

CHOOSE THE RIGHT ACCOUNTANT

With a good partner at your side, growing your business is easy.

By Kevin Orfield



If you're thinking about handling most accounting duties yourself – armed with only your favorite accounting software – you may want to think again. Hiring an accountant who is right for your business is one of the most important decisions you'll make as a small business owner. It's a choice that could make or break your business.

A good accountant can help you navigate tax laws and provide sound advice to help you better manage and grow your business. Here are six steps to ensure you'll find the best accountant to meet your needs:

1. **Determine your needs.** Are you looking for someone to help with bookkeeping and financial records, payroll, or tax planning and preparation?

"Create a list of everything you must do to keep your business moving," said Jim Neils, executive director of the National Association of Small Business

Accountants. "Then identify the tasks you would consider having someone else do. This will not take you a lot of time, but it is absolutely crucial."

To save money, you may be tempted to handle many tasks, such as payroll, on your own, but consider whether an accountant can do it faster. Every hour you spend not accounting is an hour you can spend marketing or otherwise building your business.

2. **Consider additional services.**

Accountants can do much more than prepare financial and tax returns. They are a valuable business partner and should be involved in every stage of your business.

"If you want to grow your business, an accountant is a key individual," Neils said. "An accountant can help you determine the best way to set up your business, such as sole proprietorship,

limited liability corporation or S-corporation. Many small businesses are paying a lot of taxes they don't need to pay simply because they've chosen the wrong organizational structure."

Think of your accountant as your trusted advisor. Are you getting a good return on your health plan? Having cash flow difficulties? Thinking of starting a new product line? Should you buy or lease your company vehicle? A good accountant can advise you on these sorts of issues.

Accountants also can help you set up your bookkeeping system. Even if you are using bookkeeping software, you should have an accountant ensure that it is set up correctly.

Your accountant is a good source to ask about an exit strategy, too. Many small business owners fail to plan for the long term. Your accountant can help open a 401(k) or other retirement program, and they can help you prepare to sell your business, if you choose to do so.

3. **Identify what kind of accountant you need.** An important consideration is whether your accountant has small business experience. There are major differences between big corporations and small businesses. Your accountant should be familiar with your needs.

Consider the accounting firm's size and choose one that is approximately the size of your business. If you are a sole proprietor, a large firm probably will not give you the attention you need.

You also should consider whether an accountant has experience with other businesses in your industry. "There are two schools of thought on this," Neils said. "If you are in the restaurant business, for example, you may want an accountant who works with other restaurants and is familiar with how this business works. On the other hand, you may not want to be that close to your competition."

4. **Get referrals.** Once you've established your criteria for an accountant, start

looking for prospects. A good place to start is with people you know, especially small business owners. You also can ask your attorney, banker, financial advisor and members of industry associations for recommendations. Ask what they like about their accountant and what kind of services they receive. Ask specifically about the services you prefer. Then compile a list of the top five accountants you want to consider.

5. **Contact the people on your list.** Call the referred accountants and interview them on the phone. Find out their size, types of services offered, fee structure and experience in your industry. Narrow your list to two or three candidates and arrange for a face-to-face interview (see sidebar). During the interview, ask for two or three references from small business clients they serve.
6. **Make your decision.** Once you've conducted interviews and checked references, the time has come to make a decision. Don't go simply on price – you get what you pay for.

Make sure you are comfortable with the person and that he or she has a working style compatible with your own. This person should take a genuine interest in your business and understand what you do.

Remember that your accountant will be doing more than preparing tax returns. He or she will be providing you advice that will help you increase your profitability and the value of your business.

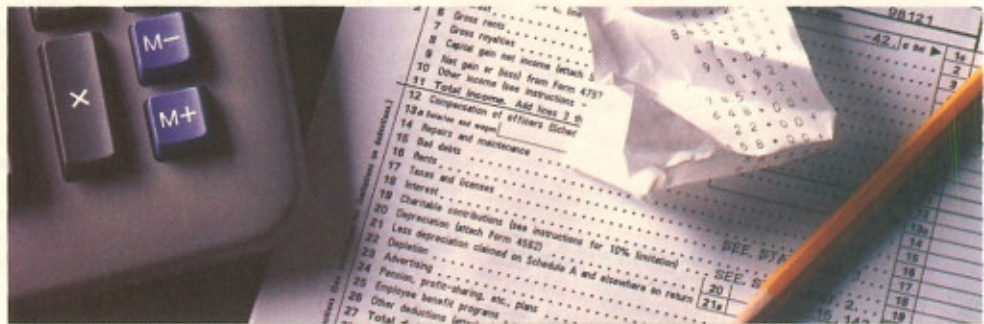
"Your business is the most important thing in your life in the sense that everything else – your livelihood and your family – depends on your ability to manage your business effectively," Neils said. "Just remember that you have a partner who is there to help you – your accountant." **S**

* This article was produced with the help of the Internal Revenue Service and is for information purposes only. It is not intended to be tax advice. For more information, contact your tax advisor.

Kevin Orfield has written on business and travel topics for a variety of publications.

QUESTIONS TO ASK YOUR PROSPECTIVE ACCOUNTANT

- What services do you provide?
- Do you work with small businesses?
- Do you work with businesses in my field? If not, do you believe this is essential for the services you would be providing to me? Why or why not?
- How will I be billed?
- Can you advise me with tax planning? Ownership structure? Business planning?
- How can you help me run my business better and become more profitable? How can you help grow my business?
- How do you help your small-business clients resolve problems? Can you give examples?
- How frequently do you interact with clients?
- What materials do you provide for your clients? Can you show me some examples?
- What systems do you use to get information from clients? Can you accept information electronically?



CHOOSE A RETURN PREPARER

Looking for someone to prepare your tax returns? The Internal Revenue Service recently released tips on choosing a qualified preparer. Here are some points to consider:

- Avoid preparers who guarantee results or who promise to get you a larger refund than their competitors.
- Check your preparer's record with the Better Business Bureau, your state's board of accountancy for CPAs, your state's bar association for attorneys or its Attorney General office.

- Review the preparer's credentials. Is he or she an Enrolled Agent, a Certified Public Accountant or a Tax Attorney? Only attorneys, CPAs and enrolled agents can represent taxpayers before the IRS.

For more tips on choosing a tax return preparer, visit www.irs.gov and click on Tax Tips 2005.