Engagement to Invoicing

- Start to the End, with other processes



Topics Covered →

- Engagement letter
- Practice Ignition
- Compilation
- XPM invoicing & Xero reconciliation & XPM reporting
- Trust Account & Preparing Authorities
- Ethical letter

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ENGAGEMENT LETTER

An engagement letter refers to a legal document that defines the relationship between a business providing professional services and its clients.

Engagement letters set the terms of the agreement between two parties and include details such as the scope, fees, and responsibilities, among others.

Some of the benefits of engagement letters are that they are legally binding documents, they reduce misunderstandings, and they set clear expectations.

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Does an Engagement letter and a Contract are same?

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Contract is a Fixed agreement proposed before starting any work or services to the client, say providing accounting services.

Whereas in engagements, once getting into contracts, the accounting firms will create the engagements for a specific period (say a quarter, FY etc.), stating the services they are going to provide, with respective charges they impose.

As this service may vary based on occasions, it is better to create separate engagements for the said specific period.

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How this Engagement Letter can be prepared?

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As the technology now-a-days is improving, the practice of preparing engagement letters as a written document, has now been upgraded to create the engagements through different types of software.

An engagement letter management software helps to save the hours of work, that it would take creating content for the engagement letter and get the letter signed by both parties in a simpler way.

One among the all the engagement softwares is: The **PRACTICE IGNITION**

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PRACTICE IGNITION

Practice Ignition is one of the early tools designed to help accounting professionals. It offers predesigned flow to create engagement letter, attach company brochure, with fees and signatures without needing any other tool.

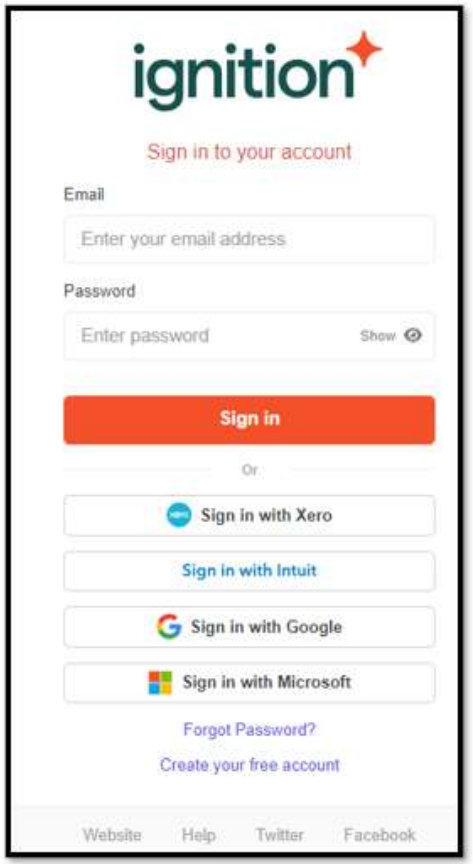
We can integrate payment gateway in this tool to collect payments from the client.

We have multiple options to collect payment e.g., fixed, recurring monthly or yearly.

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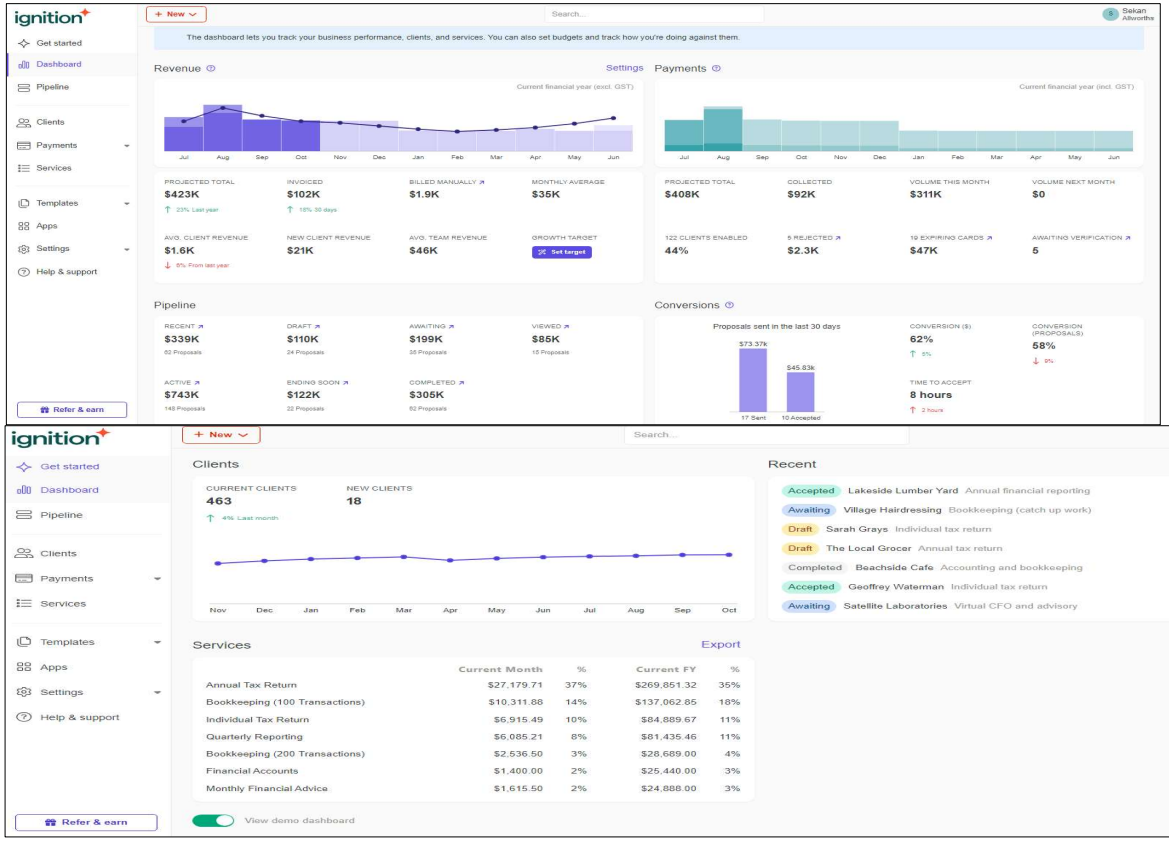
As this software is being used to create the engagements, we, should first create a Template – so as to use it on times when we are about to create new engagement and there is no need to create a new template, whenever we are starting a new engagement.

So now let's see, how to create the templates in PI.



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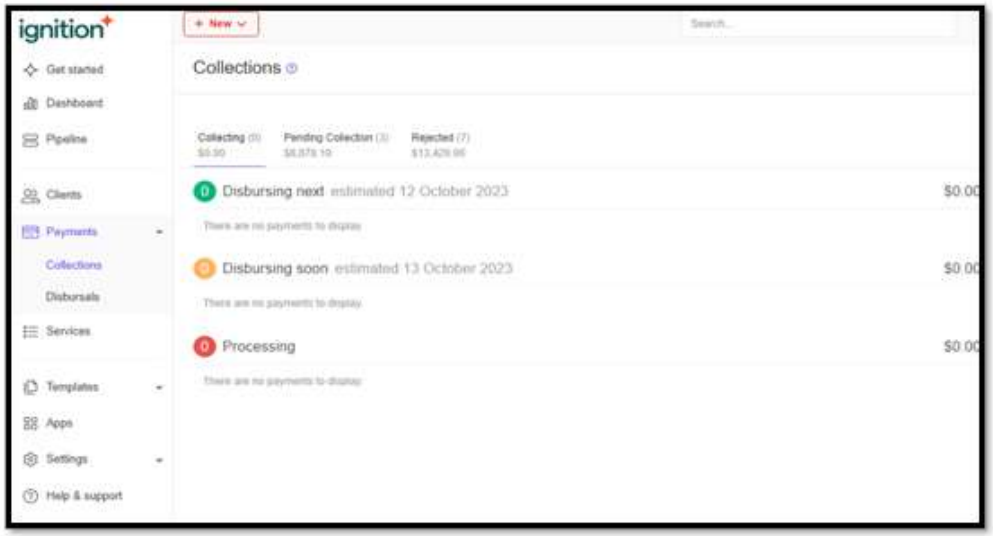
Ignition Dashboard



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Payments – Collections & Disbursals Tab





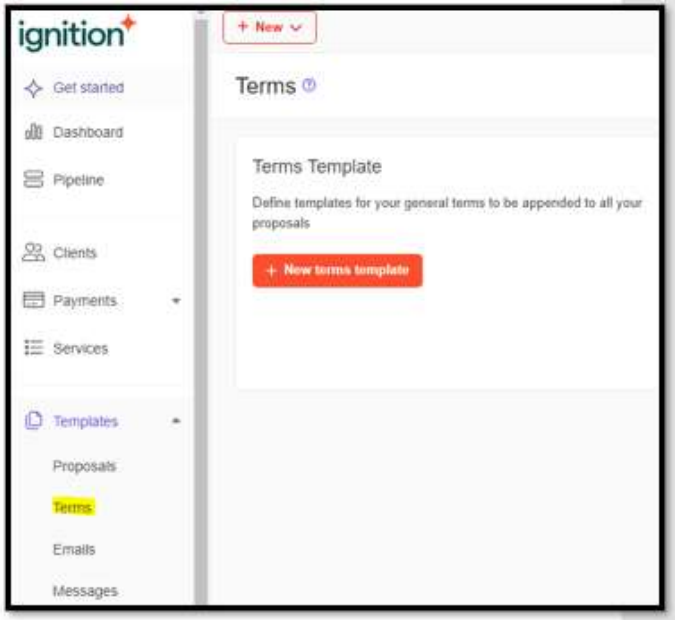
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How to create engagements in PI

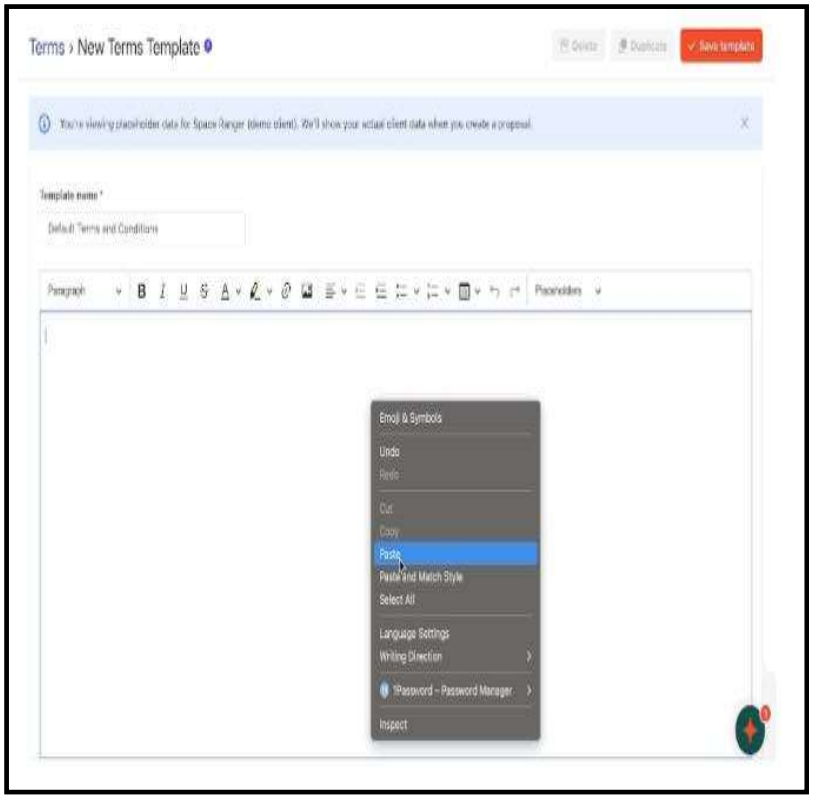
1).Create a Template

- To add a new template, navigate to Templates → Terms and click New Terms Template.
- Name your terms template. This template name will not be visible to the clients. It's simply for our reference only.



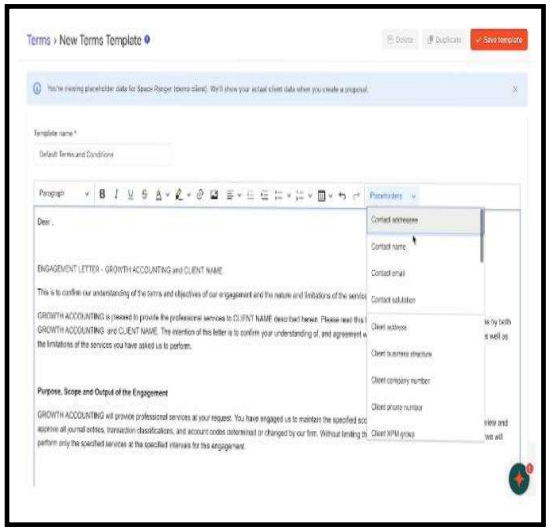
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- Next, type or place your terms template/engagement letter into the content field.

- Click **Placeholders** and select the placeholder you wish to use to insert it. We can also select the placeholder and copy and paste this if we need to use it multiple times.



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Click to add title

2). Set or Change the Default Terms Template

If we have several terms templates, we can elect to make one our default from the dropdown at the right of the Terms page.

This terms template will then be selected by default on your proposals, but we can change this when we create a proposal on the Terms Tab of a new proposal.



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Engagement Letter – With a real time example

i. Go to Dashboard → +New → Proposal
ii. Here, our created templates will be showed. Select the respective template. The selected template will be previewed aside. Then go to Use Template at top right corner.
iii. Now fill the details in the General (1) tab.
iv. Under services tab (2) click the needed service that has to be used.
v. Now select the type of service – Recurring / One-off / Deposit. Here:

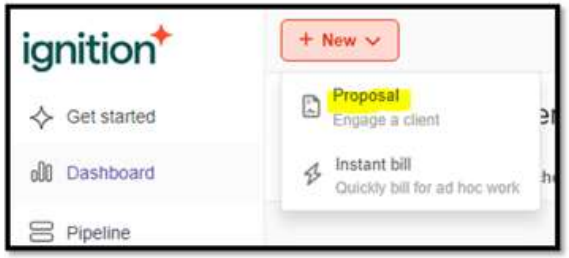
- Recurring – For BAS jobs
- One-off (On completion) – For Individuals
- Deposit – For Entities, funds and trusts

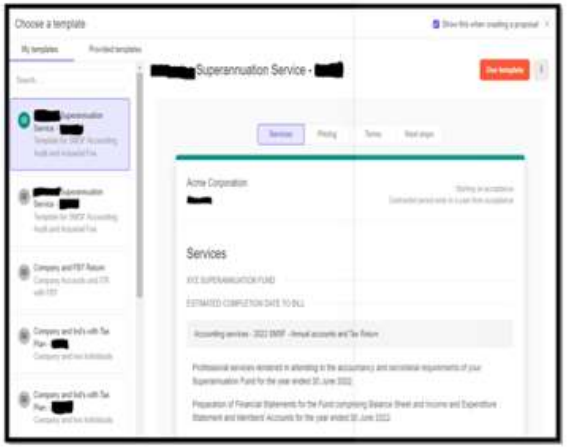
vi. Once selecting the service, enter the amount, that has given from the budget sheet, or any other source given by the client.
vii. Then, fill the details in Tab (3 - Payments) & (4 – Terms)
viii. Now, in Automation tab (5), enter the details with the respective client's provided information, which includes:

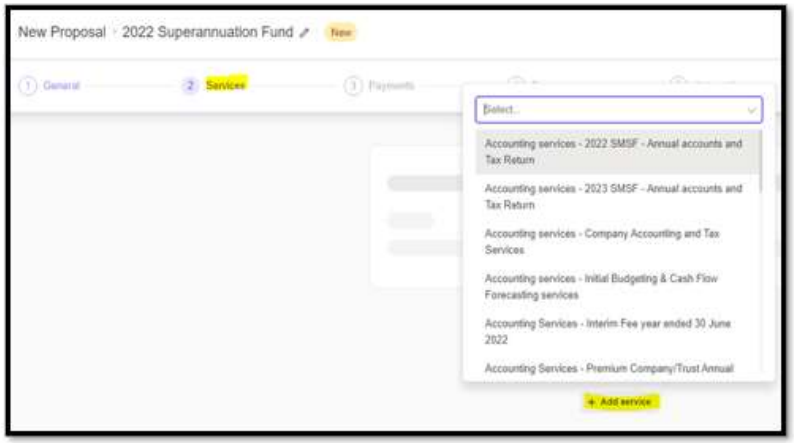
- Billings by
- Name of the job
- Description
- Recurrence
- Billing option

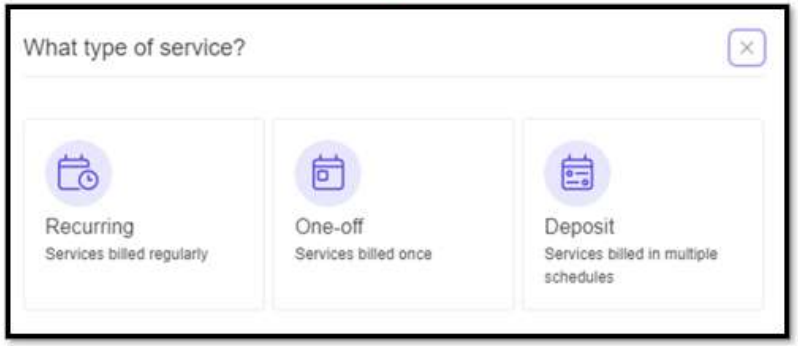
ix. Now, in Presentation tab (9) Click on the needed Message template and fill the Pricing page option, as per client's instructions
x. Then at last, Send (7) the prepared engagement to the client or Save & Close at top right corner to keep as a draft, to review.

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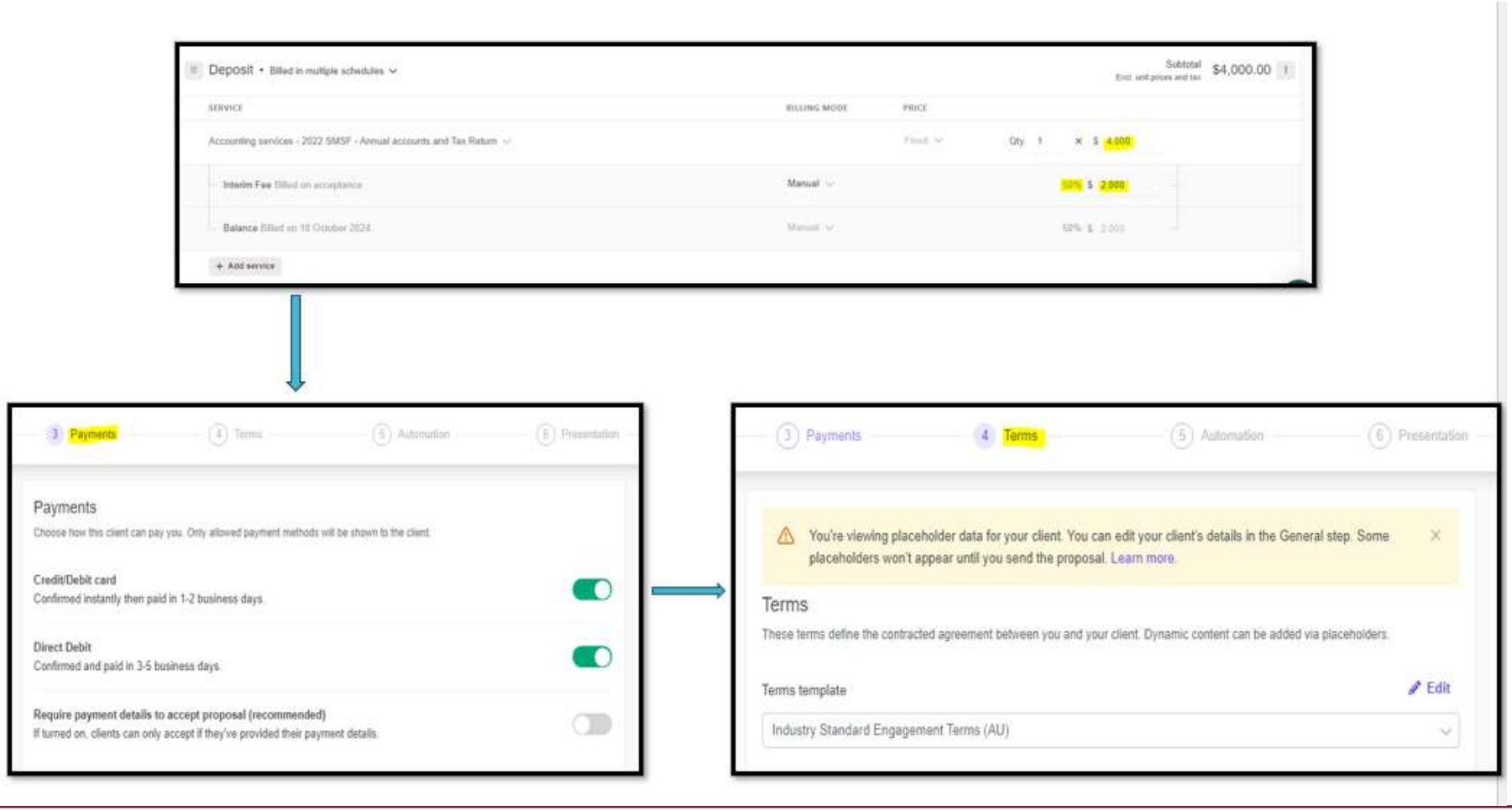






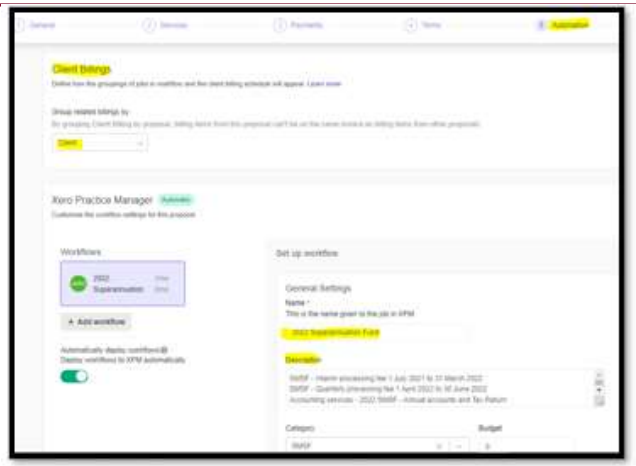
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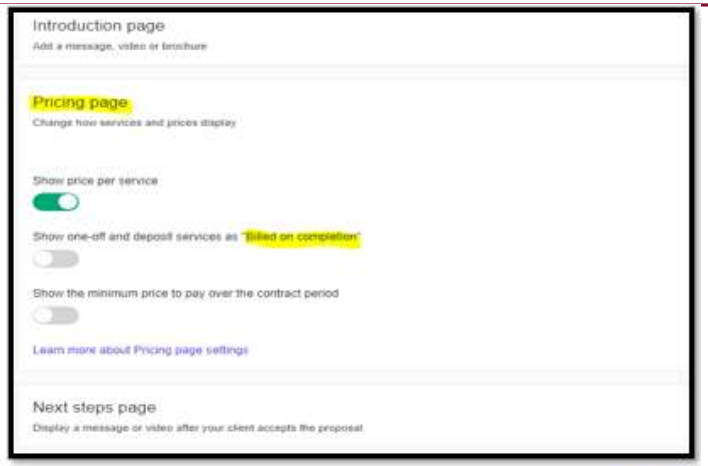
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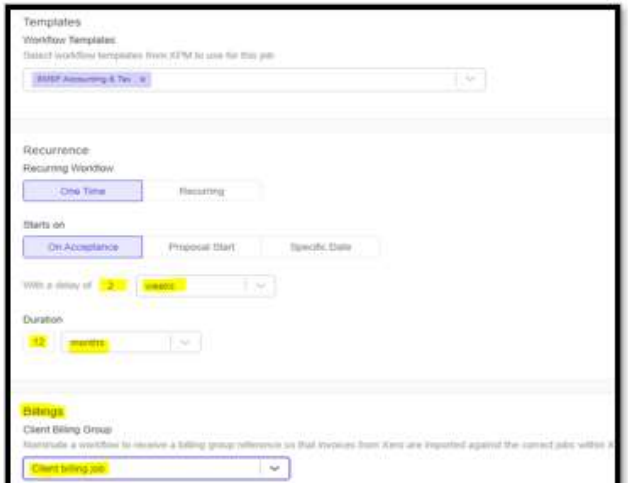


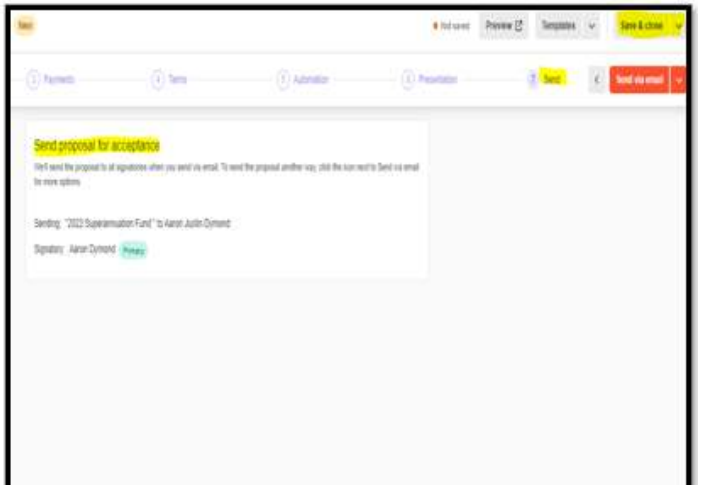
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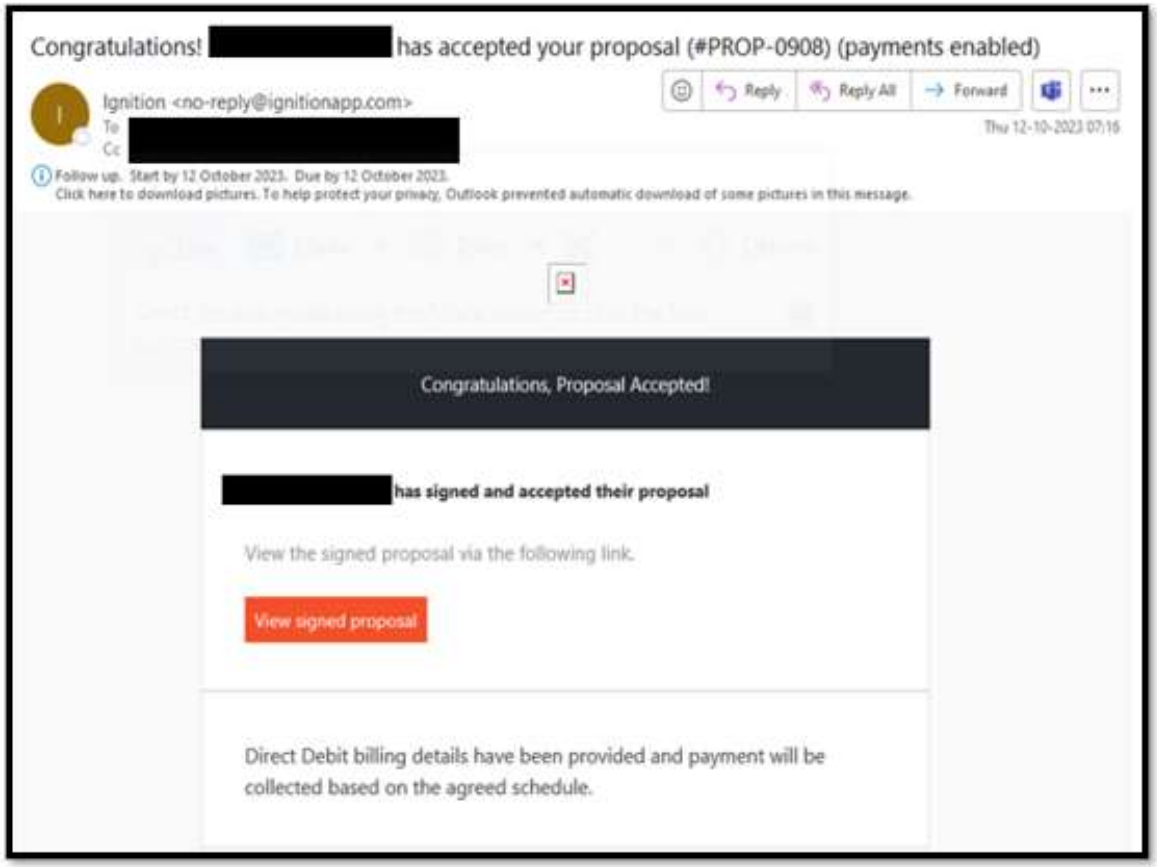




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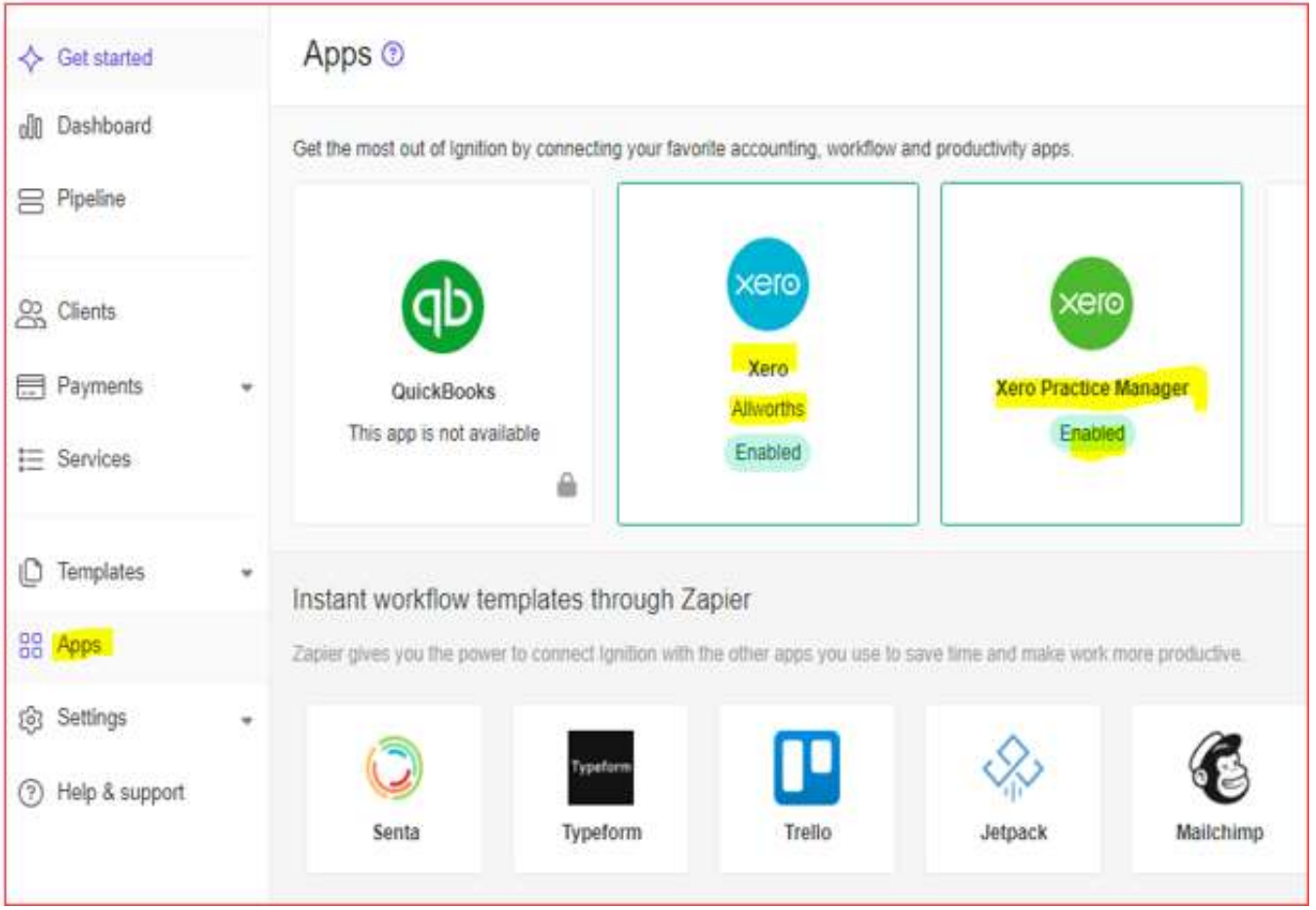
Sample copy for an Accepted PI Proposal by client



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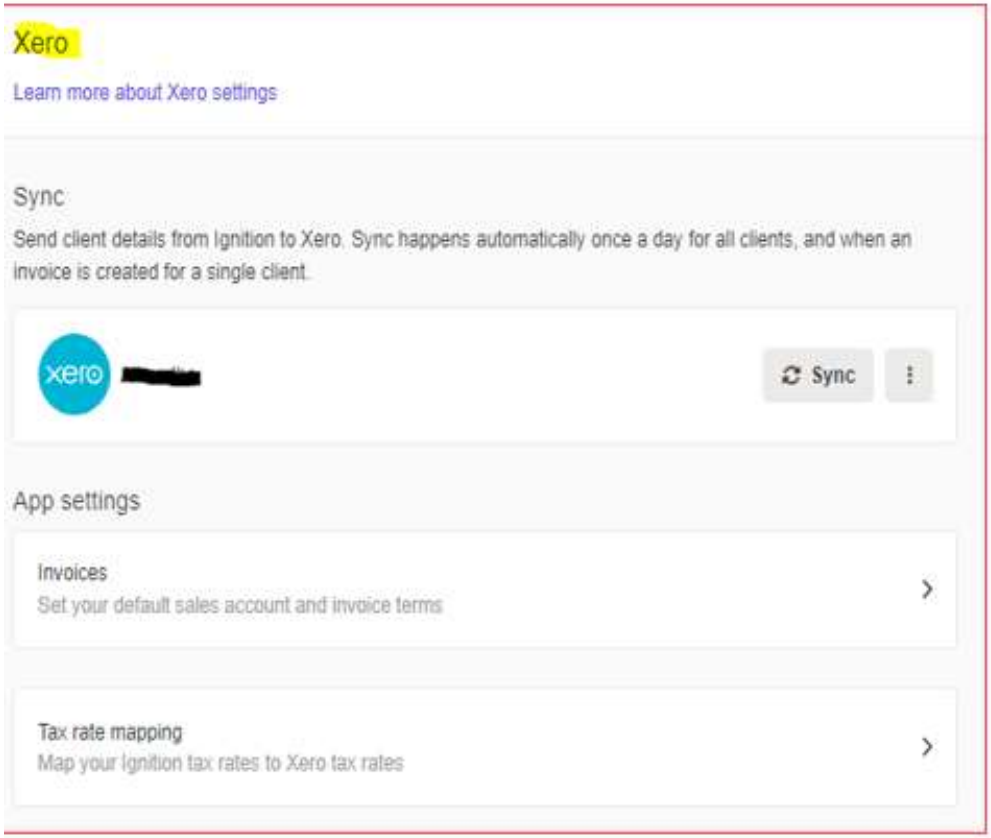
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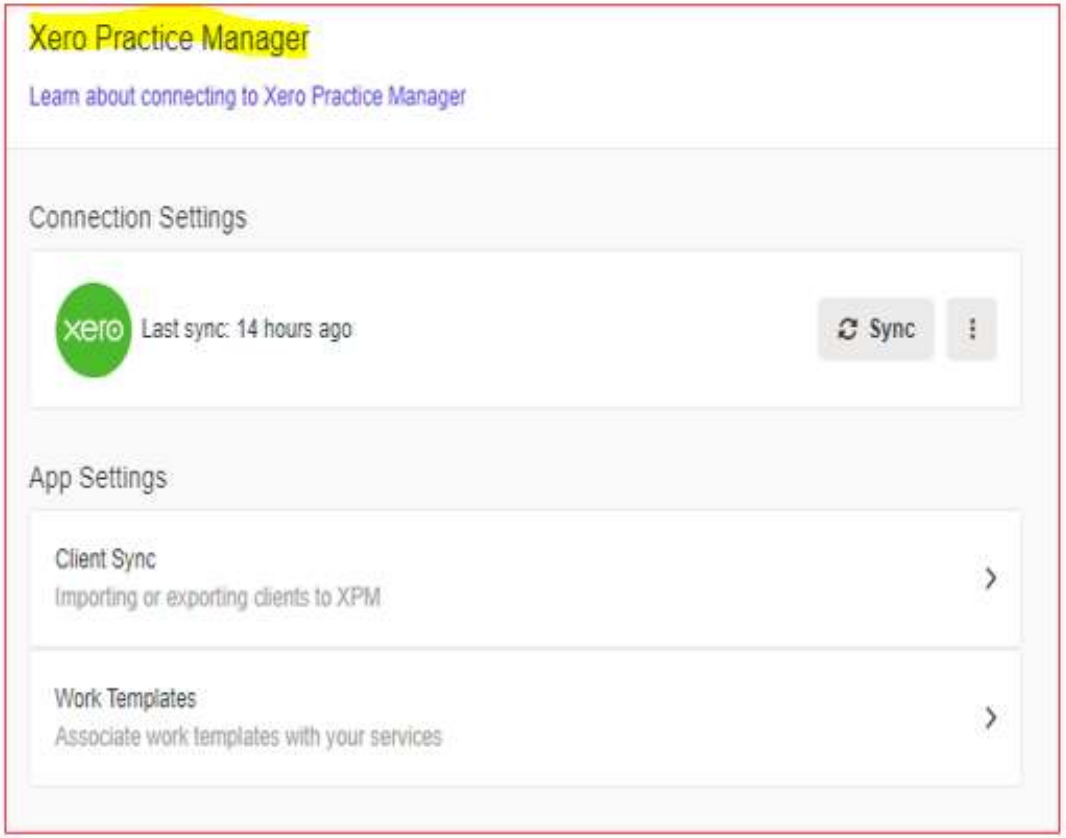
Integrations



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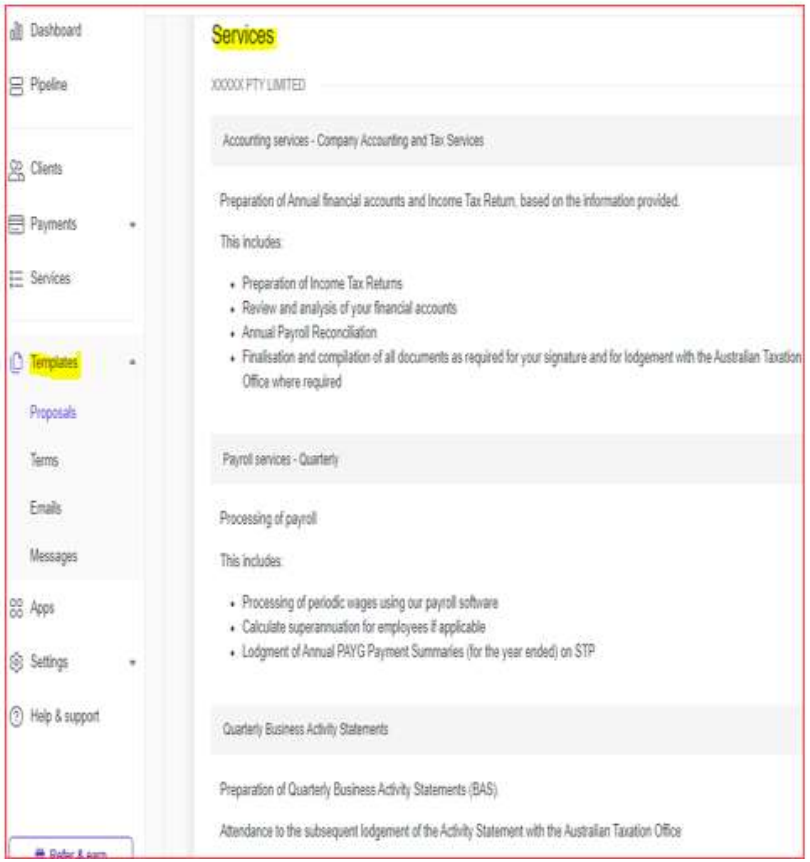


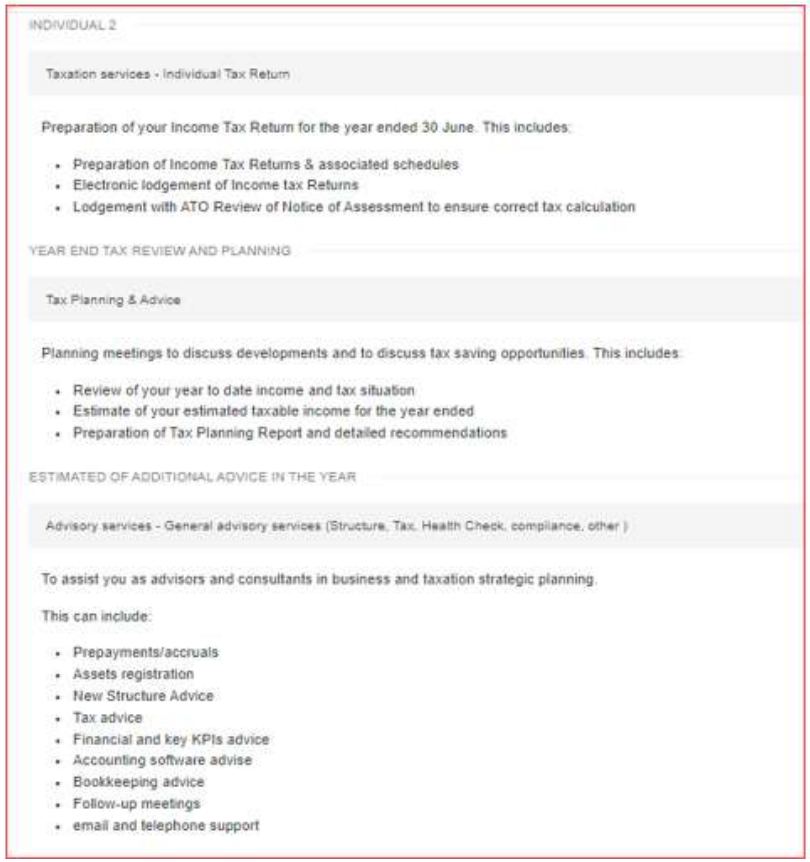


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Sample Templates





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Why Practice Ignition

- Ignition makes it simple to sell, bill and get paid for the services – all in one place.
- The way it streamlines the process of engaging clients, creating jobs in XPM, invoicing in Xero and collecting payments has reduced the complications.
- It reduce the manual working time and let us to chase new business and improve processes.
- Payments are received in a timely manner due to inbuilt Direct Debit option.
- Xero or QuickBooks Online + Ignition = automated accounts receivable processing. It all starts when your proposal is accepted. Ignition creates invoices in your ledger software, marks them as paid when it collects payments for you, and speeds up invoice reconciliation.

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6 best engagement letter software in 2022

1. *Fresh Proposals*
2. *Practice Ignition*
3. *Pandadoc*
4. *Docsend*
5. *Proposify*
6. *Qwilr*

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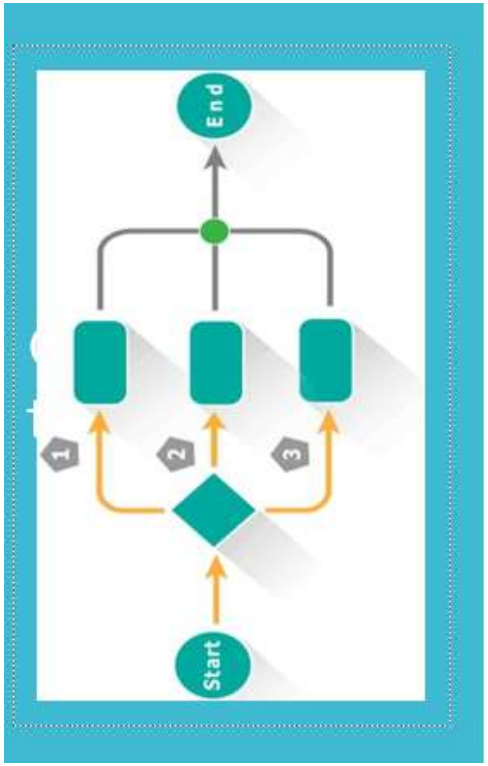


COMPILATION

As the word suggests, the word compilation means, to "compile" – to collect and arrange the given set of data or documents.

Being an accountant, we will be compiling the documents that were being given by our clients or will also compile those documents prepared by us, to arrange and send them for signing to the respective directors or partners to sign the compiled documents – say, documents related to Tax return.

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Format of a Compilation

We do have a proper format to compile the set of documents, as below, which includes:

1. **Cover page** – shows the respective entity's name with the Financial Year
2. **20xx Work completion letter** – includes the Financial Year dates, summary of outcome, tax position of the group, copy of tax summary from work papers
3. **XYZ Company or Trust Annual Accounts**
4. **20xx Annual Company Minutes or Trust Distribution Minutes**

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Copies of

5. XYZ **Company** Or **Trust** 20xx **Tax Return**
6. XYZ **Individual-1 ITR** 20xx
7. XYZ **Individual-2 ITR** 20xx

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So once completing the compilation of documents, we will be adding/inserting these documents to E-signing Softwares, to send them to our end clients, so that they will check, review and sign the documents, to make them authorized.

And this e-signing process is done using softwares like Fuse Sign, Docusign, Dropbox, Adobe Acrobat Reader DC etc.

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Ofcourse the next step will be, accomplishing the works to be done as per the engagement. Also, we, as the service provider, will raise the Invoices to our clients as well.

This process can be done through XPM & Xero.

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XPM

→ Helps to raise invoices for the services done, that has to be charged to the clients

→ Helps to post all the time, that have taken to complete the work, to keep a track and record of all the works that has been done, in the respective employees & Client's contacts, under specified jobs.

Xero

→ Can have the record of every of the amounts receiving to our Bank accounts, that has been receiving from our clients, through the above invoices, that has been raised from XPM

→ Can reconcile the amounts with Bank & Xero

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XPM invoicing
&
Xero reconciliation

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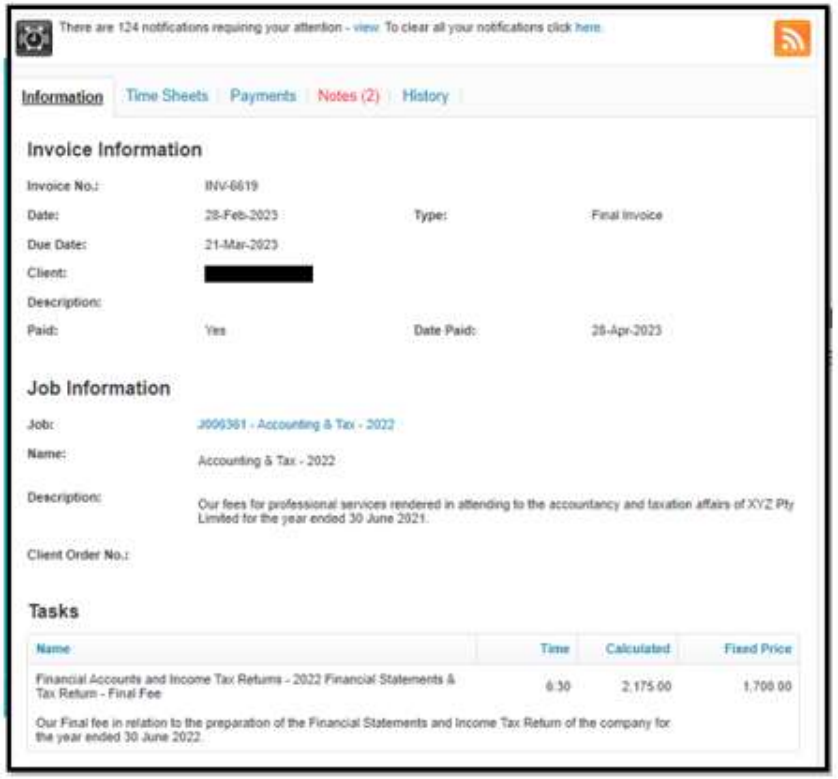
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Following slides will helps us to reconcile and compare the invoices raised from XPM vs the imported invoices to Xero.

This helps us to keep a record, so that we can have a check, whether every invoices are correctly received and maintained.

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Sample for an invoice raised from XPM with detailed description.



There are 124 notifications requiring your attention - view. To clear all your notifications click here.

Information | Time Sheets | Payments | Notes (2) | History

Invoice Information

Invoice No.:	INV-6619		
Date:	28-Feb-2023	Type:	Final Invoice
Due Date:	21-Mar-2023		
Client:	[redacted]		
Description:			
Paid:	Yes	Date Paid:	28-Apr-2023

Job Information

Job:	J006361 - Accounting & Tax - 2022
Name:	Accounting & Tax - 2022
Description:	Our fees for professional services rendered in attending to the accountancy and taxation affairs of XYZ Pty Limited for the year ended 30 June 2021.
Client Order No.:	

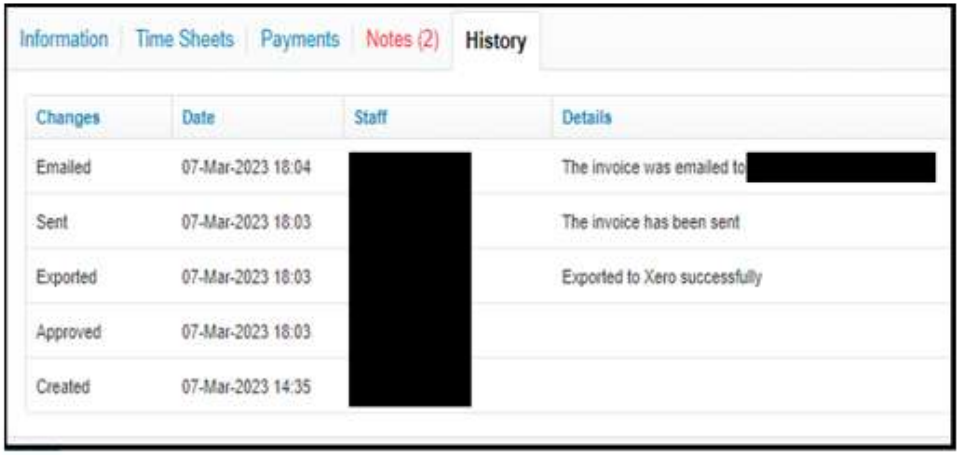
Tasks

Name	Time	Calculated	Fixed Price
Financial Accounts and Income Tax Returns - 2022 Financial Statements & Tax Return - Final Fee	6:30	2,175.00	1,700.00
Our Final fee in relation to the preparation of the Financial Statements and Income Tax Return of the company for the year ended 30 June 2022.			

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History tab of the invoice in XPM

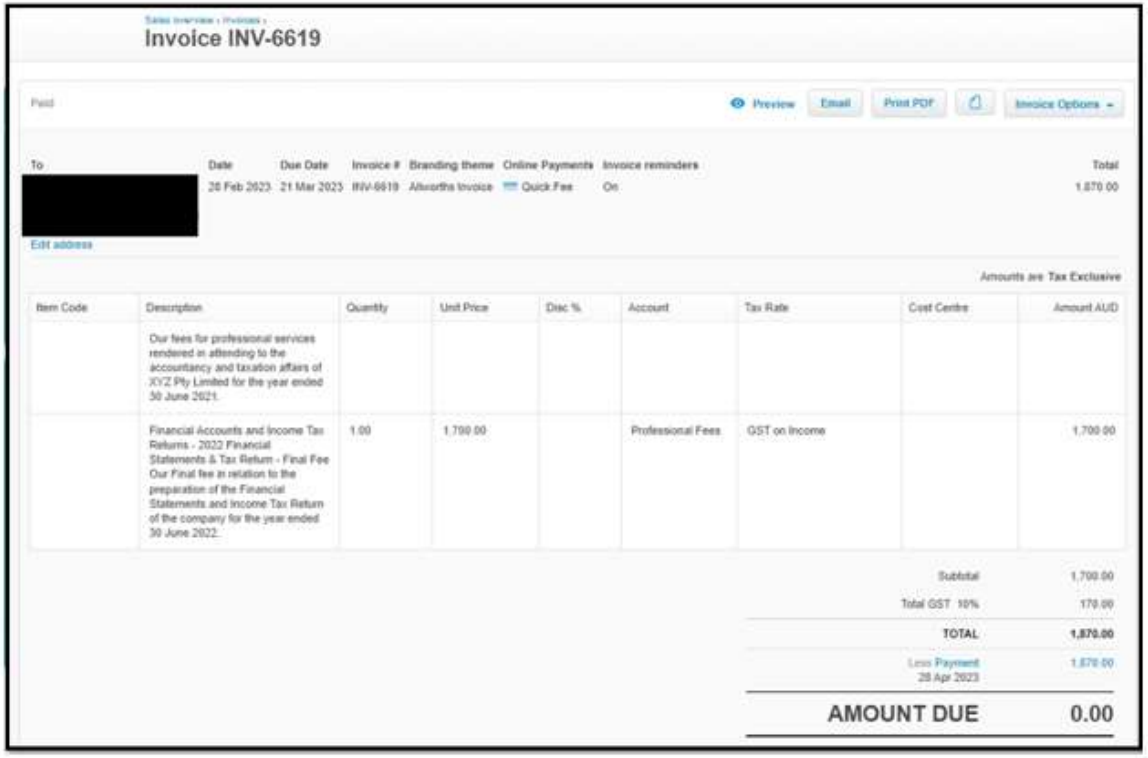
Here, we can see the specified details on the creation of the invoice, in **Changes** column.



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Copy of the same invoice imported to Xero



Invoice INV-6619

Paid

Preview | Email | Print PDF | Invoice Options

To	Date	Due Date	Invoice #	Branding theme	Online Payments	Invoice reminders	Total
[redacted]	28 Feb 2023	21 Mar 2023	INV-6619	Allworths Invoice	Quick Fee	On	1,870.00

Edit address

Amounts are Tax Exclusive

Item Code	Description	Quantity	Unit Price	Disc %	Account	Tax Rate	Cost Centre	Amount AUD
	Our fees for professional services rendered in attending to the accountancy and taxation affairs of XYZ Pty Limited for the year ended 30 June 2021.							
	Financial Accounts and Income Tax Returns - 2022 Financial Statements & Tax Return - Final Fee Our Final fee in relation to the preparation of the Financial Statements and Income Tax Return of the company for the year ended 30 June 2022.	1.00	1,700.00		Professional Fees	GST on Income		1,700.00

Subtotal	1,700.00
Total GST 10%	170.00
TOTAL	1,870.00
Less Payment 28 Apr 2023	1,870.00
AMOUNT DUE	**0.00**

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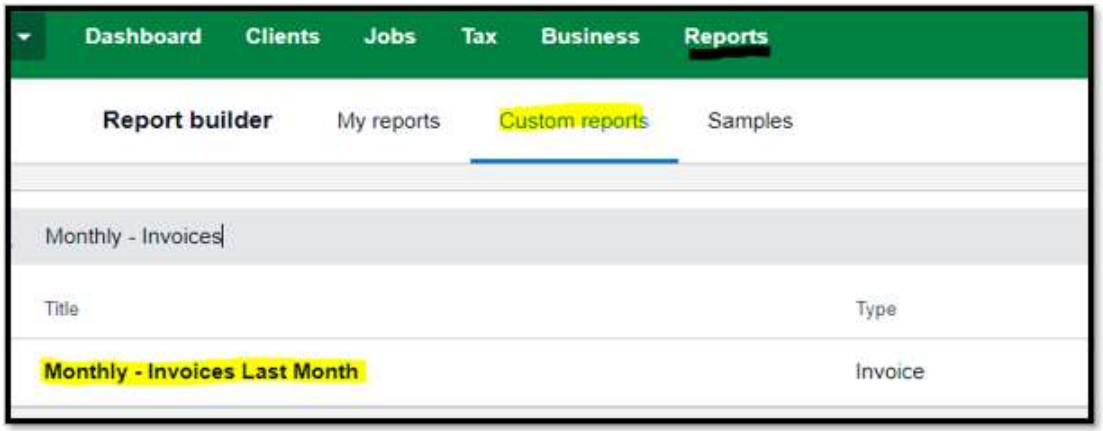
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Extracting reports for reconciliation process

Now let us see, how to reconcile Xero and XPM invoices.

Go to XPM → Reports → Custom reports → Monthly – Invoices last Month

Note: Below is a snap from a client's software – created and saved manually to take the invoices list

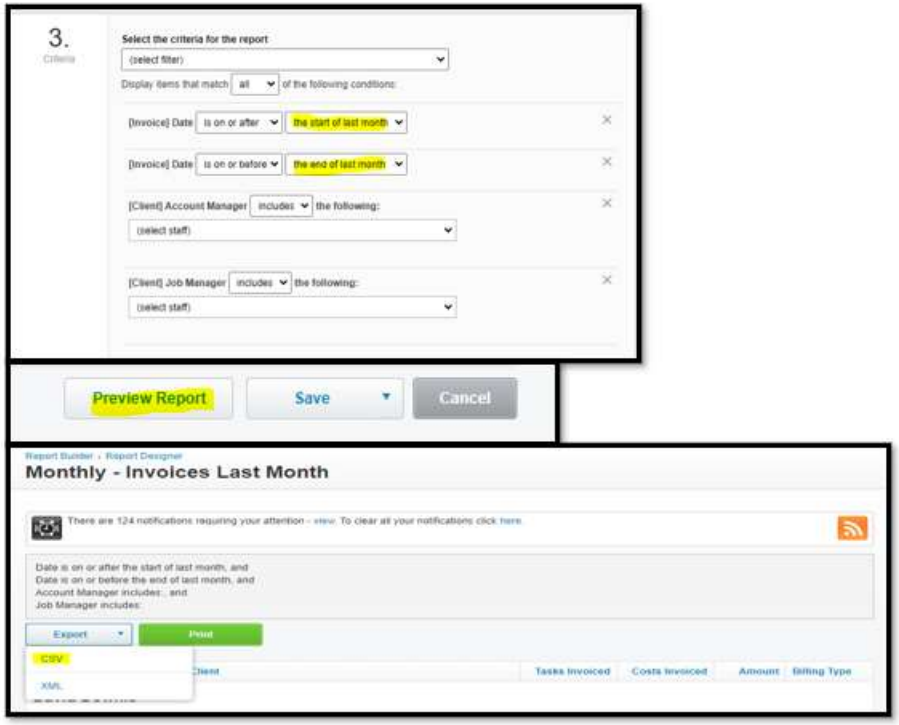


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Click to add title

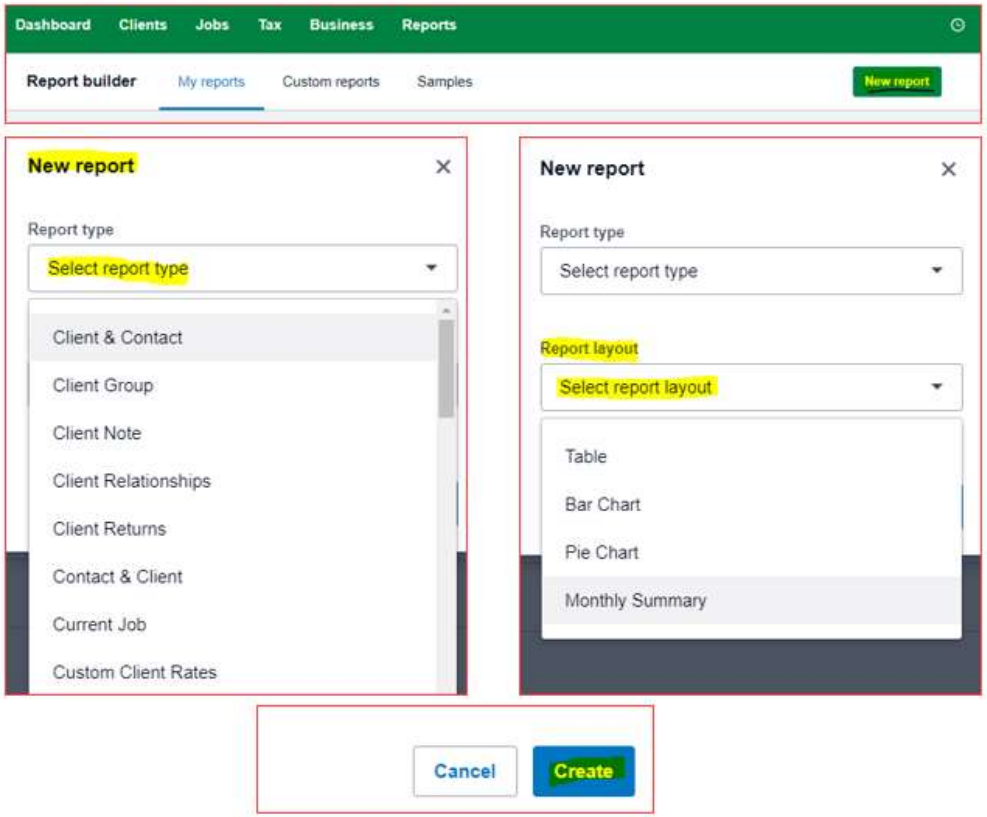
Enter the date period to take the report → Preview report → Export as a CSV File



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Steps to create templates in XPM

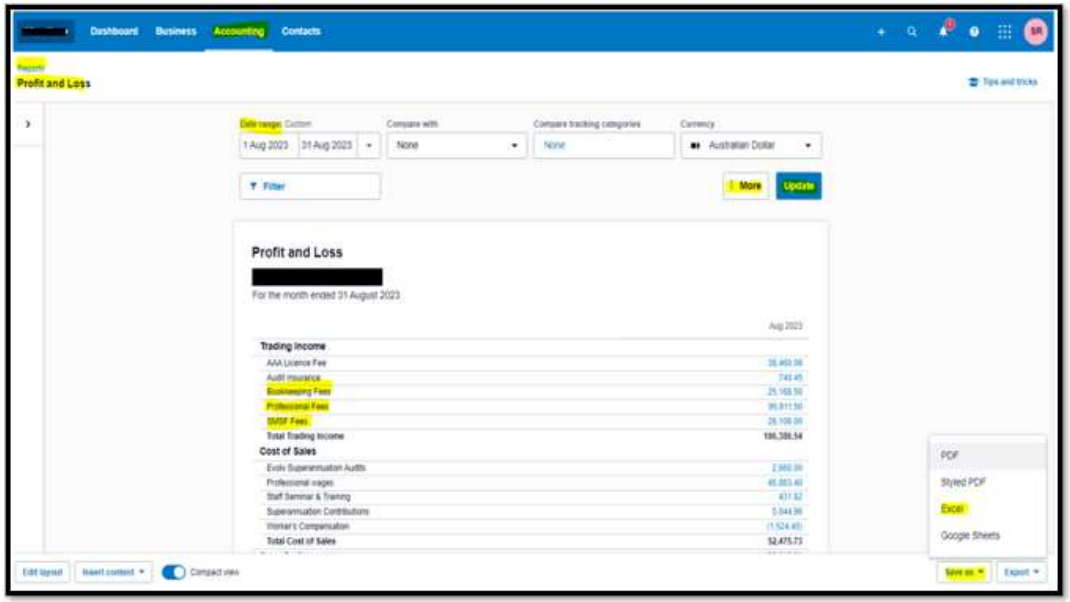


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Taking report in Xero

Login to Xero → Accounting → Reports → Profit & Loss → Select the date range → Check with Cash or Accrual basis in More option → Update → Export as excel (at bottom right corner) → Download the highlighted Trading **Income** items as separate sheets, to place them in the workings sheet.



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Now, place the downloaded XPM sheet in the first, and place the other Xero sheets as separated ones in the same excel (as shown below)

[Client] Account Manager	[Invoice] Date	[Invoice] Invoice No.	[Client] Client	[Invoice] Tasks	[Invoice] Costs Invoiced	[Invoice] Amount	[Invoice] Billing Type
AAA	08-Aug-23	INV-7399	XXX Superannuation Fund	0	150	150	Actual
AAA	09-Aug-23	INV-7405	YYY Pty Ltd	0	2,850.00	2,850.00	Actual
AAA	14-Aug-23	INV-7419	AAA Super Fund	0	1,575.00	1,575.00	Actual
AAA	15-Aug-23	INV-7422	Alexander	0	350	350	Actual
AAA	15-Aug-23	INV-7423	David	0	2,300.00	2,300.00	Actual
AAA	15-Aug-23	INV-7424	David	0	1,850.00	1,850.00	Actual
AAA	16-Aug-23	INV-7426	BBB Pty Ltd	1,600.00	-1,000.00	600	Actual
AAA	16-Aug-23	INV-7427	CCC Pty Ltd	3,900.00	0	3,900.00	Actual
AAA	21-Aug-23	INV-7429	David	0	600	600	Actual
AAA	22-Aug-23	INV-7430	DDD Pty Ltd	0	1,425.00	1,425.00	Actual
AAA	24-Aug-23	INV-7433	EEE Pty Ltd	1,300.00	0	1,300.00	Actual
AAA	25-Aug-23	INV-7435	David	0	300	300	Actual
AAA	25-Aug-23	INV-7456	David	2,750.00	-2,750.00	0	Actual
AAA	26-Aug-23	INV-7436	XXX Superannuation Fund	0	450	450	Actual
AAA	28-Aug-23	INV-7437	YYY Pty Ltd	0	500	500	Actual
AAA	28-Aug-23	INV-7479	AAA Super Fund	1,100.00	-1,100.00	0	Actual
AAA	29-Aug-23	INV-7438	Alexander	0	1,700.00	1,700.00	Actual
AAA	31-Aug-23	INV-7440	Phillip	0	1,900.00	1,900.00	Actual
AAA	31-Aug-23	INV-7441	BBB Pty Ltd	0	1,750.00	1,750.00	Actual
AAA	31-Aug-23	INV-7442	BBB Pty Ltd	0	700	700	Actual
AAA	31-Aug-23	INV-7443	CCC Pty Ltd	0	1,700.00	1,700.00	Actual
AAA	31-Aug-23	INV-7455	David	0	1,900.00	1,900.00	Actual
AAA	31-Aug-23	INV-7457	DDD Pty Ltd	300	-300	0	Actual
AAA	31-Aug-23	INV-7458	EEE Pty Ltd	350	0	350	Actual
AAA	31-Aug-23	INV-7459	David	3,150.00	0	3,150.00	Actual
AAA	31-Aug-23	INV-7460	David	500	0	500	Actual
AAA	31-Aug-23	INV-7461	Andrew	350	0	350	Actual

XPM vs Xero | Professional Fees Transactions | Bookkeeping Fees Transactions | SMSF Fees Transactions | XXX Pty Ltd

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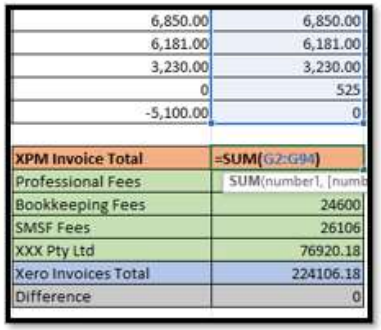
Workings:

1. Now, sum up all the invoices of the XPM and sum up all the invoices of the Xero, separately. (Get the Xero invoice's, separated invoice amounts through shortcuts as shown in the screen shots below)

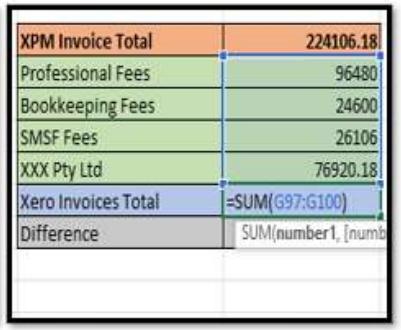
2. In the Difference tab, the amounts must get tallied and should show a Nil (0) value, which means, the reconciliation process was done.

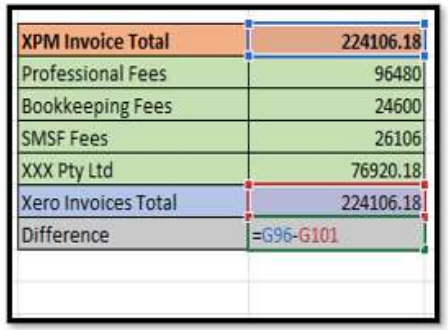


Note: The income fee will vary according to the clients. Some may maintain their full income in **Sales GL** etc. The concept is to take up the income fee.









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What if the amounts does not reconcile?

The reconciliation process may end up with a zero value, which happens due to:

- Any income entries that were not entered in Xero
- Duplicate invoices created in XPM for the same amount
- Taking up the reports with different date periods
- Invoices posted in wrong GLs in Xero
- Incorrect formula applied in the working sheet
- Differences in the amount
- Not taking up all the income GLs in the Xero report – which was imported from XPM

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TRUST ACCOUNT

A trust account is a financial account that is managed by a trustee on behalf of beneficiaries. The assets in the trust account can vary from cash to securities or real estate, which can be used for a variety of purposes :

- Where an accountant operates a trust account to receive tax refunds from clients
- Where an accountant requests clients pay a deposit or payment in advance prior to services being provided
- Where an accountant is a signatory on a bank account belonging to a client

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There are Accounting Firms, who transfer the ATO refunds & other ATO related transactions of their EY and other Foreign clients from ATO, to the respective client's bank account, as a service to reduce the burden of the transaction charges imposed by the ATO.

Also, these Accounting Firms, will impose a pre-destined amount as a service fee for the above.

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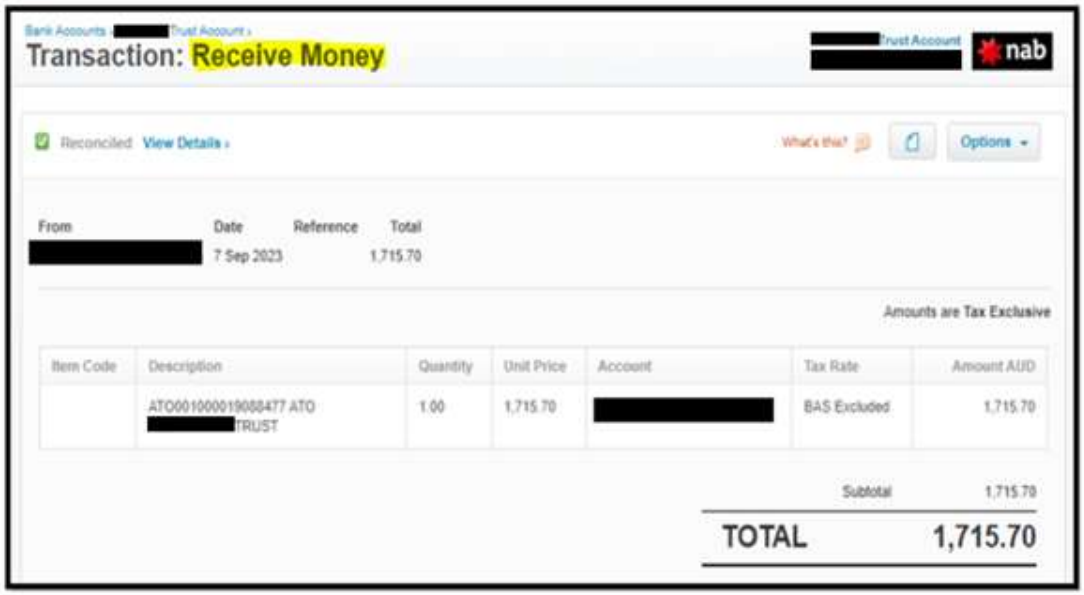
Accounting Firms handling these, prepares authorities to keep a record on all the funds that were receiving and spending from their Trust Accounts; in the name of:

- Deposit Authority - for the funds received in the account
- Withdrawal Authority – for the funds spent from the trust account, to the respective client account.

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Sample for a Deposit received

Below is a refund, received for a client from ATO to the Trust Account, maintaining by the Partners.



Bank Accounts › [redacted] Trust Account ›

Transaction: Receive Money

[redacted] Trust Account

nab

Reconciled View Details ›

What's this? Options

From	Date	Reference	Total
[redacted]	7 Sep 2023		1,715.70

Amounts are Tax Exclusive

Item Code	Description	Quantity	Unit Price	Account	Tax Rate	Amount AUD
	ATO001000019088477 ATO [redacted] TRUST	1.00	1,715.70	[redacted]	BAS Excluded	1,715.70

Subtotal 1,715.70

TOTAL 1,715.70

Sample for a Deposit Authority

Deposit Authority prepared, to get the approval from the Partner – to have a record on the fund received.



[redacted]

TRUST ACCOUNT
DEPOSIT INSTRUCTIONS

Client Code: _____

DATE ORDERED: 07/09/2023

AMOUNT: $1,715.70

CLIENT NAME: [redacted]

SOURCE OF FUNDS: ATO Refund

COMMENTS: TO BE TRANSFERRED TO CLIENT AS PER AUTHORITY LETTER

AUTHORISED BY: [redacted]
PARTNER ONLY

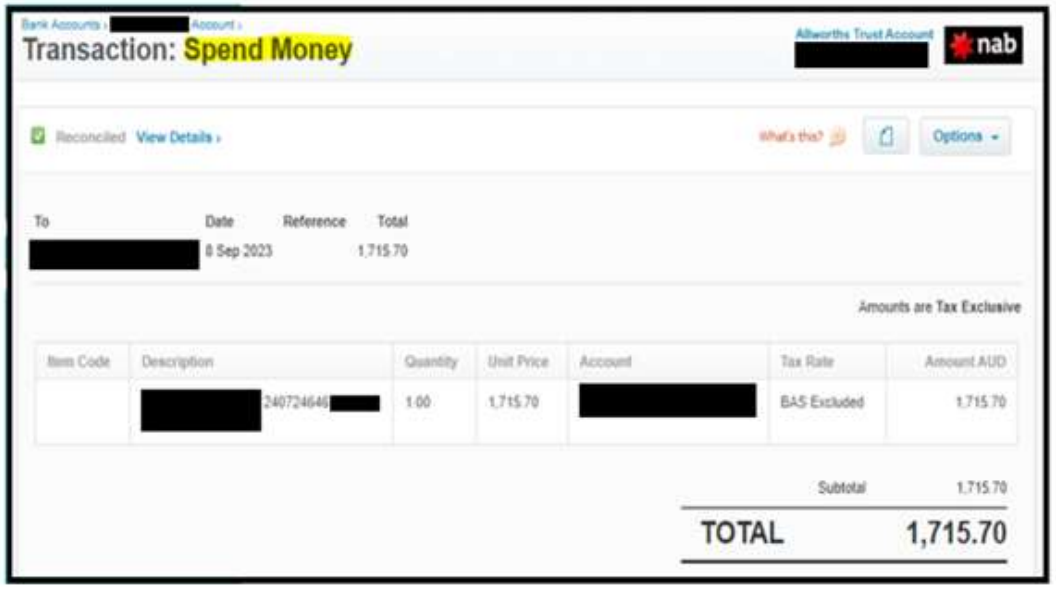
DATE: [redacted]

DATE EXECUTED: _____

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Sample for a Withdrawal spent

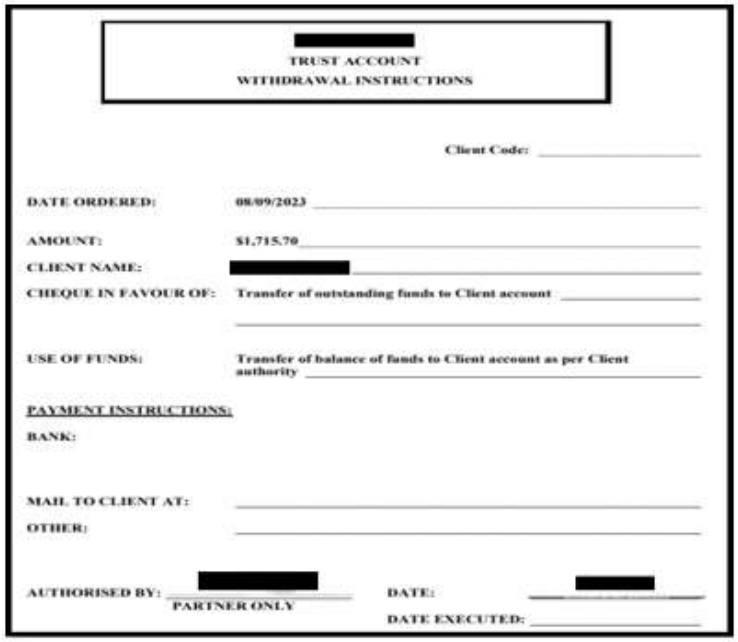
Withdrawing the same, to forward the fund to the respective client, from the Trust Account.



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Sample for a Withdrawal Authority

Withdrawal Authority prepared, to get the approval from the Partner – to have a record on the fund received.



[redacted]

TRUST ACCOUNT
WITHDRAWAL INSTRUCTIONS

Client Code: _____

DATE ORDERED: 08/09/2023 _____

AMOUNT: $1,715.70 _____

CLIENT NAME: [redacted] _____

CHEQUE IN FAVOUR OF: Transfer of outstanding funds to Client account _____

_____

USE OF FUNDS: Transfer of balance of funds to Client account as per Client authority _____

PAYMENT INSTRUCTIONS:

BANK:

MAIL TO CLIENT AT: _____

OTHER: _____

AUTHORISED BY: [redacted] _____ DATE: [redacted] _____
PARTNER ONLY

DATE EXECUTED: _____

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A trust account is a financial account that is managed by a trustee on behalf of beneficiaries. The assets in the trust account can vary from cash to securities or real estate, which can be used for a variety of purposes, such as:

- Protection from creditors or other claims
- Management of assets for children, dependents, or other beneficiaries
- Tax planning and minimizing taxes on income or capital gains
- Maintained privacy and confidentiality
- Investment and estate planning

Benefits of a Trust Account:

- **Financial efficiency**: Trust accounts allows for the separation of ownership and control of assets. This allows for the protection and management of assets for others, tax planning, and maintained privacy. In addition, trust accounts also offer a range of investment opportunities, allowing for the management of assets such as stocks, bonds, and real estate.
- **Ease real estate transfers**: Another benefit of a trust account is that it can be used for estate planning purposes. By placing assets in a trust, individuals can ensure their remaining assets will be managed and distributed according to their wishes. This can help to minimise the costs and complications of probate and can also provide for beneficiaries who may not be able to manage their own assets.

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Benefits of a family trust

Family trusts offer a variety of benefits, that's why plenty of people choose to set one up.

Some of the benefits of setting up a family trust include:

- **Asset protection** – such as the ability to buy a house for a child to live in without ownership being forfeited because the ownership remains within the trust.
- **Minimizing tax** – trust distributions means lower incomes for tax purposes.
- **Planning for retirement savings** – the flexible structure of trusts presents an opportunity to accumulate wealth that can supplement superannuation savings.
- **Flexibility to invest in property** – unlike super, holding assets within a trust doesn't have the same strict rules.
- **Capital Gains Tax (CGT)** – family trusts have CGT advantages compared to companies. This is because the 50 per cent discount factor on capital gains received for assets retained for at least a year applies to trusts but doesn't apply to companies.

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ETHICAL LETTER

This is simply a letter one accountant (who has just been engaged by a new client) sends to another accountant (the client's previous accountant) to essentially let them know that the client is moving to a new accountant, and to request necessary information to make this transition as smooth as possible (for the accountant and the client).

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Sample wordings for an Ethical Letter

Dear **Old Tax Agent Name,**

Company Name

Director Name

We have been approached by **Client Name** to attend to his accounting and taxation requirements. Will you please advise us of any professional matters of which we should be aware of before consenting to such appointment.

Will you please also provide copies of below (whatever applicable):

- Company documentation – the client holds the original signed copies
- Trial Balance to 30 June 2022;
- Financial Statements to 30 June 2022;
- Copy of Income Tax Returns for the 2022 year;
- Division 7A Loan Agreement
- Tax Reconciliation(s)
- Depreciation schedule(s)
- Amortisation/borrowing/HP/Finance/Div7A loan schedules

If you have any questions or would like to discuss this further, please give us a call.

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Reply copy from the old tax agent

Reply from Old Tax Agent for Ethical Letter

EMAIL Subject - RE: ETHICAL LETTER – CLIENT NAME or GROUP NAME

Dear **New Tax Agent Name**,

Thank you for your email.

We refer to your letter to us dated DD-MM-YY in relation to the abovenamed client. We advise that there are no professional or ethical objections to your takeover of this undertaking.

Please find attached documents, financial statements, and tax returns as requested.

Should you have any queries in relation to this matter, please do not hesitate to contact our office.

Cheers,

Kind Regards,

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Thank you

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