

Considered Value

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Cash flow is King

By Mike McCulloch

In any industry, the importance of cash flow planning becomes critical when the business moves into an expansion phase. In a way, it is counter intuitive that cash flow could be a problem when sales are growing and profits are increasing. A cash flow analysis can assist the business to identify how this can be an issue.

Cash flow can be derived from profits but analysing sales and expense data often reveals that sales may occur but payment for the sales may be delayed. On the other hand, in the expansion phase, additional expenses like wages and direct costs may require immediate payment. In addition, the expanding business may require the purchase of additional land and building or capital equipment. So cash flow can be an issue, especially where the business is rapidly expanding.



Analysing and implementing strategies to improve the cash flow is critical to a growing business. Below are some strategies to improve cash flow:

1. Improve debtor collection by invoicing promptly and regularly and ensuring payment terms on invoices are adhered to.
2. Arranging favourable terms with major suppliers in relation to payment for materials and direct costs.
3. Monitor stock levels and ensure that money is not tied up in excess or obsolete stock on hand.
4. Improve efficiency in the current business systems to ensure sales are not delayed because of poor management or work practices.
5. Minimise capital outflows by curbing drawings of proprietors, organise tax planning to reduce tax, prioritise plant and equipment purchases, consider leasing or mortgaging plant and equipment and rationalise borrowings.
6. Plan your financing requirements to ensure there is adequate cash flow in the expansion phase and determine the future schedule and timing of repayment of borrowings.

If you are interested, we can assist you to develop a cash flow plan to help maintain and develop your business.

Please call us to discuss your requirements.



ATO Refunds by EFT

By Lachlan Wark

Expecting a tax refund? Provide us with your bank account details, we can then include these details on your tax return. The ATO will deposit your tax refund directly into your nominated bank account.

It's a more convenient and efficient way to receive your refund potentially saving a trip to the bank. The account name, six-digit BSB and account number is all we require.

STAFF PROFILE

By Megan O'Dowd

I grew up in Colac and then moved to Ballarat to complete my Bachelor of Commerce degree at the University of Ballarat.

I lived in Ballarat for five years and worked at Prowse Perrin and Twomey where I began my CPA studies.



I have recently moved to Hamilton and started playing netball for Glenthompson -Dunkeld. My other interests include playing basketball and going to the gym.



Education Tax Refund Update

By Michael Fitzpatrick

If you have a child in primary or secondary school, you may be eligible for a refund of 50% on eligible education expenses (for the year ending 30 June 2011) such as;

- Textbooks and Learning Materials
- Stationary
- Computers & Laptops
- Computer Related Expenses
- Home Internet Connections

The Education Tax Offset is limited to a maximum refund of \$794 for each secondary school child and \$397 for each primary school child.

Changes from 1 July 2011

For the year ending 30 June 2012, you will also be able to claim the 50% education tax refund on the purchase of school-approved uniforms. This includes the purchase of hats, footwear and sports uniforms. These items do not necessarily have to carry the school name or crest, but must fit in with the school policy (ie. colour and style etc), and be recognised as part of a distinctive school outfit.

If you would like more information on what you can claim or whether you are eligible, please feel free to contact Michael Fitzpatrick at our office on (03) 5571 0111.



2011-2012 ATO Compliance Program

By Andrew Heazlewood

The Australian Taxation Office (ATO) has just released its compliance program objectives for the 2011/2012 tax year. Some of the targets of this year's compliance program include high earning professionals, individuals worth \$30 million or more, plasterers and café owners and businesses which incorrectly treat employees as contractors.



The ATO's new weapon in its compliance program is a new computer system which has the ability to data match income from interest, dividends, trust income transaction and more recently share sales. This computer system now has a data base which includes ownership records of property, cars and boats and a capacity to examine inter-related tax entities.

In 2002 the ATO was able to match 100 million transactions with data submitted by taxpayers. The number of errors found was 230,000. In 2011 it expects to be able to data match 500 million transactions and expects to find 398,000 errors resulting in an extra \$347 million in tax raised.

The objectives of the 2011/2012 ATO compliance program are listed below:

- Concentrate on sham contracting arrangements where individuals are incorrectly set up as contractors, instead as employees of a business;
- Focus on those who fail to report some or all cash transactions to ensure a level playing field;
- Protect employee rights by ensuring employers are meeting their superannuation guarantee obligations;
- Use data matching and risk profiling to identify those who are using non-lodgement or partial lodgement to circumvent their taxation responsibilities;
- Implement strategies to deal with concerns it has with trustees of self-managed superannuation funds;
- Regulate self-managed superannuation

funds and act against the illegal access or release of superannuation;

- Identify businesses suspected of not correctly reporting income or not meeting their pay as you go withholding and superannuation obligations;
- Continue to deal with the abusive use of tax 'havens' and other tax preferred/security regimes;
- Extend its focus on lodgement compliance within private groups, including wealthy Australians;
- Reduce phoenix arrangements through a coordinated program of reviews and audits of directors;
- Examine large business corporate governance processes for managing income and indirect tax risks;
- Strengthen its involvement in multi-agency task forces that target the tax implications of organized crime;
- Develop a framework to tailor information, products and services for registered agents that enable it to differentiate and target its approaches;
- Examine businesses operating outside its small business benchmarks;
- Enhance its tax fraud detection and management;
- Consider tax exploitation schemes and apply promoter penalty legislation;
- Focus on tax returns and/or activity statements lodged by unregistered preparers.

Cloud Technology

Cloud technology allows data to be stored and accessed from a hosting site and allows you to access your accounts from anywhere in the world via the Internet (or "the cloud"). Most services offer a monthly hosting fee - with no outlay for software.

You can prepare your accounts accessed via the cloud, your accountant can then access your data immediately, enabling adjustments, alterations to be made as required directly into your 'set of books'. This is done on-line real-time without postage delays without the need to take a trip to town to deliver the data to your accountant.

If the cloud technology is just a little too adventurous for you but you know there must be an easier way of preparing regular BAS and accounting work for your accountant, here are some alternatives?

Banklink technology allows your business or trading account to be linked with your accounting practice software and

automatically downloads bank statement data. This allows accurate and efficient coding and fast and efficient processing of your BAS. Completing the summarised report at the end of the quarter enables a prompt and effectual way to meet the ATO requirements.

Let the **cg easybooks** team take the worry and work out of your regular BAS preparation. We can recommend the most suitable accounting software package to suit your needs and ensure your system setup is just how your accountant needs them for fast and eproficient processing. cg easybooks also visit your home or office.

Want to know more about how to take the time and stress out of your bookwork? Contact CoggerGurry's expert team for information on how to get started.

PH: 03 5571 0111

E: ceasybooks@coggergurry.com.au



Superannuation - Contractors Vs Employees

By Laurie Cogger

Many employers assume that contractors who provide them with an Australian Business Number (ABN) are not eligible for Superannuation Guarantee (SG) support however this is not always the case.

When establishing whether your staff are eligible for Superannuation Guarantee you need to determine whether or not they are employees under the superannuation guarantee requirements. SG is payable at 9% of Ordinary Times Earnings for all employees.

If a contractor is employed principally for their labour, even if they quote an ABN, they may be considered an employee for Superannuation Guarantee purposes and therefore entitled to Superannuation Guarantee on their Ordinary Times Earnings.

If the contractor is incorporated, a trust or a partnership they cannot be an employee for Superannuation Guarantee purposes and therefore are not entitled to be paid Superannuation Guarantee.

Some factors to consider in determining whether your staff are Employees or

Contractors for Superannuation Guarantee Purposes

- Do they control their hours of work and working conditions?
- Are the services they provide based on results or hours of work?
- Can they delegate or sub-contract?
- Who bears the risk of injury or defect in their work?
- Is payment based on an hourly rate or a fixed price?
- Who provides the tools and equipment?
- Do they work for a single business?
- Do they wear the uniform of the business to which they are providing services?
- Have they been employed as an employee in the past? If so, how well can the relationship be distinguished?

We highlight that different rules may apply in determining the employee vs contractor

relationship for superannuation guarantee, workcover and pay as you go withholding.

To assist in determining if an individual worker is an employee or contractor the ATO has an Employer/Contractor decision tool refer to: <http://www.ato.gov.au/content/00095062.htm>

CoggerGurry's email newsletter service

If you wish to receive our newsletter electronically, please email us with 'Newsletter' in the subject line and the next issue will be sent via email to your nominated address.

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PO Box 689
Hamilton VIC 3300

44 Gray St
Hamilton VIC 3300

Phone ...
61 03 5571 0111

Fax ...
61 03 5571 0100

reception@coggergurry.com.au

web www.coggergurry.com.au

ABN 77 661 052 414

Partners

Laurie Cogger
Michael Fitzpatrick
Tony Gurry
Andrew Heazlewood
Hamish McDonald
Lachlan Wark

Associates

Mike McCulloch
Kay O'Connell



Managers

Michael Fitzpatrick
Kay O'Connell



44 Gray St (PO Box 689)
Hamilton VIC 3300
tel +61 03 5571 0111
fax +61 03 5571 0100

CG Custodians Pty Ltd
trading as CG Wealth

ABN 45 734 343 699

Madison Financial Group Pty Ltd
AFSL 246679

Authorised Representatives

Laurie Cogger
Vicki Kearney



Authorised Representatives

Neil McLaren



Investing successfully in the Sharemarket

By Vicki Kearney

Investing successfully in the sharemarket requires patience, clear goals, a long-term view and sound financial advice. When markets are volatile, it can be easy to forget the basics.

Diversify your portfolio

You can't control the markets but you can control where you invest. Through diversification you can spread your investments so that they do not always move in the same way at the same time. This means that while one investment might be losing value, it could be counterbalanced by another that is gaining.

One of the advantages of diversifying your portfolio is that it can help take the guesswork out of which investments are going to perform well over different time periods and market conditions. With your investments spread across a number of different assets you don't need to pick winners.

Compound your returns

Compounding can be an investor's best friend. By reinvesting any returns you can then gain any potential returns on that as well. If you make small regular contributions to your investment, this can have an even greater effect.

Dollar Cost Averaging

By investing regular amounts over time you can also take advantage of Dollar Cost Averaging. This is based on the one absolute certainty about sharemarkets: the price of shares go up and down.

With Dollar Cost Averaging you invest a set amount at regular intervals regardless of what the unit price of

your fund is. In this way more units are purchased when prices are low and less units are purchased when prices are high. Over time this can even out the fluctuations of the market. It's one way of reducing your overall risk.

The long term trend is up

Markets move in cycles, they go down as well as up. All sorts of things can send jitters through world sharemarkets causing prices to fall from time to time. World events do have an impact. However over the long term, the general trend of sharemarkets has historically been upward.

Importantly, after every downturn the market has always recovered. Some recoveries have been faster than others - it depends on a number of factors including economic circumstances - but in every case a recovery has always followed a fall.

Plan for the long term, don't react to the short term

Markets move in cycles. If you take a long-term view of investing, you can ride out any short-term fluctuations in the market and take advantage of the potential growth over the long term.

Keep yourself informed

To be a sound investor you don't have to be a stockbroking hotshot, but it pays to stay informed about your investments and keep up to date with the latest developments.

If you require more detailed advice please do not hesitate to contact us to arrange an appointment to discuss your individual situation. Phone - 03 5571 0111.



Studios Staff

By Lachlan Wark

Since our last update Steven Boyd and Apryl Hawker have both qualified with degrees in commerce. Alicia Leeson is progressing well with same.

Megan O'Dowd, our newest staff member, joins us part way through her CPA studies and is achieving excellent results.

Laurie and Andrew have recently gained qualifications in mortgage broking.