

assurance adviser

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Grant Thornton 

Announcement

Grant Thornton are running seminars in conjunction with the Wellington Chamber of Commerce and BIZ Info. These seminars include:

- Creating your business plan
- GST, PAYE, FBT made easy
- Accounting for non-accountants
- How to price right?
- Getting the computer to work for your business
- Managing your cashflow
- Why do I want to go into business?
- The first step into business - how do I get started
- Managing your finances
- How do I market my business?
- Introduction to E-Commerce

Contact John Tait of the Wellington office if you are interested in attending any of the seminars.

Board composition key in driving organisation's mission

The makeup of a not-for-profit organisation's board can determine the governing body's ability to establish the direction necessary, to accomplish long-range organisational goals and to deal effectively with policy issues.

The board really has to believe in the strategic mission of the organisation and be philosophically aligned with its goals. An organisation's board should reflect a skill set integral to accomplishing those goals.

Tapping into board members with specialist skills in areas such as advertising and public relations, or those with information technology know-how are other approaches.

Members with expertise in diverse disciplines, can act as an extension of an organisation's senior management team and, when necessary, even lend operational support on a day-to-day basis.

It is about having folks at the board level who can supplement the skill sets of the senior management team and provide a liaison back to the board.

Tax & Charities

With the submission date now behind us, all charitable entities are waiting in heated anticipation of the outcome from the controversial discussion document.

The suggested changes to the current tax treatment of charitable entities within New Zealand prompted a large response from the community. By the submission deadline of 31 August, Inland Revenue was swamped with over 1,000 submissions from concerned taxpayers and agents.

The main issues proposed in the discussion document were:

- Changing the current definition of a "charitable purpose"
- Increased reporting requirements for charities
- Taxing the trading arm of charities
- Removing the fringe benefit tax (FBT) exemption.

We conducted an informal survey with our client's who were impacted by the proposals in the document. The results were not surprising. All were against any suggested changes, as these would increase administrative and compliance costs, leaving less money available to be applied towards their charitable purpose.

The main concerns voiced by our clients were the proposed taxing of the trading activities and the costs associated with the suggested reporting requirements. A staggering 94% of respondents were strongly opposed to the taxing of surpluses generated from trading activities.

With the bill scheduled to be introduced prior to Christmas, all eyes are looking at the Government in anticipation of what legislation is passed. However, if the proposed changes are implemented it would surely be political suicide!

To view Grant Thornton's submission, visit www.grantthornton.co.nz

Tips for improving cashflow

Successful businesses are focussing on improving cashflow by implementing both strategic and tactical solutions.

Well managed cashflow will be one of the key differentiators between those businesses that are able to grow stronger in the current environment and those that will struggle. Fortunately, there are ways to improve cashflow that are relatively simple to implement:

- **Bill faster, bill correctly**
Aggressively managing accounts receivables has an immediate and positive impact. This course of action not only includes heightened follow-up on late payments, but also identifies inefficiencies in your billing and collections processes, such as reducing the number of invoices sent with errors.
- **Pay judiciously**
Work with your suppliers to arrange appropriate payment terms. Evaluate vendor discounts carefully. It may or may not be advantageous to take advantage of early payment discounts based on your specific circumstances.
- **Find savings**
This can mean simply reducing expenditures wherever possible, such as supplies, travel, entertainment and the like.
- **Evaluate customers**
Now is a good time to review your credit standards and your customers' ability to meet them. You may choose to make special arrangements with key clients, but it is best to make these decisions methodically.
- **Control costs**
Evaluate all new requests for expenditures against company goals and objectives. But, keep in mind the importance of growth and positive employee morale.
- **Review debt and financing arrangements**
While banks may have tightened credit requirements, interest rates are quite low. It can be tempting to purchase capital assets with lines of credit. But aligning financing with asset life will help you avoid a cashflow crisis in the future.
- **Create a cashflow modelling system and use it**
Creating or updating your current model provides insight into opportunities for additional efficiencies. And once developed, it should be actively watched and managed. Watch major items such as age of receivables so you can enforce collection responsibility; capital expenditures so you can define what is critical today; and inventory purchases and manufacturing scheduling so you can closely manage inventory turns and levels.
- **Consider outsourcing options**
It is often easier to start by evaluating non-core activities such as collections or logistics, that could be accomplished more cost effectively by a vendor. But many companies have also outsourced portions of their core processes, such as research, design, manufacturing operations or warehousing, to improve cash flow and efficiencies.

Editors

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