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Entrepreneur's Guide to Small Business Accounting

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CONGRATULATIONS, DEAR ENTREPRENEUR!

Firstly, we would like to extend our congratulations to you! Whether you are thinking of launching your business or have just done it, it takes determination and courage to reach where you are today.

To fast-track your business and ensure its sustained growth, it is important to hire a competent accounting firm during the initial stages of your business. However, the market today is replete with a wide variety of accounting firms offering different services, which make your choice difficult. Add to this the appealing rock-bottom rates, misleading information, and unsubstantiated claims, all of which make your decision-making hard. In such an environment, how does one choose an accounting firm, and thereafter evaluate how well they are doing.

This guide is specifically designed to help you understand how accounting firms work. It also outlines some tips and tricks to facilitate hiring an accounting firm that can meet your business requirements.

We believe in educating entrepreneurs. We trust the information shared here will help you to make smart and informed decisions. If you need any other details or have questions about accounting services, feel free to contact us. We would be happy to help!

Best Wishes,

The Ethics Plus Team

CAN I HANDLE MY OWN ACCOUNTS? OR USE AN ACCOUNTING SOFTWARE?

Perhaps you are considering taking the DIY (do-it-yourself) route when it comes to business accounting. But it could be a perilous road if you have no idea what you are up against. And even if you do, you would be investing a significant amount of time while sacrificing other important business matters.

You might have heard of accounting and other software that can speed up the process and even automate repetitive tasks. Can one use them? Yes, provided you know where a specific set of data needs to be inputted or what records are to be fed into the software. There would be a learning curve as well. As a busy business owner, you cannot afford to take the trial-and-error route or experiment and learn the process down the line. Because every minute wasted on such tasks could have been better invested in other areas of your core business.

In addition, an accounting professional would often offer valuable suggestions related to taxes and other business matters, which cannot be done by a software program.

An accounting software would process the data you feed it and generate reports or

results based on them. If you have important questions to ask or some doubts regarding your business financials, you'd rather consult an expert.

DIY accounting may seem appealing and cost-saving while accounting software may simplify bookkeeping for small businesses to some extent. However, neither can match a specialist's understanding of accountancy principles, which would give you vital insights into your business.

Thus, the best solution is to hire and let the accounting experts do what they are adept in. This way, you would free up your time that can be invested in handling more pertinent business matters.



4 REASONS WHY YOU NEED TO HIRE AN ACCOUNTING FIRM

Still not sure why your business needs the expertise of an accounting firm? Here are the top five reasons why investing in an accounting firm is a prudent decision.

#1. KEEP YOUR FINANCIALS CLEAN AND CLUTTER-FREE

Accounting isn't just about recording your business's daily financial transactions. Rather, its scope is much wider. It involves recording, analyzing, classifying, summarizing, and reporting financial data triggered by your business operations over a certain period. Thus, with on-time accounting, you can get a better financial perspective of your business. Additionally, you can ensure your financial records are updated and clutter-free.



#2. BOOST BUSINESS EFFICIENCY

If you postpone the decision of hiring an accounting firm, the pile-up of work could get out of control. And it would be a tough job for any accountant to fix the mess at the end of the year or even a few months down the line. Additionally, if you need to make an important business decision, you may not have your reports in order. So, it is better to hire experts to streamline your accounting system from the beginning. And when you have a clear overview of your entire business, you can plan and work much better, which would boost the overall efficiency.

#3. MONITOR YOUR BUSINESS GROWTH

An accounting firm would give you a clear picture of your company's assets and liabilities and how they change with time. Thus, you can track your business growth and year-on-year changes in key areas. Accounting services can also let you spot the products and/or services within your business that are the most and least profitable. This can help you fine-tune your business model or strategy to focus on and grow your profits further while reducing or stopping the loss-making activities.



#4. MAINTAIN BUSINESS CONTINUITY

Entrepreneurs are often so busy focusing on the present that they forget to protect their future. Imagine the serious threat a cyber-attack, natural disaster, or a global pandemic can pose to your business's stability. You may need to keep your finances safe and your business operations running during and/or after such a disaster. When you hire a good accounting firm, it would let you manage your financial duties effectively even when a disaster strikes. In the process, it would help save you more time, which you can invest in handling other critical business functions.

DEBUNKING 5 MISCONCEPTIONS ABOUT ACCOUNTING FIRMS

By now, you have got a fair idea about why hiring an accounting firm is a prudent business decision. But perhaps certain misconceptions deep-rooted in your mind are still giving rise to a dilemma. There are several myths related to accounting firms. Here we debunk five of the most common misconceptions about accounting firms and accountants.

#1. HIRING AN ACCOUNTING FIRM IS EXPENSIVE

Entrepreneurs often treat accounting firms as cost centers because they do not contribute directly to the business's revenue generation process. If you are reluctant to hire an accounting firm just because you think their services would be expensive, you need to realize that partnering with an accounting firm is an investment. You can always choose to test the services and understand whether there is sufficient value-add.

Imagine paying more taxes than the required amount because your financials had some inaccuracies, and an important piece of information went missing when it was required. Or paying a hefty fine due to a financial statement that has been prepared improperly or in a hurry by a novice. You could steer clear of such scenarios by hiring an accounting firm, preferably for the long-term. By ensuring your books and accounts are updated, specialists working with such a firm would protect your business from unnecessary expenses like the ones

mentioned above. They can even get financial reports ready for possible loans, and predict – based on previous performance, if your business will tend to attract higher or lower revenue during certain months.

Now, consider these long-term benefits and even the convenience and expenses saved on otherwise unnecessary expenses or legal complications. Your total savings and benefits would be much more than what you need to pay for hiring a competent accounting firm right away.

You can reduce your accounting expenses further by hiring a firm on a retainer basis or in the long-term. Compared to hiring an accounting short-term to complete the backlog or historical accounts, it would be better to engage in a monthly contract with the firm in order to receive the maximum value for the amount spent. Even if you prefer flexible contracts, with some research, you should be able to find an accounting firm that delivers good results at a reasonable cost.

#2. ACCOUNTING FIRMS ARE MEANT JUST FOR BIG COMPANIES

This is probably one of the biggest misconceptions about accounting firms. Several entrepreneurs believe such firms are meant just for corporate houses and big businesses - not entrepreneurs, solopreneurs, startups, or micro-businesses.

This is simply not true. If you are someone who needs to handle bookkeeping or payroll, file tax returns, among others, accounting services can be of help.

And if you're an entrepreneur, you'll probably need help more than anyone else. After all, trying to handle it all on your own could elevate your stress levels. By helping you track and exercise control over your business financials, an experienced accountant can help save you some time, effort, and even your sanity. And once you safeguard this important aspect of your business, you will be better focused to tackle hundreds of other things that really need your attention.

#3. ACCOUNTING IS ENTIRELY FOR TAXES

Some of you may wonder if accounting is important in a country like UAE where there is no corporate income tax. Well, we can

assure you it is. To begin with, accountants working in the private and public sectors perform an extensive array of tasks. They could help businesses keep their accounts in order, compile financials, identify or investigate fraud, offer advice on auditing, help with financial management and regulatory subjects, and even present relevant data for vital insights into the business that help in informed decision-making. Thus, from routine operational accounting functions like bookkeeping, payroll services, etc. to complex tasks like financial auditing to specialist and advisory services like CFO services, accountants can offer them all.



#4. ALL ACCOUNTING FIRMS ARE THE SAME – DOESN'T MATTER WHICH ONE I CHOOSE



There is much more to accounting firms than merely preparing and interpreting financial statements. In fact, a quality professional from an accounting firm will be able to bring their experience when setting up some of the basic accounting related procedures in your company.

In the market, you can find a lot of general accounting firms. They are quite similar to what a general practitioner (GP) does in the medical field. The GP attends patients with common medical conditions and sends them to other specialist medical practitioners (say, a cardiologist, nephrologist, etc.) or hospitals if they need specialist treatment. As an entrepreneur, you need to look for an accounting firm that specializes in offering the services that you need. For example, if you are a technology start-up, found out if the accounting firm really has the experience working previously with similar companies.

Additionally, you need to check what you are getting against the price paid. Despite charging steep fees, some firms may simply offer basic accounting services. Thus, if you need advanced financial guidance and consulting, they may not be able to provide you with adequate support.

To cut corners, some entrepreneurs may be inclined to hire the firm with the lowest price. Though that is not necessarily bad, you need to take a closer look at the contract before signing on the dotted lines. These contracts can often have some hidden clauses in the contract that make every add-on service requested by you payable. And once these additional sums pile up, you may find yourself paying up much more than what the initially advertised or asked low-price was. In other words, the actual cost of these “low-cost” providers may not be that low.

Perhaps you now understand that though

accounting firms may seem like the same, their areas of specializations, the services they offer, and the prices they charge - all could differ widely.

#5. ACCOUNTING AND BOOKKEEPING ARE THE SAME

If you thought accounting and bookkeeping are the same, you're not the only one who has this misconception. To the untrained eye, both may seem like the same since both accounting and bookkeeping need fundamental accounting knowledge and use data entry and recording of financial transactions to create financial reports. Yet, they are different.

An accountant is responsible for evaluating, summarizing, interpreting, and conveying the financial data of a business. A bookkeeper handles the systematic recording and classification of a business's financial transactions. Usually, a bookkeeper reports to the accountant.

Typically, an accountant has a degree or certification (Chartered Accountant (CA) or Certified Public Accountant (CPA)) along with relevant work experience. Though a bookkeeper handles an important task, he/she may not need as much formal education as an accountant. However, the information that a bookkeeper gathers and manages would influence the way an accountant will interpret the financial information of the business. And based on the accountant's interpretation and recommendations, the business owner can take critical business decisions, which could be related to business expenses, tax matters, or other financial concerns.



HIRING AN ACCOUNTING FIRM – CONSIDER SPECIALIZATIONS AND DECIDE WHETHER YOU NEED TO HIRE FULL-TIME OR PART-TIME

Once you have decided to hire an accounting firm, the next question is what kind of specialized services your business needs. Another key factor to consider is your budget vis-à-vis your needs and choose either a part-time or a full-time accountant. Here are some pointers that can help you make an informed decision.

#1. STARTING UP

If you are just starting your entrepreneurial journey, working with an accounting firm that specializes in startups would be a good bet. Such a firm would be able to offer you services needed at this initial stage of business. These could include doing your monthly reconciliations, setting up standard accounting processes, formulating a budget, fundamental bookkeeping and payroll services, calculating your key performance metrics, etc. If your venture is facing major financial issues, you could even get help with that by consulting with your accountant.

Since most businesses have a budget constraint during the initial days, they opt for hiring part-time accounting services. If you belong to this league, you can take the part-time route to ensure your financials are managed by a professional

right from the start without making your business budget go haywire.

#2. POST-FUNDING

After your venture has secured funding and you have hired employees, your accounting needs would change slightly. At this stage, your accounting firm should be able to handle investor reports (that include income statement, cash flow statements, balance sheet, and P&L statement), a cash burn chart, financial projections, employee options, etc.

At this stage, you may need a CFO to act as your financial advisor. If you can't hire a full-time CFO on staff, you can always look for virtual or part-time CFO services.

#3. READY TO SCALE

Finally, when you are ready to grow your business, you will need to manage multiple tasks. These could include plans to relocate and/or break into new markets, seek larger funding from venture capitalists, recruiting additional staff, etc. At this stage, the advisory role of CFO would become more important.

Whether you want to conduct market research or techno-feasibility study, analyze your market model, or need professional advice for business planning and forecasting, you can avail all of these. And this is the right time to opt for full-time accounting and CFO services.

#4. LET YOUR BUSINESS NEEDS GUIDE YOUR DECISION

There's no one-size-fits-all solution when it comes to hiring an accounting firm. And you should not decide to hire a part-time or full-time firm just because someone says so. Rather, you should take a closer look at what your business needs are and the extent of support you will need to attain your future business goals.

For instance, you might need specialized accounting services for just a few hours every month or require full-time expertise in a specific area on a retainer basis. Thus, based on your accounting needs, you should choose an accounting firm – be it full time or part-time, which should be able to support your business requirements – as and when you need it.



7 ESSENTIAL FACTORS TO CONSIDER WHEN CHOOSING AN ACCOUNTING FIRM

Once your small business is up and running, it becomes extremely important to keep track of all the finances. By being aware of the financial gains and expenses, not only will you be able to ensure that your business is running smoothly but to file the taxes properly as well. Since reputable accounting firms stay abreast of the latest accounting rules and tax laws, hiring one of them is the most prudent decision to get help with your accounting issues while leveraging the business profits. Here are seven essential factors you need to consider when looking for an accounting firm.



#1. QUALIFICATION AND CERTIFICATION

It is obvious that your chosen accounting firm should have a solid team of certified experts. However, many of these firms sometimes fail to provide their employees with adequate training in order to be equipped to address the accounting-related intricacies of small businesses. So, it is wise to check the certifications that the employees hold. Ideally, you should join hands with a reputed firm that employs qualified CAs or CPAs and holds ISO certifications.

#2. FEES CHARGED

Accounting fees or charges significantly vary from one firm to another. While some firms charge a specific fee for a specific set of tasks, others may charge you based on the time they invest to do the tasks. In any case, you need to acquire a detailed quote from each of your shortlisted accounting firms to finalize the one that will fit into your budget. However, since the fees will be calculated based on your exact requirements, it is important to have an initial chat with them and provide them the necessary information to evaluate the work involved.

#3. ABILITY TO HANDLE COMPLEXITY

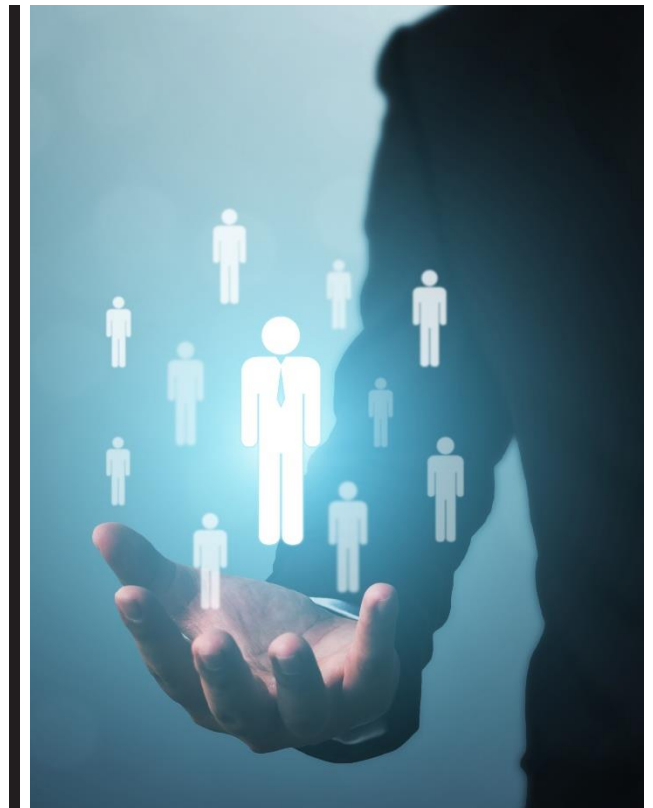
It directly comes down to the specific requirements of your business. It may be limited to compiling annual financial statements and preparing your tax return. Or you may need a set of services such as advice on tax and financial planning, developing or updating a bookkeeping system, among others. While the former requirements can easily be fulfilled by any accounting firm, the latter ones may need a firm to have accountants with different background or qualifications.

#4. INDUSTRY-SPECIFIC KNOWLEDGE

Since Dubai is one of the most prominent business locations around the globe, a huge number of businesses across diverse industries operate from here. As a result, there are many different accounting firms that cater to the needs of different industries. For example, an accounting firm that specializes in guiding agricultural and rural clients may not be the best fit for an e-commerce business looking. Therefore, you need to make sure that the accounting firm you are going to hire come for audit services with proper expertise and sufficient experience in providing services to clients from your industry.

#5. COMPANY MANPOWER

Another essential thing you need to ensure when choosing an accounting firm is that it comprises enough skilled team members. There might be times when your business would need immediate accounting assistance. Unless your chosen firm has an adequate staff strength, it would be extremely difficult for it to manage urgent situations, failing which may leave a negative impression on your business, both financial and reputational. Partnering with the right accounting firm should help you address all the accounting needs of your small business with ease and on time.



#6. TOP-NOTCH CLIENT SUPPORT

Efficient client support is something that keeps some accounting firms much ahead of others. Whether you need to contact the firm only to get your annual taxes managed or need time to time advice and solutions, someone should be available to attend your call to help you schedule an in-person meeting. You also need to understand that there are some accounting firms that tend to work along with you and help with various accounting-related steps, after you avail their services. And there are some firms that start paying less attention to you once you become one of their clients. However, hiring a reputable firm would most likely help you steer clear of this issue.

#7. LOCATION OF THE ACCOUNTING FIRM

Gone are those days when small business owners mainly used Yellow Pages to find nearby accounting firms. In today's increasingly connected world, it does not matter if your accounting firm is located in another city, state, or country. These days, a significant number of firms offer virtual accounting services to cater to the needs of clients based in distant locations. But still, the decision about the location of your chosen accounting firm is all yours and comes down to your preferences. Some more traditional people prefer to have face-

to-face interaction while for some others, especially the tech-savvy ones, location doesn't actually matter anymore.

In addition to these, if your company operates in one of the free zones in the UAE, it may become mandatory for you to have your books of account audited only by auditors who are approved by the free zone authority. In that case, you've to make sure that you hire an audit firm approved by your respective free zone.

And lastly, experience plays a major role in the world of accounting. In simple words, an accounting firm that has been in the business for a couple of years just cannot match the expertise of a firm offering services for nearly two decades.

GETTING STARTED

Now that you know the key factors that you need focus on when choosing the right accounting firm, let's take a look at the steps to zero in on one.

#1. ASK APPROPRIATE QUESTIONS

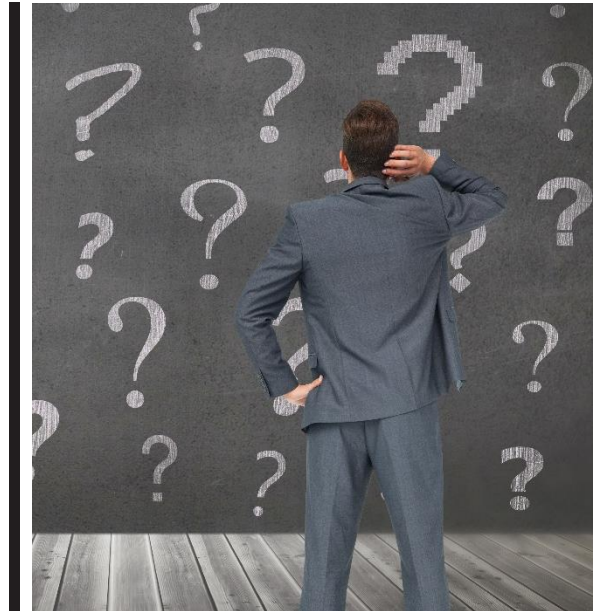
Once you've shortlisted a few accounting firms, it's time to ask the right questions. Answers to these questions would help you understand whether or not a particular accounting firm could be your perfect accounting partner. Questions similar to the below ones should help you to a great extent.

1. What are the biggest accounting challenges in your business that the firm can help you overcome?
2. Would the firm be able to design a financial plan tailored to your business' needs if need be?
3. What types of accounting software does it mainly use?

Based on the responses, figure out if you can trust a particular firm to work with the confidential financial details of your business. If you think that you can, simply proceed with the other steps. But if you are feeling hesitant, then simply walk away and try another firm.

#2. SEEK RECOMMENDATIONS

See if someone you trust, especially a business owner who is operating in the field similar to



yours, can recommend any particular accounting firm among the ones that you shortlisted. Having one of your trusted persons vouch for your potential accounting partners will not only help you gain unique insights but peace of mind as well. However, there is one thing that you must need to keep in mind when following this step. You have to make sure that you don't finalize anything until you're actually satisfied with the answers that you receive to your questions. You should understand that just because a particular accounting firm is the best choice for one of your business owner friends, it doesn't necessarily mean it'll be the perfect option for you too.

#3. GET A QUOTE



Obtaining a clear understanding of the cost is an extremely crucial step to be taken before you finalize anything. First of all, you should get a cost breakdown of how the fees will be determined by your chosen accounting firm. It will help you get a clear idea of the amounts that you would need to pay for individual services. We have already discussed that the fees heavily depend on the tasks to be completed. So, both you and the firm need to refer to your exact requirements here. In general, if your company follows a complex business structure or operates cross-border business, most probably you would need to hire a top-notch accounting firm having experience in working with clients like you. In that case, you may need to pay a significantly higher fee than what you would for hiring an accounting firm to take care of less complex tasks.

It may not be fully helpful to check client reviews of an accounting firm to understand the quality of its services. This is because these can be biased – maybe the firm has planted positive reviews or it can be one of its competitors that has placed the negative ones. However, going through the reviews thoroughly would surely help you obtain an overall idea of the quality of service that you may expect from the firm.



CLOSING THOUGHTS



We, at Ethics Plus, understand that financial situations greatly vary from one small business to another and so do their respective accounting requirements. This is why we always schedule a meeting, either in-person or virtual, to get a clear understanding of the specific needs of your business first and then take it from there. We feel proud to be recognized as one of the leading accounting firms in UAE with a robust team of adept accountants who will work along with you at every step of your business.

If you need any kind of help with accounting and bookkeeping services for your business, [contact us](mailto:inquiry@ethicsplusuae.com) today at 04-3451522 or send us an email at inquiry@ethicsplusuae.com, and we'll be happy to assist you.