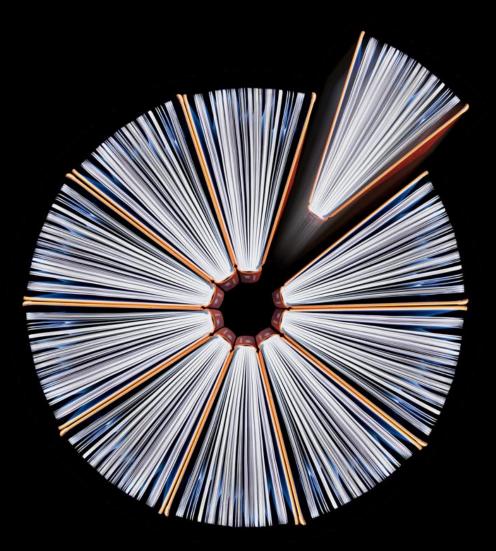


SMP Practice Management

Presented by: CPA Gordon Oito 20 February 2020



PLANNING FOR YOUR FIRM





Executive Summary/Profile



Our Product and Services Registration and licensing **Our Vision Statement** Training and certification **Our Mission Statement** Nature of clients you are going **Our Business Structure** to offer service to including: • Roles and Responsibilities Individual clients and/or corporate clients. AND Taking care of client business Offering distinguished services Commitment to sustainability Accountability to the highest standards

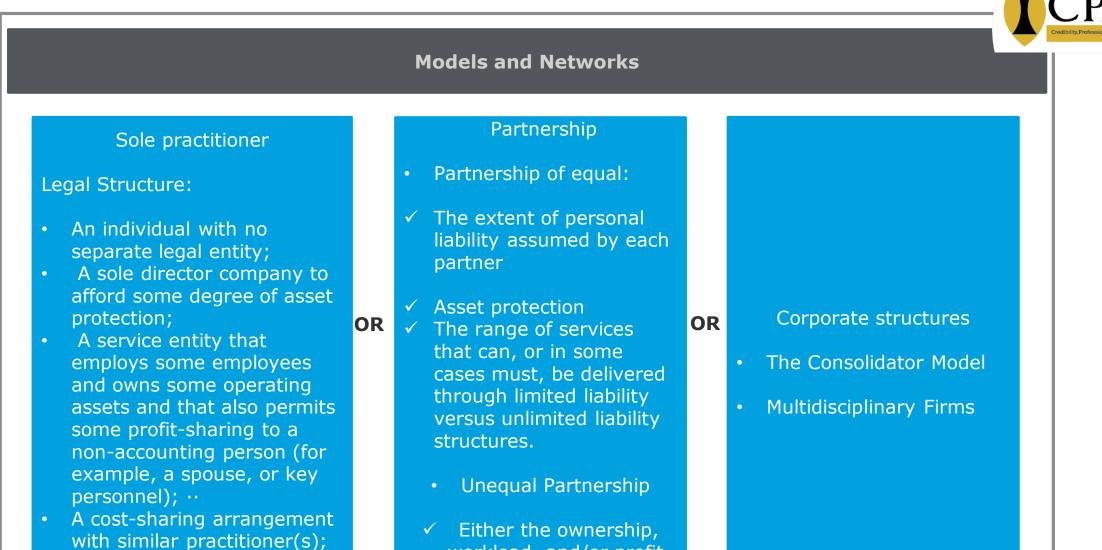
Internal Values and Services

- Legal and Compliance matters
- Differentiators

Practice Models and Networks

or Some combination of the

above



workload, and/or profit sharing arrangements.





Cons

The principal might not have the range of skills or experience to run the entire firm

find it very difficult to keep abreast of changes in legislation or accounting standards due to the increasingly complex commercial environment in which accountants work

Professional loneliness can reduce the quality of work or possibly the personal satisfaction of the practitioner

The principal might not have enough money to fund the firm at a suitable level The firm might spend too much of its fees on fixed-cost items

- Single point of final decision-making
- No profit-sharing
- Flexibility to change the internal rules quickly and adapt to market demands
- The sense of direct involvement and control appeals to many people.

Benefits



Cost-Sharing Arrangement

• Each firm retains much of its own flexibility and independence

 Sometimes firms who share costs in this way can also complement each other's skills • Each firm might remain relatively small, only offering a narrow range of services

Cons

 Some time is required to manage the central ordering and payments and to arrange the cost-sharing invoices for each firm

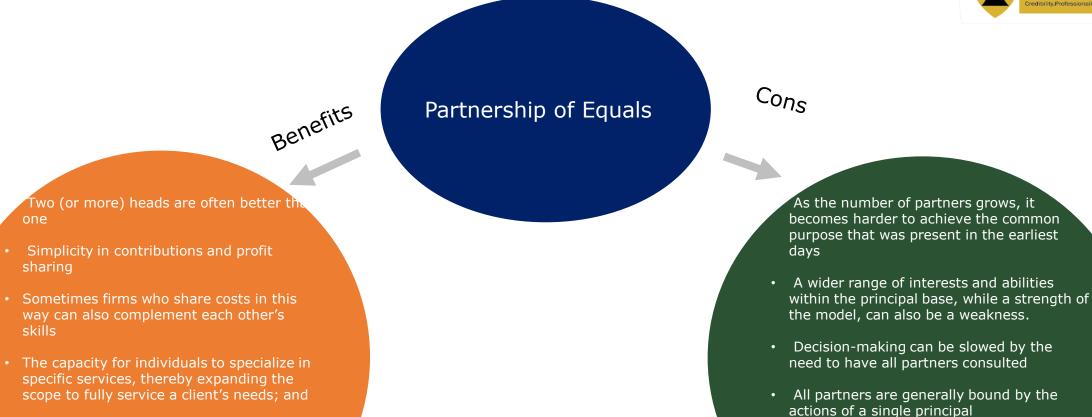
• Customers may lack confidence in "one person shows" in this era of knowledge



• Legal liability for errors or malpractice can

be borne by all partners, depending on the

nature of the specific legal entity being used



• Access to funds from more than one partner, to provide working capital to the firm

one

sharing





Listed consolidators offer several opportunities to the principal in a public firm:

- A way out for retirement purposes: swapping a firm for either cash or shares; Access to capital: this is especially important to help fund the technology costs faced by firms today;
- Access to improved systems of management;
- Access to a larger pool of talented people and specialist knowledge (for example, precedents, training and industry specific knowledge); and
- A career path for high-quality personnel and a financial incentive to participate in the firm's success through shares and/or stock options.

 Joint decision-making by the partners is often removed; ...

- Central corporate management needs to be strong enough, strategically focused, and well communicated to deal with newly acquired businesses that were previously independent in thinking and decisionmaking.
- Often, restrictions are placed on partners of the acquired firms to prevent them from selling their shares for a period of time after their firm is purchased;
- The business will then need to make sufficient profit to service the needs of the senior practitioners and the shareholders;
- The demands of the stock market, if listed, can give an undue focus on quarterly results and short-termism; and ... The ultimate value of a firm also depends on behaviour of the stock market

Cons

Benefits





A clear focus for each separate entity;

- Separate legal liability for each entity;
- Separate regulatory scope for each entity, if applicable;
- Each entity can develop in its own style;
- There is no dispute as to who "owns" each client relationship, since the accounting owners are the common link in the entire chain of service delivery;
- Considerable opportunity exists to crosssell services from one entity to another within the same group; and
- Equity or other funding can come from a wider group of non-accountants

• This structure does not necessarily ensure that the best businesses are guaranteed access to internal funds (that is, the equity or cash flow from across the group), owing to the different ownerships of each entity; and ·

Cons

 There will be some additional management, accounting and reporting required to maintain the web of separate entities

Multidisciplinary Firms

Practice Models and Networks



Performance satisfied over time = Revenue recognised over time

Your Strategic Plan

Shaped by Legal and Organization Structure

Professional Association :

- Separation of some work for professional indemnity purposes;
- Profit sharing arrangements;
- Non-regulated services provided through a specialist entity

Legal Options

The range of options available to you might include:

- Sole trader;
- OR •

Partnerships: either unlimited liability or, in some countries, limited liability partnerships;

- A company or corporate shell:
- A trust; or
- Some combination of the • above.



You might need to consider:

- Income tax payable on trading profits;
- Taxes on distributions drawings or dividends, or on profits retained within the entity;

OR

- Taxes linked to share transfers or asset duty or transfer taxes);
- Capital gains taxes, should the value of the equities in the firm vary with the various changes in equity.

Technology and E-business



How Technology is transforming the accounting industry:

Artificial Intelligence & Robotics -Artificial intelligence and robotics is automating complex and repetitive tasks and processes, with extreme

accuracy, reducing operating costs and increasing efficiency **Cloud Computing** ______ <u>Cloud computing</u> is a type of Internet-based **computing** that provides shared computer processing resources and data to computers and other devices on demand. This allows accountants to perform accounting tasks from any location as well as the ability to deliver financial information and reports through the cloud. Innovations in Tax Software - The tax software of today has
helped improve accuracy while reducing margins of error - something businesses want to
embrace in order to avoid tax
penalties and prevent issues with stake holders. Better tax software also helps streamline audits by making them more efficient and effective.

Mobile Accounting

Accountants are increasingly dependent on their mobile devices to accesses data. Mobile connectivity also bridges accountants and their clients.

Social Media

Social media has become an essential tool for firms wanting to engage with their current and potential clients while expanding their brand reach.

Any Questions?



