

Accountants should give more guidance

Jason Clout

The accounting industry was obsessed with compliance and what had happened in the past, rather than guiding their clients' futures, according to Nic Clark, chief executive of business coaching company 10x.

"Too many accountants just want to do the profit and loss and the balance sheet and then walk away from their client," Mr Clark said. "They just don't want to discuss their clients' business."

He said 10x had released a product to help businesses understand their cash flow. The iPhone application tells businesses whether a new sale will add or detract from their cash position.

A business might think it was doing the right thing by adding clients, but in reality it was digging a bigger financial hole, Mr Clark said.

Enough negative cash flow impacts can sink what is a profitable enterprise because they are unable to meet their commitments.

Mr Clark said the application was available to small businesses and 10x's usual client base, the accounting profession. But he said the product required a change of attitude from many accounting firms, which he said were consumed by history and did not want to fully engage with small business clients.

For about \$2.50, users can type in six relevant figures from their financial statements.

From their profit and loss, they use the latest revenue, expenses and costs of goods numbers. From their balance sheet, they include debtors, creditors and their stock.

Mr Clark said the application would tell them if a new sale would diminish their cash reserves or generate more cash for the business.

"It's their cash position which is critical. They might actually make a profit on that sale but they can easily go broke before that because they have no money in the bank to pay staff or creditors."

That's why Mr Clark is wary of much of the advice in the coaching industry, which is based on generating more sales without understanding the business's underlying cost structure. "If each sale is cash-flow negative, then making another 30 sales is not helpful."

The 10x application has a list of strategies to improve each of the key figures, such as reducing the cost of goods sold.

But there would be less need if accountants took a more active role with their clients, Mr Clark said. Often small business owners were isolated.

They might not want to tell their family or friends about how



Nic Clark . . . the client's cash position is critical.

Photo: MICHEL O'SULLIVAN

the business was faring for fear of worrying them or not being able to explain the situation.

"Once they could have spoken to the bank manager, but they are just about loans now. It's only their accountant who they can speak to, but it requires accountants to step up.

"Small business clients want to know about two things: money and staff," Mr Clark said.

"They want to know how to make more money and how to deal with staff. But most accountants aren't able to discuss those matters with them."