PETER VICKERS BUSINESS GROUP

Newsletter

Winter2010

Technology in Business

Breakfast Seminar

Wednesday 02 June
8:00am - 9:00am
Light breakfast will be served from 7.45am

Venue: Our offices

At this seminar Peter will reveal ways to leverage appropriate technology to improve the way you manage your business, exploring business systems, the paperless office and choosing the most appropriate accounting software for your needs.

To reserve your place please

email: kathryn@pva.com.au

Or call Lauren on

02 9416 9266

To be informed of upcoming seminars, email kathryn@pva.com.au

Peter Vickers and Associates Pty Ltd

Suite 2
345 Pacific Highway
Lindfield NSW 2070
T: (61 2) 9416 9266
F: (61 2) 9416 9149
E: services@pva.com.au
www.pva.com.au

TAXATION

The Australian Taxation Office initiated an update of its computer system which it called a Change Program. This Change Program was supposed to be implemented in January but it was postponed untill the first week of February. The Taxation Office announced that during that week no income tax returns would be processed. However there were serious problems with the Change Program and it is now only in early May that most returns are being processed on time. Over 400,000 returns were delayed. The Taxation Office, to compensate taxpayers for sending their tax refunds late, has included interest on the refund. However the problem is that the refund must be declared as income in this year's tax return and in most cases the clerical cost of ensuring that this refund is included in the return is many times greater than the few dollars of the interest.

The Change Program includes a new Notice of Assessment. This Notice is now generally 4 pages long compared to the previous 1 page. One commentator has recommended 10 major changes to the new Notice of Assessment.

Most large companies and institutions send electronically to the Taxation Office, records of interest and dividends that they have paid to their investors. As tax agents we are able to access these records that belong to our clients. Our standard policy is to access this "pre-filing" report for each client as part of preparing your income tax return. Both clients and ourselves are required to use care and diligence in preparing income tax returns. Penalties are severe if mistakes arise due to lack of due care and diligence. This has increased the cost of preparation of returns. However it has also assisted those clients who lose some of their documentation.

On this same point if you earn small amounts of interest or dividends then the cost of entering these amounts in your return are greater than the money received. The alternative is to either increase your investment in these companies or simplify your affairs by selling the shares or closing the accounts. We are able to arrange sale of shares for you. Please contact Agnes Mock.

YEAR END TAX PLANNING

This is the time to get ones house in order ready for the end of the year.

- Businesses should be writing off bad debts, scrapping obsolete stock or plant and equipment.
- Superannuation must be paid before 30th June if you want a tax deduction this year.
- Investors should look at their share portfolio and dispose of unwanted shares in order to crystallise any capital losses and offset against capital gains.
- If you believe that your tax payable for this year is going to drop from the last year then we can vary the PAYG installment that is either payable for the June quarter or the annual installment for this year that is payable on 21 October. Please call us and we can calculate the estimated tax and arrange for a variation.

Peter Vickers and Associates Pty Ltd Chartered Accountants
Principal: Peter Vickers FCA
Liability limited by a scheme approved under the Professional Standards Legislation

THE BUDGET AND HENRY REVIEW

Most of the changes announced will not come in to effect for at least 2 years. There is thus not much that needs to be said that has not already been said in the media. The only change for next financial year, 2010/11, is that the cutoff for claiming a tax offset of 20% for medical expenses has been increased from $1,500 to $2,000. "Medical expenses" include doctors, hospital, chemist, dentist, optometrist, other medical practitioners, carers for people confined to a bed or wheel chair and medical appliances. From the expenses you have to deduct Medicare and health fund refunds. You can also claim the medical expenses for your resident spouse and dependents. So please keep all your receipts.

ACCOUNTING

The accounting profession has now made it compulsory for all firms in public practice to give clients a letter setting out the terms of the engagement. This is similar to the requirement by solicitors. We will thus be sending all clients an Engagement Letter in late June which clients will need to sign and return to us.

We are developing a standard menu of services with charges attached. We will also be testing a fee calculation procedure in order to be able to answer the important question of "how much will it cost?" without having to give the answer "it depends on the time taken." Very few public accountants are able to do this, due to the complexity of clients' affairs and the differences in transactions and recording systems between clients.

We have recently terminated our services to a few clients who have problems in paying our fees on time or are unwilling to allow us to assist them in increasing their wealth. "Increasing the wealth of our clients" is an integral part of our Mission Statement. We are continuing to create a culture in our firm that corresponds with this objective. We thus do not want to be associated with clients or staff who do not adhere to the same culture.

BOOKKEEPING

Clients often believe that having their financial information entered into a computer package like MYOB and Quicken will dramatically reduce their accounting bill. MYOB used to advertise this promise on the back of buses. However for most small businesses the entering of transactions or bookkeeping does not take up a lot of accounting time. It is the high level work of preparing final entries, financial statements and income tax returns that is the most expensive part of the job. However, poor bookkeeping will greatly increase the accounting fee.

One of the mistakes that clients make is not upgrading their software to the latest version. This means that we have to spend time working out what version is being used , converting it to the latest version and then if the client wants their figures updated, this becomes a different exercise as we have to convert back to the old version to be compatible with the client. Invariably this increases the cost of accounting above the cost of the upgrade fee. PVA is a professional partner for MYOB, Quicken, Sage 500, Xero and Trimar's Cashman. If you need help in buying the program and installing it then let one of our staff know.

We are currently setting up our first clients on Xero. This is a program that carries the term "cloud computing". You run this over the internet. As a result you are always running the latest version and your records are maintained "in the clouds", that is , on various file servers around the world with complex fire walls, back up and multiple secure sites but not on a computer under your desk, covered in dust, that never gets backed up and runs software at least 8 years old. Xero allows the client and their accountant to work on the same accounting records. QuickBooks also has an online version.

If you would like to find out more about our bookkeeping services call Naomi Brandon on 02 9416 9266

RECEIVE THE NEWSLETTER BY EMAIL?

If you would prefer to receive our quarterly newsletter (and other periodic information) by email, please let us know by emailing **kathryn@pva.com.au** For those of you who prefer to receive the paper version, we will happily continue to send it by mail.

When Warren Buffet was asked what he thought about the stock market going down he replied that he did not know what it was doing. The lesson from this urban myth is that the market on a daily and even annual basis goes up and down based on rumor and emotion. It is the long term value of the company that is important. The recent share market drop seems to be based on Greece's problems. In our opinion, a Greece bankruptcy is a lot less significant than California or New York going broke, both of which the world survived. Just another rumor and emotional response.

An example of the volatility of the share market can be seen from the results of the Lindfield Superannuation Fund (LSF). The share market bottomed on 9th March 2009. From that date to 30 April the LSF showed a return of 30.7%. From 1st January 2010 to 30 April 2010 the result was a negative 0.2% and from 1st January 2008 to 30th April 2.4%. We can't tell you the increase from 2003 to 2007 due to the reorganisation of the fund but the S&P/ASX All Ordinaries Index went from 2,666 in March 2003 to 6,873 in October 2007. It is currently 4,680. These figures also show how results could be manipulated for marketing purposes.

Our major function as investment advisors is to educate clients on how investments work. Once you have the knowledge then making the actual investment decision becomes fairly simple. Another of our roles is to assist you to execute the investment strategy. Agnes Mock is experienced in all the paperwork involved with investment. Government concern about Money Laundering and Financing Terrorism has led to an extreme burden of red tape. Ring **Agnes Mock**, one of our licensed advisers for help on **02 9416 9266.**

SUPERANNUATION

Self Managed Superannuation Funds now control more assets than any other superannuation sectors. There are now over 410,000 SMSFs in Australia. This has caused much displeasure to retail and industry funds who have lobbied the government extensively. The Cooper Enquiry has been lobbied by the big boys with the aim of making life a bit tougher for SMSFs. However we believe that we will always find ways to make the SMSF the vehicle of choice for people that wish to control their own investments. We have been looking after SMSFs for over 30 years, from the time they were purely used for tax minimisation. The recommendations that will effect clients are 1) interesting investments like art work, cars, antiques and other collectables will no longer be permitted 2) a separate auditor from the accountant will have to certify to the members that the accounts produced by the trustees (the same people) are correct and 3) only licensed investment advisors like ourselves can recommend the setting up of a SMSF. Peter Vickers & Associates can provide advice and SMSF administration removing the worry for clients.

LINDFIELD SUPERANNUATION FUND (LSF): If you do not have enough money to start your own SMSF, about $200,000, and you do not want to be members of a fund run by employers and trade unions (industry funds) or the banks and insurance companies (retail funds), then LSF is for you. The new Product Disclosure Statement dated 15th March 2010 can be found on our web site www.pva.com.au/superannuation.htm

Agnes Mock is the person to contact on **02 9416 9266** if you need any assistance. She will help you, unlike the REST Super Fund call center who responded to a recent caller with a very unhelpful "I can't help you, go look at our web site"!

FINANCE BROKING

We have relationships with many banks and lenders and are thus able to assist clients in financing their homes, cars, investments or businesses. Normally lenders ask us to provide them, with the clients' permission, copies of past financial statements and tax returns. A statement of assets and liabilities is also required. By asking us to assist in these borrowing arrangements, we can ensure that the correct borrower is used, the correct type of loan is used and that GST is considered. For example a purchase of a car can be financed by lease, rental, commercial hire purchase, novated lease or chattel mortgage. The method used depends on the tax deduction available, the GST consequences and then how the Fringe Benefits Tax rules work. If an employee is involved then how the salary package is designed also has to be considered. Please call **Joseph Staub** on **02 9416 9266** if you would like to refinance or discuss your borrowing requirements.

Peter Vickers Investment Services—a division of Peter Vickers Insurance Brokers Pty Ltd

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Time to Review Your Business Insurance

Traditionally, the end of the financial year is also the time to review the insurance cover that protects your business.

Unfortunately, in Australia under-insurance is a reality for business owners and a perpetual challenge in the insurance market.
A major difficulty lies in correctly assessing the value of your assets. Do you really know how much your business assets are worth today and what it would cost to replace them in case of a fire?
Another difficulty is in establishing the appropriate level of cover necessary, as your business grows, or if it receives additional stock, or if you purchase new equipment, or refurbish part or all of your premises.

June is not only the end of the financial year, but also the ideal time to review your insurance program.

Business Interruption Insurance: a critical area for consideration that is often neglected. With few exceptions, all major business enterprises hold adequate Business Interruption Insurance, but it appears to be the forgotten class of cover for Small to Medium Enterprises (SMEs).

In the face of the economic slowdown, managing cash flow is not merely prudent business management but a critical necessity. Many small business owners fail to make the link between cash flow and the importance of having the right cover to protect them against unexpected events.

A fire or other insured event could put a hole in the cash flow that may be hard to survive. Should an unexpected disaster strike and your cash flow suddenly come to a halt, it is critical that you know if your business can survive and if so, exactly how long it can last while it is recovering from the disaster.

Business Interruption insurance is an essential and important aspect of the insurance program for all SMEs. It can be as critical to business survival as property or liability insurance. Insuring your assets alone could prove inadequate as financial losses that occur while your business is unable to operate often exceed the value of the damaged asset, even in the case of low value material damage

Did you know? Research of fire losses in Australia shows that a large percentage of businesses suffering a major fire, but not necessarily a total loss, never re-open for business. Also, of those companies that are insured, nearly half are significantly underinsured and despite some form of insurance many fail within three years of the loss. Less than a third actually survive.

Clearly, a business may exist without making profits, but it cannot operate without cash flow

Some SMEs may have limited access to financial resources and are likely to be highly geared with directors having given personal guarantees to secure loans. Whilst this may work well under normal circumstances, if a disaster strikes, then a directors' personal assets can also be in jeopardy.

Another aspect to keep in mind is that some Business Insurance policies may include an under-insurance clause that effectively reduces the payout in the event of a claim. Unfortunately, most insured people don't address this until it's too late.

Although the basic concept of Business Insurance is not complex, arranging cover appropriate to the exposure in your business is an undertaking that requires expert knowledge.

We at Peter Vickers Insurance Brokers would be happy to help in this area by providing you with a review of your insurances and to help determine your insurance requirements as they relate to your business.
Speak to **Roisin, Bev or Gen** for **Professional, Personalised Advice** on **1300 784 011** or visit **www.pvib.com.au** Our online quote form means that you can request an insurance quote 24/7 and we will respond to your enquiry within one business day.

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