

December 1997

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Bierle, Kory M., "Computer Software Selection: Financial" (1997). *Range Beef Cow Symposium*. 155.
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Computer Software Selection: Financial

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Over and over we as producers are told we need to know our cost of production. As the title of my college accounting book stated, accounting is the basis for business decisions.

The question comes up: how do we track these costs and make sense of all the numbers? As soon as we realize the importance of the office work and the need to get it done in a timely and efficient manner, we address how to get it done. What has been the answer for the past 20 to 25 years to help get the work done? That's right, get a machine to do it (for better or worse!). Just as none of us rode the train or brought the team and buggy to this symposium, record keeping has progressed with the times with the advent of the computer, and an abundance of software programs. But remember, the computer is just another machine that helps us do our office work, much like the baler and stacker helps with the haying, it won't do the work for you, just help you get it done.

When considering software, remember what is said of financial reports like the balance sheet, they give you a picture of your financial position at a given time. When you take a picture, a camera is used, so think of the software that produces a balance sheet as a camera. As with cameras, which come in many models; from the simple point, shoot, and throw away to the more sophisticated studio models; software varies. As you can imagine, programs like cameras, vary in price and the degree of skill and experience needed to get the very best out of them. But have faith, the good news is that with today's advances in computers and programming, even the most old fashioned cowboy or the most educated animal scientist can get a good set of financial records established.

Selecting computer software is really just asking and answering a series of questions. If a lot of thought goes into what and how you want to examine your business, the selection process will be much easier. To put this in rancher (not photographer) terms, think of buying software just like buying a pickup. Before you buy a pickup you figure how you are going to use it. Will it be used primarily for going to town, or will it pull a 8x24 trailer filled with horses on mostly gravel roads, plow mud, and be used to fix fence and haul out mineral. Just like pickups, software comes in many makes and models to suit a variety of needs. And especially like modern pickups, newer programs come with many bells and whistles which you can compare to electric seats and fancy stereos.

Things to consider when looking for Ranch accounting software:

1. Price
2. Options of the software
 - A) Ease of entry; learning curve

- B) Reports; FASB approved
 - 1. format of and detail of
 - 2. ranch formats
 - 3. production/fiscal years
- C) Cash and Accrual Accounting; dual entry accounting, GAAP
- D) Multiple Enterprises; Business Units; Personal Accounts
- E) Ability to transfer data to analysis programs like FINPAK or SPA or production
- F) Company/Technical/Local support
- G) Budgeting, Depreciation, Loan analysis
- H) Track market or actual price
- I) Track inventories or physical numbers

3. Acceptance of by Bank, CPA, Extension

Programs come in a wide range of prices. A quick survey of local stores revealed prices ranging from \$65 to \$1085. Simple programs that are easy to learn, set up, and use are cheaper and the ones that require some basic accounting know-how are more expensive. The time honored saying of "you get what you pay for" is applicable here. I have and use both types. For simple things like a local historical club or our personal accounts, the program Quicken works very well. Yet for the ranch, I use a program from Redwing called AgCHEK which is ag specific in the reports that it produces. Programs that range in price from \$100 to \$450 are very good, yet may require some "tweaking" to fashion ag reports.

The various options of software also separate them. Currently, a lot of programs offer pop-up calculators, charts, calendars, loan amortizations, and some custom formatting of reports. Many of the programs now are very user friendly. They all have the same basic features, just different ways of doing them. This is another area where programs are like pickups, some just seem to fit better than others, so shop around. The major difference is how the accompanying instruction manual is written, whether it is easy to follow or not. The program you choose should produce at least a balance sheet, income statement, cash flow, and transaction summaries. You will also want to be able to format these reports with different levels of detail. Bankers like one page reports, but if you want to find out where your high costs are hiding, you will need more detail. One point: the less expensive programs are usually mass marketed and therefore easier to learn and use. If you are new to computers, think about buying an older machine with an early version of Quicken to see if computing is for you, it could be a cheap way to get in.

Another important feature to look for is if the program can handle cash and accrual basis accounting. Accrual adjustments are necessary if you want to match actual expenses and revenue to the appropriate time period. This brings us to the dual entry feature. This is nice when you want to take feed out of inventory and expense it to the herd. These are non-cash transactions that we all do, and that Dr. Hamilton and his SPA boys really appreciate if we keep track of.

One of the options I would encourage you to look for is reports that cover production cycles rather than just fiscal 12 month years. In ranching, these cycles can last up to eighteen or nineteen months which means expenses from more that one year need to be tabulated to certain

enterprises. The ability to measure fiscal as well as enterprise data is important. Also, can these reports be formatted so that costs such as fee costs and fixed costs can be measured separately and can the costs be measured on a per head or a per acre basis.

Along the lines of covering production cycles is the ability to track various enterprises at the same time and the ability of the software to divide the whole set of books into different business units or profit centers. The cows and the replacement heifers are examples of enterprises within the beef profit center. If you have a custom spraying or haying business besides the cattle, you could track the two of them with separate business units. This is a nice feature to be able to separate, analyze, and produce reports from your books. Business units and profit centers are measured in 12 month increments whereas enterprises vary in length.

The whole idea of keeping accurate and detailed records is to be able to make decisions to positively affect the bottom line. The Extension Services have several knowledgeable people to help you analyze your books through many ratios and percentages. The catch is that you need to input your data into their program! So bring in another feature to look for in software: the option to be able to export data to other programs such as SPA or FINPAK. Believe me, if you've ever worked hard setting up your books, keeping your records faithfully, and everything else, and then struggle to make a set of forms reconcile to your records, you will really appreciate this feature. For one thing, it takes the work out of the manual transfer so you have some energy left to examine your records and make decisions.

Another thing to consider is what kind of company support is offered after you have purchased the software. Is it provided or is it available at an additional cost, and if so, what will be the cost. Is there an 800 number you can dial? Can you leave a message or do you have to stay on hold for the better part of the day? Can you E-mail your questions? Are the people on the other end knowledgeable in ag situations? Not only is there company support, but is there a local network of users available that can offer helpful suggestions. Ask around and see what your neighbors use and what they like. Some other people to consider are your extension personnel. Quite often they have templates for certain programs and experience running them. But, set up your books to make sense to you. After all, you are keeping records to help yourself, not someone in an office in town.

Some options that are very handy to have available are to be able to budget, to make depreciation entries, and to be able to amortize loans. As well as being able to budget, you want to be able to produce reports that compare actual to budget as well as determining the difference in dollars, percentages, or quantities. Being able to budget for the whole business, business units, or enterprises or any combination is also handy.

Another feature you may want to look for is to be able to track physical inventories and track quantities. Where we think of tons of hay instead of dollars worth of inventory, it helps to put things in perspective. Also when you're budgeting, it's nice to be able to see how many gallons of gas were used last year and adjust the price accordingly to get to the totals. To further put things into perspective, if you can format reports to be able to include market values on some of your assets, this gives a more realistic picture to you and those whom you choose to share your

records with.

Speaking of sharing your information with others, often we don't have a choice. Seems that bankers can be downright picky about some of the numbers they want to look at. The same holds true for CPAs. So it might be worthwhile to ask them if there is anything else you should consider. Yet it is common for a banker to give interest rate breaks for good records. It can sure cheapen up the cost of a good software package.

In summary, there are many things to consider when buying accounting software. It's up to you to place the priority on the traits you value most. Price, ease of learning, format or reports, data transfer, customer support from the company, and the ability to subdivide your books into realistic business units or enterprises. Remember, don't sell yourself short, determine what you want to know, how you want to record it, and how you want to analyze it. The information you get from your software will help you make decisions that will affect your business for a long time, so make sure that you get the best information you can.