

FAMILY OWNED BUSINESS AWARDS

November 1, 2010

“Making a Difference” for Orange County Businesses

By Gerry Herter and Curtis Campbell, partners, HMWC CPAs & Business Advisors

In a difficult business environment, accounting firms can be significant contributors to their clients' success. **HMWC CPAs & Business Advisors** is particularly proud of how we make a difference for our clients by adding value in this tough economy. Instead of merely preparing financial statements or filing tax returns, we are known for sound business consulting and proactive advice for our clients. Following are a few examples.

Acquisition Strategy

Right now, many manufacturers and distributors have excess capacity. They are committed to space and equipment, so they haven't been able to downsize quickly as the economy has worsened over the last few years. Many are struggling to survive.

Acting as business consultants and tax advisors, we have helped these clients to overcome this situation. One strategy that we have used in this down market to improve cash flow has been to acquire a smaller or similar competitor. Through this horizontal integration, we help to determine how a client can gain critical mass to generate higher sales, increase market share, eliminate duplicate costs, improve buying power from suppliers, increase margins and improve profitability. This all appears to be an amazing feat in these tough times, yet our clients have been thrilled with the opportunities.

Acquisition costs have been favorable, although bank financing is usually difficult. So, **HMWC** works with both parties to develop creative financing strategies that allow the deals to consummate. Furthermore, our tax experts have been able to configure these deals so that they are cash flow positive and structured in a tax-favorable manner. Literally within 3-6 months, they can have new customers and higher profits.

Management Decision-Making Tools

In the current economic climate, it is particularly important for management to have quality information

that is readily available so that they can make decisions. **HMWC** has a particular expertise in helping clients to optimize their accounting and computers systems. For example, one of our clients kept separate books for each division of the company, yet with their current methods the books never balanced. Furthermore, it took far too long for them to compile the information, which made the reports even more useless for management. **HMWC** was asked to assist and we analyzed the situation and management's needs, then set up the accounting system in efficient new software. Instead of months after the fact, management now has current data to better manage the business, allowing proactive decisions that will improve cash flow and profitability.



Gerry Herter



Curtis Campbell

Another client, a real estate brokerage, has over 100 agents that are each treated as a profit center to measure profitability per agent. Tracking sales and expenses per agent, along with allocating overhead expenses, was a major endeavor and was done by hand. While there are many software products, selecting the right one that can effectively handle each client's particular needs is an area in which a CPA can add tremendous value. **HMWC** chose a more robust package that can handle the volume of so many profit centers. The client now has an automated accounting

(continued)

“Making a Difference” for Orange County Businesses *(continued)*

system that allows for monthly allocation entries and readily prepares a P&L statement for each agent. This is invaluable in helping management to better evaluate and reward each agent.

Tax Credits

Our clients appreciate how we think “out of the box” to develop creative methods for improving their profitability. For example, by following legislative developments, we find windows of opportunity for tax planning and enhanced cash flow.

We have advised several manufacturing clients recently on using research and development tax credits, which yield a dollar for dollar reduction on tax returns. Depending on the size of the client and the nature of their business, it is not uncommon to generate \$100,000 or more. It is easy for CPAs to overlook such opportunities and literally cost the client money by not taking advantage of the tax law -- however, our firm has proven time and again that we can provide creative, and profitable, tax advice for our clients.

Fraud Detection and Prevention

Unfortunately, embezzlement is an ongoing problem, whether in good times or bad. The typical situation is when an employee, who has responsibility for financial transactions, finds a way to pilfer money from the company. Suspicious activities may include fictitious sales, unrecorded accounts payable, bogus expense reports, etc. If such fraud is suspected, **HMWC** looks at supporting documents behind transactions and uses other financial and accounting techniques to verify whether the criminal act occurred.

For those clients who have not yet experienced fraud, we can help to prevent it. Our audit and review engagements allow us to gain insights into the client's

systems and controls. We can then help them to set up systems to minimize fraud opportunities, an additional value-added component of our audit process.

Need a CPA to Make a Difference for You?

These are just a few of the examples of how **HMWC** makes a difference with our clients by improving productivity and profitability. We have a wide breadth of services in which we could give other examples, including business assurance, tax consulting, business consulting, corporate finance, business valuation, employee benefits and human resources, estate and financial planning, and information technology.



CPAs & Business Advisors

Since 1968, **HMWC CPAs & Business Advisors** has specialized in serving the financial and tax needs of privately-held businesses and their owners throughout Southern California. The depth and breadth of our experience make us a valuable contributor to our clients' management team. At **HMWC CPAs & Business Advisors**, we are more than accountants, we are trusted business advisors. Our firm has a

highly talented partner and manager group whose involvement on each account helps ensure that our client receives the necessary attention and personal service needed to effectively manage their business. Our mission is to provide our clients, regardless of size, with a level of service and quality that is unparalleled in the industry.

Gerry Herter and Curtis Campbell are partners at HMWC CPAs & Business Advisors (www.hmwccpa.com), one of Orange County's largest local accounting firms. Contact us at (714) 505-9000 to discuss how your company or client could benefit from our firm's services.

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