

DAA Bulletin

Wine Announcement

Congratulations
Elizabeth Cammock
you are this month's
winner of DAA's
monthly special wine
draw!

To be in to win next
month simply pay any
invoice within 10 days
of the date issued, it's
that simple!

DAA

DODD AND ASSOCIATES LTD
CHARTERED ACCOUNTANTS

September's DAA Wine Winner

Congratulations again to
last month's winner
David! Hope you enjoyed
your bottle of wine.



How to Manage Cash Flow

Cash flow is the blood that keeps the heart of the business running. It is the most critical component of success for a small and medium sized business. Cash flow can be one of the leading causes of failure for businesses. Here are a few tips on how to have your cash flow under control.

Set a 6 monthly budget: Consider the sales cycle, discounts to customers, industry seasonal delinquency rates. Estimate expenses and other cash outlays including timing of the equipment and materials purchase; salaries payments, taxes and other day to day overhead expenses.

Track and monitor your cash flow weekly, monthly, and quarterly: Know your cash balance now rather than later. Compare the actual results and your budget. Find out whether the revenue and expenses have been coming in the way you expected them to. Calculate accurate cash flow projections to address your daily business activities.

Have Plan A and B: Sometimes unexpected things may happen suddenly, you need to have emergency cash to rely on to keep your business running until things get back to normal.

Bill and collect receivables quickly: Bill clients immediately, as delaying invoice delivery will quite likely lead to receiving payments late. Track invoices and send reminders before the due date. Try to send invoices electronically so that customers receive the invoices faster and securely. Provide discount to customers who pay their bills within 10 days to stimulate early payments and generate cash faster. Make payments easy for customers, paying online is a much better option than by cheque.

Timely Bill Payment policy: Rapid collection of invoice and timely payment of your bills. Try to pay bills when they are due.

Increasing sales: Pricing discounts – offer discounts if they pay early. Maximizing seasonal sales but trying to keep overhead low, ask yourself questions such as whether it's necessary to employ extra full time staff during seasonal time. Do not over purchase stock.

Building Your Brand

When trying to build your brand there are three key areas you need to focus on. First you need to think about who your target market is going to be over the next year. You don't have to stick to just one but you should devise a plan for each individual market separately, this will allow you to better allocate your resources.

Second, you need to have the right message, why is your business the best? What is it that you have that no one else does? Think about asking some of your existing customers what it is they like about your business and what keeps them coming back. Generic messages don't tend to work as well since everyone else is also using them. Try to make sure that your message is specific to your target market.

Finally stick with it, it takes time to get your message out there and consistency builds an impression that your business is stable and can be trusted and creates brand recognition.

In Q4 the focus shifts to global events

The third quarter was a busy one in New Zealand. Notable events were the sharp fall in dairy prices, the corresponding decline in the currency, a change of stance from the Reserve Bank, the reporting season and finally, the election. This quarter, the focus shifts to global events. In the US, there will be a key central bank meeting, the third quarter reporting season and mid-term elections.

The fourth quarter of the year is traditionally the most profitable for share investors. The average US market return since 1953 has been 4.0%, with positive returns occurring 76.7% of the time, much higher than for other quarters. However, despite these seasonal trends suggesting a strong performance to finish the year, we could see a renewed bout of volatility during the quarter.

It remains to be seen how markets will react to the final US\$15bn of monthly bond purchases being removed following the Federal Reserve meeting in late October. On one hand, the rebounding US economy is what has paved the way for this to occur, and interest rates are likely to remain very low for an extended period, even if they do lift from current near-zero levels. Then again, markets have benefitted from this liquidity for such a long time that it seems naive to discount the likelihood of a negative knee-jerk reaction.

The NZ dollar has fallen sharply over recent weeks and is now approximately 10% lower against the US dollar, relative to July peaks. Over the medium-term, we see further downside for the currency against the US dollar, particularly as the US moves to more normalised policy settings.

The Reserve Bank of New Zealand (RBNZ) is not expected to increase the Official Cash Rate (OCR) again until mid-2015. Given the fall in the currency and expectations of moderating growth, our expectation is for the RBNZ to hold rates at the current 3.50% for the time being.

Economic growth remains generally solid, despite being generally below the long-term trend. Corporate earnings continue to grow, and while valuations are not cheap, they are generally not terribly worse than the 20-year average. We don't see a looming recession for any of the major economies. However, we expect volatility to increase and we see a number of short-term risks that point to a bumpy fourth quarter of the year. We encourage a cautious approach, and recommend investors remain engaged with economic and market developments by keeping in contact with their adviser.

Mark Lister is Head of Private Wealth Research at Craigs Investment Partners. His disclosure statement is available free of charge under his profile on www.craigsip.com. This column is general in nature and should not be regarded as specific investment advice.

For Investment Advice please contact Martin Fraser Allen, Investment Adviser at Craigs Investment Partners Christchurch branch, by phoning 0800 272 442 or visit www.craigsip.com for more information.

DAA Out & About

Kerry and Rachael have been busy over the past month participating in events such as the CBD Stampede, Muddy Good Run and Pink Star Walk!



Next up the whole DAA team will be taking part in the Corporate Challenge and Kerry and Bec will be powering up 5000 stairs at AMI Stadium in The Ultimate Stair Run. If you are at any of these events be sure to say Hi!

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