



BOOKKEEPER -V- ACCOUNTANT

THE DIFFERENCE BETWEEN THE PROFESSIONS

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Disclaimer

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Bookkeeper -v- Accountant

Keeping your accounts in check is required by law if you make money from selling goods or offering a service. Using software like Sage, Quickbooks or even Excel can make life a lot easier and help you understand a little more about the financial state of your business. For some, this is all you need to satisfy the tax man, for most though expert accounting help is always advisable. Why?

- You will get peace of mind from someone who understands the tax and accounting regulations and stays up to date with all of them.
- It can make you more profitable if an expert can advise on better ways of running your business.

Running a successful business is not just about making a profit it's more about efficiently allocating your time and money.

So, what is the best time to ask for help and who should you turn to?

Bookkeepers

There is a misconception that a bookkeeper is the same as an accountant. This isn't true. We as bookkeepers carry out some of the same functions but as the name suggests, we keep the books. We manage the day-to-day paperwork, such as creating and sending out invoices as well as managing the bills and receipts from suppliers; we can chase late payers to try to get your money back; we can help with VAT returns and payroll; we can run regular reports and explain them to you in jargon-free speak.

Here in the UK, many of us have achieved professional qualifications from recognised industry bodies. The exams are rigorous and a high mark must be achieved in order to pass. The two main bodies are:

- The Institute of Certified Bookkeepers (ICB)
- Association of Accounting Technicians (AAT)

However, if your bookkeeper needs to spend more than 3 or 4 days a week on your accounts, then it would be best to employ them on a permanent basis. We are then called accounts assistants.

Accountants

These might also do some bookkeeping, but in practice usually employ a bookkeeper or outsource the task. This is not the best use of their time or qualifications and can result in higher fees. Accountants usually take over when the bookkeeper has completed their job of entering and verifying all the transactions and prepared the monthly accounts or year-end and statutory accounts in the case of a limited company. They will also advise on tax and VAT and should be able to offer more practical business solutions.

As with bookkeepers in the UK, anyone can call themselves an accounting expert but you must be aware of some of the recognised accounting qualifications:

- ACA or FCA: member or fellow of the Institute of Chartered Accountants in England and Wales (ICAEW). Only member of this institute can call themselves chartered accountants.
- CIMA: Chartered Institute of Management Accountants – members typically train in industry and can call themselves Chartered Management Accountants.

- ACCA: Association of Chartered Certified Accountants – again members typically train in industry.
- Part Qualified or P/Q: sadly a number of people just can't pass the exams (they are really tough). As a result, you can find someone who has a great knowledge and experience but who can't charge as much.

Here's a great analogy which could help you distinguish the difference. Think of a bookkeeper as a nurse and an accountant as a doctor.

"You'll see your nurse on a more regular basis; they're the friendly face of regular care and maintenance. You might see your doctor less often, they might prescribe something to help you deal with your obesity, for example, but it's your nurse that will help you keep the weight off."

When to use a professional

As soon as you think to yourself that you might need help, that is the time to ask. Don't leave it until it's too late. You could build up penalties and the emergency help you need could cost you more than it needs to.

The size and nature of your business will determine what type of help you need and whether it needs to be regular. Consider these points:

- **Starting Up:** a good accountant or bookkeeper can offer help and expertise that will get you off to a good start. We can offer you advice on the best way to keep your accounts and on issues such as software. Most of us will offer you a free consultation.
- **Choosing a business structure:** We can advise on the best structure that your business should take based on our knowledge of tax breaks and other areas.
- **Health checks:** you could benefit from simply having a regular chat with an accounting professional and have them go over your finances and processes. We may be able to pinpoint any opportunities or risks that your business could face.
- **Tax returns:** although a sole trader can do their own tax returns it may be worth the expense of having it checked over by a professional. We can point out any areas that you may not have thought about or advise you about expenses you thought you could claim but can't. Even if you manage your finances with sophisticated software, it might be worth having an accounting professional look them over.
- **Getting organised:** if you have trouble with organising your admin and accounts it may not be worth all the time and effort you are putting in. Time to hire a bookkeeper at this point. Remember though, you can delegate the responsibility of the figures to the bookkeeper but you cannot abdicate from them. Make sure your bookkeeper keeps you up to date on your business affairs.
- **Time:** if your business is starting to grow, you need to spend most of your time on sales, marketing and customer service. This is where you should think about outsourcing your bookkeeping and free up your time. This is especially important when chasing late payments from customers. It's not time you want to spend and we can do this in a professional manner, making your business look bigger and better.
- **VAT Registration:** when you reach this milestone, an accounting professional will tell you it's time and how to go about it. They can then make sure that your accounts are kept in a suitable manner to file you VAT returns, thus avoiding costly mistakes.
- **Taking on your first employee:** another huge step. A bookkeeper can advise you on the details that you need to have in place. These could be insurances, contracts and now with the change in legislation, the right software. With the introduction of RTI (Real Time Information) you can no longer pay your employee with the right structure. You have to have software to do it and submit employee pay details every time you pay them.

- **Auditing:** when your business reaches a certain size it needs to have an audit. This is to reassure its shareholders and creditors that management is in place and controlled. An accountant must be qualified and a **Registered Auditor**.

Hopefully this has given you an insight in to what you might need in place when you start or continue to run your business profitably. This may not only help to increase your business potential, but also keep the tax man off your back.

I offer free consultations to discuss what you might need and the best way forward. I can also act as your agent with HMRC to deal with your tax returns, VAT returns or any queries that may crop up.

What is the next step?

Use the contact form on my website and detail what you think you need, or contact me directly using any other method stated.

<http://www.booksmart.co>