

Excerpt from:

How to Start a Successful Home-Based Freelance Bookkeeping and
Tax Preparation Business

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Sample Forms and Letters

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Sample (Easy) Business Plan for a Startup Bookkeeping and Tax Practice

A good business plan is absolutely essential to the success of your business. Even if you only brainstorm on these pages, every little bit of planning will help you succeed. The very act of planning your business' success helps you think critically about how to create real success for yourself and your future career as a tax or bookkeeping professional. Take the time to formulate your plan now and save costly mistakes later. It takes time now, but avoids costly, perhaps disastrous, mistakes later.

This business plan is a generic model for how to start, market, and maintain a successful bookkeeping and tax services business. It can be modified for tax practitioners or bookkeeping professionals. If you intend to add services to your practice, such as notary services, insurance sales, or other related products, you can add those to the existing lists. Cross out the services that you choose not to offer.

A good business plan takes anywhere from a few days to a few weeks to complete. That is because you will make many modifications to your business plan as you decide on which services to offer and how you are going to market your services. Make notes as you decide on your changes. Those business owners who take the time to create a good business plan never regret the effort.

**Great Bookkeeper, Inc.
(Sample Business Plan)**

Owner: James Smith, CB

OWNERS

James Smith, CB

2122 Main St Apt 312

Cloverdale, TX 10000

Telephone: 916-000-0000

Fax: 1-800-000-0000

E-Mail: GreatBookkeeper@Yahoo.com

*(Important! Choose a good e-mail for your business, based on your name or business name. Do NOT use a “funny” or “cute” e-mail address. This looks ridiculous to a potential client and may cause a potential client to disregard your services altogether).

Executive Summary

Write this section last, and make it brief.

Include everything that you would cover in a five-minute interview.

Explain the fundamentals of the proposed business. Make it concise.

Example:

Brief Overview: Great Bookkeeper, Inc. is a bookkeeping and tax services company that offers various bookkeeping services to small businesses and individuals. Great Bookkeeper, Inc. specializes in bookkeeping for bakeries and restaurants. The owner, James Smith, was a long-time bookkeeper for Main Street Bakery and SunnySide Restaurant. He has many years of experience in the industry.

Your brief overview:

Mission Statement: To offer exceptional bookkeeping and tax services to small businesses.

Your mission statement:

Management: Owner: James Smith

Your management:

Marketing: (Customer Base) Marketing will consist of direct marketing to all the local Bakeries and Restaurants. Great Bookkeeper, Inc. will also market its services on the Internet through our website, www.GreatBookkeeperInc.com. The business will also market to other potential businesses, by using online classified ads to seek out employers that are looking for bookkeepers and bookkeeping services.

Your brief marketing statement:

Competition: There are currently three other bookkeeping services in the area. One business owner is not taking new clients, and one owner is looking to retire soon. So, essentially, we only have one competitor.

Your statement on the competition:

Projections: Our projections are that this business has a great chance at success because there is little local competition, and the owner has many years of solid experience to make it a success.

Your brief statement on your market projections:

General Company Description

Mission Statement: Great Bookkeeping, Inc. is dedicated to helping clients achieve financial success by devoting the time and attention that we believe you deserve.

Company Goals and Objectives:

Example: The goal of Great Bookkeeping, Inc. is to have a financially healthy, successful company that is a leader in customer service and that has a loyal customer following. Our sales objective to obtain at least one new bookkeeping client every month, and grow the business until we reach a reasonable capacity of 15 bookkeeping clients.

Target Customers: To whom will you market your services/products?

Example: Marketing will consist of direct marketing to all the local Bakeries and Restaurants. Great Bookkeeper, Inc. will also market its services on the Internet through our website, www.GreatBookkeeperInc.com. The business will also market to other potential businesses, by using online classified ads to seek out employers that are looking for bookkeepers and bookkeeping services.

Describe your most important company strengths and core competencies. What factors will make the company succeed? What do you think your major competitive strengths will be? What background experience, skills, and strengths do you personally bring to this new venture?

Legal form of ownership: Sole proprietor, Partnership, Corporation, Limited liability corporation (LLC)?

Your Company Description:

Products and Services

Describe in depth your products or services.

Example: Great Bookkeeping, Inc. is dedicated to helping clients achieve financial success by devoting the time and attention that we believe you deserve. We offer full-service bookkeeping and payroll, as well as monthly reports and bank reconciliations.

What are the fees of your bookkeeping or tax services?

Example:

Services	Hourly Rate
Bookkeeping and financial reporting	\$50
Financial consulting services	\$50
Business management	\$75
Accounts payable	\$50
Accounts receivable and invoice billing	\$50
General business functions/tasks	\$Varies
Payroll & compliance deposits and reporting	\$50
Bank reconciliations-checkbook to bank	\$50
General ledger maintenance	\$50
Daily cash balance updating	\$55
Monthly, quarterly or yearly write-up	\$75
Financial statements	\$50
Yearly Tax Preparation	\$250

Bookkeeping Marketing Plan

Market research:

No matter how good your product and your service, the venture cannot succeed without effective marketing. And this begins with careful, systematic research. It is very dangerous to assume that you already know about your intended market. You need to do market research to make sure you're on track. Use the business planning process as your opportunity to uncover data and to question your marketing efforts. Your time will be well spent.

Customers:

Identify your targeted customers, their characteristics, and their geographic locations, otherwise known as their demographics. You may have more than one customer group.

Example: Our target customers will be small businesses, especially bakeries and restaurants that require bookkeeping and payroll services. The business will also market to other potential businesses, by using online classified ads to seek out employers that are looking for bookkeepers and bookkeeping services.

List your major competitors, and describe how will your products or services compare with the competition.

My competition:

Now, write a short paragraph stating your competitive advantages and disadvantages.

Niche:

Do you plan to market your bookkeeping and tax services to particular group of customers, such as clergy, non-profits, etc.? In one short paragraph, define your niche, your unique corner of the market.

Promotion and Advertising

Promotion and Advertising Checklist:

- How will you get the word out to customers?
- Advertising: Have you identified low-cost methods to get the most out of your promotional budget?
- Will you use methods other than paid advertising, such as trade shows, catalogs, dealer incentives, word of mouth (how will you stimulate it?), and network of friends or professionals?
- What image do you want to project? How do you want customers to see you?

Your plan to promote and advertise your bookkeeping business:

Promotional Budget:

How much will you spend on the items listed above?

Operational Plan

Managing Your Accounts Receivable

If you plan to extend credit, you should do an aging at least monthly to track how much of your money is tied up in credit given to customers and to alert you to slow payment problems. You must decide the following:

After an invoice becomes late,

- When do you make a phone call?
- When do you send a letter?
- When do you discontinue services and send the client to collections?

Managing Your Accounts Payable

You should also age your accounts payable, what you owe to your suppliers. This helps you plan whom to pay and when. Paying too early depletes your cash, but paying late can cost you valuable discounts and can damage your credit. (Hint: If you know you will be late making a payment, call the creditor before the due date).

Startup Expenses and Capitalization

It's important to estimate these expenses accurately and then to plan where you will get sufficient capital. This is a research project, and the more thorough your research efforts, the less chance that you will leave out important expenses or underestimate them.

Even with the best of research, however, opening a new business has a way of costing more than you anticipate. There are two ways to make allowances for surprise expenses. The first is to add a little "padding" to each item in the budget. The problem with that approach, however, is that it destroys the accuracy of your carefully wrought plan. The second approach is to add a separate line item, called contingencies, to account for the unforeseeable. This is the approach we recommend.

Talk to others who have started similar businesses to get a good idea of how much to allow for contingencies. If you cannot get good information, we recommend a rule of thumb that contingencies should equal at least 20 percent of the total of all other start-up expenses.

Explain your research and how you arrived at your forecasts of expenses. Give sources, amounts, and terms of proposed loans. Also explain in detail how much will be contributed by each.

Sample Introductory Letter to New Client

Ms. Ima Accurate
The Accurate Bookkeeper, Inc.
Jiminy Christmas, CA, 92110
January 30, 2009

Mr. Daniel G. Smith
Timberlake Construction, Inc.
1000 Main Street
Taneytown, CA 95810

Dear Mr. Smith:

I saw your recently posted employment ad on Craigslist {insert the source of your referral here}. I would like to offer your company my services as a full-charge bookkeeper. I am confident that you will be very satisfied with my services.

With my services, your business will enjoy the advantage of accurate bookkeeping and financial reports without the costs involved with employing a full- or part-time accountant. I understand the hard work it takes to make a small business succeed. I enjoy the unique challenges that a small business offers. I can produce monthly financials, provide insight on how to help your business, forecast cash flow, and provide a wide range of bookkeeping and tax services.

Outsourcing your bookkeeping and accounting will save you money in a variety of ways. Your business can save an overall of 70% on salary and overhead compared with hiring an employee bookkeeper. Removing the mundane bookkeeping tasks off your plate also gives you more time to generate revenue for your own company.

The information enclosed will help you make the most of our services. If you have questions, please contact us. As your needs change, we will be happy to help you evaluate those needs and offer you the services that will help you achieve your new goals. Thank you for your consideration!

Sincerely,

Ima Accurate, CB
Company President
The Accurate Bookkeeper, Inc.
Direct: 916-000-0000
Enclosure: List of Financial Services

Sample Introductory Letter to a Potential Client (Referral)

Ms. Ima Accurate
The Accurate Bookkeeper, Inc.
Jiminy Christmas, CA, 92110
January 30, 2009

Mrs. Janice Green
Janice's Fabric Stores, Inc.
300 B Street
Quilting Town, CA 81000

Dear Mrs. Green:

You and your company have been recommended to me by Mr. Stephen Jones of Hardcore Cycling Co, who indicated that you may be interested in the bookkeeping and tax services provided by my company. I am confident that you will be very satisfied with my services.

I have enclosed my list of bookkeeping and tax services. I will be in the Quilting Town area the week of June 16. I would like to meet with you to discuss how my bookkeeping and tax services can help your business be more profitable and save more money on taxes. I will contact you within the next 10 days to schedule an appointment. In the meantime, if you have any questions, call me at (916) 000-0000. I look forward to meeting you.

Sincerely,
Ima Accurate, CB
Company President
The Accurate Bookkeeper, Inc.
Direct: 916-000-0000
Enclosure: List of Financial Services

Sample List of Services (Chart)

<p>Comprehensive bookkeeping services:</p> <ul style="list-style-type: none"> • Complete payroll management, including all associated federal and state electronic tax filings; • Complete Accounts receivable and billing; • Accounts payable; • Sales tax reporting; • Bank statement reconciliation; • QuickBooks Set-up. 	<p>Financial statement preparation:</p> <ul style="list-style-type: none"> • Profitability Projections • Balance Sheet • Income Statement • Cash Flow Statement • Budgets
<p>Tax Services:</p> <ul style="list-style-type: none"> • Quarterly Estimated Federal and State Tax Filing • 1099 tax reporting • W-2 Preparation • Compilation at year end of all documentation required for CPA tax preparation • Preparation of annual corporate filings with city agencies 	

Sample List of Services (Simple)

Our Complete Bookkeeping and Tax Services

The Accurate Bookkeeper, Inc., offers complete financial solutions for small businesses just like yours!

We offer complete:

- Bookkeeping and financial reporting
- Financial consulting services
- Business management
- Accounts payable
- Accounts receivable and invoice billing
- General check writing functions
- Payroll & compliance deposits and reporting
- Bank reconciliations-checkbook to bank
- General ledger maintenance
- Daily cash balance updating
- Monthly, quarterly or yearly write-up
- Financial statements
- Yearly Tax Preparation

Through a careful analysis process, I seek to understand your business challenges, and provide customized bookkeeping and tax services that will maximize your profits and help you reach your financial goals.

For more information, please call

Ima Accurate, CB
Company President
The Accurate Bookkeeper, Inc.
Direct: 916-000-0000
Fax: 1-800-000-0000

Sample Engagement Letter (Bookkeeping)

Engagement Letter
Ima Accurate, CB
Company President
The Accurate Bookkeeper, Inc.
Direct: 916-000-0000
Fax: 1-800-000-0000

Dear ____ (client)____,

Thank you for selecting our company to assist you with your financial affairs. This letter confirms the terms of our engagement with you and the nature and extent of services we will provide. As we discussed, beginning on ____ (date)_____ I will do the following work for you each month:

- Reconcile your checkbook and bank statements, identify errors and specific sources of adjustments, inform you of these adjustments and request that you make correcting entries directly into your checkbook.
- Review and prepare your payroll records and payroll tax deposits. For any error I find I will take appropriate action as required to correct such errors.
- Record all income and expenses, deposits and adjusting entries needed for that month.
- Quarterly, I will prepare your state and federal unemployment tax returns. You agree to provide the required forms to send to state and federal offices.

It is your responsibility to provide information required for preparation of complete and accurate books. You should keep all documents, canceled checks and other data that support your reported income and deductions. They may be necessary to prove accuracy and completeness of the returns to a taxing authority.

If you would like me to perform additional services, I will be pleased to do so, but they are not included in this letter or the accompanying estimate.

By signing below, I have agreed to accept the services above at the stated fees.

Client Signature and Date

Ima Accurate, CB
The Accurate Bookkeeper, Inc.

Sample Engagement Letter, Simple (Tax Preparation)

Dear ____ (Client) _____:

Your fee at the time of the preparation of your tax return will include the following services at no extra fee:

- Preparation of both Federal and State tax returns, complete with envelopes for mailing (if not e-filed).
- A customer copy of the tax return for your records
- If you receive any correspondence from the IRS or the State Tax Board, we will respond to the inquiries for any tax returns we have completed.

Additional fees may be charged for the following services:

If we provide further tax planning consultations beyond the initial tax appointment, or provide a W-4 Write-up during the year, we will charge an additional fee based on our hourly rate.

If you need additional assistance during an audit, either in IRS offices or our office, we will charge an additional fee based on the services rendered.

We assume that you have given us all the correct and necessary information to process the tax return. If there is any missing information, we will notify you in writing. We urge you to read through your return and if you have any questions concerning its contents, please request a follow-up interview to review it.

If you receive any inquiries or letters from the IRS or State Tax Board, please contact us as soon as you receive the notice. We will assist you with this correspondence and will communicate with the agencies when necessary.

Signed _____ Date _____

Signed _____ Date _____

Sample Engagement Letter, Extended (Tax Preparation)

Engagement Letter for Preparation of Individual Tax Returns

Dear ____ (Client) _____:

Thank you for selecting ____ (your company) ____ to assist you with your tax returns. In order to minimize any possible misunderstandings as to the scope of the work that you want me to do for you and the payment for such services, this Engagement Letter sets forth our understanding regarding the assignment and constitutes our agreement as to the scope of the services and the fees for such services. Please be sure that this letter does in fact reflect your expectations before returning a signed copy to me.

We will prepare your ____ (tax year) _____ federal and all state income tax returns you request using information you provide to us. We may ask for clarification of some items, but we will not audit or otherwise verify the data you submit.

Tax return preparation may require other tax and accounting services. We will depend on the information you are supplying as being accurate and complete to the best of your knowledge, and we will rely on your representation that you have maintained the documentation required by law to support your expenses for meals, entertainment, travel, gifts, vehicle use, and charitable contributions. We will not verify the information you provide, but we may ask you for clarification of some data.

It is your responsibility to provide information required for preparation of complete and accurate returns. You should keep all documents, canceled checks and other data that support your reported income and deductions. They may be necessary to prove accuracy and completeness of the returns to a taxing authority. You are responsible for the returns, so you should review them carefully before you sign them.

Our work will not include any procedures to discover defalcations or other irregularities. The only accounting or analysis work we will do is that which is necessary for preparation of your income tax returns.

We must use our judgment in resolving questions where the tax law is unclear, or where there may be conflicts between the taxing authorities' interpretations of the law and other supportable positions. In order to avoid penalties, we will apply the "more likely than not" reliance standard to resolve such issues. You agree to honor our decisions regarding the need to make protective disclosures in your returns.

The law also imposes penalties when taxpayers understate their tax liability. If you have concerns about such penalties, please call us. Your returns may be selected for audit by a taxing authority. Any proposed adjustments are subject to appeal. In the event of a tax examination, we can arrange to be available to represent you. Such representation will be a separate engagement for which an engagement letter will be provided to you. Fees and expenses for defending the returns will be invoiced in accordance with terms we agree on for that engagement.

Our fee for preparation of your tax returns will be based on the amount of time required at standard billing rates plus out-of-pocket expenses. All invoices are due and payable upon presentation. To the extent permitted by state law, an interest charge may be added to all accounts not paid within thirty (30) days.

The IRS may disagree with my conclusions or opinions so we will only be responsible for refunds of fees where we have failed to inform you of the potential consequences of pursuing a particular course of action or series of transactions.

We will retain copies of records you supplied to us along with our work papers for your engagement for a period of seven years. After seven years, our work papers and engagement files will be destroyed. All of your original records will be returned to you at the end of this engagement. You should keep the original records in secure storage.

To affirm that this letter correctly summarizes your understanding of the arrangements for this work, please sign the enclosed copy of this letter in the space indicated. We appreciate your confidence in us. Please call if you have questions.

Sincerely,

Sandy Superior, EA, CB
Company President
The Superior Financial, Inc.

Accepted by: (Client) _____ Date _____

(Client) _____ Date _____