



# CFO, Controller, and CPA

What's the difference, and when do I need them?



Every business leader envisions guiding their companies through startup and into growth stage efficiently and effectively. As businesses move from startup to growth stage with a proven model and long-term client relationships locked in, leaders focus on reinvesting profits and preparing to scale. All signs point to a promising future.

But how strong is the accounting department?

Accounting isn't typically the face of the company. It doesn't show up in commercials. The sales team doesn't fly them out to presentations to close multimillion-dollar deals. But without a strong accounting team in place, the chances are that financial issues will hamper an organization in the future.

As your company moves through startup and into the growth phase, three accounting professionals will be essential to you at various points in the process. Here, we'll consider how CFOs, controllers, and CPAs will support your business as you grow from a startup into maturity.

In our experience, we've found companies that experience the most success in their accounting departments make timely hires of qualified people who fit their company culture. Sometimes those are in-house hires, and in others, companies outsource these roles. It's all about knowing when and why to hire your accounting professionals.

# DO I NEED TO HIRE A FINANCIAL PROFESSIONAL?

You may still do your accounting or work with a bookkeeper if you're in the startup stage. You may be wondering whether you should bring in outside help at all. Very early in the process of starting your business, it may have made sense to run essential accounting duties.

Your limited budget may have given you no other choice. The chances are that your strengths lie within marketing your business, whether online, by phone, or in person. Any time away from that may be time wasted and running reports can be tedious and time-consuming.

Finance and accounting professionals are highly trained in these duties, just as you are in marketing your business. It may serve you to delegate these duties to an expert while you focus on your own expertise.

You should notice that as you free yourself up from accounting duties and hand them off to an in-house employee or an outsourced professional, your time to grow the business increases exponentially.

If your budget is still not high enough for an in-house controller, consider looking at a fractional (outsourced) controller. We'll discuss those next.

Let's dig into the duties of each of these roles and when you should consider in-house versus outsourced.



# CONTROLLER

Controllers are senior-level executives capable of wide-ranging duties. The controller may be the highest-ranking accountant at small- to medium-sized companies, supervising bookkeepers and junior-level accountants. At larger companies, controllers will often report to the CFO.

Having a controller on hand is a safe and affordable way to maintain checks and balances on your finances as you grow your business.

Let's take a look at their duties to see where they can help:

- Hire, train and manage the accounting department
- Supervise audit preparation and coordinate with external auditors
- Accounting software expertise
- Implementation of internal policies, including tax planning and compliance
- Financial analysis and reporting, to include
  - Balance sheets
  - Income statements
  - Cash flow reports
  - Budgets
  - Financial projections
  - Internal and external financial statements
- Oversee year-end tax planning

A good way to tell that it's time to bring in a controller is when you're fundraising or if your taxes are about to become more complex, as these are two areas where a controller can support you before you grow too quickly. If you're a startup, you may be limited on budget and a six-figure controller salary could be out of the question for you. There is still hope.

# When should you consider a fractional controller?

If you're in the startup stage, you may still be handling the bulk of the accounting yourself or delegating some of it to a bookkeeper. If your budget is limited, and a full-time employee is not in the cards, a fractional controller could assist you with any of the duties listed above at a fraction of the salary of a full-time employee. Regardless of size, your business could likely need help from a fractional controller when:

- You're expanding your business.
- You're struggling with cash flow forecasting
- You're facing an audit.
- Your financial policies and controls need improved or updated.
- You're considering a transition to new accounting software.
- Your accounting staff is overworked.
- You need support during a significant short-term transaction.
- There are interpersonal conflicts amongst your staff.

You'll notice that all of these situations are project-based and require expertise and a steady hand. If your business does not have the budget for a full-time controller but needs the support, these are perfect opportunities to outsource an expert.

If your budget doesn't allow for a full-time controller or you only need support for a short period, a fractional (outsourced) controller may be the best option for you. Pay a fraction of the cost of a full-time controller's salary for an expert to support or train your staff when you bring in a fractional controller.

# CHIEF FINANCIAL OFFICER

If you're hiring a CFO, you're likely in a good position financially. A CFO should possess the steady hand to guide a CEO in the right direction while having the interpersonal skills to manage an accounting department. We divide their core competencies into four categories.

- Planning
- Accounting
- Reporting
- Treasury

## Planning

The planning aspect of the CFO's duties is where they separate themselves from other accountants. CFOs can provide economic forecasting and modeling to make strategic business decisions as you scale. They use historic-looking skills to make effective future-looking decisions. Let's take a closer look at their planning duties:

- Ensure the strategic plan remains financially relevant and achievable based on past, present, and future internal and external environmental factors
- Determine if the company has or can develop the resources to meet the capital requirements of the strategic plan by measuring the impact on debt, capital structure, and cash flow
- Coordinates and analyzes operational plan and budget, assuring that:
  - sales goals remain realistic and update them if necessary
  - the production plan supports sales goals based on past company performance within the capabilities of existing or planned capacity
  - the business expenses of all departments are reasonable, and the company can reach its profit projection
- Coordinates, advises, and facilitates during the planning process



# Accounting

A CFO's capabilities overlap with a controller, as many served as controllers before becoming CFOs. For companies with both a CFO and controller, a CFO will likely delegate day-to-day reporting to controllers and focus on planning and the following:

- Create, implement, and operate financial tracking systems
- Evaluates the internal control environment and provides adequate protection to ensure financial information is accurate, minimizes fraud potential, and establishes sufficient checks and balances
- Ensures that the system provides the tools necessary to maintain financial control and accurately reflects standards established by management, measures actual performance, determines variances, provides relevant trend analysis, meaningful and timely information
- Continually evaluates and upgrades accounting systems for relevant technological changes



## Reporting

CFOs are responsible for providing factual, understandable, relevant, and timely information to their company's stakeholders. Stakeholders may include shareholders, creditors, customers, and regulatory agencies. Some standard reports may consist of:

- Cash and cash flow forecast
- Objectives and Key Performance Indicators
- Risks Reporting
- Sales Forecast or Pipeline
- Consolidated & Segmented P&L, Balance sheet, and historical cash flow
- Product/sales mix & concentration
- Segmented gross margin/contribution
- Customer behavior
- Internal Productivity

By providing a wide range of historic-looking reporting, they can support future-looking projections that they present in meetings with management and stakeholders.



# Treasury

Treasury is where your CFO actually "touches" the money. A good CFO knows precisely how much money you have and if and when you need more of it. Moreover, they know how to get more of it.

- Special project support: Ongoing forecasting, budgeting, and budget reconciliations
- Preparing the business for an exit, merger, or acquisition
- Raising capital
- Growth management
- Financial Planning
- Leadership and Staff Training
- Audit support



Fractional CFOs will typically work directly with controllers and the accounting staff. While they can be made available for a variety of projects, they can also be brought in to mentor existing staff.

Let's move to our final accounting expert that will be crucial to your growth.



## WHEN SHOULD YOU CONSIDER A FRACTIONAL CFO?

A CFO can lay the foundation of your company's future financial success as you begin to scale. If an employee in your accounting department does not have the skills to offer these and you don't have the budget to hire a full-time CFO, a fractional CFO could be the ticket. A fractional CFO will provide:

- Special project support: Ongoing forecasting, budgeting, and budget reconciliations
- Preparing the business for an exit, merger, or acquisition
- Raising capital
- Growth management
- Financial Planning
- Leadership and Staff Training
- Audit support

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# CPA (CERTIFIED PUBLIC ACCOUNTANT)

A CPA (certified public accountant) is an independent resource who will work with your CFO and controller. While their capabilities overlap with controllers and CFOs, their duties are to support them. A CPA must not be a member of your company unless they provide essential services such as a compilation of its financial statements. Typical services are as follows:



## **TAX SERVICES:**

Preparing and filing federal, state, and local tax returns and strategizing to minimize tax obligations. A CPA firm can represent its clients in an IRS audit or answer questions by state and local tax authorities.



## **AUDIT/ASSURANCE SERVICES:**

Provide an independent auditor's report to ensure interested third parties' integrity of the financial statements according to generally accepted accounting principles (GAAP).



## **BUSINESS CONSULTING:**

A customized engagement which varies based on staff and partner involvement.

## WHEN SHOULD YOU WORK WITH A CPA?

A scaling company should consider working with a CPA when preparing financial statements or taxes if its staff is not qualified to prepare them. A CPA has the added qualification of representing a client in audit-related issues, whereas a controller cannot do so.



## CPA VS CONTROLLER VS CFO

There is overlap in each of these positions, and as you scale your business, you may be fortunate enough to work with all three. The most common scenario is that a company will hire a controller first to handle its day-to-day reporting. From the beginning, it would consult with a CPA for tax preparation and financial statements if necessary. Then as the cash is in place and the company is scaling, it will hire a CFO.

Controllers are operations and reporting experts who can often manage an accounting department at smaller businesses. CFOs are experts in using historic-looking data to make educated future-looking decisions. CPAs are tax and accounting experts who come with the added benefit of representing their customers in front of the IRS in a worst-case scenario.



Once businesses make it out of the startup stage and scale towards maturity, they will need experts who share these skills. As you consider whether to hire a new financial executive, ask yourself these questions:

- Will it increase the value of my time?
- Will it improve the value of the information I receive from my accounting department?
- Will I gain a better understanding of the financial aspects of my business?
- Will I gain a better understanding of the operational aspects of my business?
- Will I establish a more valid and achievable business plan and financial model?
- Will this help to secure our future?

Since its founding in 2005, Florida-based Nperspective CFO & Strategic Services has placed fractional CPAs, controllers, and CFOs with companies like yours.

Our expert leadership team has a wide range of experience, including finance & accounting, taxation, information systems, and more.

If you'd like us to help you make an informed decision about when it may be time to hire a financial expert, call us at 407.679.7600 or visit [www.nperspective.com](http://www.nperspective.com)