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Business**

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Common Cents

July 2009

Price Competition

You should never, ever, ever, ever, ever, ever try to be the low price provider because it is an UNSustainable business advantage. Period.

The business graveyard is full of once high-flying companies who ultimately failed because their business was built on this UNSustainable advantage. The airlines have been broke for decades because they are competing on price.

Think about it. There will ALWAYS be some moron who will enter your market and attempt to steal your customers by offering the same widget or service at a lower price. Being the low cost provider is an UNSustainable business advantage.

So what's the answer to this common problem? You must understand that WHO you're selling to is more important than WHAT you're selling. If your customer base is price driven, you have to change to meet a different need of your customer and differentiate yourself from your price competition. Maybe the difference is your service, maybe it's a new product or package of products or maybe it's a new way to think about the old products. Maybe you need to identify a new type of customer and design a product for them.

Whatever the compelling story is that you develop, you need to deliver your story to your target market in an efficient manner. Shouting from the rooftops may be gratifying but it is not going to be effective. Understand who your customers are and get your message to them.

Sales Tax Deduction For Purchase of New Car

The American Recovery and Tax Act of 2009 provides that sales tax paid on the purchase of a new Qualified Motor Vehicle between February 17, 2009 and January 1, 2010 can be taken as an itemized deduction or as a component of the standard deduction.

This is all well and good and we all want to support the American auto industry but let's look at this another way. If we purchase a new car for \$30,000 and pay \$900 in sales tax and our tax rate is 30%, then we save \$270 in taxes. Let's compare that to buying the same car but 1 year old and for \$10,000 less.

Someone else paid for the expensive miles and we saved an additional \$9,730.

I like new cars but buying used makes too much sense to me. Visit my friends at Autodealz, listed in the Resources section of our website at www.lokercpa.com.

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The Wal-mart Minute

Walmart is heavily promoting a program of 30-day supplies of generic drugs for \$4, pointing to the program as an indicator of the company's leadership on making healthcare more affordable. To profit on \$4 dollar prescriptions, Walmart is importing drugs from foreign countries, including India. Walmart competitor Costco went a different direction in late 2006, when it ended its \$4 dollar prescription drug plan because it was losing money selling prescription drugs at such a low price. Costco switched to selling 100 pills for \$10.

One of Walmart's Indian drug suppliers, Ranbaxy Laboratories, LTD, has been repeatedly investigated by the Food and Drug Administration and the Department of Justice for "inadequate" safeguards against contamination, falsification of records and submitting false information to the FDA. Eight months before the FDA inspected Ranbaxy's Paonta Sahib plant and found significant violations, Walmart awarded the company a "Supplier Award" for improving shipping times and performance.

In 2008, the FDA banned importation of drugs manufactured at two of Ranbaxy's plants, and in 2009, the FDA halted review of applications to import drugs manufactured at the Paonta Sahib plant. Soon thereafter, Canada followed suit and banned importation of drugs manufactured at that facility.

Yet Walmart still imports generic drugs made by Ranbaxy at its other Indian facilities. According to the FDA, these drugs are manufactured at the Dewas and Paonta Sahib facilities owned by Ranbaxy Laboratories, Ltd and are affected by the import alert. These drugs are used to treat bacterial infections, kidney or bladder infections, ulcers, high cholesterol levels, high blood pressure, seizures, acne, allergies, depression, high blood sugar (diabetes), ulcers and acid reflux, cold sores and HIV.

We have included our Wal-Mart comments to emphasize that the way we local small businesses conduct ourselves is far different than the Wal-Marts of the world. We need to always remember that and we should make sure our customers recognize the difference.

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Detecting Fraud in Your Small Business

None of us want to believe that one of our employees would steal from us but it happens to everyone sooner or later. I have observed that there are always 3 components to employee theft.

Motivation: The most common motivation is a personal financial crisis brought on by a family situation such as divorce or loss of employment by a spouse. Be aware of your employees' personal situations.

Opportunity: An employee receives and posts cash receipts and prepares the bank deposit. An employee has unsupervised access to inventory. Access to critical areas of computer systems are not password protected. In small companies strict division of non compatible duties is often not possible. You, as the owner, must insert yourself at strategic points in all processes to limit opportunity and you must see that Company assets are safeguarded.

Rationalization: People don't think of themselves as thieves. Usually there is some personal justification such as "I'm underpaid" or "the boss does it so I'm entitled too". I have always found it best to lead by example. Let employees see you paying for product or service taken from your business. You have to set the tone for ethical business behavior.

I have not been able to make any generalizations based on age. The motivation and rationalization is different for all age groups but is always present. We can minimize theft with vigilance, reducing opportunity, and maintaining an atmosphere of ethical business practices to create a company culture of honesty and fair dealing.

There are no fools so troublesome as those
that have wit. —Benjamin Franklin

Wayne's Nature Talk

Every morning in Africa, a gazelle wakes up. It knows it will have to run faster than the fastest lion to survive or it will be eaten, for sure. Every morning, a lion wakes up. It knows it will have to run faster than the gazelle or it will starve. So, it doesn't matter if you are a gazelle or a lion, but when the sun arises, you better be running.

Win a Night on the Town!

Answer this month's trivia question correctly and you could win a 50\$ Gift Certificate to the Local Restaurant of your choice!

The first 10 people to call us with the correct answer at 540.437.2350 will be entered in a drawing for the gift certificate. To see the question, simply visit our website at www.lokercpa.com. That's it, no strings attached. Here's a hint: The answer is located within the website, so read carefully. GOOD LUCK!

Congratulations to Kaye Myers, who answered last month's trivia question correctly and received a Netbook mini-Laptop!

Dog Days Iced Tea

Yields 6 Servings

- 6 bags black tea (English, Earl Grey)
- 2 tablespoons sugar
- 1/2 cup mint leaves, divided
- 1-1/2 cups chilled orange juice
- 1 orange, sliced
- 1 lemon, sliced
- ice cubes

Brew a strong tea in about 6 cups of water.

Add sugar and about a dozen mint leaves

while still hot. Let cool, remove tea bag

mint, then add orange juice, fruit slices

Serve over more ice, garnished with fruit

adding a fruit slice or two to each glass

Serve and Enjoy!

Dog Days

Definition: These are the hottest and most unhealthy days of the year. Also known as Canicular Days, the name derives from the Dog Star, Sirius. The traditional timing of Dog Days is the 40 days beginning July 3 and ending August 11, coinciding with the heliacal (at sunrise) rising of Sirius.



"The sales team did all they could - so I'd have to say the blame for this must fall on the consumer."

**Small Business Consulting,
Tax and
Outsourced
Accounting Services**



Moon Phases

Full Moon.....	7	4:21 am
Last Quarter.....	15	4:53 am
New Moon.....	21	9:35 pm
First Quarter.....	29	5:00 pm

What's Inside...

- The Walmart Minute
- A way to save on a new car.
- Ways to detect fraud.
- Win a Night Out!

... and much more!

Do You Have a Question About Taxes, Payroll or Accounting You Want Answered?

We love to hear from all our good friends and customers who enjoy reading our monthly newsletter. If you have a question about anything related to taxes, payroll or accounting, feel free to give us a call at: 540-437-2350.

Mark Your Calendar July is National Blueberry Month!

- July 4- Independence Day
- July 13- Barbershop Music Appreciation Day
- July 14- Bastille Day
- July 20- Moon Day (First Moon Landing in 1969.)
- July 24- Emilia Earhart Day