

**Accountants, Small/Medium Enterprises Want**

**“Value-Added” Services**

Hello, I’m Peter Towers, Managing Director of ESS BIZTOOLS and ESS BASIP. Welcome to Accountants Minute.

Accountants, small/medium enterprises want value added services. Services that your clients can applaud and say, *“thank you very much”.* Do your clients thank you for the services that you provide?

We’re at the start of a new financial year. What are your resolutions for 2017/18 when it comes to supplying “value-added” services to your clients?

I’d like to have a discussion with you this morning in relation to the different characteristics of the services that you might provide, or that you might consider providing, to your clients.

First of all, most accountancy businesses supply services which are “historical compliance” type services, but in my opinion, and having talked to thousands of small/medium enterprises over the years, both as an accountant and then as a consultant, clients don’t see any value out of these services. They don’t see that there is a “value-add”.

Business activity statements, annual financial accounts and income tax returns. What value is there for the client, other than perhaps a reduced income tax payment because you have been able to take advantage of some of the deductions that are available under the Act.

How do you think your clients would rate the following services that I would suggest you should be providing to your clients?

* An Annual Insurance Review – you might ask why? I think an annual insurance review requires some input from an accountant who is thinking about the client’s interests, from a business management point of view.
* For example, Key Man Insurance policies. Are they still of an appropriate amount of money? People tend to forget they took out a policy 5,6 or 7 years ago. Is the amount of cover still appropriate in the current circumstances?
* Buy-Sell Agreements – is the value of the business at such a level now that the insurance cover which was taken out is nowhere near enough in the event of an accident or major illness which would incapacitate one of the partners or shareholders in a business? Should that sum be reviewed, if possible?
* Consequential Loss of Profits’ Insurance – how often do you look at consequential loss of profits’ insurance covers? I find that most businesses have never considered these policies until they have a fire and then they start asking questions – *Who established this list of fixed expenses?* *Who established the indemnity period of only three months, when it’s going to take nearly twelve months to get the business re-established in new premises?* *Has everything been thought about in that list of fixed expenses?* These policies were probably originally put together by insurance agents or brokers who did not understand the financial implications within a business of some of these decisions that have been made.
* Personal Property Securities Register – how often do you sit down with your clients and look at the consequences of not registering a customer on that register?

For example, does your client have significant amounts of stock, or indeed any amount of stock, stored on someone else’s premises? Even for one night could be fatal, so perhaps you could ask that question*.*

*Is your client a tradesperson or a sub-contractor type of business that is doing work for a major contractor?*  Unfortunately, some major contractors get into financial difficulties, liquidators get appointed and then liquidators send letters of demand for what is termed “preferential payments” in the previous six months and the money has to be repaid.

In both of these examples, protection could have been available for your client if they had registered that customer on the Personal Property Securities Register, whether it’s the business that has the stock on consignment or the contractor with whom your client is dealing.

* Debtors’ Days Outstanding – Australia has the “longest debtors’ days outstanding in the World”, according to a United Kingdom review that examined debtors’ days outstanding in over 80 countries around the World. Australia won that very dubious title with 56.4 days outstanding.

Do you talk to your clients in relation to their debtors’ days outstanding? If you had a client who had $1.5 million worth of credit sales per annum and they were sitting on 56 days outstanding, have you told them what the cashflow improvement would be if they were able to implement systems that you could introduce for them to be able to reduce debtors’ days outstanding, through changes in procedures and policies, back to (say) 40 days? That would give them $66,000 into their bank account.

* Government Grants – what about identifying government grants that would enable your client to undertake some specific activities that they might not have been inclined to undertake if they had to pay 100% of the cost, but if they were only paying 50% of the cost, they might be inclined to do that work.

Incidentally, some of that work could come your way, because a significant amount of government grant work requires activities that, I believe, accountants should be able to undertake – budgets, cashflow forecasts, business plans, some lean management reviews of office procedures, corporate governance. These types of activities are services that could be performed in many government grants.

* Development of Budgets – this is another area.

What could be done in other areas that your clients would really rate you on the services that you’re providing because they’re going to contribute to adding value to the business?

* Business Plans - the facilitation of a business planning process is very important. Businesses need a business plan to guide them.
* Succession Planning – it’s just not something that should be thought about when the owner or managing director is thinking about retiring, it’s an ongoing process throughout the entire business. You could play a part in that.
* Corporate Governance/Directors’ Duties – these are very important so that businesses understand the benefit that can come their way through improving the skills around the board or management table.
* Board of Advice/Board of Directors – the formation of a board of advice or board of directors whereby your client has the benefit of being able to gain input from other experienced business people on issues and problems that are confronting them, because most businesses encounter the same problems, probably around 90% of them, but your clients might need your encouragement to undertake that task.
* Loans – do your clients have substantial loans, especially loans from family, friends and others or second mortgages on properties? Have you had a discussion with them in relation to the new opportunity that is about to occur in Australia with the commencement of capital raising for Crowd-Sourced Funding Companies which can undertake this task from the 29th September 2017? It’s not that far away.

I submit to you that these types of activities are what clients would classify as offering them to “add value” to their businesses, because that is what you’d be doing... “helping them to improve the overall value of the business”.

Incidentally, do you prepare a report each year which tells the client the value of their business, based on accepted methodology for valuing businesses? I would suggest that you do this for every business client because that can be the ultimate piece of information that you give them at the end of the financial year. Sure, they have a Profit & Loss Account; they have a Balance Sheet; they have an income tax return, but it’s what has gone on in these other activities of building their business, that will then be verified for them in their annual business valuation statement which will obviously look at things like what is the value of goodwill, on a reasonable calculation basis, so they can see the results of their endeavours?

To, help you at the start of a new financial year to launch into developing some real “value adding” services for your clients, we’re offering a **25% discount** on the **ESS BIZTOOLS Gold Package**, which includes:

* Tools
* Material
* Videos
* Webinars
* Articles
* Powerpoint slides

The ESS BIZTOOLS’ Gold Package has all that you need to help you on every matter that I’ve discussed today. You can subscribe to the ESS BIZTOOLS Gold Package for only $2,227.50 (incl GST). To do so, please go to our website – [www.essbiztools.com.au](http://www.essbiztools.com.au) or [click here](http://www.essbiztools.com.au/index.php?option=com_payplans&view=plan&task=login&plan_id=3&Itemid=310bb028f6a) to take you directly to the subscription page.

I’d like to invite you to join me for a special webinar on **Wednesday 12th July 2017** at **12.30pm** (AEST) during which we’re going to discuss the “Delivery of Value-Added Services to Your Clients”. Please ([Click here](https://register.gotowebinar.com/register/4344325856104977922)) to register.

If you have any questions on any aspect of how ESS BIZTOOLS can assist you to deliver “value-adding” services to your clients, please don’t hesitate to contact me – peter@essbiztools.com.au.

Have a wonderful day.

Peter Towers

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