

## Accounting software considerations

Business computing has undergone exponential growth in the past few years with computers now forming an important part of most businesses, and most workplaces using them to serve accounting needs, amongst other things.

### Accounting software

The right accounting software can help improve operating efficiencies and obtain some competitive advantages. Spending some time on selecting the most appropriate accounting software for your business will ultimately free up your time and save you money, provide you with useful information to manage your business better, and can reduce your accounting fees.

The use of a 'leading edge' accounting solution can carry a high degree of risk and cost. Many, if not all, accounting processes can be automated to some degree with an accounting software solution. Such solutions are increasingly becoming an essential element of day-to-day business operations.

However, many business owners are unaware of, or are confused by, accounting terminology and the breadth of system and software choices available.

While accounting software decisions can sometimes be small in dollar terms, the choice of software you make is best driven by how it meets your overall business.

### Thing to consider

Before selecting an accounting computer system you need to consider:

- ✦ Establishing your business requirements;
- ✦ Examining and evaluating options;
- ✦ Determining if user training is required;
- ✦ Setting down a list of absolute minimum features required;
- ✦ Developing processes, policies, and procedures to handle accounting needs;

- ✦ Who will install the hardware and load software;
- ✦ Testing the new system,
- ✦ How to converting from an old system; and
- ✦ Ongoing support and maintenance issues.

### Two basic requirements

1. Choose software that meets your needs – small businesses can get by with a simple book-keeping type system, others may require more sophisticated systems which offer advanced management reports.
2. Choose software that is compatible with your system, can avoid major reworking of existing data, improves the services you can offer, and saves accounting fees.

### Tax considerations

The IRD has guidelines on the information and assistance required when they request information or require access to business records and supporting background materials.

While business records may be kept in either paper-based or electronic form, where records are held in electronic form, they must be kept in a manner that allows IRD to readily ascertain the amount of tax payable.

### Internet trading

Persons who do business via the internet are required to keep business records of all internet transactions for tax purposes.

### Emails

Some emails may be classified as business records required to be kept for tax purposes. Where emails are business records, the origin, destination, and time of electronic

communications must be retained and accessible so as to be usable for subsequent references.

Regardless of how business records are retained there must be sufficient detail to ensure a complete audit trail that allows the retained records to be traced to and from accounting records and to tax returns.

## Electronic record system standards

Controls must be adequate to ensure that all business transactions executed electronically, including those executed through the internet, are completely and accurately captured.

Taxpayers should be able to demonstrate that their electronic records systems are secure from both unauthorised access and data alterations. This usually involves developing and documenting a security programme that:

- ✦ Establishes controls to ensure that only authorised personnel have access to electronic records;
- ✦ Provides for backup and recovery of records;
- ✦ Ensures that personnel are trained to safeguard sensitive or classified electronic records; and
- ✦ Minimises the risk of unauthorised alteration, addition, or erasure.

Charts and codes of accounts, accounting instruction manuals, and the system and program documentation that describes the accounting system used must be retained and produced, if required, to an IRD officer.

The electronic copy must be readily accessible and capable of being retrieved and produced as legible hard copy or supplied in electronic form if required.

Those who engage in the electronic transfer of tax invoices, credit notes, or debit notes must retain electronic records that in combination with any other records (eg, the underlying contracts, price lists, price changes, and product code descriptions), have an adequate

level of detail to meet the requirements of the GST Act.

Backup and recovery procedures must be sufficient to guarantee availability of electronic records for the required period. Adequate viewing and printing facilities should be made available free of charge to IRD officers. If requested, persons must locate selected records that have been stored, and print any items selected for IRD officers, free of charge.

Persons must be available to explain the operation of their computer system to IRD officers. This is the case whether the system is owned and operated by the person or outsourced to a third party.

There must be sufficient detail to ensure a complete audit trail which allows the retained records to be traced to and from accounting records through to tax returns.

## Storage of records

In the event of changes to hardware or software, facilities for retrieving electronic records that have been stored on the former system must be retained, or the electronic records must be converted to a compatible system and both sets of files retained complete with documentation showing the method of transfer and controls in place to ensure the transfer was complete and accurate.

The CIR may approve the storage of records offshore. Approval is subject to the records being readily available in New Zealand on request, in English, and at no cost to IRD in obtaining the information. Each case will be considered on individual merit, having regard to the person's compliance history and whether storage overseas is likely to impede IRD compliance activities.

## See us first

- ✦ Before making any decisions regarding accounting software.
- ✦ If you consider that any of the issues contained in this fact sheet may affect you.

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## Disclaimer

Important: This is not advice. Clients should not act solely on the basis of the material contained in this fact sheet. Items herein are general comments only and do not constitute or convey advice per se. Changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. We believe the contents to be true and accurate as at the date of writing but can give no assurances or warranty regarding the accuracy, currency or applicability of any of the contents. This fact sheet is made available to our clients as a helpful guide for their private information. Therefore it should be regarded as confidential and should not be made available to any person without our prior approval.