

Why Computerise?

an article by sme financial systems

an introduction to the benefits
of computerised accounts

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Despite the advent of the Euro and the widespread business use of word processors and spreadsheets, many businesses still operate without any accounting software, keeping manual books of account and preparing wages manually.

Indeed it is likely that presentation software and desktop publishing packages are higher up the list of priorities for many Small to Medium sized Enterprises (SMEs) than accounting software.

Manual Books or Computerised Accounts?

Why should any business computerise its accounts or consider switching to more modern accounting software?

Aren't many businesses doing very well using manual books or accounting software designed in an era when the Apple Mac was a serious threat to the DOS PC?

The big difference between keeping manual records and using accounting software is information management.

Data is not just entered into an accounts package, it comes out too.

What goes in as invoices, receipts and payments comes out as profit and loss reports, balance sheets and VAT returns.

Reminders, forecasts & reports

But there is far more to the modern accounts package - it can remind which bills have to be paid and what customers are overdue, produce cashflow forecasts suggesting if the bank balance may unexpectedly go into the red, report on sales by customer or purchases by supplier on a month by month basis, compare actual performance with budget....the list is almost endless!

Business secrets

Unfortunately many aspects of the non-computerised business may be "secrets" such as:

- True product profitability, line by line, product by product
- The most overdue customers and how often

they said they would pay.

- Stock levels and valuations.
- The bank balance, both current and forecast.
- Sales by customer, month by month.
- The actual profitability of jobs and projects.
- The value of the business at any point in time.....

Timely information

The real benefit of computerisation is not just that a wide variety of reports are available to provide information about the business, often in graphic detail, but that the information is up to date and timely.

Knowing anytime what the values of stocks, debtors and creditors are and how much is in the bank makes the biggest headache of many businesses - "working capital management" - a much easier task.

Business efficiency

But accounts packages don't just keep the books. They can help run the business more efficiently. Many non-computerised enterprises may not be as efficient as they might be:

- Goods can be out of stock just when they are most needed whilst other items can be replenished although they aren't selling well.
- Sales can be recorded for customers who are already well over their credit limit....

So accounting software can offer the hitherto manual business the opportunity to become more operationally efficient. But doesn't it take a lot of time and effort to use an accounts package?

Time consuming

Manual record keeping can be very time-consuming both on a day to day and a period end basis, often in your spare time, while the level of information provided is insufficient to properly run the business.

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Regular data entry takes time too, but the figures add themselves up and present themselves in a wide variety of useful ways, not just after a period end but any time they are required.

Irrespective of the method, the records have to be kept and it can not only be easier but maybe even more fun doing so using some of the computer packages now available!

Shoeboxes and cigarette packets

Many sets of annual accounts produced by accountants in public practice are prepared from a wide variety of manual documents supplied by their client. These can range from meticulously maintained manual ledgers to "shoeboxes" containing cheque stubs and scribblings on (the ubiquitous) cigarette packets.

Accountant's skills

Of course the accountant can prepare the annual accounts from a motley collection of paperwork and cheque stubs.

Yet you are actually utilising more of your accountant's skills if you can provide printed reports and data on disk or via e-mail.

This isn't just because you give the accountant the opportunity to better finalise the annual accounts and prepare the tax returns, but because you can benefit from the general business advice that your accountant can provide, given the availability of the management information.