

ACCOUNTING

Fine-Tune to Support Business Needs

As the center of revenue and expenses, the accounting department holds a pivotal role in the profitability of a business. Fine-tuned internal systems, interdepartmental communication and financial reporting can make a significant difference in the bottom line.

Internal Systems. The right people with the right systems create the backbone of financial management within an organization, beginning with the accounting software. You need to:

- Research and find the right accounting software package that fits the size of your business, is user friendly, is affordable, and meets short- and longer term needs;
- Understand and implement as much of the software's functionality as possible;
- Maximize how you manage your bank balances and earned interest with online banking transfers.

The chart of accounts, which is the basis for the general ledger and standard reports, can become so large and cumbersome that it is no longer useful. It may contain accounts with overlapping classifications, so:

- Challenge the chart of accounts at the end of the fiscal year, eliminate or inactivate invalid accounts and merge similar ones;
- Set up a reference sheet that gives the account number, the name and a description of the account so that all employees can understand and make the right classifications.

Interdepartmental Communication. Once you have a great set-up within the accounting department,



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look at how the people and systems interact with the rest of the company. Whether vendor payments, project accounting or billables, any disconnect can create a lack of information that affects cash flow and profitability. You need to:

- Set up a process for kicking off a new project – identify the project manager, assign project numbers, set the budget, schedule regular meetings to check on progress, and determine reports needed to manage the fiscal side of the project, e.g., budget vs. actual.
- Create a system for subcontractor or vendor bills so that when they come in, the right person assigns an account number and approves the amount so payables stay on track.

If your organization uses time and materials billing, cash flow can be problematic and the accounting department's workload can be

uneven. By establishing more frequent time sheet and billing processing, you can ease both cash flow and pressure on the accounting department workflow.

- Time sheets should be completed accurately and submitted in a timely fashion, preferably weekly.
- Use each project start date as the beginning of its billing cycle, and bill based on that date rather than on a calendar date, e.g., the end of the month, so that cash flow is staggered and the accounting department workflow is more even. This also eliminates long float periods when a project is done early in the month but the billing doesn't go out until the next month.

Financial Reporting. Financial reporting has come a long way from those large bound data processing reports. But the ease with which an accounting system can generate reports may create a different sort of problem.

- Review periodically which reports are necessary and actually being used;
- Take advantage of paperless report capabilities. Most accounting packages allow you to e-mail or fax its reports. With some software, you can export information to spreadsheets that can then be manipulated further.

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