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**ACCOUNTING**

# Do Your Best Small Business Accounting

The key selection questions for small business accounting include: which product to use, what are the benefits to my clients, how many third party tools are needed to create a complete solution, who supports the implementation, when should an ...

Randy Johnston • Jul. 10, 2019



So many things have changed in small business accounting over the past few years, it may be time to re-invent yourself, your practice and your clients' businesses using these tools. As public practice professionals, it is clear we need professional grade tools for write-up, and our small business clients have dozens of choices for accounting software today. The AICPA Engage conference this year proved that the pace of change for small business software is not going to slow down.

The key selection questions for small business accounting include: which product to use, what are the benefits to my clients, how many third party tools are needed to create a complete solution, who supports the implementation, when should an upgrade be considered from a small business platform, and where is the product going to be used. Most products are going to require add-ons for sales tax, reporting and other required functionality. If you are going to run a Client Accounting Services practice, how does this restrict your choices? The day this article was written, two public practice CPAs asked which tools to use for their clients and both answers were AccountantsWorld Accounting Power with Payroll Relief, which is clearly a Client Accounting Service leader that includes virtually all functionality needed without using third party applications. Further, three more people asked about the differences between QuickBooks Online Advanced edition and other QuickBooks Online offerings...and the answer is Intuit is building more advanced functionality into the larger product, just like they have done with QuickBooks Enterprise desktop. The one sure thing after working in the small business accounting market for 40+ years, one size does not fit all.

## **So, How Do We Pick?**

There are many more criteria than the list above that drive making your decision. There are clearly the "safe" choices which come from the larger vendors: QuickBooks desktop, QuickBooks Online, Xero, Sage Business Cloud, Sage 50 and Accounting Power. There are choices that do a better job with inventory and costing such as Gravity Software, AccountingSuite, Zoho Books and BQE Core. Note that with very little effort, you have ten product offerings with even more options as you will see below, each of which is uniquely different. We maintain reviews of all of these products and more at <http://www.accountingsoftwareworld.com/>. But the base product is only part of the story.

If you decide that you desire cloud accounting software, consider these characteristics:

- Minimal up-front expenditures
- Leverage “legacy” technology investments, like portable computers and printers
- Quick deployments
- Automatic backups
- Bank/credit card/debit card feeds
- Ecosystems of complimentary tools
- Easy communication with external advisors

There are also five critical considerations before implementing any small business solution:

1. Does the application provide access to critical functionality to meet specific business needs?
2. Does the application adequately secure sensitive and confidential information?
3. Can the application process the anticipated volume of transactions generated by the organization?
4. Is the application capable of providing adequate financial and operational reports to team members?
5. Will the application generate an adequate return on investment (ROI)?

You’ll need to do your own research so you know what a product can do and what it can’t do. To further illustrate with QuickBooks Online consider the five options available:

Each vendor’s product has strengths and issues. For example, in QuickBooks Online, strengths include: brand/product familiarity, easy conversion from QuickBooks Desktop, large number of external advisors offering support, five options to help businesses with various needs, great mobile app, and a large 3rd party ecosystem. Potential issues include: one of the pricier offerings relative to its capabilities, payroll is a paid add-on service, remaining stigma from its early days, perception of lack of reporting options. As of March 2019, new usage limits are in effect for Simple Start, Essentials, and Plus:

1. Entries in Chart of Accounts is limited to 250
2. Entries in Classes & Locations is limited to 40, combined
3. Billed users are limited to 1 in Simple Start, 3 in Essentials, and 5 in Plus
4. Existing subscribers who exceed these limits are “grandfathered,” and no additional items can be added

5. Deleted/deactivated items do not count toward limits

6. Subscribers who need additional capacity should consider **Advanced**

Sage Business Cloud (SBC) is the recently re-branded Sage One service. SBC is designed for small businesses with relatively simple accounting needs. Like QuickBooks Online, SBC is available in multiple subscription models: Sage Business Cloud Accounting Start and Sage Business Cloud Accounting. In addition, subscribers can access SBC through mobile apps for iOS and Android-powered devices.

The strengths of SBC include: excels at fundamental transaction tracking, simple, clean interface, solid mobile app for iOS and Android-devices, ecosystem of apps to handle most tasks/routines not handled by SBC. Potential issues include: Relatively small market share, meaning most users will have no prior experience with the tool, designed for only fundamental accounting; no support for purchase orders, recurring transactions, job costing, etc.

Xero has been making in-roads in the U.S. market. Founded in 2006, Xero is a New Zealand-based company that provides cloud-based accounting solutions worldwide. Recent major milestones include: migration to Amazon Web Services in 2017, over 600 certified connected apps, first full-year positive EBITDA in 2018.

Xero differentiators include: monthly subscription prices are for an unlimited number of users, a recent change in payroll (now provided as an add-on service by Gusto) formerly was included in subscription, full-service payroll is available (but not included) for all 50 states at \$39 per month subscription, plus \$6 per person, per month. Xero has a very strong set of tools to support external accountants/bookkeepers including Xero HQ, Xero Practice Manager, Xero Workpapers, Xero +C, and Xero Cashbook/Ledger.

But like all products, there are strengths and some potential issues. Xero strengths include ease of use, affordability of plans, robust accounting functionality, rich ecosystem of 3rd party apps, and a strong support program for external accountants and bookkeepers. Potential issues include that compared to QuickBooks Online there are relatively small number of users in US, meaning team members in newly-adopting companies will likely require some training. Additionally, some terminology used in the application still requires localization.

To give one final example, consider Zoho Books. Zoho bills itself as “the operating system for business” and has put together a portfolio of approximately forty

integrated cloud-based apps to assist business professionals in running every aspect of their business. Six of these apps – Books, Checkout, Invoice, Subscriptions, Expense, and Inventory – provide a very robust set of features on which an entire accounting and finance department can base its operations. Zoho has been in business since 1996 and currently has over 25 million subscribers worldwide. Books is the true “accounting” app in the Zoho portfolio. Among the strengths of Books is the ability to customize the app rather extensively. Transaction entry and processing closely resembles that found in many other cloud-based solutions. Of course, bank feeds are a central component of the Zoho experience, and several pre-built feeds are already in the app. Reporting options are solid too, including the ability to schedule reports for distribution.

While the story of Zoho is better told with their suite offering of ZohoOne, Books and the other five accounting modules have good capability at a reasonable price point. Like all products there are strengths and potential issues. Zoho Books strengths include surprisingly sophisticated functionality, very affordable, very customizable/configurable solution to meet the needs of many businesses, and an outstanding ecosystem of “native” apps for integrations. Potential issues include most new users will require training, job/project costing capabilities are not fully robust, and although there is some integration with 3rd party apps, it may not be strong enough for some companies.

Every product named at the beginning of this article deserves just as much attention as the products we used as illustrations. Further, we have not spoken about reporting tools, sales tax, payroll and many other key features of a complete small business solution.

### **Are the Products and Third-Party Applications It?**

Small business accounting buyers will often choose these products from the open market and expect their CPA firm to provide guidance and support. With so many products in the market, it just doesn't work that way. While most CPA firms are not in the habit of analyzing and recommending software, you may need to do this work to choose a product that works for your firm and that you want to use with clients. As we have covered in prior columns, Client Accounting Services (CAS) practices require a complete set of tools and methodologies for success. While you can use a small business accounting tool such as QuickBooks Online for CAS, you are almost certainly going to need additional third-party tools to complete your offering. Further, implementation support from the publishers, understanding appropriate setup and having the ability to discover tools to complete a solution certainly

provides client benefits. In the past week, we have recommended distribution, manufacturing, budgeting, and reporting tools to help both industry businesses and firms complete the needed business solution. While internet searches may provide some answers, only occasionally do they provide the best answer.

Further, some clients will need capabilities that small business accounting software just can't provide. You'll have to use your judgment when you are trying to force fit a product inappropriately into a client's business about the appropriate time to stop or to give up. While we have seen small business accounting software used inappropriately in larger businesses, the costs and complexities of upgrading are also an issue for business owners and public practice professionals alike. On the other hand, it wouldn't be unusual for a client to try to make a product work and it just won't get the job done. That's when they wind up on your doorstep asking for help. Understanding what to do when you or your clients have outgrown a small business accounting application presents another whole set of needs and a separate column on those solutions.

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