

# Newsletter

September 2013

DB CHARTERED  
ACCOUNTANTS LTD



September has been a busy month and we have now moved into our new premises.

**Remember we are now located at 9 King Street.**

We look forward to seeing you at our new location. Due to our busy time we have a shortened newsletter this month.

## **INLAND REVENUE DEPARTMENT REFUNDS**

We have had instances where the Inland Revenue Department has incorrectly refunded tax (instead of transferring against other tax payable) which has resulted in our clients incurring penalties because the IRD has not actioned requested tax transfers.

If you receive an unexpected tax cheque from the Inland Revenue Department remember you can contact us to make sure that this is correct.

## **CAN YOU REDUCE YOUR FRINGE BENEFIT TAX CALCULATIONS?**

Where a motor vehicle (passenger vehicle) is owned by a Company it will generally be subject to Fringe Benefit Tax (FBT). FBT is calculated on the number of days per quarter that a vehicle is available for private use.

If a vehicle is used for out of town travel for more than 24 hours or is unavailable to an employee (e.g. the vehicle is being repaired or left at an airport carpark), these days can be treated as exempt from the FBT calculation. Keeping these records for a three month test period will allow you to use this calculation for a three year period.

### **The New Policeman**

A salesman, tired of his job, gave it up to become a policeman.

Several months later a friend asked him how he liked his new role.

"Well," he replied, "the pay is good and the hours aren't bad, but what I like best is that the customer is always wrong."



## **BANK RATIOS – INTEREST TIMES COVER**

When a business has a loan, the Bank will often require a copy of the business financial statements. One of the ratios the Bank will calculate is Interest Times Cover. This is calculated as:

$$\frac{\text{Net Earning Before Interest \& Tax (EBIT)}}{\text{Interest Expense}}$$

For example, EBIT of \$100,000 with Interest Expense of \$25,000 would give an interest times cover of 4. ( $100,000/25,000$ )

EBIT of \$50,000 with interest expense of \$50,000 would give an interest times cover of 1.

In the second scenario all the business earnings are used to pay interest. This means that there are no available funds to repay the actual loan of the business (principal).

Banks can expect an indebted business to have an interest times cover of between 1 and 3, depending on the nature of the business.

If your business has an interest times cover of less than one, it is important to take action before things deteriorate further and put at risk the support of the Bank.

## **REGISTERED OFFICE**

If we are the registered office for your Company, we will soon be sending you a minute to confirm the change of registered office to 9 King Street. Please sign and return this minute so we can update the Companies Office records.

## **THE 80/20 RATIO (PARETO PRINCIPLE)**

This principle is useful in deciding where to focus effort and resources. In essence, it states that 80% of output is produced by 20% of input.

Common examples of this include:

- 80% of revenue comes from 20% of clients
- 80% of problems comes from 20% of causes
- 80% of results comes from 20% of efforts
- 80% of profit comes from 20% of products.



This principle can be useful for planning or decision making, either in business or in your personal life to identify where to concentrate efforts to make changes.

Although our address has changed, our mailing address and contact details remain the same:

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