

# AccountAble

Computerized Accounts

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Computerizing accounts is not as simple as they say. It can also be the most frustrating experience for an NGO.

There are three main issues: selecting a software, deciding on the accounting structure and tying on your safety belt. All three are discussed here.

Before you read further, a solemn thought: To err is human, but to *really* mess things up you need a computer.



## Software - Selecting a Package

There are hundreds of accounting packages available commercially. Still new accounting packages get written every day - to suit the needs of individual organizations. A fresh programmer may be willing to develop a package specially for you for less than Rs.10,000 but the package is unlikely to be half as good as those available in the market.

When you buy a package, look for the following:

- Windows type screen (easier to use than DOS type screen)
- No need for account codes
- A good on-line help system

- No dependence on key-diskette (these are very unreliable)
- Preview and editing of reports on screen (will save you a lot a paper)
- Facility of sub-ledgers or similar classification of transactions (essential for multi-donor environment)
- Memory for repeat transactions (will speed up data punching)
- Security restrictions to prevent people from changing data by mistake
- Back-up of data files

Some of the more popular packages are listed below. Very honest people pay around Rs.6 - 8,000 for any of these - others pay nothing:

### E.X. 3.0

Much-hyped package by Tatas. Has good sub-ledgers. No screen preview of reports. It is said that the copy-protection is a pain - if your hard-disk is formatted three times, you have to buy the package again!

TCS is now giving commissions ranging from 20-35% to dealers and 'key-men' who recommend their package (EX-Next Generation). Beware and negotiate accordingly.

### FACT 6.57

Designed by Vedika Software of Calcutta. The copy protection is very awkward. No online help. Sub-ledgers are possible. Good screen reporting and back-stepping to the original vouchers.

### Quicken

Designed by Intuit Inc. of UK mainly for individual users. No copy protection. Very user-friendly - available for DOS and Windows. Excellent classification, search, on-screen reporting. Good on-line help. Unusual accounting structure - does not give you a Trial Balance!

### Tally 5

Popular software by Peutronics of Bangalore. Sub-ledgers possible by using groups. Uses a

'dongle' on the printer port or a key-diskette for copy protection. User interface is not very friendly, though.

### Total

Made by Datasoft of Bombay. Good interface but no sub-ledgers. Poor on-line help. On-screen reporting and back-tracking possible.

### WinCA

Designed by Softek of Delhi. Has a Windows version. No sub-ledgers. Good on-screen reports. Repeat vouchers possible. Average help system.

### Wings-6

Developed by Wings of Hyderabad, a working (limited options) version of this package is available free. Good interface - limited use sub-ledgers possible through groups and super-groups. Good help but poor on-screen reporting.

## Setting Up an Accounting Structure

Once you have selected a software, you need to work out how to set up the accounting structure. If you give some thought to this, you will get a lot more out of your system.

### Problem with Separate Files

One of the most common mistakes NGO's make is opening separate files (companies) for each project. This is done to get a separate cash book and ledger for each project / funding agency. However, this leads to three peculiar problems:

- You are unable to get a tallied trial balance from the computer.
- Each time you wish to make an entry related to a different project, you have to 'exit' and then choose your 'company' again. This slows down the work of punching transactions.
- For making a transfer between two projects, you have to enter the transaction twice in two separate 'companies'.

This also means that you will have to reconcile the accounts manually.

### Using One File

There is a very simple alternative to this. Almost all accounting programs allow you to:

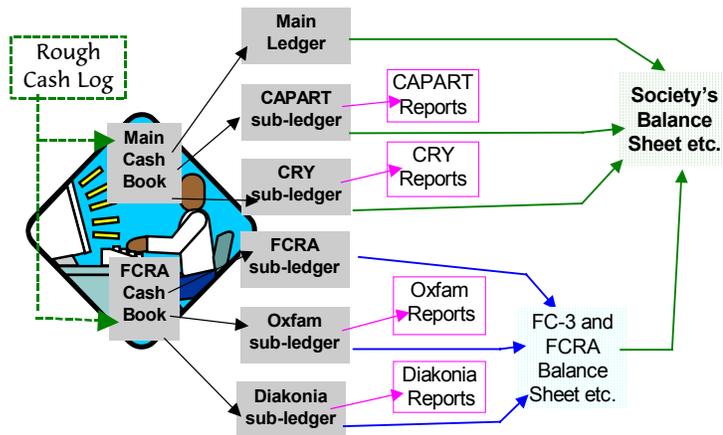
1. open more than one cash book in the same file;
2. open sub-ledgers in the same file.

Separate cash books in the same file are opened by defining 'cash accounts'. For example, you can open a cash account called 'FCRA Cash'. You can also open another cash account called 'Indian Cash'. Each of these accounts will print exactly like a normal cash book. In the same way, you will be able to open more than one Bank Book also (separately for FCRA and other bank accounts). Make sure you open a separate cash book for Income Generation Projects also (if you have these), as required under Income Tax law.

Once again, separate sub-ledgers are opened in the same file. You can have one sub-ledger for each Agency or project. Each of these will show up expenses / transactions related to that Agency / Project.

### Account Heads

Depending on the program you are using, you may need to assign sub-ledgers to each account-head at the time of defining the head itself. It is also possible that you may be able to simply assign the ledger at the time of punching transactions.



*This is how your accounting structure may look like.*

If your program does not allow you to use sub-ledgers or an equivalent classification system, you can still follow the above system. Just add the Agency / Project initials before each account head. For example, you can have an account for Oxfam America's salary by calling it 'OA-salary'. CRY's salary may be punched as 'CRY-salary'.

## Punching Transactions

When you punch the transactions, you will need to keep three things in mind:

1. When you book FCRA expenses, you should credit FCRA Cash or use FCRA cash book. Likewise, when you punch Indian expenses, credit Indian Cash.
2. Bank transactions should similarly be credited / debited to the correct Bank book.
3. Expenses should be debited to respective projects / agencies. using the correct sub-ledger / classification option.

## Please fasten your safety belts...

When you computerize your accounts for the first time, expect everything to go wrong. The accounting structure will not work out; you will keep making punching mistakes; your data will not get saved; your computer will be visited by 'Die Hard' virus (and couple of its friends); your hard-disk will get formatted accidentally; your computer operator will leave for a better job; the paper will get stuck in the printer when you print the reports; and so on and so forth.

## Delays

You should not expect the computer to deliver any real accounting for the first six months or so. Even after these six months are over, you will need to be sure that the system is working properly and you are getting your reports in time.

## Manual Accounts

It is therefore a very good idea to keep your manual accounts going side-by-side for at least six months to one year. Discontinue manual accounts only after you are completely satisfied with the computerized reports and the stability / capacity of your staff.

## Fall-back

Try to get more than one person to become comfortable with the accounting program. This will help if the programmer falls ill or gets married when you need to file your FC-3.

Take final printout of the ledgers and cash book at least once in six months. Also remember to 'backup' your data files on a floppy at least once a week.

## Cash Log

In the NGO environment, computerized accounts can almost never give you minute-to-minute cash balance. Normally the backlog of transactions for punching will run into several days, if not weeks. It is therefore absolutely necessary for you to maintain a rough cash log.

This cash log is like a normal bound cash book, except that posting of entries is not made from this. It is normally maintained by the cashier.

Apart from giving you better control over cash, this log can help you reconstruct your accounts, in case your computer files are lost. Your auditors may also refer to it during the audit process. Also as this is part of the official record, it should not be destroyed.

### The First Computers

Devices that aid counting have been around for thousands of years. About 5,000 years ago, Mesopotamians made their calculations by sliding small stones along furrows in the ground. This idea is similar to the abacus which appeared later in Japan and China - AccountAid still uses this as a logo.

In 1642, Pascal built a calculator that could add and subtract eight-digit numbers. Jacquard's loom was invented in 1805 and used punched cards, similar to what the Delhi University computer used till 1980's.

In 1830's Babbage designed the first programmable machine, which was never built. Had it been, it would have covered an area equal to a football field and required the power of five steam engines!

The first ancestor of present-day computers was ENIAC, built in 1946. It contained 18,000 vacuum tubes and could make several hundred multiplications per minute. Today, just 50 years later, the speed of your personal computer is counted in MIPS, which stands for million instructions per second!

## Virus Protection

Get a resident software for virus protection which will automatically check each floppy when it is inserted. Scan your computer for viruses regularly. Discourage people bringing floppies with computer games. Check especially the floppies used by computer service engineers. Very often these floppies pick up viruses from other computers.

## Three Myths and a Half-Truth

1. You just press a button and you can get whatever information you want.	If you believe this, try getting a simple trial balance from the computer without anyone's help. You'll soon find out that computers are much more complicated than this.
2. You can save a lot of paper by using computers.	Computers have actually increased use of paper. No one corrects a typing error on computer printout using correction fluid - they just take another printout.
3. Computers need air-conditioners.	More likely the people using the computers need air-conditioning! The computers, which you get now are very tough and will mostly work without even a cooler.
3½. Computers need clean, dust-free environment.	True, you should not try to keep the computers in a dustbin. But you certainly don't have to take off your shoes and wash your hands before using the computer.

## Buying a Computer & Printer

What kind of hardware do you need? Normally<sup>1</sup> a P-III computer (assembled) with 64 MB RAM (memory), 20 GB hard-disk and a SVGA monitor will do (Budget: Rs.30,000). RAM prices have tumbled - you can get an extra 8 MB for just a thousand rupees.

This kind of a computer will run Windows 2000 also (Rs.8,000) – most new softwares now do not run on DOS or Windows 3.1

An assembled computer works just as well as a branded computer. It also costs about just half the price. But make sure you purchase your computer from someone who has a good reputation, otherwise getting service back up will be a problem.

Be wary of large 'reputed' companies who promise to deliver the machine within four weeks. There are many customers who did not see their machines for six months, after paying 100% advance.

Get a noiseless inkjet printer instead of a dot-matrix. It's quite cheap now: just 5,000 rupees will get you a Hewlett-Packard Deskjet. The ink is quite expensive though - it will cost you 1-3 rupees to print a single page.

You will need a CVT (Rs.2-3,000; don't use a stabilizer). You don't need a UPS - just save your work more often. In any case, a generator will be more useful than a UPS, which lasts you for just half-an hour.

<sup>1</sup> Computer technology and prices change very fast. Please check for the latest information with a few computer dealers before finagling your purchase.

The prices given here are Delhi prices in June '02. In smaller towns, add about 10%. Also remember that computers prices have been falling at about 20-30% each year.

### Gilb's Law of Unreliability

- Computers are unreliable, but humans are even more unreliable.
- Any system which depends on human reliability is unreliable.
- Undetectable errors are infinite in variety, in contrast to detectable errors, which by definition are limited.
- Investments in reliability will increase until it exceeds the probable cost of errors, or until someone insists on getting some useful work done.

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