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## Munday Wilkinson is moving to Balwyn

After 15 years in Melbourne's CBD we have decided to move to the eastern suburbs. We hope to be in our new premises by the end of October. Our new physical and postal address will be:

Level 2, 35 Whitehorse Road  
Balwyn Vic 3103

Our telephone numbers will change as well. The new numbers are:

Telephone: 9816 9122  
Facsimile: 9816 9422

All of our staff and office email addresses will remain the same.  
Our general email will still be [advice@mwforensic.com.au](mailto:advice@mwforensic.com.au).

Nothing else will change:

- We have the same personnel headed by Russell Munday and Bruce Wilkinson.
- We are still operating as a boutique business valuation and forensic accounting firm.
- We are still available to meet with lawyers in the CBD and attend court as expert witnesses.

We just save an hour plus a day in travel time!

## Business Valuation Specialist Designations

Bruce and Russell have gone back to study in the past couple of months. We are proud to announce that they have both met the criteria and passed their assessments to be able to use the Chartered Accountants Australia & New Zealand's (CAANZ) Business Valuation Specialist designation.

The designation is only assigned to members who meet the valuation education and practical experience requirements of the Institute. Due to their extensive experience in business valuation they were able to attend a two-day workshop and submit a portfolio of work followed by an interview, in order to qualify.

The specialised designation, introduced by the CAANZ, follows changes and stricter regulations that have been introduced in the past decade of a professional standard (APES 225 Valuation Services).

Russell Munday and Bruce Wilkinson will be attending the National Business Valuation and Forensic Accounting Conference from 27 to 29 October 2014 in Sydney.

## New Staff

As mentioned in our previous newsletter, we were saddened to farewell Gerard Lim after 8 years at Munday Wilkinson when he decided to return to Sydney for personal reasons. However, this offered the opportunity for us to reassess our staffing and we are delighted to introduce you to our two new staff members.

### **Sanchia Veale**

Sanchia started with us in February and is a South African expat. She worked for PricewaterhouseCoopers and a boutique firm of forensic accountants in South Africa prior to moving to Australia. Sanchia is very capable in areas involving financial investigations, employee frauds and quantification of losses. She has proven herself to be a great asset to the firm.

### **Veronica Griesel**

Veronica joined us in June after moving to Melbourne from Christchurch, New Zealand, to escape the recent tremors and to stay close with family. She worked in a management position in business services for accounting firms and greatly enjoys tax and the challenges of business valuations. Veronica is also a South African expat!

Both have settled in well at Munday Wilkinson and we look forward to working with them into the future.

## What are Value Drivers?

Successful businesses focus on value drivers.

The price a buyer is willing to pay for a business is typically based on its perception of risk relative to return.

Value drivers either:

- reduce risks associated with owning a business; or
- enhance the prospects that the business may grow.

Examples of key value drivers include:

- Stable, predictable cash flow – a solid, diversified client base.
- Recurring revenue – because of its reliability, this type of revenue has inherently higher value (higher earnings multiple) than one-time revenues.
- Reliable financial information – accounts prepared regularly and reconciled to subsidiary records.
- Quality staff employed.
- Good management team in place.
- Good systems and procedures in place.
- Strong market presence, strong brand name.
- Patent protected products.
- Access to efficient technology.
- Growth opportunities – through introduction of new products and services or entering new markets.

When selling a business, knowing its true market value and emphasising its key value drivers can be the difference between underwhelming offers and a lucrative deal.

If your clients need assistance in assessing the value of their business or proposed purchase, we would be delighted to assist.

## **ATO issues draft guidance on allocation of profits within professional practices**

On 1 September 2014 the ATO issued its draft guidance – Assessing the Risk: Allocation of Profits within Professional Firms.

These guidelines state that professional firms (such as accountants, lawyers, civil engineers, architects, etc.) will be rated as low risk. These firms will not be subject to ATO compliance action where their circumstances indicate they meet one of the following tests regarding income from the professional firm (in the form of salary, distribution of partnership or trust profits, distributions from associated entities (e.g. service trusts), dividends from associated entities, etc.):

- **Highest band of professional employee remuneration – equivalent services test**  
Where the individual professional partner (IPP) receives assessable income from the firm in their own hands as an appropriate return for the services they provide to the firm (based on existing staff, industry benchmarks, comparable firms, etc.).
- **50% or more income test**  
Where 50% or more of the income to which the IPP and his/her associated entities are collectively entitled (whether directly or through interposed entities) in the relevant year is assessable in the hands of the IPP.
- **30% or more effective tax rate test**  
Where the IPP and his/her associated entities, both have an effective tax rate of 30% or higher on the income received from the firm.

Firms that continue to operate outside these parameters operate in high-risk territory and will be targeted by the ATO.

## Main Residence Revenue Trap – Family Law

Peter Szabo, a principal at M+K Lawyers, recently flagged to us in a recent matter that a relationship breakdown can make a main residence subject to CGT and land tax.

He notes a revenue trap for separating couples arises where one party, e.g. the husband, leaves the jointly owned marital home and subsequently purchases another residence. Naturally this becomes his main residence for tax purposes. The problem is that the jointly owned marital home now loses main residence status for half of the property, making it subject to CGT and land tax.

Whilst the husband could elect to retain main residence status for the marital home, it is more costly for him to do so. Legal and financial advisers need to be alert to this issue and take the liability into account in the calculation of a property settlement.

Fortunately, Szabo notes, that there is an easy and cheap solution. The jointly owned home can be transferred to the wife before or when the husband purchases his residence. There is no stamp duty and no CGT resulting from this transaction, and most importantly the transfer does not in any way affect the parties' rights in family law proceedings.

Accordingly, the issue is compounded where advice is not obtained for some years after separation. Clearly, expert advice must be obtained as soon as possible on the breakdown of a relationship. Separating de facto couples face the same issue.

## Recent Matters

In the past six months we have been involved in numerous matters including:

- Loss of earnings assessments for people diagnosed with mesothelioma.
- Expert Determination regarding work-in-progress dispute between vendor and purchaser of an accounting practice.
- Expert's report regarding investigation into an employee fraud.
- Expert's report critiquing loss claimed by tenant against the landlord for loss and damage as a consequence of the respondent failing to offer the other floors of the premises to the tenant.
- Expert's report for insurer's lawyers concerning claims for loss and damage by various tomato growers against the nursery supplying seedlings.
- Investigation of financial and other documents to provide opinion as to whether report of Victorian Police's Forensic Accountant is consistent with and in accordance of such documents.
- Expert's report assessing loss and damage incurred by investor as a result of misleading conduct by finance brokers.
- Expert's report assessing loss and damage incurred by property development group as a consequence of actions by a former employee.

- Valuations (for a variety of purposes including shareholder disputes, family law, tax restructuring, sale and acquisitions) of:
  - Motor vehicle dealerships
  - Refrigerator manufacturer
  - Truck cloth manufacturer
  - Recruitment agency
  - Construction business
  - Consulting engineers and surveyors
  - Catering business
  - Gymnasium
  - Painting business
  - Hedge fund manager
  - Commercial cleaners
  - Podiatrist
  - Concreting businesses
  - Hotel leaseholds
  - Panel beater
  - Accountants
  - Legal firm
  - Dental group
  - Real estate agency
  - Surveillance equipment
  - Plant hire
  - Employment agency
  - Interior design business
  - Mortgage broker
  - Management consulting business
  - Milk distributor
  - Numerous business valuations and loss assessments for the Valuer General Victoria in respect of businesses affected by both the Regional Rail Link and Linking Melbourne Authorities.



## **Munday Wilkinson** Chartered & Forensic Accountants



**Russell Munday**



**Bruce Wilkinson**

### **Our Aim**

Munday Wilkinson is a boutique business valuation and forensic accounting firm established in June 2000.

We offer the legal profession, and others, a quality, personalised, time efficient and cost-effective service.

All our professional staff are subscribed members of the Business Valuation and Forensic Accounting Special Interest Groups of the Institute of Chartered Accountants in Australia.

### **Our Services**

We are well experienced in:

- Business, share and other equity valuations
- Quantification of economic loss
- Loss of earnings assessments /reviews
- Family Law – Single Expert Reports, review of Single Expert Reports, investigations, advising on tax and refinancing issues for proposed settlements
- Fraud Reviews and Financial Investigations
- Due Diligence Reviews
- Professional Negligence matters concerning accountants and directors
- Compulsory Acquisitions – claims assistance
- Due Diligence services
- Expert Determinations
- Expert Witness

We can provide forensic accounting services for a wide variety of dispute related matters from the small to the large.

### **Further Information**

If you would like further information regarding this newsletter or our services, please contact us:

**Russell Munday or Bruce Wilkinson**

**Munday Wilkinson Pty Ltd**  
**Chartered & Forensic Accountants**

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