

IAB UPDATE

The Word from Sarah **2** | A message from your CEO **3** |

Do your clients have adequate insurance? **4** | IAB Council member named small business champion **5** | Understanding how liquidation works **7** | Enter the IAB Awards 2015 **8**



FRS 102:

are you going in
the right direction?
see page 6



Recruiting staff: top tips

I've spoken to three bookkeepers in the past week with a common issue and it's worth sharing. They are working 60-plus hours a week; they've tried to recruit but it didn't work out. Feeling exhausted and disheartened, they know that their business growth depends on finding great bookkeepers, but can't work out the solution.

There are a number of mistakes you can make around recruitment – believe me, I've made them all! But if I was to list my top three I would say:

1. Not testing the bookkeeper's skills in some way in your office before appointing them.
2. Not spending time with them once appointed, to induct them into your business and set the expectations around your culture.
3. In your haste to relieve the pressure you're under you put a new bookkeeper with a new client.

The first rule is to test the bookkeeper in your office before accepting them onto your team. Ideally, this would be in the form of a skills test on the software you want them to use. However, from experience, this will

take some time for you to create from scratch – time you don't have. At the very least, sit with them in front of the computer and ask them questions that will indicate their proficiency in the software. Start with basic questions that you expect everyone who uses the software would know the answers to. Include more difficult questions that will demonstrate more advanced knowledge.

Within an hour, if you ask key questions about the software and about the Balance Sheet, you should get a clear indication of how experienced and confident they are. Here are a few other tips:

- If you're happy with their answers don't offer them the job immediately.
- Test other applicants so you can compare the results and have more choice.

Choosing great bookkeepers takes time – but it's an investment that's worth it.

If you want to make your business better, why not book onto one of our upcoming Seven Secrets to Growing your Bookkeeping Business Webinars?

Visit www.purebookkeeping.co.uk/seminars and remember to use the code 'VIDEO' in the checkout for your 50% discount.

Love to know your thoughts,

Sarah Palmer, Pure Bookkeeping



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A message from Malcolm Trotter, IAB Chief Executive



In this edition we are delighted to be able to include contributions from the Federation of Small Businesses (FSB) on the subject of business insurance, BDO (FRS102), FA Simms (insolvency) as well as regular contributor Pure Bookkeeping (recruitment). We are grateful to these organisations for their technical

contributions. In addition, we reveal some interesting outcomes of an IAB survey of micro and small businesses. Please don't miss the item inviting nominations for the IAB Business and Skills Awards (see page 8). How about nominating someone – or could they nominate you?

Also, please note the very special discount arrangement

we have made for IAB members to also join the FSB (detailed in the FSB article). This is the latest new benefit we have negotiated, as we aim to enable IAB members to gain further benefits and networks of firms to do business with.

As this edition coincides with the issue to you of the annual notice of renewal of your IAB membership I would encourage you to reflect on the extensive range of benefits you have access to. I trust that these much more than outweigh your modest subscription and I assure you that, as always, we will be looking to add to these during 2016.

Malcolm Trotter, IAB Chief Executive

Could you be an IAB Council member?

The IAB is now accepting applications and enquiries from members who are interested in joining IAB Council. Council elections will take place at the AGM in June and last year a new, more supportive process was introduced for those professional members who may be thinking about joining the IAB Council.

Under the new application process, members will be invited to attend a meeting with an Appointments Committee, where they will be able to quiz current members of Council and the IAB Executive about what it is like to be a Council member and what the role entails.

Donna Abrahams MIAB joined Council in June 2015 under the new more supportive process. She told IAB Update about how she found the



Donna Abrahams

new process, and she also has some advice if you are considering applying to be a Council member.

She said: "I applied to join Council to gain insight into how qualifications are both created and governed. As an end user of these qualifications I

felt this was a unique opportunity to discuss and facilitate 'fit-for-purpose' qualifications. They should both assist employers in their selection of qualified staff within the bookkeeping field, and help learners to choose the appropriate qualification.

"Since I joined in June 2015 I have been appointed as a member of a specialist sub-committee the Awarding Organisation Strategy Group, who meet periodically to report any changes relevant to the IAB and maintain compliance."

She added: "My advice to anyone considering applying to be a member of Council would be, 'don't be afraid!' The selection process is both supportive and informative. You will not be dropped in at the deep end, so to speak, and can decline to continue with your application at any point during the selection process should you feel the position is not for you.

"As a new member I am still learning about all the internal workings and what is required of me, but help is at hand whenever it is needed, with either a friendly voice or a supportive email to advise or reassure as I am integrated into the team."

If you would like further information about being a Council member contact Kelly Lant on kellyl@iab.org.uk or 01732 897756.

- The IAB is committed to equal opportunities and diversity and welcomes all applications.

Are you a facilitator?

The government has now introduced new civil penalties for anyone (read accountants) who 'facilitates' offshore tax evasion.

The idea is that those who help people evade their tax will now face the same penalty as the evader!

Penalties have been increased too, and will be linked to the value of assets hidden offshore. A plea of ignorance will no longer get anyone off the hook, as the rules have been tightened. HMRC has said that it will also publically name both the evader and those who enabled it.

Under the new rules it will be a criminal offence to evade tax



David Gaulke

offshore. There will, however, be a threshold of £5,000 of under-declaration before the new offence kicks in.

Financial Secretary to the Treasury David Gauke announced the 'creation' of a new offence for corporates who fail to prevent tax evasion, or facilitated tax evasion, on their watch.

Insurance and business continuity: be prepared



Make sure you and your clients have adequate cover to protect both your and their livelihoods

It's easy to think that bad things happen to other people and that you will never be affected by unfortunate events, but in reality issues and incidents happen to the best of us. And usually when you least expect them.

With this in mind, it's a good idea to start thinking about your worst-case scenarios and making sure you are fully prepared for every eventuality.

So what insurance do you need?

Our advice is to start by establishing the minimum insurance cover you

require and take it from there. To do this, you need to ask yourself the following questions:

- Do I have staff?
- Do I sell products?
- Do I operate machinery?
- Do I have business premises?

If the answer is yes to any of the above, then read on...

Employers' Liability Insurance

There are just under 400 deaths and nearly 30,000 major injuries at work each year in the UK, so you need to be cautious. If you employ anyone, even if it's your mother, the law clearly states you need Employers' Liability Insurance.

As an employer you are responsible for the health and safety of your employees while they are at work. They could be injured or may become ill as a result of their work while in your employment. The end result is that they could try to claim compensation from you if they believe you are responsible. The Employers' Liability (Compulsory Insurance) Act 1969 ensures that you have a minimum level (currently £5 million) of insurance cover against any such claims. It is however worth taking a good look at the type of risks and liabilities that you could face as it may be advisable to increase your insurance cover should the worst happen.

Liability insurance basically covers business owners, independent professionals and self-employed people against the cost of compensation claims made by employees. You do also need to consider the cost of potential claims made against you by members of the public.

What about Product Liability Insurance?

If your business involves you manufacturing, designing or selling products, you need to have Product Liability Insurance. Your latest range of soft toys may seem harmless to you, but you never know when that teddy bear could turn to the dark side! This

IAB Council member is small business champion

Enterprise Nation unveils Quentin Pain as East Anglia's first small business champion

Council Member Quentin Pain has been named as East Anglia's first small business champion by fast-growth network Enterprise Nation.

Quentin, founder of Legendary Business Owners, is one of an

initial cohort of 12 key regional champions announced in a bid to extend important early-stage support to the growing number of new firms in Peterborough and its surrounds.

Quentin said: "Britain has long needed a nationally-integrated programme of support for entrepreneurs, especially as the number of people starting their

own businesses is increasing daily. Enterprise Nation has a proven track record in producing engaging, practical and accessible workshops and events as well as providing a much-needed campaigning voice for the small business community.

"Early stage intervention and support is a well-understood pathway to greater and more sustainable success. We look forward to welcoming businesses into the Peterborough and district branch of the Enterprise Nation fold."

Quentin's company will curate

type of insurance policy covers the cost of compensating anyone who is injured by a faulty product – your business could be held legally responsible for any injuries to people or damage to property caused by a faulty product.

It's worth noting that your business could be held liable for faulty products even if you didn't manufacture them. If your business's name is on the product or you repaired, refurbished or imported it from outside the European Union you could still find yourself liable.

In most cases a business will start at home before you experience growth and your empire takes off. Once this happens and you relocate from the spare room to operate in your own business space, you will need to invest in a couple of policies to protect your business. Firstly, Property Insurance, like buildings insurance at home, will cover you in the unfortunate event of a fire, flood or theft.

Insuring where you work

A further type of cover you need to look into – if you own the building – is Property Owners' Liability Insurance. This enables you to meet any costs and damages awarded to a member of the public if they suffer an injury following an accident on, or linked to, your premises.

Have a business continuity plan

Most businesses don't usually survive after a major disaster, but if you plan well you can dust yourself down and get back on your feet. Business continuity planning is all about

identifying parts of your business that you simply can't function without such as IT, stock, premises and staff, and planning how to carry on if an incident occurs. Any incident, be it natural, accidental or deliberate, can cause huge disruption to your business. But with foresight and clever planning – rather than waiting for it to happen – you will ensure your business can continue to function in the quickest time possible.

The moral of the story is most definitely plan for the worst and ensure you have the right cover in place.

FSB Insurance Service is just one of the FSB's many member services. Like FSB, it has a commitment to the small business community and is always on hand to answer your insurance enquiries with a free claims and advice service, as well as a range of business insurance products for FSB Members.

Want to explore the many other benefits of FSB membership? Call us and join before 31st December 2015 to claim your £30* discount on the FSB membership. Call on 0808 1688 485 quoting IAB1015.

*Membership starts from £130 per year plus a £30 registration fee in the first year only. This rate is applicable to businesses with no employees. Please see the website for full details of subscription costs. Until 5.00pm on the 31/12/2015 the registration fee will be waived for all new full and associate members joining over the telephone or online (payment by credit or debit card only) and quoting the code IAB1015. Code must be quoted during the joining process.

Need to phone HMRC? Prepare for a 47-minute wait!

People trying to call HMRC can be kept waiting for more than three-quarters of an hour, according to a survey from Citizens Advice. It showed that in the past year 11,500 frustrated callers turned to Twitter to complain. On average, those who tweeted had to wait an average of 47 minutes before their call was answered. HMRC said the survey was 'unscientific', and 'out of date'. The 'official' waiting time is 10 minutes.

In one case, someone tweeted that they had tried to get through to HMRC on four occasions, and waited an hour each time.

Citizens Advice calculated that hanging on the line to HMRC for 47 minutes could cost consumers £4.66 in call charges. "People are paying the price for not getting through to HMRC," said Gillian Guy, chief executive of Citizens Advice. "From fines for not completing a tax return in time, to under or overpayments for tax credits, people can be left out of pocket because they cannot speak to HMRC on the phone."

The study looked at 34,000 tweets made between August 2014 and August 2015. Government figures showed that 17 million calls to HMRC went unanswered in the previous year.

Quentin Pain and his team



events and networking for micro firms looking to improve their practical skills and knowledge as well as finding new firms to collaborate with and outsource to.

The fast-growth network, with an expanding 70,000-strong membership across the UK, is also set to open a flagship Northern growth hub in September, based in Barnsley, South Yorkshire. It will also stagger the introduction of a strong national network of 150 regional champions.

- For more information go to www.enterprisenation.com/champions

FRS 102 is coming: are you ready?

The introduction of new accounting standard FRS 102 represents the biggest change in a generation to financial reporting – and one that will affect virtually all accountants. Are you prepared for it?

FRS 102 is the core of new UK GAAP, providing a concise and simplified accounting framework for companies in its scope. FRS 102, together with FRS 103, which specifically deals with insurance contracts, replaces all current UK accounting standards (SSAPs, FRSS and UITFs).

Originally derived from IFRS for SMEs, FRS 102 has undergone many changes during the development process. Helpfully, the changes reduce the number of accounting differences with existing UK GAAP.

The introduction of FRS 102 will lead to a change in accounting for most UK companies unless they currently apply and stay with EU IFRS or they are under the FRSS. FRS 100 sets out the transitional arrangements for entities that change the basis of preparation of their financial statements either on first applying FRS 100 or subsequently.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015 so for a December year end, 1 January 2014 would be the 'transition date', the start of the comparative period in the first mandatory FRS 102 accounts.

Early application is permitted for accounting periods ending on or after 31 December 2012. For those entities that are within the scope of a SORP, early application is permitted providing it does not conflict with the requirements of a current SORP or legal requirements for the preparation of financial statements. If an entity applies FRS 102 before 1 January 2015 it needs to disclose that fact.

Although a number of changes have been made as a result of consultation there remains some key differences when compared with current UK GAAP. For example:



- Deferred tax is recognised on valuations and fair value adjustments in a business combination.
- Revaluation movements on investment properties are recognised in P&L.
- Derivatives are recognised at fair value through profit or loss.

Although FRS 102 generally requires full retrospective treatment on first time adoption, it contains specific transitional arrangements that will allow companies not to restate certain transactions that have already been reflected under existing UK GAAP. These transitional arrangements are similar to those that exist for first time adopters of full EU IFRS.

It is important that some initial planning is undertaken, in particular if key transactions are expected before the transition date that could be impacted by the transitional rules under FRS 102. Some of the more common areas to consider are set out below.

Does the company have any agreements which are based on the numbers?

Examples include:

- Debt covenants
- Management agreements
- Remuneration and share based payment schemes

Agreements may need to be rewritten or renegotiated and the company will need to have a view as to how the numbers may actually look under FRS 102 to achieve that.

Which wider business planning activities will be impacted?

FRS 102 is not just an issue for the annual accounts but could have consequences for budgets and forecasts, tax planning strategies and tax charges and payments.

What impact will there be on distributable reserves, if any?

To declare a dividend a company needs to have sufficient distributable reserves. The adoption of FRS 102 may have an impact on distributable reserves and the company will need to be able to estimate the impact and plan accordingly.

Does the company have any group reporting responsibilities?

Where the company sends a reporting pack to the parent for group reporting purposes this may need to be amended to reflect the change in accounting standards; for example consolidation adjustments may change. Likewise, where the company is responsible for preparing group numbers the consolidation adjustments posted may be different to those in previous years.

Will existing accounting systems need to be updated?

If the company accounting system is set up for existing UK GAAP then it is possible it will need some refinement or, at worst, a larger scale update to enable transition

What staff training will be required for transition?

For the company finance team to be able to prepare the numbers under FRS 102 they will require training to understand the key differences and how these impact on the accounting entries they process. Practical aspects of training delivery to consider are:

- Who actually needs the training and when do they need it by?
- How will this be delivered and by whom?
- Can this be done in house or will an external provider be required?
- *Thanks to BDO for this article*

Understanding liquidation: solvent and insolvent

Richard Simms explains the different reasons why insolvency occurs and highlights how helpful a liquidation process can be for both insolvent and solvent companies

Many people hear the word liquidation and automatically think it is a negative process for businesses that are in trouble and suffering from insolvency through the fault of the directors. As we shall see, this is not necessarily the case.

How can insolvency occur?

There are many reasons as to why insolvency occurs within a limited company. Putting aside the reasons that would come under director misconduct, here is a list of five other reasons as to why a company may become insolvent:

1. Receiving late payments themselves from customers.
2. A company they have been dealing with has entered a formal insolvency process that has had a knock-on effect.
3. A dip in their market place means sales are low.
4. Increase in competition.
5. Incorrect pricing on goods.

Why choose a liquidation process?

Whether a company is struggling with insolvency or is in fact just looking for a way to close down their solvent business effectively, there is a liquidation process to suit.

For an insolvent company many directors may think that they can trade out of their troubles or just stop trading with the hope of no one noticing, but choosing a liquidation process will ensure all loose ends are tied up and will ensure a clean break for all directors involved – with no angry creditor chasing after the money that they are owed.

What is a Solvent Liquidation?

The term solvent means that a company's assets must exceed their liabilities and that they are able to pay



all of their creditors in full within 12 months including statutory interest.

A Members' Voluntary Liquidation (MVL) is the formal liquidation process used to close down the affairs of a solvent company. The alternative process, an informal option, is called a Strike Off.

Since changes to the legislation in 2012, in order for final shareholder distribution of funds that exceed £25,000 to receive automatic capital tax treatment (this is where distributions are classed as capital receipts rather than income) an MVL process will need to be used. This system replaces the former HMRC concession known as ESC-C16, which would have previously been used in order to receive the tax benefits.

These tax benefits are the main reason companies use an MVL process. There is also the possibility of receiving the tax treatment known as Entrepreneurs' Relief. If this relief is available to the funds then it can reduce the tax rate down to a low 10%. This saving therefore usually outweighs the cost of the liquidation process itself.

What is an Insolvent Liquidation?

The term insolvent means that a company cannot pay their creditors as and when the payments fall due and their liabilities exceed their assets.

A Creditors' Voluntary Liquidation (CVL) is a formal liquidation process used to close down the affairs of an insolvent company.

A CVL is the voluntary liquidation process initiated by the shareholders of the company. It is the process of closing down the insolvent company and selling its assets in order to pay back a penny in the pound distribution to its creditors (if there are funds available for this). This process will require an Insolvency Practitioner to be appointed as liquidator in order to manage and oversee the process accordingly.

This process, compared with a court-led liquidation process, gives the director the flexibility of deciding on whom the Insolvency Practitioner will be. It also offers them the chance to purchase the assets and goodwill of the business at a fair value if they wish to start afresh in a new trading company. This highlights a benefit of this insolvent process in that the director can choose to re-start their business if they so wish by using a CVL as a business rescue process; alternatively they can go ahead with full closure of their company.

To understand more about how a liquidation process can help your clients and their limited company contact our head office and speak to one of our Insolvency Practitioners, on 0845 026 2600. Alternatively, request a selection of our help sheets that we can provide in either hard copy format or via email; enquiries@fasimms.com.

• *Richard Simms is Managing Director, F.A. Simms*

Financial admin poses risk to small business growth, IAB survey finds

A quarter of small and medium sized companies believe that getting additional help with their day-to-day administration would help them to grow, according to IAB research.

Our survey found that while over a third (36%) are looking to grow and 49% are willing to consider it, well over half of those (67%) found it burdensome to cope with the associated financial paperwork, while 33% saw it as a real problem.

“Day-to-day admin can be a real challenge for micro and small businesses where it often falls to one person to both drive the business and keep paperwork and books up to date. This can be a real barrier to growth,” said Malcolm Trotter, Chief Executive of the IAB. “That is backed up by our survey, which also showed that of those troubled by financial paperwork, 41% agreed that taking on a subcontractor to handle it would be helpful.”

However, Trotter said he found it concerning that 67% of respondents didn't believe a bookkeeping professional would give them all the support an accountant could. “The experience of businesses that use the services of our members is quite the opposite to that,” he said. “Companies that solely use the services of an accountant will only have meetings with them once in a while. Bookkeepers, however, can be far more hands-on.”



Simon Ellinas

The survey was conducted for the IAB by the Centre for Micro Business. Director Roger House said: “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 cash flow, an understanding of its profit and loss accounts and ready access to them and competent personnel handling the administrative duties.”

Trotter added that it was significant that the survey found that 17% of respondents were unsure of their business's exact financial position. “Those businesses would have an exact understanding of their financial position and be in a much better position to grow simply by employing a bookkeeper and receiving monthly reports,” he said. “Bookkeepers add real value to small businesses and to their sustainable growth and our survey suggests more small businesses would benefit from using one.”

• To find out more about the Centre for Micro Business visit www.thecentreformicrobusiness.co.uk

UK and International Business and Skills Awards 2015 – it's time to nominate!

The IAB's awards will be taking place at the House of Commons on Thursday 10th December and nominations are now open.

The categories are:

- Bookkeeper of the Year
- Accountant of the Year
- Payroll Professional of the Year
- Small Business Mentor of the Year
- Apprentice of the Year

If you're dedicated to helping your clients and passionate about your career, then you could be an IAB award winner. So why

not promote the awards to your clients or employer and suggest they nominate you? Or if you work alongside a deserving colleague then you could also nominate them. We are accepting nominations now online: <http://www.iabawards.org/nominations>.

Winning an IAB Award is an excellent opportunity to be recognised for your hard work and commitment and can also be a real benefit to your career. Winners from previous years have received press coverage across the UK.

The House of Commons event



Last year's winners

will also be a celebration of the achievements of our winners including our top centres and students.

For more information about the awards and nominations contact Kelly Pike at the IAB on 01732 897754 or kellyp@iab.org.uk.