

## If you don't do it, someone else will

Research from the Enterprise Research Centre (reported in the [Financial Times, Page: 3](#)) suggests SMEs in the UK have recovered from the recession, with growth and start-up rates returning to pre-2008 levels. What might you, as a small practitioner, do to develop in this more buoyant market and take advantage of this more positive arena? Business development advice is the obvious step for a management accountant and with the audit market shrinking there is a danger that other accountancy disciplines may look to filling a gap that is best occupied by CIMA members. As well as compliance work, small businesses need an all-round approach to business just to stay still, never mind grow. As the statutory requirement for audits dwindles, traditional accountancy practices are responding to this as a threat and looking to reposition themselves to offer new services. Now is the time for CIMA members to develop the opportunity and ensure that SME clients get the best business advice.

Business advisory is flagged up as a top area for growth among smaller accountancy practices, according to IFAC's 2014 [small practice survey](#). This has been reported widely (for example in [Accountancy Age](#)) and other areas of growth include tax services. There are challenges of course and these include access to finance and concern about economic crime.

## A Brave New World – for Some

There has been a spate of reporting on the value of expanding SMP offerings beyond the traditional compliance work as the audit market shrinks. In October 2013 KPMG invested £40m to extend its mid-market services to small and start-up businesses via a new [small business accounting service](#), which uses a digital technology platform to provide online accounting and tax services - including accounts preparation, bookkeeping, payroll, VAT and corporate tax returns - to small and start up enterprises via the cloud. Deloitte has now formed a partnership with Sage that aims to help SMEs boost their businesses through cloud-based tools. Sage and Deloitte have worked together on deploying Sage X3, a [business management offering](#) that enables companies to collect, store, manage and interpret data from a wide array of business activities.

A recent [article](#) by CIMA Member Berend Van Aswegen on the Practice Management Section of IFAC's Global Knowledge Gateway looks at various elements of business advisory services:

- Business development
- Corporate advisory
- Human resources/employment regulations
- Financial planning
- Tax planning
- Succession planning/business transfers
- Information technology (IT)
- Enhanced organizational reporting
- Management accounting
- Business intelligence

How do you convince your client to embark on this journey with you? You can start by providing the evidence that these services are needed. CIMA has identified some of the latest data, research or resources that may help you when you are discussing your services with your client or potential client. Whether the research is sponsored by a particular sector stakeholder or comes from an entirely impartial source does not really matter, the fact is that data has been verified and can be quoted – how you package it is up to you.

## **Provide what you charge for but charge for what you provide**

According to research carried out for the British Insurance Brokers' Association ([BIBA](#)), a significant number of leaders of SMEs in the UK perform a lot of tasks outside their job descriptions, including IT issues, procuring office supplies and HR. The answer here may be to offer these services clearly in your terms of engagement and make sure you value and charge for them appropriately. This will help you if you are considering a move to a comprehensive business development service.

A [CPA Insider](#) article "Grow your business by setting yourself apart" suggests brand building tips for small practices and small firms. There is also another recent article on "Growing Your Firm's Financial Advisory Services" in [Accounting Today](#).

## **Embed and improve your traditional accounting services**

New research from cloud accounting outfit FreeAgent reported in [Accountancy Age](#) points to over 600,000 British micro-businesses missing their tax return deadlines and a third to being overwhelmed by the burden and complexities of accounting. One in five (20%) micro-business owners confess that their main method to manage their financial accounts is via pen and paper.

Accountants can help clients make the most of their cash. [The Daily Telegraph](#) reports that the UK's small businesses are missing out on thousands of pounds of interest payments by refusing to move huge cash piles from current accounts to savings accounts. Hampshire Trust Bank analysed the accounts of 500 SMEs and found that the average small firm has an account balance of £230,000, as businesses hold on to capital in case of economic shocks. Just a quarter of the small business owners surveyed said they felt confident enough to put cash into a savings product for a year, with 56% citing the need for greater cash buffers and 26% claiming that the volatility of the economy was a cause for concern.

SMEs are overpaying taxes by millions of pounds by failing to claim back all their legitimate expenses, according to a poll for online accounting firm FreeAgent. The survey found that 10% of small company bosses and sole traders say they claim back hardly any expenses, while a further 21% said they claim back less than half of the expenses they could (source: [The Mail on Sunday](#)).

## **Help your client access finance and manage their money more effectively.**

There is now a variety of financing options, which presents a range of alternatives to what was once limited largely to bank financing (source: IFAC [Global Knowledge Gateway](#)). A UK conservative manifesto pledge to create 50,000 start-up loans was not addressed in the recent UK budget (as reported in [The Daily Telegraph Business](#)). There are already schemes and grants available of course, however in the UK many MPs remain unfamiliar with government small business policies. Recent research by the Entrepreneurs Network and Bircham Dyson Bell (reported in [The Daily Telegraph](#)) shows that half of MPs are unaware of the policies that have been introduced to help boost small business growth. Of the 100 politicians surveyed, between 48% and 58% had never heard of a number of government initiatives to promote R&D and seed investment initiatives for smaller businesses. 62% of MPs had heard of the Business Growth Service. 61% had never heard of Innovate UK, which supports entrepreneurs by running competitions worth up to £536m in Government funding, or didn't know enough about the scheme to decide if it was effective. Becoming familiar with these will be helpful for the adviser and you might wish to mention this to your MP.

## **Tackle late payment and supply chain bullying head on**

Small firms bear the brunt of late payment. Research from the Asset Based Finance Association suggests many small businesses are waiting longer than ever for their invoices to be settled. [The Times](#) reports that businesses with an annual turnover of less than £1m are waiting an average of 72 days for their invoices to be settled, 11 days longer than 2009, while those with an annual turnover of £500m or more - wait an average of only 47 days. Translating this delay into hard cash, [Business Money](#) reports that SMEs are spending £10bn a year chasing late payments. This is not just an issue in the UK – the [Singapore Business Review](#) describes late payments as “life threatening”.

In the UK, a small business commissioner is to be appointed by ministers to adjudicate on disputes over late payments. Following a consultation, the commissioner will be created through the Small Business, Enterprise and Employment Act and will have the power to investigate complaints and name and shame firms that fail to adhere to the terms of transactions (source: [The Sunday Times](#)).

Along with late payment another significant threat to the SME is supply chain bullying. A report from [Fresh Business Thinking](#) highlights how sticking to simple financial processes could help prevent such bullying for small scale suppliers. Some SMEs continue to ignore basic processes such as raising an invoice, quoting a purchase order number, using a clear description of the goods or services provided and stating clear payment terms in a prominent position.

## **Help your client market their services, join networks and share business intelligence**

SMEs admit the need to boost marketing - A new survey by ReachLocal (reported in [Fresh Business Thinking](#)) suggests that less than half (45%) of those SMEs surveyed believe they do enough to market their business online. Over half (54%) do not fully understand which marketing tactics are delivering a return for their business. Nearly a quarter (23%) say that they spend money where they think it works, but have little evidence to back up its success. The survey also found: 30% of respondents admitted that they would like to spend more time on marketing; 12% said they put marketing activity off making it a bigger task; and 10% said it was “too time consuming.”

New research (reported in [Business Matters](#)) shows 77% of UK SMEs believing that a strong online reputation is important for the wellbeing of the business, but 40% of them completely ignore online company reviews. Some 15% of SMEs revealed they've been on the receiving end of negative comments online, a selection of poor reviews, attacks from rivals or bad press coverage. The report also found that 21% of decision makers at SMEs had been contacted online by someone they perceived to be a scam artist. Just 9% of firms are paying somebody to manage their online reputation, and an additional 9% have plans to appoint someone in the next year.

Many companies fail to forecast accurately because they rely solely on internal data and neglect external factors, research shows. An article on [ChiefExecutive.net](#) calls upon CEOs to invest in analytics so they can generate accurate forecasts that provide a solid foundation for strategic planning.

New research shows that public trust in small business is higher than in big business and a blog on the [Confederation of British Industry](#) website suggests that UK industry thrives on collaboration between companies of all sizes. It lists five reasons why it believes that big and small businesses are more united than divided. Big businesses rely on collaboration with small companies in their supply chains, that healthy competition between small and large companies drive innovation, that both big and small businesses are affected when they are not paid on time, an increasing amount of collaboration between

businesses of all sizes to boost their sectors performance, and that large companies are supporting small businesses to export.

Alliances according to the IFAC [Global Knowledge Gateway discussion](#) are one way forward, for practices to share resources, training and business intelligence. There is also a helpful article on collaboration entitled [Is It Time to Make Your Rival an Ally?](#)

## **SMEs and Economic Crime**

According to a study by Sage Pay, SMEs are losing £18bn every year to fraudulent transactions. The study found that more than a third (35%) of UK businesses have experienced fraudulent activity in the past year, with each losing an average of £3,450. Despite 55% of consumers citing security as their top priority when it comes to payments, almost a third (32%) of businesses do not spend any money on fraud prevention (source: [smallbusiness.co.uk](#)).

One of the most disturbing pieces of research is a UK Government study which has found that a third of UK SMEs are unaware of the 2010 Bribery Act. The report, [Insight into awareness and impact of the Bribery Act 2010 among SMEs](#), also found that just 42% of UK SMEs put in place bribery prevention procedures. Measures such as bookkeeping, auditing, expenditure approvals or a strategic-level anti-bribery statement were among the procedures that have been implemented by SMEs, it said, along with written anti-bribery policies and training. Awareness was higher among SMEs exporting to higher risk countries. 74% of SMEs that were aware of the Bribery Act were not aware of Ministry of Justice (MoJ) guidance published in March 2011 to help commercial organisations understand the procedures they can put in place to prevent persons associated with them from bribing. Of those SMEs that were aware of the MoJ guidance, three quarters (75%) had read the guidance and the majority of these (89%) reported that they found the guidance to be useful.

## **Corporate Governance, succession planning and shrewd management**

The [ACCA](#) has published its *Governance for all: the implementation challenge for SMEs* report, which indicates that while in larger organisations corporate governance is primarily tasked with ensuring that management acts as shareholders' agents, for SMEs it is primarily about improving business performance and managing risk. Established corporate governance frameworks have been developed with large, listed companies primarily in mind. Such frameworks and codes may not reflect the realities of running a small business. Governance is of critical concern to small businesses, where owners may often be its managers as well, or where company ownership may be shared across family members.

According to the PCPS CPA Firm Top Issues Survey, practitioners' top concerns include succession planning, workload compression and generational differences. An [AICPA](#) article *Small Firm Solutions* provides tips for addressing these issues, including developing a practice continuation agreement, streamlining client rosters and training younger staff with leadership potential.

A new thought paper released recently by the International Federation of Accountants (IFAC) provides advice on how boards and management can effectively manage risk as an integral part of managing an organization. The paper, [From Bolt-on to Built-in](#), positions the management of risk as an indispensable and integral part of decision making and subsequent execution in order for boards and management to ensure their organization makes the best decisions and achieves its objectives.

The role quality plays in a professional liability claim cannot be over-emphasized. A [Practicing CPA](#) article stresses the importance of establishing a defined quality-control system that helps firms reduce the possibility of error in financial statements or tax returns.

[AICPA Insights](#) looks at three ways in which an accountant might help a client looking cost their retirement.

## **Educate and support your client in their reporting requirements**

The [FRC](#) has abolished FRSSE, the financial reporting standard for Britain's smallest companies, and introduced a new suite of standards for micro-entities, further simplifying accounting requirements for up to 1.5 million of the UK's smallest entities. The changes have primarily been driven by the implementation of the new EU Accounting Directive in the UK. The small company thresholds (for accounting purposes) are increasing: to turnover of £10.2 million, balance sheet total £5.1 million, employee total remains 50. This will enable a total of 11,000 currently medium-sized companies to take advantage of the small entity accounting provisions. Such companies are permitted to early adopt the new standard to avoid applying FRS 102 for one year before moving to Section 1A of FRS 102. The core changes will become fully effective for accounting periods beginning on or after 1 January 2016, with early application permitted for accounting periods beginning on or after 1 January 2015. THE FRC has also launched a series of measures aimed at improving the quality of corporate reporting at smaller quoted companies after finding that many accounts fail to meet investor expectations. Many smaller quoted companies lack sufficient skilled resources and are unable to keep pace with new reporting requirements, the reporting watchdog found in the [FRC Review of reporting by companies listed on junior stock markets](#).

## **IT and Technology**

A survey of customers by IT organisation BetterCloud indicates that the trend towards rapid adoption of cloud-based platforms such as Google for Work and Microsoft Office 365 is likely to continue. More than half of the small-to-medium size enterprises (SMEs) plan to run all of their IT services in the cloud within five years. It is predicted that the corporate adoption rate of complete IT-in-the-cloud infrastructure will more than double during the next two years. Presently only 12% of the respondents run all of their IT in the cloud, but that number will increase to 26% by 2017 and nearly 70% by 2025, according to the survey results. Currently it is primarily the newer, younger companies and start-ups that have cloud based IT support, but this is also predicted to change and will see IT professionals move from their traditional technical roles into more of a business support and development role. The flip side is that 27% of respondents believe that their organisations will never go 100% cloud. (Source: [CIO](#))

Almost half (48%) of UK SMEs are set to increase their spending on cloud computing services over the next twelve months according to the results of GE Capital's annual Capex Barometer. Two thirds of SMEs already use cloud services to some degree with more than one in ten (14%) using it for more than 25% of their total IT requirements. (Source: [Comms Business](#))

The use of cloud accounting services is set to revolutionise the relationship between clients and practitioners, according to research undertaken by practice consultancy Foulger Underwood Kato. Practices are looking to set up a single platform to provide online accounting services to clients, rather than run a range of platforms and systems based on clients' legacy requirements. Using cloud-based offerings to clients will continue to commoditise services, pushing advisers to offer more advisory services, the research, which involved 300 managing partners, found. Smaller firms are targeting larger

corporate clients by offering more specialised services, with one-off assignments in tax, corporate finance and insolvency. As such, they are looking to increase their percentage of non-recurring work.

[Accountancy Age](#)

Small businesses across Europe are set to benefit from new EU data protection regulation. Discussions between the Commission, the European Parliament and the Council of the EU began in June with the intention of reaching agreement by the end of 2015 on harmonised data protection rules contributing to making Europe fit for the digital age - a step forward to the EU Digital Single Market. The regulation will establish a single set of rules on data protection, "One continent, one law" valid across the EU enabling companies to deal with one law, not 28. The regulations will also include along with "European rules on European soil". Unnecessary administrative requirements, such as notification requirements for companies, will be removed. A 'one-stop shop' for businesses and citizens will be established and citizens/consumers will have greater data protection rights including the "right to be forgotten". Data protection authorities will be empowered to enforce these regulations. [Europa.eu](#).

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