



DM  
DIPROSE MILLER  
chartered accountants

# DOING MORE.

The Diprose Miller Newsletter | Summer 2021.

# SEASON'S GREETINGS

Our directors and staff wish all our clients a safe and happy festive season with family and friends. Thanks to a number of factors associated with the COVID-19 pandemic, it may be a very different Christmas than many of us would have expected.

We'll be taking a well-earned break for a couple of weeks, with a few staff carrying out payroll and other necessary client work over this time.

**Be safe, be careful and be kind.  
We'll see you next year!**

## CHRISTMAS & NEW YEAR OFFICE HOURS

Our offices in Te Aroha and Morrinsville will close for the Christmas and New Year break at 1pm on Thursday 23 December 2021 and re-open at 8am on Monday 10 January 2022.

If required, our directors and associates can be contacted on their mobile phones while the office is closed.

**“Christmas works like glue, it keeps us all sticking together.”**

Rosie Thomas

# BREAKING NEWS

## ACQUISITION OF AUCTUS ADVISORY PIAKO

In early November Diprose Miller acquired the business of Auctus Advisory based in Te Aroha. It's both an exciting and challenging time for us.

Our director Ed Wagstaff has driven the transition process to date and, while he has enjoyed meeting the Auctus clients and coordinating the transfer of their files, we're pretty sure he'll make the most of the Christmas shutdown to have a well-deserved rest.

The process of integrating the Auctus clients into our existing client management system has required careful planning, as there is a limit to the amount of data that can be transferred automatically between Auctus and ourselves. The remaining information needs to be added manually and, even though we've made a good start, completing this work will take some time. Our focus is on making sure that we have enough information on hand to look after the clients' needs as they arise.

In late November we invited the Auctus clients to a welcome luncheon in our Te Aroha Boardroom. This provided the opportunity for us to tell some of them a little about our firm, its history, our key people and services, and get to know them a little better over some refreshments. It also gave us an opportunity to get a feel for what hosting clients under more permanent COVID-19 regulations might be like.

## EUAN LOCK OUR NEWEST ASSOCIATE



We're excited to welcome our newest Diprose Miller associate, Euan Lock.

A real Waikato man, Euan grew up in Hamilton and progressed through the dairy industry to 50/50 large herd sharemilking before deciding that he wanted to try accounting as a career. He started working at Diprose Miller in 2009 while studying for a Bachelor of Management Studies at Waikato University. After completing his degree, Euan continued to study for his Chartered Accountant status with CAANZ, which he gained in 2015.

Before re-joining the Diprose Miller family in 2021, Euan spent a few years as a DairyNZ Consulting Officer helping farmers with optimising farm performance, profitability and equity growth. He will be making good use of this experience in his role as an associate. He's looking forward to combining his accounting and farm management skills to assist our clients with planning for their future success.

Euan is married to Maria and they have two adult children. They live on their lifestyle block close to Morrinsville, where they are carrying out a native planting restoration project. Euan also enjoys woodwork projects and tramping.

Euan's appointment as an associate was announced at our delayed mid-Winter Xmas function held in mid-November at the Falls Retreat in the Karangahake Gorge.

# EDITORIAL

**In my last editorial I stated that I was looking forward to summer. Well, it certainly seems to have arrived early, especially in this part of the world. In fact, after the kids' cricket on Saturday I actually ventured for a swim in the pool at home and at that stage it was only November. Normally I won't go swimming until January when things get really hot!**

It's been an interesting few months and it seems that we can't have any discussion without talking about COVID levels, traffic lights, vaccination passports or vaccinations in general. Personally I find the published information somewhat confusing. Hopefully over the next few months things will settle down a bit and we can get back to some sense of normality,

but my crystal ball is not that good, so who knows what that may mean? The upcoming summer break will be interesting with Auckland coming out of lockdown. We'll see what happens with case numbers and how well the health system copes if we have a surge in hospitalisations.

Life has been busy for us here at Diprose Miller since our last newsletter was published and you'll read that we have purchased another book of clients. This was a relatively quick transaction and currently we're in the process of getting to know the associated clients and how we can best look after them. We also welcome another staff member, Mel Smith, as a result of this acquisition.

We have spoken with, or met with, a large number of clients over the last few months when reviewing their 2021 financial statements. We've processed a large number of dairy farming statements and the results have been better than I have seen for a long time. This is mainly due to the increased milk payout, but it was also a pretty good year for milk production

last year which saw us having interesting discussions in regards to tax commitments and how that is going to look for the next couple of years. It's been good to see large amounts of debt being paid off and businesses taking the opportunity to consolidate their position in case there is a dairy downturn at some point.

I'm writing this on 1 December and it's a good time to reflect on what has been an extremely disruptive and hectic year. I'd like to thank our staff who have done (and are still doing) a fantastic job getting all the financial statements processed for the year. Our efforts are reflected in being named as a finalist in the Xero NZ Medium Accounting Partner of the Year award.

This is an opportunity for me to wish you all a very Merry Christmas and a Happy New Year. I hope you get time over the next couple of months to have a break and enjoy the sunshine. To me, spending time with family is really important and I'm looking forward to doing that, but I'll be extremely busy leading up to the break. As we have done for many years, our offices will be closed over the Christmas period and, like our staff, we directors are all looking forward to recharging the batteries.

Take care, stay safe and have a Merry Christmas.

*Diprose*



**“Christmas is a time when kids tell Santa what they want and adults pay for it. Deficits are when adults tell the government what they want and their kids pay for it.”**

Richard Lamm



# ED'S THINKING

## EPISODE 4 :

### HOW DO I FUND MY BUSINESS AND MANAGE MY CASH FLOW?

**This is the final in a series of four articles throughout 2021 that discuss important aspects of setting up a business for the first time. We've covered the importance of getting professional advice early on, selecting an appropriate legal structure and managing income tax liabilities.**

**We're now going to look at the key issues involved in funding the business and monitoring cash flow.**

## FUNDING YOUR BUSINESS

**In broad terms, funds to start your business will be either "equity" funding or "debt" funding. In practice, a combination of the two is common. In simple terms, equity funding is the business owner's money and debt funding is someone else's money. Generally only the debt funding will be interest-bearing.**

The larger the initial capital requirement, the more likely it is that debt funding will be required. Debt funding allows the business owner to make a larger capital investment. However, a lender will need to be convinced that:

1. The business can service the repayments on the loan. For a new business, the lender will want to review forecast financial information prepared by the business owner and their advisor.
2. Security is available to repay the debt if the business owner defaults on the repayments. The security can be over a fixed asset(s) such as a property, or a personal guarantee from a third party, or a combination of both.

Debt funding is most commonly obtained from "third party" trading banks, although there are other "second tier" lenders in the market. The second tier lenders will often accept a higher level of business risk, but expect a higher interest rate (return) for their investors.

Family debt funding is also a common option, especially as borrowing from banks for new business is becoming more difficult. Family members generally charge reduced (or no) interest to assist the business owner to get things up and running. Family debt is often replaced with bank funding once the business is established and there is a proven cash flow history for third party lenders to rely on.

Loans can be "principal + interest" (P&I) or interest-only. Banks are generally reluctant to lend on an interest-only basis for anything other than a short period, to provide an opportunity for a business to establish its cash flow. Once established, a bank will want to see a regular reduction in the balance of the loan over time.

A golden rule with business borrowing is to "borrow to match the life of the asset being funded". In other words:

1. Use short-term borrowing for short-term assets such as working capital.
2. Use long-term borrowing for long-term assets such as vehicles and equipment.

## MANAGING YOUR CASH FLOW

**We've all heard the expression "cash is king" and new business owners find out very quickly that this is true. Managing cash flow (cash funds in and out of the business bank account) is the key to the financial success of the business.**

To secure debt funding, a new business owner will need to prepare a forecast statement of cash flows that shows expected receipts and payments on a monthly basis for the first one to two years of business operation.

Even if there is no debt funding, a well-prepared cash flow forecast is probably the most useful financial tool a new business owner can adopt.

The preparation of a well-constructed cash flow forecast is an important part of understanding how you expect your business to operate. It forces you to:

1. Predict business revenue and how this will change during the year.
2. Analyse expected business expenses (including loan repayments) and when they will need to be paid.
3. Estimate any requirement for additional capital expenditure.
4. Provide for income tax to be paid on business profits.
5. Develop a policy for personal spending ("drawings") from the business account.

Of course, the actual cash flow is never the same as the forecast. However, it has been well-proven that even a "rough" forecast is much better than no forecast.



In fact, many clients tell us that it is not the result of the forecast (although it is important) but rather the process of putting it together that provides them with the most benefit. It provides an insight into the key drivers that control profitability and cash flow.

We greatly enjoy working with clients to develop cash flow forecasts for their businesses. They help a new (or any) business owner to better understand their business, predict funding requirements and react to unforeseen cash flow problems.

## USE YOUR ACCOUNTANT

The advice and assistance we can provide at the early planning stage of a business is sometimes the most beneficial advice we can ever provide to a client. There are few new business owners who will not benefit from professional assistance with business planning, forecasting and loan funding applications.

## IT'S A WRAP, SO WHAT HAVE WE LEARNED?

The moral of this series of articles for a new business is that planning is the key. Documenting your expectations is an important part of making sure that your new business has an appropriate structure, establishes guidelines for managing tax liabilities, puts sensible funding arrangements in place and has a process for monitoring actual financial performance against expected results.

## IN THE RUNNING AGAIN



Diprose Miller has again been named a finalist for the Xero NZ Accounting Partner of the Year in the medium-sized accounting firm category. We're up against three other accounting firms spread throughout NZ.

Xero has postponed the judging process because of COVID-19 restrictions, so we're waiting to find out when the judging and ceremony will take place. Judging criteria include commitment to maintaining and increasing the level of Xero expertise among staff, using Xero products to gain efficiency for the benefit of the practice and its clients, the delivery of value-added services to clients using the Xero platform, and raising the awareness of the benefits of Xero.

We're very excited to follow up on our success as NZ Accounting Partner of the Year back in 2017. We like to think it proves we're keeping our standards up!

## XERO TIPS & TRICKS

### E-INVOICING

Xero has recently improved its invoicing system to add new features that allow for "e-invoicing" directly between the accounting software products used by different organisations.

Instead of emailing a customer with a PDF or a link to an online invoice, e-invoices are sent from Xero directly to your customer's accounting software ready to be approved and paid.

On the other side, when you receive an invoice in Xero, it's automatically pre-populated as a draft bill, removing the need for manually entering or scanning to record your bills in Xero.

### XERO ME

Xero Me is a new app for employees that combines both the existing Xero payroll functions with the addition of expense tracking. Downloading the app allows employees to request leave, submit timesheets, view payslips, check leave balances and update personal details. If you are an employer using the Xero payroll software, you might like to give it a try. If you need help, let us know.

# HR & PAYROLL NEWS

## THOSE PESKY CHRISTMAS & NEW YEAR HOLIDAYS

It's that time of year again where many employers struggle with the rules around statutory holiday leave over the festive season. We hope the points below will put you on the right track but, if not, feel free to phone us for advice.

1. An employee is entitled to a statutory (public) holiday if that day would "otherwise be a working day".
2. Confusion can arise because most calendars show the coming public holidays as 25,26,27,28 December 2021 and 1,2,3,4 January 2022, a total of eight days. But don't get caught out, the maximum number of statutory holidays any employee may be entitled to over the Christmas/New Year period is four, not eight. Only the 25/26 December and 1/2 January are days for which employees are entitled to statutory holiday leave.
3. As these four statutory days fall on Saturday and Sunday they are subject to the Christmas/New Year "holiday transfer" provisions. If Saturday and Sunday is normally a working day for the employee, the statutory holiday will be treated as falling on the Saturday and Sunday. If Saturday and Sunday is not normally a working day for the employee, the statutory holiday must be treated as falling on Mon 27 Dec, Tue 28 Dec, Mon 3 Jan and Tue 4 Jan.

Further useful reference information can be found at [employment.govt.nz/leave-and-holidays/public-holidays/](https://www.employment.govt.nz/leave-and-holidays/public-holidays/).

## KEEPING YOU UP TO DATE

### Work Papers without Papers

We're about to take the final step toward converting our office systems to paperless with the planned introduction of the Xero Work Papers software product. Under this system, the documents and calculations that we retain to support the entries in our clients' financial statements will no longer be printed, but held "in the cloud" together with the accounting file itself.

### Join the Digital Log Book Fan Club

Many clients are using log books to record their business travel in vehicles that are also used for private travel. By doing so, they are able to claim a deduction for the business portion of the vehicle expenses based on the evidence provided by the log book.

Traditionally log book entries have been made using pen and paper, but there are now a number of mobile apps that can make the job of recording travel much easier.



An example is **Vehicle Trip Logbook Tracker** but there are many others.

These apps automatically record trip distance and provide a useful report that calculates the business travel percentage and can be stored on your accounting file to support the resulting expense claims.

# THE CLOCK IS TICKING

## INLAND REVENUE SMALL BUSINESS CASH FLOW LOANS

A reminder to clients that the Small Business Cashflow Scheme (SBCS) requires loans to be repaid within two years to avoid interest being charged. This limit was originally only one year, but was extended. Businesses that received the loan when it was first available will find that the two-year limit is fast approaching.

If the loan is not repaid with the two-year time frame, interest is charged from the date of the original loan advance.

The loans must be repaid in full within five years and voluntary repayments can be made at any time. After 24 months, payments comprising both principal and interest are required.

**Interestingly, applications to borrow funds under the SBCS are open through until 31 December 2023, although there are criteria to be satisfied based on the impact of COVID-19 on business revenue.**

SUB TOTAL  
TOTAL

## WELCOMING MELANIE SMITH



When we acquired the Auctus Advisory practice we were fortunate to sign up Melanie Smith as a new member of the Diprose Miller team. Mel has been with the Auctus clients for more than 10 years, starting back when it was Fenneman Accounting, so she's well-known to the clients that we will now be working with.

Mel will continue to look after the Auctus clients to ensure that there are no significant changes from a client perspective.

Mel lives in Waihou with her husband Clifton and their three young boys. When not in the office, Mel is kept busy supporting the boys' sporting activities. She's also keen on spending time at the beach, especially taking time out for a quiet spot of fishing.

Since moving down the road to the Diprose Miller premises, Mel tells us she has enjoyed the camaraderie of a larger group of workmates and the additional resources "on tap" to assist with client management.

# STAFF NEWS



## A NEW FACE AT THE FRONT DESK IN TE AROHA

It's a warm welcome to Debbie Gorman, our new Te Aroha receptionist. She's on board Mon-Wed and comes to us from the Te Aroha Kindergarten Association where she worked for 14 years as an administrator. She has a strong background in payroll and accounting work and is familiar with the Xero software that we use extensively in our practice.

She's a local girl, married to Dennis, with three adult children. Sitting at her desk is a case of déjà vu for Debbie - she used to work in the Diprose Miller building when she was with the Hauraki Catchment Board many years ago.

Debbie's hobbies include dancing, singing, yoga, reading and quizzing. She's also keen on spending time at their beach property in the Bay of Plenty. It's no surprise that she can only work part-time!

## SARENA STRIKES AGAIN



It's a big "congratulations" to Sarena Kung and husband George on the safe arrival of daughter Ayva. A little sister for Renee, Ayva weighed in at 8.15 lbs when she arrived on 1 October.

Sarena is currently on maternity leave and is scheduled to return to the office in April 2022.

**"One of the most glorious messes in the world is the mess created in the living room on Christmas Day. Don't clean it up too quickly."**

Andy Rooney



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