

ACCOUNTING PACKAGE SELECTION

Selecting the right accounting package can be difficult, particularly as there are so many packages on the market. Price and functionality vary so widely as to make objective comparisons very difficult without spending a number of days on the selection process. The availability of internet (cloud-based) accounting packages has complicated selection.

We have set out below some areas you should consider when making your selection.

DETERMINING YOUR REQUIREMENTS

A decision is required as to what level of complexity is required.

At the most basic level, you need to decide whether you just want something to replace the cash-book, to handle receipts and payments, or perhaps a more sophisticated ledger-based system to produce quotes, VAT returns, and monthly accounts would be more appropriate.

You may decide that you need a highly sophisticated system which, as well as doing all of the above, can also handle stock control and job costing and which also integrates with a web site.

ON-LINE OR IN HOUSE?

The next key decision is whether you want to run your accounting functions in house, or over the internet using a web-based provider. There are advantages and disadvantages either way. For example, an online solution will involve a recurring monthly fee for the service whereas an in house solution will involve a one-off purchase price and then annual licence and upgrade fees. Also to consider with an online solution is how secure is the data and can it be retrieved in the event the provider “disappears” or goes into administration/receivership.

THE GROWING BUSINESS

Think about what the business might be doing in say, 12-18 months' time:

- will it be going through rapid growth or a change in direction, and need more up to date and more accurate financial information, such as profitability at department or cost centre level?
- will transaction volumes be rising steeply?
- will you want to be able to connect your products to your web site and process orders and payments on-line?

MARKET SECTOR

Your business may be in a specialist market sector for which there are tailor made systems already available. Talk to us as we have experience of your type of business. Talk to your trade association - they may already produce information to help you, and they may hold events and seminars on this issue.

COST

Cost should not be a primary constraint, as you tend to get what you pay for. If you are only willing to spend, say £100, the system will be unlikely to meet all of your needs. This in turn may constrain the way the business trades, and subsequently turn out to be a hindrance to expansion. It may also mean that more expenditure and upheaval is required if you need to upgrade to a more expensive system in the future.

Some systems are available in modules. Examples of modules are a sales ledger module and an invoicing order module.

If you are purchasing a modular system you won't need to purchase every module at the outset. You will need the core ledgers to start with (sales, purchases and nominal/general ledgers) and you can then add any additional modules later. In this way the costs can be spread out over a period.

TRAINING

Training is vital for the staff that will be using the system on a day to day basis. Do not assume that an experienced user would not benefit from training.

We may be able to provide training for you or help you find appropriate training.

YOUR DETAILED REQUIREMENTS

A list of your detailed requirements would be useful when comparing packages. The following pointers need to be considered in the context of your business.

GENERAL POINTS

- What is the operating system for your computer network? (There is less of a choice of accounting packages if using a non-Windows platform).
- How many users will require access (now or in the future)?
- What volume of transactions will you be processing and can the software handle this?
- Can the system produce VAT returns and, if you are on a special VAT scheme, can it cope with this?
- Can orders and payments be taken over the internet and downloaded to the accounting system?
- Will the system let you export data to other packages such as spreadsheets and word processing packages?

YOUR SPECIALIST PROCESSING REQUIREMENTS

Here is a sample list – you will need to add your own special requirements depending on the nature of your business:

- retentions
- deposits/subscriptions/donations
- discounts – quantity and value discounts
- part-payments/part-receipts/part-delivery
- foreign currency customers and suppliers, and foreign currency fluctuations
- processing adjustments such as bounced cheques, bad debt write-offs, refunds etc
- direct debits/standing orders (receipts and payments) and multiple debit/credit card accounts
- accruals and prepayments
- loans, grants and mortgages and any special payment terms
- component stocks and bill of materials
- mixing of service and stock items on an invoice and as separate stock records
- payments to suppliers electronically (via BACS)
- HP agreements

- label and mail shot capabilities for customers/suppliers
- ability to create XML formatted transactions (to facilitate electronic transmission to other systems)
- debt factoring/financing (may require specific work rounds)
- data import and data export requirements

YOUR INFORMATION AND REPORTING REQUIREMENTS

You need to determine what kind of management and user information is required from the system.

A sample list might include:

- financial reports – trial balance, profit and loss, balance sheet, cash flow and turnover reports
- key ratios and other business metrics
- work in progress and profit/loss on job or contract
- profit/loss by department, or by cost centre or other levels of analysis
- customer/supplier balances and aged debtors/aged creditors
- statements and invoices
- actual v budget reports

OTHER POINTS

- How does the system cope if you need to amend a transaction?
- Is there a full audit trail (including details of modified transactions)?
- Does the system produce the information in an acceptable form to you and us (as your accountant) in order to complete all statutory and regulatory financial year-end and fiscal year-end tasks?
- Does the system enable statutory online filing (VAT returns, EC Sales List returns for example)
- Are there adequate security routines to prevent employees exceeding their level of processing authority (ie being able to restrict access on an individual user basis)?

THE FINAL CHOICE

- Narrow the selection down to the package(s) that matches your needs most closely.
- If the potential user(s) of the system have not so far been involved, now is the time to get them involved.
- Get an evaluation copy if possible (some software vendors offer a free 30-day trial), and also go and see the system in action at a business similar to yours.

Having performed an objective review up until now, the final choice may be more subjective. It will probably be down to look and feel at the end of the day!

IMPLEMENTATION

Whilst the beginning of the financial year is the most logical time to start, this may not be a particularly convenient time for the accounts staff.

You may wish to discuss the timing with us, as we can help in drawing up a list of opening transactions and the opening trial balance at the appropriate time.

Other issues to think about at this stage are:

- staff training
- customer/supplier/nominal and cost centre/stock/job costing codes
- ordering any pre-printed stationery
- creating records and posting opening transactions (if you already have a system in place it may be possible to import some or all of this data)
- developing periodic processing, authorisation and verification routines
- backup procedures for the accounting data files

- long-term retention of accounting records (minimum of 6 years).

You may find it useful at this stage to refer to our factsheet on Data security.

HOW WE CAN HELP

We are here to help you with any of the steps involved in choosing and implementing an accounting package. Please contact us for further advice.

For information of users: This material is published for the information of clients. It provides only an overview of the regulations in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material can be accepted by the authors or the firm.