

KNOW HOW

YOUR 2016
FINANCIAL NEW
YEAR RESOLUTIONS

Pg 2



TIME
SAVING
XERO TIPS

Pg 2



HOW TO SPOT
THE SEEDS OF
BUSINESS FAILURE

Pg 3



JANUARY 2016 ISSUE



CONTENTS

- ▶ YOUR 2016 FINANCIAL NEW YEAR RESOLUTIONS
- ▶ TIME SAVING TIPS
- ▶ HOW TO SPOT THE SEEDS OF BUSINESS FAILURE
- ▶ DO YOU KNOW HOW MUCH YOUR CARD TRANSACTION IS COSTING?

Welcome to our first newsletter of the New Year. We hope you had a wonderful holiday season and had time to have a break from day to day activities.

The purpose of this newsletter is to share business updates and news.

If you would like more information on the issues discussed, or would like to share your views, please get in touch. We'd love to hear from you.



adam.davy@bdo.co.nz

Yours sincerely,



ADAM DAVY
Head of Advisory BDO New Zealand

Connect with us



www.bdo.co.nz
editor@bdo.co.nz



YOUR 2016 FINANCIAL NEW YEAR RESOLUTIONS

Making a promise to do an act of self-improvement, beginning from New Year's Day is a tradition that has origins dating as far back as ancient Roman times.

In the 21st century it is estimated as many as 40% of adults form a New Year's resolution. The most popular resolutions centre on improvement to: physical, mental, and financial well-being.

Here is a selection of resolutions that may help you achieve your business' financial goals for 2016:

- ▶ Utilise cloud accounting software to minimise manual data entry and improve connectivity with your accountant
- ▶ Set a budget and cashflow forecast for the 2016/17 year for your business to help identify early any potential cashflow issues
- ▶ If saving for your provisional tax bill is a headache, consider setting up a dedicated savings account and transfer funds there at least monthly. Alternatively you could explore tax financing options (your BDO adviser can provide further information)
- ▶ Monitor monthly key financial metrics that drive your business performance, perhaps by using a tool such as CrunchBoards (www.crunchboards.com), and in conjunction with your BDO adviser use this information to make high impact, timely decisions
- ▶ Engage (and pay for) professional advice before making business decisions that may include legal, HR, IT, and engineering facets. Good advice at the outset is worth its weight in gold

In order for your resolutions to be successful, they should be realistic and regularly referred to. You could also share them with your significant other, business partner(s), or your local BDO adviser - we'd love to hear from you in January 2016 and be part of your journey to financial well-being!

TIME SAVING XERO TIPS

If your business is using Xero, be sure to check out our top five time saving tips below to find out how you can streamline your accounting process.

1. Use Xero's inbuilt calculator

- ▶ When entering figures into journals, invoices or bills simply type in any calculation straight into the amount box. If adding up amounts to invoice a customer, simply add all the figures in the amount column e.g. \$1,588.97+\$712.23+\$98.70.

2. Set up bank rules to speed up reconciling your bank

- ▶ By setting up bank rules, Xero will auto create transactions to reconcile the amounts on your bank statements. In the reconciliation tab, click 'Manage Account' then 'Bank Rules'. For example, to set up a bank rule to split bank fees between two departments, use the reference "bank fees" and Xero will automatically create a transaction to split the amount as specified between department codes. For more info visit https://help.xero.com/BankAccounts_Details_BankRules.

3. Set up invoice reminders to automatically remind clients of overdue invoices

- ▶ Use Xero's automatic invoice reminders to send out emails to clients whose overdue invoices exceed a specified number of days. This takes out the hassle of following up overdue invoices manually. For more info on setting up invoice reminders visit <https://help.xero.com/nz/InvoiceRemindersGetStarted>.

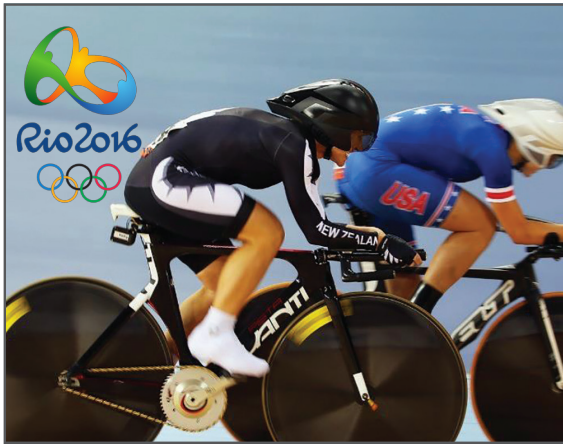
4. Use repeating invoices

- ▶ If you have regular invoices to send to customers, set up repeating invoices so that the invoices are automatically created according to the time period specified. If the amounts may vary from time to time, set them up to 'Save as Draft' and you can edit them before they are approved. For more info on setting up repeating invoices visit https://help.xero.com/nz/Accounts_RepeatingInvoice.

5. Split payments from customers to more than one invoice

- ▶ If you have received an amount from a customer relating to more than one invoice, use the "find and match" feature in the bank reconciliation screen to split the payment. This ensure that the correct invoices are recorded as being paid. For more info on splitting payment to multiple invoices visit <https://help.xero.com/nz/BankAccounts-Reconciliation-Multi>.

For assistance or further info, please contact your local BDO office.



BACKING PARALYMPIAN FIONA SOUTHERN ON HER MEDAL QUEST FOR RIO 2016

BDO is proud to support Fiona Southern, London 2012 Paralympics bronze medallist. Fiona has been a strong ambassador to BDO and has ridden for BDO in the 4 day

BDO Tour of Northland and 7 day BDO Wellington to Auckland Cycle Challenge.

Fiona has now qualified for the Duathlon World Championships in Adelaide in October and is in a strong position to qualify for the Paralympics in Rio de Janeiro in 2016. Please join BDO in backing Fiona to get there by donating to Fiona's

givealittle page:

<https://givealittle.co.nz/cause/helpfionatorio>



HOW TO SPOT THE SEEDS OF BUSINESS FAILURE

Article by Aaron Titter BDO Wellington Partner, recently published on stuff.co.nz

Q: I've had my business for four years. Revenue grew steadily for the first few years but has fallen more or less flat for the past year or so. There's minimal profit and I've borrowed a scary amount of money. It's heart-breaking to think of throwing in the towel after everything I've invested. When do you know it's time to walk away?

A: Let's start with the cut and dry approach: do you pass the solvency test under Section 4 of the Companies Act? As a director, you must be able to answer yes to both these questions: Is your company able to pay all its debts as they fall due in the normal course of business? And, does the company own more assets than liabilities?

If you answer no to either of those questions – you could be in breach of your directorial duties and you should immediately engage an experienced insolvency practitioner to assess your situation and assist with necessary steps.

That's the worst case scenario and ideally you want to understand and spot the symptoms of this condition before it turns to crisis.

So what do you need to be looking for in a business that is potentially heading for no man's land?

One significant indicator is when you're perpetually asking your bank manager for extra money to cover operating costs, either periodically, or on a more permanent basis – something that raises concerns for me in your scenario where you say you've already borrowed a scary amount of money.

Likewise, if your bad debts are increasing, or your debtors are getting further aged each month – you need to be worried.

Another sign that an issue is bubbling away is when you're forced to get payment plans in place with Inland Revenue to meet the company's various tax liabilities.

These are all seeds of what could grow into something bad down the track and if they ring TRUE to you right now, talk to your professional business advisor or someone experienced in insolvency as the earlier you act the more you can control the process.

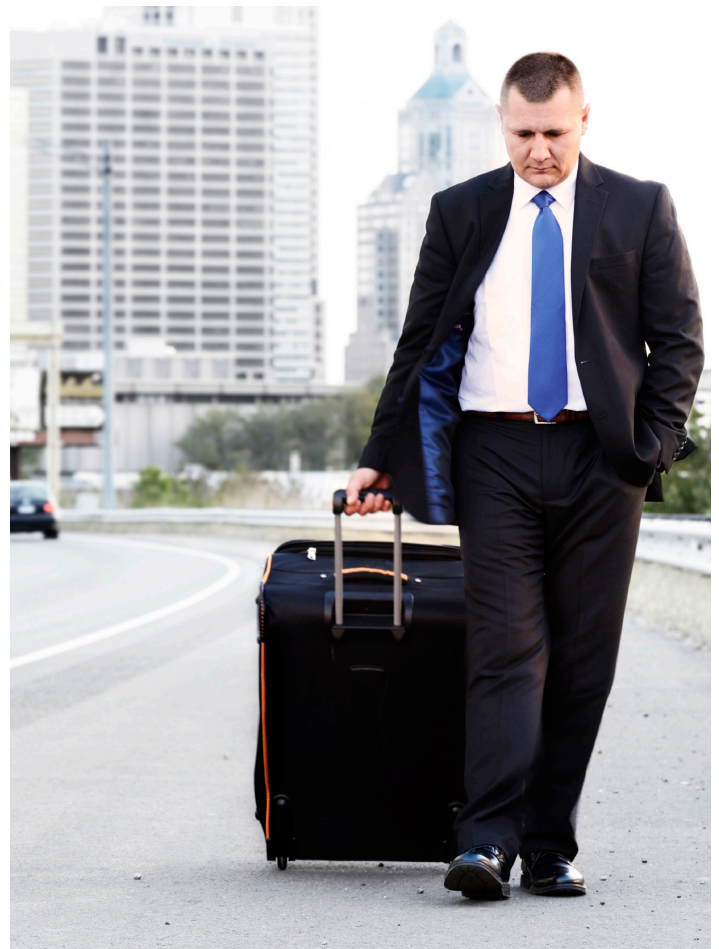
Don't stick your head in the sand. The risks of insolvent trading are significant and can involve personal liability.

In the end the hardest thing is letting go – but there comes a point

when calling in the liquidator is the best thing.

Whilst never a good situation for creditors, it can provide a sense of relief for the business owner as the liquidator takes over.

Suffice it to say, if you've spotted the seeds talk to an expert immediately – your accountant, your business advisor – before it gets too far down the track, or control is taken from you.



Seeing your business fail is hard but it's best to get out early and cut your losses when you recognise the early signs.

WELCOME NEW BDO PARTNERS 2016



Richard Croucher

Partner, BDO Auckland
richard.croucher@bdo.co.nz
+64 9 366 8010

Matt Coulter

Partner, BDO Central
matt.coulter@bdo.co.nz
+64 6 872 9817

Geoff Potter

Partner, BDO Wellington
geoff.potter@bdo.co.nz
+64 4 498 3864

Tristan Will

Partner, BDO Wellington
tristan.will@bdo.co.nz
+64 4 498 3944

David Ward

Partner, BDO Christchurch
david.ward@bdo.co.nz
+64 3 943 6097

DO YOU KNOW HOW MUCH YOUR CARD TRANSACTION IS COSTING?

Did you know that retailers are charged fees to accept payment on credit cards and Mastercard and Visa "debit cards". These interchange fees are applied every time you use one of these cards and New Zealanders are paying much more than retailers overseas. The amount is based on a percentage value of the transaction, and whilst can differ depending on the type of store which is taking payment and its status, credit card transactions cost, on average 1.4%. In comparison, UK's credit card fees are on average 1% whilst Australian retailers are 0.84%. No fees are charged for eftpos cards in NZ.

Retail NZ, which represents around 5000 businesses nationwide is calling for greater transparency on these fees as it is a significant cost to our economy i.e. research suggests that over the next 10 years, retailers could be paying as much as \$3 billion in charges, a large portion of which ends up offshore with the credit card companies. In Australia, the UK and some other European countries the interchange is regulated.



BDO WELLINGTON TO AUCKLAND CYCLE CHALLENGE

Sunday 14 to Saturday 20 February 2016.

► [FIND OUT MORE](#)



To find out more about BDO, please
contact your nearest office on

0800 379 528

FOR MORE INFORMATION CONTACT

KERIKERI

108 Kerikeri Road,
Kerikeri
T: +64 9 407 7250
E: kerikeri@bdo.co.nz

WHANGAREI

49 John Street,
Whangarei
T: +64 9 430 0471
E: northland@bdo.co.nz

AUCKLAND CBD

BDO Tower, Level 8,
120 Albert Street,
Auckland
T: +64 9 379 2950
E: auckland@bdo.co.nz

AUCKLAND NORTH SHORE

Level 10, BDO Tower
19 Como Street, Takapuna,
North Shore
T: +64 9 486 2125
E: auckland@bdo.co.nz

AUCKLAND EAST TAMAKI

Level 2, BDO House,
116 Harris Road,
East Tamaki
T: +64 9 274 9340
E: auckland@bdo.co.nz

HAMILTON

Level 1, BDO Building,
1026 Victoria Street,
Hamilton
T: +64 7 839 2106
E: waikato@bdo.co.nz

TAURANGA

Level 1, The Hub,
525 Cameron Road,
Tauranga
T: +64 7 571 6280
E: tauranga@bdo.co.nz

ROTORUA

1130 Pukaki Street,
Rotorua
T: +64 7 347 9087
E: rotorua@bdo.co.nz

GISBORNE

1 Peel Street,
Gisborne
T: +64 6 869 1400
E: gisborne@bdo.co.nz

NEW PLYMOUTH

10 Young Street,
New Plymouth
T: +64 6 759 9034
E: newplymouth@bdo.co.nz

NAPIER

86 Station Street,
Napier
T: +64 6 835 3364
E: napier@bdo.co.nz

PALMERSTON NORTH

32 Amesbury Street,
Palmerston North
T: +64 6 358 4163
E: manawatu@bdo.co.nz

WELLINGTON

Level 1, Chartered Accountants
House,
50 Customhouse Quay
Wellington
T: +64 4 472 5850
E: wellington@bdo.co.nz

CHRISTCHURCH

30 Sir William Pickering Drive,
Burnside,
Christchurch
T: +64 3 379 5155
E: christchurch@bdo.co.nz

INVERCARGILL

46 Don Street,
Invercargill
T: +64 3 218 2959
E: invercargill@bdo.co.nz

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact your local BDO member firm to discuss these matters in the context of your particular circumstances. BDO New Zealand Ltd, its partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it. BDO New Zealand Ltd, a New Zealand limited liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO New Zealand is a national association of independent member firms which operate as separate legal entities.

For more info visit www.bdo.co.nz

BDO is the brand name for the BDO network and for each of the BDO Member Firms.