

## Defining the Finance Role 11.28.11

**Results of an accounting study: Errors committed by employees with post-graduate degrees have losses five times greater than those with high school degrees; fraud was estimated at 6% of a typical company's total revenue.**

Finance has been handled for a long time by a partner. The job evolved as we grew. Now we're changing things around. We have to define what is the finance role and who does it.

**Top Thoughts:** Figuring out who is responsible for what in finance is crucial. Not everything has to be handled by a partner or executive of the firm. Make sure that controls are in place to audit and monitor what's going on.

Most small businesses start out with informal, unwritten or incomplete job descriptions. Often the job gets to be too big for one person. Or the person doing the job wants to move on. Make this an opportunity to better define what has to happen, and who is responsible.

Tax accounting is usually handled by an outside accountant. Preparing records for the accountant is usually handled by a bookkeeper. Routine data entry of both accounts payable (vendors bills) and accounts receivable (invoices to customers) can be handled by a bookkeeper or a clerk reporting to the bookkeeper.

Routine accounting tasks include answering questions about what's on a bill and what's outstanding. Verifying bills are correct takes time and initiative. Decide if customer questions about invoices will be handled by someone in accounting, or referred to customer service.

Different departments may want to be involved in negotiating prices for the materials and services they use. Some people are better at negotiating than others. Centralizing negotiations may result in better pricing, as one person or department has a more global view and hones their negotiating skills.

If the company has inventory, make sure that 2 or more people keep track. One person from accounting, one from operations match records to be sure that all inventory is accounted for regularly. A formal system for checking inventory in and out can reduce questions.

Someone needs to have responsibility for regularly preparing and analyzing reports: Profit and Loss, Balance Sheet, Cash Flow Statement, for starters. This person should

be good at excel, comfortable with ratios, able to compare performance from one period to the next.

Data entry is a detailed job. It includes issues of privacy, discretion, and ability to reason through to a logical conclusion. Be sure to assign payroll to someone who can keep pay rates and personnel issues confidential.

The analysis person should like figuring out puzzles, such as how much was spent last year, and how does that compare to spending this year. This person can also be asked to put together a budget and forecast. Communication skills come into play, as budgeting includes working with all departments to gather their input and negotiate end results.

The company's banking relationships are best handled at the owner level. Having a good relationship with the company's bankers is crucial. Build that relationship with regular updates on where the company is, how things are going, what needs are likely to come up short and long term. Make it someone's job to be sure the owner is well informed and prepared for every banking meeting.

Some tasks require a higher level of security and trust. Opening up client payments, entering them into the accounting system, entering credit card details, cutting checks for payments to vendors, and making deposits and withdrawals at the bank, are all high security items. Whenever there's need for security, consider having an audit system in place.

The # 1 rule in accounting is, "respect what you inspect. Double checking includes a bookkeeper overseeing a clerk's work. An auditor can come in monthly or quarterly, to verify all transactions.

Separate functions. For example, anyone with their hands on the keyboard, and access to the accounting system, is not allowed to participate in an audit. All bank statements and credit card statements are opened by the owner and scanned for oddball items before being going to data entry.

Make sure that everyone knows there is an audit system. Use feedback from audits to improve performance. Have the team meet regularly to discuss what else has to happen in finance.

Looking for a good book? Schaum's Outline of Managerial Accounting, 2nd Edition.



Trusted Advisor to Business Owners

## Defining the Finance Role

11.28.11

*Andi Gray is president of Strategy Leaders Inc., [www.StrategyLeaders.com](http://www.StrategyLeaders.com), a business consulting firm that specializes in helping entrepreneurial firms grow. She can be reached by phone at 877-238-3535. Do you have a question for Andi? Please send it to her, via e-mail at [AskAndi@StrategyLeaders.com](mailto:AskAndi@StrategyLeaders.com) or by mail to Andi Gray, Strategy Leaders Inc., 5 Crossways, Chappaqua, NY 10514. Visit [www.AskAndi.com](http://www.AskAndi.com) for an entire library of Ask Andi articles*

*Business owners regularly turn to Ask Andi and Strategy Leaders for advice on how to grow profitable, successful companies. They find what they need time after time. Specific advice is available at [www.AskAndi.com](http://www.AskAndi.com). Ask Andi is also published weekly in the Westchester and Fairfield County Business Journals and Hudson Valley Business. Written by Strategy Leaders President, Andi Gray, the Ask Andi column is a rich source of advice for owners of established, privately held businesses.*

*If you are a business owner and you have a question or would like to discuss some aspect of your business, call **1.877.238.3535** or send an email to [AskAndi@StrategyLeaders.com](mailto:AskAndi@StrategyLeaders.com).*