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Master of Business Administration

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Course Location: NCMC

Submission Date: *February 13, 2023*

Concept Proposal Title:

Accounting and Financial Services

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Professor Comments:

Accounting and Financial Services

Bibi Booth

A Concept Proposal

Submitted in partial fulfillment

of the requirements for the degree

Master in Business Administration

School of Business and Leadership

Alliance University

February 13, 2023

Abstract

This business proposal deals with the accounting and financial services industry. This industry has grown significantly and provides numerous services to individuals and businesses. Providing accounting and financial services such as auditing and compiling financials, preparing tax returns, performing due diligence, and advice on the market and industry projections will be done by an LLC firm. The LLC's mission is to service clients to excel in their businesses. The vision of the LLC is, for reliable accountants and financial advisors to perform services in compliance with all regulatory and governing bodies within the client industry. The demand for certified accountants is high and the industry keeps growing due to the enacted laws of Congress. With the enhancement of technology, the accounting and financial services industry has become easily accessible through virtual and electronic services and correspondence. The advancement of technology has also benefited accountants to stay informed in the industry and adhere to the governing bodies. Competition in this industry is more on the client's industry and relates to fees or hourly billing. There are no barriers to entry and no complements however accountants can be replaced if not suitable for clients.

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Mission, Vision, and Core Values

Providing Accounting, Auditing, Financial, and Tax Services for companies by certified public accountants adhering to FASB and the AICPA. Expert services will be provided to clients to be compliant with the regulatory and governing bodies applicable to their firm's financial framework.

Mission Statement

Servicing our clients to excel in their business with accounting, auditing, financial, and tax services provided by our dedicated accounting team. Providing financial services in compliance with regulations and laws and advising clients on market volatility and industry projections will be done diligently. Successful client leads to company growth with the result of a healthy economy.

Vision

Providing services to our clients to excel within the market and industry through our dedicated accountants with the perception of enhancement and confidence. Our staff's adherence to FASB and the AICPA will also prepare our staff to provide more concise advice on current market behavior and industry conditions for our client decision-making. Knowledge is power. By keeping our clients informed and compliant, our clients will succeed in decision-making and performance with the result of a growing economy.

Core Values

Grow your business with our RELIABLE financial advisors and accountants.

Figure 1

Core Values

Responsible

Our staff is responsible for performing services to our clients to excel in their business within the applicable authoritative financial framework.

Ethical

Our business is built on ethical and moral standards in compliant with all regulatory and governing bodies.

Liable

Our staff is liable to our clients and governing bodies within the industry.

Innovative

Our staff enhances themselves for license requirements and to advise clients on market and industry volatilities.

Accountable

Our staff is trained to be compliant with all work performed by clients and governing bodies.

Balanced

Our business is built to work together as a team, to provide excellent services to our clients, and to excel and expand our client business.

Loyal

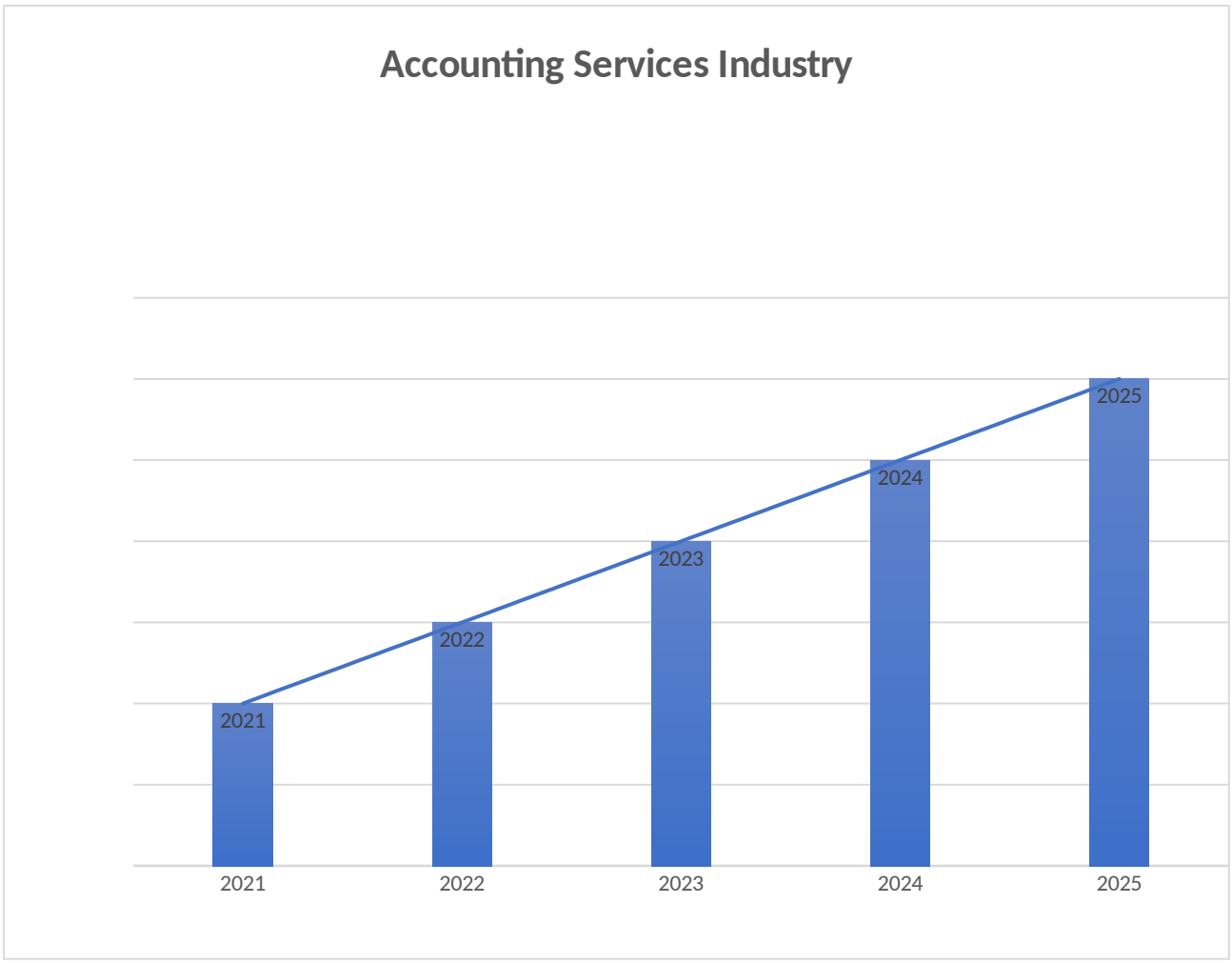
Our team performs their duties and obligations faithfully and respectfully to achieve our client's vision.

Expert

The experience and knowledge our staff brings with constant enhancement provides excellent services in various markets and industries.

Industry Description

The accounting and financial services industry has a huge amount of institutions and generates a significant amount of revenue. This industry provides a lot of services, such as auditing, preparing financials and maintaining records, tax return preparations, payroll preparations, and management services. This industry is highly regulated especially with the fall of Enron and Tyco in the early 2000s. MCI, formerly Worldcom, was acquired by Verizon after it filed bankruptcy about the same time. These events led to Congress passing the Sarbanes Oxley Act which was created to require officers and management from companies to certify the accuracy of provided financial information. The Sarbanes Oxley Act then created the Public Company Accounting Oversight Board (PCAOB) to oversee the audits of public companies. In less than a decade, Congress passed the Dodd-Frank Act, too big to fail. This came after the failure of several large institutions including Lehman Brothers and to prevent capital funding from tax dollars. The result of those increasing regulations is an increase in demand for ethical and certified accountants and financial advisors. The rules created by those governing bodies, need to be interpreted correctly to implement fair and accurate financials. Investors and stakeholders are also inclined to invest in companies that have certified accountants and advisors to prepare and audit their financials. There is more expansion in the accounting industry. Due to the technology advancement, this industry is optimizing it's productivity. Below chart depicts the growth in this industry.


Accounting Services Industry
2021
2022
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Proposed Company

To start up an accounting and financial services business, an LLC (Limited Liability Company) may be the most beneficial. The advantage of forming an LLC is that the owners are protected. A Sole Proprietor has the most liability exposure to the owner and is therefore the riskiest business. A Corporation, on the other hand, has shareholders and the ownership is divided into shares. The amount of shares one owns determines the percentage of ownership. The shareholders, owners of a Corporation, are protected making the corporation fully liable for debts and obligations. However, a Corporation has double taxation in the form of taxes being paid at the corporate level and shareholders level upon receiving dividends. A Corporation can either be an S-Corp or a C-Corp. S-Corp is usually smaller in size with a maximum of 100 shareholders and limited to only common stock. A Partnership can be formed when there are more than 2 individuals. The general partners manage the partnership but are liable for all liabilities and the limited partners are only liable for their capital contribution extension. Partnership tax obligations are passed down to the members to include in their tax returns. After considering the formation possibilities for a start-up business, the most advantageous one would be an LLC. An LLC has the benefit of a partnership whereby the taxation is pass-through to the owners based on their percentage of ownership. The other benefit of an LLC is that the partnership's owners and members are protected because the liability exposure is limited to the LLC.

PESTLE Analysis

Pest analysis is a comprehensive assessment of a business industry. The accounting and financial services industry is a highly regulated industry. Regulatory changes are usually affected by the sitting President and political party. Since the overall industry involves outsiders, investors, and stakeholders are other people's monies, they have to be protected to avoid the

previous collapse of companies. Pest analysis is the external factor that affects a business. Business does not only take into consideration internal factors but also external factors. Internal factors affecting business are controllable and can be modified to reach the business's strategic goal. External factors, however, are uncontrollable events affecting the business. The external factors have to incorporate into the business plan, since they are unmodified, for companies to achieve their business goals.

Table 1

PEST Framework

Political	Economical	Social	Technological	Legal	Environmental
The sitting government may make amendments to rules and regulations	Economic cycle, expansion, and contraction affect this industry	Provide services to clients including low-income neighborhood	Technology is very beneficial to keep abreast and communicate with client	Congress modifies or enacts laws that accountants need to adhere to	Reduce paper and provide most services virtual and electronic

Political

"The motive in the back of regulation has been the protection of the public at large" (Wright 1973). Most businesses got funding from outsiders, investors, or stakeholders which is public. To protect the public from the monies they invested in companies, the government set rules and regulations. Companies that used public monies have to adhere to these rules. With the collapse of large corporations such as Enron and accounting firm Authur Anderson, the Bush Administration enacted the Sarbanes-Oxley Act of 2002 in law. "This law says to honest corporate leaders: your integrity will be recognized and rewarded because the shadow of suspicion will be lifted from good companies that respect the rules. This law says to corporate accountants: the high standards of your profession will be enforced without exception; the auditors will be audited; the accountants will be held to account. This law says to shareholders that the financial information they receive from a company will be true and reliable, for those who deliberately sign their names to deception will be punished. This law says to workers: we will not tolerate reckless practices that artificially drive up stock prices and eventually destroy the companies, the pensions, and your jobs. And this law says to every American: there will not be a different ethical standard for corporate America than the standard that applies to everyone else. The honesty you expect in your small businesses, or in your workplaces, in your community or your home, will be expected and enforced in every corporate suite in this country" (Holt, 2007). The US has additional governing bodies, such as the AICPA and PCAOB that respectively applies to private and public companies auditing. In addition, Congress passed the Dodd-Frank Act in response to a financial crisis in 2007-2008. During the Trump Administration part of this Act was repealed to lift some of the requirements companies had to comply with. And most recently, the Biden Administration repealed a few changes that were made by the

Trump Administration. This is to show that the accounting and financial services industries are heavily affected by Politics.

Economical

The accounting and financial services industry is affected by economical events. Accounting and financial events are measured in monetary. Depending on the cycle of the economy, there can be monetary expansion or contraction. At the peak of an economy, the government will implement a monetary contraction to dampen the economy. During an economic through, the government can implement monetary expansion by injecting cash through purchases of securities and lowering the interest rate. These economic cycles have an impact on business because of the fluctuation of interest rates, unemployment, prices, and the value of the currency. Business activities can shrink during an economic cycle of thorough, recessions. During a peak economic cycle, businesses can outperform. Accountants and financial advisors need to understand the economic cycle in order the understand the business behavior to make good judgments.

Social

The social impact on the accounting and financial services industry is large. Accounting and financial services should protect and create value. Accounting and financial services do not only provide services for a large corporations but can provide services to small companies and individuals. Small companies can be companies that are struggling or companies in low-income neighborhoods. Small companies are not only valued by the amount of revenue but also by the number of employees. Tax services can be provided for personal income taxes regardless of their income.

Technological

The accounting and financing industry need to be technology savvy. Most Accountants and Financial Advisors use software to generate reports or statements. To be efficient and effective, updated and user-friendly software and networking need to be used. Most of the services and documentation are electronic. To be compliant with regulations, most financial information needs to archive for 5 to 7 years.

Legal

Since the accounting and financial service industry is heavily involved with public monies, all regulations need to be followed to be compliant. Most of the regulations come from Congress and sometimes need attorneys to interpret them for an accountant to implement. Although most accountants and financial advisor tries to be compliant with ethical and regulatory principles, there can be some error and potential lawsuit from clients or stakeholders.

Environmental

With technology, today, most accounting and financial services work is done electronically, and this reduces paper documents. This is very environmentally friendly. The little amount of printing and mailing will be reduced to a minimum which will be extremely beneficial for the environment.

Product/Service Overview

Accounting and financial services provide the opportunities to analyze, influence, evaluate and develop a wide set of business skills for companies. Some of the accounting and financial services that can be provided are preparing tax returns for individuals and businesses, compiling and auditing financial statements for businesses, and providing due diligence on targeted companies. Many other services can be provided such as, but not limited to, assisting with financial projections and making financial decisions for businesses. Although the Covid Pandemic has negatively affected businesses around the world, there has been a great advancement in the Tech industry. Before the Pandemic, the accounting and financial services industry had already enhanced its technology segment. During the Pandemic, most of the services provided by the accounting and financial services industry were offered electronically and virtually. This has been a very effective and efficient way of providing services to clients.

Product (or Service) Description

Accounting and financial services have a wide range of opportunities in providing services. Services can be provided to individuals in the form of preparing individual taxes. Services can also be provided to small businesses in various industries and locations. An entrepreneur or start-up business should start a business with small companies and or individuals. As the business grows and becomes established, it can reach out to larger businesses.

Service 1

When talking about accounting, the first thing that comes to most people's minds is taxes and providing tax services. Technology has advanced a lot in the accounting industry whereby it created multiple tax software for individuals and corporate levels. Providing tax services to individuals and corporations will be one of the services offered by this LLC.

Service 2

Compiling monthly, quarterly, and annual financials for businesses will be another service that will be provided. Compiling financials can be done for small and large companies in various industries. A certified accountant can provide services to businesses in any sector or industry. There are no requirements for an accountant to know the client industry forehand. Upon accepting a client, an accountant can educate him- or herself and learn the accounting principles within that industry.

Service 3

Auditing books and records will be another service provided by the LLC. Auditing is not only confirming the numbers on the financials but also understanding the economics behind the numbers. By understanding the economics of the potential client industry, the fluctuations of the numbers can better be interpreted.

Service 4

The uniqueness of this business will be to provide clients with quarterly newsletters. The newsletter will primarily focus on financial regulatory changes. Clients will receive this new letter about their industry including the necessary compliance requirement changes. If there are no regulatory changes within the period, new letters will still be sent to clients for informative purposes. It is important to be engaged with clients so that they are aware of how meaningful they are.

Purpose

The purpose of this business is to assist firms with their compliance, financials, and tax obligations. The accounting and financial services industry is highly regulated by various governing bodies. The law and regulations governing the accounting and financial services industry can be amended by the sitting political party. Keeping abreast with the regulatory changes and applying them to respective clients is decisive and can be overlooked. To avoid this from happening, services will be provided to remain compliant. Services will also be provided to businesses in low-income neighborhoods. Many companies dissolve in low-income neighborhoods, which could be avoided if they had an accountant that knows their business economics.

Significance

This proposed venture will be an LLC. An LLC is beneficial because liability stops at the company level and the LLC does not have tax liabilities. The tax liabilities are pass-through to members of the LLC based on a percentage of ownership. This proposed venture goal is not only to generate profit but also to help companies stay in business and be successful. Successful clients will lead to the growth and expansion of this venture.

Background

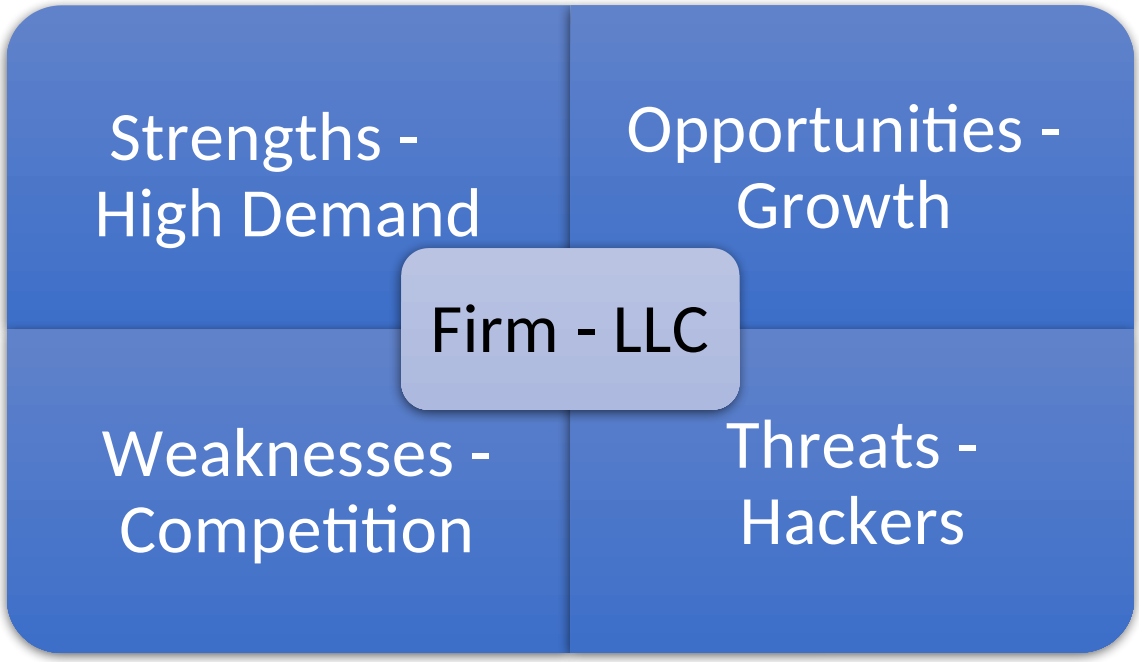
“If we exchange one dollar, we both have one dollar each. But if we exchange one good thought, we both have two good thoughts” (Abraham Lincoln). Generating profits and maximizing stakeholders’ wealth will not be the primary goal. The primary goal will be to provide accounting and financial services to companies and individuals to remain in business and be compliant with the applicable framework of the client industry.

SWOT Analysis

The SWOT analysis applies to many industries including the accounting and financial services industry.

Figure 2

SWOT Analysis



Strengths

The best-case scenario, which is the strength of the accounting and financial services industry, is best explained by Johnson et al (2021). “Certified Public Accountants (CPAs) are in high demand in the United States as growth rates for accountants and auditor positions are projected to increase 10% between 2016 and 2026” (Johnson et al, 2021). Not only was the growing demand for accountants explained by Johnson et al, but also the conclusion that this industry is valuable because of the complexity of the profession. Cordeiro (2020) also explains the close relationship between accounting and finance and the continuous demand for services. “This journey since the 15th century through the field of finance and its twin areas, accounting, and economics, serves to highlight the evolution of the area and comprehensive nature of the

Accounting & Finance Review (RC&F) in receiving and publishing papers on all topics that interest its researchers" (Cordeiro, 2020). It is also important to note that the accounting and financial services industry has grown significantly. "Law firms are increasingly losing ground to accounting firms, banks, actuaries and consultants, according to lawyers, firm administrators, and members of the so-called competition who were interviewed for this article" (Trigoboff, 1995).

Weaknesses

"Because of today's increasingly competitive marketplace and the emergence of more non-CPA businesses providing accounting services, CPA firms face the challenge of providing higher quality products, faster service, and more competitive prices" (Linn, 1994). Competition is the main weakness in the accounting and financial services business. The worst-case scenario is when an accounting and financial services firm is unable to compete and cease business.

Opportunities

The accounting and financial services industry has a lot of opportunities. Not only are there a lot of services that can be provided within the industry, but with technological advancement, this industry can reach various firms and individuals. Technology advancement is also beneficial to keep abreast with current and future accounting principal changes in various industries. Accountants need to know about their client's past, current, and future industry economics. "The future training of future accounting talents should follow the trend of science and technology to cultivate digital accounting talents. Change the concept of accounting talent training. Integrate digital technology into accounting theory. Always remain sensitive and learn to changes in accounting standards, and have proficiency in using digital technology" (Wu, 2022).

Threats

As in all industries, the accounting and financial services industry also has its threats. As technology has advanced within this industry, the biggest threat is the vulnerability of hackers. Since this industry is dealing with client's information, which in most cases is confidential, accounting firms have to secure their client's information. "All of your business systems' users have confidential passwords. Does that mean your system and its contents are safe? Not. As this explains, organizations that don't ensure the ongoing security of their passwords are exposing themselves to fraud and potential liability by failing to protect confidential information" (Leon, 2009).

Porter's Six Forces

The use of a preliminary Porter's six forces analysis should be included. A few sources to add credibility and validity to this concept proposal are warranted and expected. Here is an example of how you might want to depict Porter's six forces, and then a discussion of how it will be applied is warranted.

Table 1

Porter's Six Forces

Competitive Rivalry	**The threat of New Entrant**	**Supplier Power**	**Buyer Power**	**Threat of Substitutes**	**Impact of Complements**
To some degree depends on the client's industry	This applies to this industry	Services provided are of a broad range	Due to competition have to adjust hourly billing	More of a replacement than a substitute	Not applicable in this industry

Competitive Rivalry

The accounting and financial services industry is competitive to some degree. Depending on the client's industry, an accountant has to be knowledgeable of the client's business economics. Some client businesses are complex and the structure can be very complicated. For such a business an experienced and knowledgeable accountant will be needed because of the complexity.

The threat of New Entrants

There are no barriers to entry to the accounting and financial services industry. Therefore, accounting firms are very competitive among themselves. Depending on the pricing and reputation, an accounting firm can easily be replaced.

Supplier Power

To provide accounting and financial services, one has to be knowledgeable and professional. This industry is highly regulated and it is very important to adhere to the law and regulations because there are severe penalties if the rules are not being followed including monetary fines and incarcerated.

Threat of Substitutes

Since the accounting and financial services industry is highly regulated, there is no room for substitutes. All certified accountants have to adhere to the governing bodies because there are severe penalties if the rules are not followed.

Impact of Complements

The impact of complements does not apply to the accounting and financial services industry.

Summary and Approach

The accounting and financial services industry is very competitive in the client industry. Due to the enhancement of technology, a certified accountant can provide services to clients in various industries, especially since the certified accountant has to adhere to the laws and regulations of all governing bodies within the client industry. Clients can now be reached virtually and electronically which avoids previous distance barriers. The accounting and financial services industry comprises many institutions and generates a huge amount of revenue taken as a whole. This industry provides various services within the financial aspect of a business. Overall, this industry has more strengths and opportunities than weaknesses and threats. There is substantial growth and demand within this industry.

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