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FORECASTING AND BUDGETING SOFTWARE

BY DAVID CARTER

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INTRODUCTION

To evaluate Forecasting and Budgeting software can be a somewhat alarming experience. And if you are not an accountant, somewhat puzzling. Puzzling, until you realise that from an accountant's perspective 'Forecasting and Budgeting' means something different from what it means to everybody else. Alarming, because there seems to be no standard set of rules or best practice on how to put together a forecast. A Profit and Loss report for the past has been built upon the principles of double entry. But a Profit and Loss report for the future can be put together in any way you like.

And different elements of Forecasting and Budgeting seem to be mutually contradictory. To develop a forecasting model requires software that is broad brush and totally flexible. Yet for repeated use this forecasting model needs to be clearly structured with assumptions, logic and outputs separately identified. Is it possible for a single software package to provide both total flexibility and a disciplined structure?

In addition, forecasting is the process of speculatively reviewing the financial effects of any number of possible future business scenarios; budgeting is the process of determining and subsequently reviewing expected income and costs over a period of time, based on the particular business scenario that has been adopted by the management of a business as being most in accordance with its actual expectations for that period. It is important to bear in mind that the purposes of these processes are very different, even though they both use the same basic tools.

This publication alludes in places to detailed aspects of these issues, for example at paragraph 2.5.2.

Another complication is that Forecasting and Budgeting (which will be referred to as 'F&B' throughout the rest of this guide) software is frequently discussed in the same breath as other types of software such as Business Intelligence ('BI') and Corporate Performance Management ('CPM') software. Indeed suppliers of BI and CPM software often include F&B packages in their portfolio.

So it is important at the outset to define terms. The key difference is that software such as Business Intelligence and Corporate Performance Management is generally about the past, analysing and making sense of past performance, whereas F&B is about the future – and about the present.

THE ELEMENTS OF F&B

F&B software packages (certainly the ones we will look at in this guide) differ markedly from each other. To understand why, it is important to grasp two key points.

Point #1. The three methods of forecasting

Any forecast has to be derived from past and present data, otherwise it is simply a guess. Past and present data comes in different formats, so you can:

- Forecast from past totals;
- Forecast from past transactions;
- Forecast from business drivers.

All three methods of forecasting may be appropriate in different parts of the same organisation.

Point #2. Prediction and collection

It is also important to distinguish between 'prediction' and 'collection'.

For most people, 'putting together a forecast' means typing some variables and assumptions about the future into a spreadsheet such as Excel, and coming up with some projected figures. For them, F&B is entirely about prediction.

But you as accountants are required to put together a forecast for the company as a whole. So when you talk of 'putting together a forecast', you usually mean taking everyone else's projections and combining them into a single forecast for the whole organisation.

This first sense, generic for everyone, we will call prediction. The second sense, the specialist task of the accountant, we will call collection.

The first part of this guide will cover Forecasting and Budgeting in its wider, 'prediction', sense. The second part will cover it in its 'collection' sense, meaning the assembly of a company-wide forecast.

We will also look at a number of the principal packages on the market, what type of forecasting they are best at, and their qualities in each of the two areas. The packages are:

- Sage 50 Forecasting/Sage WinForecast Professional Consolidation;
- Rugged Logic;
- Inca Planning;
- Microsoft PerformancePoint Server;
- IBM Cognos TM1;
- COA Solutions Collaborative Planning.



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1. ELEMENTS OF FORECASTING – PREDICTION

1.1 THE THREE TYPES OF FORECASTING

Three methods of forecasting can be identified. Each may be appropriate for different parts of the organisation.

1.1.1 Forecasting from past totals

This is the simplest method of forecasting. You take the figures you achieved for the 12 months of last year, then extrapolate from them to predict the figures you hope to achieve for the 12 months of this year.

Typically, the screen displays a month on month Profit and Loss-type report in a matrix. The items to be forecasted (e.g. Sales, Purchases, Rent, Salaries, etc) are listed in a column down the left hand side, while across the top is a row of months (Jan, Feb, Mar, Apr etc). You make your forecast and fill in the boxes on the matrix.

1.1.2 Forecasting from past transactions

To forecast from past totals, you need to have those totals available, usually from an accounts/ERP package. In practice, however, the standard reports from an accounts package are fairly limited and often do not give much more than monthly totals at the company level.

F&B packages are available that will take all the past transactions from your accounts package, and then analyse and summarise them ('slice and dice') in any way you want. They produce summary reports at a detailed level which you can then use as a basis for your forecast.

This is the world of OLAP ('on-line analytical processing'). To calculate the summary totals, an 'OLAP engine' has to be linked to your accounts package to take the thousands or millions of transactions and crunch them down into summary totals.

These totals are known as 'cubes' because they are multi-dimensional (e.g. Monthly Sales by Customer by Region by Product). The OLAP package can generate any number of these multi-dimensional totals, enabling the user to 'slice and dice' the data and view it in any way they wish.

It sounds complex but it isn't. If you print off a Profit and Loss report, each of the numbers on that report is a cube. 'Cubes' are just monthly or weekly totals.

1.1.3 Forecasting from business drivers

These first two methods are basically the same – find out the totals for the past, then extrapolate from them to the future. However, the third method – forecasting from drivers – is different in principle. Instead of taking past figures and deducing a trend, it ignores past performance and looks to the actual causes (in the jargon, 'business drivers') in the real world.

Drivers are the key variables that determine performance of the business. For Personnel the key drivers might be headcount levels, annual salaries, bonus schemes,

employer NI rates set by the government. For Sales it might be sales volumes and selling prices, new products, the level of advertising. For Purchasing it might be raw material costs, cost of energy, and so on.

1.2 WHEN TO USE EACH TYPE

1.2.1 Forecasting from past totals

Forecasting from past actuals is the simplest and quickest form of forecasting. Essentially, however, you are simply assuming that the trend of the past will continue in some form or other in the future. You are not deducing the forecast directly from the actual causes.

Where items are of small value, or are unlikely to change very much, forecasting from past totals is perfectly adequate. It is also quick and simple. Most fixed overheads would fall into this 'micro' category.

1.2.2 Forecasting from past transactions – OLAP

Companies who need OLAP-based forecasting do not actually have a forecasting problem, they have a BI problem. Their problem is one of analysing their historical data ('analytics' in the jargon). Until you have made sense of the present, you have no foundation for predicting the future.

An OLAP-based package has to be linked at a very detailed level to data files in the accounts package. This is usually a long and complex operation since data files in accounts/ERP packages are designed for transaction-processing, not reporting. And to get quick response times, OLAP-based forecasting packages such as TM1 (see Chapter 4) calculate the totals in real-time, which requires a powerful server.

OLAP allows you to analyse high volumes of data down to great levels of detail, e.g. which salesman sold how much of which product in which region in which postcode in which week? – type analysis. However, the high implementation costs and expensive equipment that is needed make OLAP very much a Rolls-Royce solution for larger organisations. The rest of us will have to make do with report writers such as Crystal to get the analysis we need.

1.2.3 From business drivers

Forecasting from drivers is time-consuming since it takes time to develop the model (see next section). However, developing a model is a valuable exercise in itself, helping you to broaden and clarify your own knowledge about how your business works.

It is worth spending the time to gain this extra insight into those areas of the business which have a substantial effect on costs or revenues. Typically these more 'macro' items would be sales, cost of sales, salaries.

1.2.4 Summary of OLAP-based forecasting

To summarise, OLAP-based forecasting is a specialist area and mainly for large companies who have a vast amount of historical data that needs detailed analysis. For small and medium-size companies there are the other two options: Forecasting from past totals is quick and suitable for items that are of small value or do not change very much. Forecasting from drivers is an effort to go back to first principles and to align your forecast with the way the organisation actually works.

Once you have made the decision to go beyond simply plussing up last year's figures and to try to identify your business drivers, you are now into modelling. You will need to design models of the major areas of the business such as sales, salaries, cash flow. We will look at modelling in the next section.

1.4 DEVELOPING A MODEL IN A SPREADSHEET

When you start to develop a model you will obviously have an idea in your own mind of what the drivers are and how they interact. But actually sitting down and creating the model will often clarify your thoughts. Half way through you may realise that there are several other variables you had not thought of at the beginning, and so you revise your model to include them.

The finished model may work fine right now, but at a later date you realise that some other variables occur occasionally and they need to be included in the logic.

So models evolve and mature with time. The modeller becomes more knowledgeable, or circumstances change in the outside world, or both.

This brings us to a software tool that is inseparable from Forecasting and Budgeting – the spreadsheet. The vast majority of forecasts are produced in a spreadsheet of some form, with most people using Excel. So from hereon we will use Excel to refer generically to spreadsheets.

For something like developing a forecasting model, Excel is ideal. It is a very large 'blank sheet' which is totally flexible. It is very easy to use and this, combined with its flexibility, means that it can be changed very fast, enabling you to work out the model interactively within Excel as you go along.

However, there is one area of modelling that Excel is not very good at, and that is cash flow. For the reasons see section 1.8.1 below.

1.5 MAKING THE MODEL RE-USABLE

So you have used Excel to develop your model and you are now satisfied with it. You have identified all the important drivers and the model accurately reflects how they interact.

Having completed the first step of elucidating the model, the next step is to fit out the model for future use. In three months' time you may want to update it and roll it forward another three months. And while it is very clear in your mind now, when you come back to it in three months time you want to understand the formulae you have used to calculate the figures and see the assumptions behind them.

This is when things tend to start to go wrong. So often people develop a model and at the time it all makes sense. They come back to it a couple of months later, and it is a struggle to work out what it all means. When someone else looks at it, it does not make sense to them at all.

1.5.1 The need for structure

A forecasting model is basically a logic engine. You type in some inputs (your future assumptions for the drivers). The engine applies the logic to them and generates some outputs (the projected results).

To make a model robust and re-usable, these various elements have to be clearly identified and separated out into inputs, processing logic and outputs. A re-usable forecasting model will explicitly identify:

- What the drivers are;
- The logic being applied to the drivers;
- The assumed values for each driver being keyed into the model.

The classic mistake with forecasts in Excel is to not keep these separate. Assumptions and drivers are all jumbled together in complicated formulae instead of being separately identified.

1.5.2 A professional skill

Excel contains the tools for creating a re-usable model. Storing the assumptions in their own separate worksheet, and using Named Cells and Named Ranges will go a long way towards creating a structured and re-usable model. See the simple example with VAT overleaf.

However, there seems to be no agreed methodology about how to construct a forecasting model and separating out the assumptions, drivers and results. Most spreadsheet users do not recognise that a model, once developed, now needs to be rewritten and formalised into a structure in order to make it re-usable.

Even if they did, in a busy life most accountants are self-taught in Excel and learn just enough to do the job in hand. Writing a re-usable model is a skilled job, particularly if the model is going to be used by someone else, e.g. a budget-holder. For example, does it need to allow for data entry errors in case, e.g., the budget-holder types in letter O instead a zero 0? Should it include checksums to make sure the numbers balance internally?

1.5.3 Summary of developing a model using Excel

To summarise, Excel is perfect for developing a model because of its total flexibility. However, once the model has been worked out, it now needs to be rewritten and made re-usable with the drivers, logic, assumptions and results all separated out. All this is possible in Excel, but it is a skilled job, particularly if the model is going to be used by someone else.

'...there seems to be no agreed methodology about how to construct a forecasting model and separating out the assumptions, drivers and results'

EXAMPLE OF A STRUCTURED MODEL IN EXCEL – VAT

It is perfectly possible to create a structured and reusable model in Excel. Consider this simple example with VAT. Column A ('Net') in your spreadsheet is a list of net amounts – 100.00, 200.00, 300.00.

A	B	C
Net		
100.00		
200.00		
300.00		

You need to add VAT to each one and calculate the gross values, 117.50, 235.00, 352.50.

Method 1 – column A = Net, column B = Gross

The simplest method is to make ONE new column called 'Gross' in column B. Simply to go into cell B2 and enter the formula =A2*1.175. Then copy the formula down to the bottom row.

Method 2 – column A = Net, column B = VAT Rate, column C = Gross

Another way is to make TWO new columns. Column B is called VAT Rate, column C is called Gross.

In column B enter the value 0.175 all the way down. Then in C2 enter the formula = A2 + (A2*B2). Copy this formula down the column.

Method 2 is better because the assumed VAT rate of 17.5% is clearly identified, whereas in method 1 it is buried in the formula.

Method 3 – create a Named cell VATRATE

But the best way is to set up an entirely separate worksheet called ASSUMPTIONS. Then go into ASSUMPTIONS and define a Named cell called VATRATE.

So, in (say) cell C3 of ASSUMPTIONS, type VATRATE. Click onto D3 and type in 0.175

Now from the menu, choose Insert – Name – Define (Excel 2003). This gives D3 the name VATRATE. Now go back to the worksheet containing your list of numbers, and in B2 type the formula = A2 + (A2*VATRATE).

You can use VATRATE in formulae throughout the entire workbook.

This is the best way. All your assumptions can now be stored together in one place. And the VATRATE, even though it may be used in numerous formulae in the workbook, only has to be input once. This 'one-to-many' relationship minimises data entry and potential errors.

The third solution is the best in the long run but it is not intuitive and requires some initial thinking about design. Most people will opt for method 1 because it is the quickest route to solving the immediate problem.

1.6 MODELS FROM THIRD-PARTIES – EXCEL TEMPLATES

1.6.1 Buying Excel templates off-the-shelf

If you do not have the skills to build your own re-usable Excel models, then consider buying them from outside. One possibility is to buy an Excel template off-the-shelf.

Templates are standard models which have already been written in Excel. You key in your assumptions, and the template will generate the results for you, often with attractive graphs to impress the bank manager or investors.

These templates will usually have been written in a more professional manner than models developed by yourself in-house. However, there are disadvantages. The first is that the template is a standard product. How do you know it will fit the unique requirements of your business?

The second is that it is usually difficult to evaluate the underlying logic. You enter the data – and results come out the other end. But how do you assess the processing in the middle? Usually it will be buried in a welter of formulae and macros. If the logic is simple enough to disentangle quickly, you probably could have written it yourself. If the logic is more complex than that, it will probably be too complicated to work out and you just have to take it on trust.

It comes back to the problem that there are no set standards for writing a forecasting model. With accounting software, a Profit and Loss report must have been based on the double entry system. With a forecasting template it can have been built in any way, and it may be impossible to work out which.

1.6.2 Cash flow templates and business plans

As a general proposition, therefore, Excel templates may not be the answer. But in the specific area of cash flow templates they may well be. These are specifically designed to take a P&L forecast and anticipated payment terms, and convert these into a cash flow forecast, usually as part of a business plan to be presented to a bank manager or potential investor.

The standard of these is generally higher. One that has been praised by accountants on the pages of AccountingWEB.co.uk is:

- www.planware.org

1.7 MODELS FROM THIRD-PARTIES – FORECASTING PACKAGES

Alternatively, consider using a specialist forecasting package. These have numerous advantages over Excel:

- They are specifically designed for modelling, whereas Excel is a general purpose package;
- They are installed by consultants who will supply the modelling skills you lack yourself;
- They come with models pre-built which you can adapt, rather than build from scratch;
- They can consolidate all the departmental models into a single company database.

Often, the time to buy one of these packages is when you have developed numerous separate Excel models over time. They are reasonably mature, if not particularly easy to use. Having got as far as you can based on your own resources plus Excel, it is time to nail them all down into a single, properly organised, company forecasting system.

1.7.1 Implementation consultancy

Apart from the software itself, the second item in the list, implementation consultancy, is crucially important. After all, when you start up the package it is simply a blank sheet, a set of tools. You need help to get the best out of the software, particularly if you have no previous training in creating models.

Consultants can show you how to develop your models for, e.g. salaries and cash flow, in the most effective way. They can also help with the Sales model, where the essential knowledge may be locked away in the brain of an operational manager in the field, who may not be very IT literate. He/she knows the business, but may not know how to write a model.

Good consultants help you write good models. It is highly desirable that you are confident that the figures are reliable when budget-holders submit their forecasts to you.

And they have done all this many times before. Often they will have previously built models similar to yours for other clients. You can progress much faster by building on one of theirs rather than constructing a new one from scratch.

1.7.2 Interview your consultants

Therefore it is important when buying an outside package not to just talk to the salesman. Find out who is going to help you implement the system and interview them to check for personal chemistry and their business expertise. Raise a knotty problem you have. The ideal response is: 'Yes, we had the same problem when I installed with company X. We handled it this way.'

Good implementers have a wide experience of different companies and can be a real help to you in setting up the system well. Note, by the way, that this has little to do with IT. The key skill is business experience – understanding the task that the software is intended to perform.

Good consultants are essential, but do not be tempted to hand over to them. Take ownership of the project, and make sure that your own staff have ultimate responsibility for building the models. After all, they are the ones who know about the nitty-gritty detail of your business,

And inevitably any models you create with the consultants will have to be changed at some time. When this becomes necessary, you need to be able to make the changes yourselves without having to call them in for help.

1.8 MODELS FROM THIRD PARTIES – CASH FLOW FORECASTING

‘They come with models pre-built which you can adapt, rather than build from scratch.’

In any overall company forecast, two key forecasts stand out in importance – the sales forecast and the cash flow forecast.

1.8.1 Cash flow forecasting – limitations of Excel

For forecasting at a departmental level, such as Sales, Excel is fine as long as you understand how to construct a model. However, Excel is very limited when it comes to cash flow forecasting.

A cash flow forecast will normally be derived from the overall company forecast. But the company forecast will itself be a set of embedded formulae (i.e. the summary totals calculated in the departmental forecasts). In effect, the cash flow model is a set of Excel formulae applied to a set of numbers which are themselves formulae.

It becomes difficult to reflect the reality of the business if the cash flow forecast has to take in different payment terms for different customers, invoice factoring, letters of credit with overseas suppliers, etc., as well as irregular items such as rent, VAT or loan repayments.

Realistically, Excel is only good for forecasting cash at the simplest level, by applying an average of debtor and creditor days to Total Sales and Costs. Anything more refined starts to get very messy.

1.8.2 Cash flow forecasting with a third party package

One significant benefit of buying a third party package is that cash flow forecasting can now be much more detailed and sophisticated than it ever was with Excel.

An F&B package that is aimed at accountants (not all of them are) will invariably come with a strong cash flow modelling facility pre-written into it and will have the underlying structure that makes refined cash flow forecasting possible.

Their consultants will be able to help you adapt the standard cash flow model to your own needs.

‘Good consultants are essential, but do not be tempted to hand over to them. Take ownership of the project, and make sure that your own staff have ultimate responsibility for building the models’

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2. ELEMENTS OF FORECASTING – COLLECTION

2.1 THE PARTICULAR NEEDS OF ACCOUNTANTS

So far we have discussed Forecasting and Budgeting software in its generic sense, helping anyone in the organisation to predict future performance for their own department. Accountants make their own predictions like anyone else but, as an accountant, you have another – unique – role, which is to collect together everyone else's forecasts and aggregate them into one predicted set of results for the organisation as a whole.

We have referred to this as the 'collection' part of Forecasting & Budgeting, and we can identify four main aspects:

- Firstly, you take everyone's individual forecasts and assemble them into a single Profit and Loss forecast for the whole company.
- Secondly you make changes to this Profit and Loss forecast until it is finally agreed by everyone.
- Thirdly, in your role as guardian of the company's balance sheet, you take the company Profit and Loss forecast and turn it into a balance sheet and cash flow forecast.
- Fourthly, as operators of the company's accounting software, you take the actuals achieved, compare them with the budget, then report variances to management.

'The flexibility of Excel is a strength at the departmental level, but at the company level it is a weakness'

2.2 EXCEL WEAKNESSES

It is in the area of collection that Excel is inadequate for F&B.

Suppose that a company is using Excel to create its forecasts. Worksheets containing forecasts for the individual departments have all been produced. The next step is to set up a worksheet containing the P&L forecast for the whole company.

This P&L worksheet is largely made up of embedded formulae pointing to totals in the departmental worksheets. If a change is made at departmental level, it should then flow automatically up to the P&L.

For the figures to flow through from one worksheet to another, both Excel worksheets have to be open at the same time. Therefore, in practice, all the departmental worksheets have to be stored in a single Excel workbook. The company forecast is becoming unwieldy.

2.2.1 Formulae on formulae

As an accountant, you now have to perform your own tasks on the company forecast – perhaps apportioning central overheads back over the individual departments, and working out the cash flow forecast by applying payment terms to sales and costs.

With formulae now being applied to numbers that are themselves the product of formulae, very soon the company forecast develops into an overly-complex, Heath Robinson-type contraption which is understood only by its originator. It takes a long time to assemble and is extremely difficult to change. If the logic or assumptions are changed in one of the subsidiary schedules, how can you be absolutely certain that the change has been correctly reflected in the top level P&L?

Human ingenuity together with Excel's flexibility can achieve much, but this ingenuity is misapplied. Excel is not built for this sort of thing and another solution is required.

2.3 A SINGLE COMPANY DATABASE

'They can consolidate all the departmental models into a single company database.'

2.3.1 The need for a single database

The flexibility of Excel is a strength at the departmental level, but at the company level it is a weakness. To combine all those departmental forecasts into a single company forecast requires software that is structured and robust. A single database is required to integrate them all, designed to handle changes at one level and to flow the results forward or back to another.

The bigger the company, the more complex its operations and the more subsidiary schedules are floating around from individual departments. So the bigger the 'collection' problem becomes, the more important it is to find a single database solution.

On the other hand, the managers who make departmental forecasts still much prefer to use Excel, which is fine for them. The ideal solution perhaps is to have a third-party package into which you can feed the departmental forecasts written in Excel. This aggregates them all into a single, structured, database upon which you can perform further calculations such as overhead apportionment and cash flow forecasting.

2.3.2 Is Excel sufficient for small companies?

Clearly, the larger the company the more the need for a single database is apparent. However, in a small company where one accountant writes all the worksheets and links them all together, then perhaps everything can be done in Excel.

The problem is that there is an unhealthy reliance on one individual. What if the accountant leaves? Several times I have been asked to visit businesses where the accountant who put together the budget last year has since left. One look is usually enough. It is just too complicated to be able to work out the logic and the only safe solution is to start again from scratch.

The key points are to ensure that if Excel is used then you should make sure that it is fully documented, and that deputising and/or succession issues are adequately planned for.

Excel is fine for producing departmental forecasts. But when you need to aggregate them all together into a company forecast, use another package.

2.4 NEEDS OF THE LARGER ORGANISATION

The larger the organisation, the bigger the number of subsidiary schedules making up the company forecast, and therefore the more important the 'collection' features within any F&B package.

Forecasting in larger organisations is often part of an overall budgetary control system. Managers are held to account, usually in the form of monthly management accounts which show their actual performance against budget.

Forecasts are therefore more negotiable. When a manager submits a forecast, senior management might say it is too high and send it back. So, several versions may be submitted before the forecast is finally accepted. And sometimes more than one manager is involved in creating a single forecast.

Therefore, additional 'collection' features may be required, such as those discussed below.

2.4.1 Workflow

As more people become involved in creating the overall forecast, and their individual forecasts are more subject to negotiation back and forth, it is necessary to keep track of documents and which individual within the organisation has them at any moment in time.

This is known as 'workflow'. With workflow you can see a list of the outstanding documents which will make up the budget. It shows who has got the document, and when they received it. Emails between yourself and the managers are stored as well.

2.4.2 Version control

As the forecasts are revised and resubmitted, it will be necessary to keep track of the different versions out there, and to record which individual has made which changes to the document.

As revised forecasts are received, the new version needs to be plugged into the company forecast. Version control also allows you to keep track of which versions of the departmental forecasts are currently incorporated into the draft company forecast.

2.4.3 Remote data entry

If the organisation operates from multiple sites, managers in different towns or different countries will be collaborating to produce the forecast. You have to consider the process by which they submit their forecasts.

Sometimes the managers create their forecasts in Excel, then email them to the centre, which keys them into the main forecast. Or perhaps they can upload them to a central location, e.g. via Microsoft Sharepoint and Excel Services. Or maybe the Forecasting package has remote data entry, allowing managers to enter their forecasts directly over the internet.

2.4.4 Revising existing forecasts

If there is a lot of negotiation over forecasts, and multiple versions are produced before the final one is agreed, it needs to be easy for managers to take their current forecast and revise it, rather than have to rebuild a new one from scratch every time.

For example, suppose a manager has forecast in the first draft of the departmental budget that departmental costs will add up to £120,000. Senior management reject this and tell the manager that the maximum the department can spend is £100,000. The software should help the manager to re-calculate the forecast based on this reduced total.

'If there is a lot of negotiation over forecasts, and multiple versions are produced before the final one is agreed, it needs to be easy for managers to take their current forecast and revise it'

2.5 VARIANCE REPORTING

As an accountant you are required to take the actual figures, compare them with the budget and show variances, typically as a part of a monthly management pack which is circulated to senior management

The actuals will usually be extracted from the accounts package (Sage, SAP, Pegasus etc.) and then brought into the forecasting package for creation of the final reports. So it essential to consider any F&B package from this angle – what sort of variance reporting do you want and can the package provide it?

We can assume that every F&B package is capable of reporting in the standard six column format of Actual, Budget, Variance for This Month and Year to Date. However, you may require other formats, for example:

2.5.1 Multiple variances

Rather than simple totals of actual-budget-variance, do you want to report multiple variances? For example, when reporting on Sales and Cost of Sales, you might want the software to calculate multiple variances such as sales price variance, sales volume variance, purchase price variance etc., perhaps as part of a system of standard costing.

2.5.2 Flexed budgets

If one item in a Profit and Loss report differs from forecast, it might invalidate the variances of all the other items in the report. In this case do you want to be able to hold 'flexed' budgets reflecting differing scenarios?

For example, in the hotel business, you might produce budgets based upon 60%, 70% or 80% occupancy levels. If the company achieves 70%, you will wish to use that version of the budget when reporting actual against variance, thus ensuring that all the variances are valid.

2.5.3 Driver variances and KPIs

Reporting results in purely financial terms may not be as meaningful as reporting the key drivers directly. Therefore aim to include target and actual figures for the major business drivers in your reports.

Perhaps these could be presented as a set of non-financial KPIs (key performance indicators) which accurately reflect the performance of significant business drivers.

2.5.4 Rolling forecasts

Most budgets are produced for a year ahead. As the year progresses, the actuals and budgets start to diverge and it is clear that the budgeted figures for the latter half of the year may be exceeded or missed.

So every quarter you may wish to revise your forecast for the next 12 months to take account of the latest developments. The 12-month forecast becomes a 'rolling forecast' since it is being continually updated every quarter.

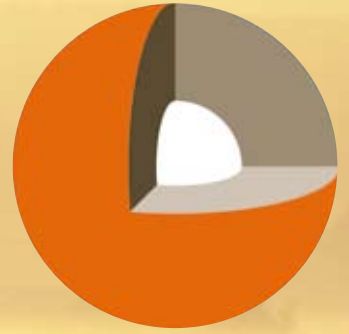
2.5.5 Matching nominal and budget categories

There is one important piece of 'housekeeping' to be aware of. Generally speaking, people budget at a level higher than nominal code level. So in their budgets they might have 10 categories which cover 20 nominal codes in the chart of accounts.

Make sure that the F&B package has the facility to assign ('map') each nominal code to a budget category, so that reports of actual vs budget truly compare like with like.

In the same way, if a new (and therefore not budgeted for) nominal code is set up during the year, it must be possible to assign it to a budget category.

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3. BUYING A PACKAGE

Once you have decided that you wish to go ahead and buy a package, you need to do some preparation before you start seeing possible suppliers. First, you have to identify who needs to be involved in the buying decision. Second, you have to set up a test pack of sample data. Thirdly, because the market is so diverse, you need to define your own needs and get a clear idea of what sort of package you require.

3.1 BEFORE YOU TALK TO SUPPLIERS

3.1.1 The buying team

First, set up a team of users who will attend product demonstrations and recommend which product you buy.

Forecasting and budgeting is often a complex exercise, involving the collaboration of numerous users in different departments of the organisation. There are three distinct groups.

- There are the forecasters, who need to improve the quality of their forecasts, usually with respect to sales. They need more sophisticated tools.
- There are the accountants, who need to aggregate everyone else's forecasts together, and derive a cash flow forecast and balance sheet.
- Thirdly, there are the budget holders, who submit the forecasts for their own departments. They want a package that is easy to use, like Excel.

The needs of all three groups are different and it is important to make sure that the interests of all are represented in the buying decision, rather than just one of them. So identify the forecasters, accountants and budget holders in your own organisation and ensure that someone from each group is on the team.

3.1.2 Put together a test pack

Demonstrations from possible suppliers should be as close to the realities of your organisation as possible. Therefore, when demonstrating, make sure that they use *your* data rather than their own.

So, before talking to suppliers, you need put together a test pack of your own data which the software should be able to handle. Make sure the more complex areas are covered, e.g. sales, salaries, cash flow. Use this during demonstrations.

One of the key requirements in any forecasting system is flexibility. So test how easy it is to change a model. For example, you have assumed average payment in 40 days. After the model has been completed, ask them to change this to 45 days. How easy is this to do? How quickly is the forecast now re-calculated?

3.1.3 Define your needs

The variety of F&B packages is enormous, reflecting the different types of organisation they cater for. You will save yourself a lot of time if you can work out what segment of the market you are in.

Developing the test pack will help crystallize your thinking on this.

The software package you need depends really on two levels of complexity. The first is the complexity of the model(s) you want to set up in order to make predictions about your business.

The second is the complexity of the business in logistical terms (number of staff involved in creating the forecast, number of sites, etc.).

And do you have a prediction problem or a collection problem, or both? If the departments are reasonably accurate with their forecasts but it is a lot of work to consolidate them together, you have a collection problem. If the forecasts from some departments are inaccurate or inadequate, you have a prediction problem.

3.1.4 Some key questions

Prediction:

- Do we need better analysis of historical data (OLAP)?
- If yes, how many dimensions of analysis do we need?
- Do we need to introduce driver-based forecasting?
- Do our models accurately reflect the drivers of the business?
- Are our models reliable for repeated use?
- Do we need outside help to create better models?
- How much professional help will we need to set up our F&B system?

Cash flow modelling:

- Are our cash inflows complex and/or lumpy?
- Are our cash outflows complex and/or lumpy?
- Do we want to include committed costs (i.e. sales and purchase orders)?
- Is Excel good enough, or do we need a third party package?

Collection:

- How many subsidiary schedules will go into the company P&L?
- Do we need them consolidated into a single database?
- Do we need workflow?
- Do we need version control?
- How should budget holders submit their forecasts (email, internet, Sharepoint, etc)?

Reporting:

- Do we want to produce our monthly management pack with this package?
- What layout do we require for each management report?
- Do we want to include non-financial data (KPIs)?
- Do we want to implement rolling forecasts?

What about Excel?:

- And finally, where does Excel stand in all this? Are we willing to banish Excel entirely, or would there be too much resistance from users?

3.2 A GUIDE TO THE MARKET

There is a wide variety of packages out there, catering for a wide variety of users. Some are designed for small businesses, others for larger. Some aim at the general business user who needs a good set of forecasting tools; others aim specifically at the accountant, with emphasis on cash flow modelling and reporting.

In this section we will look at the various market segments and the packages that serve them.

3.2.1 The accountant in practice

Typically, the accountant in practice will be asked by a client to help them put together a business plan to submit to a bank manager or potential investor. The client has probably already produced their own month on month Profit and Loss forecast. They now need their accountant to add a cash flow forecast and turn it into a professional-looking business plan.

Use Excel for this, or one of the off-the-shelf Excel templates.

3.2.2 The accountant in a small business

In a small, owner-managed business, the accountant sits down with the Managing Director and perhaps the sales manager to work out the forecasts. Based on discussions with them, they will type all the forecasts for the various areas of the business into a spreadsheet such as Excel.

The final company P&L may end up as a rather complex beast in Excel, with lots of updating and embedded formulae between the different worksheets. However, because you have produced it yourself, you are in a position to understand it.

Excel can handle the P&L side of the forecast, but if cash flow projections and balance sheet are required, it becomes increasingly unwieldy. In this case, consider Sage 50 Forecasting if only single forecasts need to be produced. If you need to collect individual forecasts to create an overall company or departmental forecast, consider WinForecast.

Sage 50 Forecasting will take the elements of the P&L forecast and allow you to enter sophisticated payment terms onto individual revenue streams or expenses. And it can handle the lumpy cash items such as VAT repayments. Effectively, Sage 50 Forecasting allows you to create good quality cash flow forecasts and balance sheets.

As such, Sage 50 Forecasting is very much an accountant's product, enabling you to take the forecast at P&L level and convert it into a good quality cash flow projection and balance sheet. It can import data automatically from Excel, which remains better for departmental forecasting.

3.2.3 Small to medium organisations

Sage 50 Forecasting is fine as long as all the work is done by the accountant. However, as the company gets larger, forecasts are now done by the individual managers who are, after all, closer to the action and the best qualified to make forecasts. Invariably these are written in Excel and are of varying quality.

You can enter the results of all these subsidiary schedules into Sage 50 Forecasting, but the detail of the schedules is not included. So if, for example, you want to query the Personnel costs in the company forecast you will have to go to a separate Excel worksheet to see the detail.

At this point you might invest in a product such as Rugged Logic. Rugged Logic aims to take all the departmental schedules in Excel and aggregate them into a single database. It is server-based, and applies numerous checksums and other controls to make sure that the worksheets interlink correctly.


Rugged Logic then is for managers and FDs who so far have done all their forecasting in Excel. They are comfortable with Excel and appreciate its flexibility, and want to stick with it. But at the moment they are finding it hard to link all the disparate worksheets into a coherent whole.

3.2.4 Medium to larger organisations

As the organisation gets larger it may see Forecasting and Budgeting as very much a tool for running the business on a day-to-day basis. Departmental heads submit their budgets, the accountants produce monthly reports on them showing variances, and these variances are analysed in order to see if the business is still on track or if the plan needs to be updated.

This is the emphasis of a product like Inca Planning. Inca is a suite of planning software that is independent within itself and does not use Excel. Inca is for the middle-size organisation that wishes to implement a forecasting and budgeting system, then use it as a central part of the running of the business. Workflow and version control are well catered for. Since it concentrates very much on the 'company-wide' aspects of the forecast, Inca is particularly strong on the needs of accountants.

Aiming at a different group within the larger organisation is Microsoft PerformancePoint Server (PPS), which is an OLAP-based product. There are numerous strands to PPS, which intends ultimately to combine Analytics and Planning and is aimed at the upper mid-market and enterprise space.



PPS is aimed at business analysts and the IT department, and has obvious applications for production planning, forecasting of sales and margin, headcount analysis etc. At present it represents rather more of a 'point' solution for use by a single department rather than a company-wide forecasting and budgeting system.

3.2.5 Large organisations

There are numerous packages at the corporate level such as Cognos Planning (formerly Adaytum) and Hyperion. Many of the accounting package vendors such as SAP and CODA have their own Planning and Forecasting modules. This brings benefits in that the analytics and the planning should be closely integrated.

However, it is important to find out whether the forecasting module has actually been written by the vendor or was bought in from outside and rebadged. Small niche products tend not to flourish once they have been taken over by large vendors. As a general rule, packages from independent suppliers are superior.

Larger organisations can afford the expense of OLAP-based forecasting. IBM Cognos TM1 (until recently Applix TM1) is a high-end OLAP-based package which can analyse millions of transactions yet still offer speedy response time. TM1 is very much a specialist 'point' solution for analysing sales or similar data, but also incorporates the specific requirements of the accountant.

'Sage 50 Forecasting is very much an accountant's product, enabling you to take the forecast at P&L level and convert it into a good quality cash flow projection and balance sheet'

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4. REVIEWS OF FORECASTING AND BUDGETING PACKAGES

Sage 50 Forecasting/Sage WinForecast Professional Consolidation

TARGET MARKET

Sage 50 Forecasting works well in a single user environment where the accountant or manager of the business handles all the budgeting side and holds everything in their own head. It is not so appropriate where the data needs to be shared and forecasting is a collaborative effort.

COST

Sage 50 Forecasting: £500 single user.

Sage WinForecast Professional Consolidation: £750 single user.

CONTACT DETAILS

Website: www.sage.com

Telephone: 0191 294 3000

OVERVIEW

Sage's forecasting package comes in two flavours, Sage 50 Forecasting and Sage WinForecast Professional Consolidation. Sage 50 Forecasting is an updated version of WinForecast with additional features, however it lacks the consolidation feature of WinForecast which allows you to combine multiple forecasts up to a group level forecast, and perform group level functions such as eliminations and allocations. Both packages can act stand alone, allowing you to enter budgets and/or actuals manually, as well as accept budget and/or actual values from both Excel and Sage Line 50 (now Sage 50 Accounts).

Sage 50 Forecasting employs the use of 'record types' and 'entry methods' to generate a forecasting model. The software contains particular sets of record types to deal with difficult calculations. These seem capable of handling a range of scenarios, including most 'spiky' type payments, such as quarterly rent and VAT payments. In the case of a leased item, you can feed in the deposit, interest rates, life of lease etc. Sage 50 Forecasting will work out the monthly capital and interest elements, and feed them into the balance sheet, P&L and cash flow. It will also handle depreciation and accruals of interest within the different records.

These entry methods are also where you can select to import values from either Excel or 50 Accounts.

Using the flexibility of the record types and entry methods you can perform a number of functions. For example, it allows you to take either the P&L budgets or actuals out of Line 50 or Excel, amend or reforecast them, then convert this forecast into a cash flow or funding projection based on anticipated payment terms.

Or you can enter all your budgets manually, using the entry methods to assist you in calculating the cash flow forecast, and then import actuals from 50 Accounts and Excel to give you variance reports.

By using the different 'record types' and 'entry methods' it also makes it quick and easy to create different 'what if' scenarios, and view the effects on your business. For example, you could explore the potential effects of purchasing an asset in six months time on your projected bank account. You can then use the outcomes of these 'what if' scenarios to make preparations for the future.

Effectively then, Sage 50 Forecasting gives users a means of controlling their working capital. Managers can use the cash flow projections supplied by Sage 50 Forecasting as the basis for discussing future funding requirements with investors or the bank manager.

Forecasting

Sage 50 Forecasting will allow you to make multiple forecasts reflecting different possible scenarios; this is performed by saving the forecast as a different file. You can also have two sets of budgets in the same forecast: original budgets and revised budgets.

Original budgets can be copied over to revised budgets, and vice versa, and then amended, or you can create a completely new set of revised budgets from scratch.

By having both original and revised budgets, once actuals are entered or imported you can compare variance reports to both original and revised, as well as viewing projected reports based on actuals followed by either original or revised values.

For pure forecasting, Sage 50 Forecasting is perhaps a bit limited. For example, there is no easy way to list the assumptions behind the forecast, which remain embedded in the data. Most people will probably continue to run their more complex forecasts through Excel and import the results into Sage 50 Forecasting.

SUMMARY

The original WinForecast package has been much praised by readers of AccountingWEB over the years, although some say it has become a little bit more difficult to use since Sage took it over. The real strength of Sage 50 Forecasting lies in its ability to take a P&L and assist you in generating balance sheet and, more importantly, cash flow projections. The latter is a valuable mechanism for keeping control of working capital. Managers who use it should be able to talk to their bank managers with confidence.

As a pure forecasting tool it is probably not as flexible as Excel and most people will continue to budget in Excel, pulling the data into Sage 50 Forecasting via hotlinking. It would benefit from being able to print out a plain English list of assumptions behind the forecast.

Sage 50 Forecasting works well in a single user environment where the accountant or manager of the business handles all the budgeting side and holds everything in their own head. It is not so appropriate where the data needs to be shared and forecasting is a collaborative effort. (A collaborative effort is more suited to WinForecast Professional Consolidation, where it allows you to consolidate individual forecasts.)

Rugged Logic

TARGET MARKET

Rugged Logic provide cash flow and financial forecasting for the medium enterprise. This combines historical data with current business drivers and an understanding of the business environment in order to create a financial picture of business into the future.

COST

Below £10,000 for a site licence, including services.

CONTACT DETAILS

Website: www.ruggedlogic.com

Telephone: 0845 1264 100

OVERVIEW

Rugged Logic claims to create an industrial strength forecasting system based on Excel. It does this by addressing Excel's two key weaknesses – first, the varying quality of hand-crafted models built by untrained users; second, the difficulty of integrating Excel spreadsheets together into a single database that will produce a P&L, balance sheet and cash flow.

SpreadsheetBuilder technology

RL achieve this through their SpreadsheetBuilder technology, a 'revolutionary mathematical engine' that builds Excel-ready, customised financial models in minutes.

When you start with Rugged Logic, their consultants go through a lengthy questionnaire with you about your business. The answers are fed into the Rugged Logic engine which then builds the models in Excel. Over 20,000 checksums are built into every model and the model's logic is (they say) robust and accurate,

Each model comes integrated with a Profit and Loss, balance sheet and cash flow. These are editable and can be adapted to your standard format.

In other words, rather than let users put together their models in any way they wish, Rugged Logic imposes upon them a methodology for creating it. The user is required to follow this method, but the resultant model is now logically structured and 'rugged-ised'.

So, as a benefit of following RL's methodology, you get models that are more reliable and more easily re-usable than the traditional, 'hand built', Excel model. And they are also much quicker to produce, being generated automatically after you have typed in the answers to the questionnaire. RL claim this allows them to create the simplest of cash flow models, through to the most complex consolidations.

Rugged Logic is attractive and easy to use. When using the models you can type in data manually, or apply growth rates and seasonality to a base figure. You can also import actuals from the accounts system via CSV or ODBC.

Whereas in Excel most assumptions are hidden away in formulae, with RL all assumptions are available from menus, and easily visible. It proved easy to change the payment terms from, e.g., 35 days to 40, and reflow the cash flow projections.

SUMMARY

If you like using Excel but need to overcome its limitations, then you should investigate Rugged Logic. It offers a methodology which guarantees good quality models, and allows multiple Excel worksheets to be consolidated into a company-wide forecast.

With all the well-publicised limitations of Excel, it might be prudent to ask RL for reference sites to confirm that Rugged Logic does actually do what it says on the tin. However, for any FDs who like Excel but find themselves sinking in a sea of spreadsheets, Rugged Logic could prove an ideal lifeline.

This product is ICAEW accredited. For more information go to www.icaew.com/accredit

Inca Planning

TARGET MARKET

Inca Planning is for the middle-size organisation that wishes to implement a forecasting and budgeting system, then use it as a central part of the running of the business. Workflow and version control are well catered for. Since it concentrates very much on the 'company-wide' aspects of the forecast, Inca is particularly strong on the needs of accountants.

COST

Starts from £12,000 for a 10-user system.

CONTACT DETAILS

Website: www.incasoftware.co.uk

Telephone: 01784 270860

OVERVIEW

The founders and many of the employees at Inca Planning originally worked at Adaytum, who offered a very successful forecasting and planning package developed in the UK and aimed at the corporate market.

When Cognos bought Adaytum (now marketed as Cognos Planning), the team decided that while there were numerous F&B packages out there serving the corporate marketplace, there was virtually nothing available for the mid-market. So they wrote Inca Planning.

Inca Planning is a UK-written product aimed at the SME (Small and Medium size Enterprise) market, particularly the medium-sized.

Philosophically, then, Inca derives from the world of bigger corporate systems. At this level there may be dozens of budget holders building models and submitting forecasts, so the single database concept is fundamental – it is essential to integrate all the forecasts into a single, company-wide whole. Inca, therefore, is not some adaptation of Excel, but an application software solution written from the ground up in .NET and running under SQL Server.

Inca philosophy – by accountants for accountants

Inca take the view that, as soon as users start to use the Inca toolset in order to produce sophisticated models, they are going to need consultants and implementation help (most of Inca's consultants are chartered accountants).

When you install the software, the Inca consultants have an implementation methodology which shows you how to build your models. These may be quite different for different companies, but (they say) give you the function to create whatever you want, resulting in a short implementation time.

Although Inca does not use Excel, during the demonstration it seemed pleasantly easy to use. Budget holders enter their forecasts directly, and can be set up to see only the data that relates to them (e.g. just sales and cost of sales for their own cost centre). Calculations and formulae are all calculated by the Inca calculation engine not by the user. You can see them, but they are greyed out.

Version control seemed good. Once budgets are agreed you can 'lock down' individual figures in the forecast (differently coloured) so that they cannot be changed. It proved easy to apportion overheads over several cost centres. Inca stress that with their product, the time spent on physically putting the forecast together is greatly reduced, leaving the accountants to spend much more time reviewing the data rather than simply assembling it.

Reporting

A particular impression one gets with Inca Planning is that the resultant forecast becomes an essential part of running the company. Variance reporting seemed good, and it was easy to update the budgeted figures each month and generate a rolling forecast.

SUMMARY

Inca Planning seems a very flexible and easy-to-use system well-suited to medium-size companies, particularly those with budget-holders at multiple sites. It is written in the UK, and staffed by people who know a great deal about accounting. A very attractive package.

Microsoft Performance Point Server (PPS)

TARGET MARKET

A general purpose forecasting package that is suited to the corporate and semi-corporate users who have an IT department capable of utilising the environment and forecasting tools in order to develop specific solutions that meet the needs of their accountants.

COST

Approximately £15,000 for a 10-user system.

CONTACT DETAILS

Website: www.microsoft.com

Telephone: 0870 601 0100

OVERVIEW

Performance Point Server (PPS) is one of a suite of products that Microsoft has put together to handle analytics, forecasting and business planning, and company reporting. Various other components in this suite are Sharepoint, Business Scorecard Manager, Analysis Services and, of course, MS Office itself. PPS is aimed at the upper mid-range and enterprise market.

To some extent, Performance Point Server is attempting the same task as Rugged Logic, in that it aims to beef up Excel into an industrial strength forecasting and planning system. You do your modeling in Excel, while Excel PPS is an add-in which organises the model and integrates the data.

During the demonstration we looked at sales forecasting in PPS. In the left side of the screen PPS pulled in actuals for January to June from an accounts package. It was easy to apply uplift percentages to these actuals and generate the forecast for July to December in the right hand half.

From this you can produce your business scorecard and corporate dashboard. And Microsoft of course are specialists in presenting the data in graphical format to help managers visualise and make sense of it.

When July is past, PPS will automatically update the actuals into the model and update the graphs.

So, PPS offers a very attractive and flexible set of tools for forecasting, planning and reporting. However, this is early days and, as it stands, PPS is more of a toolkit for creating a forecasting and planning solution rather than the solution itself. So there are no templates for cash flow forecasting or for converting a P&L into a balance sheet, as provided by other packages reviewed in this guide.

In fact there is no 'accountants' dimension' to PPS at all. At present Microsoft is aiming it more at business analysts and IT departments who need to create a point solution aimed at the needs of a particular department, e.g. forecasting worldwide headcount throughout the organisation.

And while PPS will import data from various sources, it does not offer powerful OLAP-based analytics and forecasting such as you get from TM1 (see next section). Doubtless it could be linked into Analysis Services for this purpose, but your IT department would have to do most of the work.

Another key strength of PerformancePoint Server is the use of, and understanding of SQL Server Analysis Services. So, not only can business analysts quickly create analysis services cubes within PerformancePoint Server, these, as well as other cubes can be used in creating key performance indicators, analytical views, and dashboards needed to help everyone across the organisation make informed business decisions that align with company-wide objectives.

PPS requires a number of elements of the Microsoft 'stack' that should be factored in when considering costs. This includes Microsoft Office and Microsoft SQL Server. The latter needs to be the Enterprise Edition as opposed to the standard edition because of the need to be able to perform write back which is only available in the Enterprise version.

SUMMARY

PPS offers a fine environment and set of tools for forecasting. Doubtless third parties will be using them to construct complete solutions and a library of templates and models will accumulate over time. But until then PS is very much a general-purpose forecasting package rather than one that aims to supply a solution to the particular needs of accountants. You and your IT department will have to develop much of it yourselves.

IBM Cognos TM1 (previously Applix TM1)

TARGET MARKET

TM1 is appropriate for large organisations who have a large number of past transactions which at present are not being satisfactorily analysed. TM1 will get all this data under control, and turn it into a foundation for realistic forecasting.

COST

Price on request

CONTACT DETAILS

Website: www.cognos.com/products/tm1/index.html

Telephone: 0207 968 4300

OVERVIEW

How can you predict the future if you do not understand the past? Conventionally, analysis of historical data from an accounts/ERP package (in the jargon, 'analytics') is done by BI (business intelligence) software, while predicting the future is done by a forecasting package, and the two areas are kept separate.

However, OLAP-based forecasting (see the explanation in section 1.1.2) straddles both BI and forecasting. So a package like IBM Cognos TM1 will take hundreds of thousands or millions of transactions from your accounts/ERP package and allow you to slice and dice them any way you want. Once you have used TM1's analytical abilities to make sense of the past, you can then use its forecasting abilities to predict the future.

TM1, therefore, is part-BI, part-forecasting package. It is appropriate for large organisations who have a huge amount of transactional data which they are struggling to make sense of. TM1 will get all this data under control, and turn it into a foundation for realistic forecasting. (In fact, while watching the TM1 demonstration the mischievous question occurred to me – why does anyone bother to buy a BI package like Cognos Powerplay or Business Objects at all when TM1 will give you all the analytics you need, and allow you forecast from it as well? I'm sure there must be a simple answer to this.)

Initially, organisations are likely to buy TM1 as a solution for a particular departmental problem – Cognos say it is suitable for Sales Analysis, Financials, Budgets, Merchandise Planning, Risk Analysis, Mergers & Acquisitions, Modelling, ABC Analysis, and that it can be used by the Financial Controller, FD, Sales Director, Marketing Director, Board, CEO. After the initial installation other departments are likely to see its potential. For example, TM1 originally went into BAE Systems Ltd in 1997 on a single PC to handle rates modelling. Since then it has developed into a 150 user system.

Technical

The key issue with OLAP software is that it has to be able to punch its way through vast amounts of data quickly enough to offer acceptable response times. On this technical side it is probably best to consult the OLAP report from BI guru Nigel Pendse.

Suffice it to say that TM1 does real-time data analysis and writeback (the forecasting element) all in memory and this is apparently the fastest.

Once you have installed TM1 and defined the dimensions of analysis you want to use, it then goes off and creates a set of data cubes (i.e. summary totals) and you base your forecasts and your models on these. Users however are shielded from the technical side since they manipulate the data cubes in Excel, and reports are viewed through an Executive viewer.

The demonstration with TM1 lasted nearly two hours. All the key areas identified in this guide seemed to be well-covered but a couple of points should be mentioned specifically. First, in spite of being a highly technical product, TM1 is very much aimed at the end-users rather than the IT department.

Second, it appeared that, despite being at heart a departmental solution for a particular problem, they have done a lot of work to add the 'accountants' dimension' and have successfully turned TM1 into a full company-wide forecasting and reporting solution.

SUMMARY

Of course, when you implement an OLAP-based solution you are really implementing two solutions – a BI solution and a forecasting solution. The former is going to be a complex and expensive project, much more so than simply installing some forecasting software. So the cost of implementation of a product like TM1 will be far higher than that of the other products in this guide. With that proviso, TM1 is a superb product – as long as you need OLAP.

COA Solutions Group – Collaborative Planning

TARGET MARKET

As it stands, Collaborative Planning will be especially suitable for the mid-market service or not-for-profit organisation which is accounting-driven. A big advantage is that it comes from a supplier with lots of experience in implementing accounting systems in this area. More commercial, profit-driven, organisations will need to buy the cashflow planning module.

COST

Starts from £15,000 to £20,000, plus 12 to 20 days implementation.
(n.b. Cashflow modelling is currently extra)

CONTACT DETAILS

Website: www.coasolutions.com

Telephone: 08451 605555

OVERVIEW

COA Solutions is one of the UK's largest suppliers of accounting software to public sector and medium-size corporate customers. Their products include Open Accounts, eFinancials (ex-Cedar) and E5 (ex-QSP). As part of their Corporate Performance Management suite (BI – scorecards – analytics – dashboards etc) COA have developed Collaborative Planning, a budgeting and forecasting system which works with all group packages. Collaborative Planning has attracted interest from non-COA customers and is now being offered to the wider marketplace.

Most customers at present are those in COA Solutions' own specialist area – mid-market, service-type organisations in the public and non-for-profit sector. Budgeting activity is driven by the Accounts department, who may be finding themselves bogged down in pulling together innumerable spreadsheets.

Collaborative Planning (CP) is a web-based system that handles budgeting, forecasting and forward planning. It consolidates and holds the data real-time in a single database. You can budget at both GL and project level, and create multiple models with different dimensions if need be.

In appearance CP is very attractive and easy to use. Entering figures is easy, with good facilities for entering a total figure and smoothing it, or decreasing and increasing by a percentage. Because it is linked to the accounts system, CP holds profiles based on previous year actuals and you can apply these to the budgets as well (one of the advantages of buying both your accounts and your budgeting system from the same supplier).

The 'Budget Cycle History Details' screen shows a global view of where we are in the budget preparation process. The demo showed 14 departments, of which ten had not started, three were in progress, and one had submitted. Traffic lighting quickly identifies the offenders. Budgets, once submitted, go to managers who can see their own consolidated position. They can adjust the numbers, then send them back to the originators, all of this taking place immediately over the internet.

The screens were admirably clear and drill-down was excellent, from group level all the way down to the 'cell audit' of all changes made to any number. And in the case of past actuals, you could drill down to transaction level.

Cashflow is currently handled by a separate module (public sector organisations know when and where their money is coming from, so cashflow modelling tends to be less important for them). Where budgeting from drivers is required, it is possible to build a 'model within a model' within CP. COA will help users build models as part of their implementation.

SUMMARY

A very attractive package, whose web-based design makes it quick to consolidate budgets in real-time with one version of the truth. Screens are elegant and easy to use. Being able to integrate past actuals from the accounts system with your budgets is very helpful, and drill down is excellent. It gets the whole budgeting process under control from the point of view of the Accounts department.

One limitation to keep in mind, obviously, is that it has been written to work closely with other packages in the COA Solutions group and this is what you see at the demonstration. If you have a non-COA accounts package, then you should check what limitations or extra cost this will involve.

ABOUT THE AUTHOR

David Carter has worked in the computer industry for some 25 years. Originally starting as a salesman with IBM, he has worked in production control, finance and distribution. Since 1989 he has been an independent consultant helping more than 100 small and medium-size businesses to select and install accounting and ERP packages.

He has been writing about IT for more than 15 years, the last four as consultant IT Editor for www.accountingweb.co.uk, one of the UK's main websites for accountants.

David edits the Management Reporting section of AccountingWEB and also writes the Software Lab Tests – detailed evaluations of the main mid-range accounts packages. He has a particular interest in using Excel for management reporting. His self-teach tutorials have been downloaded over 150,000 times and introduced many users to Excel pivot tables.

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