

Mistake to Avoid

Choosing the Wrong Accountant

For most small businesses, their outside accountant can be one of their most important business resources. Not only will the accountant be involved with preparing tax returns and financial statements, but many accountants also become trusted advisors that offer suggestions on many aspects of the business. Choosing the right one is critical.

What services do you need?

With all the user-friendly software available, most small businesses handle day-to-day bookkeeping tasks internally. Accountants are usually needed to prepare tax returns, prepare audited financial statements (if needed) and to provide advice from time to time.

What should you look for?

- Find an accountant that has experience with organizations similar to yours. An accountant that understands your issues can be a source of advice and you will not run up charges as they learn about your business.
- The accountant should be knowledgeable about the income tax issues faced by small businesses. Since many small businesses are sole proprietorships, partnerships or sub-chapter S corporations, the taxable income or loss of your business will ultimately be reported on your personal tax return and you want your accountant to help reduce the taxes you will owe.
- Look at the personality of the accountant before you hire them. Is this person someone you feel comfortable with? Arrange for an interview to get a sense of the person and how he or she would work with you.

Finding the right accountant.

- You can get a list of local accountants in the Yellow Pages, but better sources may be your banker or other business owners in your area.
- Find out how an accountant is viewed by the local business community. An accountant's connections and relationships may become very important to you if you need financing or ultimately want to sell your business.
- It isn't always necessary to use the services of a large firm. While large firms have extensive resources, they are also expensive. With a large firm, you may also not get the attention you need because they are focused on larger clients. However, many large accounting firms are aggressive and successful with their small business practices.

Working with your accountant.

- Remember that most accountants charge by the hour. Before initiating a relationship, have a conversation about billing rates and expectations of hours needed for your work. It also is a good idea to have the understanding that the accountant will notify you if their time (and billing) approaches or exceeds a predetermined amount.
- Be prepared when you work with your accountant. Have all your records organized and be ready with any questions.

Summary

Your accountant can be part of your team for a successful business. Find the right one, take advantage of their expertise and use their time and services wisely.