Members of MGI Worldwide Asia

It has been a true privilege to have written the opening address for the MGI Asia newsletter since March 2015. Some of you might have noticed a recurring theme in the newsletters, about how we must adapt and embrace technological changes in our profession.

This newsletter is no different. As we live in a world where communication and information sharing are via real time notifications, this traditional newsletter is no longer as relevant. Consequently, starting from the New Year, all articles, thought leadership and collaborative opportunities will be shared via Facebook and Linkedin eventually. Audrey has provided the Facebook link to all members.

It is hoped that the use of social media will provide more up to date and relevant content to our members, as opposed to a quarterly newsletter. As has been stressed repeatedly, your contributions are of vital importance as we look forward to your updates, either at a firm or countrywide level.

I now hand you over to Audrey who will take us through to what we can expect via the Facebook and Linkedin pages.

And finally, I wish one and all a Merry Christmas and a happy and prosperous new year.

Imran Assan
Area Leader – Asia

It has been both a pleasure and pain preparing the quarterly newsletters since 2012. The pain, being the constant reminders & follow ups that need to be done with you

The pleasure was the ability to share tips and ideas on how you can grow and market your firm, human resource and practice management suggestions. I hope that you found it as interesting as I did, but more importantly relevant to your business

As the world has moved into the digital-age I think we in Asia should also follow suit. Social media is an invaluable tool to connect with each other, connect with like-minded professionals and clients. We can instantly showcase our ability and services. We can update all our latest news and happenings without waiting for the end of the quarter.

With this in mind MGI Asia has created a FB page. https://www.facebook.com/MGI-Asia-401516197286203/

The quarterly Asia newsletter will cease in its current form with this issue and from 1 January 2019 all the news that you receive in the quarterly newsletter will be posted on the MGI Asia FB page. It will be current and up to date news of your firm that will be shared with your colleagues, MGI members from around the globe and hopefully interested parties.

Please see some examples of our posts on MGI Asia FB page

Audrey Danasamy
Executive Director - Asia

MGI WORLDWIDE MEETINGS 2019

2019 MGI Talent Meeting
10 - 11 January 2019
London Heathrow Marriott Hotel

2019 Latin America Region Meeting
22 - 24 May 2019
Manaus, Brazil

2019 AGM
23 - 25 October 2019
Dubai, UAE

MGI ASIA MEMBER NEWS

Asia member firms win Project of the Year award

Asia member firms MGI Gideon Adi & Rekan (Indonesia), MGI Alliance PAC (Singapore) together with Milsted Langdon (UK) won the PROJECT OF THE YEAR Award at the inaugural MGI Worldwide Awards.

The project was for a NGO that works in the area of sustainable land use & development based in UK. The 3 firms were successful for the bid in Asia.

Veasna appointed as Council Member and Director of the Asia Pacific M&A Association (APMAA)

The APMAA is an industry guild established in 2018 in Shanghai by China M&A Association, Korea M&A Investment Association, Japan M&A Association and a number of other M&A associations from Asian and Oceania countries (regions).

Vesna Chann from APV Cambodia was appointed as a Council member & director representing Cambodia at the recent meeting of APMAA held in Shenzhen, China on the 8&9 December 2018.

Part of Veasna's role is to determine the Association's vision and vision and promote APMAA to other countries in order to get more members. As a representative for Cambodia he will also play a role to share and exchange knowledge amongst member countries.

Kenneth Chau & Co sponsors the Certified Tax Advisor (CTA) Conference 2018

Kenneth Chau & Co has had the pleasure to sponsor the CTA Conference 2018, entitled 'Fall Behind or Go Beyond' on the 23rd of November

It was attended by more than 250 participants, including officials from both the Mainland and Hong Kong governments, experts in economics and finance, accounting and tax practitioners, professors and representatives of other professional bodies.
It served as a platform for the sharing of insights into how to leverage the wide-ranging opportunities now available to tax practitioners. It also allowed attendees to explore many major topics for the profession, such as how BEPS will impact the Hong Kong tax system, the current tax risks faced by enterprises/practitioners and the practical/commercial considerations of BEPS implementation, among others.

The guest of honour for this special event was The Honourable James Henry Lau Jr, Secretary for Financial Services and the Treasury of the HKSAR government.

Cross-straits, Hong Kong and Macau Accounting Profession Conference 2018

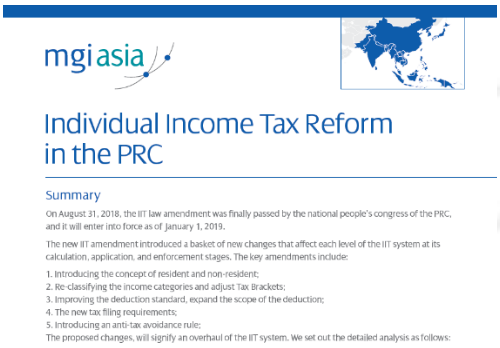
Partner Mr. Ken Yeung represented the Firm to attend the Cross-straits (China and Taiwan), Hong Kong and Macau Accounting Profession Conference 2018 held from the 10-11 November, 2018, in Macau. The main themes of the Conference were The New Trend of International Accounting and Auditing Standards development.

KWSR continues to win new clients

Khan Wahab Shafique Rahman & Co. Chartered Accountants, has been selected as Consultant for conducting a one off Store Inventory / Physical Verification of Ashuganj Power Station Company Ltd. (APSCL), an enterprise of Bangladesh Power Development Board.

Lehman Brown produces white paper on Individual Income Tax Reform in the PRC

The white paper examines changes to legislation around Individual Income Tax (IIT) within the People's Republic of China (PRC) that will come into effect from January 1st, 2019.



mgi asia

Individual Income Tax Reform in the PRC

Summary

On August 31, 2018, the IIT law amendment was finally passed by the national people's congress of the PRC, and it will enter into force as of January 1, 2019.

The new IIT amendment introduced a basket of new changes that affect each level of the IIT system at its calculation, application, and enforcement stages. The key amendments include:

1. Introducing the concept of resident and non-resident;
2. Re-classifying the income categories and adjust Tax Brackets;
3. Improving the deduction standard, expand the scope of the deduction;
4. The new tax filing requirements;
5. Introducing an anti-tax avoidance rule;

The proposed changes, will signify an overhaul of the IIT system. We set out the detailed analysis as follows:

A detailed analysis of the five major areas of reform can be found within the whitepaper. These reforms include:

1. Introducing the concept of resident and non-resident
2. Re-classifying the income categories and adjust tax brackets
3. Improving the deduction standard; expanding the scope of the deduction
4. New tax filing requirements
5. Introducing an anti-tax avoidance rule

MGI GLOBAL NEWS

MGI Worldwide announces changes to the International and Executive Committee

At this year's Global AGM, held in October in San Francisco, changes were announced to both the International Committee (IC) and the Executive Committee (EC) At the end of Thomas Althoff's term, Roger Isaacs of Milsted Langdon LLP, UK, stepped up as Chairman.

MGI Worldwide welcomed Juan Carlos Guerra of MGI Guerra & Asociados onto the IC. The European Region will elect a new IC member during the coming months. Thomas has kindly agreed to stay on the IC until then.

The IC then elected Imran Assan (MGI Alliance PAC, Singapore), representing Asia, onto the EC.

The IC line up
Roger Issacs (Chairman)
Ed Fahey (Deputy Chairman)
Imran Assan (Deputy Chairman)
Thomas Althoff (Europe)
Matthew Moy (Australia)
Arthur Baguley (Africa)
Juan Carlos Guerra (LATAM)
Faiyaaz Rajkotwala (MENA)

First MGI Worldwide Awards at Global AGM in San Francisco

The first MGI Worldwide Awards presentation was held during the gala dinner at The City Club of San Francisco during the 2018 AGM.

The event was an opportunity to celebrate the very high standards of member firms and recognise the amazing people and teams from around the world who have gone the extra mile to make a success of membership.

The MGI Worldwide 2018 Award winners are:

Tax Firm of the Year Award - ***RINA accountancy corporation (San Francisco, CA, USA)***
Project of the Year Award - ***a joint project: Milsted Langdon (Bristol, UK), MGI Alliance PAC (Singapore), MGI Gideon Adi & Rekan (Jakarta, Indonesia)***
Mid-sized Firm of the Year Award - ***MGI De Leone-Triunfo-Galloni (Milan, Italy)***

Large Firm of the Year Award - ***Selden Fox Ltd (Chicago, IL, USA)***
Employer of the Year Award - ***Seymour Taylor (High Wycombe, UK)***
Professional Staff Member of the Year Award - ***Liza Rowles, Seymour Taylor (High Wycombe, UK***

New members joining in the 4th quarter

The five-partner firm **Benko Kotruljić Ltd** was founded in 1990 and spent its initial years establishing itself as the leading provider of accounting, internal reporting, regulatory financial reporting, and advisory services for investment banking pioneers and financial assets management companies throughout Croatia.

Benko Kotruljić Ltd has 24 staff in total and based in Croatia's capital and largest city Zagreb, Benko Kotruljić Ltd is ideally situated to provide services to companies of all sizes conducting business in the country, both domestically and internationally.

In October **HEM Associates**, managed by a team of six qualified professionals operating out of Kampala, the capital and largest city of Uganda joined MGI

The firm is a key provider of auditing and assurance, taxation, payroll management, business advisory, accountancy and financial consultancy in Uganda, and works with clients within the country as well as some international organisations.

Canada-based **Fazzari + Partners LLP** (Chartered Professional Accountants) added our numbers in North America. Based in Vaughan, Ontario in the east-central part of the country, the six-partner firm was established in 1988, and specialises in taxation, accounting, forensic accounting and more, including providing support for smaller accounting companies and individuals. The firm serves a client-base in Canada, the US and Europe, and pride themselves in their in-depth knowledge of clients' requirements.

Cassian & Associates who joined MGI Worldwide in November is based in Dar es Salaam, Tanzania, a city that is rapidly becoming an economic powerhouse.

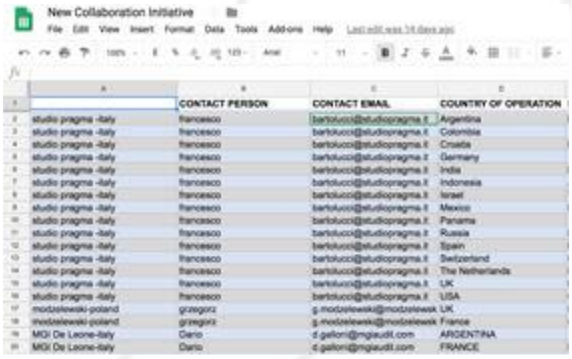
The accounting firm serves the citizens of Dar es Salaam by delivering accounting services based on its three key values: professionalism, responsiveness and quality. Apart from the usual audit and tax services the firm is also a leading cloud accounting service provider in Tanzania.

FORUM OF FIRMS®

MGI Worldwide & Forum of Firms

The Forum of Firms' board confirmed that MGI Worldwide will be a full member of the Forum of Firms with effect from 1 January 2019.
MORE DETAILS IN 2019

NEW business collaboration


New Collaboration Initiative

	CONTACT PERSON	CONTACT EMAIL	COUNTRY OF OPERATION
studio pragma -Italy	francesco	bartolucci@studiopragma.it	Argentina
studio pragma -Italy	francesco	bartolucci@studiopragma.it	Colombia
studio pragma -Italy	francesco	bartolucci@studiopragma.it	Croatia
studio pragma -Italy	francesco	bartolucci@studiopragma.it	Germany
studio pragma -Italy	francesco	bartolucci@studiopragma.it	India
studio pragma -Italy	francesco	bartolucci@studiopragma.it	Indonesia
studio pragma -Italy	francesco	bartolucci@studiopragma.it	Israel
studio pragma -Italy	francesco	bartolucci@studiopragma.it	Mexico
studio pragma -Italy	francesco	bartolucci@studiopragma.it	Panama
studio pragma -Italy	francesco	bartolucci@studiopragma.it	Russia
studio pragma -Italy	francesco	bartolucci@studiopragma.it	Spain
studio pragma -Italy	francesco	bartolucci@studiopragma.it	Switzerland
studio pragma -Italy	francesco	bartolucci@studiopragma.it	The Netherlands
studio pragma -Italy	francesco	bartolucci@studiopragma.it	UK
studio pragma -Italy	francesco	bartolucci@studiopragma.it	USA
modzelewski-poland	grzegorz	g.modzelewski@modzelewsk	UK
modzelewski-poland	grzegorz	g.modzelewski@modzelewsk	France
MGI De Leone-Italy	Dario	d.galloni@mgiaudit.com	ARGENTINA
MGI De Leone-Italy	Dario	d.galloni@mgiaudit.com	FRANCE

Join participating member firms and share opportunities.

Using the business development spreadsheet, participating member firms can share potential opportunities with each other.

Each firm is asked to input a list of countries where a parent company or subsidiary that they work for is also operating or has interests

Fellow members who are operating in those locations and interested in exploring opportunities can put themselves forward and contact the member firm to start the conversation with each other.

Visit the new business collaboration webpage in the member area online and see the list of opportunities among firms.
LOGIN AND VIEW HERE

PROFESSIONAL NEWS FROM AROUND THE WORLD

Digital transformation, talent management key to growth for small accounting firms

Accountants working in small- and medium-sized practices (SMPs) are embracing technology to better serve clients and attract and retain top talent, according to 2018 IFAC Global SMP Survey results released on October 23, 2018 . IFAC (International Federation of Accountants) received more than 6,000 responses from SMPs, representing 150 countries, about their performance in 2018 and marketplace factors most likely to affect them in the future.

The survey found over a quarter of SMPs (28%) plan to allocate more than 10% of practice revenue over the next year to technology investment, reflecting its critical importance in practice management and operations. The most frequent responses to technological advances have been the development of in-house expertise in IT and the adoption and use of cloud options to better serve clients.

“As the first-choice strategic adviser to their clients, firms are recognizing the importance of adopting technology to provide insights and expertise and strengthen their role as trusted business partners,” said IFAC CEO Fayez Choudhury. “It is well-known that the majority of SMPs’ revenue is generated by traditional compliance services, but there has been an increase and diversification in the provision of advisory and consulting services that are real-time, forward-looking and based on specialized industry or sector knowledge, which is a trend we expect to continue in the future.”

Tech-enabled Service Offerings
As transactional activities become increasingly automated, firms are also leveraging technology to provide business insights from data analytics as a new service offering. A significant majority (86%) provide business advisory and consulting services, with a majority (51%) predicting a moderate or substantial fee revenue growth over the next 12 months in this service line.

Talent in the Digital Economy
Talent remains a top challenge for SMPs. The majority (54%) have difficulty attracting next generation talent, with 66% stating the number one reason is the lack of candidates with the right mix of skills. This highlights the importance of continuing education and the development of new competencies for the digital global economy. Additionally, firms are implementing talent management initiatives to both attract and retain staff. The most popular initiative is the introduction of flexible working hours or work days.

See HERE for the full report

Source: IFAC website

IAASB Modernizes Auditing of Accounting Estimates

The International Auditing and Assurance Standards Board (IAASB) released on 3 October 2018 International Standard on Auditing (ISA) 540 (Revised), its revised standard for the audit of accounting estimates and related disclosures.

Banks, insurers and other financial services firms have seen revolutionary change in their accounting practices as they moved to new accounting standards that changed the way they deal with loan provisions and insurance contracts. ISA 540 (Revised) reflects this rapidly evolving business environment and ensures that the standard continues to keep pace with the changing market.
This revised standard is the first to be completed as part of the IAASB’s broader program ‘Addressing the Fundamental Elements of an Audit’ and is an important part of the IAASB’s efforts to improve audit quality globally. Some of the significant revisions include:

- An enhanced risk assessment that requires auditors to consider complexity, subjectivity and other inherent risk factors in addition to estimation uncertainty. This will drive auditors to think more deeply about the risks inherent to accounting estimates.
- A closer link between the enhanced risk assessment and the methods, data and assumptions used in making accounting estimates, including the use of complex models.
- Specific material to show how the standard is scalable to all types of accounting estimates.
- Emphasis on the importance of applying appropriate professional skepticism when auditing accounting estimates to foster a more independent and challenging skeptical mindset in auditors.

ISA 540 (Revised) becomes effective for financial statement audits for periods beginning on or after December 15, 2019.

It is critical that all parties in the financial reporting supply chain, particularly regulators, national standard-setters and firms collaborate in the implementation of a standard with such far-reaching effects on the audit of financial statements. The IAASB will provide implementation support to help auditors navigate and apply the revised standard. Please visit the IAASB website for more information.

IAASB seeks public comment on exposure draft on agreed upon procedures.

The International Auditing and Assurance Standards Board (IAASB) seeks public comment by March 15, 2019 on its Exposure Draft of proposed ISRS 4400 (Revised), Agreed-Upon Procedures Engagements.

The demand for Agreed-upon procedures (AUP) engagements continues to grow across jurisdictions.Changes in regulation, such as the increase in audit exemption thresholds in many jurisdictions, have also driven increased demand for AUP engagements. This is especially relevant for smaller entities, as the increased audit exemption thresholds prompt stakeholders to look for alternative services to an audit.

To ensure that the IAASB's standard on AUP engagements remains relevant in the current business environment, the IAASB proposes to enhance key concepts in the standard, including:

- The role of professional judgment in an AUP engagement.
- Disclosures relating to the practitioner's independence or lack thereof.
- Guidance on appropriate or inappropriate terminology to describe procedures and findings in AUP reports.
- The use of a practitioner's expert in an AUP engagement.
- Restrictions on the distribution and use of the AUP report.

In developing proposed ISRS 4400 (Revised), the IAASB has received significant stakeholder input, including feedback from its November 2016 Discussion Paper, Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and targeted continuing stakeholder outreach.

Source: IFAC website

The Future-Ready PAO Must Be Global

by Alan Edwards, IFAC PAO Development Committee Member

During the IFAC Professional Accountancy Organization (PAO) Development Committee meeting in New York in October 2018, committee members, engaged in a day of creative thinking about the future-ready PAO.

The meeting started with meditation, but with a purpose: we were asked to picture a future accountant.

Most of us pictured more of a Palo Alto-Steve Jobs-esque techie than a pin-stripe, suited New York City gent. That image is important as it is indicative of the discussion themes throughout the meeting:

- that accounting in the future will be as much about data analysis as financial accounting
- that accounting careers will be far more global than local
- that the tools of the trade may be more technological but interpretation will be made by insightful humans with a personal touch.

To read this interesting article please go HERE

Source: IFAC website

Global reporting groups plan to align standards in 2 years

The International Integrated Reporting Council and several other leading corporate bodies, including the Sustainability Accounting Standards Board, the Global Reporting Initiative and the Carbon Disclosure Project, announced plans to align their standards and frameworks within two years at the World Congress of Accountants in Sydney, Australia.

The ground-breaking two-year project is focusing on driving better alignment in the corporate reporting landscape to make it simpler for companies to prepare effective, coherent disclosures that meet the information needs of capital markets and society.

The participants in the umbrella group, known as the Corporate Reporting Dialogue, committed to driving better alignment of sustainability reporting frameworks, along with other frameworks that promote further integration between non-financial and financial reporting.

The Corporate Reporting Dialogue actually launched four years ago as a way to achieve dialogue and alignment between some of the key standard setters and framework developers around the world that have a significant international influence on the corporate reporting landscape. It includes the Carbon Disclosure Project, the Climate Disclosure Standards Board, the Financial Accounting Standards Board (which participates as an observer), the International

Accounting Standards Board (which also participates as an observer), the Global Reporting Initiative, the International Organization for Standardization, the Sustainability Accounting Standards Board, and is convened by the International Integrated Reporting Council.

Corporate Reporting Dialogue participants hold regular meetings to share their views and provide further cooperation. The participants have already adopted a Statement of Common Principles of Materiality, developed a common map of the reporting landscape, and took a common position in support of the recommendations of the Financial Stability Board Task Force on Climate-related Financial Disclosure, or TCFD. This collaborative project aims to align standards with the recommendations published by the TCFD in June of last year.

Under the new project, the various participants plan to map out their own sustainability standards and frameworks to identify the common traits and differences, while jointly refining and continuously enhancing the overlapping disclosures and data points to achieve better alignment. They will be taking into account the various focuses, audiences and governance procedures of the different organizations. Participants will identify how non-financial metrics relate to financial outcomes and how this can be integrated in mainstream reports.

An important aspect of conducting this project in the context of the Corporate Reporting Dialogue is to undertake this work with the overview of financial standard-setters, consistent with the ultimate aim of integrating financial and non-financial reporting.

In undertaking this project, the participants in the Corporate Reporting Dialogue aim to demonstrate visible improvement in the coherence, consistency and comparability of corporate reporting by business. This will lead to improvements in reporting from a multi-capital perspective for the long-term efficient allocation of capital given the changing nature of risks and opportunities.

“The different elements of the corporate reporting system are not working as harmoniously as possible, with the result being that corporate reporting can be seen to pursue conflicting objectives, under disjointed definitions with unclear aims,” said Corporate Reporting Dialogue chair Ian Mackintosh in a statement. “There is a renewed urgency to drive better alignment that can combat reporting fatigue, reduce burden and enable more effective corporate reporting. Today, the participants of the Corporate Reporting Dialogue have made clear their commitment to delivering this.”

Bloomberg Philanthropies will be providing funding for the project. “Transparent disclosure brings many benefits to global markets,” said Curtis Ravenel, global head of sustainable business and finance, at Bloomberg in a statement. “Advancements in corporate reporting over recent years have led to a better understanding of how businesses operate across their value chains. However, as efforts to improve disclosures have emerged, so has a range of varying guidance, frameworks and standards in the field. At Bloomberg, we are committed to helping organizations communicate clearly, succinctly and effectively with the market. That is why we are delighted to support this project, which will lead to better alignment in the corporate reporting landscape.”

More information about the project can be found on the Corporate Reporting Dialogue website.

Source: AccountingToday.com

TIPS & HELP

The Practice of Tomorrow–How to Remain Relevant

As highlighted in Firms of the Future–Building Advisory Services there is a general consensus that small- and medium-sized practices (SMPs) need to re-evaluate the services they provide. This may involve changing their business model to include or expand business advisory and consulting services.

Research indicates that, irrespective of jurisdiction, accountants, and especially SMPs, continue to be the preferred advisors to small- and medium sized entities (SMEs). SMPs have an in-depth knowledge and understanding of their SME clients and are therefore well-positioned to provide a range of value added services. IFAC’s literature review on The Role of SMPs in Providing Business Support to SMEs—New Evidence explored both the supply and demand for business support from SMEs and highlights the associated potential for future revenue growth from business advisory services.

Of the over 6,000 SMPs who responded to the 2018 IFAC Global SMP Survey 86 percent provided some form of business and advisory consulting services. The range of services is wide and diverse, including corporate advisory, management accounting, business development and restructuring services. Advisory services are predicated to have the most substantial growth in the next 12 months with the majority of small practices (51%) anticipating moderate or substantial fee revenue increases in this service line, compared to tax compliance & planning (40%) audit and assurance (36%) and accounting/ compilation (36%).

Members of the IFAC SMP Committee recently discussed this topic with representatives from around the world providing their own experiences, tips and good practices for how firms can transform. To respond to client's demands, practices should focus on three main areas – Professionalism, Firm Structure and Business Model and Technology Tools. There are tremendous opportunities for practices to be innovative and transform, especially due to the environmental and technological shifts.

Professionalism
A key framework is the International Code of Ethics for Professional Accountants, which sets out fundamental principles of ethics for professional accountants and distinguishes them from other consultants or advisers). Professionalism underpins all of professional accountants' activities. SMPs can promote their values including integrity, diligence, trust and putting clients first and be clear that they are providing professional advice and services.

Firm Structure and Business Model
SMPs need to re-consider their firm structure and business model. There are a range of different options for transitioning and providing different services, which includes recruiting specialized talent to focus on a niche area, merging or acquiring a new firm and training existing staff to equip them with new skills.
It is clear that a new service cannot be provided without sufficient expertise and knowledge. A firm may decide to recruit a new partner who specializes and has strong experience in one particular industry or sector. This would enable them to understand client's issues in that area and importantly bring added-value from their exposure to a range of similar businesses over the years. Combining one practice with another, either through a formal merger or informally through a referral process and 'business partnering' provides an immediately available resource for existing clients and a new revenue stream.

Adding additional experienced expertise to a practice can also help with talent attraction and retention, which continues to be top challenge facing many SMPs. In fact, 54% of small practices have difficulty attracting next generation talent. However, cross-training staff in new service lines provides valuable learning experiences and can be combined with on-the-job practical involvement. Even starting small, with basic tasks, is beneficial expertise which will grow quickly over a just a few years.

In considering what types of services to provide to clients, it is important for the firm's leadership to be open to new opportunities whether internally or externally driven. All staff members should be actively encouraged to provide suggestions for potential new service lines, as they are often closest to the clients. Communication training and encouraging a more client centric mindset can often help staff to listen and fully understand the client needs, so the appropriate service can be scoped and delivered. This shift helps staff focus on the practice's value proposition and level of fees charged (please also see Three Ways to Effectively Manage Fee Pressure).

External opportunities may take the form of new technological developments, emerging activities or sectors, or changes in legislation to provide specialized advice. To appeal to younger generations who strongly value working in an ethical, dynamic and sustainable organizations, firms could focus on service lines which have some element of public service or environmental and social impact. In this rapidly changing environment, small firms can usually make faster changes in strategic direction to take advantage of new opportunities and significantly benefit from being more agile and adaptable.

Technology Tools
Fully utilizing a range of technology is critical to future success. 28% of SMPs plan to allocate more than 10% of total practice revenue over the next 12 months to technology investment. As automation and digitization continues to impact business, clients will require advice on how to effectively implement technological solutions. For example, to reduce administration costs around generating and processing invoices, chasing late payments, payroll etc. SMPs can provide valuable advice on what tools can make any business process more effective and efficient.

SMPs should also develop and implement a technology strategy for their practice. This may include utilizing practice management software packages to assist, for example, in timesheet, billing and monitoring recovery rates or a customer relationship management package to help the provision of services or implementing a client portal..

Going forward, the higher value work will be future focused based on analysis, interpretation and insights, compared to lower value historical tasks such as inputting data, verification and conventional reporting. Technology tools provide an opportunity to provide information to clients in real-time. For instance, visual dashboard reports can be easily and quickly generated to enable a meaningful discussion with clients on a monthly basis with current figures. Practitioners in some jurisdictions have specialized in becoming virtual CFOs - utilizing the cloud enables them to service a number of businesses and provide appropriate, relevant advice, around the clock.

Approaches to Advisory Services

There are a number of different approaches an SMP can adopt to provide advisory services. The firm can focus on improving a client's entire business by considering the whole strategy and future direction. The firm can interpret and provide insights on both financial and non-financial information and provide informed advice to help improve the businesses decision-making and general processes. This is where listening and understanding the client's needs is critical and is complimentary to the deep knowledge and expertise the firm has on the nature, culture and operations of the business.

Conversely, a firm might focus on basic financial number interpretation, involving a review of the annual financial statements and monthly management accounts. This may include an explanation of what the figures mean to the business and could progress towards more detailed analysis and forecasts with the development of year-on-year trend analysis, budget versus actual models, cash flow forecasts etc. to enable advice around managing working capital and profits.

Christopher Arnold is the head of SME/SMP and Research at IFAC. He was previously an Audit Manager for Deloitte and qualified as an accountant in a mid-tier accountancy practice in London
George Willie is the managing partner of Bert Smith & Co. He has over 40 years of experience specializing in the audits of healthcare, government, and not-for-profit entities.

Global Business Expansion Presents Opportunity for SMPs

By Ben Baruch

Much has been written in recent years about how SMPs are experiencing a growing number of commercial challenges that disrupt the client services they have traditionally relied upon for revenue generation.

Equally, many argue that more SMPs need to consider whether diversification into new advisory services could be the key towards the sector's future success. However, such change can be difficult when talent flows in the sector are uncertain and competition is fierce.

ACCA was therefore interested to explore whether international trade is one area where SMPs' unique experience and expertise might lead to the development of a new, specialist service provision.

Our findings suggest that many SMPs are equipped with an excellent platform towards providing additional value-added support to clients. However, despite SMPs stating that the overwhelming majority of their clients had been involved in some form of international activity over the last three years, their current provision of relevant support remains highly focused around a small number of limited areas.

Our new report, Growing Globally - How SMPs can support international ambitions, revealed the following about internationalization and the relevant advice landscape for SMEs.

SME internationalization today

- Just under half (45%) of SMEs said the main benefit of internationalization was access to new customers in foreign markets. Increased profitability (35%), faster business growth (33%) and access to new business networks (30%) followed.
- Both SMEs and SMPs considered ease of doing business and high growth potential as the most important factors when choosing an export destination. Geography was seen as less important, which may be a result of new technologies reducing its significance as a perceived barrier.
- Both SMEs and SMPs recognized foreign regulations as the most significant barrier to internationalization. For SMEs, the second most important was competition (27%) whilst for SMPs it was foreign customs duties (33%).
- In terms of the future, SMEs' international ambitions are focused on building the capacity of their business (45%), building networks in foreign

markets (45%) and introducing or developing more products and services to market (44%).

The advice landscape

• A wide breadth of professional advice and support is used by internationalizing SMEs, who tend to reach out to different sources as they move along their internationalization journeys. Government or relevant public agencies (39%) are the most widely used source of professional advice, closely followed by lawyers (35%) and then banks (33%).

• Accountants are most likely to be used by SMEs when looking for support on international tax, regulatory compliance, foreign exchange and accessing external finance.

• Only 9% of SMPs said they had no clients who had been involved in any international trade activities over the last 3 years. Importing and exporting activities were the most common, as was participating in broader international supply chain networks.

• SMPs mainly rely on internal and informal resources when advising clients about internationalization. However, this gradually shifts towards a reliance on more external and formalized resources as practices grow in employee size.

• Just under half (47%) were not members of any networking organization, potentially missing out on valuable resources that could enable the development of more effective forms of international support.

Using these findings, ACCA conducted a series of interviews and roundtables with SMPs and SMEs globally. The subsequent insights were used to develop recommendations on how practices can look to develop their international advisory provision.

1. Specialization is key - For those developing their international advisory provision, it is vital to first identify an area of the market where you believe your practice has the opportunity to effectively develop its expertise, resources and intelligence to best suit the needs of your clients. SMEs' demands for international advice vary according to sector and size of business. Building a market focus is more likely to make any future expansion of international support more achievable and successful.

2. Adopt a strategic mindset - Identifying where you could best add value in terms of international support requires SMPs to think strategically and embark on initial planning and research. The best place to start is with existing clients rather than prospective ones, as they provide a readily accessible (and more approachable) evidence base to explore where demand is likely to be greatest. Making efforts to understand your clients' internationalization needs can then help you shape your wider international advisory offering.

3. Expand your international network - Networks are integral for the development of new professional advisory services but particularly with regards to internationalization. This is because global value chains often necessitate close and efficient coordination of activities between businesses. SMPs should therefore aspire to become the central referral point for clients looking to find the most appropriate source of professional advice.

4. Invest in professional development - Practices must have highly skilled staff with the appropriate intellectual knowledge for clients to recognize the value in the services you offer. Creating a structured program of learning activities for staff around international trade could be useful for SMPs looking to upscale their international advisory provision. This could involve introducing formal learning activities across more technical areas of international trade (such as tax, compliance and foreign exchange) as well as working with other firms to develop knowledge networks where staff can learn, collaborate and access good practice.

As SMEs continue to seek new ways of engaging in international trade, partly brought about by developments in technology, practices are being presented with opportunities to develop and widen their international advisory provision.

For some SMPs providing additional support to clients involved in international markets will not be feasible or practical. Nonetheless it is important for all practices to continue recognizing the changing realities of how SMEs are operating globally.

The key challenge in taking advantage of such opportunities is centered on the risks that inevitably come with the business model optimization required to provide new and relevant client services.

Read the full report here: Growing Globally - How SMPs can support international ambitions.

***Ben Baruch** is ACCA's Head of SME Policy. Prior to joining ACCA, Ben worked as the economy, finance and tax policy lead at the Federation of Small Businesses in the UK.*

Pain, and then gain

By Daniel Hood

For many, it is an anxious time in the accounting profession, with a multitude of fast-moving changes threatening to overturn time-honored business practices, skill sets, service lines, career paths, and firm hierarchies. In the midst of change like that, it can be difficult to see through to the far side, and judge the eventual outcome — but the leading figures in accounting are, by and large, convinced that that outcome will be extremely positive, whatever the short-term difficulties.

“Can you think of any major change in the past 30 years that wasn’t good for CPAs in the long run?” asked consultant Marc Rosenberg. “The advent of computers. Quicken-type software replacing manual write-up work. Paperless replacing paper. Daily timesheets replacing semi-monthly. Treating staff as importantly as clients. I can go on and on. Just because people treat these changes with anxiety and fear at the onset doesn’t mean they are ‘bad.’”

His confidence was echoed by the overwhelming majority of regulators, practitioners, association officials, consultants, and other leading figures who shared their thoughts on whether the changes facing the accounting profession will be good or bad for it.

Creating a list of future improvements to match Rosenberg’s historic ones, ConvergenceCoaching co-founder Jennifer Wilson asked, “How can moving toward higher-value services, improving efficiencies, gaining more insights from data we’re gathering, embracing remote work and service delivery, and creating a profession that is more inclusive for up-and-comers, women and people of color to find their place — how can that be bad?”

Others highlighted specific gains. “Technology will continue to free those working in the profession from repetitive, time-intensive tasks, and can help elevate focus on higher-value, strategic work that will enhance quality in accounting, audit and tax,” said Deloitte CEO Cathy Engelbert.

That’s not all the digital revolutions offer: “Technological advances will allow a level of review unprecedented by traditional methodologies,” said National Association of State Boards of Accountancy president and CEO Ken Bishop. “As systems continue to improve and standards are adapted to facilitate their use, I believe we will see a continuum of increasing quality.”

Others cited long-term benefits to firm structure, and help for the staffing crisis:

- “The changes will have a positive overall effect on the accounting profession as firm leaders will be forced to run their firms more like a business rather than just a professional practice,” said consultant Joseph Tarasco, CEO of the Accountants Advisory Group.
- “The transformative changes the profession faces ... will attract a more well-rounded talent base that will need to develop skills and acquire experience that will enhance the career development and work satisfaction and enhance client interaction and client service,” said Mark Friedlich, senior director of global content at Wolters Kluwer Tax & Accounting.
- “If the profession gets this right, we will also attract a broader array of students,” said D. Scott Showalter, chair of the Federal Accounting Standards Advisory Board and professor of practice in the Poole College of Management at North Carolina State University. “Because many traditional clerical tasks will be subsumed by technology, professionals will provide more critical thinking and judgment about the information produced. This change will be apparent and attract new entrants to the profession.”

And beyond all that, a more efficient and effective profession may have richer lives outside the office.

“By affording more time to develop as a whole person, spend time with their families, and connect with their interests outside of work — they will be better engaged employees and service professionals,” said comedian, podcaster and “Recovering CPA” John Garrett. “The only negative thing is that in the future, people are going to have to find something else to complain about when they don’t have to work 60-hour weeks during busy season.”

Overall, the profession’s leaders agreed with this assessment by Greg Burbach, the president and CEO of Top 100 Firm Honkamp Krueger & Co.: “Any change that can make us better advisors to our clients is a good change,” he said. “We need to embrace the change and unlearn the way we’ve done it in the past and take a new, fresh, proactive and high-tech approach.”

The pain first

There were some, however, who acknowledged that there are risks — and some potential pain to go along with all the gain.

“The downside of the disruptive technologies, I believe, is that the ability to hang out a shingle and do tax compliance or small-scale audits will decrease, so that will be an opportunity and a pathway that I’m afraid will be lost to history,” pointed out Massachusetts Society of CPAs president and CEO Amy Pitter.

And Larry Autrey, managing partner of Top 100 Firm Whitley Penn, warned, “If we lose focus in an effort to be consultants, we may lose our right to lead in audit and tax. Regulators and a desire to be consultants first could damage the CPA brand if we are not careful. The competition hopes we lose focus.”

More broadly, though, the most common concern was that all this disruption will simply leave many accountants behind.

“The changes and challenges facing the profession represent an enormous opportunity — for those that pivot and adapt,” said David Cieslak, chief cloud officer at RKL eSolutions. “I’m concerned that many, especially solo and small firms, will respond far too slowly and find the services they once offered have been commoditized or their competitors are providing the new, vertically focused, high-value services their clients are now demanding.”

“Accountants are slow to change,” noted ClientWhys CEO Lee Reams. “Many would rather ignore the trends than make drastic changes in their business models. The survivors will thrive with higher monthly recurring revenue engagements. The downside is that those still offering traditional services may see many of those billable tasks automated out of existence.”

“In the short-term, we’ll have lots of uncomfortable accountants,” added Intuit business development manager Kim Austin. “With a crowd whose favorite acronym is ‘SALY,’ it’s inevitable that there will be struggles along the way. ... I see firms that simply refuse to embrace change, and as I look a few years down the road for them, I believe it’ll be a lot harder to play catch-up, or find the exit strategy they’d hoped for.”

Taking that a step further, C3 Evolution Group CEO and founder Garrett Wagner predicted, “In the short-term, all these changes will be bad as we will see more firms struggle, go out of business, and [face] difficult M&A activity, as they will be unable to deal with the changes we are faced with.”

That said, he added, “In the long-term, these changes will finally set us free as a profession, and allow us to move past our rigid focus on backwards-looking compliance work and free us up to shift into advisory services.”

Choose your own adventure

In the end, whether these changes work out for better or worse for the individual accountant or firm will depend on their own choices — while the cumulative impact of those choices will determine the final result for the profession as a whole.

“If we embrace the new technologies and find new and interesting ways to serve our clients, the changes will be great,” said Mark Koziel, executive vice president of public accounting at the Association of International Certified Professional Accountants. “If we try to hold on to the old way of doing things, it will be bad. I’m encouraged by what I see in firms — small firm startups built entirely on new systems and technologies and larger firms that are pivoting to the change.”

Attitude and approach will, therefore, make a major difference. “Whether change is good depends on your perspective,” said Grant Thornton CEO Mike McGuire. “If you believe we can always do something better than we did before, and work hard to make progress on tough challenges to make the world a better place, then change is good. If you just like things the way they are and don’t want to change, then it’s bad. Every one of us has to decide where we stand, and then act accordingly.”

Some made the important point that, whatever one thinks of the coming evolution of the profession, it can’t be stopped.

“Change is inevitable, and trying to figure out whether it is good or bad misses the point,” said California CPA Society chief executive officer Loretta Doon. “What matters is how we react and adapt to change. Will we be set and insist on sticking to the old ways because that’s the way we always did things? Or will we be flexible and use our minds to figure out how best to incorporate change for the benefit of our customers, clients, staff and careers? One must be in constant motion; change or die.”

Opting out, then, is not an option, and the best course is to move forward. “We can’t stand still — there are too many forces at play,” explained Arleen Thomas, managing director, Americas, and CGMA global offerings at the American Institute of CPAs. “Business is finding new ways of working — to be the stewards of that we must face these changes with energy.”

For those who remain concerned about the eventual outcome for the profession, Samantha Mansfield, director of professional development and community at CPA.com, had these words of wisdom: “I heard this said and think it is true for the accounting profession today: Sometimes to stay true to your mission, you have to change what and how you do it.”

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Why does (should) data analytics matter to accountants?

"What do the numbers tell us?"

"Let's dig into the data!"

"Can we analyze this in real-time?"

It's very likely that you've heard these expressions around the office. Big data. Data analytics. Data science. This is important stuff.

But why is this important? And what does it have to do with accounting?
Accountants use data analytics to help businesses uncover valuable insights within their financials, identify process improvements that can increase efficiency, and better manage risk. "Accountants will be increasingly expected to add value to the business decision making within their organizations and for their clients," comments Associate Professor Wendell Gilland, who teaches Data Analytics for Accountants at the UNC Kenan-Flagler Business School. "A strong facility with data analytics gives them the toolset to help strengthen their partnership with business leaders."

Here are a few examples:

Auditors, both those working internally and externally, can shift from a sample-based model to employ continuous monitoring where much larger data sets are analyzed and verified. The result: less margin of error resulting in more precise recommendations.

Tax accountants use data science to quickly analyze complex taxation questions related to investment scenarios. In turn, investment decisions can be expedited, which allows companies to respond faster to opportunities to beat their competition — and the market — to the punch.

Accountants who assist, or act as, investment advisors use big data to find behavioral patterns in consumers and the market. These patterns can help businesses build analytic models that, in turn, help them identify investment opportunities and generate higher profit margins.

Four types of data analytics

To get a better handle on big data, it's important to understand four key types of data analytics.

1. Descriptive analytics = "What is happening?"
This is used most often and includes the categorization and classification of information. Accountants report on the flow of money through their organizations: revenue and expenses, inventory counts, sales tax collected. Accurate reporting is a hallmark of solid accounting practices. Compiling and verifying large amounts of data is important to this accurate reporting.

2. Diagnostic analytics = "Why did it happen?"
Diagnostics are used to monitor changes in data. Accountants regularly analyze variances and calculate historical performance. Because historical precedent is often an excellent indicator of future performance, these calculations are critical to build reasonable forecasts.

3. Predictive analytics = "What's going to happen?"
Here, data is used to assess the likelihood of future outcomes. Accountants are instrumental in building forecasts and identifying patterns that shape those forecasts. When accountants act as trusted advisors and build forecasts, business leaders grow increasingly confident in following them.

4. Prescriptive analytics = "What should happen?"
Tangible actions — and critical business decisions — arise from prescriptive analytics. Accountants use the forecasts they create to make recommendations for future growth opportunities or, in some cases, raise an alert on poor choices. This insight is an example of the significant impact that accountants make in the business world.

Why accountants make excellent data scientists

Accountants have outstanding technical skills. Gilland notes, "Accountants are used to aggregating information to create a picture of an organization that summarizes the details contained in each transaction. Working with descriptive analytics, predictive analytics, and prescriptive analytics comes more easily to people who already possess excellent quantitative skills."

Accountants are natural-born problem solvers. The jump from descriptive and diagnostic analytics to predictive and prescriptive analytics requires that one shift from an organizational mindset to an inquisitive mindset; a shift from stacking and sorting information to figuring out how to use that information to make key business decisions. Accountants are experts at making this jump.

Accountants see the larger context and business implications. The true value of data analysis comes not at the point when the data is compiled, but rather when decisions are made using insights derived from the data. To uncover these insights, a data scientist must first understand the business context. Not only do accountants understand this context, they live it.

Source University of North Carolina, Kenan-Flagler Business School

What is your IT strategy?

By Gary Boomer

Do you have a written plan? Does it integrate with your firm's strategic plan? Is it transformative? These questions often get a response like, "We don't have a written plan, but we have an IT budget." In other cases, the response may be, "IT is moving too fast to have a plan."

There is nothing wrong with operating with a budget, but I recommend a one-to-three-year IT plan along with an IT budget. Many firms are working with an IT project list, which is better than nothing, but the value of an IT plan comes from the planning process and getting the firm to think differently about the future.

Maintenance is no longer enough. IT must be innovative and transformative for many accounting services to remain relevant.
Some critical questions firms should ask during the planning process are:
1. What are the firm's strategic vision and plan?
2. Why do we do what we do? Will it be relevant and can we compete in three years?
3. Who will lead IT and to whom will they report?
4. What new services will we add to remain relevant as well as competitive?
5. What is the economic model to ensure we get a return on our IT investment?
6. What training will our people require to be "future-ready?" Do we have the right people in IT?
7. How much are we currently spending on IT and what should we spend to remain competitive?
8. What percent of our current IT expenditures are focused on maintenance and what percent on innovation?
9. Do we have an IT roadmap that we can easily explain to our firm and clients?
10. Do we have a process to ensure our firm is on the right path?

These are difficult questions that require time to think, and most involve risk and transformation. As my good friend Allan Koltin puts it, you have three options:
1. Do nothing and ignore the changes that are occurring in the profession.
2. Ask everyone but you to change.
3. Address the issues and make the difficult changes.

Allan uses the analogy of three doors; you can take your pick. The results of Options 1 and 2 will ultimately impact both you and your firm negatively. Option 3 requires change and strong leadership. It is also the best solution for the long term.

There are several requirements a firm needs to develop an IT strategy. The strategy or plan is just the start, and the implementation of the plan is where the return on investment occurs. The requirements to develop an IT plan — or any plan, for that matter — are:

- A firm vision;
- The support of the CEO and firm leadership;
- An IT-savvy leader;
- Access to leading peers and business partners (resources); and,
- A planning process.

Each firm is different with the age of their hardware (infrastructure), satisfaction with existing applications, training, and integration of data from multiple applications or databases. An outside facilitator for the planning process can significantly accelerate the process and ensure a focus on strategy and innovation, rather than tactics.
You may also want to consider including an external IT-savvy peer or client in the process.

You should develop the plan first and then the budget. We utilize a "quick budget" tool that takes just a few minutes to prepare and works well with getting partner or executive committee buy-in without spending days preparing a detailed budget that may never get partner approval.

Here are some of the critical areas your IT plan should address:

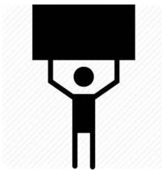
- Governance;
- Leadership;

- Accountability;
- Training;
- Cloud and workflow strategy;
- Security and privacy;
- Mindset, staffing and sourcing;
- The technology stack or ecosystem;
- Client services; and,
- Integration and growth.

We recommend our one-page plan format, as it forces firms to identify their objectives, measurements of success, priority initiatives, due dates, and responsible parties. This approach leverages resources as well as offering simultaneous, rather than sequential, solutions. From experience, we have found that multiple-page plans cause people to lose focus on the "big rocks" and often get caught working in the "sand."

Here is a quick checklist for developing a strategic IT plan and budget:
- CEO or MP support and participation.
- Dates and venue away from the office (recommended one-and-a-half to two days).
- Participants — representative of the entire firm, including non-partners.
- Facilitator — someone with industry experience and exposure to a large number of firms.
- Agenda — structured, but flexible enough to allow participation and discussion.
- Communication of the plan — consistent, concise and understandable to the end users.
- Ongoing accountability reviews — recommended quarterly.

Remember, IT strategy is about progress and not perfection. Changes in IT are occurring at blazing speed, and the plan should be updated annually. Don't procrastinate — set the dates for your IT strategy planning meeting today.
***Gary Boomer** is the visionary and strategist at Boomer Consulting Inc*



Referrals are drying up: Here's how to replace them
By Lee Frederiksen

Accounting practices have traditionally relied upon referrals for new business. A good word dropped by an existing client or a friendly banker were surefire ways to drive new business and grow an accounting firm. Times are changing, however, and this tried-and-true business development strategy no longer has the pulling power it once did.

The Hinge Research Institute recently released a new study on professional services buyer behavior that provides insight into how professional services are bought and sold. It reveals an overall decline in actual referrals, despite the fact that clients are still very willing to refer and increasingly value their service providers as instrumental in their success.

One possible reason for this decline is that more and more buyers are searching for service providers in other ways. In 2013, more than 70 percent of buyers reported turning to their business network when they needed a new service provider. While referrals remain the top search method, less than 60 percent of today's buyers ask for referrals — a 15 percent decrease.

Instead of relying upon referrals from friends or colleagues, buyers today are putting the power of the internet to work and using the web to find and research potential service providers. In fact, web search is becoming an increasingly popular discovery tool, with nearly one in five buyers turning to search engines to find service providers. Soon, search engines could be the top referral source for professional services.

If your firm is relatively new to the digital marketing world, the prospect of turning to social media, online marketplaces, blogs and websites to market your firm may seem scary. The truth is, though, there are lots of opportunities online for promoting your accounting business. You just have to know a few key things to get started:

1. Focus on being visible in digital channels. Savvy, fast-growing accounting firms are leveraging a multi-channel presence to gain maximum visibility in their

marketplaces. Here are a few popular digital strategies:

Social media marketing: Some of the popular social media marketing platforms include LinkedIn, Facebook and Twitter, to name a few. The platforms you choose depend on whether you're looking for business or consumer clients, as well as other factors including your firm's business goals, target industries/markets and target audience personas. But don't assume you know where your prospects go. A little research goes a long way.

Content marketing: Content is central to all digital marketing campaigns and activities. Content marketing involves promoting various pieces of high-value content to your target audience via several digital marketing channels. What's most important for content marketing to work is that the eBooks, executive guides, infographics and other high-quality content produced is objective, non-sales-oriented and of direct value to your target audience. This will help promote your firm as a thought leader and prompt prospects to provide contact information to receive your content and begin to engage with your firm.

Search engine optimization: This strategy involves getting your website or specific web pages to show up on search engines when specific keywords and terms are used as search terms. SEO can help your firm rank higher in search results and gain visibility across search engines, markets and geographies. Importantly, both content marketing and social media work together to drive your SEO.

Email marketing: Email campaigns go hand-in-hand with content marketing as a proven method for promoting high-value content. It's a low-cost, effective method for building brand awareness and generating leads when done correctly. Use email to nurture prospects until they need a new accounting firm.

2. Fund digital marketing efforts by reducing less effective strategies. Studies have shown that traditional promotional efforts such as trade shows, event sponsorships and personal networking are growing increasingly less effective. Time-crunched business professionals are spending less time and effort on traditional information-gathering methods such as attending conventions and business association meetings and more time researching service providers online.

3. Make your expertise visible by sharing it. Central to any digital marketing strategy is the need to gain competitive advantage by promoting expertise. Every business wants to work with an expert in whatever area for which they need help. By promoting the expertise of key individuals within your firm, they — and your firm by association — become what we call "Visible Experts." Visible Experts can achieve that status by focusing on either a specific area of expertise — say, accounting services for the manufacturing industry — or a specific topic, such as revenue recognition or R&D tax credits.

Regardless of your firm's area of expertise, it's crucial to share and promote that expertise through content that provides relevant, objective, actionable information of value to your target audience.

There is no question that the accounting field is becoming more competitive every year. To successfully grow a profitable accounting practice requires a constant, focused effort to reach and engage prospects. As traditional business development methods grow less and less effective, digital marketing strategies are replacing them as the pathway to success.

Lee Frederiksen, PhD, is managing partner of Hinge, a branding and marketing firm for professional services.

What's wrong with your firm's sales process?

By Hugh Duffy

The sales process can be arduous even when you have a steady flow of leads coming into your office and plenty of existing work sitting on your desk. Between the appointments that stand you up and unproductive consultations, many accountants get discouraged with the process and wonder how to perfect it.

Conceptually, the sales process is an upside-down funnel (a.k.a., inverted pyramid) that has several layers that your prospects must go through. In other words, you start with a wide base of leads and the prospects work their way down the funnel to a tiny spout at the bottom when you close clients and bring them into your practice.

Much to my surprise, most small accounting firms struggle with separating the wheat from the chaff (e.g., qualifying leads), as well as how long it takes close prospects, and then wonder why diamonds are not dropping through the spout of the funnel.

Breaking your sales process into individual steps makes it much easier for non-sales professionals to appreciate how the process (or dance) works. Below is an illustration of 12 steps that you can take to capture more diamonds.

Step 1: Define your target audience into monthly buckets. Rather than target businesses based on proximity to your office location, target businesses by industry sector (e.g., construction, restaurants, lawyers, doctors, etc.).

Step 2: Craft a targeted message. Develop a direct mail letter that speaks to your target audience. You want a letter that is compelling and identifies the problem that keeps the prospect up at night and how your service helps to solve this problem. The most effective message will have emotion and passion wrapped into the letter, not industry jargon.

Step 3: Send a follow-up message. Develop another letter that builds upon your first letter. If need be, break the target audience into sub-targets (e.g., break construction into HVAC, electricians, painters, roofers/siders, etc.). Craft a letter targeting this specific niche (e.g., HVAC/plumbers).

Step 4: Follow-up phone call. Make your warm phone calls to the sub-target from Step 3.

Step 5: Qualify all leads generated. As the leads come into your office, all leads must be pre-qualified by answering a series of questions before you agree to a meeting. Start the selling process on the phone before meeting in person.

Step 6: Add leads to your newsletter list. All existing clients and prospects should be getting your email newsletter. This will add value to your relationship and educate them on the breadth and depth of your services and keep your firm top of mind. Even if they don't come on board after your initial consultation, keep them on the list. They may come on board many months later or refer someone to you.

Step 7: Keep a running list of all leads generated and their status on a spreadsheet. Every lead that comes into your office should be recorded onto one spreadsheet with the source of the lead, date, contact info, service requested, quote and next steps.

Step 8: Send follow-up letters to promising leads from one to three months ago. For those consultations that are pending and getting cold, it's time to warm them up and send them a letter that keeps them lukewarm. Customize it around their situation and why they should get started now.

Step 9: Call the lukewarm prospects again. Make a follow-up phone call to your prospects that are still on the fence (e.g., prospects you met two to six months ago). Try to identify why they haven't taken a step forward and address their fear. Try to make the move risk-free for them and address their inertia. Get them to take a baby step forward.

Step 10: Invite the old prospects to meet you for coffee. Send an email and invite the fence-sitters from six to 12 months ago to coffee. Create a compelling reason to get together and mention that you have something to share with them (e.g., a paperback book like "E-Myth for Contractors," a special report on tax changes, etc.) that is relevant to their business and can help them improve the quality of their life. Soften up the approach and use the meeting as a vehicle to discuss their business in this economy. Operate like a business coach trying to help them oversee their business, not an accountant.

Step 11: Use your monthly email newsletter to stay in touch. Use the greeting in your monthly email newsletter to announce what's going on in your practice (e.g., upcoming client/prospect appreciation event with outside speakers, holiday wine/cheese, etc.) and invite readers to attend. If one of your clients is an effective speaker, provide a forum for them. Develop a unique personality for yourself, which writers would call a "voice."

Step 12: Send invitations to clients and prospects for upcoming events. Create client/prospect appreciation roundtables that are informational in nature. For some events, you can be the presenter and others can be done by outside professionals. Topics to consider are saving for college, new tax laws for small business, succession planning, minimizing estate taxes, QuickBooks tips, business valuations, 1031 real estate exchanges, and saving for retirement in a recession.

My point is that the selling process is ongoing because some prospects take one to three years to close, while others are instantaneous. Yes, the courting process takes ongoing effort to remain top of mind. The challenge is to recognize that the process is not transactional; it's evolutionary and takes a series of steps to capture more than your fair share of new business.

***Hugh Duffy** is the co-founder and chief marketing officer of Build Your Firm, a website development and marketing company for accounting firms.*

MGI ASIA COUNTRY UPDATE

Indonesia Eases Tax Holiday Policy for New FDI Projects in All Sectors

In a bid to attract more investment to support the country's economic growth, Indonesia recently issued a new regulation granting a 100 percent Corporate Income Tax (CIT) cut to new FDI-backed businesses.

The government has further announced that the tax holiday will now be offered to new investors in all business sectors in the country. Previously, it was available to investments in any of the 17 pioneer industries including transportation, telecommunications, robotic components, oil and gas refinery, train engines, medical devices, pharmaceutical raw materials, power plant machinery, and processing of metals and agricultural products among others. Pioneer industries are those that create added value, introduce advanced technology and have strategic value for the national economy. Originally, the provision was available to only eight such industries.

Tax holiday allowance
Under the latest regulation, the newly established companies with a minimum investment of Rp500 billion (US$36.4 million) can avail 100 percent CIT exemption for a period in proportion to the scale of their investment.

Investments starting from Rp500 billion (US$36.4 million) up to under Rp1 trillion (US$72.5 million) can enjoy exemption from CIT for the first five years, while those investing more than Rp30 trillion (US$2.2 billion) can enjoy a maximum CIT exemption for 20 years.

In addition, investors can enjoy a 50 percent tax cut in the transition period of two years, following the expiry of the initial the tax holiday.

Earlier, the rate of tax allowance varied from 10 percent to 100 percent for a maximum of 15 years, and only those companies with a minimum investment of Rp1 trillion (US$72.5 million) could avail such benefit.

Benefits available

Amount of New Investment	Tax Holiday Allowance	Period of Tax Holiday Allowance	Subsequent Tax Holiday Allowance
Rp500 billion up to under Rp1 trillion	100 %	5 years	50% tax holiday allowance for 2 additional years
Rp1 trillion up to under Rp5 trillion	100 %	7 years	
Rp5 trillion up to under Rp15 trillion	100 %	10 years	
Rp15 trillion up to under Rp30 trillion	100 %	15 years	
Rp30 trillion or more	100 %	20 years	

Note: US$ 1 = Rp13,789

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New criteria to avail tax holiday allowance
To qualify for the benefits, a company must satisfy the following criteria:

1. It must make a new capital investment with a minimum investment capital of Rp500 billion (US$36.4 million);
2. It must comply with the Indonesian thin-capitalization rule and have a debt to equity ratio of not more than 4:1;
3. It must not have any pending tax holiday application, or have its tax holiday application request to the MOF be rejected; and
4. It must be an Indonesian legal entity.

Application procedure for the tax holiday
The application for the tax holiday must be submitted to the Indonesia's Investment Coordinating Board (BKPM) either during the capital investment registration or within one year after the issuance of capital investment registration.The recent regulation has removed a special committee stage wherein businesses' impact on the economy were assessed, thereby reducing the application procedure to just five working days, instead of the previous 45 days.

Source: Dezan Shira & Associates

2019 National Budget

The 2019 budget was delivered by the Finance Minister on 2 November 2018.

The Government projects a budget deficit of 3.7% of Gross Domestic Product (GDP) in 2018. For the next three years, the Government will maintain a path of fiscal consolidation to achieve a deficit of 3.4% in 2019; 3.0% in 2020; and 2.8% in 2021. Over the medium term, the deficit is expected to be reduced further to the region of 2%.

Despite global economic challenges, GDP growth for 2018 is expected to be a commendable 4.8%, with a slight improvement to 4.9% in 2019.

As at 15 October 2018, Malaysia's international reserves were approximately RM426 billion, sufficient to finance 7.3 months of imports. Inflation from January to September 2018 was low, at 1.2%.

Highlights

- Special Voluntary Disclosure Program gives taxpayers an opportunity to declare unreported income
- Existing reliefs and incentives under the various tax acts to be reviewed
- Carrying forward of losses and allowances limited to 7 years
- Increasing RPGT and stamp duty rates
- Labuan tax regime updated
- Service tax on imported services, including digital services

Source: EY