

103 QUESTIONS TO ASK YOUR ACCOUNTANT



SHANE ROBERTS AND ASSOCIATES PTY LTD

accountants & business advisors

BUILDING CLIENT RELATIONSHIPS BY GETTING TO KNOW YOU BETTER

For small business owners, the services of an accountant can be of significant importance. As accountants we are involved in more than preparing financial statements and tax returns – we can provide assistance on everything from estate planning to business financing. In most cases, accountants are just another outside professional; he or she is a trusted advisor – and an integral part of the business family.

Ideally, the client/accountant relationship provides for ongoing advice, often prompted by your questions about ways to improve the company's finances and operations. Well thought out questions by clients also helps to ensure that together, we will prevent or solve major problems and take advantage of emerging opportunities for you and your business. What kind of questions can clients

ask their accountants? The following guide is designed to be a thought provoker that you may care to review and use as a starting point. It will also help us.

General Management

1. What business structure is most appropriate for my circumstances - a company, trust, partnership or proprietorship? What are the relative advantages and disadvantages?
2. What kind of cheque-writing controls should I have in place to prevent employees from misusing company funds?
3. Is there any benefit in me taking security over my own company? How does that rank if things go bad and I need to wind up my company or worse, one of my creditors attempts to wind up my company?
4. How can I protect myself against fraud or other unauthorised use of funds? Should I have controls over internet banking and what should they be?
5. Should I have a board of directors?

KEEPING YOU ON THE RIGHT TRACK

We can help your business and your personal finances to stay on the right track
Call us now and we'll arrange a meeting to discuss:

- Strategies to help your business improve its efficiency and profitability
- Reducing the burden of taxes on your business
- The tax issues that affect you and your family
- Maximising your wealth
- Retirement planning strategies for you and other family members

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INSIDE YOU'LL FIND QUESTIONS ON:

General Management
Financing Your Business
Information Technology
Business Tax Planning
Salaries and Benefits
Personal Wealth Creation

plus Tips for Getting the Most from Your Accountant

6. Should I have a buy-sell agreement with my partners/ shareholders? Should the agreement be funded with life insurance?
7. What kind of people should I ask to join my board of directors? How often should I hold board meetings and how should they be structured?
8. How can I tell if my business insurance is adequate in terms of losses covered and dollar amounts of coverage? Can I insure for loss of profits in the event that my business premises burn down?
9. When buying business insurance is it best to work with a broker representing various carriers or should I go direct to insurance companies?
10. I have several businesses. Can they be treated separately for worker's compensation purposes?
11. How do I prepare cash flow statements and how do I use them as management tools?
12. When I need larger premises for my manufacturing/warehousing/ office operations, how should I acquire the space? Should I buy or lease?
13. What kinds of questions should I ask when I negotiate my lease?
14. If I buy a commercial property should I put it in my name, my spouse's name, my children's name or my company's name? Is a self-managed super fund purchase an option? What are the relative advantages and drawbacks of each approach?
15. [How can I establish a succession plan that ensures continuity in my business when I retire or die?](#)
16. In a family business what are reasonable guidelines for employing, promoting and removing family members?
17. Is it a good idea to hold family business retreats? How should these sessions be structured?

Financing Your Business

18. I am in the market for a bank loan. What kinds of information should be included in the business plan I present to the bankers? How should this information be presented?
19. What are the key differences between debt and equity financing? Which is better for my company?
20. How can I tell if my company has reached the limit of its borrowing capacity? Can I comfortably handle additional debt?
21. What is "asset-based financing"? What can I borrow with my asset base?
22. Should financing terms be linked to the useful life of the asset being financed?
23. Have you heard of "inventory funding"? What benefits will it provide my business?
24. [Can I sell off part of my business without losing control?](#)
25. How does factoring work? Is this a suitable way to raise money for my business? Who offers these arrangements?
26. What is the difference between loans and a line of credit? When does it make sense to obtain a line of credit?
27. [Is my business geared for a venture capital investment?](#)
28. When is a good time to re-finance a commercial loan in order to trade down in interest rates?

29. What kinds of questions and/or comments can I expect from bankers when they review my company's financial ratios and percentages as part of the borrowing process?
30. Am I better off borrowing with the same bank or should I cultivate relationships with several banking institutions?
31. What do my bankers expect from me in terms of financial reports? How can I maintain professional and productive relationships with them?
32. If my company is facing a cash crunch, how do I know if I should cut costs, borrow money or do both? Which approach is best for my current position?



Information Technology

33. When buying a computer system, should I purchase the hardware or the software first?
34. Should I implement a general accounting package or am I better off looking for an industry specific system to better suit my business? What are the benefits and drawbacks of each?
35. To what extent does a proper accounting system help reduce my accounting fees?
36. How do I know when it's time to upgrade my computer system?
37. If I need to upgrade my computer system should I opt for a series of separate PCs or a local area network?
38. At the moment, I use my computer system for invoicing and word processing. Can I use it to better manage administrative, sales and manufacturing procedures?
39. We are considering introducing a new computerised book keeping system. How can we achieve a smooth and accurate transfer to the new system?
40. How vulnerable is my computer data? Do I need to take special precautions to prevent tampering or loss due to accidents or viruses?
41. Considering the price of PCs today, is it more cost-effective to buy or lease them?

Accounting Issues

42. Am I pricing my products and services correctly?
43. Which indicators of my company's financial performance should I be tracking weekly, monthly, annually? Should I calculate these key indicators, or should I ask my accountant to do it?
44. How do my financial ratios and percentages compare with the averages of other businesses in my industry?
45. How do I calculate the real cost of producing my products and/or services?

46. When is it time to eliminate low profit items from my product/service line?
47. At what point does a business need a full-time controller? What background should she/he have? Can you suggest guidelines for hiring the right person? Can you help me to identify appropriate candidates?
48. As a privately held business, when and why would I need an audit?
49. [What is the difference between an audit, and a review?](#)
50. How much is my business worth? Can you help me with a professional valuation?
51. What can I do to maximise the interest income from my business bank accounts?
52. Should I have large compensating balances in the bank, or am I better off paying higher banking fees and reducing my compensating balances?
53. How do I determine my breakeven point? Why is this critical? What steps can I take to lower the breakeven point?
54. What are five good ways to reduce my company's operating costs?
55. Should my business be on the accrual or the cash basis of accounting? Why?
56. What is the appropriate method for my business to value inventory? Please explain the relative benefits and drawbacks of each.
57. What are the most effective ways to finance inventory? When should I consider these options as opposed to straight cash purchase?
58. Do I need a credit policy? What should it cover and how do I set it up? What is "retention of title"?
59. How can I speed-up the collection of receivables? Should I offer extra discounts for prompt payments?
60. When should I write off a receivable as a bad debt? Is it worth taking the customer to court?
61. [When paying my company's bills, should I take advantage of early payment discounts or pay late?](#)
62. At what point should I cut off slow paying account customers from additional credit purchases?
63. Are there ways of maintaining marginal-credit accounts as customers without accepting undue risk of non-payment?
64. How long do I need to keep business records such as invoices? Can you give me guidelines for the retention of all major business records?
65. When should I consider taking my company into voluntary liquidation? What are some of the major benefits and drawbacks?

Business Tax Planning

66. What are my responsibilities in withholding and remitting employee withholding taxes? What is my personal liability if I fail to comply with the law?
67. When does an independent contractor become an employee?
68. What are my responsibilities in regard to collecting and remitting taxes? Are certain types of transactions exempt from these requirements?
69. If I get a request for a tax audit what should I do? What rights do I have?



70. What taxation implications are there for me when I go to sell my business?
71. Should I be using a fleet management company to record and control the administration of my motor vehicle fleet or is that a waste of money?
72. How do I determine the depreciation value of assets I intend to purchase this year?
73. What records do I need to keep if I intend to scrap obsolete or non-saleable inventory?
74. Can I claim a home office as a legitimate business expense?
75. How do I deal with loan accounts between my company and family members? Should there be some form of agreement?
76. [For tax purposes, do I have to run my company on a standard year-end basis? Under what conditions can I change to a calendar year instead?](#)
77. If I own a non-trading company can I easily wind it up?
78. If it comes time to sell my company, should I sell the assets individually or should I sell the whole company as a going concern? Are there any GST implications with the choice?
79. What strategies can I use to defer my income tax?
80. The taxation authorities have called me in for a tax audit. Must I go in person or can I ask my accountant to go in my place?

Salaries and Benefits

81. What is a "self-managed superannuation fund"? Is it really suited to small businesses and what are the benefits?
82. What is "salary sacrifice" and how can it benefit my employees and my business?
83. How do I introduce a performance measurement system for my staff?
84. What are some ways in which I can reward key employees?
85. What records do I need to keep for my employees?
86. Can my business buy back shares from me? What benefits does this provide?
87. Can I reduce benefit or on-costs by using independent contractors in place of certain employees? What are the drawbacks to this approach?
88. [What types of salary packaging are available to my business? What are the fringe benefits tax implications?](#)

89. What benefits do "novated leases" have for my business?
90. Is it worthwhile hiring a trainee or apprentice? What advantages are there and what costs will my business be exposed to?
91. Am I better off paying myself less and keeping it in the company? If my costs are lower doesn't that make my business work more?



Personal Wealth Creation

92. What personal records do I need to keep and where should I keep them?
93. What is the best way to allocate assets for maximum tax efficiency?
94. Is borrowing to invest a good strategy? Can I borrow using my

home as security and invest in shares?

95. Should I set up a trust to accumulate funds for my children's education? What types of trusts are available? What are the pros and cons of each?
96. How can I lower taxes by shifting income to my children? Are payments to them treated as gifts or income?
97. Am I able to split my income with my spouse to reduce my taxation liability?
98. How do I find a great investment advisor?
99. [Are there other ways that I can transfer assets at my death other than by will?](#)
100. If I need to borrow money for personal use, what is the best source: home equity loans, finance companies, or credit cards?
101. If I intend to buy and sell my own home to build wealth what factors do I need to consider?
102. Can I get a better deal on my life insurance if I include it as part of a superannuation plan?
103. Are there any benefits to contributing personally to a superannuation plan? Is age an issue?

WE ARE HERE TO HELP

Make use of us! This guide is merely a starting point, designed to help you identify areas that might have a significant impact on your personal and business planning. We are always pleased to discuss matters with you and advise in any way we can.

Tips for Getting the Most from Your Accountant

Does your business need professional advice? How can you make sure that you get the best advice? Read on and find out.

Tip No. 1 - Recognise your strengths and limitations

How many small business owners repair their own photocopier? Whilst it may be a relatively mechanical task that may be carried out with the use of a manual, why do so few businesses do it? The answer is generally that they recognise that somebody else can do it more efficiently, reliably and cost-effectively.

However, many already over-worked business owners get out the textbooks or surf the 'net' and try to develop professional expertise in business law, tax planning, contracts and a host of other highly specialised areas. There is nothing wrong with trying to **solve problems yourself** if it is cost-effective to do so.

A business owner does need to be an expert on the fundamentals of their business, and have a working knowledge of other areas that are important for the day-to-day operation of their business. They don't have to be an expert in every aspect of their business.

Proper external advice may cost you less than you think.

Tip No. 2 - Understand the issues

Before consulting accountants or other professionals it is worthwhile trying to get an overview of their expertise, what's involved and how it might be able to help your business. An **overview before the meeting** will help you to set realistic goals and expectations for their involvement. It will also help you to ask relevant and intelligent questions and understand and act upon the advice given. A little **preparation** will help to maximise the benefits of the time you spend together.

Tip No. 3 - Take advantage of 'free' consultations

Many accountants offer free consultations at one time or another. Take advantage of them. You can usually get more out of these free consultations if, before the meeting, you give some thought to a specific issue. Consider sending a **summary of your business situation**; setting out some of the issues you feel that you need assistance. In this way they will have had enough time and background information to give the issue some serious thought and the 'free consultation' will actually result in advice being provided. It will also help you to find out if the accountant really **understands the issues** affecting your business.

Tip No. 4 - Make their job easier

Accountants and other professionals sell time. The less you use, the less it costs. The key to using less of their time is to organise yourself so that you make their job as easy as possible.

That means **preparing for meetings**. Think through in advance what you want to ask, discuss and achieve. Have a list of discussion points ready when you meet. Ask them beforehand what information they are going to need, and make sure it is ready for them in advance.

Keep your business affairs as organised as possible. Seek input about how you can improve your 'housekeeping' to make their task easier. If you do all that they suggest you are in a far stronger position to negotiate a lower fee. Accountants generally charge well-organised clients less than disorganised ones.

Tip No. 5 - Ask early and don't take short-cuts

Generally speaking, it's simpler and less costly to **prevent a problem** than it is to solve one. Business owners in the spirit of exercising their entrepreneurship often act and enter into arrangements without **considering the implications** of their actions. A short telephone call or meeting with your accountant may cost a little, but may be trivial in relation to the costs of solving a problem or even missing an opportunity.