ALTERNATIVES TO SPREADSHEETS GUIDE

Why Businesses Use Spreadsheets

Spreadsheet software packages such as Microsoft Excel have the capability to keep basic accounting records. It is perfectly understandable that startup businesses use Excel to avoid the initial cost of accounting software, especially if they only have a few transactions per month.

However, after a certain point it becomes unfeasible and possibly detrimental to your business to continue with software such as Excel.

The more the business grows, with more customers and suppliers, the more difficult it becomes to manage your accounts through spreadsheets. This begs the question, at what point should you make the transition from Excel to accounting software and what are the advantages of doing so?

It is important to know when you need to change. You will avoid any trouble with your accounts and get more critical insights into your business performance.

Accounting software will help you set your business up for success.

Disadvantages of Spreadsheets

It is possible to prepare your accounts using spreadsheets, especially if you are a startup. However there are four key disadvantages to using spreadsheets.

1. Invoicing & VAT

Spreadsheet software is simply not designed to be used for invoicing. After entering your transactions you may use a separate text editor to raise the invoice. Accounting software packages have invoicing capabilities built in so you can automatically raise an invoice using data from your sales transaction and email it from the software directly to your client. You will also be able to easily assign the relevant VAT rate to your invoice rather having to manually do this in Excel and remember the differing corresponding VAT entries

2. Double Entry

Accounting software will automatically complete the second part of the entry which reduces human error as well as the time spent doing the accounts. If you don't have a high level of Excel expertise this could cause major issues with the integrity of your accounts. A spreadsheet user also has to make sure that the formulae they use for their accounts are correct, if not the integrity of your data will be compromised.

Accounting software users only have to enter transactions as all formulae are automatically set up correctly for your records.

3. Reporting

Even more complicated than entering your transactions in Excel is setting up reports. Specific formulas will have to be entered to get the data that you need about your business. As the number of transactions you enter increase, these reports become more complicated.

4. Security

Spreadsheets are not as secure as an accounting software package. It is possible to set a password in order to access Excel files. However, the passwords may not be encrypted as those from an accounting software package. In addition, there is also no audit trail in spreadsheets to show what user has made certain changes, leaving your records vulnerable to being edited by anyone at any time.

When To Move On From Spreadsheets

Every business grows at a different rate but there are some common issues that can arise which signal that it's time to switch from Excel to accounting software.

1. Cash Flow Problems from Invoicing

If you are having cash flow problems that you can trace back to invoicing then it is time to switch. Invoicing is slower with spreadsheets as it has to be done manually. Automatically invoicing immediately after a sale with your accounts package will speed up the process. Batch emailing your invoices directly from your cloud accounting software will help to improve your cash flow.

2. VAT Registration

If you have passed the VAT threshold and registered you should have the use of an accounting program. Accounts software will make keeping track of the VAT you owe easier and less time consuming. There will also be less risk of having issues with Revenue if something goes wrong with your spreadsheets. These issues can lead to a bad reputation as well as interest and penalties for your business.

3. Multiple Users

If your business has grown to a point that multiple people are updating your accounting records it is time you moved on from spreadsheets. As there is no audit trail in Excel it is impossible to keep track of who is entering what transactions and when.

4. Year End

If you are approaching your financial year end with a substantial number of transactions recorded, it is time to use accounting software. Not only is it not reliable to use spreadsheets to help produce year end accounts, the time it takes may cause your accountant to bill you more. The extra cost could easily cover the cost of subscribing to an accounting software platform. End of year routines are automated in accounting software.

Advantages of Accounting Software

As your business scales, the use of accounting software will become increasingly important for your business finances. An accounting package can make running your business easier for you.

1. Audit Trail

Audit trails provide information about the entry of transactions. This is useful for rectifying mistakes if they have been made in your accounts. They are also extremely important at preventing more serious breaches of security and trust by showing what users are taking what actions within the software.

2. Automatic Backups

Cloud accounting software packages can take automatic backups. This means that if anything should happen to your accounts you will have up to date records to keep working from. This may not be the case with spreadsheets. You will have to remember to manually back up the right versions of your accounts on a regular basis in order to have them to hand. If you save over your last year end you may not be able to provide that information again to revenue.

3. Real Time Collaboration

A cloud accounting software package will allow your accountant to access your records in real time with free access. You won't have the extra administration work involved with preparing and sending them the right versions of your records. There will be no more wasted time either, while they wait for you to take time away from running your business to send them the information they need. With cloud accounting they can access it anytime from anywhere, as can you.

4. Out Of the Box Reporting

Accounting software comes ready with the ability to produce important business reports. It can automatically take the information from the transactions that you enter and provide you with critical insights immediately. Your accounts shouldn't be done just because they have to be. You should prepare your accounts to get a better understanding of how your business is performing. This will help you when making decisions about your business. Accounting software will provide you more in depth information on your business than spreadsheets and it will save you time in the process.

Online Accounting Software

WHO WE ARE

Big Red Cloud is a leading supplier of online account's software to the SME market.

Our online account's software is simple and easy to use and takes only minutes to set up. It is designed to enable smart business people get on with doing what they do best which is to sell their products or services.

We believe in giving exceptional value by including multiple users, unlimited transactions, telephone, email, live chat support and free access for your accountant and bookkeeper, all for a low monthly fee.

Join over 35,000 businesses that have already made the smart move and get your business up and running with Big Red Cloud's online accounts software.

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