Assignment (Literature Review)

Accounting Software/Packages used in Australia: a brief investigation

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ABSTRACT

The use of accounting software has become an soul to body relationship these days, as due to its affordability and correctness. Though there are bunch of accounting softwares/packages in Australia but still business finds it difficult in choosing the best one from the all the high rated Accounting Packages/ Software. Though there are some limitation to each of the accounting packages but each has its own working zone. This study is about the history, development and adoption of the accounting software/packages used in Australia. The literature review explores some most commonly used packages and identifies the reason for choosing them. The review also tries to find out the difficulties and challenges experienced by the business while choosing an accounting packages and the reason and remedies of this challenges. Further the organization current structure of accounting software and the change in such accounting software by developing and adoption of new accounting software package is also reviewed.

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Introduction

As per the definition is concerned Accounting software is best describes as “a type of application software that records and processes accounting transactions within functional modules such as accounts payable, accounts receivable, general ledger, payroll and trial balance.” Today the use of accounting software has been drastically changed from the traditional methods. Today, there is no real need to install accountings software in the PC’s or in the Laptop to work with the accounting system by freezing someone with the chair. Today, Cloud services has provided a scenario where one can work with the data at any place. Some of such accounting packages in Australia are : Quickbooks, Reckon, MYOB, XERO, Saasu etc.

Every software has its own features and complexities. But the advance features of these accounting packages not only act to record the financial transactions, but also provide sufficient organized data for managerial decision making aimed at getting competitive advantage. According to Collins, “Small Business Accounting (SBA) software has made enormous technological leap in power, speed, sophistication and flexibility in recent years.”

Current Organization structure

Lend Farm is a sydney based Real estate company, emerged with 1200 employees across the city and the project unit. The company has a wide segment of developing units like, residential projects, commercial projects and parks. Company has managed to implement a well versed architecture in an organization which help them to move the sales trends upward. Top level managers who are responsible to design the strategic performance are also found engaged in monitoring the accounting and financial reports of the company. There is no such separate department for reviewing the financial and accounting system.

A team of accounting professionals were hired to make the primary entry in the books of accounts which has been implemented in the organization in current scenario. Lend Farm has successfully implemented a “XERO” accounting package a long back ago. The accounting professionals use to make the primary entry in this accounting books and generates the output results so required. Further this books is reviewed by the CPA for the audit purpose and so the compliance procedure is completed in that way.

But to the question, what it really gains and what is lacks is, though XERO is an well setup accounting package in Australia and most of the business uses its features like Accounting, Payroll processing, Retail point of sale, CRM, Live Reporting, Bookkeeping, Job Management, Tax compliance and report filing for the day to day operations but what Lend Farm business requires is an system which could trace out the sales/debtors records and update the day to day payment and enquiry cycle along with making the accounting entries in the books. Moreover, in current scenario the company is not able to review their debtor payment cycle and makes a huge expense on Call center agents, for this purpose.

With reviewing the above issue, the solution for this could be resolved by implementing a well profile ERP system which will not only helps in day to day accounting entries but also provide an legitimate working with debtors payment cycles, review the MIS report and report to top management, customer grievances and also help the top management in making an effective plan for the company in terms of budgets, forecasting an employee hiring/retention program.

Well showing the pictorial representation of the current sales procedure of the organization is hereunder:

Review the prospectus of the project willing to buy/Lease

Raise interest on any late payment of installment amount and send copy to the customer

Makes the entry in the books regarding sale of that unit/flat against the customer

Reconcile the Bank requisition slip with bank pass book, against receipt of money

Complete all the process regarding the sale and payment schedule

Forward the next copy to legal department to check the validity of individual

Transfer the application form and the bank requisition slip to accounts department

Attach all the legal documents as required in the application form

Review the application form so received from client

Acknowledge the application money paid by client with bank requisition slip

Fill the application form and attach a bank requisition slip

Issues with Current Structure

As shown in the flowchart, is the current organization sales procedure. As shown in the figure the sales procedure is completed when and after the client application for the purchase of flat/building is being approved by the sales department and then the necessary accounting and financials procedure ended. Further the procedure regarding authorization is still is issue, regarding who is the person so authorized to make the entry of the sales in the books of account and who is the person who will finalize the entire process. As shown in the process, it involves the two department, sales and accounting department who ends up their procedure at their end, but still the authorization regarding the validity of the application form, validity of the authorized personal, debtors payment schedule recovery, marketing management, engineering cost & development and others are some of the critical area, where the proper recordings and monitoring needs to be done by the management.

In such areas, there is a possible chance of fraud. Suppose, if the particular flat/building has not been completed or yet to be completed but the sales has been done by the sales department, concerning that the building is ready to move, then in such situation the legality and fraud could be establish, due to unaware of the updated development of the project. Further, the expense of the site work are needs to be well authorized by the management. Since there is no such monitoring so the expense are been overstated and the accounts department being the person responsible for the entry of such voucher only records such vouchers in the books of accounts, without checking the validity of such voucher. So fraud can establish at this situation as well. Similarly, the marketing manager should be so authorized to sell the flat at the par or premium amount. In case of any offer/discount option, the same should be authorized by the higher management. The marketing team themselves are not authorized to give any discount without the authorization of such power. So, there is a chances of fraud.

So, after reviewing all the current system, it has been observed that “XERO” is an accounting package which only generates output of the accounting entries that were made input by passing primary entries. Further to generate MIS report, to work at the project site and other options are not being enable in current accounting package.

Development and adoption of accounting software packages

As per Telsyte, a senior analyst Rodney Gedda, “At present more than 70% of Australian businesses which already use some form of accounting system have an on-premise software system running on their own computers. The rest use some sort of cloud system, and among them MYOB and Reckon have traditionally held the lion’s share of the market and both have cloud services or strategies, but new players such as Xero are rapidly gaining ground.”

So, the adoption of accounting software package is really a huge decision to make at. Though traditionally Reckon has dominated other accounting packages but startups of MYOB, Xero have provided a large segment to SME business. So, as per the report, “40 per cent of new MYOB product registrations are now for cloud-based solution. Reed expects these to be in the majority by the start of the new financial year” made the use of MYOB administration more popular these days with its new features. So, to worn out from the old accounting package and development of the new accounting software, MYOB administration will be the better option as and against the current market players. MYOB is a long established world leader in the ERP market- they’re not a new or start-up business so one can rely on their longevity and stability as a provider for the business.

Conclusion

For many small businesses and start-ups, an Excel spreadsheet and a shoebox full of receipts represents a first stab at managing company accounts. But the advent of cloud computing and a rash of systems targeted precisely at this market is leading to rapid change both for these businesses and the accounting firms which serve them. So, either the small business or the large units, they should opt for the cloud system for the operation of accounting system, which also facilitates with other features like management decision and planning.

Recommendation and Suggestions

After the long study and issues of the Lend Farm it is highly recommended to opt for a new ERP package so to slow down the fraud and interruptions occurred during the project objectives. Further it not only provides the financial recording assistance but will also help in providing decision regarding the managerial decision and monitoring the expenses at the working site.

Further the discrepancies regarding the updating the project status and providing assistance to the customer’s grievances are also some of the extra features in MYOB administration. Now the work of ERP is to link all the department and provide the management the detailed working of all department so that they could take a necessary action against it.

Further the issue like debtors collection cycle monitoring and sending them the notices, Lend farm then doesn’t need to hire extra personnel for this work. Once the notice period is set up in the feature of MYOB’s accounting package, it will automatically sends the reminder call to the debtors from whom payment is need to be come in that particular month or period. So, in this way the collection will be faster and smooth. So, the recommendation is a straight away to re-configure the accounting system from the XERO to MYOB and clear all the issues, discrepancies and add more features to the software.

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