Beyond record keeping—getting value from your organization's accounting function

Bookkeeping Connect

A PwC Product

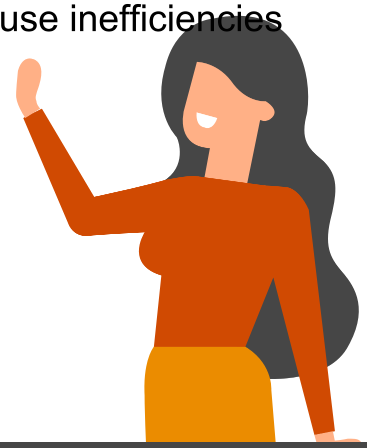
Contents

When we think about value-creation in any business, we tend to focus on subjects like business development, human capital, brand recognition or strategy. These areas are obviously critical to success.

However, an often overlooked value-driver and potential risk-avoider in most organizations is the accounting and bookkeeping function.

Your ability to grow, forecast cash flow and identify operational challenges before they can cost you money counts on reliable accounting data. To make the right decisions, you need to have up-to-date and accurate data—every time. But often inefficient accounting processes and dated systems can cause inefficiencies and errors that cost you both money and time.

We'll walk through how to get on-time and accurate books—basics that sound small but can put you at risk when they fail. We'll look at the hidden costs of payables, and at how your accounting team can actually be value creators. Finally we'll consider some key reports that help you use your data as effectively as possible.



There’s no substitute for being right

Not everyone in your organization is fond of number- crunching. Some would rather focus on their specialty area and assume that reports from accounting give them all the information they need. Unfortunately, errors in accounting can undercut efforts to manage your business wisely. And errors are all too common.

Your management team should have a clear picture of finances in order to make sound business decisions. But distilling actionable figures from the complex finances of your organization as a whole can be a challenge without the right accounting backbone in place.

The high cost of accounting errors

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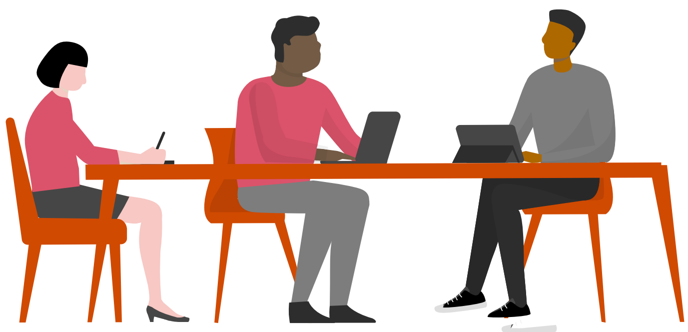
Accounting errors are the “unknown unknowns” for many mid-sized businesses. What you don’t know can hurt you.

For example, inaccurate accounting can obscure which areas are profitable and which are not. High billables don’t benefit the bottom line if they're eaten up by costs and salaries. This blind spot can lead you to make unwise hiring decisions or focus business development in the wrong areas. After cleaning up their accounting functions, some organizations have found that they were actually insolvent, even though billing looked healthy.

Without accurate accounting information, your management team can’t make the right decisions for the long-term financial health of the business. For example, you should know not just how many hours you're billing, but also where you may need to shift staff, and where you may even be over servicing clients.

What if you could have accurate figures at your fingertips within minutes? Automating your bookkeeping is an easier way to do your accounting that also makes sure you're working with the right data.



Creating a roadmap to greater profitability

Securing highly desirable and lucrative clients doesn’t rely only on great staff and excellent marketing. Your accounting team can also play a role.

- **Demonstrate your reliability.** Your company has a fiduciary duty to its customers. It’s harder to sell your business as a trustworthy organization if you’re not keeping your own financial house in order. It’s important to avoid errors in billing or payment processing or miscommunications about account status.
- **Identify the customers you want to attract and retain.** When you understand the profitability of each team, you can focus on expanding the areas that contribute the most to the company’s financial health.
- **Put your company in a better negotiating position.** If you don’t have an accurate picture of your financials, you might be at a disadvantage when you negotiate terms with a new client. A big fish may want discounted fees in exchange for giving you a big book of business. Is it worth it? The answer lies in your accounting. Without a clear picture of your overhead and costs of doing business, you could sign a contract with a new client that is only marginally profitable or even loses money. Fiscal clarity can help you make better decisions.
- **Maximize staff time.** When you automate your accounting, you help free up staff time for other value-add tasks that involve creativity and strategic thinking. In addition, automated bookkeeping helps eliminate errors, which can reduce the amount of time spent reviewing and correcting bills.

A better way to do your bookkeeping

If your team relies on rarely-updated figures or accounting reports that contain hidden errors, you don’t have the information you need to make good management decisions. Streamlined, simple, and up-to-the-minute accounting protects you from mistakes that can drag the company down. That’s why PwC designed Bookkeeping Connect to make accounting simple, efficient, transparent and, above all, accurate.

Does your company close out its books on time every month?

The cost of delays

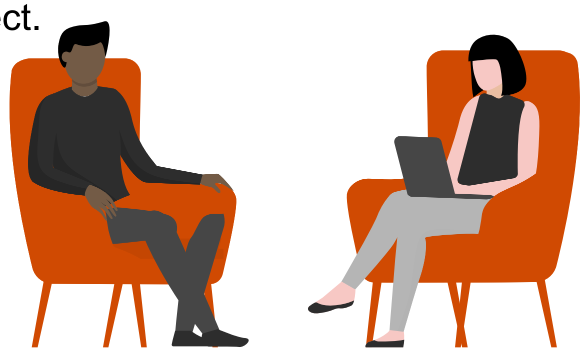
At the end of the month, some staff members may scramble to submit their hours so billing can go out on time. Most well-run companies send out client bills on time. But many may not keep their essential bookkeeping updated in the same way. While billing brings in the revenue, it isn’t the only important metric of your company’s financial wellbeing.

Does your business close out its books on time every month? Are you able to produce financial reports with timely data at a moment’s notice? If your accounting isn’t kept current, you won’t have the figures you need to help make sound financial decisions. Your management team counts on you to be able to produce accurate numbers quickly. If they make decisions based on incorrect or old data, it can cost the company.

The high cost of late books

If you don’t have a set time to close out the books every month, that can lead to sloppy accounting practices, missed payments and extra work to set it straight.

- **Late books put your credit rating at risk.** Late books can lead to late payments, which in turn, can damage the company's credit rating. This can become an issue when you need to lease or buy office space or make needed upgrades to your existing space or equipment. Vendors who may have been burned by your business in the past may insist on payment up front rather than extending you credit. A poor track record on payment could even get your company’s rush project pushed to the back of the line.
- **Messy bookkeeping creates operations problems.** Whether it's missed tax deductions or delayed purchasing and arrival of the business-critical equipment and supplies, you could potentially be putting your operations at risk. Plus, you may even miss the fact that the company is overpaying for goods or services. The longer an error is repeated, the harder it is to correct.



Chaotic bookkeeping can lead to missed opportunities and can tarnish the company's reputation. In some situations, the lack of timely accounting data can even lead management to make costly mistakes.

When does timely bookkeeping matter most?

When you need to act fast, you need financials at your fingertips. You don't have time to sit down with accounting and try to pull together the numbers on the fly. A leading practice for bookkeeping is to keep your accounts up to date every day of the month. That enables you to respond quickly to information requests with confidence in your data.

But the need for timely bookkeeping is even more important to decision-making at a few key times:

- **A sudden economic shock.** Your company's book of business can be affected by an economic downturn, regulatory changes, or upheaval in your clients' industry. When the worst happens, your management team needs to gather information quickly to make consequential decisions. If your bookkeeping is lagging, the company could end up making a quick decision based on bad data. Knowing the exact state of your financial reserves, accounts receivable, accounts payable, and other financial obligations is critical to good decision-making.
- **New hires.** Requests to add staff is often a positive business sign. But the decision to add to your payroll should be made based on an analysis of data that reflects current financial trends. This includes the trends in revenue, cost and the company as a whole. If you rely on outdated financial data, what seems like a good decision could end up losing the business money.
- **Expansion planning.** If your company is ready to expand, you can't move forward without clear and detailed financial data. This can inform everything from the marketing budget to the advisability of leasing more office space. You need up-to-the-minute financial reports, not only when you start planning an expansion but throughout the entire process. The ability to respond quickly to changes in revenue and profitability can help confirm that your growth is built on a solid foundation.

It's not enough to have competent, dedicated staff. You also should manage the business wisely. Timely bookkeeping and financial reports are key to smart management. When you choose an automated solution for your bookkeeping, you help set your company up for success.

Resources for keeping your financials up to date

Bookkeeping Connect closes the books for each month on the fifth day of the following month. That means you always know your financials are clean, accurate and on time. Rather than relying on staff, who may already be juggling too many tasks, Bookkeeping Connect automates your bookkeeping and accounting. That saves staff time and confirms that your books are closed on time, month in and month out.

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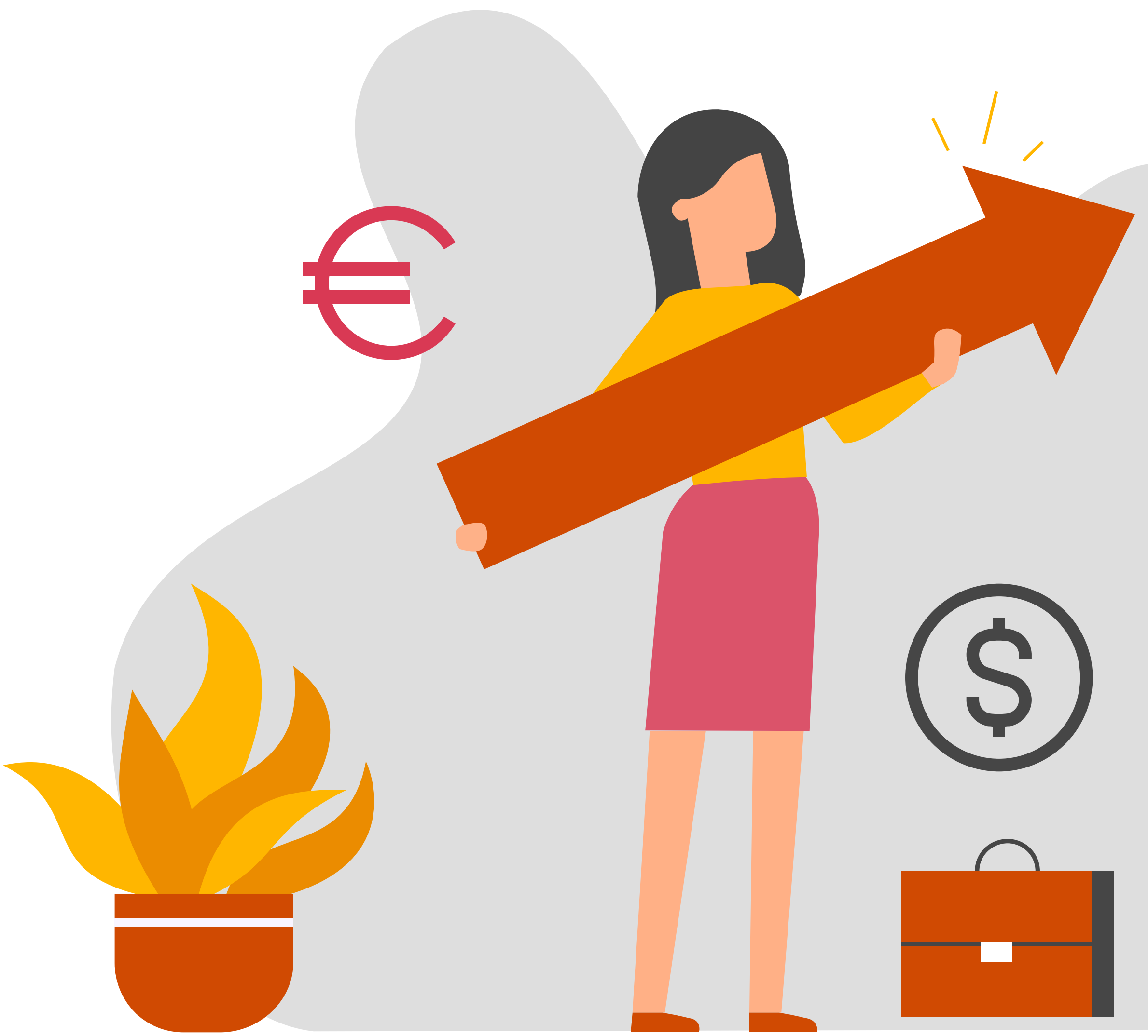


Unleash the power of your accounting function

In this era where we've all had to redefine "essential", it's time to give your accounting function another look. Often accounting is misunderstood as a dull or administrative task. In reality, your accounting function enables your value-driving decisions, so you can confirm your bookkeeping is accurate, timely and reliable. Whether you're making routine decisions like staff allocations or more strategic choices around business expansion, you need an accounting platform you can rely on.

Your accounting platform can drive value for your business

Bookkeeping may not be the most exciting part of your company's operations. But good financial data and efficient accounts are the linchpins that help confirm the important work of your business can continue without a hitch.

Robust bookkeeping and reporting can even boost your company's profit margin.

In fact, robust bookkeeping and reporting can even boost your profit margin. Timely insights can save you from making costly mistakes. Accurate and up-to-date financial information can show you which areas of your business are most profitable. This data can help you identify problems in time to take preventive action. That could mean changing staffing or identifying the characteristics of profitable accounts. You might even be able to spot trends that could save your company from disruptions like drastic staffing cuts.

Every company already has some sort of bookkeeping solution in place and you might be operating on the assumption that your legacy accounting systems save you money. But, the opposite is probably true. With an automated, cloud-based platform, you can increase efficiency of your existing staff so they can focus their efforts more productively. And adopting an automated solution with the functionality, reporting, and integration that your company needs enables your accounting to become a core driver of value and growth.

Transitioning from legacy systems to nimble, cloud-based accounting

Change comes slowly at many companies. Your employees may be accustomed to legacy systems they've used for years. As those systems fall short of your needs over time, your admin staff has to work harder to provide the accounting and reporting the company needs. Staff can often do their best to patch the holes in bookkeeping practices, but they can’t keep outdated systems from costing your company money. If you wait too long to act, you could even end up in a scramble to update your accounting system after it fails. In addition, legacy accounting solutions may not deliver the accurate financial information you need when you need it.

When you transition to a cloud-based accounting platform, you have a solution that is constantly and automatically updated so you don't fall behind. Your IT department doesn’t have to spend time updating software or servers. Your staff doesn’t have to come up with workarounds so they can limp along with accounting tools that aren’t up to the challenge of the current business environment.

Inertia is often the biggest roadblock to updating accounting practices and platforms. Even though a robust accounting platform will save the company money and add value, fear of the transition process can hold you back. To ease this burden, choose an accounting solution that includes fully-supported migration. This will ensure that you don’t lose data or place a drain on staff time during the transition.

Your accounting platform can do all this and more

When you’re ready to supercharge your bookkeeping, it’s important to choose the right solution for your company. The best accounting platform for you can be one that meets your current needs and can also adapt as your company grows. In addition, you should have automated accounting that provides the data you need to guide growth and profitability. Accounting insights are a quiet but invaluable driver of the health of any business.

Bookkeeping Connect’s dashboard gives you an immediate window into your company's financial health. It puts the data you need within easy reach, without waiting for manual reports and spreadsheets. Plus, Bookkeeping Connect provides reports in formats that help make it easy for your management team to grasp the company’s finances at a glance.

The right reports can give your management team the data it needs to invest resources in growth areas and prevent financial losses.

The four reports that can help you take charge

To understand the state of your company’s finances, you need good reporting. Reports can give you a snapshot of your financial health, as long as they are based on up-to- date figures. But they don’t tell the whole picture.

Without sound financial management, too many companies may make poor choices that can endanger their future success. You should have appropriate and accurate reporting on financial trends to enable sound financial decisions.

Here are tips on how to leverage your accounting reports to keep your company financially healthy.

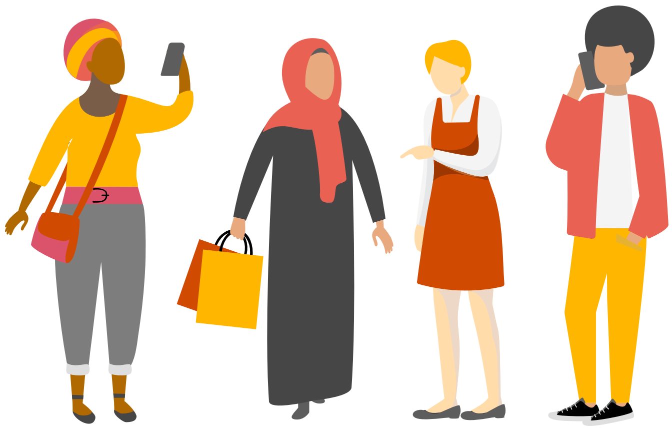
The value of relevant financial reporting

When you’re planning for the future and evaluating the present state of the company's finances, the right reports can give your management team the data it needs to invest resources in growth areas and prevent financial losses. And timing is everything.

Reporting on finances can be onerous and time-consuming. It might be done on a quarterly or annual basis, if at all. But without solid and regular reporting, it’s almost impossible to accurately assess risks to the business.

Are your reports enabling important decisions?

- Do you review accounts receivable (AR) aging on a regular basis, to understand trends and spot patterns?
- Can you reliably access up-to-date basic reports like profit and loss statements, balance sheets and AR?
- Does your reporting go beyond the basics to give you actionable insights that help your management team make smart decisions about the company’s future?



Time is always in short supply. But pertinent reporting can sway minds and help the management team make decisions founded on solid information. And it doesn't have to be time-consuming.

The four reports to help take control of your finances

Core bookkeeping provides income statements, balance sheets, cash flow, receivables aging, etc. But, to make informed decisions, you should have advanced reporting to evaluate whether your finances are on the right track or not.

EBITDA

EBITDA (earnings before interest, taxes, depreciation and amortization is widely used by corporations as a metric of the company's financial health. By deducting interest expenses and taxes, as well as depreciation and amortization, from net income, you get a clearer picture of the company's profitability. This report takes into account the ongoing real economic costs of assets that we account for via amortization and depreciation. So, it's a better proxy for profit than just net income.

Revenue trends

Monthly receivables and revenue reports provide a spot check to help confirm that your company is meeting billing targets. However, to truly understand performance, you need to see the trend lines. Revenue trends reports can help you spot negative and positive patterns and plan for seasonal fluctuations.

Cost trends

A rising revenue trend line alone isn't necessarily a sign of healthy finances. If your cost trend line rises faster, what looks like positive growth might be an illusion. Managing and controlling costs is crucial to profitability. Reporting that shows you the costs of personnel, marketing, office maintenance and rent is an essential element of your big picture health review.

Income trends

Income trend reports show you the bottom line over time. Is income static, rising, or falling? Is there a seasonality to either revenue or costs that may affect your bottom line or inform the timing of a capital expenditure? These data are relevant to almost every decision involving finances, from short-term spending decisions to long-term planning and hiring.

Visuals are key to understanding

Having the relevant data at your disposal when you need it is the first step to taking control of your finances. To use this information for the benefit of the company, you should be able to communicate it easily to people with varying degrees of financial knowledge.

Reports can take the form of spreadsheets, but charts and graphs are a better option for concise and quick communication of trends and bottom lines. When you put trends in a line or bar graph, leadership can see the direction of the company's finances over time.

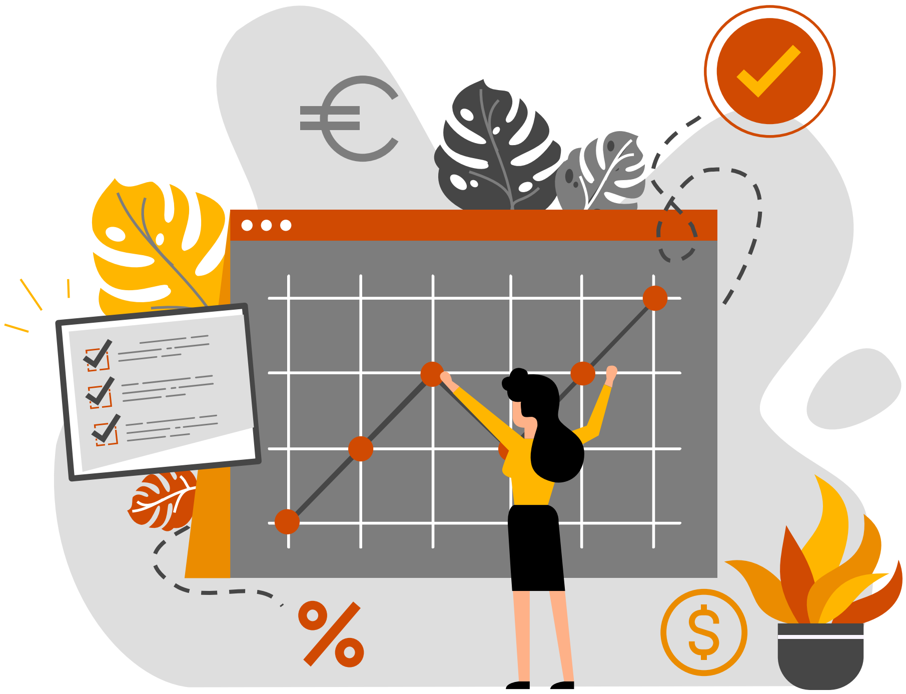
A busy executive might not have time to delve into a spreadsheet, but a chart tells the story of the numbers at a glance.

With automated reports and visuals, you can save time manually creating and formatting presentations—and avoid translation errors. The best reporting tool is one that integrates with your accounting platform, providing seamless, accurate and relevant reports.

Navigate financial reporting with ease

Perhaps the most important aspect of reporting on your company's financial health is ease. If relevant data isn't easy to access or if reports are difficult to create, essential analysis may not happen.

Bookkeeping Connect's easy-to-use dashboard shows you relevant data with clear visuals that allow you to respond quickly to information requests. You can have EBITDA, revenue trends, cost trends and income trends reports at your fingertips.



Paper checks cost more than just ink

There's something satisfying about a neat stack of envelopes all ready for the mail. It makes you feel productive, like you're getting things done. What you don't see in that stack full of paper checks is the unnecessary costs of check writing-both in time and money.

While many companies have legacy accounting systems that involve printing paper checks and mailing them to vendors, check writing is an overhead cost that you can, and should, eliminate. The costs of your accounts payable (AP) operations may be invisible, but they're all too real.

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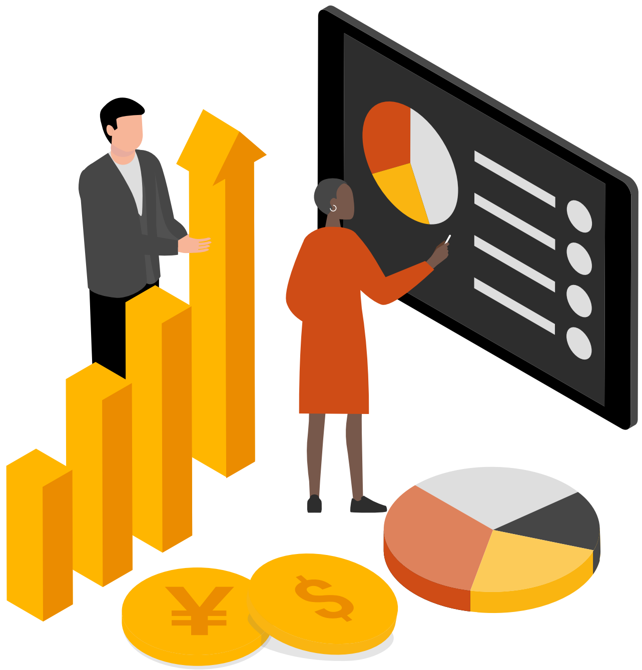
How much are paper checks costing you?
According to an estimate by Bill.com, sending out paper checks could cost a business more than $2,000 every month. Including labor, bank fees, check printing, and postage, that's over $24,000 a year to send 500 checks a month. And Bank of America estimates that the cost to write one paper check is even more—between $4 and $20. Others calculate that the high end could be $26 per paper check—or even more. By comparison, the analysis estimates the cost of automated bill payment at just $140 per month. At that rate, over the course of a year, you could save almost $23,000 by automating your AP.

Think about how many checks your organization writes every month. Then talk with your staff and find out how much time they spend preparing and mailing those checks. Add on any bank fees, postage and other costs and you start to get a picture of your true cost of writing and sending paper checks.

There is an additional price for manual bill payment: opportunity cost. What could your staff do with their time if they weren't processing paper checks? How could they use those lost hours to improve operations? Once you assess the value of that lost labor, then you can truly see what writing paper checks costs your organization.



Three benefits of automated bill payment vs. writing paper checks

In addition to reducing staff time to near zero, automating your AP with electronic bill payment has other benefits.

- **Greater security.** Paper checks can get lost in the mail or go missing in the office. Moving your AP online is more secure. An automated bill payment platform such as Bookkeeping Connect from PwC can offer you the highest level of cloud security. When you move your AP to the cloud, you know where your information is and that it's secure.
- **Improved AP operations.** No more scrambling because someone was out sick on the day the bills needed to go out. No more late payments because of outdated accounting systems that don't have the functionality your company needs. No more payments sent to the wrong address or lost (and untrackable) in the mail. No more cancelling and reissuing checks.
- **Accurate and up-to-the-minute financial information.** When you automate your accounts payable, you can have the information you need for vital financial reporting on demand. You don't have to wait for a staff member to put a cost trend report together—you can access it in an online dashboard in an instant.

When you make the switch, you'll probably wonder why you didn't do it sooner.

The value of integrated accounting

You could automate your bill payments through an online platform that only handles bill payments. However, that gives you just a single function, rather than a suite of accounting tools. If your staff has to interface with several different platforms to complete accounting tasks, you'll continue to lose out on potential time savings.

In addition, if you create a hybrid of legacy systems combined with automated AP, you can end up with an unstable accounting operation that is susceptible to failure. A hodgepodge of different systems strung together can lead to lost data and hidden errors.

The right approach to automating your accounts payable is through an accounting platform that can put all your financials in one place. With automated reporting, financial management, and bill payment, you can save on overhead and gain valuable insights. With all your financials in one place, you can get error-free bookkeeping and accounting.

AP created by accountants for business

To stay competitive, your organization should move at the speed of modern business. When you bring on Bookkeeping Connect as your bookkeeper, you can redirect staff time or even reduce the number support staff hours the company needs to run smoothly. Migrating from paper checks and legacy accounting operations is seamless because PwC provides full support throughout the process.

Bookkeeping Connect can provide the actionable financial data you need to make smart choices for your business operations.

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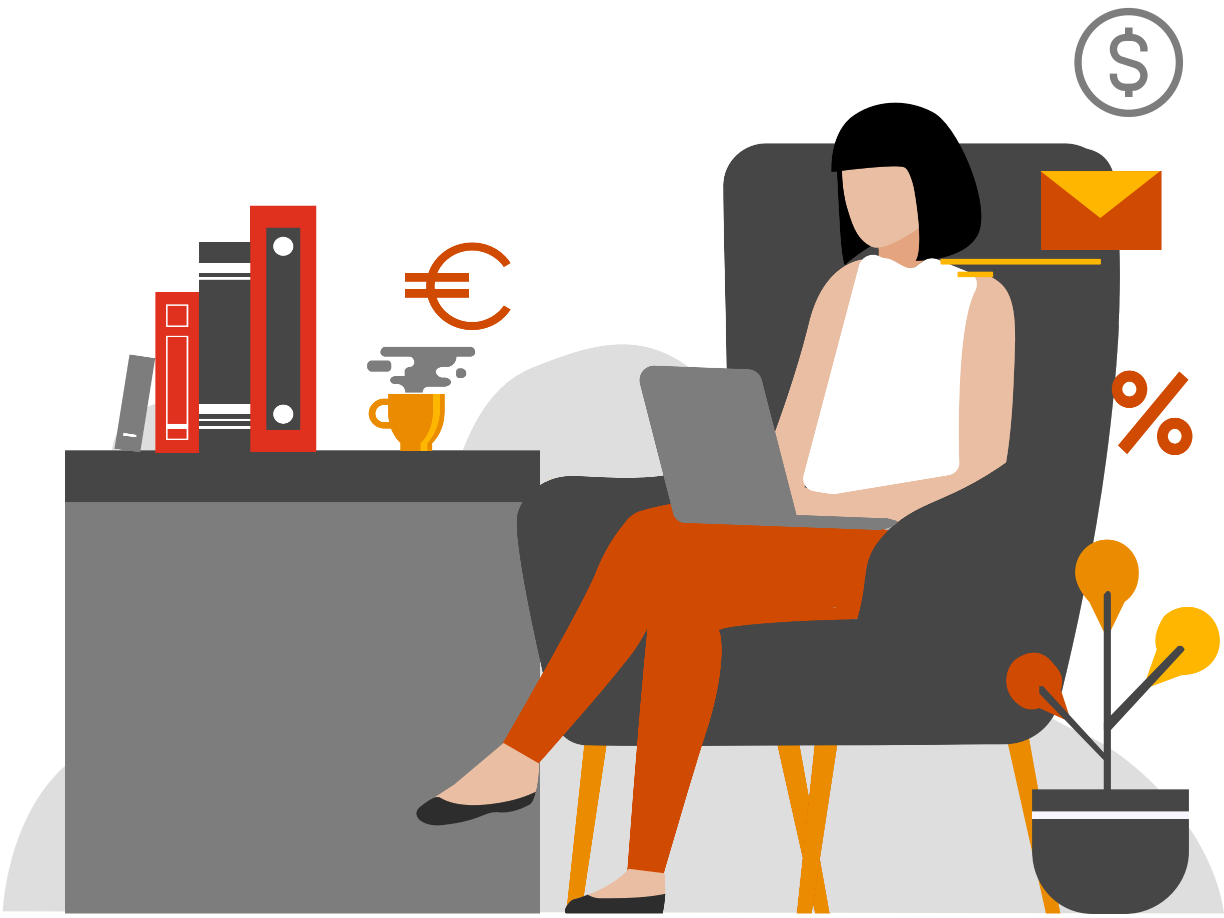

Summary

With the right tools and processes in place, you can move from just record-keeping to an accounting function that creates value.

Without reliable bookkeeping processes and tools, you can't have on time and accurate data; without the right AP tools you can't operate efficiently and cost-effectively. To gain real value from your accounting, your accounting team and their reporting need to be aimed at driving value in the first place. Bookkeeping Connect was designed to help make achieving this goal simple for your organization. If you'd like to learn how our automated bookkeeping, AP, and reports tool can set your company up for success, you can read more here or let us walk you through how we can help.

Bookkeeping Connect gives you a constantly updated picture of your firm's finances. PwC's easy-to-use software helps make accurate accounting simple. It digitizes bill payments, so accounts payable are handled seamlessly and client costs are automatically accounted for.

Bookkeeping Connect puts the full picture of your company finances at your fingertips. Bookkeeping Connect can help make your accounting and bookkeeping more accurate and efficient. And migrating to Bookkeeping Connect is quick, easy and fully-supported.

- Get the information you need to make decisions based on a clear assessment of your company's financial picture.
- Improve your financial planning with greater transparency and accuracy in your bookkeeping.
- Reallocate staff time to better uses and help eliminate the need for new hires to handle accounting tasks.
- Let Bookkeeping Connect streamline your accounting.