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When Should a Small Business Hire an Accountant?

By George Malina

Finances are an important factor in the success of any business. At minimum, every business owner needs to have a good record keeping system, be able to manage financial transactions, and produce financial statements. But is it necessary to hire an accountant?

As important as good record keeping is, your business success depends on much more than that. Your financials should be considered a management tool to aid you in making the right decisions in order to maximize profitability, manage cash flow, set up internal controls, and price inventory, not to mention keep you out of trouble with the IRS.



George Malina is the Partner in Charge of the Sikich LLP Entrepreneurial Services Division. The Division is a group of professionals dedicated to providing consulting and accounting services solely to small businesses. Their focus is to help clients avoid the pitfalls of starting or expanding a business, allowing them to make and, more importantly,

keep as much money as possible. For more information, contact Malina at 630-566-8400 or at gmalina@sikich.com. You can also visit the Entrepreneurial Services Division at www.sikich.com.

Hiring an accountant to advise you right from the beginning is a good investment, especially if you find the financial aspects of running a business complex and confusing.

Many new business owners think they can't afford to hire an accountant, but if you consider the accountant your personal business advisor rather than a bookkeeper or someone who prepares your tax returns once a year, you will actually save money in the long run.

Accountants do much more than keep books and prepare tax returns. If you have an accountant involved in the planning stage of your new business, he or she can offer advice on choosing a business entity, setting up bookkeeping systems and negotiating leases. Once your business is operational, your accountant is there to prepare annual returns and do quarterly reviews.

As your business grows, your accountant can offer advice on payroll, staffing costs, and ideas to improve your profits. Should you decide you want to change your corporate ownership structure, your accountant will be able to help guide you through the financial and tax implications.

I hear that, because I too, wish that we had met sooner. In most cases, we could have helped that business owner from the beginning, thus avoiding the problems he had been having with tax planning, financial statement preparation, and tax forms. In some cases, we could have saved a business from failure.

You may think you're saving money by not hiring an accountant, but actually you will save more money in the long run by hiring an accountant right from the beginning. The possibilities of tax savings alone often pay for the accountant's fees several times over.

If you are looking for financing, having your financial statements prepared by an accountant will help with the loan approval process.

Additionally, your accountant can help with personal tax planning, including succession planning and retirement planning, which are often related to and affected by business tax issues. Tax planning should be a year-round and "big picture" activity—not something you do at the last minute on April 15.

So, to answer the question, "When should a small business hire an accountant?" I would have to say, "Right from the beginning." That doesn't mean you need to pay CPA fees to be keeping your books on a day-to-day basis, but the accountant's fees are well worth the investment for analysis and consulting regarding the financial strategies of your business.

In fact, hiring an accountant can mean the difference between success and failure for small businesses. Many businesses fail simply due to the owners' lack of understanding financials and money management. According to a Small Business Administration study, 28 percent of businesses declaring bankruptcy say problems with finances were the main cause of failure and 20 percent of bankruptcies were due to tax-related issues.

All too often a client will say to me, "If only I had met you sooner." I feel badly when I

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But what might be even more important is the peace of mind you get from knowing that you have an always-available resource you can call on for big matters or small.

Quick Facts



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