

Issue Fifty One

Are You Buying A Business?

If you are contemplating buying a business, there are numerous matters to be considered.

Some items you need to receive from the vendor:

The numbers

- copies of financial accounts for the last 3 years
- schedule of sales, on a monthly basis, for the last 3 years
- reasons for any large credit notes processed after 30th June
- trading terms for the business
- recent Debtors' Aged Analysis

People and Systems

- If you are taking over employees, obtain:
 - an organisation chart and all position statements
 - all employment agreements
 - a schedule of employees' entitlements
- Is there a systems manual for the business? Is it current?

Who you deal with

- customers' list
- suppliers' list

IP

- Details of patents, trademarks, trade secrets and intellectual property systems

What and Where

- methodology for valuing stock
- a copy of the business' lease agreement. Check:
 - option period
 - reinstatement conditions (painting, new carpets etc)
 - business uses permitted
- can the lease be reassigned?

Other issues to be aware of:

- Never sign a contract until you have had legal and accounting advice
- Make sure you are buying the business in the appropriate entity
- Keep full records of everything that is said or given to you by the vendor or vendor's representative
- Do your own due diligence and check all the information supplied to you
- Is the location satisfactory for your business?

If you would like a copy of our Guide to Buying a Business, please contact us.

INDEX

Are You Buying A Business? _____	1
Netiquette tips for your business _____	2
Implementing Best Practice in Human Resources _____	2
Getting on with business _____	3
What's it Mean? Current Market Value, Fixed Assets, and Long Term Liabilities _____	3
Consumer Confidence vs Business Confidence _____	4

Netiquette tips for your business

Most of us use email on a daily basis, whether for personal or business communication, but many email users don't have the foggiest when it comes to email etiquette.

If you are new to the world of email and you haven't yet learned the hard way, you may find these 'netiquette' tips helpful.

CC-ing

CC means Carbon Copy (who remembers those?). It sends a copy of your email to those listed in the CC field. This is generally used when another person needs to be aware of the email conversation but isn't directly involved. For example, you may be promising a client that a colleague will do something for them and it's courtesy for that colleague to be made aware it.

The dangers of CC-ing: Don't go overboard on CC-ing. The original recipient may find it rude, or the person who is copied in may find it irrelevant and annoying.

BCC-ing

BCC means Blind Carbon Copy and sends a hidden copy to those listed in the BCC field. This is generally used when a person needs to be aware of the email conversation but you don't want their details to be made public. For example, you may be defusing a difficult situation with a client and need a superior to know your response, but you don't want the client to have your superior's email address.

The Dangers of BCC-ing: If the person who is BCC'd hits Reply All, the original recipient will see that they have been included.



Implementing Best Practice in Human Resources

It is challenging to employ outstanding staff and retain them. Staff selection is expensive and time-consuming but if you get it wrong it's infinitely more so and you won't have much to show for it except the headache and the mess poor choices leave behind them.

Now is a good time to review your human resources policies. Successful business operators articulate the vision that they have for the business to their team members. This involves communication and leadership from the employer so as to encourage teamwork. It is people who create the difference and give a business a competitive edge! The better your team are trained, motivated and rewarded (in most situations), the better your organisation will perform.

All businesses operate in a highly competitive environment. The ongoing investment in people is a crucial key characteristic of a successful business. As part of the planning process, now is a good time to review the systems that have been implemented relating to:

- job rotation
- formal training and development of team members
- induction of new team members
- professional development
- team appraisals
- constructive feedback
- listening to team members
- flexible working hours and
- ensuring that there is some fun in the work place

In addition, it's important to make sure all human resources documentation is in order. Changes to employment law have made requirements for employment documentation more exacting. Employer advice organisations such as [Employers Assistance](#) can help you assess whether your records meet requirements.

If you would like some assistance with the implementation of team appraisals, team inductions or other aspects of your human resources strategies, please do not hesitate to contact us.



Getting On With Business!

Uncertainties in business are ever present. Interest rates, overseas markets and international economic conditions all fluctuate. All have an impact on your business whether your own business is focused on export or domestic markets.

How do you factor all of this into getting on with business right here right now?

Leadership

Leadership is crucial. Business leaders should be articulating plans and strategies that clearly communicate the aims and aspirations of the business to all team members.

Planning

Planning is equally important. Emphasis should also be given to planning an 'implementation strategy' of the plan itself. It is a good idea to include the whole team in the planning process, because these are the people who are more likely to accurately answer key questions that need to be asked as part of a planning process:

- Do we have enough equipment to fulfil the plan?
- Do we have the right people?
- Have the people been appropriately trained?
- Is the plan realistic? Can it be funded or do we need to raise capital or make an application to the bank for additional funding?

Communication

Communication is critical to the planning process. Management should ensure that all team members understand, not only what is being planned, but more importantly, why. This highlights the necessity for great communication:

- What is the goal?
- How are we going to progress towards the goal?
- Why are we doing this?

This type of information will help maintain an organisation's alignment, in that all team members will know what the vision is and, more importantly, all have had input to determining what their role is in implementing the vision.

It is no use sitting back waiting to see how events, over which you have very little control, are going to unfold. What most businesses need to be doing is involving all of their team in the planning process. Having the entire team getting on with business.

What's It Mean?

Current Market Value ... is the value of assets expressed at current values as distinct from the value of fixed assets contained in most balance sheets which are effected at the original cost which is known as the 'historical cost' for the acquisition of the fixed asset.

Fixed Assets... are items owned by the business which are not expected to be converted into cash in the short term but are used to generate business revenue. For example, land and buildings, motor vehicles, fixtures and fittings etc.

Long Term Liabilities... are amounts owed by the business which, in the normal course of events, are not due for payment within the next 12 months.

Example: Component of a loan which, in the normal course of business, is not due for payment until 12 months' time.

Consumer Confidence vs Business Confidence

Consumer confidence: is an economic indicator which measures how optimistic consumers feel about the economy and their own financial state through their activities of saving and spending.

It basically means that if people feel financially stable at work and home they spend more.

Most financial articles generally refer to US consumer confidence. The US Consumer Confidence Index is put together from monthly surveys of 5000 American households. Country by country, consumer confidence varies hugely around the globe.



Business Confidence: measures how businesses feel about their financial state.

Business confidence in New Zealand generally refers to the results of the month [Business Outlook](#) survey which is put together by the National Bank in New Zealand, and surveys 1500 businesses nationwide. The survey asks questions about the business' opinions on what will be happening in the 12 months in areas like interest rates, unemployment, investments and exporting.

There are other similar surveys, each with their own focus. You can browse them at <http://www.businessconfidencesurvey.co.nz/other-surveys.aspx>

How they apply to your own business

Consumer confidence can help you decide whether to keep high-value items in stock, outlay cash in advance or take risks. Decreasing consumer confidence may give you pause over whether a business decision will pan out well. On the other hand, rising consumer confidence may be the ticket to launching a new product or service.

However, keep in mind that consumers do not necessarily have a good grasp of economics. Although levels of consumer confidence may be a good indicator, it's not advisable to rely on it for major business decisions. And while the New Zealand scene is influenced by US trends, consumer confidence here may respond to local factors as well.

Similarly, business confidence reflects the opinions of business owners. It too needs to be taken with a grain of salt. However, if you track it over time, you can develop a good feel for economic trends across various industries and how they relate to your own.

For example, an increase in business confidence in the construction industry could be good news to a joinery



business while one in manufacturing might be of interest to someone in transport and distribution.

Indicators such as consumer and business confidence give us an idea of economic trends internationally and at home. It can be useful to monitor them although unwise to base specific business decisions on them, or get spooked by their results. As usual, your best tools are a practical approach and a good business advisor.

A successful person is one who can lay a firm foundation with the bricks that others throw at him or her.

- David Brinkley

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.

 **JOYCE BROOKS** and Associates Limited

Telephone: 07 838 2228 Facsimile: 07 838 2227
P O Box 607 • Waikato Mail Centre • Hamilton 3240
11 Clifton Road • Hamilton 3204