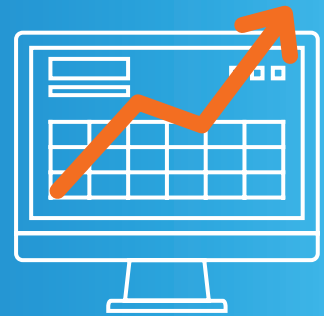


How to Help Growing Clients Achieve Success: A Guide for CPAs

By Geni Whitehouse, CPA



Many CPAs successfully meet the needs of their small and mid-sized business clients by delivering quality audit, reporting, and tax services. For some firms, however, it can become more difficult to meet the needs of clients as they grow. When these businesses expand—as they add new offices, hire new people, offer more products and services, or add territories in new markets—their need for more structured processes and improved internal controls and software to support them grows as well. As these clients continue to use their small business accounting software (and work around its limitations), eventually they either add increasing numbers of team members and create more complexity or they reach the limits of their ability to grow. Either way, they are putting their business at risk.

As CPAs, we might not be aware that our clients' needs have not only outgrown their software, but they have also outgrown the kinds of traditional services we provide. With growing complexity, these clients might be seeking to align with firms that have more depth: firms that can address global financial and regulatory requirements, provide proactive planning, and assist with their technology challenges. No firm wants to lose a long-term relationship with a successful client, so they need to be prepared with a plan to address this scenario.

The Opportunity

These growing clients can offer CPAs with the right mindset an opportunity to shift the level of services they provide. Rather than relying on traditional tax and audit services, these firms can become true partners, helping their clients leverage their systems and data to provide better insights into their business.

While it is easy to be consumed by the demands of income tax planning and compliance and financial statement audit, review and compilation engagements, lack of capacity is a poor excuse for failing to provide assistance when a client is hamstrung by small business accounting software. Clients might not even be aware of the extent of their own challenges, thanks to the limited visibility provided by their current software.

Spotting the Problem

Identify Growing Pains

There are a number of tell-tale signs that help the attentive accountant identify a client being constrained by its software. Following are some of the most common symptoms and their underlying causes.

Use this guide to help your client proactively identify the symptoms of software that is no longer meeting their needs before it impacts their business.

Symptom	Excel used for financial statement reporting
Cause	Inflexible reporting systems tied to the chart of accounts

When financial statement reporting is based only on the chart of accounts structure, the insights are limited. These basic systems require a linear focus in designing a chart of accounts that can cause the entire chart to become unwieldy. While they could allow for a single additional perspective (typically department or location reporting), this segmentation is generally available only for income and expense accounts (and reported on a departmental P&L) and cannot be applied to balance sheet accounts.

Due to the constraints of the chart of accounts and the complicated coding structures that result, more mistakes in coding occur. The solution for most clients is to export their financial statements to Excel and have the accountants manipulate or completely rework the formats each month. This is not only inefficient and costly, but it also means that the data will not remain current. Once disconnected, it can no longer be relied upon for accuracy.

Symptom	Massive inventory list requiring duplicate listings of the same item, or groups of items
Cause	Limited fields available in the inventory item table, including a single price per item and no ability to manage kits/bundles/Bill of Materials (BOMs)

When the inventory system supports only a single price point for each item, it creates undue complexity for multi-channel sellers. Many small businesses create more than one item for the same SKU (stock keeping unit) as a workaround for products that are sold at different price points. They might sell Item A for \$8 at wholesale and \$16 at retail. The workaround is to create two items—Item A-R and Item A-W—and record the standard pricing for each. While this makes it

easier to charge the correct price for different sales channels (Retail and Wholesale), it creates a nightmare for inventory management.

Add kits/bundles/groups of items to the mix in this same small business application, and now you are dealing with an even bigger mystery when it comes time to tie out month end inventory balances.

The solution for most companies is a series of Excel spreadsheets at the end of each month that include data not only from their accounting application, but also from other applications, including their point-of-sale system, fulfillment or offsite warehouse, and more. This is inefficient, costly, and leads to delays in creating timely, reconciled financial statements.

Symptom	Inventory adjustments needed every month
Cause	Inventory module not equipped to handle multiple warehouses, lots, or bins or unit conversions properly

Adjustments result from a lack of properly controlled or managed inventory. When the accounting system can't account for movements of product from one location to another or convert units (for example, convert 12 individual items to a case), opportunities for error are created. These systems often don't have sufficient fields to store reorder quantities, lead times, or even alternate vendor data, putting an additional burden on the warehouse teams to keep sufficient quantities of product on hand.

Symptom	Increasing accounts payables balances and large numbers of credits across all accounts
Cause	Manual AP processes and approvals and lost or duplicated paper documents

Errors occur when vendor invoices are subject to a manual or paper-based approval system. Routed documents might get lost or mis-coded or may skip the approval process completely. When original documents are lost, accountants pay from statements received after the original due date has passed.

As the organization grows and additional reviewers or approvers are needed, manual workflows are no longer functional.

Symptom	Accounts receivable aging out of control
Cause	Segregated silos of customer data, preventing information from being shared between accounting and sales

When the sales team operates from a stand-alone CRM system, they have no visibility into credit limits, credit holds, or even the customer’s current outstanding balance. This means they might take orders that go beyond credit limits established. Once orders are taken, management might elect to override established limits to make sales, even if they are less likely to be collected. Sales grow at the expense of collections as accounts receivable balances continue to climb.

Symptom	Month end close involving a multitude of journal entries for posting, allocations, and accruals
Cause	Limited system incapable of auto-entries, allocations, or proper cutoff

The more manual journal entries required at the end of each month, the less value your client is receiving from their accounting software or any related applications. When shared costs are allocated across departments using a manual entry, they are fraught with errors. As numbers change elsewhere, the allocation entry needs to be updated. The result is a continuous loop of adjusting manual entries and inaccurate allocations.

Symptom	Internal Financial Statements issued late
Cause	A limited or inflexible reporting engine that makes it difficult for a client to generate reports in the format required by management; massive data manipulation and/or rekeying of data in Excel required to create information in the desired format

The longer it takes to generate month-end financial statements, the less useful the information becomes. It is difficult to make timely decisions based on outdated financial results.

Symptom	Request for year-end client data that takes three months to complete
Cause	Overwhelmed accounting staff with no ability to handle requests for information, as they have no capacity and are not adequately supported by their software; client time wasted seeking out paper records to support information provided

When clients are on closed legacy systems, there is limited ability for auditors and tax preparers to connect via external data extraction tools (like Validis) to aid in year-end reporting needs.

The Cure

Modern, cloud-based Enterprise Resource Planning (ERP) solutions, such as Acumatica, can help mid-sized companies in need of timely, accurate insights across all areas of their business. These solutions offer shared processes, remote access, and configurable rights for all company users so organizations are able to stay informed and agile. In addition, automated allocations, customizable workflows, and integrated analytics help company leaders make better decisions in real time. Accountants are freed from the need to constantly run reports for other users, thanks to role-based dashboards and streamlined user interfaces.

Here are some additional ways in which ERP applications for mid-sized businesses outpace software designed for small businesses.

<i>Requirement</i>	<i>Mid-Sized Business Solution</i>	<i>Small Business Solution</i>
Financial Statement Design	Flexible order, formula driven; can be non-linear (revenue by source, profit by source)	Tied to Chart of Accounts
Insights and analysis	Multiple dimensions across entire chart and transactions	1-2 dimensions beyond account number, limited to P&L
Consolidations	Cross company consolidations and elimination of entries	Can't handle
Account Numbering	Customizable segments on Chart of Accounts, additional digits	Fixed size (7 characters), no segments
Overhead/SG&A Allocation (department allocations)	Automated process and rules	Manual calculation and entry

The Payback

When your client moves to software that is right sized for their business, the rewards are great. With timely financial results and a fully integrated, readily accessible system, they can spend more time managing people and less time working with data. That means more time is left for seeking out the right strategic opportunities.

Other benefits include:

- No more silos between accounting, sales and operations
- Less risk of rogue spreadsheets filled with numbers that are no longer accurate
- Controlled, direct access for all users who need timely information from the system
- A single centralized database, tracking lead conversions from first contact through sale and customer support, giving everyone insight into each client interaction
- Access to real-time business analysis tools and pivot tables from within the system
- Accurate inventory balances across locations and warehouses
- Automated bill of materials, recipes, kits, and unit conversions
- No more searching paper files thanks to instant access to electronic copies of source documents linked to individual transactions
- Customers, vendors, and suppliers can access their own information via customizable portals

Your New Role

Once your clients move to an integrated solution that provides timely, relevant, and fully integrated data, you can shift your focus from transaction accuracy and financial statement reporting to helping them understand and leverage financial and non-financial information by:

- Designing integrated sales dashboards and forecasts
- Integrating their solution with business intelligence Tools like PowerBI to help leaders and managers visualize key operational data through reporting that turns lists of data into maps, charts, and timelines
- Creating measurement systems and leading and lagging key performance indicators (KPIs)
- Providing financial fluency training for managers and company leaders
- Creating and analyzing critical financial ratios
- Generating “What if” scenarios

They might also require additional help in the following areas:

- Planning, budgeting and forecasting
- Facilitation of strategic planning meetings
- Documenting operational and financial processes and procedures
- Evaluating customer satisfaction and identifying opportunities for improvement
- Analyzing vendor and supplier lead times and reorder points
- Considering alternate inventory costing strategies and elections
- Planning for changing tax and regulatory environments
- Serving on advisory boards

As your role changes, your value to the client increases. So, rather than being less valuable to your growing client, you are adding more value, delivering a higher level of service, and becoming a true partner in their success.

In Summary

The wrong software not only constrains your growing clients; it also places a cap of the amount of value you are able to deliver. By helping your clients readily access the insights they need, you are freeing them to think bigger, to evaluate new options, and to ask different questions. That frees you to assist them in finding new answers as you build a deeper and more valuable relationship.

About the Author

Geni Whitehouse, CPA, divides her time between working as a winery consultant at Brotemarkle, Davis & Co in the Napa Valley, working with [Mentor Plus](#) to drive the accounting profession forward, and writing, speaking, and tweeting at [EvenANerd.com](#). She is a regular keynote presenter at CPA and Technology conferences around the country and has been named a Top 100 Influencer by Accounting Today, one of 25 Thought Leaders in Accounting, and one of the 25 Most Powerful Women in Accounting by CPA Practice Advisor. She is a co-founder of Solve Services, a remote bookkeeping business for the wine industry and is the author of “How to Make a Boring Subject Interesting: 52 ways even a nerd can be heard”.

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