catanese group

Certified Public Accountants & Business Advisors

A Professional Corporation

PROFESSIONAL PROFILE



Samuel J. Catanese, CPA

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Areas of Expertise

Samuel J. Catanese, CPA, holds the position of Leading Partner of Catanese Group. He focuses primarily on business planning and development, tax planning, financial and estate planning, and management consulting for closely-held businesses, family-owned businesses and individuals. Mr. Catanese serves as an advisor to a wide variety of companies in the healthcare, retail, real estate, construction and professional service industries as well as not-for-profit organizations. He is an expert in the areas of mergers, acquisitions, corporate financial plans, business valuations and sales of businesses.

Mr. Catanese is an expert in the management and administration of professional service companies and often performs Administrative Review engagements. These engagements involve evaluating the administrative and management procedures of the firms under review and working with owners and managers to formulate efficient and effective operating systems.

Mr. Catanese is a frequent lecturer on topics such as strategic planning and business consulting and is often called upon as an expert witness when clients are in need of litigation support.

Education and Credentials

- Bachelor of Science in Accounting, Shippensburg University
- Harvard Business School, OPM 28 Graduate

Memberships in Professional and Civic Organizations

- American Institute of Certified Public Accountants
- Pennsylvania Institute of Certified Public Accountants
- Member of Laurel Valley Golf Club and the Duquesne Club
- Member and former President of Sunnehanna Country Club
- Former Chairman of the Board of Conemaugh Health System and the Board of Trustees for Good Samaritan
- Former member of the Board of Directors for CPAmerica
- 2005-2006 interim Chief Executive Officer of Conemaugh Health Systems and Memorial Medical Center
- Former member of the Board of Trustees and Executive Committees for the following hospital boards: Conemaugh Health Systems and Memorial Medical Center
- Former member of the Conemaugh Valley Memorial Hospital Real Estate Company
- Former Committee member of the Boy Scout Troop 217
- Former member of both the Westmont Hilltop School District Board of Education and the Community Arts Center Board



PROFIT PLANNING AND COST ACCOUNTING

FOR A LAW FIRM

Most service industries do not believe that cost accounting applies to them. It is strictly for other industries like manufacturing. How could you possibly have cost accounting for a law firm?

I am here to say, all law firms should implement a cost accounting system if they want to understand their own business. By implementing a cost accounting system, you can tell if a client is profitable or not. You can tell if producers-attorneys, or paralegals are profitable. You can tell if divisions within the firm are profitable. If you have a firm with multiple offices, you can tell if each office is profitable. This information is valuable when considering mergers or acquisitions.

The biggest challenge for a cost accounting system is how to allocate overhead. The cost accounting program that I developed calculates overhead at a minimum, approximately 10% to 15%. The secret to a good cost accounting system is to have most expenses directly allocated to a producer. By doing this you can actually achieve a cost per hour for each producer. This enables you to establish a profit plan based upon goals set above cost per hour rates. For example, if a partner has 1,000 chargeable hours per year and his/her cost per hour is $225, his or her billing rate must be at least $225 per hour, to break even. If your profit plan goal is to make $30 per hour, then his/hers billing rate must be at least $255 per hour.

Most firms establish billing rates by assumption. Attorney Smith has been here for 15 years and does good work. His billing rate is $250 per hour. Attorney Jones has been here for 12 years but she is really good at what she does and is a specialist. Her billing rate is $300 per hour.

After understanding the costs to Attorney Smith and Attorney Jones, the cost per hour for Attorney Smith may be $150 per hour and the cost for Attorney Jones may be $325 per hour. This would make Attorney Smith very profitable ($100/hr.) to the firm and we would lose money on Attorney Jones (-$25/hr.).

This holds true for every client of the firm, as well. The cost accounting system would tell you if clients are profitable or not.

After understanding your costs, you should establish a profit plan for the firm. A profit plan is different than a budget. A budget is expense driven, while a profit plan is revenue driven. A profit plan establishes revenue goals that the firm works toward each year.

By: Samuel Catanese, CPA
Leading Partner
Catanese Group

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About Us

HARVARD BUSINESS

N9-100-121
August 19, 1999

"In less than a year, we have had a 350% increase in profits thanks to the new profit planning and measurement system we put in place."

- *Samuel Catanese*
Catanese Group