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## Accountants steer clients through downturn

BY ANNA HUDDLESTON

Even in the economic downturn, accounting firms continue to grow. Although they expect a flat year, many firms added staff in preparation for the tax season and now are focusing on building client relationships.

Strategically, they say, it's all worth it.

"Accounting firms are being called upon to help redefine risk management structures, achieve better cash management, sell assets, optimize costs, restructure debt, and improve the depth and transparency of financial reporting," said Mitch Feldman, president of A.E. Feldman, a New York-based executive placement and management consulting firm.

Feldman said the 2008 National Management of Accounting Practice survey, by the American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants, showed a large majority of certified public accounting firms reported continued growth during the past two years.

With careful planning, this success can help firms cope with current challenges and capitalize on new opportunities. "CPA firms continue to do well," said James Metzler, A.E. Feldman's vice president of small firm interests. "Clients go to CPAs to help them weather a troubled economy, and banks may seek greater assurance

from practitioners about the companies with which they do business."

A 2008 ranking of the country's most profitable industries by Sageworks Inc., a Raleigh, N.C., a financial information and analysis firm, shows that accounting, tax preparation and payroll services firms had the second-highest profit margin in 2008 at 15.5 percent.

The survey also reveals that during 2007, accountants had the largest year-over-year profit margin increase — a 20 percent jump — compared to 2006.

But given the current economy, tax-law changes and the increasingly global nature of businesses, CPA firms often find themselves spending much more than the customary eight minutes per line item on research. And often these additional expenses are not in clients' budgets.

Las Vegas CPA Danny Riddle has been turning down new accounts this winter.

"We have become very selective of what clients we take on because on average, we've got to do a lot more to help them comply with all standards and avoid penalties," he said. "We easily end up doing the work that we really can't charge the client for. But we just go ahead and do it right anyway."

Ronnie Sloan, president of Fair, Anderson and Langerman, a Las Vegas-based accounting firm and business consultancy, notices several ways the business is changing, and most of them

include additional hand-holding.

"Some of our clients are construction companies and they have been affected by the current situation," she said. "So we work with them from a business perspective and help them through the economic downturn."

With clients facing bankruptcy, the firm focuses on managing its relationship with banks and attorneys, restructuring debt and handling accounts receivable.

"We had a client who had to close his business and we decided to cut his fees by 50 percent to help him through this rough time," Sloan said. "It made his day."

Because the firm anticipated the loss of revenue, Sloan said it streamlined operations and cut back expenses. Even with all the additional work, the firm expects a flat year.

"We decided to take a hit at a partner level but keep the scheduled pay increases for our staff and not pass any of the costs to our clients," she said. The firm plans to maintain its billable hour rates for the current year.

As client companies lay off staff, workers charged with preparing paperwork for accounting firms may get the boot.

This translates into delays and incomplete information, creating more problems. Therefore, Sloan's firm now helps its clients compile all necessary reports, sometimes at the client's offices, at a reduced rate.

"We know that three (or) four years down the road it will all come back," she said.

As accounting firms invest time and resources to help clients through the tough times, clients expect nothing less. Sloan said she notices that people who tolerated less-than-excellent service from professionals in the past refuse to do so now.

"They are not calling us to cut fees," she said. "They are calling to get a better quality of service."

A.E. Feldman reports that several accounting firms and industry organizations have built resources to specifically address clients' needs during the recession. Goldstein Lieberman, for example, has formed a Recession-Expert Accounting Consultant Team, composed of a core group of top management CPAs with experience helping companies navigate through economic turbulence.

The American Institute of CPAs has opened an online Economic Crisis Resource Center, which contains tools, such as Web casts, articles and courses on strategic planning, budgeting, fraud detection, and maintaining the public trust. The group plans to keep the site updated with the latest information, including government actions and court rulings.

Association of Chartered Certified Accountants also recently launched a financial crisis center, where members can share expertise and get support from peers.

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