



Getting the best from your accountant.

From time to time I see requests for recommendations for an accountant, or comments of dissatisfaction in respect of the current incumbent so I thought I would share a few observations about how to get the best out of your relationship with your accountant.

Business owners fall into three broad categories. Those that,

1. Have managed a business before, understand the need for, and are familiar with using, management accounts and integrated management information; but understand that the needs of the business are greater than what can be afforded at the current time, but want to build a relationship with an accountancy firm and have a plan to work up to getting the support they want.
2. Have an awareness of the concepts of what management accounting and financial management means but are unfamiliar with what is actually required, how it is produced and how to use it, which also results in a lack of understanding as to the cost of production, or the opportunity cost of not having it but are committed to improve their understanding and ensure the needs of the business are ultimately met.
3. Are simply not interested in having any system or support other than required to meet the minimum level of regulatory compliance, have no interest in the information that is produced, including its accuracy, are not prepared to commit their time and effort towards its timely production and above all else; don't want to pay a penny more than is absolutely necessary.

Three recurring facts,

1. Cost, and value for money are two very different things.
2. Compliance (year end & tax) aside, the control, planning and management functions of all business require the same accounting and management information functions; only the scale changes to fit with the size of the organisation.
3. You get what you pay for.

So you need to be honest and realistic about what you want, and have an open discussion with your (prospective) accountancy firm. Make sure they are being honest with you. If their business model is servicing clients described in scenario 3, and you fit either scenario 1 or 2, you will quickly become disappointed. If you fit the profile of scenario 3, don't even bother talking to a firm that targets clients from scenario 1 & 2. Here's why.

Take an average UK salary of £29,600, which with on-costs is circa £34,000, and assume it applies to the staff in the accounting firm. If a person works 46 weeks (holiday, bank holidays, sickness and training), works 8 hours a day and 80% of their time is chargeable to clients you get circa 1,400 chargeable hours per year.

$£34,000 / 1,400 = £24.29$ per hour.

An accountancy firm, like all professional firms, has significant overheads. This will add 50%-100% to the cost of the employee, so £36.44 - £48.58 per chargeable hour is what you end up with, before any profit is made, and that is for an employee earning the UK average salary. According to Reed UK the average salary for an accountant is £22,500 - £55,500, so you can make some broad adjustments.

If you are paying a fixed fee per month that includes cloud based software (which has a cost to the accountant), how many hours do you think you are buying? Possibly, just enough required to produce the year end accounts and tax return. The fee assumes that everything that can be automated will be, and that you will undertake all the other admin. If you don't do the things that you need to do, at the time you need to do them, your accountant hasn't got the time to chase you, and they certainly won't have the fee headroom to do the work themselves. In short, they will assume that you fall into scenario 3 and act accordingly. So make some assumptions and do the sums; then ask yourself again how much time you expect your accountant to spend with you.

Clearly I am being simplistic to make a point, but the principals I am setting out most certainly apply. If you are realistic in your expectations, clear in your objectives and what you need to pay, then in most cases your accountant will (should) work with you because they will take a long term view.

But if scenario 3, or something close to it, is representative then be honest. Nobody will think the worse of you for it, and there are accountants out there that are set up to service all three scenario clients. The problems arise when the match is not right.

Hope that helps.

I haven't worked in practice for many years, but the first business that I set up, over 20 years ago now, after leaving the Army still has my name over the door and the team would be happy to have a chat (scenarios 1 & 2 only).