

Small Business Accounting Software Selection And Priorities

The best choice is often dependent upon the size of the business and the employment of full time accountants, accounting staff, bookkeepers or management of the accounting records by the proprietor. Every business needs to choose the most appropriate accounts package according to both the requirements of the business and the capabilities of the person or people who will operate the accounting solution.

Many small businesses do not benefit from sophisticated accounting software if the technical requirements of that software exceed the abilities of the users to produce efficient financial records and use the full capabilities of the accounting software to maintain a high level of financial control.

Alternatively a simple bookkeeping package may not offer the degree of financial control over such financial matters as debtors and credit control, creditors and cash flow liquidity that may be required. Financial control and cash flow is of supreme significance and importance when credit is tight.

Every business needs to maintain a set of books and accounts to satisfy the legal obligations to calculate the net taxable profit which has to be both declared to the taxation authority and provide sufficient financial records to support that calculation.

Up until the mid twentieth century it was common practise to produce accounts handwritten on paper, Typing being reserved for the final set of accounts for publication as required. Handwritten accounting records are largely obsolete for medium and larger businesses although still used by many small business organisations.

With the advent of computers accounting software has become the norm and there are many simple bookkeeping packages that can be easy to understand and offer sufficient levels of financial control for even the smallest business.

In essence each small business has a choice between preparing a handwritten set of accounts, using a simple bookkeeping package which could be based upon spreadsheets or a more sophisticated accounting software package that almost invariably use a data entry system into a database which can then be queried to produce the required financial control.

Choosing handwritten accounts would only be applicable to the smallest business where the proprietor had no employees, limited numbers of transactions and had full financial control without the need for written information. Such handwritten accounts would not be suitable for any business that required control over debtors and creditors or that needed to produce a balance sheet.

For those businesses that could suffice with handwritten accounts there are better options available such as using computer spreadsheets. Minimal knowledge would be required and the benefits substantial compared with being handwritten.

An accounting package based upon computer spreadsheets is suitable for most small business as it can be no more difficult than maintaining handwritten accounts but in an organised format. The sophistication of the format would be according to the ability of the designer of the accounting solution or the bookkeeping knowledge of the person preparing the accounts.

Accounting software written on computer spreadsheets have advantages in that they can save time in data entry, improve accuracy, can be changed to correct errors, highly visible and provide all the basic bookkeeping needs of a small business. Accounting solutions written on spreadsheets are normally limited in relation to financial control and medium sized businesses that require additional control over debtors and creditors may be more suited to a database accounting software system.

Generally if a business is large enough to employ a full time bookkeeper or accountant then that business potentially has the accounting knowledge and skills within the accounting function to use a database accounting system and achieve the additional financial control elements which become available.

Accounting software that uses a database has the facility to produce regular financial and tax reports, debtors reports and statements, creditors reports and statements, cash flow statements and a set of monthly and final accounting reports such as profit and loss accounts and balance sheets.

The disadvantage of such accounting solutions is that to get the most and best out of the system you also need to understand how the package works and how technically to obtain from it the benefits of increased financial control that are available.

The main priority in choosing any accounting package is to first determine the final requirements you need from that administrative system. If detailed financial control, particularly over individual supplier or client accounts is essential and the business is large enough to employ office based staff

including an accountant or full time bookkeeper then a database system may be the appropriate choice.

If the business is smaller and requires detailed accounting records to support the year end financial statements while financial control is already sufficient to be in the hands of the business owner then accounting software based upon spreadsheets would probably be adequate. The degree of adequacy being dependent upon the level of expertise contained and automated within the accounts program.

Handwritten books would be the lowest choice. Adequate for some small businesses but only suitable if a computer based option was impossible.

About the Author

Terry Cartwright, CEO DIY Accounting, a qualified accountant in the UK, designs [Accounting Software](#) on excel spreadsheets and [Payroll Software](#) for small to medium sized business providing a complete accounting solution and also supplies [Company Formation](#) packages for new limited liability companies

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