

What your accountant would like you to know about using accounting software

Many businesses are now using accounting software to keep track of their business activity. This use is both a boon and bane for accountants. It is a boon because every check that was written is in the computer, but it is a bane because non-accountants record checks in ways no accountant ever would. So, to save your accountant's hair, reduce your bill (rather than increase it), and allow your accountant to concentrate on your financial or tax situation rather than chase debits and credits, we suggest the following:

1. Use a common software package. Either QuickBooks or Peachtree will do. QuickBooks is less expensive, but much easier to foul up and easier for you to hide entries. (A knowledgeable QuickBooks Pro Advisor can show you how to minimize these risks.) Peachtree requires more of an accountant mindset and costs more, but is less prone to bookkeeper mistakes. Each software has lots of support and books written on how to use them, and most accounting firms will have staff who know how to use both. A more expensive accounting software package will do things you never dreamed a computer could do, but no one can help you if it has problems or you have an unusual entry to make.
2. Invest in training. Both QuickBooks and Peachtree are easy to learn, but both have quirks. An experienced user can guide you around pitfalls and help you learn the software. For example, they can show you exactly where the bank reconciliation module is and how to find and print various useful reports. Eight hours in training could save you eighty hours of headache and save your accountant time at their most time sensitive period of the year.
3. Keep up with entering checks. Rushing at year end to enter six months of checks eliminates the usefulness of the system. Running a business is not like watching an NBA game; often, you really only need watch the last two minutes of the game to see how the whole game went. Only keeping up with your business' financial condition the last two weeks of the year is an almost certain guarantee of business failure.
4. Reconcile your bank accounts monthly. The most important measure of your business is your cash. If you don't know how much cash you have, you can have no idea how well your business is doing.
5. Use only the modules you need. Every software package has numerous modules that do different things. One records cash receipts while another records checks written. One prepares invoices for your customers and one records bills sent to you for payment. One allows you to do payroll. Some record inventory or construction in progress. However, you do not need to use every module the program offers right out of the box. Start with the cash modules (recording cash receipts, payments and bank reconciliations) and then add invoicing and accounts payable as your comfort level increases.

6. We recommend hiring a payroll service. Unless you are an accountant, your time is better used in other ways than entering payroll. A payroll service will prepare the checks, pay the payroll liabilities (with your money, of course), prepare the forms, and allow you to do what you need to do most – run your business. You can learn how to make a journal entry recording payroll a lot faster than you can enter payroll.
7. Learn how to record and adjust your monthly liabilities (sales tax, payroll tax, note payable balances, etc.). Recording these will help you keep up with your immediate cash flow needs of the business.
8. Review financial statements each month. Does the cash on the financial statement match the bank reconciliation? Do the note payable balances on the financial statement match amounts the bank says you owe? If you are using the accounts receivable module, does accounts receivable match what is on the general ledger? If you are using the accounts payable module, does the accounts payable listing match the general ledger?

After you prepare your financial statement every month, read it (we will talk more about reading a financial statement next week). Why go to all that work and not use this tool?

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