

Chapter 85

Enterprise Resource Planning System (ERP) and Other Free Software for Accounting and Financial Management of Non-Profit Entities

Teresa Montero-Romero

Universidad Loyola Andalucía, Spain

Magdalena Cordobés-Madueño

Universidad Loyola Andalucía, Spain

ABSTRACT

The non-profit sector is interested in elaborating reliable and clear financial accounting information to achieve several objectives: to know the real volume of activity in each organization, to use it to make financial and investment decision (financial management), and to contribute to improve the management system. This chapter shows the characteristics to identify the financial management and the management accounting in non-profit organizations. This information is used to define how to build an appropriate information system to provide the decision makers with reliable, transparent, and timely information. Besides the above, it also shows the usefulness of Enterprise Resource Planning (ERP), focusing on its definition, advantages, and disadvantages, as well as developing explanations of the major free software ERP and open source systems.

INTRODUCTION

The non-profit sector includes non-profit entities and is identified, in general, as the sector that considers social objectives over economic goals. There is not much consensus among researchers

to determine the exact origin of non-profit entities (NPE, hereafter), but there is a consensus, on the one hand, that the United States and the United Kingdom are pioneering countries in this sector and, on the other hand, when confirming the great development that NPE have undergone

DOI: 10.4018/978-1-4666-7230-7.ch085

worldwide in recent decades, due both to their increasing number and also to economic literature specifically related to this sector.

From the point of view of their objectives, NPE can be distinguished from other entities for various reasons:

1. Their main objective is providing social services to citizens or their associates;
2. These services are diverse and encompass those related to health, education, culture, sports and leisure, religion, social services (local, national and international), environmental protection, labor and professional associations, among others;
3. Most of their members work voluntarily;
4. They can take be under non-commercial legal forms (foundations, associations, sports associations, professional associations, federations, etc.); and
5. They are non-governmental entities (Cordobés & Soldevila, 2012).

From an economic and financial standpoint, they are characterized by the fact that:

1. The goal of obtaining a profit, if there is one, is the intention to improve services offered and to reinvest in the organization itself;
2. They are mainly funded through donations (individual, other NPE, private companies or the state), with subsidies (of public or private origin) and the contributions of their members; and
3. They have tax advantages (which vary depending on the entity and the country where it operates).

The main objectives and singularities of the NPE also require resource management, using accounting and financial tools adapted to the purposes and procedures of the NPE. *Non-profit* does not mean monitoring tools are not needed or that it is not necessary to use efficiently and

properly those economic resources that are scarce and susceptible to alternative uses. Efficiency is necessary but must be at the service of the social objective of the organization, combining the wealth of services provided with a rational use of the resources used. The traditional goal of making profits (or surplus) is not the end purpose but a means by which it is possible to achieve and develop a social objective. Economic subsistence is a means to achieve the objective of the organization and ensure its permanence in time.

People working in NPEs, however, often pay little attention to accounting and financial and economic resources. One might almost think that the need to capitalize on the resources is at odds with the identity of such institutions, or at least inconsistent with it (the term profit has even been replaced by that of surplus). In some cases, it is even regarded with suspicion, either because their leaders lack the necessary competence, or because their personal involvement with the social problems of the groups they serve prevents them from attending to the economic sphere of the organization.

Naturally this is not our point of view. We believe that the proper management of financial resources is part of the responsibility of those in charge of these institutions and may contribute to the improvement of their social objectives.

Given the aforementioned, the main aim of this study is to provide managers of NPE with software information systems for both the comprehensive management of their entities and the use of ERP (Enterprise Resource Planning) as the specific software for accounting or financial management. In particular, we will focus on those tools that have been developed to be used without the payment of a license, also known as *Open Source* or free software. In our opinion, in addition to presenting the advantage of being useful in management, as is manifest in their widespread use in companies, they have the not inconsiderable added advantage of incurring no cost for their use, unlike other software on the market; thus neces-

15 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:
www.igi-global.com/chapter/enterprise-resource-planning-system-erp-and-other-free-software-for-accounting-and-financial-management-of-non-profit-entities/120994

Related Content

Exploratory Analysis of Free and Open Source Software Ecology

K.G. Srinivasa, Ganesh Chandra Deka and Krishnaraj P.M. (2021). *Research Anthology on Usage and Development of Open Source Software* (pp. 24-32).

www.irma-international.org/chapter/exploratory-analysis-of-free-and-open-source-software-ecology/286564

Creating Value through Business Models in Open Source Software

Marko Seppänen and Nina Helander (2014). *International Journal of Open Source Software and Processes* (pp. 40-54).

www.irma-international.org/article/creating-value-through-business-models-in-open-source-software/124003

Examining Open Source Software Licenses through the Creative Commons Licensing Model

Kwei-Jay Lin, Yi-Hsuan Lin and Tung-Mei Ko (2007). *Handbook of Research on Open Source Software: Technological, Economic, and Social Perspectives* (pp. 382-393).

www.irma-international.org/chapter/examining-open-source-software-licenses/21203

What Audacity!: Decreasing Student Anxiety while Increasing Instructional Time

Peter B. Swanson, Patricia N. Early and Quintina Baumann (2011). *Free and Open Source Software for E-Learning: Issues, Successes and Challenges* (pp. 168-186).

www.irma-international.org/chapter/audacity-decreasing-student-anxiety-while/46314

A Topic Modeling Based Approach for Enhancing Corpus Querying

Nouh Talal Alhindawi, Belal Abu Ata, Lana Mahmoud Obeidat, Mohammad Subhi Al-Batah and Muad Abu-Ata (2019). *International Journal of Open Source Software and Processes* (pp. 38-50).

www.irma-international.org/article/a-topic-modeling-based-approach-for-enhancing-corpus-querying/238009