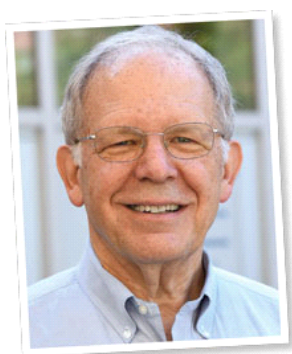


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Annual Check-Up

Bill McCurry



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"It's possible you misunderstood him," I gently told my client. Sitting in his office with his CPA, we discussed accounting for the company's assets before a loan renewal request. "The accountant understood you're going to resell the new shelving to customers. However, it's for permanent use in the new greenhouse, not resale, correct?"

The surprised accountant said he checked the last greenhouse expansion and that's how shelving costs were recorded. This was one explanation for why the gross margin fluctuated from year-to-year. Once the client understood what had happened, he became unjustly angry with his accountant. I found the accountant more than competent.

This was as good a time as any to bring my client into the real world. I asked the accountant what their conversations had been and how often he'd met with my client during their two-decade relationship.

"We probably had more 'meetings' here in the garden center while I was buying plants than in my office. Otherwise, we usually see each other annually when I stop by to drop off his tax return paperwork."

"What conversations did you have at that time?" I asked the CPA.

"If I even saw him, he would make his annual comment about keeping the fee down because 'taxes are a necessary evil.'"

"Were you ever asked to review his business, take a look at what shifted or changed, or maybe identify areas for improvement?"

I knew the answer to my question before I asked it. My client only focused on completing the mandatory tax forms, not benefiting from the accountant's knowledge. CPAs may be the best people to help you understand your business better because handling your taxes gives them at least partial awareness of your situation. However, this may not always be true because some accounting firms have a temp who just plugs your numbers into a program that completes the IRS forms.

Most of us believe in the benefits of annual physical medical checkups. Consider your accountant's tax visit in a similar light. Call ahead. Ask how much time they'll need (this helps you estimate the cost) and what information they need ahead of the meeting. Understand that your accountant (like your attorney and other professionals) must bill for their time or sell you a commissionable product. No successful expert works for free. They have expenses, too.

The first meeting probably won't save you much money in new ideas or perspectives. Likely the first couple get-togethers will bring your accountant up to speed about how you operate and what your business goals are. As the client, you must invest the professional's time into understanding your business. Once that understanding is established, they can bring meaningful insights to help achieve your goals.

It's also possible they can save you from disaster. The error of charging fixtures to inventory could be inadvertent tax fraud. Technically "fraud" is an intentional act. Unfortunately, the IRS takes most errors as intentional. The garden center had expensed and deducted the value of the fixtures as "cost of goods" the instant they were installed rather than depreciating them over several years. The immediate tax savings to the retailer generated a government loss of tax revenue. That annoys the government and puts the retailer in a dangerous position.

Many garden center owners tell me, "My accountant doesn't give me any ideas." My answer, "Have you asked for them?"

Here are two solutions: First, ask the accountant for ideas. Ask for the cost and make sure they know you expect to pay for their time. Second, if you aren't communicating with your accountant, find another accountant. Good small business accountants take time to find. Don't rush the process. Emphasize that you expect to pay for their time.

An outside review of a life-long business structure and practices often uncovers savings not obvious to staff working daily. It's usually an investment that pays significant dividends. **GP**

Bill would love to hear from you with questions, comments or ideas for future columns. Please contact him at wmccurry@mccurryassoc.com or (609) 731-8389.