

PO BOX 3700  
WAMBERAL NSW  
2260  
TEL 02 4365 6884  
FAX 02 4365 6887

BROADVIEW  
CONSULTING  
*Chartered Accountants & Business Advisors*

# Business Tips

## Issue 2

### In this Issue:

- Scams and fraud.
- Growing your business.
- Bartering— A method of finding new customers
- Your break-even point
- Coaching— why necessary and what it can do .
- How to cut overheads
- Capital Gains Tax and your home
- What is a company v's a business name
- About Broadview—our vision
- The services we offer

## Scams and fraud

ASIC have been very active in trying to clamp down on this of late. However they are fighting a losing battle. It seems that today the risks have escalated beyond all proportion. Scams today take the form of:

- Identify fraud—where some-one pretends to be you.
- Get rich quick, or slow schemes.
- Bank account schemes

Sometimes they are hard to spot. When you bank sends you an email, that looks like your bank, it is often hard to pick. Good old fashion honesty is out the window.

Unfortunately what this means is that we all must be so careful as to who and how we do business. To transact, requires giving others your bank details for payments. You give out your visa card details every day. Trust is everything. The wheels of business will not turn unless there is trust. Yet these scams make it difficult for you

to trust anyone.

The next area in relation to scams I want to discuss is tax schemes. These were prevalent in the 90's but are again coming forward.

A tax scheme is where you invest in something to get a big upfront tax deduction, with the promise of future income. The scheme has merit because you save tax today, when you have high income or a one off event, and pay tax later on the income at a later time.

Unfortunately the agri schemes never seems to give you that income. So you have a cost. To me the only scheme that really works is negative gearing of property. In the long run and given reasonable timing, most such schemes will work. So while I want every-one to be cautious; to make money we all know you need to do two things

1. Take a calculated risk.
2. Use some-else's money (the bank).

The property market is down at the moment. At least you know that movement eventually will only be up. Syndication with others, knowing the property, buying in the right area are all vital ingredients.

So if you need to solve a tax issue, want to move forward, we suggest that you forget about any quick rich schemes emailed to you. Any 1900 number plans that guarantee rags to riches. Stick to what you know and can touch.



**Fido is the Australian Securities & Investment Commission (ASIC) consumer watch dog? Take a look at the scams listed on ASIC web site [www.fido.gov.au](http://www.fido.gov.au)**

## Growing your business—it's about sales

I have this discussion with clients every day. Sorry, you are about to hear it again. The success of any business hinges around being known, and having others purchase your goods and services. While many accountants may tell you other things are more important, I am telling you they are wrong. Yes margins, overheads, break-even points and

being efficient are important. But they need to be viewed in perspective. Without customers you have no reason to open your doors. Hence you need to be customer focused. This means thinking about:

1. How do your customers see you—a ripe off merchant or some-one that gives value for money.

2. How to get more business. It doesn't take a genius to work out that if you double your sales, your cost per items may be halved (depending on your variable costs) So getting more sales can mean you can charge less.

Know your break-even point. Know how much discount you can give to, get that extra sale.

## Bartering—A method of finding new customers.



We all know that to build a business you need to become known. The best way to do this is to join as many groups, associations and trade organisations as possible.

A trade exchanges, like BBX is a good example of such a closed network. Members pay for the services of other members by a paying in trade dollars, which are credited to your account. You can then spend those trade dollars with other merchants in the system. It means you do not use cash, but their debit/credit system.

The reason it works is simple members grow their business by being part of the network. You get to know other members, and if they provide a quality product you deal with them.

As a member you have an advantage over non members. Put simply you have great networking opportunities. The tax implications are the same as for the cash economy. In fact there is a tax ruling on how to treat barter. It is totally legal and can help you grow your business.

I have been a member of trade

exchanges for about 15 years, and quite frankly I love them. Sometimes you need to think outside the square. You can buy anything from paperclips to property on trade.

You can use it for your business purchases or private purchases, by using the credits you build up. There are also some tricks of the trade (pardon the pun) when it comes to superannuation and real estate dealings.

## Your Break-even point

**“If you fail to plan, you plan to fail.”**

This is a *must know* for all businesses owners. But how do you work it out.

The formula is easy. You take your fixed overheads and divide this by your average gross profit ratio. This tells you what level of sales you need to just cover costs.

For example if your sales are \$100,000, costs are \$60,000 your gross profit is \$40,000. Your gross profit margin is 40%. If your overheads are \$30,000 then your break-even point is \$75,000.

While overheads, gross profit margins and other costs change, you must have a starting point. Not knowing is not managing your business.

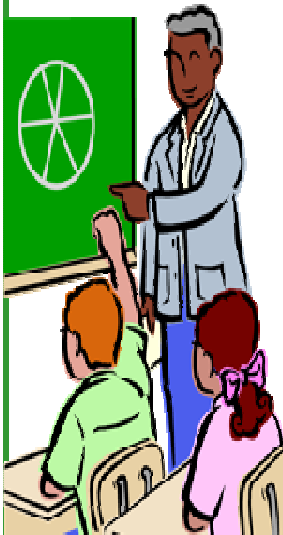
With this information you can work out how low you can go to get that difficult sale.

In my experience very few business owners ever think about this. Generally they estimate their cost, but are usually wrong. It is seat of the pants management, and doesn't work.

The answer is to have a book-

keeper keep you business records up to date. You can then review your margins, overheads and profit on a timely basis. Don't wait to the end of the year, or worse, don't wait until some-time in March of the following year to know how you went for the year. This is a sure recipe for failure. Be in control of your business and run it like a business and not a hobby. Then you will reap the rewards you deserve (or desire)

## Coaching —Why necessary what is can do.



Having spent some time watching the Olympics, it is interesting to know that all of the Olympians have coaches. In fact Tiger Woods has 5 coaches.

It re-enforces the fact that to succeed in business, or in life this can be a crucial tool. Coaches fall into 2 broad categories—life coaches and business coaches.

A life coach helps you decide on your priorities in life. Tries to get you to think about what you like doing, what successful

actions in the past worked, and what you really want to do in life. They help you align your personal goals with your job or profession.

A business coach on the other hand helps you put strategies in place to make your business more successful. They work on the strategic direction of your business, the operating costs and what you need to do to achieve the long term aims of your business.

Both of the above force you

to think about where either your life or business is heading. After all, if you left home tomorrow and wanted to go to Melbourne, I am sure you would work out the route. If you left home without a destination in mind, I doubt if I would see you in Melbourne. Coaching is a tool to help you find your goals and then work with you in achieving them. In essence coaching unlocks a persons potential to maximize their own performance. Getting the best out of you.

## Barter—Using it to cut your overheads.

Over the years, all of my accounting practices have always been members of barter exchanges. People have been bartering their services for thousands of years. About 15 years ago a number of trade exchanges were established to facilitate a structured method of bartering. The exchange basically holds the debit/credit account and charges an admin fee for doing so.

So how does barter work, and how can it help you.

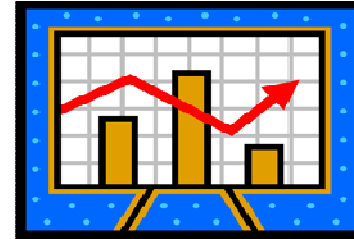
Let's say you have a cost you need to incur, like a family holiday to Port Macquarie or say accounting fees. I say I will charge you \$550 to do your end of year tax returns. But I

will accept barter for my services. I invoice you for \$550, and pay the \$50 GST to the ATO. Let say that, for example, your business is a coffee lounge. We agree that I will swap you coffee and lunch to entertain my clients to the value of \$550 to cover my bill.

Now here is the good part. As a coffee lounge owner, let's say your cost what you sell runs on average at around 20% of your price. Your accounting bill has just cost you \$110. Incredible isn't it..

Yes, you still need to keep your cash business to cover rent and overheads, This is about additional sales, over and above your break-

even point, to cover business costs. You can even use this method to accumulate enough barter dollars to buy a rental property. Remember, in this example, your cost is 20%, so you are paying only 20% for the amount payable on trade. of cost, Sound unbelievable, it is not. I have done it. My clients have done it.



## Capital Gains Tax - and your home

Firstly let me explain what CGT is and is not. It is not an extra tax. Gains made on the sale of capital assets are added to your income. It is not like GST or FBT and charged as a separate tax. The gain is calculated after all costs have been deducted. As a rule 50% of the profit (gain) is added to your income. Say for example you made a gain, after allowances, of \$50k and you had a rental loss or some other loss of \$50k, you would not pay any tax on this gain. This

gives you an idea how you can engineer gains and losses to help offset each other.

In Australia, we have an affinity to property. Generally most people make all of their money on their sole and principal residence. This is something that must be maximized as it is by far the best way to accumulate tax free money. A sole and principal residence is defined by not limited to:

- A) Where you store your personal belongings.
- B) Connection of utilities.

- C) Mail delivery.
- D) Time lived in dwelling.
- E) Intention of occupation.

A six year rule allows you to elect to keep a home as a sole & principal residence if you move out. But you can only have one sole & principal residence at a time.

This is a difficult area and you need to tread carefully. Please check with us before you contemplate any actions in this area, as there are benefits and tricks.

**“There is a 6 year rule that allows you to rent your home and still retain the CGT exemptions ”**

## What is a Company v's a Business Name

A company is an entity registered with ASIC. It is a separate legal entity and can sue or be sued, in its own right. It is independent of its owners (shareholders).

Many people loosely call their business a company when in fact it a registered business name. The difference is that a business name is registered with the Office of Fair Trading. It is merely the registered proprietor trading as that name. The owner of the name is responsible for all

debts of the business and his dealings are the same as if he traded in his own name. If the owner is a company, then the company is responsible. If the owner is a person, that person is responsible.

I recommended companies be used for any trading where there is any financial risk. Being in business often is a risk. There can be many types of risk, some can be insured against but most not. If you have a large bad debt, that causes insolvency then your

personal assets may be at risk. The components of a company are its owners known as shareholders and officers know as directors. They can and often are different. Shareholders do not carry any director liabilities.

In my previous newsletter I covered when directors can be held personally liable for company debt. This is usually in very restricted situations. Directors will generally not be liable for most tax liabilities unless certain things occur.



P.O. Box 3700  
WAMBERAL NSW 2260

Phone: 02 4365 6884  
Mobile 0413 302 777  
Fax: 02 4365 6887  
E-mail: masonallan@gmail.com

Visit us soon on the web at  
[www.broadviewconsulting.com.au](http://www.broadviewconsulting.com.au)

**Free  
Offer**

**FIRST CONSULTATION  
FREE**

**GIVE ALLAN A CALL ON  
0413 302 777**

**LET US SHOW THAT THERE  
IS A BETTER WAY TO RUN  
YOUR BUSINESS.**

**TAX LODGEMENTS  
BEHIND, NO PROBLEM, WE  
ARE EXPERTS ON HELPING  
YOU GET UP TO DATE.**



Broadview Consulting was established to offer more than just accountancy services to businesses. Our brief is to help our clients be more successful. To be more than just accountants. To help business owners spend more time with their family, enjoy their business and to learn how to win their game of life. How to throw off the feelings of being overworked and frustrated. How to create balance and be in control.

Accountants are uniquely placed to help businesses be successful. They have the trust of their clients, strong ethics and from a financial standpoint they have a good understanding of their client's business.

The practice was established with a vision to use the platform of an accountancy practice to help business owners achieve their goals. Having at times been caught up in the sausage factory of a busy practice, we are determined to show clients how to work smarter and hence run their business better.

With 29 years as a Chartered Accountant and nearly 15 years in non accounting based businesses (sometimes concurrently), he is uniquely placed to do this. Having sold a large practice in Chatswood to establish an ASX listed public company, he has broad business experience and skills. He knows from experience and education what it takes to run a business. It is not always a bed of roses, but takes dedicated effort, working smarter and hard work. But it can be profitable and is certainly exciting.

## Services we offer

### Tax and accounting

General tax and compliance work which includes:

1. Advising on and setting up and business structures—companies, discretionary and unit trusts.
2. Tax and accounting advice.
3. Tax planning in both Australia and in overseas jurisdictions.
4. Annual financial statements preparation.
5. Preparation of taxation returns for all types of entities.
6. Preparation and lodgment of BAS returns.
7. Company and superannuation fund audits, trust account audits.
8. Preparation of financial services licenses.
9. Preparation of product ruling applications to the ATO under the Managed Investments Act..

### Business Consulting:

This is about helping business owners run a better business. This is a step by step process and involves:

1. Getting a firm handle on where the business is now.
2. Reviewing the pricing, overheads and some basic financial modelling.
3. Working with the business on their goals and ambitions.
4. Providing training and educational tools for both the business owner and their staff.
5. Implementing a strategy of success.
6. Setting policy, management by statistics.
7. Designing an organising board that clearly sets out the staff functions and positions in the organisation.