

tlp - news

June 2008

The monthly newsletter of The Long Partnership — www.thelongpartnership.co.uk

Let's Get Real or **L**et's Not Play.

We want you to succeed. We know our products and services have helped clients success in the past. Our intent is always to find a solution that exactly meets your needs. This helps to ensure a good fit between what we do and what you need. If there is a good fit, let's work together, have fun and make money.

Call us on:
01856 878600

Quote

**"Winning isn't everything.
Wanting to win is"**
Catfish Hunter,
Baseball player

June Dates:-

5 Alan in Eday
9-12 Alan and Helen in London (course)
18/19 Alan in Caithness
tba Mairi in Caithness
25/26 Alan and Helen in Longhope

7 years ago we opened our office in Castle Street. In some ways it seems like it was just yesterday. There are a few more grey hairs and a few more wrinkles (on some of us) but other than that, we are in a much better state than on 1 June 2001. We have excellent people working in the office in Kirkwall and they will shortly be joined by some new faces. By the time you receive this Arlene will have joined us and later this month Calum will be taking up a role within the business. You will not see much of him as he is based outside Orkney. More about this exciting development another time.

We have a distinctly charitable theme this month. The warmer weather and the sailing season starting may be partly to blame. However, it is also because of our recent involvement in providing advice to local charities. This a challenging sector in which to work, and there have been a lot of developments recently. Some of these are very scary indeed! Part 1 this month.

A lot of people give their time voluntarily to various charitable organisations and for the most part a little common sense will keep them on the right tracks. However, once a charity starts to get involved in a trading venture and especially if that trading venture is generating serious amounts of money, advice must be taken and that is going to take time and money, but there is no avoiding it.

Development Trusts have sprung up all around us and this is partly fuelled by the ability that they have to generate funds from community owned wind turbines. The funds generated from the turbines will finance local social and economic development and there seem to be banks queuing up to help finance these developments. There have been some notable trailblazers here but everyone else is catching up fast.

What an excellent state of affairs. Locally generated funds being applied by the local community to the projects that matter to them. We have recently given presentation to a number of trusts on the question of trading by charities which can be a minefield. Get in touch if you are interested.

2008 is going to be an interesting year for us and you will be the first to know. We have already introduced some significant new services but there are some notable development in the pipeline. More later.

The newsletter has been well received and we now send out over 400 copies each month and rising. Please let us have your feedback. If you find anything you would like us to share then send it to us and we will try to include it. We think you will like the piece on the back page. Its official! Accountants drive faster than lawyers.

We are installing the More Software in more businesses each month. Not only is it free, which can't be bad, but it is easy to use. You can now computerise your bookkeeping without being a computer genius. If you have used spreadsheets you will take to More like a duck to water.

Building on the charitable theme, this month we have another paid advert. However, we are not selling advertising space. The payment was a donation to the RNLI. If you want to advertise or have an insert included, you will need to make a donation to either the RNLI or Save the Children. "Every little helps", and while we are on that topic, what do you think about Tesco..... There will be some mixed feelings about that one. But there are only three things certain in life. Death, taxes and that Tesco are opening a store in Kirkwall.

Anyway, hope you manage to have a BBQ in the good weather. By the way, our Thurso office opens for business at the beginning of August. Wish us luck! More exciting news next month!

Alan, Helen and the team at TLP

Sage Accountants Link

1. Client enters TLP contact details to prepare for the data exchange on Sage 50 Accounts or Sage Instant Accounts—version 11 onwards

2. A secure encrypted copy of the data is created and is password protected. This data set is much smaller than a traditional backup.

TLP receive clients' data via email. The accountant Link feature is used to import the data. TLP simply enter our clients' data set password and then we can start working on their data. All entries are automatically recorded.

TLP can change the following and it will automatically update in our clients' data:

- ◆ Invoices and Credit Notes
 - ◆ Journal entries (including reversals)
 - ◆ Bank Payments and Receipts
 - ◆ Cash Payments and Cash Receipts
 - ◆ VAT and Bank Reconciliation
- Once TLP have completed processing, we can send back the data, together with the adjustments, to our client.

New Clients

When converting from manual records, the Accountant Link makes it easy to get them up and running on Sage accounts software. The client can create all their customer and supplier accounts and send the data to us to process the opening balances and ensure they start off with accurate records.

For our clients, Accountant Link means:

- ◆ A more efficient and secure way of exchanging data than traditional backup.
- ◆ They can continue to process accounts whilst you work on their data.
- ◆ They are less likely to make mistakes when entering adjustments received from their accountant.
- ◆ They save time as there's no need to enter accountants' adjustments manually.
- ◆ Greater level of service and support available from us, their accountant.

An Introduction to Charitable and Other Companies - Part 1

Extract from a presentation given by Alan Long at the HICEC Funding Day

“A corporation is an artificial being, invisible, intangible, and existing only in contemplation of law. Being the mere creature of law, it possesses only the properties which the charter of its creation confers upon it, either expressly or as incidental to its very existence.”
US Chief Justice Marshall

So, what are the key characteristics of a company?

- ◆ a legal entity separate from its members
- ◆ an artificial entity
- ◆ it can issue shares to members
- ◆ shareholders can invest in a company with the benefit of limited liability
- ◆ day-to-day management of the company is entrusted to the directors
- ◆ directors must act in good faith in the best interests of the company
- ◆ special financial disclosure rules
- ◆ a company cannot just die - it must cease to exist through liquidation or dissolution
- ◆ if successful, a company may long outlive its human founders

What is a company's relationship with real people?

In 1897 Lord Halsbury in the case of *Salomon v Salomon & Co Ltd* said:

“It (the company) must be treated like any other independent person with its rights and liabilities appropriate to itself, and that the motives of those who took part in the promotion of the company are absolutely irrelevant”

At all times and in all respects a company is to be treated as a separate legal person from its shareholders and directors.

Types of Company

Companies can be limited by shares or by guarantee or they can be unlimited. They can be private or public companies. There are also Community Interest Companies. The distinction between private and public companies is particularly important.

Private company disclosure requirements are lighter, but, on the other hand, a private company's shares may not be offered to the general public and issuing or even inviting unsophisticated investors to participate can present considerable legal difficulties and expense. Take advice before you act!

Development Trusts

Development Trusts are generally Companies limited by guarantee and often charities (but not always). Their trading subsidiaries are generally companies limited by shares. Shares in the subsidiary are usually wholly owned by the Development Trust (the parent company) but there can be other shareholders.

Both are independent legal persons separate from the members and directors / trustees AND independent legal persons from each other.

The Shareholders own the company

A share is a share of the company and its assets. The amount of influence is proportionate to the shares owned. If you own greater than 50% of the shares **you** control the company – you decide who can be directors.

What powers do directors have?

- full power to carry out the business of the company,
- considerable freedom to move the business in the direction they collectively wish,
- acquire and dispose of property for the company,
- take or defend legal proceedings in the company's name.

The directors have a general duty to 'act in the way [they consider] in good faith, would be most likely to promote the success of the company for the benefit of its members a whole'.

What can the shareholders do?

- challenge management decisions in very limited ways.
- change the constitution (Mem & Arts),
- alter share capital
- authorise share issues and purchases
- wind up the company.
- appoint and remove the directors
- vote on substantial transactions between the company and a director
- consider cases of directors' negligence or breach of duty.

Why is it important to control the appointment of directors?

- to protect the interests and investment of the parent.
- to provide feedback to the board of the parent
- to protect the good name and reputation of the parent

Mini budget special: The 10% solution

The chancellor, Alastair Darling has announced a £600 increase in the previously budgetted 2008/09 personal allowance as a "compensation package" for lower earners affected by the abolition of the 10% band for earned and pension income. This measure also reduces the higher rate threshold to compensate and so higher rate tax paying earners do not also receive the £120 windfall, which applies for this tax year only.

The effect of the change for a **basic rate taxpayer on £25,000 p.a.** is as follows:

Before:			After:		
Income band	Tax rate	Tax due	Income band	Tax rate	Tax due
5,435	0%	0	6,035	0%	0
19,565	20%	3,913	18,965	20%	3,793
£25,000		£3,913	£25,000		£3,793

Result: The basic rate taxpayer becomes £120 better off.

Gordon Brown had announced the removal of the 10% tax band for this year in his 2007 budget, but it seems that MPs, cross party were unable to appreciate the full effect of the tax change until recently.

Some people were very quick to point out that the chancellor had made an error in his speech when he told the House of Commons that, "as the £600 increased personal allowance applies not just to basic rate taxpayers but also to those paying tax at a higher rate, I am therefore reducing the threshold at which an individual starts to pay tax at the higher rate by £600." Doing the maths, this would allow higher rate taxpayers to also share in the windfall.

HMRC corrected the Treasury's embarrassing blunder on its website and announced instead, "To reduce the higher rate threshold as announced by the Chancellor, the basic rate limit will be reduced by £1,200 from £36,000 to £34,800. Higher rate taxpayers will see no difference in the amount of tax they pay.

The effect on a **higher rate taxpayer on £50,000 p.a.** is illustrated as follows:

Before:			After:		
Income band	Tax rate	Tax due	Income band	Tax rate	Tax due
5,435	0%	0	6,035	0%	0
36,000	20%	7,200	34,800	20%	6,960
8,565	40%	3,426	9,165	40%	3,666
£50,000		£10,626	£50,000		£10,626

The effect of the change is that the tax liability of anyone who currently pays tax at 40 per cent will be unaffected by the increase in the personal allowance. Those brought into the higher rate will gain by up to £120 this year.

The change will apply for PAYE purposes in September 2008 when basic rate taxpayers will receive an extra £60 followed by £10 per month until the end of the tax year.

Further example of the increase in personal allowances: **No effect on earned or pension income of £41,435 or higher**

Before:			After:		
Income band	Tax rate	Tax due	Income band	Tax rate	Tax due
5,435	0%	0	6,035	0%	0
36,000	20%	7,200	34,800	20%	6,960
			600	40%	240
£41,435		£7,200	£41,435		£7,200

OFT raids RBS

The offices of The Royal Bank of Scotland have been raided by the Office of Fair Trading. Investigators descended on the bank's headquarters in "secret, synchronised raids". Paperwork, electronic records, and phone logs are believed to have been seized.

In an official statement the OFT confirmed it had visited the business premises, and said the investigation related to "the provision of loan products to professional services firms" but it is not yet in a position to say if the law has been infringed.

Ordinarily, fines for price-fixing would normally equal 10% of the firm's global turnover.

Hmm...nobody told us that they were doing special deals for accountants!

Email from New Zealand

We regularly receive emails from around the world from people who look at our webcam. Here is one that came into our office recently which was particularly interesting.

"Just wanted to call you from NZ. We visited Orkney in 2006 and have since managed to find the evidence to prove that your building was the building that our ancestors were merchants in before they left Orkney for New Zealand in 1860. They were John and Elizabeth Dinnison and they left Orkney with all their living children to make a new life in NZ. Their eldest son, James, is buried in St Magnus Cathedral churchyard - he drowned in Kirkwall Bay.

It gives us a great thrill to be able to look at that view all the way from the other side of the world. We thoroughly enjoyed our time in Orkney and hope to come back soon - meanwhile your webcam helps to remind us of that beautiful place.

Margaret and Mike Gentil,"

Are accountants secret speed demons? - From an article on Accountingweb

Recent statistics show that accountants may be the fastest professionals on the road. Daytona, a leading member of the National Karting Association, has examined seven years' worth of race data from its Manchester track and found that by vocation, accountants hold the fastest average lap time.

Here are Daytona's top 10 speediest drivers, by job, with their average lap times:

Accountants,	26.017
Sales professionals,	26.021s
Solicitors,	26.121s
Marketing professionals,	26.234s
HR professionals,	26.301s
Surveyors,	26.313s
Local councillors,	27.015s
Estate agents,	27.476s
Management consultants,	28.512s
Customer service professionals,	29.660s

So is this a statistical blip, or is there something more to it? Well, a study last year by money supermarket.com revealed which were the most accident-prone professions when it comes to putting pedal to the metal. No, accountants didn't top the list (lifeguards, tobacconists and most of the medical world, it seems, are worse) but they're not far off.

Accountants are the twelfth most dangerous drivers when it comes to the employed. Long commutes, heavy workloads, mobile phone usage and fatigue must all play a part, but even so, does the profession suffer from a need for speed?

In April the Coventry Evening Telegraph reported on a Bristol accountant who had been clocked at 145mph in his BMW 330, and facing the possibility of jail, had asked for sentencing to be delayed until after his holiday. He got four months suspended and 200 hours' community service.

In the motorcycling community, lifelong bikers have been complaining for years about the arrival of middle-aged "Hell's Accountants" in their counter-cultural midst.

A quick look at the world of professional racing shows a few accountants have made a positive mark on the track, however. one of Italy's greatest all-time race drivers, Luigi Fagioli, left behind accountancy to enter the sport full-time at the age of 27. He's one of the oldest drivers to have won an F1 championship, in 1951 at the age of 53. Believe it or not, he needed a cane to get into the car. Scots-born Leslie Thorne was another 50s Formula One driver, albeit one that failed to win anything. More recently accountant and economist Marc Gené Guerrero was F1 Williams' occasional replacement for Ralf Schumacher, and is now a test driver for Ferrari.

Closer to home, Fraser Smart, an actuary for Buck Consultants, currently leads the 2008 Formula Renault BARC Championship for single seat racing cars. Given that he deals with the financial impact of risk and uncertainty on a daily basis, it is maybe not such a leap to his chosen pastime, only his desk does not corner at 95mph.

"How can you settle for a safe third or something, because it's four points?" French-Canadian F1 driver Gilles Villeneuve once said. "Jesus, **people like that should be accountants**, not racing drivers."

Yet the gifted and mercurial Villeneuve died in a tragic and fatal crash qualifying for the 1982 Belgian Grand Prix shortly afterwards. So perhaps a little accountancy isn't entirely unhelpful when it comes to steering a steady course - it's just a shame the profession is so frustrating that accountants sometimes feel compelled to take it out on public roads.

Granville Solloway Stress Consultant B.A. (Hons), F.A.S.C

Protect your business and your workforce

Having me on contract is a good fringe benefit for the people
who work for you and helps to stay within the law.

(The Management of Health and Safety Regulations 1999).

Please contact me on 731 236 for more details