

...each receipt numbered and the number correlates to the number in your book-keeping system (on MyCake this number is generated automatically every time you enter a receipt)

- a full set of bank account statements
- ... where you've checked that all invoices issued have been paid
- ... noting the payment date either on the invoice (hard copy) or on your accounting system (on MyCake you can note the payment date)
- if you are VAT registered a copy of all your VAT returns
- a list of all invoices issued (if you're using MyCake, Quickbooks or similar they can take this from the electronic file, you dont need to print it)
- If the accountant is doing your personal tax return then theyll also want a set of your personal bank account statements, any savings, pension or investment contributions and any other income e.g. from renting out a house or a room in a house

You should provide all the paper in a well ordered file with each section in chronological order. Do separate out each bank account, set of credit card statements etc ... prevent your accountant for searching for needles in haystacks (expensive

Talk to a few, compare services, prices and just ask yourself the question 'do I trust and like them? Will they do a competent job?'

Also ask them how quickly they will be able to do your books after the year end. If you've been keeping your books up to date through the year then come the end of March you'll be pretty much ready to pass them over to your accountant. If they can respond swiftly then your tax return can be done and dusted by the summer.

The last thing you need is to be chasing your accountant for them to finish before the January submission deadline. Stressful all round!

Of course the sooner the tax return is done the sooner you know what tax you'll be paying. In a perfect world you've put this money aside in a separate bank account and not touched it! Consider also your attitude to risk. Do you want an accountant who aims to reduce your tax bill as far as possible or do you want someone a little more cautious?

What should you be providing to an accountant? - 12 months of receipts - in chronological order

Banking and Accounting for Creative Entrepreneurs

Sarah Thelwall

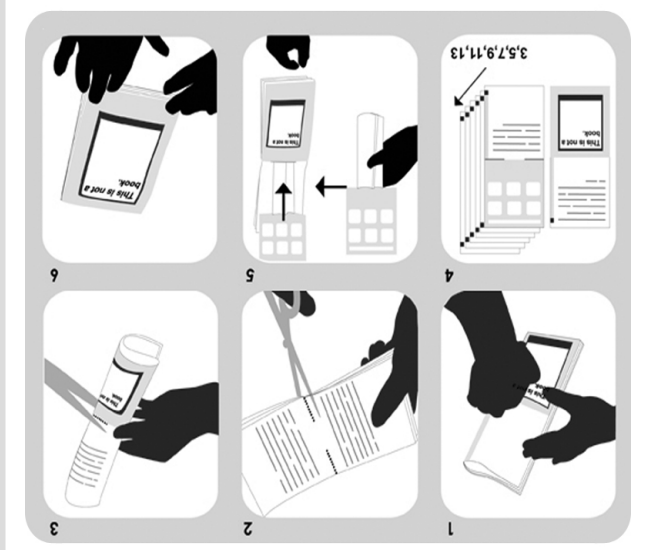


This is the first in a series of eBooks for MyCake users and is designed to answer some of the most commonly asked questions about financial management.

Of course you might well find this eBook useful if you're not using MyCake so feel free to share it around.

Special thanks go to Ellen O'Hara and the folks on the JSIP Mycake Programme for raising these questions ... keep 'em coming.





www.diffusion.org.uk
 DIFFUSION eBooks are designed to be freely
 available to download, print out and share.

created on: Wed Apr 9 15:18:10 2008

Sarah Theilwall

Banking and Accounting for Creative Entrepreneurs

1. Do I need a Business Bank Account? (what are the pros & cons)

There comes a point where doing business through your personal account is just too messy. You risk not knowing whether the money in there is really yours (or owed to suppliers, the VAT man or the tax man etc). The question is when do YOU reach this point?

Here are a few suggestions:

- If you have either regular outgoings or incomings or lumps of money you need to be able to see and account for in the business it becomes easier if these are on a separate (business statement).
- If you want to match up expenses against bank statements this is more easily done separately
- If you're going to pay tax on income as a self-employed person you'll have a clearer idea of where you're at with a business account
- If you want to put money aside for tax, VAT, capital costs etc then you should consider a business instant access savings account as well as a business account
- If you receive money from abroad perhaps you'd rather not give out personal bank account details

- If you want a loan for your business the bank may well prefer to do this with a business bank account
- If you have staff or freelancers to pay or if you have a book-keeper it's as well to keep this separate from your personal account
- Other points to consider or ignore:*
 - bank charges you may well get a couple of years without bank charges as a new customer but even when they kick in these charges will probably be quite small provided you're in the black not the red
 - if you want a separate credit card to use for business you can have this on a business account so this would be a separate limit ... useful if anyone else needs a business credit card
 - if you're running a limited company you really should have a separate bank account as it will make reporting on the finances much simpler for you and easier for an accountant to audit
 - indeed if you have an accountant to do your tax return you'll make their lives easier (and your bill smaller) if they don't have to trawl through your personal account records

So your accountant will return to you:

- your files of receipts (to be kept by you)
- a set of accounts comprising a profit and loss statement, broken down into key areas, perhaps with comparisons to previous years
- often a letter indicating any recommendations on how to improve your book-keeping or with any thoughts on your accounts
- a tax return (to sign and send back)
- an invoice!

2. What can I expect from my bank/accountant & how should I choose?

Ok, lets keep these separate; banks first.

2A. Banks:

The cynical answer is 'not much'. At the moment very few bank managers or retail banking client account managers have much knowledge of the Creative Industries and fewer still are in a position to give truly useful advice to these kinds of entrepreneurs.

Here's how to find the needle in the haystack:

- ask around amongst other creatives ... see if there is anyone locally who has a good bank manager
- ask your accountant, lawyer or any other professional working in your area in the Creative Industries to see if their networks shed any light on the issue
- check with your local Business Link or APD Network member
- if you don't need to see someone too often Andy Reeves at the Chichester Branch of the Royal Bank of Scotland is MyCakes banker and is superb.

From what we can see at the moment HSBC don't consider Creative Industries to be a priority, the big retail banks haven't really discovered the sector so good service comes down to individuals in individual branches.

If the above methods don't reveal any gems then the next piece of advice is to go and meet a few of your highstreet retail bankers and effectively interview them to work out how much they know about your sector.

To be pragmatic you may not require much of a bank beyond the usual facilities. More is at stake if you want to borrow against your business in order to grow it. This does require the bank to understand the risk profile of your business and in essence means you'll need to learn to speak their language a little. A business plan is a good start, and clear explanation of your customer base. If you can make this easy to understand for someone who's not from the sector there's a better chance your bank manager will be able to work on your behalf to secure a loan for you. See it as a process of teaching them, learning their language and making sure they understand the risk level (or lack of).

You may find that the first year with an accountant is more expensive than following years as there will be a degree of set up on both sides. However you should expect an estimate of cost before they undertake the work.

You may choose to authorise the accountant to be the point of contact with the Inland Revenue. The advantage of this is the that the tax office can see that you are using an accountant and may have a higher degree of faith in the accuracy of the return (no promises here!). If you do this then when the accountant returns your accounts to you for you to sign off (ultimately the accuracy of the accounts is your responsibility not theirs) then they'll send over your tax return for you to sign also.

If you go down this path it is reasonable to expect that if youve submitted your accounts to your accountant in a timely fashion that they'll meet the submission deadlines with the Inland Revenue.

In summary you want:

- good rapport ... someone who's interested in your business
 - someone with a knowledge of the Creative Industries
 - someone with experience of working with small businesses
 - someone you can pick up the phone to for advice ... expect to have their email address, direct line and perhaps mobile number
- If you have a good bank manager we'd love to hear about it because wed like to be able to point people to the best ones around the country.

The good news here is that there are a growing number of accountants who work with small businesses and understand the workings of creative businesses.

As with banks you really want someone local. Not that you'll see them that much but it just makes life easier.

Again, look for recommendations. Your local creative business support organisation may well know of good accountants. If you don't know who to ask in your area google 'APD Network' and find the local member.

Small businesses aren't terribly demanding on accountants time. From what folks have told us you might reasonably expect to spend somewhere between 300 and 700 a year (ex VAT) for an accountant to do your tax return. Of course as a MyCake user all the work you're putting in to doing your books should reduce your accountancy bill!

If you're asking an accountant for advice or for them to do your book-keeping this figure could go up significantly. As ever ask them to quote you before you go down this path.

What should an accountant be providing to you?

If your accountant has a preferred system then do get them to tell you this at the start of the year. MyCake is now compatible with Sage for example so you can do all your work on MyCake and an accountant using Sage can now import it into their system.

If you'd like to know which accountants in your area use MyCake or Kashflow drop us a line and we'll try to help.

If you are not going to use an accountants preferred system then do agree what printouts you'll provide to them and ensure that this will give them all they need (not too tricky).

When you drop off your well-ordered file and email over your electronic information do ask them for an estimated date by which they'll have completed your accounts. You may well find yourself in a queue and they'll deal with each set of accounts in the order in which it was dropped off to the practice. This means that it may go quiet for a while but that they'll be back in touch after a couple of months with questions and requests as they start to work on your accounts.