

*Exclusively written for Inside Collin County Business (843 words)*

## **Accounting Matters, But What's Best For Your Business?**

For business owners and executives, money definitely matters. However, there aren't many who get giddy about spending time on accounts payables and receivables, payroll, taxes and more. But the reality is this: *accounting matters*. Good financial management serves as the guide that leads to greater value or helps you steer clear of pitfalls.

### **No Compromise**

Excellent accounting is a great goal, but how do you know what you need? How do you know whether you need a full-time financial wizard or a qualified part-timer who comes in to get bills paid and the books reconciled? Equally important, how do you tap the right talent and type of experts to maximize your business operations and goals? And of course, what's it going to cost? Here's where you start:

- **Don't compromise**, on a person's rate or salary. There is a very tight market for good accounting people currently. The temptation to be financially frugal can nip you later. Good financial expertise should pay for itself in the long run.
- **Know where you are today**. Get a clear picture of your financial status, circumstances, systems, procedures and personnel.
- **Know your destination**. This means, "begin with the end in mind." Build a good financial or cash flow forecast. If you don't know how, start with a business advisor or financial expert to help you create your business vision and goals. Then parlay those into financial goals, analysis and forecasting.
- **Recognize and rectify common pitfalls and potential problems, such as:**
  - **The Me Factor**. Typically, entrepreneurs are doers and believe, "I can do it all myself." Avoid this trap since "doing it all" often takes the entrepreneur's attention away from his or her core competency and reducing overall effectiveness. Plus, the end result is usually poor financials.
  - **The One-Way Street**. Too often, companies have one person handling all financial transactions, A to Z. Even the most honest person can make a mistake, or even be tempted to "cash in." Get others involved to create proper controls.
  - **Over Tax Avoidance**. Entrepreneurs typically seek every way possible to eliminate taxes. While that makes sense, overzealous pursuit of this can make it impossible to prove the value of the business to bankers or potential buyers.

## **Get the Talent You Need**

There are four key financial types that can achieve your objectives. Each has its own strengths and experiences, including what you'll pay and where they can take your organization. What you need often has to do with the complexity of your financial needs, your growth projections, even your industry. For example, if you're a \$25 million company but expect 200-percent growth, a CFO vs. a Controller may be your best decision. In general, you'll find four levels of financial experts:

1. Chief Financial Officer
2. Controller
3. Accountant
4. Bookkeeper

**The Chief Financial Officer:** The CFO will be most valuable for a company seeking leadership, strategic growth and/or an exit strategy. The CFO should think through the company holistically and deliver strong, strategic direction, processes and systems. Typical attributes:

- A strategic advisor with leadership capabilities and the ability to build business value
- Typically has financial *and* accounting experience, earned an M.B.A and/or CPA, knows the ins and outs of capital structuring, has the war stories and scars to provide value and vision, and is well versed across disciplines
- Often positioned as the company's #2 executive
- Typically part of a company that is \$15 million in annual revenue or more
- A full-time CFO may want equity in the business and cash compensation ranges from \$150,000 and up

**The Controller:** The controller delivers extensive accounting and analytics, plus overall business understanding. The controller helps with set-up and systems, is a "get it done" type of person, is very comfortable with accounting duties and may work directly with a CFO or company president. Typical attributes:

- The "go-to" person regarding the company's financial status, performance and day-to-day accounting
- Leads a team of accounting professionals and/or clerks
- Reports financial performance to executives, investors, banking partners and others.
- Most commonly employed full time by a firm with \$8 million in revenue and up
- Usually a CPA, a controller's cash compensation is usually \$75,000 to \$140,000 annually

The Accountant & Bookkeeper: What's the difference? An accountant is usually degreed and may be a CPA. A bookkeeper has usually learned practical skills on the job. Both are primarily focused on day-to-day accounting activities, but the accountant can handle higher-level activities. A full-time accountant may make \$45,000 to \$75,000 annually; a bookkeeper may work hourly, on-site or off-site, or make a full-time salary of \$30,000 to \$50,000.

### **The Bottom Line**

Accounting matters. Who you hire at what level is paramount. Consider your options by financial type, by talent, and whether you want full time, part-time or interim support. Make sure there are shared financial responsibilities among your team. Be engaged in your financials, focus on high-integrity principles and people and then watch your business grow.

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