

Simplify Your Business with ERP Accounting

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WHEN EVALUATING AN ENTERPRISE RESOURCE PLANNING (ERP) SOFTWARE PACKAGE, MOST MANUFACTURERS FOCUS ON THE SYSTEM'S SHOP FLOOR AND PRODUCTION CONTROL CAPABILITIES. THESE RANGE FROM THE ABILITY TO SCHEDULE JOBS THROUGH THE SHOP FLOOR MORE EFFECTIVELY TO QUOTING, TRACKING INVENTORY, MANAGING MATERIAL MOVEMENT, CAPTURING LABOR TIME, AND COSTING JOBS MORE EFFICIENTLY AND ACCURATELY. HOWEVER, AS GLOBAL MARKETS CONTINUE TO EXERT DOWNWARD PRICING PRESSURES, MANUFACTURERS ARE INCREASINGLY LOOKING FOR ERP SYSTEMS THAT CAN LEAN OTHER AREAS OF THE BUSINESS AS WELL.

One area currently appearing on the radar screen for many manufacturers is the ability to jettison third-party software applications, such as accounting and financial software, and perform those functions within their ERP systems. And with good reason.

When the financial and production management systems are not integrated, sales, accounting and production must be tracked and managed separately.

As a result, shop floor and accounting operations must use different interfaces that are unable to share information. This causes finance to end up as a separate “behind the scenes” activity that produces financial reports using an entirely different system – a slow, cumbersome and inefficient process.

IN CONTRAST, AN ERP SYSTEM WITH A FULLY INTEGRATED ACCOUNTING MODULE OFFERS MANY IMPORTANT BENEFITS THAT CAN SAVE TIME AND MONEY WHILE SIMPLIFYING BACKROOM ADMINISTRATIVE PROCESSES.

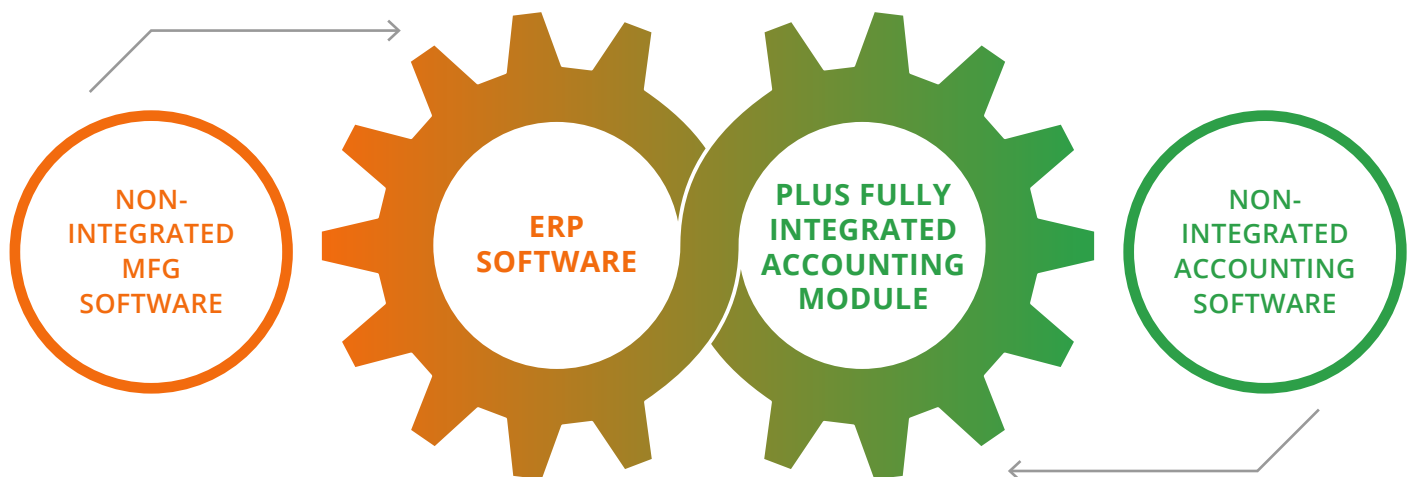
One System Is Better Than Two

The first big advantage of ERP-integrated accounting is the obvious time savings and cost reductions achieved by eliminating third-party software. Maintaining a separate accounting system requires purchasing the software and learning how to use it, which can result in expensive consulting fees and training time.


Once installed, the accounting software will typically incur tech support and maintenance fees. Upgrades to the ERP system can also require newer versions of the accounting software and/or additional consulting fees. An ERP system with

a fully integrated accounting module eliminates all these problems while offering many additional benefits.

When accounting employees work on only one system, they have more time to focus on correctly entering and updating all financial information. This reduces the manual errors that often occur with duplicate data entry, thereby reducing the need to go back and correct errors, allowing employees to devote more time to other value-added activities.



**INTERLOCKING YOUR ERP SYSTEM WITH A FULLY-INTEGRATED ACCOUNTING MODULE
ELIMINATES PROBLEMS AND OFFERS MANY BENEFITS.**



Some ERP software packages include an advanced costing system that enables accounting personnel to determine job costs and profitability faster

and more accurately. As part of its financial integration, these systems automatically capture all job costs as they progress through the shop floor. They then post the data into the general ledger at predetermined time intervals, allowing users to instantly see whether a job or product is generating a profit or falling short of estimates.

Users can also drill down for detailed job costs to see how much was spent on material, labor, overhead, freight, outside and other job-related expenses. They can easily search for financial data by job, part number or customer. And the system maintains complete financial histories for every customer, thereby enabling more informed financial analysis of products, product lines, sales trends and other key decision-making criteria.

Complete Traceability

For many users, the biggest benefit of ERP-integrated accounting is the superb traceability of every transaction. With many ERP systems it can be a challenge to determine where a specific number comes from. With integrated accounting, the ERP software automatically captures every transaction posted in the system, including the date, time and user who made the transaction. Additionally, any number can be quickly and easily traced back to where it came from, such as a purchase order, sales order, work order or inventory adjustment.

To protect the integrity of the data, some ERP systems do not allow for erasing or deleting an incorrectly posted transaction. Instead, accounting personnel must perform clearly defined corrective actions in order to rectify any transaction that was made in error. In addition to keeping the data secure, this also provides complete traceability for internal and external audits, as well as any other fact-checking processes that may need to occur.

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Simplifying The Entire Accounting Process

ERP-integrated accounting simplifies the accounting process in many different ways, including:

Faster, More Accurate Invoicing.

Users make fewer mistakes when calculating totals. As a result, invoicing can often be accomplished in minutes rather than hours.

Improved AR and AP Management.

Accounting personnel can easily identify which customers have paid on time and which are behind. AR and AP aging reports also help identify customer performance over time.

Improved Reliability.

Eliminating duplicate data entry means users can efficiently perform repetitive functions effectively without worrying about human error.

Up-To-Date Information.


Account balance information is always current because all records are automatically updated when accounting data is entered in the system.

More Accurate Inventory.

Inventory and material movement transactions can be tracked by the second, including the application that created it and individual who generated it.

Real-Time Financial Analysis.

For most transactions, the accounting data is recognized as soon as the transactions are recorded, allowing accounting personnel and management to make decisions in the moment rather than after the fact.



ERP-integrated accounting can also generate significant reductions in the size and cost of the financial/accounting staff. Because job costing and reporting is integrated within the system, administrative personnel with basic computer skills can be easily trained to process payables and receivables. In many cases, manufacturing companies can perform all financial functions with a payroll/HR clerk, a controller for tax and financial reporting, and a few clerks to operate the accounting interfaces for the daily activities.

A good ERP-integrated financial system should also comply with the Sarbanes-Oxley Act of 2002. While privately held companies are not required to comply with these regulations, adhering to Sarbanes-Oxley standards is still considered to be a fundamental element of a good accounting system. When companies seek to acquire another company, enter into a partnership, obtain financing, or attain and maintain ISO certification, this compliance can become a necessity.

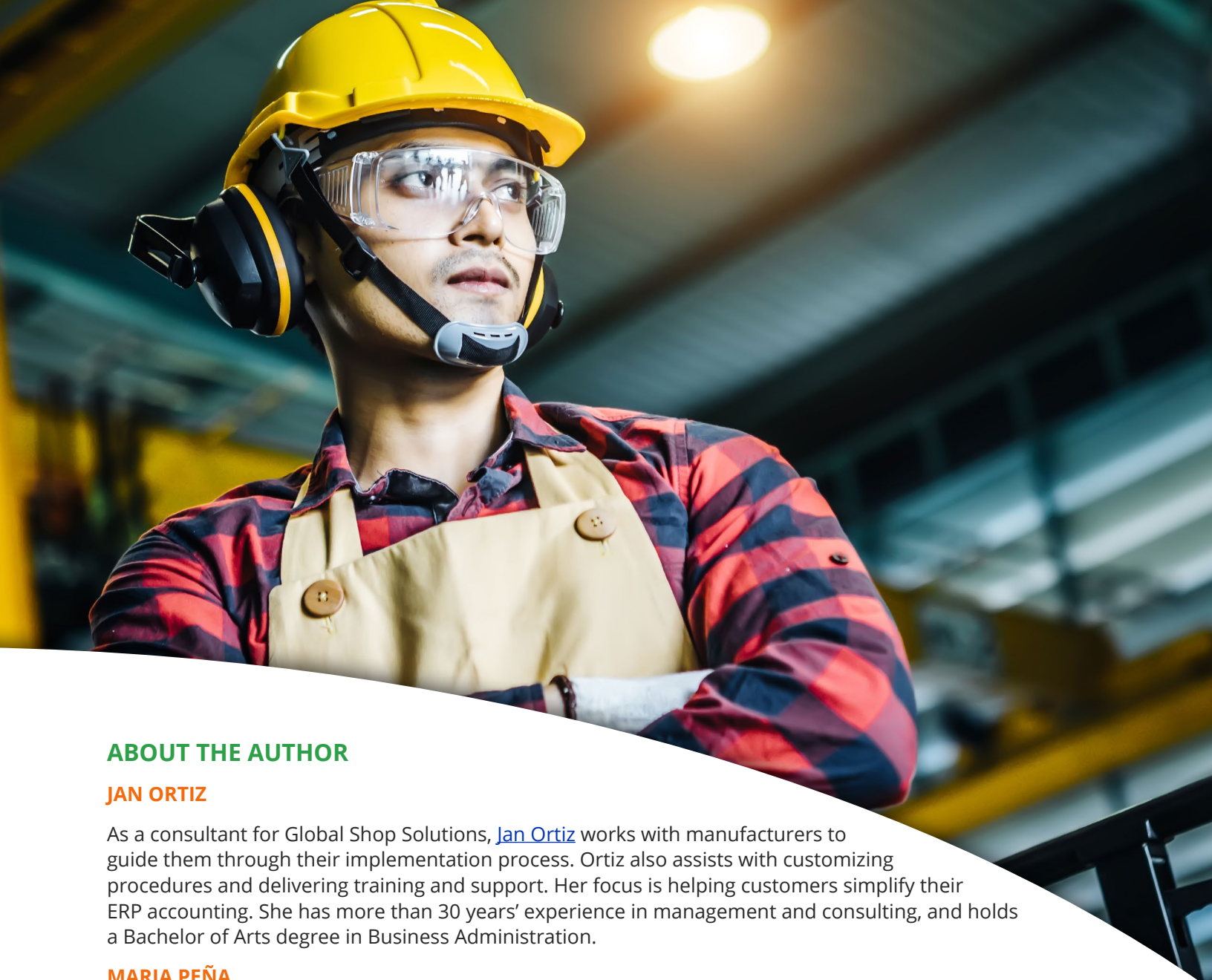
A Culture of Financial Responsibility

There's one final benefit of using a financially integrated ERP system – the development of financially literate employees. In fact, many Global Shop Solutions customers tell us they find this unexpected dividend to be one of the most important benefits of using our integrated financial module..

With the exception of journal entries, most accounting transactions are initiated by non-accounting personnel. Yet, when companies use a separate financial system, non-financial employees usually have no understanding of how their transactions affect the financial side of the business. When errors occur, accountants put the books in order to make sure everything balances properly, but the rest of the company is unaware that errors were made and why.

Using an integrated system requires that everyone initiating an accounting transaction have a basic understanding of the financial impact of that transaction. For example, everyone needs to know what inventory is. Purchasing agents and order entry clerks must know to use an inventory product line when the part on the line item already exists in the inventory master. When buying or selling non-inventory items, clerks should also know to use different product lines. This will ensure that the transactions that occur with purchase order receipts and invoicing sales are directed to the correct general ledger accounts. On the shop floor, personnel must ensure that all costs have been applied to the work order before closing it. Otherwise the inventory and cost of sales won't be accurate.

TEACHING PEOPLE HOW TO MAKE ACCURATE TRANSACTIONS IN A FINANCIALLY INTEGRATED ERP SYSTEM DOES REQUIRE A LEARNING CURVE. BUT THE RESULT IS A BETTER-EDUCATED WORKFORCE, WHICH SIGNIFICANTLY REDUCES TRANSACTION AND ACCOUNTING ERRORS. WHEN PEOPLE UNDERSTAND HOW THEIR TRANSACTIONS AFFECT OTHER AREAS OF THE BUSINESS, THEY MAKE BETTER DECISIONS THAT HELP TO SIMPLIFY PROCESSES, MINIMIZE ERRORS, AND REDUCE COSTS. THIS HELPS PRODUCE A LEANER, MORE EFFICIENT BUSINESS BETTER ABLE TO COMPETE IN TODAY'S HIGHLY COMPETITIVE MARKETS.



ABOUT THE AUTHOR

JAN ORTIZ

As a consultant for Global Shop Solutions, [Jan Ortiz](#) works with manufacturers to guide them through their implementation process. Ortiz also assists with customizing procedures and delivering training and support. Her focus is helping customers simplify their ERP accounting. She has more than 30 years' experience in management and consulting, and holds a Bachelor of Arts degree in Business Administration.

MARIA PEÑA

[Maria Peña](#) began her professional career by working as an accounting service consultant, followed by two years as a financial consultant. Her employers included the Cameron Country Club and Sam Houston State University. At these jobs, she gained valuable experience in the areas of cost accounting, value-added taxes, financial reporting, payroll, and accounts payable and receivable. Reliable, responsible and self-motivated, Peña obtained her master's degree in only one year, and gained first-hand experience with value-added taxes in Mexico, Guatemala and Peru. Her current focus is helping Global Shop Solutions' customer simplify their business with ERP accounting.

To learn more about how to simplify your business with ERP accounting, call 1.800.364.5958 or visit www.globalshopsolutions.com.