Dollars and sense

HOW TO BUILD A RELATIONSHIP WITH YOUR ACCOUNTANT AND TRIM YOUR BUDGET

BY MATTHEW LAWELL

You might not think of your accountant as some sort of bean counter, better suited for the Dark Ages than for the Age of Information. Most folks, after all, recognized the error of that thought years ago.

You also might not think of that same accountant as a trusted business adviser. But you should.

Gone are the days when your accountant would just sit down with the company ledger and crunch numbers. An accountant is able to offer so much more now, especially in this economic state.

Need to evaluate your inventory turnover, to analyze what is selling, what is not and why? An accountant can do that.

What about an examination to make certain that all available credit lines are being used or that capital needs are being met? An accountant can do that, too.

And, of course, there are taxes, an area where there has been so much evolution that one industry expert says he estimates the number of allowable tax incentives and minimization techniques has more than doubled during the quarter of a century since he analyzed his first set of financial reports. Another expert says the number has more than tripled during that period. Whatever the actual amount of exponential growth, there is no doubt that accounting is more complicated, and more important, than ever.

"When there is a change in the environment, it is a great time for the leadership of a business to sit back and reflect on strategic priorities," says André Schnabl, managing partner, Atlanta office, Grant Thornton LLP. "I think one tends to do that on a fairly regular basis, once a year or once every couple of years, but I do think one should do it whenever there is a shift in the environment.

"As you do that, one looks to business advisers and brings them into that dialogue."

Talk with your accountant

The key to bringing your accountant into your proverbial inner circle is communication. Nothing is more important, just ask an accountant.

"You cannot develop a relationship if all you're doing is meeting with your accountants once a year when it's time to prepare financial statements or it's time to file your tax return or it's time to put out a wild, raging fire, metaphorically speaking, in your business," Schnabl says.

The relationship with your accountant should go beyond just taxes and audits. An experienced accountant can help you apply industry best practices to your business. But developing a relationship that benefits everyone requires effort from both parties.

"A meaningful relationship is built over time because trust is only built over time. You couldn't possibly do that if you meet infrequently and only in reaction to crises."

Without some level of constant and consistent communication, your accountant cannot know the full spectrum of activity within your company and, in turn, might be unable to offer constructive criticism and potentially prosperous ideas and suggestions. The more communication between you and your accountant, the more opportunity and the higher the possibility you will receive a far more favorable result.

Many industry experts recommend you plan to get together with your accountant for at least three or four formal meetings per year, though multiple variables might swing that number higher or lower, including the size of your business, the challenges you are facing now and expect to face during the course of the next year, and the strengths and weaknesses of your internal financial team. Others recommend more casual meetings or phone calls in order to communicate on a regular basis.

Whether you meet around the boardroom table or over beers at your favorite bar, take advantage of that time to ask your accountant important questions, like how can you best utilize your accountant? What should you do internally? Externally? And what are your priorities for the next year?

A high level of communication with your accountant can also lead to you becoming more comfortable around each other. Your accountant should be familiar with many of the folks on your upper management team, and you should be familiar with many of the folks who play top roles for the firm.

"To function most effectively, a professional services provider must have a clear understanding of a company's strategy, business imperatives and issues," says Carrie G. Hall, Southeast strategic growth markets leader, Ernst & Young LLP. "Executives should meet with their accountants as often as necessary, especially in these volatile times."

Take advantage of financial opportunities

The reason so many accountants prefer to be so involved is because the more information they know about you and your company, the more areas they will be able to explore in order to save dollars and cents. And saving dollars makes sense.

"The more the accountant knows about the company, the more value they can add on important business issues," Hall says.

But the burden of trimming the budget lies not only with your accountant — you need to do your part, too. So be organized, be prepared, be proactive and be accessible.

Just consider the average audit. If your files are scattered around your office, stacked in piles that are toppling over, an audit performed by your accountant might last far longer than it should. In order to avoid a heftier bill, keep your internal financial team on a schedule to update your books regularly, perhaps even every day. Exorbitant costs for an audit — or even just a review or a compilation financial statement — are normally only incurred when you are not organized and prepared.

"Preparation is very important, but planning is just as important," Schnabl says. "Plan a series of discussions between client and auditor to have a full understanding as to how to build a plan that is efficient and taps into the client's knowledge of the business and the auditor's knowledge of auditing. Those conversations drive down the cost of auditing."

If you are particularly strapped, you might even consider consulting with your accountant and other business advisers to consider altering the end of your fiscal year from the end of the calendar year to the end of another quarter. That would allow your accountant to work with you less during the peak months of January through April and more during the off months, when rates are far less expensive. And though such a shift is filled with internal and federal paperwork, the potential savings of such proactive measures can reach more than 20 to 30 percent.

There are even extreme situations where you might be able to save hundreds of thousands of dollars because you and your accountant are both accessible and open to conversation.

Several years ago, one industry expert was working with a client who had installed defective materials in a sewer and storm drain system, and the client lost thousands of dollars. Though the client was able to file a claim against the manufacturer, the expert was also able to find a case law that allowed for the property loss to carry back 10 years, a far longer retroactive period than the standard two or three years. The result? The client received $500,000, in large part because the expert had been involved in the situation from the start and because the two sides were accessible to each other.

"Accountants have a wonderful perch from which they can observe different experiences in different environments," Schnabl says. "From that rich experience, they can provide their clients with a lot of interesting views from a general business nature, rather than just accounting." <<

3 Questions

Robert N. Greenberger |
Tax partner |
Habif, Arogeti & Wynne LLP |

Robert N. Greenberger has more than a quarter of a century of experience in the industry, with a strong concentration in taxation, estate planning and closely held businesses. Currently a tax partner with Habif, Arogeti & Wynne LLP, he is also a member of the American Institute of Certified Public Accountants and has earned its designation of Personal Financial Specialist.

Q. What are some examples of recent changes in the law that might affect a struggling business?

There are a lot of things that will affect businesses and owners. We know that income tax rates and capital gain rates are scheduled to go up after Dec. 31, 2010. We know that estate laws will change at the end of this year, unless Congress changes something. What we're telling people is that you can't just sit back and wait. You have to get some advice for what you think may happen. For example, tax rates are definitely going up. What do people do? Where most CPAs have been saying for years to defer, it might be wise to accelerate income into 2009 before the end of the year.

Q. How often should a company meet with its accountant?

Many clients should be sitting down with us quarterly, and we have some who we talk to weekly or monthly. A relationship with a CPA should not be just cranking out a financial statement or a tax return once a year. If it is, then you're not using a CPA for the value that is really there. We try to have relationships with clients where they outgrow just the need for an audit or a tax return, and they want advice above and beyond that. And when times are tough, they should be seeking that advice, not running away from it in fear of spending dollars in the short term.

Q. What information should a company share with its accountant?

In a good relationship, a client will call us for anything. I don't want them to think anything is too small for a call. We don't bill for phone calls. We encourage clients to call us, because the best way to discourage them from calling is to bill them every time.