

Title:

Accounting Professionals: Are They Necessary?

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Summary:

Does your business needs an outside accountant?

It all depends. If you require an audited or reviewed financial statement, then, yes, you need a CPA. In any event, it is always a good idea to maintain a relationship with an accountant no matter how small your business. Whether your accountant is a CPA is up to you. The real question is: To what extent do you need outside accounting services? That also depends on you and the nature of your business.

I always start with...

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Article Body:

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It all depends. If you require an audited or reviewed financial statement, then, yes, you need a CPA. In any event, it is always a good idea to maintain a relationship with an accountant no matter how small your business. Whether your accountant is a CPA is up to you. The real question is: To what extent do you need outside accounting services? That also depends on you and the nature of your business.

I always start with the admonition: The Buck Stops With You! You cannot afford to dissociate yourself from understanding the meaning of your financial statements. If you solely rely on your accounting staff or accountant for completely accurate financial data, then you are asking for trouble. If you are going to own or manage a business, then you have a responsibility to learn how to speak the language of business. The language of business is accounting knowledge.

How involved you become in the accounting process will be determined by time schedules, your mental pre-disposition, desire for control, cash flow, etc. One

scenario, if you can afford it, is to hire an internal accounting staff to prepare financial statements on a monthly basis and have an external accountant check them over. Another common scenario is to prepare part of the compilation yourself, such as preparing a sales journal and a cash disbursements journal, and then hire an outside accountant to prepare a bank reconciliation and the financial statements for you. Some do this on a monthly basis, others quarterly. Some business owners do the books themselves all year and turn them over to the accountant at the end of the year to verify the balances and do the depreciation entry for tax purposes.

There are numerous ways to work with an accountant. Regardless, you should learn enough about accounting to be able to communicate intelligently with your accountant. Since you are intimately involved in your business you may recognize danger signals that not even your accountant will see.

Selecting an accountant

Relying on the yellow pages to find an accountant can be risky. The best way to find any professional is by a referral. However, you need to interview prospective accountants before signing on. One of the first priorities is to find out what their experience level is. Your business may have very specific accounting and tax issues that require a certain amount of expertise. Perhaps you have a manufacturing concern. What does the accountant know about raw materials, work-in-process, and finished goods inventory accounting? Does the accountant know how to set up job-costing and overhead burdens? Ask for references from other like-kind businesses.

Keep in mind, that you may go to an established firm with a good reputation, but with whom are you going to have a relationship? Is your account large enough to warrant a relationship with a partner? You need to feel confident with the person assigned to your account. Perhaps a smaller firm with four or five accountants who are all seasoned veterans might work better.

You will also want someone with whom you can relate. The ability to communicate is a crucial factor. Your accountant may be technically proficient but can you understand what he or she is telling you? Does he or she listen when you ask questions? Don't be afraid to ask for someone else if you are having difficulty communicating.

Another important criterion is "accessibility". Is your accountant too busy to talk to you? Can you get your questions answered within a reasonable period of time? Do you feel important to him or her? Situations may arise where you need information immediately to make an important business or tax decision, will your

accountant respond quickly?

Last, but not least, are the accountant's billing practices. Billing practices vary from firm to firm. Some firms are very aggressive and put tremendous pressure on staff and partners to bill every minute they can. Some firms require a review process before any work goes out the door. This means that every person who performs any work on your account, including the person who puts the stamp on your envelope, bills you for it.

Find out in advance what happens if you call the firm to ask a simple question that takes less than five minutes to answer. Are you billed for five minutes or are you billed in increments of fifteen minutes even though you only talked for five? Some firms justify this increment billing by explaining that you are paying for the accountant's expertise that may have taken years to acquire, therefore, they say, it's worth it.

Some accounting practitioners charge a flat rate for services rendered or a combination of flat services and hourly charges. For instance, an accountant might charge \$200 a month to prepare a monthly financial statement but charge \$100 an hour for special projects. Within the monthly fee, the client can call to ask questions that last fifteen minutes or less for no additional charge. This way the client is not reticent about calling. Getting your question answered may prevent little problems from later becoming bigger more expensive problems.

Very often projects take longer to complete than anticipated. Complications arise and the practitioner should be paid for his or her work. Always insist that, if there are going to be additional charges over and above what has been agreed upon, that the accountant gets your approval first. Be sure to clarify these procedures before engaging an accountant in an "engagement letter". This is a document that spells out the responsibilities of both parties and how the relationship is going to work.

Remember, there is absolutely no reason to be intimidated by your accountant. After all, you are paying for the services, and I promise you, the accountant wants your business.