

Why you need a CFO not just an ACCOUNTANT

Published July 1, 2015

Source: LinkedIn

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A surprising number of business owners think their accountant is watching their books for things to be concerned about. In my experience, that's rarely the case.

Ask yourself one question - "Do I have a Strategic CFO on my team?"

Regularly I find myself drilling into a client's financials, asking (lots) of questions like "What's this?", "Why did you book it that way?", "Why is gross margin % bouncing around month-to-month like a random number generator?" etc. And as I explain why those things are important, it's almost predictable that the client will ask, "Why hasn't my accountant ever asked me any of this stuff?" I even came across an accountant for a construction/developer that was adjusting WIP to suit the tax office's KPI's - the client had reported profits of over \$670K* in a 2 year period (paid over \$200K* in tax) and they wondered why they didn't have the cash to pay the tax !! Guess what - the profit never existed to begin with!

I ask clients "Did you hire him (your accountant) to do that?" They look at me quizzically, and then I ask, "Did you hire him to coach you, to help you improve your business, or did you hire him just to do your taxes (and perhaps an audit)?" At that point they realize that, their accountant is not a CFO.

There is a huge difference between the two. Let's take a look at a quick comparison between them:

ACCOUNTANT	CFO
Compiles financial statements from client-provided data	Plans, considers and decides how financial transactions will be booked, consistent with the objectives and strategies of the business
Works mostly in the past -- from historical data	Plans, forecasts, budgets and projects the future financial performance of the company, in light of the company's objectives, strategies and capacity to perform
Delivers financials weeks or months after the close of the accounting period (month, quarter, or year)	Focuses on a clean, quick, and solid closing of the books within days of the end of the period. Generally has daily or weekly real-time key indicators of performance or trouble, shared with key players in the company.
Compiles financial statements in accordance with tax office requirements	Analyzes results in the context of the company's objectives, strategies, and owners' intent for the

and practices consistent with the type of business	business. Establishes key indicators that provide early warning for management
Compiles financial statements that can be relied upon by 3rd parties, such as banks, creditors and investors	Works to maximize the value of the business to the owners, including investors, while remaining within loan covenants, creditor requirements, etc.
Assumes you (the owner or CEO) are going to read and understand the financial statements as delivered	Makes certain you (the owner or CEO) understand the financials, the trends and the issues they identify. Reads them to you, if necessary.
Does what he's hired to do -- generally Taxes and Audits -- including mid-year tax planning, quarterly estimates, and appropriate posting of expenses	Does what he's hired to do -- help you strategize, plan and operate your business to your maximum financial advantage.

In reviewing the above, it's probably obvious why your accountant probably can't be your CFO. He's not in the game. You haven't been paying him to come over, sit in your planning and management staff meetings, and get fully engaged in the business. He has, in most cases, no perspective by which to help you plan, forecast or monitor financial performance. Because you haven't invited him in (and paid him to come).

Now, please don't misunderstand -- I'm not saying the services of your accountant aren't valuable -- they are. And I'm not saying you can't engage your accountant or someone else from his firm as a part-time CFO. Most accountants would be thrilled to have a client actually engage them to help improve the performance of the business.

You'll have to pay him to do that -- probably a monthly retainer. You'll have to spend time with him, and you'll have to think to schedule and invite him to meetings where strategic or major tactical initiatives are going to be debated and decided. In the case of most of my advisory clients, I find myself filling that role, at least partially.

Consider if your business requires a CFO?

*Currency was changed from the original article to reflect USD.