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Beyond the Books

Under pressure, CPAs have diversified into everything from wealth management to tech consulting; face entrenched foes in each field BY LAURIE JOAN ARON

WHEN ROBERT ADES GOT MARRIED EARLY THIS YEAR, HIS thoughts quickly turned to life insurance—how little he had and how little he even knew about it.

Almost instinctively, for answers he turned to Baddish Shapiro

Financial Planning Group, a new offshoot of the accounting firm he and his family's business had been depending on for 20 years.

"I didn't have the expertise," says Mr. Ades, a buyer for retail chain Strawberries. "I trusted these guys."

With their revenues pinched by the recession and by the spread of simple, easy-to-use software programs such as Quick Books, medium and even small accounting firms

are milking their trusted adviser status as never before to ease their way into providing new services.

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Ten years ago, accountants were still folding such things as business and management advice into their ordinary tax and audit fees. Now, hundreds of small and medium-sized CPA firms in the city are aggressively marketing their business planning, wealth management and mergers and acquisitions services—and they are specifically billing for them, too.

They're also stretching further afield from traditional accounting than ever before. They are offering everything from marketing and health insurance consulting, to outsourced management, training and technical services. Some are even doing these things in new, stand-alone units.

"Accounting firms are going where the money is," says Allan Koltin, president of the Chicago-based Practice Development Institute, which consults with accounting firms. "Traditional services have declining margins."

To get to those fees, though, the accountants must convince people that

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CPAs range beyond the books

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they will do a better job than the entrenched players, such as IT consultants and financial planners. Scott Kahlan, president of Manhattan financial planning firm Financial Asset Management Corp., dismisses the threat. He notes that many accountants are simply too tax-oriented to serve as well-rounded financial planners.

Accountants trying to break into general business consulting, or even more specialized fields such

as mergers and acquisition advice, face an even tougher struggle. When it comes to those areas, insists Frank Corso, president of Corso & Associates Inc., a small consulting outfit in Jericho, L.I., the flow of business is more often the other way. "My business comes from accounting firms."

For many CPAs, one of the biggest stumbling blocks to diversification is the need to market themselves. "Accountants are used to getting a client and having them

forever," says Roy Ryniker, president of Reorganization Alternatives Group in Brooklyn. For vendors of other financial services, business is something they must win every year.

A plus side

Nonetheless, in branching into new areas, the accountants also possess a couple of key advantages: a ready-made client base and the plain fact that they frequently act as both diagnostician and doctor. "We, as accountants, identify the issues

and bring them to the table," says Jo Ann Golden, president of the New York State Society of Certified Public Accountants in Manhattan.

Having done that, what would be more natural for the accountants than to also deliver the solution?

Mayer & Co. in Manhattan is doing just that. Six months ago, to fill what founder Robert Mayer saw as a growing client need, he added daily cash management and outsourced chief financial officer services to his firm's core practice.

"My clients were just bringing me too many problems caused by dishonest bookkeepers and lack of financial controls," says Mr. Mayer.

One of his clients is R2K Inc., a Manhattan software consultant that had heard the bookkeeping horror stories and wanted to eliminate the risk of anything going wrong with its own accounts. R2K turned to Mayer & Co., which acts as its finance department.

"When we outsource functions, we want to use someone we already know and trust," says Richard Mann, vice president and treasurer of R2K.

It has also proved to be a great business for Mayer & Co., a firm with \$4 million in annual revenues. In the six months that Mayer & Co. has offered its CFO service, the company has garnered three new clients a month.

Smaller firms have moved aggressively into a raft of different financial services, spurred by the idea that they can become one-stop financial shops for their small clients.

Baddish Shapiro, the company that sold Mr. Ades his personal life insurance, is an example. It was set up just 18 months ago with five CPAs who are also certified financial planners. Its parent company is Coltin Baddish & Shapiro, an accounting firm with 10 CPAs and offices in Manhattan and on Long Island, which still generates 90% of the combined firms' revenues.

"The bread and butter is still the accounting," says Stuart Shapiro, managing director of the financial planning group, which serves wealthy individuals and small to midsized businesses. He expects financial planning, though, to ultimately contribute a third of total revenues, or \$500,000.

"It's always a good idea to provide additional services to our clients," says Mr. Shapiro. "It enhances our revenue."

Solo effort

The drive for new and varied sources of income extends all the way down to tiny firms such as Broderick & Co. The one-woman CPA practice in midtown operates as a free-lance finance department for some of its small business clients.

Ginger Broderick is usually called in when manual bookkeeping efforts have gotten hopelessly muddled. She quickly puts the accounts on a computer, and then continues to manage the day-to-day financial affairs of the business, including bookkeeping, purchasing and office management. Sometimes she throws in some business consulting as well. Together, these efforts add up to 30% of Broderick & Co.'s six-digit revenues.

In some cases, accountants are not just looking to expand their menus of offerings—and streams of income—they are also diversifying their client bases. They are targeting their new services not at traditional end users, but at other professional organizations.

The hottest value-added service at Gettry Marcus Stern & Lehrer in Manhattan, for example, is business valuation, which it sells primarily to lawyers and to other accounting firms for use by their clients.

"The services set us apart, and provide another profit center," says managing partner Steven Marcus. ■