

CONTROLLING YOUR FINANCIAL FUNCTIONS

Anglia Business Solutions explains why access to detailed financial information has never been more important

WHEN SELECTING a business management application, there is a tendency to focus on the operational facilities of a system and take the financial aspects for granted. After all, the assumption is that one set of ledgers is much the same as another.

However, nothing could be further from the truth. The reality is that, in today's environment where margins are being unmercifully squeezed, access to detailed financial information has never been more important.

One of the major criticisms of some proprietary legacy systems is the inability to rapidly extract meaningful management information. The usual complaint is "we spend a lot of time putting the information in but cannot easily get it out in the format we want". In the fast-moving, low-margin fresh produce business, this puts the management team at a serious disadvantage. After all, if you don't know whether a contract, consignment or product line is yielding an acceptable profit or even a loss, it is difficult to take rapid corrective action if necessary.

This can be symptomatic of a lack of functionality within the core accounting facilities. It could also be that the detailed information captured within the operational system is not linked to the financials. "Home-grown" financial applications are usually fine when it comes to double entry bookkeeping. However, they were never intended to provide the level of detail required to cope with today's global businesses.

A simple example of this is the question of multicurrency. Global systems are designed to cope with any currency as well as dealing with fluctuating exchange rates. Failure of an importing company to deal with

these changes can be damaging financially.

Then there is the thorny question of the regulatory environment. For example, in the US, publicly traded companies have to comply with the Sarbanes-Oxley Act on accounting practices. This demands full traceability of all financial transactions, with wide-ranging implications where a lack of transparency is evident.

While these regulations do not yet apply to the UK, the larger software authors ensure that they are compliant with the following:

- **Basel II:** Systems that are Basel II compliant cope with the increased demands for financial information by institutions involved in credit lending.

- **IAS/IFRS:** Since January 1, 2005, all listed companies in the EU must prepare consolidated financial statements compliant with international accounting standards.

- **BASDA:** This is not a regulatory requirement but a code of practice that covers product development, testing, quality assurance, documentation and product support. BASDA represents more than 200 of the world's leading software authors.

The green agenda is also driving further regulatory requirements to periodically report on waste outputs. Collating the required data from disparate information sources can be a labour-intensive and time-consuming process. Modern financial management solutions are designed to automatically calculate waste output figures and produce the necessary reporting.

Leaving compliance aside, the key issue on a day-to-day basis is easy access to relevant customer and product information. Modern systems from major authors make it easy to find such information with a

few mouse clicks, as without them, they would not be able to compete in the global marketplace. Such facilities can provide the customer with a significant commercial insight

Row Description	W2008_26-26/07/08 - 01/08/08
VOLUMES	
Sales Volume by UNIT	1,000.00
Sales Volume by Weight (tonne)	25.00
VARIABLES	
Cost of Sale	
GRD Grading costs	
LAB Packing costs	-1.99
OSM Outbound haulage	-12.50
OWR Overhead	-2.60
PWG Packaging	
PWG_PP Packaging (prior period)	
PUR Raw material	3,789.47
PUR_PP Raw material (prior period)	

as well as a competitive advantage. A simple example is being able to access sales and profitability statistics on any customer, supplier or product at the touch of a button.

Other financially oriented facilities that can be rare in legacy proprietary applications include the following:

- Consolidation of multiple companies into a single entity
- Automatic updating of multiple budgets
- Automatically split costs across various headings
- Setting up of profit centres and the automatic posting to revenue and costs to those centres.

- Easy financial reporting by the criteria set up in the schedules
- XBRL – an XML-based specification

that uses accepted financial reporting standards based upon standardised, underlying data tags.

- The ability to manage and reconcile multiple bank accounts in both local and foreign currencies
- Intrastats for reporting purposes to the statistics authorities
- The ability to generate predictions of a company's liquidity in a timely manner is becoming crucial.

The reality is that few companies assess these vital financial aspects when evaluating their choice of system. Yet as businesses become larger and operate across international borders, the financial reporting and compliance elements loom larger in the selection criteria. With larger software organisations competing in the global market, these facilities have to be inbuilt. Such organisations simply have to be on the ball with upgrades when compliance or fiscal regulations change.

This article highlights the fact that very few organisations carry out extensive due diligence on the financial elements of a system as part of their selection process. Apart from the regulatory compliance aspects, there are very good business reasons for paying close attention to the detailed financial facilities incorporated in a prospective system.

After all, money is at the core of

every commercial business. If your selected system fails to help you to efficiently manage that vital resource, the rest of its functionality may not matter. ○

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