



Challenges for accountants and advisors

This edition is part of the series on "Adding Value To Your Clients' Businesses".

Let's look at some of the challenges that are facing you as professional accountants and advisors in 2016/17.....

- **Regulators**

First of all, let's look at the regulators.

The ATO is making a number of changes, including Standard Business Reporting (SBR). These changes are expected to have a significant impact on the amount of revenue earned by the accountancy and tax agents market.

The Australian Security Investments Commission's (ASIC) licencing requirements for financial advice and superannuation fund investments are becoming far more pronounced and affect accountants on an everyday basis.

- **Technology**

There's no doubt that "digital disruption" and software developments by companies such as Xero, MYOB and others have all contributed to significant changes in how accounting-based information is prepared. This is also changing the required mix of staff.

- **The Market**

Outsourcing of some work to overseas countries is being implemented by a growing number of firms every year. This means that those firms have got the advantage of having lower costs for a significant part of their business operations.

- **Small/Medium Enterprises' Expectations**

In survey after survey over the last 15 years, small/medium enterprise operators have indicated that they require a wider range of services. You only have to look at the growth of the coaching and consulting industries to realise that many small/medium enterprise operators have already sought advice on business matters from people other than accountants.

- **Competition**

There is plenty of competition at present for accountancy and advisory services. This is coming from other accountants who have already diversified their business operations to include a significant amount of work, other than taxation. It also includes business advisors, coaches, consultants, etc.

- **Opportunities**

There are plenty of opportunities for accountants and advisors in matters such as financial planning and superannuation fund advice, however you will need a licence issued by ASIC to undertake these duties.

A few years ago, there was no need for licenses for financial planning or superannuation fund advice.

There is also an opportunity for Business Advisory Services and Chief Financial Officer (CFO) services. You don't need a licence for these.

- **Challenges**

How you respond to these challenges will have a significant impact on the type of accountancy/advisory business that you're able to operate over the next two, three, five, ten years. Some of these changes are a lot closer than what you might really think they are.

- **Deloitte**

Deloitte produced a very interesting report 3½ years ago, "Digital disruption – short fuse, big bang?" In the report, one of the key recommendations they indicated was that accountants and advisors need to develop new revenue streams.

- **New Revenue Stream**

What could be included in the new revenue stream for your accountancy/advisory business?

My suggestion is "business advisory services" and "virtual CFO service".

There's no doubt that the accountancy/advisory industry is being put on notice and changes are occurring. In fact, in the marketplace, some accountancy/advisory businesses are already doing this. They don't intend to completely diversify away from income tax – most of them would never do that because of the cashflow advantages. For the benefit of clients, the accountancy team and the future operations of the business, those firms have already decided that it's worth their while to be developing a new revenue stream. They fully appreciate that small/medium enterprises do require a broader range of commercial services, not just a tax service.

- **Accounting Market Pulse**

The December 2015 edition of "Accounting Market Pulse", produced by the Commonwealth Bank, indicated that 2016/17 would be a key year for business advisory services. In fact, they predicted that business advisory services would be the top new product in 2016/17.

- **Failure to Grasp Opportunities**

When I talk to other consultants, coaches, business advisors and company directors, most of these people are amazed that accountants/advisors haven't grasped this opportunity with both hands and have really made business advisory services and virtual CFO services an "accountancy market product".

Yet many firms continue with this belief that taxation services are going to be their principal income source for the years ahead. Unfortunately, for those firms, I don't think that's correct. There's no doubt that you will continue to be doing a significant amount of income tax work, however my prediction is that the firm of the future will have an income source from taxation of around 60% of fees and the balance will come from products such as business advisory services and virtual CFO services.

Remember, you don't need a special licence at this stage for these types of services. This is an opportunity for you to create new revenue streams. Don't wait until it's too late. Think about it now and have a look at the products that are available in the marketplace. I'm quite happy to talk to you about the services offered by ESS BIZTOOLS, ESS BIZGRANTS and ESS BASIP.

We're presenting special webinars, free of charge, for accountants and business advisors over the next couple of weeks.

- ***Want to Turn a \$2K Client into \$25K Client?***

Would you like to be able to turn a \$2,000 client into a \$25,000 client? If so, you're invited to attend our webinar. We will take you through a number of processes that are required for a company that aspires to be an Early Stage Innovation Company (ESIC). There is a lot more in being an ESIC other than just going through the ESIC eligibility process.

Some of these companies are going to need advice on research and development, how they can claim an R&D rebate and how they should keep the records to be able to justify their claims.

Some of them could be eligible for a Commercialisation Australia Grant, which could be up to \$1M on a 50% basis. If they can get a significant amount of the money they need for the commercialisation process from a government grant, they don't have to allocate as many shares in the company.

The ESIC due diligence process and self-assessment process is very important and that's one of the early parts of the fee cycle that you'll be able to earn for helping people in that process.

Once they get the ESIC – it's only the "entry ticket" – they will then need to go through the budget process. This means looking at a budget for the business operations for the next three years. Then a cashflow forecast for that same period, identification of how much money they need from investors and what percentage of the company the investors are going to be offered. All of these would then need to be incorporated within a business plan which clearly identifies how the company is going to operate, what market it's going to be in and what it's going to achieve. There will then be agreement such as shareholders' agreements and the modus operandi strategy for the business. The company will then need an information memorandum to satisfy the requirements of the Corporations Code. The vast majority of these companies' CEOs will need some mentoring in being able to make an effective investment presentation to a Business Angel group.

That's what's involved in helping to get a company through the ESIC accreditation phase and then through to the investment readiness phase. This is how you can convert a \$2,000 fee into a \$25,000 fee.

This webinar will be held on **Wednesday 12th October 2016** at:

11am AEST (QLD)
12pm AEDT (NSW, ACT, VIC, TAS)
9am AWST (WA)
10.30am ACST (NT)
11.30am ACDT (SA)
2pm NZDT (Auckland)

[Click here](#) to register to attend.

- ***Six Steps to Boost your Productivity and Profits***

We're presenting a special webinar with Lorraine Pirihi from Relaunch Your Life. This webinar will present the key components of freeing up time for what matters:

- Get the right team in place
- Master the skills of productive marketing
- Stay on track with an effective system
- Focus on creating wealth
- Make time for yourself and for your family an absolute priority

Lorraine Pirihi is a coach, productivity specialist, a mentor, speaker and an author. This will be a very interesting webinar and is open to accountants, advisors and small/medium enterprise operators.

This webinar will be presented on **Wednesday 19th October 2016** at:

11am AEST (QLD)
12pm AEDT (NSW, ACT, VIC, TAX)
9am AWST (WA)
10.30am ACST (NT)
11.30am ACDT (SA)
2pm NZDT (Auckland)

[Click here](#) to register to attend.

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