

## Selecting Financial Record-Keeping Software

### Quick Notes...

Financial record keeping programs can be separated into two types:

1. Record keeping - money managers.
2. Accounting - business accounting (general ledger, accounts payable, accounts receivable, depreciation, inventory, etc.).

Today's farmers and ranchers know that, to stay competitive, they must manage their operations as a business. They realize that they have to increase their emphasis on record keeping, planning, financial analysis, and better monitoring and controls.

Successful producers need more information pertaining to financial analysis, marketing, analysis of alternative enterprises, and the "bottom line" contribution of each existing enterprise. More emphasis must be placed on justifying the purchase of inputs based on economic analysis rather than simply whether or not the practice(s) will increase output.

Additionally, every business has the responsibility of establishing and maintaining some form of record keeping. Federal law requires, as a minimum, that sufficient records be maintained to file and substantiate all federal tax returns.

It is important to remember that a computerized record keeping system can improve on a good manual record keeping system, but it can't help a poor one. The user must have a commitment to good record keeping and learning how to use the system.

### Computerized Record Keeping

The proliferation of computers used by agricultural businesses has, in turn, caused a tremendous availability of computerized financial management software. These programs are relatively inexpensive, flexible, and easy to understand and use. Most importantly, they are helping farmers, ranchers, and business people keep better records.

The many financial record keeping programs currently on the market can be separated into two types of applications: record-keeping and accounting.

**Record-keeping software.** These programs are marketed as money managers rather than accounting systems. They attempt to simplify record keeping through the use of checkbook or check register screens.

Record keeping software programs simplify the entry of information by using a single-entry general ledger. However, they can emulate a double-entry system if desired. These programs focus primarily on checking, savings, and credit card accounts, but they can

also track other types of asset and liability accounts.

Information is entered directly onto a blank check form or checkbook register on-screen. Transactions may be allocated to different income or expense categories as well as expenses.

Some such programs include memorizing recurring names and transactions, customizing reports, and transferring information to computer spreadsheets, generic ASCII formats, and other related financial software.

Microsoft Money, Quicken, and Farm Biz are examples of record keeping software (*there is no intended endorsement by Colorado State University of these or other products.*) Most of these programs have special add-on modules to help manage payroll activities and income tax preparation.

**Accounting software.** These programs are related to formal accounting programs. They were developed in response to the consumer demand for simple-to-use accounting software designed for personal computers.

These programs generally use the double-entry system to record entries. Successful use of accounting software generally requires some knowledge of accounting.

Most accounting programs have various modules allowing a software package to be designed which meets the needs of the user. Examples of the modules include: general ledger, accounts payable, accounts receivable, depreciation, inventory, payroll, and crop and livestock production.

Centerpoint, Peach Tree Complete Accounting, Red Wing General Ledger, Agro Plus Accounting, Microsoft Dynamics GP, and QuickBooks are six examples of accounting software (*there is no intended endorsement by Colorado State University of*

*these or other products.*)

### **Vendor Support and Documentation**

Vendor support is especially important to those people just starting to use computers and/or are not familiar with accounting principles. It is reasonable to expect vendor support regarding program set up and operation. However, the user should investigate other sources of assistance with accounting principles and utilize the information available from the system.

Software documentation, whether it be in a manual or available via help keys, should be easily read and understood. The user should be able to quickly locate appropriate instructions for using various features within the program. Many software programs come with a tutorial feature to help the user learn how to use the program. Also, some experimentation with specific features may be necessary for the user to make the program best fit the business.

### **Program Evaluation and Selection**

Before you select a computerized financial record-keeping program, it is important to consider your goals, needs, and computer and accounting knowledge. Careful planning at this stage will ensure that you select a program that is right for you and your operation.

Additionally, a commitment to the farm or ranch as a business will allow the manager to better understand the uses of good records and to more willingly allocate resources to good record keeping.

*Defining your goals and needs* is the first step in choosing a financial management computer program. What type of business is it? What information is most important? What aspects of the current record keeping system should be kept and which aspects should be changed? Who will be utilizing the information reported by the system?

*Identifying the level of accounting knowledge* by the person entering the data is important to accurately and honestly assess before selecting a financial management program. If the user has a limited understanding of accounting principles, software packages of the first category may be a better choice. It is important to also consider the user's computer skills when selecting a financial management program.

*Seeking insight from current users* of the various computer programs can provide some valuable insights. Your neighbor, tax preparer, lender, accountant, local Extension agent, computer publications, farm management organizations, agricultural newsletters, etc. may also provide valuable information.

It is important to identify the various features, functions, and basic requirements of the computerized record keeping programs being considered. The following chart can help you compare the programs.

However, the information about each program will not imply its value or usefulness.

**Summary**

Computers and record keeping can only do one thing - help to organize data. They do not relieve the user of decision making responsibilities.

It is critical for anyone considering the use of a computerized accounting system to ask lots of questions. The user must complete an intensive and honest evaluation of: 1) current and future needs; 2) accounting knowledge; 3) computer use skill level; 4) commitment to learning and using a new program; and 5) availability of technical support.

A person wanting to keep records and use the information must allocate time to learning the record keeping system, inputting the data, analyzing the output, and using the information to make the best possible decisions.

**Features, Functions, and Basic Requirements of Selected Financial Record Keeping Software**

<b>Program Name:</b>		<b>Retail Price:</b>	
<b>Computer Requirements</b>		<b>Types of Accounts Handled</b>	
Operating System Windows, Mac		Asset & Liability Accounts	
Memory Requirements:		Credit Card Accounts	
Expanded Memory (Requires, Utilizes)		Inventory Accounts	
Hard Disk Space Requirements		Enterprise Accounts	
<b>Features</b>		Other	
Single/Double Entry		<b>Reports</b>	
Cash/Accrual Accounting		Balance Sheet, Cash Flow Statement, Profit & Loss, Transaction Register	
User Support Provided		Account Balances	
Context Sensitive Help		Budgets	
Check Writing		Enterprise	

Financial Ratios		User Customized Reports	
Budgeting		Memorize/Recall Customized Reports	
Multi-Year Comparisons		Income Tax Summary	
Account Reconciliation		By Form/Schedule	
Automatic Installation		By Form/Schedule Line	
Estimated Installation Time (Hours/Minutes)		Payroll	
<b>Check Register (General Ledger)</b>		Accounts Payable	
Accounts by Number/Name		Accounts Receivable	
Requires Posting (monthly, quarterly, etc)		Graphics	
Memorize/Recall Previous Transaction		Customized Graphics	
Group Transactions		Number of Graphic Reports	
Allows Splitting of Transactions		<b>Export/Import</b>	
By Category		Export ASCII File	
By Enterprise		Export to Spreadsheets	
Menu Driven		Export to Income Tax Program	
Uses Quick Keys		Other Export	
Pul Down/Pop Up Menus		Import from Other Program	
Add-On Modules:			

**Reference and Other Source of Information:**

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 Texas Agricultural Extension Service. May 1994.

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