

Bookkeeper,  
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## A GUIDE TO WHO DOES WHAT IN THE FINANCE FUNCTION

### Overview

This report is for owners of small and medium sized enterprises (SMEs) who want to grow and improve their profitability.

As your business evolves, the technical skills and time required to successfully manage the finances will increase beyond your capacity. At some point you will need help. At different times in the evolution of your business you will need a bookkeeper, a traditional 'high street accountant' and/or a finance director (FD) – but who does what?

### Introduction

There are some clear boundaries as to who does which tasks, but also a number of grey areas. As businesses grow over time the work becomes more complex and requires a high level of expertise.

Initially a business will have no internal resources and everything needs to be done by the high street accountant. However, as time goes by it becomes more cost effective to bring some of the tasks in house. If it continues to grow it will eventually have a full-time finance director, financial controllers, teams of accountants and assistant accountants. Often in large companies only compliance services are bought in from external accountants (tasks such as audit and the filing statutory of accounts and tax returns).

In this report I outline who is likely to do the most common finance tasks and how this might evolve as your business expands.



## Bookkeeper

A bookkeeper's role is to keep a record of financial transactions within a business.

Most bookkeepers will record sales and purchase invoices on a computerised accounting system, monitor and reconcile bank statements, manage supplier payment runs and chase late payments from clients. They might also run the payroll and produce the VAT returns.

A more experienced bookkeeper might also produce some management information or forecasts, but that would be unusual.

They are the go-to person for all day-to-day finance issues and a good one is worth their weight in gold. The role could be full-time or part-time as either an employee or a freelancer. In a small business this person IS the finance department.

A bookkeeper will be significantly cheaper than either a finance director or an external accountant. As such it makes sense for them to manage as many finance tasks as possible, but without straying into areas where they are not qualified.


There are a number of recognised bookkeeping qualifications such as AAT (The Association of Accounting Technicians) and IAB (The International Association of Bookkeepers), but many good bookkeepers are simply qualified by experience (QBE).

Whilst an inexperienced bookkeeper might cost as little as £15 per hour, expect to pay around £40 per hour for an experienced freelancer.



## Traditional (High Street) Accountant

Definitions of the role 'accountant' vary significantly. Some mirror the role of the bookkeeper, whilst others include analysis, insights and advice. The service you receive from your accountant will depend on the package you have chosen and often this is just the basic compliance work.



Anyone can call themselves an accountant, but in this context I am referring to firms of accountants that generally work from offices in the High Street. Traditionally they were named after the original partners e.g. Smith, Jones and Co. and will provide accounting, auditing and advisory services to businesses and individuals.

Anyone who has started a business is likely to have engaged an accountant to liaise with the tax authorities, register a company, or otherwise help with the regulatory side of setting up a business. Having established a relationship, the same accountant will often manage the year end work for the company. Businesses change accountants about as regularly as individuals change banks!

Whilst your relationship is likely to be managed by one of the partners of the firm, day-to-day interactions tend to take place with more junior staff. Partners will generally have a portfolio of 100 clients or more, so don't expect to see much of them. All the senior staff are likely to be qualified with the Institute of Chartered Accountants England and Wales (ACA) or the Association of Chartered Certified Accountants (ACCA). Historic transactions make up most of this work, but more comprehensive packages may include analysis and guidance.

The work done by the accountant will include managing compliance – producing statutory accounts and the tax return at year end and filing both with the relevant authorities. If your company requires an audit this must be completed by a registered auditor and it makes sense for this to be your accountant.

They may also provide payroll services, VAT computations and filing. There is often some level of ad hoc advice as well. In larger SMEs the accountant might also attend some board meetings, produce budgets and forecasts or act as a sounding board, but these future-facing activities are less common in this relationship.

The High Street accountant is the most expensive of the three finance resources. Charges are usually based on hourly rates – from £50 per hour for an unqualified junior to £400 per hour for a partner. Annual fixed price contracts are becoming more common. Overall a typical SME might pay £2,000 pa for a basic compliance package.



## Finance Director

The ACCA's description of the finance director role states that this person 'is the most senior finance professional in an organisation' who 'assumes a leading strategic role in influencing the future direction of an organisation'.

Another title for this role is chief financial officer. I will use the term finance director here, but whilst the title is 'director' this person is not necessarily a legal director of the business.

In a business with more than 100 employees it would not be unusual to have a full time FD, but in smaller businesses the role of a part time finance director has become more common over the last couple of decades. This person is likely to be a qualified accountant and would probably be a member of either the Chartered Institute of Management Accountants (CIMA) or the ACCA. The CIMA qualification is generally seen as more commercial, whereas the ACA qualification is aimed at accountants in practice. The ACCA qualification covers both disciplines.

In an established SME the role performed by the finance director is likely to include the following:

- acting as a sounding board to the MD,
- advising on business strategy,
- reviewing management information,
- analysing financial performance and providing insights,
- producing budgets and long-term forecasts, and
- attending regular management meetings.

Other tasks might also include the supervision of finance staff including the bookkeeper, advising on systems and controls, preparing year end files for the external accountant, maintaining a risk register and managing funding requirements.

A part time finance director is likely to charge a day rate, although monthly retainer packages are becoming more popular. Restating these as hourly rates to make it an easier comparison with the bookkeeper and accountant above, an FD is likely to cost somewhere between £70 to £200 per hour.

## Movement over time

Most start-ups will rely heavily on their external accountant in the beginning. The entrepreneur's focus is likely to be on sales and operations and when there are a limited number of transactions it is not uncommon for the accountant to do all the bookkeeping work.

As time goes on and the number of transactions increase most companies will employ a bookkeeper to deal with the day-to-day work either as an employee, or a freelancer. If the business continues to expand the bookkeeper might be replaced by an internal finance team which could include a qualified or part qualified accountant.

But this structure will generally only manage historic data. If the business is to grow you will need benchmarks, insights, analysis and a plan as well as someone to keep you accountable. In some cases the external accountant might provide all of this, but it is more likely that you will need to engage a finance director.

## Conclusion

A successful business needs an effective finance function. As the business owner you are unlikely to have the skills and experience to manage the finance function yourself, but you will need to understand the principles and bring the right resources into the company.

You'll need a good accountant (if only to comply with the minimum regulatory requirements), and an experienced bookkeeper to manage the finance admin and help keep the cash flowing. But none of those tasks help you improve your business.

Only about 4% of businesses ever achieve annual sales of £1,000,000 and if you want to join them, you'll need to take your finance function seriously.



## About me – **Andy Cristin**

**Andy Cristin** is the founder of Pareto Financial Direction Limited and designed The CASH Method™ to help business owners understand their numbers and build better businesses.

He is the author of the bestselling book *The Profit Mindset: Know your numbers, plan ahead, grow your business*, which was shortlisted for the Business Book Awards 2020 and co-authored *Pivot & Grow: The essential guide to business success*, which was also a bestseller

As co-founder and finance director, Andy started and exited two professional service businesses arranging trade sales with a listed French company. He now focusses on helping other business owners to improve their profitability and build more valuable businesses.



