

- The assignment must be typed (Font 11)
- Where appropriate, the use of tables, graphs, flowcharts, etc. is encouraged to help illustrate your point clearly
- You are required to perform additional external research to complete this assignment.
- Show workings and calculations where applicable
- Clearly state your source references.
- Use of in-text citation and referencing (Oxford or Harvard) is required for this assignment where applicable
- **Assumptions must be clearly stated, assumptions need to be reasonable and logical and cannot conflict with the facts in the question/s**

Assumptions

- Inflation 2.5%
- AWOTE 3% (use for wages inflation)
- The investment growth rate is to be provided by you, however, you must apply due diligence on the rate provided and provide your source or research reference/s
- Use 2019-2020 tax rates where applicable
- Use FBT rates effective 1 April 20120
- (Maximum 3,000 words)

Steve, Jamie and Roberto are partners in a catering business in the Sydney. They have been operating their business together for the past 11 years. The business has experienced exceptional growth in recent years and they are gaining a good reputation where they now provide catering for large corporate events and gain large contracts to supply both corporate and private clients throughout the Sydney metropolitan area. Considering the recent business growth, the partners are now considering branching to other Australian cities, starting with Melbourne followed by Brisbane and Perth. If they were to pursue this expansion strategy, they may need to consider acquiring a larger factory premises as this is something they have been thinking about to accommodate for the continuing increase in demand. Also for the expansion strategy, they are open to bringing in additional equity partners to help support the business growth in other states.

The three partners work well together as they have been friends from University. They have always had a passion for fine food and good dining experiences that has contributed to the success of the business. However, the key to their success has been the fact they possess important sets of skills to complement each other. Steve is a qualified chef, while Jamie is great with people and looks after business development and keeps clients happy. Roberto is a qualified accountant and a great business manager who looks after the staff management, finances and ensures the business is always in good financial shape.

Roberto is aged 42; married to Tammy aged 38 and they have 2 children, one girl aged 8 and one boy aged 4. Tammy is a nurse working at the local public hospital.

Jamie is aged 40; he has been single as he struggles to maintain a long term relationship, although he is currently dating Chantel and he feels she may be the one. Although Steve and Roberto are excited for Jamie to have found someone to settle down, they are not quite sure she is his type as she seems to be rather immature and she has expensive taste expecting Jamie to regularly buy her expensive gifts and pressure him to take time off to go on holidays. Although Steve and Roberto feel this way towards Jamie's new partner Chantel, they have kept this to themselves as they don't want to upset Jamie, particularly when Jamie has struggled to find someone in the past to settle down with.

Steve is aged 41; married to Tara 35 and have a 2 month old daughter. This is Steve's second marriage after he went through a rough divorce 2 years ago. Steve has one 10 year old son from his last marriage and the son is currently living with his mother (Steve's exwife). Steve provides his ex-wife with the child support required.

About the business:

The business is structured as a partnership. This has been the structure since inception

Assets

Plant and equipment \$1.5 m

Cash and short term securities \$100,000
Factory premises \$4m

Liabilities

\$2m comprising of a bank loan and an overdraft facility secured against the factory premises

Annual turnover \$6M

Steve, Jamie and Roberto would like you to explore if a partnership structure remains the best structure for them as they have been too busy to consider other options since they have first established the business 11 years ago. This is particularly timely with the recent expansion strategy the partners are now considering.

You need to prepare a report to the clients above addressing the following:

A. You are required to consider the following five structures and the suitability to their needs:

1. Company
2. Partnership
3. Discretionary trust
4. Unit trust
5. Self Managed Superannuation Fund (SMSF)

You need to explore the key issues including benefits and risks of each of the above structures. Commenting on all the relevant business and estate planning issues and what the key risks are that could be faced by the four partners and their families and address possible strategies and solutions to mitigate the relevant risks.

You need to be specific and relate to their (Steve, Jamie and Roberto's) personal circumstances from the following perspectives:

- i. Taxation
- ii. Estate & Succession planning
- iii. Asset protection
- iv. Business needs
- v. Costs

In your answer, you need to make a clear recommendation as to Which of the above structures would you recommend for Steve, Jamie and Roberto's to adopt in their business going forward and why? Provide a **clear** justification of your answer, advising the partners on the key risks or concerns (if any) resulting from changing the business structure from the existing partnership structure.

Be specific in your discussion and suggested solutions by relating specifically to the clients.

- B. Steve, Jamie and Roberto are excited about the growth in the business and future opportunities expanding to the other states, however, recently one of their close friends has passed away after suffering a heart attack. They have since been talking and are more concerned with what strategy they should have in place should one of them prematurely die or become disabled. Explain to the partners what can be done and the possibility of having a buy/sell arrangement in place between them. In your answer discuss what is a buy/sell arrangement and its purpose and benefits. Also comment specifically on the possible structure they could have for the buy/sell arrangement and how it can possibly be funded. Be specific in your advice