



How to build a highly profitable Client Accounting Services (CAS) practice in 90 days

A practical guide for accountants

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About this guide

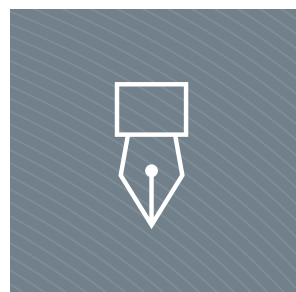
Any accounting firm that's serious about giving clients what they need and value - and raising their own relevance and bottom line - can't afford to lose out on the tremendous opportunities created by Client Accounting Services (CAS). And if you want to get CAS right, there are 5 essential components that you need to master.

In this Guide, we will:

- ◆ Briefly explain what CAS is, and why it has become more important now
- ◆ Dispel four common myths about CAS
- ◆ Discuss how you can start offering CAS quickly - and then grow it consistently
- ◆ Prepare you to offer CAS with a minimal investment of time and resources by first targeting your existing client base in a systematic manner
- ◆ Detail the keys to sustaining long-term profitability from CAS

You can **easily increase your profits from your accounting practice by 50% or more** using the techniques presented in this Guide, provided you have a reasonable number of clients who currently use a G/L system like QuickBooks, QuickBooks Online, Sage or other similar systems.

The highly actionable insights presented in this Guide are derived from our in-depth understanding of the real needs of accounting firms and their clients - insights that we have gained from serving the profession for the past 30 years. We have also relied on frequent feedback from accounting firm owners who have made CAS one of the highest revenue-earning segments of their practices.



About the authors

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Both Chandra and Hitendra have been recognized among Accounting Today's Top 100 Influencers in Accounting.

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What is CAS?

Traditionally, CAS means you, the accountant, do most (if not all) of the accounting work for your clients. That means you perform:

- 1. After-the-fact financial statement preparation (also called “write-up”).**
- 2. Transaction processing. Processing of AP, AR, payroll, sales and payroll taxes, etc.**
- 3. Outsourced CFO and/or controller services. This work entails ongoing, higher-level services to review financial performance and provide input on strategies to improve business.**

This definition of CAS is limited in scope. In our view, you are a true practitioner of CAS if you are able to customize your accounting practice for each client to best serve their needs, while maximizing your firm’s profits.

Our definition of CAS includes all the services included in traditional Client Accounting Services and then some. But it goes deeper into identifying the needs of different clients to better serve them.

Accounting clients can be classified into three main categories:

- 1. Clients who write manual checks. This is the traditional after-the-fact write-up work.**
- 2. Clients who want to offload all their accounting work to their accountant. This is Outsourced Accounting Services. (Do not confuse Outsourced Accounting Services with Offshore Accounting Services, which means taking accounting work to a third party offshore.)**
- 3. Clients who want to perform some of the accounting work (e.g. transaction processing) in their office. In a professional system, accountants work collaboratively with their clients, while remaining in full control.**

A true CAS practice focuses on the needs of the clients in each of these categories and optimizes the processes for each.

In this Guide we’ll focus primarily on Outsourced Accounting Services (OAS) because that’s the area that’s new to most accountants. We use the term CAS for Outsourced Accounting Services.

Why CAS and why now?

If you gathered your accounting clients in a room and asked, “If you love doing accounting, please raise your hand.”

How many hands do you believe will go up? Certainly no more than a few.

Independent research has confirmed that most small business owners consider accounting work a nuisance and a distraction from running their businesses.

There are three compelling reasons why you should offer CAS:

- 1. Clients want and desperately need those services.**
- 2. Using the right cloud solutions, you can offer Client Accounting Services using about the same amount of resources your firm currently uses for client accounting work, e.g. performing trial balance work and preparing financials.**
- 3. You can grow your profits by 50% and more without adding any clients or staff.**

The bottom line is that offering Client Accounting Services is a win-win for both you and your clients. The lost opportunity cost is significant if you don't offer CAS.



With online access to real-time accounting data anytime and anywhere, you can now work with clients both in the present and for the future.

Traditionally, in the desktop era, businesses did their own transaction entry work, e.g., they issued invoices, paid bills, etc. Accountants took that data to perform trial balance work and prepare financial statements. But there are multiple problems with this model. Small businesses had to hire a bookkeeper or accounting staff to perform that work. Managing the work internally was a big headache for business owners. Most small businesses had to settle for mediocre staff that produced low-quality work. Accountants ended up spending a significant amount of time fixing the errors clients made. Also, by the time accountants got the data, it was too late for them to offer timely advice to their clients. This model turned accounting into a very inefficient commodity service that provided little tangible value.

But the cloud has transformed the ways in which clients can work collaboratively with accountants. It has made integration between multiple applications designed to perform specific tasks possible, resulting in a streamlined workflow. And it has automated some key processes to minimize data entry.

Now, with the right cloud solution, your staff can do everything that your clients' staff does - only faster, easier and more accurately, all without leaving the office.

It is now possible for accountants to leverage shared resources to process accounting work for several clients. All this has greatly increased efficiency and made it possible for accountants to offer highly profitable Client Accounting Services with minimal effort.

As one CPA put it very aptly: "CAS is actually (more) CASH for accountants".

How to start offering CAS and grow successfully

You DON'T need more resources to offer CAS

First, and perhaps foremost, you do NOT need to have the resources of a larger firm to start offering CAS.

Second, and equally important, you don't need to add more clients to see a significant boost in your bottom line. Offering CAS to your existing clients can visibly increase your profits.

Also, it is very important to recognize that clients need CAS but if you don't offer it, you are not only doing them a disservice, but incurring a significant lost opportunity cost as well.

Creating a successful CAS practice does NOT require a strategic shift

There is a common misconception that CAS requires a strategic shift at accounting firms. Our study of firms (of various sizes) that have successfully created a CAS practice clearly indicates that this is not true. Offering CAS is essentially an extension of what your firm already does. In other words, you do not need to "transform", "reinvent" or "massively change" your firm to offer CAS. However, you do need to do a few things differently to succeed with CAS.

Preparing to roll out CAS needs 5 things done right:

1. Choose the right clients
2. Have the right communication
3. Use the right solutions
4. Develop the right processes
5. Implement the right pricing

We will explain these five factors in detail in this Guide.

The most practical way to start and grow a CAS practice is to use a phased approach

Different approaches have been suggested for starting a CAS practice, from week-long sessions to CAS certification. We believe these approaches unnecessarily turn CAS into a major undertaking, when the reality of starting a CAS practice is much simpler. We recommend using a **practical phased approach for offering Outsourced Accounting Services**. In this approach, in Phase I, you select the clients that are “low-hanging fruit” – ones who are ready and willing to offload all their accounting work to you. These clients don’t need any selling or marketing. All you need to do is let these clients know that now they can offload all their accounting work to your firm and focus on their business. You can show them the additional benefits they’ll receive, and that all this service will not cost them a single penny more than what they currently spend.

The most important aspect to offering CAS is finding the right professional accounting solution that is created specifically for offering CAS. It’s also important to implement the appropriate processes to take full advantage of the capabilities of your CAS solution. If you select the right solution, it will automatically streamline most of the processes involved in offering CAS.

Later in this Guide, we’ll discuss how to set up and run Phase I of your CAS practice.

Once you have successfully implemented and grown Phase I, this “Learn-As-You-Go” approach will automatically prepare you for the subsequent phases.

Now let’s discuss the five elements of offering a CAS practice successfully.



1. The right clients

The first place to start with CAS is your existing clients. Do not bring new clients into your CAS practice in Phase I. Leave that for Phase II.

It's important to note that not all of your existing clients are good candidates for CAS. On the other hand, many clients who can benefit from CAS may not be aware of that fact. As a professional accountant, it is your responsibility to ensure that these clients are made aware of your CAS offering and how they can benefit from it.

To get started with CAS, you want to start with a few select clients. This allows you to gain the experience you need to optimize your CAS practice with minimal effort and without disrupting your practice. We recommend starting with about 10-20 clients, or no more than 15% of your existing client base.

There are some easy ways to identify which clients are the right clients for Phase I:

- ◆ **Clients whose staff is producing sub-standard work for which your firm has to spend a significant amount of time fixing errors**
- ◆ **Clients who have a high attrition rate of accounting staff**
- ◆ **Clients who have 100 or more monthly sales invoices and vendor bills**
- ◆ **Clients who have a part-time staff, or no more than one full-time staff, or those who outsource bookkeeping.**

(Caution: Avoid asking clients whose close relatives do the bookkeeping for the company!)

This will be the first phase of rolling out your CAS practice. The work you get from these initial clients should be less demanding in nature, and will give you the opportunity to set up and fine-tune your CAS processes, build checks and balances into your workflow, examine profitability, and adjust pricing if needed. Once you have improved and refined all critical components, you can then expand to other clients and prospects.

These are just the initial guidelines. The best insights on whether a prospect needs CAS will come from your discussion with the business owner. In addition to the points mentioned above, here are some other circumstances to help identify a good CAS candidate:



- ◆ **Is the business owner looking to replace a bookkeeper/accountant?**
- ◆ **Is the business owner facing challenging problems in his/her accounting, such as constant delays or very few financial insights?**
- ◆ **Is the business owner looking for business decision support?**

2. The right communication

To partners and staff: how to explain the why and the what of CAS

If you have your own book of business, then convincing other partner/s may not be an issue, as you probably have a lot of leeway regarding what services you can offer. But if you are a partner in a multi-partner firm, one of the challenges you may face is not the “how to” but the “whether to” offer CAS.

And more often than not, this hurdle comes from a lack of full understanding of CAS.

Most accountants don’t know that the cloud has made offering Client Accounting Services much easier and profitable (and that is one of the key reasons why this Guide was developed). With the right solutions, firms with 5-20 staff members have created successful CAS practices. Invariably, one of the partners in those firms acquires a thorough understanding of the new dynamics of CAS and, with that knowledge, is fully convinced that offering CAS is the right thing for the firm to do. That realization allows them to communicate effectively to their staff and other partners WHY to offer CAS.

Here are some examples of the feedback we received from firms that successfully created CAS practices:

“

In deciding to “upgrade” our service offerings to focus on CAS, we struggled a bit. But, we understood the significance of CAS the moment we reversed our viewpoint – from what our firm can do/afford to do, to what new benefits our clients AND our firm will receive from CAS. It (offering CAS) became a no-brainer decision.

Jim Sosinski, CPA
Partner, Koenig CPAs

”

“

We were frustrated fixing our clients’ messy books. But we were afraid if we didn’t, someone else would and we’d lose clients. But fixing those messes revealed a pattern of poor business decisions our clients were making – leading to not just their books, but their entire business in a mess. We knew we had to help, so we started offering collaborative CAS services, and our clients are happier than ever.

Hitesh Patel
Owner, HRP CPAs PC

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To clients and prospects: how to create customer-facing communications

To existing clients:

The most appealing part of offering CAS is that you can get a good percentage of clients who are the right candidates for CAS without doing much selling. That makes client communication much easier.

A simple letter or email, like the one shown below, can do the job:

Dear [Client_Name]:

If I were to ask you whether you love doing accounting, I know what your answer would be. That is why I am sending this letter.

While accounting is our passion and expertise, it certainly is not much fun for your business, and it distracts you from focusing on your core business. Imagine how much easier it would be for you if you could offload all that accounting work to our firm. The good news is that now you can offload all of your accounting work to us - and the even better news is that it won't cost you a penny more than what you're currently spending on accounting.

Let's meet to discuss it. When we do, please have the average number of monthly invoices your business pays, and your total expense for the accounting work performed in your office. Make sure to include all overhead, such as your FICA contributions, PTO expenses, health insurance or any other insurances you offer, 401K match, etc. If you need help finding your total costs, I am happy to help in preparation for our meeting.

Please call our firm to schedule an appointment.

Sincerely,

[Your signature]

[Your name]

You'll be surprised how many of your clients will respond to this simple letter.

When you talk to your clients, make sure to emphasize the following:

- ◆ **They will spend no more than their current cost of accounting – yet they will get professional accounting done for their business.**
- ◆ **They will get near real-time insights from you, to help them make better and timely business decisions.**
- ◆ **They will be relieved of the burden of managing and monitoring accounting staff and their work/output.**

To relevant prospects:

While you won't proactively promote your CAS outside of your client base in Phase I, you may still have prospects or customers knocking at your door for CAS. When you have done your initial screening of a new prospect's business, you will know if they are a good fit for offering CAS. For those prospects, you need to show the different possibilities – with and without CAS – so that they can make an informed and right choice before signing up for CAS. For example, you would explain to them that:

- ◆ **Their core business is not accounting, but yours is. When your firm takes care of their accounting, they receive professional results.**
- ◆ **With your professional CAS, they are assured to get the insights that will help them make better business decisions.**
- ◆ **The value and cost of your accounting services will not be more than having an in-house staff.**

When the focus of your communication is “what's in it for them”, your prospects can easily see the benefits that CAS can deliver to them.



3. The right solutions

Before we decide what the right solution for effectively performing CAS is, let's consider a very good analogy that we heard from an accounting professional.

"If you have to take a few children to school, a car works well. But what if you have to take 20-30 kids to school? Would you still use a car? Of course not. You'd use a bus. Similarly, to manage complete accounting work for more than a few clients, you'll need a system that has the powerful workflow capabilities to handle a large number of CAS clients effectively."



Remember that CAS is all about your ability to customize your accounting practice for each client to best serve their needs, while maximizing your firm's profits. What kind of solution is able to deliver that capability?

The most important characteristic for such a solution is that it gives you full control over how you perform your client engagements. Can a solution give you that control if it has been created primarily for small businesses, and sold directly to your clients? Would any solution bypass you in that manner if their primary objective was to give you stronger control over client accounting?

Another aspect to consider is the primary objective of the accounting solution. Any company who sells its solutions directly to small businesses wants those small businesses to do most of the accounting work. That's exactly the opposite premise of CAS.

You also need to consider the extensive requirements of offering CAS. When you offer CAS, you are performing a multitude of interrelated tasks for a large number of customers. If a solution was designed primarily for managing the accounting of just one company, how can you expect it to handle the demands of CAS effectively?

If you're serious about creating a substantial and profitable CAS practice, you have to use a solution created specifically for offering CAS.

Checklist for your CAS solution:

- ☐ **Created exclusively for accountants and not sold directly to your clients.**
It should give YOU the flexibility to decide how to use it for each client.
- ☐ **Lets you work collaboratively with your clients online in real time.**
- ☐ **Lets you best serve all your clients effectively and profitably.** That includes:
 - ☐ clients who want to offload all their accounting work to you.
 - ☐ clients who still write manual checks.
 - ☐ clients who want to share some of the accounting tasks, while working collaboratively with you under your guidance.You should be able to easily tailor the system for each of these clients, giving them access only to the functions they can perform.
- ☐ **Have powerful professional capabilities,** including trial balance work and the ability to create fully customizable financial statements. The more built-in functionality the system has, the fewer external apps you'll need.
- ☐ **Be comprehensive.** That means integrating capabilities for transactional work (e.g. payables, receivables) with professional work (trial balance, GL management, financial statements, and CFO/advisory-level analytics, dashboards, etc.)
- ☐ **Streamlined processes and workflows.**
- ☐ **Features the high level of automation** that's essential for making CAS highly profitable.
- ☐ **Delivers robust and relevant analytics to provide outsourced CFO services.**

Choosing the right solution can greatly reduce the work your staff performs, like bill payment, as well as that of the professional staff that executes trial balance work and prepares financials. That will make it much easier for you to provide outsourced CFO services.

To have a successful CAS practice, your technology must give you competitive advantages. Selecting the right software is crucial for making a rewarding service for both you and your clients.

4. The right process

The most effective use of any new technology requires you to re-evaluate your existing processes, then determine what changes are required to make the most of that new technology. Using the right solution will simplify and streamline your processes.

Here's an example. Let's say your firm has to pay 300 vendor checks for 20 clients. In the traditional method, your staff would print individual vendor checks for each customer, stuff them in envelopes, and stamp and mail them. It could easily take a couple of hours. But if you use digital checks, all 300 vendor checks can be paid with a just a few mouse clicks. The entire process would take less than a minute. Imagine the overall cost savings! You can see how digital checks can greatly simplify the entire bill payment process. If you offer CAS but don't modify your processes to use digital checks, your CAS practice won't be as streamlined and profitable as it could be.



If you are using a desktop accounting solution, there is very little client collaboration. But one of the most beneficial capabilities of the cloud is that it lets you have stronger client collaboration. The right cloud solution will enable you to work collaboratively with your clients, online and in real-time whenever needed. Virtually every client will benefit from working collaboratively with you.

Bill payment is a commodity service that requires a multitude of tasks – getting the bills from your clients, entering the bills, getting bills approved from clients, printing the bills and mailing them. If you offered bookkeeping services using a desktop system, the bill payment process would be convoluted and inefficient. But a good cloud solution can greatly simplify the process and make it highly efficient. However, to take advantage of this capability, you'll need to adapt your processes.

You certainly wouldn't use a technology that would make the process more difficult, slow or convoluted. Your goal for using a new technology is to make things easier and faster. We humans have a tendency to stay in our comfort zone. Your staff may be resistant to a new technology because it will disrupt their existing processes. Therefore, it is a good practice to get them involved in the initial stage of exploring new solutions. Include them in product demos. That will help them see how the new technology and streamlined processes would make their work easier and potentially reduce their stress level by streamlining the workflow. The new solution will also free them from the drudgery of manual data-intensive work and help them upgrade their skill sets to be more useful to clients.

The net result of streamlining your workflow and improving processes is to increase your productivity, which in turn increases your profitability. Not only does your cost per unit of work decrease, but it also frees up your capacity to add more new clients – without any additional investment in incremental resources.

5. The right pricing

Before we discuss **what** to charge, it is more important to discuss **how** to charge.

The very fundamental answer for CAS is - never charge hourly fees. Why? Because hourly fees actually penalize your firm for becoming more innovative and efficient. If you don't want to get away from charging hourly fees, then our humble advice is – do not offer CAS.

So how should you charge? **Start with a flat monthly fee.** Then you can refine your fee structure based on stipulations in your service agreement.

Basic guidance for determining your flat fees

We recommend that in Phase I you keep your pricing structure very simple.

Keep your total CAS fee the same as what the client spends annually on accounting services.

That's the model we recommended in the client communication section of this Guide.

While calculating the total fee, add the annual expense for the following components, which you can easily determine from the accounting data you already have from preparing the client's financials:

Factors to include in price-setting:

- ◆ Fees the client pays for your work
- ◆ Salary the client pays to accounting/bookkeeping employee(s) or contractors, such as a bookkeeper
- ◆ Client contributions towards FICA
- ◆ PTO expenses
- ◆ Any other employee benefits the client pays, including health insurance, 401(k) employer match, etc.
- ◆ Office overhead the client pays to keep accounting in-house



Add all these items and divide by 12. That becomes your monthly fee for CAS.

If you offer payroll, include the client's payroll services fee to determine the complete fee for both accounting and payroll services.

We recommend including some additional services, such as monitoring cash flow and quarterly performance reports in the first phase to make your offerings more attractive.

It is important that you have a simple service agreement. Include an appendix that details the extent of the services offered, e.g. a maximum number of monthly invoices.

In Phase I, you could use the same fee structure for new clients. After you gain some experience with a good number of clients in the first phase, analyze the data and calculate your profits. Once you have done this analysis, you can adjust your fee structure. You could also create a multi-tier fee structure, meaning that you could have different fees for different levels of services and the volume of work to be performed, as described later in this section.

Use value pricing if you offer outsourced CFO services. Clients know what a full-time controller or CFO costs. They would be happy to pay you a substantial fee for that service if they don't have to hire a full-time controller or CFO, because they would essentially receive the same CFO-level insights and control. With the right software that includes a client snapshot, dashboards, performance reports and financial ratios, you can offer that service while spending just a few hours a month.

If you use the right solutions and establish more streamlined processes, you should see 20% - 50% growth in net income from CAS using this model. That's because your staff will be performing the work at twice the productivity of your clients' staff. Plus, you'll be distributing your overhead over multiple clients.

Offering ALL clients what they need: Scale CAS up or down to meet the needs of each client

As your experience builds, you can refine your CAS offerings and use a multi-tier service model.

- ◆ **As you offer different levels of CAS to different clients based on their specific needs and capabilities, you will need the ability to adjust to the changing needs of your CAS clients.**
- ◆ **Over a period of time, CAS will enable you to offer ALL of your clients what they need (not just a few select clients). One of the more common reasons why good clients leave their accountant is their needs outgrew the firm's capabilities. You can prevent that from happening by acquiring the capabilities to scale up your services as your clients' needs grow.**
- ◆ **With CAS, all of your clients will recognize that when they need more of your services, they will receive more. In other words, they won't think about looking for another accountant.**
- ◆ **At the same time, you'll be able to offer on-demand higher value services for an additional fee. You will also be able to adjust your fixed fee based on periodic reviews of transactional volume.**
- ◆ **CAS will help you offer advisory and business decision support services, with pricing based on the value of your advice – at a fixed or variable consulting rate if you so wish.**

The bottom line is that with full implementation of Client Accounting Services, you'll be able to raise your relevance and your bottom line by offering ALL of your clients exactly what they need and value.



Conclusion

If you are seriously committed to doing what's best for your clients AND your firm, then the question is not **whether** you should offer CAS, but **how you can offer CAS easily and profitably, with minimal resources**. The intent of this Guide is to give you proven insights to create a practical and simple phased approach that empowers you to accomplish those objectives.

Remember, start your CAS practice with a small select group of existing clients. Utilize a “learn-as-you-go” phased approach that prepares you to gradually expand your CAS practice by drawing upon the experience you gain. This Guide focused on Phase I. Most firms can start this phase without adding any staff.

Done right, CAS raises your profits significantly without adding a single new client. If your goal is to grow your practice, CAS can position your firm for faster growth, making it easier for you to acquire new clients by giving them what they need and value.

And finally, the most important thing...

Accounting Power® helps you make it happen

It sounds too good to be true – can you really set up a successful CAS practice this easily?

You absolutely can, because we put our full support behind you to make it happen. We walk our walk and talk our talk.

We'll give you the tools, resources and support you need to show you how it can be done.

You'll get full, unlimited access to our cloud-based [Accounting Power](#) that is created exclusively to help accountants offer highly profitable Client Accounting Services with minimal effort and resources.

We'll show you how, with Accounting Power, your staff can do what your clients' staff currently does, only faster, easier, and more accurately... all without leaving your office. That's how Accounting Power enables you to offer highly-profitable Client Accounting Services.

You'll get full implementation support, including a demonstration on how to transfer data from the other systems you or your clients are currently using, such as QuickBooks or QuickBooks Online.

Your first step is to request a complimentary one-on-one demonstration of Accounting Power with one of our Practice Development Consultants to see Accounting Power in action. And when you are excited by what you see, your Practice Development Consultant will discuss your next steps.

But we can't make it happen unless you are committed to making it happen. We expect you, or any of your partners who would be managing Client Accounting Services for your firm, to be ready to commit 20 hours over the initial 90-day period. Accounting firms with 50 or more clients using any accounting system are the ideal candidates for making their accounting practices 20%-50% more profitable using Accounting Power.

Visit ClientAccountingServices.com to schedule a free demo, download our brochure or call 866.956.9173 to speak with a Practice Consultant.



Thank you for reading our ebook!

About AccountantsWorld

Many accountants don't realize that major corporations have used technology to penetrate deep into your core tax, accounting and payroll services.

At AccountantsWorld, we've used technology for a very different purpose.

For over 15 years, we've been committed to using cloud technology to create new opportunities for practicing accountants like you, and to help you reclaim lost ground so you can better serve your clients and raise your bottom line.

We created the first-ever cloud-based payroll solution, [Payroll Relief](#), to help accountants easily offer highly profitable payroll services to their clients.

Then we created [Accounting Power](#), the first cloud-based professional system to put you, the accountant, back in control of client accounting.

We now offer a fully integrated suite of highly acclaimed solutions for professional [accounting](#), [bookkeeping](#), [payroll](#), [document management](#), client portals and more.

Using our pioneering cloud solutions, you can tailor your services to best meet the individual needs of each of your clients, increase your firm's productivity, better serve your clients, and raise your bottom line.

And unlike other service providers, AccountantsWorld has made an unwavering commitment to accountants. We never compete with you, or sell our products or services directly to your clients.

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