

*Special Report for Entrepreneurs & Small Business Owners*

# 3 Strategies to Attack & Solve The Bookkeeping Aspects of Running Your Small Business

Hosted by Paul Sullivan, CPA/IAR

President, Sullivan & Company - Certified Public Accountants

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*This document is the transcript of an audio recording & interview of Sullivan & Company CPA staff. To listen to the original audio recording go to: [www.PaulSullivanCPA.com](http://www.PaulSullivanCPA.com)*



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HOST: Great, go ahead Paul, you're ready to get started.

PAUL: First of all, I'd like to thank everybody for coming. This is a topic we like. We get a lot of questions on it, and we hope it's worthwhile for you. We do want to – one of the reasons we have a panel is that if there's some type of question you have that I don't know, they're here to answer also. It's somewhat of a free question format; we'd like to make sure your questions are answered, and we are not waiting till the end on purpose, so that you can get your questions answered. We have a variety of people on the call. There is some new businesses on the call, as well as current clients we have that have anywhere between 1 and 50 employees. So those types of circumstances do vary, so if something comes up in your situation, feel free to ask.

We also have quite a few different industries on the call, so if it's anything that's peculiar to your industry, you're welcome to ask a question also. I have with me a couple senior people in my business, Monika Benkovic is a CPA, she's been with me about 6 years, she specializes in this type of work. And I also have Dan Fannin, who's head of our Business Services division, and runs all of this type of work. For those of you that don't know me well, my name's Paul Sullivan, I run a CPA firm in Bethesda. We've been in business about 30 years, we handle all of the traditional accounting services that businesses and individuals need. We have a bit of a specialty in what we call Business Services and Counseling Services, which are geared to one of the options that we're going to discuss, which is the outsourcing of your accounting.

One of the reasons why we picked this topic is we have a – is John on the call?

JOHN: Right here, Paul.

PAUL: OK. John is my Client Services representative and he talks to probably 5 to 10 businesses per week, and addresses a lot of the things on this call. So we figured we would handle it all at one time, and we have some of the prospects that he's talked to, and they have questions as to how to get their accounting handled efficiently, and to get the answers they need. We also have businesses who've been in business for a long time, and in this economy they've found that business is down, or business is up. So many of these things that we're going to talk about are items that apply given volumes levels. So what works at one volume level does not work at another volume level, and we want you to know your alternatives.

All right, let me get a couple definitions out there. We use the term in our Three Strategies to Attack and Solve the Bookkeeping Aspects of Running Your Business. **What do we mean by bookkeeping? Bookkeeping, what we're talking about, is everything from when you first write a check, all the way to the end where you have a financial statement or tax return.** So we're kind of collecting all of those duties, and trying to give you alternatives to get them done. And we have – I've made up an outline of three methods, or three strategies, that will vary largely dependent on a couple of factors.

The first is the size of your business. The second is the people in your business – who works there? Are you a one-person outfit? Do you have 50 people? Do you have people that you can adapt to take care of some of these duties? The third thing is the background of the owner. Some owners are adaptable and are used to working with a computer, and some are not. And some of that has to do with industry. We find that clients in software industry or an industry that naturally deals with computers is more apt to handle more of it themselves, whereas if someone is a auto-mechanic or construction business, or some business that doesn't naturally use the

computers much has a more difficult time. So those will vary, and you're welcome to ask questions as applicable to you.

## Strategy #1 - Hire a Full-Time or Part-Time Bookkeeper

The first area I'm going to talk about is, what a lot of people try to do is to hire a – Strategy Number One, which is to hire a full-time or part-time bookkeeper. And that bookkeeper varies in that if you ever put an ad in the paper and try to hire a bookkeeper, you get various people with various talents that can handle maybe none of, or all of, what you're trying to do. Whether they can handle your general ledger, whether they can handle your bank reconciliation, whether they can handle your accounts receivable payable, whether they know QuickBooks, whether they can use an adding machine, how are they with computer input, can vary widely.

And that's where, if you're going to pick this method, I know here we have a program whereby if somebody's hired a part-time or full-time bookkeeper, we ask them to run by us. Because essentially, they're going to be somewhat of our subcontractor. And being the business owner is not an accountant most times, he should have that process done when he gets down to his first few – or last few applicants that he wants to pick. He can run them by us and we test them and we talk to them and we help him hire that, so if you're going to pick this I would highly encourage that you involve your accounting firm in assessing what they can and can't do. You'll save yourself quite a lot of time and aggravation, if that's correct.

I'm going to open it up a little, and I'm going to talk about, if you pick this alternative, what would be some of the advantages and disadvantages of hiring a part-time or full-time bookkeeper. Monica or Dan, if you have any input on what –

DAN: This is Dan, one of the advantages that you'd have is that the owner has a little bit more control in the business. They see the day-to-day detail, and have someone that they can readily go to, to obtain that information.

PAUL: Right, that control aspect is actually one of the biggest advantages. And assuming that this person knows what they're doing, and has been hired properly – typically in this day and age, many people get QuickBooks – there are other ones out there – you'll find QuickBooks is a popular brand, and if you go to hire a bookkeeper, chances are they're going to have experience, if they have experience with anything, they'll have experience with that. Some of these other software programs could be applicable, and you could ask us what other software you might use. However, that one is a very popular one. Properly used in-house, with proper personnel, can put a business forward quite a bit.

Some people get that particular program and don't use all of it, and that's a great thing. They can just use it for accounts payable and accounts receivable, and not use the general ledger, and that's fully applicable, and there's nothing wrong with doing that. Using a general ledger program, approval-based, accounts payable accounts receivable, is not a light task, and if that person can do it, they are what somebody would say is a full-charge bookkeeper, which helps your business quite a bit. Most likely you'll get somebody less than that. And so if you do, what they can and can't do needs to be worked out for the accountant. Do you know any other advantages of using in-house, part-time or full-time bookkeeper?

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DAN: Well one of the things is the technology issue. You know, if you have an in-house bookkeeper, there's the internet, there's access for the internet, where we could step in and advise if there is an issue that the bookkeeper doesn't know how to handle.

PAUL: Right. What he's saying is that in this day and age, for quite a few clients now, we put a piece of software on their computer. And we access it from our office, and we can do everything from our office that we could do if we were sitting in their office, other than access to physical papers. We can make entries, we can review what they did, we can check their bank rec, we can follow up, we can see what they're doing, we can see what they're not doing. And if you have somebody that's using a computer program, that has a computer, assuming you wanted your accounting firm to have access – you got to remember, when we have access, we have access. We typically could just go to the accounting program, but we have 24 access and it stays with our company. But it does help us quite a bit in getting the information.

We also have portal interchange, where we can move your accounting in and out. But the software, Log Me In, allows us to check what they're doing. I think that's the biggest advantage, and assuming you get a competent person that you run by your accounting firm, it can help you, depending really on your volume level. If you're a one person business, or a two person business, or a three person business, the economy to scale of getting a full-time or part-time bookkeeper might not work. Which would give you access to another strategy we might have.

What are the disadvantages of hiring a full-time or part-time bookkeeper? Well

DAN: It's expensive.

PAUL: It's expensive – it's largely expensive because an owner of a business doesn't necessarily know, or is not able to review, what they're doing, because they're not an accountant. So they're kind of hiring somebody with another expertise, or not expertise, and they can spend, and we've seen, they can spend an awful lot of times on things that don't matter. For example, they're trying to find a small amount in the bank reconciliation, or they're trying to make sure that withholding is right with payroll, but they can't get the financial statements done. So that, they may or may not know how to do, and that's why they need to be monitored.

We've had situations where somebody's hired somebody, part-time or full-time, and at that point they have to trust them, because they have access to the bank account and they can see what's going on. And that confidentiality might also be a reason not to have a person have that type of ability. Over my career, I've seen many situations of theft, where they were able to – because they saw the financial data, they were able to take money or take something else. So that confidentiality part gets businesses sometimes to go to one of the options to get the information away from the business. We have clients that do five, or eight, or ten million, and they prefer to do it off-site, because it leaves the CPA firm, it stays at the CPA firm, it's not accessible to their employees.

Another disadvantage that we see is that if you have somebody good in-house that does your accounting, if we're the CPA firm, we tend to be away, and not know what's going on. So that we – unless we update ourselves with what's going on in the business, if the owner calls me and asks me about a certain situation, I don't have it on my computer. Their accounting may be updated or not updated, and I kind of need to get up to

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speed if the owner is asking me about profit margin, rent, decisions to make on people, what are their costs, what can they change. If he can't get that from his in-house bookkeeper or accountant, and he asks me, I'm not up to speed. We tend to be away. Whereas if we go to one of the other methods, we know a little bit more.

Are there any other disadvantages?

DAN: Well I think, too, you mentioned the expertise of the bookkeeper. To what extent do they have the expertise to do the job that's necessary in the business. And if you have someone part-time, you know, how long will they hold that position? Normally we see about two years.

PAUL: Turnover. I mean, turnover's a big thing, because, you know, no matter what business we do work for, there's a learning curve there. And if the part-time turns over too quick, the full-time they turn over in 2-3 years, they're back to training that person on how to do certain things, and that does affect getting the job done.

At some point, what we call a bookkeeper becomes a controller, and for businesses that have, say 50, 100 employees, at some point they'll bring this feature in-house, and they'll pay that accountant 60,000, or 70,000 or 80,000. And when the economies of scale, when the economies of scale work, that person is very skilled, and likewise, they should use the accounting firm to hire that person. And we, as a CPA firm, try to suggest when that should occur. Because it definitely does when they're doing – when the CPA firm's doing the accounting, it is not necessarily – it can be done in-house, if they have a certain volume.

Did we cover all the disadvantages?

JOHN: I think Dan had another point too, that it can be difficult to learn and time-consuming. I've met with business owners who, on the one hand, one might spend a lot of time working with their in-house accountant, so that they have the control feature that we mentioned earlier. But that's time-consuming and kind of redundant as well. And I've met with others – I met one retail store owner that had a bookkeeper leave after a few years, you know, left him in a mess. Didn't give a lot of notice, and suddenly they're scrambling to get things together. So, advantages and disadvantages, I guess.

PAUL: Right. Most likely we don't see turnover when the person tends to be related – a spouse, a mother, a brother. In those situations, you know, it can work. That has other fallout. But it can work. We – go ahead.

JOHN: Is there any – I've met with business owners who seem to feel that there's sort of a real-time advantage of looking at their books. For lack of a better word, they can look at it anytime they want, as a real-time view. Is that an advantage?

PAUL: They can. Largely that occurs when this bookkeeper is literally an accountant. You know, we have a client who has a business that his relative is a CPA, and they do it in-house, and they're not of volume, they could handle it another way. But the person's not going to turnover, they are an accountant, they see it in real-time – I will say, you say real-time – they could see it faster. They don't necessarily see it faster, but they could see it faster. What they don't have is, they don't have an outside accountant that has 100 other businesses like theirs, in their size, perhaps in their industry, that can talk to them confidentially about their numbers, where

they're going, what they should do. You know, they don't have an objective, in other words, what are other people doing.

I had one the other day, with business the way it is now, so he calls – his work is through October 31 – he was going to ask his landlord for a reduction from \$4100 a month to \$3800 a month. So we went through everything, and he's going to ask his landlord for a reduction to \$3100 a month, from \$4100. So I could pull it up and I knew all about it, and if he had a bookkeeper, I wouldn't know all that information. So that's an example of what you can get if you have somebody that has other – experienced other clients.

JOHN: I see, so Paul in a sense you're saying that they might have that real-time view, but it's not necessarily an advantage, because they don't have the objectivity that an outside firm would have doing their books.

PAUL: Right.

JOHN: OK, nothing to compare it to.

PAUL: Do we have any questions? Anybody awake? (chuckles)

HOST: The lines are open Paul, and just so you know we did have a question and I did email that to you, you may want to take a peek at that later in the call.

### Strategy #2.1 - Outsource Your Accounting to a CPA Firm

Paul: OK. The second option is, the second strategy, getting your accounting done, is to outsource to a CPA firm like us. This is actually what we specialize in, and it applies to many size different businesses. And the reason why they outsource is because they can't deal with the personnel, the items and disadvantages that we talked about. It's not a one size fits all, it's kind of depending on the factors that I talked about earlier on this call. Size, personnel, industry, background of the owner. Our experience in method one – out of 10 businesses, let's say, with an average size of \$1-2 million in revenue – out of 10 businesses, one does it under method one that we just covered, just to give you what we see as a survey – could be two, one or two.

Method two is to outsource to the accounting firm, basically take an administrative person, they handle the lower end of the accounting work. Let's call that administrative work, like write checks, send bills to your clients, keep track of who owes you money, keep track of who you owe money to, maybe call in the payroll to the accounting firm payroll service or an outside payroll service.

PAUL: The more skilled items, like monthly and quarterly accounting, bank reconciliation, sales tax preparation, business management, advice, tax advice, is handled by the accounting firm. The way we do it is, it's a flat monthly charge, we are available for, essentially, what we advertise is unlimited consulting by telephone or at our office. So it's all included in the budgeted amount, so they can call us whenever they want to.

And we wrap that with a year-end tax return, tax planning, personal tax return, business tax return, and it is a good solution where they don't have to deal with any of the other disadvantages, such as turnover in personnel,

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confidentiality. Assuming they use our system and send us the information in the recommended ways, we turn around work and they're up-to-date all the time. If they have trouble answering questions, or they have trouble sending us information, then we're like anybody else. It doesn't get done, we need that done. However, it does provide an economical solution and it kind of takes the "getting it done" outside of the company.

So if I had to ask the panel the disadvantages of this, what would they say? I suppose a disadvantage is if they don't send us the information, it does not get done, and we're not there, so we can't actually pick up the information. So they do have to send it, they might not get their information if we don't get it. That could be a disadvantage. If they send it to us using our system, they essentially have the same timing as they would have with an in-house person. Because we have, in our office, we have ten accountants; they do this work all the time, we have a system they use.

And this means that we know what's going on in the business financially, monthly or quarterly, so that at the end of the year when we have to do a tax return, it can be done somewhat more economically because we're not seeing an in-house person, what did they do, what didn't they do – you know, what do we have to correct, what do we not have to correct. And we already have everything in January and February, there tends not to be extensions, and we're on to the next year. So, at least for the people that work with us, it does work.

If I can throw out some numbers, for example, a business that did under method one, and let's say their revenue was a million, you know, they're going to come see us, they're going to see us once a year, we're not going to know what's going on in the business, we're going to charge them for the year-end corporation tax return, \$1500-\$2000. If they let us do it monthly, they don't have to hire a bookkeeper, we do it monthly, and they probably end up paying us \$4000. So, for roughly \$2000 more, they're kind of getting all their accounting done, they have an outside consultant, they can ask questions.

We know when – we're keeping track of when sales tax figures change for 300 businesses. So they're keeping track of it for their one business, if their bookkeeper misses it, it's going to go by the wayside. We're keeping track of tax laws for 300 business, what are the changes. We're keeping track of the accounting changes, so the economies to scale are there. What we do very quickly and efficiently, if you had somebody in-house, that would take longer to do.

HOST: Paul, this is Jeff, we had a question come through from John Moody. It says "Do you offer a outsourced, in-house bookkeeper, someone that can take care of AP, AR, payroll, send bills, job costing, etc?"

PAUL: Right, good question. For accounts payable and accounts receivable, tends to be an on-site job. The reason for that is, for example, if somebody's in the construction business – you know, their bills to their people are going to be geared to their contracts. We can do a mechanical bill, if we're told what to do. But getting the knowledge of the contract and getting it passed to us is difficult. So I say, essentially no. With regard to accounts payable, it's similar. We can mechanically write checks, but we don't know if the bills are correct. So what we tell people to do, at some point, at a business, if they have an administrative person, the administrative person can write checks, be it manual or on the computer. So I don't think there's a substitute for an owner looking at a bill. I really don't think there's a substitute for that. He's the only one that tends to know it's right.

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Now, if you talk about, if you're doing 100 million, it's going to be different. You're going to have an in-house controller. But in our realm, let's call it \$0-\$15 million in revenue, most owners look at their bills. And so, could they tell us, do we write checks for some businesses? Only a few. I don't recommend it. I think accounts payable, accounts receivable, I think they need to do that on-site. And if they can't do that on-site, they possibly have an administrative person that answers the phone, or can write a check or type up a bill. Does that answer the question?

HOST: The lines are open Paul, and so if John's still listening, or has un-muted his phone, or if anybody else has a question, they can jump in. Paul, I often get business owners who feel that month-to-month accounting, maybe they're not doing enough business to warrant that kind of an expense, so they prefer to go with just dumping all their stuff to an accountant at the end of the year. Is there any advantage or disadvantage to that kind of an approach?

PAUL: Actually, the example, or the analogy I always give is, you know it's 12 rooms we're painting, and whether we paint them all at one time or we paint them one at a time, it still essentially takes the same amount. That type of attitude also gives rise to extensions, because you can understand, if an accountant has 20 businesses and they're all giving him 12 months' work in February, some are not going to get done. So that, in addition, we ask people questions monthly or quarterly, and if I ask them in November what happened in October, they're going to know. If I ask them in next October, it's going to take them longer to answer the question.

So I – and also, as part of our package, we talk to people about what we call tax planning, it's difficult, but what we talk about is, OK, it's now November, what can you do, what should you do, should you get a pension, should you pay your estimates, should you pay your state tax, should you buy equipment. In fact, last year around the end of December, channel 5 came here and I did a spiel on year-end tax plan, and I talked to Bill Isaacs, and we came up with about ten things, and they put us on the news, and then they went to one of our clients in Silver Spring.

You know, we tell them where they are, and what they can do, and if they can't do anything, they're going to owe X. And they're better off knowing that in November than in April, so that they can plan that they're going to owe \$10,000 or whatever the number is, rather than giving me everything at once, we finish it April 12, and I say "You owe X." So that's – that type of thinking doesn't save accounting work, it doesn't really save accounting fees. It does keep us away from them, and thereby they restrict what we can – I mean essentially, the reality of it is many businesses can get anybody to do their books. And we try to add on by giving them tax advice, management advice, and we can do that. And if it's for the same cost as the year-end, it's not – there's not an additional cost to it.

HOST: I think another thing we do, too, is we're kind of big on compliance. Keeping people current with the various taxes, whether it be property tax, or income tax, payroll taxes. And we do our best to ensure that forms and taxes are paid on a timely basis. We also look at whether their business entity is in compliance.

PAUL: Meaning, what he's saying is, is their charter forfeited, are they a real corporation, or has it been taken away, is there something that hasn't been paid.



PAUL: If you go back to my model, if I take 10 small businesses, our experience is unless they have a situation where they have a controller, probably six or seven use this method. They could use an accounting firm and not get it done. I mean, that does happen in the accounting industry, but we try not to let it happen in our company.

## Strategy #2.1 - Outsource Internally or INSOURCE Your Bookkeeping or Accounting

PAUL: Yeah, earlier this year – I think it was this year – we did a seminar on three different strategies on handling your accounting, and strategy number one was to hire a full-time or part-time bookkeeper, strategy number two was outsource to the CPA firm and number three was to do your own accounting in-house.

I'm constantly meeting with people trying to figure out which method is best, because no matter which method you keep, ultimately it comes down to the people involved. So I saw a business yesterday, and he uses the method of – he's a small business, he has maybe five employees, revenue of \$800,000 – and his method is, he puts it out on Craigslist for bookkeeper, he hires the bookkeeper, he kind of supervises the bookkeeper. He happens to be in the business of software engineer, so he's kind of used to the computer. But he has to supervise the bookkeeper in order to try to get the accounting done in-house. And then at the end of the year he uses the accounting firm. And he complains about how he hires the bookkeepers and he trains them, but then after six months to a year, they leave. So he's back to hiring another one.

In our experience, this method is – it's what people see, and there are exceptions to this – our experience is it works about one or two out of ten, where you might get a part-time or full-time bookkeeper that actually stays with you. In any business, there's unique things. They're not all the same. So they need to learn the intricacies of the business, and then by the time they learn it, they leave, so he's off with a new one.

I tried to convince him that he could either try outsourcing to the accounting firm, or there's actually a new concept out there which is called in-sourcing. In-sourcing is where a business owner – in general, many of these – if you take an example business of a construction business, you have one person that runs the business and one owner, and he might have an administrative person in-house. And other than that, he's got everybody out on the field in the projects. The method that's used is through the computer. What the people do is they fax any invoices, in the case of accounts payable, they fax it or email it to an address. And those bills come up onscreen, so that those bills go to, for example, North Dakota, and they come up on his screen and he can see the bills. And then he merely, when he wants to pay it, he clicks. And he clicks, and then that bill-paying service puts it in an envelope, pays the bills, or in many cases after a while, pays it electronically.

We happen to use this type of service in our CPA firm. Then the outside accounting firm can merely look up everything that's been paid online, and if they coded correctly, all of this data can be downloaded into QuickBooks. So in this way, he's merely authorizing the payment, and all of the administrative tasks are done by the bill-paying service, and the accounting firm has access to the data online, and everything is available online. So the information's available, and it streamlines the bill-paying effort and it, in general, costs pennies. The cost for the bill-paying service is, in round numbers somebody would say, a dollar a check. And if you were doing it yourself you'd pay forty-five cents in postage. So if they pay it electronically, it's actually less than a dollar a check.

But this is a method that's not mentioned in our three methods, but it's becoming more and more available where people take their accounting department, in some cases, where they have one or two people, and say they're paying those people \$100,000 a year, and they can use this in-sourcing method, *and in many cases reduce their \$100,000 accounting department to half of that and get everything – and get the same items done.*

So we've done this with clients, and we've actually made it better for them because they used to mail checks international, and the people would have to wait, depending on what country they're in, they would wait 3-4 weeks. And in many countries they have difficulty cashing checks. *So now we pay it electronically, so it's instant, and the client authorizes those payments onscreen and has access to the payments, can see what we paid, and all that information's available. So this is what we've done recently, and I think it's a method that many businesses should consider.*

### Strategy #2.3 - Outsource Your Bookkeeping via Remote Access

PAUL: Right, we had another case just recently, and that I talked to, and they will probably hire us. So maybe six months ago they hired a full-time bookkeeper for roughly \$3500 a month. So this business is in the business of title searches. They have five employees, another small business. And they pay \$3500, and the problem is the owner doesn't know what the person doing the Quick Books is doing, because when they hired that bookkeeper, they didn't even talk to their outside accountants, nor did their outside accountants offer for them to help in the hiring. So you have an owner that's a specialist in title searches hiring a person that's supposed to know QuickBooks.

And he complained that they've been in the office for two, three months, and they seem to be creating – quote unquote, they seem to be “creating work,” number one. Number two, we're still behind by six months on the accounting. Number three, I don't know what she's doing. And so you can see the problem with a person in another industry hiring a QuickBooks person and just letting them loose on the software. It just doesn't work.

But one of the things we offered in our package of services is we would overlook what she's doing – assuming he wants to keep that person, which I told him in general, keep her, see how she's doing – but what we do is we install software on their computer in their office in downtown Washington, and we log on and we can do everything from our office that we could do if we were there, and then we will monitor what she's done. So if she says she's done bank reconciliations for March, and April, and May, we will actually see those bank reconciliations, and it's all done very efficiently.

HOST: So in this case, you provide oversight, but you're also helping the owner possibly verify that the work set that is done is actually done, and done correctly.

PAUL: Yeah, that's correct. And then also as part of that, because we're connected with them, when he, as he said, in his previous accountants, he would say we just use the accountants for our taxes. And basically what that means is – it basically means this: I was there on October 12, and October 11 he received his tax returns, personal and business – excuse me, personal. Uh, I take that back, because he was an LLC, he reported it all on his personal returns. So he was receiving his personal returns for 2011 on October 12, 2012.

And you don't really have any – what he's missing there is he's missing any real-time information or advice from an accountant on his business, which is really what he needs. And the reason why he doesn't get it is he's kind of been trained, by default, that he just sees the accountant at the end of the year, and he tries to get it done the best he can, and he doesn't really have any accounting firm that's kind of working with him. They're kind of working after everything's been done, they just do the administrative duties of preparing the taxes, which is – you're not getting your money's worth.

MALE VOICE: And Paul, is it fair to say in this example that a lot of companies like that, they don't understand the value that you would bring in terms of consulting with them to help make sure that the company is profitable, and that there's certain experiences that you have that, if they ask you, and partner with you, you become sort of part of their team, that you can help them run the business more effectively because you have a close scrutiny on the numbers?

PAUL: That's true, a lot of this comes about because – in the case I saw, the previous accounting firm is charging them on an hourly basis, so they tend not to want to call them. You know, they don't want to involve them because every time they involve them, they get a bill. Whereas the way we work is they get a package, and we have a budget for the year, and in general they can call us all they want and there's not any change.

So that way, they feel like they can be our partner, because every time they call us they're not going to get a bill, and that encourages that kind of activity. When you have that – it's not much more than what they pay now. And in fact our budget proposal for the person I just talked to, actually we're probably about 75% of what he paid the other accounting firm, and we're offering to be available as needed, with not any – it doesn't cost them more to do that.

MALE VOICE: That makes sense, especially financially.

PAUL: Yeah, it's a good situation.

## Why Deciding Now to Outsource Your Accounting to a CPA Firm is Good This Time of The Year Before Year End

MALE VOICE: Paul, if I'm a business owner listening and maybe have considered changing accountants sometime during this year, what's their business advantage to doing something here in the fourth quarter, as opposed to say, waiting until the first of the year or after tax season?

PAUL: I mean, generally speaking, now – October, November, December – we get increased calls from people. In fact, yesterday I got two calls for individuals who want to come in to preliminary look at their taxes. They're both new to the area, they're not going to use the accounting firm they had before, they want to know what they can do before the end of the year. In the case of businesses, sometimes the results of operations could lag a little. Besides that, now that you're in the fourth quarter, you have more data. When you're in the first quarter, especially when businesses are seasonal, you know, they don't know exactly where they stand.

But here, at this company, we do tax planning in the fall, because you have a full nine months, ten months of operations. So the majority of the year is gone, you want to know where you stand, the accounting's got to be up-to-date. When you have that data and you just have two months left, now you can predict where you're going to be. Whereas in the first quarter, you might not know for the year, whether you're going to have a profit or loss, or where you are.

But now that nine or ten months are gone, we can assess where they are, they can put in a pension plan, they can... *One of the things they can do that really helps them, actually, is that if they have profits, they don't want us to tell them in April they have a tax. We can see, you can do items one, two, three in planning, and then after that, we can tell them the balance due. Now they know about it, they can plan some things, they cannot get into a situation where they spent the money on other things, and then the tax comes and they're not prepared.*

So that's what we try to do now, and then come January, February, March of next year, you're more concentrating on 2013. You're doing budget for the year, you're getting set for 2013, you're not in a situation where you're in October of the following year and you just finished the previous year. You're in a situation of, you know, you're planning for 2013 because you know what happened in 2012. And that's what we try to get people to do.

HOST: Paul, if there's somebody listening to this, either on the replay or some other means, and they've been on the fence about making a change, but suddenly after listening to this, they have an interest in talking to you. What's the best next step to take, and way to get a hold of you?

PAUL: I mean, the best next step is to think about their situation. There's nothing to lose by getting a second opinion. And that's what we offer when we see people is a second opinion. Sometimes I see people, they're in a good situation, they don't need to make a change, they're getting proper, and we tell them so. In general, we work with people on a long-term basis.

*We don't take people away from good situations, what we try to do is tell them, look, this is where you stand, these are the items that you should be getting. And if they're not, then we give them a proposal and they can consider making the change. We receive calls all the time, because we're pretty prominent on Google, and we meet with them – there's not a cost for the consultation – and we compare what they should be getting with their existing situation. And they would email or call me.*

### Strategy #3 - Do Your Own Accounting In-House

The third method is you do it yourself. Many times this occurs when we have a business that has two or three or four owners – one of them takes up this in-house. And that can work. If you have one business owner, they tend to use method two. If you have more than one owner, one of them has an accounting gene, maybe he can get the QuickBooks, get it up. You don't have a problem with turnover, you don't have a problem with confidentiality, you don't have – you know, he does pay attention to it, it is his business. He tends not to have the outside advice of the accountant from somebody in his industry. He tends not to, and we don't see it all the time, he might just give it to us at year-end.

### 3 Strategies to Attack & Solve The Bookkeeping Aspects of Running Your Small Business

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So you don't have those things, but sometimes, other than time, we always say that certainly if you're doing your accounting or you're doing your payroll, it's going to restrict your sales efforts. I saw a client that had a manufacturing company in Columbia maybe a couple years ago, and he had been in business 5 years. He used DacEasy Software, he had it up and running, he had job costs, accounts payable, accounts receivable. But he said, you know, if I could tell you the business I lost because I was doing my accounting. There's a trade-off there, and that's where we try to come in.

So is there any advantages – excuse me, is there any advantages of doing it this way?

JOHN: Well I think, too, normally the owner is not an accountant. I mean, if you're a government contractor, that's your expertise, and I think you mentioned the additional time it takes for the owner to process their transactions.

PAUL: Well I mean, the only advantage I know is when you have multiple owners it's, you know, they have a care factor that they have, and if that's correct, then sometimes it can apply, if they use the outside accountant for whatever. And then, you know, they will take care of it and watch it a little better than hired hands. And so other than the time in doing it, that – it can be advantageous. I don't *not* recommend it, in certain situations.

The disadvantage, probably more than anything else is, the time it takes is more than you think. And if they're not an accountant, they tend to develop these homegrown systems, that we see it and we kind of – it's not a standard type of system. And for example, if you have an IRS audit, when we get data from somebody that's done it in-house, we don't audit it, unless we have to, but we don't audit it, so we accept what they give us. Sometimes when we have in-house accountant – or partner doing it that's not an accountant, we see things that we did not know before, and it can lead to big changes on IRS audits. Because we haven't trained them, we don't know exactly what they're doing. And there can be things that are overlooked. Some of them go to training classes, spend time in training classes, which is again away from the business.

Our experience is out of 10 businesses, I don't know, probably one uses this, maybe less than one. Because many small businesses are one owner. But it's not a lot. Would we recommend it for a one-owner business? Certainly not. The formula of two works a lot better.

Questions?

HOST: The lines are open, so if you have a question just go ahead and start talking, or if you have a question on the webcast, just type it in the box, hit the submit button, and we'll get that.

PAUL: Did you send me a question?

HOST: Yeah, well one of the questions, this is related, it was actually a cost-cutting question. Says "Cost-cutting is always in the list of priorities for a small business owner. What are some of the suggestions for reducing the tax liability and administrative costs associated with that?"

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PAUL: I mean, the magical words when we talk to people is always simplify and streamline. It's really all about that. And the simplification is, in this case, this is administrative – call it paperwork – to the extent that can be simplified, it always ends up cutting costs. For taxes, we have a tax planning little talk we give, which is with regard to taxes of a business. The first thing they do is they pay all their business expenses through the business. Many people do that. They ask us questions on what they can deduct and not deduct.

Secondly, we encourage them to get some type of pension plan, if that's applicable. It may or may not be applicable. Should they get a certain type? We tell them. We say don't have a house yet, we don't recommend normally a house to come before a pension. So it's, in some cases, it's not applicable. But thereafter, there are some custom things that are applicable to certain types of businesses. So those we initially go over when we – that's part of when we take somebody on, we review their prior years' tax returns, we go through an interview process. And we do find different things that maybe another accounting firm did not consider. We've seen people and we've amended tax returns, and people get refunds. Does that answer the question?

HOST: Yeah, that question was from ACI, and it was sitting there before the tele-seminar, or the call started, so they may or may not be on the line. Just a question from my end, Paul is –

PAUL: I mean, we talk to people about should there be an S-Corp, should there be a C-Corp, should there be an LLC, and that can change things –

HOST: Towards the end of the year, do you get questions like Section 179, you know, can you consult on something like that? Is that a good idea?

PAUL: Yeah, I mean, equipment purchases they're going to buy in the beginning of next year. And many people know this. We have clients that are sophisticated, and they know that they can expense the items that they buy, and that is something that's done before the end of the year.

HOST: Well again, the lines are open, and it looks like you may have answered all the questions, I don't see any coming through right now. Anybody else out there with questions for Paul or his staff this morning? (pause) Paul, you've done a great job, that's what happens when we don't hear anything. Are there any other points that you want to cover?

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PAUL: Yeah there is. We have an offer, for those of us who are not our clients, we offer a 30-minute free consultation. We'd be glad to talk to you about your situation, we customize it to you. You don't have to hire us, at the end, there's not an obligation. We also offer that to our existing clients. If they want to go over, by virtue of being on this call, their particular situation, then we can come up with something that would help them, be it the topic on the seminar or any other particular things that apply to them, we have that same offer.

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HOST: Great, Paul, and if somebody is listening on the replay, if they want to get a hold of you either by phone or by email, can you go ahead and give your contact information?

PAUL: Telephone **301-657-8080 #102**. If you've talked to somebody from our company, you're welcome to talk to them, but you're also welcome to come straight through to me. My email address is [psullivan@esullivan.net](mailto:psullivan@esullivan.net). If you have anything that's particular with your situation, I'd be glad to talk to you about it.

HOST: Great. Paul, I want to thank you very much for all this great information, all the three different strategies. And I encourage everybody listening, either live on the internet or on the replay, to go ahead and get a hold of you. This has been the Three Strategies to Attack and Solve the Bookkeeping Aspects of Running Your Small Business, hosted by Sullivan & Company, with Paul Sullivan, CPA and President, and thank you very much, hope to talk to you soon.

PAUL: Thank you, thank you for your time.



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