



Franchise Management Manual

Section 12:

Business and Financial Management

This is a confidential document.

Contents


12.1 Introduction	3
12.2 Accounting and Financial Requirements.....	4
Introduction.....	4
Accounting system	4
Accounts management	4
Banking	5
12.3 Tax requirements and other levies	6
Income tax.....	6
Goods and Services Tax (GST).....	6
ACC.....	6
Fringe benefit tax (FBT)	7
PAYE.....	7
Financial records.....	8
12.4 Other Record Keeping.....	9
Customer records and warranties	9
12.5 Accounts Payable.....	10
Introduction.....	10
Purchasing – Approved Suppliers.....	10
Purchasing – Other Suppliers	10
Shower Fix - Invoices to franchisees	10
Billing cycles.....	11
12.6 Accounts Receivable.....	12
Receiving payments.....	14
Deposits	14
Debtor management	14
12.7 IT management policies	16
Computer hardware, software and set up.....	16
IT policies	16
12.8 Professional Advice	17
Accountant	17
Lawyer.....	17

12.1 Introduction

As a ShowerFix franchisee and business owner you are accountable for the competent management and administration of your business. This includes;

- ▶ Maintaining accurate and up-to-date records will ensure the smooth and efficient running of your business on a day-to-day basis.
- ▶ Ensuring compliance with regulatory requirements under which you have legal obligations.

The purpose of this section is to provide some practical advice and procedures to assist you in the everyday running of your business. It does not, however, replace the need for you to obtain professional advice where required.

	STANDARD
12.1.1	Maintain full and accurate accounting records.
12.1.2	Ensure accounting records are securely stored and backed up.
12.1.3	Regularly review financial performance and financial position.
12.1.4	Ensure compliance with all applicable laws including; The Commerce Act 1986, the Companies Act 1993, the Consumer Guarantees Act 1993, the Employment Relations Act 2000, the Fair Trading Act 1986, the Health and Safety at Work Act 2015, the Human Rights Act 1993 and the Privacy Act 1993.
12.1.5	Ensure compliance with; The Franchise Association of New Zealand (“FANZ”), Code of Ethics, Code of Practice and Rules, whether or not you are a member of FANZ.

12.2 Accounting and Financial Requirements

Introduction

This topic provides a general overview of administrative and financial requirements relating to accounting standards, record keeping, debtor and creditor management, taxation and other costs and charges.

The information in this topic does not replace the need for professional accounting and legal advice.

Accounting system

The required accounting system is a cloud based version of XERO.

The use of a single system for all ShowerFix franchise businesses has significant benefits in training, uniformity of standards and reporting.

A good quality accounting system enables you to perform a wide range of accounting and related business management functions as well as having a high degree of visibility of the performance of your business across a range of dimensions

You should work closely with the franchise support office to arrange for the installation and establishment of your business accounting system. This forms a part of the pre-launch programme of activity for your ShowerFix franchise.

It is your responsibility to ensure that your business systems are in place and you are competent in their use.

Accounts management


You are required to maintain a full and accurate set of accounts in a form approved by franchise support office. You will use the XERO accounting package and accounting codes standardised for all ShowerFix franchisee businesses.

- ▶ Ensure that financial records are stored securely and regularly backed up.
- ▶ Regularly review (at least monthly) relevant financial reports from your accounting software, (e.g. aged debtors, monthly Profit & Loss, etc.) to ensure you remain in touch with your ShowerFix franchise's financial performance and position.
- ▶ Ensure that annual financial statements are prepared by a qualified Chartered Accountant in public practice in accordance with recognised accounting principles.
- ▶ Provide a copy of a full set of accounts to ShowerFix within 3 months after the end of each financial year.

Banking

You must keep your personal finances separate from your business income and expenses and will need to have separate bank accounts for personal and business. We recommend that you seek full advice from your accountant regarding the best way to manage any areas that seem to overlap between business and personal transactions.

In order to maximise the security of your cash handling, you should bank any cash and cheque receipts, on a regular basis.

	STANDARD
12.2.1	Use the required Standard Accounting Package and Accounting Codes
12.2.2	Maintain full and accurate accounting records.
12.2.3	Ensure accounting records are securely stored and backed up.
12.2.4	Regularly review financial performance and financial position.
12.2.5	Ensure annual accounts are prepared by a qualified Chartered Accountant
12.2.6	Ensure annual accounts are provided to the Franchisor within 3 months of balance date.
12.2.7	Keep financial business records and personal records separate

12.3 Tax requirements and other levies

Your tax requirements will vary depending on the structure of your business so you must obtain specialist advice from your accountant.

We have provided a brief overview below. More information along with a variety of guides (booklets that you can download) is available at www.ird.govt.nz.

Income tax

The IRD requires payment of income tax throughout the year in the form of provisional tax.

Tax is not usually paid in the first year of a new business as provisional tax is calculated on the previous year's income. You need to be prepared for the fact that you will be paying up to two years worth of tax in your second year of business and you will need to plan your cash flow to cope with this.

Provisional tax is paid in instalments during the financial year based on an estimate of what you will earn in the current year. Penalties can be incurred for either estimating the amount due incorrectly or for late payment.

Use the services of your accountant to find out how much provisional tax to pay and to ensure that you make payments on time.

Goods and Services Tax (GST)

All franchisees need to register with the IRD for GST and file 2 monthly GST returns. Once you file your return you must make the payment to the IRD by the specified date. We recommend that you carry out both these activities online.

Print out a copy of your return and then sign and file it.

ACC

As an employer you are required by law to pay annual levies on your employees' earnings. These are intended to meet the compensation costs for workers in paid employment who are injured in accidents. IRD collects this ACC payment on behalf of the Accident Compensation Corporation (ACC).

Employees also pay a levy (ACC Earners' Levy). This is built into the PAYE tables and is deducted along with the employee's tax.

ACC will invoice for earners' levy on shareholder-employee remuneration which is not subject to PAYE deductions. The levy will be based on the shareholder-employee remuneration declared in your company's IR4 income tax return.

All ACC levies must be paid by the due date.

Fringe benefit tax (FBT)


Payments to any employee (including you in some company structures) in addition to salary or wages may incur fringe benefit tax (e.g. personal use of a company vehicle, medical insurance, staff functions).

You should obtain advice from your accountant as to whether you are required to pay FBT and file FBT returns.

PAYE

Employers must make payment of PAYE deductions from employee's wages to the IRD. Typically this is monthly (unless the amount of deductions exceeds \$100,000 p.a. in which case employers must pay twice monthly).

You will need to complete the forms required by the IRD (IR345 or 346) showing wages paid and PAYE deductions for the period. This also includes the Deduction and Start and Finish Schedules that the IRD sends out if you have made any wage deductions or if any employees have started or finished working for you in the previous time period.

	STANDARD
12.3.1	Provide any requested reports and financial statements to the Franchisor (franchise support office) within the specified timeframes.
12.3.2	You must be registered for GST; filed two-monthly.
12.3.3	All returns to the IRD need to be filed and payment made by the due dates including income tax, GST and FBT.
12.3.4	Ensure that local marketing expenses are coded to the correct account.

Financial records

Keeping accurate and up-to-date records will ensure the smooth and efficient running of your business on a day to day basis. These can be in paper or electronic form.

It is important to keep good records for a number of reasons;

- ▶ They allow you to see what is going on in your business. This empowers you to stay in control and plan for the future.
- ▶ They back up your tax returns in the event of an IRD audit that requires you to prove your income and expenses.
- ▶ They are invaluable should you choose to sell your business.
- ▶ The law requires that you maintain accurate records.

Records you need to keep will include;

- ▶ Customer invoices
- ▶ Supplier invoices, general purchases
- ▶ Tax, GST returns, ACC
- ▶ Business assets, financial statements
- ▶ Banking – statements, deposits
- ▶ Payroll records
- ▶ Petty Cash

Consult your accountant as to which statutory records are required for taxation and company law purposes, particularly those that must be retained for a seven year period by law.

12.4 Other Record Keeping

You also need to maintain files for correspondence with Franchise Support Office and any other relevant business information. This may include:


- ▶ Customer information – see “Customer records and warranties” below.
- ▶ Quote Register
- ▶ Sales records – including Customer enquiry record, assessment forms, accepted quotes notes made about the job; customer details sheet; non-accepted quotes, etc
- ▶ Business and marketing plans
- ▶ Personnel records
- ▶ Health and safety registers
- ▶ Insurance certificates

Customer records and warranties

As warranties are being provided by product suppliers you need to retain all relevant customer information for the period of any warranty.

Customer and job details may be readily available from your accounting software but we recommend that you set up a separate record of customers and completed jobs for warranty purposes.

- ▶ Customer name address
- ▶ Date of job
- ▶ Invoice number and value
- ▶ Copy of warranty details

	STANDARD
12.4.1	You need to maintain accurate books of account and full records of the business. These must be kept for the period required by law.
12.4.2	A well planned and well maintained filing system, both hard copy and electronic, is important for the smooth functioning of your business.

12.5 Accounts Payable

Introduction

The way in which you manage your creditors is a reflection of how you manage your business. If you are not efficient about paying accounts, it reflects badly on other franchisees in the network as well as your own business.

Purchasing – Approved Suppliers

Purchases need to be made from ShowerFix approved suppliers where these are specified.

Approved suppliers may be subject to pricing arrangements and terms of trade that reflect the value of purchases from the ShowerFix franchise network as a whole.

It is vital that any advantages accruing to the ShowerFix franchise network are preserved and enhanced overtime and the franchise system grows and the value of total purchases increases.

Compliance or non-compliance with approved suppliers terms of trade therefore has an effect on ShowerFix overall. It is vital that approved suppliers terms of trade are honoured and respected by you in full on an ongoing basis.

Purchasing – Other Suppliers

Where an approved supplier is not specified franchisees are able to purchase supplies from any supplier, subject to ensuring the quality of the goods and services are consistent with the standards required by ShowerFix and that where appropriate, purchases are accompanied by product warranties.

It is vital for that “other suppliers” terms of trade are honoured and respected by you in full on an ongoing basis.

Shower Fix - Invoices to franchisees

ShowerFix (the Franchisor and Franchise Support Office) will invoice you for;

- ▶ Franchise royalties
- ▶ Group Marketing Fund contributions
- ▶ Annual Conference levies
- ▶ Ongoing training (as required)
- ▶ Marketing material (as required)
- ▶ Other services (as required)


Billing cycles

We work on monthly billing cycle with the period closing on the last day of the month. Statements are emailed to franchisees within the 1st week of the subsequent month detailing payments due to the franchisor.

- ▶ All payments due to the franchisor – ShowerFix must be made by the 7th of the month following close of the billing cycle. (i.e. for the billing cycle closing 31st March all payment must be made by 7th April.)

Exceptions:

Dates may be adjusted where they fall on a weekend or Public Holiday (or leap year).

	STANDARD
12.5.1	All creditors must be paid by the due date and you should be disciplined about the management and payment of these accounts.

12.6 Accounts Receivable

Job Types - requirements

Dependent on the type of job you are undertaking for a customer you will need to prepare some or all of the following;

- ▶ A quote
- ▶ An invoice
- ▶ A receipt

By way of example;

Small Jobs

A typical small job is one of less than half a day in duration and sometimes as little as an hour or less on site.

- ▶ This type of job is likely to have lower billable content in terms of product sales and time billed than many bigger jobs.
- ▶ There may be a level of urgency from the customer's point of view dependent of the nature of the job.
- ▶ From your perspective the job may not require a preliminary visit to be assessed or a quote ahead of time. From the customer point-of-view they just want their problem solved as soon as possible and completing the service in a single visit suits them.

In these circumstances a verbal estimate may be all that the customer requires;

- ▶ Provide an estimate before work commences (written or verbal) or a written quote
- ▶ Provide a receipt issued following completion of the job and customer payment should be made immediately (whilst you are still on site).

Larger Jobs – immediate payment

Larger, more complex or time consuming, jobs may require more time on site (more than a half day), more planning, a preliminary visit to assess the job and the purchase of particular parts or components ahead of time are more likely to require;

- ▶ A written quote. (At or following a preliminary visit).
- ▶ Written acceptance of the quote.
- ▶ A second visit. (To complete the job).

In these circumstances it is more likely that the following will be required;

- ▶ A quote, for the full value of the job.
- ▶ A receipt issued following completion of the job where customer payment is made immediately (whilst you are still on site).

Larger Jobs - delayed payment

As above, but where payment is not made immediately.

In these circumstances issuing an invoice whilst on site or immediately thereafter may be required.

- ▶ A written quote. (At or following a preliminary visit).
- ▶ Written acceptance of the quote. (
- ▶ A second visit. (To complete the job).
- ▶ Payment not made immediately, or an invoice specifically requested.
- ▶ An invoice issued following completion of the job
- ▶ A receipt issued when customer makes the delayed payment following completion of the job.

Accounting Templates

Templates for invoicing and quoting can be created in your Xero accounting package.

Invoice Template

Your invoice template should include; ShowerFix branding, company name, address, phone number, GST no. and the words 'Tax Invoice'.

A completed invoice should include:

- ▶ a full description of what has been supplied and installed
- ▶ any extra charges for labour, travel, difficult access, etc
- ▶ your bank details for online payments

We recommend that you have a remittance slip attached.

Invoices can be given to the customer at completion of the job by you or your staff, or posted to the customer after completion of the job.

Customers also need to be provided with the standard ShowerFix "Terms and Conditions"

Receiving payments

Payments may be received by cash, cheque, directly into your account via online banking (or by EFTPOS or credit card if you have provided these facilities).

Refer to your EFTPOS provider for guidelines relating to managing EFTPOS and credit card payments (e.g. do not keep hard copy or emails showing credit card numbers). See also www.eftpos.co.nz for more information.

All receipts need to be entered into your accounting software and reconciled against invoices sent. Cash and cheques must be banked promptly.

Deposits


Where you are undertaking a job of significant value, in particular where you are purchasing high value parts and components that are not commonly used, we suggest you take a deposit.

This condition should be included as part of the quote and the deposit received as part of the acceptance of the quote.

At a minimum we suggest the deposit should cover the full value of high value parts and components plus GST.

Debtor management

Debtors are people that owe you money. The more money there is outstanding, the less there is available to meet the current needs of your business.

	STANDARD
12.6.1	Customers must be provided with a copy of the standard ShowerFix “Terms and Conditions” with customer quotes.
12.6.2	Deposit – follow up as soon as possible after receiving acceptance as you should not order product until you have this payment.
12.6.3	Enter all receipts promptly into your accounting software and reconcile on a monthly basis.
12.6.4	Follow up outstanding amounts immediately they are overdue.

12.7 IT management policies

Computer hardware, software and set up


All computer hardware and software needs to meet Franchise Support Office specifications and be used in a proficient manner.

This includes:

- ▶ Accounting software
- ▶ MS Office
- ▶ Security – antivirus and password security
- ▶ Internet and email connection

IT policies

- ▶ Computer maintenance should be carried out on a regular basis including appropriate operating system updates.
- ▶ Email must be replied to promptly in a polite and professional manner.
- ▶ Adhere to secure practices when using the internet and sending email.
- ▶ Virus scans must be carried out on a regular basis and virus software updated when updates are available.
- ▶ Ensure that all data is backed up on a regular basis. Retain off site back-ups.

	STANDARD
12.7.1	Computer hardware and software needs to meet ShowerFix standards
12.7.2	Any software and templates provided by ShowerFix should only be used in the running of the business and must not be used for any other purposes.
12.7.3	Good computing practices should be followed at all times including virus scans and regular back-ups so that your business is not at risk.

12.8 Professional Advice

The franchise manual provides information at varying levels of detail relating to the running of your ShowerFix franchise, but it does not replace the need for proper professional advice regarding the successful running of your business.


We have listed some of the areas where you should seek advice from your accountant and lawyer prior to commencement and on a continuing basis. This list should not be taken as exhaustive.

Accountant

- ▶ Formulating and checking cash flows and helping you assess whether the franchise is a feasible business option for you.
- ▶ Setting up appropriate records and reporting systems at the start of your business operation.
- ▶ Establishing how you will pay yourself.
- ▶ Tax compliance.
- ▶ Preparation of budgets and financial statements for borrowing purposes and for your own information.
- ▶ Ensuring that there is appropriate insurance cover for yourself and your business.
- ▶ Controlling expenses and assisting you in making a profit.

Lawyer

- ▶ Advising you of the meaning and implications of the Franchise Agreement.
- ▶ Assistance in setting up a limited liability company.
- ▶ Advising on obligations you need to be aware of when employing staff including discipline and termination.
- ▶ Recovering bad debts.
- ▶ Any form of dispute.

	STANDARD
12.8.1	You must seek your own independent legal and accounting advice when setting up your franchise business and for ongoing business issues.