

# CST Nexia News

## Melbourne Bush Fire Appeal

Recently the Nexia firms in both Australia and New Zealand have been collecting funds for the victims of the recent Victoria Bush Fires in Australia. So far more than \$16,000 has been donated towards this worthy cause from a range of activities such as bake sales, casual clothes days, raffles and donations from the various Nexia firms. CST Nexia is extremely appreciative of the generous contributions from our staff and we are very pleased we could be of assistance in helping others through a difficult and challenging time.

## International Secondment

CST Nexia participates in the Nexia International Secondment scheme where suitably qualified Accountants can gain valuable overseas work experience at one of the many Nexia firms worldwide.

In late 2008, CST Nexia hosted a young Canadian Accountant, Candy Roberts, who worked in our Business Services team for three months. New Zealand is more advanced in its use of

International Accounting standards and Candy said she learnt a great deal and found the experience very worthwhile.

In January one of our team members, Evelyn Chin, travelled to Calgary in Canada where she will work until April of this year. The programme provides a chance for our team members to experience the international business world and use that knowledge to benefit both our firm and our clients.

## Quality standards at CST Nexia - why they are important...

**Too often we carry out the preparation of year end unaudited financial statements and tax returns without explaining to clients what it is we do, and why.**

These financial statements are often necessary for the bank, calculation of tax, profit share and staff bonuses, and as a management tool on which to base future decisions.

At CST Nexia, we focus on a number of influencers when preparing financial statements for you. These include:

The New Zealand Institute of Chartered Accountants [NZICA]. Membership of this professional body imposes on us certain standards of professional responsibility when completing

this type of work. These standards include the Service Engagement Standard-2 [SES-2] and Professional Standard-1 [PS-1].

The Inland Revenue Department [IRD], for whom most financial statements are prepared in accordance with SES-2 and PS-1, use this information to calculate your income tax and other tax liabilities, and to review the accuracy of GST and PAYE calculations.

Shareholders and directors. Your bankers and other financial institutions.

As Chartered Accountants (CA), we attach the CA brand to all of our financial statements and other reports, an entitlement arising from membership of NZICA and the public practicing certificates held by each CST Nexia partner. Along with this, is the assurance that the accounts have been prepared to the highest standards NZICA imposes on us under SES-2 and PS-1.

We are governed by the Chartered Accountants Act 1908. Financial statements are prepared in accordance with the



Robert Willis

Financial Reporting Act 1993 and the Financial Reporting Amendment Act 2006, which give legal backing to the New Zealand framework of financial reporting issued by NZICA.

*Continued on page 2...*



Steve Young

## Improving your business in hardening economic times

With every newspaper or television bulletin containing worsening economic news, most people would expect business to be coming under increasing strain.

However, the current business environment does create an opportunity to refocus on the basics of running your business. Knowing your own business and industry, both in an accounting sense and a more forward focused strategic sense, will become more critical to operating a healthy business.

Some of the areas to focus on are:

- *Cash flow* – Cash is still King. Making sure you have enough to cover customers paying more slowly, your future capital

needs, and paying suppliers and staff on time. You will need to plan your cash flow, both into and out of the business carefully. Talking to your bank, at the first sign of a cash flow issue, will give you more time and options than waiting.

- *Forward planning and strategy* – What is your business trying to achieve long term? Do you have the information available to make the right decisions and will you be able to execute your strategy in a changing environment?

- *Information flow* – Knowing how your business is performing and which parts are doing better than others. Which parts are improving and which are not,

may be key to achieving results.

- *Reducing waste* – take a fresh look at what your business and what the people, in it, do. Are there areas which do not add value but consume time? How can your operating process be improved?

- *Reducing costs* – If sales are flat you can still achieve a better overall result by lowering your cost base. Tax and interest may be two of the largest costs in your business and may offer some real opportunities to save money without having to make difficult decisions.

- *Customer focus* – what are your customers doing and how

can you do more for them?

- *Business Intelligence* – how are others in your industry performing and what can you learn from them? What innovations from other industries can be applied to your business? Benchmarking and scenario analysis can offer insights into how other businesses are operating and how you can learn from their innovations.

At CST Nexia we do far more than accounting. Now is a great time for us to conduct a health check on your business to help with your decision making in maintaining business momentum and identifying opportunities for growth in these times of change. ■

## Recruitment and Selection

How does psychometric testing help you get it right?

In today's challenging recruitment market how do you ensure a candidate is right for a particular role? At CST Nexia Ltd we use psychometric testing as part of our selection process in conjunction with other traditional methods such as interviews and reference checking.

*What is psychometric testing?*

Psychometric literally means testing of the mind. Psychometric tests are standardised tests designed by psychologists to measure mental performance, potential and personality. They are structured, usually computer based tests, often containing multiple-choice questions.

The main two types of psychometric tests CST Nexia use are ability/aptitude tests together with a personality questionnaire.

Aptitude tests identify a candidates potential to grasp new skills and the person's natural ability to perform tasks where no specialist prior knowledge or skills are needed. Personality questionnaires are designed to explore a preferred way of behaving, how a candidate relates to other people and their ability to deal with their own and people's emotions together with the way they solve and handle problems.

*Why do we use psychometric tests?*

- To help predict future on the job performance – they provide information as to a candidate's potential
- Tests are objective and fair – results are not influenced by tester bias
- To sift out unsuitable candidates at an early stage

- To help explore areas of concern that may have been highlighted in the interview
- To assess anxiety levels. (High anxiety scores can be an indication of an individual's current levels of stress, alerting the manager to potential concerns)
- If the results from the assessment confirm other information you have gathered it provides reassurance that the other information is accurate (The ideal situation)
- Some managers like to use assessment results as a guideline for ascertaining a potential candidate's likely leadership skills, interpersonal style and team working ability for overall team and culture fit

If you would like assistance in recruiting an employee CST Nexia Ltd offers assistance with screening, interviewing,



Diedre Little

psychometric testing and reference checking together with overall guidance in the selection process, please contact me via email: [dlittle@cstnexus.co.nz](mailto:dlittle@cstnexus.co.nz) or by telephoning 261-1392 Monday, Tuesday and Friday each week.

*Deirdre Little*  
HR Manager – CST Nexia Ltd

Content kindly provided by Michaela Drum, Managing Director of Psychological Consulting Services and Assessment company 'Addedinsight'. ■

## Restructuring and Redundancy



### Quality standards at CST Nexia - why they are important...

*Continued from page 1...*

This level of disclosure and adherence to these criteria can be influenced by the size of the entity.

At CST Nexia we have a dedicated team of professional CA's, who prepare the financial statements from the records clients supply to us.

The compilation of the financial statements in accordance with SES-2, requires us to take into account 75 separate guidelines and extensive appendices.

In following these guidelines we will consider the objectives of the engagement, compliance with the NZICA Code of Ethics, consider the inclusion of any false, incorrect or misleading information and implement quality control policies and work plans to ensure that the work is undertaken in an effective manner.

In the event of an IRD audit, our experience indicates that IRD prefers working with accurately and comprehensively prepared work papers, thereby improving the likelihood of a favorable outcome for the tax payer.

Banks, in particular, are impressed with good quality presentation, where the Chartered Accountant submitting the financial information is able to articulate and expand on the numbers to satisfy banking covenants, and to better describe the nature of the businesses trading activity.

Further, the financial information has other uses, and is often critical in planning for future cash flows, and business expansions. It provides CST Nexia partners the opportunity to work with clients in this consulting process.

In summary, NZICA imposes quality standards on CST Nexia, which provide the basis for our approach to the preparation of financial statements in accordance with SES-2 and PS-1.

An additional benefit to clients from the application of the highest professional quality standards is the enhanced level of reliance on the unaudited financial statements prepared by us.

There is no substitute for quality, thoroughness, and accuracy, features of our work which we shall always strive to maintain. ■

In the current economic climate many businesses are looking for ways to reduce costs and restructuring/redundancies are options being considered. New Zealand Employment Law requires a redundancy be justified both procedurally and substantially. To help you navigate your way through the appropriate employment law we have listed below a few frequently asked questions regarding redundancy:

*When does a redundancy occur?*

A redundancy occurs when an employee's role is considered surplus to the requirements of his or her employer. In determining whether or not an employee's employment is redundant the focus is on the position not the person.

*What reasons can be used to justify making a person redundant?*

An employer has the right to run their business as they see fit. However, the reasons for the employee's position becoming surplus to requirements must be for genuine commercial reasons. These include:

- The introduction of new technology
- Rationalisation of staff to increase business efficiency
- Restructuring business operations, including a change in the organisations roles or locations
- Closure of business
- Outsourcing.

*Can I make someone redundant and employ someone else in the same or a similar position?*

An employee's position is not surplus to requirements if it will be replaced by a substantially similar position. In deciding whether two roles are "substantially similar" the employer must consider the hours, pay, location, duties and conditions of the two jobs.

*I have an employee who is a poor performer. Can I make them redundant instead of taking them through the disciplinary process?*

Since the focus is on whether the position is redundant, not the person, redundancy cannot be used to dismiss an employee for misconduct or poor performance. Doing so could result in a claim of unjustifiable dismissal against the employer.

*Do I have to consult with employees before a decision is made?*

Where an employer is proposing to make a decision that will, or is likely to, have an adverse effect on the continuation of employment of one or more of his/her employees the law requires an employer to provide employees with access to relevant information and an opportunity to comment on the information to their employer before a decision is made.

If you would like assistance in this or any other HR matter CST Nexia offers the services of an experienced HR Manager. Please contact Deidre Little via email: [dlittle@cstnexus.co.nz](mailto:dlittle@cstnexus.co.nz) or by telephoning 261-1392 Monday, Wednesday and Friday each week.

Deidre Little  
HR Manager – CST Nexia Ltd