

## Discover the Secrets to Finding a Great Accountant.

A friend of mine recently commented that choosing an accountant is like choosing a doctor. Unless you're recommended by someone already using them, you're dealing with an unknown, which attracts some risk.

**This report has been created to help you reduce that risk.**

Choosing your accountant is a very important decision that should be made carefully.

Your accountant will have access to your private records, including some information you probably wouldn't want anyone else to see or know about.

In short, you'll have to trust your accountant to some degree and this is why it is important to choose wisely.

Here's a list of headings that will be discussed:

- Who are accountants and what can you expect from them?
- Are all accountants the same?
- How are accountants educated?
- Is my accountant a member of a professional body?
- Does my accountant have to keep up to date?

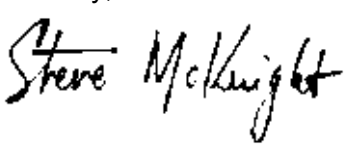
There's also a step-by-step guide to help you choose an accountant and maintain a good relationship...

- Step One. Deciding what your needs are.
- Step Two. Where to look for an accountant.
- Step Three. Interviewing potential candidates.
- Step Four. Seeking quotes.
- Step Five. Authorizing an accountant to act on your behalf.
- Step Six. Receiving information.
- Step Seven. Paying bills.
- Step Eight. Providing feedback.

Please e-mail me at [accountant@accountingtipsonline.com](mailto:accountant@accountingtipsonline.com) if you have any questions or feedback.

Good luck with your search for a great accountant.

Sincerely,



Steve McKnight  
Chartered Accountant

## **About Accountants**

### **Who are accountants and what can you expect from them?**

What springs to mind when you think of the word "accountant"? Is it a bean counter wearing a brown suit who works in a dark corner of the office? Maybe this was right once upon a time, but not any more.

Amazingly, very few people know how diverse an accountant's role can be. Usually, if money or numbers are involved, then an accountant won't be too far away.

Accountants can either work in industry or private practice. Industry accountants work for corporations in their finance and corporate reporting areas. They collect, process and report on financial and non-financial information to internal and external users. Accountants can also work in private practice (to be confusing this is also known as being in public practice). They open their doors to the public and offer a fee-for-service arrangement, where they bill you for the work you ask for.

A private practice accountant's bread and butter is compliance related work. It's called "compliance" because the accountant needs to perform a task in order to satisfy a government or other regulatory body regulation. The best example of compliance work is using accountants to complete and file your tax return.

If you're looking for an accountant, then you now know you're looking for an accountant in private practice.

To confuse the issue there are many names that private practitioners go by, including, Certified Public Accountants, Chartered Accountants, Certified Practising Accountants, Public Accountants, Accountants, Tax Specialists etc. Go to accountants in the Yellow Pages and see the variety to choose from.

Most accountants are members of a professional body and have the right to call themselves Certified Public Accountants or CPA's (in the US), Chartered Accountants or CA's (in Australia, Canada and New Zealand) or Certified Practising Accountants or CPA's (in Australia, but different to the US CPA). These are the peak professional bodies. Members of these organizations must adhere to a code of professional conduct.

### **Are all accountants the same?**

No. All accountants are definitely not the same!

Some years ago an accountant could be a "jack of all trades" and operate as a one stop business shop. Now, because of the complexity of laws and the wider needs of business, it's usual for accountants to specialize, and even specialize within specialty areas (particularly tax).

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The accounting industry in many countries is self-regulated. This means that the government has agreed not to pass laws on how accountants provide their services, so long as professional accounting bodies do. These bodies can only regulate the actions of their members, so if your accountant is not a member of a professional body, then you're placing yourself at risk. Who do you complain to if you're unhappy with your accountant and he doesn't belong to a professional body?

Ask your accountant which professional organization they belong to. If she starts spinning stories about how she doesn't need to belong, or what a rip off the annual fees are, then alarm bells should be ringing. Always deal with an accountant who could lose their livelihood if they're expelled from a professional body. It is your best protection.

### How are accountants educated?

Would it surprise you to learn that you can operate an accounting practice without any formal qualifications at all? You can, just call yourself a public accountant and away you go.

People who do this argue their experience is far better than a college education. This is dangerous thinking. What if this person's experience was with a back-yard operator who consistently broke the law?

I recommend using an accountant whose knowledge is based on formal education. It's true that college is mostly theory, but it does introduce you to issues and where to go to resolve them. College is the apprenticeship of the accounting industry.

Once an accountant finishes their college education they usually look for a job within the finance or business industry. If they want to become members of a professional body then they will need to complete further study to meet the entry requirements. Entry requirements are usually an approved college degree, appropriate experience and passing post-graduate examinations.

Your best protection is to use an accountant who is a member of a professional body. They are well educated and should have been exposed to a wide range of business issues.

Be very wary of organizations only that specialize in personal tax returns. Always check that the person who interviews you has the appropriate training and experience. Often employees of these companies do an intensive internal training course on the basics but lack in-depth business skill.

In all my years as an accountant I've never been asked about my qualifications. People just assume that I can do the job. Never assume, always ask for your accountants qualifications. Ask questions if you don't understand their response.

**Is my accountant a member of a professional body (CA/CPA)?**

Ask your accountant if they are members of a professional organization. In my opinion the peak organizations (that I know about) are:

- In the US, the American Institute of Certified Public Accountants.
- In Canada, Australia or New Zealand, either the Institute of Chartered Accountants (ICAA) or the Australian Society of Certified Practising Accountants (ASCPA).
- In the UK, the Association of Certified Chartered Accountants (ACCA)

A member of a professional body will receive a certificate of membership. Mine is framed hanging in the office for everyone to see because I am proud of my achievements (the examinations to become a chartered accountant are tough!). I wouldn't be offended if asked to prove my membership, so I recommend that if you have **any** doubts, then ask the accountant to produce their membership certificate. If they can't then call the professional body direct and seek confirmation your accountant is a member.

For your protection, only use accountants who are members of a professional body.

**Does my accountant have to keep up to date?**

Yes, if your accountant is a member of a professional accounting body then they must complete some form of Continuing Professional Development (CPD). Non members do not have to do anything.

As a private practitioner there is a lot of pressure to see clients and get money in the door. This is usually at the expense of training and staff development. In theory, by using a CA or CPA, you're assured they need to keep up to date with industry developments.

I think your best bet is to find an accountant who is a member of an industry body, discussion group or who writes published articles (in print or electronic) or runs public seminars. Internal newsletters don't count because the text is usually borrowed (illegally) or publicly available from press releases. I teach accounting to non-accountants because it's a great way to stay up to date (I don't want to look silly at the front of class!).

Don't be afraid to ask what seminars your accountant is attending and what good business articles they've read lately. Good firms will make those articles available on-line through links to business publications.

**Steps to finding a great accountant**

If you have decided you need an accountant it can be difficult to know where to start. The following steps are a good guide to get you started.

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### Step One. Deciding what your needs are.

Start by writing down your precise requirement(s). Draw up a table two columns wide, as shown below.

I need an accountant to help me...	Because...

In the first column think about what you need the accountant to help you with. In the second column, outline why you need the help.

For example:

I need an accountant to help me structure a tax-effective savings plan.	To understand what process needs to be completed and to get advice on how to start.
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Take your time making the list up. A time frame of several days would be ideal.

When I meet with clients my first question is I always “How can I help you today?” Better prepared clients take out their list and we begin to go through their questions. This is a win-win result because I understand what they require of me and they get great service from minute one (remember you are paying for time).

Once a client asked me to see them at their premises. We sat down and they said “We need help with our business”. You can imagine that this is very general. It took a lot of time to isolate the potential problems. If the client had thought about the issue and provided me with more direction they would have saved on my time and accordingly cost (especially since I charge \$300 per hour). Our office has systems in place to ensure our clients understand how to save accounting fees by using the format outlined above.

Don't seek personal counseling from an accountant. While accountants in general are becoming more people orientated, they are not qualified therapists. Try to limit your questions to financial matters, as that is what accountants are trained to answer. Your accountant can sympathize and console, but you're paying top dollar for it.

Make sure you know exactly what you want from your accountant before taking the next step.

### Step Two. Where to look for an accountant.

This is the biggest problem. Good accountants, like good doctors, are usually very busy and difficult to see at a moment's notice. They don't advertise because they have enough business already.

Some of the do's and don'ts are:

**Don't** go looking for an accountant in the Yellow Pages. Money can buy a glossy ad, but you'll end up paying for it. Advertising does not substitute for service or reputation.

**Don't** use charge out rates per hour as a major indicator for quality. You want someone who can appreciate your circumstances and who you can communicate well with.

**Don't** treat your accountant poorly. Your relationship with you accountant will be more beneficial if you deal with them politely and with professional courtesy.

**Do** ask your friends who they use. Reputation is a good indicator of ability.

**Do** use an accountant who is a member of a professional accounting body. Call a professional accounting body and request a list of members in your area.

**Do** read financial magazines and newspapers and note which accountants win awards or are given good publicity.

**Do** pay your bills on time. You'll find the service and availability increases.

Use your list made under Step 1 to see what sort of accountant you need. Do you need someone who knows about Tax? Financial planning? Systems development? Auditing? Debt reduction? Treasury? Business planning? Product costing etc? If your needs vary greatly then you may need to find more than one accountant

**Step Three. Interviewing potential candidates.**

You must interview your potential accountant and ask hard questions. This establishes you are serious about your business or finances, which the accountant will respect. Don't lose perspective though, for instance, by seeking an hour appointment to decide whether the accountant deserves your tax return is excessive.

The interview can be in person, by phone or even e-mail. How you do it isn't too important, but the answers to your questions will help you decide which accountant to use.

If you are seeking business advice then ask what businesses the accounting firms has an interest in. If you need advice about rental properties, ask the accountant what properties they own. Only use an accountant who is doing in practice what they tell you in theory.

Ask any question you like, even personal questions so long as they're relevant. For example, if you are seeking investment advice and ask the accountant, "What do you invest in privately," it is reasonable to expect a response. If they said "None of your business," then I would look elsewhere. Similarly, if you are establishing a children's saving fund, you could ask what were their plans for their kids? Remember, you're paying for their time, you deserve honest answers.

Ask if you will be billed for an introductory meeting. I would try to get the first appointment free. This is reasonable so long as it doesn't go over an hour and you don't want advice. I use these meetings as an information swap. You want this work done, which I can do for that price.

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Here are some questions to ask:

- Do you have membership with any professional accounting body? Is this recognized worldwide?
- What qualifications do you have as an accountant?
- Do you specialize in any particular area?
- What specific experience do you have?
- Do you visit clients?
- Do you cater for electronic clients?
- What accounting software packages do you use / support?
- Do you offer an introductory meeting free?
- How do you charge?
- What are your billing terms?
- What are your charge-out rates per hour for each level of staff? Are they negotiable?
- Do you handle your family's work?
- Can I have the name of your biggest client and a contact number to call them for a testimonial?
- Can you sell me on why should I use you as my accountant?

### Sample Interview

Here is an example of an interview that might take place over the phone (accountant's response in italic):

“Hi, my name is Steve McKnight. I am in the market for a new accountant to help me with my tax affairs. Could you put me through to someone who can help me?”

*“Sure, Mr. McKnight. I'll put you through to Mr. Bradley who will be able to assist you.”*

*“Mr. McKnight. My name is David Bradley. I'm the partner in charge of small business clients. I understand you are looking for a new accountant?”*

“Hello. That's right. My old accountant does not provide the service I want, so I am shopping around. Right now I need someone to prepare Julie (my wife) and my income tax returns. I'd really like some general tax advice too to ensure my affairs are in order.”

*“Right. Well, it seems we can help you there. Would you like to make an appointment to come and discuss this further?”*

“That sounds promising, but first I have a few questions to ask if that's OK?”

“Go ahead”

“Are you a member of a professional accounting body?”

*“Yes. I am a CPA, a member of the American Institute of Certified Public Accountants. Our practice meets their requirements too.”*

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"Is that membership recognized worldwide?"

*"Yes it is."*

"What other qualifications do you have?"

*"Well, I have a Bachelor of Business, majoring in accounting too."*

"Right. Does your firm specialize in any area?"

*"We have three separate divisions. The first is the business services area. This caters for most small-medium businesses and their owners' needs. We also have a Financial Planning division that helps individuals make sensible investment decisions to help them reach their money goals. Finally, we have a dedicated Information Technology business that supports MYOB and Quickbooks, as well as assisting people with e-commerce and internet solutions."*

"Mr. Bradley, what experience do you have as an accountant?"

*"I have twenty years experience working in taxation and business services. I started work with a large multi-national accounting firm in audit. For the past fifteen years I have been working with individuals and businesses to help them maximise their wealth possibilities."*

"Could you tell me about your wealth plan, Mr. Bradley"

*"Mmm, well, I have several managed funds and some blue chip shares. I also have some negative geared property and a hobby farm out of town."*

"That must keep you busy! Do you visit clients?"

*"Yes, but we have a minimum charge of \$500 for individuals. It's not cost effective for us to home-visit to prepare tax returns."*

"How do you charge for your time?"

*"We bill by the hour. Our terms are payment within fifteen days from invoice, otherwise we have a penalty of \$50 per week for administration costs."*

"What are your charge out rates?"

*"Partners are \$250 per hour. Managers are \$200. Seniors are \$150. Intermediaries are \$100. Juniors and support staff are \$80 per hour."*

"Mr. Bradley, can you sell me on why I should use your firm?"

*"Sure. We are a pro-active firm which prides itself on fantastic client service. We have been in business for twenty-five years and consistently try to improve our systems and processes to ensure the client always comes first. We can help you with your tax return and tax planning at reasonable rates."*

"Did you say that you offer an introductory meeting free?"

*"Well, not usually. If we provide advice then I think it is reasonable to bill you for it."*



“OK. Thanks for your time. I’ll think about everything you’ve said. I have one more firm to call. If I would like to make an interview who should I talk to to make a time?”

*“Just mention it to our receptionist, Jenny and she can arrange it for you.”*

“Thank-you. Goodbye.”

#### **Step Four. Seeking quotes.**

Always get an indication of the likely fee before giving an accountant the OK to start work. Always! For every little job! This seems common sense but it’s rarely done.

People just assume that because the relationship is based on trust the accountant will not take advantage of them. This is OK most of the time but unfortunately I’ve heard that some accountants *premium bill* because they know the client can afford more and no price was agreed up front. Avoid leaving yourself wide open.

When selecting an accountant don’t necessarily go for the cheapest option. Pay for the service that best meets your needs for the price you can afford. If an accountant can save you \$10,000 in tax, then they can bill you up to \$10,000 before you are out of pocket. I know some people who went for a cheap option, but are now paying dearly for poor advice.

One client had his affairs set up by another accountant on the cheap. He lost flexibility and now, five years later, it is an expensive nightmare to get them out of trouble. All because he penny pinched early on.

Alternatively, we negotiated the purchase of a franchise for a client and we saved her \$10,000 off the purchase cost. While we charge \$300 per hour and our quote was \$3,000. When the bill was added up the total fee came to \$1,800. The client received an absolute bargain!

#### **Step Five. Authorizing an accountant to act on your behalf.**

Sooner or later you’ll be placing your affairs, to some degree, in the hands of your accountant. Are they capable or culpable hands?

It’s very dangerous to give your accountant power of attorney over your financial affairs. You lose control immediately and there’s always the remote chance the temptation of access to money will be too great for some.

Don’t give an accountant the ability to write checks from your account, unless you have to countersign.

Sometimes it’s appropriate to authorize your accountant to act on your behalf. For example resolving issues with taxation authorities or filling in straightforward statutory forms. The key is to know what’s going on. In this case it’s smarter to let your accountant and the government fight it out.

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If you want your accountant to act on your behalf, then spell out in writing what can and cannot be done. Never authorize information about your tax or personal affairs to be released to a third party without your express permission. Have your accountant call you for approval. Don't have them issuing information to anyone who comes calling. Your privacy is an important asset.

Delegating permission in some circumstances allows you to retain wider control without having to deal with the day to day problems that your accountant should be able to solve with the information they already have.

Make sure your accountant keeps full records of conversations and other matters when acting on your behalf. Review this information regularly.

A good idea is to also flick through your accountant's workpaper and correspondence files. This will give you a good snapshot of what work your accountant is doing.

### **Step Six. Receiving information.**

Your accountant will regularly send you information and copies of documents he received on your behalf. **Read everything in detail.** It's critical you understand your affairs.

Keep files for the documentation you receive. Write the date you received it on the cover letter. Allocate time to read it thoroughly and write down any questions you may have. Send your accountant an e-mail to seek clarification if you feel silly calling.

Also keep notes of conversations and verbal instructions you give.

### **Step Seven. Paying bills.**

If you receive advice, no matter how bad or useful, you must expect to pay for it. This is why it is so important to stay in control of your affairs.

Bills are a common cause of tension between a client and their accountant. The bottom line is once you instruct an accountant to perform the work, unless you have an agreed price, you wear the invoice. The solution is to always have an agreed price.

Remember to ask your accountant for the payment terms that are suitable to you (you are the customer after all!). Our preferred billing structure is a monthly preset retainer. We detail what this entitles and charge for any additional work. This allows the client to budget for the cost. Sometimes we benefit, sometimes the client, but the relationship is always the winner.

If you delay paying an invoice then the service you receive will suffer. If you get a reputation as being a client who pays on time then you will unlock better service immediately.

Don't be afraid to query a bill, or seek a breakdown. If this requires extra work by the accountant then you may be billed for it though.

**Step Eight. Providing feedback.**

Tell your accountant when you're happy with their service, and when you're not. Avoid being aggressive and intimidating, just be constructive with examples of what upset you. It is unrealistic to expect improved service if your accountant assumes you have it already.

Don't threaten to take your business elsewhere unless you mean it.