

Profitability Improvement



YOUR CA AND BUSINESS ADVISORY SERVICES

**The Business Advisory Services Committee
The Canadian Institute of Chartered Accountants**

Every business can benefit significantly by consulting your chartered accountant about business advisory services. CAs are skilled in accounting, auditing and tax services – and a lot more!

CAs can help you with:

- **profitability improvement**
- **financing and loan applications**
- **obtaining government grants and other financial assistance**
- **developing management information systems**
- **cost accounting**
- **planning and budgeting**
- **forecasting and evaluation**
- **risk assessment and insurance planning**
- **planning compensation programs**
- **business valuation**
- **feasibility studies for business expansion**
- **starting a new business**
- **acquiring a franchise**
- **planning for retirement and/or business succession**
- **integrating business tax planning with estate tax planning.**

These business advisory services are cost-effective because CAs have the knowledge of clients' organizations, operations, finances, personnel and tax situations.

You know more about your own business than **any** professional adviser. Your CA, however, knows about business advisory services.

Your knowledge of the business, together with your CA's advice and professional know-how, will create a winning combination to improve your profits.

Can you make your present operations more profitable? Are there new opportunities worth your while? As the answer to both questions is probably "yes", you and your CA should develop a game plan.

Map out your strategy

What are your short and long-term goals? Sit down with your CA and discuss your business – your goals, your marketing strategy, the assumptions behind your projections. Identify key factors that have contributed to your success. Will they change in the future?

Discuss opportunities such as new products or services for existing customers. Look for common pitfalls such as a narrow or volatile customer base, and single-product dependence.

You and your CA can identify and analyze your position in the marketplace as well as that of your competitors.

Develop a Business Plan

Every business plan involves thousands of details and many financial expressions of alternative business scenarios.

You and your CA should plan your financial position well in advance. Balance sheets should be projected. Budgets and cash flow forecasts should be prepared. More detailed plans can then be set up to determine the resources needed to meet your goals – inventory requirements, turnover of receivables, financing, working capital, costing, selling prices, etc.

Your CA can help you put the details together. You can concentrate on your business.

Keeping score

Timely information is essential to tracking performance and improving profitability. Your financial systems should provide you with timely, accurate useful information. Your periodic financial statements should confirm how well you're doing. Are your costing records accurate and reliable and do your costing systems have instant update capabilities? Are your stated margins on contracts, goods or services reliable? Can you measure variances between your planned and actual results? With good financial information you can identify major deviations from your game plan and make corrections.

Your CA can advise you on how to set up and improve your information systems – computer hardware and software – for the best results in terms of timeliness, analysis and cost-effectiveness.

Cutting costs

On a periodic basis, you and your CA should analyze costs with economies in mind. Are the best general insurance rates being obtained? Can interest expense be reduced? Has consideration been given to purchasing your own telephone system to reduce costs? Do you hedge foreign exchange exposures? Is your employee-compensation system designed to motivate your staff to achieve desired results? By preplanning and designing your financial records with both accounting and auditing in mind, even your audit fees could be reduced.

Your CA can monitor all trends – overhead, profitability by product line or sales area – and review your company's expenses looking for possible reductions.

Explore opportunities in your existing business

Have you considered the wider range of opportunities to improve the bottom line? Can you improve sales and services to your existing customers with your present resources? Can you change your product or service mix to improve your margins? Can your space requirements be better planned? Should you buy rather than lease? Are there available government incentive programs you can use? Have you pursued all avenues for savings in the payment of sales taxes, and have you considered combining personal and corporate tax plans to further minimize taxes for your company? Do you have the right personnel, training and productive working environment? Do you have the right incentives to retain key employees?

Your CA can help you improve your profitability by suggesting ways and means of pursuing identified opportunities and, if required, can recommend other professionals – lawyers, valuers, human resources consultants, designers, etc. – from a wide network of such specialists.

Looking for new opportunities?

Together with your CA, explore all opportunities for your business. Your CA can then assist with projections, feasibility studies, and cost-benefit analyses. You and your CA can be a winning team – and this means regular communication. New problems and opportunities arise constantly. Business consultations should be scheduled at key times during the year.

The CA is an independent business adviser who finds professional satisfaction in your success.
