



THE CENTRE FOR MICRO BUSINESS CIC
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SURVEY REPORT FOR THE INTERNATIONAL ASSOCIATION OF BOOKKEEPERS DEC 2014

INTRODUCTION

At a time when the economy in the UK is beginning to look on its way back up, the small business sector may be set to bolster that growth and where statics (UK GOV) indicate self-employment is on the increase, the IAB have taken a snap poll to assess the potential demand for financial administration and the attitude towards bookkeepers and the acceptance that they may substitute for an accountant.

The economy is predominantly composed of small businesses. Out of that micros (employing 1-9) form a hugely significant cohort. Within the micros is a vitally dynamic sub-set, the home based business. Importantly, with the latter the statistics indicate that this hitherto largely unrecognised sector contributes a huge element to the economy. Statistics (Enterprise Nation) indicate that £1 in every £11 of turnover is derived from a home based business and over 1 million businesses have been trading from home for more than 20 years.

For the economy to develop, we need to reinforce the small business abilities to maintain sustainably through greater knowledge and efficiency in the methodology with which they administer their financial management. This is especially critical for those seeking - or capable of - growth which may generate the onward benefit to the economy of greater GVA¹ and further employment opportunities.

This survey was designed by The Centre for Micro Business (Observatory Unit). Questions were established and agreed with criteria established by the IAB and handed to a telephone polling company for processing. 150 completed telephone surveys were used as the final universe and the raw data fed on spreadsheet to the CMB.

Based on the data received and a detailed analysis founded on the outline of questions as agreed the results are detailed below.

The CMB has conducted a number of research projects and is led by specialists from both the small business and public sectors working as a team. The combined knowledge base delivers an intuitive understanding of the complexities of the economy from both the macro and micro perspectives.

¹ GVA. Defined by The Office for national Statistics as; the measure of the contribution to an economy of an individual producer, industry, sector or region in the UK. It is used in the calculation of the gross domestic product (GDP) which in turn is usually estimated drawing from one of three alternative theoretical approaches: production, income or expenditure. When using the latter two, the contribution to an economy of a particular industry or sector is measured using GVA.

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QUESTION		RESPONSES
1	How long has your business been running?	1 year; 3% 2-5 years; 20% 6-10 years; 27% 11-20 years; 30% 21-30 years; 15% 31 plus years; 5% Average age of businesses polled 13 years.
2	Is it a registered company at Companies House?	Yes 79% No 21%
3	Do you want it to grow?	Yes; 36% No; 15% Possibly; 18% Undecided; 31%
4	How many people are employed in your business	Sole traders; 5% Up to 5; 57% 6-9 employees; 17% 10-20 employees; 16% 21-30 employees; 3% 30+ employee; 3%
5	Have you Vat registered through turnover threshold	Yes – passed threshold; 63% Yes voluntarily; 16% Not registered; 21%
6	Is the financial paperwork burdensome/up to date?	Completely happy; 25% Moderately challenging; 39% Fairly burdensome; 30% Finding it a problem; 5% No answers; 1%
6.1	Sub question: Is the person doing your paperwork qualified?	Yes; 67% No; 33%
7	Where do you work from; home, rented accommodation, other	In rented accommodation; 57% Working from home; 33% Owned premises; 1% Other; 9% (includes leasing, shop, yard, care home) ownership details unstated.

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8	Do you know exactly what your current financial position is?	Yes very well; 55% Yes, quite clear; 30% Not completely clear; 12% No, unclear; 5%
9	How effective do you rate your overall company financial management?	Management very effective; 36% Quite effective management; 54% Fairly poor management; 10% Completely ineffective; 0%
10	To what extent do you agree with the statement: "The business could be more profitable if I sub-contracted my financial admin" so I could carry out more money making functions?	Completely satisfied as it stands; 29% Definitely could do better; 15% The business may do better with additional input; 25% Its probably all right as it is; 31%
QUESTIONS THAT MIGHT BE NICE TO ASK!		
11	Do you think a professional book keeper can do most of what you need an accountant to do at lower cost and keep you up-to-date on your financial status?	A bookkeeper can carry out all the tasks needed; 33% Disagree, bookkeeper cannot carry out all the tasks; 20% Not sure if bookkeeper can do all the required tasks; 47%
	How accessible are your profit and loss accounts?	P&L accounts very accessible; 71% P&L reasonably accessible; 22% P&L difficult to access; 5% Unsure (no answers) ; 2%

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MATURITY OF THE BUSINESS

The survey tells us that the respondents between them have been in business for an overall average of 13 years.

This ranges from 3% being in business for one year up to 5% topping out at 31 years, with one business in family ownership for 83 years and another for 53 years.

A significant portion of the survey, 20% have only been operating for up to 5 years. The majority of businesses, 57% have been operating between 11 and 30 years.

We might conclude from this that the overall success levels are relatively high and the sustainability very good.

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STATUTORY OBLIGATIONS

For those businesses that have taken the route to registration at Companies House (79%) the implications on careful administration are set in stone. Information has to be collected and kept ready for the obligations in filing returns – on time – in compliance with set deadlines. For those companies exceeding the VAT threshold or registering voluntarily (again, correspondingly 79%) the additional burden of set deadlines for returns and accuracy of data is critical. From this we understand basic work level demands upon those businesses.

In addition to these statutory obligations are the employer regulations and with an average employment level of just under 7 people across all respondents which falls below the micro business designation, and for the 21% in the 10+ group, employing an average of 32 employees there are significant implications for all in the comparative workloads.

The fact that only 67% do not recognise the value of a professional bookkeeper suggests room for education for the IAB.

ASPIRATIONS

Just over one third (36%) of the businesses positively have the aspiration to grow. The existing size of the companies ranged mainly between the micro business sector (1-9) with 86% indicating a wish to grow and 10% having that ambition already employing 10 and above people.

Looking at the competence levels in their company administration, the responses suggest that those with the wish to grow 67% of them find it comparatively burdensome to cope with the financial paperwork whilst the remaining 33% saw it as a real imposition and considered it a burden.

41% agreed that a subcontractor would be helpful; whereas just over a quarter (26%) are relatively uncertain.

Respondents were equally split (41%-41%) in their consideration as to whether a bookkeeping professional would give them they all the support they need as opposed to an accountant.

This suggests that there is significant scope for improvement in the administrative capabilities generally and an avenue for the IAB to explore.

TURNOVER

On the basis that they were obliged to register for VAT, we can assume that a basic £81,000 level of turnover has been achieved and/or passed by 63% of respondents.



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NEED FOR ASSISTANCE

Overall just under one third of the respondents (29%) were completely satisfied with their administrative process, with a further 31% considering that it was probably alright as it is. 15% felt that their processes could definitely be handled better and a further 25% felt that getting support in would be of some benefit.

WOULD A BOOKKEEPER PROVIDE THE INPUT TO THE LEVEL OF AN ACCOUNTANT

As to whom they would seek assistance from; one third (33%) agreed that professional bookkeeper would fulfill all the required tasks. However a total of some 67% (20% DEFINITELY NOT AND 47% UNSURE) felt that a bookkeeper definitely could not or might not be able to carry out the required services to the same level as an accountant.

This should give some indication to the IAB as to where it might direct marketing awareness and why.

ARE YOU READY FOR GROWTH

For a business to grow it must have certain parameters covered and in place. Aside from the marketing elements of business, it must have a robust grip on its cashflow, an understanding of its profit and loss accounts – and ready access to them and competent personnel handling the administrative duties. Growth is not just increasing turnover, it demands better profitability which can be achieved as much through money management as “putting up the prices”. Inevitably the demand will rest upon the knowledge, training and capabilities of the staff involved. This snap poll indicates a modest level for improvement in financial administration with 71% indicating they feel their profit and loss accounts are readily accessible with the remainder indicating that there is room for improvement.

With over one third (36%) looking to grow and 49% prepared to consider it (15% saying definitely not), there is good scope for the IAB to deliver a programme of awareness of their services from the viewpoint to aiding sustainable growth.

COMPARATIVES

Those in business for up to five years;

are predominantly home based 55% with 22% in rented accommodation likewise in other forms of premises.

The financial maturity of this group indicates a successful business with two thirds (66%) registered for VAT as they have passed the threshold at £81,000.

Where keeping the financial paper work is concerned, for the majority (77%) the burden of paperwork is not seen to be especially burdensome; only 22% consider it to be quite onerous.

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55% of this group do not use a qualified person to look after the paperwork.

As regards understanding of their current financial position 44% are perfectly clear on their current financial situation and one would assume from that that they are conscious of their cashflow situation as an integral element of the success of their business. The remaining are only marginally aware of their status and as such would probably benefit from guidance and input.

Surprisingly, only 22% agreed that the business would benefit from sub-contracting financial administration to help them spend more time “in” the business; from the remainder however just over half at 55% agreed that it may be helpful.

When asked if they understood that a professional bookkeeper would be able to carry out the key tasks for them instead of an accountant 11% agreed fully and the remainder were for the main part uncertain.

As an indicator to their financial management just over half (55%) agreed that their profit and loss accounts were easily accessible.

Those in business between 15 and 30 years;

are predominantly (66%) working from rented accommodation with around 20% working from home and just over 14% working from other premises.

6 Financial maturity; the importance of maintaining financial records is indicated by the fact that 84% are registered for VAT (with 68% as a statutory obligation indicating a turnover of £81,000 plus and 16% voluntarily).

A relatively small number, 9% found maintaining financial paperwork onerous; 23% found some challenges whereas 68% found it marginally burdensome.

A very positive response was given to the question as to whether a qualified person carried out the paperwork administration at 90%.

Less than one fifth (18%) agreed that there was value in sub-contracting the financial administration to improve their capacity to work in the company and be more productive in that sense.

However just under one third (31%) agreed that a professional bookkeeper would be as good as employing an accountant.

Overall, those respondents operating between 15 and 30 years were very positive (86%) in their response to whether they have ready access to the company profit and loss accounts.

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Comparitive Synopsis	Business in operation up to five years	Business in operation 15-30 years
Rented accommodation	22%	66%
Home based	55%	20%
VAT registered	68%	84%
Paperwork burdensome	22%	9%
Use of qualified person	55%	90%
Good knowledge of current financial position	44%	70%
Agree sub-contracting would be good	22%	18%
Agree professional bookkeeper would be good	11%	31%
Agree good access to P&L accounts	55%	86%