

VALLEY

FINANCIAL DIGEST



PUBLISHED BY **MOTTO KRYLA & COMPANY** CERTIFIED PUBLIC ACCOUNTANTS

FARM FUEL CREDIT CHANGED

Vineyard owners and operators should be alert for "fuel credit waivers" which may be presented for signature by vendors who provide certain farming services. They are now on equal footing with you; either of you can now claim the credit for fuels used for farming. But you must give up the right to the credit in writing in order for them to claim it. Such a waiver may be incorporated within a contract or job ticket you sign. You could be signing away the right to a substantial fuel credit, which is OK, so long as you get a price reduction for giving up your right to the credit.

HOW TO BORROW MONEY

Start with a written proposal that will sell your idea to the bank. Critical factors are:

- . How the loan will improve the worth of your company.
- . The credibility of the presentation.
- . The business acumen and experience of the borrower.

A loan proposal should include the following information:

(1) Loan Requested-
Know what you want before you ask for it. State the amount, the specific purpose, and the source of repayment.

(2) Financial Forecast-
Outline the sources and uses of cash forecasted for the next five years. Include the proceeds and debt service for the proposed loan. Be prepared to relate your forecast to your past experience and to trends in the industry. The forecast should be your realistic estimate of the most likely results anticipated. You should also have a "worst case" survival plan.

(3) Financial Statements-
Submit financial statements for the past three years along with your most current interim financial statement.

Additional information may be helpful, such as-

Description of inventory, particularly current value and marketability.

Status of accounts receivable and payable. Bankers like accounts less than 60 days old with receivables spread among many customers.

(4) Management Profile-
Include a brief resume of the experience of top management. The bank will also want past income tax returns and current

personal financial statements of the owners. Your personal credit rating and management experience are important.

Lending Considerations-

The assets you finance must match the loan. They must last at least as long as the loan period. Also, they should generate the funds to repay the loan, by increasing sales, cutting costs or improving efficiency.

Be prepared to give the bank another way out with additional collateral or with personal guarantees.

Financial proposals and projections must be realistic. Bankers know costs. They will suspect that you don't if you are not realistic in your proposals. You are expected to have all of the requisite financial data. "I'll have to look that up," will put you in the amateur league.

Give your business to the bank, and don't confine it to the loan department. Use other bank services and refer other depositors.

Get Help-

Your accountants may be able to help you by assisting you in compiling the information needed, analyzing your needs and structuring the proposal. They can also perform an audit or review of your financial statements and a review of your financial forecast. Bankers are more comfortable with statements which have been audited or reviewed.

IRS DROPS INTEREST RATE

The IRS interest rate dropped from 16% to 11% effective July 1, 1983. Currently, the rate changes every six months based on the average prime rate.

You pay interest at the rate in effect during the time you owed the IRS. They will also pay interest on money they owe you, with one difference- You pay for every day you had their money. They pay for every day they had your money starting with the day you tell them they owe you the money.

Effective rates are as follows:

Jul.'83 - Dec.'83	11%
Jan.'83 - Jun.'83	16%
Feb.'82 - Dec.'82	20%
Feb.'80 - Jan.'82	12%
Feb.'78 - Jan.'80	6%

SHOULD YOU BUY A MICROCOMPUTER ?

A microcomputer can be an affordable, cost-saving tool for decision making and record keeping. Today's microcomputers are more powerful than some of the large computers of a few years ago, and a complete system can cost as little as \$ 5,000.

Does this mean that you should buy one? Not necessarily. Finding the right system is time-consuming. Learning to use it will also take time and patience. Unless you devote the time to carefully choose and implement the system, the experience will be immensely frustrating. Know exactly how it will meet your needs before you buy it.

On the other hand, if you are willing to invest the time in the beginning to make it work for you, a computer can save you a lot of time and money. How? First, a computer can save an immense amount of clerical effort. For example, for our books we use a \$ 425 bookkeeping program which is so simple that anyone can run it. We simply enter our invoices, cash receipts and payables. The computer then gives us printed checks, accounts receivable, cash journals, a

general ledger and financial statements, all without any additional writing and with no additional errors. Other accounting functions are similarly easy.

In addition to simplifying routine accounting functions, the computer can easily do things which are a real chore to do manually. For example:

- . Forecasting and Budgeting-
 - Cash flow
 - Production
 - Expansion
 - Costs
 - Pricing
- . Inventory analysis and control-
 - Case goods
 - Bulk wine
 - Blending
 - Costing
- . Word Processing-
 - Newsletters
 - Form letters
 - Correspondence
- . Mailing Lists-
 - Analyze customers
 - Print labels

Where do you begin? First, a few important rules:

1. Shopping for a computer takes time, and it should.
2. The programs you select are more important than the computer. Many are available, few are good.
3. The competence of sales people varies greatly, and they do not understand your business.
4. A good vendor who can help you and will fix it when it's broken is more valuable than a price discount.

You may want to have someone else, perhaps an employee do the initial shopping and narrow the choices. Also, discuss your tentative conclusions with others. Your accountant probably has experience with computers, should be familiar with your individual needs and may have helped others make similar decisions.

JOBS TAX CREDIT REVIVED

SUMMER JOBS CREDIT

A jobs tax credit has been created for employers who give summer jobs in 1983 or 1984 to youths from poor families. The credit is 85% of the first \$ 3,000 of wages paid for any 90-day period between May 1 and September 15. The employee must start after April 30, be 16 or 17 when hired and never have worked for the employer before. The youth must be certified in advance in the same manner as for the regular jobs credit.

REGULAR JOBS CREDIT

The regular jobs credit which was to end in 1982 has been extended through 1984. The credit is 50% of the first \$ 6,000 of wages plus 25% of the first \$ 6,000 of second-year wages for each qualified employee. The credit applies to new employees from the target groups below who have been certified by designated local agencies prior to being hired.

- . Members of economically disadvantaged families who are-
 - 18 to 24 years old, or
 - Vietnam veterans, or
 - Certain ex-convicts, or
 - Welfare recipients, or
 - Youths in a co-op education program
- . Handicapped persons in vocational rehabilitation
- . Others in certain work programs

The income tax credit can be significant, but the effect is reduced by the fact that the tax deduction for the wages must be reduced by the credit.

MOTTO KRYLA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

3264 VILLA LANE

NAPA, CA 94558

(707) 253-9222