Small Business: Computers to the Rescue

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Oftentimes, people in small business entities feel that — with limited personnel, at least numberwise — they have to settle for the least complicated financial records that they can possibly get by with. Of course, that is no longer true. The availability of computer services has changed the whole picture. Today, even the smallest business entity can have as sophisticated a record system as the owner or owners wish to have — and are willing to pay for. It goes without saying that there are costs involved, but they are, more often than not, surprisingly low. In some instances, computer services will more than pay for themselves by eliminating part-time or peak-season clerical help needed to hand-post transactions.

Which Source?

With all the dazzling possibilities of computerizing record keeping, the questions of where to go and how much to spend for how much service become extremely important. There are basically three choices open to the small business: (1) A limited number of standard applications offered by owners of "hardware" that is idle at least part of the time; (2) Time-sharing with a large variety of standard programs, usually involving a terminal in the company office; and (3) the service bureau.

Probably the first service to which most small businesses were introduced was payroll. And usually the company's bank offered the service. It had surplus time on its computer systems, and since (like any other fixed asset) computers are economical only when productive, banks started looking around for outside applications. Payroll was a "natural", since it also enabled the banks to attract new customers among the employees of the company by offering immediate transfers to checking accounts, savings accounts, payment of utility bills and a host of other services. For the small business this was a godsend, since Federal, State and local taxing authorities have made payroll accounting more complex and time consuming than ever before.

Banks, to stay with that source of computer services for a little longer, have offered a great number of services to business, although some of them would not be applicable to small businesses. To name just a few: acting as dividend disbursing and stock transfer agents, freight billing, collection by pre-authorized deduction from checking accounts of such things as utility bills, telephone bills and insurance premiums, etc.

Time-sharing and a terminal in the company office can be "just what the doctor ordered", since it is fast and subject to immediate verification and correction, if needed. But it requires personnel trained in the handling of the input. The variety of programs that are available to the business is considerable and should satisfy the need of most small businesses.

However, in most instances, the service bureau will be the most economical and flexible source of computer services for the small business. It has a large number of "canned" programs for commercial application. Even though these programs are developed to fill the need of a large variety of users, they are far from rigid. A good service bureau can tailor a program to the individual user's needs without the cost of a special program.

The Basics

Probably the most basic need of the small business is that for detailed, sophisticated and up-to-the-minute financial statements. Working with the computer excellent results can be obtained with an absolute minimum of hand-posting. The input can be "raw" documents, such as check stubs or duplicate voucher checks, deposit tickets or a list of receipts, and a standard journal of recurring non-cash transactions, such as depreciation, write-offs of prepaid items, accruals of taxes, interest and payroll, inventory changes or a percentage-of-sales cost figure, etc. Voila, the stage is set for a meaningful financial statement. Naturally, all documents must be coded with the account numbers applicable to the transaction, but the computer requires no pre-sorting or classification. The data can be fed in any order, and so long as the account number codes are valid, the computer will digest the raw data and come up with a finished product — usually a proof journal, a general ledger and a set of financial statements.

In and of itself, this is great news to many businesses which have limped along on late and limited financial data. But that is not all by a long shot. Most service bureaus will have "canned" programs for comparative statements, budgets-compared-to-actual statements, and consolidation features which permit departmentalized accounting with a consolidated statement for the business as a whole. Comparative statements, in particular, can be most helpful in reviewing the results of changes, be they internal-operational, the venture into a new product line or expansion into new ter-

ritories. They will also provide guidelines for decisions involving current or contemplated changes or expansion.

In the payroll area, the service bureau offers a somewhat greater variety of programs than most banks. In most instances, the bank will want to, or even insist on, writing the payroll checks and it will make an immediate deduction from the company's checking account for the total net pay. The service bureau will either produce the payroll from time and rate input, including the actual writing of the checks, or it will take the payroll checks prepared by company personnel and simply summarize each employee's account, the total payroll and all withholdings and produce a Form 941 (to be attached to the quarterly federal payroll tax return) and the Forms W-2 at the end of the year. In most instances, there will be optional transfers of payroll and payroll tax accruals (such as FICA, State and Federal Unemployment taxes and Workmen's Compensation contributions) to the general ledger.

How Much for How Little?

But, once again, this is just scratching the surface. Computerized services are available in many other facets which require handling of a large volume of detail. One good example is billing, accounts receivable control and inventory control all rolled into one. Some businesses are fortunate enough to deal mostly in cash sales, but many small businesses are dealing with a large number of repeat customers who charge their purchases and expect an invoice and a monthly statement of their account. The computer can be a perfect slave in this situation. A standard input form should be devised in cooperation with the service bureau which requires only the insertion of figures on the part of the company personnel handling the sale. If the customer is already a "regular", he or she will have an account number on file. If not, a new account needs to be set up for the service bureau. It goes without saying that the date should be entered to allow for proper aging of the accounts receivable. If inventory control is desired, the item sold should be identified either by category or by item number if the inventory is very detailed. The computer will take it from there, and billing of current transactions can be arranged on a daily, weekly or monthly basis, as desired. The computer can also be instructed to send out statements to all customers who have open accounts and even to "nag" when the account is getting a little too old.

The possibilities are truly unlimited. Aside from having properly aged accounts receivable information available at a moment's notice (or a day or two at the most), information for each account can be summarized as to total volume of business, payment habits, etc. Also, the computer can pull out those customers who have not purchased anything in a specified period of time — lest a customer might be lost.

A valuable by-product of such a system is a sales analysis, i.e., by product-line, by district, by dollar volume, by number of items in one transaction. The only limitation is the user's imagination — or the cost/usefulness ratio.

Inventory control, which can be tied in very neatly with an accounts receivable/billing program, has of course two sides to it. Hence, purchases of inventory items must also be fed into the system. In this application the choice again is wide. In its simplest form receiving reports can be used as raw input, or the program can be enlarged to encompass a purchases journal and accounts payable ledger. Summaries of transactions with a group of major vendors can be most interesting and informative as far as total volume of business, delivery times and discount policies are concerned. Sure, somebody carries all that information around in his or her head — the boss, the purchasing agent, the bookkeeper — but black-on-white information is a great deal more accessible and persuasive.

The Tie-in

Since the computer's memory is virtually unlimited, any data generated by any of the sub-ledgers, such as accounts receivable, sales, purchases, inventories, payroll and related tax accruals, can be carried directly into the general ledger without further handling by the company's personnel.

The key to good relations with the computer is a well-designed chart of accounts. Service bureaus are experts on hardware and software, but most of the time they have no trained accountants. It pays to have the company's accountant — internal or outside — spend some time with the computer people to make sure the system is going to function as desired. From then on, it becomes a matter of putting the right account number on the right document — and nothing can go wrong — nothing can go wrong — nothing can go wrong —

Seriously, though, computers can truly come to the rescue of the small business

that has need for good accounting information but not enough trained personnel to generate all the necessary records internally on a timely basis.

Sixth, the entire federal tax structure should be reviewed on behalf of all women, with appropriate changes. In fairness, as long as women entrepreneurs are penalized as women, shouldn't our tax then be proportionate?

Seventh, women working together will help women. Women are beginning to support women's enterprises by doing business with them (there is a slogan promoted by minority enterprises: Buy Black!) But women have not yet begun to invest in women's enterprises. In turn, I believe that women entrepreneurs can help other groups of women, through contributing their business skills.

Eighth, for the Small Business Administration to delay any further, is both immoral and economically unwise. The SBA must act now, with FY (fiscal year) 1974 funds. Women must not have to accept one more year's excuse of "no funds."

Ninth, if it becomes necessary, we women who are in business, who seek our livelihood through the private enterprise system, must be prepared to turn to legal action in order to achieve what should be our Constitutional right.[5]

Her final question was: "What does a woman's citizenship stand for?"

Footnotes

[1] *The SBA and Women*, March, 1973. Available from the Government Printing Office, Washington, D.C. In addition to this study, Ms. Wertz testified before the Joint Economic Committee during the hearings on *The Economic Problems of Women*, U.S. GPO, 1973 (three volumes). All the facts cited in this article came from those two sources.

[2] *Hearings*, p. 570-571.

[3] *op. cit.*, p. 575-576

[4] *op. cit.*, p. 577

[5] *op. cit.*, p. 578