



IWASAN
CONSULTING



SR & ED Update – Iwasan's Newsletter

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How Do We Know if a Development Project Qualifies?

Canada Customs and Revenue Agency (CCRA) uses the following to assess whether a research and development project is eligible for the 35% Scientific Research and Experimental Development (SR&ED) refundable tax credits:

To qualify, a project must:

- Be technical in nature
- Seek an advance in technology in its field
- Contain technical uncertainty or risk (uncertainty as to the outcome or the method to obtain the goal)
- Have an experimental element
- Be supported by project documentation

Iwasan's Project Evaluation Service Answers This Question

At Iwasan, we perform a project evaluation to give you an expert opinion whether the project meets the incentive program criteria. The Project Evaluation service consists of the following:

- One of Iwasan's technical experts will discuss, in a telephone conversation, the technological advances made in the project and the problems/uncertainties which had to be overcome. This conversation is usually 30 minutes long.
- The process and the associated strength of the claim will be determined through a short questionnaire completed in a telephone conversation with an Iwasan consultant.
- At the same time, an outline of the financial information required for specific employees, purchases and the time frame covered by the project will be determined to streamline the accounting side of the review.

By following these steps, Iwasan is successful in over 95% of our claims. Our fee for this service is \$250.00. **Call Peggy Mooney or Chris Stevens at 1-800-661-4463 to discuss your project. We will perform an initial assessment free of charge. From this assessment we determine whether a project evaluation is recommended for your project.**

Short Term Cash Flow? Consider Factoring

Many growing businesses are crippled by cash flow. Factoring is sometimes the only option for a new company or a company with little assets, other than their receivables. Although there is sometimes a stigma attached to factoring there are many good reasons to factor. What are they?

- Factoring "makes it happen" for growing businesses by purchasing A/R for immediate cash.
- Factoring gives small businesses the power to ensure growth without diluting equity or incurring debts.

Some situations where factoring becomes appropriate:

- Rapid Growth – Often a company's bank line of credit is not able to keep pace with the constantly increasing need for working capital. A factoring line will expand according to the growth of the company.
- Start-ups – Many reasons including insufficient track records, limited management experience, unproven products or under-capitalization exclude companies from obtaining bank financing. A factor arrangement secures and controls its collateral and is able to manage the risk, incubating the company until it can move on to bank financing.
- Tight Cash Flow Cycles – through factoring a client can eliminate "cash flow crunches" and often take advantage of trade discounts.
- High Bad Debts/Poor Accounts Receivable Turns – companies with bad debt or accounts receivable turns significantly above industry averages may benefit from the lender's credit and collection expertise.

By factoring, a company out sources its Credit Department and profits from the factor's database and experience. At the same time it distances itself from the negative aspects of credit and collection.

Iwasan Consulting acts as business finance consultants, call us to discuss a factoring arrangement or other business financing needs for your growing company.

SR&ED Program Statistics

CCRA released these statistics relative to the 1997-1999 SR&ED program years:

Total number of claims: 11000
Total benefits: \$1.3 Billion
R&D costs represented by SR&ED claims: \$6 billion
Average paid to CCPC (small businesses): \$53,000
Average paid to non-CCPC: \$277,000
Small business (CCPC) claims: 75% of all claims
% claims accepted by CCRA: 70%

Iwasan's statistics parallel those of CCRA. In over 95% of the claims filed we are successful, resulting in an average of 70% of amounts.