

Winter 2001 issue

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FRIENDLY REMINDER

Moved lately?

It's important that we have your most current information, so please let us know if you've changed your address, telephone or fax numbers or if you have an email address.

Taxation and E-Commerce

The internet is creating tremendous business opportunities for Canadian entities of all sizes. However, the excitement of conducting business with clients in a virtual environment and on a worldwide basis may wane if the risk to exposure of taxation in foreign jurisdictions is not considered.

Many countries, including Canada, base their right to tax companies on whether the entity has a permanent establishment or fixed place of business in that country. In a brick and mortar environment it is generally simple to determine the existence of a permanent establishment. However, in an electronic environment, does the existence of a

file server or other central computer in a foreign jurisdiction substantiate a fixed place of business?

The Organization for Economic Cooperation and Development (OECD) has spearheaded research and has issued some guidelines on e-commerce tax issues. According to the OECD guidelines, a website hosted by an Internet Service Provider cannot constitute a place of business because it does not involve tangible property at a physical location.

However, the server may be a fixed place of business of the enterprise that operates it. In addition, if the company that carries on business through the website also owns (or leases) and operates the server on which the website is stored, a permanent establishment may exist.

Much debate continues with respect to policies on the taxation of e-commerce. Stay on-line.

Computer Data

DO YOU HAVE BACK UP INSURANCE ?

Back up insurance is not a policy offered by an insurance company, rather it is made up of assessing the value of your company's data bases and then taking the necessary steps to reduce or eliminate the risk of DATA LOSS.

Depending on the nature of your business, your company probably has data stored on various computer storage devices (i.e. hard disk drives, etc.). Many companies back up their data on a daily basis. The type of data stored and backed up usually consists of customer files, accounting data, system soft-

ware, and specialized software.

A problem can occur when procedures used to back up are either not done, inadequate or not properly tested. Most organizations attempt to protect their data from fire. However, a more common occurrence is data corruption. Corrupt data problems can take months to surface and by then all of the back up data is also corrupted.

Possible solutions are to review all procedures with your systems administrators, be they in-house or off-site, and ensuring that you have at least 20 back up tapes, other media or CD ROM.

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Measure Your Sales Ability

Here's an interesting little quiz. Check any statements that fit you well. If a statement doesn't fit you, leave it blank.

MEASURE YOUR SALES ABILITY

1. I feel good about myself much of the time.
2. I usually say the right thing at the right time.
3. People seek out my company.
4. I don't get discouraged, even if I fail repeatedly.
5. I am an excellent listener.
6. I can read people's moods and body language with ease.
7. I project warmth and enthusiasm when I first meet people.
8. I am good at sensing and bringing out the real reasons behind a negative answer.
9. I can see many ways to define a problem and understand its causes.
10. I am skilled at drawing out other people's concerns.
11. I know enough about business to help others solve their problems with ease.
12. I am so trustworthy and helpful that I quickly convince people to work with me in true collaborations.
13. I manage my time so well that I am able to get to everything that is important in a work day.
14. I focus on the "big picture" goals that matter most to me and my firm rather than always reacting to the latest crisis or chore.
15. I can balance the need for finding new customers with the demands of maintaining and strengthening all existing customer relationships.
16. I keep looking for and finding ways to be more effective and efficient.
17. I find that for me, a sense of accomplishment is even more rewarding than money.
18. My internal standards and expectations are higher than any imposed on me by others.



19. I don't care how long it takes to succeed at a task - I know I'll succeed in the end.
20. I feel I deserve the respect and admiration of my clients and associates.

Method of Scoring: POSITIVE PERSONALITY

Total # of checks on statements 1 - 4 . Less than 3 checks, you need improvement on personal attitude, emotional resiliency and self-confidence.

INTERPERSONAL SKILLS

Total # of checks on statements 5 - 8 . Less than 3 checks you need improvement on communication and listening skills, including your ability to control your own non-verbal communications and read others' body language.

SOLUTION FINDING SKILLS

Total # of checks on statements 9 - 12 . Less than 3 checks you need improvement on problem-finding, creative problem-solving and collaborative negotiating skills.

SELF-MANAGEMENT SKILLS

Total number of checks on statements 13 - 16 . Less than 3 checks you need improvement on organization, strategy and focus skills.

SELF-MOTIVATION

Total number of checks on statements 17 - 20 . Less than 3 checks you need to build your personal motivation and learn how to find rewards in the pleasures of doing a job well and accomplishing a goal.

OVERALL LEVEL OF SALES ABILITY

Total number of checks on all statements .

How did you score?

- 0 - 5 Guaranteed to fail.
- 6 - 9 Low sales ability. Not likely to succeed.
- 10 - 12 Low sales ability. With improvement, may be moderately capable.
- 13 - 15 Moderate sales ability. Capable of improvement.
- 16 - 19 High sales ability. Capable of improvement.
- 19 - 20 Guaranteed to succeed. Superstar potential.

Business Development Services

As we announced in the last edition of The Quarterly, we have expanded our consulting services. Our first order of business was to hire a full time consultant, one that could provide value to our clients. We hired Patti Bannon, B.Comm. Patti has spent eight years in a Chartered Accounting firm where she provided advisory services to owner managed businesses in the areas of finance, operations and marketing. She attended the RAS Boot Camp in 1997, and followed up with Results Revisited in 1998.



As a Chartered Accounting firm we want to be – and should be your business advisors. Who knows the nuts and bolts of your business better than we do? And who has more experience both professionally and academically? We are business people ourselves. We understand the frustrations that you face everyday trying to make your business work.

One of Steven Covey's *7 Habits of Highly Effective People* is to begin with the end in mind. At some point you are going to retire or move on to something else. The business you have now is going to have to finance this. You have to decide what it is you are going to need from your business. Then you have to build that business into something that can be sold for enough to cover your next venture.

You are probably wondering just what we as business advisors can do to help you achieve this. In truth, there isn't much we can't do for you. We have a specialized program that can be systematically applied. It works like this:

- Complete a preliminary Qualifying Questionnaire to determine your business development potential.
- Attend an initial consultation.
- Complete a Business Development Questionnaire.
- Participate in a Strategic Planning Session.
- We prepare a Business Action Plan resulting from the Strategic Planning Session
- A Client Advisory Board is conducted.
- A Team Advisory Board is conducted.
- Key Business Processes will be re-designed where necessary and fully documented.
- Your financial plan will be developed and Key Performance Indicators will be defined.

We also have a variety of products that can be used to increase the effectiveness of certain areas of your business. These include:

Client Advisory Board – learn what your clients really want from you.

Team Advisory Board – find out where your employees think business can be improved.

- Advanced Financial Management Training – increase your understanding of the principles of accounting and financial management.
- Towards Awesome Service - teaches business owners and employees how to make their work environment more fun and enjoyable to work in.
- Phone Right - focuses on ways to increase the effectiveness of your telecommunication, sales and customer service skills.

If you are interested in finding out more about the programs or products mentioned in this article, please contact our Business Development Advisor, Patti Bannon at (416) 969-8166, ext. 283.

Here's a number you'll want to keep

1-800-959-5525 gets you directly to the Canada Customs and Revenue Agency (formerly Revenue Canada). Use it to get a business number and to register for GST/HST, payroll deductions, corporate income tax and import/export matters and general queries.

The line is answered by a customer service representative Monday to Friday between the hours of 8:25 a.m. to 8:00 p.m. Or use their automated system after hours.

Computer Data, continued from page 1

The 20-tape system works as follows:

- 4 tapes for each workday - Monday to Thursday (reused weekly)
- 4 tapes for each Friday (reused monthly)
- 12 tapes for each month end (saved for a full year)

Using this system you can keep going to the previous tapes until you find that your data is still useable. For example if all of the daily tapes are corrupt you can go back to Friday's tapes for 4 weeks and then on to the monthly tapes, if necessary.

Some companies that do not have large amounts of data can save all of their data on one CD-ROM. A CD writer costs between \$200 and \$300 and each disk costs about \$1. For \$1 a day you could save and store your data indefinitely on CD-ROM.

Of course, your back up tapes will be useless if they cannot actually be restored when you need them. Therefore, a monthly test should be done by restoring the most recent back up tape to ensure that your data can be correctly restored.

You should also be careful about having the proper software to restore older backups. You may have the media but not the software or hardware to restore your data if, for example, you have changed computer systems.

Shareholders Agreements

Shareholders agreements are vital tools in defining the privileges and obligations of shareholders. Typically, agreements define (among other things), resolutions to events that will affect the value of the company's shares. Those events include the death, permanent disability, retirement, insolvency, bankruptcy, marriage breakdown and termination of employment of a shareholder.



"mandatory sale and coattail" provisions. These provisions protect shareholders from having an acceptable offer for the sale of their shares being stopped by minority interests and also provide minority shareholders with the right to sell to third parties at the same acceptable price and terms.

Shareholders agreements provide shareholders with the right, or the obligation to sell their shares or to buy the shares held by others. These buy/sell provisions often include what is referred to as a "shotgun" clause. In addition, agreements should include right of first refusal provisions to protect existing shareholders.

Other provisions to protect the interest and liquidity of both controlling and minority shareholders are often referred to as

It is imperative to have a properly documented shareholders agreement and also to have existing agreements reviewed and modified, if necessary, to accommodate the changing wishes, intents and circumstances of the shareholders, as well as the changing legislative and economic environment.

Do you have a current shareholders agreement? Does your agreement reflect your current wishes? Is your shareholders agreement in tune with today's ever changing tax legislation? Now may be the time to review your existing agreement or draft your first shareholders agreement. If you have any questions or for further information, please contact Williams & Partners.

W&P News Bits

NEW TEAM MEMBERS

Williams & Partners would like to announce the addition of four new team members.

We would like to welcome Radek Sarnicki, Wendy Chan and Courtenay Warren who have recently joined the firm as Accountants in our compliance practice.

As promised in our last edition of *The Quarterly*, we are committed to helping our clients grow their business. Patti Bannon has joined our team as the full-time Business Development Advisor to help our clients accomplish this. Once again, a warm welcome to all.

NEW PARTNER

Williams & Partners is pleased to announce the appointment of Mr. Enzo Morini, CA, MBA as a partner of the firm effective January 1, 2001. Enzo has been a manager in our tax group since October, 1999. Prior to joining our firm, Enzo worked as Manager of Taxation for Magna International. Previously, he was a tax manager with KPMG.

Enzo says "I'm delighted to have the opportunity to join a team of talented professionals intent on providing pre-eminent service to our dynamic client base."

CONTACT US You can reach us by phone at 416-969-8166, e-mail at wp@williamsandpartners.com, or on-line at www.williamsandpartners.com.

EXPECTING

Williams & Partners is looking forward to a new addition to our extended family. Minna Kuo is expecting a bundle of joy in January, at which time she will be on maternity leave. Congratulations to Minna and her family! We won't be leaving our clients stranded. For assistance please contact Ellen Crackower at extension 278.

CLIENT'S CORNER

We would like to introduce you to one of our valued clients, McGill Commercial Construction. They are an organization of professionals who act as construction managers and general contractors in the design and build of interior office space.

McGill began in our business development program in the fall of 1997. Prior to that their business grew at an average of 10% per year. During the past three years, this growth rate has been 25%. This was achieved through a disciplined and measured system that has managed to avoid the pitfalls and growing pains that often accompany such extraordinary growth.

Mr. Michael Ball, President of McGill says of the business development process that "the most important point that I must make to you is that not only has the process been profitable and educational, it has been addictive and fun."