International Federation of Accountants

SECOND EDITION

COMPANION MANUAL

Guide to Practice Management for SMPs

Small and Medium Practices Committee

International Federation of Accountants

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New York, New York 10017 USA

This Companion Manual was developed to help IFAC member bodies and other professional accountancy organizations make the best use of the *Guide to Practice Management for Small- and Medium-Sized Practices* (the Guide) prepared by the Small and Medium Practices (SMP) Committee. The Guide, now in its second edition, can be downloaded free of charge from www.ifac.org/publications-resources/guide-practice-management-small-and-medium-sized-practices.

This Manual includes many examples for illustrative purposes only and does not reflect any policy positions of the International Federation of Accountants (IFAC).

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1. Introduction and objectives

The *Guide to Practice Management for Small- and Medium-Sized Practices* was commissioned by the SMP Committee to provide guidance to small- and medium-sized practices (SMPs) on how to better manage their practice and achieve greater proficiency and professionalism. The Guide provides best practices on a broad range of topics, from strategic planning and managing staff, to client relationship management and succession planning. The second edition of the Guide can be downloaded free of charge at www.ifac.org/publications-resources/guide-practice-management-small-and-medium-sized-practices.

As a federation of member bodies, IFAC's primary focus is on helping its member bodies support their SMP constituents. Accordingly, this Companion Manual was developed to assist member bodies in using the Guide to encourage good practice management among their membership.

This Companion Manual presents ways for IFAC member bodies and other professional accountancy organizations to use the Guide, including translating or tailoring the Guide to suit national and jurisdictional needs. The content in the Guide can be used to enhance or supplement existing material and/or continuing professional development (CPD) activities. Organizations may also develop derivative products from the Guide, such as training materials, journal articles, customized checklists and forms, and software for their members. **Before reproducing, adapting, or translating the Guide in any of the ways illustrated in the following pages, IFAC member bodies and professional accountancy organizations must first seek permission from IFAC (see section 2).**

2. Reproduction, adaptation and translation

For permission to reproduce, adapt and/or translate the Guide to suit local, national or regional requirements, best practices, custom/culture and language, contact permissions@ifac.org. Permission is also required to reproduce, adapt and/or translate extracts from the Guide for use in other publications. For IFAC's policy statements on reproduction and translation and a sample permissions request, see www.ifac.org/Translations and/or review the frequently asked questions and answers.

Once permission has been granted, the Adobe InDesign package of files will be supplied. The Guide was created in InDesign. Therefore, while not required, when adapting or translating the Guide, use of desktop publishing software compatible with Adobe InDesign is strongly encouraged (see www.adobe.com/products/indesign.html and www.adobe.com/products/incopy.html; this is for information purposes only and should not in any way be interpreted as an endorsement of these Adobe products). If your organization does not have access to InDesign, a Word version will be supplied. The Word version of the Guide is formatted and edited to align as closely as possible with the InDesign file (from which the PDF version on our website was generated). However, the content/formatting of the Word file may differ from the PDF; the PDF version should be followed in the case of any discrepancies.

For translating the guide into certain languages, IFAC may be able to provide a basic Trados translation memory (TM) (see more information in Level 3 below). The 2011 version of Trados is compatible with InDesign and PDF files. If your organization does not have access to Trados 2011, the Word file will be supplied.

Level 1—Reproduction as co-publication

With permission, a member body may choose to simply co-brand and reproduce the Guide with minor modifications.

Suggested changes may include:

- Inserting the member body's logo alongside the IFAC logo on the cover;
- Editing the copyright to acknowledge reproduction with permission of IFAC and include new ISBN as required;
- Customizing the Preface (page ii) while retaining appropriate acknowledgements;
- Removing the Request for Comments page (page iii) or replacing it with member body's feedback page;
- Removing Use by IFAC Member Bodies page (page viii); and/or
- Updating the Contents page (page i).

These simple changes will allow a member body to publish the Guide electronically or in print form with minimal additional work.

Level 2—Adaptation

Topics that are jurisdiction sensitive have been drafted in a generic fashion enabling text to be easily expanded or modified to best suit local circumstances.

After adopting some of the level 1 suggestions a member body may like to make the following additional changes:

Inclusion of local jurisdictional guidance: The Guide is based on global best practices and general principles, so it may be necessary to do some customization to improve the suitability of the guidance to your members. Use the search feature in Adobe or MS Word software to find all instances of the word "jurisdiction," which has been used to indicate potential areas for review and customization. For example, key areas identified using this search include: privacy legislation, insurance practices, employment law, approved practice structures, technology and XBRL, regulated services, ethical pronouncements, record keeping, and licensing and registration requirements.

Adoption of localized terminology/grammar: Customize the Guide to include local terminology, spelling and/or grammar by using the search feature in the Adobe or MS Word software to find and replace selected words as appropriate.

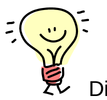
Inclusion of local benchmarks: Consider tailoring the Guide by incorporating the use of benchmark references that are specific and meaningful to your jurisdiction. This will add further value and make the Guide more useful to your members. For example, Section 1.8, "Using benchmarks to drive performance and improvement," could be expanded to include local benchmarking services. Section 3.3, "Assessing growth requirements and developing a growth strategy," may be updated to reflect the realities of your local economy. Section 4.6, "Induction," could be customized to reflect local employment practices. Section 8.5, "Firm valuation and pricing," could include local valuation methodologies for establishing the value of a practice.

Acknowledgement of local cultural issues: The Guide may need to be adjusted to reflect some cultural practices that vary between jurisdictions. For example, in some jurisdictions, it may be inappropriate to meet clients at a place where alcohol is served.

Maximizing use of existing intellectual capital of your member body: Your member body may have already invested substantial resources in developing tools and resources for members in practice. Think about how you may utilize a tailored version of the Guide as a means of reminding members about this great guidance material. The following are examples of modifications that could be made to the Guide to enhance the visibility to your organization's resources:

Succession planning pathways for CPA Public Practitioners

- Add call-out boxes to draw attention to quotes from your organization's related guidance.



Did you know that you can access complimentary insurance risk management programs and online presentations?

- Customize the "References, further reading, and IFAC resources" section at the end of each module to include a listing and/or links to your existing member resources, including previously published journal articles that are still relevant, other publications, the website as a whole or an online library, and CPD courses or tools.
- Customize web hyperlinks throughout the Guide to lead readers to your organization's resources.

Research supports the belief that more staff per principal results in more profits per principal.

Firm of the Future Report

For example, CPA Australia hosts each module on a separate web page, each of which includes links to related CPA Australia member resources (see www.cpaaustralia.com.au/cps/rde/xchg/cpa-site/hs.xsl/knowledge-practice-toolkit-manuals-guide.html).

Level 3—Translation

Member bodies will need to obtain the necessary permission from IFAC before beginning translation (see section 2 of this Manual). At the time of publication, IFAC is aware of six translations of the Guide. Please see the IFAC Translations Database at www.ifac.org/about-ifac/translations-permissions/translations-database for an up-to-date list of all progressing and completed translations.

For ease of translation, the Guide has been written in clear, concise, and simple English. The Guide uses IFAC terminology (for example, the terms defined in the glossaries of the Handbooks of the International Auditing and Assurance Standards Board and International Accounting Education Standards Board [IAESB]) to the maximum extent possible. Where this terminology was not available, terms that can be easily translated have been used. Key terms in the Guide are defined in the Glossary of terms (pgs. x-xviii).

Recognizing that translations can be time consuming and expensive, IFAC uses Trados translation memory (TM) software to help it and its designated translating bodies achieve sustainable translation processes. Use of TM technology helps ensure consistency and quality within translations as well as reduces the amount of work, and thus costs, associated with translating a publication. Therefore, while not required, use of TM software compatible with Trados is strongly encouraged (this is for information purposes only and should not in any way be interpreted as an endorsement of Trados).

For certain languages, a basic Trados TM can be made available to IFAC's designated translating bodies that have an appropriate translation agreement in place. For more information on obtaining or using Trados in connection with translations of IFAC publications, contact permissions@ifac.org.

3. Publication of stand-alone modules or content

The Guide has been designed modularly and is suitable for use both in printed and electronic formats. Each module is designed to be as stand alone as possible so that each may be published individually. Member bodies may customize and publish on a module-by-module basis over a period of time. Individual modules could be used, for example, as supplementary reading material for certification programs, structured training or ongoing CPD activities.

Despite the modular format, there will be some instances where material covered in one module references content in another module. In such cases, this content is cross referenced to those modules where the topic is covered in more detail.

4. Development of derivative products

A member body may wish to utilize some of the content of individual modules to develop a derivative product. Derivative products could include: publications, guides, checklists and forms, interactive tools, software, or smartphone applications. See the table below for examples of potential products derived from each module.

Module	Examples of potential derivative products
Module 1 Planning for your firm	• Sample strategic plan for your firm • Sample risk management plan for your firm • Sample office manual for your firm
Module 2 Practice models and networks	• Diagrams that show public practice business structures • A list of factors to consider in a public practice partnership or shareholders agreement • A practice referral alliances network guide and/or checklist • Guide and/or checklist on evaluating your potential partners
Module 3 Building and growing your firm	• Guide to developing a business plan for your firm • A marketing plan and checklists for your practice • Guide to creating a sustainable practice
Module 4 People power: Developing a people strategy	• Firm employer and/or employee manual • HR employment checklist • Firm induction checklist • Individual personal development plans • Staff appraisal and development guidelines
Module 5 Technology and e-business	• Guide to introducing a paperless office • Guide to introducing a firm portal • Guide to introducing an e-business strategy for your firm

Module	Examples of potential derivative products
	• Guide to creating a first impression—your firm's website • Checklist to creating a virtual office • Guide to developing a technology strategy for your firm
Module 6 Client relationship management	• Sample client questionnaires • Guide to client classification and review • Assessing client expectations checklist • Benchmarks for practice service levels
Module 7 Risk management	• A guide to developing, implementing, and monitoring a risk management program within your firm • Guide to understanding professional indemnity insurance • A checklist for client engagement and review • Risk management checklists
Module 8 Succession planning	• A succession plan for your practice • Checklist for purchasing an accounting practice • Selling an accounting practice checklist • Internal succession issues checklist • Admission of a new partner checklist

5. Continuing professional development opportunities

The content of the Guide may be incorporated into member bodies' continuing professional development (CPD) activities, which are required in order to achieve and maintain membership with IFAC, as stated in the Statements of Membership Obligations (SMOs). SMOs are issued by the IFAC Board and establish requirements for members and associates. See especially SMO 2, *International Education Standards for Professional Accountants and Other IAESB Guidance*, which sets out the obligations of member bodies in relation to the International Education Standards (IESs) issued by the IAESB.

The Guide may assist member bodies with implementing IES 7, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence*. IES 7 requires that professional accountants develop and maintain their competence and that member bodies facilitate and enforce CPD programs.

Structured learning and certification programs

Some member bodies have developed formal practice management certification programs. Such programs may take many different forms, for example, full- or part-day training seminars, conferences, congresses or conventions, distance learning, e-learning (i.e., webinars), online, face-to-face, or residential programs. Structured programs help practitioners prepare for the ethical and professional challenges they will face as a partner, principal, or employee in a practice, and promote a commitment to quality services to the clients, the community, and regulators.

Certification programs may take the form of a simple voluntary induction program or a mandatory structured training requirement for members entering practice that results in the issuance of a certificate of public practice.

The content of the Guide can easily be adapted by member bodies for use in such programs, either to build new programs or to supplement existing ones. For example, some member bodies offer online CPD courses based on the Guide. Programs could follow the modular approach of the Guide.

Module	Content
Module 1 Planning for your firm	Module 1 examines the business and strategic planning processes and the more detailed policies that govern the development and implementation of the strategic plan within your firm.
Module 2 Practice models and networks	Module 2 looks at the structural considerations inherent in owning or running an accounting firm, and the various models available. It includes examination of profit sharing and decision making within a firm and the use of networks to add value and grow profitability.
Module 3 Building and growing your firm	Module 3 expands on the themes covered in Modules 1 and 2 by exploring in more depth the issues of developing a growth strategy, coping with increased regulation and competition, marketing, and developing a firm culture.
Module 4 People power: Developing a people strategy	Module 4 examines key elements that will play a pivotal role in achieving your firm's objectives—people. This module explores your role as a leader as well as the staffing issues that have to be addressed as your firm grows, including your firm's ability to attract, retain, motivate, and train its employees.
Module 5 Technology and e-business	Module 5 examines the increasing role technology plays in the success of an accounting firm. Effective selection, implementation, and management of technologies, as well as training employees to use these tools, are fundamental to the success of any firm.
Module 6 Client relationship management	Module 6 examines the development and ongoing maintenance of client relationships, and strategies to improve and cement your client relations including networks, referrals, and other alliances.
Module 7 Risk management	Module 7 explores risk management and the specific impact it has on practice life. It provides a framework for identifying, evaluating, and acting on risks within a firm. It discusses ethical issues and safeguards which can be used to deal with ethical threats, the role of quality control systems, and additional risk mitigation, such as insurance.

Module 8 Succession planning	Module 8 examines the importance of a succession plan that allows for the orderly exit of the practitioners, and the strategies that can be implemented to become succession ready. It includes discussion on valuation and pricing, and options for consolidations, mergers, and internal and external buyouts.

6. Incorporation of references into other activities

The content from the Guide could also be utilized in other activities.

Other examples include:

- Member forums or discussion groups (for example, see www.ifac.org/forums/smpsme-discussion-board);
- Podcasts or webcasts;
- Journal or newsletter articles incorporating links to content in the Guide (for example, see www.ifac.org/publications-resources/how-make-your-small-practice-big-success-practice-management-tips-smps);
- Teaser articles highlighting specific topics from individual modules;
- Website content and cross referencing;
- Online PowerPoint presentations;
- Interviews with local spokespersons highlighting issues of local interest or concern and quoting resources from the Guide; and/or
- Referencing content from the Guide as part of a staff toolkit or resource to assist members.

7. Other free resources and tools for SMPs

In addition to the Guide, IFAC has a range of other free publications, resources, and tools for SMPs, which can be found under the "Resources and Tools" section of the IFAC SMP Committee's website at www.ifac.org/about-ifac/small-and-medium-practices-committee/smp-resources-and-tools. This page includes links to additional relevant resources, which are organized according to the Guide modules (www.ifac.org/relevant-links-practice-management). See also the "References, further reading, and IFAC resources" section at the end of each module for lists of related free resources.

8. Promotion of the Guide and your local resources

IFAC recognizes that member bodies may not be aware of the resources available to them. IFAC is developing resources, such as sample journal articles and general awareness presentations, that can be used as is or customized to promote the Guide. See Resources and Tools—Practice Management (www.ifac.org/about-ifac/small-and-medium-practices-committee/smp-resources-and-tools) and/or the password-protected SMP Committee Resources folder in the IFAC Extranet using the username and password assigned your organization (www.ifac.org/extranet/resources). **Please let us know of any resources your member body develops and send them to paulthompson@ifac.org if you wish for us to share them with other member bodies.**

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