

Understanding Your Accountant

Most of us have accountants we chose by referral from someone we respect. But every spring, when tax forms are received from the accountant, I have people contact me to interpret what their accountant has done. While I do encourage these calls, I also want to cover what your expectations of your accountant should be.

In addition to doing your taxes, your accountant should provide you with the year end entries you need to make to your general journal to get your books to "tie out" to the accountant's. Your accountant generally makes entries like depreciation that you haven't figured yet. The list of entries are generally provided at no extra charge over what you paid for your year end financials and taxes, but your accountant may differ.

At the same time, your accountant should tell you what your depreciation based on your current assets is going to be either monthly or quarterly (at your accountant's preference) for the next year. Your accountant should advise you what other things you can expect over the next year at that time as well.

You should look over your tax return and, if you asked your accountant to do them, year end financials. You should ask your accountant why things you don't understand were done, and what they mean. If you don't understand your accountant, you should say so. Most accountants really *want* you to understand their work.

Your accountant can also

- Recommend tax planning strategies
- Recommend business growth and planning strategies
- Assist with or complete personal and business financial planning
- Assess your company's internal financial controls and recommend improvements
- Consult on business problems and help identify solutions
- Provide business plans and help apply for loans and credit

and many other services. The most important part of all of these services is that you understand and trust your accountant.

The key areas I look for in choosing an accountant and recommending one to you are. . .

- Does the accountant communicate well with you
- Does the accountant identify and utilize *legitimate* deductions?
- Is it obvious that the accountant keeps up with the current changes in law and integrates those changes?
- Does the accountant use computers?
 - If so, is the accountant familiar with small business software?
 - If this is true, can the accountant use your software files to generate taxes and other reports?
- Do you *like* the accountant? [This is key with such an important business relationship]
- Can you call the accountant with a quick question and get an answer without incurring high fees?

Incidentally, if you think the fees you are paying your accountant are too high, check around in the area. Compare the services you received from your accountant with the services you would receive from 2-3 others (so you get some kind of fair average). Although business people like to save where they can, one of the most important areas you cannot afford to skimp is on a good accountant—a good accountant pays for him/herself every year.

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