



**McKnights**

[www.mcknight.co.uk](http://www.mcknight.co.uk)

[enquiries@mcknights.co.uk](mailto:enquiries@mcknights.co.uk)

### Contents **McKnights**

---

|                                   |   |
|-----------------------------------|---|
| Remember what's important!        | 1 |
| Team Update                       | 2 |
| The Missing Madoff Millions!      | 2 |
| Leadership Skills                 | 3 |
| Business Tax Health Check         | 3 |
| Tips to Survive the Credit Crisis | 3 |
| Cash Control                      | 4 |

## **BUSY AT WORK RIGHT NOW? – Remember what's important!**

When things in your life seem almost too much to handle, when 24 hours in a day are not enough, remember the mayonnaise jar... and the coffee...

A professor stood before his philosophy class and picked up a very large and empty mayonnaise jar and proceeded to fill it with golf balls. He then asked the students if the jar was full. They agreed that it was. The professor then picked up a box of pebbles and poured them into the jar. The pebbles rolled into the open areas between the golf balls. He then asked the students again if the jar was full. They agreed it was.

The professor picked up a box of sand and poured it into the jar. Of course, the sand filled up everything else. He then asked once more if the jar was full. The students responded with a "yes".

The professor then produced two cups of coffee and poured the entire contents into the jar, effectively filling the empty space between the sand. The students laughed. "Now", said the professor, "I want you to recognise that this jar represents your life. The golf balls are the important things. Your family, your children, your health. Things that if everything else was lost and only they remained, your life would still be full. The pebbles are the other things that matter. Your job, your house, your car. The sand is everything else. The small stuff.

"If you put the sand into the jar first", he continued, "there is no room for the pebbles or the golf balls. The same goes for life. If you spend all your time and energy on the small stuff, you will never have room for the things that are important to you. Pay attention to the things that are critical to your happiness. Take care of the golf balls first, the things that really matter. Set your priorities. The rest is just sand."

One of the students raised her hand and inquired what the coffee represented. The professor smiled. "I'm glad you asked. It just goes to show you that no matter how full your life may seem, there's always room for a couple of cups of coffee with a friend!!!"



## The Missing Madoff Millions!

Many will have been shocked by the news from the US of the missing Madoff millions - or rather billions. One of the features of this scandal was that a high proportion of his investors knew Mr Madoff personally and trusted him with their money. It perhaps underlines the dangers of thinking you know someone and, in consequence, perhaps not being as careful as one might otherwise be.

Fraud is a potential threat to every company, including small and midsize entities. The risk of fraud can be managed. The following is a checklist of simple and affordable measures for small and midsize business owners and managers on managing the risk of employee fraud, including some technology-based measures that can be adopted when the threat of fraud is great.

- Accept the idea that fraud is commonplace and can happen at any business.
- Set an appropriate ethical example for employees to follow, and treat them with respect and fairness, including fair play.
- Ask your employees to identify ways in which someone could commit fraud at your company and the ways to avoid it.
- Develop a code of conduct that explicitly prohibits employees from committing fraud, conflict of interest and other illegal acts. Ensure all employees, suppliers and customers get copies of it. Consider having key employees provide annual confirmation of their compliance and have a clear company policy on time and expense reporting.
- Adopt a “trust, but verify code”. If you need only one bookkeeper, conduct a careful background check before hiring. Take note of employees who appear to live substantially beyond their means.
- Verify the credentials of all new suppliers before they are authorised to supply the company. Periodically review vendors to identify possible improprieties.
- Make sure all disbursements are properly approved.
- Protect yourself against cheque alterations by adopting electronic transfers for large payments, using direct deposit for payroll, placing a Euro limit on checks and implementing up-to-date check security measures.
- Review original bank statements before your bookkeeper does. Keep an eye out for unexpected overdrafts or declines in cash balance.
- Make sure bank statements are reconciled each month and that an expert adviser, such as your accountant, reviews the bookkeeper’s work periodically.
- If something seems odd, whether it is a disbursement to an unfamiliar vendor or unexpected costs, consider the possibility of fraud.

Please talk to us if you need any help in strengthening your bookkeeping procedures and the internal controls surrounding them. [trishsayer@mcknights.co.uk](mailto:trishsayer@mcknights.co.uk)



## 2 Minute Business Tax Planning Health Check

### The 7 Leadership Skills needed to succeed in 2009!

1. **Enthusiasm** – Good delegation, coaching and informal, regular, feedback.
2. **Emotion** – Excellent listening and assertiveness skills, being open and honest with your feelings, developing awareness of your people and getting to grips with your work-life balance and that of your team.
3. **Explanation** – Less reliance on emails and make all communications face to face and two-way to ensure understanding.
4. **Engagement** – Invite your team to set their own goals and objectives and encourage participation in the decision making.
5. **Reward** – Give the right rewards to the right people at the right time and only include pay and other benefits at appraisals but praise people and recognise them constantly.
6. **Development** – Offer training and coaching to enhance skills and knowledge. Let individuals decide what they would like to achieve and ascertain the reason behind these requests.
7. **Trust** – Ensure you act fairly and reasonably at all times. Remain impartial and consistent. Deal with issues as they arise and never promise something you are unable to deliver.

| Key Question  | All OK | Needs attention |
|---|--------|-----------------|
| Are you satisfied that you are trading in the most tax efficient vehicle (e.g. Sole Practitioner, Partnership, LLP or Company)? | Yes    | No/Don't know   |
| Are you utilising your new annual investment allowance?   | Yes    | No/Don't know   |
| Have you considered ongoing business tax incentives (e.g. tax credits for R & D expenditure)?                                   | Yes    | No/Don't know   |
| Have you planned for succession and/or retirement?  | Yes    | No/Don't know   |
| Is your remuneration as tax efficient as possible?  | Yes    | No/Don't know   |
| Are you utilising pension provision advantages?   | Yes    | No/Don't know   |
| Have you protected your intellectual property?  | Yes    | No/Don't know   |

If you have answered "No/Don't Know" to any of the above key questions, please contact us and we will be delighted to discuss what's important to you right now. [Johnelliott@mcknights.co.uk](mailto:Johnelliott@mcknights.co.uk)

### 5 Tips to Surviving the Credit Crisis

1. Ensure credit control procedures are working properly. Customers will often pay those who shout the loudest, so, if necessary, make sure this is you.
2. Prepare management information – ensure that management accounts and cashflow projections are prepared regularly and are accurate.
3. Agree which key performance indicators are relevant for the business and report on these on a regular basis.
4. If necessary, monitor and update cashflow projections on a daily basis.
5. Send out invoices on a regular basis and where possible agree the invoice amount in advance. One of the most common delays to an invoice being paid is a query over the invoice.

Please call us if you would like to discuss this further.



## CASH! Cash Control Crucial, Diplomacy Essential

As the recession bites, risks to cashflow increase with SMEs more likely to be on the receiving end. Chasing overdue invoices is uncomfortable and many of us fear that rocking the boat will sour relationships. The most vulnerable are those who have been lax in chasing debt previously. It is far too common for small businesses to allow 60 days to pass before chasing payment of invoices and this sends entirely the wrong message to customers! It is therefore essential to make it known that the rules of engagement have changed. Communication is the key. Final warnings and threatening letters rarely work. It is far better to telephone to explain the handling of future credit control.

## Humour

**Three accountants walk into a bar** and each order a beer. They raise their glasses and make a toast. "Here's to 59!" After downing their beers, they order another round and make the same toast, "Here's to 59!" This happens again and again. Finally, the barman asks the accountants what the significance of the toast is. "Well", said one of them, "we put a 1,000 piece jigsaw puzzle together in just 59 days!" "And that's a big deal?" asked the barman. "You bet", said the same accountant, "the box said 4 to 8 years!"

**A trainee accountant joined the headquarters of a large firm.** He was a graduate from a famous university. On his first day he dialled the canteen and shouted into the phone, "Get me some coffee, quick!" The voice from the other side responded "You fool, you've dialled the wrong extension! Do you know who you are talking to?" "No", replied the trainee. "It's the Managing Partner, you fool!" The voice shouted back. The trainee did some quick thinking and asked forcefully, "And do you know who you're talking to, you fool?" "No", replied the Managing Partner. "Good", said the trainee as he hung up.

## Capital Allowances - Available Relief

April 2008 saw the start of a new regime for capital allowances. First Year Allowance (FYA) for small and medium sized businesses have been abolished. Industrial Buildings and Agricultural Buildings Allowances are being phased out and will be abolished in 2011. The rate of relief given on the general pool of expenditure on plant and machinery has been reduced from 25% to 20% and to counteract this, an Annual Investment Allowance (AIA) has been introduced.

It is important to identify the costs correctly to enable the correct relief to be claimed. A reduced rate of writing down allowance, 10%, is now given to a specific list of items that are integral to a building.

The changes are:

- AIA providing 100% relief on the first £50,000 of expenditure in a year, excluding cars
- Expenditure over £50,000 is allocated to an appropriate pool
- If AIA is not utilised, tax relief is lost
- Short life asset elections are likely to be scrapped in the next three to four years
- 100% FYA are allowable on energy saving or environmentally beneficial items listed on [www.ECA.gov.uk](http://www.ECA.gov.uk)
- 100% initial allowance available on business premises renovation if you are in a "disadvantaged area"

If you are thinking of buying or renovating any sort of asset, please call us first – we can help ensure you maximise the reliefs available.



Britannia Court  
Moor Street  
Worcester WR1 3DB