



A GUIDE TO CHOOSING AND USING ACCOUNTING SOFTWARE

Using accounting software rather than manual systems

Investing in accounting software to manage your business financial transactions is vital if you want to save time and ensure your business complies with legal and tax requirements.

The real issue is what software to choose. Use this guide to shape your decision.

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Introduction

One of the most important aspects of running any enterprise is to have accurate records of the money flowing in and out of your business. Using a computer-based accounting system can offer many benefits and enable you to keep track of the business' finances.

This factsheet outlines some of the features to consider when choosing accounting software, the packages that are available and how to choose the right system for your business. It also includes hints and tips and sources of further information.

What are the benefits of using accounting software rather than manual systems?

The traditional method of paper-based, double-entry bookkeeping is labour-intensive and inflexible. Moving to a computerised accounting system enables you to track your business finances on a day-to-day basis and to forecast different income and expenditure scenarios quickly and easily. Manual systems cannot offer the speed, accuracy and flexibility that a computer-based system can.

Using accounting software can help you to:

- Track your sales.
- Maintain control over your costs.
- Budget for the future development of your business.
- Improve the overall efficiency of your business.
- Compile your income tax records for submission to HM Revenue & Customs (HMRC).
- Ensure your business pays the right amount of VAT.
- Generate your company accounts to send to Companies House, if required.
- Process payroll.

What features should you look for in an accounting software package?

There are a number of key factors that will influence the type of accounting package best suited to your business. The legal structure of your business is one aspect which will determine which type of accounting software you will need. Sole traders, for instance, need only produce basic accounts, whereas limited companies and some types of partnership must produce fully audited accounts as these must be submitted annually to Companies House.

Most accounting software has a standard set of features but you should assess carefully what your business needs from its accounting system. Generally, think about these main functions and decide if you require these features:

- Payroll for any staff you have can be handled easily by accounting software, but you must match the number of employees you have to

the software you buy.

- Credit control is vitally important in businesses with a lot of suppliers or customers whose invoices need to be tracked accurately.
- VAT is one of the areas that accounting software can make painless and efficient, but you need to ensure your VAT records integrate seamlessly with the other areas of your business managed by the accounting software.
- Reporting and analysis are two of the most important aspects of any accounting package. You should be able to run reports to analyse every aspect of your business' performance.
- Do you have specialised needs? Some applications are designed especially for certain businesses such as retailers and online businesses.
- If you are in the construction industry, will you need to use your accounting system to submit VAT and payroll information to HMRC under its Construction Industry Scheme (CIS)?
- Do you need to connect with any of your suppliers' systems? For instance, some retailers need your financial systems to accept purchase orders in a particular electronic format.
- Do you want to be able to link your accounts software with your online banking?

What accounting software is available for your business?

There are many accounting packages to choose from, some of which are PC or Mac-based software packages, and others that are available as hosted solutions accessed via the Internet or 'the cloud'. Below are a few examples of the software available.

Accounting software packages

- Spreadsheets such as Microsoft Excel - If you have a business that has only a few transactions you can use spreadsheets to keep track of incomings and outgoings. You may also already have Excel, as it is included in the Microsoft Office suite of applications. A licence costs from £399 including VAT as part of Microsoft Office Small Business. Go to <https://products.office.com/en-gb/excel> for further information.
- TAS Free Basics - A basic option if you simply need to keep track of the cash in your business and want a simple way of seeing how the business is performing. This is available free of charge. Go to <http://tas-basics.software.informer.com/> for further information.
- TAS First Books - Designed for a small business to manage the money that comes in and out of the business, as well as producing invoices and VAT returns. A licence costs £97 excluding VAT. Go to <http://shop.tassoftware.co.uk/accountsoftware.aspx> for further information.
- Simply Books - This software is aimed at small businesses. It can handle sales, purchase order and petty cash as well as producing

profit and loss reports. The cost is £99 including VAT. Go to www.simplybooks.net for further information.

- QuickBooks Simple Start - This package enables you to track basic transactions and includes interactive tutorials and reporting. It costs £87 excluding VAT. Go to http://www.quickbooks-software.co.uk/quickbooks_simple_start.html for further information.
- IRIS Bookkeeping - This accounts package includes a full set of accounting features including payroll and costs £190 excluding VAT. Go to IRIS.COM for further information.
- Sage Instant Accounts - This package enables you to manage suppliers and customers, run reports and share information with your accountant. The cost is £115 excluding VAT. Go to <https://shop.sage.co.uk/instantaccounts.aspx> for further information.

Online applications

Software as a Service (SaaS) applications allow you to manage your business with applications that exist only on the Internet or 'the cloud'. With secure servers and encryption systems now in place, these online accounting applications can be used with confidence and can offer a number of advantages including:

- Your accounts are always available no matter where you are. All you need is a computer with an Internet connection.
- Business licences for use of these online systems are usually much more flexible than for installed software.

- The online accounts application can be used seamlessly with other online applications to develop a completely Internet-based business management suite.
- The online accounts packages are often cheaper than their downloadable or CD-ROM based counterparts.
- You have complete access to your business' accounts 24 hours a day.

There are a growing number of online applications available, but the main ones currently include:

- Fusion - This package has no set-up costs and all the basic accounting processes are available. It is straightforward to upgrade to access the more sophisticated features. Prices start from £14.95 per month (excluding VAT). Go to <http://www.fusionaccounts.com/Home.aspx> for further information.
- KashFlow - This package includes features such as invoicing and VAT and costs £15.99 per month excluding VAT. Go to www.kashflow.co.uk for further information.
- Free Agent Central - This application offers different levels of service depending on the requirements of your business' legal status. The cost is £15 per month excluding VAT for sole traders, £20 per month excluding VAT for Partnerships and £25 per month excluding VAT for limited companies. Go to <http://www.freeagent.com/> for further information.

- ClearBooks - This package includes importation of bank statements, multi-currency and automatic e-mail reminders. It costs £15 per month excluding VAT for unlimited transactions. Go to www.clearbooks.co.uk for further information.
- Clever Accounts - This package includes cash, VAT and contact management functionality. The cost is £15 per month excluding VAT. Go to <http://www.youronlineaccountants.co.uk/> for further information.
- Xero - This application uses the dashboard approach to viewing accounts information and is also accessible for iPhone users. It costs from £12 per month excluding VAT. Go to <https://www.xero.com/> for further information.

Do you need specific knowledge or training?

Most accounting software applications are designed to be used with minimal training. However, if you have no experience of accounting, especially double-entry bookkeeping that is the basis for all accounting software, it can be useful to take a course in traditional bookkeeping so you understand the basic principles of your accounting software.

Are there any legal issues to consider when choosing an accounts system?

Your accounting system could contain sensitive or personal information about your business and any employees you have and you have an obligation to keep this information secure. Payroll information and details

about your customers and suppliers held on your computer systems may be governed by the Data Protection Act 1998. If you are not sure whether you need to register your business under the Act, contact the Information Commissioner's Office (ICO) for advice. Go to <https://ico.org.uk/>

Are there any other points you should consider?

You may spend a great deal of time using your accounting system, so before you decide which one is best for your business, consider these additional points:

- The data your accounting system will contain will be some of the most important information in your business. Do you have a robust data backup system in place to ensure you don't lose any of this information?
- Most of the accounting software packages available can run on either Windows or Mac operating systems. Check that your computer meets the minimum system requirements to install and run the package you want to buy.
- If you intend to use one of the online SaaS accounting services, check the application is compatible with the browser you use. All online accounting systems should work with Microsoft Internet Explorer, but if you use another browser some features may not be available. A fast Internet connection will ensure you can work efficiently with these services.
- Larger businesses with a payroll to manage will need to connect their accounting systems with HMRC. All accounting applications that

connect to HMRC must be fully accredited. For a list of HMRC-accredited software go to <https://www.gov.uk/company-filing-software/filing-annual-accounts-returns-and-tax-accounts>

Hints and tips

- The accounting software you choose should be able to grow with your business. Look for an application that has a clear upgrade path, or additional modules you can buy as and when you need them.
- If you have an accountant, check which accounting software they use. Being able to send your accounts to them will be essential when they are preparing your end of year tax return.
- All businesses will need to produce invoices and other paper-based materials. Some accounting applications have their own dedicated stationery. Check the cost of this stationery and whether your printer is compatible.
- Most packages offer a free trial period so take advantage of this to ensure that the package you choose is right for you.

Small Business Resources

Add value to your brand by generating catch business and product names like Amazon, Google, Coca Cola, Yahoo, Blackberry and many more using the same business name generator used by top business and product naming companies: <http://www.businessnameidea.com>

Generate more leads, cash flow and profits for your business and pay only based on results. This web site connects small businesses with top traffic web sites like Google, Facebook, Youtube to generate constant flow of traffic and leads: <http://www.intelwebsolutions.com>

Information and tools for small business to help entrepreneurs develop and market their business and ideas: <http://www.2-small-business.com>

How to manage a small business and stop it from going belly up plus resources (reports, templates and plugins) you can adapt and use in your business to save time and increase productivity: <http://www.smallbusinessmanagementreport.com>