

# DAA Bulletin

## Quote

“A word to the wise  
ain't necessary - it's  
the stupid ones that  
need the advice”

- Bill Cosby



DODD AND ASSOCIATES LTD  
CHARTERED ACCOUNTANTS

## IRD Mileage Rate

For those of you who use the IRD mileage rate when reimbursing employees for using their private vehicle for business related travel please take note; Inland Revenue has reviewed the motor vehicle mileage rate to reflect the average cost of running a motor vehicle, including the average fuel prices, and has changed the mileage rate for the 2012 income year to 77 cents per kilometre for both petrol and diesel fuel

## Accident Compensation Levies

The Accident Compensation Corporation had been prominent in the news in recent weeks. This is primarily because of TV publicity over one particular case and the peripheral leak of confidential information on 6000 clients. However, there is also been media publicity over some restructuring moves with replacement of directors etc. All this suggests that the organisation itself is perhaps in disarray and there are strong indications of internal mismanagement.

With that background in mind are you confident that you are paying the correct amount to them each year as your annual levy? It is our experience that an alarming percentage of our clients are overpaying and or inadequately covered for the risks inherent in their particular activities.

We remind you that we run an ACC Management Service for a fee which in the worst case scenario will be cheap peace of mind for you and in the best case will save you a significant amount of money. If you are not sure that you are getting the right deal from ACC we recommend you contact us for details on our ACC Management Service. It really is good value for money.

## A Word of Warning

While some tax refunds are still coming though reasonably quickly we suspect Inland Revenue are starting to run short of funds again. This happens at various times during the year and with a major provisional tax date fast approaching they may be trying to delay paying as much as possible until after the end of August.

On ringing to query a delayed refund today we were given their standard spiel that it can take up to ten weeks to assess an income tax return, and even longer if there are Working For Families Tax Credits involved. The changes to the way these are calculated this year means Inland Revenue are being very careful to ensure everyone is adding back all their “family income” as prescribed by law.

Unfortunately there is no way we can make them work faster and we suspect that the more we hassle them the longer they take so we ask that you all be patient in the meantime. You will get your refunds it may just take a little longer than you would expect. Please also rest assured that we will send the cheque out to you as soon as we receive it. Under no circumstances do we hold onto client cheques.

## Red Cross Grants

Red Cross has relaxed the rules so more businesses are eligible for the \$750 Independent Advice for Small Business grant. The grant was launched in January 2012 but was not retrospective in terms of applications. However Red Cross has decided that they will accept applications that cover advice from 4th September 2010 onwards.

This grant covers the cost of obtaining professional legal and accounting advice in relation to the effect of earthquakes on the business. We strongly recommend those businesses who had to obtain our professional advice or use their solicitor for assistance make an application to help cover the costs. We see this change to the grant as a positive and another step to help the very important small businesses in Canterbury. Applications for the grant can be made through the Recover Canterbury website – [www.recovercanterbury.co.nz](http://www.recovercanterbury.co.nz)

## Should You Cut Your Prices?

In these difficult times there are temptations if not real pressures on the small business to reduce prices in order to make the sale or to increase sales. Here is a table which shows the consequences on your overall results if you do actually cut the price either by discounting or some other mechanism.

Amount of Discount you Give	Your Present Gross Margin						
	10%	15%	20%	25%	30%	35%	40%
	<b>This is the percentage you need to increase your Sales by just to make the same Profit</b>						
5%	100%	50%	33%	25%	20%	17%	14%
6%	150%	67%	43%	32%	29%	21%	18%
7%	233%	87%	54%	39%	30%	25%	21%
8%	400%	144%	67%	47%	36%	30%	25%
10%		200%	100%	67%	50%	40%	33%
11%		275%	122%	79%	58%	46%	38%
12%		400%	150%	92%	67%	52%	43%
15%			300%	150%	100%	75%	60%
16%			400%	172%	144%	84%	67%
18%			900%	257%	150%	106%	81%
20%				400%	200%	133%	100%

As you will see in this chart the effect of a price reduction/discount on the final bottom-line net profit can be dramatic. So the answer to the question of whether you should cut your price is "only after you have weighed everything up, done all the calculations and assessed the likelihood of achieving the sales increase you will need to be better off."

The Americans have a very good business quotation which goes "live by price die by price". This sums up the harsh reality that if you are selling on the basis of being the cheapest you haven't got much of a business. If that is you we recommend you book a consultation with us to talk about our business improvement program.

## Annual Business Statistic Survey

Many businesses will have received Statistics New Zealand's annual surveys in the post over the past few weeks.

While the surveys may seem unnecessary to you and a complete waste of time they are an important information gathering tool. They are a major source of official statistics that help the government, community organisations, business, industry, academics, and the public understand our society and economy – and to make key decisions. Furthermore they are compulsory so need to be completed.

We do however, appreciate that this is yet more paper work that you have to contend with as a business owner. We take this opportunity to remind you that this survey is something we can take off your hands and complete for you on your behalf.

So rather than just throwing the survey aside and leaving it to the last minute to try and gather the necessary information why not send it in to us and then tick it off your to do list?

[info@dodd.co.nz](mailto:info@dodd.co.nz) [www.daateam.co.nz](http://www.daateam.co.nz)  
11 Picton Avenue • PO Box 1621 • Christchurch • 8140

