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TIPS ON OPERATIONS ISSUES FROM THE PCPS ECONOMIC PODCAST SERIES

As part of its commitment to providing members with timely resources, PCPS has launched a new free benefit for members: The **PCPS Economic Podcast Series**. These lively and informative presentations are designed to help members weather the financial crisis by updating CPAs on what fellow practitioners are experiencing in the marketplace and what steps they are taking to address the challenges facing their firms and their clients. The podcasts meet one of the PCPS Executive Committee's strategic priorities for 2009: to provide member firms with the resources they need to meet the challenges of a troubled economy.

The PCPS Economic Podcast Series will contain three sections that will help firms:

- Guide clients through the current economy by focusing on their operations.
- Work with clients on financing and liquidity concerns.
- Navigate the economy by providing them with timely practice management advice.

Each podcast features practitioners from small, medium and large firms offering real-world advice based on what they are seeing in their own practices. The first group of podcasts — on operations — included Bill Pirolli from DiSanto, Priest & Co., Warwick, Rhode Island; Eric Rigby from the Rigby Group in New Orleans; and George Willie from Bert Smith & Co. in Washington, D.C.

This brief will review some of the observations and tips in the first podcast series. The sessions covered cash flow, projections, the timing of major expenditures and strategic planning. Each podcast emphasized that it is possible for CPAs to get paid for providing advice in any of these areas. The speakers recommended starting the process by scheduling a lunch to ask the client how business is doing, then describing how the firm can help. They also urged CPAs to remain in regular contact with clients, who may be too overwhelmed to ask for assistance when they need it or may be unaware of what their CPA can offer.

Here are some of the takeaway tips from each podcast:

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Cash Flow

- Clients' top concern has shifted from growth to the availability of cash. For many clients, freeing more cash from operations may be the only way to survive the downturn.
- Clients should get back to basics by reinstating best practices in key functions. This effort can include challenging spending plans, determining if the company is getting the best pricing from suppliers, becoming stricter about collection procedures and reconsidering compensation increases.
- Practitioners should sit down with clients in quarterly meetings to analyze their cash position, receivables situation and other key indicators.
- Urge clients not to overdo cutbacks. While spending cuts can improve cash flow, it's important to consider whether hasty or ill-considered short-term cuts could unintentionally cause long-term damage.
- There's no magic bullet to solve cash flow problems, but focusing on one significant cutback is a good start. To make the most effective cuts, look at the company's largest cost areas.

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Projections

- Meeting with clients to consider their situation and their prospects can provide a reality check and open a window into unexplored business prospects. Focusing on the top 20% of the client's customers, decide what kind of business can be expected from them in the coming year and what revenues are likely each quarter.
- Create a list of key performance indicators for the client, which may vary widely among industries and markets. The KPIs can then be used to develop a spreadsheet of assumptions that can be updated as the company's situation changes.
- Emphasize that the process offers business owners the chance to take control of their future and seize possible opportunities.

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Timing Major Expenditures

- Carefully consider the benefits and drawbacks of any expenditure, including the expected return, the useful life of the purchase or deal and the cost and availability of credit.
- At the same time, CPAs have had success in proposing engagements that analyze and identify opportunities that the downturn presents. Let clients know that the recession does not have to be a stumbling block for those on sound financial footing. There are many opportunities for clients in sound financial shape. In fact, given declines in the cost of goods and labor, this may be a smart time for a major outlay.
- When credit is tight, suggest that clients consider alternative financing options, such as venture capitalists. Don't give up on bank financing, which remains available to those deemed creditworthy.

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Strategic Planning

- Clients are more willing to pay for help in planning their future than for engagements that document their past actions. Many are eager to engage in open-ended conversations about their business with a knowledgeable adviser.
- Carry out strategic planning as a separate, billable engagement, not simply an offshoot of another service. Formalizing the process makes it easier to charge for it.
- Initiate the discussion by asking clients what keeps them up at night, what are their greatest financial concerns, whether they have a succession plan and other key questions about their future.
- Not-for-profit organizations and government entities in particular are interested in best practices that will help them adapt their operations to a changing economy.
- Educate the client on the difference between a strategic plan and a budget and forecast.
- Offer to facilitate a retreat in which the practitioner walks client management through a SWOT (strengths, weaknesses, opportunities and threats) analysis and discusses what actions the company should start, stop or continue.

Advice for CPAs

The downturn has had an inevitable impact on firms. The CPAs featured in the podcasts noted that practitioners have the option of declining further work if payments are outstanding. Firms can also ask for deposits up front if receivables are an issue and enforce their own billing and collection procedures.

CPAs can use their position as trusted business advisors and their deep knowledge of client companies to overcome the challenges, but practitioners may have to reinvent themselves to respond to changing client needs. The CPAs in the podcasts recommended considering a firm retreat to gain perspective and inspire new ideas on the best future for the practice.

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