Welcome to our quarterly Newsletter

In this edition we take a look at:

- The Latest update from the NAB from their Rural Commodities Wrap Report for September
- Comprehensive Credit Reporting has arrived - What are the steps you can take to improve your credit history?
- False Invoicing - with Australian Businesses reporting more losses from scams this year
- Unsecured loan options and what to consider
- What effect will the new accounting standard for Leases have on businesses?
- The New Code of Banking Practice gets the green light from ASIC – what does it mean for you?

As always if we can help with any aspect of your finance or you know of someone that would benefit from our services please do not hesitate to contact us on (07) 4922 7221 to discuss.

Enjoy the read!

The NAB Rural Commodities Wrap – September 2018

The NAB Rural Commodities Wrap has just been released for September with the Rural Commodities Index up 0.7% in August, with grain, lamb and wool prices on the rise, but cattle and dairy lower. Continued drought conditions in the east is likely to see elevated grain prices but lower cattle prices.

Agricultural prices and production continues to be very region and commodity specific. While most of New South Wales and parts of Queensland are in severe drought, the wheat belt of Western Australia looks on track for a good season, notwithstanding widespread late frosts. Conditions in Victoria and South Australia are varied, although a dry spring and late frosts will be a challenge and cutting for hay is ramping up.

Livestock is mixed, with lamb receding somewhat from dizzying highs but cattle back above 500c, although this could be brief given the outlook.

The Bureau of Meteorology remains on El Nino watch – pointing to a 50% chance of El Nino developing in 2018. The three month outlook is generally drier than average.

View the full report here

Comprehensive Credit Reporting is here – What is it and what steps can you take to improve your credit score?

The Australian Government passed legislation mandating Comprehensive Credit Reporting. This means, by the 1st of July 2018, the major banks are required to have at least 50% of their comprehensive consumer credit data ready for reporting. By 1st July 2019 they will be required to provide 100% of their comprehensive credit data
Some major Financiers have already begun reporting comprehensive data to the credit reporting bodies, so your credit score and credit report may have updated to reflect this new information

What is Comprehensive Credit Reporting?

Comprehensive Credit Reporting refers to additional information being provided to, and held by, Credit Reporting Bodies in Australia. Credit Reporting Bodies are companies that provide details about credit history to financiers such as Equifax, Dunn & Bradstreet and Experian.
Previously Australia had a negative reporting system. This meant consumer credit reports could only contain information such as credit enquiries (typically applications for credit e.g. a personal loan or credit card) and information from credit providers such as payment defaults and serious credit infringements.
Under a comprehensive credit reporting system positive data is able to be included on credit reports. Most developed countries in the world operate under a comprehensive credit reporting system.

The positive data that can be included on credit reports includes account information such as the date an account was opened and closed, credit limit, type of credit account as well as 24 months repayment history. Repayment history information can only be provided by and shared with licenced credit providers - this doesn't include telecommunications and utility companies. This means that if you make your repayments on time each month this good credit behaviour will be recorded on your credit report. These changes allow licensed credit providers to access and use this comprehensive information in order to make more informed lending decisions.

What can you do to get yourself ready for these changes?

1. Make sure you pay all your repayments on time

It might sound obvious but is more important than ever. With the introduction of the new legislation financiers can now report your repayment history for the last two years to your credit file. If a payment is over 14 days late this can now impact your credit score.
If you have a number of credit cards an option maybe to consider combining them to make keeping track of when payments are due easier or setting up direct debits and ask your financiers to send your bills via email rather than posting them in the mail.

2. Check your credit history

Additional information about your credit accounts will now be included on your credit file. This means that financiers that you are approaching for finance will be able to see how many credit cards and other loans you have and the amount of credit you currently have against your name.
You can access your credit report for free. To find out more click here

3. Correct any errors on your credit file

If you find an error on your credit file, take steps to ensure this is corrected. This is something you can generally do yourself, however sometimes serious matters like judgements and defaults will require the services of a specialised solicitor.

Australian small businesses have reported losses of more than $2.3 million to scams this year, according to the national competition watchdog.

The Australian Competition and Consumer Commission's Small Business in Focus report states that small businesses have incurred losses of more than $2.3 million to scams between the 1st January 2018 and 30th June 2018 with the majority of scams delivered via email.

One type of scam that seems to be on the rise involves false invoicing.

It can be relatively easy to be caught up in an invoice scam as it is as simple as you or your accounts payable person receiving an invoice from a regular supplier with new bank and account details. The payment is made however the supplier's bank account details actually have not changed. The scam has taken place with the funds transferred to another party and your supplier has not been paid and still requires payment.

How do these scams generally work?

- A malware attack occurs on your supplier as a result of an employee clicking on a link that has gained a scammer control of their computer system. This then enables the scammer to access invoices and accounting software to generate and alter invoices with false banking details. They alter and issue the invoice to your business for payment.
- By a scammer reading information on your website that may reveal who suppliers are. This could be as simple as the website having a page that lists businesses that supply to the company or latest news articles that detail a new supplier. The scammer then obtains enough information to issue what looks like a genuine invoice with false banking details.
- The accounts payable person at one of your suppliers changes the banking details so the funds are credited to their account. (It is also important to be aware that this can work in the reverse and in a worst case scenario could be the accounts payable person in your business amending the details of invoices made with one of your debtors.)

How do you avoid these scams?

- If a request is made to change suppliers bank account details confirm back with the supplier over the phone and if in doubt ask for a copy of their deposit slip to confirm the bank account details. It is recommended that an online request to change supplier details is never accepted without verification.
- It is also recommended that the person that pays your accounts shouldn't have the sole ability to set up a supplier, then process an invoice and make a payment. Most businesses now have dual payment authorisation in place, as well as segregation of duties where possible.
- Have procedures in place regarding changing supplier details in your accounting software. Xero Accounting software has a neat function that sends you an email anytime a bank account is changed in the system.
- For added protection you may want to look at insurance around cyber-crime and fraud. This type of insurance is becoming more prevalent, and the cost of policy is starting to come down.

How to detect possible issues within your business?

- Check your financials against budget/expectations (if you notice items that are over budgeted expenditure without explanation, it could be a possible fraud).
- Ensure your accounts payable employees take regular holidays where their role is performed by another employee.

To see details of the ACCC report click here

What could you do with additional $$$$ in your business?

There is a quick, easy solution to keep the cash flowing and ensure the day-to-day business operations keep running smoothly without having to provide additional security!

We have access to unsecured business loans that provide short term funding, usually up to 12 months.

When considering which business loan may be suitable we can point you in the right direction based on the amount and term that is required.

So what should be considered when borrowing?

- What is the total cost of the loan?

This involves considering three main factors:

- the principal,
- the total interest,
- and any fees associated with the loan.

This then provides a basic 'total cost' of the loan – the amount you will be paying back to the lender over the course of your loan.

- Are there any exit fees for early payment?

Make sure you have a chat with us first if you need any form of working capital finance.

What effect will the New Lease Accounting Standard have on businesses?

In Australia most businesses undertake some form of leasing activity whether it is renting an office and a number may finance vehicles and equipment on an operating lease basis.

To date a number of these lease arrangements have been classified as operating leases. As an operating lease they have not been recorded on the balance sheet of the business. Instead they have been recorded as an expense of the business.

In 2016 the International Accounting Standards Board issued IFRS 16 on Leases. The Australian Accounting Standards Board subsequently amended the definition of Leases to fall in line with International Accounting Standards.

In Australia for annual periods beginning on or after 1 January 2019 (i.e. 31 December 2019 or 30 June 2020 year ends) this change will require the majority of leases held by businesses to be recorded on the balance sheet.

What is the impact of this change?
This change will in most cases increase both assets and liabilities on the balance sheet and may impact bank covenants such as Debt/Equity ratios.

What to consider in the lead up to this change?

If you have leasing liabilities it is worthwhile having a chat with your Accountant to see what impact if any the coming changes may have on your financials and if applicable consider revising any bank covenants likely to be impacted.

New Banking Code of Practice gets green light from ASIC - But what does it mean?

With some small and medium sized businesses including agricultural clients being in the news over their treatment from Banks at the recent Royal Commission, the Australian Banker's Association ("ABA") has issued an update of their Voluntary Banking Code of Practice. This Code was sent to the ASIC for approval in December 2017, with the corporate regulator approving the code in late July 2018.

For the first time there is a new dedicated section on small business lending and another on inclusive and accessible banking. In addition, when required, a small business and or agribusiness expert, will be asked to assist the independent Banking Code Compliance Committee, which is responsible for monitoring Code compliance.

The Code is enforceable and banks with personal or small business customers in Australia will be required to sign up to the new Banking Code of Practice if they wish to be members of the ABA.
It is important to note that the commencement date of the revised code for signatory banks to be compliant is the 30th June 2019, but some are expected to be compliant earlier.

The key aspects of the code are;

- It is the first time that a Finance Code has been approved by ASIC
- Loan contracts will be simplified by being written in plain English and easier to understand.
- Contracts with fewer conditions for those with loans under $3 million.
- Borrowers will be given more notice when loan conditions change – helps with business planning.
- Improved communication and greater transparency when using valuers and insolvency practitioners.
- And the key item that was raised by some borrowers in the Royal Commission where action had been taken against them is if a small business, with loans under $3M, has met their loan repayment terms a bank will not take enforcement action against the business (unless they fall within a limited area including bankruptcy, broken the law or loss of a licence to continue to operate).

A copy of the code and further information is available at www.ausbanking.org.au/code

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