

# SASBA'S BANK ACCOUNTING

## INTRO

“Cloud accounting” is transforming the accounting industry. CPAs have a window of opportunity to tap into this new technology, as it will revolutionize our profession. Over the past decade, CPAs have lost market share to companies like H&R block and Intuit (QuickBooks), but the time has come to regain the competitive edge.

Our recently updated BankAccounting system takes advantage of cloud accounting, which will provide comprehensible (and usable) reports to small business owners. These reports are processed in a fraction of the time of traditional financial statements produced by a CPA or accountant, and the software is so simple to learn that CPAs are encouraged to train para-professionals (non-bookkeepers) to generate the reports.

My name is John Harrison and I am the founder of the Society of American Small Business Accountants (SASBA). Our mission is to solve the financial problems of middle class America. To understand how we developed our BankAccounting software, I think it's important to know my background and how my experiences led me to develop this system.

## MY STORY

SASBA was born out of my frustrations with the CPA profession.

After going into business for myself and developing a successful CPA firm over three years, I probably should have been content. However, I began feeling frustrated and wondered if I was truly making a difference in the lives of my small business clients.

I remember the day one of my clients, who had become a personal friend, received his financial statements. He picked them up, and, like most clients, immediately turned to the third page – the income statement. He looked confused and frustrated as he declared, “Something must be wrong! You keep telling me that I’m making all this income, yet I don’t have any cash! Where’s my cash, John?”

At that moment my frustrations as a CPA became clear. I realized my fees were more than my client and friend could really afford; moreover, he did not even understand the reports the CPA profession required me to give him. Further, my client wasn't receiving vital financial and business consulting to help him succeed in his business.

Around this time, I began working with my brother Tom (also a CPA) on a unique recordkeeping concept which I implemented into my personal financial planning seminars for individuals. It

allowed users to easily track personal receipts and disbursements in an understandable manner. (This, of course, would later be called BankAccounting.)

It all came together one night when I was reflecting on several things: my personal financial planning business, the CPA profession, and the recordkeeping system that was working so well for my individual clients. I decided I was going to revolutionize accounting for small businesses by providing meaningful financial records at an affordable price. More importantly, since I could hire a para-professional to produce those financial reports, it would free me up to provide the financial and business consulting services those clients needed at no additional charge. In other words, I was going to try to do for small business owners' accounting what H&R Block did for middle America's individuals' income taxes.

SASBA's BankAccounting software will enable you to do the same. It is important for you to remember that as a CPA, you are your clients' "most trusted financial advisor." And for the first time, you won't have to make any sacrifices (financially or otherwise) in order to provide this type of advising/counsel.

## WHAT IS BANKACCOUNTING?

BankAccounting is an accounting system which provides comprehensible reports to small business owners.

SASBA utilizes this proprietary system to complete the monthly processing in a very efficient manner. And the foundation and uniqueness of our system is that we speak the language of the business owner (who generally understands neither accounting nor bookkeeping).

The cornerstone of our system is a simple report called the Monthly Schedule of Receipts and Disbursements, based primarily on bank statement and credit card information. Our source documents generate instant control totals (bank statement beginning balance, total receipts, total disbursements, and ending balance) which allow the user to process the work in a fraction of the time. Of course, we believe in the traditional reports of balance sheet and income statements (annually or upon request), as these are still needed by the bank and in filing the income tax returns at the end of the year. It is very easy to convert BankAccounting information into the traditional financial statements.

In other words, BankAccounting is a much more efficient way to process monthly write-ups for clients.

## BENEFITS OF BANKACCOUNTING

Over the years, CPAs have come to view client accounting services (client "write-ups" and other bookkeeping activities) as an unprofitable time suck. The work doesn't require the specialized

skills or knowledge of the CPA. It makes sense a CPA would choose to devote his time elsewhere.

BankAccounting could turn this around. SASBA's "write-up" system is based on a different paradigm which allows for a profitable billing rate for the accountant. This is because CPAs have the ability to pass off the task so they might dedicate their time to higher-paying work. By training employees to use BankAccounting, the CPA has the opportunity to devote his personal time to larger, higher-paying projects (which require his specialized skills) while simultaneously serving an increased number of clients with write-up demands.

The beauty of BankAccounting is that it's easy to use and to understand. Unlike other systems on the market, BankAccounting can (and should) be operated by paraprofessionals – even individuals who are not bookkeepers – who are "billing out" at \$100/hr. This is not to say that quality or accuracy is sacrificed. It is simply the way BankAccounting has been designed. That is what a combination of BankAccounting, cloud accounting, and focusing on the proper market will provide for your firm – hundreds of new clients.

The benefits for these clients, of course, are the affordable price and the reliable yet comprehensible reports.

Reports generated by SASBA's BankAccounting software are...

1. **Simple and straightforward** – Clients can easily identify where cash has come from (receipts) and where it has gone (disbursements). The report provides details that can't be found in traditional financial statements – like amounts disbursed for capital outlays (plant, property, and equipment), loan repayments, and personal items. BankAccounting combines the strengths of the balance sheet and the income statement, and does so in a way clients will understand.
2. **Focused on cash flow** – The report calculates the net cash from operations (cash generated by operations), which excludes loan proceeds, shareholder contributions, loan payments, property and equipment purchases, distributions, and other "non-operating" receipts and disbursements. This number is more valuable for the small business owner than net income (which can easily be computed after net cash is calculated). Businesses can show a profit and yet go out of business from lack of cash flow. If net cash from operations is negative, it tells the client the business is not generating enough cash flow to continue operating without additional debt or equity funds.
3. **Succinct** – With the six-month comparative format, the report reflects six months of data on one page. This format allows clients to spot trends more easily than the typical display of a traditional financial statement (current month and year-to-date total columns). Even when processing information for the month of January, a BankAccounting report compiles six months of data (August of prior year through January of current year).

BankAccounting was generated with the clients' needs in mind. Small business owners understand cash, because they must generate cash flow in order to survive. If a small business owner runs out of cash, he is out of business. Most small businesses in our market have all their personal funds tied up in the business, and have already reached their borrowing limit. Therefore, they must generate cash to meet monthly payments.

In developing accounting standards and requirements, the accounting profession does not differentiate between General Motors and local Joe's Pizza. Small business owners have different needs and a different level of expertise. The reports provided by SASBA's BankAccounting should reflect these differences. BankAccounting reports are comprehensible to clients, while still providing information for the accountant to complete the "necessary evil" of governmental tax reporting.

## THEN VS NOW

BankAccounting is not the same as it was 20-25 years ago. We've brought our system into the 21<sup>st</sup> century by leveraging cloud accounting technology. And we've embraced a paperless system thanks to the digital data and automated reports made possible by this technology.

One of the greatest differences in small business accounting between then and now is the dramatically increased number of transactions. Clients opt to swipe their debit or credit cards rather than pay with cash. Twenty years ago, transactions were entered manually. Accountants used check stubs to determine their own control totals. This wasn't so bad with only 50-60 transactions each month. However, the process of manual data entry is just not realistic or efficient anymore. Rather, it is incredibly labor intensive.

Today, BankAccounting users have immediate access to transactions. The system downloads bank and credit card statement transactions digitally which eliminates the need for balancing out. Control totals are generated by the bank statement. The system is "educated" to recognize specific data on these statements, and BankAccounting will automatically post the transaction into the appropriate category (i.e. "utilities," etc.).

## REGAINING THE MARKET

According to Journal of Accountancy, out of the 20 million small businesses in America, only 5 million are using some sort of accounting system. This is an interesting statistic. If this is the case, what are the other 15 million doing?

At SASBA, we people these people are taking a casual approach to accounting. They do not conduct bank reconciliations. They do not use a budget to run their business. And at the end of the year, they make a feeble attempt to pull together their information to complete their tax return.

For the CPA, this reality presents an exciting opportunity. The 15 million small businesses that are currently taking a “casual” approach are potential clients. It is time for CPAs to reclaim this large market of small business owners. With the BankAccounting system, the CPA can serve this market better than anyone – or anything – else. When QuickBooks came along, the company convinced the general public that *anyone* could do accounting. In the next section, we’ll look at SASBA’s BankAccounting system and Intuit’s QuickBooks side-by-side.

## BANKACCOUNTING VS QUICKBOOKS

Most small businesses no longer turn to CPAs to handle their monthly recordkeeping. They’re turning to technology (Intuit QuickBooks) or are put off by the CPA’s cost (\$250 or more per month).

When a small business owner decides to use QuickBooks, it’s important for him to understand what that means. QuickBooks is a program with many modules. These modules help the small business owner in simple areas including check writing, bank reconciliation, customer invoices, payment of bills, and budgeting. Areas such as payroll, job costing, and accounting (aka General Ledger) are more complex.

At SASBA, we are a big advocate of using QuickBooks for the simpler tasks. However, we feel that unless the small business owner has a solid accounting background or can find and afford a bookkeeper that understands QuickBooks, he should look to an accounting professional to perform accounting functions. This belief is based upon our dealings with thousands of clients who attempt to save money, yet end up spending more time and money in having the CPA clean up their mess.

We provide the following information so that you will be more knowledgeable about the subject. When we say that we have a better alternative in the accounting area, this doesn’t mean you should not use QuickBooks.

### **Advantages of BankAccounting**

*Requires no accounting expertise.*

QuickBooks (QB) has done an excellent marketing job in persuading business owners that QB is so easy that you do not need to be an accountant to use the system. If that is the case, why do accountants charge more for their services when a client presents the work they’ve completed themselves? Any accountant will explain it takes much more time to correct errors than it would if they’d done the work from the start. Our experience is that there are certain parts of QB that we like to see the business owner utilize, including check writing, bank reconciliation, invoicing, etc. But when owners attempt to tackle the General Ledger (accounting), they make mistakes.

*Less costly than QB.*

In most cases, BankAccounting fees generally average less than \$100 per month. These services include the Monthly Schedule of Receipts and Disbursements, business planning, and tax planning. These reports are essential for consultation – since we are involved in the preparation of reports, we can rely on the numbers in order to provide meaningful consultation. As stated above, the accounting fees for a client using QB are generally double that of our typical fees. This significant price difference is due to the additional time and effort it takes for the accountant to correct errors.

*Less time consuming than QB.*

Business owners succeed when they spend their time wisely. They do not need to dedicate time to accounting functions. Some owners will choose to hire bookkeepers to perform recordkeeping with QuickBooks, but will find that this additional level of expertise increases their recordkeeping expenses. That's an unfortunate tradeoff.

### **Advantages of QuickBooks**

*Low cost solution for most of the small business recordkeeping problems.*

QuickBooks can solve most of the recordkeeping issues that small business owners face. These issues are routine and require little to no accounting knowledge (basic bookkeeping). The proper procedures can be learned and are easily repeated. These basic, routine functions include check writing, bank reconciliation, invoicing, bill payments, etc. The General Ledger function, however, requires knowledge of accounting. This is where a majority of the business owners' mistakes are made. This is where accountants spend a great deal of time (and, subsequently, charge additional) correcting errors made throughout the year, because these errors effect both taxable and net income.

*Helpful as the size and complexity of the business increases.*

QuickBooks is an outstanding accounting system if the operator has an expertise in BOTH computers and accounting. This is probably very unlikely. Most small business owners do not have such expertise, nor do they have the resources to pay someone who does. As the size of their business increases, however, the cost of the required accounting expertise is more manageable. Accordingly, the business owner needs the important financial information on a timely basis.

## **CONCLUSION**

The CPA profession is struggling to stay competitive in the small business accounting market. And the economy isn't entirely to blame for these challenges.

1. **CPAs are losing (or have already lost) the small business monthly "write-up" business.** Most small businesses are turning to technology (i.e. Intuit QuickBooks), rather than their CPA, to handle the monthly recordkeeping for their business. Maybe they're put off by the CPA's cost (\$250 or more per month), or maybe it is the lack of truly useful reports and services. Traditional accounting reports are not perceived as valuable by the

small business owner, and they're unwilling to pay what most CPAs charge for reports that will simply collect dust in a filing cabinet.

2. **CPAs who provide recordkeeping services are seeing their billing rate decrease significantly for those services.** The market no longer bears premium prices for "bookkeeping" type services. As a result, CPAs are paid significantly lower rates for these services. While a CPA has the option to outsource the work (and receive lower margins), the accounting profession has been unable to find a way to profitably provide these services to small business clients.
3. **Intuit QuickBooks (and similar systems) have taken away much of the market.** Unfortunately, these software applications are NOT the solution for small business clients. Clients use QuickBooks as nothing more than a glorified checkbook. The General Ledger and Reporting modules are just too complicated. So a client uses QuickBooks, but in the end must hand over the data to the CPA to be "cleaned up" for the year-end tax return.

SASBA believes there is a window of opportunity for CPAs to become a leading provider to their small business clients. BankAccounting is the solution – CPAs can reclaim the small business monthly "write-up" business while maintaining attractive billing rates. Better yet, the work stays in-house with a trained paraprofessional who operates the system while the CPA dedicates their time and energy to more intensive, higher-paying work.