

Choosing and Using an Accountant

Business Information Factsheet

BIF038 · November 2019

Introduction

Accountants provide small business owners with a range of professional advice and taxation services, including bookkeeping, preparing financial statements, calculating tax and providing advice about minimising tax and other costs.

This factsheet explains the services offered by accountants, what to look for when choosing an accountant and how to find and appoint one. It gives an indication of likely costs and explains how disputes between business owners and their accountants are dealt with.

Services provided by accountants

There are several business issues that an accountant can help with, including:

- **Start-up advice.** An accountant can provide advice about the best legal status for a business (such as sole trader, partnership, limited company, limited liability partnership, community interest company) and can help with other legal and taxation issues.
- **Bookkeeping.** An accountant can offer a bookkeeping service. Even if a business owner takes care of day-to-day bookkeeping themselves, an accountant can help by advising about which records should be kept for accounting and tax purposes.
- **VAT (Value Added Tax).** If a business is VAT-registered, it will be necessary to prepare VAT returns. An accountant can provide advice about the best VAT accounting scheme for the business and outline the VAT rules that apply.
- **Preparing annual accounts.** Many small business owners use an accountant to produce key annual financial statements, such as the profit and loss account and balance sheet. Limited companies and limited liability partnerships must file accounts annually with Companies House and accountants can help with this too.
- **Preparing tax returns.** Accountants are typically able to provide advice about tax rules, regulations, exemptions and case law that apply to a particular business sector. Accountants can also provide advice about achieving tax savings and presenting a case to HM Revenue & Customs (HMRC) in the event of an investigation or dispute.
- **Business advice/management accounting.** Once a business is up and running, an accountant can set up systems to monitor performance and budgets, and improve efficiency. They can also provide specialist advice about financial planning and potential investments.

Finding an accountant

It is worthwhile seeking advice from an accountant before starting up in business and a good place to start is with existing business contacts who may be able to make recommendations.

Local enterprise agencies or a business relationship manager at a bank may also be able to offer advice about finding an accountant.

There are also a number of directories of accountants held by various professional bodies:

- The Institute of Chartered Accountants in England and Wales (ICAEW, www.icaew.com/en/about-icaew/find-a-chartered-accountant).
- The Institute of Chartered Accountants of Scotland (ICAS, www.icas.com/find-a-ca).
- Chartered Accountants Ireland (CAI, for both Northern Ireland and the Republic of Ireland, www.charteredaccountants.ie/Find-a-Firm).
- The Association of Chartered Certified Accountants (ACCA, www.accaglobal.com/gb/en/member/find-an-accountant.html?isocountry=GB).
- The Chartered Institute of Management Accountants (CIMA, www.cimaglobal.com/About-us/Find-a-CIMA-Accountant).

Choosing an accountant

There a number of issues to consider before choosing an accountant:

- Check the accountant is suitably qualified and belongs to a professional body approved by the Financial Reporting Council. Look for the letters ACA or FCA after a chartered accountant's name (CA in Scotland), ACCA or FCCA in the case of a chartered certified accountant, or ACMA or FCMA for a chartered management accountant. These qualifications mean the accountant has passed numerous examinations in order to qualify and has several years' practical experience.
- An accountant who is not a member of an approved professional body may offer cheaper rates, but they could cost a business more in the long run if the quality of their work or advice is poor. Members of leading accountancy bodies must also ensure that their technical knowledge is kept up to date by attending regular courses and seminars, as well as following a programme of continuing professional development throughout their careers.
- It is crucial that the accountant understands the business and the sector it operates in. It is also worth making sure the accountant has experience of working with smaller businesses.
- It is advisable to contact more than one accountancy firm and have face-to-face meetings before making a decision about which firm to choose. It is important to find an accountant who not only has the appropriate qualifications and experience but is also empathetic.
- Some accountancy firms waive the fee for an initial meeting unless specific advice is given at that meeting. Check in advance whether the first consultation will be free.

The letter of engagement

When appointing a new accountant, they will issue a letter of engagement. This is the contract between the business and the accountant and should set out:

- The accountant's responsibilities.
- The business's responsibilities.

- The fees and payment details.

It is important to meet regularly with an accountant and have additional meetings when critical business issues arise, such as cash flow problems. Adequate records should be kept of any correspondence, and information must be supplied to the accountant well in advance of any deadlines for filing accounts, payroll information or VAT returns.

Accountants' fees and charges

Charges will vary according to the location, size and complexity of the business and the size of the accountancy firm. Fees are likely to start from around £150 for preparation of annual accounts and tax calculations for a sole trader who is not registered for VAT. A larger, more complex business that deals in cash and is registered for VAT should expect to pay at least £2,000 for the preparation of annual accounts in a format that can be submitted to Companies House.

Some accountants offer services under a fixed monthly fee, for example to complete business tax calculations and file documents. Fixed fees for a package of standard accountancy services are typically from around £60 to around £250 per month for small businesses.

Other accountants charge for their services by the hour (usually at least £25 to £35 per hour). Fees may vary depending on the seniority of the person doing the work. For example, simple bookkeeping tasks can be carried out by a trainee accountant, but complex tax issues may need a more experienced accountant. If the charges are not based on a fixed fee, it may be possible to request an estimate of what the fee will be so that the final bill can be challenged if it exceeds the estimate.

Dealing with disputes

Accountants who break the law or their professional codes of conduct are liable to disciplinary action by their professional body. Most practising accountants must hold indemnity insurance that will protect their clients, in most circumstances, from loss caused by negligence on the part of the accountancy firm. However, a lawyer should be consulted if the business has suffered a substantial loss, as the professional bodies will not help with seeking compensation.

The professional bodies do not usually involve themselves in fee disputes. Instead, these may be resolved through a small claims court. However, the ICAS operates a fee arbitration scheme (<https://dev.icas.com/regulation/fee-arbitration-scheme>).

Hints and tips

- An accountant should be engaged before starting a new business.
- Always look into a prospective accountant's reputation prior to engaging their services.
- If help is needed with more specialised areas such as audit, investment business or insolvency work, make sure the accountant is authorised to carry out this type of work.
- The accountant should be informed as soon as possible of any developments that may affect the financial circumstances of the business, including cash flow problems or changes to key personnel.
- The accountant's charges should be reviewed and agreed annually.

Further information

BIF432 Hiring a Contractor

BIF495 Sources of Business Start-Up Support

Useful contacts

The Association of Chartered Certified Accountants (ACCA) is a global membership association for accountants that offers a 'find an accountant' facility on its website.

Tel: (0141) 582 2000 (UK office)

Website: www.accaglobal.com/uk/en.html

The Institute of Chartered Accountants in England and Wales (ICAEW) is a membership organisation for accountants that has a searchable directory of accountants on its website.

Tel: (01908) 248250

Website: www.icaew.com

The Institute of Chartered Accountants of Scotland (ICAS) is a membership organisation for accountants in Scotland. Its website includes a directory of Chartered Accountants in Scotland.

Tel: (0131) 347 0100

Website: www.icas.com

Chartered Accountants Ireland (CAI) represents accountants in Northern Ireland and the Republic of Ireland and offers a 'find a member/firm' facility on their website.

Tel: (028) 9043 5840 (Northern Ireland office)

Website: www.charteredaccountants.ie

DISCLAIMER While all reasonable efforts have been made, the publisher makes no warranties that this information is accurate and up-to-date and will not be responsible for any errors or omissions in the information nor any consequences of any errors or omissions. Professional advice should be sought where appropriate.

Cobweb Information Ltd, YBN, 7 & 8 Delta Bank Road, Metro Riverside Park, Gateshead, NE11 9DJ.

Tel: 0191 461 8000 Website: www.cobwebinfo.com