

GUIDE TO MANAGEMENT OF PRACTICE FOR SMALL AND MEDIUM SIZED PRACTITIONERS



Committee for Capacity Building of CA Firms and Small & Medium Practitioners (CCBCAF&SMP)

The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

New Delhi

Guide to Management of Practice for Small and Medium Sized Practitioners



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The Guide to Management of Practice for Small and Medium Sized Practitioners is based on Guide to Practice Management for Small and Medium Sized Practices, Second Edition of the Small and Medium Practices Committee, published by the International Federation of Accountants (IFAC) in December 2011 and is used with permission of IFAC.

Edition : January, 2012

Committee/Department : Committee for Capacity Building of CA Firms and Small & Medium Practitioners (CCBCAF&SMP), ICAI

E-mail : ccbcaf@icai.org

Website : www.icai.org

Price : ₹ 50/- (including CD)

ISBN : 978-81-8441-513-1

Published by : The Publication Department on behalf of the Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi - 110 002.

Printed by : Sahitya Bhawan Publications, Hospital Road, Agra-282 003.
January/2012/500 Copies

Foreword

The Institute of Chartered Accountants of India (ICAI) is committed to augment the strength of the Chartered Accountants operating in small and medium sized practices. ICAI is making constant endeavor to build their capacities and to enable them to face and take advantage of the existing competitive environment.

Small and medium-sized practices (SMPs) have a significant presence in India and play more effective role in the domestic market. They need to grow to catch expanding professional opportunities. Their growth would be possible by restructuring their size, skill development and intensive specialization in vivid areas of professional development.

I am glad to know that the Committee for Capacity Building of CA Firms and Small & Medium Practitioners(CCBCAF & SMP) of ICAI has brought out the book on “**Guide to Management of Practice for Small and Medium sized Practitioners**”. This Guide provides SMPs with knowledge of practice management principles and best practice guidance on a whole range of practice management topics including strategic planning, managing staff, client relationship management and succession planning.

The aforesaid Guide is designed to assist the members in encouraging good practice management amongst the CA fraternity. The guide was originally developed by IFAC based on global practices and principles. The Committee has published the aforesaid Guide by customising and adopting the Indian suitability & perspective and in synchronization of local regulatory, services, record keeping and other related requirements. This guide has been developed to help the members of ICAI make the best use of the Management Practice guide .

I sincerely hope that the aforesaid guide will be of great help to our profession and will help to serve clients better. I congratulate the Committee for bringing out a guide which is useful for the Chartered Accountant Professionals.

January 27, 2012
New Delhi

CA. G. Ramaswamy
President, ICAI

Preface

This **Guide to Management of Practice for Small and Medium Sized Practitioners** has been prepared by the Committee for Capacity Building of CA Firms and Small & Medium Practitioners (CCBCAF & SMP), ICAI to provide guidance to small and medium sized practitioners (SMP's) on how to better manage their practice and ultimately operate in a safe, profitable and professional manner.

The Guide provides SMPs with knowledge of practice management principles and best practice guidance on a whole range of practice management topics including strategic planning, managing staff, client relationship management, and succession planning. As such the Guide will help SMPs operate with greater proficiency and professionalism and in so doing help them cope in an increasingly complex and competitive environment.

Members in practices use the Guide as is, or tailor individual modules to suit their own needs. The CCBCAF & SMP is committed to serve the public interest, strengthen the accountancy profession and contribute to the development of strong Indian Economy by establishing and promoting adherence to high-quality professional standards, furthering the convergence of such standards and speaking out on public interest issues where the profession's expertise is most relevant. I hope this book on "**Guide to Management of Practice for Small and Medium sized Practitioners**" will be a very useful support material for SMPs.

I place on record my deep sense of gratitude of CA. Anil Mathur & his team and CA. Rakhi Govil for preparing the basic draft of this publication thereby sharing his relevant experience and expertise amongst members. I appreciate the efforts put in by the members of CCBCAF & SMP & officials of CCBCAF & SMP Secretariat, who have provided necessary support for publishing the aforesaid book.

January 25, 2012

CA. Vijay Kumar Garg
Chairman
Committee for Capacity Building of CA Firms
and Small & Medium Practitioners, ICAI

Introduction

Purpose

The Guide aims to assist firms to practice in a safe, profitable and professional manner. The Guide seeks to do this by providing practical guidance across a whole range of practice management topics.

The Guide is intended to improve the management and operational efficiency of SMPs so as to ultimately make them more professional and successful. As such, the Guide is intended to: address the opportunities and challenges faced by SMPs; improve the competitiveness, profitability, and sustainability of practices; enhance the expertise, competence, and efficiency of those managing practices; provide practical assistance to those engaged in managing practices so as to provide an environment conducive to the provision of high quality services; and, showcase global best practices and latest practice management techniques.

Intended user

As the title suggests this Guide is primarily directed at professional accountants working for or as SMPs. While its primary user is likely to be those managing the practice and senior professional staff, certain parts will be useful to more junior staff and as an introduction to the practices for new staff. It is also considered suitable as a reference guide meant for everyday use. In addition, SMPs may find the Guide helpful when it comes to providing general business advice to SMEs. Likewise, professional accountants working in SMEs may find it useful. Finally, students, educators, training providers, researchers, and other agencies may find the Guide useful.

Coverage

The committee has sought to assist in exploring ethical and professional challenges a practitioner will face as a principal, partner or employee in a practice in addition to promoting a commitment to quality services to the client, community and regulators. This may be developed as a formal certification programme in practice management as part of regulation of members offering public accounting services. The following table includes examples how such programme may be structured and developed:-

Introduction to Public Practice:

- *Local regulator or professional body obligations.*
- *Professional services marketplace*
- *Overview of what public practice involves and required skills and attributes*

Practice Structures

- *Business structures for a practice*
- *Practice finances and resources*
- *Facilities management*
- *Partnership agreements*
- *Entry and entry strategies*
- *Business continuity and succession plans*

Ethics, professionalism and risk management in public practice

- *Ethical issues*
- *Risk management*
- *Quality control*
- *Liability and insurance*
- *Professional standards for specific practice areas*

Practice planning

- *Strategic planning*
- *Creating and monitoring a practice business plan*
- *Defining services strategies*
- *Developing a technology strategy*

Practice staffing

- *The market for accounting staff*
- *Identifying practice staffing needs*
- *Recruiting , retaining and developing staff*

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- *Culture and values mix*
- *Delegation and supervision*
- *Communication*

Business finance plans

- *Financial issues for consideration*
- *Pricing and reviewing practice services*
- *Controlling work in progress*
- *Debtor management*

Building and growing a practice

- *Growth strategies*
- *Client review, management and retention*
- *Building a brand*
- *Strategies for putting plans into practice*

Development of Module

It is intended to have 8 independent modules as per following details:-

Module 1: Practice models and networks

Broad Coverage of Module :

1. Forms of public practice business structures
2. Factors to consider in a public practice partnership or shareholders agreement
3. Establishing a practice referral alliances network guide and checklist
4. Evaluating your potential partners guide and checklist

Contents of Module

- Which practice model is right for you?
 - Sole practitioner
 - Cost-sharing arrangement
 - Partnership of equals
 - Unequal partnership

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- The consolidator model
- Multidisciplinary firms
- Practice management
- Family members working in the firm
- Decision-making approaches
- Issues to consider when structuring or restructuring a firm
- Partnership agreements
- Remuneration and profit-sharing models
- Using networks to add value
- Advantages and disadvantages of network alliances
- Referral network
- Professional network
- Management support network
- The evolving firm and the need for regular review

Module 2: Building and growing your firm

Broad Coverage of Module

1. Developing a business plan for your firm
2. A marketing plan and checklists for your practice
3. Creating a sustainable practice

Contents of Module

- Developing a business plan for your firm
 - A simple business plan outline
 - SWOT analysis
 - The organization chart
- Assessing growth requirements and developing a growth strategy
 - Benefits of growth, and sustainability
 - Should I grow, and if so, by how much?
 - Internal growth strategies
 - External growth strategies

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- Strategies for coping with increased regulation and competition
 - Increased regulation
 - Increased competition
- Creating a good culture for your firm
 - Building a productive culture
- Identifying target clients and new service opportunities
- Building a brand, marketing and promotion
 - Building a brand
 - Marketing and promotion
- Putting your plans into operation
 - The importance of implementation
 - How to implement your plan
- Financial management
 - The capacity budget
 - The financial budget
 - The cash flow forecast

Module 3: Technology and e-business

Broad Coverage of Module

1. Guide to introducing a paperless office
2. Guide to introducing a firm portal
3. Introducing an e-business strategy for your firm
4. Creating a first impression—your firm's website
5. Checklist for creating a virtual office
6. Developing a technology strategy for your firm

Contents of Module

- Software and hardware options
 - Choosing a hardware/operating system platform
 - Terminal Services/Citrix (thin client computing) versus traditional local area network

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- Software options
- (PC-based or fat client computing)
- Communications
- Document management, workflow and scanning
- Integrated suites
- Software and hardware selection
- Other hardware/infrastructure considerations
- Maximizing your current software and hardware capabilities
 - Application champions
 - Typing
 - Multi-screen workstations
 - Client concerns
 - Email overload
 - Personal digital assistants (PDAs, Smart phones, Blackberrys)
- New and emerging technology
 - Hosted applications
 - Social networking/online communities
 - Wikis—collaborative knowledge
 - Multimedia, video sharing and games platforms
 - Blogs
 - Communication technologies
 - Freeware
 - Introducing a paperless office
 - Overcoming factors that work against the paperless office
 - Potential issues with regulators and courts
 - Exploring the role of knowledge management systems in business
 - Creating competitive advantage with your firm's knowledge
 - Using technology to alter information in search of knowledge
 - Preparing for knowledge-centric information systems

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- Exploring document and content management
- Understanding document management: an accounting firm context
- Establishing knowledge and information repository requirements
- Establishing requirements for your firm
- Establishing when you need a document management solution
- Technology to deliver efficient document management
- Technology considerations for document management solutions
- Client portals and delivering information in a secure collaborative environment
- Moving to a “less paper” firm
- Introducing an e-business strategy
 - The client portal
 - Hosted applications
 - Product/service sales
 - Client engagement
 - Client communications
 - Recruitment
 - Multimedia
 - Calculators
 - Other possibilities
- The role of the virtual office and working remotely
 - Outsourcing/in-sourcing (also known as resourcing)
 - Mobile working
- The emergence of the global reporting system
 - Data collection and reporting
 - Data consumption and analysis
- Business continuity and disaster recovery strategies
 - Back-up
 - Maintenance plans and technical support

- Insurance

Module 4: Risk Management

Broad Coverage of Module

1. A guide to developing, implementing, and monitoring a risk management program within your firm
2. Understanding professional indemnity insurance
3. A checklist for client engagement & review
4. Risk management checklists

Contents of Module

- Professionalism and ethics within the firm
 - The Code of Ethics for Professional Accountants
 - Fundamental principles of the IESBA Code
 - Ethics threats
 - Safeguards
 - Ethics threats and possible safeguards
- Risk management within the firm
 - Identifying risk within an accounting firm
 - Examining internal risk
 - External risk
 - Developing a risk framework for your firm
 - Adopting risk mitigation strategies
- Client engagement
 - The engagement process
 - Review and re-engagement
 - Reviewing ongoing engagements
 - Managing the disengagement process
- Quality control processes within an accounting firm
 - Objective of quality control
 - Benefits of an effective quality control system

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- General principles of quality control
- Quality control elements
- Business continuity planning and disaster recovery
 - Prevention—Risk Management Plan
 - Preparedness—Business Impact Analysis
 - Response—Incident Response Planning
 - Recovery
 - Death or incapacity of practitioner
 - Liability and insurance within your firm

Module 5: Planning for your firm

Broad Coverage of Module

1. Strategic planning for your firm
2. Risk management plan for your firm
3. Sample office manual for your firm

Contents of Module

- To specialize or to generalize? Your services strategy
 - Specializing
 - Generalizing
- The need for business planning
 - The strategic planning process
 - Steps in the process
- Planning for effective relations with clients and employees
 - The challenges of generational diversity
 - Clients' perceptions
 - The “devaluing” of information by the internet
 - The challenges of greater client mobility
- Developing plans for your firm's various functions
 - Service delivery plan
 - Risk management and mitigation plan

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- Human resources plan
- Marketing and selling plan
- Technology plan
- Administration plan
- Finance plan or budget
- Assessing when plans need to change
- Building a risk management mindset into your firm
- Ten steps to successful risk management
- Minimizing exposure to loss of key personnel
- Minimizing potential problems in service delivery
- Implementing a practice manual and systems
- Using benchmarks to drive performance and improvement
 - External benchmarks
 - Internal benchmarks
 - Other industry benchmarks
- The business of running your firm
 - The key stages in running an effective firm
- Monitoring external forces
 - Environmental sustainability
 - International accounting standards
 - Rising levels of regulation and professional knowledge
 - Mobility of talent
 - Technology
 - Anti-money-laundering
- Business continuity: the short-term and long-term imperative
 - Interruption to business
- Continuity of business: the second generation

Module 6: Client relationship management

Broad Coverage of Module

1. Sample client questionnaires
2. A guide to client classification and review
3. Assessing and exceeding client expectations
4. Benchmarking service practice service levels

Contents of Module

- Knowing your client
 - Client questionnaire
- Reviewing your client base
 - Client classification
 - Benefits of client classification
- Measuring and exceeding client expectations
 - What do clients want?
 - Measuring client expectations
 - Exceeding client expectations
 - Internal versus external strategies
- Benchmarking service levels
 - Benchmarks
- Embracing opportunities for enhanced relationships
 - Using gap analysis
 - Summary: maximizing opportunities
- Developing strategies to provide a full range of quality services
 - Identifying the services required in the marketplace
- Strategies for providing a full range of quality services: mergers, networking
 - Common concerns with referrals or introductions
 - Mergers
 - Cherry-picking

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- Alliances
- Referrals
- Invoicing and collection
 - Credit control
 - Collection techniques
 - Some fundamental rules
 - Why clients don't pay
- Conflict resolution and arbitration services
 - Five signs of rising conflict
 - Dealing with conflict
 - Ending a client relationship

Module 7: People power (Developing a people strategy)

Broad Coverage of Module

1. Firm employer and/or employee manual
2. HR employment checklist
3. Firm induction checklist
4. Individual personal development plans
5. Staff appraisal and development guidelines

Contents of Module

- Your firm and its people
- Factors impacting people management
 - Community expectations
 - Economic changes
- Your people management strategy
 - The mix of employees
 - Clarifying expectations
 - Considering generational diversity
 - Attracting Generations X and Y
 - Recruitment

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- Induction
- Leading your team
 - Setting an example: “tone at the top”
 - What employees expect from leaders
 - Building a high-performing team
 - Communication
 - Delegation: The key to firm leverage
- Managing and retaining employees
 - Motivation
 - Keys to a productive, cohesive work environment
 - Performance management
 - Productivity versus performance
 - Calculating productivity
 - Assessing performance
- Training and development
 - Identifying development needs
 - Development is an investment
- Rewards and recognition
 - Remuneration
 - Providing recognition
- Exiting/transitioning employees
 - Termination
 - Retaining older workers
 - Exit surveys

Module 8: Succession planning

Broad Coverage of Module

1. A succession plan for your practice
2. Checklist for purchasing an accounting practice
3. Selling an accounting practice: checklist

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4. Internal succession issues: checklist
5. Admission of a new partner: checklist

Contents of Module

- Succession planning for the sole practitioner
- Developing your succession plan
 - Understanding your firm
 - Your future purchaser
 - Succession plan
- Selecting your succession option
- Firm valuation and pricing
 - Value may differ from price
 - Valuation methods
 - Capitalization of future maintainable earnings
 - Rule of thumb
 - Net book value
- Options for partnerships, consolidations, mergers and acquisitions
 - Thinking about shared ownership
 - Partnership/merger
 - Consolidation
- Sale of firm, fee parcel or progressive sell-down
 - Sale of firm
 - Sale of fee parcel
 - Progressive sell-down
- Developing internal succession plans
 - Internal succession
 - Admission of new partners
 - Buyout by existing partners
- Exit considerations
 - Taxation implications
 - Constraints of trade
 - Lifestyle changes
 - Compliance issues

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This supplementary user guide has been developed to help ICAI members make the best use of the Guide to Management of Practice for Small and Medium Sized Practitioners prepared by the Committee for Capacity Building of CA and Small & Medium Practitioners, ICAI. The guide can be downloaded free of charge at [http:// www.icai.org.in](http://www.icai.org.in).

This supplementary user guide includes many examples for illustrative purposes only and does not reflect any policy positions of the ICAI.

Feedback Page

This is the first edition of the guide by the Committee, and, obviously, therefore there is scope for improvement. We intend to make it as useful as possible in its present format. The committee, therefore, hopes to keep updating this guide on a regular basis in order to make it more functional.

We solicit comments and suggestions from practitioners and others to improve the usefulness of the guide. In particular, we will welcome suggestions on its use, coverage of relevant aspects, issues faced by practitioners, and further areas for inclusion.

Your valuable inputs may be sent to ccbcaf@icai.org.