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you have already
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SME Governance – The importance of regular “Time Out”

Are you owning and running your own business?
Are you under day to day pressure?

Challenges of Being Successful in your own Business

Owner/Managers of small to medium businesses often get bogged down, stuck in day-to-day pressure, feeling the stress of responsibility with real progress stalled.

We see it all the time. Don't feel alone! This is a typical scene for many of us in small to medium sized businesses. Owning and running your own business is a dream many hold. However the reality of wearing multiple hats and being successful is often different.

How do we go about that?

Advice abounds. You've heard it a million times, “Work on your business not in your business”. Well that's a nice theory when the troublesome client calls, the bank wants some updated information yesterday and your right hand person calls in sick. And yet it is a time-proven approach you will see adopted by most successful owner/managers of SME's.

There's a practical way to implement this time-honoured wisdom: it's having regular “Time Out”. Just as fast-paced basketballers take time out during the game to assess strategies and tactics and to re-energise, taking regular time out from the day-to-day of business has the same benefits.

Here Comes the Small Enterprise Governance

Simple and regular board meetings can create space from the day-to-day. This is not the sort of board meeting you may be familiar with. It's not traditional company governance. It's not compliance. And it isn't just planning. We call it Small Enterprise Governance.

The Advantages of Small Enterprise Governance over Traditional Governance

Traditional Governance:

- Puts the directors, often external people, at the top of a hierarchy.
- Directors set the direction and rules, management get on with it and make recommendations to directors on the big questions.

Small Enterprise Governance:

- In small enterprises the managers are most often the directors and usually owners too.
- It's the managerial role which takes precedence.
- Small enterprise governance in that context is about taking time out from management to get the benefits of external perspective.



Small Enterprise Governance consists of :

- Board meetings with a simple agenda, held regularly; typically monthly, sometimes quarterly.
- An external perspective at the meeting; and external person who does not work in the enterprise, someone you can trust.
- The external person helping you to be accountable to your own goals.

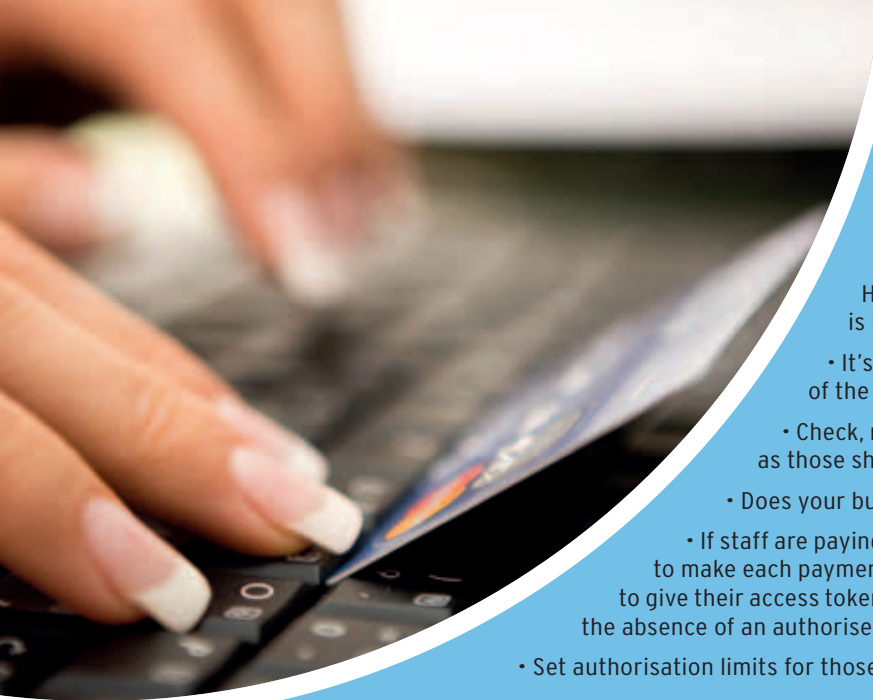
What is Special About Board Meetings for Small Enterprises?

Small enterprise board meetings are a process that creates the space to lift your head up and look about. To gain some perspective, then, with a sharp focus on what's important, make sound decisions and re-engage as a manager with fresh energy.

No hierarchy is created as in formal traditional governance. The benefits of governance are gained without new structure or significant additional cost.

Small enterprise board meetings should not be cumbersome, expensive or time-consuming. Meetings should be incisive, value-creating and timely. Get onto it!

Source : Business Torque Systems Limited



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, that 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.



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.

The Use of Money Interest monster

UOMI is such a monster we make no apologies for repeating advice we have given in an earlier newsletter. We meet many of you just once a year. By now you should have a fair idea of how well you have done for the year.

If we see you so infrequently, we cannot monitor your income and potential tax liability. In most cases this does not matter. However, if your business is a company which does not distribute all the profit to shareholders, or you have a trust, be careful. If you anticipate either of them are going to have a much bigger profit than in the previous year, you should check your tax situation. You may be exposed to the Use of Money Interest penalty for success.

Unless your business is short of funds, it is better to pay some more tax now than to wait until we see you later in the year.

The current interest rate is 8.89% and it may have been accumulating, on a small scale, since you paid your first provisional tax payment for the year.

For March balance dates this is 28 August 2011.

UOMI also applies to individuals whose income generates \$50,000 or more annual tax to pay. For most people this cuts in at a taxable income of \$179,030.

Call us if you need any help.



Minimum Wage Increase

The Government will increase the minimum wage from \$13 to \$13.50 an hour which will come into effect on 1 April 2012.

The training and new entrants' minimum wage will increase from \$10.40 to \$10.80 per hour (or 80% of the adult minimum wage).

A new entrant is an employee who is 16 or 17 years old except if they have :

- completed 3 months or 200 hours of employment, whichever is shorter, or
- been supervising or training other employees; or who are trainees.

Making changes to ACC entitlements

We are fortunate in New Zealand to have the no fault accident scheme available. It is likely that throughout our lives many of us will have reason to call on that insurance for ourselves or family members for treatment of injuries arising from accidents. And for most of us it's a comforting thought to know that the large proportion of costs for the services we need are subsidised.

However, for the self-employed, who find themselves unable to work and earn income because of an accident, ACC Insurance can frequently be found wanting.

There are two main causes of this:

1. ACC benefits have traditionally been based on the declared personal taxable income of an individual. If personal taxable income has been reduced by means such as declaring surpluses as company profit or splitting income with life partners then the assessed benefit is frequently less than the actual income loss suffered by the injured person.
2. ACC benefits are capped at 80% of gross earnings to a maximum of \$88,000 gross per annum so if the injured person earns more than \$110,019 they may be significantly underinsured on an ACC Claim.

Over recent years ACC have been changing the options under their lost earnings accident cover. The effect of this has been to provide the self-employed with the opportunity to re-

structure their ACC benefits to better suit their circumstances. In many cases this will result in substantial reductions in the ACC levy paid.

However, there can be substantial financial risks when making changes to ACC entitlements without a full analysis of individual circumstances and their other disability insurance covers which can result in serious financial hardship for the injured person.

The statistics for disablement that prevents someone from working are surprisingly high:

- One in eight females and one in seven males between the ages of 15 - 65 will suffer a disability that will keep them off work for six months or more. Of these, nearly a third will still be on claim 12 months later.
- Accidents only make up 33% of disablement of six months duration or longer - the balance is as a result of illness.

ACC research published in 2006 showed that 67% of all businesses that closed down in that year did so in part, because of injury to the owner.

Certainly it can be easy to see the advantages of changing ACC insurance from ACC Workplace Cover to ACC Cover Plus Extra. Not only can the benefits be adjusted to Agreed Value and at a level which better reflects the

probable entitlement at claim time, but it may also be an opportunity to amend the occupation classification based on the actual job function as opposed to the industry a business is in.

However, there are also risks when making these changes if there is no Income Protection Insurance or there are terms and conditions on the policy which void a claim or reduce the benefits entitlement. It is essential that a complete assessment is made and that professional advice is obtained to ensure that an individual's needs are managed most effectively and that everyone is fully informed of the entitlements they may be forgoing as a consequence of reductions in ACC cover.

Source : Cecilia Farrow, CEO Triplejump



Writing a Great Media Release

Have you just launched a new business idea, created a new export market or sponsored a community event? This is news and the local media will want to know about it. Positive news about your business in the media is fantastic advertising and it's free.

But don't wait for them to come to you. Start writing now. Reporters these days are far too busy to cover everything that's going on. If they have words in front of them, there's more chance the news will be used.

That's where the media release comes in. This is a brief article which gives the pertinent facts about the new thing that has happened or is about to happen. Yes, reporters get flooded with media releases every day and many stories do not get a second look, but if the media release is well written and has some real news to report, chances are they'll use it.

Media is an excellent means of promoting your business - don't ignore it.

- Get to know the reporters - the local and community newspapers, radio stations, local TV if appropriate, industry and lifestyle magazines throughout the country. Introduce yourself and tell them about your business.
- Keep in touch - don't wait until after the event. Make sure you keep reporters informed of what's coming up.
- If it's news tell them about it - if you have a good relationship with the reporter, chances are they'll already know what's happening, but write a media release anyway. If reporters are writing their own story they may still lift pieces from your article.
- Follow-up with a call - don't just send them the media release and forget about it. Either call the reporter to tell them it's coming or follow-up afterwards. If they've got you on the phone, they may well ask more questions on the spot and it saves them doing it later.

Selling your Business

Selling a business is similar to selling a house. Here are some pointers:

- Make your business look good. Spruce it up as you would your house.
- Your systems should be well documented and easy for a new owner to follow.
- Plan ahead. It is easier for a buyer to find a small amount of money than a large one. Therefore, if you are overstocked, do something about it.
- Check the tax situation with us.
- You are going to be asked to provide financial statements. Why not put together a booklet with pictures of your business and information about it. Bring out the benefits to the new owner but be sure all of them are true. Include the financial statements at the back.
- Draw up a plan of how you are going to market the business just as you would prepare a marketing plan for the business. Who is your target market? Where do you find them? If you employ an agent, work with that firm to market your business in the best way possible. Don't leave everything to the agent.

KiwiSaver Changes

From 1 April 2012, employer contributions to KiwiSaver will be subject to Employer Superannuation Contribution Tax (ESCT) at an employee's marginal tax rate.

Previously, employer contributions to KiwiSaver of up to 2% of salary and wages had been exempt from ESCT.

The ESCT threshold amounts and ESCT rates are as follows:

ESCT Threshold Amount	ESCT Rate
\$0 - \$16,800	0.105 (10.5%)
\$16,801 - \$57,600	0.175 (17.5%)
\$57,601 - \$84,000	0.300 (30%)
\$84,001 and above	0.330 (33%)

Source : RSM Prince

90 Day Trial Period – Employment Agreement must be signed before the employee starts work

A few organisations are finding it difficult to apply the 90 day trial period clause in the employment agreement. Extra caution must be taken in order to ensure the validity of the trial period. This includes the wording of the employment agreement, the date of the actual signing of the employment agreement and the timing of the notice of dismissal.

In the Court ruling of the Smith v Stokes Valley Pharmacy case, the employer dismissed the employee within the 90 days relying on this provision. It was found that the trial period clause was invalid because the employee had signed the employment agreement on her first day of work.

As far as the Court was concerned, Ms Smith was already an employee of the company when she signed her employment agreement, therefore her personal grievance was upheld.

In addition to the above, and in accordance with section 67A of the Employment Relations Act, the trial period is only applicable to individuals who have not been previously employed by the employer.

Our advice - don't let a new employee cross the threshold until you have a signed agreement in your hand.

Source : HR Knowhow

Employing Temporary Staff

Are you taking on extra staff for a special occasion, or expecting a higher than normal workload? If so, don't forget you'll need to adjust your records to show this.

You'll need to :

- Make sure you get a completed Tax Code Declaration (IR 330) from the employees or deduct tax at the no-notification rate.
- Deduct PAYE from their wages and show this on your employer monthly schedule, including their start date, tax code and amount of deduction.

- Show an end date on your employer schedule for each employee as they finish with you.

Taking on temporary staff could be an indication that your business turnover is increasing, even for a short period of time. If you're not already registered for GST, remember to check if your turnover is likely to be :

- More than \$60,000 for this month and the last 11 months, or
- More than \$60,000 for this month and the next 11 months.

If your turnover exceeds this amount you'll need to register for GST.

You are always right.

Whether you think you can or you think you can't, you are right!

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Changes in Particulars

Please remember to let us know of any changes in:

* Physical address * E-mail address * Phone and/or fax numbers * Shareholdings * Directorships * Trustees
Or anything else that may be relevant.

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