

# Dairy Women's Network Dairy Days 2012

## The Organised Office



Presented by: Elaine Cook

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Prime Sponsor



Prime Funder



### Network Partners



Regional Sponsor



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## About Elaine Cook

and

## Why am I here?



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## Learning outcomes for today



- Tips for organising your office and accounts
- Understand the basics of farm accounting and coding
- Understand basics of personal finance – forms of credit, types of loans and lending criteria



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## Information is Power



More information allows you to make better informed decisions  
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Success for your business



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## How do we organise our office



- What types of information do we collect?



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## Nine Key Benefits of Good Records



IRD has noted these benefits of good record keeping. ([www.ird.govt.nz](http://www.ird.govt.nz). Tools for business)

### Easier Tax Compliance

1. Reduce your tax bill
2. Complete returns more easily
3. Avoid penalties
4. Reduce time and stress



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## Better Business Management



5. Better control of your business
6. Better business decisions
7. Manage your cash flow
8. Lower your accounting costs

### Increase Funding Opportunities

9. Increase finance or funding chances



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## IRD's two tips on record keeping



1. It is important that the records should be easily readable and organised enough to allow you or anyone to work through them quickly.
2. If you are storing your records on a computer, be sure to keep back-up copies of your records in case your system breaks down.

Keep the back-ups elsewhere.



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## How do we organise our office

- How do we collate (organise) all that we collect?




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## Financial Accounts

### Different Computer Aids

- Financial Software Programmes (Cashmanager Rural, Banklink, MYOB)
- Downloading 'Trading Account' details
- Internet Banking

### Order Books

### Split Charges (Owners/Sharemilkers)




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## EOY Collation

To complete your end of year accounts your Accountant will request details of the following:

- Cashbook - Balanced
- Bank Statements (reconciled)
- Loan Statements
- Dairy Statements
- Wage Book (PAYE, Kiwi Saver etc)
- GST returns
- Stock purchases/sales
- Stock reconciliation




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### EOY Collation cont...



- Insurance invoices
- ACC invoices
- Legal Invoices
- Tax payments made
- Valuations/Rates
- Dividend/rebates received
- Share Statements
- Details of any accounts payable/receivable after balance date
- etc



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So be prepared

Collate this information throughout the year



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### Farm Accounting & Coding



- A business incurs expenses when generating income and most of these can be deducted from the income to arrive at it's 'Net Profit' or 'Taxable Income'
- It is on this amount that you pay income tax



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## Farm Accounting & Coding



What is coding? & Why do it?

Farmers code income and expenses into different categories for two main reasons:-

1. Compliance
2. To Improve Business Performance



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## Compliance



- Tax purposes
- Business related expenses are tax deductible
- GST Completion

## Better Business Performance

- Benchmarking
- KPI's (Key Performance Indicators)



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## Some typical types of Income codes



- Milk Production
- Calves Reared
- Dividends
- Rebates
- Animal Sales
- Investment Income



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## GST (Goods and Services Tax)



GST is a tax on most goods and services in New Zealand, it is added to the price of taxable goods and services at a rate of 15%.

### What are taxable goods and services?

- Goods include all types of personal and real property, except money.
- Services covers everything other than goods or money, e.g. TV repairs, doctor's services and gardening services.

### Taxable goods and services don't include:

- goods and services supplied by businesses that aren't registered for GST, and
- exempt supplies such as:
  - letting or renting a dwelling for use as a private home
  - interest you receive
  - donated goods and services sold by a non-profit body, and
  - certain financial services.



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### How does GST work?



- GST is a tax that you collect on behalf of the government. You charge GST on your sales and income and claim it back for your purchases and expenses. You then calculate the difference in your GST return to work out if you have to make a GST payment to IRD or if you receive a GST refund from IRD.

### Here's how to calculate your GST:

- You charge GST at 15% for sales and income.
- You claim GST at 15% for purchases and expenses.



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## Forms of Credit



- Overdraft
- Revolving Credit Accounts
- Credit Cards
- Hire Purchase



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## Overdraft



- Interest rate higher than loans (around 8-9%pa)
- Interest calculated on overdraft and charged monthly
- Security needed
- Initially difficult of obtain



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### HINTS



- Develop a relationship with your bank.
  - Demonstrate financial control (how extravagant is your spending?)
  - Eliminate all HPs, credit card debt
  - Demonstrate vision/direction/plan for success (strategic plan)
- Can Contract Milking & Sharemilking agreements be designed to help ease this burden



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## Revolving Credit Accounts



- Require a large amount of discipline
- A source of funds used to cover a short period
- Can debit or credit funds up to a pre-approved limit
- Interest charged on funds used
- Higher interest rate
- Security required



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**HINTS**



When would a Revolving Credit Account be a good option?

When would it not?



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**Credit Cards**



- High interest rates (15-20%pa)
- Interest charged monthly on total balance.

If you have not paid total balance from the month before then the interest charge on that month is added to your next months total balance.

- Limited funds available.



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**HINT**



When would a Credit Card be a good option?

When would it not?



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## Hire Purchase



A legal contract where a person agrees to pay for goods in part over a period of time.

- High interest rates
- Full price plus interest is paid in equal instalments over a period of time
- Goods can be reprocessed if buyer defaults.



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## HINT



When would Hire Purchase be a good option?

When would it not?



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## What is the best way



- Accumulate the funds before purchase is made.
- Identify wants from needs
- Purchase very good second hand
- Consider another options to achieve outcome (use of existing machinery to do same job)



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## Loans



### Debt Reducing

- Regular Payments. Which are split to pay Interest due and reduce outstanding debt (principle)

### Interest only

- Regular Payments. Only paying the amount of interest due. No debt reduction



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## Interest



### Fixed

- Rate of interest is locked at the same amount for the term of the loan

### Floating

- Rate of interest will move as bank/market determines

### Bill Rate

- Rate of interest is reviewed every 90 or 30 days.
- Rate of interest is only fixed for that short period.



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## Lending Criteria



- All providers require security for the money they are lending.
- Value of security has to be higher than the amount borrowed
- Only a % of the value as determined by the bank is used as security



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## Lending Criteria cont.....



Overview only

E.g. To purchase cows

Value of cows as set by the bank      \$1,700

Will lend 65% of this value      = \$1,105

Therefore 250 cows @ 1700      = \$425,000

65% = \$276,250 Loan

Actual purchase 250 @ \$2,000 = \$500,000

Therefore cash of \$223,750 is required.



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## Hints for loan application success



- Provide a detailed Cashflow of new proposal (1<sup>st</sup> yr, 2<sup>nd</sup> yr and 5<sup>th</sup> yr)
- Provide a Business/Strategic Plan. (what are your future goals and a pathway to achieve these goals)
- Demonstrate that you have security for the loan



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Write down **two** things that you're going to do as a result of attending this workshop!



Please fill in evaluations

Thanks for a great day.



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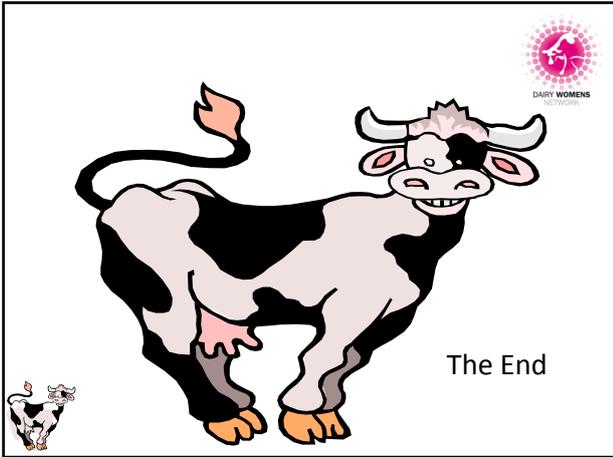
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