

## How CPAs Can Improve Operations During the Economic Downturn

### Now is the time to renegotiate, reconfigure, and rethink your business processes.

An economic downturn is hard to think of as a gift. It's easier to think of it like a rainstorm that has settled in to stay. But there is the proverbial silver lining; there are ways to take advantage of difficult times.

CPAs are thinking about how they and their clients can thrive in a time when "frugal stability is the new position of strength" says Bradford Hall, managing director at Hall & Company, an Irvine-based accounting and consulting firm.

Many CPA's understand that certain opportunities can be found in down times such as these. Here are some specific areas to consider:

**Assess Your Costs** — Professional services firms have three major costs; facilities, employees, and liability insurance. Explore opportunities for improvement in these fundamental business segments:

**It's a Tenant's Market** — Commercial tenants may be in a good position to negotiate a lease that is near term. If you have extra space, consider subletting it to reduce overhead on rent, office equipment, even administrative personnel. Given the decrease in real estate prices, this is also a good time to consider purchasing your own space, which may offer significant tax advantages.

**Operational Tune-Up** — This is the time to ask employees to seek and present new efficiencies. Firm owners may want to explore outsourcing certain specialized activities that are not a core client service, even if only temporarily. Think of this downturn as an opportunity to hire a desirable key employee let go by another firm who would bring added expertise to yours. Focus on coming out of this downturn stronger.

**Cost of Liability** — Because most CPAs renew their liability insurance annually, there may be some flexibility here. Insurers are hungry for business. Take this opportunity to compare your carrier with others. Also consider negotiating a discount or optimizing expensive policies with your own provider.

**Incidental Costs** — Beyond the three big areas, explore other opportunities to make your firm more efficient, says Hall. CPAs must keep an eye on their billing – sending

invoices on a timely basis and quickly following up on ones that go unpaid.

"We contact our clients if they're 30 days behind in paying, so the 30 days doesn't turn into 60 days," Hall says. "The professional services industry has to bill on a timely basis, because there are so many expenditures that clients will put ahead of our bill, such as rent, utilities, payroll, and payroll taxes."

Ironically, the economic slowdown can mean more pressure on CPAs to speed up their work. "When the economy is good, it doesn't matter if you get financial statements out three months after the end of the quarter," Hall says. "Now, when clients are losing money, they need timely and accurate statements more than ever so they can understand their financial situation in real time." In addition, as the CPA doing their books and seeing their sales (or lack thereof), you can see quickly who among your clients might be having financial difficulties.

Hall also recommends adding a dose of skepticism when prospective clients come to you, increasing your due diligence as to why they left their previous CPA firm. "They could be switching because they didn't pay their previous CPA," he says. Check their payment history with one of the credit reporting agencies, such as Dun & Bradstreet®, Equifax® or ExperianSM.

It can be productive to employ your line-item experience to see which expenses can be trimmed. You will likely find a lot of extraneous office extras, such as that expensive coffee service or redundant publication subscriptions. These incidentals can really add up.

As a CPA, you need to be detail-oriented for your clients' finances. Do the same for yourself and you're sure to find new ways to save money.

A Union Bank representative adds; this is a great time to refinance and save. With today's attractive interest rates, now could be the best time to refinance your loan on owner-occupied commercial real estate or consider purchasing new property. Our loans are designed to maximize your options and potentially save you time, money, and effort – so you can use your capital and other valuable resources to enhance the success of your business.