

The voice of the Voluntary Arts

Computerised accounting

Keeping accurate accounting records is a vital part of managing an organisation. Apart from helping to keep it afloat financially and legally, it is also a requirement of funding bodies. Smaller groups can usually manage with simple book-keeping procedures but bigger groups juggling with larger sums of money and more complex financial transactions may find their workload eased by using a computerised accounting system. The good news is that there are easy to use and reasonably priced computerised accounting packages on the market that are either aimed at, or can be adapted to, voluntary sector organisations.

This briefing will look at whether or not now is the right time for your organisation to consider computerising its accounts and the software options available. It also offers a few handy tips to help ease the change over.

Should we computerise?

There are many reasons why it makes some sense for both small and large voluntary organisations to computerise their accounting systems, the main ones being:

- HM Revenue & Customs¹ can receive computerised tax and PAYE submissions;
- the Charity Commission is offering awards for annual accounts submitted online; and
- the range of software options available to suit most needs and prices, with typical packages at around £200.

However, in spite of these compelling reasons, making the change over might not suit everybody. You will need to look carefully at your organisation

and see if the benefits outweigh the cost, time and training required to put the system into place. For example, if you only have one full-time employee you may have trouble finding the time to set up the system and transfer the information over.

The pros...

A computerised accounting system has many benefits, including:

- **improved reporting** to funders – many projects have more than one funding source, each with specific and different requirements;
- **assisting with compliance** with charity regulations e.g. SORP;
- **minimalising mathematical errors** – with computers doing the maths, errors are virtually eliminated (unless the data is keyed in improperly in the first instance);
- **better record keeping** – whilst human error can still corrupt your data e.g. entering figures in wrong fields, a good package will reduce this possibility and ensure that there is a reference for all transactions e.g. for every cheque or receipt entered/created. However, this does not eliminate all manual work. Vouchers, invoices, receipts etc. will still need to be filed in a logical order, and details of what was entered onto the system should also be recorded on paper. This will help when you need to track errors, in the annual audit and if disaster strikes and you have to re-enter all transactions;
- **saving time** – with fewer errors and the software automatically generating reports, time will be saved in the long run;
- **saving money** – even though there will be the immediate cost of the software, you are potentially saving the costs of unnecessary audits as well as saving money through time saved.

¹ Result of merger and formerly the Inland Revenue and HM Customs and Excise.



The cons...

- **need** – not every organisation needs a computerised accounting system. For example, a small organisation that only receives £200 a month and has never had any difficulty with the way things are done, may not feel the need to computerise. In such situations the change over may not be worth it;
- **money** – whilst the software isn't expensive for the benefits, some organisations just simply do not have the extra money. Aside from the initial purchase there will also be regular software updates and training to pay for. (Updates will vary in cost from package to package);
- **time** – changing over to a computerised system, ensuring it is implemented properly and training will all require a time commitment.

Considering your needs

Voluntary organisations need different computerised accounting and finance packages from commercial organisations because reporting and analysis methods for both are different. For instance, voluntary organisations often need to report financial information to various stakeholder groups in different formats. Also, the financial statements for voluntary organisations should disclose the various sources of incoming resources and how these funds have been used in accordance with charity accounting methods (i.e. SORP). The computer accounting system you choose will have to take these factors into account. Additionally, you may want to consider the following when looking at your needs:

- the ability to generate sales/raise invoices;
- the need to calculate/include VAT in your accounting;
- cost (how much can your organisation realistically afford on software, updates and support?);
- the ability to process payroll (**note:** if considering payroll options, you may want to consider electronic submission of PAYE to HMRC);
- stock control.

Defining your expectations

It is essential that you talk to the staff who will be using the software. It's important that their needs, along with the organisation's, are met. They will also,

most likely, have the best idea of the organisation's needs from a financial and accounting standpoint. Ask them specifically what features they feel are most important, e.g. what problems are they currently encountering? Do they hope to solve these through computerisation? what will be the system's primary use?

Choosing an accounting package

In order to help you deal with issues such as these when choosing a package we've put together some tips to keep in mind. We've also listed some of the most popular options currently available to the voluntary sector.

Tips

- Do your research before buying.
- Check the software websites and with the distributor before buying to make sure that you have the package you want and need. (see *Considering your needs*)
- Look at each package and ascertain exactly how its features will help resolve your organisation's specific issues, e.g. what flexibility is there in report formats, and/or what facilities are there to produce reports to charity requirements?
- Ask other organisations about packages they use and what they do and don't like about the system.
- It is wiser to choose a package that is widely used, as it far more likely to have frequent updates available for the package, more technical support and more people familiar with it if and when you need advice.
- You will also want to check what kind of technical support is offered with the package, as this will always be needed at some stage. Some packages offer one year of support included in the price of the package, while others offer none.
- Packages usually have to be upgraded on an annual basis to reflect changes in tax, charity legislation etc. Check whether or not this is the case with the package in question and how much an upgrade will cost. Sometimes these changes make beneficial improvements, but at other times they just raise the price with nothing really added. Try to find out what the upgrades on the packages you are considering give you.
- Make a shortlist of which packages best meet your organisation's requirements.



- List the pros and cons of the short listed packages. This is a good way to find out which package is right for you.
- Don't be cheap. Don't choose a package just because it's the cheapest, or it's the one another organisation recommended. Whilst these are both very good points you'll need to make your choice based on what the accounting software specifically offers your organisation and your needs.
- Try it out! Some packages offer trials, limited-period or limited-function uses. It's worth finding out whether or not the package you are considering can be tried and tested – a good way to making sure before buying.
- See it in action. Many software companies have demonstration days where you can see a package in action, ask questions, find out features and speak to a representative for free. But, be aware that in the end they are trying to sell you the package there and then – do not feel pressured and go to as many demonstrations as you like.

Types of accounting software packages

The following list features software packages that are deemed to be the most popular in the voluntary sector, though there are many more on the market.

- **QuickBooks** – This will meet simple book-keeping needs and is suitable for users who are responsible for accounting but are not trained accountants. Payroll support can be added and it is possible to categorise costs and income in two ways (i.e. customer job, and class) which could be adapted quite easily for SORP requirements. VAT rates can also be customised – cost: around £200. A customised edition for UK non-profit-making organisations is available with QB2005 (QuickBooks 2005 version) which has advanced budgeting, membership and donation tracking, and fund accounting features – cost around £450.
- **Sage**
 - **Sage Instant** is a beginner accounting system, designed for users with limited accounting and IT experience. Features include double entry book-keeping, invoicing, a link to your accountant and graphs to help you analyse your accounts.

However, being a basic package there is no non-profit version available (see *Sage Line 50*).

Packages start from £110.

- **Sage Line 50** used to be called Sage Sterling, is the original Sage product, and is an all-purpose, small business accounting solution. It comes in many varieties – Book-keeper, Accountant, Accountant Plus and Financial Controller. It allows the creation of a chart of accounts and there is a reasonable report writer. However, the package offers very little scope for modification or tailoring. It has been popular with voluntary organisations because it offers specific charity templates. However, these frequently need to be augmented with pre or post analysis of the financial information, either manually or in a spreadsheet.

Sage provides an external link to its data so that it can be accessed from a compatible spreadsheet or database. Packages start around £500.

- **Access Accounts Horizons** – this is aimed at medium sized organisations with up to 10 users being able to use it at one time. Though not directly designed for voluntary organisations a 'charity accounts production solution' has been produced, ensuring charity SORP compliance, with full funds analysis and extensive annual report info. Packages start around £1,500.
- **Cashcall** – originally developed for churches and used primarily by smaller organisations, the system handles 'fund accounting' (i.e. accounting for different streams of funding), budgeting, and analysis but not VAT. The double entry book-keeping convention is visible and doesn't require prior knowledge. £99 including 12 months technical support.

All the above are capable of dual currency (euro and sterling) functions.

Packages for Macs – there are not as many accounting packages available for Macs, and none that have templates or editions for the voluntary sector.

- MYOB www.myob.co.uk/products/ has a variety of accounting software from low level accounting basics to higher end.
- My Business (Mac version).

Double check – what’s everyone else saying?

Find out what people are saying about the software package you are interested in. Getting advice from people who use the system and reading reviews and promotional literature can tell you a lot!

Some places to get information are:

- your accountant (if applicable);
- a similar organisation to yourself;
- trade magazine reviews (e.g. Lasa);
- the software promotional literature;
- people working in your organisation;
- demonstration days (see *Tips*).

I’ve chosen a package!

What else might I need to consider?

Training

Organise training for all staff who will be using the accounting package on a regular basis and consider some training for those who might use it occasionally. In-house training, or training manuals, may be a more cost efficient option than courses offered by a training company, but they may not be as effective. Check how your users prefer to learn.

Transferring data

- Some packages supply a ‘live’ link, which allows you to transfer your data directly into your new accounting software. This will save you time and minimise errors that could occur during re-typing. However, it may be a good idea to consider doing the transfer manually anyway. This option will allow for a thorough look at the accounts and thus correction and updating as required.
- Run your old system as well as the new one for a while until you are confident that everything is running smoothly and you are comfortable with computerised accounting.

Errors and pitfalls to avoid

Computerised accounting software will not help if the person doing the financial tasks does not understand the job to begin with. If this is the case, basic financial training is recommended before you even consider moving your accounts to a computerised software. Similarly, it is imperative to be properly prepared when setting up the system. Without all the relevant data at hand and organised well, data entry will be a slow, complex and inconsistent process, which could lead to reports being late and misleading. The system may look good at first but will in fact be masking underlying problems, making them difficult to spot, clarify and correct. Money can be lost, due to inefficiency and in having to solve the problem later.

And a final note: keep a paper trail. And don’t forget to back-up your files and accounts at least once a week. Most software has pop-ups that prompt you, but it is a good thing to get into the habit and not rely on being reminded.

Further information & resources

Lasa – a comprehensive website full of advice on all aspects of IT and software www.lasa.org.uk

HM Revenue & Customs www.hmrc.gov.uk or <http://www.hmrc.gov.uk/online/> for online services. Alternatively, contact your local Revenue office for advice.

QuickBooks www.quickbooks.co.uk

Sage www.sage.co.uk

Access Accounts Horizons
www.access-accounts.co.uk

CashCall www.data-developments.co.uk

Disclaimer: We have taken reasonable precautions to ensure that the information contained in this Briefing is accurate. However, the document is not intended to be legally comprehensive. We recommend you take legal advice before taking action on any of the matters covered herein.

Do you need this publication in a larger or alternative format? Contact Whitney T: 029 20 395 395 E: whitney@voluntaryarts.org



The Voluntary Arts Network, PO Box 200, Cardiff CF5 1YH
T: 029 20 395 395 **F:** 029 20 397 397 **E:** info@voluntaryarts.org **W:** www.voluntaryarts.org

The Voluntary Arts Network is registered in Scotland as Company No. 139147 and Charity No. SC 020345.
VAN acknowledges funding from the Arts Councils of England, Ireland, Northern Ireland, Scotland and Wales.