

*Switching from manual bookkeeping to a computer-based system is a challenge*

# Computerizing the sign shop office: Myths and magic

by Kathy Jenkins

We sure had a tough time computerizing our business office! Greg Reid (Reid Signs, Seattle, Washington), our fearless founder, had wanted to computerize for some time but never seemed to find time. Finally, in 1994 a friend with a small business — though not a sign business — convinced him to take the plunge. This friend swore by his software package, so Greg didn't even have to research what package to buy. We geared up for it, bought, and installed the package. Once installed, it developed a life of its own and began asking us some very hard questions, such as: what is your current bank balance? What is your current loan balance? What is your current Accounts Receivable balance?

We knew we were licked, so I opened the phone book to find a consultant who could help us understand and answer these questions. That's when it began to get really scary — and we began to learn the myths of computer-aided bookkeeping.

**Myth No. 1. Most big name office software is the same, so just pick something.** This is so untrue that it should be in the "Joke" category instead of the "Myth" category. We labored with the software package suggested by

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Greg's friend for about two months before our consultant finally told us we would never be happy with it. When the consultant broke this news to me, I could see Greg quietly leave the room to avoid hearing me explode. I had spent hours typing in the client database (name, address, phone numbers, fax numbers, contact person, tax status) and there was no way to transfer it to a new system.

Once I got over my shock (and anger), we changed to a new system and re-entered all the data from the first system. I had to agree that the new system was far superior. We did the right thing by changing over. Here are some things to look for in an accounting software package.

*Get a package that allows you to*

*go back and change a transaction.* Some packages won't let you change the invoice dollar amount once it is entered. To correct an entry, you're stuck with making an entry subtracting the incorrect amount and re-entering the new amount. Our current package allows you to locate the transaction, change the dollar amount, and the computer automatically makes all the necessary adjustments to excise tax records, account balances, etc. This is great when you generate an invoice with a certain dollar amount, then the customer changes the order. You call up that transaction, correct the data right on the screen, reprint a corrected invoice, and have the computer take care of correcting the records. Similarly, if you're reconciling the checkbook, and you find you've entered a check into the computer for the wrong amount, you can call up the transaction, correct the dollar amount, and return to your reconciliation duties.

*Get a system made for dummies.* Well, I'm speaking personally here. Maybe you had a couple years of bookkeeping when you were in high school, but I didn't. I didn't even understand the simplest thing the consultant was saying. She'd say, "AR balances," and I'd say, "Huh?" Our system, at first, required the double-entry bookkeeping system. I still don't understand it, but apparently each transaction requires two entries: one that shows how you brought the money in and one that shows how you took the money out. Invariably, I'd forget to do one or the other, and it would result in a huge, erroneous balance quietly building in some account. By the time I'd notice it, it would take hours to untangle. Even in a simple system, there will be problems (like *debits* — a word you think you know — are actually *credits* in our system). Look for a package that allows you to minimize the confusion.

*Customize your system.* Use only the parts that will be helpful to you. For example, at Reid Signs we've disabled the double-entry bookkeeping system, so I only have to

enter one transaction when I pay a bill. We also don't use the part of the system that allows you to enter each bill as it arrives. This could be useful for some to track bills that pile up, but I found it was more work for me to enter every bill into the system. It's easier for me to just look at the stack of bills and see what I need to pay. We also didn't use the payroll system for the first year because I was too busy and too afraid to get into doing payroll. Once I had a handle on the rest of the system, I began tackling payroll — and now I love it.

**Myth No. 2. Getting started is just a matter of loading the software.** Do your homework! Some office software packages are resource hogs, and you could find yourself running out of memory if your computer is also loaded with drawing software. Ask the software salesperson exactly how much speed, memory, and free disk space your computer needs to run the software efficiently and not knock out other functions. Having a list of what else is loaded on your machine might help the salesperson assist you better.

**Myth No. 3. The only information you'll need to start up is your current bank balance.** I can't stress how wrong this is. The start-up process was tedious and difficult. You must have accurate beginning balances for each account that is set up (and there might be 50) or your end data will be incorrect. Our *first* consultant (notice the emphasis on the word *first*) told us to just forget that part and start anywhere. She said it would all wash out after a while. Well, it doesn't. Our entire 1994 data was so inaccurate that we weren't able to file accurate taxes until October of 1995. (Lest you lose heart, our 1995 taxes were filed in February of 1996.)

Many accounts will have a "0" balance (say you have little or no vinyl on hand, or you don't have a running balance with the equipment rental folks). However, several accounts *will* have a balance that should be reflected in the computer. For example, you must

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have an accurate bank balance to input. Pick a logical starting date and get an accurate checking account balance as of that date. Remember, if you convert on a date other than January 1, that year's taxes will be harder to do because some of your data will be computerized and some won't. (We began on July 1 and had to calculate the first six months by hand, then add that to the second six months that were computerized.)

If you have loans, you need the exact amount outstanding on the date of conversion. You will also need to know what amount is principal and what is interest. If you have bills out on jobs completed, you should have those figures, too. You'll be asked to generate accounts for each customer and should be able to input correct balances.

Having said all this, remember that we started without any of the stuff I'm recommending. (Of course, it was also harder to do it that way!) We plunged in, set all the balances we didn't know to "0", and figured we'd sort it out later. As we got a correct balance, we inserted it where it needed to be. As I learned more, we adjusted the areas that were wrong. Realistically, everyone starts this way to some degree. If you're committed to doing the conversion, you'll be able to work through it.

**Myth No. 4. All recognized software packages will have professional consultants or classes you can take in your area.** Not true. After loading the first software and seeing how over my head this was, I looked in the phone book to find a class to take. Nothing! So I looked for a consultant. There were only three. All were expensive — \$60 to \$70 per hour, and before it was all said and done, I needed 34 hours of consul-

tation. I chose one, and we used her for a few months, but she was so versed in bookkeeping that she just couldn't talk simply enough for me to understand her. I kept thinking it was just me, so I would try harder. When we finally changed to a second consultant, he kept saying, "Why did she have you doing it this way? That's too hard. Let's change it to this easier way." For me, he worked better.

There still isn't any class I can take on my current software package, but there are many more consultants to choose from. I encourage you to try to find a software package that offers classes (to save consultant fees). You can also check the phone book. You should see many consultants to choose from. You'll need both!

There is no way around it—it will cost you some money and time to convert your bookkeeping system to being computerized. Plan for it. On the other hand, the benefits of being computerized so clearly outweigh the problems that I really recommend you consider doing so.

Once you've decided on a package and gotten it installed, there are some other myths to avoid.

**Myth No. 5. The Chart of Accounts that comes with the package is sufficient for your needs.** The Chart of Accounts is like a generic set of manila folders, preprinted with categories most small businesses need. They include a "manila folder" for business telephone, business rent, taxes paid, income generated, etc. Each account has a number attached to it, and when you enter a check or a deposit, you must "file" this transaction to an account. As an example, our subcontractors account number is 5-5200. When we pay a sub \$500 to do a job, I allocate that \$500 to category 5-5200. Each account car-

ries a running total, so at any time I can call up 5-5200 and see how much I've spent on subcontractors over any given time period.

Since every transaction is entered this way, you can imagine how much data you're generating about your business all the time. You will find, however, that the Chart of Accounts needs to be customized to fit your business needs. Don't be afraid to generate new account codes like "Commission Paid To My Brother To Check My Spelling". Well, maybe that's a little detailed, *but* Commissions could be set up as one of the new account codes.

**Myth No. 6. Just correctly code your transactions, and the software will do the rest.**

This is true and false. Yes, if you code in the transaction *correctly*, it will work. However, there might be times you're trying, but the transaction isn't being reflected accurately. Let me point out a few examples.

- Payroll is complicated. Setting up the payroll accounts are difficult (I had the consultant do it). This year's tax percentages need to be installed, L & I needs to be figured and added in as a debited item, and the hours need to be entered accurately. I'd advise you to run through payroll with your consultant before flying solo.

- Tax information is broken down into separate categories. For example, B & O taxes get broken out from the state excise tax and coded separately in the accounting software system. Likewise, the Federal Withholding taxes are figured up monthly and require different payments dates. Again, use a consultant when you get to this part.

- Loans need to be broken into Principle and Interest (each with

its own account code). The tax accountant needs this information separately to figure income tax.

**Myth No. 7. The software manual will help you through all of your questions.** Have you ever read that thing? Suffice it to say, at least in our office, this is a big myth.

**Myth No. 8. You need to be able to type to run a computer system.** Of course, typing helps you go faster, but points are gained by being accurate, not fast. Therefore, the tried-and-true two-finger method of typing works just fine for data entry.

### The magic

We've spent a lot of time presenting pitfalls so you won't encounter the hazards we did. Let's talk about the benefits of computerizing. Notwithstanding the fact that computerizing was a tedious and complicated process, I am so sold on the system that I can't even imagine keeping the books of a small business without being computerized. Why have I come so far around?

**1. All quarterly reports are computed for you.** Each report is being added up as you go. At the touch of a button, you can ask for the 941 Report, for example, and it will be compiled and generated for you. You will still need to write out the check (unless you file electronically), but the numbers you need are calculated for you.

**2. Excise tax is computed as you go along.** This can aid your planning as you go through the month because you know what you have to pay at the end of the quarter.

## Once you're up and running, how much time does bookwork require?

Reid Signs has two full-time employees. I spend about six hours a week handling the bookwork and related business tasks. Entering transactions into the computer, keeping invoices current, banking, and filing takes about four hours. Doing payroll and related tasks takes about one hour. Phone calls, correspondence, and other business matters takes another hour.

The software that I use for

Greg's business is MYOB (Mind Your Own Business) Small Business Accounting from Best!Ware, 800-322-6962; 201-586-2200.

The following are required to run MYOB Accounting:

- 386 or faster PC
- 4Mb RAM
- Windows 3.1 or later
- 6Mb or more free on hard drive — *K.J.*

**3. IRS taxes are simple.** Your accountant will ask for a couple of reports that your computer is able to generate. As an aside, run your Chart of Accounts past your accountant before inputting the data to make sure the accounts are in the form that she or he prefers. As an example, we had separate accounts for gasoline, truck expenses, and vehicle insurance (thinking our accountant would appreciate the detail). Last year, he asked us to consolidate all those accounts under one heading because he didn't need all that detail, and it was making it harder for him.

**4. Invoices are generated as you create them.** You'll still have the problem of handling a bid at the job site, which we've solved by having a paper copy of a bid that gets entered into the computer later. (We then file the paper copy because there are often sketches or instructions agreed upon on-site that need to be preserved.)

**5. You can track categories of expenses to help cut costs.** How much vinyl did you use last year? How often in the last five years did you rent a 35-ft. ladder? Did you really pay that sub over \$600? Does that firm still owe you money? All these questions, which require hours of digging if your business is keeping books manually, are easily answered by the computer in seconds.

**6. Billing is transparent for both you and the customer.** You know how much business you've done with each customer because they have a separate account that's historically accurate. You know who owes whom what. The computer will show you remaining balances so you can catch mistakes quickly.

**7. Payroll is easier because most of the taxes are calculated for you.** The software prints out a pay stub for employees so they can see how you've arrived at their wages.

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**8. Check reconciliation is easier.** All the math is done for you, eliminating math errors.

**9. Invoices look professional** because they are computerized instead of handwritten. Oddly, we've found that the customer finds you more credible and is less likely to dispute a charge because typed bills look "official".

**10. Invoices can be personalized to fit your business needs.** For example, you can print that your shop is a "Net 10 Days" shop, or a "C.O.D." shop. This avoids awkward discussions and

helps the customer know when you expect your money. (As if everyone didn't know that you always want your money *now!*)

**11. Reports can be generated to help analyze your business.** Comparisons can be made between this year and last. Balance sheets, profit and loss statements, and tax reports are easily produced.

In short, computerizing your business is like completing the most complicated job you've ever done: there were a million problems, it took longer than you ever

thought possible, and you spent more doing it than you'd budgeted. On the other hand, as you drive past that sign standing tall, you're so proud that you did it that you forget how hard it was to install. Learn from our mistakes, but do consider computerizing your business. It'll save you time in the long run. □

*Kathy Jenkins owns a nonprofit educational research institute in Seattle, Washington. She computerized her brother's sign shop, Reid Signs, in her spare time.*