

WELCOME

Business Affairs has begun to publish (starting with this issue) a quarterly newsletter. This is one of many ways we can provide you with the information and tools to help you manage your business. You can expect to receive the newsletter in January, April, July and October of every year.

The newsletter will cover topics such as business management issues, personal tax issues and industry-specific news. If you have ideas as to the type of information you'd like to see in this newsletter, please send your requests via fax (705-739-7214) or e-mail me (frank@businessaffairs.ca). We will publish the most sought after topics.

The bulk of this issue discusses the changes with Business Affairs Ltd.

BUSINESS AFFAIRS...A NEW BEGINNING

Normally, when you would receive a newsletter from Business Affairs its author would be Anne MacGregor. By now most, if not all, of you have heard the news about Anne's retirement (if you haven't heard, please contact Michelle at our offices and she'll be happy to fax or e-mail you a copy of Anne's retirement letter). After 30 years of assisting professionals in managing their businesses she decided the time was right to move on.

Given Anne's passion for the business and its clients, we (Frank and Carolina Fascia) are extremely honored that Anne felt comfortable enough handing the reigns over to us for the business' and its clients' continued success. Because many of you have been clients for so long, and Anne has been there every step of the way, you may be feeling a little uneasy about this transition.

In reality there is probably nothing Carolina or I can say, or should say, that will ease your concerns. It is only after working with the new Business Affairs that you will be able to formulate your own

opinions as to exactly how improved our level of service truly is.

The Business Affairs team is still in place. Marian and Monica will continue to enter and reconcile your data onto our computer systems. Michelle will continue to manage and disseminate your information so that it is safe and secure. Sherry, who by the way is living on nothing but caffeine these days (until the second week of May, when she'll have time to have real meals), will continue to prepare your year-end statements.

The changes we will be implementing will enable Business Affairs to provide you with an even greater level of proactive service. Both Norma Jean and I (Frank) will be your business managers, whether you are an associate, owner or retiree. We will be your first contact point when it comes to analyzing your business affairs (pun intended). We will determine who your particular business manager is based on geography. This allows Norma Jean and I to maximize our travel efficiency, and therefore, see you more often.

Carolina is a CGA (Certified General Accountant) and therefore, the Business Affairs accounting and tax specialist. Norma Jean and I will confer with her when a unique accounting or tax issue arises.

We are re-structuring the team so that we can communicate with you more often, and therefore, better assist you in managing your business. By the way, you may have noticed that I refer to your practice as a business. The reason is simple. It is a business, and should be treated as such.

When Carolina and I first joined the team Anne prepared a letter for our introduction. The letter contained a brief professional biography on both of us. Given the time that has passed, it is probably best we refresh everyone's memory as to our professional credentials.

Carolina graduated from the University of Toronto in 1993 with a Bachelor of Commerce degree. She

received her CGA accreditation in 1997. Her professional career has been dedicated to all facets of accounting, including tax preparation. She has spent the last three years as the Controller of a publicly traded company. She has extensive knowledge in both corporate and proprietary accounting.

I graduated in 1990 from St. Bonaventure University (Olean, New York) with a Bachelor in Business Administration degree and in 1993 acquired my Masters of Business Administration degree from the University of Toronto. My professional experience has focused on growing businesses. I have worked for and been a key member of the decision-making teams for "mom and pop" proprietorships and multi-million dollar corporations. I am a stickler for objectives, planning and budgeting.

Both Carolina and I love what we do. We chose Business Affairs, and Anne chose us, because the fit was perfect. Carolina and I grew up in an entrepreneurial household and thoroughly enjoy helping people succeed. We take it very personally.

Over the course of the next six months, you will all get a chance to know us. Until then, please feel free to contact us and ask any question that comes to mind (even the tough probing ones that ask whether we are deserved of your business). If you find you can not make the time during the day to call us, then please e-mail us your questions. We can be reached at frank@businessaffairs.ca or carolina@businessaffairs.ca.

We look forward to helping you attain all of your goals.

BUSINESS AFFAIRS OPENS ADDITIONAL GTA OFFICE

In order to improve meeting frequency with our clients in the Greater Toronto Area, Business Affairs recently opened an office at the Airport Road/Derry Road area of Mississauga (by the

airport). GTA clients wishing to meet with Business Affairs outside of their practices to reduce distractions will be scheduled to meet at the new Mississauga office. Appointments will still be scheduled by contacting the Barrie office.

The new office address is:

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LEASING VS. FINANCING

Should I lease or should I buy? Good question, a loaded one, but nevertheless, a good one.

The answer is, it depends. It depends completely on your personal preferences and financial objectives. But, first, it is important to distinguish the difference between leasing and financing and then discuss their corresponding tax implications.

Financing enables you to pay for a product or service plus the applicable taxes over a finite period of time. Your monthly payment is determined by the length of the term (number of months), the interest rate granted by the lending institution, and the amount of money to be financed, which includes the ticket price, plus all applicable taxes. At the end of the financing term the product or service is completely paid off.

For example, if you were to finance an equipment purchase of \$50,000, plus tax, over 5 years at prime plus 1 (or 4.75%), then your monthly payment would be \$1,078.52. This amount was calculated on \$57,500, which is the cost of the equipment including taxes.

When leasing you lease only the portion of the equipment that you use and you pay for the taxes on that equipment over the course of the lease through your monthly payments, not up front, as is the case in financing. For instance, on a five year lease the leasing company determines what that piece of equipment will be worth at the end of five years. Usually on a five year lease the residual value of the item at the end of the lease is 10% of its original cost.

Therefore, using the same example as above, the residual value of the equipment would be \$5,000. Therefore, the lease would be calculated on \$45,000 (original price of \$50,000 less residual) and the monthly payment would be \$987.68. At the end of the 60 month term you would need to come up with a final payment of \$5,750 (\$5,000 plus taxes) to pay for the equipment fully.

What does all this mean with respect to taxes. Leasing allows you to write off the asset faster than buying or financing it because the whole lease payment is tax deductible (we are making the assumption we use operating leases). Whereas, if you are financing the equipment, then the interest on the loan is tax deductible, as well as the annual depreciation calculated (which is normally 20% of the present value).

Given the examples cited above, it stands to reason, that most businesses should seriously consider leasing rather than financing whenever the situation arises. However, the examples shown above are not the norm. In most instances when it comes to equipment or leasehold leasing, leases are much more strenuous (expensive) on monthly cash flow for two reasons:

1. The interest rates on leases are normally higher than financing rates.
2. Lease terms are generally three, four or five years, whereas financing terms start four years and can go as far as ten years.

The rule of thumb then is, if you have the cash and no other debt to worry about, then buy outright.

You will save on interest charges. If you have strong monthly cash flow, but not necessarily huge bank balances, then lease because of the tax advantages. If your cash flow can not handle the accelerated payments of a lease, then finance the venture over a long period of time.

STAT HOLIDAY PAY

Since September 4 2001, the rules concerning which of your employees is eligible for statutory holiday pay have changed. For those of you who like to "surf the net" if you type in the following web address,

www.gov.on.ca/lab/esa/esa_e/fs_public_e.htm, you will end up at the section of the Ministry of Labour website that explains the rule changes. For those of you who do not surf the net, please contact Michelle at our offices and she will be happy to fax or mail you a copy of the guidelines.

To paraphrase, all employees, whether part time or full time, regardless of the amount of time with the company, are eligible for stat holiday pay as long as they work their regular schedule before and after the holiday.

PST EXEMPT STATUS

Did you know you should not be paying PST on supplies you re-sell? All your supplier would need is your PST number in order to exempt you from a PST charge. So, if you haven't already done so, please have the person who oversees your purchasing provide all of your resale goods suppliers with your PST number.

INCORPORATION

Business Affairs is fully equipped to handle all of your incorporation needs. Please contact Norma Jean or Frank for details.