

HOW TO CHOOSE AND WORK WITH A BOOK-KEEPER

By specialist property accountant Stephen Fay FCA



Many property investors want to leverage not only their money, but also their time. Working with a book-keeper can mean that more precious time is spent on value-adding tasks rather than the more routine tasks. This article sets out how to choose a book-keeper, and how to work with them to get maximum value from their work.

Is a Book-Keeper Even Required?

Fundamentally, for most property investors this is a time vs money question, ie is the task of book-keeping a good use of your time? Everyone has a finite number of hours to devote to their property business, and successful people are generally those who spend their time on the tasks that only they can do, and that provide the most value.

On the other hand, some landlords' accounts and business affairs are simple; they may already have a 'DIY' spreadsheet that isn't too onerous, and that they are happy to deal with themselves – and there is certainly nothing wrong with investors being very close to the finances of their own business.

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Finally, there is the question of choice – some investors simply don't want to do their own book-keeping – to some (me included), the point of self-employment is to pick and choose the tasks they are good at **AND** enjoy, and 'outsource' everything else. Having a book-keeper is a little luxury that many landlords feel is worth the money.

What Does a Book-Keeper Actually Do?

Often, we find clients don't really understand what a book-keeper's role is, and what their final outputs should look like.

Generally, a book-keeper's role is to process all the business transactions into a book-keeping system, in order to produce a set of draft accounts that the business owner can use during the year to monitor business performance, and which becomes the start data for the accountant to deal with the year-end accounts and tax returns.

Book-Keepers – Ultimately, What is Their 'Product'?

Ultimately, a book-keeper's role is to produce the standard book-keeping outputs:

1. **Profit and Loss Account – income and expenses for the year**
2. **Balance sheet – assets and liabilities at year-end**
3. **Trial Balance – a simple list of all the final figures, split into debits / credits**
4. **Transaction-level breakdown of all the Trial Balance figures.**

We sometimes find at year-end that a new book-keeper has been recruited by a client, but that the work they produce simply isn't good enough – usually because the book-keeper themselves isn't properly trained or experienced. We may then have the unenviable task of going back to the client with bad news, ie that the work produced by their book-keeper is sub-standard! This then means that work has to be re-done, adding cost and delay.

So, when speaking to a potential new book-keeper, ask the following:

- **Are you able to produce the standard Profit and Loss Account, Balance Sheet, and Trial Balance as your final work product?**
- **How many property clients do you have, and are you experienced in dealing with property clients?**
- **Which software do you use? (Beware of amateur book-keepers using DIY spreadsheets that don't produce the standard outputs - see above). Ideally a good book-keeper would be familiar with one of the modern book-keeping packages (Xero, QuickBooks, FreeAgent etc).**
- **Would you be happy to speak to my accountant, so that your suitability for the role can be assessed?**

Ideally, a book-keeper would be ICB-qualified (Institute of Certified Bookkeepers) – as with any qualification, this doesn't guarantee a good job done, but at least gives some comfort that the person concerned has passed relevant exams and is answerable to a regulatory body. The ICB website allows a business to post up a new job and ICB members can then bid for the work – or, the list of ICB members can be browsed.

Working with Your Book-Keeper

In my experience, once a book-keeper has been recruited, many investors then 'switch off', and leave the book-keeper to it. However the book-keeper needs to properly understand the business so that they can correctly account for the transactions and 'sense-check' their own work.

So, it's useful in the early days of working together for the investor to have a session with the book-keeper to properly explain their business. Bear in mind that a property business can involve all sorts of activities – buy-to-let, Houses in Multiple Occupation,

buy-to-sell, lease options, private lending, joint venture deals, companies, partnerships, etc.

We find that the quality of book-keeping work is hugely improved if the investor has taken the time to explain the business properly, **AND** how they do things generally (eg how they move money around bank accounts, where they store their deposit funds, how they take their income from the business, etc) – so that the book-keeper understands the business generally, but also all the idiosyncrasies of the investor.

Then, over the first few months of the relationship, review the book-keeper's work and ensure any misunderstandings are ironed out. Good book-keepers set out to do a good job, but guidance and communication are essential to ensure that the accounts make sense and are therefore actually useful to the investor and accountant.

What Does the Accountant Do Then?

Generally, an accountant would use the book-keeper's outputs (Profit and Loss Account, Balance Sheet, Trial Balance) as the start point to prepare the final accounts and tax returns – this would include ensuring that all accounts are properly accounted for, checking for missing expenses and tax reliefs, advising on how profits can be extracted tax-efficiently (salary / dividends levels), preparing tax returns and Companies House-compliant accounts, correcting any missing or incorrect entries... and more.

Most accountants can and do provide basic book-keeping services, but it's usually cheaper to have the book-keeping work completed by the book-keeper to keep the accountant's fees down. The only exception would generally be where the investor's accounts and business are so simple that the involvement of a book-keeper really isn't necessary.

Good book-keeping means that the accountant can focus on the more

value-added work – tax-planning and business advice – rather than spending too much time dealing with the basic number-crunching work.

Summary

Working with a book-keeper can help property investors to see their business performance during the year, and also avoid the investor having to spend their valuable time dealing with a task that may not be a good use of their time. A good book-keeper can also help the accountant to spend more time on tax-planning and business advice rather than on the more basic number-crunching work.

However it is crucial that the book-keeper is able to produce the standard outputs to the required quality to prevent the work being wasted. Investors can help themselves by choosing the right book-keeper and working closely with that person to sense-check their work, so that maximum value is obtained for all concerned.



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