

## **TODAY'S ECONOMIC IMPACT ON ACCOUNTING FIRMS**

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Businesses are experiencing a myriad of issues and Certified Public Accountants (CPAs) can and should assume an influential role, providing business owners perspective and advice. Now is *not* the time to assume clients cannot afford consulting and management advice, as CPAs have the experience, expertise, and planning ideas to be extremely valuable. Now *is* the time to contact clients and assist them with making appropriate business decisions and help them maintain ongoing business activities and production.

Individuals and businesses are experiencing tighter credit challenges and possibly facing frozen equity loans and credit lines. Some companies are even having loans called while they are in compliance with loan document covenants. CPAs can help calm frazzled nerves and offer options such as alternative financing, arranging a meeting with lenders, assisting with requested financial forecasts and assumptions, ascertaining clients are maintaining compliance with the loan terms, or strategic planning. The objective is to help preserve, renew, or locate supplementary financing, and a well-defined plan, created with a CPA's assistance, may be the necessary factor for success.

A CPA provides a great deal of input to business owners. Reviewing monthly or weekly income and expenses can help determine break-even points and how long a business can operate at that level. Currently, "cash is king" and the lifeblood of all businesses. A CPA can evaluate immediate and longer-term cash flow needs, look for patterns in a business's accounts receivable, and suggest new credit terms. There may be opportunities to manage accounts payable more efficiently. The significant value a CPA can offer clients right now is strategic suggestions to refocus financial decisions and maintain fiscal security. Accounting firms must maintain client communication more actively and regularly than ever before.

Banks and other lending institutions are under significant pressure from regulators, their boards, and other influencers. All the while, the government is pushing them for easier credit. Complicating this is the decline in real estate and stock market values. These declines affect both borrowers and lenders. These situations present a great many opportunities for CPAs to assist both the borrowers and the lenders. This is also an opportunity for all businesses to develop additional relationships with banks, whether or not they currently need credit. CPAs can assist with building these new relationships.

For businesses facing severe cash flow issues due to the current economic conditions, there is an excellent opportunity to provide expertise with work-out plans and cash flow projections. Many CPAs also have credentials and experience in performing business valuations – a useful skill for difficult situations. The value gained from these types of services is usually a multiple of the cost.

CPA firms, themselves, are facing declining revenue. But when clients begin to prepare their own financial forecasts, tax returns and financial plans, they will likely recognize and appreciate the value they had been receiving from their professional service providers. Long-term clients finding themselves in current financial trouble are presenting a dilemma for CPAs. Accounting firms are determining how to balance their own firms' best interests with those of their clients. The use of advance payments, retainers, or payment as work is performed, are methods that both assist stressed clients and maintain a firm's financial soundness. Credit card payments and promissory notes are also utilized more often these days. All businesses must realize there is zero value in a professional services provider that cannot assist because of not having enough cash flow themselves.

Business owners and managers under age forty will probably have a difficult time adapting to the current climate because they have never experienced a downturn quite like the present situation. Those who have previously experienced a recession usually can reflect on that experience to solve tough economic issues.

While some of the services offered by CPAs are required by governmental and lending institutions, many other services are not. It is these additional services where the extra value enters in when using an experienced CPA. Do not panic -- there are many qualified CPAs who can assist in working through these uncharted economic waters. Obtaining qualified, experienced advice from a CPA is more critical to a business's survival than ever before.

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