**18/LAW01/037**

**Entrepreneurship**

**ACCOUNT AND BOOK KEEPING BUSINESS PLAN**

Executive Summary

The Sorcerer's Accountant is a small, successful, one-person accounting and tax preparation service owned and run by Max Greenwood, CPA in Chicago, Illinois. The firm offers tax accounting, management accounting, and QuickBooks set-up and training for small business clients. To move beyond a one person model, the business will expand its services to include bookkeeping services for small businesses. This will require an investment in marketing and staff to grow the business to include this complementary line of business. This business plan organizes the strategy and tactics for the business expansion and set objectives for growth over the next three years.

The business will offer clients bookkeeping services with the oversight of a CPA at a price they can afford. To do this involves hiring undergraduate student bookkeepers and a graduate student manager, keeping fixed costs as low as possible, and continuing to define the expertise of Sorcerer's Accountant through its website resources. The effect will be sales more than doubling over three years as 8 part-time bookkeepers are deployed to client businesses as needed, and salary and dividends to Greenwood increase substantially.

Objectives

The Sorcerer's Accountant seeks to launch a new line of services - small business bookkeeping - which will be offered to the same ongoing clients as Sorcerer's Accountant currently seeks.

Sorcerer's Accountant has set the following objectives:

To launch the bookkeeping services slowly, beginning with two part-time bookkeepers

To achieve bookkeeping service annual revenues equal or greater to the current total revenues within three years (effectively doubling revenue)

To achieve net profit of $60,000 in three years

To employ 8 part-time bookkeepers in three years

Mission

The Sorcerer's Accountant seeks to provide a full suite of tax and management accounting services for small businesses in Chicago, Illinois, allowing business owners to not only save money over in-house accounting and ensure their compliance with tax laws, but to make valuable management decisions from their numbers.

Keys to Success

The keys to success for the accounting business include:

Building trust with clients

Maintaining up-to-date CPA certification and education on accounting practices and laws

Going beyond saving clients money to proposing how they can increase their revenues

Legal and ethical practices when it comes to transparency, reporting, and taxes.

Company Summary

The Sorcerer's Accountant, established in 2006 by Max Greenwood, is a one-person CPA firm which provides tax services, management and cost consulting services, and QuickBooks sales and added services. Sorcerer's Accountant serves small businesses (under $5 million in revenue) in the Chicago, IL area, primarily in service industries. The Sorcerer's Accountant plans to add bookkeeping services to its suite of services to better serve its current and future clients.

Company Ownership

Max Greenwood is founder and 100% owner of The Sorcerer's Accountant, a sole proprietorship.

Company History

Founded with $10,000 of start-up capital by Max Greenwood, CPA in 2006, The Sorcerer's Accountant has become a full-time endeavor for Greenwood. At first focused entirely on tax services, Greenwood added management and cost accounting services in 2007 and then QuickBooks reselling and services to small businesses and startups in 2008, after becoming a certified QuickBooks Pro Advisor. This has allowed Sorcerer's Accountant to provide a wide range of services to small businesses over its lifetime from launch through expansion and growth.

The Sorcerer's Accountant has grown significantly in past years to $175,000 in total annual revenue, but has had difficulty taking on additional work due to the limits on Greenwood's time. Client retention has been a positive factor, with 75% of 2008 clients repeating service in 2009.

The business operates out of a small rented office which has enough room for one additional employee. The office is not used for client meetings - they are held entirely at client offices.

PAST PERFORMANCE

2007 2008 2009

Sales $100,000 $150,000 $175,000

Gross Margin $75,000 $112,500 $131,250

Gross Margin % 75.00% 75.00% 75.00%

Operating Expenses $55,000 $67,500 $82,750

Collection Period (days) 30 25 28

BALANCE SHEET

2007 2008 2009

Current Assets

Cash $15,000 $17,500 $20,000

Accounts Receivable $4,167 $6,250 $7,292

Other Current Assets $5,000 $5,000 $5,000

TOTAL CURRENT ASSETS $24,167 $28,750 $32,292

Long-term Assets

Long-term Assets $0 $0 $0

Accumulated Depreciation $0 $0 $0

TOTAL LONG-TERM ASSETS $0 $0 $0

Total Assets $24,167 $28,750 $32,292

Current Liabilities

Accounts Payable $4,583 $5,625 $6,896

Current Borrowing $0 $0 $0

Other Current Liabilities (interest free) $0 $0 $0

TOTAL CURRENT LIABILITIES $4,583 $5,625 $6,896

Long-term Liabilities $0 $0 $0

TOTAL LIABILITIES $4,583 $5,625 $6,896

Paid-in Capital $10,000 $10,000 $10,000

Retained Earnings ($10,417) ($51,875) ($83,554)

Earnings $20,000 $65,000 $98,950

TOTAL CAPITAL $19,583 $23,125 $25,396

Total Capital and Liabilities $24,167 $28,750 $32,292

Other Inputs

Payment Days 30 30 30

Sales on Credit $50,000 $75,000 $87,500

Receivables Turnover 12.00 12.00 12.00

Services

Current services offered by The Sorcerer's Accountant include:

Tax Services:

Tax preparation

Tax planning

Addressing tax problems (audit representation, back taxes owed, payroll tax problems, IRS issues, bankruptcy)

Management/Cost Accountant Services:

Audits

Cost and Margin Analysis

Financial Projection

Setup for credit card processing

QuickBooks Services

QuickBooks sales and setup

QuickBooks training

QuickBooks tips (via website)

QuickBooks "quicktune" service (audit and fix of QuickBooks files)

Current services are either provided entirely by Max Greenwood or available through resources on the The Sorcerer's Accountant website. Greenwood will provide referrals to credit card processing companies or some speciality consultants when the need calls for it, but focuses his work on general small business services of use to the widest variety of businesses.

The Sorcerer's Accountant intends to add the following bookkeeping services:

Payroll processing

Accounts payable (entry, bill paying)

Accounts receivable (entry, invoicing, deposits, collection)

Sales tax processing

Bank reconciliations

Inventory management

Financial statement preparation

Other financial reporting

These bookkeeping services will be at a rate of $30 per hour/per bookkeeper for clients. Clients would pay $20 -$25, once benefits and taxes are factored in, for an in-house, part-time bookkeeper, and would still be responsible for training, oversight, and management in that case. The Sorcerer's Accountant's rate is very economical once this is taken into account.

The new services will be performed by part-time student bookkeepers who are current undergraduate accounting majors with up to 20 hours per week free to work. Each business will have a consistent bookkeeper assigned to it. The bookkeepers will be trained by Max Greenwood directly in proper techniques. They will all be students in the top 20% of their class with at least one professional recommendation and one educational (professor) recommendation. This is a business model which has been successful in other cities where there is ample student labor, such as New York City.

To add additional value, the bookkeeping manager, a graduate student pursuing an MBA in accounting, will supervise and audit the work of the bookkeepers, answering their questions when questions arise, and providing quality assurance. The bookkeeping manager will review the QuickBooks files and reports created by the bookkeepers to ensure that they follow proper formats and are prepared correctly.

Market Analysis Summary

The small business accounting market consists of virtually every small business in the United States. As businesses grow larger than one person sole proprietorships, they generally require expert help with at least their tax preparation, and often with additional bookkeeping and accounting services. Even many non-employer sole proprietorships will use accounting help at some point. While some small businesses hire bookkeepers or CFOs directly, many successfully outsource these types of services.

The accounting service market as a whole includes the following:

Corporate accounting and auditing firms: The "Big Four" (PricewaterhouseCoopers, Ernst & Young, Deloitte Touche Tohmatsu, and KPMG) and their competitors

Small business accounting

Personal accounting (by H & R Block and the like)

The National Society of Accountants states that it represents more than 30,000 independent practitioners who provide services to 19 million individuals and businesses. The continuing evolution of U.S. tax laws guarantees work for tax accountants on an ongoing basis. The market is somewhat recession-proof, as businesses which are contracting use accountants to help cut spending and limit tax liability just as growing businesses will use accountants to launch and prepare financials for expansion, mergers and acquisitions.

Market Segmentation

The market of small businesses in Chicago for The Sorcerer's Accountant represents approximately 85,000 businesses in 2010. It has been divided into three groups:

Non-employer firms: Without employees, these firms do not have many of the concerns of larger businesses. However, the owners must be vigilant to protect their own tax liability and sort out how their personal and business tax returns intersect. These firms are generally buyers of QuickBooks services and tax preparation services. As they grow, this group becomes ripe for outsourced bookkeeping services before they can hire an full-time in-house bookkeeper.

Very small businesses: Made up of businesses that are designed to stay small and those which are growing through a phase, these businesses require payroll services, bookkeeping, and tax preparation. They are concerned about losing control, but can generally be convinced of using outsourced accounting and bookkeeping with cost analysis. With the stakes higher, these businesses can make greater use of management accounting services, especially as most cannot afford a dedicated CFO. Many do not need a full-time bookkeeper, but can make do with part-time help, which limits their hiring options.

Other small businesses: Many of these businesses will have some in-house financial management and bookkeeping help. However, they may be able to save money by outsourcing these services, as they are not generally core to what the business seeks to do. These businesses may be comfortable with their situation as a cash producer for their owners or intent on growing or positioning themselves for sale.