

## **Accounting systems in a growing business**

### **Needs in a changing world**

The minimum accounting requirement for most small businesses is the ability to produce monthly or quarterly accounts, but as a company grows its requirements are likely to become increasingly complex. The needs of these more complex and demanding companies will vary.

Here, we provide an introduction to some of the key features that are likely to be required by a typical SME, which has outgrown basic book-keeping but is not yet ready to invest in an expensive and complex in-house accounting system, and how these features relate to real business needs. Here are six key considerations to bear in mind when considering if a company has the system it requires in a growing environment.

### **1.) Workflow control**

Effective workflow simplifies and centralises the management of data in a way that reflects how the business actually operates. So, rather than just entering journal information about a sales invoice onto the system, it is possible to capture information from the original source document, passing it through an approval process before releasing it to the ledger.

For example, one cash receipt document could summarise many cash receipts from multiple customers in a single step, while one weekly time-sheet could address multiple projects and activities. Meanwhile invoices can be free form or relate to catalogue items, and a payroll summary could link to the detail captured in the payroll system. However it's implemented, having the behaviour and impact of debits and credits automatically governed in this way reduces errors and speeds up processing time.

### **2.) Understand the business cycles**

As a company grows it will demand more from its accounting system, and a thorough understanding of the key processes will prove invaluable in terms of avoiding customer disputes and ensuring the accuracy of billing and customer remittance advice. In addition, the ability to report against demanding criteria and to glean valuable and instant feedback via built in key performance measurement, allows business owners to control costs as the business develops by using these tools to define the measurement of progress against operational and strategic goals. Crucially, it also provides an immediate assessment of the present state of a business and, in doing so, helps prescribe likely courses of action to address areas requiring attention.

### **3.) Multi-currency capability**

Growing companies can quickly develop international requirements or need to work across multiple sites or units. For example, a construction company or former technology start-up expanding into new markets, will have implications for its accounting team. Multi-lingual and multi-currency options will be vital to ensure that cross-country accounting requirements are met, while easy access to accounting data from different locations will allow employees, business partners and customers to quickly add or retrieve information, providing a solid foundation on which mid-sized companies can grow.

#### **4.) Support for scanned documents**

A 'Document Centric' approach hides the complexities of accounts journals from users, reducing data entry errors and the need for corrections. By integrating with applications including Microsoft Excel, and other third party solutions, it also enables people to work with the analytical tools with which they are familiar.

Modern systems now allow you to scan documents into the main system and the paper copy, which is no longer required, is then shredded. This document is then available to all users of the system and copies can easily be resent to customers and suppliers.

#### **5.) Labour cost management**

Controlling people-related costs is a major challenge as a company expands and it will benefit a growing company to implement a timesheet system, preferably web-based, that is searchable and links directly to the company's accounting workflow system.

A common problem when companies expand is that their existing systems, which were adequate for the size they were, are no longer suitable and their use becomes inefficient and an actual cost to the growing business.

#### **6.) Expense processing**

As the company's head count grows, so do expenses and the ability to quickly capture expense information will enable comprehensive analysis of overheads and project costs, while having definable expense types keep things simple in terms of dealing with VAT and tax.

The structure of the accounting system, known as the Chart Of Accounts, will also come under pressure, so it's essential to ensure that the existing structure can cope with the additional requirements, and the correct nominal ledger coding will give the owner the ability to understand how the company is performing financially.

#### **Summary**

The mid-market in accounting systems is worth a small fortune, yet very few accounting technology and service providers offer the level of functionality they require in a way that is readily accessible to the untrained user. The rise of Software-as-a-Service (SaaS) and its application in the accounting world has been a boon for small businesses, as most entry level SaaS packages now provide simple capabilities such as invoicing, purchase ledgers, cash management and basic reporting. But, while the lower end of the market is well catered for by these packages, and the needs of large companies are met by the larger, more established on-premise providers, the mid-market is currently a poorly served group.

The age of overly complex and expensive-to-maintain client server business applications is rapidly disappearing and, the move towards on-demand accounting systems is happening from the bottom up. With many smaller businesses served well and already reaping the benefits of more flexible, cost-effective accounting services, the next battle looks set to be fought in the mid-market. The next couple of years could prove testing times for the new breed of SaaS vendors, but for business owners running growing companies it could all begin to add up.