

Real-time vs. batch processing in accounting systems

There is a new emerging breed of construction-specific accounting software that does away with manual processing software

By Cesar Bosio

for over 20 years, batch processing accounting systems have been entrenched in the construction accounting world. They take many forms, but common to most of these systems are the procedures and methodologies that dominate most bookkeepers' and accountants' lives.

There is a new emerging breed of construction specific accounting software, however, that breaks this mold and does away with manual processing of data. Just what does this new breed of accounting systems offer, and how can it be that different from what has become the norm?

The batch processing norm works something like this: You process things like vendor invoices from journal to ledger to financial statement in a linear order via a function that may be called "batching" or "working in the background."

Regardless, it all works on the principal of grouping transactions and processing them by some sort of procedure that results in a line (batch) item appearing in another journal or ledger. Month-end works in a similar fashion. Batches are accumulated and processing is finalized so that you can produce reports essential to project and other financial decision-making

A true, 100 percent real-time system works very

differently. Once you press the save button on something like a vendor invoice, the information is immediately posted to all appropriate journals, ledgers, and financial statements. There is no batch numbered entry; instead, there is a detailed transaction information in each journal and ledger.

Does this scare some people? Sure it does. Any kind of mistake in such a system can have dire consequences. Some accountants have been dubbed this "batch hell." Oh no. Why are we out of balance? What is supposed to be in that batch? I can't find it. Where is the printed record?" In a batch processing system this can be a nightmare a nightmare that major companies' ad campaign and support networks play on if you mention looking at a real-time system. Why post something immediately when it may be wrong?

Fortunately for true real-time accounting systems, this is not a concern. Information can be updated on the fly; auto-reversing entries can be made; and an audit trail is always there if you need it.

Beyond detailed journal and ledger information always readily being available, there are some distinct advantages to operating in a true real-time system. First and foremost is the elimination of all batching procedures, month-end procedures, and year-end procedures that can cause so much stress in a

In a true real-time system, once you press the save button on a vendor invoice, the information is immediately posted to all appropriate journals, ledgers, and financial statements, a function which scares some people.

Benefits of a true, real-time system include:

Elimination of batching, month-end, and year-end procedures, resulting in less training time.

The ability to produce reports essential to the project and financial decision-making process.

bookkeeper's or accountant's life. For an employer, this also means less training time and troubleshooting hours over the course of a year.

Possibly the most important aspect of a true real-time-system though is the ability to produce reports essential to the project and financial decision-making process. Just as all posting is immediate, so too is reporting. Want to get a job status report now? Or maybe you want to see a comparative financial statement. All this is possible. For a project manager or controller, this capability can quickly become indispensable in decisions that have to be made on a daily basis.

The real question then is: Will the few companies that produce this kind of product start to edge out companies that are selling older batch processing systems? In all actuality, not any time soon. The batch processing companies are so large, the marketing dollars so huge, and the support networks so dependent that daily users most likely will not see a good real-time system unless they look for it. It's when the daily user starts to look for greater functionality and greater performance that the real change will start to take place.

Cesar Bosio is the president and founder of Management Information Control Systems, Inc. which makes Builder Information System Construction Accounting Software. The company web site is www.bissoftware.com