Accounting Package Selection

Selecting the right accounting package can be difficult, particularly as there are so many options 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 explosion of internet (cloud-based) accounting solutions has complicated the selection process as there are now many more different options.

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

Determining your requirements

The first decision to be made is the level of complexity required from a new system.

At the most basic level a cash-book, to handle receipts and payments, may suffice. On a larger scale a more sophisticated ledger-based system to produce quotes, VAT returns, and monthly accounts would be more appropriate.

Alternatively, a highly sophisticated system which, as well as doing all of the above, can also handle stock control and job costing and can also integrate with a website, may be required.

Online or in-house?

The next decision is whether you want to run the accounting functions in-house, or over the internet using a web-based provider. There are advantages and disadvantages either way. For example, just in terms of cost, an online solution will involve a recurring monthly/quarterly fee for the service, whereas an in-house solution may involve a one-off purchase price plus annual upgrade and support fees. A key consideration with an online solution is data security, and can the data be retrieved in the event the provider 'disappears' or goes into administration/receivership?

The growing business

Think about what your business might be doing in say, 12-24 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 website and process orders and payments online?

Market sector

Your business may be in a specialist market sector where tailor made solutions already exist.

Talk to us as we have experience of your type of business. Also, contact your trade body/trade association or local Chamber of Commerce as they may already produce information to help you, and they may hold events and seminars on this issue.

Cost

Many software vendors now use a subscription based model as opposed to the more traditional one-off licence fee.

Subscription based pricing is usually based on a regular monthly or quarterly fee, which for cash flow purposes may suit some organisations.

However, cost should not be the deciding factor. If you are only willing to spend, say £10/month, the system will be unlikely to meet all of your needs. This in turn may place constraints on 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 should you need to upgrade to a more expensive system in the future.

Some systems are available in modules or in different bundles – make sure you know exactly what you need.

Your detailed business requirements

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

General points

- What is the base operating system of your computer network? There is less choice of accounting packages if using a non-Windows platform.

- How many users will require concurrent 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 import/export data to/from other packages such as spreadsheets?
- Do you need to access the system off-site from a mobile device or remote PC link?

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 discounts, value discounts and prompt/early-payment 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, mortgages, HP agreements and any special payment types and 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)
- label and mailshot 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
- actual vs budget reports
- 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

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 both 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 and EC Sales List returns for example)
- Are there adequate security routines to prevent unauthorised access?

Training

Training for your new system and new procedures is vital for the staff that will be using the system on a day-to-day basis. Do not rely on users being able to learn the system as they go along.

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

The final choice

- Narrow the selection down to the package(s) that matches your needs most closely.
- Discuss the options with the potential user(s) of the system.
- Get an evaluation or trial copy if possible (some software vendors offer a free 30-day trial for example), and if possible 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 the look and feel of the system you like most which is finally selected.

Implementation

Whilst the beginning of the financial year is the most logical time to start using the new system, 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:

- customer/supplier/nominal and cost centre/stock/job costing codes
- designing/ordering pre-printed stationery (invoices for example)

- 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 and restore procedures for the accounting data files

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

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.