

# Newsletter

September 2007

DB CHARTERED  
ACCOUNTANTS LTD

incorporating  
**Terry Ward**  
& Associates

## Contents:

- ACC - Invoices
- Provisional Tax
- GST
- Profitability & Gross Profit
- Business and Financial Assistance
- Client Survey
- Book Review
- Forward Planning

*Welcome to the September newsletter. In this issue we cover some reminders about ACC, Tax and GST, assessing your profitability and using taxpayer funded initiatives. We again have a book review and a client survey giving you a chance to win.*

## ACC – INVOICES

1. **Employers** – From **June** onwards employers will have been invoiced ACC for their staff. The invoice includes a premium adjustment for the 2006/2007 year as well as a provisional invoice for the 2007/2008 year.
2. **Self Employed** – From **August** the 2007/2008 levies will be invoiced based on earnings from the 2007 income year (usually once the 2007 tax return is filed).
3. **Shareholder Employees** – Where shareholders are allocated a salary from the company at year end, invoices will be sent for ACC from **August**. Again, there will be a premium adjustment for the 2006/2007 year and a provisional invoice for 2007/2008.

Remember to check that the industry category and the total wages covered is correct. If you need any help, Joy from our office will be able to assist.

## PROVISIONAL TAX

For March balance date taxpayers, the next instalment of 2008 provisional tax will be due on **7 November 2007**. We will send out reminder notices in the 2<sup>nd</sup> half of October. Remember, if you are a company or a trust, you may want to arrange to pay additional tax if the earnings are higher this year to reduce IRD Use Of Money interest charges. (This also applies to individuals whose annual tax payable is greater than \$35,000.)

## GST PAYMENTS & GST RETURNS

A reminder that GST payments and GST Returns are now due on the **28<sup>th</sup> of the month** following the GST period end.

Penalties will be incurred for late payment. Next year the IRD is also looking to charge a penalty for filing a GST return late as well.

*“If you think you can, or if you think you cannot, either way you’re right.”*

## PROFITABILITY & GROSS PROFIT

Most businesses will keep a track of sales to see how they compare month to month, against last year's sales or against budgeted sales. It is important to do this to ensure the business is progressing as expected.

However, an increase in sales does not necessarily mean an increase in profit and it is important to monitor the gross profit of the business.

For example:

	Apr 06 – Sept 06	Apr 07 – Sept 07
Business Sales	200,000	250,000
Cost of Sales	100,000 50%	162,500 65%
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Gross Profit	100,000 50%	87,500 35%
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Cost of Sales will include the cost of your product for sale (e.g. retail goods or direct materials), as well as the direct costs of supplying a service (e.g. wages, direct vehicle expenses).

In this example the business has increased its sales from \$200,000 in 2006 to \$250,000 in 2007. However, profit has actually decreased over the same period.

### WHY?

1. The mark-up on the cost of sales has decreased from 100% in 2006 to 54% in 2007.
2. This could mean that while the cost of products or services to sell has increased, the business owner has not been increasing the sale price.
3. If wages are a main component of Cost of Sales, it could be that staff have increased (or wage costs) without a corresponding increase in sales.
4. The business could have a mix of products with a range of mark-up from 20% to 120%. It could be that the business has increased its sales of lower margin products, which has overall, reduced the profitability of the business.

As well as keeping an eye on sales it is also important to keep an eye on which products and services are selling to ensure margins are being maintained.



A lower gross profit means you have less funds to contribute to overheads, owner salary and net profit.

## HOW DO I ....

### Calculate Gross Profit %?

Take Gross Profit **divide** by Sales  
& **multiply** by 100  
e.g.  $87,500 \div 250,000 \times 100 = 35\%$

### Calculate Mark-Up?

Take Gross Profit **divide** by Cost of Goods  
sold & **multiply** by 100  
e.g.  $87,500 \div 162,500 \times 100 = 54\%$

## Use your taxes ...

As a taxpayer you are used to paying tax. Below are some items that your money has been spent on so make sure you get the benefit of your tax money.



## [www.business.govt.nz](http://www.business.govt.nz)

This is a government (i.e. taxpayer, i.e. you!) funded website. It provides lots of information about being in business, including Business Regulations, Employing Staff, Managing a Business, Sales & Marketing, Finances & Cashflow, and Technology. All useful information and it links through to various related sites, e.g. Department of Labour. This replaces the previous site, biz.org.nz.

It also has a section called "Developing Business Skills" and business training online. There are a number of short on-line courses you can do, including Marketing and Sales, Employment, Managing a Business and a number of other topics. The courses take ½ - 1 hour each. So have a look and learn something new!

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## **BUSINESS DEVELOPMENT CENTRE** ([www.businessdevelopmentcentre.co.nz](http://www.businessdevelopmentcentre.co.nz))

The BDC provides various training opportunities for small business owners and most courses are funded by NZ Trade & Enterprise (i.e. taxpayers). Courses coming up in October and November include Developing a Workable Business Plan, Business Systems, Financial Tips, Planning and Recruitment.

Have a look at the website under "Enterprise Training Seminars and Workshops" and contact BDC if you are keen to participate (Ph 838-6517). They will initially assess your needs and follow up with you and provide guidance if required.

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## [www.sorted.org.nz](http://www.sorted.org.nz)

Well there is stacks of stuff in here - information on Kiwisaver, Managing Debt, Mortgages, Investing, Retirement (and a retirement calculator), Trusts, Asset Protection, Goal Setting (present position and where you're heading). You can even complete a "Money Personality Profiler" – scary stuff!. There are also games for the kids to teach them a few lessons on money.

The site includes calculators on goals, budgeting, savings, loans, investing and retirement and information to assist at different stages of life, i.e. child, student, earning years and retirement.

You can take the "sort me" test to see how well financially sorted you are. At the end it will provide a list of ideas you can follow to get more "sorted".

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## CLIENT SURVEY

Here's your chance to win. We would like you to answer the questions below to assist us in improving our customer service. Every response will go in for two draws to get two books from our book reviews.

1. Name two things that we do well that you value as a client..
  
2. Name two things that you think we could improve on to make us more effective for our clients.

You can mail, e-mail or fax us your response. Good luck!

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## BOOK REVIEW

### “GET RICH SLOW – HOW TO GROW YOUR WEALTH THE SAFE & SAVVY WAY”

– Mary Holm (2006)

This book provides information for different options when it comes to saving and investing money. It provides a good summary of investment choices, as well as covering things like borrowing, home ownership, investment decisions (and your investment personality), the time value of investing, insurance and what to watch out for.

It also accepts that the hardest part about investing is starting and provides a few ideas on how to get underway.

The book gives a good overall view of how to go about creating a nest egg and provides good ideas on how to put it all together.

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*This book should be available from your public library or bookshop.*

***If you're a local, Dinsdale Stationery & Lotto (aka "Take Note" - across from Woolworths in Whatawhata Road) once again have this book available. Tell them that you're a client of DB Chartered Accountants, show them this newsletter, and they will give you a 15% discount!***

A man rushed into the doctor's office and shouted, "Doctor! I think I'm shrinking" The doctor calmly responded, "Now, settle down. You'll just have to be a little patient."

### MODEL DENTAL PATIENT

*The Hammett's were shown into the dentist's office, where Mr Hammett made it clear he was in a big hurry.*

*"No expensive extras, Doctor," he ordered. "No gas or needles or any of that fancy stuff. Just pull the tooth and get it over with."*

*"I wish more of my patients were as stoic as you," said the dentist admiringly. "Now, which tooth is it?"*

*Mr Hammett turned to his wife ... "Show him your tooth, Honey."*

## FORWARD PLANNING

Well it is nearly six months through the financial year. How is your business profit going, compared to your budgeted profit?

Will the provisional tax payments you make for 2008 be enough to pay tax on your profit or will you need to set additional funds aside? If you need a hand working this out, give us a call.

Now is a good time to reassess how you are going and take action if your profits are not meeting expectations.

## GIVE US YOUR FEEDBACK

Remember to let us know what topics you would like covered in the future, and if you need to discuss anything mentioned in the newsletter, give us a call.

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