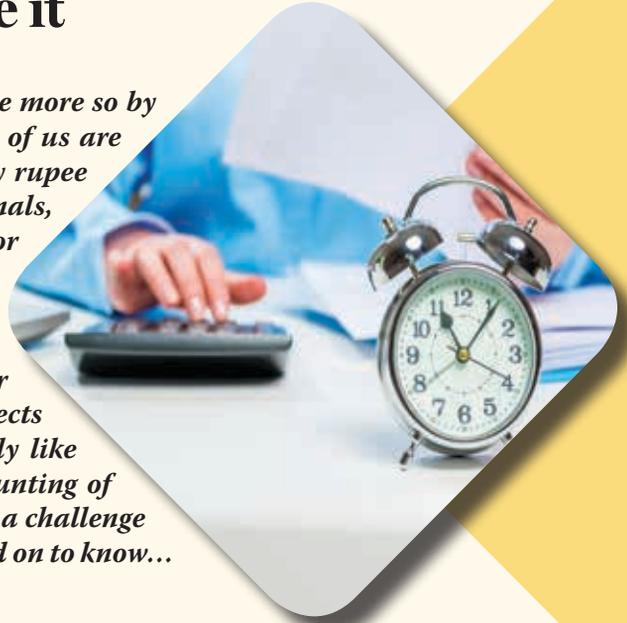


Accounting for Professional Time - A Challenge for SMPs and How to Tackle it

Time is money. As far as money is concerned, all the more so by virtue of our educational qualification as CAs, all of us are extremely vigilant. We see to it that each and every rupee is being properly recorded. For us, as professionals, our biggest asset is our time. But do we account for time? Do we have similar detailed accounting of time like money spent by us, our staff, our team, our office? How do we do that? SMP CAs are very benevolent professionals. We are expected to give our services 24 X 7, at any place and time. Society expects us to give the answers to their queries immediately like walking encyclopaedia. But when it comes to accounting of SMPs' time vis-à-vis fees charged, there is generally a challenge in quantum and time both. How to handle this? Read on to know...



Time Accounting

We, as Chartered Accountants are part of a very learned profession, in the sense that we have to use our professional skills and competence to complete almost any assignment given to us by our clients. We have to use our time prudently and judiciously for the same. We are not into a business where sales and purchases of goods are done and the profit is generated. All of us know that time is money. For us, as professionals, our biggest asset is our time. As far as money is concerned, we have immaculately detailed accounts with us. But do we account for time? Do we have similar detailed accounting of time spent by us, our staff, our team, our office? It is likely that many of us do not, especially the Small and Medium Practising Chartered Accountants. Many of us have detailed time sheets of hours clocked

by our employees. But is this sufficient to perform in-depth analysis of the time spent? Is it giving the same details as of the money spent by our offices: most of the time no. This is a big problem faced by Small and Medium Practising Chartered Accountants and most of them may not be aware of even the existence of such a problem, making it a blind spot. To address it, we can conceptualise time accounting just like we have financial accounting. Yes, Small and Medium Practising Chartered Accountants can develop it very easily with some effort, without incurring any further cost.

Lack of accounting for professional time is a big problem faced by Small and Medium Practising Chartered Accountants and most of them may not be aware of even the existence of such a problem, making it a blind spot. To address it, we can conceptualise time accounting just like we have financial accounting. Yes, Small and Medium Practising Chartered Accountants can develop it very easily with some effort, without incurring any further cost.

How exactly do we go about it? Well, we shall use the same good old financial accounting software. The process is very simple - let us



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open a new entity in our existing accounting software for time accounting. Say for e.g. ABC & Co. Time Accounting (since all of us have all the hardware and software for financial accounting we do not require to invest any money in this infrastructure). Similarly most of our staff knows now to operate the financial accounting software so there is no additional training cost for training the staff. Thus we can start time accounting immediately. Once we open the new entity for time accounting, we have to have names of all our staff and our clients in the masters. If we are using the same financial accounting software, then all the names would already be there in the masters. Now the million dollar question is - how do we pass time accounting entries? Simple. Each and every team member will do the time accounting for him/herself. For any work done / time spent by him / her, he / she will debit the client account and credit his/her own account. In the amount he/she has to write the amount of time (number of hours) spent on the assignment with precision up to the quarter of an hour. Further, the narration will be the details of the work done by him/her. If the work done does not pertain to a client, then the same may be charged to an Internal Work account. Again there can be multiple internal work accounts depending on the nature of the work done. To illustrate, consider the below:- Say for example Team Member 'A' has done purchase vouching for client XYZ for 3½ hours for the month of April, 2019, the entry will be

02/05/2019	XYZ & Co. Client A/c	3.50	
	To A office staff A/c		3.50
	Narration (Being the work done of vouching of Purchase Bills for internal Audit for the month of April, 2019)		

Thus, this entry is an all encompassing one - details of all the work done by person with the details of date, particulars, time and narration. So at any point of time if one wants to find out what work Team Member 'A' has done during a particular period, all one has to do is go to the Ledger A/c of Team Member 'A' and one will

get all the work done by 'A' on a particular day along with details of what time he has spent on which assignment, so even if there is no one to monitor his work, one can easily come to know how he has utilised his time. This becomes an inherent check for the employee, even if there is no physical presence of seniors/supervisors. This is because the employee has to write a detailed narration of the work done and also quantify and justify the time spent on the assignment. So if at any point of time the seniors want to see the time spent by the employees, they can do that at the click of a button. Also, owing to their experience, they would be able to gauge how much time is actually needed on a particular job. Thus, if there are discrepancies, the employee can be questioned for over utilisation of time. Thus, this time accounting can be indirect check on the team. It will automatically stop the team from wasting time as now they have to account for each and every minute of their time. The efficiency of the office will automatically improve without the physical presence of the Boss. Generally, as one does not have proper time records, many times one does not know the exact time the office has spent for an assignment and, therefore, the billing done to ones client is either on an estimated basis or on some fixed amount basis. But by using this method of time accounting one knows each and every minute spent by the office to serve a particular client, by simply going to the clients Ledger A/c. In the above example one just has to click to the Ledger A/c of XYZ client and one will get full account of the time spent. Here it is very important to note that all the team members including the boss have to enter the time spent along with relevant details in the time accounting software. There are practical difficulties one will face to implement this new method as most of the team

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members may be reluctant to do this data entry. The reasons are very obvious because now their freedom might be lost. They have to account for each and every minute.

There could be various methods to implement this. The easiest is that the salary cheque for each team member will be released only if the ledger of each team member is submitted in time. This will compel the team members to do time accounting. The other method can be that there is one accountant who will make entries of all the team members. This method is difficult, time consuming and expensive.

For responding to the clients on our fees /bills, this time accounting becomes very effective. Many a time when the assignment is over and bill is about to be raised one faces questions like is the bill amount commensurate with the work done? Is it too high? Is it too low? The Clients ledger in this case helps answer most questions. Once one starts using this concept of time accounting regularly, one can further enhance the detailing by giving details in narration or by using the concept to client wise, cost centre accounting etc. One thing is sure that initially there will be lot of difficulty and resistance, but eventually, it will lead to immense convenience. If one implements this concept of time accounting appropriately, the productivity of the entire office will improve substantially.

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Billing & Follow Up

Small and Medium Practicing Chartered Accountants are expected to be very benevolent professionals. We are expected to give our services 24 X 7, at any place and time. Society expects us to give the answers to their queries immediately and rightly so because we seem to have inculcated this habit in our clients / society,

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by being available to answer all questions put to us. We are supposed to be like a walking encyclopaedia. In social functions, if one introduces himself as a Chartered Accountant in practice, after some preliminary small talk, it is likely that one would be facing some questions relating to personal taxation of people one meets in such functions. This is a very common feature for Small and Medium Practicing Chartered Accountant - if one goes to a function, the personal taxation questions would come from the co-guest who may not necessarily be their clients. A typical question can be I have sold my flat now what will be the tax that I have pay?

The Chartered Accountant may probably treat the guest as a prospective client and start asking for the facts of the case. After hearing the facts he will give proper advice. Now these things happen often with Small and Medium Practicing Chartered Accountant, since one as individual and collectively as a community seem to have unknowingly encouraged this practice. This does not happen with other professions. Do we see any person in such social gatherings asking any doctors to do checkups and give their opinions? No! But with our profession this happens very regularly because we might not be giving due importance to the value of our services. We forget that for giving any advice, which according to us is simple advice, is actually backed by great amounts of time spent on studying the subject in great detail for years and then regular updating of the knowledge. As such, practice of giving free and instant advice should be curtailed.

So the question is how do we tackle such situations? The first and foremost principal is stop giving free instant advice. Tell the person to come to your office to discuss the matter. By giving this free advice we are devaluing our own selves as individuals and the profession on a collective basis. But this habit of ours of giving free advice may not stop immediately, so what do we do? Simply raise the bill. How? In the aforementioned example, when you have given some concrete advice to some person who not necessarily is your client, when you reach office just raise a bill / send some communication, saying this For giving opinion at XYZ marriage function and put a reasonable amount as your fees in addition to inviting him/her to your office for a more elaborate and detailed advice. Send the bill/communication without expecting any fee/reply. The objective is to make the guest realise the value of the knowledge we gave him. In the past, it was practice of many Small and Medium Practitioners to raise the bill only when the money was required. But thanks to Service Tax and GST, we are now at least compelled to raise the bills within limited time of the services rendered. The Bills should be prepared immediately on rendering of services. Preparing the bill is an art in itself. In some professions, the bills run into few pages



and small item of attending the phone calls is also billed by line item as having conference on telephone with so and so person and date. Even the time taken for preparing the bill is charged. All the ancillary expenses like photocopy, etc. are charged on ad hoc basis. While our bill is a one liner bill e.g. for filing your Income Tax Return for A.Y. 18-19 ₹ XXXXX, the said amount includes charges covering everything - services rendered during the year for various Income Tax compliance & procedures like from the month of April for TDS, June, September, December & March Advance Tax, various telephonic and personal conference (where generally there is no systematic record), preparing Bank summary, Capital A/c, Capital Gains details, Balance Sheet, Computation of Total Income, calculation of correct tax and interest or Refund, preparation of computation of total income considering & calculating various exemptions and deductions, preparing the return of income, doing the proper data entry for online filing and finally helping in uploading the returns. Now if we see the number of activities which we are doing, it is huge. But do we communicate this properly to the clients? Generally No! Hence, while preparing the bill, we should be giving the Client the details of all the work done or services rendered which result in the outcome of one event. Therefore preparing a bill is an Art. In preparation of bill it is important to charge for the services rendered, appropriately.

The Charges of services should generally be based on the amount of time we spend for rendering the services. At times it is difficult for Small and Medium Practitioners to keep such records and estimate the fees. The Institute of Chartered Accountants of India has come out with a detailed recommendation on the minimum fees to be charged by a practicing CA for various

services. This is available on the website of ICAI. The URL is <https://resource.cdn.icai.org/47945ccbmp37942.pdf>. This can be very helpful in charging for the services rendered. It

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is suggested that this official recommended fees communication should be sent to all the clients so that they recognise the value of our services.

We, Small and Medium Practicing Chartered Accountants are generally lax in follow up and collection of the bills. Otherwise we are considered to be very good financial experts, but most of us would have the outstanding debtors which would be probably be more than the three years of our returned income. And this money is lying with our clients, which is our money and we are not getting any returns on the same. Will an expert in finance, park his funds without any returns? Not only we are not getting any returns on this income but we are also not following up for our own money. Therefore, when the bill is prepared the collection follow up should start immediately. If possible the person should be sent personally to deliver the bill. He should after delivering the bill request for the payment the follow up starts. The answer from the client will be that we will pay later. A delivering person should be very polite and deliver the bill and come back. Idea is to make the client understand that the amount is due and the payment has to be made. Thereafter the recovery process has to be made. For that, the regular follow up is required. We have to fix a specific day and the time for the follow up phone calls. The phone

calls have to be made by our person deputed for the same. One has to remember that one should never himself personally do the follow up for the bills. The person designated for the recovery of the bill should follow up regularly. For example on every Tuesday morning from 10 to 1 he should take the outstanding list and call the client and request for the payment. His request should be very polite. Naturally in the first phone call the payment may not come but there will be a standard answer from the client, that he will send the payment. The person following up should never insist or lose his temper. He should follow up for the bill again on next Tuesday. This follow up for the bill initially would require three or four phone calls. The client may also get a little bit disturbed and would always say to the person following the words like “I will talk to the boss” “please do not call me again” “you are disturbing me again and again” but the answer from our person should be very polite and simple that “sir I am just following the process of our firm and calling all the persons whose bills are pending. If you pay the bill I will not call you again. But this is my job to call all the persons whose bills are outstanding, therefore my humble request is kindly pay the bill as soon as possible. Experience is that this continuous follow up after initial resistance, the results are good. One has to remember that one should never himself call for the payment. One should himself get involved only when the client is not paying for a longer period of time. By this process the outstanding fees will really come down and recovery will be faster.

Following this very simple and innovative approach to the standard issue faced by the Small and Medium Practicing Chartered Accountants, the productivity and efficiency will increase and the effective collections will also be very timely. ■