

BUILDING THE FINANCIAL ENGINE BEHIND INNOVATION

Your guide to accounting, KPIs, and strategic growth for technology start-ups and scale-ups

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ATEK FOR TECH

The technology industry ecosystem encompasses a wide array of businesses, from enterprise software and software-as-a-service (SaaS) providers to digital services agencies and system integration companies. Many have embraced emerging technologies such as artificial intelligence and machine learning, producing novel business models that introduce potentially complex accounting and financial reporting challenges.

Technology businesses require a different accounting approach to more traditional sectors. Revenue models, cost structures, software-related expenditure, digital assets and acquisitions all demand specialist knowledge. Whether you're navigating revenue recognition for subscription models or managing the financial complexities of rapid scaling, we help start-up and scale-up technology businesses work through difficult accounting and financial reporting issues.



Ambitious fundraising plans — another characteristic of many tech businesses— can complicate accounting further. We provide a wide range of services including accounting and bookkeeping, business planning and strategy, as well as outsourced or fractional Finance Director capabilities to tech companies, software developers and digital agencies.

DEVELOP MEANINGFUL KEY PERFORMANCE INDICATORS (KPIs)

Setting KPIs relevant to your industry sector and business operations provides a clear dashboard of what's working and what isn't. For SaaS (software as a service) companies in particular, the right metrics are essential for understanding business health and attracting investment.

Revenue Model & Revenue Recognition

Tech companies typically have recurring revenue streams that fluctuate according to various factors, with significant implications for cash flow and financial reporting. Many businesses negotiate annual contracts and receive upfront payments but must only recognise this revenue as it is earned each accounting period—not when cash is received.



This creates specific terminology and metrics:



Annual Recurring Revenue (ARR) or Monthly Recurring Revenue (MRR)

Calculates the value of subscription revenue normalised over a year or month, providing a clear picture of predictable revenue streams.



Churn Rate

Measures customer attrition by comparing the number of customers at the start of a period against cancellations at the close. This splits into Logo Churn (number of customers lost) and Revenue Churn (value of revenue lost), which can differ significantly if larger clients are departing.



Customer Lifetime Value (LTV)

Reviews the total economic value a customer brings over their entire relationship with your business, crucial for understanding the long-term return on acquisition costs.

CASH BURN AND RUNWAY

Many tech companies aim to scale rapidly, investing external capital in product development and marketing to reach critical mass. This spending is typically funded by venture capitalists, angel investors, private equity funds or debt facilities.



Cash Burn: The rate at which a company spends its capital reserves, usually measured monthly.

Cash Runway: How long current capital will last at the current burn rate—essential for planning fundraising timelines.

When deploying investor capital at scale, reliable accounting processes and accurate forecasting aren't optional—they're fundamental to survival and success.

Cost Structures

Tech companies frequently have much higher fixed costs than traditional businesses, which often have more variable costs. The main expense lines typically include Selling, General & Administrative (SG&A) costs and technology development costs, rather than traditional Cost of Sales expenses. Understanding this cost structure is vital for achieving profitability as you scale.

Additional Key Metrics

Other valuable KPIs include:

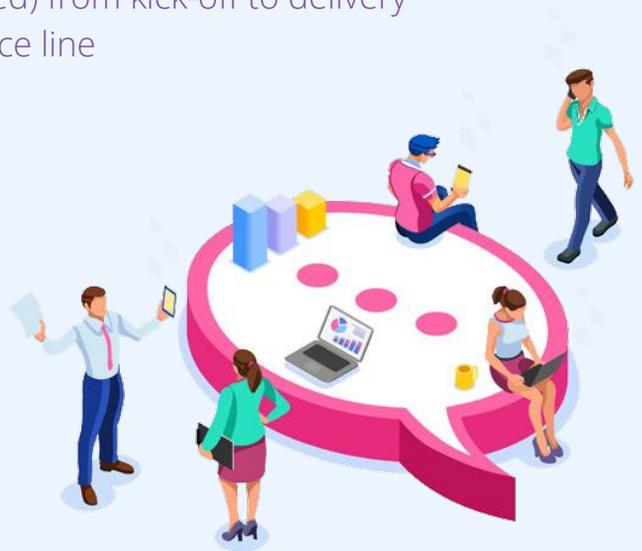
- Customer Acquisition Cost (CAC): Total sales and marketing costs divided by new customers acquired
- Average Annual Contract Value: Average revenue per customer contract
- CAC Payback Period: How quickly customer revenue recovers acquisition costs
- LTV:CAC Ratio: The relationship between customer value and acquisition cost (healthy ratios typically exceed 3:1)

Operational Metrics

Beyond financial KPIs, consider tracking:

- Departmental costs against specific revenue lines
- Development staff productivity and utilisation rates
- Project lifetime (actual and elapsed) from kick-off to delivery
- Gross margin by product or service line

Getting the right KPIs helps you gain internal efficiencies, drive your business in the right direction, and target growth strategies in the most successful and profitable areas. More importantly, they provide the transparency investors expect and the insights you need for strategic decision-making.



Build a Scalable Financial Infrastructure

Building robust financial infrastructure is fundamental to any high-growth tech company. Founders shouldn't view investment in their finance function merely as investor compliance—it's an invaluable opportunity to improve business management and decision-making.

The importance of an accounting approach guided by financial leaders with experience in tech businesses cannot be overstated. Whether your goal is organic growth, raising investment or preparing for acquisition, the right financial infrastructure and reporting gives you the clarity and credibility to succeed.

This means implementing proper accounting systems, establishing clear processes for revenue recognition, maintaining accurate management accounts, and producing regular forecasts that inform strategic decisions.

HOW ATEK CAN HELP

As a Founder, CEO or Managing Director, you want to spend your time developing your product, delivering your services and finding and supporting customers—not wrestling with accounting complexities.

Common Challenges We Solve

When we first meet tech company leaders, they typically tell us they are:

- ✔ Overwhelmed by demands from investors, customers and staff, with little time to focus on business growth whilst maintaining a clear understanding of their financial position, project profitability and accurate forecasting
- ✔ Concerned that their product or client project won't deliver the returns predicted
- ✔ Worried about delivering projects on time, on budget and to specification
- ✔ Uncertain about which projects are most profitable and where to focus new business development efforts
- ✔ Anxious about maintaining sufficient cash reserves to meet payroll and other obligations

These frustrations are common to tech and digital companies at all stages. The solution lies in implementing professional financial management from the start, not as an afterthought.



Our Services for Tech Companies

We have the experience to help take your tech firm from start-up to scale-up and beyond by:



Core Accounting & Compliance

- Producing financial reports including cashflow forecasts and management accounts
- Managing your accounts, tax returns, VAT and payroll
- Ensuring accurate revenue recognition for your business model



Tax Efficiency & Incentives

- Minimising tax liabilities through strategic planning
- Maximising Capital Allowances on technology investments
- Claiming R&D tax credits for qualifying development work
- Identifying grants and government-backed programmes
- Advising on investment tax reliefs including the Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS)



Strategic Financial Management

- Developing meaningful KPIs and management reporting
- Creating financial models and business plans to attract funding
- Building business growth strategies based on solid financial analysis
- Providing fractional Finance Director services for strategic guidance
- Preparing your finances for scaling, further investment rounds or exit

Take the Next Step

Whether you're pre-revenue or scaling rapidly, getting your financial infrastructure right now will pay dividends throughout your company's journey.

Contact ATEK today to discuss how we can support your tech business's growth.