How to Choose an Accountant

Your most valuable team member to help you succeed in business

Allan Mason

Dedication

This book is also dedicated to my clients, of both my current accounting practice and to previous practices I have owned or worked in, who have taught me that clients come first and are your reason for being in business. I have always enjoyed helping them and they have always responded by being my friends.

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Foreward

Your accountant is outside your business and will help you see things that you can´t see, because you are too busy running your business. Your accountant is your business mentor, silent partner, financial advisor, the person in whom you can confide the inner secrets of your business in absolute confidence. Trust me, whatever secrets you have, your accountant has seen them all before: from your margins and profit to any recalcitrant activities like being behind in lodging your tax returns, claiming incorrect deductions to keeping some cash out of the business. Nothing is new nor will surprise your accountant.

Your accountant is there to help you:

- Pay the minimum tax that is legal.
- Help you with problems or non compliance matters.
- Give you business advice on the best way to succeed.
- And much much more...

For your accountant to help you, it requires that you come clean. Tell your accountant everything. Then listen to the advice. Based on both the law and his or her experience your accountant knows what you should do. Your accountant also knows the risks you are taking and how to fix things. Your accountant is on your side and will help you solve your problems better than any outsider.

The accountant is most important member of most small business teams.

1 - How to Choose the Right Accountant

Without doubt every successful person is surrounded by good advisors. They may be role models, helpers or family members, but their good advice is vital to their success.

Like most things in life, there is a science to getting the right people around you. In my view your accountant is the most important part of your team.

How do you choose a good one? As a business owner myself, and with my knowledge, I would look for the following:

o Qualifications – Your accountant should either be a Chartered Accountant (CA) or a Certified Practising Accountant (CPA).

o He/she must have good communication skills.

o You must feel a mutual bond. You must be at ease with your accountant and feel free to discuss all relevant issues.

o In order to service your needs your accountant must take the time to get to know your business.

o Your accountant must be confident and knowledgeable in all aspects of the service he/she is providing to you.

Firstly let me make a clear distinction, your accountant is not your bookkeeper. These are two different roles. Your accountant may recommend someone, or do some bookkeeping work inhouse, however, being the accountant for a business owner-operator is far more than that.

Before GST was introduced in Australia, most accountants spent 80% of their time on "compliance" work, which is preparing financial statements from the books and records of the company in accordance with accounting standards. From this they would prepare the annual taxation returns. Generally they did not visit their clients as frequently as they should have, but merely performed the necessary administrative functions required by law. After GST was introduced in 2000 most small businesses began using accounting systems like MYOB or QuickBooks and engaged a bookkeeper as a separate function. The accountant's role was elevated above this mundane level, giving them the scope to help business owners more strategically. In retrospect it was the best thing that happened to accountants and to businesses generally. The division between bookkeeping and accounting duties was now more clearly defined.

Strangely enough a large number of accountants retired or sold their business at this time.

The role of the accountant changed to helping businesses. They did this before, but to a lesser extent. Now they were able to work in more exciting areas like business structuring for tax and risk minimisation, as well as helping business owners become better at running their business.

Myth

Accountants who tell you ways to cheat the system are a dying breed. In recent years laws have been passed to make accountants personally liable if they advise you to do illegal things, like tax evasion.

A good accountant will get to know you and your business and show you ways to structure your business to pay the minimum of tax. Because they know the laws, they will use their knowledge to be creative and to get the best benefit out of the system.

He or she will become your financial business mentor.

It is my view that you should hire the best accountant you can afford. But how do you choose a good one, and how to you know if you should rely on what you are being told?

To expand on the earlier points, an accountant must be:

1. Someone who communicates well. While taxes and economic matters can be complex, even the most difficult problems can be explained clearly, particularly if your accountant really knows the subject and is experienced with clients. From experience, I find that someone who cannot explain something difficult in an understandable way does not really know what he/she is talking about. Confusion and mystery are signs to watch out for in accountants you don´t want.

2. Able to build rapport to ensure you are at ease. Your accountant is not your employer. He/she doesn´t dictate to you what to do. He/she gives you advice.

You have the option as to whether to follow it or not. I have seen accountants walk into a business and throw their weight around, dictating what can and cannot be done. This is not a formula for mutual respect and understanding. It is also not the way to win friends and influence people (as Dale Carnegie would say). Hence your accountant must be able to get the most out of your in-house team. He/she will do that by knowing their jobs and treating every member of your team with respect.

3. Someone who is not afraid to say "I don´t know, but will check". Laws are changing so quickly today, that it is not crime to be humble. Business and taxation laws have become so complex that it is probably unfair to expect one person to know everything. Hence you must be reasonable in your expectations. The accountant has the tools available to check anything quickly and accurately within his or her field. There are numerous on-line tax query systems, books, manuals, and even the ability to request from the taxation office an answer to your query (without disclosing your client´s name). This brings me to the next point, computer literacy.

4. Computer literate. I dislike people who hide behind a lack of skill in this area, often they simply will not confront their demons. Computers today are extremely user friendly. However there are practical reasons why this is a problem. Firstly, not being computer literate results in a low productivity. Computers are tools that improve efficiency. Quite simply you pay for time. If your accountant takes longer to do a job, you pay for that extra time. It is also non productive for those with whom such a person works. They do not have the benefit of a quick email or sending a word or Excel attachment for review. Working with such a person is more time consuming.

Secondly, there are many thousands of computer based tools available to a person today. These tools range from access to the Taxation Department's own computer for lodgements, client updates and general research. As an example, I can log onto the ATO tax agents portal, with my digital certificate, and look at a client's file. I can check all amounts paid, amounts owing, lodgements, fines and even download a prefilled report of all the PAYG income, interest and dividends received. I can see what the Taxation Office sees in terms of income earned from various institutions. Thirdly, an accountant who is not up to using computers and the internet efficiently indicates a far deeper problem. He/she is severely limited in what they can do for you. It also indicates an extreme example of not being up with current trends and methods. No matter what the excuse, stay away from any accountant who is not computer literate.

5. Someone who takes the time to understand your business and you. No two people are alike, and no two businesses are alike. Hence your accountant must firstly understand your business and then tailor advice accordingly. There is no point setting up a complicated trust structure, if you don't have the family structure to benefit from it. Also there will be no point creating testamentary trusts if you are too young to benefit. Understanding your plans and objectives are vital to providing optimum advice to help you achieve your goals.

6. Knowledgeable – While your accountant may not need to know the full 100,000 pages of tax legislation, he or she must have a good working knowledge of the law and business structures. While this comes with experience, your accountant must know all the tricks of the trade. He or she must have an understanding of all of the business structures that are available and must know how to use them. With knowledge comes the ability to assess a situation and then recommend a strategy.

There are also lesser-qualified accountants. These are people, who generally work as the "company accountant" and as such can call themselves accountants. This designation may describe their role but not necessarily their qualifications. They may have completed a university or a technical course resulting in a diploma or certificate. Sometimes they haven't even completed that. Some accounting associations were created to give these accountants some level of acknowledgment. Such diploma-carrying "accountants" may gain a lot of knowledge through years of experience, but they are not as qualified as the above two designations.

All of the large accounting firms that are household names are Chartered Accountants. Most public companies engage Chartered Accountants as their advisors or auditors.

It is therefore my recommendation to always engage either a Chartered Accountant (CA) (first) or a CPA second. Look for the degree on the wall, and membership in one of the above associations.

If you have a feeling that your accountant is not helping you, you are probably right. Talk to others, get an idea of who in your area is good. Don't just look at the cost. You will not be in a position to evaluate this when choosing an accountant. But you need to keep an open mind that a true professional may be worth far more to your business than he/she costs. Talk to others in your industry; keep an eye open for local accountants that seem to be proactive.

Get to know them first, and see if there seems to be a good rapport. After all your accountant will be your business advisor, partner and very often will become a friend. You need to find someone who will listen, someone you can communicate with and who will communicate with you.

2 - How Tax Works - and How to Reduce it.

To understand how to reduce your tax it is first necessary to understand the taxation system, when understood you will be able to work the system to your advantage. This is what every wealthy person does and is one of the ways they become even wealthier.

Taxation can be likened to a cost. You often hear the expression that the taxation office is your silent partner. With tax rates for individuals topping 48.5% and for companies 30% this is easy to understand. What is actually worse is that this silent partner wants its share first and has no regard for your future.

We all want to reduce our tax, but before we get carried away with simple cost cutting measures, it is important to understand some fundamentals about money, income and tax.

We all need money to survive, prosper and grow. Money gives you the ability to make choices, gives you freedom and the wherewithal to help others. The basis of happiness is productivity, not money. Money is the means of exchange for that production. An abundance of money means an abundance of products being given or exchanged. The result will be high morale and happiness. If you disagree with this, talk to an unemployed person, who is idle all day.

They are the unhappiest members of society. Hence if you want to help your family, friends and society you need to be able to work and produce, and keep as much of that production to disburse as you wish.

However the problem is that our system does not encourage this. A person who relies on a job for his or her sole income is disadvantaged under our current taxation system. An employee is taxed first and spends what left. Whereas an investor or business person is taxed last.

To create wealth you must be either an investor or be in business.

Let me explain this point again, as it is so important to grasp. If you earn your income from your business or from property or share investments, all of your expenses are offset against this income. If you buy more property or more business assets, all borrowing costs, deprecation and any other costs will reduce the amount on which you pay tax. You then pay tax on the balance. Whereas as an employee you pay your tax each week first. You can´t even claim the cost of travel to your workplace.

This is made clearer in the table below:

	Salary Earner	Business Owner (Company Structure)
Income	120,000	120,000
Business expenses		55,000
Tax payable	35,100	19,500
Medicare levy	1,800	
Medicare levy surcharge	1,200	
Total tax	38,200	19,500
Money Left	81,900	100,500

The effect of the above, is that the salary earner has less money available to use to build assets for wealth creation. This keeps an employee reliant on an employer for income. For the employee to save the capital to break free from this cycle is difficult.

As mentioned you must aim to earn as much income as possible. You must never spend money in order to simply get a taxation deduction. This is crazy logic. Many people invest in tax schemes or tax minimisation strategies simply because of the tax benefit. These include agricultural managed investments or other tax schemes that promise long term growth for upfront deductions. Some of these have been made illegal with investors being forced to pay back the tax involved. Most fail t earn anything like the income they promised and generally result in a loss of the money invested.

The next step is to keep as much of that income as possible. In fact this is almost the most important part. It doesn´t matter has much money you make; how much you keep is what´s important.

This is where tax reduction is vital. As stated earlier, your silent partner, the taxation office, will demand and take (without your permission) up to 48.5% if employed and 30% if you operate through a company. That is the law. As mentioned, if you are an employee they will take it first, before you buy your shopping, pay your mortgage or feed your family. I bet you have never thought of tax like this before. It is an interesting way to look at the matter.

In the table above, both earned $120,000. However the person in business had $100,500 left, whereas the employee had only $81,900. The business owner invested $55,000 in business expenses. This may help grow the business and make more money next year. The salary earner made no such investments.

The solution is to reduce your tax legally. Let me say firmly at this point that it must be legal. Using illegal methods is non-survival.

This involves taking advantage of the system and its benefits. Taxation has always had built in incentives to help businesses grow and to employ people. The history of taxation and its complicated structure evolved from these incentives, which became loopholes, which were then exploited. The game for accountants and tax lawyers has always been to find the loopholes and exploit them before they are closed.

Taxation laws in Australia consist of over 100,000 pages of legislation, rulings and regulations. Many are contradictory and many leave themselves open to interpretation. You often see press releases where the Australian Taxation Office is taking a company to court over alleged tax evasion. The company, who has engaged the best and most highly paid accountants and tax lawyers, will say they have done nothing wrong. The taxation office has a different view. Hence it is not as clear cut as many would have you believe.

However there are two things you can do if you are in business or an investor, and these will dramatically limit the amount of tax you pay. This will give you more money available to invest further to increase your future income with the ultimate aim to build wealth. Firstly you must consider your tax structure.

As you can see from the previous example, this can reduce your tax dramatically. Secondly you must plan. You must be in control of where you are heading. This is where a good accountant will be worth far more than what he or she costs. A first class accountant is your secret weapon to financial success.

3 - The Key to Running a Successful Business

In Australia 80% of the workforce is employed by small businesses. As a small business owner you have the responsibility of the entire Australian workforce on your shoulders. If that doesn´t scare you, let me also say that you also have the responsibility to yourself and your family to be successful.

In my book "Business Bullseye – How to Succeed in Business" I provided a toolkit on how to run a business. From over thirty years of experience in business and reading many hundreds of self help books I have learned that there are some very simply strategies necessary to make your business a success.

In fact running a successful business is very simple. There are three key elements:

1. Systems
2. Customers
3. Exchange

Systems give you leverage. To grow and be successful in business you must run your business like an executive. An executive is someone who gets things done through others. This is the only way to leverage your time and skills. Leverage is necessary, otherwise you are so busy doing every aspect of the business that it cannot possibly grow.

Let me say what you a thinking now; that getting good staff is impossible. But that is simply not true. Yes it takes an investment by you in training and yes it takes a different mental attitude by yourself in what is important. But let me say that no large business can grow and give the owner a reasonable income if that business relies solely on the work of one person.

I hear so many people say that "no-one can do such and such as well as I can," so they do it themselves. This is where systems are vital. From your knowledge of successful actions, you train your staff to do the work the way you want things completed. The other point is that you must accept that if others can do the work 80% as well as you can, that will be sufficient. Perfection is not vital all of the time. You must accept that, as this will free you up.

My next point is to do with customers, they are everything. How many times have you walked into a shop, stood there while the staff talked on the phone, stacked shelves or attended other duties. You feel like you are interrupting them, are a nuisance being there, and you feel as though they are wishing you went away. Now take an honest look at how you or your staff treat your customers, answer the phone and speak to prospects. Be honest with yourself. This is why many franchise groups employ mystery shoppers for this honest feedback.

Now you have an idea of what is important. Without your customers, you have nothing. Do you and your staff treat your customers with dignity and respect? I know there are times when they can be annoying, times when they are so hard to deal with they make your life a misery. Examine this and find out why. If you truly hate your customers, then rethink the business you are in.

Perhaps it is time for a change. Remember you will be treated the way you treat others. This may be hard to face, but the problem may be with you.

So re-appraise this valuable point. There is an old saying:

Rule 1 – the customer is always right.

Rule 2 – If the customer is wrong refer to rule 1.

This now brings me on to my third point – exchange. Every business produces a product for which a client or customer pays. This is the exchange. On the one hand you give them something, on the other hands they value what you give them and pay you for it. The purpose of business, your business, is to give you the means to live. If you want to live in abundance, then you must receive abundance from your customers. To receive abundance, you must give in abundance. It is as simple as that. Re-read the above if this cycle is not clear. It is so important to everything you do, how you run your business and to your business ethics.

There is no long term survival in overcharging. This never works for long and is tantamount to stealing. You customers eventually realise it and they go elsewhere. Also if you think that you can obtain abundance by not paying your bills, skimming the taxman, closing companies when it suits you, this also doesn´t work. I am sorry but to be truly successful you must give and then you will receive. Stealing, robbing from staff, creditors or others simply doesn´t work.

What works is to give good service. Give in abundance and you can receive in abundance. Give good value for what you sell and you will be able to charge a high price. It might sound simple but it is the key.

Giving good value and not having this consume you requires that you have a culture of exchange in abundance. To do this so that it does not consume the business owner means having good systems. The next step is to enforce those systems. This is where management by statistics is the key.

We have now completed a full circle. Running a successful business that gives the business owner a life, financial and business freedom comes down to systems. The answer then is:

1. Have good systems that are strategically aligned to your goals (both financial and operational)
2. Making sure everyone in your business knows and follows your systems.
3. Strenuously enforcing compliance with these systems.

The last point is achieved by establishing every action the company must do in order to produce its end product. Everyone in the business is then assigned parts of those actions. Some may be given a number of duties. With the assignment of these functions, a statistic is assigned. This result is then recorded weekly and graphed. The person's success is measured by the ability to meet the statistic, or better it.

This is a scientific way of running a business. You set procedure, goals and write systems. You then measure your success against those yardsticks. Your staff are rewarded according to their production which is clearly defined and measured.

This how you run a successful business that earns for the owner an abundance of exchange and yet does not consume your life.

Sounds simple. It actually is. It just requires a difference way of thinking about business, about your business, and about why you are in business.

4 - Business Tax Return Checklist

Here is a list of items you´ll need to give your accountant to prepare your businesses taxation return. Be tax savvy. After all tax can be your biggest expense. Do not leave this to chance, help your accountant to help you.

Talk about tax planning strategies that will help your business save money now as well as in long term. You may be surprised at what can be achieved. You will also be surprised at how many times a good accountant is able to pull a rabbit out of the hat (metaphorically of course)!

INCOME
Trading income
Other income (royalties, rent, interest)
Stock on hand - note any obsolete stock
Subsidies if applicable (e.g. primary producer, small business)
Capital gains from assets sold
Dividends
Income from foreign sources

DEDUCTIONS

Losses
Repairs and maintenance
Salaries (include FBT)
FBT paid
Rates, land tax and insurance premiums paid
Advertising expenses
Interest on borrowed monies
Retirement payments
Bad debts written off in the year
Charitable contributions and donations (over $2)
Commissions
Legal expenses
Lease expenses (motor vehicles, premises, equipments)
Losses from previous years
Superannuation contributions
Subscriptions
Car expenses
Accounting fees, tax agent fees
Travel expenses
R&D expenditure by registered R&D company
Bank fees
Borrowing costs

LIABILITIES
New loans
Existing loan closing and opening statements for the financial year
Provisions for long service and annual leave
Creditors on hand
Accrued expenses
Fully reconciled mortgage or loan facilities
Fully reconciled GST accounts

ASSETS
Depreciable assets acquired or disposed (type, date, consideration)
Capital Gains Tax assets acquired
Lease commitments
Debtors
Fully reconciled bank accounts

5 - Notes to take to your Accountant

Other Books by the Same Author

BUSINESS BULLSEYE - HOW TO SUCCEED IN BUSINESS

Owning and operating a business is the dream of many small business owners. It is a fact that over 80% of all Australians are employed in small business. Sadly however it is also a fact that a large percentage of businesses fail every year. Some put that figure at over 80%. However it doesn´t have to be like that. Their tools to running a profitable and successful business, without it consuming your life. This book gives you the strategies to use, plus some useful templates. A must for every business owner.

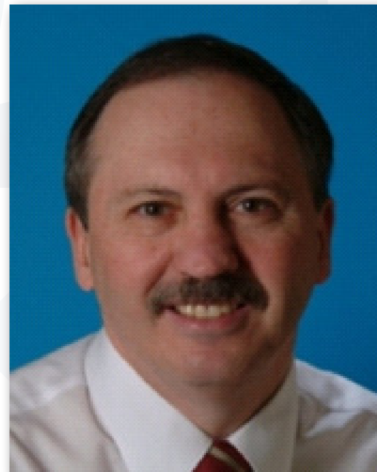
SURVIVAL TO SUCCESS –
HOW TO PLAY THE GAME OF LIFE AND WIN

The ultimate book on goal setting and succeeding in life with all of its travails. A clear and concise view to help you remove the mysteries of why you are here, what you want out of life and then how to get it. Along the same lines as the many great self-help books, but with an important twist. From Anthony Robbins to the Bob Proctor and the Secret, all miss this one point. You now can put it all together to create for yourself the life you have previously only dreamed of.

Order on line at www.broadviewpublishing.com.au

Biography

Allan Mason is a Chartered Accountant and business advisor with over 30 years experience. He has established and operated many successful businesses, including an accounting practice, finance company, and financial services company. He is married with two children and is the Director of Modoras Accounting based in Brisbane.



It Pays to Get a Second Opinion

Request a consultation with Allan Mason

Call 1300 888 803 or
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