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How a CPA Firm Can Help with Bank Financing

by Jeff Hipshman and Curtis Campbell , HMWC CPAs & Business Advisors

Businesses can always benefit from the assistance of a CPA firm in securing bank financing, whether the economy is strong or in a recession. You can greatly increase your chances of successful funding by being prepared to meet the expectations of your banker and knowing how the process works.

Financial Statements
Accounting firms prepare financial statements for businesses, which are typically required by lenders and investors. From a financial perspective, your company's ability to repay a loan is fairly clear-cut. Your balance sheet and income statement, when accurate, provide a testimony over the years as to your ability to manage the business. Cash flow can be evaluated from your financial statements so that the banker can analyze your debt repayment. Collateral is demonstrated on the balance sheet, and along with notes, UCC filings and other documents, will provide the banker with key information. Your company's equity is also an essential element that is critical for evaluation of borrowing capacity. It is important, therefore, to select a CPA firm that understands your business and can prepare financial statements meeting the highest quality standards.

Loan or Line of Credit Amount
One of the easiest ways to let a banker know that you don't really understand the lending process is to ask for an unreasonably high loan amount. This happens all too often, for example, when a business owner will ask for a $500,000 line of credit based on $300,000 in assets and minimal profitability. A CPA can help you to evaluate your needs and ask for the appropriate amount based on a banker's perception of your company's debt capacity.

Cash Flow Projections
Managing cash flow is one of the daily tasks that management learns to handle. However, projecting cash flow is more difficult when accounts payable slow down or revenues increase dramatically. Working with your CPA, you can project the cash flow cycle that your company may experience under a variety of scenarios. You will then have a better idea of your needs for outside financing. This can be critical in preventing a "cash flow crunch" that hinders your ability to meet payroll, keep vendors current and repay loans.

Jeff Hipshman

Type of Financing
Your CPA can help to determine whether your business needs an operating capital line of credit or a loan or lease for a fixed asset. Sometimes this isn't too clear to the business owner, who may only see that there isn't enough internal cash flow to satisfy needs. An accountant can also do various analyses to compare costs of different financing options and your ability to repay each in a timely manner.

Curtis Campbell

Lender Category
The typical business owner has a higher opinion of their ability to repay a loan than does a banker. Bankers have regulatory and internal lending policies that limit their ability to extend credit. For example, banks tend to frown upon a company that has not shown consistent profitability or is highly leveraged in assets to liabilities. They also have other financial ratio criteria that must be met, may stipulate certain collateral, and might even have internal policies regarding lending to specific industries. As such, your business may not

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qualify for traditional bank financing. An accountant who is experienced with such matters can help steer you toward other types of financing. While such financing might be more expensive, it may also be more useful in meeting your cash flow or expansion requirements.

Business Plan

The banking business, from a lending perspective, is all about managing risk. They lend a significant amount of money for a relatively low return, so bankers need to be convinced that your company is a good credit risk. The bank needs to know key facts about your personal character, capacity, capital and collateral. They also need to know why you want the money, how you are going to use it and how you will repay it. Your business plan should help the banker to start putting together the pieces of this picture. An effective business plan portrays your company's objectives, management team, marketing strategy, operational structure and financial history and projections. Accountants who have prepared business plans will know when one is needed and what should be in it. Count on your CPA to help you prepare the information needed to provide appropriate answers to a lender's questions.

Sourcing the Deal

Submitting an acceptable funding request is something that qualified CPAs do regularly, so your success rate should be much higher when you involve a qualified accounting firm. They should also be able to identify the most appropriate funding sources. If you are looking for a CPA firm to help you in obtaining financing, ask the prospective accountants about their banking contacts and success in placing financing. CPAs who are active in doing such deals will know many lenders and understand their requirements. They can even help in negotiating the covenants and conditions of the loan agreement.

Seek Our Assistance

Through including a CPA firm in the relationship between your bank and business, you can increase your chances of success and reduce the frustrations of the application process. The financial expertise of HMWC CPAs & Business Advisors can make the difference in securing financing for your business. As explained above, we work with you throughout every phase of the process to help solve your company's needs and meet your objectives.

Jeff Hipshman and Curtis Campbell, are partners at HMWC CPAs & Business Advisors (www.hmwccpa.com) in Tustin. Contact them at (714) 505-9000 to discuss how your company or client could benefit from the firm's services.

17501 East 17th Street, Suite 100 Tustin, CA 92780-7924
Phone (714) 505-9000 Fax (714) 505-9200
www.hmwccpa.com