



## Bookkeeping vs Accounting

We're often asked what the difference is between a **bookkeeper** and an **accountant**? Here's a primer...

### Bookkeeping:

Let's take a look at the dictionary definition: Bookkeeping is "the skill or occupation of maintaining accurate records of business transactions".

The main responsibility of a bookkeeper is to accurately record financial data, ensuring that entries in and out of the company's accounts are correct on a daily basis.

They record and calculate income and expenses, and undertake activities in support of this. For example, many bookkeepers raise invoices, deal with day to day transactions, and file VAT returns. They are also likely to process payroll on behalf of the business to ensure that tax and NI contributions are correctly calculated and reported to HMRC.

Bookkeepers have the skills and knowledge to explain financial information to business owners, and make clear the meaning of reports based on this information. They can also get involved with more detailed cashflow work to help managers make decisions based on accurate financial data.

Many businesses process the day to day work in-house, and engage a bookkeeper to check and supervise this work, carrying out the more in-depth bookkeeping processes on a weekly basis. This can be done on the company's premises or remotely using secure, cloud-based software.

*"Cashtrak took over a complicated, costly accounting procedure and simplified everything for us with their expertise. We have saved a vast amount of money with online, timely submissions and streamlined technology."*



## Accounting:

Let's take a look at the dictionary definition: Accounting is "the skill or practice of maintaining and auditing accounts and preparing reports on the assets, liabilities, etc, of a business".

Accountants are responsible for overseeing accounts, and producing statutory accounts and tax returns in compliance with the law. They must be strong on compliance, and maintain a good working knowledge of current legislation and ethical issues. Part of their role is interpreting data, and providing advice about financial decisions that will affect a business.

Accountants usually work with a variety of businesses, sometimes only meeting with a client once each year. This is often true of those working as part of a practice.

However, some accountants go down the management accounting route, where they are able to work from within an organisation, contributing to strategic decisions and having a large impact on business growth.

## Bookkeeping versus Accounting:

While both deal with the finances of a business, bookkeeping is primarily concerned with accurately recording financial data on a routine basis, while accounting involves interpreting and reporting on that data.

Bookkeeping and accounting have considerable overlap because the first can be considered a part of the second. Bookkeepers lay the groundwork for accountants, providing data that is detailed and accurate, and essential to the performance of their role.



## Qualifications:

You might be wondering what qualifications you would need to follow either of these career paths, and there are a variety of options.

Bookkeepers aren't required by law to have any formal education, but the right qualifications can certainly help demonstrate expertise. The Association of Accounting Technicians (AAT) provides well-regarded bookkeeping qualifications. Choosing a bookkeeper who is a member of the Institute of Chartered Bookkeepers (ICB) is also a mark of expertise and experience.

Accountants need to prove their ability through qualifications. Those just embarking on their accounting education often begin with AAT courses. The Association of Certified Chartered Accountants (ACCA) courses, are internationally recognised qualifications that demonstrate knowledge and expertise in a wide range of areas including financial law and ethics. For those with an interest in management accounting, Chartered Institute of Management Accountants (CIMA) qualifications are a popular choice.

Cashtrak take their bookkeeping qualifications seriously. Carol is a Fellow at the ICB - Fellow is the highest grade of ICB membership, reserved for the best of the best and ICB bestows this honour on very few.

## Important to Note:

Bookkeeping is a regulated profession following the revisions to the Money Laundering Regulations (MLR) in 2007 and again in 2017. If you are providing a bookkeeping service to clients, or are seen as carrying out bookkeeping 'by way of business' you must:

- be monitored by an HM Treasury appointed supervisory authority, such as ICB
- put in place certain controls to identify, prevent and report money laundering offences – known as anti-money laundering or AML

For more information on the meaning of 'by way of business' read HMRC Manual [MLR2R1300](#)

# BOOKKEEPING VS ACCOUNTING

THE WORK OF A BOOKKEEPER AND ACCOUNTANT OFTEN OVERLAP, AS **BOOKKEEPING IS PART OF ACCOUNTING.**

**ACCOUNTANTS BUILD ON THE INFORMATION PROVIDED BY THE BOOKKEEPER.**

BOOKKEEPING, AS THE WORD SUGGESTS, IS ABOUT 'KEEPING BOOKS' AND IS THE **FIRST STEP** IN THE ACCOUNTING PROCESS.

AN ACCOUNTANT FOCUSES ON THE **BIGGER FINANCIAL PICTURE** AND PERFORMS TASKS THAT AFFECT THE **WHOLE** ACCOUNTING PROCESS.

A BOOKKEEPER KEEPS AN **ACCURATE AND COMPLETE RECORD** OF THE FINANCIAL TRANSACTIONS OF A BUSINESS.

**ACCOUNTANTS APPLY FURTHER FINANCIAL ANALYSIS** TO THE FINANCIAL RECORDS KEPT BY BOOKKEEPERS.

THEY FOCUS ON THE RECORDING OF FINANCIAL TRANSACTIONS, WITH **LESS FOCUS ON THE ANALYSIS** OF THESE TRANSACTIONS.

**ACCOUNTANTS CLASSIFY, ANALYSE, SUMMARISE, INTERPRET AND REPORT ON THIS FINANCIAL INFORMATION.**

Diagram courtesy of AAT

*"Cashtrak have saved our Company money, the service is excellent, and I would highly recommend them to any company to use."*



## From The Association of Accounting Technicians (AAT)

### Bookkeeping

The first thing to note is that the work of a bookkeeper and accountant overlap, as bookkeeping is part of accounting. Bookkeeping, as the word suggests, is about '[keeping books](#)' and is the first step in the accounting process. The bookkeeper is the person who is responsible for keeping an accurate and complete record of the financial transactions of a business. It is, by and large, a mechanical process that does not involve any analysis of the financial transaction, but instead just a recording of the transaction.

However, bookkeepers play a vital role in the efficient running of the business by, for example, recording the payments and receipts of the business while ensuring the correct amounts are paid and received (and at the right time).

The bookkeeper will follow a prescribed set of procedures on a repetitive basis to record each and every transaction that happens on a daily basis. This is then tallied at the end of the day and also at the end of the month. Common bookkeeping tasks such as issuing invoices to customers, recording cash receipts from customers, recording invoices from suppliers, paying suppliers, recording inventory, processing payroll and petty cash transactions are entirely adequate for the accounting needs of very small businesses.

### Accounting

An accountant, on the other hand, would focus on the bigger financial picture and performs tasks that affect the *whole* accounting process. They would build on the information provided by the bookkeeper and then **classify, analyse, summarise, interpret and report the financial information**. The books must be kept up to date and accurate by the bookkeeper, but then they are passed to the accountant for further financial analysis which adds some meaning.

The accountant would analyse and interpret the financial data for the business to forecast the financial statements and evaluate efficiency. Additionally, the accountant could decide to work in variety of different areas such as financial accounting, management accounting, tax accounting, auditing or financial services.

Because of the similarity in the nature of the work of a bookkeeper and accountant, often the terms are used interchangeably. However, they are two different professions or careers and it will take a student much longer to become a qualified accountant due to the complexity and nature of the work involved.

## Difference between Bookkeepers and Accountants

**There is often a misconception that bookkeeping and accounting are the same thing. While they both work to assist you with your finances, there are some important distinctions between the tasks of a bookkeeper and an accountant. From the outset, it is important to understand that both bookkeepers and accountants are integral parts of your business. While their tasks can sometimes overlap, there are definitely certain aspects of your business that you would specifically entrust to an accountant, and others that you would give to your bookkeeper.**

In simple and very general terms, a bookkeeper will likely be the person that assists you with the ongoing financial recording and transactions that keep your business running smoothly. Your accountant, on the other hand, will be the person who analyses the data produced by your bookkeeper, reports on it, and is best suited to give you financial advice. Your accountant will also have a strong understanding of your taxation requirements, and will be best able to assist in that area.

In order to understand more comprehensively the benefits that both bookkeepers and accountants can offer to your business, it can be helpful to be aware of the tasks that each could be expected to undertake.

Bookkeepers, as previously stated, are instrumental in the ongoing financial upkeep of your business.

Some tasks that are regularly undertaken by your bookkeeper can include:

- Processing invoices, receipts, payments, and other financial transactions
- Processing and maintaining your payroll system
- Preparing initial financial statements
- Reconciling accounts and preparing reconciliation reports
- Managing your accounts receivable and accounts payable, i.e. amounts owing by debtors, and amounts owing to creditors
- Calculating VAT
- Designing, establishing and reviewing accounting systems

There are a wide variety of other tasks that a bookkeeper can undertake, and much like the tasks outlined above, they are generally related to the ongoing maintenance of your financial records.

While an accountant will also be qualified to assist you in these areas, it is important to be aware that there is likely to be a substantial difference in fees charged by bookkeepers and accountants. In order to best utilise your budget, extensive consideration into which tasks are to be delegated to a bookkeeper or an accountant is advised.



The role of an accountant in your business, while potentially encompassing some bookkeeping tasks, is often more advisory and analytical in nature. An accountant will be in a position, through analysis of past performance, to offer financial projections and advice on future financial elements of your business.

Further services offered by your accountant can also include:

- Taxation advice and planning
- Business establishment assistance
- Auditing
- Corporate reporting and compliance
- Superannuation fund advice
- Financial management advice

While not an exhaustive list of an accountant's services, the tasks outlined here serve to highlight the analytical and advisory nature of their position.

Given that there are substantial differences between the services offered by bookkeepers and accountants, it can be seen that both are important to the growth of your business. Instead of viewing them in a 'bookkeepers vs accountants' situation, it is important to understand that your accountant and bookkeeper work best together to serve the financial requirements of your business.

*If you have any queries or would like any further information please do feel free to contact us:*

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