

27 October 2014

Case study 1 – accounts – Making Plans UK/DA

Accounts case study

Accounts with joined up thinking.

Overview

Making Plans UK Ltd is a fairly typical owner managed business with a structure that can be found in hundreds if not thousands of small businesses across the UK. The trading business provides architectural services and is structured as a limited company under the control of a single dominant Director/shareholder who is also the key employee in terms of winning and servicing contracts.

The company trades out of premises owned by and leased from the Director, who also owns and lets a residential property on the same site.

Problems

The Directors initial concern related to cash flow issues and Alexander Accountancy were asked to carry out a free review. We identified that certain costs were a lot higher than necessary, opportunities to mitigate corporation tax had been overlooked and personal losses were being carried forwards when they could be utilised to reduce the company's taxable profits.

Solutions

As the bookkeeper was providing a high quality service up to a reconciled trial balance level, we were able to provide a highly competitive quote, immediately reducing costs and helping cash flow. In addition the balance sheet was carrying a figure for obsolete stock that could be written off to reduce the taxable profits.

Although there was a written lease agreement between the company and the Director, the full rent had not been charged in previous accounts. In addition most of the utilities and establishment costs had been paid by the Directors rental business, when a portion should have been recharged to the company. By correcting these issues we introduced the correct increased costs into the limited company, reducing the profits liable to corporation tax and utilising the personal losses from land and property.

Outcomes

For the last three years the company has been saving over 50% on it's accountancy fees. It has been far more efficient in utilising the expenses available to reduce the taxable profits without creating a

higher liability elsewhere; and the Director is no longer carrying forwards personal losses that were not being used.

The initial impact was to reduce costs, reduce the tax liabilities and improve cash flow. Along with other proactive strategies the company has seen a substantial turn around over the last three years. Turnover is up, as is profitability; and cash flow is no longer the worrying distraction it was before Alexander Accountancy were appointed.

The team who have achieved this are:

Alison Margett, AM Bookkeeping, Derby

David Alexander, Alexander Accountancy

Matt King, Making Plans UK Ltd, Architectural Services, Derby
www.makingplans-architecture.co.uk