



Part of the Washington SBDC Podcast Series

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To Debit or Not to Credit:

The accounting profession has experienced a complete transformation in the way financial statements are generated and communicated. The emergence of low cost accounting software packages has replaced paper ledgers. **Adherence to proper accounting principles still continues to play a major role in insuring the success of all businesses.** Entrepreneurs rely on financial statements to **obtain funding, comply with tax laws, and most importantly make day to day decisions.** Diminished use of accountants and scandals like Enron's accounting debacle has had an overall impact on the integrity of the accounting profession forcing business owners to become accountants and bookkeepers.

Keeping your own books can lead to:

- Creative accounting
- Innocent violations of accounting principles

Q: Do I really need an accountant?

A: It depends what you want your numbers to look like.

Accounting involves the identification, measurement and communication of business transactions and must not be confused with *bookkeeping* which is the recording of business transactions.

Businesses who involve a qualified accountant early on are more successful and their chances of failing to comply with statutory requires is greatly minimized.

Five factors in selecting an accountant:

1. Check their industry knowledge. The accountant should possess a good working knowledge of your business and industry.

2. Check to see if they are small business friendly. Ascertain whether the accountant has a large, small business clientele. The size of the practice is an indicator as to whether priority will be given to your small business relative to other businesses.
3. Check references of at least 3 current clients. Obtain reliability and promptness information with regard to their reputation. Are they involved in the day to day management of their perspective businesses? Do they just provide basic services or do they extend their services beyond the call of duty?
4. Check their familiarity with accounting software packages. Accountants will steer you towards a program they are very familiar with. They should know whatever you have been using, or should be able to validate why they want your business to use a specific program.
5. Check credentials. Are they certified through your state accounting board and be sure that they are currently licensed to practice in the state? Do they believe in continuing education to keep up on tax and legislation changes?

After you choose:

- ✓ Draft a letter of engagement defining their duties with a written clause identifying how or in what condition you can terminate their services including the return of all pertinent financial information returned in its proper format.
- ✓ Schedule regular sessions with your accountant to review your information and do not wait for tax time to get advice.
- ✓ The key here is to plan ahead in order to succeed.

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