



Salim Omar, CPA

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STRAIGHT TALK

ABOUT SMALL BUSINESS SUCCESS

The newsletter designed to keep you on course to build a successful small business

Welcome Fall is upon us and, as the seasons change, I'd love to welcome you to our first issue of our "Straight Talk" newsletter, written specifically for business-owners in [STATE]. This issue contains several nuggets of valuable information that you could implement in your business, including tips on improving your net profit, as well as a handy guide on what not to take to an IRS audit! On the lighter side we've also got some comedic hints on staying out of trouble with the law and some interesting facts. To top it all off, we've included a very wise story about 'Busy'ness that you can't afford to miss!

Again, welcome to our first newsletter. If you have any questions or comments please don't hesitate to contact me at [EMAIL]. Enjoy!

Salim Omar, CPA

Boosting the Profits of Your Small Business

When looking at the performance of your business you can't just count the money coming in; you need to take into account all the money that is being expended too. This important figure – the 'Net Profit' – is the amount left after deducting all costs and outgoings from your gross income (excluding depreciation).

Keeping a close eye on your net profit is a fantastic way to gauge how well your business is performing and is one of the most important factors that will be examined by lenders and other parties interested in the viability of your business.

There are three ways to improve your net profit; increase revenues, decrease expenses or a combination of both. But how do you go about it? Here are seven strategies that can help you:

1. Understand where your gross income is coming from

Knowing which market segments are contributing to your revenues is vital so that you can focus your efforts on the right people, allowing you to create effective and targeted marketing strategies.

2. Understand the 80/20 rule

The basic premise behind the 80/20 rule is that 80% of your revenues will come from just 20% of your customers. Knowing who your top 20% of customers are will allow you to focus on them and do all you can to both maintain existing services and look for opportunities to add value, as discussed in the next step...

3. Investigate complementary products/services

Once you know where your income is coming from, and which clients are bringing in the majority of your income, it's time to look into adding complementary products and/or services. Knowing who you are targeting will ensure you don't waste time and money investing in non-viable options.

4. Ensure employees are suitable, both in quantity and quality

Loyal, hardworking and reliable employees are key to forging strong relationships with your clients. The



caliber of your employees is seen as a direct reflection on you! Calculate the average revenue per employee and keep track of productivity rates to see whether you can justify the number of staff. Also, keeping an eye on your employees' strengths and weaknesses will allow you to provide appropriate training, promote worthy workers and discipline/fire others where necessary. Communication is very important, so ensure that your employees know exactly what is expected of them in all

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What You Should NEVER Bring To An IRS Audit

One of the most common audit mistakes I see taxpayers make is providing copies of their other years' tax returns. Doing so greatly expands audit risk by giving the auditor many things to look at that he or she otherwise would not see, like patterns of income and deduction amounts over multiple years. So why do people bring previous years' returns with them? Because the audit notice asks them to!

But here's something you should know: IRS rules state that you are required to provide only the information relating to the specific tax year listed in the audit notice. You are not required to provide information relating to any other tax year, except as it might relate to the year under audit – as carryover items might.

If the auditor asks you for a previous return, simply say, "I don't believe that this relates to the year or issues being examined." Almost always, that will end the matter.



On The Dangers Of 'BUSY'NESS

An older man was walking through a forest near his home when he came upon a man busily sawing a giant tree. He watched the man for a while and noticed that he was getting nowhere. He noticed also that the saw looked rusty. However, he decided this was none of his business and decided to continue on his errand to a nearby village.

On his return trip, the older man again passed the man still sawing away at the same tree, and still no progress.

Pausing again to watch, he finally shouted, "Hello, sir, I notice you aren't getting anywhere. You need to stop and sharpen the saw."

The man looked up, sweat pouring from his cheeks, and yelled back, "Thank you, old timer, but I AIN'T GOT TIME, AIN'T GOT TIME!"

Moral: Sometimes we let ourselves get so busy we neglect the important things needed to get things done—like sharpening the saw.

Did You Know?

- If all the OREO cookies sold to date were stacked on top of each other, the height of the stack would be equivalent to the height of 9.8 million Sears Towers. The Sears Tower is 1,454 feet tall.
- There are more than 80,000 known species of ants.
- The first Rolls-Royce sold for \$600 in 1906. Today the cheapest model goes for close to \$200,000.
- A human's three-pound brain is the most complex and orderly arrangement of matter known in the universe.
- The White House was the biggest house in the United States until the Civil War.
- It is estimated that millions of trees in the world are accidentally planted by squirrels who bury nuts and then forget where they hid them.
- You need approximately 2,000 berries to make one pound of coffee.



Do You Have A Tough Accounting / Tax Question You Want Answered?

I love hearing from my small business clients and friends who enjoy reading my monthly newsletter. I'm always looking to answer pressing questions you might have about anything relating to small business. If you have a question, tip or idea, please feel free to call me at (732) 566-3660 or email me at Salim@OmarGroupCPA.com. Perhaps I'll feature you in a future issue!

Quote of the Month

Give people a job and they will have a wage. Teach them how to start a successful business and they will have an income for life. —Mike O'Donnell

12 Things Not To Say When You Get Pulled Over

1. I pay your salary!
2. Sorry, officer, I didn't realize my radar detector wasn't plugged in.
3. Aren't you the guy from the Village People?
4. Hey, you must've been doin' about 125 mph to keep up with me. Good job!
5. Are you Andy or Barney?
6. I thought you had to be in relatively good physical condition to be a police officer.
7. You're not gonna check the trunk are you?
8. I can't reach my license unless you hold my beer.
9. Gee, officer! That's terrific. The last officer only gave me a warning too!
10. Do you know why you pulled me over? OK, just so one of us does.
11. I was trying to keep up with traffic. Yes, I know there are no other cars around. That's how far ahead of me they are.
12. When the officer says "Gee, son...your eyes look red, have you been drinking?" You probably shouldn't respond with, "Gee officer your eyes looked glazed, have you been eating doughnuts?"



Are You My Client Of The Month?

(caption under picture: (Name of Client, Name of business.)

optional photo of client here

Every month I will choose a very special Client of the Month. It will be my way of acknowledging small business owners and saying "thanks" to those who support me and my business with referrals, word of mouth and repeat business.

Client of the Month this month is (Name of client), owners of the famous (name of business) located in (name of town), (name of state). (Website or Phone number)

(Name of business) is a (describe the business). The (name of client) have been a client of mine for the last (x) years.

Congratulations to (name of client) for being my Client Of The Month.



Business Question/Tip:

Q. I own stock which became worthless last year. Can I take a bad debt deduction on my tax return?

A. If you own securities and they become totally worthless, you can take a deduction for a loss, but not for a bad debt.

The worthless securities are treated as though they were capital assets sold on the last day of the tax year if they were capital assets in your hands. Report worthless securities on line 1 or line 8 of Form 1040, Schedule D, whichever applies. In columns (c) and (d), write "Worthless."

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aspects of their performance – and address any issues that arise immediately. Set ambitious but attainable goals, with some sort of bonus/reward system to keep your workers motivated.

5. Prices

Many business owners set their prices low hoping that this will bring customers in the door and drive sales up but, believe it or not, increasing your prices might actually bring you more, higher quality customers. There are only a few products/services that consumers buy purely on a cost-basis. Low-cost items are often perceived as being inferior, but be sure not to price yourself out of the market. By providing a superior service and top-quality product you can justify charging a little more than the competition, and by conducting your business in an open and friendly manner with a focus on customer satisfaction



and ‘going the extra mile’, you will quickly earn the reputation of a quality firm worthy of a customer’s business.

6. ‘Smart’ buying

So often business owners will spend, spend, spend – just to get themselves a hefty tax deduction. The problem is, if you don’t really need the purchased item in the first place, you’re actually worse off. Make sure you buy all the necessary equipment and stock, but always use common sense and only buy what you actually need.

The other trap that business owners may fall into is bringing forward a major purchase so it can be deducted in an earlier tax year. Whilst this may let you claim your deduction earlier, if you have to borrow, default on existing supplier credit terms or sacrifice other important expenses, it may not be worth

bringing the purchase forward. Always look at your purchases from both a ‘tax’ point of view, as well as an ‘economic’ point of view. If you can’t afford it right now, the tax deduction can wait until next year.

7. Discounts and Concessions

Regularly review your suppliers, including terms of trade, prices and competitors. You may be able to negotiate bulk discounts or certain concessions, but you won’t know if you don’t ask. Also, keep an eye out for competitors coming onto the market – they may offer a better deal, or your current supplier might match their prices in order to keep you as a customer.

Taking just some of these tips on board is a great way to improve your net profit; if you implement them all imagine how much of a difference you could make! Keep an eye out for our next newsletter which will have another great article with valuable advice for your business.



The Omar Group, CPA

“Accounting Guidance in Plain English That Will Grow Your Business and Improve Cash Flow and Profitability”

49 Cliffwood Avenue, Suite 200
Cliffwood, NJ 07721

(732) 566-3660 • www.OmarGroupCPA.com

Email: Salim@OmarGroupCPA.com

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- ✓ **Celebrate Your Clients and Demonstrate Your Dedication to Stellar Service:** Use the **Client of the Month** section to give credit to your #1 client (don't worry, if you don't have a “client of the month,” we will have a back up article that will take its spot.)
- ✓ **Inspirational Quotes:** It's amazing how much people love great quotes. They are repeated in meetings and included in emails. This is a great technique for getting your newsletter read (and shared!)
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Regards

Salim

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