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Accounting Options Abound

Written by Reed Richardson



Let's face it: nobody ever started a business just so they could improve their accounting skills. The allure of being your own boss, the chance to follow your passion, the possibility of making a fortune, maybe even the hope of changing the world: These are the reasons that compel people to start their own companies. But mundane though they may be, tasks like filling out a general ledger, composing invoices, recording payments, and tracking inventory, can play a crucial role in determining an enterprise's ultimate success or failure.

Up until a generation ago, most small and mid-size business owners had little recourse when it came to handling these critical, yet time-consuming tasks. Over the last 15 years, though, the rise of a robust accounting software market has radically reshaped the small business world's relationship with the green-eyeshade crowd. Today, everyone from the self-employed, home business owner to the CEO of a mid-sized corporation can find affordable, efficient, and relatively easy-to-use accounting software products.

But as is often the case when a new market quickly opens up, these same small and mid-sized businesses now find themselves confronting a new problem: Instead of too few choices, they're overwhelmed with too many. So, in this new, crowded marketplace how can you best decide which accounting software to buy, what features matter most to you, and when to upgrade?

#### **Don't let price alone drive your decision**

Putting the past accounting burden into perspective, accounting software expert Doug Sleeter notes, "You used to have to spend hours handwriting all these entries, so to now spend around \$200 every two or three years for a product that will do all that in a fraction of the time, that's just absurdly under-priced."

Accordingly, Sleeter advises his small business clients to focus on satisfying their company's back office needs first before fixating on price. Generally, a good way to start your search is to look at your company's overall size. "For example, if you're a start-up and you just need some limited checking account functions and a way to do invoicing you would probably be fine using some of the free products out there, like Microsoft Accounting Express or Intuit's Quick-Books Simple Start." (Note: Intuit has endorsed and occasionally co-sponsors some of the QuickBooks training seminars and conferences run by Sleeter's consulting company.)

But if your company has more specialized needs, trying to make do with a lower tier or more popular product usually won't pay off, he cautions. "If you're a small wholesaler, for instance, that has a lot of vendors, a lot of purchasers, and a lot of different SKUs, the lower-level Microsoft and Quick-Books products will pretty quickly run out of gas when it comes to those complicated inventory needs," Sleeter notes.

#### **Know what you know, and what you don't**

In addition to finding the right fit when it comes to your small business's accounting needs, Intuit senior marketing manager Catherine Harrell says having a firm grasp of the accounting skills of whoever will be using the software is also a must. "Some entrepreneurs might have MBAs, while others might have been working in the family business since they were a teenager and have no real background with accounting terms," notes Harrell. As a result, even businesses with similar sizes and needs might require different types of software. "We see a lot of small business owners do better with software that uses real, everyday language, rather than a lot of accounting jargon."

Tax expert Joseph Anthony, writing in a recent online column for Microsoft's Small Business Center, notes that this is particularly important because accounting software programs runs on the GIGO (Garbage In, Garbage Out) concept. "For example, most business accounting programs will create balance sheets for you that always balance," Anthony explains. "The problem, in fact the danger, is that the balance sheets will balance whether or not the information recorded by the user makes any sense. I've seen accounting-program balance sheets that showed negative depreciable assets and negative loans from shareholders." In other words, you should keep in mind that your accounting software is only as accurate as the person entering the data.

### Thinking beyond the box

Because of the user's importance in making these accounting platforms work effectively, small, and particularly midsized, business owners should realize that their investment rarely ends with just the cost of the software. And while many small businesses might balk at paying a software consultant around \$100 an hour to train them and their staff, Sleeter, whose firm specializes in this kind of post-purchase training, says he has seen countless examples of companies skimping on the start-up phase only to have a big mess on their hands at the end of the year. "Having a tax pro come in and fix a whole year's worth of accounting errors usually ends up costing more than had you spent the time and money on getting set up and educated properly."

Gene Marks, an accountant who runs his own 10-person accounting software consulting firm, adds that this familiarization process should start even before you make the purchase. "It blows my mind the lack of due diligence I see from many small business owners," he says. "They are getting a system that their company is going to use to track their finances for years and most of the time, they will settle for a quick, 20-minute demo before going ahead and buying." Even for a software package in the lower-price range, Marks says vendors should be willing to arrange a more realistic trial run for the small business owner as well as the actual users of the software. "You should be able to test-drive it with your own employees using some of your own financial data," Marks counsels. "Not only does this tactic give you a more realistic idea of how well the software will fit your company, it gets the actual users to 'buy-in' to the decision early on."

### Don't get stranded on "Accounting Island"

Perhaps one of the most commonly overlooked criteria for choosing accounting software involves its compatibility with all the other software platforms you are already running, or what Intuit's Harrell calls your small business's "ecosystem." For smaller businesses, this generally means finding an accounting program that works easily with popular desktop programs like Microsoft Excel, Access, and Word, and is well known within the professional accounting world, in case you outsource your tax filing. "You will want a product that connects to all the critical pathways of your business, both internally and externally," notes Harrell.

Larger, mid-sized businesses, however, often have in place industry-specific, customized software products to help run their company. In those cases, accountant Gene Marks says it's important to think of the accounting software packages as an add-on, meaning their compatibility, rather than their price, should become your priority when deciding on which one to buy. "You can usually narrow your list of accounting software choices by talking to the vendor that sold you your third-party software, as they will know which packages work best with their environment," explains Marks. "In these cases, you'll find that QuickBooks and Sage products tend to be the best choices because their market dominance means they typically have the most compatibility across different industry software platforms."

### What's next?

Predicting where your small or mid-sized company will be next year, let alone in three to five years, is often difficult for even the savviest of business owners. Still, having a general idea of your company's short and long-term goals can be critical in picking the right kind of accounting software.

"To find the best fit when evaluating accounting software, it's good to look at the entire product line," advises Harrell. If your expectations are for high growth, you're better off picking a product that will easily expand with your business. And while more advanced features and the ability to quickly process ever-larger amounts of data can inform your accounting software purchase decision, a more common method for figuring out which level of product you may need in the future revolves around user access. (For a general breakdown of the accounting software pricing tiers and their corresponding access, see sidebar.)

"When it comes to their products, accounting software vendors are always thinking, 'How many people will be using it?'" says Gene Marks. "So, you absolutely need to be asking yourself the same question because that, more than anything, can raise the price quite quickly." The most basic accounting software products are tailored toward small businesses that will have just one licensed user, Marks explains, while the next software tier generally handles anywhere from two to five users at the same time. Above that, and you'll be entering into the much more expensive mid-sized business accounting software market.

And if your company does fall into this higher range, Marks emphasizes the importance in understanding your prospective software product's licensing rules. "Some software packages only require you to buy licenses for the maximum number of concurrent users," Marks explains, "which means that if your company has 10 different employees that will use the accounting program, but only five need access simultaneously, you only have to pay for five licenses." On the other hand, Marks points out that some software companies require a separate license for each named user. Revisiting the previous example, this would require purchasing licenses for all 10 employees, which could translate into hundreds, if not, thousands of extra dollars in cost.

### To upgrade or not to upgrade

For many small and mid-sized businesses, this need for greater user access is a common reason to upgrade. Likewise, if your current accounting platform starts to take an unreasonable amount of time to generate reports and load screens or if you find yourself executing increasingly tortured workarounds to complete certain tasks, you're probably ready to update your software. But if your small business is still humming along two to three years after purchasing an accounting software

program, don't think you're obligated to upgrade just because a new version has been released.

"I still bump into business owners using accounting software that they bought around the end of the Reagan administration and they're doing fine," Marks explains, chuckling. He recommends upgrading only on your company's—not your software vendor's—timetable and dismisses their sometimes ominous 'we will no longer support your version' warnings. "That's because when they quote you the cost of their replacement software and train-up time, it never captures everything associated with moving to a new system," Marks says. "I always take their quote and double it to see if upgrading would really be worth it."

Still, extending your accounting software's life has some risks, notes Doug Sleeter. "I personally don't advise my clients go beyond three years because if you do have questions with software that old, even the vendor help line often won't be able to answer them," he says. Additionally, Sleeter points out that some features, like QuickBooks' payroll function, which is subscription-based, might stop working altogether after a vendor stops supporting an old version. Also, waiting to upgrade in an attempt to pinch pennies might not make financial sense if a new, vastly more productive version is released. "A couple of years ago, all the new accounting software that came out let business owners email their invoices instantly," Sleeter recalls. "All of sudden, you could let your customers pay more conveniently online, which meant you got paid quicker. It was clearly a reason to upgrade rather than wait."

In the end, choosing accounting software involves the same kinds of cost-benefit analysis and consideration of return on investment that you use in the rest of your business decisions. "When accounting software works best," says Harrell, "it should allow the business owner to do much more of what they really love, which is run their business."

### Accounting Software Rundown

Whether you're a first time buyer or a veteran user pondering an upgrade, consider these popular accounting software products for your small or mid-sized business

#### SOLE PROPRIETOR OR START-UP

For self-employed entrepreneurs just starting out or for established small companies with only one or two employees, these accounting software products will probably meet your business's needs without busting your budget. Some even let you try their most basic versions for free, in the hopes that you will upgrade to a purchased product.

##### *Microsoft Office Accounting Express* (Free)

Handy features of Office Accounting Express include full invoicing, data transferral from Excel spreadsheets and QuickBooks files, as well as full integration with Microsoft Outlook's Business Contact Manager (CRM) program and a built-in eBay sales application. Best of all, it's free, either as a standalone product or, if you're looking for one-stop shopping, as part of Microsoft's Office Small Business 2007 suite (\$449).



##### *Intuit QuickBooks Simple Start 2008* (Free)

Geared toward first-time QuickBooks users (it cannot import data from prior versions of Quicken, QuickBooks, or PeachTree), Simple Start lets small business owners get up and running quickly after three easy questions, allowing them to track sales, generate invoices, and run up to 14 different financial reports. If you want a little more, the Simple Start Plus Pack (\$99.95) provides online backup, check management features, and a free Learning Essentials training CD.

##### *Simply Accounting Entrepreneur* (\$49.99)

With a simple, two-step set-up process and no accounting knowledge needed, the entrylevel Entrepreneur package from Simply Accounting targets very small and home-based businesses. Designed for the both the American and Canadian markets, it includes special features (French/English language capability and GST/HST calculation) aimed at north-of-the-border customers along with basic invoicing, expense tracking, and financial report generating features.

#### SMALL BUSINESS

For partnerships, LLCs, and corporations that have matured beyond the start-up phase and now have anywhere from 10 to 100 employees, the accounting software products below would probably be a good fit. Most of these software packages also are scalable, allowing up to five people to use them simultaneously (although this requires buying additional licenses).

##### *Intuit QuickBooks Pro 2008* (\$199.95)

QuickBooks Pro and its more robust cousin, Premier (\$449.95), continue to dominate this section of the small business market. Both include inventory tracking, credit card-purchase handling, and payroll services onto the standard accounting platform. Pro lets you create more than 100 customized business reports, while Premier adds billable hours tracking and a series of industry-specific customizable reports.



##### *MYOB Premier Accounting 2008* (\$299)

Comes with 100 editable business templates pre-loaded to speed start-up or



you can also create your own. This very easy-to-use software boasts of multiyear budget planning capabilities and lets users generate over 200 financial reports that can be sent directly to an Excel spreadsheet or emailed to your accountant as a pdf file. MYOB's Premier also enables syncing of its contact management database with your Outlook folder.



*PeachTree Complete* (\$269.99)

This top-rated software package combines general ledger, payroll, job costing, accounts receivable and payable, and inventory functions with a rarely-seen-at-this-price fixed-asset tracking feature. This feature lets small business owners monitor costs and calculate ongoing depreciation of up to 200 business assets. It also lets user choose from more than 125 daily, weekly, monthly, or annual financial reports.

#### MID-SIZED BUSINESS

For very mature LLCs or corporations that typically have several hundred employees or multiple office locations, the following accounting software products represent some good choices to consider. These products allow anywhere from one to 20 concurrent users and usually require extensive in-house training before they can be installed.

*PeachTree Quantum* (\$3,950)

Designed to support up to 10 named users, Quantum is geared toward midsize and fast-rising small businesses that have outgrown the company's Complete product line. Other advantages to Quantum include more customizable user security profiles and industry-specific product capabilities as well as faster save and load times, thanks to its batch posting process. In addition, the program comes with 12 months of unlimited support and access to upgrades.



*Cougar Mountain Denali 2.6* (starting at \$1,590)

Built by using Microsoft's SQL technology, the latest version of Denali features seven different accounting modules. Included among them are excellent inventory and payroll features, which offer the ability to automatically print out separate W-2s and reports even if your business is spread across multiple states. Cougar Mountain's pricing method also allows for more flexibility and scalability, letting business owners buy separate modules (\$1,195 each) and add users (\$395 each) on an as-needed basis.

*Intuit QuickBooks Enterprise Solutions 8.0* (\$3,000–\$9,000)

Enterprise can accommodate up to 20 users and has five different industry-specific versions besides its Standard Edition. Among Enterprise's more unique features are a built-in electronic data interchange (EDI) platform for automated order processing and a Google Maps function that lets you view a map as well as get directions to any address in your company's customer, vendor, or employee contacts list.

#### Resources

##### Accounting Software Buying Guides

[accounting-software-review.toptenreviews.com](http://accounting-software-review.toptenreviews.com) [findaccountingsoftware.com](http://findaccountingsoftware.com)  
[pcmag.com/category2/0,1738,4793,00.asp](http://pcmag.com/category2/0,1738,4793,00.asp) [accountingsoftwareadvisor.com](http://accountingsoftwareadvisor.com)

##### Product websites

##### SOLE PROPRIETOR OR START-UP

*Microsoft Office Accounting Express 2008*: [office.microsoft.com/en-us/accountingexpress/FX101729681033.aspx](http://office.microsoft.com/en-us/accountingexpress/FX101729681033.aspx)

*Intuit QuickBooks Simple Start 2008*: [quickbooks.intuit.com/product/accounting-software/free-accounting-software.jhtml](http://quickbooks.intuit.com/product/accounting-software/free-accounting-software.jhtml)

*Simply Accounting Entrepreneur*: [simplyaccounting.com/products/entrepreneur/](http://simplyaccounting.com/products/entrepreneur/)

##### SMALL BUSINESS MYOB

*Premier Accounting*: [myob-us.com/premier/](http://myob-us.com/premier/)

*Intuit QuickBooks Pro*: [quickbooks.intuit.com/product/accounting-software/small-business-accounting-software.jhtml](http://quickbooks.intuit.com/product/accounting-software/small-business-accounting-software.jhtml)

*PeachTree Complete*: [peachtree.com/peachtreeaccountingline/complete/](http://peachtree.com/peachtreeaccountingline/complete/)

##### MID-SIZED BUSINESS

*Peachtree Quantum*: [peachtree.com/peachtreeaccountingline/quantum/](http://peachtree.com/peachtreeaccountingline/quantum/)

*Cougar Mountain Denali Version 2.6*: [cougarmtn.com/denali/business-accounting/index.asp](http://cougarmtn.com/denali/business-accounting/index.asp)

*Intuit QuickBooks Enterprise*: [quickbooksenterprise.intuit.com/](http://quickbooksenterprise.intuit.com/)

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