Role of ERP system

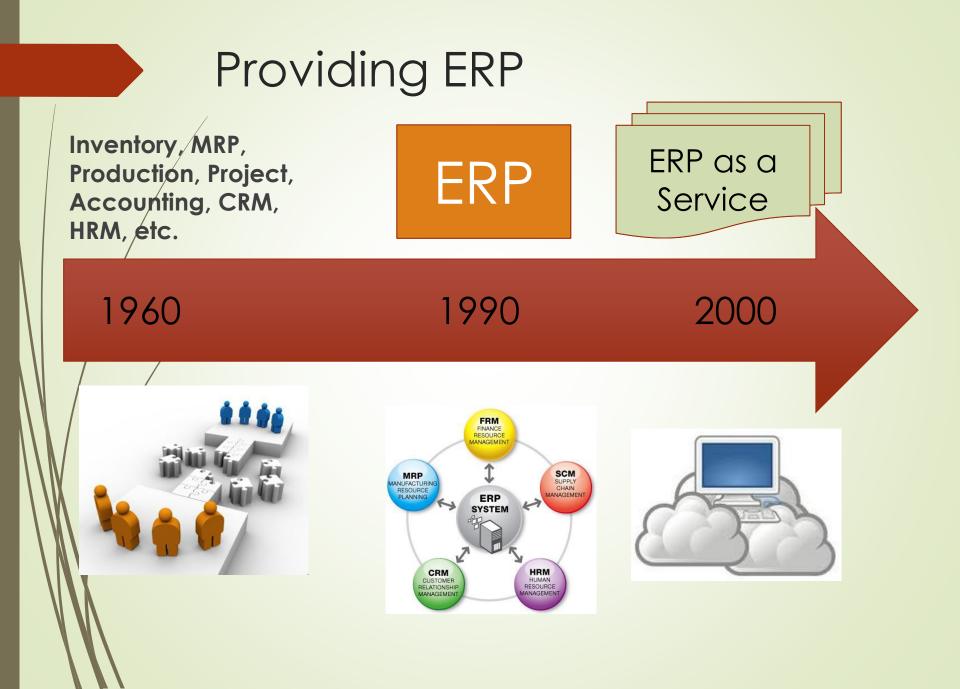
Leonard Walletzký

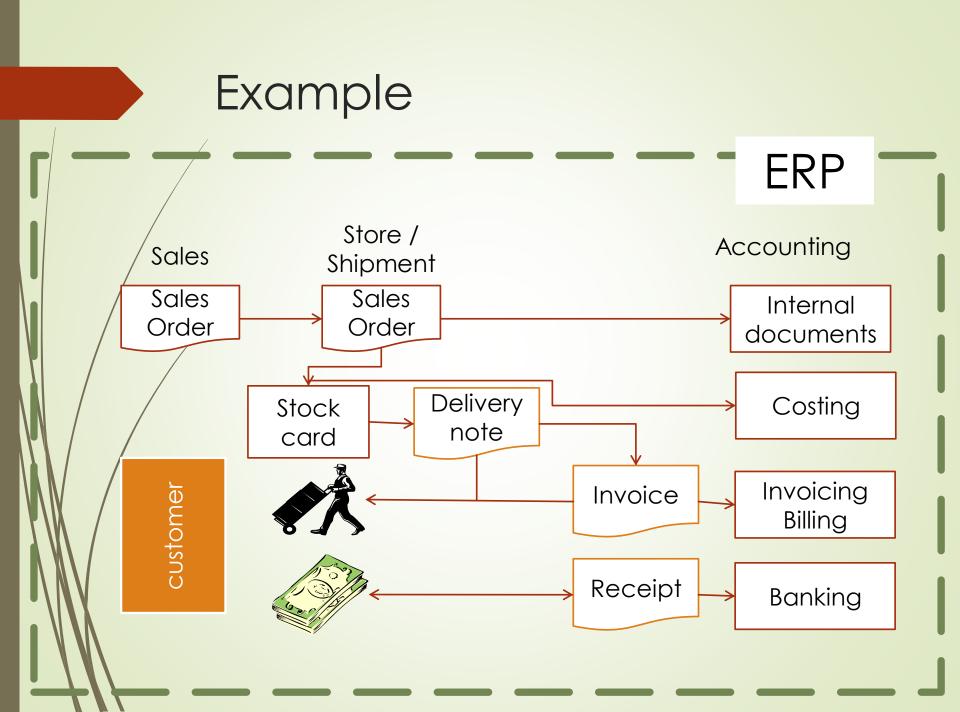
Enterprise information systems

- CRM Customer Relationship Management
- FMS Financial Management System
- SCM Supply Chain Management
- M/S Management Information System
- CMS Content Management System
- KMS Knowledge Management System
- DSS/- Decision Support System
 - G/S Geographic Information System

What is ERP

- Enterprise Resource Planning, integrated system that help business to manage internal and external resources.
- Built on a centralized database and normally utilizing a common computing platform,
- ERP systems consolidate all business operations into a uniform and enterprise-wide system environment
- ERP can integrates all systems mentioned before





Basic facts

- Every (even) small economic activity produce a lot of documents
- Problems
 - Managing all the documents together with their relations (metadata)
 - Consistency of the documents
 - Part of them is basis for the taxations
- We do not need to store data only
- We need them back!

Critical situation

- When organization has not any ERP system at all
 - Small or beginning companies
- When they have bad system or their system is out of date, not power enough etc.
 - Growing companies
 - Join ventures

How to recognize problem?

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My business nan	ne Cash Accounting for >	April-06	Import	April budget	▼ Not operative	31-May-06	CASH ACCOUNTING 19-Apr-06	17
		April-00	Import	April budget	• Not operative	51-May-00	19-Apr-06	-
Opening Cash c/f	\$1,000.00		CURRENT MO	NTH		NEXT MONTH	THIS MONTH FORECAST	
	Categories	Cash received	Current receivable	Budget	+/- Budget	Budget	Income received	37,069.79
Income	Cash sales	0.00	0.00	0.00	0.00	0.00	Expenses paid	-41,315.14
	Return refund	0.00	0.00	0.00	0.00	0.00	Balance	-4,246.35
	Sales - receivable	37,068.79	27,234.56	74,000.00	-9,696.65	77,500.00		
	Interest, other income	0.00	0.00	0.00	0.00	0.00	Receivable this month	27,234.56
	Other receipts	0.00	0.00	0.00	0.00	0.00	Payable this month	-22,950.49
	Total receipts to date	37,068.79	27,234.56	74,000.00	-9,696.65	77,500.00	Balance	4,284.07
		Cash out	Current payable	Budget	+/- Budget	Budget	Forecast Surplus/Deficit	37.72
Less disbursements	Purchase for resale	-4,873.45	-3,445.90	-14,945.00	6,625.65	-14,645.00		
	Staff Salaries	-14,856.90	0.00	-29,000.00	14,143.10	-29,150.00	Forecast Month end cash	1,037.72
	Employer taxes	0.00	-1,954.45	-3,610.00	1,655.55	-3,620.00		
	Insurance (other than health)	0.00	0.00	0.00	0.00	0.00		
	Interest expense	0.00	0.00	0.00	0.00	0.00		
	Office supplies	0.00	-784.56	0.00	-784.56	0.00		
	Meals and entertainment	0.00	0.00	0.00	0.00	0.00		4
	Warranties	-5,034.45	0.00	0.00	-5,034.45	0.00	This Cash Flow Statement i	
	Office rent & services	-15,000.34	0.00	-15,000.00	-0.34	-15,000.00	figures imported from the C	
	Staff Expense	0.00	-500.34	0.00	-500.34	0.00	spreadsheet, sorted into Ca	ategory
	Auto expenses	0.00	0.00	0.00	0.00	0.00	totals.	
	Packaging	0.00	0.00	0.00	0.00	0.00		
	Advertising	3,440.56	-3,440.56	-4,000.00	559.44	-5,000.00		
	Shipping	0.00	0.00	0.00	0.00	0.00		
	Utilities	0.00	-1,224.23	-1,000.00	-224.23	-1,000.00		
	Security	0.00	0.00	0.00	0.00	0.00		
	Telecoms	0.00	-1,100.45	-900.00	-200,45	-900.00		
	Computing	0.00	0.00	0.00	0.00	0.00		
	Audit	0.00	-4,000.00	-3,500.00	-500.00	0.00		
	Legal	0.00	0.00	0.00	0.00	0.00		
	Sales Taxes	0.00	0.00	0.00	0.00	0.00		
	Consultants	0.00	0.00	0.00	0.00	0.00		
	Other expenses	0.00	0.00	0.00	0.00	0.00		

How to identify out dated system?

- You need to enter data more than 1 time
 - To the accounting and than to internet banking
- You are not able to use modern ways of collaboration (document sharing)
- Your system has technical problems, it freezes or crash very often
- Your system is no longer supported
- Your system is not compatible with other systems you use (e-shop)
- You need more than 30 minutes to crate report

Basic modules in ERP system

- Sales from the order to invoice
- Purchases from order to invoice
- Banking and cash
- Warehouse
- Property and inventory
- Human resources
- Relation with customers
- Accounting

Outside connections to and into ERP system

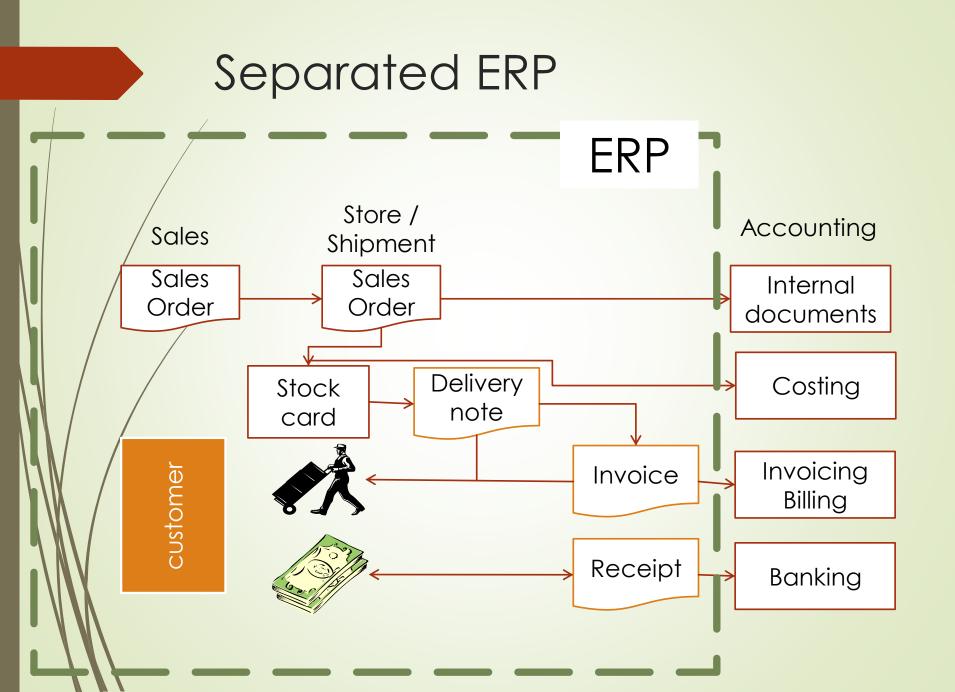
- Banks and payment systems
- POS
 - Trade
 - Restaurants / Hotels
 - Others
- Document management
- Content management system
 - Web shop
 - Intranet
- Other specialized systems
 - DSS, MIS...

Features of "ideal" ERP system

- Optimizes and simplifies the processes
- Centralize the information
- Optimizes data and document sharing
- Is accessible from everywhere
- It helps with your communication to your customers
- Accelerate report's generating
- Gets you complete information about status of your company
- Is open for the third party product (e-shops, Office, banking and payment systems, POS)

Special position of accounting

- It is not just "a next module"
- Accounting plays unique role
- What is it accounting?
- The systematic recording, reporting, and analysis of financial transactions of a business (<u>http://www.investorwords.com/48/accounting.</u> <u>html</u>)
- Many SME separates accounting and ERP!!!!
- Many big companies underestimate the control role of accounting



Why they do it, if they know

- Accounting Software
 - Create documents in Every Department
 - Every departments (although it is the same information, duplicate work)
- Generate report in Every department
 - Why? It has to wait for Accounting input information into software.
- Delay information e.g.
 - Stock balance => Sale, Procurement, Manufacturing
 - Account Receivable balance => Credit control, Bad debt
 - Cash and Bank management
- Waste time to collect all information

Reasons

- People generally
 - are afraid of accounting
 - think it is better to let it on professionals
 - assume they have all necessary information from other records
 - do not like taxes
- Why it is wrong
 - accounting is here for more than 300 years with unchanged principles
 - external professionals will never know your business in detail
 - Without accounting you are loosing one of the most important ways of verifying your data
 - Taxes are simply here and we need to accept that

Conclusion

- Critical situation of ERP need
- Value of ERP for the customer
- Special position of accounting