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1/26/2007 12:47 AM   **Accounting Software News & Information Website**

Date Posted: 1/24/2007

Fully Integrated Midrange ERP Accounting Software is Rare

By Thomas R. Cutler

Few ERP (enterprise resource planning) systems offer a product which is simple enough for small companies, yet complex enough to manage multinational corporations with numerous companies and divisions. The accounting modules must offer a complete financial package which is fully integrated with the other enterprise modules.

Some of the functionality often missing includes:

• Consolidation of selected companies or divisions.
• Multi-currency conversion functionality.
• A "wild card" inquiry function is available for quick report generation.
• Online review of transaction detail.
• Reports that allow for functional and easily modifiable documents.

According to Rebecca Gill, vice-president of Technology Group International, "Few ERP product lines provide an easy to use financial reporter designed to help organizations effortlessly produce financial data direct from the ERP system." Indeed the report writer should automatically deliver data from the General Ledger module into commonly used programs such as Microsoft Excel. Since most workers are comfortable with Excel based spreadsheets, the average employee would have the ability to quickly produce quality financial reports customized to an organization's unique look and feel.

Financial reporters should be able to:

• Automatically export all selected ERP financial information into Microsoft Excel templates.
• Give users the ability to quickly improve the presentation of financial data and take advantage of all the rich functional capabilities offered within Microsoft Excel.
• Easily filter financial reports by any business segment, such as department, cost center, division, or company.
• Simplify financial consolidation review and comparisons.
• Provide significant flexibility by allowing users to produce financial reports that span any time period such as a prior reporting period, quarter, or year.
• Allow users to easily sort individual report cells to display period, year to date (YTD), or budget information to compare and contrast actual vs. budgeted financial data.
• Allow users to easily sort individual report cells by any General Ledger account number or by a specific range of general ledger accounts.
• Allow users to quickly manipulate large amounts of general ledger data within Microsoft Excel pivot tables.

Many CFO's have insisted that the General Ledger must interface with other subsystems through a universal source journal structure. All software modules must be set up with their own source journals and additional source journals may be defined for other third party subsystems. Other ERP financial requests often include the following:

• Dynamic label definition - reports and screen labels change based on the source of the journal entries.

• Independent Archiving - progressive data archiving of source journals to tape or file and subsequent live system data purge within a controlled environment to insure data integrity.
• Automatic Correction Entries - automatically posts invalid source journal transactions to a user-defined suspense account. Users must have the option of accepting the entry into suspense account or correcting the entry with a full audit trail back to the source transaction. This feature is needed when posting transactions to General Ledger from remote systems, where online account validation is not possible.

There are many types of financial entries required, yet not all ERP systems are effective in providing these types of transactions. Manual entries, for example, must generate either regular or accrual entries (accrual entries represent entries that are preset for reversal in future periods). There must be automatic correcting entry and manual correcting entry capability as well as standard recurring entries, skeleton recurring entries, formula for cost allocation, and auto offset capabilities. Some ERP systems do not offer automatic reversing entry and manual reversing entry capability. Perhaps of greatest importance is the capacity for an unlimited number of budgets. Budgets must be created from actuals, from other budgets, or by applying multipliers to a group of accounts. A number of curve smoothing methodologies should be applicable.

Accounts Receivable ERP functionality frequently falls short as well with many solutions not allowing accounting management to use a net or gross system to suit the specific needs of a company. The accounts receivable must provides a tightly structured "Point of Entry Subsystem" to interface with related systems. Full audit controls, error checking and correcting procedures must exist for:

• Autoload invoices - from remote billing system.
• Autoload customers - from remote billing system.
• Autoload cash receipts - from bank lock box feed.

Extensive inquiry screens should tie together invoice and check histories to provide a complete history of inventory accounts. The Accounts Receivable module or ERP component must automatically generate the ledger transfer journal entries that maintain the integrity of each ledger.

Flexible account structure for General Ledger integration, generating complete audit trails and providing for current and past due user-defined periods and the total amount due are just some of the core capabilities that even midrange organizations must expect along with an automatic interface to General Ledger.

Other receivable demands include a detailed inquiry into all customer accounts and ship-to locations, customer "short pays" or unearned discounts that can be automatically charged back at cash application time. Accounts Receivable charge backs provide a timely response to unauthorized deductions. An unauthorized deduction should automatically begin the collection process by generating a charge back invoice and letter.

The demands for an integrated midrange accounting ERP system are as rigorous as those for Fortune 500 companies; finding ERP solutions that provide the same functionality and a viable price point is not a simple solution. Using the features detailed above creates a checklist of sorts which can be a good starting point to determine the efficacy of any potential new ERP system.