

**MANAGEMENT.....1**  
 Strategic Planning

**TAXATION.....3**  
 For the Record

**HEALTH & SAFETY.....5**  
 Tech Stress

**TECHNOLOGY.....7**  
 You Need one of

# Business Matters

VOLUME 30 | ISSUE 4

## MANAGEMENT

### Where am I headed ?

*Make time for strategic planning.*



Strategic planning is not usually a strong suit of most entrepreneurs. They have a great initial idea and know how to turn it into a business. But then, they become too involved in day-to-day affairs and do not take the time to plan where they have to be in five, 10, or even 20 years to stay competitive. No one should start a business without a vision of what their company should be at some point in the future. Unfortunately for many businesses, the intermediate stages do not get planned, goals get forgotten in the details of everyday life, and suddenly the calendar reads 2036 instead of 2016.

There is no magic formula that will provide specific steps to achieve personal and business goals; each individual and each business has different needs and abilities that must be factored into the desired results. The starting point, however, is the same for every-

one since there is a symbiotic relationship between a business and its owner.

### Taking the First Step

First, determine your personal objectives and needs: current income requirements, retirement savings plans, the future for your spouse and children inside or outside the business, and the amount of personal vacation time you want. If personal goals are set too high, disappointment will stifle forward momentum; conversely, if goals are set too low, underachievement may stall growth.

Specific achievable targets are essential. Common quantifiable goals include sales volume, gross margin, profit before income taxes or debt repayment. Other goals that are quantifiable but may be somewhat subjective include attaining specific market share or increasing a client base.

Because most businesses are cyclical, it is essential to establish three-to-five-year goals that take into account how progress is going to be made in smaller periods, such as each quarter. Frequent reviews will monitor progress and allow any redefinition of the goals to meet the changing reality.

***Make a CPA part of your team.***

## You Are Not Alone

You will not be able to achieve your business goals without considering your own abilities and shortcomings, future staffing needs, and any assistance from outside consultants to supplement missing skills. You will need inputs from all current staff members to determine whether existing equipment, hardware, software, physical location, transportation, financial services and communications can handle the future projections.

Objectivity is essential to good planning. A Chartered Professional Accountant (CPA) who understands your personal needs, your business, and the financial information required to produce meaningful projections should be part of your team. Not only will your CPA help map the future, but also will be able to support any application for external financing.

## Who Are We?

Businesses often try to be everything to everyone. Thus, clients and customers become unsure of the ability of the business to support all the products they sell. As part of the planning process, it is essential to ask yourself:

1. What business are we in?
2. What business do we want to be in five years from now?
3. What do we do best?
4. Who are our main customers and what do we provide to them?
5. What services or products provide the most return on investment of staff and production facilities?

Analysis of these five areas should show you where to concentrate your production and marketing energies. Such analysis will help define achievable goals and guide your planning for the next three to five years.

## Projecting Costs

Once the goals have been determined, it is necessary to project costs and the need for funds. Such information includes:

1. Production costs, either by unit or as a percentage of sales, include labour, material, transportation and amortization of equipment.
2. Selling costs as a percentage of sales include marketing, advertising, entertainment and travel expenses.
3. Administration costs generally include all costs not directly tied to production.

A good starting point for making three-to-five-year projections is a line-by-line review of financial results for the last three to five years. This will provide insight into annual sales, expenses, profit and taxes and show yearly changes in sales and costs as well as the ratio of costs to sales revenue. Management can use these ratios to predict the proportional contributory costs of many expense areas to the realization of projected sales. For example, if over the last five years advertising represented about 2% of sales, you could use this figure to estimate the cost of advertising needed to produce your sales projections.

## Personal Time Matters

Success in business depends upon maintaining a balance between time spent in business and time spent satisfying personal needs. Therefore, when establishing goals, consider how your personal needs will impact your business and its long-term strategy.

## Anticipating Change

You also need to consider the impact of changes such as a divorce or the loss of a key business associate or important customer. You must have a fallback plan and sufficient resources to navigate through the hard times.

Review both the short-term and long-term plans on a regular basis and adjust the expected outcomes to the new information. It is doubly important to review and update plans in the event of dramatic life changes or opportunities.

## Let the Business Work for You

Time and resources are limited. Proper planning is the best method of ensuring the business is working for you rather than you working for the business.

## TAXATION

### For the Record

**Complete, accurate and readable records will make a CRA audit less onerous.**

Regardless of whether your business is a proprietorship, a partnership or an incorporated company, the Canada Revenue Agency (CRA) requires the business to maintain financial books and records. Here are a few of the CRA's record-keeping requirements you should know.

#### Only in Canada, eh?

The CRA requires that records must be kept in Canada, either at your place of business or your residence. If your head office is in Canada and your books and records are stored electronically outside the country and accessed by your Canadian-based operation, these records are not considered to be maintained at your head office. Thus, if you are currently running cloud-based accounting software that is storing data in a foreign jurisdiction, your business is in violation of CRA requirements. If you wish to keep records in a jurisdiction other than Canada, you must seek written permission from CRA to keep them elsewhere.



#### Your Responsibility

Your business must assure the books and records are protected and available for inspection even if a third party is processing or storing the information. The third party must have adequate security and backup to be able to provide information when requested.

### *Records must be complete and unabridged.*

#### Complete and Unabridged Records

Records must be complete and unabridged, have sufficient information to support your tax liability or claim to funds owing to you, be supported by documentation and be maintained in English or French, or a combination of both languages.

Electronically stored data must be readable by CRA software.

#### CRA Request

In the event the CRA requests information, it is your responsibility to:

- 1. produce books and records (general ledger, accounts payable/receivable/payroll, etc.) requested, whether those records are in electronic form or hard copy:** It is not your responsibility to provide data that is not requested. Thus, it is prudent to request written documentation outlining specific requirements for your particular business.
- 2. ensure documents supporting the books and records are available:** In the main, the CRA would like to see original-source documents such as expense receipts, contracts, sales receipts, etc. With most businesses opting for electronic processing of sales invoices, taking pictures of expense invoices, or receiving images of suppliers' invoices, hard-copy data is rapidly disappearing. Nevertheless, the transition to electronic copies does not diminish the responsibility to keep and be able to produce records upon request from the CRA.

1. **make sure your employees or the third-party record keeper is available when an audit or examination of records is required:** Co-operation in accessing and providing information means the CRA will be in and out of your office quickly.
2. **allow the CRA to make copies of the data or provide copies to the agent as requested:** Under normal circumstances, a business should not allow original-source documents to leave with a CRA agent.
3. **be able to decrypt encoded information in order to provide the data to the CRA:** If you change service providers, ensure that all data is readable.

## Factors to Consider

- If data is maintained on a remote server, whether inside or outside Canada, ensure original data can be downloaded to an in-house computer or to another server.
- If you use a cloud-based accounting service, make sure your business can download data in a user-friendly format. You should also consider whether you will be able to produce current data if you stop using your service provider or it goes out of business.
- Before upgrading or changing computers, ensure all data is backed up in at least two locations.
- Ensure software is available to open historical data.
- Store older computers with historical software and data.
- Keep a written record of all software and data access codes by year, device, software, and data base. Without such a record, you may not be able to access information five years from now.

## Record Format

Original paper documentation must be kept in paper format unless it is converted to and stored in an accessible and readable electronic format. CRA guidelines suggest that microfiche and/or microfilm can be used as well; however, most businesses would probably opt for a high-speed scanner to store historic data. The CRA insists that any reproduction must provide the same detail as the original paper document without issues of “resolution, tonality or hue”.

## Length of Storage Period

The CRA requires that all records and supporting documentation must be kept for six years from the end of the last tax year. The tax year is considered the fiscal year end for a corporation and the calendar year for an individual. This retention period is also required by the *Employment Insurance Act*, the Canada Pension Plan, and the *Excise Tax Act* (GST/HST).

## Other Retention Issues

Documents concerning long-term acquisitions and disposal of property, the share registry, or other historical information that would have an effect on the sale, liquidation or wind-up of the business must be maintained indefinitely. CRA may ask you to maintain records for longer periods. If an income tax return is filed late, the destruction date is six years from the date the return was filed.

In the event of an objection or appeal, all data must be maintained until the latest of the:

- a. date the objection or appeal is resolved
- b. date for filing further appeals has passed
- c. six-year record-keeping period has expired.

If you are a sole proprietor or in a partnership, records must be kept for six years after the end of the taxation year of ceasing business. If a company is dissolved, keep all records and supporting documents for two years after the date of dissolution.

### Before You Destroy Records

Legal representatives of a deceased taxpayer should obtain a clearance certificate before they destroy records that show how property of the deceased was distributed.

When concerned about GST/HST issues, it is advisable to ask for and fill out form ***GST352 Application for Clearance Certificate***. If you wish to destroy records before the mandatory retention period, complete form ***T137 Request for Destruction of Records*** or apply in writing to your local tax service office.

If you have made electronic copies of the original paper books of account and supporting documents and the CRA considers the images to be representative of the original documents, you can destroy the original paper documents.

Tax regulations suggest that destruction of records in advance of mandatory retention dates or before receiving official written permission may result in prosecution.

### An Important Business Procedure

Records must be kept in a format and for the time period prescribed by the CRA and other regulatory bodies. Meeting regulations is an important business procedure that will ensure that any review of historical records by the CRA will be as effortless as a review of today's information.

## HEALTH AND SAFETY

### Tech Stress...It's a Pain



**Bad posture and overuse of smartphones and other devices can cause unexpected health problems.**

A recent British study of smartphone use showed that young adults checked their smartphones 85 times a day and used them for a total of five hours of use per day. The long-term effects of such constant smartphone use are not yet known but, if current studies and reports by the medical profession are any indication of the future, it would be advisable for all users to consider the impact smartphones and similar devices can have on their health.

#### In the Short Term

**Text neck:** a neck strain resulting from hunching over smartphones, tablets, or laptops for prolonged periods. Stress on the neck and upper back muscles causes pain because the body is subjected to an unnatural position for extended periods of time.

**Text claw:** a hand or wrist strain that occurs from continuous scrolling, texting or gaming. Individuals may also experience numbness in finger tips and pain radiating up to the forearm and elbow. Overuse of fingers and thumbs also causes irritation of the tendons and may lead to more serious conditions such as tendinitis or carpal tunnel syndrome.

**Computer vision syndrome (CVS):** eye strain resulting from constant staring at small text or from scrolling through articles, messages or tweets. Common symptoms are dry eyes, blurred vision, headaches, and dizziness.

include increased anxiety, which can manifest as a variety of physical symptoms including headaches, intestinal troubles, and muscle tension.

**Phantom pocket vibration syndrome (“ringxiety”):** the belief that your smartphone is vibrating when it is not. Studies show that some individuals may experience increased anxiety levels when they go an extended period without receiving a notification.

**Nomophobia:** (“no-mobile-phone-phobia”) is a term coined to describe the anxiety of individuals to be without a smartphone. Sufferers obsessively check to ensure the smartphone is present and constantly worry about misplacing it.

A recent study in the U.K. determined that 66% of the user population may suffer from this “ailment.” Symptoms

***In addition to the more obvious outward physical pains and strains, there might even be a hidden tax on your health.***

### **The Long Game**

Medical specialists have determined that the poor posture caused, in part, by use of smartphones may cause excessive wear on the cervical spine (the neck) which can result in permanent degenerative changes including arthritis. The neck is designed to support the weight of your head (10 to 12 pounds) in an upright posture. Bending your head forward to text or read can place up to 60 pounds of stress on your neck muscles. This excess strain on your cervical spine over the years can increase the risk of cervical degeneration.

In addition to the more obvious outward physical pains and strains, there might even be a hidden tax on your health; when individuals use a smartphone, they tend to slump forward and curl their shoulders in toward their chest, thus restricting lung capacity. This, in turn, reduces oxygen intake and forces the heart to work harder to get oxygen to the brain. A lifetime of poor posture can have a negative impact on your cardiovascular health.

### **Preventing Injury**

The best way to ensure these potential symptoms do not affect you is to stop using these devices completely. Since this is not possible, given our increasing dependence on technology, experts suggest the following may relieve symptoms and prevent long-term problems:

- Reduce eye strain by using larger fonts. Hold the device at least 16 inches from your face. Look up and away from the screen frequently. Scroll by page and not by line. Blink to ensure your eyes stay moist.
- During your next visit to a physician, physiotherapist, or chiropractor, ask about neck exercises you can do during work to help alleviate neck strain.
- If your wrists and hands feel sore or weak, try flexing your wrists or pushing down on a flat surface to stretch your fingers. If pain persists, talk to your doctor or physiotherapist.
- Improve your posture by evaluating the ergonomic setup of your work or home office. You can find an online self-assessment tool from the Ontario Ministry of Labour at: [www.labour.gov.on.ca/english/hs/pubs/comp\\_erg](http://www.labour.gov.on.ca/english/hs/pubs/comp_erg)
- Take regular and frequent stretch breaks (every 15 minutes or so), following the stretching guidelines provided by your doctor or physiotherapist. If you are prone to forget, set a reminder on your phone, computer or personal fitness tracker.
- If you have any of the symptoms associated with nomophobia or phantom pocket vibration, consider placing your device in a location more difficult to access when you’re not using it and scheduling specific times to check and respond to messages. For more serious symptoms, consider seeking professional counselling.

## Be Tech-Strain Aware

Communication devices have provided benefits beyond our wildest expectations. While those benefits cannot be denied, they have brought with them other unforeseen issues that may have a long-term impact on personal health and welfare. Recognition of these issues should lead management and staff to work to prevent future personal health issues and to maintain the productivity of the entire workforce.

## TECHNOLOGY

# You Need One of These

### Good low-cost printing is now available for small businesses.

Even though the amount of printing being done today is declining because so much data can be stored for instant retrieval on hard drives or the Cloud, every small business should still have a printer. Today's multi-function printer (MFP) provides an owner-managed office with most of the capabilities offered by a printing company but at a starting price of about \$1,300 for colour and between \$500 and \$600 for black and white.

If you are considering replacing the old printer or cancelling your lease contract, consider the features now offered on printers that support both Mac and Windows operating systems and are not much bigger than a microwave oven.

### Features

Most MFPs have the following features:

- colour and black and white capability
- ability to print on various media of varying size and weight as well as labels and vinyl
- LCD touch screens
- ability to print from a USB and to scan to the USB
- ability to scan and send to a personal computer
- ability to print forms stored on a website
- ability to scan on a flatbed scanner
- automatic feeders allowing scanning of multiple documents as well as duplexing pages to cut back on paper costs
- preview ability on the control panel allowing you to print only the pages needed
- ability to join your wireless network (WiFi) and print right from your smartphone or tablet. (You may need to purchase this option separately.)
- Ethernet ready (Check to be sure in case there are wireless communication issues within your environment.)
- memory in off-the-shelf units: 512 MB or 1 GB, with expansion to 3 GB or more (more memory allows the printer to handle larger or more complex documents, such as images)
- duty cycles up to 150,000 pages per month and eliminating the replacement of costly imaging components
- rated to print from a low of 700 pages a month to 25,000 pages a month
- printing speed for most printers in the range of 40 ppm in colour mode and 50 ppm or greater for mono
- starting to print within five seconds if "on" and within 20 seconds if "sleeping"
- resolution to 2400×1200 dpi if finer detail or richer colour saturation is required.

## A monthly warranty can cost as little as popcorn & a movie.

### Low-Priced Warranty Package

Up to now, small businesses could never afford a printer that offered all these features. Most small businesses leased a printer and paid a per-page charge for warranty and service. State-of-the-art MFPs from reputable manufacturers carry at least a one-year guarantee and offer extended onsite warranty packages from two to five years for a monthly cost equivalent of popcorn and a movie.

**Disclaimer:**

*BUSINESS MATTERS* deals with a number of complex issues in a concise manner; it is recommended that accounting, legal or other appropriate professional advice should be sought before acting upon any of the information contained therein.

Although every reasonable effort has been made to ensure the accuracy of the information contained in this letter, no individual or organization involved in either the preparation or distribution of this letter accepts any contractual, tortious, or any other form of liability for its contents or for any consequences arising from its use.

*BUSINESS MATTERS* is prepared bimonthly by the Chartered Professional Accountants of Canada for the clients of its members.

Richard Fulcher, CPA, CA – Author; Patricia Adamson, M.A., M.I.St. – CPA Canada Editor.

**Contact us:** [patricia@adamsonwriters.ca](mailto:patricia@adamsonwriters.ca)