

Newsletter

DECEMBER 2014

DB CHARTERED
ACCOUNTANTS LTD

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CHRISTMAS BREAK

Our offices will be closed from midday Tuesday 23rd December 2014 until Wednesday 14th January 2015.

“The pessimist complains about the wind, the optimist expects it to change, the realist adjusts the sails.”

Our final newsletter for the year looks at the Fraud Triangle and how to reduce the risk of fraud. Annual leave entitlements are covered as well as asset financing, IRD queries and a book review.

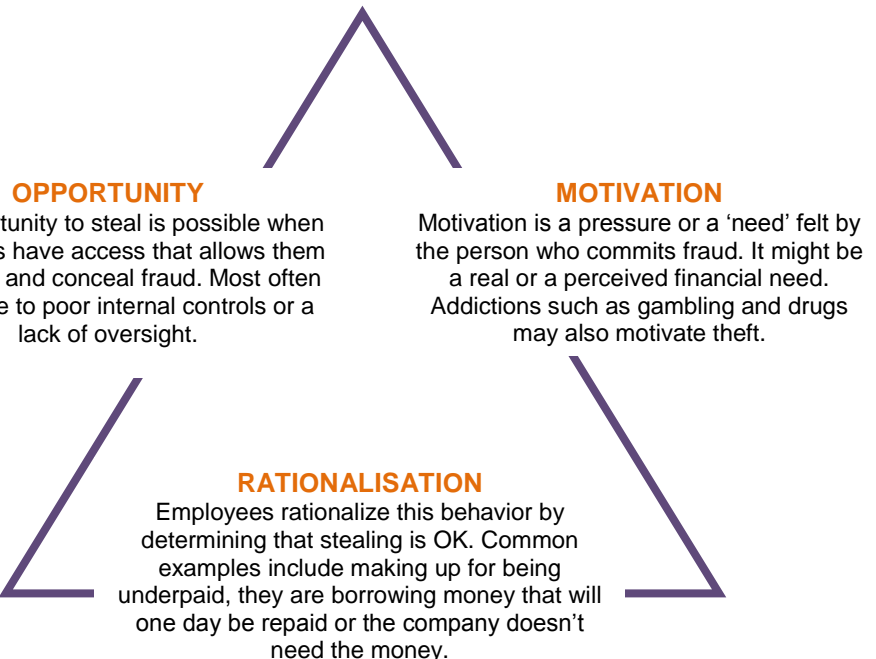
GST AND PROVISIONAL TAX DUE – 15 JANUARY 2015

If we complete your GST Return on your behalf, remember we need to have this completed prior to our Christmas shutdown – we will require your records in early so we can complete returns on time.

Tax cheques delivered to our office prior to Christmas (Income Tax and GST) will be held in our office and delivered to the IRD on the due date.

THE FRAUD TRIANGLE

Employees steal not only because they can get away with it, but because they have a financial need or think they are taking what is owed to them. Most often, the money taken is never recouped.



Business owners can take control of fraud by working on the portion of the fraud triangle over which they have the most control – opportunity.

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ANNUAL LEAVE REMINDER

All employees are entitled to at least four weeks' paid holidays a year.

Annual leave entitlements are due on the employee's first and subsequent anniversaries after commencing employment. The date of the employee's entitlement can be adjusted when the business has an annual closedown period or an employee takes unpaid leave of more than a week during the year.

Annual holidays can be taken at any time agreed between the employer and employee and employees must be given the opportunity to take two of the four weeks' holidays continuously, if they wish to do so.

After 12 months of service the employee's calculation of annual holiday is based on the greater of *ordinary weekly pay* and *average weekly earnings*.

This calculation occurs at the time the employee takes their holiday. Payment for annual holidays should be paid before the holiday commences, unless the employer and employee agree that the normal pay cycle will continue during the time off work.

If an employee has worked the same hours for the same rate of pay throughout the year, and hasn't received any bonus or additional payments the calculation is likely to be their ordinary weekly pay. If overtime or bonuses have been paid, it will increase the average weekly earnings calculation.

Where employment ends after becoming entitled to annual holidays, the first amount to be calculated is the greater of ordinary weekly pay or average weekly earnings. The second amount to be calculated is annual holiday pay for the period since the employee last became entitled to holidays, which is calculated at 8% of gross earnings since the entitlement arose.

If employees have not taken regular annual holidays the value of the accrued leave can be expensive for the employer if the employee leaves. ***The ordinary weekly pay calculation is based on current pay rates, not the pay rate when the leave entitlement first arose.*** Accurate records are important.

We recommend all employees are encouraged to take their annual leave entitlement on a regular basis for the following reasons:

- We all need rest and recreation for our wellbeing and peace of mind
- To avoid employees becoming "indispensable" in their position
- To avoid a large financial commitment, paying out annual leave when someone leaves, possibly when you can least afford it
- Health and safety issues may arise from employees not taking their annual leave



This may be an important topic for discussion with your employees.

THE FRAUD TRIANGLE (Continued from page 1 ...)

Signs of dishonesty

- Inconsistencies in explaining errors
- Bad temper, mood swings & behavior to discourage further questions
- Signs of substance abuse
- Borrowing company money or property without permission
- Expensive habits – drinking, gambling, fast cars, hobbies
- Seen to spend excessively, beyond their income
- Bad attitude, complains about job and conditions to others – lack of respect
- Reluctant to share information with other employees or take leave they are entitled to



When thinking about internal theft never rule anyone out. Long term employees are more aware than anyone of weaknesses in the system and the various ways around it.

What can you do?

- Be aware. Look for the signs
- Lead by example. Create a culture of the correct way things are done here
- Random checks and audits, especially on sole charge office staff
- Screen job applicants backgrounds very thoroughly and check references before employing
- Use video surveillance, especially at cash registers and tell staff about the cameras
- Make sure staff are aware of the zero tolerance to dishonesty policy and that theft not only threatens the bottom line of the business but also everyone's jobs
- If you suspect theft within your business, it is essential that you seek advice so you can ensure you have the evidence required for grounds for dismissal or to forward to Police if appropriate.

When preparing your financial statements we always keep the possibility of fraud in our minds but it is unlikely to be picked up in non-audited accounts. Most often it is a business owner doing random checks or a change in routine that unearths the theft. For further NZ cases and information <http://www.verify.co.nz/news-theftnz.php>

SHOULD I BUY NEW EQUIPMENT FROM BANK FUNDS?

When purchasing new equipment or assets the impact on cashflow should be considered. While the bank account may have adequate funds in it to purchase new plant, have you planned ahead for GST, tax, holiday pay that may come out of the account at a later date?

You should think about upcoming costs before using current funds to purchase assets. If you have not planned ahead for the expected cashflow position, a business may find itself short when tax or other known costs come around.

Businesses would normally expect to match funding against the use of the funds, eg a term loan is used to fund an asset which will last more than one year, an overdraft is used to fund a working capital or operational shortfall.

If you require advice on this at any time, feel free to contact us.

BOOK REVIEW

“Frankton – From Farm to Inner City” – Barry Lafferty (2014)

This book covers the history of Frankton with good easy-reading narrative and numerous photos to compare Frankton of yesteryear with more recent times. The book starts from the purchase of land by Thomas Jolly in the 1860’s (Frankton was named after his son, Frank), the growth of the railways and related services, the tornado of 1948, the rise and fall of various buildings (including town hall and library), as well as business identities through the years.



This book can be purchased at Forlongs. We also have a copy at our reception you can look through next time you are in.



“We can stay home Christmas Eve! This year everyone is getting music, movies and games they can download from my website.”

THE GIFT



Thanks for the electric guitar you gave me for Christmas," little Chris Cody said to his uncle the first time he saw him after the holidays. "It's the best present I ever got."

"That's great," said his uncle. "Do you know how to play it?"

"Oh, I don't play it," the little fellow said. "My mom gives me a dollar a day not to play it during the day and my dad gives me five dollars a week not to play it at night."

IRD PROBLEMS



As part of our service we are in regular contact with the IRD to sort out matters on behalf of clients. Over the past month this has included:

- Ensuring clients get their correct credits from the In-work tax credit.
- Transferring tax payments that have been allocated to an incorrect tax period and tax type. (We also make sure the IRD transfers it at the correct date so clients do not incur penalties.)
- If an error has been made on a PAYE or GST Return we contact IRD on behalf of the client to get it fixed. These returns are all scanned into an IRD computer. If it is not scanned correctly clients can find themselves with a self generated letter claiming they owe tax.
- Putting an arrangement in place to pay tax off over a three month period.

It is often time consuming for clients to sort these things out with IRD (especially dealing with a help desk). If you need assistance sorting out IRD issues let us know as we have a direct line to IRD and can get things resolved quickly.

MERRY CHRISTMAS

Thank you for your support over the past year. From all of our team, we wish you a Merry Christmas and a safe and Happy New Year.



David, Dianne, Emma, Gaylene, Maree, Pam and Raywin.

If you would like to discuss anything mentioned in our newsletter, or you have a suitable joke you would like to contribute, please contact us at:

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