




DUCKETTS
 TRUSTED ADVISORS

June/July
 2008
 Newsletter

Sunshine special. With economic Armageddon just round the corner (even the insolvency guys are looking worried), I'm (despite natural inclination) concentrating on looking on the bright side.



(Short) Suits your Sir

One of the advantages of being an accountant is you get to wear a dark blue suit every working day of the year (and never have to worry that it might be boring – it's supposed to be). I was therefore blown away by the concept (in the Telegraph) that suits with short trousers are now a possibility (assuming summer ever arrives). Judging by the reaction to the journalist who tried them out (he looked a complete twonk), you're unlikely to see my legs any time soon.

<http://www.telegraph.co.uk/global/main.jhtml?xml=/global/2008/05/30/noindex/efsuit129.xml>



More black swans

I've featured Nicholas Taleb a couple of times, but he's now reached the national press. Black Swan Theory (all swans were white, till black ones were found in Australia) is a variant on the existential chant "You don't know what you don't know". It's frequently seen in practice when clients with no accounting experience buy a computer package. Taleb is rather more worried about the whole banking system, largely because it's so

complex that nobody understands what's going on. Hence the sub-prime crisis. Of his top 10 life tips, I like this one best:

"Scepticism is effortful and costly. It is better to be sceptical about matters of large consequences and be imperfect, foolish and human in the small and the aesthetic."

www.fooledbyrandomness.com

<http://business.timesonline.co.uk/tol/business/economics/article4022091.ece>

Ultimately, we're all dead men

How do you sell luxury items in a recession? By focussing on the long term. Research has recently shown why the life assurance salesman's favourite line works ("nobody, on their death bed, ever wished they'd spent more time in the office"). People are prepared to postpone gratification in the short term (save money now to have more money later), but if they (can be persuaded to) take the long term view, then there is no reason not to spend as much as they can on themselves. Stand by for a glut of nostalgia advertising.

Prenups

Allegedly, in the run up to a recession, high net worth males are likely to find themselves divorced by trophy wives who are anxious to get out while there's still something worth having. This brings that old favourite, the prenup, back into focus. Opinion seems to be changing in that prenups are now worth the paper they are written on, although they can't be signed at the last minute (with or without duress).

<http://www.timesonline.co.uk/tol/comment/letters/article669520.ece>

Tax corner

To put the inadequacies of our tax system into context:

- Italians - put every citizen's tax details on the web in alphabetical order when tax minister lost his job in last election.
- Dutch - lost 5m returns when the system was upgraded. Taxpayers told to put them in again.

Closer to home:

- The government has recently set up a committee to consider tax policy – then invited big business only to sit on it. Hence the rise in small company taxation to pay for a cut in the headline (big) company rate.
- It may be scare-mongering, but the investigation insurance firms have reported an increase in investigations going back 20 years rather than just 6. Negligence is now a form of fraud. So, destroy all records at the 7 year point.
- HMRC has noticed the rise in the price of fuel. The fuel only mileage rate increases to 15ppm from 1st July for 1.4 - 2 litre cars.
- The new accounting standard on pensions has forced companies to put more into their pension schemes, thereby reducing their taxable profits and, naturally, their tax bills. This appears to have had a significant impact on CT revenues.

What did Taleb say?

ds v rds

I have a strong tendency to use acronyms which has been known to cause confusion for the non-telepathetic (think "esad"). However, I was rather amused when one of our major clients transferred data from one computer system to another. The sales ledger was full of the tags "ds" and "rds". The translation is actually obvious: "deep shit" and "really deep shit". A customer base to die for?

This same client drew to my attention another useful phrase – the "geofence". If you put a tracking system in a van, you can create no-go areas, such as the van driver's home. If the van crosses the geofence (goes home) during the day, you get an e.mail to tell you so. Perhaps we could reverse the scenario for workaholics – if the car doesn't leave the office by 6pm, the system rings you to tell you to go home?





Microsoft tells all

Every year, MS holds a big sales convention and the highlights make it to the web. This year, the most significant event was the interview with Steve Ballmer, MS CEO as held by the independent commentator Guy Kawasaki <http://blog.guykawasaki.com/>. What quickly became apparent to me was just how big and casually powerful MS really is. MS employees were shocked by the lack of reverence by the interviewer, but the telling question was "What about Vista?" Ballmer bluffed. Kawasaki smirked. The emperor has no clothes. See it for yourself on <http://www.microsoft.com/presspass/events/mix/default.aspx>

Gen Y

Bill Gates was recently in the news for giving advice to teenagers based on the old mantra "life's not fair, get used to it". However, there is money to be made in telling employers how to get the most out of the under 30s. Allegedly, Gen Yers are more likely to question authority and keen to quit if things don't go their way. Nobody of this age will have experienced a recession/unemployment, so it will be interesting to see if this changes attitudes.

<http://talentsmoothie.com/>

More wisdom

The tax press got very worked up about the possibility of various multinationals moving out of the UK. Somebody even opened a book on it (WPP 3/1; BP 4/1; HSBC 7/1) <http://takingstock.accountancyage.com/2008/04/mistress-shifti.html#more>

According to Wisdom of Crowds theory, this is actually the best way of working out what really will happen (lots of people with partial knowledge). The plan to use this method to second guess likely terrorist attacks (Policy Analysis Market) was turned down in the US on the grounds that it was immoral?

http://en.wikipedia.org/wiki/The_Wisdom_of_Crowds

What newsletter?

You may or may not have had last newsletter (May) as I had some technical problems with my e.mail. As we are still using Outlook Express, which came out with Windows 95 as I recall, that's not particularly surprising. Expert opinion says we move to Thunderbird, the open source system. Has anybody tried Thunderbird? Does it work?

Malcolm Gladwell on hiring people

As recommended by the Sage of Bishopswood

<http://www.newyorker.com/online/video/conference/2008/gladwell>

"Most of the video is about 'mis-hiring' people - but still a good lesson for those who want to go the old-fashioned route. Such an approach does not work with outstanding performers. Fortunately, as you know, there are now many ways to spot and capitalise on people's successful patterns.

Think he could have devoted the talk to highlighting those positive ways - rather than critique what goes wrong. But it is entertaining and reminds us of certain stuff."

Boyscout bad debt warning

"Bolly and I have been looking at what credit information is available and have concluded that the best is through Experian www.experianbi.co.uk or Dun and Bradstreet www.dnb.co.uk. Both will cost between £20 and £25 per report. The one thing these (usually) provide above other credit reference providers is payment history. This is a better indicator of business health than historic accounts from Companies House. None of the agencies provide bullet-proof information, but it's better than lending money and hoping for a good outcome.

The real challenge is to get people to do credit references: they've given credit during recent buoyant times without suffering bad debts, so why change?"

VAT stuff

What's changing?

The limit on the amount of net errors that can be corrected in a

subsequent VAT return (instead of having to be disclosed separately to HMRC) is being increased. This will have effect for accounting periods commencing on or after 1 July 2008.

The new rules

Net errors of up to the greater of £10,000 or 1% of VAT turnover for the accounting period in which the error is discovered, up to a maximum correction of £50,000, can be corrected in a subsequent VAT return. The current limit is just £2,000, so this is a welcome relaxation.

Should errors always be corrected in subsequent returns?

A separate disclosure can still be made if preferred. This may be appropriate where, for example, a taxpayer discovers an error in his favour just after a return has been submitted. A separate disclosure will avoid having to wait until after the next return is submitted for a refund.

End of the world as we know it etc

I've followed the Item Club reports for years, but the latest is breathless with excitement over the current troubles. For instance:

"The UK is trapped in the jaws of world credit and commodity markets"

Economists really enjoying themselves:

http://www.ey.com/global/content.nsf/UK/Economic_Outlook

Disclaimer

Innovation is a journey, not a destination.

Thank you Toshiba.





Chris Duckett Limited

Network House , Thorn
Office Centre
Rotherwas
Hereford
HR2 6JT



Telephone [01432 370 572](tel:01432370572)

Email: clients@chrisduckett.co.uk

Website www.chrisduckett.co.uk