

# Noble News

News & Information from Noble & Associates

3rd Quarter 2006



## Noble & Associates

ACCOUNTANTS & BUSINESS ADVISORS  
ABN 74 202 576 199

## Valuing your business

**A**ccording to the latest research, nearly half of entrepreneurs planning to sell their business are unaware of how much it is worth. The problem is particularly marked for the smallest businesses, with only 37% having a clear idea of the sale value of their assets.

Perhaps these figures should not be surprising. It could be said that valuing a business is as much an art as a science. There is no precise formula that applies to all businesses in all sectors, nor even to all businesses within a sector. Instead, an accurate valuation will depend on consideration of a number of factors. These include:

- **The size of the business** – larger firms tend to be viewed as less risky and so attract a higher price, even if they are less efficient than smaller competitors.
- **The prospects for future growth** – buyers sometimes pay more for businesses with high growth rates because they repay the investment more quickly. You might consider selling before turnover and profits level out.
- **Diversification** – if you have a wide 'business mix' it can affect the sale price, since buyers may only be interested in one area or market.

- **Customer base** – the size of your customer base is important, but so is the quality of your customers and the cross-selling opportunities.
- **Profitability** – although generally the higher the profits, the higher the value, some buyers might prefer a business with areas in which large efficiency savings can be made.
- **Cashflow and financial management** – the size and certainty of cashflow, and the strength of the balance sheet and financial management are all vital factors.

While you will obviously not wish to undervalue your business, it is also important not to overvalue it. An inflated asking price will dissuade buyers, or make them think you are not serious about selling.

Ultimately, the value of your business will be determined by the laws of supply and demand. If there are plenty of willing buyers for your type of business and few sellers, you will get a good price, and if you can allow buyers to set a price through competitive bidding, so much the better.

**While a business is only ever worth what a prospective buyer is prepared to pay for it, there are steps you can take to increase the value of your business, and ways to make a reasonable estimate of that value. Call us to discuss your particular circumstances.**

### HELPING YOU AND YOUR BUSINESS TO STAY AHEAD

We can help you make the most of your wealth and your business. Call us to discuss:

- Valuing your business and preparing it for sale
- Keeping business taxes and overheads to a minimum
- Developing a plan for tax-efficient profit extraction
- Strategies to improve your bottom line
- Reducing the tax on your estate
- Choosing the right business structure.

### Noble & Associates

LEVEL 1,  
52 DAVIDSON TCE  
JOONDALUP WA 6027

•  
TEL (08) 9400 7400

•  
FAX (08) 9400 7444

•  
E-MAIL  
info@nobleaccounting.com.au

•  
WEBSITE  
www.nobleaccounting.com.au

•  
PARTNERS  
Andrew Noble  
Audrey Tooze

Accounting & Taxation,  
Self Managed Superannuation  
Funds,  
Budgets & Business Plans,  
Rental Property & Property  
Development Specialists

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# Change of view for home-based work

**H**ome-based work (also known as telecommuting) is providing benefits to both employers and employees. It involves staff working away from the workplace on a part-time, full-time, temporary or permanent basis. In the past telecommuting has usually been embraced by larger organisations. However, developments in new, low cost technology is allowing small companies to adopt this modern approach to work.

## What are the benefits?

Benefits of increased flexibility and productivity from home-based work are attractive to both employers and employees.

Recent studies locally and overseas indicate that employers benefit from substantial increases in productivity. Reasons for productivity increases include reduced time socialising, increased concentration due to less noise and fewer interruptions, reduced absenteeism and enhanced job satisfaction. Financial benefits to employers include monetary savings on office space and equipment, savings on recruitment and training, and the retention of valued staff members who may otherwise leave the organisation.

The main benefit for employees of a home-based work arrangement is the flexible working hours. Employees who have family commitments and other interests are able to combine these with work responsibilities. Other benefits include savings in travel costs and commuting time, and greater control over the scheduling of work hours.

## Where to start

Careful planning and consultation is needed to maximise the benefits to employers and employees, and to avoid the potential pitfalls of home-based work. Feelings of employee isolation must be addressed, and care taken to ensure well-defined career paths for the home-based worker.

A useful starting point in the implementation process is to establish a clear company policy in relation to home based work. The policy ideally will address issues such as:

- the purchase and installation of any special equipment, such as a computer terminal, printer, furniture, fax or modem/broadband connection;
- when the employee will be required to attend the work site;
- security of company data;
- security and insurance of work-related equipment and materials;
- procedures for the reimbursement of work-related expenses such as electricity and phone;
- risk management and OH&S;
- expected outcomes and review of the arrangement; and
- conditions and procedures for ending/renegotiating the agreement.

Open communication is an essential part of any home-based work program. Expectations and required outcomes/outputs need to be clearly understood. It is important for home-based workers and managers to meet at regular intervals to discuss and evaluate the progress of the arrangement as well as general information-sharing.

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# Protecting your business name

**O**wners of new and existing businesses often put a lot of energy into naming their enterprise. But before deciding on a name there are two things you should determine:

- Are you free to use the name?
- How are you going to protect it?

## Are you free to use the name?

Step one. Check that your business name does not infringe the existing trade mark or other intellectual property rights of other businesses.

To determine that you are free to use a name, you can hire an intellectual property attorney or search the online trade mark database on the website of the Intellectual Property Australia ([www.ipaustralia.gov.au](http://www.ipaustralia.gov.au)). Searching the database will show you if anyone else has registered your proposed name as a trade mark, or has a trade mark that is very similar to yours.

In Australia it is possible for a business to have established a reputation for its trade mark, even if the trade mark is not registered. This gives rise to common law rights in an unregistered trade mark. Therefore you need to check the marketplace for both unregistered identical and similar trade marks. This may involve searches of the internet, business directories and phone books.

Legal rights to unregistered trade marks are determined by a number of factors, including length of operation, scope of your brand, and public recognition. Protection of these rights can be

complicated and involve a significant cost to protect if the decision to determine who owns the legal rights is made by the court.

If you are considering exporting you also need to consider potential conflicts in countries you may wish to export to.

## How are you going to protect your name?

Some businesses spend years and thousands of dollars building up their good name, yet fail to protect this important asset.

The safest way to protect your name is to register it as a trade mark. A registered trade mark gives you a clear legal right to exclusive use of that name throughout Australia.

In addition, trade marks don't just protect your name. Trademarks exist to protect logos, colours, sounds, smells – or any combination of these.

## Forming a company doesn't protect your business name

Contrary to popular belief, incorporating a company under a particular name does not give exclusive rights to use the name for branding. Nor does a company name prevent others from using that name as a trade mark.

When the Australian Securities and Investment Commission (ASIC) receives an application for the incorporation of a new company, it compares the proposed company name with existing names on the Companies Office register. If the names are identical or very similar ASIC will not register the name. However, they may register names that are quite similar resulting in little or no protection for you or your business.



# Cashflow – should you be worried?

## 20 signs that your business could be facing cashflow problems

In times of economic uncertainty, cash is undoubtedly king. To help you focus on your cashflow and profitability we have prepared this checklist. Simply answer 'yes' or 'no' to say whether each statement is true for your business. If you have more 'no' answers than you are comfortable with, you may be facing cashflow problems. Call us to discuss an action plan.

	Yes	No
When we receive a job, we know we can complete it and be paid on our terms		
We send a bill as soon as we complete a job		
Invoicing documents are accurate, complete and clear		
Our credit procedures alert us to problem customers so that we can follow up on outstanding accounts		
We monitor and enforce our credit terms and obtain deposits from 'doubtful' payers		
We finance capital expenditure in the most cost-effective manner		
Our pricing reflects time spent on jobs and covers associated risks		
Employees understand the importance of the business's cashflow		
We complete work efficiently		
We catch mistakes before they reach customers		
Mistakes cause us to improve processes		
We keep a close eye on budgets throughout the year		
We determine the viability of outsourcing work		
Adequate controls are in place to control employee overtime		
We are effective in negotiating materials and supplies contracts.		
We forecast cashflow monthly and base our financial arrangements on our projections		
Our bank is our partner and understands our business and its financial needs		
We always see that work is done by the least expensive, capable employee		
We link staff pay to productivity and company profits		
Our standard operating procedures are written down and everyone follows them		

## Cashflow projecting: Getting started

A simple system can be set up by creating a spreadsheet to track cash flowing in and out. A more sophisticated analysis might include monthly cash projections for the next 12 to 18 months.

First, forecast your operations on a monthly basis for the required period. You can project the cash receivable based on sales and the collection process. Direct costs will be directly related to sales and stock levels. Finally, payments to suppliers and expenses need to be taken into account, based on the payment due dates.

Once you've projected your cashflow based on this forecasted data, you can budget for capital expenditures, unusual sources of cash or other factors that might affect cashflow.

A cashflow forecast can help you manage debt more effectively, maximise your return on excess cash and ensure that funds are available when they're most needed. We have experience in helping clients build and manage their cash flow.

Do contact us to discuss how we can help your business.



## WORK ISSUES

### A smoking policy

**The laws on smoking in public places are becoming ever more stringent. Several countries have implemented a full ban on smoking in the workplace over the last decade and this trend is set to continue. How might this trend affect your business, and should you implement a new company policy on smoking?**

#### The debate

A key element of the debate is over the harmfulness of passive smoking. Under the current legislation employers must provide their staff with a healthy and safe working environment. With passive smoking increasingly (if controversially) viewed as contributory to ill-health, there is a real danger that employers could face compensation claims if they allow smoking in the workplace.

Many employers are therefore considering banning smoking altogether. However, before you decide upon this course, you should think carefully about how to proceed.

#### Introducing restrictions

If you impose a blanket ban on smoking in your workplace overnight, you may end up with some very disgruntled staff. It is wise to conduct a thorough consultation on your business's smoking policy with staff (both smokers and non-smokers), and to have a substantial notice period before introducing restrictions.

If you do not wish to completely alienate the smokers among your staff, or to send them outside the building for their cigarette breaks, one option is to have a designated smoking area. However, even here a balancing act is required. Non-smoking staff can become resentful if it is perceived that smokers are having preferential treatment with longer and more frequent breaks.

#### State your policy

Make sure that your staff handbook and terms of employment clearly state company policy on breaks and rest periods, as well as any areas where smoking is permitted. If any member of staff contravenes this policy, take disciplinary measures and ensure that you keep a written record of the dates of any warnings given, as this will be vital should a case ever come before the court.

Finally, if any member of your staff is in the process of trying to stop smoking, be aware that their withdrawal symptoms may make them irritable and contribute to substandard performance for a time. Again, try to be sympathetic, within reason, since any disciplinary measures that don't take these symptoms into account could cause problems if the employee appeals.

**It is always best policy to seek professional advice from your legal advisor.**

# Superannuation Guarantee Late Payment Offset

**The Government has made changes to the superannuation guarantee law providing some relief for employers from penalties. These concessions relate to cases where superannuation guarantee contributions are paid to the super fund shortly after the quarterly cut-off dates.**

Under the new law, which was effective from 1 January 2006, employers which make a contribution to a super fund for an employee which is late, but before the due date for lodgement of their Superannuation guarantee quarterly statement the employer can elect to have this contribution used to reduce the

amount of superannuation guarantee charge they have to pay that relates to that employee.

In addition, changes under the new law also provide for an extension in the due date for lodgement of the Superannuation guarantee quarterly statement. The new due date for lodgement has been extended by 14 days to the 28th day of the month after the cut-off date for payments to the super fund.

The Government has also made changes to ensure that the superannuation guarantee law compels employers to make super contributions on salary or

wages paid back to former employees in order to reduce liability to the superannuation guarantee charge.

If employers have paid back salary or wages to a former employee, they would also be required to make super contributions on that back pay. If they fail to make the required superannuation guarantee contributions, they will be subject to the superannuation guarantee charge.

**If you require more information, please contact our office.**

## WEB WATCH

### ESSENTIAL SITES FOR BUSINESS OWNERS

**Smokefree workplace news** [www.ashaust.org.au](http://www.ashaust.org.au)

Action on Smoking and Health.

**Insurance Council Australia** [www.ica.com.au](http://www.ica.com.au)

Like to know what you can expect from your insurer?

**Selling your Business** [www.business.gov.au](http://www.business.gov.au)

One of the most important business decisions you'll have to make.

## A Great Read

*The One Minute Sales Person*  
by Spencer Johnson (Harper Collins)  
Around \$11.00

For anyone interested in becoming a great sales person and for everyone who has ever had to sell an idea or themselves, whatever their career or profession. *The One Minute Sales Person* shows the quickest way to prosper personally and financially.

The practical One Minute methods are based on the fundamental belief that when the customer is satisfied, everyone is satisfied. This little book contains the secrets of self management, the integrity of selling and the seeming paradox of helping others to get what they want.

Highly recommended reading for new sales managers or business owners that need an occasional shot in the arm.

Business and personal planning need not be left until the end of the tax year – talk to us now about tax and financial strategies for you and your business.

We are sometimes asked if we are able to help additional clients. We are a growing firm and do appreciate your referrals. We consider it a compliment when you recommend us to your friends and business contacts.

## REMINDERS FOR YOUR DIARY

### July 2006

**01 Jul 06** Superannuation guarantee quarter 1 commences.

**14 Jul 06** PAYG withholding payers must issue payment summaries to payees RBL reportable benefits paid in June 2006 must be reported to the Tax Office.

**21 Jul 06** June 2006 monthly activity statements. Quarter 4 (April–June 2006) activity statements containing a monthly GST obligation.

**28 Jul 06** Last date for superannuation guarantee contributions to be made to a superannuation provider for quarter 4 (1 April–30 June) of the 2005–06 financial year.  
Quarter 4 (April – June 2006) activity statement.

### August 2006

**11 Aug 06** Quarter 4 (April–June 2006) activity statements.

**14 Aug 06** Final date for lodgment of the annual PAYG withholding payment summary. RBL reportable benefit paid in July 2006 must be reported to the Tax Office.

**21 Aug 06** July 2006 monthly activity statements.  
Final date for monthly GST reporters to elect to report GST annually.

**28 Aug 06** Due date for lodgment of a Superannuation guarantee charge statement – quarterly. The superannuation guarantee charge is not tax deductible.

### September 2006

**14 Sep 06** RBL reportable benefits paid in August 2006 must be reported to the Tax Office.

**21 Sep 06** August 2006 monthly activity statements.

