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When an accounting firm's business client faces an IRS audit, the stakes of having qualified advice from their accountant are clearly higher than if the client needed help on a simple IRS inquiry letter or notice. The client is also likely more anxious about the audit than they would be over a simple notice. Chances are that the client would recognize the different risks as well as the varying levels of complexity involved in both potential engagements.

Many accountants, however, will calculate the fee for providing both services in the

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- how valuable it might be to the client
- how much complexity and risk is involved for the firm and
- how to **price out the service** so that the profit or gross margin of the engagement is maximized.

“The accountant sometimes is so concerned about winning an engagement that they really don’t look at what the work that they’re doing is really worth or what the client really wants,” says Aquila, who is leading the upcoming Sageworks webinar “**How CPA Firms Should Price Their Services**.” His webinar will cover examples of various pricing methods, how pricing can impact operations and marketing and how to get clients and partners to buy into new pricing systems.

Aside from hourly pricing, some of the models for pricing accounting and advisory services include:

**Fixed-fee.** Sometimes called the menu approach, fixed-fee pricing is often used for repetitive services, such as tax preparation. It allows the accounting firm to develop and explain up front the varying levels of services and fees. Fixed-fee pricing is based largely on the firm’s known costs for providing those services and for providing various upgraded services (i.e., more forms involved in the tax return).

**Contingency fee.** Consulting work that determines some sort of outcome is often billed using this method, according to Aquila. For example, a firm trying to sell a client’s business can say up front that if it sells the business for \$10 million, the firm’s fee will be one percent. If the firm achieves a higher sales price than that, however, it will receive a higher percentage on any amount over the \$10 million targeted sales price. In other words, the fee can vary based on the outcome.

**Blended hourly rate.** Often used when a project involves a team of staff with varying

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travel to Alaska or is the work near to the firm? Does it add a complex audit to an already-busy audit season, or does it involve working more closely with a client who is disorganized or is always late with their end of the paperwork?

Even if some of these aspects cannot be quantified in terms of what they contribute to the price of the service, it is still valuable to consider them, Aquila says. “This is part of the process of talking to the client up front to understand what they’re willing to pay.”

To learn more about value pricing, join the webinar, “[How CPA Firms Should Price Their Services.](#)”

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