

# BusinessMatters

A Newsletter for Chartered Accountants in Business



*The new Officer Group are pictured from left to right: Tom Fitzpatrick, Immediate Past President, John Hannaway, Deputy President, Paul O'Connor, President and Austin Slattery, Vice President, Chartered Accountants Ireland.*

## Optimism Returns to Business

The most recent KBC Bank/Chartered Accountants Ireland Business Sentiment Survey suggests possible GNP growth for Ireland in the 2nd quarter of 2010. However, the survey also suggests that the nature of the Irish recovery is slow, patchy and uneven across different sectors and that employment growth is still some way off. While the 'feel bad' factor is abating at last, we are not yet ready to report any 'feel good' factor either.

Business is however noticeably more optimistic about the overall economic environment with twice as many respondents positive about the economic prospects of the next three months. This is the most upbeat response to this particular question since the winter of 2007.

Over 69% of firms indicated that they had cut pay over the last two years but signs are that these pressures have abated of late. Only 12% of firms expect to reduce salaries later this year and only 13% indicated that they had cut pay in the last three months.

The survey also asked businesses about their attitude to the recent weakness of the Euro. The responses to this question were more mixed than we might have expected. While 36% indicated the currency depreciation was a positive development for their business, up to 23% regarded it as a negative development. 40% reported it as having no special impact.

The Business Sentiment Survey has been conducted on a quarterly basis since Winter 2007.

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## Pension Trustee Obligations

Many of our members are directors of companies, some of which may have a pension scheme where the company itself is the Trustee. Under regulations passed in March all such directors will have to undergo Trustee training before January 2012 and renew this training every two years. While this will not impact on existing directors for some time, a newly appointed director must undertake this training within six months of appointment. The training requirement also applies to employee trustees. Full details are available on [www.pensionsboard.ie](http://www.pensionsboard.ie)

## NAMA – The Journey Continues



Jan Kvarnstrom NAMA

The CA NAMA Forum conference on the Debtors Business Plan, an intensive 6 hour CPD event, took place at the beginning of June. The keynote speaker was Jan Kvarnstrom, who was a member of the core team that set up the Swedish “Bad Bank” Securum in 1992 where he was appointed CEO in 1994.

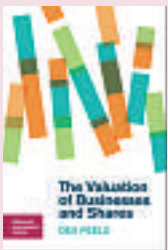
The Securum model was expected to last 10-15 years, but was completed in 5 years. Central to the successful outcome was a high staffing level, excellent communications and quick decision making. The entire equity was expected to be consumed in the project, but more than half of it was returned to the Kingdom of Sweden.

While delegates greatly appreciated the insider overview presented by Kvarnstrom, they also received practical guidance on the most appropriate approach to completing the Debtors Business Plan. Feedback from the event has been excellent. Similar well-attended events have been presented by the district societies in Cork and the Mid-West.

Meanwhile, the CA NAMA Forum Committee, along with other member volunteers, has developed a schematic for a Business Plan “Lite”, for debtors outside the top 100. This has been submitted to NAMA for consideration. Issues identified at the Conference are being forwarded to NAMA for response.

Members should note that NAMA’s Codes of Practice were published in early July and are available on [www.nama.ie](http://www.nama.ie)

## Business Valuations



Written by Des Peelo FCA, *The Valuation of Businesses and Shares* is a highly practical handbook, setting out guidelines, case histories, examples of valuations, and best practice for the busy advisor in dealing with valuations that can arise in many different circumstances. Integrity, in this instance meaning objectivity, independence and impartiality, are hallmark qualities for the professional valuer. This book explains these obligations and what they mean in everyday valuation practice.

Costing €45, it is available online: [www.charteredaccountants.ie/general/shop/books/](http://www.charteredaccountants.ie/general/shop/books/) or order by email from [publications@charteredaccountants.ie](mailto:publications@charteredaccountants.ie) or by phoning +353 1 637 7233



*One man who quickly learned that companies in crisis can provide serious learning and career development opportunities is Nigel Clerkin, Senior Vice President – Finance & Group Controller, Elan Corporation. Speaking at a Young Professionals Business Leaders event in May, he recounted how his decision to stay with the company through the two crises that befell it in the ‘Noughties’ was based on the worst case scenario of improving his CV, but offered him the potential to be part of the solution. Nigel is pictured with the Young Professionals Chairman, Aisling Molloy.*

## Tax Tips

### Revenue Launches Consultation on Extension to Mandatory eFiling and Payment

Revenue's grand plan for mandatory e-filing of tax returns and online payment of tax continues with the launch of another consultation process to discuss the extension of mandatory e-filing and payments in three further annual phases up to 2013 as follows:

For returns/payments due on or after 1 January 2011: all companies, partnerships, trusts, individuals who register for VAT after 1 January 2011, individuals subject to the high earners restriction, individual employers with more than 5 employees, and persons filing stamp duty returns for instruments executed on or after 1 January 2011.

For returns/payments due on or after 1 January 2012: all individuals registered for VAT, individuals benefiting from or acquiring foreign life policies, offshore funds or other offshore products and individuals claiming one or more specified reliefs/allowances.

For returns/payments due on or after 1 January 2013: all individuals whose annual turnover or gross receipts exceeds €75,000 if selling goods or €37,500 if providing services or receiving rental income and all persons filing CAT returns.

Mandatory e-filing is already in place for Government departments/bodies and large companies whose tax affairs are managed by Revenue's Large Cases Division and other "larger companies", local authorities and semi-State bodies/agencies.

Mandatory e-filing is already a feature of the re-vamped Capital Acquisition Tax administration system whereby e-filing is a must if a taxpayer wishes to claim a CAT tax relief. The Stamp Duty system was overhauled with the abolition of the traditional affixed stamp to a document in favour of a stamping certificate designed to issue on foot of an online application and payments process.

Reasons proffered by Revenue for mandatory e-filing include real and tangible benefits for taxpayers, simplification and an extrapolation of one of the recommendations of the Commission on Taxation. Cutting to the chase however, the real reason for seeking universal mandatory eFiling is to save public service costs. Under the current system Revenue possibly has the worst of both worlds where filing and payment are decoupled. It is considerably more time consuming for the Collector General to deal with a hybrid electronically filed return and a cheque payment than an electronically filed return and an Electronic Funds Transfer.

Feedback from our members in practice and business to date has highlighted various valid reasons why the tide of mandatory measures should be revised including inadequate broadband infrastructure in many areas of the country and a strongly felt view that mandatory e-filing and e-payments is not supportive of the need for flexibility towards Revenue's customers - the taxpayer and their tax agents who under the self assessment system, do the job of calculating and paying the tax over to Revenue in addition to the task of running the business to generate the tax revenues in the first place.

Chartered Accountants Ireland will be making the views of our members known to Revenue as part of the consultation process and we welcome any views you might wish us to make on your behalf.

## Unexpected Outcome

Traumatized bank officials will welcome the results of the first quarterly report of the Credit Review Officer, John Trethowan, presented to the Department of Finance in mid-July. He found no evidence of bank lending policies which constrained the supply of credit to viable businesses in either AIB or Bank of Ireland. These two banks account for 60% of the lending to the SME and Farm sectors.

Banks normally appraise future credit risk on the past couple of years' financial performance. However, Trethowan has asked the banks to take into account in their sanctioning processes the fact that the extreme trading conditions of the past two years render such an appraisal unlikely to provide a true going concern picture of businesses in the future.

He noted that there was a lack of experience among some front-line staff in the banks in dealing with SMEs and assisting them with the loan application process. Knowledge-based businesses are particularly challenging, and the banks are leveraging the experience of Enterprise Ireland in this regard. The AIB SME Lending Plan has been published on the Department of Finance website.



## Lifestyle Investment Strategies

David Glennon, Corporate Consultant, Zurich Life

2008 saw one of the most significant stock market downturns in history. In Ireland the average managed pension fund fell 34.8%\*. The result of this was that many people in defined contribution schemes saw the value of their pension funds severely eroded. Those who retired in 2008 or were due to retire within a few years were hardest hit. Many of these individuals were invested in assets inappropriate for their age i.e. equities or property.

Investment risk in defined contribution plans is borne by the member. In theory, the member would choose to invest their pension contributions in a manner that suits their risk profile and retirement needs.

Therefore, those who have a longer term to retirement would invest in assets that are more volatile but have shown to outperform over the long-term such as equities. As they get older they would move their pension fund to lower risk assets such as bonds or cash.

The reality is that many members lack the expertise to make such informed choices. What often happens is that the individual makes an investment choice and rarely, if ever, makes a fund switch. This can result in a situation where the investor, coming close to retirement, finds their pension fund at the mercy of the stock market. Other individuals tend to be overcautious with their pension investment and find the value of their pension fund eroded in real terms by inflation over the long-term.

Lifestyle investment strategies may be a solution to this. "Lifestyling" will automatically choose the investment for the individual according to their age and how many years they have left to retirement.

A younger member who can afford to take more risk would have their pension fund invested predominately in equities so as to achieve higher returns. As the member gets older, the equity content of their pension fund would be automatically reduced. At retirement their pension fund will be invested in lower risk assets such as bonds or cash.

Lifestyling aims to reduce the individual's exposure to a stock market downturn as they approach retirement. This method is unlikely to produce the maximum possible return on the contributions invested but instead aims to achieve reasonable growth with a balance of safety and risk.

Lifestyle investment strategies are often the default investment choice for defined contribution schemes and it is easy to see why. Section 59(2) of the Pensions Act provides that where trustees comply with the necessary requirements they will be exempt from any liability for the consequences of the members' investment decision. However, an important factor of this is that they provide a suitable range of investment options and crucially a default option.

From a trustee's perspective, offering a lifestyle investment strategy as a default fund makes a lot of sense. A managed fund or cash fund may not be considered an appropriate fund choice for all members. A good lifestyle investment strategy will ensure that the members are invested in an appropriate asset for their age and reduce their risk exposure the closer they get to retirement.

Our experience has shown that those who had opted for a lifestyle investment strategy and retired over the past few years fared better than those who had not opted for lifestyling. Lifestyling is definitely an investment strategy to be considered as members seek to safeguard the return on their pension investment.

**This article does not constitute an offer and should not be taken as a recommendation.**

**Advice should always be sought from an appropriately qualified professional.**

\* Source: Zurich Life - 1/1/08 to 31/12/08. See Practice Matters for your reference.



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## Tax: The Chartered Way

The Chartered Tax Consultant qualification is an exciting new addition to tax education in Ireland and this intense programme is relevant to members in Industry. Already enrolled on the programme are Chartered Accountants from Financial Services, Pharmaceutical and the Multinational IT sectors - a diversity that we believe will add greatly to the richness of the learning experience.

The qualification is taught through a combination of lectures and small MBA style tutorial groups where students will tackle case studies based on real life situations. Further information can be found on this and the full range of Diploma programmes at <http://www.charteredaccountants.ie/diplomas>

## Electronic Newsletters

Did you know that Chartered Accountants Ireland publishes a range of electronic newsletters which might be relevant to your role? For members in business there is a bi-monthly eZine for Finance Leaders, and also a Corporate Governance eJournal. If tax or financial services are important issues in your business function, there are weekly eZines. Just click on to eNews on [www.charteredaccountants.ie](http://www.charteredaccountants.ie) and you will see the list of electronic journals on the left-hand panel. Sample and see if you would like these to be directed to your computer. Further electronic newsletters are in development.

## Elevation for Business

Prepare your company for Elevation - the new Entry Route for experienced professionals to the Chartered qualification. The Elevation Programme has already been welcomed by businesses and by candidates who want to pursue the qualification outside of a training contract.

The new mature route is aimed at graduates (including graduates from Accounting Technicians Ireland). To be eligible to enrol on this route the student will have to have worked for at least four years prior to registration. Deadline for applications is Wed 1st Sept. For more information, visit [www.elevationprogramme.ie](http://www.elevationprogramme.ie) or call 1890 28 29 28/0845 301 5649

## Congratulations



*Dr Margaret Downes FCA, conferred with Papal Honour of Dame Commander of the Order of St. Gregory*



*Greg Orton ACA, Senior Financial Analyst, Solaris Mobile*



*Patrick Kennedy FCA, Director, Bol*



*Anne Fitzsimons FCA, Director of IBM Sales and Distribution for Ireland*

## Business Members Showcase - November

Building on last year's Showcase this year's dates have been set for Thursday 11th through to Friday 26th November. While the programme is currently being developed you can expect a range of relevant business events and initiatives; with particular emphasis on the Business Network Groups (BNGs) around the island. The BNGs are an ideal opportunity to meet your fellow members in business in your locality.

### Diary Dates

#### SEPTEMBER

6	Report Writing for Accountants	CPD, Dublin
6	IFRS for SMEs: The Core Issues	CPD, Kilkenny
7	Group Restructuring - Dublin	CPD, Dublin
7	IFRS for SMEs: The Core Issues	CPD, Mullingar
9	Cork Society Annual September Conference	Cork Society
9	Luncheon: Christoph Mueller, CEO Aer Lingus	Leinster Society
10	Corporate Governance in the Private Sector	CPD, Dublin
13	Forecasting & Budgeting	CPD, Belfast
13	Successful Delegation and Staff Management	CPD, Dublin
14	Forecasting and Budgeting to get Best Value	CPD, Dublin
16	MS Excel 2003 - Level 2	CPD, Belfast
16	Maximising Shareholder Value	CPD, Dublin
16	Examinership & Other Options for SMEs	CPD, Waterford
17	Anti-Money Laundering for Financial Services	CPD, Dublin
18	Introduction to IFRS (Full Day Seminar)	London Society
20	Introduction to Treasury Risk Management	CPD, Dublin
21	Spreadsheet Tips & Tools for Accountants	CPD, Dublin
22	Forensic Accounting with SYS	Young Professionals, Dublin
22	Charity Fire Walk	Cork Society
22	Examinership & Other Options for SMEs	CPD, Mullingar
22	Rolling Forecasts with Excel 2007 - Dublin	CPD, Dublin
22	Dara O'Briain at the HMV Apollo	London Society
23	Corporate Restructuring & Turnaround	CPD, Belfast
23	Excel Macros from A to Z - Dublin	CPD, Dublin
28	Examinership & Other Options for SMEs	CPD, Galway
29	Charity & Not for Profit Group Event	Members Services, Dublin
30	Corporate Governance Update: Private Sector	CPD, Belfast

#### OCTOBER

4	Personal Insolvency & Bankruptcy - Dublin	CPD, Dublin
5	MS Excel 2003 - Level 3	CPD, Belfast
7	Management Buy-outs	CPD, Belfast
8	Capital Requirements Directive	CPD, Dublin
9	Annual 5-A-Side Soccer	Cork Society
11	Getting Credit from Banks	CPD, Dublin
12	Business Plan Modelling using Excel	CPD, Dublin
13	Practical Debt Collecting	CPD, Dublin
14	IFRS for SMEs Day 1	CPD, Belfast
14	Management Buy-Outs	CPD, Dublin
15	IFRS for SMEs: A New Beginning: Day One	CPD, Dublin
18	Understanding Funds	CPD, Dublin
19	Activity Based Costing and Management	CPD, Dublin
20	Due Diligence	CPD, Dublin
21	Understanding Derivatives - Dublin	CPD, Dublin
22	Cash Flow via Working Capital Optimisation	CPD, Dublin
23	IFRS Update (Full Day Seminar)	London Society
26	Directors Duties & Responsibilities	CPD, Dublin

### Contact Points

<b>Business:</b>	Simone Doran	01 637 7242	simone.doran@charteredaccountants.ie
	Stephen Molloy	01 637 7222	stephen.molloy@charteredaccountants.ie
	Marie Charlesworth	01 637 7356	marie.charlesworth@charteredaccountants.ie
	Mailboxes		business.members@charteredaccountants.ie
			Young.professionals@charteredaccountants.ie
			members.services@charteredaccountants.ie
			careers@charteredaccountants.ie
	Website		www.charteredaccountants.ie
<b>CPD:</b>	Dearbhla Carmody	01 637 7209	dearbhla.carmody@charteredaccountants.ie
<b>LLL:</b>	Joe Carroll	01 637 7316	joseph.carroll@charteredaccountants.ie

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