



PRACTITIONERS INDUCTION & MULTIPLE LICENSES SEMINAR

THEME :

**Optimizing Compliance in Modern
Practice**



REQUISITES FOR SETTING UP A PRACTICING FIRM FIRM MANAGEMENT GUIDE

FCPA Erastus K. Omolo

Crowe Erastus & Co.

Certified Public Accountants

E-mail : croweerastus@crowe.co.ke

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Firm Set-Up

PRE-SET UP THINKING



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**YOU ARE NOT ALONE
IN THE WILDERNESS**



DO NOT THINK FOREVER!

START PLEASE!!

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Setting Up a Practicing Firm



Ten Rules of Success in Starting and Running a CPA Practice (Kwaka's)

- 1. The world will not stop to wait for you ***
- 2. Don't Start with a "Maziwa na Mkate" mentality – Such is very short-term.**
- 3. Build to last – look after your staff.**
- 4. Eat with moderation.**
- 5. Your failure will not make headline news on Radio or TV. It is your problem, no one will mourn with you.**

Setting Up a Practicing Firm



Ten Rules of Success in Starting and Running a CPA Practice (Kwaka's) Cont....

6. Success awaits visionary entrepreneurs.

7. Nothing can replace quality.

8. Nothing can replace integrity.

9. Be available when needed – don't be too busy for your clients.

10. The world will not stop to wait for you*
(The first and the last rule - is - the most important)

Learning from History

A Look at the Big 4

(Big Firms are Made, Not Born)

Learning from History – A Look at the Big 4 PriceWaterhouseCoopers (PwC)



- ❑ **1854 - William Cooper established his own practice in London, which 7 years later became Cooper Brothers.**
- ❑ **1865 - Price, Holyland and Waterhouse joined forces in partnership.**
- ❑ **1957 - Cooper Brothers & Co (UK), McDonald, Currie and Co (Canada) and Lybrand, Ross Bros & Montgomery (US) merged to form Coopers & Lybrand.**
- ❑ **1998 - Price Waterhouse and Coopers & Lybrand merged to create PricewaterhouseCoopers.**
- ❑ **2010 - PricewaterhouseCoopers formally shortened its brand name to PwC but legally remains PricewaterhouseCoopers.**

Learning from History – A Look at the Big 4 Klynveld Peat Marwick Goerdeler (KPMG)



- ❑ **1870 - William Barclay Peat founded the accounting firm William Barclay Peat & Co. in London.**
- ❑ **1897 - James Marwick founded the accounting firm Marwick, Mitchell & Co. with Roger Mitchell in New York City.**
- ❑ **1917 - Piet Klynveld founded the accounting firm Klynveld Kraayenhof & Co. in Amsterdam.**
- ❑ **1987 - KPMG was formed with the merger of Peat Marwick International (PMI) and Klynveld Main Goerdeler (KMG)**
- ❑ **KPMG are initials which stand for K-Klynveld, P-Peat, M – Marwick and G – Goerdeler.**

Learning from History – A Look at the Big 4 Deloitte - Deloitte Touche Tohmatsu Limited)



- ❑ **1845 – William Welch Deloitte founded Deloitte in London.**
- ❑ **1972 – Deloitte merged with Haskins & Sells to form Deloitte Haskins & Sells.**
- ❑ **1989 – Deloitte merged with Touche Ross in the US to form Deloitte & Touche.**
- ❑ **1993 - the international firm was renamed Deloitte Touche Tohmatsu, later abbreviated to Deloitte.**

Learning from History – A Look at the Big 4 Ernst & Young



- ❑ **1903 - Ernst & Ernst was founded in Cleveland, Ohio, by Alwin C. Ernst and his brother, Theodore Ernst.**
- ❑ **1906 - Arthur Young & Co. was set up by a Scotsman accountant, Arthur Young, in Chicago**
- ❑ **1979 – merger of Ernest with Whinney Smith & Whinney to form Ernst & Whinney.**
- ❑ **1989 - Ernst & Whinney merged with Arthur Young & Co., to create Ernst & Young**

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Learning from History – A Giant that Fell

Arthur Andersen



- ❑ **1913 - Arthur Andersen firm was founded by Arthur Andersen and Clarence DeLany as Andersen, DeLany & Co.**
- ❑ **1918 - The firm changed its name to Arthur Andersen & Co.**

The Fall of Arthur Andersen

- ❑ **2001 - Arthur Andersen (auditors of Enron), were accused for not fulfilling professional responsibilities in connection with its audits of Enron's financial statements.**
- ❑ **2002 – Andersen was convicted of fraudulent accounting and obstruction of justice for shredding documents related to its audit of Enron.**

Learning from History – Falling of a Giant Arthur Andersen



The Fall of Arthur Andersen cont...

❑ **The firm voluntarily surrendered its license to practice as Certified Public Accountants after it was found guilty.**

❑ **2005 - the Supreme Court of the United States overturned Arthur Andersen's conviction due to serious errors in the trial -**

“The judge's instruction failed to convey the requisite consciousness of wrongdoing.”

Despite the reversal of conviction, the damage to Andersen's reputation was so great that it has never returned as a viable business even on a limited scale. (THE DAMAGE WAS FATAL!!)

As You Set-Up AND as You Run Your Firm Think Strategic



1. Overall Cost Leadership

This strategy bases on selling your services at a lower cost yet still be profitable. Concentrating more on accounting services that are profitable on short term and eliminating the high risk and prone to loss services

2. Differentiation

Diversification to take a different path from that which is common in the market. This may also include delving in novel ideas not tackled by many businesses. This will require knowledge and expertise on the new field.

3. Focus

This is specific and involves concentrating your business to a particular industry or specific customer target group.

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Legal Structure Options

☐ **Limited Liability Partnership (LLP);**

☐ **Sole proprietorship;**

☐ **Ordinary Partnership;**

☐ **Freelancing.**

- **Bootstrappers (fund from own resources – sweat equity)**
- **Moonlighters (care that you don't get fired)**

Firm Set-Up - COMPLIANCE



Right Qualifications and Protection

- ☐ **Practicing Certificate (which certificate?);**
- ☐ **Requisite CPD Hours (structured / unstructured);**
- ☐ **Registration fees;**
- ☐ **Compliance with Regulatory Authorities – ICPAK;**
- ☐ **Health safety and insurance demands (against various perils);**
- ☐ **Professional Indemnity Cover**

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Firm Set-Up - Planning for Success



- ☐ **Service delivery;**
- ☐ **Risk management and mitigation;**
- ☐ **Personnel;**
- ☐ **Marketing and selling;**
- ☐ **Technology;**
- ☐ **Administration; and**
- ☐ **Finance / budget.**

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What is the primary focus of the firm?

- ☐ **The services required by the target market and potential clients**
- ☐ **Professional capacity to offer the services**

Where is the location of the firm?

- ☐ **Close to the client base**
- ☐ **Location will impact cost structure**
- ☐ **Leasing or buying options of office space**



Who are your team members and customers?

☐ **Highly skilled team members**

☐ **Promote your service within the target group to ensure high number of potential clients**

☐ **Specialists and consultants – use them on piece work basis. You get credit from their GOOD work!**

STARTING AND RUNNING THE FIRM



How many services can you provide?

This will depend on:-

- ✓ **the personnel;**
- ✓ **resources ;**
- ✓ **guiding regulations.**

When do you intend to start your business?

- ☐ **Identify low hanging fruits, often there are many quick wins**
 - Payrolls**
 - Book-keeping and accounting services**
 - Simple Tax Returns e.g NIL Returns**

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MARKET OPPORTUNITIES ARE MANY

Firm Set-Up AND Running



Day to Day Activities of an Accounting Firm

- ☐ **Statutory Audits;**
- ☐ **Book keeping services;**
- ☐ **Payroll Services;**
- ☐ **Tax filing, Tax Agency and consulting services;**
- ☐ **Investigations;**
- ☐ **Outsourced Audit Services;**
- ☐ **Attestation of documents (make nice & smart rubber stamps)**

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Business Planning

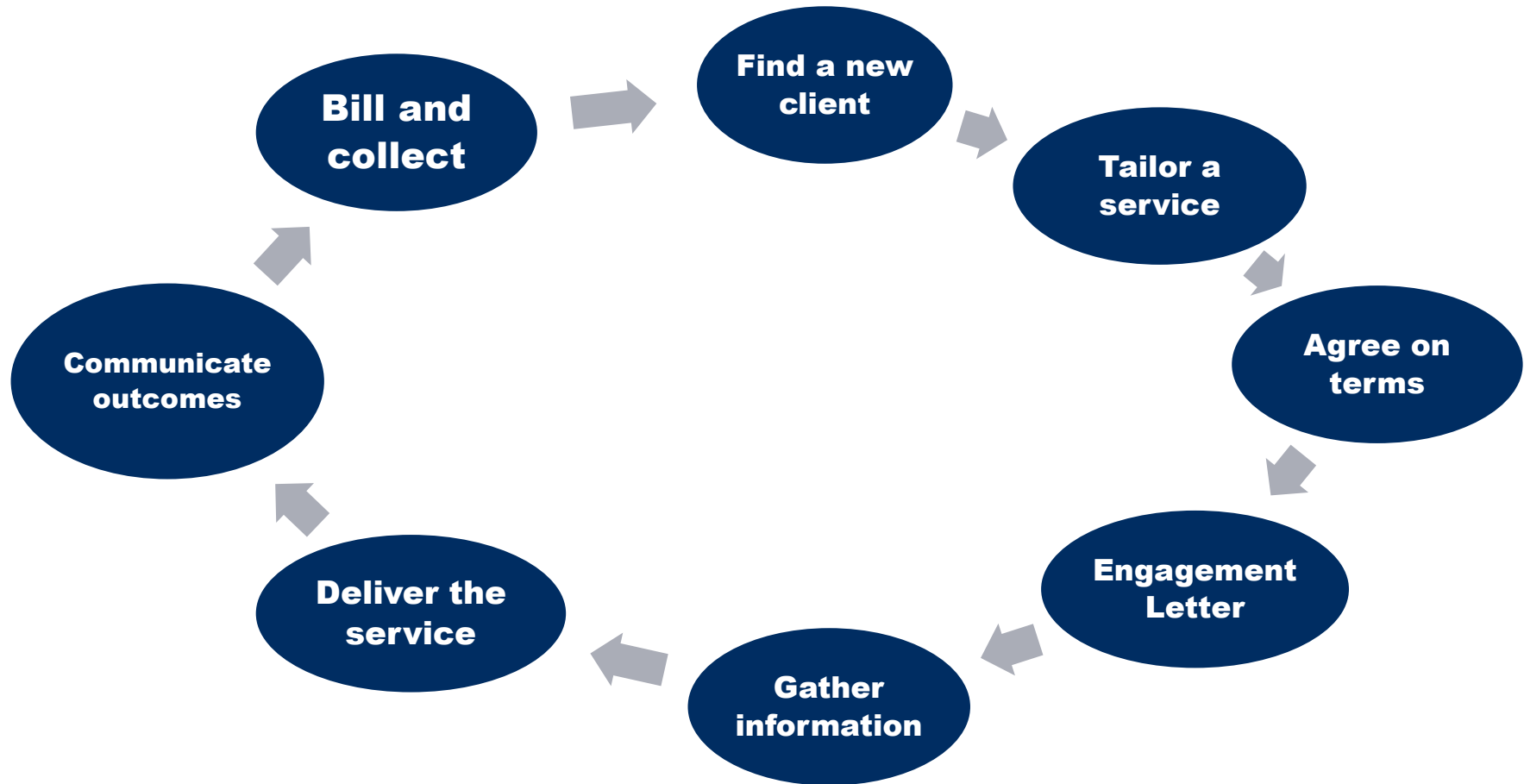
Factors to consider:-

- ☐ **Problems with work–lifestyle;**
- ☐ **Low profitability and / or poor liquidity;**
- ☐ **The absence of quality support & control abilities;**
- ☐ **Loss of clients (do not mourn, they do come back);**
- ☐ **Loss of professional reputation (avoid professional suicide)**

“He who Fails to Plan, Plans to Fail”

FIRM MANAGEMENT

(Turning a Win to Cash – Takes Time)



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Firm Management

The Dos - Reminders



- ✓ **Do start with a quality recruitment and training for staff**
- ✓ **Do ensure awareness of privacy and client confidentiality guidelines**
- ✓ **Do not delegate tasks beyond capability levels**
- ✓ **Do ensure staff are updated on systems and standard procedures**
- ✓ **Do employ proper review processes of systems**
- ✓ **Do have adequate insurance**
- ✓ **Do back up your technology and records (local / cloud)**

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Firm Management Compliance (Reminders)



- ☐ **The Accountants Act;**
- ☐ **The Accountants Act (Practicing Certificate and Licenses);**
- ☐ **Companies Act;**
- ☐ **Institute of Certified Public Accountants of Kenya (ICPAK);**
- ☐ **IAS and IFRS – Have a good appreciation of these**

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Firm Management Ethical Requirements - Reminders



- ✓ **Independence**
- ✓ **Integrity**
- ✓ **Objectivity**
- ✓ **Professional competence and due care**
- ✓ **Confidentiality**
- ✓ **Professional behavior**

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Firm Management (Do Not Fear But Also Watch)



- ❑ **Finding the right team;**

- ❑ **Competition;**

- **High cost structure (high rent, vehicle purchase, immodest engagement in clubs, games, golf etc.).**
- **Your staff should be your priority not those money guzzlers. Be wise. Grow your reserves for rainy days.**

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**Maasai Saying - You want to
go fast, walk alone, if You
want to go far, go with
someone!**



Smart decisions. Lasting value

Thank You

End - Q & As

Crowe Erastus & Co.

Nairobi, Kenya

E-mail: croweerastus@crowe.co.ke