

Business Matters

Strategies for managing your business



The year of the dragon

It is the Year of the Dragon, the luckiest year in the Chinese zodiac. It should be a great year for small business owners, according to what is predicted to affect you and your business in the coming year.

If you're not a believer in astrology, it may be a good time to set some goals. There is nothing to lose by learning something from this tradition that more than a billion people share around the globe. It is an opportunity to embrace some of the astrological traits associated with the coming year, as you plan to grow your business in 2012.

Chinese astrology is based on a twelve-year cycle. Each year is named by one of the animals that is said to have responded when Buddha called. Each animal is associated with certain traits, usually fairly obvious ones: the ox for hard work, the tiger for aggressiveness. In a large part of the world, personal and business decisions are determined, or at least influenced, by which year it is in the Chinese zodiac.

The Year of the Dragon is an incredibly promising year and the most fortunate of all - according to Chinese tradition. Dragon years are associated with good luck, money, accomplishment, celebrations, longevity and success.

The Dragon is considered the most powerful symbol. It is the only symbol in Chinese astrology that is not a real animal and also has mystical qualities.

In China, many people want children who embody Dragon traits. Births in China typically increase by about 5 percent in Dragon years. Similarly, it is considered to be a good year to start a new business.

So what are the astrological implications for your business this year?

Wealth

It should be a good year for making money and with luck, this means an increasingly strong overall economy. If a quarter of the global population think it is going to be a good year, there is a good chance it will be. Don't miss out. Aggressively pursue financial goals this year, but remember the Dragon is a risk taker and can be a little reckless. Consider getting a second opinion before making any big decisions.

Ambition

With a slow global economy it has been difficult for many to pursue their dreams. With so many feeding on the upbeat mood, now may be a good time to go for it.

Innovation

It will be a good year for trying new approaches, introducing new products or services, and reinvigorating your company with creative ideas. Have a brainstorming session with your team.

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Virtue

As business picks up this year, don't forget your social responsibility to others - employees, society and the environment.

Harmony

Seek better ways to communicate with your employees and customers. Strive to create an amiable workplace.

Big changes

Dragon years can be challenging so be prepared for the unexpected. This year can be a time to shake yourself up. It could be a terrific year to try new things, take big chances and make a significant change.

If the astrological concepts don't work for



you, there is always the economic aspect. If a quarter of the world's population believe this year is going to be a good year and act

and spend accordingly, then there is a good chance that we are in for the most promising financial ride for many years.

Personal property securities laws kick off

The new Personal Property Securities Register begins from the end of January 2012. Businesses are being advised to become as familiar as possible with the changes to avoid missing out on having their interests in securities properly registered.

Experts have warned SME's that any business supplying goods should be aware that the new register replaces several state-based registers.

A personal property security is when a secured party takes an interest in personal property as security for a loan or other obligation, or enters into a transaction that involves the supply of secured finance. Some of these examples include:

- A person borrowing money from a bank and offering the bank collateral or security for the loan - the bank's interest over the collateral is personal property security.
- Retention of title clauses for the sale of goods ('Romalpa' clause).

Personal property is any form of property, other than land, buildings or fixtures, which form part of the land. It can include tangible assets such as cars, art, machinery and boats, as well as intangible assets such as intellectual property and contingent rights and financial assets such as shares.

The personal property security (PPS) reform brings the different Commonwealth, State and Territory laws and registers regarding security interests in personal property under one national system. PPS reform introduces the Personal Property Securities Act 2009 and a single online PPS register. The model is based on the same models currently being used in Canada and New Zealand.

Those that register will be treated as a secured creditor, as opposed to an unsecured creditor, if a debtor falls into insolvency. The PPS register will allow lenders and businesses to register their security interest. Secured parties, buyers and other interested parties can search the PPS register to find out if a security interest is registered over the personal property.

As a result of the PPS reform, a number of

existing Commonwealth, State and Territory personal security registers will close. Existing transactions involving mortgages and charges which have been registered with the Australian Securities and Investments Commission (ASIC), will be migrated automatically across to the new Personal Property Securities Register. Security interests which are currently registered on those registers will generally be migrated to the national register.

Businesses and individuals will need to:

- Review their business arrangements between group entities;
- Update their terms of supply;
- Review their financing arrangements and contracts;
- Identify any transactions which need to be registered;
- Update their procedures for making new transactions;
- Ensure that registered security interests do not exceed expectations;
- Determine the assets that will be affected by the new laws;
- Update their existing arrangements, not currently considered to be security interests, and ensure that they are registered.

Businesses and individuals with ownership of an affected security interest, and those that use retention of title arrangements in their business operations, should seek professional advice now.

Failing to understand and allow for these new laws may result in a loss of assets.

It is advisable that you confirm that all your interests have been registered.



Beware the price shopper

Most businesses work on the basis that they are supposed to sell on value and not price. What happens when a business is faced with the prospect of a price-only buyer?

First, make sure they really are in fact a price-only buyer. In most cases, salespeople are too quick to place a 'price-only buyer' label on their prospect's forehead. It is stuck on before they dig deep enough into the prospect's world to truly understand their business and their motivation to buy the cheapest.

For example, a customer in the construction industry may be finding that they have a large number of tools 'disappear' on a worksite. They may be compelled to purchase cheaper tools in order to minimise losses. This may mean missing out on the increased performance of the higher quality tools that they may prefer. This does not necessarily make them a price shopper - just prudent in minimising a problem.

Before making the assumption that a prospect is truly a price-only buyer, dig deeper. Once you have revealed their true reason and it is, truly, a price-only reason, be aware of how they can affect your work.

Here are the five ways a price shopper can harm a business:

- They waste staff time. They tie salespeople up as they write different versions of proposals, provide different variations on solutions, and go back-and-forth with their decision too many times to count.
- They waste company time. All of those



proposals submitted and meetings you hosted involved people from other departments. Simply put, they stole time from the resources that could have been focused on securing more qualified prospects - prospects that would have been more willing to pay for the true value of your products or services.

- They are unforgiving. After jumping through hoops to get the order, they now scrutinise your every move. If the invoice is off by a few dollars, they want another discount. If the delivery is three minutes late...guess what they are asking for?
- They damage your image. When your top customers (who pay a premium price for your premium offering) hear about the prices that a price-only buyer is paying, it can create doubt in your company's quality and value.
- They erode your margin. Price-only buyers have a higher cost of sale by eating up

more of your internal resources, continually driving your price down and usually taking forever to pay.

Not all price shoppers are bad. Some can even benefit a business. Here is how they can damage your competitor:

- Let your competitors have them. While your competition is doing back flips trying to keep them happy, you can be out closing business with profitable prospects.
- They can provide you with competitive intelligence. The price buyer will often reveal your competitors' pricing, product, and information (in some cases you might even get a complete proposal). They do this to play salespeople against each other. Be polite and let them deal with your competitors.
- They can be used as a pricing gauge. If you discover that these price-only buyers are increasing their orders with you then it must be time to raise your price!

Default assessments for non-lodgers

In December 2011, the ATO sent default assessment warning letters to taxpayers who have overdue income tax returns where there was evidence they received taxable income in the relevant financial years.

These letters were titled 'default assessment warnings' and are part of their ongoing work to address non-lodgement.

If the overdue returns are not lodged immediately, the ATO will issue default assessments for these clients based on the estimated taxable income included in the letter.

Taxpayers that have received an ATO default assessment may incur 'failure to lodge on time' penalties and administrative

penalties of 75% of the tax related liability from the default assessment. This will be calculated after taking into account any pay as you go (PAYG) credits and any other tax credits available.

Please note that administrative penalties may increase by 20% if a taxpayer has had a penalty previously applied for a default assessment.



ATO crack downs

The ATO is under pressure to recover lost ground after relaxing its position during the global financial crisis. One of the areas it intends to improve revenue is by targeting contractors.

The ATO has warned that it plans to use information from labour hire firms and increased auditing in attempt to improve compliance for contractors through the 2012-13 financial year.

During January, the ATO will be contacting those contractors that it believes may

have wrongly assessed themselves as conducting a personal services business.

Personal Services Income (PSI) laws apply to prevent individuals from reducing their tax liability by alienating or assigning PSI to an associated entity or individual or by claiming inappropriate 'business' deductions.

It is clear that the ATO is lifting its game with contractor compliance. Last year's compliance report stated that the ATO would 'provide further information to contractors and tax practitioners to help

them get the tax treatment right'. This year it has said that it will 'use information received from labour hire firms to identify contractors, particularly in engineering and computer technology industries'.

Other groups to come under scrutiny will include wealthy Australians, small businesses suspected of under-reporting their cash incomes, executives, directors and employers. The ATO has also warned that it will be closely monitoring work-related expenses, the cash economy, business activity statements, GST evasion, superannuation and sham contracting.

WEB WATCH

ESSENTIAL SITES FOR BUSINESS OWNERS

www.bplans.com

Writing a business plan can be tricky. Getting practical advice from renowned business planning experts can be very useful for those wishing to start a business or for those who want to improve their existing one.

This website offers users business management advice and how-to articles, free business plan templates and online calculators useful for determining start-up costs and cash flow.



REMINDERS FOR YOUR DIARY

February

- 21 January 2012 monthly activity statement - due date for lodging and paying.
- 28 Income tax return for non-taxable large/medium business taxpayers.
Income tax returns for new registrant (taxable and non-taxable).
Quarterly activity statement, quarter 2, 2011-12 - due date for lodging and paying - all lodgment methods.
Annual GST return or information report - due date if the taxpayer does not have an income tax return lodgment obligation.
Due date for lodging the Superannuation guarantee charge (SGC) statement - quarterly and paying the super guarantee charge for quarter 2, 2011-12 if the employer did not pay enough contributions on time.

March

- 21 February 2012 monthly activity statement - due date for lodging and paying.
- 31 Income tax return for companies and super funds with total income in excess of \$2 million in the latest year lodged.
Income tax return for individuals and trusts that were tax level 6 as per the latest year lodged, excluding large/medium business trusts.

A great read

Execution: The discipline of getting things done

Authors: Larry Bossidy and Ram Charan
Crown Business, 2002

There is a big difference between promises and deliverance and as a business owner this difference should never come to play. This book enlightens us on how to close that gap and deliver on all business promises for business success.

Larry Bossidy is responsible for transforming company AlliedSignal, into a major success leading to his being named CEO of the year in 1998 by Chief Executive magazine. Ram Charan is an advisor to senior executives and boards of directors and with his experience, he provides solid insight to reasons behind the success or failure of businesses.

This book will help you to master the practice of execution and understand how to link together people, strategy and operations into three core elements in every business. Taking a hold of these elements is the key to 'running' the business as opposed to having visions which never come to play.

Execution: The discipline of getting things done, details the realities of hiring the right staff and directing that staff upon a team building strategy that is in sync with the realities of the marketplace, the economy and the competition.

Execution: The discipline of getting things done, is the perfect tool for transforming winning strategies into genuine results. Larry Bossidy and Ram Charan offer a compelling leadership prescription that comes down to realism, discipline and great execution!

We are sometimes asked if we are able to help additional clients. We are a growing firm and do appreciate your referrals. We consider it a compliment when you recommend us to your friends and business contacts.

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