

Call in for a Coffee

Introduction

Welcome to RSM's Christmas edition of "Call in for a Coffee". We wish both you and your families the very best for the festive season and thank you for your support during the year. This edition features how you should prepare yourself for the upcoming year end audits, recruitment issues relating to retaining and finding employees, conserving monies for your business and some RSM News from the year that has just passed. We hope that you enjoy the content of this edition and look forward to your feedback.

End of Year Records

IT IS THAT TIME of year again when we say goodbye to one financial year and welcome the beginning of a brighter and more prosperous one. Here are a few points to consider before sending us your end of year records:

1) Accounts Receivable (Debtors)

Please list your debtors (the people who owe you money) at year-end. These will generally be accounts you send out at the balance sheet date but do not receive payment for until the following month.

2) Bad Debts

To claim a deduction for bad debts in your tax return, you must physically write them off from your debtors ledger before year-end. However, bad debts can only be written off after you have taken all reasonable steps to recover the money.

3) Accounts Payable (Creditors)

Please list your creditors (the people to whom you owe money) at year-end. These will generally be accounts you pay during the month following year-end. Don't forget to include VAT, withholding tax and SSF.

4) Inventory (Stock)

All stock items are required to be physically counted (or taken from computer records) at year-end. This should include all locations where you hold stock, including any stock you may have supplied to a third party on consignment. Please remember that stock should be recorded at cost excluding VAT.

5) Work in Progress

Please provide a detailed list of all work started by you before year-end, but not billed until after year-end. This list may include labour, mileage and material charges. The value assigned to these items should be the VAT exclusive cost price, not the selling price.

6) Reconciliations

Any unusual or reconciling items noted during the year should be identified, investigated and corrected in your financial records before you close off and roll over into the new financial year.

7) Fixed Assets

Please provide invoices for all assets purchased during the year (excluding VAT). This will help determine depreciation treatment and recording.

Retaining Good People

THE CRY ACROSS Thailand these days is that we have plenty of work to do but not enough trained people to do it. We won't solve this problem and we should be taking on unskilled people and training them up to solve the long-term problem. In the meantime, you need to consider how you might keep the good people you have. Employees are like customers to your business and, in much the same way as you need to differentiate yourself to customers, so too must you differentiate yourselves to potential and existing employees. Below are some examples of what you can do:

- Allow flexible working hours including for example, slightly longer daily working hours for a rostered day off each fortnight.
- Allow additional holidays by, for example, enabling employees to take slightly less pay each week for an extra week's leave.
- Carry out regular performance reviews, including career planning, to ensure you provide positive feedback and opportunities for advancement within the organisation.
- Provide opportunities for your team to be involved in community activities to build team morale and your brand.
- Involve your employees in feedback and brainstorming to work out ways to remove their frustrations in the workplace.
- Source and provide external training to ensure they stay current (and have opportunities to promote your organisation as a great employer!)

Having Difficulty Finding Good Staff?

REMEMBER, YOUR STAFF SOCIALISE and are likely to mix with people similar to themselves. Why not offer an incentive for them to attract a new person to your firm? We have heard of payments as high as USD\$2,000. If you compare this with employment agency fees, it's a bargain. Include a condition that the employee stays with the firm for a minimum period.

Mike Holloway of RSM Executive Recruitment can help you implement these ideas in your business

More Money For Your Business

SMALL BUSINESS OWNERS are among the most lax when it comes to conserving cash. Why borrow money unless you really need to? Here are some easy ways to improve your cash flow:-

Debtors (Accounts Receivable or Money owing to you).

Never give credit unless you need to. Small businesses are notorious for not chasing their slow payers. No wonder they have bad debts. Get a system going for managing debtors and stick to it. Don't put off chasing bad payers. Every time you ring a customer note down the date and time. Nail down your customers to an agreement. If they say they will pay by the end of the month, check on the first of the following month and get on the phone right away if the payment has not been made. "You said..." can be the best way to shame the customer into letting you have your money.

You may lose an occasional customer by being tough on credit. Do you really want these customers anyway? Many bad payers actually cost you money because they take away valuable time, which could be used to derive more income elsewhere.

- Don't give credit unless you have to.
- Do a credit check with a debt collector, if in doubt.
- Keep your credit terms as short as possible.
- Be systematic in pursuit of slow payers.
- Send your bills out as soon as you can.

Stock

Manage your stock. Getting deliveries "just in time" is cost-effective business. Cull your stock. A client kept detailed records of his stock. In December 2004 he reviewed when everything had originally been put up for sale. Some of the stock had not moved since 2001.

If it is not moving, you should cut your losses and get rid of it. Have a sale, advertise it. If it won't sell, why not give it away and claim the tax loss?

Some retailers pay for some of their stock when it is sold. In furniture and appliance businesses, finance companies will fund stock using what is termed a Floor Plan. They supply money based on the value of stock on a shop floor.

Work in Progress

Contractors should always aim to get paid as the work progresses. Build progress payments into your contract and ensure the document is signed before you start. The more carefully you document what you are going to do, the less room

there is for a misunderstanding. Avoid doing further work under the contract until the progress payment has been received.

Ask for a deposit. It demonstrates good faith on the part of the customers. You will be amazed how willing people are to pay a deposit.

Factoring

Bigger businesses may be able to sell their debts to a finance company and get their cash early. This is known as factoring.

Credit Card facility

Plastic cards are a convenient way to avoid giving credit. This service comes at a cost. If you are selling from a distance and wish to avoid this expense, why not ask for a payment by Internet or telephone banking?

RSM News

2005 has seen many changes to RSM's Thai Group Structure. Both our Parent company in Hong Kong and Sister company in Singapore have departed the RSM International Network to join the more specialist worldwide restructuring network of Alvarez and Marsal. Mr. Nick Hill our Founder and Patriarch has finally retired to enjoy the good life and we thank him for his immense contribution and foresight in establishing RSM Thailand and wish him the very best in his retirement. We welcome Mike Holloway and congratulate him on the way he has already established RSM Recruitment as a leading force in the Thai Executive Search market. Finally we thank Mr. Steven Herring our International Tax Consultant who has not only built up the Tax Consulting Services Division of RSM Thailand but has also contributed significant articles to both "Call in for a Coffee" as well as RSM International's Tax Publications.

RSM Thailand

RSM Thailand is a full service member of RSM International, a leading worldwide professional services firm. RSM Thailand's service line leaders are:

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