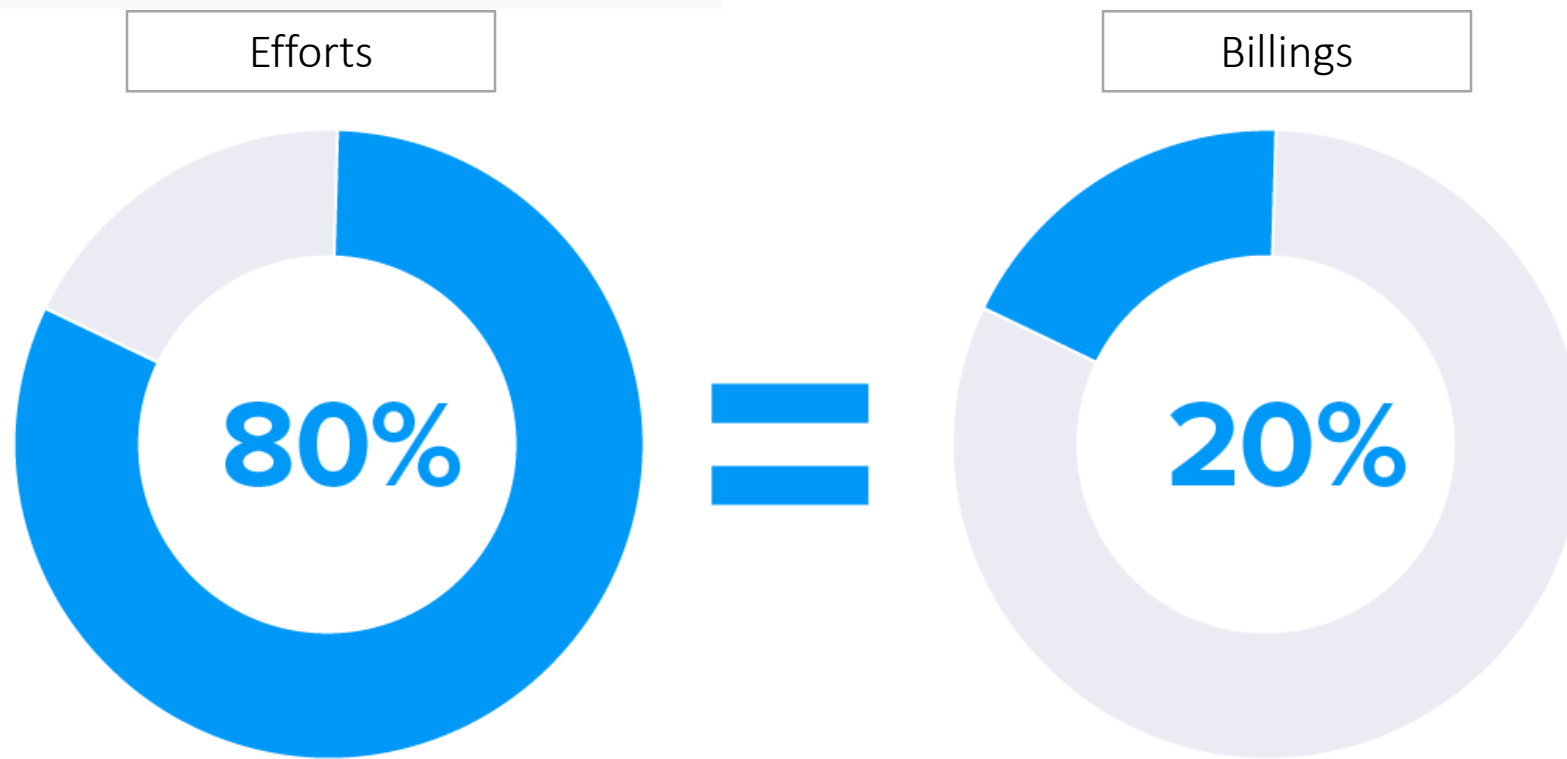


# Practice Management tips for SMPs

- CA Vishal P. Doshi, Vadodara

# Parento Principle



# Challenges

- ❑ Increase in threshold limits of audits
- ❑ Increase in the number of compliances
- ❑ Lack of correlation between time spent and fees
- ❑ Large clients avail services of firms from larger cities
- ❑ Succession planning

# Sole Practitioner

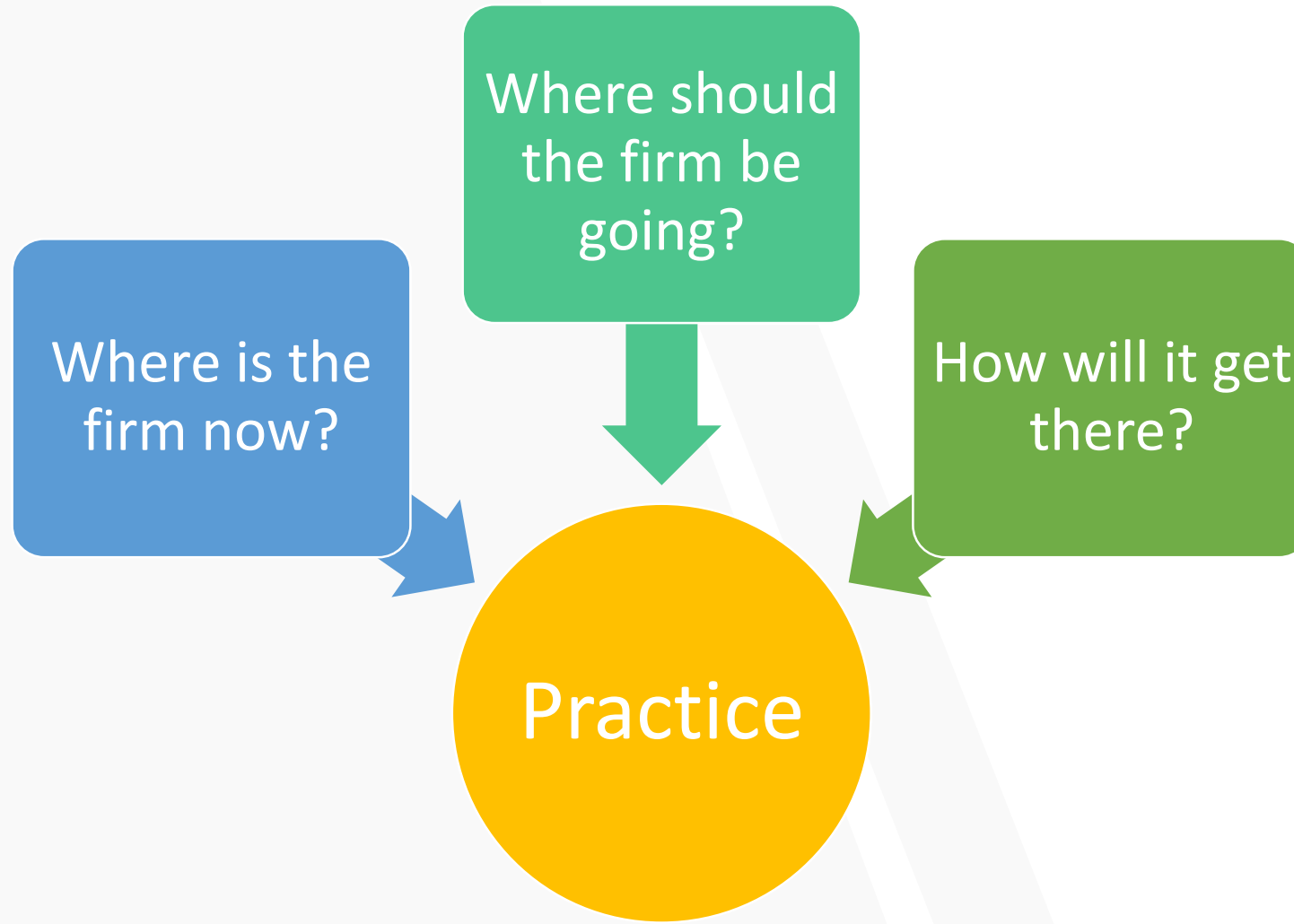
## Advantages

- ❑ Single point of final decision-making. The principal makes the decision alone and bears the responsibility of the decision. They may well take advice from suitably qualified or trusted experts, consultants, or employees but they alone must stand by their decisions. The process can be relatively quick and straightforward and is certainly free of political considerations
- ❑ No profit-sharing
- ❑ Flexibility to change the internal rules quickly and adapt to market demands
- ❑ The sense of direct involvement and control appeals to many people

## Disadvantages

- ❑ The principal might not have the range of skills or experience to run the entire firm
- ❑ Sole practitioners can find it very difficult to keep abreast of changes in legislation or accounting standards due to the increasingly complex commercial environment in which accountants work
- ❑ If there is only limited professional support within the firm, the principal can be “on call” much of the time, even on holidays. If a principal is continually under this type of pressure, it can lead to significant health problems
- ❑ Professional loneliness can reduce the quality of work or possibly the personal satisfaction of the practitioner

# Developing a Business Plan



# Thinking about growth

- ❑ What does the firm's business plan say?
- ❑ What is the current resource capacity position?
- ❑ Can the firm grow without any loss in quality?
- ❑ Does the firm have adequate staffing to manage growth?
- ❑ Will growth improve the firm and add to its value?
- ❑ If the firm is planning to grow, by how much?

# Growth strategies

## Internal

- Increase the use of your existing services by your existing clients
- Introduce a new service to your existing clients
- Increase your firm's charge-out rates or introduce a value pricing model

## External

- Networking
- Referrals
- Acquisitions and consolidation

# Firm differentiation

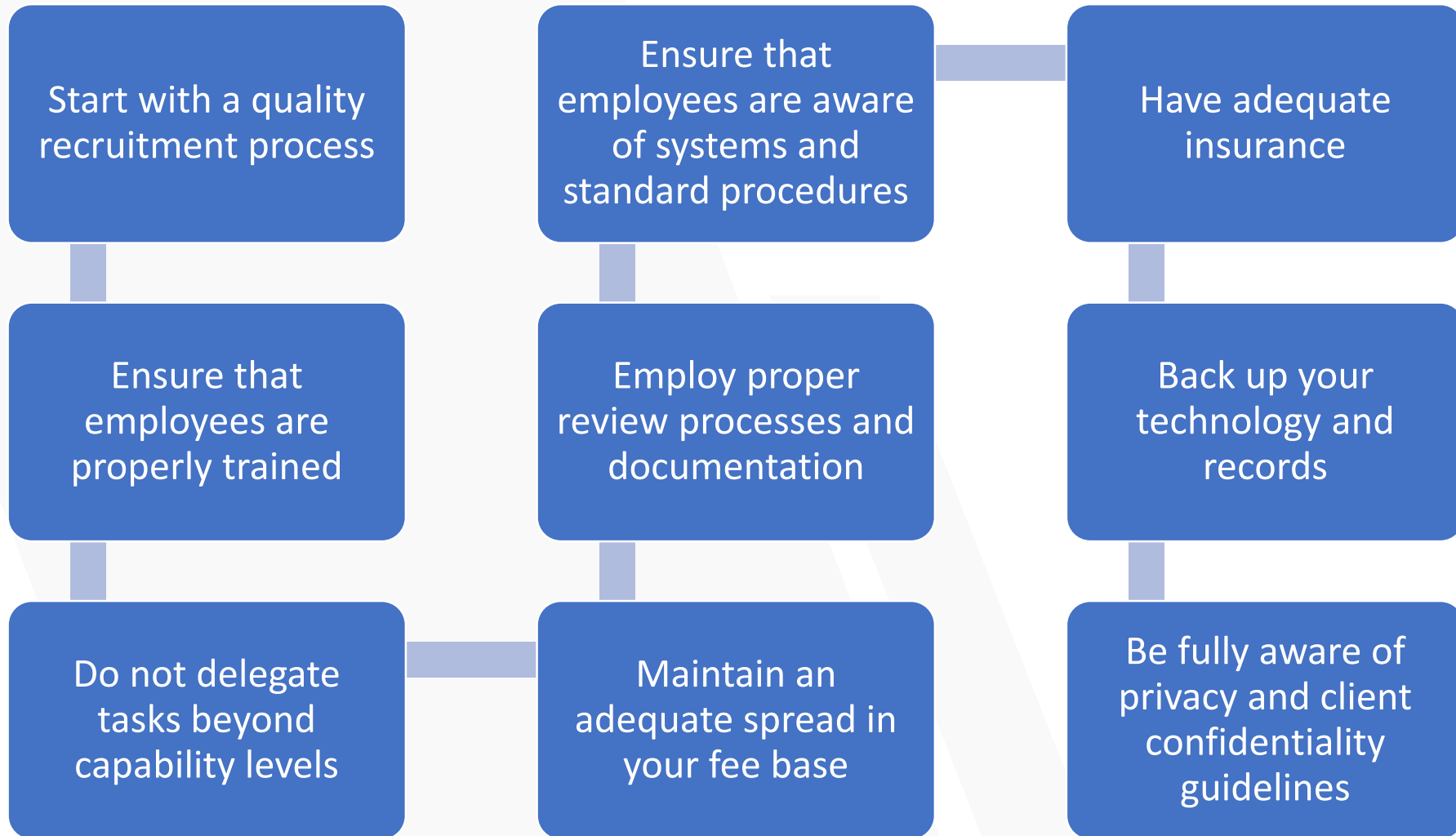
**What is it that makes your firm different? Why should someone choose you?**

How to achieve differentiation

- ❑ The way you communicate and engage with your client
- ❑ The range of services you provide
- ❑ The depth of specialization you have in a particular area
- ❑ The way in which you provide services
- ❑ Your accessibility
- ❑ Your price and your pricing structure
- ❑ The appearance and feel of your offices
- ❑ The way in which you package your work
- ❑ The network that you can connect your clients into

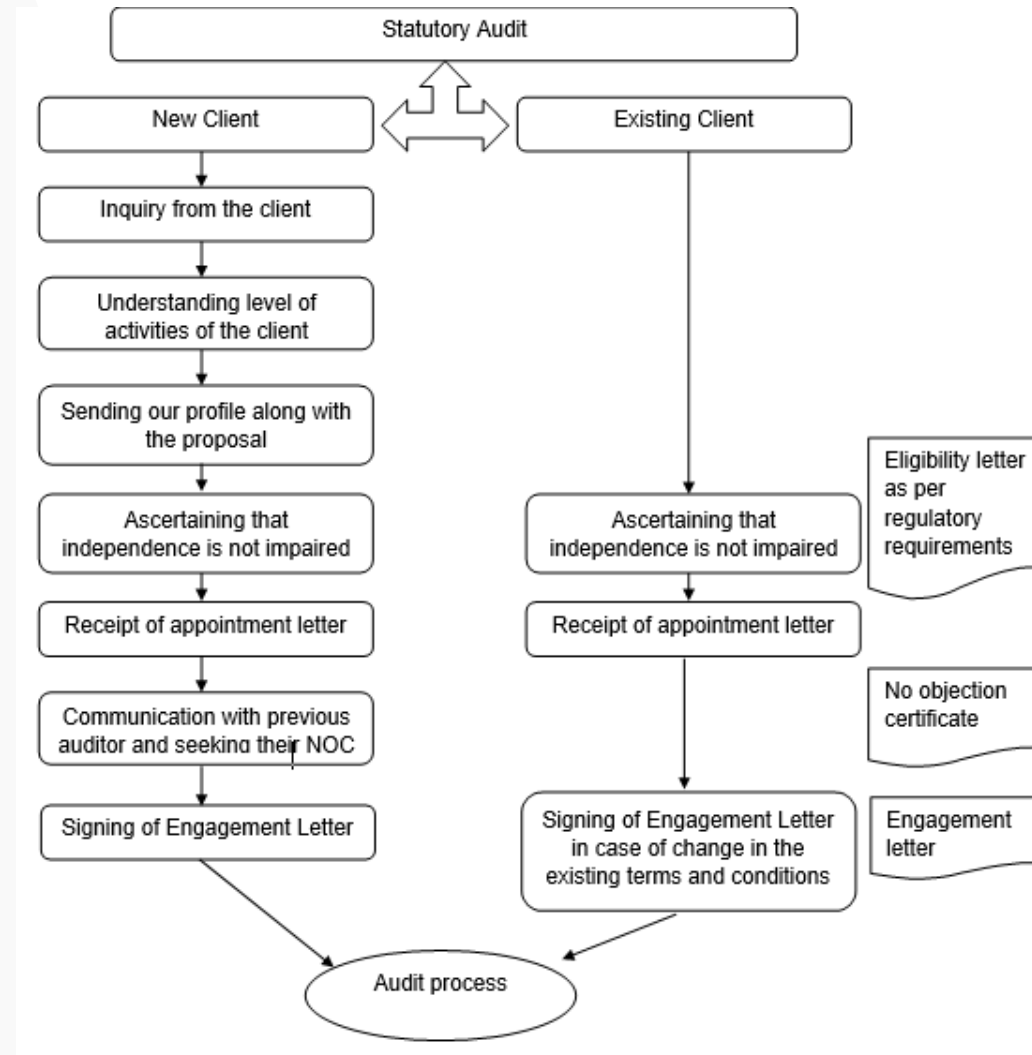


# Steps to Successful Management



# Client Engagement Acceptance and Documentation

- Eligibility to be appointed as Auditor
- Appointment Letter
- No Objection Certificate
- Engagement Letter



# File numbering

## Statutory Audit

Client wise and year wise file is prepared for all records/working papers of Client

One permanent file is prepared for each Client.

Each file has unique identification number The structure of this no is as below

AUD-XXX- ###

NUMBER CODES, 000- Permanent  
001,002,..... Sr No.

CLIENT CODE, 001,002.... As per List of Client

DEPARTMENT CODE  
AUD- Statutory Audit department

Permanent file is kept in the separate rack for permanent file. Other files are kept in the designated area.

## Internal Audit

Client wise and year wise file is prepared for all records/working papers of Client

One permanent file is prepared for each Client.

Each file has unique identification number The structure of this no. is as below

INT-XXX- ###

NUMBER CODES, 000- Permanent  
001,002,..... Sr No.

CLIENT CODE, 001,002.... As per List of Client

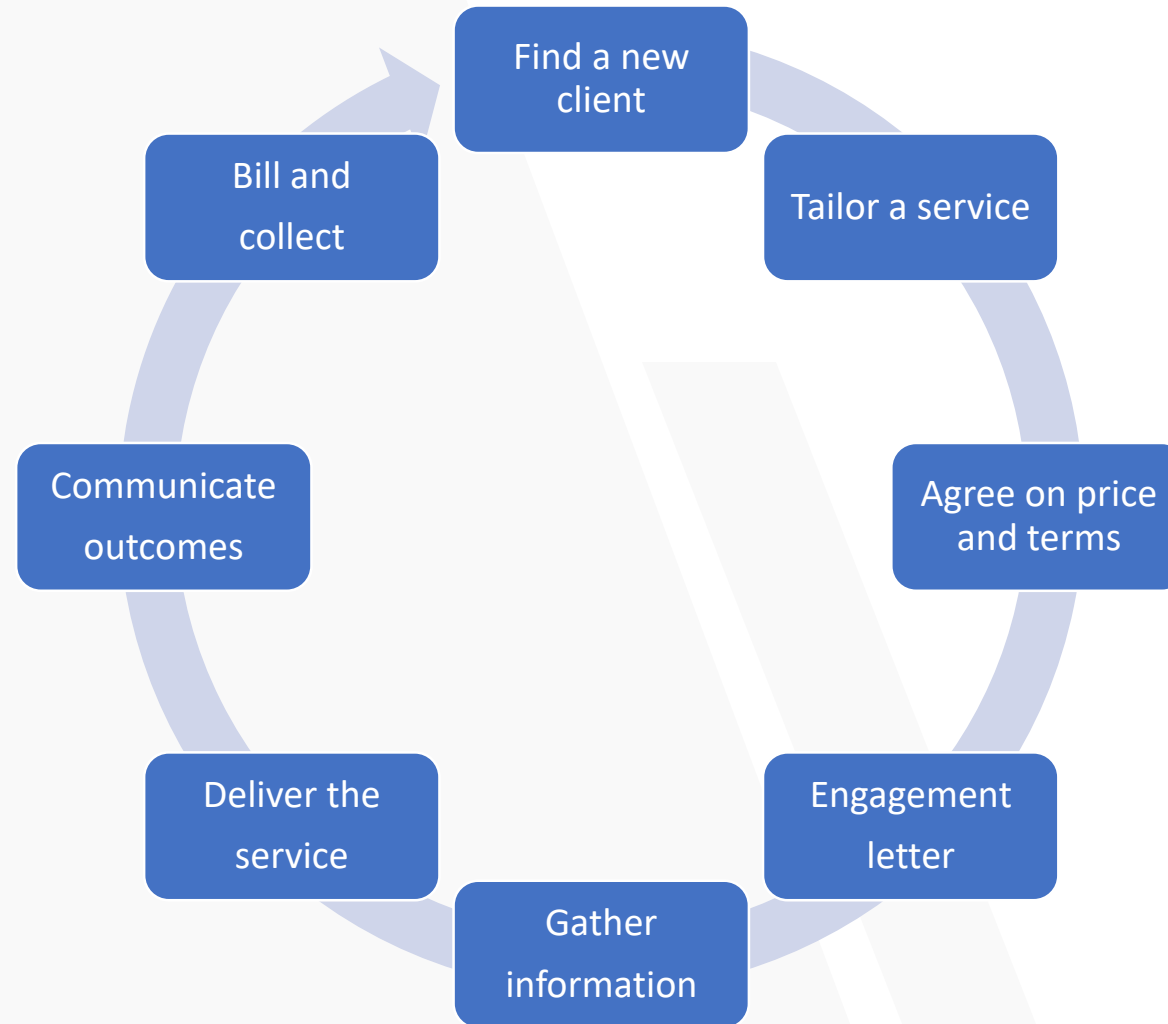
DEPARTMENT CODE  
INT- Internal Audit department

Permanent file is kept in the separate rack for permanent file. Other files are kept in the designated area.

# Documentation

- ❑ [Audit plan](#)
- ❑ Audit Progress Report
- ❑ Query sheet
- ❑ [Checklists – Limit evaluation](#)
- ❑ Management Representation Letter
- ❑ Permanent file update
- ❑ [ITR – document requirements](#)

# Key Stages in running an effective firm



# Position yourself as professional

		Knows...	
		a little	a lot
About...	a little	<b>beginner</b> (or unskilled)	<b>specialist</b> (or "expert")
	a lot	<b>generalist</b> (jack of all trades, master of none)	<b>multi-expert</b> (jack of all trades, master of many)

## The Illinois Model

### GENERALIST

Semi-prepared for a wide variety of occurrences.

Limited resources are spread across a variety of options.

Moderate success for many conditions; limited failure for many conditions.

Best approach with unknown future.

### SPECIALIST

Well-prepared for one or few occurrences.

Limited resources are consolidated or united.

High success for one condition; high failure for rest.

Best approach with a known or high-certainty of future.

(c) 2013 The Illinois Model

# Attracting talent

- ❑ Develop and promote your firm as a “learning organization.”
- ❑ Engage your team in goal setting.
- ❑ Implement personal development plans for your staff.
- ❑ Utilize subscriptions, such as those for professional development tools or web-based learning, and make these available to your staff.
- ❑ Adopt more fluid job descriptions. In accounting, this could mean involving an employee in a broader range of work for a particular client, and giving them a more holistic involvement and relationship with the client.
- ❑ Leaders must be true to their word and follow through on their commitments. Generations X and Y will not tolerate inauthentic leadership. Integrity, consistency and genuineness are essential characteristics of leaders.
- ❑ Enable work–life balance.

# Expectation from Leaders

## Honest

- Leaders mean what they say
- Employees know where they stand with the leader
- Leaders do what they say and ensure their actions are consistent with their words
- Leaders aren't afraid to admit they don't have all the answers
- Leaders engender trust

## Competent

- Leaders understand what is required to get the job done
- Leaders have the people skills to engage the team effectively
- Leaders communicate clearly so that employees know what is going on and whether they are doing a good job
- Leaders understand the capabilities and interests of team members and can harness this within the team
- Leaders engender respect

## Inspiring

- Are enthusiastic
- Have a vision and can communicate it to others
- Look forward as well as building on the past
- Create an environment that helps to motivate employees
- Focus people on long-term goals while celebrating achievement of short-term goals
- Engender commitment

## Credible

- Has a proven track record
- Deals with people directly
- Understands that credibility must be earned and can be lost very quickly
- Engenders confidence



# Why Seniors Fail to Delegate

- ❑ Delegation means giving up some control, which they don't want to give up
- ❑ They do not want to risk their relationships with the clients
- ❑ They fear that quality control might be at risk if they do not do the work personally
- ❑ They like what they are doing and get satisfaction from doing it
- ❑ They think it is quicker and easier to do it themselves (it probably is, but this is short-term thinking, and not sustainable)
- ❑ They can do a better job than any of their employees (this may be the case initially, but can be overcome with training)

# Keys to Successful Delegation

- ❑ Determine the tasks or area of responsibility to be delegated. Delegate anything that:
  - Is time-consuming;
  - Is low priority;
  - Is recurring or mechanical;
  - Someone else could do either better than you or at a lower cost; and
  - Will train and develop the skills of your employees
- ❑ Decide which of your employees should complete the tasks
- ❑ Give clear instructions
- ❑ Ensure that you provide the necessary authority and tools
- ❑ Communicate trust and confidence in people's ability
- ❑ Set milestones at key points

# Client Classification for retention

- ❑ How much time does the client spend with our firm?
- ❑ What is our return on investment with this client?
- ❑ What contribution margin do they make?
- ❑ What hourly contribution margin do they make?
- ❑ Client contribution as % of total?
- ❑ How many of our services do they currently utilize?
- ❑ Do they pay our bills on time?
- ❑ Do they dispute or argue over fees?
- ❑ Do we make good recovery on their fees?
- ❑ Do they respect our advice?
- ❑ Can we add value to their business?
- ❑ Do we enjoy working with them?

# What clients want

Result	Expectations
Accessibility	“Be available for me, whenever, wherever.”
Initiative	“Come up with ideas that will help me and my business.”
Timeliness	“Be in the present, stay current with me, not focused on the past.”
Comprehensible advice	“Relate to me in ways I can understand.”
Client choice and control	“Give me options, let me choose.”
Improved relationship	“It’s more than just a transaction.”
High level of expertise	“Practitioner has specialist knowledge.”

# Invoicing and collection

- ❑ Invoice by email rather than post: it is faster and provides you with online records.
- ❑ Invoice as close as possible to the time you deliver the service.
- ❑ Start the follow-up process early.
- ❑ Don't wait to follow up. When the account is overdue, start reminding the client that payment is expected.
- ❑ Always be courteous and professional.
- ❑ Collections should be a process, not a punishment.
- ❑ Most clients are honest and will pay if they know they have to.
- ❑ A series of gentle, non-confrontational reminders will get most clients to pay.
- ❑ Be persistent and consistent—this is essential.
- ❑ Consider the benefits of offering incentive options, like small discounts for early or prompt payments.

# Managing Risk

- ❑ Run internal professional development activities at least monthly to discuss changes in legislation or other matters impacting on client work.
- ❑ Allocate a specialist from the team to monitor developments in key areas such as income tax, company tax, indirect taxes, capital gains/inheritance taxes, and so on. Each specialist can use the training meetings to familiarize the rest of the team with the changes.
- ❑ Conduct an annual firm review to identify (among other things) any new services the firm wishes to add.
- ❑ Form alliances with other specialist firms to ensure that clients have their full accounting needs met.
- ❑ Conduct regular quality control reviews of files to ensure systems are being followed.

# Code of Ethics

- ❑ Integrity
- ❑ Objectivity
- ❑ Professional competence and due care
- ❑ Confidentiality
- ❑ Professional behaviour

# Ethics Threats

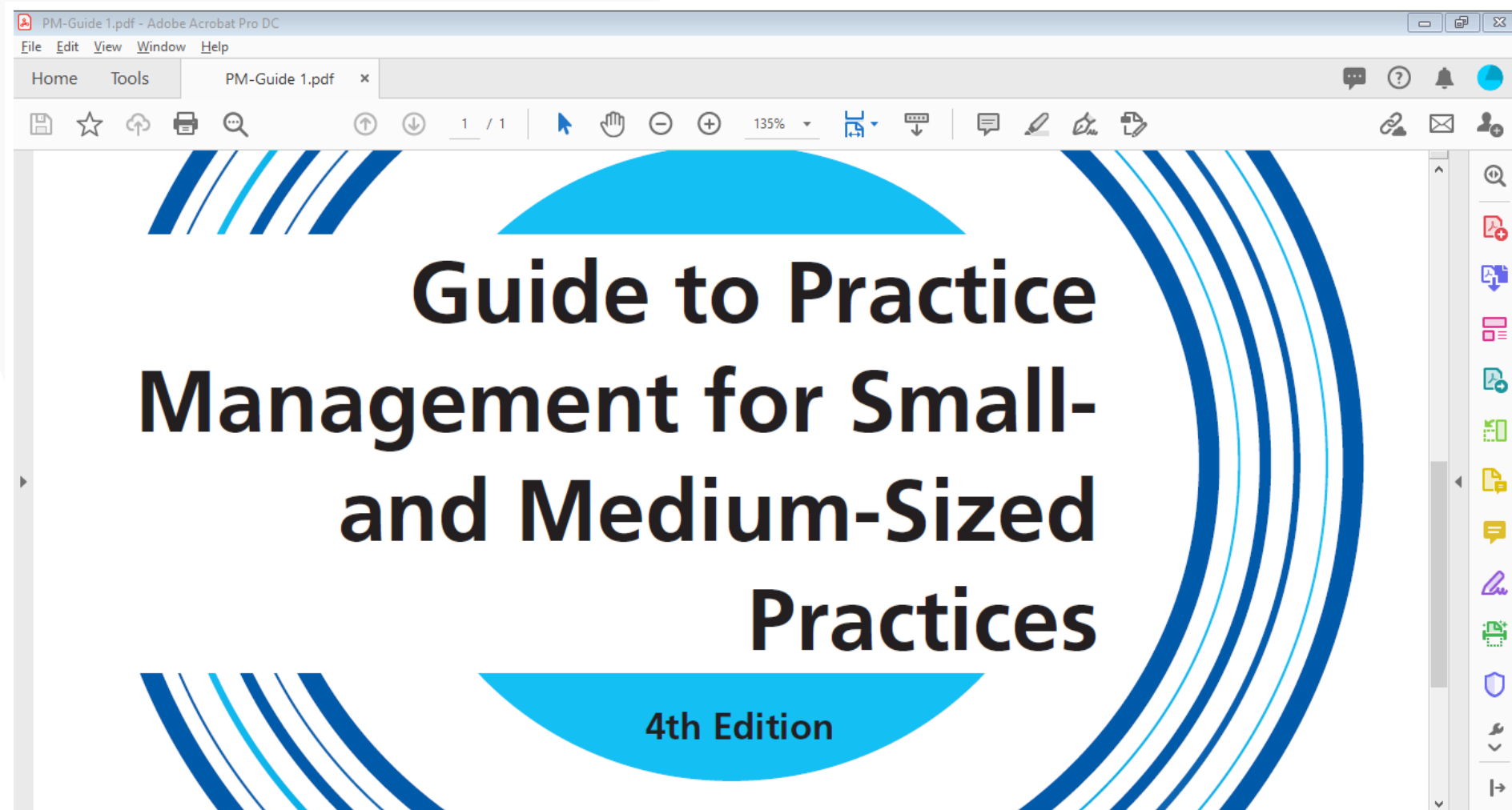
Type of Threats	Examples
Self-interest	<ul style="list-style-type: none"><li>• Direct financial interest in client, including loans or other significant business relationships, or entering into a contingency fee arrangement relating to the assurance engagement.</li><li>• Having a close business relationship with a client.</li><li>• Having access to confidential information that might be used for personal gain.</li><li>• Dependence on total fees from a client or concern about losing a significant client.</li><li>• Accepting gifts offered by client over a documented threshold.</li><li>• Discovery of a significant error from a previous professional service performed by the same firm</li></ul>
Self-review	<ul style="list-style-type: none"><li>• A firm issuing an assurance report on the effectiveness of a system after designing or implementing that very system.</li><li>• A firm performing a service for an assurance client that directly affects the subject matter information of the assurance engagement.</li><li>• Accepting an engagement, the subject matter of which has been prepared by the firm.</li></ul>
Advocacy	<ul style="list-style-type: none"><li>• Promoting shares in a listed audit client.</li><li>• Acting as an advocate on behalf of an assurance client in resolving disputes with third parties or in litigation.</li><li>• Lobbying in favor of legislation on behalf of a client.</li></ul>



# Ethics Threats

Type of Threats	Examples
Familiarity	<ul style="list-style-type: none"><li>• Close or immediate family relationship with a director or officer of a client or with an employee who is in a position of influence over the subject matter of the engagement (applies to any member of the engagement team).</li><li>• A former engagement partner of the firm being a director or officer of the client, or an employee with direct and significant influence over the subject matter of the assurance engagement.</li><li>• An audit team member having a long association with the audit client.</li></ul>
Intimidation	<ul style="list-style-type: none"><li>• Being threatened with dismissal or replacement in a client engagement because of a disagreement about a professional matter.</li><li>• Being threatened with litigation by a client.</li><li>• Feeling pressured to agree with the judgment of a client employee because the employee has more expertise on the matter in question.</li><li>• Being informed by a partner of the firm that a planned promotion will not occur unless the accountant agrees with an audit client's inappropriate accounting treatment.</li></ul>

# The International Federation of Accountants (IFAC)





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