



DYNAMIC ADVISORY SOLUTIONS

Financial and Strategic Integrators

Ten Reasons Why Your CPA Should Not Be Your CFO

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January 19, 2012*

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Why Your CPA Should Not Be Your CFO

1. CPA Stands for Certified Public Accountant.

Public accountants must earn their certifications by receiving the proper accounting education from a college or university, passing the Uniform CPA Examination (which is different in every state), and obtain work/ industry experience. CPAs primarily perform tasks such as tax preparation, auditing, and verifying legal compliance.

CFO stands for Chief Financial Officer.

These experts serve as the executives of a corporation in charge of managing the financial risks of a company, along with projecting long-term financial planning in accordance with corporate objectives. It is the major focus of the CFO to ensure a business's sustainability and profitability. A CFO is involved in the overall direction of the company. While both a CPA and a CFO are critical to the financial success of a business, it is very important to understand their true roles.



2. CPAs Are Historians, CFOs Are Futurists.

CPAs analyze numbers after the fact; they look at the information supplied by the client and verify the validity of the figures. CFOs help develop the strategic goals for the company and help the business achieve the corporation's future financial success.



3. P in CPA Means Public; CFOs Work on Behalf of the Client.

Although both a CPA and a CFO are paid for by a business, a CPA is typically hired to offer a somewhat objective, independent analysis of a company's books on behalf of the public's interest. CFOs are hired to act on behalf of the company, with much less accountability to protect the public's interest in the information presented by a company (although this has increased in the public sector due to Sarbanes-Oxley.)

4. CPAs Focus on Risk Aversion, CFOs Focus on Maximizing Opportunities.

It is a CPA's duty to prevent legal violations by making sure that a corporation's financial records are reliable. With laws such as the Sarbanes-Oxley, which were drafted to prevent fraudulent records of publicly-owned companies, a CPA focuses on compliancy. It is a CFO's job to help the business maximize opportunities while managing risk.



5. Most CPAs Have No CFO Training or Experience- *Would you go to a neurologist to treat a broken arm?*

CFOs are often educated in financial fields, similar to a CPA. They may have even earned their certification and practiced as a CPA for a while. However, what makes a CFO unique is executive and financial management experience. A CPA may be well-trained in financial requirements and tax law, but that does not necessarily translate into a strong CFO.

6. Your CPA Should Validate Your CFO's Work- *Dual role CPA/CFO have no checks-and-balances.*

Your CPA is an important asset who needs to focus on what he was trained in, which is to verify your company's numbers and help you to meet regulatory and taxation requirements. Your CFO needs to be focused driving profits. Your CFO should be talking to clients, lenders, and investors, not to government agencies.

7. CPAs Analyze Data Provided by the Company.

It is tough to check your own work. Your CPA should be checking the financial information, not originating activity. What happens if an error occurs? Your CPA may be motivated to cover it up!



8. CPA Can Be Slow to Deliver Your Financial Reports.

This is problematic as far as the importance of being knowledgeable regarding your business's current financial state. Often times, incorrect or outdated financial information can contribute to poor business choices that can lead to money problems. Your CPA can take as long as a month after the end of an accounting period to complete a report, whereas a good CFO can produce up-to-the-minute metrics and dashboards to help monitor and manage the business.

9. Your CPA Assumes You Know.

It is not your CPA's job to communicate your financial situation to you. Their job is to validate the numbers and/or file your tax returns in accordance with the governing body's requirements. If this is the case, they have done their job well. Most CPAs assume that you know this. However, it is a CFO's job to keep the company growing and communicate any potential challenges in the foreseeable future. Part of the CFO's job is to make sure management fully understands the financial condition of the company.



10. A CPA's Audience is a Third-Party; Your CFO's Audience is You.

A CPA communicates your financial information to third parties; a CFO's first priority is to communicate performance to your management team. Again, it is not your CPA's job to integrate your company's business plan with the financial direction of the company. A CFO may report to other third parties, but his or her primary responsibility is to take care of your reporting needs.



Summary:

When developing and directing your own business, it is very important to understand the roles that are appropriate for specific occupations. You cannot expect a CPA, who specializes in auditing your books and/or preparing your tax returns, to properly manage and integrate your organization's financial objectives. When this dual role does occur, it typically results in poor outcomes. Defining the roles and finding the right fit for each is critical for any business interested in survival (CPA), as well as growth and sustainability (CFO).

Author's Profile:

With his 15 years of experience creating profit-driven organizations, Ren assists his clients with forecasting, establishing employee metrics, creating organizational dashboards, obtaining financing, and executing acquisitions and divestitures. Ren is both a Certified Public Accountant (CPA) and a Certified Specialist in Management Consulting (CSMC.) He currently serves as President and CEO of Dynamic Advisory Solutions. After graduating with honors from Oakland University, Ren spent a few years working with privately held businesses in public accounting. After serving as Chief Financial Officer for a Tier 1 manufacturing company, Ren launched Dynamic Advisory Solutions in 2000. Ren also hosted the award winning Business Reality Network radio program for three years. Ren currently volunteers as a board member of the Detroit chapter of Entrepreneur's Organization (EO), and has previously served on the Michigan Association of Certified Public Accountants' (MACPA) Ethics Task Force and the Troy Community Foundation's board of directors.



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