

Registration and Onboarding of a Start-up Company for an Accountant

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<p>This Thesis is a result following my work as an accountant. I work with many different clients, but for this work I follow one of my clients from the stage before registering the company to where it is fully operational.</p> <p>The tasks done for this client have been varying as some of the work has been outside the scope of an Accountant. I have consulted in registering the company, on how the company should be set up from an administrative perspective to setting up accounting processes and finally to work for the client as an accountant.</p> <p>I am explaining what I have done with this client and try to give reasons why certain choices have been made. I will focus on key action being done and to give a pragmatic and practical view on my work and how I serve small companies starting from the beginning in the history of one company.</p> <p>Working with this client and working on this Thesis has helped me to develop as an accounting professional. It has given me a good insight not only into to accounting, structuring the accounting processes and working with a client, but also given me a good view of the financial management of a small company as a whole.</p>	
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1 Introduction

I work as an accountant for an accounting company. Our customers are mainly privately owned limited liability companies operating from Finland. My aim is to write a weekly diary from 27.12.2019 about onboarding a new customer. I will write about the processes and discuss what I find as important from my perspective.

1.1 Background

The company I work for offers personal service to our customers, meaning that our customers value a personal relationship with their accountants. My primary role is to manage the accounting for my customers. If the company does not employ many people, I also do payroll. Additionally, it is also my role to advise my customers in accounting, taxation, and reporting. Most of my work time goes to performing task in financial management, mostly in accounting and taxation. Depending on the customer I also assist in financial forecasting and budgeting. I also manage reporting of investments and have administrative duties.

I mostly use an accounting software called Briox, which is designed for small companies. Briox is a cloud-based software, with integrations for e-billing, e-invoicing and banking, meaning that no paper copies are usually needed. The month is usually packed with deadlines. Depending on the customer and what has been agreed the month starts with closing the previous month. For some of the smaller companies, this means accounting for the entire month. Before the 12th of each month the VAT needs to be reported. The latter half of the month is different. It consists of forecasting, business development and possibly also sales activities. I have a part-time role in sales, which gives me good insight in onboarding of a new customer from the beginning.

1.2 My Working Environment

I mainly work from an office in Helsinki. I share a room with one of our partners, but I am mostly alone in the room. This is good as I have a quiet place to work and can keep up the concentration. We have another room as well with two employees and we often ask for advice face to face. I find this as a good way to work. On Fridays we have meetings in our conference room, which is more suitable for discussions and an access to a bigger screen for presentations. If I meet customers at the office, I also meet them in the conference room. Once or twice a week I work from home and sometimes I meet customer or possible future customers in their office.

1.3 Benefits

The idea of this thesis derived from personal experience when working with customers. I have heard it several times that many companies are dissatisfied with their accounting service provider. Accountants are sometimes seen as distant, but still play a very important role for many companies. I aim to look the process where a company needs an accountant to the stage where they collaborate efficiently if all goes well.

1.4 Key Concepts

Accounting is the process of recording and summarizing financial transactions for a business. (Meriam-Webster 2019)

Accounting is performed on cloud-based software called Briox or Fennoa. It is recording financial transactions such as sales invoices, purchase invoices, bank transactions and other transactions in the General Ledger. This is to ensure that Financial Statements are to readers understandable, relevant, transparent and reliable. (Murthy 2009, 17.)

Corporate Taxation is the act of taxing for businesses by the government. (Meriam-Webster 2019)

Corporate Taxation is a complex set of rules and regulations. (Ossa 2014 17.) My work will focus on two main components in Corporate taxation, Value Added Tax (VAT) and Corporate Income Tax. These two taxes are different from each other. VAT is collected by the company for the government. Whereas the Corporate Income Tax is paid based on the taxable net profit.

Trade Register is a database on all businesses and traders operating in Finland. (Finnish Patent and Registration Office 2020b)

The Finnish Trade Register is a public register which lists information about businesses and companies. All businesses must be registered in the Trade Register. Businesses also need to notify the register of changes in their registered details. Most businesses must submit their financial statements to the register.

Company Registration is the process where a company submits a start-up notification with the Finnish Trade Register. (Finnish Patent and Registration Office 2019c)

Company registration is activities depending on the company which aim at making sure the administrative demands are met. These activities include the Start-up notification, choosing a company name and registering the company in the correct registers depending on the needs. The most common registers are the Trade Register, the Prepayment Register, the Employers' Register and VAT Registers.

1.5 Case Company

I will look at the path of an IT start-up company. They are serving a purpose from the start and have sales from the beginning. I will start from the time before the company was registered and end when it is fully running in 10 weeks.

1.6 Risk Analysis

I believe that I have assessed quite well risks associated with my thesis. The company has a good business plan and vision how it will find revenues and their place in the market. I will follow what will happen and write my diary about it.

2 Framework

The starting point is before registering the company. When a possible customer is contacting me to ask for advice on how to start a company and if I am capable and/or willing to help with the project. In the beginning the emphasis is on registration and as time goes by the focus is on accounting and taxation.

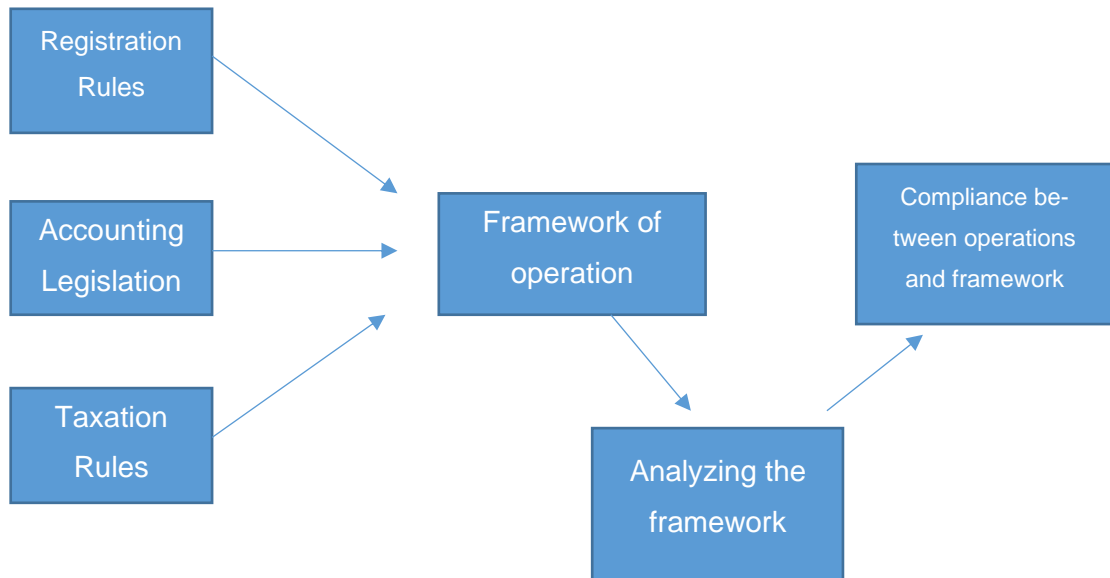


Figure 1.

2.1 Analysis of my Current Work

2.1.1 Description of the Daily Duties of an Accountant

- Recording transactions into the accounting system
- Monthly reporting
- Annual Financial Statements
- Reporting VAT
- Reporting Income Tax
- Reporting dividends
- Providing Financial analysis
- Sales activities
- Internal development activities

The duties of an accountant vary a lot depending on the organization. My work is 50-75% of actual accounting work, meaning processing invoices, payments, and other transactions in the accounting software. The accounting software is cloud-based and can be accessed from any computer. Actual accounting work consist also of integrations to other software. Receipts are often processed through another software called E-tasku and

transferred into accounting via an application programming interface (API). Other duties vary a lot from making payments for some customers, budgeting, reporting on investments, obtaining documents from officials and advising in various matters related to financial management. Closing the financial year starts the period of constructing Financial Statements. It is the most demanding part of my work, as there are many bookings that are very seldomly made, such as booking profits and checking that the equity is booked correctly.

2.1.2 Evaluation

I have been working at my current job for over a year before starting to write the Thesis, At the beginning I was absolutely a beginning-stage actor. I had difficulties to be able to do accounting work without supervision and there was a lot to learn. I have learned by doing and consider myself a skilful performer now. I work now independently and can give valuable advice to others. I also have insights on my work that I can share. I sometimes make mistakes but can correct them by myself. I can also construct Financial Statements for smaller companies, which is regarded as more demanding in accounting.

2.1.3 Development

I would classify myself as a solid and in many cases skilful performer. I can work independently and can analyse many aspects in my work. Accounting being my main duty I can perform all tasks from setting up the accounting system, analyse the need of Chart of Accounts to all accounting duties. I can also close periods and construct Financial Statements for smaller companies. I still have many fields where I need to improve in order to be an experienced specialist. I need to develop a better understanding how different things impact accounting; I need more practice in making Financial Statements and need to understand legislation and guidelines better to improve. I think that I also need a better skill and more practice in different accounting systems, in order to be able to fully benefit from what they offer.

2.2 Interest Groups in the Workplace

Internal

- Management
- Accountants

External

- Customers
- Software company employees
- Tax officials
- Registration office clerks
- Investment bankers
- Online banking clerks
- Auditors

Many interest groups are important for accountants. The internal interest groups are very important as accounting is a group effort, even if a large portion of the work is done alone. I always have a senior Finance Manager I can ask for help when needed and we also go through the work monthly.

Other important interest groups are the clients as I rely heavily on their cooperation and auditors if they are used, as they will go through the Financial Statements and report it. It is often a joint effort with the auditors, where I share different documents with them prior to the actual auditing.

2.3 Interaction Skills at Work

An accountant who works with customers' needs a broad set of skills. It is very important to be very adaptable and eager to learn new things, as software is regularly updated and accounting can be rather complex from time to time. Accounting skills are learned by doing in the workplace. It is also important to have good basic knowledge in taxation and awareness how legislation impacts companies. To form good relationships with customers, it is vital to have good communication skills. Problem solving is also important for accountants. Accountants are often trusted to give advice, meaning that it is very important to listen to customers and have good advice they are looking for.

3 Diary Entries

This part will consist of my diary entries explaining what I do at work for my customer during the first 10 weeks. I will be explaining what is being done and analyse why each action are taken.

3.1 Week 1 (30.12.2019-5.1.2020)

I was approached by a friend working for another accounting company about a potential client. We do not consider us as competitors, as we have a focus on clients of different sizes, in terms of employees and turnover. I have some experience in accounting for corporate clients with investments as one part of their operations. She told the potential client that maybe the potential client should talk to me and see if we found some common ground. The potential client was forwarded to me, but it was of course my task to convince him that we are a good fit for collaboration.

I called the potential client and discussed about the business. I am not a sales professional, but it is a part of my work. My sales tactic is to let the potential client talk and I will try listen very carefully and to earn trust in the eyes of the client. If that is achieved, it is quite different to continue the discussion and tell how I could help. We had a good discussion and I agreed to consult him about starting the company. We also discussed about if I would work as his accountant but decided that the we will start with registering his company and look at other services later. He probably wanted to see if I could really help him, before signing for a longer contract.

Before registering the company, we discussed what he was thinking of doing, meaning what kind of business will the company do. The company would offer services in IT. My client has special skills that he wants to offer through the company, rather than being an employee. My client would work in projects for his client and he would be consulting those projects. Some industries are regulated, but IT is not, which makes it easier the register the company. It is possible to register the industry of the company as general, all legal business, but we decided to register it as an IT company. (Finnish Patent and Registration Office 2020c) The company can be active in other industries as well, despite registering the company as an IT company. Choosing the industry, the registration process is also faster. My client wants to invest part of the profits, rather than pay out large salaries or dividends, which also needed to be considered.

When we registered the company, we needed to register the name of the company to the Trade Register, in order to preserve the name and prohibit others to be able to use it. (Population Register Centre 2020a) We also needed to submit the industry to two different governmental agencies. When submitting the registration application to the Finnish Patent and Registration Office we can choose the industry more freely or choose to operate in all legal business. We also needed to submit an application to the Tax Office, which is stricter in defining the industry. This was not a problem as, we chose Development of IT software as the industry, which could be used in both agencies. We filed a start of business notification, the Y-form. This will register the company in both The Trade Register under the Finnish Patent and Registration Office and in registers under the Tax Administration. (Population Register Centre 2020b)

My client wanted to register the company as quickly as possible. Naturally, we needed to be cautious to not make mistakes or to need to do anything unnecessary. We decided not to subscribe share capital to the company, which has been possible since July 2019. (Finnish Patent and Registration Office 2019a) When we do not subscribe share capital, we also do not need a bank account in the beginning. We also decided to use the standard Memorandum of Association and Articles of Association of a limited liability company. These choices allowed us to register the company completely online, which also made the process of registration quicker. It is of course depending on the company, if these choices are wise, but in this case, it was a possibility we decided to take. This company has one single owner and that makes it easier, as there is no need for a cooperation agreement or any agreements between shareholders.

When registering the company, we also needed to consider which registers we would register the company in. The Tax Administration govern several registers and it is not useful to register in some that are not useful. We decided to register to the Prepayments register, because this makes the company more trustworthy to other parties. When a company is registered in the prepayments register, other payors can be sure the company withholds all mandatory taxes, the payor does not need to arrange withholding of taxes. We also registered the company in the register of VAT taxpayers, meaning that the company must collect VAT for its sales and pay it to the Tax Administration. Companies who have a turnover which exceeds 10.000 € needs the collect VAT. Because it was clear that the turnover would be more, it was mandatory to be registered as a VAT taxpayer. During the registration process, we decided not to be registered in the employers' register. This gives one clear benefit. The company does not need to report to the income register, because if the company were registered, they would need to report to the income register, even if no

wages were paid. The company can still pay wages to one person or up to five persons for short-term employment.

After finishing the registration process, we decided to discuss about what to do next.

3.2 Week 2 (6.1-12.1.2020)

Following the registration, we organized an online planning meeting on a Teams to discuss about the company and what we should plan how we move forward. My client did not have a lot of expertise and needed a lot of guidance. We discussed mainly the main topics about the company and decided to think about the details later. We agreed that I will send the client an offer of our services and after reviewing it we discuss about moving forward.

I knew that the client had discussed with some other accounting companies as well, meaning I wanted him to feel I offered a good solution for him and write an easily understandable offer. For the offer I assessed accounting volumes for bank transactions, purchase invoices, sales invoices and receipts for purchases. These volumes naturally have impacts on the price. I started the offer with giving general principles about our company, what we do and how we serve our customers. I emphasized especially that we offer good and personal service and can always be reached if there are some concerns.

I also outlined principles on how responsibilities are shared. This depends somewhat on the client, but there are some general ideas. This client wanted to do the billing himself, so billing was not my responsibility. I wanted to restrict the client from making bookings into accounting, because it might result in errors. We decided to use the accounting software Briox and that I will set it up for the client. I chose Briox because it is easy to use and suitable for small companies. I could have also offered Fennoa, but I thought Briox would be a better fit for the customer. I made sure we have online banking, e-invoicing, accounts payable and accounts receivable in the Briox system. I would send him the necessary documents to deliver to his bank. I would also make sure he can give me access to taxation for the company through the site suomi.fi, as I would report the VAT and income taxes. The client would be responsible for payments, as the business would be small scale at this point. The client is responsible for sending receipts and other material to the archive in the accounting software. (Population Register Centre 2020c)

I offered a fixed fee of 120 € + VAT including the accounting software with needed functionalities. The client would have access to the software, to have constant visibility

about the situation of the company and that I do what I promise to do. We agreed that salaries would be calculated in the free service palkka.fi and be billed separately. We also agreed that accounting of possible investments, would be billed at 85 € + VAT per hour when needed.

I ended the offer by explaining how we would start the accounting of the company, because the implementation phase is often where mistakes are being made and this might make the customer unhappy. I suggested that we use electronic services where it is possible, to have more time to plan the future and hopefully give value to the customer. I also offered that we could use the chart of accounts that suits the needs of the company. I would be responsible to make sure, that my client knows how to use the accounting software and would be of assistance when needed.

After sending the offer the client replied that he would accept my offer and was asking for a contract. Next was to get the client to sign the contract.

3.3 Week 3 (13.1 – 19.1.2020)

The week started with me being ill and regular accounting work to do. Writing contracts has always been tough, as they should be legally binding and hopefully not be containing errors. The term contract means in our case many documents. We have a freedom to write them as we feel is the best way, but at the same time we do not have very good templates. It is a heavy task to write.

The contract I wrote was in four parts. The General Conditions of Contract TAL2018, the contract, a checklist and a price list.

The Association of Finnish Accounting Firms (Suomen Taloushallintoliitto ry) is maintaining and regularly updating the General Conditions that can be used between accounting firms and their clients. Our firm is using them as well as it makes negotiations easier. What is not agreed in the General Conditions are covered in the actual contract, which is special conditions between the firm and the client. (Taloushallintoliitto 2018)

I tried to write the contract in a way that would be easily understandable, but still contain all relevant information. The most important thing is of course to list all services that are included in the service, especially when I offered a monthly fixed fee. In case of a dispute, we can look in the contract and see what we have agreed. I also wanted to tell about our

complementary services: BI-tools, financial reporting & analysis, CFO services etc, because as companies grow, they might have great benefits from these services. It is also very important to include about responsibilities in the contract because it can also vary from client to client depending on their needs, skills and willingness to pay for services. I also included steps to start the services, because implementation is very important and might cause distress in the client if it does not go smoothly.

I also included the checklist, a simple spreadsheet listing possible tasks and who is responsible for performing them. These duties are both monthly duties such as processing sales and purchase invoices, VAT reporting and accounting, but also about Financial Statements and filing Income Tax. The last document included was the price list. My idea was to keep it very simple. I listed which service are included in the fixed monthly fee, which services are extraordinary and are billed at an hourly fee if the client requests it and how much does the accounting software cost the client. I feel that it is important to avoid negative surprise when I send the invoice for my services.

After checking the contents of my contract, I sent it to the client. I was happy to have the client to sign in the end of the week. Next week we can agree to start to discuss about the implementation and continue to work towards starting the accounting work.

3.4 Week 4 (20.1 - 26.1.2020)

After signing the contract, we held a planning meeting. My client briefed me via e-mail about his plans for the company. It became clear to me that even though my client was smart and accomplished in his career, he was not very used to accounting concepts, taxation and what it meant in practice to start a company. My role would be in the implementation phase part accountant and part advisor. Advising is something I enjoy and was happy with this situation.

He told me that he has been employed by a company, which will now be his first client. The basis for billing is hourly work and he is expecting to be able to bill his client 110.000-120.000 euros for the first year. This is naturally a very good starting point for his new start as an entrepreneur. We discussed that he should be looking for other clients as well, because having just one source of income, would be risky. The Tax Authorities might rule that the revenue is by nature like salary and should be taxed accordingly, which is not what he was hoping for when starting his company. Luckily, the judgment of source of income is made based on several factors and he has time to fix this. (Tax Administration of Finland 2011)

He also told me that he would invest part of the revenue and not be having a large salary or pay dividends. He judged that his personal financial situation would allow him to live without income for six months, which made it possible to start the operations and not worry about his salary for the first months. This was good because the company did not have any funds in the beginning. This was also good for me, as I could focus on setting up all needed operations and not worry about salary at this time. He told me that he was interested in investing in listed companies, real estate and perhaps also crypto currencies. I advised him to apply for a Legal Entity Identifier (LEI), which is an identification code when doing financial transactions. My co-worker has expertise in crypto currencies from an accounting viewpoint and I suggested that they would talk if he wanted to invest in them. (Finnish Patent and Registration Office 2020d)

We planned to work in a way that would increase the mathematic value in the company, instead of paying large salaries or dividends. The reason was that a company can pay 8% of its mathematic value in dividends under 150.000 euros and pay only 7,5% in taxes. For dividends exceeding the 8% of the mathematic value the tax is 28%. This considered, increasing the mathematic value is smart. (Tax Administration of Finland 2020)

We ended our planning session by listing some things my client wanted and what should be done as soon as possible. The first thing was his purchases in IT. He wanted to buy an iPad, a laptop and a desktop computer. The company did not have any funds and we planned how he would buy them. He would also need a mobile phone and a subscription. Furthermore, he wanted to offer himself benefits: a phone benefit, an exercise benefit and a lunch benefit.

We agreed that I will give him a solution to this as soon as possible and we would start all activities to get things moving as soon as possible.

3.5 Week 5 (27.1 – 2.2.2020)

We organized a meeting again to finally start the accounting and finish the starting phase of the company. My client received his company code (y-tunnus) and the company was now officially registered in the Trade Register. We were still waiting for registration for the VAT register and the Prepayments register. We discussed practical matters with my client.

We agreed to open the accounting software and the create a user account for him. I opened the accounting software at first to myself only and was thinking what is needed for

my client. Especially for inexperienced users it might be a liability to have access to all functionalities. Luckily Briox have several levels of user rights: only viewing, saving and finally making bookings. If errors are being made, it is always more work to correct them afterwards. We agreed that only I would make bookings in the General Ledger. My client can post sales invoices and archive material. He has viewing rights for all functionalities. After having cleared all the settings and after filling all master data, I opened banking and e-invoicing functionalities. This was done to both sales and purchase invoices. This saves time and improves the ability to track transactions. Briox provided a Power of Attorney which is sent to the bank and then bank statements can be transferred to Briox. Depending on the needs this can happen daily, weekly or monthly. We opted for the monthly option. Unfortunately, banks are often slow in opening these services. (Briox 2020)

We also discussed other needed matters for the company. He had already signed an entrepreneur's pension insurance which is mandatory. He opted for the minimum, as he is thinking to secure his future from other investments and does not want to increase his costs. I advised him to sign plans for accidents and general liability as well. (Accountor 2020) He wanted a healthcare plan, but we agreed to sign one later. His client also demands Contractor's Liability from Vastuu Group, which we signed.

We also discussed how we would treat the expenses occurred when starting the company. My client would buy equipment needed for his work with his personal funds, which would be in the company's balance sheet and be paid back to him when the company gets payments from his client. We discussed should the expenses be deferred. We agreed that they will not be, because he wants to have his cost structure as light as possible. This gives naturally a wrong idea about the profitability, because a lot of costs will be realized in the beginning, even though they are used for a year when considering the insurances and up to 3 years when considering the computers and other IT equipment. Finally, we agreed to book investments quarterly as this is enough considered the transaction volumes. The investments do not need to be accounted for monthly. We agreed that I will maintain a warehouse document for the investments as they can be treated in a similar way as physical goods. We also agreed that he should apply for a debit card for the company and we checked that the invoicing in Briox was working as expected.

3.6 Week 6 (3.2 - 9.2.2020)

The company received a notification that it is now registered for VAT and is in the Prepayments Register. My client is about to send his first sales invoice, which means the registration should be in order.

We also had a small setback, as my client had chosen the wrong plan when choosing bank services. The bank offered an e-invoicing service for 55€ per month. The service is too expensive and is oversized for the needs of the company. Additionally, it would need a different system or need to be operated from the bank's webpage. We cancelled it and activated e-invoicing through an operator called Apix. Now suppliers can also find the address where to send e-invoices as it is public data. Compared to setting up the accounting software, setting up and opening banking services was frustrating and slow. The bank told that they had problems with opening new accounts for corporate customers, it would take up to 3 weeks.

The company was started without share capital and the owner did not make a capital investment or invested in an unrestricted equity fund. The company did not have any money. This was an issue that would need to be addressed at some point. Computers and other equipment were bought with the owner's personal funds and the debt should be returned to him as the company had money. Because the company also had some payments to be made, we agreed that the owner would lend the company 8000€ as the bank account was opened. The loaned money could be returned quite quickly. This made it possible for the company to pay bills and the owner does not need to pay them from his money.

We also discussed how receipts for the computers and other equipment should be delivered to the archive. Some of the equipment was bought from the US and from Ebay. I agreed to check how the VAT treatment would work as it varies a lot between different countries, especially if they are outside the intra-EU Community.

We also agreed that if possible, my client should make agreements with the insurance company to receive invoices more often than yearly, as deferrals are not being made. This is to ensure that the income statement would give a more accurate picture of the financial status from month to month.

My client also approved my authorisation to have rights to file taxes on behalf of the company and to act in the name of the company in taxation related matters. I also received rights to payroll on behalf of the company in palkka.fi.

3.7 Week 7 (10.2 – 16.2.2020)

During this week we focused on discussing investments and how we should treat them. We first discussed what kind of investments my client was interested in. We decided to postpone any investments in crypto currencies for this year as it was a big workload compared to the benefits. This was due to that crypto currencies are not accepted as a currency in the Finnish Accounting Standard and all transactions needs to be converted into euros. My client can continue to make investments in crypto currencies privately and we can take them up into consideration later. (Saviala 2018)

My client said that his long-term goal would be to have a good and balanced portfolio with low to moderate risks. In practise this means at this stage to have some real estate and own stocks in listed companies.

The investments in real estate are not something for the first six months of the company. If everything goes well the company can show a net profit of 30.000 euros for the first half of 2020, but this is not enough to buy real estate. My client was thinking of buying studio apartments to rent from a growing city, maybe Tampere. There are some other options as well. I presented a fund to him who builds nursing homes to the elderly, with solid and non-cyclical returns. There are also options where you can buy rental apartments with a small down payment and still enjoy dividends from that investment. The need for capital is still 20.000-50.000 euros and we decided to have a closer look into that later in the year during the 2nd half of 2020.

Buying listed stocks is a good investment to start from. This is mainly because needed capital is very small, and this can be done online. Electronic Traded Funds (ETF) can also be an option or combined to stock trading. My client decided to start investing in listed stocks as soon as possible and would open a book-entry account from his bank. Investments are made from revenues; no lending will be used to finance the investments. We also discussed how we would book the investments in the accounting system. At this stage we only needed to cover listed stocks. We receive a spreadsheet from the bank listing: type of transaction, name of stock, ISIN code, date, currency traded, amount of stocks, price, market value and trading fee. Especially the trading fee is important from an accounting perspective, as it is an expense that is tax deductible.

Starting a company which operates in the field of investments was a good choice in 2020. The legislation on corporate sources of income changed in the beginning of the year. Earlier the sources where personal, business and agricultural sources. The agricultural

source is still intact, but the personal and business sources are not any longer divided. This means that these two sources will be taxed equally. Previously any losses in one source could not be deducted from the other. This means to my client that his IT business and investments will generate a net profit that will then be taxed. As the company was started in 2020 this does not have an impact on any earlier decision on prepayments on income tax. (Tax Administration of Finland 2019a)

3.8 Week 8 (17.2 – 23.2.2020)

My client had successfully sent his first invoice to his client and our operations started to work quite smoothly. We discussed that even if the invoice was large in terms of euros, he should look for other clients as well. One client would pay his bills, but the Tax Authorities might see him as an employee instead of an entrepreneur.

The accounts receivable was not money in the bank, but we discussed how the company will now get financed. The owner had made purchases in IT supplies, which are VAT deductible. As they are now owned by the company, we can deduct VAT and receive some refunds from the Tax Authorities.

For most of the purchases it was very straightforward to claim the VAT paid. Purchases were made from Finnish online stores and they have receipts that have all the relevant information. My client wanted to buy a domain which was reserved. This seemed more complicated at first. I received a receipt and realized it was from the US. At first, I thought that it cannot be VAT deductible as the US does not even have a VAT system. Then I realized that they had collected VAT, which seemed strange. After some e-mails and research, I found out that the company was registered in a system called VAT Special Scheme (Mini One Stop Shop) or MOSS. This is to collect VAT from companies operating in the EU common market without a domicile or fixed establishment in the EU. This is applicable in telecommunications services, broadcasting services, and electronically provided services, where VAT is collected where the buyer is resident. The domain my client bought is an electronically provided service. (Tax Administration of Finland 2019b)

One other way of financing the company in the beginning is to report the assessed income tax at a low rate at first and not pay much income tax. Later in the year we can apply to change it to have paid the correct amount of income tax during the year. This needs to be done within the fiscal year to escape any penalty fees. (Tax Administration of Finland 2017)

We also discussed which benefits my client should offer himself. My client wanted the lunch benefit. The lunch benefit can either be in the form of lunch coupons at a set value or be prepaid on a card from a service provider. The maximum amount is 225€ per month, because it is permitted to use the benefit 21 times per month and the maximum amount per lunch is 10,70€. The benefit is taxed lighter because 25% is tax free and 75% is taxed as salary. The entrepreneurs pension insurance fee (YEL) is added on the sum, meaning the entrepreneur needs to pay either nothing if he has a low salary under 14.574 € per year or 1,18% if the salary is higher. It is advisable to use that benefit, because if the money was received as a salary the entrepreneur would need to pay roughly 30% added on the salary and the entire sum would be taxed as income. (Edenred 2020)

We also agreed to offer my client a sports and cultural benefit. The sports and cultural benefit is a Tax-exempt recreational benefit for €400 a year. The company can deduct the amount in taxation and the benefit is also tax free for the receiver up to 400€ a year. (Edenred 2020)

3.9 Week 9 (24.2 – 1.3.2020)

Now when my client had the bank account opened and access to online banking, we discussed how we could make the banking as smooth and effortless as possible. The first benefit of integrating the banking to the accounting software, was that we could receive the bank statements to the accounting software. No need to store bank statements in paper format or to scan paper statements and archive them separately. They became part of the monthly accounting. We can now track from the bank statements in Briox that which booking is linked to the specific transaction, because it is visible on the bank statement. We can also easily check that all the balances match between the accounting and the bank statement. The accounting software has a special feature where we can drag and drop transactions manually if they are not automatically matched. Some transactions, such as payments of purchase invoices are received payments of sales invoices will automatically be visible on the bank statement in Briox.

We also decided to activate online payments for my client. This means that we can pay invoices from Briox and these transactions are booked automatically. To be able to process these payments from Briox, we need to fill in the Bank (only SEPA format), IBAN (International Bank Account Number), BIC (Bank Identifier Code), the bank ID and the name of the company or other recipient. This information is saved in the customer data and needs to be filled in just once. When we have recurring payments, it is easy to process them. We use this when paying supplier invoices, but also to pay self-assessed taxes to

the Tax Authorities. After reporting the VAT, we create a supplier invoice for the payment and then we can process it from the accounting software. We always choose to process the payments in a way that they are sent to the bank but paid on the due date. They can also be paid immediately, but that is not advisable to improve the cash flow cycle. (Briox 2018)

To get a better understanding of the financial position of the company we decided to use an analysing tool called Finadeck. From Briox we can of course get the monthly Balance Sheet and Profit and Loss Statements, but they would only tell us what has happened. We cannot predict the future, but we could build scenarios and follow some ratios to understand the current situation better and if needed act to improve it. Finadeck is designed for small to medium sized companies and has integrations to Briox. The integrations mean that the accounting information is transferred from Briox to Finadeck without manual work. (Finadeck 2020)

We created a dashboard on the front page of Finadeck, where we follow Turnover and EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) for profitability. We also follow Quick Ratio for liquidity and money at bank. The dashboard is easy to understand and especially beneficial for the entrepreneur because he lacks financial understanding and can easily understand how the business is going by looking at the month to month graphs.

Finadeck also provides the entrepreneur valuable tools to make better decisions, because it contains functionalities for analysing cash flow, especially a tool for producing a cash flow statements. Additionally, instead of static budgeting we use a rolling forecast in Finadeck. We receive the accounting information from Briox and can update the current situation quite easily. We have talked about doing a traditional budget for the future. This is especially beneficial when we can have both the budget and the rolling forecast side by side and compare them to different scenarios if we want to. This might be important as one part of the business is IT consulting with steady cash flows, but also investments which can be sensitive to changes in the surrounding world.

3.10 Week 10 (2.3 – 8.3.2020)

The week started happily for the new entrepreneur. The newly started company received its first payment from the customer. This was also the first time the company had a healthy sum of money on the bank account. We chose to pay a part of the debt to the entrepreneur. The sum was not substantial, but the psychological effect was important.

We also agreed that from now on we can see the first phase of the company was completed. We corrected one error I made when we started the company. The fee for registering the company was not expensed to the company. To me it was a bit odd that this cost could be expensed, because the expense needs to be paid before it is possible to register the company in the Trade Register. In other words, the company did not exist when the cost was realized, but all the administrative costs and their accounting treatment is not always straightforward.

After 10 weeks of working to set up operations for the company we had a discussion with my client and a CFO from my work. We planned what we should do next. The accounting and other necessary functions like sales invoicing and banking transactions was running as they should. We are reporting VAT and there is no stress to meet deadlines. One important contributing factor is, that my client is good at doing his share of the duties in time.

We saw that there are a few things we need to work at for the upcoming months. We should make an estimate for the income tax prepayments. It means that we need to estimate the total taxable profits and have an income tax prepayment rate that is relevant to the actual profits of the company. This can be changed during the year, but to give the correct idea of the performance of the company, we cannot leave it until the end of the year. We should also consider what kind of investments will the company do during the year, especially if the company will invest in other items than listed companies.

We also discussed how the start has been. The start has been smooth and successful, because we have had a lot of time to finish each step. We did not have large problems with the registrations. The accounting is easy for this company as we do not have to worry about dimensions such as cost centres or projects. The company has a solid order book from the start, which gives peace to both the entrepreneur and the accountant. The roles between the entrepreneur and the accountant have also been clear from the start. We have also created a system with deep digital integrations, which creates opportunities for growth without having to change the system for a long time. We only share one concern and even though one customer is enough for a positive cash flow, the company needs to find other customers as well.

4 Analysis

4.1 Discussion

During the time of writing this thesis and working with this customer I think I have developed a lot as an accountant. In my previous work I have had a lot of different tasks related to accounting and financial management, but during the past 10 weeks I have been alone in charge of my work as an accountant.

The work with this client has demanded a lot of research and discussing with different parties. It has also thought me to listen to the customer, rather than executing tasks. The start of this journey thought me about negotiating with the customer and trying to provide a solution that the customer needs.

Afterwards I needed to understand the corporate registration process. I needed to understand what this specific customer needs of his business and what should be considered when registering the company. Then I needed to structure the accounting system. I needed to consider what my client wants from the future, what is the nature of the business and what kind of integrations are needed to serve the needs of the company. I also needed to understand the technical requirements of the integrations and how they are activated. I activated them by myself but received assistance from customer support.

I also needed to research benefits and banking issues to present them to my customer as I have not done that previously. I needed to offer a solid solution for managing the investments and structuring the accounting to support that. That was very beneficial to me, but also needed some research and discussions with more experienced colleagues.

4.2 Conclusion

Writing this thesis has been a good opportunity to me. It has enabled me to summarize what my work consists of. I might sometimes think that it is only about accounting and booking transactions for customers. The writing process has thought me that my work consists of a wide variety of tasks that I need to do, in order to serve my customers well.

This Thesis has also showed me what my knowledge level is, as the work with this client has been autonomous. I have understood that I need to understand the main principles of accounting well to be successful, but many details can be found when researching. These research skills are vital to perform well in my line of work. I have also found out that it is

very beneficial to ask more experienced colleagues for help, it improves learning and probably makes learning faster. In the future when I hopefully see many new companies being founded. I have experience of the process of starting a company. I am sure it will be very helpful. I find working independently with a small client is a very good learning experience, as it contains the same main compounds as with a larger client, but in a simpler way and with less pressure from the client.

Only some aspects of this project have been totally new to me, but I have developed routine and gained more experience. When I will face the same situation, I will be more confident. This is especially important when dealing with bigger clients.

I have also learned how to integrate other software to the accounting system Briox via API. That is important as it will save time and energy in the future. I have also become more used to the banking functions in Briox, especially regarding to payment options and how to get it to work for the customer. I have also learned how I can teach the customer to use the accounting software and to write checklists which aids both me and my customer.

When researching for VAT issues I learned that the Tax Administration has a lot of good and detailed information on their website. I have in other cases also been in contact with them over the phone and I feel they are very helpful. They have specialists that know topics in every field of taxation, and I will use them whenever I need in the future.

In the future I can now use this experience to design a model on how I can register a company and then execute all the needed steps as efficiently as possible. This will be valuable and save a lot of time. This applies to the registration of the company and but also to other matters I have experienced during this process. This process has probably been too time-consuming as some work cannot be billed from the customer, but it has given insight and information which can be utilized in future projects.

Even though accounting is not considered a line of work where social skills play a huge role, I feel that one of the reasons this project with my customer has been successful, is that we have communicated well. We have clearly outlined what we want and then then been able to execute that in a successful way.

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