Setting up the Framework in a New Accounting Software

The best way to start building your framework to work backwards.   If you know the end informational goals, then you can reengineer the source information to ensure you can then get the useful and necessary reporting.

Financial data should provide information that supports or enables business decisions. Accounting is not only for accounting's sake, but for the decision maker's use to make better, more informed decisions about their business.

Questions to ask

What reports are easily produced within the accounting software?

Are these reports date sensitive?

How can we use the reports (canned reports) within the software to make business decisions?

What reports would you run today if you had the information and how often would you run them?

Who will use the information and what format do they want it in. How often will they review the information?

Who will run the reports that will be used?

What kind of information have people requested in the past:

- Financial information
- Performance information
- Employee information?
- Performance by PM
- Performance by type of work (hard dollar, gmax, t&m)
- By industry or SIC code (hospitality work vs manufacturing clients)
- By geographical areas
- By superintendents/foreman
- Size (large construction projects vs special project or work order)
- Service based work (T&M work or flat rate work)

Do we want to know performance by job or would we like to know performance by division?

Divisions are usually divided into areas of similarity that you would like to know the performance all the way down to net income, not just gross margin. Common divisions are either location based (like multiple office locations) or type of work (construction versus service). Divisions also usually have a manager in charge of that particular division and so producing divisional income statements is important for the manager to have operational information.

Do we want to divide our general ledger/chart of accounts into groups?

You can group like-kind expenses together. Here are some examples of groupings in the chart of accounts.

All revenue accounts together (i.e., start with 4)

Direct costs (typically start with 5) i.e.

- Material
- Labor
- Burden
- Subcontract
- Equipment rental
- Travel/other

Payroll/Burden i.e.

- Payroll taxes
- Work/comp insurance
- Vacation
- Health insurance
- Holiday pay
- Bonuses
- 401k

Indirect grouping, i.e.

- Truck
- Cell phone
- PM expenses

Equipment rental (if there is a lot of rental fees charged) i.e.

- Fuel
- Maintenance

General Administrative i.e.

- Rent
- Utility
- Office Supplies
- (not directly related to a job, but required to maintain a business)

You can also start thinking about some of the next level of questions.

How would you like to invoice your customer? Is the standard invoice acceptable? Do you need one customized? Do you send statements?

Will your check stock work? Is there any special configuration that is needed?

What type of numbering system will you want to use for:

- Jobs?
- Customers?
- Vendors?
- Employees?
- P.O.s?

Are there any tie-in software? (Estimating?)

Who gets access to what? Who has admin rights?

I hope this helped give you some direction on how to start brainstorming around building your new accounting software backbone.