

Are You a Business Implementing An Accounting System?

What Should You Consider?

What has changed for Businesses?

For many businesses operating in the UAE economy, the decision to use accounting software to manage financial processes and reporting may not have been a priority prior to the introduction of The Executive Regulations governing the implementation of VAT from January 1st, 2018. Excel may have been an adequate tool to record a summary understanding of your financial health and provided a cost-effective option.

However, the Executive Regulations entail greater discipline to record your sales and purchases accurately to file accurate returns and support the provision of financial statements if requested by the Federal Tax Authority. These legal obligations may be at the forefront of your decision to adopt a platform, in this paper we discuss the key tips to help you implement a successful approach.

The Case for Accounting Software

As a tax registered person, businesses and individuals are obliged to accurately record all taxable supplies and purchases subject to the Legislation which also sets out requirements to retain all your transactional information and documentation supporting your returns for 5 years.

Naturally, this can be a complex task using manual processes and compliance to the full regulations may not be met. Inevitably, allocating this responsibility to internal resources to manually deal with these tasks could be an additional risk if you have staff turnover and can lead to a lack of transparency. The automation of sales and purchase transactions in an accounting platform is a more accurate and reliable method to manage your obligations. As a result, this can reduce the cost of compliance, speed the process of filing returns and retain the necessary information if requested by the FTA.

A strong byproduct from accounting software is a greater ability to build a financial reporting model that can provide greater insight to your business' performance and health. Understanding your business' profitability, receivables, payables and cashflow considerations are a major benefit to better manage cash demands and assess the appropriate strategy to manage liquidity. Most business' focus on sales and expenses, however the cash demands and provisions can be more complex if you have many suppliers and vendors with a VAT payment to budget for.

*Key Questions To
Assist Your
Approach*

When your business seeks to adopt a platform, you should seek to plan and adopt some structure to your implementation. Our experience suggests many businesses face significant challenges in implementation that can be better avoided to realise their objectives. Consideration of these key points will significantly reduce your cost and time of implementation.

Cloud or On-Premise Platform?

This entirely depends on your requirements.

If your business doesn't have any special needs for customisations such as workflow processes, integrations or non-standardised reporting; cloud is a more cost-effective solution that can also speed up your implementation. The total cost of ownership is undeniably lower for cloud and you can avoid the need for capital costs and special skills or support for your software. Your business would need to adapt to the software, however many cloud systems have configured workflows that can help your business if you lack any best practice models.

As a counter, on-premise systems can be more flexible and support customisations delivered by professional software development providers. However, you will need to be specific with your requirements to ensure projects are delivered to time and budgets. In addition, your business will need to budget for support and periodic upgrades for new functionality.

Does FTA Certified software matter?

Certified software allows your business to extract a predefined file (FTA Audit File) detailing from your platform of all your company information and transactions underpinning your VAT submission. This file provides more assurance to the FTA on the reliability of your VAT filing and hence is a preferred option. At this time there is no mandatory requirement for submitting an FTA Audit File with your VAT declaration.

Have you defined your financial reporting requirements?

This may seem an obvious question however it is a common oversight which can complicate your implementation of addressed at a later stage. Most software will support granular reporting for a number of areas such as products, expenses, projects etc. Your compliance, business and financial reporting requirements play a key role in the approach for your accounting set up particularly your chart of account model and reports. Neglecting to define this can lead to reworking the policy for your data postings and correct how your transactions were recorded which can be a laboriously manual effort.

Are the right stakeholders engaged throughout the project?

Financial reporting and accounting should not be confined to the Finance function. Your financial information can play an important role in answering many tactical and strategic questions such as what is selling, what is largest expenses, what is delivering the growth, how much cash is available or required for next period. Therefore, your all your business stakeholders from management to operations should be engaged in some form especially in the design of your reporting requirements.

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Where should I start?

Once your strategy and requirements are clearer (they may not need to be perfectly constructed since you will always need to adapt to your business and market forces), setting up your company master data is your first goal. Most software supports mass entry from import tools, so the entry can be automated.

A key goal should be to ensure your data is accurate and cleansed to create one record for your customers, vendors and products. Failing this objective will lead to reporting errors such as inaccurate reporting of payables and receivables reports to a specific vendor or customer. A recurring challenge is how to address inventory data, you may elect not to expand the scope to inventory at first and phase your project.

Your business should also consider who is controlling your master data, uncontrolled access to untrained personnel can lead to corrupted data which will affect the reliability of reports.

Setting up your accounting is the biggest challenge, most companies seeking to implement without the necessary experience or skills quickly run into issues. Organising and collating a clear understanding of your opening balances, transactional information, entering your transactions to correcting accounting policies, reconciling to your cash or bank require some understanding to ensure your accounts are set up accurately. Once set up correctly, the process of business as usual entries of sales, expenses and capital account changes can be more manageable.

How much is enough data?

From the perspective of the Executive Regulations, you must maintain a set of accounts from January 1st 2018. Unless your business has a regulatory or strong business requirement, entering a larger period your historical transactions lead to greater requirements for manual review and reconciliation. A key question should be whether your chosen platform will support the import of transactional data, automating this process can reduce costs and time of entry. However, you should expect differences that will need keen attention to the details to ensure an expected outcome.

How do you assure success for your project?

Many projects evolve and do not follow a straight line to your targeted goals. Adaptability, speed of decision making and engagement from your business is a key requirement. Many questions and clarifications will be required to understand the historical information being entered accurately and your stakeholders should be prepared for timely responses.

A major contributor to your project will setting up your company's project decision making process when issues occur, assessing capabilities to execute the project and minimizing the degree of changes implemented in your chosen platform. You should continually seek to ask whether the issue or requirement is better addressed from a system, process or people adaptation to deliver a sustainable solution. This decision must be made within a decision-making framework that has the business in the engaged and represented.

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Research has shown project failures are characterized by a lack of focus on training and change management. As your new process and platform goes live, a defining feature of your success will be ensuring the roll out (whether a small business or large) is still supported by the project team, management for some time. Communication, training, review and support will be required to ensure what you have implemented becomes an accepted and normal working practice.

What if you are experiencing difficulties?

Implementing fast and focusing on roll out will increase the probability of your implementation succeeding. Experience and knowledge play a key role in this equation. If your business lacks these capabilities, it is advisable to secure external support as the investment may prove to be more cost effective than running into issues and seeking support to correct errors. This approach can increase the overall project budget requirements, you may be faced with the difficult choice to start again and write off the costs spent on your project or take a more forensic approach to correct the root cause issues.

At a finance operational level, the administrative penalties stated by the FTA for inaccurate or non-compliance can be quite significant in specific circumstances. Since the Legislation is likely to change or clarified, risks from slow implementation may affect your business' management of its VAT obligations. Regularly updating your VAT processes and training personnel is advisable to minimize risks. This brings a different series of questions on whether inhouse or outsource this business process is the most cost-effective model for your business.

Summary

From our experience, these discussion points can improve the success of your project. You may be faced with other challenges from a technical or business standpoint, however in our experience a recurring denominator is evident whether small or large business. Implementing business critical software can be a disruptive exercise that can be better managed with:

- Engagement with the right stakeholder
- Appropriate attention to your requirements,
- Setting reliable and timely decision-making processes,
- Filling capability gaps and resourcing appropriately
- Attending to a post launch support project to ensure operating a new business process becomes the accepted mode of operation
- On-going training and development to remain compliant to FTA Regulations

As your business assesses its plan or current execution, these recommendations do not necessarily lead to greater demands on your resources. They may in reality reduce the impact to your business over the medium term.



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