THE ULTIMATE GUIDE
TO
CLOUD-BASED
ACCOUNTING SYSTEMS

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&

P2Binvestor

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By now, you are probably quite familiar with "the cloud," but if you aren't, the cloud is simply a place online where certain applications exist rather than on your desktop computer. Today, small business owners don't need expensive business accounting software because of the many cloud-based solutions available. In this ebook, we take a look at 11 of the best cloud-based accounting applications that help you streamline accounting tasks and reporting while providing access to the real-time financial data you need to make decisions about your business.

We developed this guide for busy business owners and entrepreneurs, finance professionals and those responsible for managing a company's finances, and those tasked with figuring out how to move key accounting processes to the cloud. Cloud-based software is stored online and accessed from a browser or app, not installed as a standalone system on your desktop. In this guide, we'll discuss the advantages, disadvantages, and strategies for using each of the cloud-based tools we mention.

WHY
IS CLOUD-BASED ACCOUNTING
SUCH A GAME-CHANGER FOR SMALL BUSINESSES, ANYWAY?

The short answer is that adopting these tools will save you precious time and money. Cloud-based accounting provides business owners, employees, and outsourced roles like fractional CFOs and contract controllers the freedom to work from any location at any time. In other words, in the cloud-based world, real-time collaboration is easy. You can now use your smartphone to check on your payables, see if an invoice went out, work on account reconciliation, and more. Anything you had to do from your office and desktop in the past can now be done from anywhere. You can also say goodbye to expensive ongoing maintenance costs common with traditional desktop systems—no more system administration costs, version upgrades, or server failures.

You'll have better access to up-to-the-minute reporting and a better overview of your finances overall. Additionally, these systems are often born out of the pain of using traditional and tedious legacy desktop accounting systems, so the cloud options are much more intuitive and easier to use.

Finally, cloud-based accounting systems allow you to better balance your personal and professional life. The key is to determine which systems can best serve your business and invest the time and energy necessary to set them up right and put key integrations in place so that your systems talk to one another.

LET'S GET STARTED!

PART 1
ACCOUNTING ENTERPRISE RESOURCE PLANNING (ERP) SYSTEMS

Your accounting ERP is basically your accounting platform—the machine that houses and organizes the numbers. In this section, we'll review some of the systems you can use to help you manage your accounting data. There are a lot of ERP systems out there, but these are the main contenders on the market today.

QUICKBOOKS ONLINE (QBO)

OVERVIEW
Quickbooks Online (QBO) is a software solution developed by Intuit Inc. QBO is designed to help business owners manage their invoices, accounting, and reporting. It's the best-rated accounting software on the market today.

COST
QBO will run you anywhere from $12.95 per month for the basic package up to $39.95 for the more robust option. See complete table pricing levels and features **here**.

WHO SHOULD USE IT
QBO is a perfect solution for small businesses that are just starting up as well as large businesses that don't have complicated financials or a lot of inventory. It can also be great for service companies and SaaS businesses.

THE GOOD
QBO is ubiquitous, and many people already know how to use the system, which will come in handy when your business is ready to hire a bookkeeper. If you're muddling through on your own for the time being, it is relatively simple to get started, and there are great how-to guides **online** to help answer your questions. While QBO isn't a perfect solution for businesses in all industries, **add-ons** to the app can help mitigate many of the system's shortcomings.

THE BAD
You'll see some negative reviews about QBO online, but these are often due to user error and frustration. QBO is not ideal for inventory-heavy businesses, for example. However, there is an add-on called **SOS Inventory** that can be used as a stopgap for inventory accounting in the system. High-transaction and irregular invoicing is cumbersome —but doable— in QBO and is often unavoidable no matter which system you're using. QBO is not the best tool for complicated financial transactions or if you're doing tax-heavy work. Though again, there are add-ons that help alleviate these shortcomings.

FEATURES

BANKING

+ You can sync your bank account with QBO and integrate data from from multiple accounts as well as download transactions from multiple bank feeds.

+ Over time, you can train QBO to recognize transactions and code them appropriately. However, you must be sure to review your transactions frequently and check for accuracy.

TIME TRACKING, PAYROLL, AND 1099s

+ **QBO Payroll** is an add-on that is supported in all 50 states and it's fairly easy to use.

+ You can issue 1099s right out of QBO or use another online system. Consider using **Track1099** which is cheaper and easier.

+ Track1099 syncs with QBO to pull in all of the transactional data and values, which you can then review and issue.

+ You can provide a limited-access user role to employees to login with only time tracking enabled. They won't be able to see other sensitive company data, but can attribute billable hours to specific clients and include notes about the service they are providing—making invoicing so much easier for you.

ACCOUNTING

+ QBO has all the major accounting features and is straightforward—it's pretty difficult to make errors and mess up your numbers.

+ Accounts payable: Tracking accounts payable is fairly painless and reporting is easy to follow.

+ Accounts receivable: You can easily see who owes you what. Be diligent about matching deposits to your account to payments made on invoices to keep your account in check.

+ You can issue all of your invoices out of QBO and then choose if you want to email or print them yourself (for those who prefer to check every invoice) or have QBO email them for you.

+ Double entry accounting! For every debit you enter there is an associated credit. This ensures that your books are coherent and balanced.

+ It's difficult to get things upside down. Your balance sheet will balance, and errors are easy to notice and fix.

+ You can add in a budget and easily view your budget-to-actuals data. Creating a rolling budget, however, is very difficult and generally more trouble than it is worth.

REPORTING

+ QBO's reporting ability is robust, and with a little customization you can pull the information you need out of the system.

XERO

OVERVIEW

Xero is a New Zealand-based company that develops software for small-to-medium-sized businesses. The key features of Xero include automatic bank and credit card account feeds, invoicing, accounts payable, expense claims, fixed asset depreciation, purchase orders, and standard business and management reporting.

COST

Xero's starter pricing will run you about $6.30 per month, and even at its most premium pricing level, you'll still only be spending around $50 — making it a very inexpensive solution. See a complete table of features per pricing level **here**.

WHO SHOULD USE IT

Xero is best for businesses that are smaller, and it has greater functionality if you are based in the UK, Australia, or New Zealand (Xero's home country).

THE GOOD

Like QBO, Xero is easy to use and is very good for service and SaaS businesses, and it has some app add-ons that help mitigate a few of its shortcomings. Compared to QBO, Xero has better customization options and automation features that are very helpful.

THE BAD

Xero is another platform that is not built for inventory-heavy businesses. However, their base product is better than QBO at handling inventory, and they also have app add-ons to mitigate shortcomings. Xero's navigation can be cumbersome in the beginning, but you will become more proficient as you spend time in the system. The payroll feature isn't exactly intuitive and is also limited in its functionality. In addition, assigning cost categories is a bit limited. You are only allowed two categories, but you can have sub-categories; you can use them as a workaround solution.

FEATURES
BANKING

+ Xero has more robust transaction matching for imported bank feeds than QBO.
+ You can integrate multiple bank accounts and download transactions from bank feeds via online logins or file uploads.
+ Like QBO, you can train Xero to recognize transactions and code them. Be careful that you review your transactions frequently for accuracy.

TIME TRACKING, PAYROLL, AND 1099S

+ The software is only supported in 20 states, and tax filing isn't easy.
+ A serious drawback of using Xero is lack of native payroll functionality: you only have the option of using an add-on like Gusto or Zenefits to manage your payroll. However, those tools are easy to set up and use, and they integrate easily with Xero.
+ You can issue your 1099s right out of Xero, as they use Track1099 (mentioned above).

- Your employees can log into Xero with only time tracking enabled. They won't be able to see other sensitive company data, but they can attribute billable hours to specific clients and include notes about the service they are providing—making invoicing so much easier for you.
- Unlike QBO, Xero does not allow you to enter start and stop times, only total hours worked. This may be a drawback for businesses in some industries.

ACCOUNTING

- Xero covers all the bases with major accounting features
- Accounts payable functionality is very similar to QBO, and it is easier to invoice for accounts receivable than QBO.
- You can do your invoicing out of Xero.
- Double-entry accounting is built in, meaning that for every debit you enter there is an associated credit. This ensures that your books are coherent and balanced.
- Just as in QBO, you can add in budgets and easily see your budget-to-actuals data.

REPORTING

- Aesthetically, Xero's reporting is much better than QBO.
- The reporting is extensive, so with a little effort you can really pull some professional-level reporting from the system.

INTACCT

OVERVIEW

Intacct is a California-based company that provides accounting software to small-to-medium-sized businesses that have outgrown the functionality of QBO. The Intacct system includes applications for accounting, contract management, revenue recognition, inventory, purchasing, vendor management, financial consolidation, and financial reporting.

COST

Intacct is on the spendier side of ERP solutions with pricing starting at $400 per month. Check out their pricing structure **here**.

WHO SHOULD USE IT

Intacct is an amazing cloud-based product for small and medium-sized businesses. It is designed to scale with a company as they grow. Intacct not a large system like Great Plains or the even larger Oracle or SAP financial systems, but it is a great mid-range tool that can help a company grow. It offers all of the functionality that Xero and QBO have, plus much more for companies that have more financial complexity.

THE GOOD

Intacct scales well with businesses. Unlike Xero and QBO, it handles inventory very well. Intacct is also great for transitioning from QBO or Xero to a system with more functionality. It has a great multi-user interface with information-access gating that is easy to implement.

THE BAD

Intacct is complex with a higher learning curve than QBO and Xero. It is also expensive and a bit too big for a small business if they don't need all the extra functionality. Reporting can be difficult to understand in the beginning.

FEATURES

BANKING

+ Import statements from all your financial institutions and automatically reconcile your checking, savings, and credit card accounts.
+ Spot exceptions, manage bank errors, monitor for fraud, and maintain accurate cash balances.

TIME TRACKING, PAYROLL, AND 1099s

+ Employees can enter their time and expense data anytime, anywhere. Managers get instant alerts to review and approve those reports.
+ Track, record, and report on all 1099 vendors via Intacct's internal 1099 reporting, or utilize an outside service.

ACCOUNTING

+ A double-entry system with cash and accrual options makes accounting easy.
+ Users have access to deep functionality that automates even complex processes and surfaces the richest financial and operational insights.

REPORTING

+ Intacct tracks and reports on both financial and operational data like square footage, available hospital beds, SaaS metrics, or other measures that are important to your business.

EXCEL: A POWERFUL ACCOUNT TOOL

IS EXCEL AN ERP? NO, BUT IT IS A POWERFUL ACCOUNTING TOOL.

In addition to stock reports, you can also use Excel to drill down into the information in each of the systems in this guide and better see the forest through the trees. Building additional reports—although intimidating—is extremely useful. Detail can be an obstacle, but when you use pivot tables that data quickly transforms into information that can help drive home your point to investors and employees. Don't be afraid of Excel; embrace its capabilities and leverage it as a resource to help you quickly spot trends and pitfalls.

PART 2
ERP ADD-ONS

Even with a robust ERP, your accounting system's functionality may come up short. ERPs aren't built to address the intricacies of every business model, and you will want to customize your accounting system to meet the unique needs of your business. In this section, I will address several add-on options that can help mitigate ERP shortcomings and get you where you need to be. These systems are inexpensive and will save you considerable time so you can spend your days filling the top of the sales funnel instead of crunching the numbers on your bottom line.

BILL.COM

WHAT IT IS
Software to manage accounts payable, accounts receivable, and online bill pay

COST
You can get started with the "Essentials" package for about $20 per month, and they offer a variety of packages based on your company's size and needs. See complete table of pricing levels here.

THE NITTY GRITTY
+ This program is a must have for small business owners looking to save time in their A/P and A/R processes.
+ Bill.com handles all of your accounts payable and accounts receivable allowing payments to be processed entirely online. They also improve financial controls, keep people out of your accounting ERP, ensure data integrity, and make data processing fool proof.
+ The reason this program is so popular is because it allows people to do their jobs while providing data checks to ensure there are no mistakes.

THE EXTRA AWESOME
+ Digital copies of all of your vendor bills and receipts makes tax time and due diligence easy.
+ If you're being audited on a monthly or quarterly basis by a funding partner, bank, or other financial institution, Bill.com makes it so simple to have everything at your fingertips to quickly and accurately report your numbers

FRESHBOOKS.COM

WHAT IT IS
Software to manage accounts payable, accounts receivable, and online bill pay

COST
Freshbooks will run you about $20 per month for the beginner package up to around $50 for the most advanced pricing level. You can view a complete table of features per pricing level **here**.

THE NITTY GRITTY
+ FreshBooks is an easy-to-use online accounting platform that allows you to manage all your invoices easily and track your customers. Integrated time tracking and advanced follow-up functionality make it the easiest tool for freelancers and small and medium companies.
+ The reason this program is so popular is because it is very simple and enables anyone, regardless of their knowledge of accounting, to do their jobs.

THE EXTRA AWESOME
+ Digital copies of all of your vendor bills and receipts makes tax time and due diligence easy.

EXPENSE REPORTING

Nobody likes expense reports. Employees don't like filing them, and accountants don't like chasing down receipts. These add-ons take away the headache and make the process much simpler for everyone involved.

EXPENSIFY.COM

WHAT IT IS
Browser-based software as well as an app that makes expense reporting easy

COST
Expensify is extremely affordable. For a small business, it costs only about $5 per employee per month. See complete table of features per pricing level **here**.

THE NITTY GRITTY
+ Expensify provides a website and an app to make creating expense reports quick and painless. Easy to use on mobile devices.

THE EXTRA AWESOME
+ The system syncs with Bill.com for easy expense reporting and reimbursements for employees and contractors.

TALLIE.COM

WHAT IT IS
Very simple and easy-to-use expense reporting software

COST
The "Business" plan will run you $9 per active user monthly and enterprise-level plans have custom pricing. See complete table of features per pricing level **here**.

THE NITTY GRITTY
+ Tallie actively syncs with Bill.com and QBO for easy expense reporting and reimbursements for employees and contractors.

THE EXTRA AWESOME
+ Tallie automatically updates your chart of accounts in QBO.

CONCUR.COM

WHAT IT IS
Browser-based expense reporting software that makes it simple to manage employee spend associated with travel, expenses, and invoices

COST
You can test drive Concur as a single user for $8 per month. After that, you can **get a quote online**.

THE NITTY GRITTY
+ Concur is easy to use and makes it simple to quickly view and attribute your expenses to different business trips, departments, or events.
+ Managers can easily approve or reject reported expenses.
+ Easily integrates with most ERP and accounting software.

THE EXTRA AWESOME
+ You can easily view flight schedules and book travel straight from the app.
+ Concur can auto-match your purchase orders with supplier deliverables.
+ You can integrate your credit card with the system and automatically pull in any charges from that card.

PAYROLL & BENEFIT SYSTEMS

Payroll takes time, is complicated, and is often fraught with issues. You need your HR department to be focused on your people, not dealing with technical difficulties while running payroll and the administering benefits. While no system is perfect, the following two are very easy to use, have great support, and can save you loads of time while reducing errors.

GUSTO.COM

WHAT IT IS
Payroll servicing software

COST
Gusto runs about $6 per user per month plus a $39 per-month basic account fee. **Use their tool** to estimate your pricing.

THE NITTY GRITTY
+ Gusto features a super simple online payroll system that handles all of your reporting and filings with each state.

THE EXTRA AWESOME
+ Hate filing all those tax forms? Gusto does it all, so you don't have to.
+ Gusto takes the pain out of paying your payroll taxes and does that on your behalf. It also provides the reporting you need to understand what was filed, when, and how much was paid (your accountant will love this!).

ZENEFITS.COM

WHAT IT IS
Payroll and benefits software

COST
Quasi-free! Find out more **here**.

THE NITTY GRITTY
+ Zenefits provides an easy-to-use online payroll system that handles all of your reporting and filings with each state.

THE EXTRA AWESOME
+ Zenefits has a full suite of benefits and packages to choose from, and you can use the parts of the system you like, be it payroll, insurance, or any other program.

FORUSALL 401(K) PLATFORM

WHAT IT IS
Cloud-based 401(k) platform with dedicated financial advisors available to you and your employees

COST
ForUsAll will run you about $94 per month plus $5 for every employee (the first 10 are free). **Use their tool** to calculate your price. They utilize Vanguard funds, and the fund fees are anywhere between 0.50% and 1%. Your gains aren't just going to the fund manager; this is exactly what you want in a 401(k) platform.

THE NITTY GRITTY
+ Great online platform that is very suited to small first-time businesses trying to start a 401(k) program. Highly knowledgeable, and they bear the financial burden for all of the filings so you don't have to.

THE EXTRA AWESOME
+ ForUsAll is an amazing program that is especially useful for first-time investors.

THE END

The biggest thing to remember with any cloud-based accounting system is oversight. If implemented and integrated properly from the start, these products will save you a significant amount of time across your accounting processes. However, they do need to be monitored on a regular basis to ensure there are no errors. Set aside a certain amount of time each week to check in on your accounting ERP and add-ons so you can feel confident that everything is running smoothly.

Know and love an awesome tool not mentioned in this guide? Send a note to hello@p2bi and we'll keep it in mind for our next guide.

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Drew is the managing director of Focused Energy. He grew up in Buffalo, NY, is one of five kids in an entrepreneurial family, and he loves to focus his talents on helping people succeed. He has over six years of experience in the financial services industry, with experience in the traditional and alternative energy industry, industrial manufacturing, and SaaS markets. He focuses on helping owners zero in on what they need to know to grow their businesses, fix operational issues, and figure out how to make their businesses as successful as they can be.

Focused Energy provides outsourced accounting and finance solutions with efficient and affordable service built on trust and integrity.

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