

Circula

Accounting 2.0: Automation in accounting

Automation in accounting is also possible without an expensive ERP system - as long as companies intelligently connect the right tools.

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Is your accounting slow, taking a lot of resources, and tying up working time that employees could use for more important activities? Then you may be one of those companies that do their accounting in a classic, analogue way. But if you combine new digital tools and introduce automation, you can reduce the effort and costs of accounting by a multiple.



Accounting 1.0: Slow processes and lots of paper

Traditional accounting consists of many individual manual processes that are associated with several media breaks. But, in the age of digitalisation, it is fair to say: classic accounting is sluggish and inefficient. So, let's go through some of the Accounting 1.0 processes.

Incoming invoices arrive at the company in printed form and are forwarded to the finance department. There, employees make a copy before forwarding the original with an account assignment stamp for internal verification by in-house mail. Finally, the employee who placed the order must verify the factual and professional correctness. Then, depending on the invoice amount, the managing director must also approve the invoice. So, the physical document wanders through several hands and folders before it can be paid back to the accounting department and filed as processed.

The procedure is no less paper and labour intensive for employee travel expense claims. First, the employee pays for the hotel and transport costs incurred during his business trip out of his own pocket. Then, after his return, he collects all receipts, totals the costs on a travel expense sheet, and forwards it with the proofs to the accounting department by in-house mail. There, the documents are checked for accuracy. If there are discrepancies, it sends the receipt back to the respective employee, who has to correct the statement and send it to the accounting department again.

In some companies, the employer also offers physical credit cards for travel expenses. However, in many companies, immense effort is made to allocate payments that have already been debited from the credit card to receipts.



In the case of **outgoing invoices**, the manual effort is limited, but here, too, employees' working time is tied up. They usually enter the outgoing invoices in a list, for example, in Microsoft Excel, which is not an optimal solution for these purposes. They then have to manually check whether a payment has been received at regular intervals and, if necessary, send reminders by post.

All invoices must be forwarded monthly to the tax advisor, who books them and can only send the business management report after a few weeks.

These processes are now handled much more efficiently and cost-effectively with professional software.

Accounting 2.0: Digital accounting based on the Pareto principle



ERP systems are the holistic solution for optimising accounting. They combine all essential business processes in a uniform application environment. Interface issues and media disruptions are thus primarily avoided. In addition, multiple automations make life easier. But these applications are complex, expensive, and oversized, especially for start-ups and small companies.

Do they have to do without the advantages of digitalised processes? No, combining various tools can maximize resource savings in accounting with minimal effort, thanks to automation and creative process linking. It is realistic to manage 80 percent of the work with 20 percent of the previous attempt. To implement such Accounting 2.0, however, the right digital tools must be chosen.

The following applications are needed:

- Order and document release
- Invoicing, payment, and dunning
- Payment methods
- Travel expenses and travel bookings
- Communication tool with connection to the tax advisor

What you should look for when choosing your accounting tools

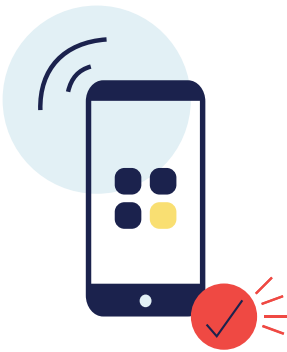
Order and voucher release: Use an application that combines order and voucher release functions. It should allocate costs to the originating departments via a cost center structure. A DMS solution (DMS=Document Management System) can be used here as a preliminary stage of an ERP system. Important: It should be possible to map your workflows without any problems. Optimise your processes before applying if you see a need for improvement. Digitising bad processes does not bring profit, but digitised bad processes do. There are many providers in this segment, but paying attention to application connectivity is essential. Is the system compatible with my accounting system? How is the data transferred? If accounting information is recorded in the release system: How are these transferred?

Ideally, the software solution offers a transfer of the document image plus all relevant accounting information via a certified interface, e.g., Datev Connect. However, the minimum should always be a well-structured report in CSV format.

Furthermore, it is essential to check the status of individual invoices quickly and intuitively. Therefore, a keyword search within the solution is just as necessary as the possibility of creating a status report showing which person has how many invoices virtually.

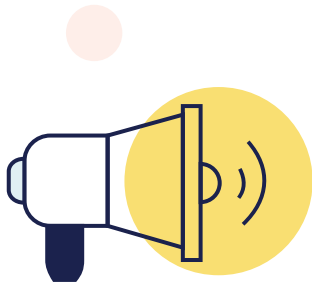


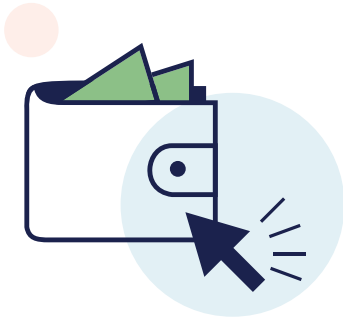
Collection of incoming invoices: If your company orders a lot online and via various platforms, it is worth using tools that automatically collect invoices and allocate them to transactions in your accounting software. One of these tools is getmyinvoices. This saves you the work of downloading and processing the documents yourself from the various websites or your email inbox. Ideally, it directly links this system to the document release system to process the documents.



Payment approvals: Photo-TAN or SMS-TAN procedures are appropriate in the private sector. In business, an up-to-date authorisation method makes more sense. Therefore, ensure that the payment applications you use the FinTS support (successor to HBCI) or EBICS methods. This can be used to process all common transfers and orders. EBICS is the first choice for higher transaction volumes. Another advantage of EBICS is a comprehensive rights system that can set up mutual representations. This means that management can also go on holiday without having to release payments. Almost all banks offer software for this within their online banking solutions, but ideally, direct payment is already possible from within the invoice release or accounting tool. If not, the minimum solution is a SEPA XML export which can be uploaded and sent to the tool used.

Payment methods: International transactions often incur high fees for traditional money transfers. Therefore, digital money transfer services have been increasing in recent years. However, it should be noted that these partners should generally be registered as banks. For this, the providers should provide meaningful reports that clearly show which amount was paid, when, where, and with which reference. In addition, the accounting application should be able to process the usual payment methods automatically, including bank transfers, credit cards, and PayPal.

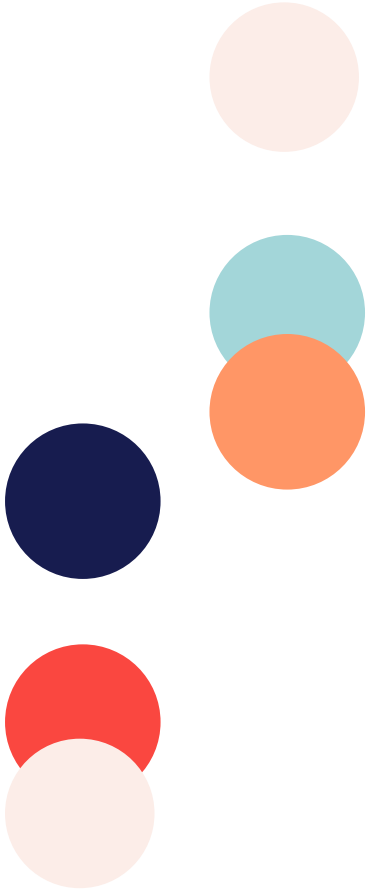




Travel expenses: Decide on a travel expense application that makes it easy to comply with the GoBD and that can be integrated into your financial accounting via interfaces. For example, Circula meets both requirements and supports the mobile capture of receipts so that employees only need a fraction of the time they used to spend on their expense reports.

Outgoing invoices: Web-based or local applications linked to other applications via APIs are ideal for creating outgoing invoices. Here, too, you should check for GoBD conformity. A weak point of many tools: they cannot handle automated dunning processes because they do not have a direct interface to the bank and, therefore, no automated payment matching. If you decide to use such software, for whatever reason, make sure that you can connect a dunning tool via an interface. You should be able to send automated reminders digitally or by post when invoice recipients fall into arrears.





In addition, it should always check connectivity to the accounting system. Again, the more data and information that can be transferred via a digital interface, the better. Despite this digital workflow, you will continue to work with paper documents in accounting simply because many incoming invoices arrive by post. Here's a simple piece of advice: talk to your suppliers. Many will be able to provide digital documents upon request. If you have a high volume of physical documents, use a service provider to ensure that the digitised documents go directly into your document management system.

ERP of the DIY method with connection to the tax advisor

If you link the various tools together, you have built your ERP system, which is presumably much cheaper and more accessible for a layman to configure than a standard ERP. In addition, you can flexibly adapt, expand or exchange individual elements at any time. One potential disadvantage of the DIY method: communication with the tax advisor. To easily transfer data even without an ERP, your financial software should connect to your tax advisor's system (often DATEV). Then you don't have to send vouchers to him via image or document file as an attachment but can transfer them to him automatically with one click (e.g., with DATEV Unternehmen Online). Vouchers can be read out in his system by OCR and provided with additional information.

Conclusion

According to the Pareto principle, efficient accounting does not need expensive and heavyweight ERP systems. Instead, it thrives on the intelligent integration of different tools. This makes automation possible, and employees can handle process steps with little or no manual intervention. Faster, safer, and more efficient.

Circula

The authors

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Circula offers medium-sized and internationally oriented companies a software-as-a-service solution for digital travel and expense reporting. Thanks to the intuitive user interface and AI-based technologies, receipts can be processed in real-time and digitally archived with Circula for the first time in a GoBD-compliant manner.

The multi-award-winning (KPMG, Visa, PwC) technology company was founded in Berlin in 2017. Numerous innovative companies such as N26, Onefootball TeamViewer, and hundreds of other medium-sized companies already rely on Circula's solution. More information at: www.circula.com.



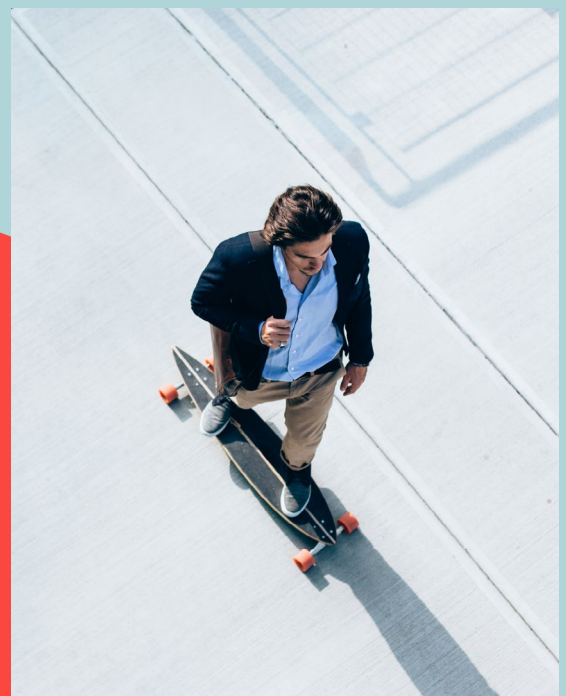
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Coco Finance is a consultant and sparring partner for start-ups that set up their financial processes efficiently, in a structured and scalable way, with external support from the beginning. This allows start-ups to concentrate on their core competencies without neglecting the company's finances. Coco Finance draws on a broad network of experts who use their experience to promote entrepreneurship and lead start-ups to success. Lead start-ups to success.

Work more efficiently.

Try the effortless way to manage expenses.

Test 14 days free of charge



Circula

We make expense
management
effortless

