

Your First Accountant

Learn how to avoid the pitfalls when choosing
Your First Accountant

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How to AVOID Financial Disaster !!

Your First Accountant

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Setting The Standard For Small Medium Sized Business Solutions

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CONTENTS

Foreword

Chapter 1 Making the Right Choice – the Process

Chapter 2 The Services Offered

Chapter 3 The Contract, the Fees, the Work

Chapter 4 Service Level

Chapter 5 Tax Planning Meeting

Chapter 6 Fee Payment Schedule

Chapter 7 Changing Circumstances

Chapter 8 Referred Services

Chapter 9 Non Accounting Services

Chapter 10 Testimonials

Chapter 11 A Friend

Foreword

We joke about them, ridicule them, try to avoid them but in most cases they are one of the first professional people we turn to upon starting a business.

We try to "hit the ground running", but in the lonely and busy life of the business owner, there is always someone or some organisation that requires information and this holds us back.

We are not always qualified to, or want to, provide endless information or fill in forms ourselves, so we naturally turn to the professional.

Who is this Professional in question?

The **ACCOUNTANT.**

The much maligned individual is the butt of many jokes, but choose the wrong one and the joke is no longer funny.

Making the right choice is essential.

Chapter 1

Making the Right Choice – The Process

How do you start choosing your accountant?

We'll consider what you would look for when recruiting a member of staff.

Brainstorm and your results may include:

- Professionalism
- Short list
- Cost
- Value for Money
- Availability
- Working relationship
- Longevity of tenure
- Loyalty
- Customer focus
- Qualified
- Proactive
- Etc.

This is a starting point.

When choosing your accountant similar things should be borne in mind.

If no accounting firms are known to you, ask friends, business associates, in fact anyone who might be in a position to refer a firm to you.

Should firms be referred to you understand what makes them worthy of referral.

Draw up your short list based upon the feedback received, making sure the feedback results are compatible with the results of your brainstorm.

Now make contact and prepare to interview!

Daunting – maybe.

But remember the firm you appoint may be with you for a number of years and the relationship you develop may dramatically impact your business for better or worse.

So do the research and remember you are the customer and you will make the appointment decision.

You do not want to change your accountants every year. Such action will be expensive, unsettling and attract the attention of the Inland Revenue. So you should have a good rapport with the accountant you choose, and feel comfortable that you can work with the individual at least during the early years of the business.

It is important that you have trust in the individual partners of the firm and that mutual respect is held by both parties.

Also if you choose a multi-partner firm, remember that individuals do move on to better their careers. This does happen within accounting firms.

So it may be that the excellent working relationship you have built with a partner is one day ended should the individual move from the firm.

At the time of selection if you are considering a multi-partner firm ask to meet other people within the organisation. Check that you can build a good business relationship with all partners of the firm.

Chapter 2

The Services Offered

The basic services offered by accounting firms are usually:

- Annual Accounts preparation
- Audit
- Preparation and Filing of Tax Returns

In addition the following services may be available:

- Company Secretarial Work
- Payroll and PAYE returns
- Accounting System reseller
- Help with recruitment of accounting staff
- Bookkeeping
- VAT
- Fraud Investigation
- Corporate Governance
- Fund raising
- Merger and Acquisitions
- Personal advice for business owners

This list includes the most common services, and you should check with individual firms what is offered.

Firms may outsource some services, if this will have a bearing on your selection decision, ensure that you understand who will provide the service.

It is also important to understand what your commitments will be if any services are contracted for.

Time deadlines for the transfer of records should be agreed, and met by yourself.

If you are busy and always out of the office, make arrangements for data transfer to happen in your absence. Your workforce may not be paid on Friday if your payroll data is not available on Monday or Tuesday of the week.

Chapter 3

The Contract, The Fees, The Work

Sounds simple, but not everyone actually asks how much the accountant is going to charge. Or how he will charge.

Will it be by the hour, the day, or fixed fee?

If you are happy with your choice of accountant, his ability and your confidence in him is good, then ask him to quote a fixed fee for his work.

This will help with your business planning and eliminate surprises at a later stage.

Be very careful to understand exactly what you are to receive for the fee! Ensure the contract is understood.

Will the accountant's work cover year end accounts preparation and tax work or will it include other services listed in Chapter 2?

It is most important that the work content is clearly understood prior to signing a contract. If you are in doubt as to the work content – ASK for clarification to be included in the engagement letter.

It is also important that as a business owner or director you have a duty to maintain books of account that comply with company law.

If your accounting records are not well maintained, the accountant may be required to carry out work over and above that what was contracted for. It would not be unreasonable in such cases for additional fees to be charged.

Chapter 4

Service Level

Agree with your accountant the frequency of visits or contacts with yourself that he will be expected to make during the year.

Visits may be included as part of the annual fee – if not agree beforehand the frequency, purpose and cost of such visits.

This will be useful to both parties.

The owner/director will be updated with the latest dos and don'ts and the accountant will be able to keep abreast of developments within your business enabling both parties to plan accordingly.

Many accountants now have their own web site, issue newsletters or ezines.

This is a very easy way for your accountant to communicate with his clients, and something you should look for.

If a newsletter is available – sign up for it and read it!

You are the owner/director and you are in BUSINESS, so your need to continually gain knowledge of what impacts your organisation is paramount.

**"If a man empties his purse into his head, no man can take it away from him. An investment in knowledge always pays the best interest."
Benjamin Franklin**

Chapter 5

Tax Planning Meeting

Arrangements should be made for at least one tax planning meeting shortly before your year end.

Remember cash is the lifeblood of the business, and cash conservation, in the form of legally mitigating your tax liability, should be actioned.

In order to optimise the benefits of a tax meeting it is most important that your accounting records are uptodate and accurate.

Taking decisions based upon old or suspect information will devalue the work and may lead to less beneficial actions being proposed.

It is also important at the meeting to have available your plans for the forthcoming year(s).

For example the timing of capital expenditure may attract higher capital allowances in one fiscal year as opposed to the next. This may impact on your cash flow movements.

Your accountant should be able to advise on the actions to take in the period prior to your year end.

Chapter 6

Fee Payment Schedule

Ask your accountant if you can spread the cost of his fees across the year.

This will:

- Help smooth your cash flow and avoid a large outgoing at year end
- Give reassurance to the accountant that you are committed to your business

This type of arrangement can easily be set up through standing order or direct debit.

Through negotiation it may be possible to delay the start of the periodic payments until midway through your first year. This again will improve your cash flow position.

Chapter 7

Changing Circumstances

Confirm that your chosen accountant is prepared to be flexible in his charging should circumstances within your business that differ dramatically from those planned.

Be under no illusions the business world changes at dramatic pace and you may be a victim or beneficiary of such change.

At the start of your business it may not be possible to anticipate all that will happen during your first year.

However, at an early stage seek to establish some guiding principles regarding your accountant's fees should your business significantly contract or expand.

If there is business downturn it may not influence the workload for the accountant or lead to a fee reduction.

However, a significant business expansion may be different.

Think beforehand of the possible circumstances that may change in your business and agree with your accountant the way forward.

For example the opening of a subsidiary 100 miles from Head Office may result in more accounting work and more fees.

Chapter 8

Referred Services

Normally your accountant will help in the sourcing of other professional services.

If you need help with banking arrangements, solicitors, insurance and so on, ask your accountant if he can recommend anyone.

"Knowledge is of two kinds. We know a subject ourselves, or we know where we can find information on it."
Samuel Johnson

Chapter 9

Non Accounting Services

At the outset understand what non-accounting services your accountant can offer. See Chapter 2 for possible services.

Do not assume anything!

You may need help in filing VAT Returns, weekly and/or monthly payroll preparation and very importantly filing of all business and/or private Tax returns.

Not all accountants can or will provide these services, so if they are important to you ensure your accountant is capable and prepared to undertake the work for you.

Needless to say agree charges for any work beforehand.

It may be that you require an accountant who will administer your private tax matters in addition to those of your business.

This arrangement is not uncommon and will allow informed decisions to be made regarding the personal and business taxation.

Chapter 10

Testimonials

Ask your accountant for testimonials and ensure he is professionally qualified.

You have chosen your accountant. You believe you will build a good working relationship with him. But is he what he says he is?

This may be more relevant for one or two partner firms, but follow up in all instances.

Testimonials alone may not provide peace of mind that your prospective choice will be satisfactory. Unscrupulous individuals may falsify references.

What is beyond dispute is the individual's professional accounting qualification.

You should always check that the person is as qualified as he states.

Typically a qualified accountant will belong to one of the following bodies:

- The Institute of Chartered Accountants of Scotland
- The Institute of Chartered Accountants in England and Wales
- The Institute of Chartered Accountants in Ireland
Chartered Accountants House
- The Association of Chartered Certified Accountants
- The Association of Authorised Public Accountants

And it is only members of the above organisations who are allowed to audit limited companies in the United Kingdom.

See [Companies House Web Site](#) for further information.

In practice, most accountants will be members of either The Institute of Chartered Accountants in England and Wales (designated by FCA or ACA) or The Association of Chartered Certified Accountants (designated by FCCA or ACCA).

The third auspicious accounting group in the United Kingdom is The Chartered Institute of Management Accountants (designated by FCMA or ACMA). This group is not allowed to conduct company audits, but will provide valued advice on internal accounting matters.

There are also many practising "accountants" who do not hold one of these qualifications.

Chapter 11

A Friend

Treat your accountant as a friend, a partner to the business. Not a necessary evil that you see once every year.

Remember your accountant will be working with other clients, meeting other business associates and on these occasions you would like him to refer business to you if appropriate.

He will be more willing to do this by being better informed. Keep him abreast of what is happening within your business, particularly if no regular meetings take place.

Look upon him as a "salesman" for your business. Invite him to your special events, product launches etc., not only will he remember your business but he will be better prepared at audit time. The more intimate knowledge your accountant gains of your business and finances, the better advice he can offer.

If he does not wish to embrace you as a "partner", then at audit contract renewal time bear the experience in mind

Finally if good or bad issues arise, and you are unsure what actions to take – BE PROACTIVE. Seek expert help – it may only take a short telephone call to identify the appropriate corrective action.

If you leave the situation, it may well result in you having to REACT to a situation, and incur large costs.

"A friendship founded on business is better than a business founded on friendship."

John D Rockefeller