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ACCOUNTING

2016 Review of Xero Online Accounting

Xero is an online accounting product designed for simplicity, while offering the features that small and micro-businesses need. Xero offers solid accounting functionality, along with solid bank integration for easy transaction processing.

Mary Girsch-Bock • Jun. 14, 2016



www.Xero.com

From the 2016 Review of [Accounting Systems for Small Businesses](#).

Best Fit: Xero is a great fit for micro-businesses, sole proprietors, freelancers, and contractors looking to implement an accounting system.

Product Strengths:

- Offers integration with hundreds of apps suitable to just about any industry
- Product is now available in 5 versions
- Product can be accessed by unlimited users
- Product offers good export capability to a variety of applications

Potential Weaknesses:

- Product navigation may be confusing to new users

Xero is an online accounting product designed for simplicity, while offering the features that small and micro-businesses need. Xero offers solid accounting functionality, along with solid bank integration for easy transaction processing. Xero is currently available in five versions: Starter, for very small businesses with limited invoicing needs, Standard, which is a good fit for most small businesses, and Premium, which is now available in three levels: Premium 10 for businesses with ten employees or less, Premium 20, for businesses with 20 employees or less, and Premium 100, for businesses with up to 100 employees.

Basic System Functions: 5 Stars

Xero is completely online, so no installation is necessary. The product dashboard is the main access point for system setup and navigation. Tabs are available for all program areas including Dashboards, Accounts, Payroll, Reports, Contacts, and Settings. Various options are available below that simplify system setup, and a getting started video is available for those looking for some assistance.

The Accounts function is where all system functions can be accessed including Bank Accounts, Sales, Purchases, Checks, Inventory, Expense Claims, and Fixed Assets. Each option has its own dashboard that provides a quick summary of information relevant to that function. Data entry screens are easily navigated and all contain look up capability. During setup, users can choose to use the default chart of accounts, customize the chart of accounts to suit their business, or import a chart of accounts.

In addition, QuickBooks data can also be imported into Xero, as can customer, vendor, and inventory information. Xero easily tracks sales tax and can track multiple tax types including tax on imports, tax exempt, tax on purchases, and tax on sales. New tax rates can be added as well.

Core Accounting Capabilities: 5 Stars

Xero offers complete accounting functionality, with users able to overlap system functionality when entering transactions. Upon setup, users can connect their bank account to Xero, which will track any outgoing transactions. Users can easily enter customer invoices, adding a payment service upon setup that will allow customers to pay invoices online. Users can quickly add invoices, and add relevant attachments as

desired. Each transaction has the appropriate tax added, so a special tax rate can be applied, or choose tax exempt, for customers exempt from paying tax.

Product detail can be added on the fly during invoice entering, and users can add discounts when processing the invoice. Invoices can be approved immediately after entering, or sent to the appropriate person for approval. Invoices can also be automatically emailed to customers directly from the invoicing entry screen.

Recurring invoices can also be set up for automatic payment. Customer payments are easily posted in the system, particularly if using a payment service. Users can post payments from the sales screen, or post the payment directly to the customer account, where all outstanding invoices are recorded.

Users can easily apply overpayments to customer accounts as well, so a credit will be recorded for future use. Users can easily create multiple budgets using the Budget Manager function, which provides users with complete budget management capability, including tracking of actual budget totals. Budgets can be set up with or without tracking.

Both Sales tax and VAT calculations are supported in Xero, and users can add multiple tax rates as needed. The product contains excellent payroll functionality, with the number of employees limited only by the version of Xero being used. Direct deposit is supported in Xero, and payroll taxes can be paid electronically. Xero is only available in English, but the Premium version of the product accepts over 160 different currencies. All versions of the product offer unlimited user capability.

Day-to-Day Operations: 5 Stars

Xero's real strength is in its ability to integrate with numerous apps that can extend the functionality of the product considerably. Xero offers good inventory tracking capability, with the ability to track inventory valuation, as well as product quantities. For those requiring more comprehensive inventory management, the product also integrates with other inventory tools. The product also integrates with several point of sale apps as well shopping cart integration. Customer, vendor, and employee information can be easily managed in the product through the Contacts feature, with users able to import contacts from another application as needed. Users can also create smart lists that will track various information, such as outstanding invoices and recent purchases. Though online payment capability is not available in the product, users can easily download payments and other transactions from their banking institution.

Management Features: 5 Stars

Xero offers a good selection of dashboards, including the redesigned Sales and Purchases dashboard. There is also a Business Performance dashboard, as well as the Assurance dashboard for those in an advisor role. The Business Performance dashboard offers a look at business performance graphs that display gross profit, 12 month average, and revenue and expenses. Xero also offers a good selection of reports that are categorized by report type, such as Performance Reports, Payroll Reports, Cash Reports, Position Reports, and others. All Xero reports can be exported to Excel, Google Sheets, or saved as a PDF.

An unlimited number of users can access Xero, with users assigned a role that detailed exactly what features and functions they have access to. Xero also offers Xero for Accountants, which allows accountants to have easy access to all client activity.

Integration/Import/Export: 5 Stars

Xero offers excellent import options throughout the product, with users provided with the option to import data from any data entry screen. Xero also offers excellent integration capability, with hundreds of apps available that can expand program functionality. For those using QuickBooks, Xero also offers easy conversion from QuickBooks.

Help & Support: 5 Stars

Xero offers excellent help functionality, with users able to access the Help Center directly from the product. A Getting Started video offers a good introduction to the product, and users are easily guided through initial setup by clicking on topics such as Add Your First Invoice, Add Your First Bill, and Import Your Bank Transactions. Free product support is also included in the subscription fees, and users can also search for a local advisor as well. Support is only available in English, with most support directed to the U.S. office in Atlanta. Support is available around the clock.

Summary & Pricing

Xero is a good fit for small businesses. Truly designed to be used on mobile devices, mobile users in particular will appreciate the easy navigation and ease of use. Xero is now available in five versions; the starter version of Xero is available for \$6.30 per month for the first six months. The starter version has limits on the number of invoices and bills that can be processed and does not offer payroll functionality. The

Standard and Premium versions have no invoicing or billing limitations, but do limit the number of employees that can be paid.

2016 Star Rating: 5 Stars

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