SURREY HILLS ACCOUNTANCY

Real-time accounting

Real-time accounting provides the company up-to-date financial information in “real” time.

What does this mean?

Traditional accounting, in line with accounting standards, provide financial statements on a quarterly or annual basis. This is a huge disadvantage for companies due to:

- Lack of up to date information for current and future investors and creditors
- As the data is historic it does not help decision making. This could result in missing out on some important business opportunities.
- Not updating the pricing according to the margins and changes in the supplier pricing

With real-time accounting, all the above issues can be resolved. Moreover, as the statements are in real-time – the time spent in creating statutory accounts will be saved as any possible errors will be found and adjusted when they occur.
This type of accounting is increasingly required in the current fast-paced environment, due to changes in the market happening daily and the needs of the investors for reliable and up-to-date data. It’s not difficult to implement due to increasingly popular cloud accounting and bank fees.

What are some of the benefits of real-time accounting?

1. Due to removing the step in the accounting process of manual transaction logs in the general ledger, time and cost can be saved by decreasing amount of manual jobs of an accountant.
2. By having up to date information the company can adapt to a changing environment quickly and see more opportunities daily.
3. Better cash flow management – like cash flow transactions being updated daily.
4. If any errors occur it is easy to correct immediately, rather than when creating the statutory statement.
5. As time is saved on manual transactions the company accountants will have more time for providing management accounting information to directors and management helping in better decision making.

6. The biggest difference when using real-time accounting can be seen with a profit and loss statements. Up to date, p&l will allow us to understand if the company makes profit or loss at each point in time. The data can be used further in analysis, by comparing it to a previous month, previous periods, or budget. Checking it against different company profit streams and expenses channels to see if the company is prospering well and is on track to achieve planned objectives. If the information from the p&l shows that company is not on track to achieve the objectives the company have time to change the company approaches, strategies, and actions to get on track in achieving them and becoming more profitable e.g. changing product pricing, changing suppliers, modifying the budget, looking for new opportunities and investments.

7. By comparing the real-time data with different sales channels, the company may find channels which are under-producing or using too many overhead costs (landing cost of a product is too high and needs to be adjusted).

8. Helps to avoid making unprofitable decisions.

9. Up to date cash flow will help in managing a lack of, or too much, cash in the company, helping avoid the possibility of the company running out of the money and going bust.

However, you need to make sure that by providing the statements and information quickly you are accurate and do not mislead on the true company situation!
If you are not using real-time accounting yet, it’s worth considering and to check with the company objectives how they will benefit your company.

Please contact us for more information.

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