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Do I really need an accountant?

Engaging an accountant at the wrong time could be simply throwing money away



▲ A good accountant could pay for themselves very quickly. Photograph: Alamy Stock Photo

For many sole traders and small businesses, deciding whether to try something yourself, or pay to bring in an expert, is a constant dilemma.

And when the decision involves the lifeblood of your business – money – then making the right call is crucial.

Hiring an accountant can be a surefire way to eliminate a number of headaches, not least the actual workload of doing something most of us hate: crunching numbers, keeping records, and dealing with the taxman. Crucially, hiring an accountant can free you up to run your business.

But employing any professional service can be expensive, and for a small business where every penny counts – engaging an accountant at the wrong time could be simply throwing money away.

What can an accountant do for you?

Accountants probably have an unfair reputation for not quite being the life and soul of the party, and loving numbers a little too much – but a good one can do far more than just crunch figures.

An accountant can advise you on your company structure, such as whether you should remain as a sole trader/partnership, or become a limited company. All companies have different tax liabilities and the decision over which path to follow will depend greatly on the nature, size, income and maturity of your business. There are a number of [resources online](#) which can help you calculate the costs if you changed your company structure.

When it comes to business most of us wish we had a crystal ball, but an accountant could be the closest thing to one.

A good one can help you forecast your cashflow for the current year as well as years ahead. But they can also be helping you offset potential pitfalls and make financial plans that take into account things you may not have considered, such as changes introduced in the UK budget, fluctuations in inflation and interest rates, or changes to VAT or pension law.

Nevertheless, the most obvious and pressing role of an accountant is tax management and planning; not just making sure you pay the right tax and avoid potential penalties from HMRC, but ensuring you're not missing out on any tax breaks or expenses claims you're entitled to (do you keep all those taxi and lunch receipts?).

In this sense, a good accountant could pay for themselves very quickly – depending on the size of your business.

Costs

As with all business decisions, deciding whether or not to hire an accountant essentially boils down to whether the potential rewards offset the costs involved, after all, what's the point in hiring someone to keep a record of your income and expenses if your biggest expense turns out to be them?

The amount that accountants charge varies depending on a number of factors, such as services offered and the size of the practice, as well as how often you use them. Do you just need them to file your annual tax return? Or do you need ongoing support? Would you rather see them face-to-face or are you happy with online contact?

There has been an explosion in low cost, online accountants in recent years and the proliferation of smart tech such as cloud computing means they can do pretty much everything remotely, without your operation skipping a beat.

Some online accountants charge as little as £20 a month to provide support via email, and may use one of a number of cloud-based accountancy systems which are available such as Sage One, KashFlow or Clear Books. The amount they charge for an end of year tax submission could be a one off £399 fee.

What to look for

Although keeping costs under control is crucial, any accountant you approach should have professional credentials, after all, the future of your business (and possibly your spotless criminal record) is in their hands. So what should you look for when hiring one?

Check their website and make sure they have professional indemnity insurance. Also have a look at what accountancy organisation they're a member of, such as the Institute of Chartered Accountants, Association of Accounting Technicians, Association of Chartered Certified Accountants or Chartered Institute of Management Accountants.

Can you do it yourself?

Most people who've started in business have undoubtedly had to be their own bookkeeper at one time or another, or sometimes a family member or spouse may have chipped in to help 'do the books'.

If your business is relatively straightforward then it's simply a case of recording what's going in and out. You can do this anyway you want, with pen and paper if you're the old fashioned type – but it's advisable to at the very least use a computer spreadsheet such as Excel.

If you want to take things a step further, there are a number of pieces of accountancy software out there – and some are even free. These include [Wave Accounting](#) and [Zoho Books](#), both of which are free, cloud-based accounting software designed for small businesses, freelancers and sole traders.

But of course nothing beats being clued up from the outset, and signing up for a bookkeeping course could also be hugely beneficial, with many available online. The Open University for example, offers a free course in [introduction to bookkeeping and accountancy](#).

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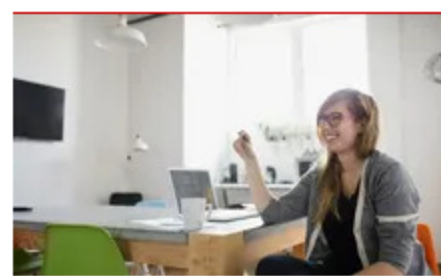


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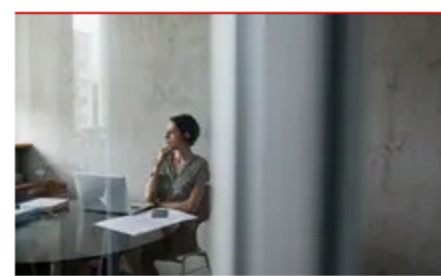
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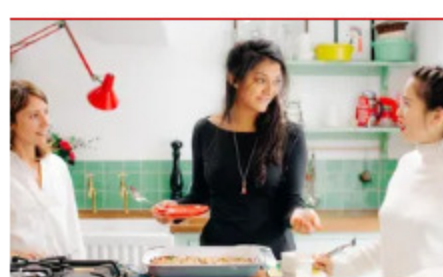
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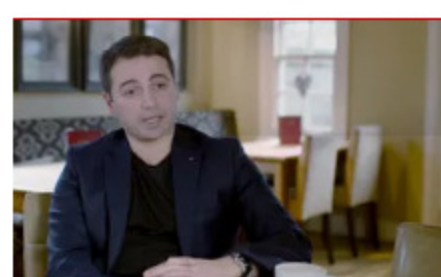
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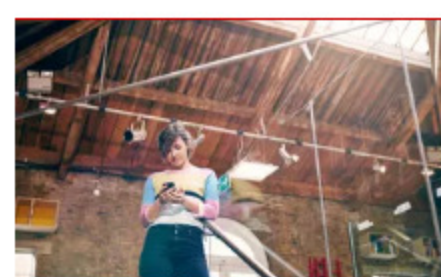
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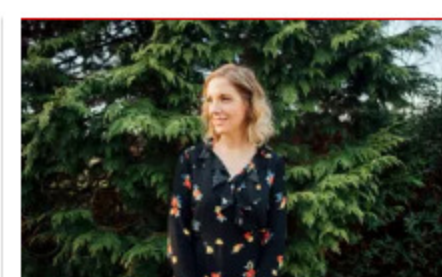
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