



# The Accountants Guide to Bartercard

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Bartercard is a business tool that increases profits through new customers and improved cashflow.

# About Bartercard

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Bartercard is a business-to-business (B2B) trade exchange assisting members to gain new customers. Transactions are facilitated electronically via the internet, EFTPOS, or by transaction vouchers similar to those used with a credit card.

Simply put, Bartercard delivers new customers to fill a business's spare capacity, these new customers pay with Trade Dollars. The business utilises these Trade Dollars to pay expenses that would otherwise have been paid in cash - therefore saving real cash.

## **Upon joining as a member, Bartercard establishes an interest free line-of-credit for every new member based on:**

- Size of business, length of time in business, capitalisation and debt levels.
- Analysis to determine potential increased monthly sales.
- A review of the P&L statement to determine which business expenses are able to be met through Bartercard.

Bartercard is a registered Financial Services Provider under the Financial Service Providers (Registration and Dispute Resolution) Act 2008. Further details can be found in the legal section of our website. Bartercard is required to comply with the Anti-Money Laundering and Countering Financing of Terrorism Act 2009.

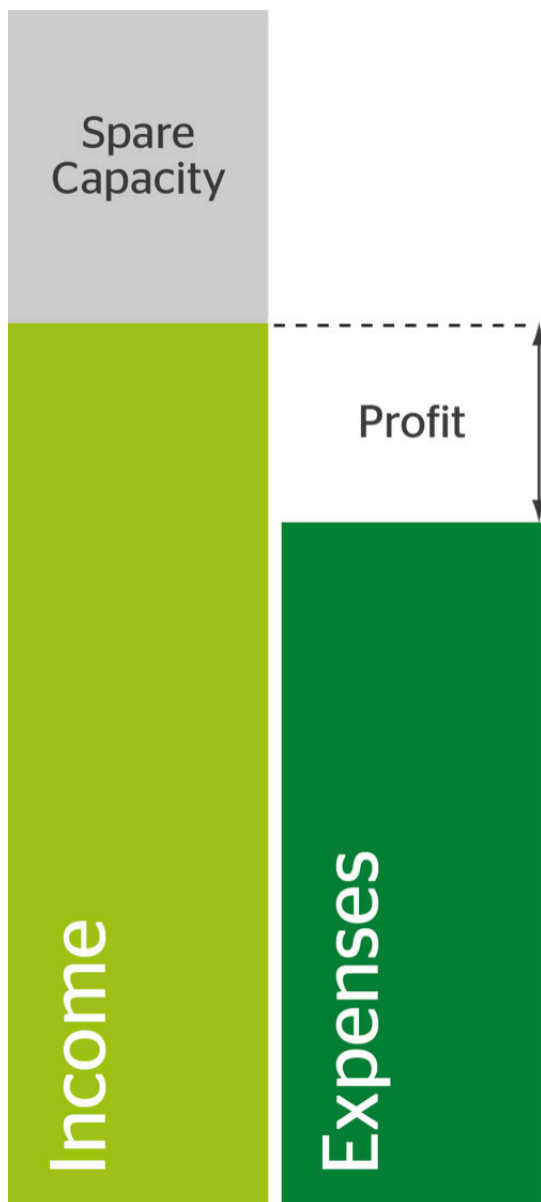
Trade Dollars are a well-recognised and accepted method of payment in New Zealand. One Trade Dollar is equivalent to one New Zealand Dollar for all accounting and taxation purposes.

# How Bartercard works

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Bartercard provides business opportunities to members by converting unutilised trading capacity and excess inventory into business opportunities with new customers. Bartercard aims to increase your business by 5 - 10% and increases your cash profit.

## Before Bartercard



## After Bartercard



# What IS Bartercard (and what is it not)?

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## What Bartercard IS...

Bartercard helps New Zealand businesses grow and achieve financial success through bartering unfilled capacity through the Bartercard network using an electronic currency called a Trade Dollar.

## What are Trade Dollars?

A Trade Dollar is the electronic trading currency Bartercard members use to transact with. For accounting, GST and Income Tax purposes, One Trade Dollar (T\$1) is equivalent to One New Zealand Dollar (NZ\$1).

## What Bartercard IS NOT...



Bartercard **IS NOT** a daily deals provider



Bartercard **IS NOT** a rewards or loyalty programme



Bartercard **IS NOT** a pyramid scheme



Bartercard **IS NOT** a way for companies to avoid tax.





# Accounting for Bartercard

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From an accounting and tax perspective, there is no difference between cash and Trade Dollars with sales being recorded as income, and purchases being recorded as an expense or asset. Bartercard works like a normal bank account or credit card, except that it uses an alternative, electronic currency (Trade Dollars) that is exchanged between members to pay for goods and services.

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Monthly account statements are provided which are similar to a bank or credit card account except that the assets or liability is in Trade Dollars and not cash.



You can get account transactions from Bartercard sent into Xero every month. It's easy to apply for direct feeds, simply add your accounts in Xero, download the application form, then sign and email it to Bartercard.



Working alongside more than 100 banks and financial institutions

throughout New Zealand and Australia, MYOB BankLink automates and streamlines the accounting process for small business clients' transaction data through to accounting practices.

**Check out more information on our website**



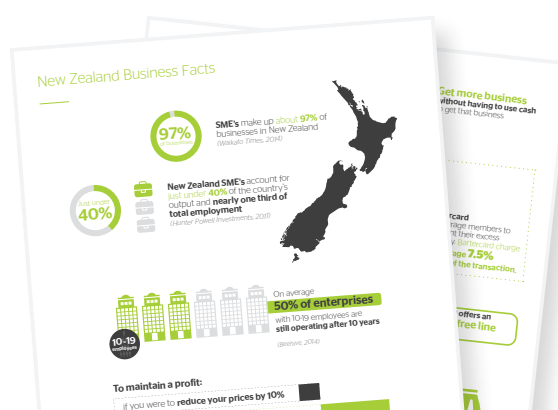
# Benefits of Bartercard

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- Bartercard can increase a businesses sales by 10% within the first 12 months of being a Bartercard member (Dot Loves Data, 2011).
- Depending on your membership level, you will be assigned a dedicated Trade Broker to ensure that increased sales occur.
- Bartercard provides free, local, national and international advertising. Additional marketing includes Trade Shows, national emails to members, text marketing and networking events.
- New cash customers via word of mouth from Bartercard members.
- Increased market share and a competitive edge over competitors.
- Members are assured of secure internet transactions, a pre-approval process and comprehensive record keeping is provided by Bartercard.
- Sell excess stock without the need to discount, which can result in reducing perceived value and risking a potential price war with competitors.
- Bartercard educates members that, by applying the principal of marginal costing; those goods and services are purchased with a discount equivalent to the gross profit margin of the goods and services sold through the Bartercard exchange.
- An interest-free line of credit can be utilised, thereby conserving cash and improving the company's balance sheet.
- Using Trade Dollars as employee bonuses, incentive schemes or gifts is an excellent use of Bartercard. Or setup each employee with a staff card and you could pay 10% (for example) of their salary in Trade Dollars.

# Top tips for using Bartercard strategically

- Offer staff the choice of taking time in lieu in Trade Dollars. Don't lose productivity or chargeable time while employee is away on lieu leave. By offering a higher rate in Trade Dollars this will incentivise staff to use this as an option.
- Gift cards can be purchased for amounts between T\$100 and T\$500 and are ideal for staff incentives, gifts or bonuses.
- A staff account is an ideal opportunity for business owners who want to divide up personal and business spending, or use for staff incentives and bonus payments.
- Make use of the interest free line of credit in order to continue making purchases during times when cashflow has slowed.
- Use Bartercard to attract specific new customers - tell us about a business you would like as a new customer, we will approach them to join on the basis that they can spend their Trade Dollars with you.



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# Questions your clients may have about Bartercard

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## **Q. What is the accounting treatment of assets bought on Bartercard?**

A. The accounting treatment of assets bought on Bartercard is identical to assets bought in cash. The depreciation rates and methods remain the same. If an asset is sold, the depreciation recovered becomes a taxable income for the business.

## **Q. What are the tax advantages or disadvantages associated with Bartercard?**

A. Trade Dollar income should be viewed as you would your cash income. There are no inherent tax advantages or disadvantages to being a member of Bartercard. Bartercard is a sales and marketing tool, not a tax tool.

## **Q. Is a tax invoice required for barter transactions?**

A. Yes, a tax invoice is required for a barter transaction as it is for any other business transaction. Where a member makes a taxable supply and the consideration is expressed in Trade Dollars, the tax invoice must comply with all of the usual requirements for a tax invoice. We suggest you consult your accountant to discuss this.

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**Q. Is it important for a business to keep a balance between those sales made using Trade Dollars and those in cash?**

A. Absolutely. A sale made in Trade Dollars is no different from a business managing its Accounts Receivable to ensure timely payment and adequate cashflow. It is recommended that a business should have no more than 15% of its sales made through a Trade Exchange with the remaining business revenue coming from cash sales. Trading activity should be kept in balance between Trade Dollars earned from sales and Trade Dollars used for business expenses.

Trade Dollars used for personal spending are, for tax purposes, considered drawings and are not tax deductible. Trade Dollars used in relation to business expenses are generally, tax deductible. The tax treatment is exactly the same as if the spending was made in cash.

**Q. Is there additional paperwork for barter transactions?**

A. No more than an extra bank account or credit card account. Bartercard produces a statement similar to that of a bank showing all debit and credit transactions for the period. An up to minute version of the statement is also available online. Bartercard integrates directly with Xero and MYOB via Banklink.



**By selling excess or slow moving stock through the Bartercard community, members can receive Trade Dollars as payment and in turn spend the Trade Dollars on goods and services for their business.**

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### **Q. Can I use Bartercard for personal purchases?**

A. Yes, if you derive your income from your business to pay for your personal expenses. By using Bartercard and spending your Trade Dollars on these personal expenses you will save your cash. You can draw Bartercard Trade Dollars as personal director's fees, drawings or a loan.

### **Q. Can I charge part-cash and part-Bartercard?**

A. Bartercard is a 100% Trading Exchange. Upon joining every member agrees to trade at 100% Trade. There are practical exceptions to this rule as there are different proportions for different industries. Refer to our Fair Trading guide on our website.

### **Q. How do I convert my Trade Dollars into cash?**

A. By purchasing products or services with your Trade Dollars, you will save cash and keep that cash in your business. You can also buy items with your Bartercard Trade Dollars and then sell them for cash, therefore converting Trade Dollars to cash. For example, a restaurant purchases wine on Bartercard and then sells within the restaurant for cash. Trade Dollars are not transferable for cash by Bartercard or any other Financial Institution.

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**HELP YOUR CLIENT GROW  
THEIR SALES BY 10%  
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