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Finding a suitable small business accounting application continues to be a challenge for many practitioners.

While some choose to install a single solution for all clients, many accounting professionals are moving clients into cloud-based accounting applications, whether they are true Software as a Service applications (SaaS) or hosted versions of on-premises software.

The summaries of each of the products reviewed for this article are included on the following pages in this digital edition, and there are detailed versions of the reviews on our website at www.CPAPracticeAdvisor.com/10875834.

We used a common list of review criteria for the reviews of both the SaaS and On Premises applications. A summary of the review criteria for these segments appears in the sidebar.

On-Premises Applications

Although the market for on-premises accounting products is fairly mature, the products reviewed show that there is still room for innovation in this space. The products reviewed have a wide range of capabilities and supported industries, and many products have made significant enhancements since our last review of this segment in July 2012.

While the capabilities of the cloud-based small business solutions are increasing rapidly, on-premises applications still offer stronger feature sets, and better meet the needs of many established small businesses. Few web-based applications support or plan to add sophisticated features like job costing, inventory tracking for light

manufacturing, and industry support for the needs of non-profits and construction

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- Foreign currency support is available on many of the applications.
- Merchant services and mobile payment processing are available for most applications.
- Some of the applications support multiple inventory valuation methods (FIFO, LIFO, Average Cost) and/or multiple warehouses.

SaaS Accounting for Small Business

Online accounting products continue to grow rapidly, and 2012 was no exception. After our first annual review of SaaS Small Business Accounting applications in the May 2012 issue, we discovered a number of new products, and have expanded this review to cover more of these applications as they have evolved into solutions in their own right.

We have selected six products which are designed to be entry level accounting solutions for a self-employed and businesses up to around ten employees. Although some of the tools will support larger businesses, and others focus on the needs of smaller businesses, they are all credible solutions for a large segment of users who are currently using spreadsheets, personal finance applications, and a wide range of other solutions to do basic accounting.

Although commercially hosted versions of many of the on-premises applications are available (e.g. Hosted QuickBooks Premier 2013, Hosted Sage 50 Complete Accounting 2013, we chose to exclude these versions from our review. We will review hosting providers later in the year, and plan to discuss these solutions further at that time.

The SaaS Small Business Accounting segment has become very competitive in the last year, and most products are incorporating improvements at least four times a year. While some products have more than one version, the differences between the

available versions are typically driven by an attempt to segment customers into

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- Direct download and rules-based automatic classification of transactions from banks through financial data providers like Yodlee, FiServ, and Intuit were an interesting feature we noted in our 2012 review. That “new” feature has now been incorporated in to all six reviewed products.
- Intuit added a training and certification program for QuickBooks Online to its popular QuickBooks ProAdvisor Program.
- FreshBooks extended its cloud accounting toolset by adding download of revenue and expense transactions from banks and credit card companies.
- Wave Accounting rebranded itself as Wave Apps, completely redesigned its user interface, and added new services to its portfolio which help small businesses prepare payroll and accept credit card payments.
- Monchilla launched in late 2012, and included features which import data from QuickBooks desktop files and upload trial balance data directly into two tax applications (Drake Tax and ProSystem *fx* Tax).
- Intuit launched a free tool in 2012 called QuickBooks Online for Accountants (QBOA), which has made it much easier to clean up client financial records in QuickBooks Online. There is little doubt that this new product is a response to the competition and innovation by the other products in this segment.
- Last year, Xero purchased a job and time management application called WorkflowMax, as well as a practice management and workpaper creation tool for accountants called Spotlight Workpapers.
- Many products produce a real time dashboard report which includes bank account balances, credit card balances, sales, accounts receivable, and accounts payable.
- All of the products reviewed now have either a mobile app, a version of the product which works in a mobile web browser.

While these aren't the only interesting developments which took place in the world of accounting technology in 2012, these major changes make it much easier for every accounting professional who uses these new, improved tools.

We have also included sidebar articles on **Intacct** and **Sage One**, which are slightly

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