GnuCash and Co.

The Finance Manager

Finance management need not be restricted to the features your bank offers you on its website. We look at GnuCash, a convenient tool for your accounting and banking needs, and draw comparisons with two competitors, Moneydance, and KMyMoney.

BY STEPHAN LAMPRECHT AND IAN TRAVIS

Most home users are happy with a simple accounting and home banking program that gives them an overview of their finances. Things start to get more complicated if you need to complete tax returns, or if you are self-employed. The GnuCash package, which is especially designed to address these higher-end financial functions, gives you a genuine alternative to commercial Linux and Windows-based competitors.

Setting Up GnuCash

Before you start to explore GnuCash, you first need to install it on your computer. Check your distribution disks before you install. Many Linux distributors include the GnuCash finance manager. If you can't find GnuCash on your system, check out the site at [1] for the current version, which was version 1.8.9 when this issue went to press.

After installing, you can pop-up a run command window in KDE ([Alt-F2]) and type *gnucash* to launch the program. The first time you launch the program, the *Welcome to GnuCash* window appears, giving you three options. You can either create new accounts, import your **QIF** file, or open the GnuCash new user tutorial. QIF is the acronym for Quicken Interchange Format, a file format originally designed for the popular Windows application, Quicken, that most banking and financial programs now support.

Figure 1: The fist step toward setting up new accounts.

Select the *Create a new set of accounts* entry in the dialog box. After reading the introductory message, you can click *Next* to move on to the next window. You need to select a currency in this window. When you have finished selecting a currency, click *Next* to continue with configuring GnuCash.

In this window, the druid prompts you to choose the **Account types** you need to create. If you will be using GnuCash to help you run a business, your best option is *Business Accounts*. If you are more interested in managing your private finances, you could opt for *Common Accounts* instead. Don't worry – none of these selections is final. If you notice that you need different kinds of accounts while working with GnuCash, you can go back and add them any time. After choosing your account types, click *Next* to continue.

GnuCash now shows you the accounts that your selection includes. The idea behind this window is to allow the user to define the opening balance for some

GLOSSARY

Account Types: *Account types are something like categories to which you can assign financial transactions.*

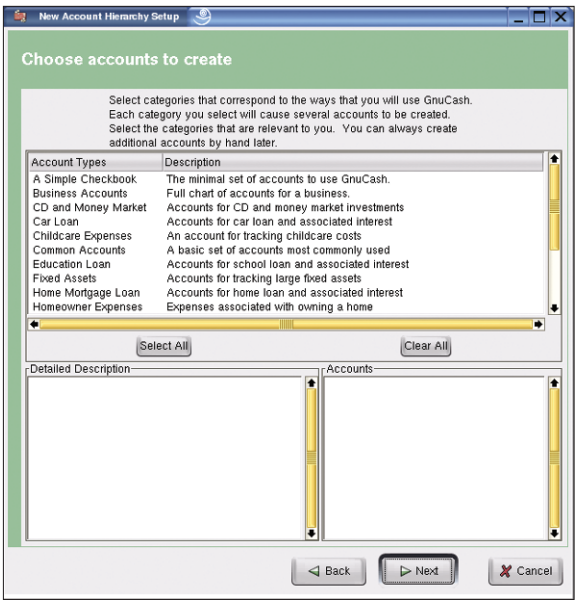

Figure 2: Define the kind of accounts you need.

or all of the accounts on view. Let's take the *Cash in wallet* account as an example. This is easy to set up: open your wallet, count your cash, and enter the amount. When you have finished entering opening balances, click *Next* again to move to the *Finish Account Setup* window. Click *Finish* when you are happy with the way you have set up the program.

Your First Transaction

First, open an account – such as a savings account (*Assets / Current Assets / Savings account*) – by double-clicking the entry in the tree structure. This takes you to a register of the transactions for this account. Of course, the register will be empty because this is your first entry.

Click the line in the register to start creating an entry. Enter the amount, and type a description. In double-entry accounting, a transaction is always made up of two elements, where an entry in one register is reflected by a corresponding counter entry in another. In other words, the money that makes up the opening balance in your savings account must have come from somewhere. When you try to complete the entry, GnuCash tells you that the account is not balanced, and gives you three options *Balance it manually*, *Let GnuCash add an adjusting split*, and *Adjust current account split total*. Select *Let GnuCash add an adjusting split*, and then click on the *Split* button in the toolbar to view the split entries. GnuCash has no way of knowing where the balance in your savings account has come from, and adds an *Imbalance-(currency)* entry. To modify this, click the entry, and start typing *Equity: Opening Balances*. Select *Equity: Opening Balances* and press Enter to complete the transaction. After completing your entries, don't forget to select *File / Save* to save your work.

Modifying an Account

Although the names that GnuCash suggests for the accounts make sense, you might lose track of where you are if you have several accounts of the same type. It's a good thing GnuCash allows you to modify account types and names. To modify an existing GnuCash account, go to the accounts overview window, right click om the account you wish to modify, and select *Edit account* in the dropdown menu.

For example, you might prefer to use the bank name, and account number, instead of the generic *Checking account* name. And if you like, you can additionally type a description of the account.

Creating a Checking Account

As you have already seen, it is quite easy to create accounts when you first launch the program. Luckily, it is just as easy to create new accounts after the initial setup. To do so, select *File / New account* to open the *New account* dialog. You are shown the same entries as in the previous example of modifying an account. Type a name for the account, select *Bank* in the *Account type* dropdown, and then move across to the *Opening balance* tab to enter the opening balance for the account. After completing your entires, click *OK* to close the dialog.

Let's imagine you go to your nearest bank, withdraw a few hundred dollars from the account you just set up, and put the money in your wallet. It is quite simple to reflect this transaction in GnuCash. Double click the entry for the new account in the account overview. This opens up the account register. Open a new transaction line, type the amount you withdrew in the *Withdrawal* column, add a *Description*. Click on *Split*, and in the bottom line of the split transaction specify *Cash in wallet* as the target account. Click on *Enter* to complete the transaction.

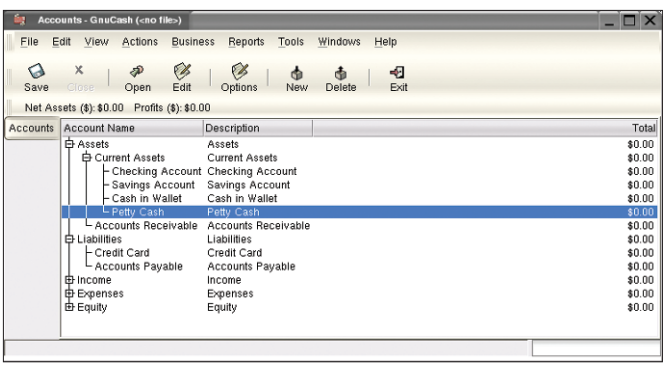

Figure 3: The main GnuCash window with accounts.

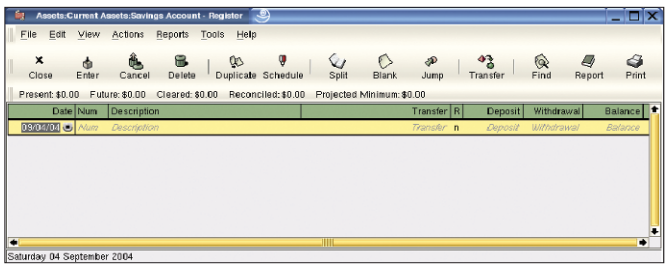

Fig. 4: A savings account register.

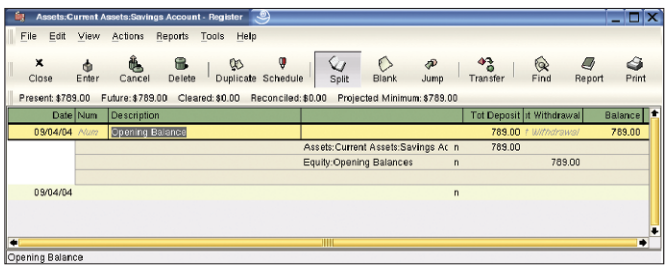

Figure 5: A split transaction.

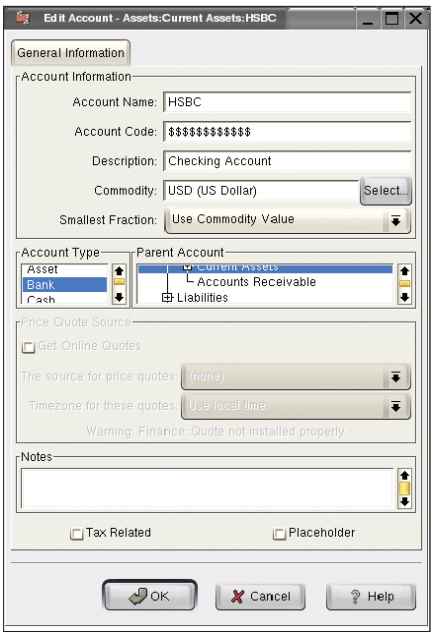

Figure 6: Account attributes.

Spend, Spend, Spend

GnuCash gives you a comprehensive overview of all your financial transactions, assuming you give the program enough expenditure and income data. Whenever you spend some cash, you will need to tell GnuCash th. To tell GnuCash that you have spent some cash, open up the register for your *Cash in wallet* account. In the bottom line of this account, type a *Description* of what you spent your cash on. Enter the amount in the *Spend* column. Click on the button in the *Transfer* column to drop down the list of accounts, and select an appropriate account. Let's imagine you just bought this issue of Linux Pro Magazine. You might select *Expenses:Books* or *Expenses:Computer* in this case. When you have finished, click on *Enter* to complete the transaction.

Reports

Any good accounting solution needs a reporting system that gives the user a clear-cut, graphical or text-based overview of transactions, income, and expenditure. The *Reports* menu has a wide selection of pre-configured report types, ranging from simple account summaries through to complex graphical income and expense statements. So seek, and ye will find.

As you can see, GnuCash is a powerful software application that we cannot fully describe in this article. After a short learning curve, GnuCash gives you a universal tool to help you manage your finances for your business and home.

The Alternatives – Moneydance, KMyMoney2

Moneydance is a commercial finance manager for Linux and other operating systems. A trial version is available from the Moneydance homepage at [3]. The program follows a similar setup pattern to GnuCash, prompting users to create a new accounts file or to open or import a file. After setting up your preferred currency, you can configure a set of accounts and start entering transactions. Up to this point you might not see any reason to prefer Moneydance to GnuCash, but if you need online banking facilities, Moneydance gives you the option of clicking the *Online* button to set up an OFX connection to a bank of your choice. When you click *New Connection*, the program dashes off onto the Internet to retrieve a list of banks (see Figure 8). The program developers invite users to let them know if a bank is missing from the list.

KMyMoney2 is a friendly looking application that is released under the GPL and designed for the KDE desktop. The program is still officially unstable and the developers warn you about the risk of "abnormal behavior" on the program's welcome page. The latest version is available as a bz2-formatted archive from the project's homepage at [4]. After downloading and expanding the archive file, you can follow the usual steps: (*configure* – making sure that you check the README for the correct configure parameters for your distro –, *make*, and after becoming *root*, *make install*) to install the program. The make step will take a while to complete and can cause high levels of CPU usage, so be warned!

In contrast to previous versions, the latest version of KMyMoney (Version 0.6.1) now has a selection of account templates. This means that users are no longer faced with a blank page and the daunting task of manually setting up a system of useful accounts – a definite improvement. US readers should select

Open Financial Exchange

Open Financial Exchange (OFX) [2] is an Internet-oriented client-server system that uses a direct link between the client and the financial institution's server. OFX is XML-based, provides high security, and features full data synchronization and complete error recovery. Although GnuCash currently supports the HBCI banking standard, there is no direct support for OFX DirectConnect at the present time. This said, online banking is a major topic on the developer wishlist. There is a collection of information and utilities that will come in useful for integrating DirectConnect into libofx and GnuCash, including a list of OFX server URLs for all banks that support DirectConnect (in Moneydance for example) and a Python script to download recent OFX transactions. Jeremy Jongsma has an interesting page at [3] which looks at this topic in more detail.

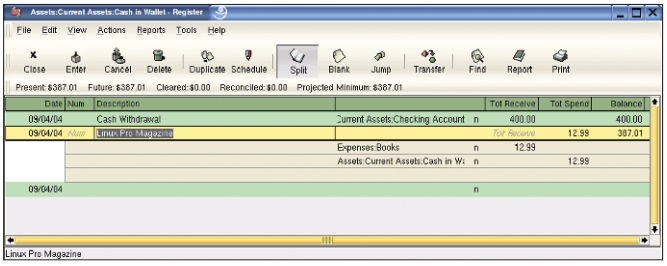

Figure 7: Purchasing Linux Pro Magazine – a cash transaction.

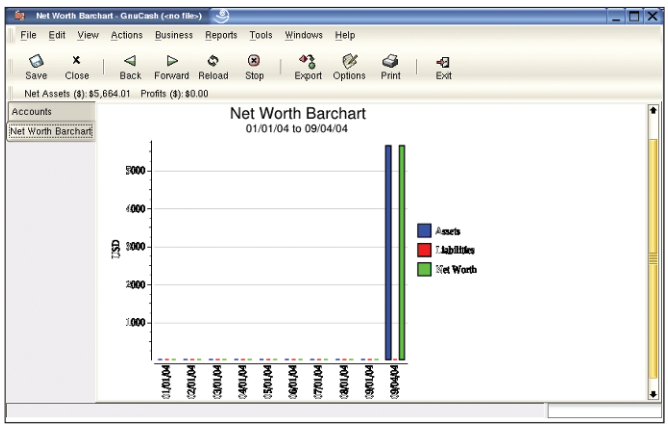

Figure 8: A graphical report in GnuCash.

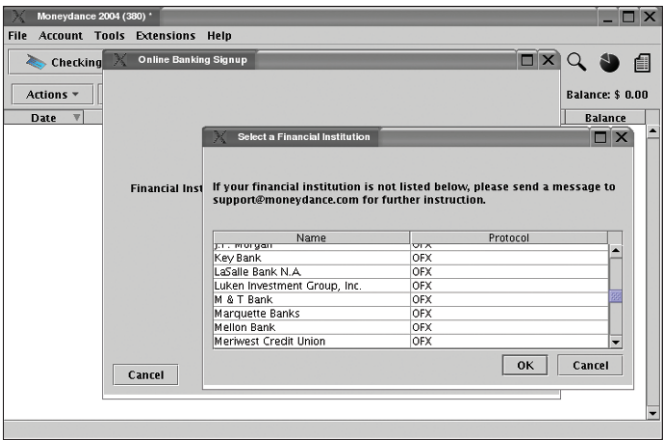

Figure 9: The Moneydance list of online banks.

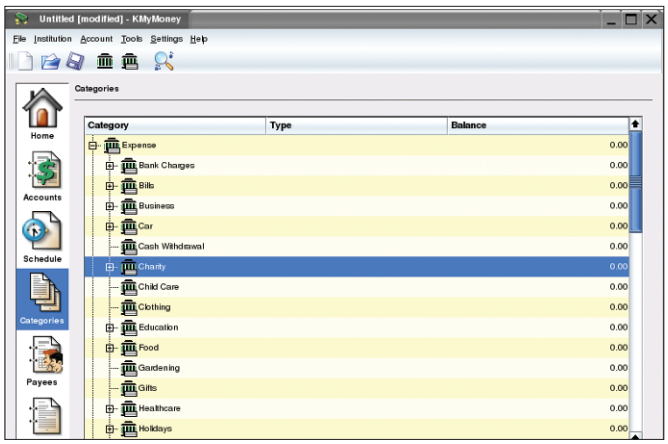

Figure 10: Standard accounts in KMyMoney.

default_accounts_enUS.dat; for UK readers, this is *default_accounts_enGB.dat*. The default KMyMoney account templates are oriented toward private rather than business use (see Figure 10).

Conclusion

GnuCash is a mature application for both business and private use. It helps users with druids for configuration tasks and is perfect for most people's needs. Check out the project homepage for the latest news on more convenient support for OXF-based online banking any time now. Moneymaker is a commercially licensed program that already has OXF support. On the downside, Moneymaker may lack the flexibility that business users need. KMyMoney, which is still in the early stages of development, is improving, but business users may wish to wait for the first stable release. ■

INFO

[1] GnuCash.org homepage: *http://www.gnucash.org*

[2] Open Financial Exchange: *http://www.ofx.net*

[3] Jeremy Jongsma's GnuCash page: *http://www.jongsma.org/gc/*

[4] Moneymaker homepage: *http://www.moneymaker.com*

[5] KMyMoney homepage: *http://kmymoney2.sourceforge.net/*