

# Nagel on Finances: Good Accounting Does Matter

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BY ROGER NAGEL  
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Accountants often have a unique, if not peculiar, sense of humor. Read Jim Hamill's weekly tax article in the Albuquerque Journal Business Outlook each Monday, and you will see what I mean.

I am no different.

My humor was aroused recently while attending a private meeting of nine small business owners. Each member has a passion for applied faith-based leadership. Each meeting has a brief pre- and post-homework assignment and a structured time for analyzing the results. Most importantly, we offer one member per month to "Spotlight" their company. It provides that member an opportunity to explore problems and opportunities with colleagues for their counsel.



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The dues are not cheap. The time commitment is not small. But the "Spotlight" offers a sizable return on investment for the owner and his counselors.

In this particular meeting, the counselors were analyzing the past five years of operating data from historical P & L's. Halfway through the discussion, the passion was overflowing and it was hard for the owner to answer all the questions in an orderly manner. And, they were thoughtful, beneficial questions with an ever-increasing value. A breakthrough for future success was bound to surface soon.

I kept quiet and just smiled until the moderator asked why I had such an ornery look on my face.

Half chuckling, my answer was simple. I had never experienced such a passionate display of creative thoughtfulness coming from a group of non-accountants who were dissecting years of income statements. My answer was, "See, good accounting does matter."

Five years ago I was asked to list the top 10 reasons why small business owners tolerate bad books.

At the time, I concluded the number-one reason was because those small business owners never had the benefit of “good books.”

Here’s a few examples of the benefit of good books, in the manner of very direct questions:

- Do your financial statements provide accurate and verifiable evidence of trends in profitability and cash flow?
- Are they fact or fiction? How can you know?
- Do you have sufficient capital now to grow at the rate you desire?
- How does your monthly income statement reflect which operating decisions are working or not?
- Are your results above or below market averages in your industry?
- What product or service offers the highest margin? The lowest?

If you cannot defend your answers to these questions in front of a panel of peers, then maybe it is time to change your perspective.

Ask yourself if you know how to read your own company’s financials and interpret what they say about your activity.

Be honest. Most small business owners have no such training.

Do your staff accountants have the skill and experience to bridge that gap for you? Have you ever asked?

Do you restrict your independent CPAs to serve only in compliance work to file tax returns? Have you asked them what advice they may have to offer?

If you know intuitively that good accounting does matter, but your specific accounting doesn’t, then take action soon. Before it’s too late.

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