accountants, is a cloud-based platform for those working with multiple clients. The product is best used by service-based organizations, is easy to use, and provides a platform for automating the classification of transactions.

Brian Tankersley • Feb. 10, 2014

Basic System Functions

Xero is a simple system for maintaining the books of a micro-business or small business. The application is built around cash flow, and includes a basic, static dashboard which reports on the current bank account and credit card balances, historical cash receipts, unpaid invoices, and unpaid expense reports. Xero includes support for batch import of transactions and direct integration with thousands of US financial institutions, and the company's tools for creating new transactions or identifying matching transactions are excellent.

Core Accounting Capabilities

Xero's toolkit for accounting professionals is called Xero Partner Edition, and it is provided once an accounting professional's firm joins the Xero Partner Program(XPP). The Xero Partner Edition provides a web-based interface which allows the accounting practice to administratively manage staff users and access to clients, manage templates for financial statements and management reports, and manage client subscriptions to Xero. As entries are posted to fixed asset accounts, the individual items are listed on the Fixed Assets Register. Partners can "register" a fixed asset (e.g. place it in service) and perform very basic depreciation calculations, with automatic posting to the books. While the product does not manage multiple books of depreciation (e.g. book, federal tax, state), this fixed asset feature is useful, and data can be imported or exported from the module in a spreadsheet format.

The application's sales tax preparation is adequate, although we would like to see an

Xero's user interface and menu structure is a forms-driven process which is in many ways designed for business owners rather than accounting professionals. The product has tools within the bank reconciliation module for batch classification and data entry, and the interface is surprisingly responsive for a web-based application.

Xero includes direct integration and automated import of transactions from most financial institutions. The product's Attached Files feature allows users to attach document images and other supporting files to a customer, vendor, or transaction. These files can be attached in multiple formats from computers, as photos from mobile devices, or by transmitting documents to a secret e-mail address.

Management Features

Unlike some other platforms, the number of users is not restricted in Xero, and companies can have as many users as they would like as part of their subscription in most plans. The permissions model is very limited, and the settings are very general. Security cannot be set at a very detailed level (by menu option, report, or G/L account) as is possible in competitors such as Accounting CS and Accounting Power.

There is a limited number of available reports in the application, and the current version of the reporting engine is not as mature and flexible as we might hope. Functions like the ability to save filtering schemes on existing reports as a new "memorized" report are not present in the product at this time, although they are reportedly significant improvements to reporting coming in 2014. That having been said, the basic reporting is more than adequate for most users, and with optional third party add-on reporting tools like Spotlight Reporting, the reporting can be outstanding.

Clients and accountants can work simultaneously in real time within the product.

into the Xero application, and the product has good integrations with specialized applications for those who would like to work with a wide range of cloud-based applications. The product has a robust add-on ecosystem, and boasts over 200 available add-ons, including a significant number of reporting and financial analysis tools not available on other platforms (e.g. Spotlight Reporting, Fathom, ProfitSee, Unleash).

Some of the more popular add-ons are products which have been acquired by Xero and are provided free for Xero Partner Program members. These products include the Workflow Max project management and workflow tool, and Xero Workpapers (formerly Spotlight Workpapers), which has been released in Australia and New Zealand, and is expected to launch in the US later this year. Xero also integrates with popular US market financial application add-ons like SmartVault, FreshBooks, Bill.com, and ADP payroll. Third party cloud data integration applications (also called "digital plumbing" providers) like ITDuzzit, Zapier, and OneSaas are also available for automating the entry of data between Xero and other applications like SalesForce.com.

Help and Support

Xero has a robust and well-organized support website (help.xero.com) and an active user community website where user questions are answered. Telephone support is not available from the company but users can submit tickets through the company's website or via e-mail. Accountants can set themselves up to provide help to their clients from within the application, and once a firm is set up as an "advisor", then the firm's contact information can be displayed from the client's Xero help menu. Firm administrators can control who receives questions from clients from within the Xero Partner Edition.

Summary and Pricing

The Xero partner program and the introductory training is free, but not all benefits

Xero Business plans include an unlimited number of users, and are priced from $9 per month for a starter plan with no employees up to $180 per month for a Premium plan which supports multi-currency, payroll for up to 100 employees, direct deposit, and electronically paid and filed payroll taxes. Members of the Xero partner program are eligible for discounts based on volume, and gain access to marketing resources, management tools, and special Xero service plans for accounting professionals.

Strengths

- Excellent ecosystem of add-ins created by startups or companies who have not traditionally had a presence in the US market, including third-party invoicing applications like Harvest which are sales and A/R subledgers designed to be operated by entrepreneurs instead of accountants.
- Automatically imports transactions from thousands of US banks securely and can automatically classify these transactions according to user-defined rules or match them to existing transactions based on amount or vendor.
- Xero is the only product included in this review which natively supports multiple currencies in its current US production version as of this writing (early December 2013).
- User interface for classifying groups of imported bank and credit card transactions in batches is excellent, and minimizes the required data entry. Batch data entry screens are as good or better than any other product reviewed for focused, quick entry of large amounts of data.
- Includes a "Xero to Xero" function which, when enabled, automatically takes invoices from the billing Xero company and imports them in as bills to be paid in the receiving company's Xero account.

Potential Limitations

- Product is relatively new to the US market (less than three years old), and its first

- The current version of the reporting engine is not as mature and flexible as we might hope at this point. Functions like the ability to save filtering schemes on existing reports as a new "memorized" report are not present in the product at this time, although there are reportedly significant improvements to reporting coming in 2014.
- Some Xero partner program benefits, including free use of the Practice Manager and the upcoming Workpapers application, require the organization to have 25 or more organizations (minimum of $300/month in spending) to qualify. This may make Xero appear to be a better product for high volume write up and bookkeeping than it is for practitioners with a small number of high value virtual CFO clients.

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