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ADVISORY

Does Your Firm Have a Clear Vision on Advisory Services?

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Randy Johnston • Mar. 10, 2020



While many of you are already quite busy with another tax season, for some, this is the time of year to do planning and to prepare new and updated service offerings for 2020 and beyond. This year, we plan to provide a clear, simplified vision which addresses areas of opportunity in your practice that may help you and your firm. One growing practice area where there are a wide variety of service definitions is Client Advisory Services, sometimes abbreviated CAS. This is not the same as Client Accounting Services, also abbreviated CAS. At a future time, we'll discuss all this *aaS such as SaaS, PaaS and HaaS. (While I wish that the profession had referred to these services as CaaS for Client Accounting and Advisory Services, we must deal with the world as it is, not as we wish it would be).

First, a few preliminary statistics from our latest Accounting Firm Operations and Technology Survey – for Firms of All Sizes available from [CPATrendlines](#). Smaller firms of less than 15 people as well as larger firms of greater than 75 people are frequently choosing a “best of breed” software strategy rather than buying an entire publisher’s suite of tools for tax and accounting work. Because advisory services are evolving so rapidly, practitioners are forced to assemble their own toolsets from a wide range of publishers.

When we look at the services offered by firms of differing sizes, smaller firms tend to produce about 80% of their revenue from tax and about 20% from Advisory and Consulting services. Larger firms tend to split their revenue as 40% from tax, 40% from Audit & Assurance, and 20% from a combination of Advisory and Consulting services. While a number of firms large and small have added Client Accounting Services as a recurring revenue source, as we have encouraged firms to do for the last 20 years or so, Advisory work has been very much a boutique offering and not a consistent service offering.

So, What Advisory Services?

While you have been busy with your compliance work this winter, I have been occupied with consulting and conferences, including many discussions with evangelists for Client Advisory Services. An interesting response to one of my questions from Will Hill, MBA and Senior Product Manager – Tax Professionals Advisory at Thomson Reuters has given me pause. To the question “What are the most commonly offered Advisory Services in the firms you work with,” Will said: “There are no common services.” Hill went on to say that many advisory services represent engagements to be compensated for business advice we are already providing on a less structured basis that were previously given away for free.

This was surprising to me – I had expected an answer that would be like Client Accounting Services with services like bookkeeping, payroll, bill payment, collections, and a business tax return. Instead, our conversation went on to include services like business entity restructuring, merger/acquisition, succession planning and other advisory work. While the Onvio Advisory practice aids, originally adopted from Paul Miller, have been revised, Paul’s style and content were adopted and enhanced by Will Hill and the Thomson Reuters team starting in 2014 into their Practice Forward program. However, a key point from Will was that the professional should speak first about their “why” and then ask the client to describe needs and issues in their business. After seeing a demonstration of the Onvio Advisory platform and receiving an update on the Practice Forward engagements from Thomson, it was clear that the methodology and the [Onvio Advisory solution](#) could make this managing these services easier.

Helping clients obtain financing is another possible advisory service. Commercial Loan Success is a [software and education platform](#) from which you can generate an up front, one-page pre-underwriting analysis to provide to lenders about a clients’ business financing request. This is a wonderful product to use in advisory service work, as it takes very little effort from the CPA practitioner, but provides real value to the client in need.

In a discussion with John Matheson, CEO, earlier this week, it was clear that the software continues to improve but practitioners are missing this opportunity to serve clients. Further, the book [Commercial Loan Success](#) by John Matheson and Dan Crowley (available from [Amazon](#)) explains how to build the practice. It can be read in a few hours, and you can be equipped to help clients find the financing they need to run their businesses or buy commercial real estate. Unfortunately, over dinner last night, discussion of a forty-year-old private family business’ demise because of not having the proper bank financing was sad to hear. More important are those ideas for businesses that never get off the ground because they weren’t financed. My own forty-year-old operation barely dodged this problem.

Additionally, in the last two months, the AccountantsWorld team has provided insight on Client Advisory Services during our discussions of Client Accounting Services. Every time I speak with Dr. Chandra Bhansali, his wife Sharada, or their son Div, I learn something new. (Their [Accounting Power](#) Client Accounting Services product, as well as their [Payroll Relief](#) product, are among my preferred solutions for proactive, collaborative accounting and payroll engagements.) Sharada and her

team have designed these systems, and they provide granular security control available in a few other products.

Chandra said in our conversation, “Accounting Power allows the CPA professional to choose the level of service they provide based on the client firm’s needs and accounting skills. The professional firm can do all the work, part of the work or a small amount of the work. Accounting Power lets the client and the CPA professional collaborate and choose how to work together.” Few products in the market have this much flexibility. Regardless of the amount of work undertaken, the professional firm always remains in full control of the accounting engagement.

Most important in our conversation was the idea that a more descriptive term for the collaborative work to be done would be CaaS for Client Accounting and Advisory Services. While Client Accounting Services are backward-looking, Client Advisory Services are forward-looking. The accountant who controls the accounting will be the first to see the advisory opportunity and will have the best chance of winning the engagement. Additionally, we discussed the ethical separation of accounting and advisory work required in some jurisdictions. I’m concerned that some CPA professionals are stepping over this ethical line and I’m afraid that more CPAs won’t maintain appropriate independence in these Advisory engagements as well as in their audit practices. The AccountantsWorld team provided new motivation and ideas for our Client Accounting Services CPE courses offered by my [K2 Enterprises](#) organization and helped us to build new Advisory content.

Finally, a discussion with Fujitsu around the scanner covered in last month’s column uncovered at least three new Client Accounting and Advisory Services opportunities. I can’t wait for their new solutions to be announced!

We would suggest the following as potential advisory services:

- Family Office
- International Services
- Investments and retirement
 - Future Value of Investments
 - Investments Needed to Achieve Goal
 - Monthly Investment Accumulation
 - Present Value of an Ordinary Annuity
 - Years to Become a Millionaire
- Merger/Acquisition
- Mortgage

- Mortgage comparison
- Mortgage loan refinance analysis
- Mortgage qualification
- Other loan
 - Standard loan payment schedule
 - Apartment property
 - Commercial property
 - Business finance
- Personal finance
 - College savings planner
 - Debt repayment
- Payroll
 - Gross to net paycheck
 - Net to gross paycheck
 - 401(k) contributions
- Valuation
 - Marital dissolution
 - Business M&A
 - Real estate

Use the Level One steps to an innovative offering development methodology we have discussed in prior columns:

- Discuss client needs with peers at CPE events
- Proactively schedule client discovery meetings to ask about their needs
- Determine how many other clients have similar needs
- Create a menu of services and a fee schedule
- Approach some of the clients with the new offering
- Refine the offering after completing 3-5 engagements
- Market the offering inside your client base and then externally

Can You See There Are Many New Advisory Services to Consider in 2020?

Consider your clients' needs and the current offerings in your practice. Many of you have business and management services available today, but you are responding to ad hoc requests from clients. What if you could proactively offer engagements that were value priced? Could these advisory engagements be more interesting and profitable than your compliance engagements?

When it's winter and snowy and icy (snewing as I learned recently from a friend), it can be hard to see out of the windshield after a storm. When conditions are bad, I don't pay as much attention to what's behind me as I do to what's in front of me. Compliance work is looking in the rear-view mirror, possibly to see if law enforcement is in pursuit. Advisory work is looking out the windshield. What do you want to help your clients do?

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