

Choosing and using an accountant



Unless you happen to be an expert on accounting, tax and finance, you need an accountant.

An accountant should always be able to save a start-up business more in time and money than the cost of accountancy fees.

If you have not yet set up your business, talk to an accountant before you start.

This briefing explains:

- What an accountant can do for you.
- How to find the right one.
- How to keep the fees down.

1 Services on offer

All businesses have to produce annual accounts for HM Revenue & Customs (HMRC).

The self-employed, partnerships and most small limited companies can prepare these themselves.

The threshold for audit exemption for companies is £6.5 million turnover or £3.26 million total assets. Generally companies under this limit do not require an audit.

Whatever form your business is going to take, accountants can offer you a range of services.

1.1 They can advise on **starting** your business.

- What form the business should take — for example, sole trader, partnership, limited liability partnership or limited company.
- Assistance with your business plan.

- Legal and tax aspects of registering a new business.

1.2 They can provide the **accounting** and book-keeping expertise you need:

- The setting-up of computerised or manual bookkeeping systems — sales ledger, purchase ledger, cash book, petty cash book, debtors ledger, creditors ledger and/or fixed-asset register. Some accountants will also do the day-to-day bookkeeping for you.
- The preparation of management accounts — providing up-to-date information that helps you to run your business.
- The preparation of financial statements — profit and loss account, balance sheet, cashflow statement and related notes.
- Audited accounts — which must be presented in a particular way.

1.3 They can provide a range of business **tax** services.

- Tax returns and corporation tax, VAT, PAYE and National Insurance contributions (NICs), and income tax for sole traders and partnerships.
- Tax planning — minimising your tax bill.

1.4 They can give you advice on **management information** systems.

Even simple systems can help you run your business smoothly and profitably:

- Budgeting and performance monitoring, focusing on sales volumes, costs, cashflow and profit margins.

For small businesses, forecasting cashflow

is especially important. Serious mistakes in this area can result in business failure, even if every deal you do is profitable.

- Credit control and stock control.

1.5 They can give general **financial advice**.

- This may include recommendations on the financing of your business through overdrafts, loans, leasing, hire purchase, factoring, venture capital (including business angels) or grants.
- Introductions to sources of finance and help with presenting your case to them.

1.6 They can advise on **buying** or selling a business.

- Investigating the books of a business you are thinking of buying.
- Assisting you in negotiations.

1.7 They can advise and guide on questions of **personal finance**.

- Tax planning.
- Advice on inheritance tax, the financial aspects of wills, and so on.

Types of qualified accountant

Check with the appropriate organisation that the accountant you are talking to is genuinely qualified.

Chartered Accountant, FCA, ACA
Institute of Chartered Accountants, England and Wales (020 7920 8100),
www.icaew.co.uk.

Chartered Accountant, CA
Institute of Chartered Accountants, Scotland (0131 347 0100), www.icas.org.uk.

Chartered Certified Accountant, FCCA, ACCA
Association of Chartered Certified Accountants (020 7059 5000),
www.accaglobal.com.

Management Accountant, FCMA, ACMA
Chartered Institute of Management Accountants (020 8849 2251), www.amaglobal.com. Management accountants usually work in companies rather than in firms of accountants.

The 'F' or 'A' at the beginning of the letters after an accountant's name stands for Fellow or Associate. A Fellow is the more experienced of the two.

2 Where to start looking

2.1 Start with the **basic** sources of information, to investigate the options in your area:

- Ask business friends and contacts if they would recommend their own accountants.
- Ask professionals who work with accountants regularly, such as solicitors and bank managers.
- Ask your local business support organisation, Chamber of Commerce or enterprise agency.
- Contact the four accountancy bodies (see box).

Ask for a list of accountants in your area, plus information about the expertise each type of accountant has to offer.

2.2 Ask people what their **recommendations** are based on.

- What have they used the accountant for?
- What are the firm's strong and weak points?
- How expensive is it?

2.3 Choose an **accountant** with suitable qualifications (see box).

- Qualified accountants are answerable to their professional bodies and must comply with all education, disciplinary and insurance requirements.
- Unqualified accountants are restricted by law in the type of work they can do.
- Remember, you are responsible for the accuracy of your records.

2.4 In general, businesses tend to prefer using accountancy firms **comparable** to themselves in size and sophistication. Most small businesses use small or medium-sized accountancy firms. The advantage, compared with a large accountancy firm, is that they usually:

- specialise in small business work
- charge less for their partners' time and other costs
- give you direct access at short notice to an experienced partner when you need advice

3 The first meeting

3.1 Arrange to meet at least **three firms**.

- You will increase your chances of meeting a firm that you can work well with.
- You will be better placed to negotiate fees.

- All companies must comply with the Companies Act. Handling the paperwork for this is usually best left to a specialist, such as an accountant.

“Choosing the right accountant can be daunting. It is essential you choose someone who is properly qualified. You can then be assured that high standards or work have been met and will be maintained for you. Equipped with financial, business and strategic skills, the accountant will act as your business adviser, providing the full range of accounting services.”
Glenn Collins, ACCA

- The first meeting should definitely be free of charge. Confirm this in advance, and make the most of the opportunity.

3.2 Imagine you are **interviewing** someone for a job.

- Explain why you are starting your business and how fast it is expected to grow.
- Ask about the accountancy firm (see 5).
- Decide whether you can work well together.
- Get commitments to the fee level, time scales and standards of service that you require.

3.3 Look for an accountant who will be an asset to your business and will help you **plan ahead** for things like cashflow, business expansion and tax payments.

- Some accountants see their role as adding up the numbers at the end of the year. This is not accountancy — it is bookkeeping.
- Look for firms that look at future business development and will listen to your business aims.

3.4 The ideal accountant would be willing to sit down with you after completing your audit or accounts and spend time talking about how to **improve your business**.

- At that point, this outsider may know more about the inner workings of your business than anyone except you.
- This could be an hour of a professional's time that is worth paying for.

4 Explaining your business

To be able to give a realistic estimate of fees, and suggest how best to proceed, an accountant needs to understand what your business is all about.

4.1 If you have completed your **business plan**, give the accountant a copy.

This will contain most of the information that is needed.

4.2 If your business plan is still in preparation, provide the following **information**, giving rough estimates where possible:

- Your product range at launch and any plans to extend it.
- Likely annual sales of each product, with forecasts of sales growth and predictions of how sales will vary at different times of the year.

- Number of customers and number of purchases each is likely to make during the year, and payment terms — cash or credit.
- Number of suppliers, expected number of purchases per year and supplier payment terms.
- Number of staff, now and later. It will also help if you can tell the accountants how many admin and finance staff you will have, and the salary payment system that will be used.
- Any accounting systems and other management controls you use.
- Areas where you think the accountant could help you.

4.3 Hand over a brief written **summary** at the start of the meeting, then discuss the details.

- If your start-up business is unusual or complicated, it may be useful to let the accountants have this summary a day or two beforehand.

5 What do you need to know?

Asking the right questions will help you decide whether the accountancy firm is a good match for your needs.

5.1 How many **partners** are in the firm?

- What does each one specialise in?

5.2 How many personal and business **clients** does the firm have?

- How many businesses of your size?
- How many businesses in your industry?

5.3 **Who** will be your contact at the firm?

- What experience and training has this person had?
- Will a partner be giving your business personal attention?

5.4 Will you be able to get advice **promptly** when you need it?

5.5 What are the estimated **fees**, per hour and per year?

- When are they payable?
- Can you pay by instalments?

5.6 What, in the accountants' view, are your accountancy **needs**?

- Some business support organisations offer subsidised support for start-ups, including many of the services which accountants offer. Find out what is on offer in your area.

“Many people worry about discussing things with their accountant because of the extra fees involved. This can be an expensive mistake. For example, you may be doing something that results in a much higher tax liability — far more than the cost of a brief conversation with your accountant would have been.”

**Martin Dunne,
Sayers
Butterworth**

6 Fees

- 6.1** The **hourly fees** you are charged will usually be upwards from double the hourly pay of the staff member.
- You will be charged different hourly prices for work done by different grades of staff — a junior, a senior or a partner.
 - There may be a premium charge for work done by the tax partner.
- 6.2** Your audit, PAYE, VAT and HMRC tax work can often be done for a fixed **annual fee**.
- This all-in fee basis is generally the most economical option, especially if an agreed amount of 'free' advice is included as part of the deal.
 - If your accounting systems are efficient, the accountancy firm will have less work to do, so the fees should be lower.
- 6.3** Generally regard accountancy fees as a **good investment**.

7 Keeping fees down

The service and expertise offered by accountants vary greatly. Fees vary widely, too.

The more you shop around when making your initial choice, the better value you should be able to achieve.

- 7.1** Be **aware** of how accountancy firms market themselves and get new business.
- Invite candidate firms to give you prices covering the first two years.
- 7.2** Use your accountant for **specialist advice** and for help in setting up your accounting and management control systems.
- Systems should be set up in a way that makes preparing accounts quick and easy.
- 7.3** Do the actual **bookkeeping** yourself, or hire a bookkeeper (possibly part-time). But be careful, as a bad bookkeeper can increase the work your accountant has to do, and so your fee.
- Use accounting software to keep tidy accounts as it will make sure they will add up correctly.

7.4 Ask for the **estimated cost** of any piece of work at the outset, in writing.

- Establish whether you will be charged any extra costs, such as travel expenses, and insist on approving these in advance.
- Give clear instructions and agree timescales at the outset.
- Query any fees you feel are unreasonable immediately.

7.5 Consider the **alternatives**.

- Take advantage of free advice and subsidised training from your local business support organisation or enterprise agency.
- Consider using a payroll agency to handle your PAYE and your NICs. Many PAYE returns and forms can now be filed online via the HMRC website (www.hmrc.gov.uk/payefile-or-pay/fileonline/index.htm).

7.6 Regularly **compare** the prices you are paying and the service you are getting with the terms of your original agreement.

- Are you continuing to receive the standard of service you deserve for the fees you are paying?
- Compare notes with other business owners you know.

7.7 Build up a good working **relationship**. You will be rewarded with better service.

- Before meetings, let your accountant know in writing what you want to discuss.

Expert contributors

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