

Shopping for an Accountant



Umpteen years ago Hot Rod and I went shopping for an accountant. Hot Rod's buddy and partner Richard Yox had just died. Yox had always done the books and filed the tax returns.

Yox took an aggressive approach to the IRS. He was cross-hair-focused on making sure that Uncle Sam didn't get one extra penny from Hot Rod & Yox Plumbing and Heating. They got audited once in 1981. The IRS wrote HR&Y a check for \$11. Since then we've never been audited. I'm crossing my fingers and knocking on wood that I don't ever have to go through an audit. I suspect, however, that after dealing with Yox, the auditor stamped "DON'T GO THERE" on our file.

Anyway, after Yox died, Hot Rod and I decided to use a professional tax accountant to do our year end tax filing. We were doing errands one day when we noticed a new sign going up in a little office plaza. Datasyst accounting services. Only, the "D" was backwards. Hmmmm. That indicated that they were either clever, which is a good thing for an accountant to be, or inaccurate, which is a very bad thing for an accountant to be. We pulled in to pay them a visit.

Brenda Paull looks like Bonnie Raitt. She's got wild, red-moving-to-silver hair. She laughs easily and smiles all the time. Brenda invited us to sit down and chat. She told us her story...

Brenda had worked for the IRS for 10 years. Then she went middle-age crazy. She quit her job, got unmarried and started to do what she wanted to do. She figured a good new career would be helping folks protect themselves from the insane jaws of the IRS. So she started preparing tax returns. She does absolutely bulletproof returns. Bring on the auditors. Hah! She knows their methods. Let 'em try!

Brenda met Steve Paull at a costume party on Halloween at a ski patrol party in Park City, Utah. If you don't know this, ski patrollers are serious about parties. They are up there with Vikings' fans and roofers. They discovered they both followed the Grateful Dead. It was instant love. They moved in together, in a teepee in the mountains, and got married at some point.

Steve was also middle-age crazy. And he had been so for about 20 years. Once upon a time, Steve used to wear a suit and tie and punch into the Silicone Valley computer corporate world every day from 9 to 5. I had a hard time believing this when Steve walked into the office and shook hands with us. He had a permanently attached smile, and a long white ponytail. He loved to say, "For sure."

Steve and Brenda decided to go into business together as Datasyst. Brenda would do the accounting, Steve would funnel all the information into the computers. It was a good idea. As it turned out, we were their first customer! I was pregnant with Max, HR was just recovering from Yox's early departure...we were all dealing with endings and new beginnings. It was an auspicious first meeting with our new accountant.

At this time, I was doing the books by hand in one of those heavy red accounting books. Brenda did the taxes at year end and that was it. This worked pretty well for a couple of years. Then we started to get busy. And HR and I started to starve.

You know my story of meeting Frank Blau. Frank hit me - hard, between the eyes - with the Gospel of Good Business. After that, I met with Steve and Brenda and told them I was going to raise our prices, and computerize our accounting. Brenda said, "Good for you. We'd be glad to help." Steve said, "For sure!"

Brenda offered to do all the data entry. That could have been a fine way to handle the books. But Frank made me realize that I needed to know the financials inside and out. For me, that meant doing it myself, until I understood it. With a computer and an accounting program, I could generate the financials. Then, I could hand it off once I got it figured out.

I'm lucky that I didn't know how much work it would be to computerize our company. I never would have done it. I didn't realize that I would have to learn double-entry accounting. But Brenda helped. She was patient as I pored over the chart of accounts and figured out how we were going to keep track of everything. If you are not computerized, bite the bullet and do it. Sure, the conversion is hell, but heaven lies on the other side. Accounting and computers are made for each other.

The real books vs. the pretend books.

I got the accounting system installed, but I still had to figure out how much to charge. A new year had begun. I took out the calculator and, using Brenda's nicely assembled tax returns, I figured out how much it had cost us to run the company the past year. I did a break-even

analysis of the data and found out how much it cost us, per man, per hour to operate Hot Rod & Yox.

Total costs of overhead + total cost of direct labor

Total number of billable hours

I came up with something in the neighborhood of \$42 dollars per billable hour for overhead and labor. Then, I realized something very important. So important that I am going to write this in bold print...

That's what the break-even amount was using the real numbers from the previous year. That was the year in which we paid ourselves \$30,000 (for the two of us!) and our top technician - a man who can fix anything on the face of this planet - made less than \$20,000.

Brenda was in charge of tax compliance. She needed the real numbers, the actual dollars taken in and spent. I needed to figure how much we were going to charge. If I used the real numbers in my calculations, I was doomed to another pitiful year. Just like last year! I took out a columnar pad and wrote down the pretend numbers. How much did I want to spend on ourselves and our wonderful team? I referred to the real numbers...on every line of the income statement I was scrimping. I beefed up my projected costs. And I created a selling price that would allow the coming year's real numbers to look like my pretend numbers.



To calculate break-even and figure your selling prices, you need to create pretend numbers. Do your calculations based on what you hope to spend, what you want to pay yourself and your valuable employees. Write down pretend numbers. Then determine what you need to charge to make your dreams come true.

We set our selling price for an hour of labor at almost four times what it was the year before. Brenda and Steve were totally supportive. In fact, they raised their prices too! They were indeed clever. We all started to make money.

A lot of accountants don't get this. Your accountant might tell you, "You can't charge that, you'll price yourself out of the market!" or "You'll have to pay a lot of taxes on that kind of income." If so, you might need a new accountant. **If 9 or more of these statements apply to your accountant, you have a winner:**

Handy Accountant Shopping Checklist...

- His primary business goal is to help you make tons of money.
- She loves when you raise your prices. It means you will both make more money.
- He asks, "How can I help you get the kind of information you need to fine tune this company?"
- She signs the returns with a 'smiley face' next to your best ever numbers.
- He offers to go over every line of the financial reports until you are sure you understand them.
- She understands that taxes are a cost of doing business and insists that your selling price is high enough to cover them.
- He offers to train your new data entry employees so that they get a clear understanding of the accounting program and basic accounting principles. At his place, on your nickel.
- She loves the 'sailboat' fund idea and suggests you add \$10 to every service call to contribute to the boat purchase.
- He makes a lot of money himself.
- She pushes you to start the fully funded profit sharing plan and look into ESOP options.
- He or she smiles a lot, and has lots of experience confronting the IRS.



Ellen Rohr The Business Makeover Expert® teaches the few things that make all the difference to your business success: Easy financial clean up, profitable pricing and powerful business planning. As the Plumber's Wife, she nearly sank her own family's contracting business. Then, she learned how to keep track of the money and make more of it. She has helped thousands of business owners start, fix and grow their companies.

Ellen is a columnist for Huffington Post, PHC News, and a contributor to many business journals and trade magazines. She provides "in the trenches" insight that business owners can relate to.

Ellen is the author of four business basics books: [*Where Did the Money Go?*](#), [*How Much Should I Charge?*](#), [*The Bare Bones Biz Plan*](#) and [*The Weekend Biz Plan*](#).

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