

On Your Own:

Whether you're thinking about starting your own firm, or you already have, this eBook will help guide you through the many milestones and challenges you may face as you embark on your journey to start your own CPA firm

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Are you seriously thinking about starting your own CPA practice?

If so, this guide can help you through the many considerations involved. Good planning, hard work, discipline, self-motivation, and creativity will all be needed to grow your business. A good starting point is to define your objectives, assess your needs, and find out how to avoid some common pitfalls. Here are some topics you'll want to address.



For a complimentary consultation, please call **1-800-221-3023**, Monday through Friday, 8 a.m. to 6 p.m. ET, to speak with a personal insurance advisor.

To review our insurance portfolio and risk mitigation resources visit **cpai.com**.

Note: The information contained in this guide is designed to provide an overview to starting a business, and is not intended to address all issues or provide individual advice. For professional information and advice, be sure to contact your attorney, financial planner, retirement counselor, or others for guidance.

TOPIC 1

Opening Your own CPA Firm Self-Assessment



Make sure the time is right and your motivation in opening your own CPA practice is clear. Before you announce to the world that you’re opening your own CPA firm, it’s wise to ask yourself these five key questions:

Five key questions

After working for other people, being your own boss can sound like a dream. But the reality – at least initially – means many sacrifices: low pay, long hours and the drive it takes to build your business. The time commitment needed will change your everyday routine. The cash flow of a start-up will strain your budget and change your family’s spending patterns for months and maybe years to come. Those who weather through the start-up phase and go on to establish a successful business, however, say it’s an incredibly exciting journey, and the rewards can be outstanding. As a business owner, your future is truly in your hands!



How do you establish a business? There are several ways to consider:

Buy an existing practice.

An established CPA may be ready to retire or move onto other opportunities. Buying an existing practice has the advantage of an established client list and assets, but the cost may be prohibitive.

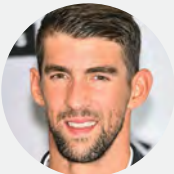
Open a firm with a partner.

Partnering with another CPA means you can share start-up costs. Of course, you'll share the revenue too. All decisions will require agreement or compromise between you and your partner.

Start from scratch.

Perhaps the most demanding and most risky, but potentially the most rewarding option, where you build your firm from the ground up. You call the shots. You handle the expenses. And of course, you reap the profits.

Looking for inspiration?



“There will be obstacles. There will be doubters. There will be mistakes. But with hard work, there are no limits.”

Michael Phelps

TOPIC 2

Developing a CPA Firm Business Plan



Step one in launching a CPA firm is to develop a written business plan – an outline of all aspects of your anticipated practice. It captures all your thoughts in a logical, detailed presentation that not only acts as your guide, but also tells others what your business is all about. A solid business plan is critical if and when you seek funding for your venture.

Your business plan should:

- Outline the goals of your business identify the structure of your business (sole proprietor, partnership, C Corporation, S Corporation, or Limited Liability Company)
- Describe your experience and skills
- Describe the services you will provide and competitive advantages you foreseeIdentify your market and client potential
- Outline pricing for your servicesExplain management and staffingOutline equipment and office requirements
- Estimate start-up costs
- Estimate monthly operating costsEstimate projected revenueDefine the source of start-up and operating capital

See more tips on developing a strong business plan!

Or consider taking this course from Harvard ManageMentor which takes you step-by-step through the process of preparing an effective plan for a business proposal.

Looking for motivation?



"People don't care about your business. They care about their problems. Be the solution they're looking for."

Melonie Dodaro

TOPIC 3

Financial Considerations When Starting a new CPA Firm



Before opening your practice, it's critical to review your personal financial situation, your income needs and your cash flow projections. Even if you have paying customers lined up from day one, consider that it may take several months before you receive payment for your services.

Here are some financial questions you'll want to have answers to:

1. Do you have cash on-hand to pay your ongoing household expenses and outstanding debts?
2. Do you have cash on-hand to cover your start-up and operating costs for your business (Consider rent, utilities, office furnishings, equipment, and salaries)?
3. If you're leaving an employed position, what impact will the loss of your paycheck have on your financial obligations and on your family's lifestyle?
4. Aside from savings, equity, and your credit line, what other sources of income can you rely on?
5. Can your spouse provide adequate income to handle the day-to-day household bills?
6. Do you have a severance package from your employer to help get you started?
7. Can you rely on family and friends for financial assistance? Do you need to borrow money from a bank, credit union or other commercial lender?
8. Do you have a solid credit history?
9. Are you heavily in debt? Will you qualify for a business loan?
10. What is your estimated revenue for Year 1, Year 2, and beyond?

Looking for words of wisdom?



"Some entrepreneurs think how can I make a lot of money? But the better way is to think how can I make people's lives a lot better? If you get it right, the money will come."

Richard Branson

TOPIC 4

Start-Up and Operating Costs of a CPA Firm



The cost of starting a CPA practice depends on many factors. Your geographic location will determine the cost of renting office space. You might consider starting with a home office and then growing into larger quarters. You may already have some furnishings and equipment to get started, or you may need to purchase or lease them.

Here are the basic items you'll need: Office Space

The Home Office

Many start-up businesses begin in home offices as they offer many cost advantages. Here are a few things to think about if you're considering this option. Do you have adequate space to devote solely to your business? Is it quiet and away from family and pet noise, and traffic? Do you feel comfortable bringing clients into your home? If you anticipate hiring employees, is your family comfortable with this? Do local zoning requirements allow for a business in your home? If so, what restrictions are there on employees, client visits, parking, deliveries and signage?

The Commercial Office

Renting space in a commercial office building may be a better fit. Shop around before settling on a location, since rent and lease conditions can vary considerably. Before signing a lease, be aware of the long-term commitment and cash requirements. If your business grows rapidly, is there space to expand? Conversely, if your business doesn't take off, are you locked into a multi-year commitment? Does the office meet realistic financial considerations, does it convey a positive image to clients, and does it offer flexibility based on your actual performance?

The Shared Office

Many businesses today are using the shared space concept. Within a commercial building, you rent private office space, but use a shared reception area and staff, shared conference facilities, copy machines and phone systems, as well as restrooms and coffee or lunch areas. This arrangement offers you the amenities and appearance of a large office, yet certain costs are shared with others.

Equipment

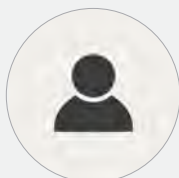
Once you have your space, you'll need to furnish and equip it for business. Basics include:

- Desks and chairs
- Lamps
- Bookcases
- File cabinets
- Visitor chairs
- Conference table and chairs
- Receptionist desk and chair
- Computers and other electronic equipment
- Printer
- Software
- Telephone(s) and answering machine/service
- Other supplies and equipment
- Reference library

Note: The AICPA offers members substantial discounts on selected equipment and services

Please visit [AICPA Member Benefits and Service Discounts on Equipment and Services to learn more.](#)

Looking for inspiration?



"Entrepreneurship is living a few years of your life like most people won't, so that you can spend the rest of your life like most people can't."

Anonymous

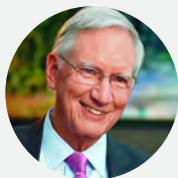
TOPIC 5

CPA Firm Staffing



Determining appropriate staffing is a critical element in starting your business. Do you want to handle all aspects of the business yourself? Is it the best use of your time to answer phones, schedule appointments, send correspondence and handle general office duties, as well as provide professional services? You may want to hire part-time or temporary office staff until your practice is established and you can comfortably meet expenses.

Once your cash flow reaches the point where you can meet your operating costs and your personal income requirements, consider bringing on full-time office and/or professional staff. To attract and retain quality staff, you'll want to offer competitive salaries and a benefits package.



"Leaders don't create followers, they create more leaders."

Tom Peters

Looking for words of wisdom?

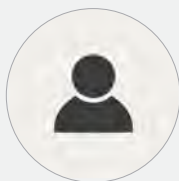
TOPIC 6

CPA Firm Cash Management



- 1 Develop a monthly budget. Include rent, utilities (if not included in rent), telephone, email or online service, cleaning and trash services, parking (if not provided), supplies and postage.
- 2 Establish a business checking account with your bank. Do not use your personal checking account for business expenses, or your business account for personal expenses.
- 3 Consider whether you have sufficient capital for your start-up, or if you need to borrow money.

Looking for inspiration?



"Small business isn't for the faint of heart. It's for the brave, the patient, and the persistent. It's for the overcomer."

Anonymous

TOPIC 7

Borrowing Money for a CPA Firm start up



If you don't have sufficient capital to cover start-up costs and at least the first six months of operating costs, you may need to borrow money to get started.

There are several options to consider

You may start with your own personal credit. A home equity loan may be sufficient to get you started. Family or friends may be willing to loan you money. Or consider establishing a business line of credit with your bank. This can provide the money as you need it, without having to borrow a fixed lump sum.

If these sources aren't enough, you can apply for a business loan through your bank or credit union. Keep in mind that before you can qualify for a business loan, you must be able to put up a percentage of your own capital against the loan. Your home and other assets may be needed as collateral.

Before you approach a commercial lender make sure you:

- Develop a solid, realistic business plan
- Itemize specific expenses you anticipate
- Apply only for the amount you can account for; a bank will not lend for unexplained purposes, without specific itemized needs shown
- Outline your repayment abilities



"Before anything else, preparation is the key to success."

Alexander Graham Bell

Looking for words of wisdom?

TOPIC 8

New CPA Firm Legal Considerations



Hiring an attorney to assure compliance with all local, county, and state requirements and to handle the formal establishment of your business as a legal entity is advisable before opening your practice.

Further, you'll want to utilize engagement letters developed in accordance with applicable AICPA Professional Standards and best practice recommendations to help your practice be as efficient and effective as possible. You'll want to clearly and thoroughly document the terms of each engagement, and have your client sign-off before beginning the work.

Engagement letters can help prevent misunderstandings and protect you from unforeseen liabilities. Since the primary purpose of an engagement letter is to establish an understanding between the parties, the engagement letter should generally address the following:

- Establish the parties to the agreement
- Describe the services to be performed
- Define the responsibilities of the parties
- Establish the right to terminate the engagement
- Place limits on liability or damages
- Establish the fee arrangement for services

The AICPA Member Insurance Programs offer policyholders complimentary access to a library of Sample Engagement Letters that can be used in everyday practice.

For a quick review of the benefits of using engagement letters, as well as the risks associated with not using them, check out this infographic.

Looking for inspiration?



"There are no secrets to success. It is the result of preparation, hard work, and learning from failure."

Colin Powell

TOPIC 9

Insurance Considerations for your new CPA Firm



Before you begin your first engagement or open your doors to the public, it’s important to address your insurance needs and requirements. If you are leaving a position with an employer, you will most likely lose all insurance coverage provided by your employer and will need to obtain health insurance coverage for you and your family.

Professional Liability insurance is also critical to your financial security and peace-of-mind. Lawsuits are a fact of life in today’s world and you’ll need to help protect your practice and your personal assets against legal liability resulting from errors or omissions in providing professional services. Employment Practices Liability insurance will be important when you have employees working for you, as it protects you against charges of discrimination in hiring, wrongful termination and other workplace liabilities. You may also want to offer Group Life insurance to your employees as a benefit.

The AICPA Member Insurance Programs offer members a wide range of affordable insurance plans, including:

Commercial Property and Liability

Business Owner's Policies (BOP) combining property and general liability coverages are available to meet the diverse and growing needs of small to medium-size firms. Worker's Compensation coverage is offered to you at low rates. Other coverages include commercial liability umbrella and commercial auto.

Professional Liability

Plans which provide comprehensive coverage tailored to meet the diverse needs of CPA firms of all sizes and areas of practice. This program also includes cyber liability coverage in the event of a claim as a result of theft and misuse of client confidential information or damage to client computer networks during the rendering of professional services.

Cyber Security

Our optional CPA NetProtect® endorsement helps pay for expenses associated with a data breach and adds coverage for claims brought by third parties whose computer networks and information may have been damaged by a wrongful act that resulted in a security breach of the firm’s network. [See the risks and challenges associated with cybersecurity and the accounting profession.](#)

Employment Practices Liability

A wide range of services to help firms understand and comply with the rapidly expanding arena of employment law.

Group Life Insurance for Firms

Term life insurance for owner and employees.

For a complimentary consultation, please call 1-800-221-3023, Monday through Friday, 8 a.m. to 6 p.m. ET, to speak with a personal insurance advisor.
Or visit cpai.com to review our insurance portfolio and risk mitigation resources.

Looking for words of wisdom?



“Intelligence without ambition is a bird without wings.”

Salvador Dali

TOPIC 10

Marketing Your New CPA Firm



There are several aspects to marketing your services that you'll want to consider during business planning:

- Defining your service and determining what sets you and your business apart
- Reaching prospective clients through a variety of channels

Your marketing plan needs to define the kind of accounting services you will provide. Do you have sufficient experience to provide many services or do you have a niche focus? Will you serve private individuals, businesses or both? Can your local area support your business or is it already crowded with other firms? Is there a niche you can fill that your competitors are not serving? Knowing the needs of your prospective marketplace will be critical to your success.

Once you've determined your services, you'll need to cultivate prospects. A combination of face-to-face networking, plus online and traditional tactics should serve you well. Of course, in today's customer-centric environment, you'll also want to have a robust social media presence in order to attract and engage prospective clients.

There are several aspects to marketing your services that you'll want to consider during business planning:

In-Person Networking:

- Make meet-and-greets a priority
- Join your local SBA or Chamber of Commerce
- Become active in a civic group or professional organization in your community
- Volunteer at an organization of your choosing; this may help you make some valuable business contacts, or even offer some services on a pro bono basis
- Spread the word to family, friends, and business associates and ask that they tell others

Be prepared to clearly and concisely describe your services to promising contacts, as well as your expertise and what sets your business apart. Having a list of references will be helpful so potential customers can easily check your background and credentials. You'll also want to establish relationships with complementary businesses where you can refer each other for professional services. One example would be a law firm specializing in business law where you could provide CPA services to their clients, while referring your clients to the law firm for legal services.

Online/Social Media Channels:

- Microsite/website
- LinkedIn – Promote yourself, your credentials and background
- Facebook Page and Twitter – promote your practice/firm
- Email campaign
- Blog

Traditional Items:

- Business cards
- Announcement ad in your local newspaper (online version)
- Direct mailing to a compiled prospect list
- A pricing schedule; your price must be competitive with other CPAs, and low enough to attract new clients, yet not too low as to undercut your revenue requirements

One final note on marketing: Positive word-of-mouth is one of the best ways to grow your business. Be proactive in asking satisfied customers for referrals and for approval to use them as references, perhaps even post on your LinkedIn profile. Encourage satisfied customers to share reviews online and to "like" your Facebook page.

Additional Information

AICPA Member Benefits and Service Discounts on Equipment and Services

AICPA Publications – Managing the Accounting Practice. This handbook is available for purchase through the AICPA

The AICPA offers a Self-Study Course on Starting Your Own CPA Firm

Looking for motivation?



"If you want to be successful, it's just this simple. Know what you are doing. Love what you are doing. And believe in what you are doing."

Will Rogers

TOPIC 11

Starting Your Own CPA Firm Checklist



Starting your own CPA practice is exciting, challenging, and rewarding. Be prepared for hard work and some periods of tight finances until you're established. Make sure you and your family are prepared for the journey. Invest time in developing a solid business plan. While it doesn't guarantee success, a solid plan greatly improves your chances for success and will make your path a little easier to navigate.

Summary/Checklist

☐ Have you determined why you want to start your own practice?

☐ Do you have the experience and skills to go out on your own?

☐ Do you have the motivation to attract clients, provide services, and manage a business and employees?

☐ Do you have the discipline to be your own boss?

☐ Do you have the "buy-in" of your spouse and family?

☐ Is your current employer aware of your intentions?

☐ Are you relying on clients leaving your employer to go with you?

☐ Do you have the financial assets to meet your household expenses during your start-up period?

☐ Do you have the financial assets to set up and operate your own office?

☐ Do you need to borrow start-up capital?

☐ Will a Business Line of Credit meet your capital needs?

☐ Do you have a solid credit history?

☐ Is your repayment projection realistic?

☐ Have you determined the best business structure for your practice (i.e. sole proprietor, partnership, S Corp., etc.)?

☐ Have you developed a business plan?

☐ Have you itemized start-up furniture, equipment, and office expenses?

☐ Have you identified the need for staff and planned for the expense?

☐ Have you determined that your area can support your CPA practice with sufficient business?

☐ Have you priced office space in your community?

☐ Have you developed a pricing structure for your services?

☐ Have you checked local zoning and business certification?

☐ Have you developed a marketing plan to attract and retain clients?

☐ Do you have the necessary insurance coverages for your business?

Looking for inspiration?



“Starting your own business is like riding a roller coaster. There are highs and lows and every turn you take is another twist. The lows are really low, but the highs can be really high. You have to be strong, keep your stomach tight, and ride along with the roller coaster that you started.”

Lindsay Manseau

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