



WE LIKE IT ... XERO ONLINE ACCOUNTING SYSTEM

We recommend small to medium sized businesses that are looking for a user friendly, easy to use software accounting package take a close look at the Xero online system.

Based on our own investigations, and the feedback we have received from clients who use the system, we really rate it.

You can access the system anytime, anywhere in the world online, giving you instant and easy access to your financial data, including bank transactions. Backups are performed automatically, and you will always be accessing your information through the most up-to-date version.

With your agreement, CTCW can also access your information, enabling us to import the information we may need for transactional tasks such as preparing monthly

or yearly accounts, GST returns, and bank reconciliations.

A great feature is it enables you to prepare cash flow forecasts and extensive budgeting. The system does not feature an inventory system, although excellent job costing modules are available from other specialist providers.

The base system can be leased for \$49 a month plus GST, and additional specialist packages are available for job costing and payroll.

A New Zealand developed system, Xero is also being sold in Britain and Australia.

If you like the Xero system CTCW can assist you to set it up.

KEEPING STOCK TURNING OVER CRITICAL

If your stock turnover is not up there with industry benchmarks, or the level of stock you are holding is more than what is required for immediate use, then you may well have 'lazy money' in the business that could be put to better use.

When your business is performing, there may be justification for buying more than your immediate needs to take advantage of a good discount, or for convenience, but when credit is scarce and profits are under pressure, it is plain bad business to have money locked up in stock.

If you are unsure what the industry benchmarks are for stock turnover for your business, talk to your CTCW adviser, and rather than aim to match it, set yourself the task of beating it.

Estimate the cost of all the stock you're holding – both working stock and materials that fall into ongoing overheads.

Work through what you might have to do to release some of that money to fund other aspects of the business.

RUN THAT BY ME AGAIN...

Imputation credits

Those with imputation credits based on the old 33 cents tax rate have until the end of the 2010 tax year (the one we're in now) to use them at 33 cents, after which they automatically drop to 30 cents.

If your business is in that position, discuss this with your CTCW adviser now, even if you think you will not be in a position to use them up given your current trading performance. There may be options. Don't lose the 3 cents in the dollar through making assumptions.

Associated Persons

The new rules around Associated Persons are coming closer, and if you are contemplating changes to your financial affairs, the time to discuss it with your CTCW adviser is over the next few months. Initially the new rules will affect land transactions, but from April 1 next year they will affect all transactions.

What is now possible without tax implications may not be the case under the new rules.

An Associated Person does not have to be a close family member or business partner. It could, for example, be between you and a trust.

The key is to think through your plans for the future, and set up your affairs in

the right structure before the new rules come into force.

PIE's & Kiwi Saver Tax Issues

Ensure that you are being charged at the appropriate tax rate on your PIE investments and Kiwi Saver fund. The default rate is 30 cents, but if your income warrants it you can claim at an alternative rate of 19.5 cents. With the October 2008 changes to the tax rates, the rates available for selection will be changing from 1 April 2010. As returns are made to you on a tax paid basis from these funds, if you have had tax deducted at source at a greater rate than necessary, you cannot claim the 'extra' back at year end.

Income Protection Insurance

If you protect your income through insurance, check with your broker just what it is you are protecting.

The self employed, or those with fluctuating incomes, often find it challenging to prove their income 'after the event', particularly if they have constructed their financial affairs in a way which sees them taking minimal drawings or wages.

An option worth considering is having an agreed value included in the policy.

FEEL FREE TO CONTACT US

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myaccountant

newsletter

RECESSION TIME OF OPPORTUNITY FOR RENAISSANCE

The current recession should be seen as an opportunity, not necessarily in terms of taking advantage of competitor weakness, but for setting up your business to succeed in tomorrow's economy, regardless of what shape it takes.



Simply hanging tough and cutting costs in an attempt to see through the current recession is a poor strategy for any business with ambitions to succeed when economic conditions improve.

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BUSINESSES SHOULD KEEP AN EYE ON THE KEY FACTORS THAT WILL MAKE OR BREAK THEM IN THE SHORT TERM DURING THESE TOUGH ECONOMIC TIMES

Externally, focus on growing your market share, regardless of how modest the market is, and retaining your profile for quality, service and performance.

Internally, focus on getting your structure right in terms of people, efficiency and processes.

All too often when financial pressures come on, businesses turn away from their business advisers. Many see their external advisers as a cost they 'can't afford' and soldier on with a DIY approach.

The challenges each business faces are being repeated throughout your industry, and throughout your operating community. Your business advisor is dealing with the challenges across a variety of clients, and knows first hand what can and does work.

Your business advisor is your entry point for tapping in to expertise, experience and specialist knowledge that has the potential to make a difference. It could see you emerging from the recession lean, flexible and in a form primed to go forward, rather than threadbare, lacking resources and irrelevant.

During tough economic times businesses should also keep a sharp eye on the key factors that will make or break them in the short term, such as cash flow, stock levels, debt collection and retaining your bank's confidence.

In this issue of *myaccountant* we review these key operational functions.

CONTENTS:

CASH FLOW STACKS THE ODDS IN YOUR FAVOUR

COLLECT YOUR MONEY PROACTIVELY ... IT'S YOUR MONEY

KEEPING STOCK TURNING OVER CRITICAL

NEVER GIVE YOUR BANK MANAGER AN UNPLEASANT SURPRISE

DRIVE TO IMPROVE THE HEALTH OF NEW BORN BABIES



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CTCW has committed itself to raising \$7500 towards the cost of financing a 'phototherapy wrap', which is a specialised unit for treating babies born with jaundice, for Pukekohe Maternity Hospital.

Traditionally, we have supported a wide range community fundraising efforts.

While the firm will continue to support a variety of projects as individuals, it will also put its support behind one major project each year, and the first recipient of this new approach is the South Auckland Health Foundation.

We chose the Foundation to honour the memory of the late Terry Harris, who was CTCW's Managing Partner for 26 years, and Chairman of South Auckland Health for a number of years.

The entire CTCW team is behind the fundraising effort. Under the guidance of Diane McLaughlin, groups of staff members will set about devising ways to raise the funds over the next 12 months.

We will keep you informed as the total grows. Please contact Diane at our offices if you would like to assist us raising funds for this important piece of equipment for our community.

You're not just a number to us.



CHARTERED ACCOUNTANTS

To find out call 09 238 9219

EDITORIAL

SURVIVAL NOT ENOUGH, SUSTAINABILITY IS GOAL

Employers facing this dilemma need to remember their responsibilities under industrial law to be fair in the way they make people redundant.

As we head into spring there is a fair degree of economic optimism around. There's talk of 'green shoots, rising business confidence, better than expected employment figures and the housing market having bottomed.'

It's optimism I share. By the start of 2010 the economy will have been in recession for two years, and there is every reason to believe that if a business has weathered the economic storm for this long, it has an excellent chance of pulling through.

However, businesses need to view 2010 and beyond with pragmatic caution.

Many businesses have survived in part for this long by eating into their reserves – perhaps by shortening their debtor tail, extending their creditor payments out, using more of the overdraft than they do traditionally or tightening stock levels.

The key issue is have they faced up to structural challenges? Have they got staffing and remuneration levels right, have they focused on margins and have they looked at their fixed overheads?

If a business has glossed over these fundamentals and made it this far by living off its reserves, it will be extremely vulnerable

when the inevitable troughs occur in tomorrow's recovery.

A return to economic recovery will not be a straight line, always upwards. There will be

DO NOT PUT OFF TAKING THE HARD DECISIONS AND MAKING NECESSARY STRUCTURAL CHANGES IN THE BELIEF THAT 'FINGERS CROSSED WE SHOULD BE RIGHT'.

quarters when income dips, when funds are tight, when unexpected expenditure can't be avoided.

Do not put off taking the hard decisions and making necessary structural changes in the belief that 'fingers crossed we should be right'.

Set your business up on the right footing for its current capability, and when the good times do return, grow with the economic uplift.

JEFF ROWSELL, DIRECTOR

COMMITTED CTCW EMPLOYEES KNITTING CHILDREN'S GARMENTS FOR DONATING TO SOUTH AUCKLAND HEALTH. ALL PART OF OUR NEW COMMUNITY SUPPORT ACTIVITY.

