

Checkpoint Contents

Accounting, Audit & Corporate Finance Library

Editorial Materials

Accounting Services

Write-Up Services

Chapter 1 Write-up Services—An Introduction

100 Introduction

100 Introduction

100.1 Whether performed by company employees or an accounting firm, all businesses require some degree of write-up services. Such services provide the basic accounting information needed to, for example, prepare income and payroll tax returns, manage operations, and obtain credit. When received timely, the services can contribute significantly to the management of a business.

100.2 In this *Guide*, the authors offer the technical advice and practical guidance that both accounting firms and accountants in industry need to provide write-up services. The *Guide* includes everything from the basic guidance needed to provide bookkeeping and payroll services to an overview of federal tax reporting requirements and how they should be considered when providing write-up services.

© 2015 Thomson Reuters/PPC. All rights reserved.

END OF DOCUMENT -

© 2016 Thomson Reuters/Tax & Accounting. All Rights Reserved.

Checkpoint Contents

Accounting, Audit & Corporate Finance Library

Editorial Materials

Accounting Services

Write-Up Services

Chapter 1 Write-up Services—An Introduction

101 What Are Write-up Services?

101 What Are Write-up Services?

101.1 *Write-up services* is a broad term used to describe a wide range of services. Generally, write-up services include:

- Recording cash receipts and disbursements, accruals, and adjustments to produce a general ledger or trial balance.
- Preparing financial statements from general ledger or trial balance information.
- Maintaining accounts receivable or accounts payable ledgers.
- Calculating depreciation and maintaining fixed asset registers.
- Processing payrolls.
- Calculating payroll tax deposits.
- Preparing payroll tax returns.
- Summarizing data required for tax returns.

101.2 Whether the services are performed by an accounting firm or company employees depends on each company's needs. For example, a company may have employees that can maintain accounts receivable and payable ledgers, process payrolls, and make payroll tax deposits. However, the employees may not possess the skills needed to prepare the general ledger, financial statements, or payroll tax returns.

101.3 Similarly, how often the services are provided can vary with each company. Businesses with little activity during the year may only need write-up services annually to assist with tax return preparation. Others may need monthly financial statements to furnish to creditors and to monitor financial results.

101.4 Over the last few years, many accounting firms' nonattest services practices, including write-up services, have significantly grown in both fees and volume by providing firm employees who function as staff accountants, bookkeepers, controllers, and CFOs by performing various accounting services for the firm's clients. This growth is being driven by the following:

- Highly regulated industries need employees who know the regulations.

- Small businesses need employees who can perform multiple roles. Employees who excel at all of the tasks that are required of them are rare.

- Many small business owners do not have tremendous financial acumen.

- Clients have needed these services.

- The internet has allowed these services to be more easily provided remotely.

101.5 Much of the growth is from internal referrals. The firm often gives up the attest service engagement and performs the nonattest services, rather than trying to maintain their independence. The nonattest services are usually long term services that provide more value to the clients than the attest service would. The bulk of this work is generally done at the client location, but it may be provided through online services such as cloud computing. In many instances, the accountants become part of the management team. Many of these services are provided to nonprofit organizations, but may also be provided to credit unions, community banks, agricultural businesses, manufacturing/distribution companies, construction contractors, health care services, IT consultants,

law firms, and dealerships.

101.6 In some instances, the accounting firm will do both the nonattest service and the attest service for a client. However, special precautions should be taken to ensure that independence is maintained. (See the discussion of independence at section 206.) Nonattest services tend to be more cost effective, generate higher gross revenue, and provide more value to the clients than attest services. Although the gross margin is lower, the net is usually higher. The contracts that the accounting firms have with their clients for these nonattest services are usually month-to-month contracts; however, the relationships are usually long term. Clients who terminate the relationship are usually those who outgrow the need for such services and bring the work in house.

101.7 Examples of such services are as follows:

a. Preparing financial statements. (See the discussion in section 401.)

b. Performing merger and acquisition evaluations.

c. Preparing a working trial balance.

d. Processing payroll.

e. Assisting in adjusting the books of account.

f. Doing budgeting and forecasting.

g. Consulting on accounting, tax, and similar matters.

h. Serving as *de facto* board members.

i. Preparing tax returns.

j. Developing and maintaining banking relationships.

k. Providing various manual or automated bookkeeping or data processing services.

l. Helping with 401(k) plans.

m. Processing financial data for clients of other accounting firms.

n. Monitoring key business metrics.

© 2015 Thomson Reuters/PPC. All rights reserved.

END OF DOCUMENT -

© 2016 Thomson Reuters/Tax & Accounting. All Rights Reserved.

Checkpoint Contents

Accounting, Audit & Corporate Finance Library

Editorial Materials

Accounting Services

Write-Up Services

Chapter 1 Write-up Services—An Introduction

102 Organization of PPC's Guide to Write-up Services

102 Organization of *PPC's Guide to Write-up Services*

102.1 This *Guide* is organized to furnish accountants with a logical approach to providing write-up services. Each chapter is structured to stand alone and provide the essential guidance on the subject matter addressed. The chapters may either be read in their entirety for an overview of the issues or used as a reference source to research a particular question. (Each chapter contains a detailed table of contents to facilitate the location of specific topics.) The following is a summary of topics discussed in each chapter of this *Guide*:

- *Chapter 2—Bookkeeping Services* discusses the authors' approach to designing a bookkeeping system, identifying and gathering information about transactions, and converting gathered information into a general ledger. The chapter also discusses basic accounting terminology and issues. Although CPAs will benefit from the chapter, it is written primarily for accountants and paraprofessionals who are unfamiliar with bookkeeping procedures.
- *Chapter 3—Payroll and Payroll Tax Services* explains the payroll related services that accountants provide. The chapter's step-by-step approach covers designing a payroll system, obtaining payroll information, processing payroll information, depositing payroll taxes, and preparing payroll tax returns.
- *Chapter 4—Preparing Financial Statements* discusses designing, formatting, and preparing financial statements from general ledger information. This chapter also includes a brief discussion of the SSARS No. 21 financial statement preparation service.
- *Chapter 5—Considering the Form of Entity* provides a brief description of the more common forms of legal entity (i.e., corporations, partnerships, sole proprietorships, and limited liability

companies) and explains the advantages and disadvantages of each.

- *Chapter 6—Proprietorships* provides an overview of the tax and nontax issues that apply to businesses operating in the simplest form of entity—the proprietorship.
- *Chapter 7—Partnerships* discusses the tax and accounting issues that face businesses operating as partnerships.
- *Chapter 8—C Corporations* provides an overview of the corporate form of entity. It focuses on C corporations and the tax and accounting issues that accountants should consider when providing write-up services for them.
- *Chapter 9—S Corporations* explains the tax and nontax issues that accountants should consider when they provide write-up services for corporations that elect to be taxed under Subchapter S of the Internal Revenue Code.
- *Chapter 10—Personal Service Corporations* explains the unique tax and accounting issues that apply to C and S corporations that are classified as personal service corporations under the Internal Revenue Code.
- *Chapter 11—Limited Liability Companies* provides an overview of the tax and nontax issues that apply to businesses operating in this form of entity.
- *Chapter 12—Managing a Write-up Practice* discusses the administrative procedures that accountants in public practice should consider when providing write-up services. The chapter covers specific engagement considerations as well as general considerations for managing a CPA firm's write-up practice.
- *Chapter 13—Write-up Software* provides accountants with practical guidance in selecting and evaluating various write-up, fixed asset, payroll, and practice management software and online accounting services. The chapter includes a summary of some of the more popular write-up, fixed asset, payroll, and practice management programs currently available.

102.2 This *Guide* integrates the practical advice and technical requirements discussed in each chapter into a complete set of practice aids that accountants may copy and use immediately. The practice aids interface with the PPC quality control system and, thus, help accountants in public practice meet the AICPA's quality control standards. The guidance and practice aids are excellent tools for training the accountants and paraprofessionals who will perform write-up services.

102.3 The checklist and practice aids in this *Guide* are available in Microsoft® Office-based format in *PPC's Practice Aids*, which allows users to access, complete, and modify all the checklists and practice aids included in this *Guide* using Microsoft Excel and Word. For more information on *PPC's Practice Aids*, visit tax.thomsonreuters.com or call (800) 431-9025.

Who Should Use This *Guide*?

102.4 This *Guide* is designed to be used by accounting firms that provide write-up services and by accountants in industry that provide accounting services for their employers.

102.5 **Accounting Firms** Write-up services offer many opportunities and challenges to accountants in public practice. Opportunities exist because write-up services can be marketed to a wide range of businesses and often lead to more profitable tax, audit, or consulting engagements. Challenges exist because it can be difficult for a write-up practice to provide quality services at competitive prices and be profitable.

102.6 This *Guide* may be used by all members of the accounting firm to take advantage of and meet those opportunities and challenges. Accountants or paraprofessionals that will be performing write-up procedures will find the following sections helpful:

- Chapter 2 (providing bookkeeping services).

- Chapter 3 (providing payroll and payroll tax services).

- Chapter 4 (preparing financial statements).

- Chapters 5-11 (tax and nontax issues affecting various forms of legal entities).

- Chapter 12, section 1204 (obtaining engagement letters and other issues that affect each write-up engagement).

Partners or other accountants responsible for reviewing write-up work and for managing a write-up practice may also refer to those sections. However, they will find the guidance in Chapter 12 on building and managing a successful write-up practice and the guidance in Chapter 13 on selecting write-up, fixed asset, payroll, and practice management software particularly useful.

102.7 Industry Accountants Companies cannot successfully manage their businesses unless they have timely, accurate financial information, particularly about inventory that is on hand and on order, receivables from customers, and payables to suppliers. As a result, many companies employ in-house accountants to provide that information. Although certain chapters of this *Guide* have been written with the needs of the practitioner in mind (such as Chapter 12 on managing a write-up practice), internal accountants also will find the information provided in this *Guide* helpful.

© 2015 Thomson Reuters/PPC. All rights reserved.

END OF DOCUMENT -

© 2016 Thomson Reuters/Tax & Accounting. All Rights Reserved.