disclosure statement is available free of charge and can be obtained by phoning him at the number above.

Marketing Will Help You Succeed

In this day and age marketing is a multi-layered activity which can make a massive difference to your clientele, your growth and your bottom line.

You need to ask yourself some questions:

- What do you want to achieve in your business?
- What are your personal goals?
- What are your business goals?
- Have you set any goals?

These types of questions need to be answered before undertaking the task of preparing a business plan.

What are your differences? What makes you unique?
What are your strengths and weaknesses?

Many people consider marketing to be advertising or promotion, however marketing is much more than that. Marketing is a number of related activities which start from producing products and services that meet people's needs, making those products and services available and letting potential customers know of the existence of the products and services. The key strategy is to concentrate on keeping the customers and clients coming back again and again. Marketing is concerned with everything involved in the transfer of goods or services to your customers.