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Welcome

Welcome to our final newsletter for 2011. I'm sure you will all be looking forward to a break.

Providing you get a chance to relax and unwind over the Christmas and New Year period, the early part of the year is a great time to review your systems and do your planning for the new financial year.

Accounting systems, like buildings, need strong foundations so this month the main focus is on accounting system setup.



Avoid a mess

The most important thing in setting up an accounting system is the chart of accounts (the chart) and it's often done in an ad hoc manner. If accounting was a building the chart would be the foundation. Without a strong foundation a building will fall – just look at the Leaning Tower of Pisa. Urgent work had to be undertaken to stabilise the tower so that it wouldn't topple over. The same is true of an accounting system.



In many cases people will buy an off the shelf package such as MYOB and accept the default chart. They then start using it and find an expense that doesn't quite fit the descriptions or they want more detail so they add a new

account. The result of this is a chart that resembles spaghetti and which increases the time taken to process and analyse data and leads to errors

Our Business

Our business has grown through word of mouth. If you know anyone that might benefit from our services please send this newsletter to them. We offer a 1 hour initial consultation at no charge.

[refer a friend](#)

Our Services

- + systems review
- + systems restructuring
- + systems implementation & training
- + customised development
- + troubleshooting
- + dashboard style reporting
- + benchmarking
- + business analysis
- + key performance indicators
- + budgeting
- + cash forecasting
- + strategy analysis

and meaningless outputs.

While a leaning building may be a tourist attraction, a crumbling accounting system is highly unlikely to generate tourism revenue! You need to get the foundation right which means that the chart needs to be setup in a logical manner and in a way which allows for easy grouping and layering of information.

Benefits of a well designed chart of accounts

- Quicker coding due to shorter and consistent account codes
- Quicker , simpler reporting
- Increased ability to identify trends
- Easier & quicker consolidations
- Greater reliability of data



Common mistakes

Chart too detailed

A chart of accounts that is too detailed can lead to:

inconsistencies in data which in turn affects the reliability of the reports. Data becomes inconsistent because there are several choices that an expense may fit into so one month it's coded to one account and the next it's coded to another.

difficulties in analysing data and identifying trends because you can't "see the wood for the trees". Because expenses of the same nature may end up being spread over a number of codes it can be difficult to see "the big picture".

overly complex and time consuming reporting due to having to manage large amounts of data.

slower data entry



Chart not detailed enough

A chart of accounts that is not sufficiently detailed can lead to:

inconsistencies in data which in turn affects the reliability of the

reports. Data becomes inconsistent because there are too many choices

reports. Data becomes inconsistent because there may not be a suitable code for a significant expense so coding becomes something of a lottery. difficulties in analysing data and identifying trends because dissimilar expenses are mixed together. overly complex and time consuming reporting due to insufficient detail being readily available

Inconsistent chart

Inconsistencies in charts are particularly a problem if you have more than one entity. Inconsistent charts slow down data entry, increase the risk of errors and make consolidations much more complex.

Use system features

Most systems provide a number of ways to capture additional information about a transaction. By taking advantage of these capabilities you can minimise the size of the chart.



This means that you don't have to clutter your standard reporting with information that you only want on an infrequent basis and yet you can still get the information easily when you do want it.

Sometimes you can reuse a field such as salesperson and use it for a different purpose or you can take advantage of user defined fields.

Some systems allow departmentalisation of accounts, provide transaction tagging or other analysis coding features which can be used in conjunction with the chart. These can be used to simplify the chart while allowing flexible analysis when required.

There are many options for getting the detail you need while keeping it simple and quick to operate and maintain your system.

Swamped with work?

Some work can cost you. It's important to know which work is worth having and which isn't.





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