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TECHNOLOGY

Small Business Accounting Done Right

Column: From the Trenches

Dec. 01, 2008

One of the distinct advantages I personally enjoy with both my K2 teaching team and with my NMGI VAR team is the ability to do direct consulting around the country, hence the name of this regular column, "From the Trenches." Our consulting is done for many different sizes and styles of accounting firms or clients of those accounting firms as well as some wonderfully innovative tax and accounting practitioners in industry. Because of this exposure in the field, we see some of the best and worst examples of technology. During the next several months, I'd like to give you our view of best practices on several leading areas of technologies including accounting software, paperless or content management implementation, as well as infrastructure implementation issues. This month, I'll focus on small business accounting.

Supporting Clients

As you well know, there is after-the-fact accounting (or write-up) as well as live accounting done through accounting software. Accounting software can be used in-house, hosted or (in some products) synchronized from one site to another. The way you can support clients is driven in part by the support you receive from the software publishers. Each of the publishers has their attempt to work with accountants or partners. Most of these programs are so valuable to your practice that joining them should be easy. For example, Intuit's QuickBooks ProAdvisor program includes the Accountant's Edition of QuickBooks along with a priority support hotline.

Intuit QuickBooks

Intuit is the market leader in the United States for small business accounting with its QuickBooks line. This product has enjoyed increasing success in the last five years, but it has been with us for 10+ years. The product is available in multiple versions and styles, and is a very safe recommendation. The entry point for this product line is a sub \$100 version called SimpleStart. We frequently recommend this product, particularly where there is no inventory requirement and minimal to no payroll requirement. This product allows checks to be written and simple financial statements created. For most small businesses that want to do GL, AP and AR, this is a great product. The simplified menus allow easy handling of cash and have very simple in and out transactions. This product is an exceptionally safe choice since the physical code is actually QuickBooks Pro with a different menu. So if the client needs more capability, an upgrade in place can be performed. All of the transactions are preserved since the data files are of exactly the same format. In our opinion, this is the safest small business accounting product today.

Although SimpleStart is good, Intuit's mainstream products are better. QuickBooks has multiple versions including Pro, Premier, Accountant's Edition and offerings in several vertical industries including construction, NFP, healthcare, etc. If a company has a limited number of users, less than \$10 Million in sales, and fairly simple inventory needs, the QuickBooks line does a fine job of doing the accounting. Starting with QuickBooks 2006, issues like speed, reliability of the data files, scalability, and audit trail were all addressed and solved. The QuickBooks 2007 lines of product have almost as many features as mid-market products of the late 1990s.

Intuit has seen more key opportunities with its product line, specifically to grow the number of users and to add and allow specialty products to integrate seamlessly. QuickBooks Enterprise Edition has satisfied a large number of companies that need up to 15 end users. By helping larger companies, Intuit has seen the need for more sophisticated features and specialized functions they just weren't going to write. Around five years ago, the vendor opened up the QuickBooks interface with a software development kit (SDK) that allowed reading and writing of data. Today, Intuit enjoys specialized applications for CRM, inventory, manufacturing, route management and document management. The size and complexity of companies that can be satisfied with Intuit QuickBooks has become more of a threat to the mid-market accounting products.

Hosted Solutions

Intuit also offers QuickBooks Online, a hosted version that is designed to compete with other hosted solutions including NetSuite, Intacct and Peachtree Web Accounting. Peachtree has a unique feature called PeachSync that allows files to be synchronized between office and home. These hosted versions have the advantage of access to financial data wherever there is Web access. Hosting the solution provides the safety of having the data backed up and provides accountants with access to the same data as the client.

Microsoft

Microsoft saw the opportunity of competing in small businesses, and in 2005 introduced Small Business Accounting, which was renamed Office Accounting in October of 2006. This product has two versions, Office Accounting Express and Office Accounting Professional. Office Accounting Express can be downloaded for free and then upgraded to the Professional version to gain inventory, fixed assets and other advanced features. We expect this product to be offered as part of the Microsoft Office Live family, and Office Accounting is included in several versions of the new Microsoft Office 2007. Microsoft has created a contender for QuickBooks and has created a very functional product.

Peachtree by Sage

Peachtree has long been the strongest product in this category. Peachtree is more accounting-like, and less checkbook-like. Peachtree clearly has stronger inventory, a better dashboard, and many other features of note that prove it is a fine accounting product.

Other Products

Other software products that should be considered by small businesses for accounting include CYMA, BusinessWorks, BusinessVision, Cougar Mountain, Red Wing, MYOB, Simply Accounting (in Canada), and the other products reviewed in the small business accounting review on pages 40-53 of this issue.

Write-Up & End-User Entry

Some businesses, however, have gotten tired of trying to do their own accounting. We have repeatedly been told by practitioners that write-up is back with a vengeance and is more profitable than ever. Some practitioners use Intuit QuickBooks for their write-up business, where others use write-up products. The most interesting

combination of write-up and end-user entry is offered by Thomson Tax & Accounting with its Client Bookkeeping Solution (CBS) that allows end users to do some of the data entry and printing at their own location, while practitioners do the heavy lifting of reporting at the firm. CCH, TaxWorks and others offer write-up, as well.

Conclusion

We know that most of you count on compliance work in tax and auditing as the main part of your practice. We want you to know that many of your competitors have discovered again how profitable accounting work can be whether it is done as write-up or outsourced in a CFO role where you interpret the results of the client's systems. Further, clients want your help with accounting work, and (in general) seem more willing to pay for your services now to relieve the pain of doing the work themselves. However, if clients do choose to do the work themselves, make sure they have opted to use one of the market leading products mentioned here.

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