

Oldershaw & Co Ltd

CHARTERED ACCOUNTANTS

NEWSLETTER

MARCH / APRIL 2003

The Oldershaw People

Brain Gains

Congratulations to;

Jackie O'Dwyer for attaining her PCE II. The final step towards becoming a fully qualified chartered accountant. Well done!

Shaun Brown, obtaining PCE I and this year studying PCE II.

Alistair Cromie, for putting PCE I in his sights, as this years' goal.

Best of luck and best wishes for this coming year!

Hi and Byes!

During the year we had to say farewell to **Dyan Stammers**, who left us to take up an employment opportunity in Morrinsville. From all reports she has settled in and is doing well. She will be missed by staff and clients.

A new addition to the office is **Marc Nel**, who comes to us from a varied background, having spent eight years as a partner in a similar sized accounting/taxation practice before coming to New Zealand. From his time at Napier Leathers Ltd (subsidiary of Richina Pacific Ltd.) and Norsewear of New Zealand Ltd, as Commercial Manager and Financial Controller, he brings knowledge and experience of business operations, product manufacturing, business restructuring, importing and exporting, human resource management.

Office renovation

We are presently in the process of renovating the office to the great delight of the staff. The first stage was to repaint, carpet and furnish the clerk's office. The partner's wing was the next to go under the renovators' hand. The final stage will be the reception area and archive area.

We apologize to all clients, friends and staff members for any inconvenience that have been, and may still be experienced.

The talk from the shop floor is that there have been some long lost gems rediscovered during the office clean for the renovation. Welcome back old friends !

"Action Jacksons"

Neil Edmundson has had another busy year on the hockey scene, attending two international hockey competitions. The +40 Masters-Pacific Rim International Competition in Hong Kong and the Trans-Tasman Challenge, in Brisbane, Australia.

CONTENTS

- Office Gossip
- Minimise Your Taxes
- Help Yourself Keep Your Records
- Dust Off The Logbook
- Bank Link
- Tax Planning Checklist
- Oldershaw Business Seminars
- Spicers Strategies For Financial Security

A 25 day trek into Nepal is on the cards for **Charles Lambert**, our resident Spicers advisor. This expedition will be from Mid April through to May 2003. In Charles' mild manner, he casually mentioned that they will be visiting Mt. Kanchenjunga the 3rd highest mountain in the world. Best of luck, Charles, and please send us a postcard from the edge. We look forward to the photos and a detailed debrief.

On the local front, many thanks to **Maree Bradshaw** and her merry band of hockey players, who had a socially successful tournament with the Napier summer hockey.

Great interest has been shown by staff members to take up the Challenge of the Triple Peaks in Havelock North. **Dave Hills** and **Charles Lambert** are going to tackle the event solo, completing the event from start to finish. A bit of a "training run" for the big one in Nepal, Charles? A six-man team has also been entered by the more enthusiastic members of the staff. Best of luck guys and gals.

Our congratulations and fond wishes go to:

Ash Oldershaw, who celebrated the birth of two new child rebates" in the form of beautiful granddaughters.

John Goudie, who provided a late challenge with the birth of his grandson.

Minimising Your Tax Payable Tax Planning Checklist

The end of the financial year is now approaching. An appropriate time to consider ways of minimizing your tax payable for the year ending 31 March 2003 and consequently your 2004 provisional tax.

Below is a checklist which you should consider before 31 March. Some of which may help you reduce the amount of tax you could have to pay for the 2003 tax year.

Prepaid expenditure

Certain expenditure can be incurred in advance for the 2003/2004 year, and provided they are not capitalised to the balance sheet, may be claimed as a tax deduction.

Expenses that can be prepaid:

- Stationery
- Subscriptions for papers or journals
- Vehicle registration and road user charges
- Postage and courier charges
- Rates
- Audit and Accounting fees

Holiday pay and bonuses for employees

Amounts payable to employees, for holidays or bonuses at balance date are deductible in the year to 31 March 2003 if paid to the employee within 63 days of balance date.

Valuation of trading stock (excluding livestock)

Trading stock is required to be valued using a cost valuation method. Market selling value may be used only when it is lower than cost.

Note: There is also no provision for the write off of obsolete stock. Therefore, to reduce the value of these items in stock on hand, they should be physically disposed of, or alternatively, valued at market selling value, which will presumably be lower than cost.

Bad debts

To claim a deduction for a bad debt in the year, the debt must be bad, and must actually be written off during the year.

Whether a debt is 'bad' is a matter of fact, but there must be no reasonable expectation of recovery.

There must be physical evidence to verify that a debt has been written off before the balance date.

Retentions

Retentions on building contracts are generally taxable in the year the contractor becomes legally entitled to receive them. Therefore, if retentions are outstanding at the year end, they usually do not form part of your income for tax purposes for that year, and are therefore only taxed when they become due. This can result in a significant deferral of income.

To Process Your Records and Cost Effectively We

By completing the **Business Checklist** we sent you, you can ensure that all the relevant information needed to complete your accounts has been provided to us before we begin. This will increase our efficiency, and assist in reducing your fees.

An area often overlooked by clients, is **overseas investments**. Investments in foreign superannuation schemes and life insurance policies can be taxable in New Zealand, even if you are no longer contributing to them, or receiving income from them. Please ensure you advise us of any overseas investments, to enable us to confirm their tax status. The **penalties for non declaration** of overseas income are severe.

Other items which may help us are:-

Highlighting any **repairs and maintenance** costs over \$200 and noting on your records what the payments were for eg "repairs to chainsaw". Asset purchases and sales must be separately recorded on your Fixed Asset Schedule. Please review your Fixed Asset Schedule attached to your previous financial statements.

By including **GST returns and worksheets** with your annual information you ensure that we can follow up any GST issues during the process of completing your financial accounts.

Where a vehicle is not a company vehicle liable for FBT, expenses relating to **vehicles used partly for private use** should be separately highlighted in your records to enable us to calculate the total expenses for that vehicle, and the respective non-deductible portion.

Entertainment costs must be identified in your records. Generally expenses are 50% deductible if they are enjoyed by staff at a staff function, but are subject to FBT if available for enjoyment at staff discretion.

ACC

ACC are at present issuing a "new look invoice and statement." Clients are asked to check the amounts involved to ensure they are paying the correct ACC levy. If you require any assistance please do not hesitate to contact us.

Dust off the Logbook

It's time to check if your work-related vehicles still meet the correct criteria. Logbooks must be kept for a three-month period every three years. Also, if there is a change of vehicle, a new logbook is required again, even if the three years have not expired.

Efficiently Need Your Help!

Help yourself – keep your records in order

If you are investigated by Inland Revenue you should be able to justify all your claims with a minimum of time and effort. So keeping records in order makes good sense.

All relevant records must be kept for at least seven years and they must be in English.

This is not an exhaustive list but the following records must be kept:

- All tax invoices and receipts for purchases, insurance, power, phone and all other costs incurred
- All income received (copies of invoices issued etc)
- Cash books or computerised accounting records
- Bank statements
- Statements of year end trading stock, and stocktake records
- A list of business assets and liabilities
- Interest and dividend payments
- Wage records for any employees
- Motor vehicle log books
- Credit and debit notes

How are you doing today?

Walk the talk. Do not forget the power of daily, informal communications between employer and employees. Make active listening and giving feedback a part of your daily interaction with your employees. Hold informal employee meetings or develop internal newsletters. In all, look for ways you can.

- Communicate the company's vision and how it is being achieved
- Encourage employees to share ideas for improving their jobs or the company's processes, products or services, and
- Celebrate both the company's and individuals accomplishments

It's not just about money

Once the traditional motivator for performance and loyalty, money is no longer enough. Today's employees increasingly look for job satisfaction. Beyond compensation factors, employees stay on at jobs where they believe they are fairly treated, where the company focuses on values beyond profitability and where they feel their efforts are recognised and appreciated.

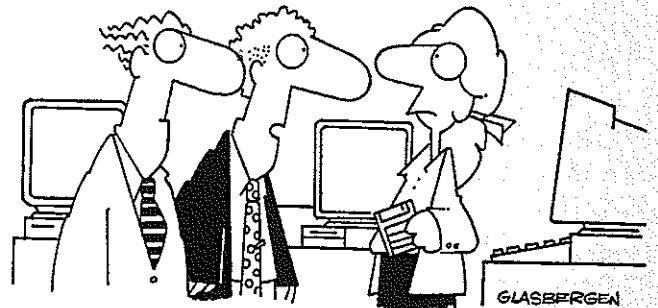
Bank Link

We have been running Banklink since 2001 with great success and intend to extend the number of clients using this fee saving system. Most major banks offer the service, which enables the bank to supply clients, bank statements (financial data) to us as your accountants in electronic form. We are in turn able to process your data in a **very cost-effective basis**.

These new procedures have saved on our time charges and allowed us the opportunity to provide additional services on a timely, efficient basis.

This system is of particular interest to those clients for whom we complete two monthly GST returns. However, all clients can benefit in some way.

Please feel free to contact us and discuss how we can save you accounting fees.



**"We dazzled them with our presentation,
we amazed them with our concepts!
They were all set to sign, but nobody
in our office uses pens anymore."**

© 1996 by Randy Glasbergen. <http://www.norwich.net/~randy/gtbcn.html>
E-mail: randyg@norwich.net

Yesterday,

All those backups seemed a waste of pay

Now my database has gone away

Oh I believe in yesterday...

Suddenly,

There's not half the files there used to be

And there's a millstone hanging over me

The system crashed so suddenly

I pushed something wrong

What it was I could not say

Now all my data's gone and I long for

yesterday-ay-ay-ay yesterday,

The need for backups seemed so far away

I knew my data was all here to stay

Now I believe in yesterday

teria. If you are not paying fringe benefit tax on your vehicle, a logbook more than 20 percent change in the proportion of private use, a logbook

Oldershaw Business Seminars

As some of you will know that a business seminar was held in conjunction with Axa in March 2003.

By all reports it proved of interest to the attendees. The topics covered were:

- Basic business lore-with particular reference to business survival and business succession-Marc Nel
- Business protection risk insurance -Axa
- Tax matters - David Compton

If you require further information on the above topics, please don't hesitate to contact us.

The next Oldershaw and Co Ltd business seminar will be held on 7th May 2003.

The topics of this seminar will be:

- Getting the Business Basics Back
- Family business structures including Family trusts
- Interesting Tax matters

If you have any suggested topics or subjects of interest, please do not hesitate to contact us, so that they can be included in the next seminars.

Invitations will be sent out to clients nearer the time. We look forward to catching up with you.

Strategies for Financial Security

Protecting Your Assets

Once you have begun building your nest egg, the last thing you will want to do is lose it. Protecting your assets shouldn't be left until old age. To get the greatest benefits, you should undertake asset planning early in life, when you first start accumulating assets and capital.

The main tools used to implement an asset protection plan are:

1. **Wills** - making sure your assets will be passed on to those you wish to inherit them
2. **Enduring powers of attorney** - ensuring your affairs are managed if you ever become unable to manage them or unable to communicate your wishes
3. **Family trusts** - preserving your wealth from issues such as asset and income testing, possible matrimonial or relationship claims and providing for an orderly transfer of wealth from one generation to the next
4. **Insurance** - protecting your family and yourself from losing your financial security

Asset protection planning takes time to implement, so if your family is likely to accumulate major lifestyle and investment assets over the next few years, it is a good idea to think ahead now. If you already have significant assets, such as property or investments, which are appreciating in value or providing a high income, then there is probably no better time than now to take action.

A solicitor is required to implement the more complex legal instruments such as trusts and enduring powers of attorney, however, a financial advisor can help you develop your investment strategy and provide ongoing guidance on the management of your assets. They can also ensure your financial affairs are efficiently and securely organised.

Managing your Wealth

Diversification - income and growth assets

Diversification and liquidity are two key approaches you can take to help achieve your goals. Every financial decision you make today will have an impact on your future financial security, so it is important to get this right. Diversifying your portfolio across different asset types, markets and industry sectors has been reiterated time and time again, but it is one of the most important investment strategies you should adhere to in order to minimise risk and generate wealth.

Your investment portfolio should be made up of income and growth assets tailored for your individual situation. As your personal circumstances and investment markets change it is important your portfolio is reassessed, and assets rebalanced if necessary, to keep your goals and finances aligned.

For further information contact your Spicers Advisers, David Compton or Charles Lambert on 843 8300.



Marewa House, Marewa Village
PO Box 4151, Napier, New Zealand

Phone: (06) 843 3058

Fax: (06) 843 3316

Email: mailbox@oldershaw.co.nz