



Institut Libanais de Développement Économique & Social
Lebanese Institute for Economic & Social Development

Etude financée par l'Union Européenne
Study financed by the European Union

Accounting Firm (office)

Feasibility study prepared by:
Rachid Awad, accounting and finance.

June 2001- Jal el Dib - Lebanon

Table of contents

Summary	2
1- Description of the project	3
1-1 Description of the services offered	
2-2 Possible service evolution	
2- Market analysis	3
2-1 Industry analysis and trends	
2-2 Competition	
2-3 Market opportunities and risks	
2-4 Target market	4
3- Description of the service delivery	4
3-1 Human resources	
3-2 The physical resources and equipment	5
3-3 Cost of fixed equipment	
3-4 Variable and fixed costs	6
3-5 Timing flexibility	
3-6 Business location	
4- Marketing and sales techniques	6
4-1 Marketing	
4-2 Pricing	
5- Financial plan	7
5-1 Initial capital and loan requirements	
5-2 Loan repayment schedule	
5-3 Projected income statement	
5-4 Projected balance sheet	8
5-5 Projected cash flows	
5-6 Break-even analysis	
5-7 Sensitivity analysis	9
6- Key success factors and recommendations	9

The points of view expressed in this study reflect the author opinion.

Summary

After the end of the twentieth century and the departure of a new century, globalization has become the major trend in most nations of the world. One of the main components of globalization is fair competition. And this fair competition could not be realized without transparent exchange of information among all parties. Here, comes the role of accounting that assures the market participants of having accurate and transparent information.

As it is implied above, this study presents an analysis of the project of establishing an accounting office or firm in the developing areas of Lebanon.

The borrower who will implement this project will perform the normal accounting functions such as studying the financial statements of client firms, testing their accuracy and checking their conformity to the local and international accounting standards.

Moreover, the current fiscal reform that the government is planning represents a great opportunity for the borrower to benefit from. This reform requires taxpayers who did not pay their taxes before to declare about their profits now. Therefore, these taxpayers now require accountants to help them meet their tax obligations by adopting proper accounting policies and procedures.

This project requires a certain level of fixed-cost equipment to be made initially. But, the variable costs to be incurred are negligible. This allows the borrower to accelerate the pace of his/her profits with the volume of business he/she undertakes.

In our analysis, the applicant needs to be a holder of a university degree in business administration or accounting and enrolled at the syndicate of accounting experts in Lebanon. Moreover, another family member is required to perform secretary work. There is no need for additional employees in the office.

According to the analysis that will be detailed later, the project will realize annual profits of 6 607 \$US in the first year then 9 476 \$US in the second year. And, the pace of profits increases later to reach 15 965 \$US in the fifth year when the depreciation expense of fixed equipment decreases.

Moreover, the applicant can enhance his/her revenues by conducting additional activities like establishing a tax file and a credit file for his/her clients. Other activities would be to help the clients registering themselves at the commercial and regulatory bodies.