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All Accounted For

The start of a new year is often the time we stop to take inventory of our business, our lives, and what lies ahead. And, as much as we may want to ignore it, it is also a time to close out the books on the previous year. Depending upon how well you've been accounting for your business throughout the year determines just how arduous this process will be.

One question I hear time and time again from property managers is, "How can I reduce the headaches that come with maintaining my books?" Fortunately, today's property managers have some very powerful options at their disposal to do just that. Now don't get me wrong, I'm not suggesting you'll become giddy about debits and credits if you avail yourself of these resources, but you can certainly transform the accounting side of your business from a burden into a tool that can make your business both stronger and more agile.

ONE DECISION, MANY IMPLICATIONS

The choice of an accounting solution has many far reaching implications. If you are like most property managers, this is not the type of decision you want to reevaluate on a regular basis. It takes a lot of time, energy, and effort to get up to speed on an accounting solution and, once you get your internal systems running smoothly, the last thing you want to do is rip it out and start all over again. In fact, it is common for most property management companies to stay on the same accounting platform for three to seven years or longer after the initial decision is made. Change for the right reasons can be great, but change for the sake of change can be both painful and expensive, which makes this decision all the more important.

One of the first decisions a property manager is faced with regarding their accounting platform is whether they want what is referred to as a "best in breed" accounting solution such as QuickBooks, that is focused primarily on accounting, or an "internal system" that is a component of another system—such as their property management software. Based on my experience, there are three key areas property managers should evaluate when making this decision.

❶ NOT YOUR FATHER'S ACCOUNTING PACKAGE

For property managers that are part of a growing and actively-managed organization, manual ledger accounts, whether on paper or in a spreadsheet such as Excel, just don't make the cut. With all the complexities of multiple legal entities, varying ownership percentages, and a seemingly endless flow of requests to know "where we are with the numbers," non-automated solutions are truly not an option. So, the first question I recommend property managers ask themselves is, "What functionality do I need to support my business?"

Particularly when comparing between an internal system and a best-of-breed solution, be certain to take a hard look at the flexibility of the system. Key questions you should ask include:

- What do I need to run my business?
- What would I change about the way I run my business if my accounting solution supported it?
- Does this solution truly make it easier for me to run my business?

In general, internal systems tend to offer accounting features that reflect the business processes reflected in the primary property management application. Given that they were developed as part of a single solution, there should be fairly good integration between property management and accounting functionality.

Best-in-breed solutions, however, tend to have greater depth in functionality, particularly as it applies to different ownership structures, classes, and detailed tracking information. By focusing on the accounting function, best-in-breed solutions generally handle a much wider range of business types and needs.

❷ ACCOUNTING, REDEFINED

Another key area we recommend property managers consider is what other areas of the business could be improved through the choice of an accounting solution. Particularly in the current economic environment, there is a definite trend to reduce unnecessary costs and increase efficiency within the organization.

One area that both internal and best-of-breed solutions should be able to improve is the tracking and collecting of rents and payment of vendors, owners, and other parties. In addition to tracking these items, check to see whether the solution you are considering can integrate online with your financial institution and perform online payments. Best-of-breed solutions also tend to offer the capability to handle payroll for your employees, track vendor and employee timesheets, and even process, track, and manage shipments from your organization. In addition to reducing costs, many of these extended services can also allow you to spend more time focused on growing your business rather than just accounting for it.

⊕ A LITTLE HELP FROM YOUR FRIENDS


Clients have repeatedly told me that the one area that they greatly underestimated during the decision process surrounding the selection of an accounting solution was availability of outside resources to assist them as they run their business. Whether you manage your own accounting or rely on a professional accountant, you can probably appreciate that there is tremendous value to having a knowledgeable resource available when you have accounting-related questions. If you

are just looking for advice, your choice of solution probably won't have that large of an impact as long as it can properly account for your business. However, if you want to be able to turn your books over to an accountant at year end, get assistance with taxes, or use a part-time resource on a regular basis, many property managers find it advantageous to have an accounting solution that accountants are already familiar with. For example, there are over 400 QuickBooks ProAdvisor accountants located within 100 miles of Atlanta alone!

BEST-OF-BREED OR INTERNAL?

There is no single "right" decision when it comes to selecting an accounting solution. The benefits that a best-of-breed solution provides along one set of criteria may be negligible if it doesn't seamlessly interface with your property management solution, or the single interface of an internal solution may not matter if it can't meet both your accounting and property management needs. In the end, you are best served by objectively looking at your requirements, your business, and the resources available to assist you. Making the best decision for your business can be both a satisfying and profitable endeavor! 🏠

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