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'the personal touch'

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Become A Business Brain Surgeon

Are you working longer and taking home less than your staff? Are you working all hours of the day and night and still barely managing to keep your customers happy? Are you unable to delegate or outsource work to give you more time to work on your business? If the answer to any of these questions is yes, maybe its time you learnt what Brain Surgeons do.

Most business owners we talk to believe almost everything they do in their business, only they can do. They have learnt from experience if they give work to someone else, they mess it up. And then they spend twice as long fixing things. But this is not what Brain Surgeons do. When they operate on a patient, they are not in charge of the theatre- the theatre nurse is. They don't open up the patient, or close. They leave that to a junior surgeon. Everything is prepared for them, and someone else mops up the blood later. All they do is the brain surgery. And some marketing before hand (client needs), and afterwards (client satisfaction).

How is this possible?

Hospitals have very sophisticated systems, and everyone is highly trained in their use. There are checks and counter-checks. Nothing is left to chance. And the very expensive surgeon, the most highly trained person in the theatre, only does what he or she has been trained to do. They don't waste their time doing jobs others can do. In other words they don't spend dollar time on penny jobs. So the brain surgeon only does the brain surgery, and a bit of marketing.

This is, of course, a rather simplistic description of a brain surgeon's job. And I hasten to add an apology to any brain surgeons reading this if they feel insulted (after all, you never know I might need their services in the future- some might argue my need is immediate!) The point of this for business owners is to understand where the real brain surgery is in their business. The part of their job that is most valuable to the business. The part only they can do, which for most business owners, is only a very small part of their time.

Examples of brain surgery are: the marketing of your business, the relationships with your key customers, or if you are a consultant, the analysis of the problem you have been asked to solve. Not data entry, or possibly even data collection. And not the bookkeeping. So the challenge for business owners is to identify what part of their role is brain surgery. Theoretically, everything else can and should be delegated or outsourced. So you can spend more time on what generates your business income.

A great theory, but how can you make this happen in the real world?

Business Systems. When you delegate or outsource, you need to document what the person who is doing the work will receive and what they will return to you, complete with standards and the form in which they will provide it to you. Then all involved need training in the system. This takes some work, but for a small investment in your time, the dividends are huge.

The theatre nurse does not know how to do brain surgery, but they know before the operation, what equipment the surgeon will need, and when they will need it. They will also know how the theatre and patient are to be prepared. Detailed procedures will have been developed so everyone in the theatre will know their role, and the brain surgeon will have optimised his or her time doing what they have been specifically trained to do.

When you know where the brain surgery is in your business, you will be able to leverage your time. You will spend more time with your customers, and more time working ON your business, rather than IN it. Ultimately, you will have a business that runs without you.

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The greatest compliment we receive from our clients is the referral of their friends, family and small business colleagues. Thank you for your trust.

Need Finance For Your Business?

If you are looking for a business loan you need to be prepared like never before. 2009/2010 is forecast to be an extremely volatile year and the ongoing credit crunch means finance could be hard to get. Banks are putting loan applications under the microscope and your financial statements, including your Profit & Loss and Balance Sheet will be scrutinised.

It's vital that your financial statements are up to date and accurate to ensure a smooth application process.

You need to satisfy financiers that you have the capacity to service the loan. Accordingly, your loan application will need to support the fact that your business is profitable and may need to include cash flow and profitability projections. Small business owners often feel they can't predict future sales so how can you project a future profit and loss? Consult with us because we have some financial modelling tools that can produce best and worst case scenarios at the click of a button. Here are some tips to help you with your loan application.



- **Prepare a Budget:** Start with the 'Fixed' costs and business overheads. These are the costs that remain unchanged whether you sell anything or not. They include items such as rent, leases, rates and some administration costs. Drop these figures into a monthly spreadsheet (available from our office). Next, add the 'Variable' costs that fluctuate depending on the level of sales including labour and material costs. You should be able to project what will happen to these costs if sales increase or decrease and don't forget to factor in seasonal trends. It lets you build your budgeted Profit and Loss based on various assumptions.
- **Cashflow forecasts** are different to a budgeted Profit & Loss because it is based on actual money flowing in and out of the business. A projected Profit & Loss is based on sales and expenses which obviously don't instantaneously result in money coming in or going out (e.g. a sale or purchase on credit may not settle for months). The cash flow forecast needs to incorporate the timing of all the income, costs and overheads as well as movements in debtors, creditors, stock and capital expenditure. The cash flow forecast lets you project the likely cash position of the business at some future point - usually the end of each month. Peaks and troughs can then be managed by chasing debtors or delaying purchases and payments to suppliers. Some payments such as loan repayments can't be manipulated but capital equipment purchases can be deferred to minimise the impact on cash reserves. Most importantly, it can identify if and when the business might need an injection of funds.
- **Balance Sheet Projections** are a useful tool that illustrates to lenders that you are managing the business assets and liabilities including debtors, creditors, cash and stock.

Unfortunately GST and BAS compliance are major distractions but today's economic climate makes it even more important to plan and prepare if you are likely to need finance. Contact our office for help with the preparation of a budget or projected Profit & Loss and also talk to us about sourcing the right loan for your business.

Need A Tax Break?

The Australian Government announced an 'investment allowance' tax break in December 2008 aimed at helping businesses meet the challenges of the economic downturn. The Government then extended the 'Small Business and General Business Tax Break' in the May 2009 budget to allow small businesses (with a turnover of \$2m) to claim a 50% tax deduction on eligible assets bought by 31 December 2009.

The business tax break is an extra tax deduction available on new, tangible, depreciating assets plus improvements or additions you make to existing assets. It includes motor vehicles (conditions apply), plant & equipment plus computers but excludes software, land and trading stock. The tax break is temporary and deadlines apply so you must buy and use or install the asset within a set timeframe.

The rate of the extra tax deduction depends on the annual turnover of your business. The minimum amount you need to spend also depends on the annual turnover of your business. If your business (and any businesses you are connected with) turns over less than \$2 million a year, you may be able to claim the additional 50% tax deduction. You will also need to spend a minimum of \$1,000 on an eligible asset. If your business turns over \$2 million or more a year, you may be able to claim a 30% or 10% additional tax deduction. You will also need to spend a minimum of \$10,000 on an eligible asset.

To qualify for the 50% tax break, you must:

- be a small business with an annual turnover of less than \$2 million
- buy an eligible asset between 13 December 2008 and 31 December 2009
- meet the \$1,000 minimum threshold (exclusive of GST)
- use or install or improve the asset by 31 December 2010
- use the asset principally in Australia and principally for business, and
- be eligible for a depreciation deduction under section 40-25 of the ITAA (1997)



Please consult with us regarding your eligibility for the tax break and if you plan to finance the asset purchase please talk to us regarding the finance options before you commit to the purchase.

IMPORTANT DISCLAIMER: This newsletter is issued as a guide to clients and for their private information. This newsletter does not constitute advice. Clients should not act solely on the basis of the material contained in this newsletter. Items herein are general comments only and do not convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of these areas.