



Business Prospectus: Accounting and Bookkeeping

Created by Battle River Economic Opportunity Committee
(BREOC)

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Business Prospectuses

Accounting and Bookkeeping Services

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Overview

Battle River Economic Opportunities Committee (BREOC) is a partnership of seven municipalities that have taken ownership of driving and leading economic prosperity in their region. This region spans two counties in East Central Alberta, the County of Paintearth and Flagstaff County, which house the municipalities involved in BREOC: Castor, Coronation, Halkirk, Forestburg, and Heisler.

BREOC has developed a comprehensive strategy to diversify, strengthen, and create long-term success within their regional economic portfolio. An aspect of this plan focuses on support for private sector development and inbound investment. This included creating business prospectuses for different opportunities within the region for potential investors to use and grow into fully realized ventures. BREOC has identified eight (8) business ideas that they feel represent high potential opportunities in the region and created prospectuses that explore the details of creating and operating the venture.

The following prospectus is focused on creating an accounting/bookkeeping firm within the BREOC region. This was identified as a potential venture for two main reasons.

The Concept

Accounting and bookkeeping firms are all operated quite similarly. The true difference between firms is their service specialization, and their size. Some firms will hire teams of accountants, while some firms operate with one (1) or two (2) owners/partners.

While customers contact or visit an accountant to access a multitude of services, some firms will specialize in services such as

The first is that there is a shortage of accountants and bookkeepers in the region, creating a demand within businesses and individuals who need assistance in calculating and paying their taxes. The second is that the population of BREOC is a suitable consumer base for creating an accounting and bookkeeping firm. There are many individuals who own farmland, have small side hustle businesses, sell products at a farmer's market, and have multiple part-time jobs. Some individuals have all of the above. Tracking income, assets, and taxes can be complicated, especially when there are multiple sources of income, as well as different lands and businesses to claim. Accountants can assist with all of these difficulties and more, thereby providing considerable value in a community to business owners, families, students, and employees alike. Thus, they become pillars for the continuation of community economic development.

The purpose of the following prospectus is to discuss the intricacies of creating an accounting and bookkeeping firm.

business support, personal tax services, audits, or corporate tax services.

The concept that is being proposed in this prospectus is a small firm of one (1) or two (2) accountants who provide a range of services from individual, business, and corporate tax preparation, to consulting services, to preparing financial statements, to developing budgets, among a slew of other services. This





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business model can be scaled up depending on demand and available human resources.

About the Industry

The accounting services industry in Canada audits the accounting records of public and private organizations and complies with Generally Accepted Accounting Practices (GAAP).

Accounting service firms provide a variety of accounting services, including:

- Auditing accounting records
- Designing accounting systems
- Preparing financial statements
- Developing budgets and providing advice on matters related to accounting

Accounting has been a key service for centuries and continues to be essential in the operation of business and personal finances.

Listed below are the three (3) key industry drivers that directly influence the performance of the industry as stated by IBISWorld (2020).

Number of Canadian Businesses – A rise in the number of Canadian businesses promotes demand for accounting services as new firms need financial statement analyses, budgeting, and auditing services. The number of businesses is expected to increase following the lifting of COVID-19 regulations in 2021 and beyond.

Corporate Profit - An increase in corporate profit enables businesses to spend more freely on traditional accounting services, such as audits and value-added accounting services, including financial strategy development and consulting. Accounting services are also essential for business growth, driven by increased revenues. Therefore, a rise in corporate profit positively affects revenue for accounting services.

Demand from the Finance and Insurance Industry - A healthy Canadian finance and insurance market, along with a continuation of high global demand for Canada's commodities will drive revenue for accounting firms as the industry's major players experience an anticipated increase in assurance service revenue. Additionally, an expected increase in the total number of Canadian businesses will expand the pool of industry clientele, as new businesses require budgeting and financial statement analysis.

Market

The market for creating an accounting and bookkeeping firm in the BREOC area was analyzed by assessing industry trends, typical customer segments, and the regional trade market.





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Industry Trends

Historically, accounting and bookkeeping services have been a stable and reliable industry. In the corporate world, accounting firms thrive off of the industries that are succeeding. For a long time in Alberta, these were the oil and finance sectors who had the funds to pay for deep audits, budget creation, and tax services. Companies who do not have in house accounting, outsource these activities to accounting firms. Even during times of economic recession accounting firms hold up relatively well to the rest of the professional services industry.

Accounting and bookkeeping are often considered 'recession resistant' due to their ability to assist all members of the economy and associate themselves with industries that are thriving in the marketplace.

While its success is heavily affected by corporate profit, accounting covers a wide range of services, and can assist all sizes of businesses, organizations, and households. During the COVID-19 pandemic, all businesses took a hit in their revenue, including accounting firms to a lesser extent. However, an expected economic surge is on the horizon because of the COVID-19 pandemic and its catalyzation of pent-up consumer demand. Accounting is expected to follow suit and see a growth in revenue over the next five years. Figure 1 below illustrates the expected annual rate of growth. From the provided information, it is evident that the accounting industry is in an upwards swing.

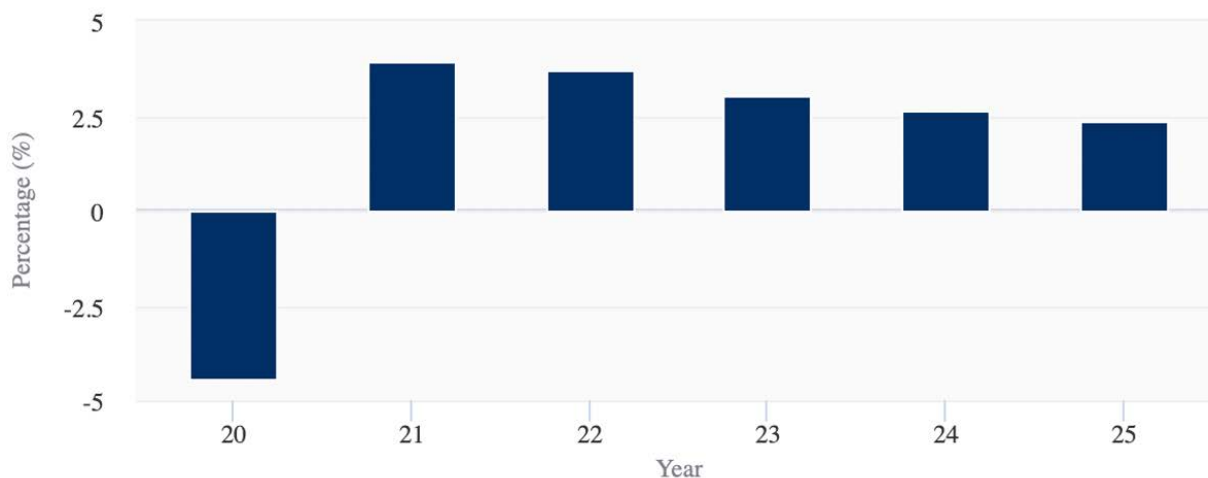


Figure 1. The expected annual growth of the accounting industry in Canada, following a dip in 2020.

Customers

As mentioned previously, accounting firms offer a wide array of products and services to their clientele. Figure 2 below displays the breakdown of these services across the

industry in Canada, giving insight into which customers are typically seeking these services.





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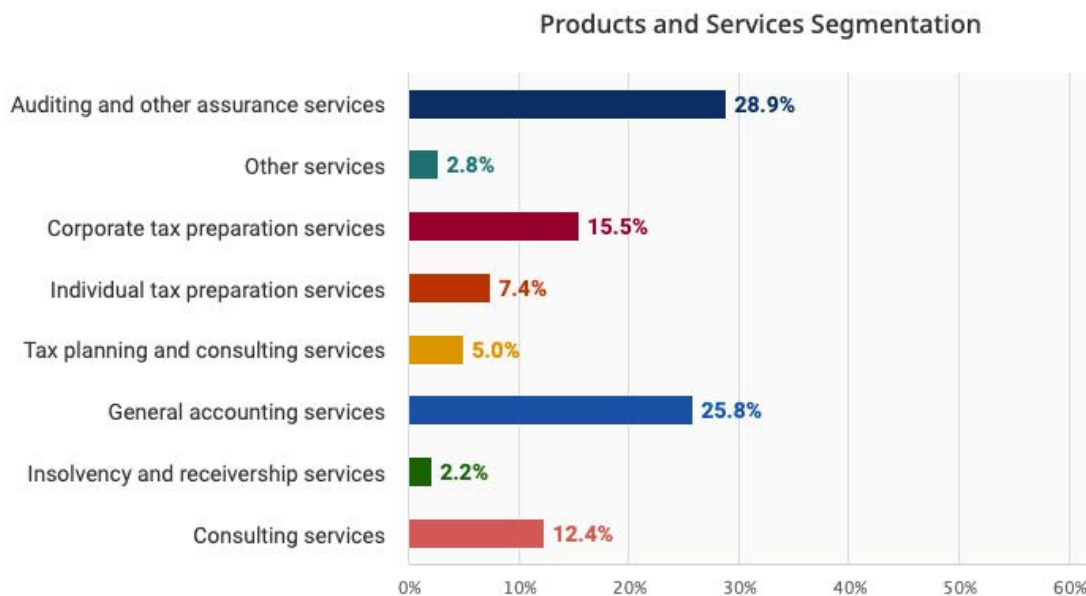


Figure 2. The product and services segmentation of the accounting industry in Canada

Customers using accounting industry services typically seek auditing support to ensure their financial records, documentation, and taxes, are up to date and correct for governmental audit purposes. These customers are typically businesses, of which there are 128 in Flagstaff County, and 78 in the County of Paintearth as of 2020. This does not consider the unregistered, or 'side-hustle' businesses in the region.

Additionally, tax preparation makes up 27.9% of overall accounting services, which both businesses and individuals require within the region. Assuming that individuals between the ages of nineteen (19) and sixty-five (65) could benefit from tax preparation services, the BREOC region offers a clientele of over 3,577 individuals. There is a viable market for an accounting firm to set up shop in this region.





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BREOC Regional Market and Trade Area

Research suggests that individuals will drive or access professional services such as legal firms, and accounting firms, in areas over an hour away from their homes. Figure 3 shows this one hour driving radius within BREOC, using Alliance as the point of origin as it is the geographical centre of the BREOC region.

This trade area includes a large list of communities, including Bawlf, Daysland, Strome, Killam, Sedgewick, Lougheed, Hardisty, Amisk, Hughenden, Galahad, Forestburg, Heisler, Bashaw, Stettler, Gadsby, Halkirk, Castor, Fleet, Hanna, Coronation, and Veteran.



Figure 3 - BREOC Trade Area (1 hour driving radius)





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Operations

Operations of an accounting firm can be divided into three (3) subcategories;

1. Rules and regulations
2. Operational considerations
3. Human resources

Rules and Regulations

The Canadian accounting profession is regulated by the provincial accounting bodies of Chartered Professional Accountants (CPAs) and the Canadian Public Accountability Board (CPAB), which is responsible for regulating auditors of publicly listed entities.¹ In accordance with each provincial Chartered Professional Accountants Act, the provincial bodies have the authority to do the following:

Maintain a registry of CPAs in each of their respective jurisdictions.

While operational requirements will need to respect the specific business model that the entrepreneur(s) wishes to pursue, the following have been provided for key operational considerations.

Set initial professional development and continuing professional development requirements.

Set ethical requirements.

Carry out investigative and disciplinary processes.

Conduct inspections for quality control of assurance.

The provincial bodies collaborate through CPA Canada to set ethical requirements, a harmonized quality assurance program, and investigate any disciplinary processes that are recommended for adoption in each province.

Operational Considerations

The physical considerations of facility size and necessary equipment are below. The size of the facility and necessary equipment are up to the entrepreneur, and they will vary heavily on the business model chosen.

Facility Size

An accounting firm does not need to be a large space. It would be wise to include an administration area, two to three professional offices, a board room, bathrooms, and general storage space. This can easily be accomplished within 1250 to 1750 square feet. Ensure the office is

professional, well-lit, and welcoming to create a positive client experience. Alternatively, an entrepreneur may choose to make a home office, or work remotely with limited face-to-face client interaction. However, it should be noted that this would affect your clientele demographic, as the

¹ The Rules and Regulations were determined using secondary research and are subject to change. The entrepreneur is responsible for the

adherence and knowledge of all pertinent rules and regulations.





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older generations (65+) are not inclined to use video technology or handle a financial meeting over the phone.

Necessary Equipment

Necessary equipment includes office items such as desks, chairs, other necessary office items, and décor. The crucial equipment is the computers and accounting software, and client management software chosen to

operate the business. There are thousands of options to consider for this software, some of the most popular and highly rated are BQE Core Suite, FreshBooks, Dext Prepare, and Canopy.

Human Resources

The following are the required roles that need to be filled within an accounting firm to ensure smooth operation and high

operational capacity. Typically, the workforce can be quite small to limit salary costs.

Accountants

Accountants are the professionals who conduct the required work. They offer services such as tax planning and preparation, auditing, and consulting. They are the operational and strategic force behind the firm as in many cases they are the primary owner or partner. Often, it is wise to have a junior accountant on staff to learn the business, handle time consuming tasks, and groom for a business purchase/takeover. Depending on the model of the business, one (1) to three (3) accountants will be needed.

Administration

The administration staff will take care of everything from booking appointments to client follow up, to creating invoices. They are crucial to the overall customer experience and the efficient operation of the firm.

Other Professional Services

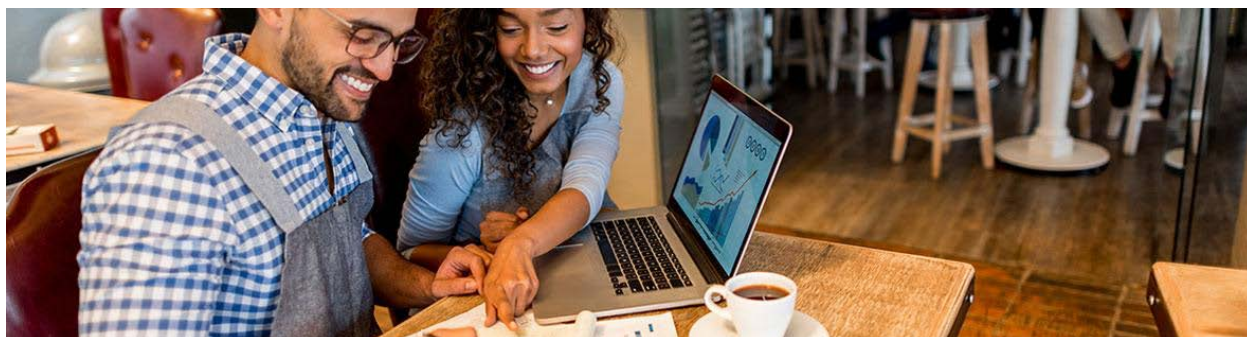
Professional services sometimes operate within an ecosystem of other professional services such as legal services, consulting firms, and even healthcare clinics. This can provide a host of benefits including increased referrals, a greater professional network, and an overall enhanced public perception of your services.





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Marketing

As an accounting firm, promotional marketing is generally not a large priority. Business is found through referrals, professional connections, and previous clientele by providing exceptional service. That being

said, the following are considerations that should be considered when developing the firm's marketing, including products offered, pricing, promotions, and channels of distribution.

Product/Services

As first stated in Figure 2, the most common products and services provided by accountants and bookkeepers are repeated below. Given the demographics in the BREOC region, business accounting and tax preparation, as well as personal tax preparation are needed services.

1. Auditing and other assurance services
2. Corporate tax preparation services
3. Individual tax preparation services
4. Tax planning and consulting services
5. Insolvency and receivership services
6. Consulting services
7. General accounting services

Pricing

Pricing should be very strategic. Pricing services effectively can mean the difference between scraping by and robust growth. That is why there is no simple list-based answer to this section. Instead, below are some pricing strategies that an entrepreneur may choose to enact upon opening an accounting firm.

Cost-Plus Pricing – This strategy involves adding a desired profit margin to the base hourly rate put into serving the client. (e.g., \$80/hour + 12%)

Flat-Fee Pricing – The price remains constant from the beginning of the client service to the end. The client has clear expectations set of what they are paying, and the price does not change based on the expense incurred.

Competition-Based Pricing – Setting pricing based on competitors can be a strong option. Depending on how the entrepreneur wants to position their business, they can undercut prices and be a discount firm, or boost their





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prices and be firm with a higher perceived quality.

Time-Based Pricing – This is generally the default pricing approach, billing per hour of time spent on the client.

Promotions

The following are promotional strategies that could be effective for an accounting firm within the BREOC region.

Website – All businesses today require a website to have an online presence. It is key for customers to have an awareness of hours, services available, and the general brand.

Social Media – In the marketplace today, it is crucial for businesses to have a strong social media presence. Twitter and LinkedIn can be strong platforms to demonstrate expertise to potential clients.

Centres of Influence – Important pillars within a community such as hotels, real estate agents, financial advisors, and other business owners, are key to referring clients. Getting these individuals promotional materials, or even maintaining a strong relationship can be a promotional tactic.

Sponsor Local Events – Host, sponsor, or create local fundraisers, and community building events. This will get the company's name into the community and position it as a community leader.

Channels of Distribution

The products and services are accessed by customers through the following channels:

Online/Phone/Remote Services – As discussed previously, one way for the customers to access accounting firm is through online, remote, and phone call services.

Visiting the Accounting Firm – The main form of distribution would be for customers to visit the firm.





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Financials

The following are tables outlining basic financial information for an accounting firm in the BREOC region.

Start-Up Costs

Generally, most accounting firms range from \$40,000 - \$100,000 in start-up costs. The cost of starting an accounting firm, however, will depend on the business model of the entrepreneur(s) and the size they envision

the accounting firms to be. The largest difference in the start-up costs will be the entrepreneur's decision to purchase, build, or rent the facility.





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Table 1: Start-up costs for an accounting firm

Item	Cost
Building Rent (Average Cost per Square Foot)	\$8.00-\$12.00
Building Purchase	\$100,000 - \$350,000
Building Build	\$350,000 - \$700,000
Accounting and Office Equipment	\$40,000
Insurance	Dependent on capacity and business model
Liability	Dependent on capacity and business model
Errors and Omissions	Dependent on capacity and business model
Building and Equipment	Dependent on capacity and business model
Licencing/Regulations	Dependent on capacity and business model
Marketing Budget	\$5,000
Total	\$47,000

Operating Costs

Within an accounting firm, the costliest operating expense are the salaries for the accountants and the administrators. Other than that, there are not many operating costs to speak of other than the costs associated with the building. It can be expected that an

accounting firm would cost approximately \$20,000 per month to operate. This represents a monthly breakeven cost needed to 'keep the lights on.' This does not consider the draw needed to recuperate the initial investment in opening the business.

Table 2: Monthly operating costs for an accounting firm

Item	Cost
Rent/Lease/Mortgage	\$2,000
Salaries/Benefits	\$18602
Accountants (x2)	\$10971.66
Administration (x2)	\$7361.83
Software Licencing Fees and Subscriptions	\$300
Office Equipment	\$300
Insurance	Dependent on capacity and business model
Ongoing Licencing and Fees	Dependent on capacity and business model
Cost of Goods – Raw Materials, Packaging	Dependent on capacity and business model
Total	\$20,000

Income Statements

Below is an income statement showing the average cost of goods, and net profit within the accounting industry in Canada. The numbers represent percentages of revenue with the goal of determining net profit. Due to their low operating costs, limited start-up expenses, and high cost of service, accounting firms are generally quite profitable.





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Table 3: Income statements based off the industry average of physical therapy offices, presented in percentages of revenue

Revenue	100%
Cost of Goods Sold	5.9%
Wages and benefits	3.0%
Purchases, materials, and sub-contracts	2.9%
Opening inventory	0.1%
Closing inventory	0.1%
Operating expenses	58.6%
Labour and commissions	32.4%
Amortization and depletion	1.6%
Repairs and Maintenance	0.6%
Utilities and telephone communication	1.6%
Rent	4.1%
Interest and bank charges	0.9%
Professional and Business Fees	4.2%
Advertising and Promotion	1.6%
Delivery, shipping and warehouse expenses	0.1%
Insurance	1.0%
Other Expenses	10.3%
Total Expenses	64.5%
Net Profit/Loss	35.5%

Critical Success Factors

The following section presents different factors that are critical to the success and survival once the business is operational.

Exceptional Customer Service – Creating an exceptional customer service experience will create a place of business that generates referrals. When a client understands what can be done by an accountant to save them money and make their financial situation

easier, they will be quick to refer their friends and family.

Creating a Professional Network – In creating and fostering a network of other professionals, businesses, and organizations, an accounting firm can create more referral possibilities. Remembering that all professional networks are potential clients will be important for the growth of the business.





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Conclusion

Accounting and bookkeeping services create value for many different demographics within a community. The benefits they provide to businesses, and individuals alike, within tax preparation, audits, and budgeting, make them key professional members of the local

economy. Many citizens in BREOC currently go to more urban centres such as Stettler, Camrose, and Red Deer, for their accounting services. The time is right to create a local firm in the BREOC region.





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Contact Us

The Battle River Economic Opportunity Committee is here to help. If you are interested in further exploring this or any business opportunity within the region, contact us today. There are tailored one-on-

one business supports for business start-ups, buying/selling a business, growth and expansions of businesses. The first step is to contact your local Economic Development Officer using the information below.

Economic Development Department – Flagstaff County

(780) 384-4100

ecdev@flagstaff.ab.ca

Carol Thomson

Economic Development Officer – County of Paintearth

(403) 882-3211

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