

DAA Bulletin

Wine Announcement

Congratulations
Kitti and Greg of K & G Ventures Limited
you are this month's
winner of DAA's monthly
wine draw!

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



CHARTERED ACCOUNTANTS



After successfully
completing September
and the challenge of
walking 10,000 steps a
day the DAA Team are
on to their next
mission; Competing in
the Corporate Challenge
for the second year
running.

If you are near Hagley
Park on Wednesday
night be sure to give us a
wave!

Why Does My Cash Not Match My Profit

Not a day goes past where a client asks why their cash balance is different to the bank balance. There seems to be an expectation that they should match. The answer is that profit doesn't equal cash and cash doesn't equal profit.

There can be many reasons why the cash in the bank is different to your profit result. Some of the reasons why cash could be lower than the profit result include:

- **Paying tax to IRD:** Paying tax can not be escaped but if you make any profit, you have to pay tax. Tax payments are not tax deductible expenses therefore do not reduce your profit but they do reduce your bank balance.
- **Purchased new equipment / vehicles:** Any new plant and vehicles you purchased over the value of \$500 + GST is a capital item and must be depreciated. The purchase cost therefore does not get deducted from the profit result but a depreciation claim is recorded as an expense. Whereas the full cost of the equipment / vehicle immediately comes off the bank balance.
- **Loan repayments:** Loan repayments are not a tax deductible expense so don't affect your profit but they certainly chew up the cash of the business.
- **Slow customer payments:** A customer owes you money at the end of the financial year and so it is recorded as income in your profit and loss statement increasing profit. However it is not in your bank account on the last day of year but could be many days / weeks later. Therefore, if customers owe you more now in total than they did six months or so ago then, consequently, this difference has sucked up your cash.

Sometimes there are businesses which have an abundance of cash but no profit. How can that be? Again several reasons but if you have a business like that you need to be talking to DAA as there could be issues looming. The reasons we often see for the excess cash compared to profit are:

- **Borrowed loan/s:** Loans are both a blessing and a curse as they increase the bank balance but can burn a hole in the thickest of pockets.
- **Suppliers unpaid:** You can actually get by for quite a while making a loss but staying afloat, simply by not paying your accounts. The longer you delay paying bills the more cash you have but it could be hiding problems and lead to credit issues.
- **Reducing inventory:** If your inventory is reducing, you have more cash available. Simple as that.

Make Snail Mail Work For You

If you are using snail mail (and people do) to attract new customers it is important that the envelope gets opened. To achieve that you need to understand how people filter their mail.

When people receive mail they usually sort it into two piles. There is the “other” pile which is mail that is unlikely to ever be read or actioned further down the track. And then there is the “important” pile where it is guaranteed that the mail will be read.

The “other” pile is the one that you want to avoid. This pile consists of things like letters from government departments, letters from lawyers, circulars, and stuff that looks like junk mail that they are unlikely to be interested in.

In the “important” file we have high priorities like cheques and then personal mail particularly if sent to a business address. There is a clear hint here – if you want the mail read make it look like there is a cheque inside or make letters look like they are personal by handwriting the address, no logo on the envelope and maybe only a return address, an actual stamp on it and a bulge in it which attracts attention. If you really want to increase interest get the letter sent from another part of the country or even from overseas.

Creating a bulge in the letter is easy with little tricks like:

- \$1 coin taped to the letter and a clever headline like **“Use this amazing dollar to cover extra petrol you’ll need to drive to experience our service and save money!”**
- Attach a \$5 (or higher) banknote with a headline like **“Now you’ve opened this letter you’re already making money – we can help you make more”**

Everyone gives the excuse that it is expensive to send money to people especially if I am sending out hundreds of letters. This is where you need believe in the power of the money; take the step and then test and measure. You may find by introducing these ideas you get a better response to your mailing, so it means you mail less letters to get the same response or for the same number of letters you get a far better response.

We look forward to seeing what you are going to do with your next run of snail mail promotion.



Exciting Weekend in Store!

Like the rest of the country the DAA team can't wait for their alarms to go off on Sunday morning so they can get up and see the All Black's win back to back titles!

We are also looking forward to seeing some scary outfits roaming the streets on Saturday.

Rachael has come across this great idea which she will be making for the kids in her street:

Cockroaches

Fresh Dates
Sliced Almonds
Cream Cheese
Slice open dates and remove stones. Stuff with cream cheese and arrange two sliced almond pieces as shown.



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