



## IS YOUR ACCOUNTANT AN EXPENSE OR AN INVESTMENT IN YOUR BUSINESS?



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**M**any construction contractors use their accountants simply to perform traditional “number crunching” services to satisfy financial statement and tax reporting obligations. Meeting the minimum reporting requirements should not be considered the end of the services provided by your accountant, but rather the beginning. Your accountant should look beyond the numbers so that their services are an investment in your company instead of an expense.

A good accountant will provide you with much more than a tax return or financial statement. He/she will be a sounding board for new ideas, as well as a business consultant that helps you develop strategies to overcome challenges, improve operations and ultimately make more money.

Contractors that have been in business for a number of years know that their accountant can be an invaluable resource for the success, growth and continuation of their company, especially if they are knowledgeable about the construction industry. The following are value-added services that your accountant should provide:

### 1. **Strategic Planning**

Whether you are just starting or have an established construction company strategic planning is a vital component of growing a successful business and obtaining results. By going through the strategic planning process you will solidify your goals and provide a way to measure results. A strategic plan documents where you want your business to be one and five years from now, as well as how you will get there. If successfully designed and implemented, it will help you meet your business, professional and personal goals.

### 2. **Budgeting and Projections**

The key to achieving the financial goals of your company is accountability. The first step is the creation of budgets and projections. The second step is to hold individuals accountable for maintaining those budgets and achieving the company’s goals. Your accountant should help you develop budgets and projections, as well as measurable goals to ensure accountability.

### 3. **Financial Benchmarking**

Many companies operate profitably and believe that their business methodology is the best. However, what if you found out that your competitors were operating with significantly higher gross profits, lower operating expenses and stronger bottom lines? Most companies would immediately ask “*what are we doing wrong?*” Establishing benchmarks is similar to budgeting except you identify financial goals attainable in the construction industry. General benchmarking information can be obtained via the Internet; however your accountant can be a key resource for specific benchmarks that apply to your industry segment and region.

Benchmarking your company against those of other construction businesses is also important in determining the true value of your business. The Annual Valuation Survey of Construction Companies published by industry consultants ZweigWhite or the Annual Financial Survey published by the Construction Financial Management Association (CFMA) can be particularly helpful in this regard. The CFMA survey provides twenty key financial ratios for liquidity, profitability, leverage, and efficiency, as well as financial statements categorized and compiled by specialty, region, and revenue.

#### 4. **Succession Planning**

Most business owners have a good understanding of how their company operates and are confident that they will continue to be successful for as long as they are at the helm. Not all business owners have planned for the company's continued success after they retire. Whether your intent is to pass your business down to your own children, turn over the operation to key employees or sell your business outright to a third party, you should begin planning this transition. There are many tax saving strategies that will ensure that your company continues to operate and provide for your financial security. Since most succession planning takes time to implement, you should consult with your accountant to begin your exit strategy as soon as possible.

#### 5. **Bonding Advice**

The requirements of your bonding agent can be reduced if you, or your accountant, have a strong working relationship with them. Bonding agents have their own set of criteria that they use to evaluate your financial statements and your company's overall financial position. Ongoing communication between your bonding agent and accountant will usually reduce issues that may arise and help to amicably resolve any issues which may delay or stop the bonding process.

#### 6. **Tax Planning**

The old adage that *"people don't plan to fail, they fail to plan"* is never truer than when addressing tax planning. Tax preparation and tax planning are two distinctly different things. Too many companies do not see their accountant until after the end of their fiscal year. Tax planning after the fiscal year end is similar to putting the cart before the horse. In order to be successful, the majority of tax planning needs to be implemented over the course of the year and should be monitored regularly. There are many tax planning strategies that may take years to successfully implement. Unfortunately, a lot of companies do not seek to address such tax planning strategies until it is too late.

#### 7. **Profitability Enhancement**

There are three ways to enhance a company's profitability. The first way is to increase revenues, the second is to decrease expenses and the third is to improve the quality of life of the company owners. When people think of profitability enhancement, they automatically think of a higher bottom line, but what if your accountant came to you and said *"I can show you how to increase your gross revenues and gross profit while reducing the number of hours you work?"* Most people would jump at such an offer. Your accountant should ask you this type of question and help you implement solutions.

#### 8. **Internal Controls**

Implementation of solid internal controls is the best way to minimize the risk of fraud, embezzlement and other improprieties within your company. No one ever hires an employee thinking that they will be dishonest; however the reality is that employee theft results in a

significant amount of lost profits for companies every day. According to the Report to the Nation on Occupational Fraud & Abuse published by the Association of Certified Fraud Examiners (“ACFE”), the average cost of employee theft is \$160,000. Establishing and monitoring internal controls for your company will reduce such risks and secure the financial health of your company.

#### **9. Bank Negotiations**

Most businesses have a banking relationship with one or two banks. Very few business owners have an established working relationship with a multitude of banks and other financiers. Even fewer have the insight to know what financing terms and deals are currently available from different sources and have the ability to acquire similar terms for their business. Your accountant should have established personal relationships with numerous bankers and will be able to play a key role in negotiating and acquiring the best financing terms for you.

#### **10. Evaluation of Employee Benefits**

Most construction contractors know that their employees are the primary reason why their company is successful. Therefore, when the company has the opportunity to financially reward its employees, create significant write-offs for tax purposes, maximize benefits and compensation paid to its owners and increase overall employee moral, then the implementation or evaluation of an employee benefits plan is a win-win situation. Your accountant, along with the assistance of an independent pension consultant, can help you evaluate your options.

In today’s economy every resource is an opportunity for continued growth. By not making yourself accessible to such resources you are closing the door to a multitude of opportunities. If the deciding factor in how you hire your accountant is based upon price, you should remember the old saying “*you get what you pay for.*” A good certified public accountant will help you identify your goals, solve your problems and be your most trusted financial resource.

As a Master Sponsor of the New Jersey Builders Association and one of the leading accounting and consulting firms for the construction industry, Cowan, Guteski & Co., P.A. understands the importance of its role in your success. Contact Bill McNamara, CPA, CCIFP® - Shareholder-in-Charge of the Construction Services Group at 732-349-6880 extension 116 or [bmcnamara@cowanguteski.com](mailto:bmcnamara@cowanguteski.com).

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