

So your business needs a bookkeeper?

Bookkeeping is the process of recording financial transactions in a record book or more accurately in a computerized accounting system. It is the process of first entry where information contained in any source document such as invoice or sales receipt is entered into the accounting system. Whilst bookkeeping is gaining increased status as a profession, it still has a long way to go.

The bookkeeping industry is largely unregulated. The term bookkeeper is generic and there is little to prevent anyone from calling themselves a bookkeeper. To use the title of bookkeeper you require no formal training, no tertiary qualification and no ongoing professional development. It is not uncommon to hear of people who have completed a one day MYOB course and then promote themselves as a bookkeeper.

To demonstrate the disparity between the bookkeeping industry and other professional groups and most notably bookkeeping's closest relative the accounting industry, it is easy to draw a clear distinction between the professionalism of each industry.

Membership to the leading industry accounting group, CPA Australia, requires an individual to first complete a three year university degree, have at least two years professional experience, successfully pass six post graduate subjects and maintain a minimum of 40 hours per year of ongoing professional development. By satisfying these requirements you then hold the minimum membership requirement. This demanding entry criteria and ongoing professional training ensures that candidates are highly educated and capable of providing clients with a competent and professional service.

In contrast, to gain minimum membership with one of the leading bookkeeping associations you need only provide a written reference from two professional accountants who are willing to testify that you are competent and capable of performing the role of a bookkeeper. It is hardly a professional criteria, is it?

With more qualified accountants entering the bookkeeping industry, business owners are the real winners. In addition to your fundamental bookkeeping, these accountants are capable of performing a wider cross section of tasks, including preparation of management reports, performance analysis, financial projections and budgeting.

The advantages for you are that you gain the benefit of a premium bookkeeper, a qualified professional accountant or financial controller without the burden of a full time salary. You also receive timely, accurate financial information on which to guide your business and you can reduce your compliance costs at the end of financial year.

With such a disparity in the minimum professional requirements between a standard bookkeeper and a professional accountant it beckons the question, why would you take the risk in your business?

A common mistake that is made by small business owners is they appoint a bookkeeper for the purpose of preparing business activity statements. This is ironic for two reasons;

- ⓑ It is an offence for a bookkeeper to prepare a Business Activity Statement unless they are a tax agent or satisfy one of the exemptions under the Income Tax Assessment Act. The most common exemptions are that they are working under the direction of an income tax agent or they are a member of one of the professional accounting associations. So, check to see that your bookkeeper complies, and
- ⓑ The principal of the business bears the burden for penalties under the Income Tax Assessment Act for errors that are found in your BAS. You take a risk in having your BAS prepared by a person who is prohibited under the Income Tax Assessment Act from preparing a BAS in their own right.

Whilst professional bodies such as the Institute of Certified Bookkeepers is trying to improve the professional standing of the industry, the safest way for small business owners to minimize losses is to protect themselves. When making the decision to appoint a bookkeeper I recommend that you apply the following rule of thumb;

"the less you know about accounting and BAS the higher the qualification and experience of the bookkeeper you appoint".

To ensure that you appoint the right person for your business spend fifteen minutes to get a clearer understanding of your business, your business requirements and the necessary skill level of your bookkeeper. The following checklist will help you prepare for the appointment.

- ⓑ Do I need an external bookkeeper or an in-house employee?
 - ⓐ What tasks will this person complete?
 - ⓐ How much work is involved on a monthly basis?
 - ⓐ What level of skill do I need to fill this position?
- ⓑ If you need a bookkeeper, then ask
 - ⓐ How will I know if my bookkeeper has got it right?
 - ⓐ How much do I know about accounting and BAS?
 - ⓐ Do I have the skill to interpret the accounting Information?
- ⓑ What financial information do I want from my bookkeeper?
 - ⓐ Do I want to know where I am?
 - ⓐ Do I want to know where I am going?
 - ⓐ Do I want to know how I will get there?

Written by Craig Whitton
Managing Partner
Member CPA Australia
Bachelor of Commerce (Ncle)
Member Aust Institute of Company Directors (AICD)
Member Australian Institute of Management (AIM)
Member Human Resource Institute of Australia (AHRI)