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ACCOUNTING

2014 Review of Small Business Accounting Systems

Selecting a small business accounting package is, in some ways, like purchasing a piece of home exercise equipment. The solution needs to meet your needs, be easy to use, should fit within your budget, and should be pleasant enough to use that the client will actually keep their books after the first week or two.

Brian Tankersley, CPA.CITP, CGMA • Jun. 16, 2014



Tax season 2014 has passed, and it's time for many of our readers who are in public accounting to deal with those simmering accounting messes we discovered during the winter before they get any worse.

Selecting a small business accounting package is, in some ways, like purchasing a piece of home exercise equipment. The solution needs to meet your needs, be easy to use, should fit within your budget, and should be pleasant enough to use that the client will actually keep their books after the first week or two. Many applications are available which clients can use to maintain a competent general ledger (with or without your assistance), but your challenge is to find the right solution for your client's business, your client's employees, and your firm.

Unless your firm has a very homogeneous group of clients in a one or maybe two industries, you will have to deal with more than one accounting system. Where firms might have deployed exclusively Sage 50 Premium (Peachtree), Acclivity AccountEdge Pro (formerly MYOB) or QuickBooks Pro in the past, we also did a lot more work assembling shoeboxes into general ledgers using Excel and columnar pads than most of us want to do today.

The good news is that accounting software is available to meet the needs of not only small businesses, but also micro businesses and the self-employed. Just as many individuals use Quicken, Mint, or Wave Personal to track their household finances, the self-employed and micro-businesses use tools like Wave Accounting, FreshBooks, Kashoo, Sage One, Xero, or QuickBooks Online. While some detractors wish these solutions had more features, the key thing to remember is that micro businesses are largely s need fewer features but more automation and simplicity than the small business, who most likely has someone with training in basic bookkeeping.

Many professionals express concern about supporting multiple packages, but these new cloud packages for microbusinesses are not designed to replace the traditional on-premises accounting software applications like QuickBooks Pro. The microbusiness solutions are intended for those who are not using any accounting software, which some publishers estimate is as high as 80% of small businesses.

Since these new tools are simple, and are primarily designed to provide business owners with DIY reporting while filling the critical need in assembling electronic lists of transactions for use by accountants and tax preparers. If used regularly, these tools can convert unorganized, unprofitable clients into profitable client relationships for the future.

How We Group Solutions

We break small business accounting applications into two groups:

- **On-Premises Small Business Accounting**
- **Software as a Service (SaaS) Accounting**

On-Premises Small Business Accounting is defined as traditional, locally-installed general ledger and small business management tools which are designed to be primarily used by the client. We generally limit this category to tools like QuickBooks Pro/Premier, Sage 50 US Edition Pro/Premier/Quantum, Acclivity AccountEdge Pro, Center Point Accounting, CYMA, and many others. This year's review includes Acclivity AccountEdge Pro 2014, QuickBooks Pro 2014, and Sage 50 Premium Accounting 2015.

When looking at the **SaaS Accounting** applications, we could easily review over forty different products if we were free of resource constraints. There are many different subcategories within this category, including:

- **Mid-Range Accounting/ERP** – These products are generally targeted at organizations with over 100 employees, and attempt to provide integrated financial management, business management, and CRM solutions. The average annual spending on these products would be, at a minimum, several thousand dollars, and could easily be much more. We did not review any products in this category, which would include solutions like SAP BusinessByDesign, Sage 300 Online, Financial Force, Intacct, and NetSuite.
- **Small Business SaaS Accounting** – These products are designed to serve as simplified replacements for common desktop accounting solutions like QuickBooks, Sage 50 (Peachtree), and Acclivity (MYOB). The category is very large and includes names like QuickBooks Online, Kashoo, Xero, Wave Accounting, Reckon, Zoho Accounting, Sage One, GoDaddy Online Bookkeeping, and many more.
- **Invoicing and Basic Bookkeeping** – Products in this category are designed for the smallest businesses – the self-employed and those who need very limited bookkeeping. In fact, many of the users of these apps utilize them to facilitate sending invoices, tracking and receiving payments, and reporting for their tax preparer. Some of the solutions filling this need include FreshBooks, SageOne invoicing, and Harvest, but new applications like Billy’s Billing (yes, I’m serious) are announcing beta tests all of the time.

Note that we have specifically avoided discussion of applications which are designed primarily to serve as Virtual CFO Platforms which are administered/controlled by the outside accountant. These solutions include multiple solutions in the QuickBooks/QuickBooks Online space, Accounting Power from AccountantsWorld, Xero and the Xero Partner Program, and Accounting CS from Thomson Reuters.

We reviewed solutions which are sold on a wholesale basis to accounting professionals and passed through to their clients in February 2014 (<https://www.cpapracticeadvisor.com/article/11317917/cpa-practice-advisor-index-of-accounting-tax-software-reviews>).

Our 2014 review of SaaS Accounting solutions includes Kashoo, QuickBooks Online, Xero, and Wave Accounting. We also included more limited coverage of FreshBooks and Sage One, which provide invoicing and project management tools (among other things) to the microbusiness market.

There are a wide range of solutions out there, and we encourage you to pay special attention to the summary comments at the beginning of each review. These

comments represent our impressions of the kinds of business features, limitations, and needs which define the best fit for each product. Accounting software is in some ways like vehicles – some users need an SUV, others need a minivan, while another group wants a convertible sports car.

While all offer basic transportation (debits and credits), it's important to get a product which provides enough functionality to meet the needs of the accountant and client without getting so many options and features that the application becomes unusable to many business owners. It's important to listen to client needs, consider your information requirements, and finally, to ultimately select a solution which can meet the current and future needs of all stakeholders.

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