

# BusinessPlus+ Newsletter



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## Issue – September 2020

### JobKeeper Extension – New rules now released

#### Overview

The JobKeeper Payment, which was originally due to end on 27 September 2020, will now continue to be available to eligible businesses (including the self-employed) and not-for-profits until 28 March 2021.

The payment rate of \$1,500 per fortnight for eligible employees and business participants will be reduced and lower payment rates will apply for employees and business participants that worked fewer than 80 hours during the reference period.

Two periods of extension of have been introduced:

- 28 September 2020 to 3 January 2021 (Period One), and
- 4 January 2021 to 28 March 2021 (Period Two).

The JobKeeper scheme **will remain open to new participants, provided they meet the eligibility requirements** for the relevant period.

#### Key Points

- Must use the accounting basis used for GST reporting purposes
- No modification to actual GST turnover allowed for income from sale of capital assets, bad debts or discounts
- Tests for the extension period applied on a quarterly basis
- For the higher rate, eligible business participants to use the month of February as reference period while eligible employees determined on either the period ended 1 March 2020 or 1 July 2020 (whichever is higher)
- Lodge outstanding business activity statements to prevent delays.

## Decline in Turnover Test

To continue to be eligible for the JobKeeper Payment after 27 September 2020, businesses and not-for-profits will be required to reassess their eligibility and meet a further decline in turnover test for each of the two periods of extension, as well as meeting the other existing eligibility requirements for the JobKeeper Payment.

Businesses and not-for-profits will need to use actual GST turnover to calculate their decline in turnover.

For many businesses, this will match the GST-exclusive 'total sales' amount reported at G1.

ATO guidance on the application of the actual decline in turnover test turnover test states:

- it must be done for specific quarters only
- you must use actual sales made in the relevant quarter, not projected sales, when working out your GST turnover
- you must allocate sales to the relevant quarter in the same way you would report those sales to a particular business activity statement if you were registered for GST.

A more comprehensive bulletin on the |JobKeeper extension rules can be access [HERE](#).

## The 4 Forces Model

Like an aeroplane in flight, every business owner(s) and their business face four constant forces: -

**Drag** (*fear*),  
**Lift** (*opportunities*),  
**Thrust** (*courage*) and  
**Gravity** (*problems*).

# The 4 Forces Model



Let us look at how each of these factors can hinder or improve business improvement strategies that can be classified as either growth, improvement, analysis or agony. **Let's see what can be done to stop destabilising activities and focus more on taking positive action steps in the *Lift* and *Thrust* areas of the business.**

**Growth** (effort and energy required from Owner/Business Manager) *stems from opportunities and courage*.

o **STOP:** *What is dangerous or a distraction to you achieving your business core purpose?*

o **ACTION:** *What should you focus on now and what % of your time? What will be your business focus (always linked to differentiated customer capabilities that your business has or will create) in each quarter and what % of time will you apply to it?*

**Improvement** *arises from courage paired with problems*.

o **STOP:** *What is low impact and/or can be ignored?*

o **ACTION:** *What adds real early value to the business?*

**Analysis** *comes from opportunities and fear*.

o **STOP:** *What is not relevant to your business right now?*

o **ACTION:** *What are you overthinking and how can you and business team be more decisive?*

**Agony** (Operational stuff & Risk Management) *arises when fear and problems take over*.

Getting stuck here does not help you; you need to pull the pin and move on. Many business owners spend more than 50% of their energy on agony type matters - leading to no positive business improvements.

o **STOP:** *What is just noise (and can be simply out of your control anyway) or can be ignored?*

o **ACTION:** *What really needs to be dealt with that will make a powerful difference for the business?*

A recent McKinsey survey showed that the three biggest factors impacting on a business's ability to change quickly, were **Organisational Silos** (a lack of cross-functional collaboration) **Slow Decision-Making** and a **Lack of Strategic Clarity**. For a copy of the full McKinsey article on this topic – "*The need for speed in the post-COVID-19 era— and how to achieve it*" – please click on the link [HERE](#).

In addition, a **SWOT** (*Strengths, Weaknesses, Opportunities & Threats*) **Analysis** of your business can be a useful exercise to undertake with key members of your business team. A SWOT Analysis template can be accessed at the link [HERE](#).

Also, the following useful one-page resources are available to assist you capture your thinking on:

- **Business Model** – at link [HERE](#)
- **Business Value Proposition** – at link [HERE](#)
- **Business Vision Statement** – at link [HERE](#)

*For assistance with any of these tools and other business improvement strategies, please contact Lyall Bear - our business advisory consultant.*

## Exiting your Business

There are a range of methods for exiting your business. These are selling your business, merging with another business, passing it on to family members or key staff, liquidating the business or closing the doors.

For some business owners, the best option is closing the doors, selling the business assets, paying off outstanding debts, and retaining any surplus cash. This may be the case where: -

- the owner no longer wants to run the business and where without the owner, there is no business
- the business is not making enough money to keep going and there is no one to sell the business to or pass it onto
- the owner wants to get out of a business quickly and there is little goodwill
- the lease on the business premises is expiring and a suitable alternative is not available
- there is no one interested in buying the business.

We have a checklist that sets out the options and actions business owners should consider taking to move on from their business - on their terms. **To access the complete "Closing your Business in Australia Checklist"** - please click on the link [HERE](#).

We also have a "Guide to Exiting your Business" that can be accessed [HERE](#).

## Surviving in difficult times is our theme for this September 2020 Newsletter

Small businesses and medium-sized enterprises are experiencing very different and challenging conditions all over Australia. Obviously, some are in a worse predicament than others – primarily SME operators in Victoria, but in other States there are also significant problems that have been caused by COVID-19 Coronavirus. Business survival is just not one thing; it does require a business to review a whole range of activities and make small changes or introduce staff training or leadership development activities to improve responses to customers, monitor suppliers, supply the information that the Federal government requires for a continuation of payments such as JobKeeper and an awareness of government grants that have been offered by the Australian, State and Territory governments for which your business might be eligible to apply.

***If you require any input from us on the financial, business, corporate governance matters, business plan, budget, cashflow forecasts, funding or business reconstruction, please do not hesitate to contact us.***

## SME Business Fitness Review

Some of the activities that could be conducted to assist you to guide your business to survive these difficult times, include:

- Review costs – can any of the costs of your business be reduced or eliminated?
- Review labour productivity.
- Review shrinkage/waste control in your business.
- Review management of cashflow – are your invoices being processed promptly and emailed to your customers?
- What are your debtors' days outstanding? – If you are still producing debtors' statements, are they being promptly emailed to your customers in the first couple of days of the next month?
- What is the investment in Stock/Inventory within your business? Do you need to reduce this?
- Are your financial accounts up to date on a regular basis so you can get early feedback on performance or adverse trends in the business operations?
- Are you preparing Key Performance Indicators on all business operational areas within your business?
- Can you review your "unique selling proposition" – are there changes that you can make to improve this?
- What is happening in your industry? Can you write down the positive items and determine whether your business is fully prepared, based on what is happening within your industry?
- In difficult times, it is best to stick with your core business competencies. Have you prepared a Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis on your business?
- You may have some people, or most of your people, working at home at present. Are you conducting a daily "huddle" via Zoom to get input from people on the business issues that they are encountering in their dealings with customers and suppliers?

We have some useful resources for business owners that can be of further assistance around this topic, including:

- *"Improving your Business Performance Guide & Checklists + Case Study"* – click the link to access [HERE](#).
- *"After the Crisis – Three actions to Reset Costs and Reshape the Business for Growth"* – click the link [HERE](#).

## Cost Review

You could undertake an analysis of the cost information for your business. Has there been any changes in the "prime cost" of the key items that you must purchase for your business – for example, cost reductions because of exchange rate gains on imported components or goods? Is there any opportunity of purchasing supplies from alternative suppliers to ensure supply chain continuity and perhaps more competitive tendering?

## Charge Out Rates

We are well into the first quarter of a new financial year and there are going to be significant changes in the operation of the JobKeeper Program in a few weeks' time. Now is an opportunity to review the basis for charge out rates, team member productivity, markup on material purchases and your overhead costs, if you are operating a trade business or manufacturing business. A change in any of these items can have a significant impact on the profit for the year.

***If you would like some assistance in reviewing your charge out rates, please contact us.***

## Retail Pricing

Some businesses in Australia are having extreme problems in making any sales at present because of lockdowns and government restrictions. Hopefully, a significant number of these restrictions and obstacles, relate to businesses being able to operate, which will be removed in the coming weeks.

For those businesses, now is an opportunity to undertake a review of your position in respect to retail pricing, so that, when business activities can recommence on something akin to normal conditions, you will be able to operate more effectively. If you are located in other parts of Australia, where retail sales are able to be conducted, now is the opportunity to undertake a review of your retail operations to assist you to get your pricing, in conjunction with the product/sales mix for your business and your labour and business overhead costs, into a position to ensure that your business will be able to operate more efficiently.

***We can assist you with the establishment of a system to coordinate retail pricing, product/sales mix, overhead costs to assist in planning to achieve your targeted profit. Please speak to Lyall Bear, our business advisory consultant.***

## Team Members

Some of your team members will have high anxiety levels at present about their jobs and where your business is headed. This is a very challenging time for all of us.

Communication is one of the key aspects of maintaining team morale, especially if you have team members working from home. Many businesses have instigated the concept of a daily meeting with team members directly responsible for a business unit, with the meeting being conducted by Zoom or Skype, so that the leader can see that people are up and about and encourage input from the team members on the feedback that they're obtaining from customers and suppliers that relate to your business operations. Some businesses are conducting longer business review meetings, again using Zoom or Skype, to enable full participation in these discussions.

## Wastage/Defects and Reworks

Have you consulted your team on suggestions on how to reduce wastage, defects and reworks? Waste is defined as anything within the process, people or structure that is wasteful, including space, time, parts, people's potential and rework. Management needs to observe what is happening on the workshop floor, office, operating theatre, retail shop, farm or any other business environment to get a full understanding of the potential for waste reduction.

The cost of waste goes right to the bottom line. Why not raise the subject of "waste reduction" in your next team huddle?

## "5s" System can help

Many businesses have established procedures and practices with a view to reducing wastage in their business by utilising the "5S" system. **The "5S" system is a structured systematic approach to housekeeping and a cornerstone of any world-class manufacturing operation which includes the following steps:**

- Sort – sorting and removing unnecessary items.
- Set in order – a place for everything and everything in its place.
- Shine – cleaning the work area.
- Standards – establishing the rules and standards.
- Sustain – maintaining the standards in a disciplined way.



## Budgets, Cashflow Forecasts and Projected Balance Sheets

There is certainly a lot of uncertainty at present in the Australian economy because of the problems caused by COVID-19. What can you do about it in your business? One of the key series of planning documentation that you can prepare for your business is taking some quality time to think through what is likely to occur in your business over the next 2 years.

Discuss with your leadership team the likely scenarios for your business and prepare some information for Budgets and contact us with the documentation of the various scenarios into Budgets so that you can review these forecasts to decide whether you can "live with them". The decisions that you have made in the Budgets can then be reflected into your Cashflow Forecasts. You need to be realistic in the development of your Cashflow Forecast to record your potential investment in debtors which is likely to increase because of the difficult business conditions and you will need to analyse how much money you need to tie up in Stock and Work in Progress for your business to operate.

Does the Cashflow Forecast indicate that you can continue to trade with or without JobKeeper support which, the government has indicated, will be extended on a modified basis to 31st March 2021?

If the Cashflow Forecast indicates that there is going to be a requirement to have an injection of external funding into your business, from where are you going to try to get that money?

Unfortunately, many financial commentators believe that it is going to be very difficult for small businesses and medium-sized enterprises to be able to raise loan funds from banks, from October onwards.

If your bank is going to be unresponsive to your approaches for additional financial support to whom can you turn?

You could consider seeking to raise capital as a Crowd Sourced Funding Equity Raising company if your turnover is under \$25 million per annum and annual gross assets are valued at less than \$25 million.

Now is the time for thinking about these items so that they can be reflected within your forward planning and then documented in your business Budgets and Cashflow Forecasts.

The planning process is completed by the preparation of a Projected Balance Sheet, which is an attempt to project what your Balance Sheet will look like at the end of the time period that you are considering, which we are suggesting should cover the next 2-3 years.

***If you would like to discuss with us any aspect of your forward planning, please don't hesitate to contact your CBSW director or accountant at the office. Lyall Bear can very quickly produce a forward projection for your business for a start and then "Stress Test" by applying certain assumptions to your key business drivers of profit and cashflow.***

## **Insolvency relief extended until the End of the Year**

The Australian government has extended the insolvent trading relief initiative, introduced as part of the COVID-19 Coronavirus strategies, until the end of the year in a bid to prevent further job losses and avoid another massive hit to the economy.

This decision enables the increased thresholds, at which creditors can issue a demand on a company and/or initiate bankruptcy proceedings, to be extended until 31st December 2020.

Relief for directors from personal liability when a company is trading whilst insolvent will also be maintained until 31st December 2020.

It has been reported that voluntary administrations across Australia have fallen 60% as compared to the same time last year due to the temporary insolvency protections that the government has introduced.

***If you would like to clarify what these rules mean to your business, please do not hesitate to contact your CBSW accountant or director with whom you normally deal.***

## **Research and Development Activities**

Have you been involved in research and development activities? Have you registered your research and development activities for the most recent financial year with AusIndustry? This registration was originally required by 30th April 2020, but the government extended the registration date to 30th September 2020. ***If you need assistance with the preparation of the research and development registration (which is required each year if you are undertaking activities that you wish to claim under the Research and Development Incentive Offset), please contact us urgently.***

## **Intellectual Property Development can be a benefit in difficult times**

Perhaps you have been one of the many small business operators who have been using the work from home requirements over the last 6 months to think about your business and start the process of developing some new products, processes or services. This is basic research and development which could lead to bigger and better things.

In a recent webinar Terry Hurlock, Founder of Invention Pathways Pty Ltd ([www.inventionpathways.com.au](http://www.inventionpathways.com.au)) made the following comments which could be applicable to your business:

*"There is no doubt that the recent lock-up for most of the world will bring to the fore, in some people's minds, the thoughts of solving immediate problems they face.... Even in our office we have seen innovative thinking by clients who have provided some innovative and inventive thinking on sanitising rooms and shopping trolleys during the focus on sanitation".*

*"It is a factor during periods of economic downturn we see a bigger number of inventions arrive at our inbox and what is happening now is a phenomenon that we have seen before... "*

*"We think that a period of lack of usual activity drives individuals to see if there is any value in the idea they thought of some time ago".*

*"The basis of invention is the solving of problems that inventors are faced with in their daily work or lifestyle. COVID-19 has brought about thinking along the lines of solving problems that we did not have prior to this epidemic".*

## **Private Companies can raise capital to solve funding problems**

The difficult economic circumstances currently prevailing in Australia and indeed the whole World, have really brought Crowd Sourced Funding Equity Raising to the fore in discussions relating to how are businesses going to access funding once the special support programs (JobKeeper/JobSeeker) from the Australian government and the insolvency relief that has recently been extended to 31st December 2020, has been terminated.

There are opportunities for small businesses and medium-sized enterprises to be able to raise up to \$5 million in a 12-month period from the public as a Crowd Sourced Funding Equity Raising company which is available to virtually any private company in Australia. The company does not have to have any special status, nor does it have to be registered on the Australian Stock Exchange.

Since Crowd Sourced Funding Equity Raising commenced in Australia about 2 years ago, the number of companies utilising this funding tool to raise capital has slowly increased each month. There is an expectation in the marketplace that there will be a significant increase in the number of companies wishing to utilise Crowd Sourced Funding Equity Raising from 1st October onwards.

**The real benefit for company directors looking at the fund-raising landscape at present is that, if you use Crowd Sourced Funding Equity Raising to raise the funds as your business requires, there is:**

- No security required.
- No personal guarantees required.
- No monthly repayment of principal and interest required.

***Should you want to know more about the use of Crowd Sourced Funding Equity Raising, why not make an appointment with your CBSW director and they will be able to give you an overview and an introduction to a Crowd Sourced Funding Intermediary.***

## **Industry Capability Network can help many Businesses**

The Industry Capability Network (ICN) is a business network that introduces Australian and New Zealand companies to projects both large and small.

ICN is an independent organisation, financially supported by Australian, State and Territory governments and the New Zealand government. Since starting more than 30 years ago, ICN has been helping find the suppliers and service providers who are best equipped to meet the requirements of thousands of projects across Australia and New Zealand. ICN works with local suppliers and project managers to help save valuable time and money in the procurement process. ICN also helps to secure billions of dollars in contracts and jobs that may otherwise have gone overseas.

ICN will put major project developers in contact with the best suppliers. If you're a supplier, ICN will connect supplies with the best projects planned and already underway across Australia and New Zealand – and around the World.

You can find out more information at [www.icn.org.au](http://www.icn.org.au).

## Capability Statements

Many businesses are finding that it is very important for them to produce a Capability Statement which they can place onto their website and be able to send to potential new customers to alert them to the capabilities of their business.

A Capability Statement is a tool that will assist you to promote your business and, in lots of ways, is an enhanced business card.

A Capability Statement assists:

- In identifying the points of differentiation in your business – the differentiation from your competitors.
- You can outline your clearly defined competitive advantage.
- You can identify your unique selling proposition to articulate your company's competitive advantage.
- Part of the process is to conduct a competitors' SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis.
- You can identify the important services that you supply to your customers.
- The research for the development of the Capability Statement assists in the development of the value proposition for your business.

A "**Quick Guide to What is a Capability Statement**" can be found at the link [HERE](#).

## Exporting?

Did you promote export activities during 2019/20? If so, you could be eligible to apply for the Export Market Development Grant to recoup costs that you have incurred to develop export markets. The Export Market Development Grant application for 2019/20 must be lodged with Austrade by 30th November 2020. If you would like our assistance in the preparation of this application, please contact our office.

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